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

Condensed Financial Statements
As at March 31 2020
(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.

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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 2019. The statements herein should be read in conjunction with the 2019 Annual Report.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	As at March 31		As at December 31
	2020	2019	2019
Key performance indicators:			
Return on equity[c]	**(2.6)**	12.7	9.8
Return on average assets[c][e]	**(0.20)**	0.96	0.76
CET1 capital ratio	**10.84**	11.65	11.88
Leverage ratio	**6.42**	7.32	7.34
Liquidity coverage ratio	**128**	129	123
Ratio of income[b] to average assets[c][e]	**2.06**	3.26	3.02
Efficiency ratio	**74.7**	53.0	56.8
Ratio of net interest income to average assets[c][e]	**1.85**	1.87	1.92
Ratio of fees and commissions to average assets[c][e]	**0.76**	0.71	0.70
Additional performance indicators:			
Ratio of total capital to risk-weighted components[a]	**15.02**	15.07	15.67
Equity (excluding non-controlling interests) to total assets ratio	**6.8**	7.9	7.5
Rate of tax provision from net income, before taxes	**15.7**	35.5	33.9
Loan loss expenses out of average outstanding loans to the public[c]	**1.20**	(0.03)	0.22
Of which: Expenses for collective provision for average outstanding loans to the public[c]	**1.06**	0.15	0.20
Net interest income to average balance of interest-bearing assets (NIM)[c]	**2.07**	2.08	2.14
Total income to total assets under management by the Group[b][c][d]	**0.62**	0.99	0.86
Total operating and other expenses to total assets under management by the Group[c][d]	**0.46**	0.52	0.49
Key credit quality indicators:			
Percentage of balance of loan loss provision for loans to the public out of outstanding loans to the public	**1.33**	1.18	1.16
Percentage of impaired non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public	**1.16**	1.21	1.23
Percentage of net accounting write-offs out of average loans to the public	**(0.07)**	(0.02)	(0.24)

(a) Equity - Including non-controlling interests and various adjustments.
(b) Total income - 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.

Main income statement data

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	In NIS millions		
Net income (loss) attributable to the Bank's shareholders	**(232)**	1,092	3,522
Interest income, net	**2,169**	2,120	8,841
Loan loss expenses (income)	**860**	(18)	609
Noninterest income	**246**	1,555	5,081
Of which: Fees and commissions	**893**	809	3,225
Total operating and other expenses	**1,803**	1,946	7,908
Of which: Salaries and related expenses	**935**	1,136	4,325
Net earnings per share attributable to the Bank's shareholders (in NIS):			
Basic and diluted net income (loss)	**(0.16)**	0.73	2.37

Main balance sheet data

	As at March 31		As at December 31
	2020	2019	2019
	In NIS millions		
Total assets	**532,449**	456,487	469,134
Of which: Cash and deposits with banks	**103,171**	76,380	76,213
Securities	**94,012**	79,553	84,949
Loans to the public, net	**294,486**	277,546	282,478
Total liabilities	**495,740**	420,066	433,260
Of which: Deposits by the public	**418,627**	364,019	373,644
Deposits by banks	**6,172**	4,488	6,176
Bonds, promissory notes and subordinated bonds	**22,530**	20,951	19,958
Shareholders' equity	**36,245**	35,940	35,406

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]

Background

The first quarter of 2020 was characterized by the spread of the coronavirus, which began in China in late 2019, and started to impact most world countries during the first quarter of 2020. As of mid-May 2020, more than 4.7 million people contracted the virus, about a third of whom reside in the US, and more than 300,000 have died worldwide. Most governments imposed a lockdown, bringing to a halt significant parts of the economic activity and taking care of those hurt by the disease, while significantly increasing the costs incurred for taking care of citizens and businesses whose work was disrupted. Central banks across the world used a variety of tools to support economic activity, beyond reducing interest rates.

The Global Economy

On April 14 2020, the International Monetary Fund (IMF) revised its forecasts for 2020, emphasizing that there was "extreme uncertainty regarding the global growth forecast". This forecast is based on a key scenario whereby the pandemic subsides in the second half of 2020, with restrictions being lifted gradually. According to the forecast, the gross world product (GWP) is expected to decline by 3 percent in 2020 (compared to a 2.9 percent growth in 2019, i.e., a negative difference of 6 percent), recovering to a growth rate of 5.8 percent in 2021. The forecast was made under the assumption that the activity will be supported by the substantial policy measures taken both by governments and central banks. For the leading economies, the damage is more substantial: In the US and especially in the Eurozone, negative growth rates are expected: 5.9 percent and 7.5 percent, respectively. This means negative differences compared to the 2019 growth rates and pre-crisis forecasts for 2020, of 8-9 percent.

Global growth/real change rate
Source: IMF - World Economic Outlook - January 2020

	2020	2019
World	**(3.0)%**	2.9%
USA	**(5.9)%**	2.3%
Eurozone	**(7.5)%**	1.2%
Japan	**(5.2)%**	0.7%
United Kingdom	**(6.5)%**	1.4%
China	**1.2%**	6.1%
India	**1.9%**	4.2%

The coronavirus pandemic has led the world's largest central banks to implement a highly expansionary monetary policy, including use of various tools beyond the interest rate to support the financial and monetary markets. The Federal Reserve, for example, decreased the interest rate to the 0.00-0.25 percent range and implemented quantitative easing by various means. In all leading economies, the interest rate is near-zero and in some - even negative, with little likelihood of increasing in the foreseeable future. Long-term interest rate is also at very low levels, and in some economies - even negative.

Growth in the Israeli Economy

The coronavirus crisis adversely affected the Israeli economy's growth as early as the first quarter of 2020, despite the significant decline in activity, almost to the point of complete shutdown beginning in mid-March. The labor market was immediately affected by the crisis and over one million workers - which comprise more than a quarter of all workers - were off-work, most on unpaid leave.

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

The effect on the various economic sectors is not uniform - with some coming to a complete halt and others - only partially. The return to routine activity, albeit different than the usual one (at least until a vaccine is found) will depend on decisions made in Israel and around the world on how to halt the virus' spread and the public's behavior. In its April 6 2020 forecast, the Bank of Israel estimated that the GDP would decline by 5.3 percent in 2020, following a 3.5 percent growth rate in 2019. The forecast was made under the assumption that most restrictions aimed at preventing the spread of the coronavirus would be gradually lifted by the end of June, such that in the second half of the year, the economy would return to full work without significant restrictions on movement and labor, moving to a growth trajectory. However, the Bank of Israel estimated that even after restrictions are lifted, recovery will be gradual and that only in late 2021 the labor market is expected to be characterized by employment rates similar to those prior to the crisis, and that the unemployment rate will remain significantly higher than on the eve of the crisis.

The State Budget and its Funding

In the first quarter of the year, the state budget deficit reached NIS 13.3 billion, compared with a NIS 9.3 billion deficit in the same period last year. In March, the effects of the coronavirus crisis on the budget became manifest, especially in terms of tax revenues, which declined substantially. Since the government operated without an approved budget since the beginning of the year, it was able to spend 1/12 of the 2019 budget in each month. Due to the coronavirus crisis, the government was required to spend significant amounts. Therefore, on April 7 2020, an amendment to the law enabling the government to increase its spending beyond the budget framework described above was approved, solely for the purpose of funding the handling of the crisis.

In March 2020, the government decided on a series of measures totaling approx. NIS 80 billion in order to help the economy handle the crisis, as outlined below.

The increased spending in order to address the economy's needs and the sharp decrease in the State's revenues as a result of the decline in economic activity is expected to increase the deficit substantially. According to the estimate of the Chief Economist of the Ministry of Finance as of the end of April 2020, the budgetary deficit in 2020 is expected to total more than 11 percent of GDP (under a relatively quick recovery scenario).

To diversify the deficit's funding sources, the Israeli government raised approx. USD 10 billion in long-term bond issues oversees in March and April 2020, following another approx. USD 3 billion in bonds it had raised in January 2020.

Foreign Trade

Israel's trade deficit reached USD 5.2 billion in the first quarter of 2020, compared with USD 4.6 billion in the corresponding period last year. The increase in the trade deficit stems from a more substantial decline in exports relative to imports (specifically, imports of consumer products and investments were down, as were diamond imports). On the back of the coronavirus crisis, the National Bureau of Statistics noted that in the second half of March, the number of flights declined substantially and the type of shipping may have affected the imports and exports of goods from Israel.

Exchange Rate and Foreign Exchange Reserves

In the first three months of the year, the shekel depreciated against the US dollar by 3.2 percent, and 0.6 percent against the euro. During March 2020, there was significant volatility in the foreign exchange market, and the NIS depreciated, reaching 3.862 on March 17. The Bank of Israel, which is outlined below, was aimed at mitigating the volatility and strengthening the shekel.

The Bank of Israel's foreign exchange reserves totaled, as at the end of March 2020, approximately USD 126.0 billion, similarly to their level as at the end of December 2019.

During the first quarter of 2020, the Bank of Israel purchased foreign currency in the amount of USD 6.7 billion. On the other hand, against the backdrop of the ramifications of the coronavirus crisis on the foreign exchange market, the Bank of Israel transferred a total of USD 7.5 billion in short-term dollar credit to the financial system.

Inflation and Monetary Policy

The "in lieu" Consumer Price Index was down in the first quarter of 2020 by 0.1 percent, a rate which is under the lower band of the price stability target (1-3 percent) prescribed by the government. The coronavirus crisis had little effect on the National Bureau of Statistics' ability to gather data when calculating the March CPI.

The “known” Consumer Price Index was down 0.5 percent in the first quarter of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.25 percent. However, beginning in March 2020, due to the worsening of the coronavirus crisis, the Bank of Israel took a series of policy measures aimed at boosting monetary expansion, in order to support financial stability and provide relief to customers of the banking system, as outlined below.

On April 6 2020, due to the extent of the damage to economic activity in Israel, the Monetary Committee decided to lower the interest rate from 0.25 percent to 0.1 percent. The Committee noted it would “expand the use of the existing tools, including the interest rate tool, and will be able to operate additional ones, to the extent that the crisis lengthens and it is necessary to achieve the monetary policy goals and to moderate the negative economic impact as a result of the crisis.”

Israel’s capital market

The Shares and Convertible Securities Index was down in the first three months of the year by approximately 20.9 percent after rising by 17.8 percent in 2019. Most of the price decreases were in March 2020, following the worsening of the coronavirus crisis across the world and in Israel, which adversely affected financial markets worldwide. In April 2020, the index rose by approx. 11.4 percent, similarly to leading stock exchanges across the world, following initial easing of the lockdown restrictions in some countries, including Israel, on the back of the slowing spread of the virus.

The average daily trade volume of shares and convertibles was up 68.5 percent in the first quarter of the year compared with the 2019 average, totaling NIS 2,190 billion.

In January-March, the government bond market was characterized by price decreases, especially in March, as the coronavirus crisis worsened and the public sought to dispose of financial assets in substantial volumes. The CPI-Linked Government Bond Index was down 3.0 percent, while the Non-linked Government Bond Index was down 1.1 percent.

The Non-Government (corporate) CPI-Linked Bond Index was down by a sharp 7.8 percent, following the halt of economic activity and the fear of the resulting effect on companies’ financial position.

In April 2020, the CPI-linked and non-linked government bonds indices recorded increases of 2.5 percent and 1.9 percent, respectively, while the corporate bonds index was up by 3.6 percent.

The Israeli Government’s Relief Program

The coronavirus crisis, which dealt a harsh, quick economic blow to households and businesses, brought the Israeli government to announce, in March 2020, a series of measures totaling approx. NIS 80 billion in order to cope with the crisis. The program mainly included state-backed loan funds and support for the self-employed.

The Bank of Israel’s Monetary Program

Beginning in March 2020, the Bank of Israel acted - through a series of policy measures, beyond decreasing the interest rate to 0.1 percent, in order to support the financial markets - to assist by implementing the monetary policy and help the customers of the banking system, businesses and consumers. The actions included the following:

1. Open market activity, including purchasing NIS 50 billion in redeemable government bonds of various types and durations in the secondary market in order to ensure the proper functioning of the government bonds market and ease the credit terms in the economy, while supporting economic activity and financial stability.
2. Executing repo transactions with government bonds as well as corporate bonds rated AA and upwards, as collateral, with financial institutions.
3. Various regulatory reliefs to provide services to the public.
4. Activation of another liquidity tool in the financial market, in the amount of up to USD 15 billion, designed to provide dollar liquidity to the local banks.
5. Decreasing the capital requirements from the commercial banks by one percentage point.
6. Issuing guidance to the banks’ boards of directors to reconsider their dividend distribution and share buyback policies at this time.

7. The Bank of Israel offered the banks a fixed-interest loan program for a period of 3 years at a 0.1 percent rate in order to increase the credit supply for small and micro-businesses (the program will total NIS 5 billion).

These measures by the Bank of Israel boosted stability in the financial markets, thus enabling the Bank to help its customers both in the business segment and household segment.

Impact of the Coronavirus Crisis

The first quarter of 2020 was characterized by the spread of the coronavirus, which began in China in late 2019, and started to impact most world countries during the first quarter of 2020. As of mid-May 2020, more than 4.7 million people contracted the virus, about a third of whom reside in the US, and more than 300,000 have died worldwide. Most governments imposed a lockdown, bringing to a halt significant parts of the economic activity and taking care of those hurt by the disease, while significantly increasing the costs incurred for taking care of citizens and businesses whose work was disrupted. Central banks across the world used a variety of tools to support economic activity, beyond reducing interest rates.

The coronavirus crisis is a significant event accompanied by substantial uncertainty in terms of duration and extent of the impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank's business, may be substantial, including in terms of increased credit risk from borrowers and liquidity difficulties of borrowers, inter alia, on the back of the increase in unemployment rates and economic slowdown.

In order to enable business continuity to support businesses, multiple Leumi units transitioned to a new work mode, which combines large scale work from home physical separation of organic units, and adjustments to work and control procedures. The new work mode increases exposure to operational risks, especially cyber risks, systems availability, human error, fraud, embezzlement and information leakage. In order to ensure that the exposure remains within the boundaries of the risk tolerance - business, work-flow and automation controls were set to mitigate the risks. It should be mentioned that throughout the months-long crisis, the Bank continued to provide the entire array of services to its clientele, while providing solutions to cope with the challenges presented by the pandemic.

As a result of the crisis, the severity level of the global systemic risk and the local systemic risk increased in Q1 of 2020 from “moderate” to “moderate-high”. The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios.

In the wake of the coronavirus crisis, the Banking Supervision Department decided (in the letter of the Supervisor of Banks dated March 29 2020), to reduce the minimum regulatory capital adequacy requirements. As a result, the Bank's Board of Directors decided on April 16 2020 to set an internal CET1 capital ratio threshold of 9.5 percent in lieu of 10.5 percent and that the Bank will discontinue, at this stage, the dividend distribution and the Bank's share buyback plan.

Due to the increased risk level, the Bank maintains - throughout the crisis period - strict underwriting processes. In this context, emphases in credit granting during the crisis period were pinpointed and the Bank's underwriting processes were rendered more stringent, including credit granting authorizations. At the same time, controls monitoring risk focal points are being implemented, and while continuing to manage the risk throughout the crisis period, the Bank supports its customers and helps them cope with the crisis's challenges. Following the crisis, loan loss expenses were up, amounting to NIS 860 million in the first quarter of 2020. Most of the increase is in the collective loan loss provision, which is calculated based on the deterioration in the economic indicators.

Against the backdrop of the material ramifications of the coronavirus event and the extreme volatility in the financial markets towards the end of the reporting period, there was an increase in the credit spreads of all local and foreign financial institutions to which the Bank is exposed. The Bank increased its level of monitoring of foreign financial institutions as part of its risk exposure thereto, adjusting the exposure in accordance with the changes in the risk environment it had identified. The main exposure to banks and foreign financial institutions is reflected in investment ratings. The Bank does not believe that these banks and financial institutions are at a high risk level.

During March, capital markets experienced sharp drops and high volatility.

In the reviewed period, there was a significant increase in the balance of deposits by the public from retail and business customers, mainly in NIS, partly as a result of the diversion of public funds from the capital market, which increased the LCR (liquidity coverage ratio). Throughout the reviewed period, the LCR in foreign exchange and across all currencies was higher than the regulatory requirement.

As the crisis intensified, there was a rise in finance costs in the local forex market, as well as a sharp decline in the market's liquidity level. During March, the Bank of Israel began to intervene in the foreign exchange market, providing USD liquidity to the Israeli banking system through short-term FX swaps. This activity was designed to enable the banking system to continue to provide solutions to institutional investors' need for currency hedging, which were growing as the crisis unfolds.

From the beginning of 2020, the Bank manages the exposure to interest rate changes on the basis of fair value, while taking into account the interest rate exposures for the pension liabilities less plan assets. During the reviewed period, and in the wake of the unfolding crisis in the capital markets, material changes have occurred in the exposure of value to interest rate changes, especially due to the increase in the marketable credit risk spreads, which caused the value of the Bank's own (nostro) portfolios to decline, as well as the pension liabilities.

During the first quarter, the Bank's noninterest finance expense was up by NIS 660 million (before tax) and a NIS 632 million negative capital reserve (before tax) was recorded. After the balance sheet date and until immediately before the publication date of the financial statements, there was a significant increase in the value of the securities, which offset a substantial part of the losses and capital reserve decrease recorded in the reporting period.

It should also be noted that the capital reserve for employee benefits decreased in the first quarter by NIS 2,969 million (before tax) in view of the higher discount interest rate. After the balance sheet date and until the financial statements' publication date, the capital reserve for employee benefits was up on the back of the decrease in the discount interest rate.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

During March 2020, the US Federal Reserve decreased the interest rate from 1.50-1.75 percent to 0.00-0.25 percent. During April 2020, the Bank of Israel decreased the Bank of Israel interest rate from 0.25 percent to 0.1 percent. These decreases, which were made on the back of the coronavirus crisis, are expected to hurt the Bank's finance income.

Throughout the crisis period, the Bank applies stringent risk management practices and continuously examines its events and modes of operation in order to prepare in advance and adapt its activity and strategy, as needed.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

Material Changes in Financial Statement Items

The results in the first three months of 2020 (hereinafter - the "reporting period") were materially adversely affected by the direct and indirect effects of the coronavirus spread. As a result, during the reporting period, the loan loss expense increased substantially and there was a significant decline in the value of the financial assets in the capital markets.

The **net loss** attributable to shareholders amounted to NIS 232 million, compared to a net income of NIS 1,092 million in the same period last year.

The return on equity in the reporting period was at a negative rate of approx. 2.6 percent compared to a positive return rate of 12.7 percent in the same period last year (10.1 percent net of the sale of Leumi Card).

The CET1 capital to risk components ratio as at March 31 2020 was 10.84 percent. The total capital ratio as at March 31 2020 was 15.02 percent.

Comprehensive income for the reporting period totaled NIS 1,359 million compared to NIS 910 million in the corresponding period last year. The difference between the comprehensive income for the period and the net loss stems mainly from adjustments to employee benefits liabilities on the back on the increased discount interest rate, which was partially offset by adjustments for available-for-sale bonds. These adjustments were stated directly in other comprehensive income and in later periods - in profit and loss.

Loans to the public, net as at March 31 2020 totaled NIS 294.5 billion, a 6.1 percent increase compared with March 31 of last year. The increase in loans is partly due to the utilization of credit facilities and an increase in customers' liquidity needs.

Loans to the public as at March 31 2020 totaled NIS 418.6 billion, a 15.0 percent increase compared with March 31 of last year. The increase is mainly due to a transfer of funds from financial markets to deposits and an increase in deposits by institutionals.

For more information, please see the section entitled "Structure and Development of Assets and Liabilities, Equity and Capital Adequacy".

Net interest income in the first quarter of 2020 was up by approx. NIS 49 million, a 2.3 percent increase over the corresponding period last year. The increase in net interest income mainly arises from an increase in the average outstanding loans to the public. Interest income was adversely affected by a negative CPI of 0.5 percent in the reporting period, and by a negative rate of 0.3 percent in the corresponding period last year.

Loan loss expenses for the first quarter of 2020 reflect an expense rate of 1.20 percent of the average outstanding loans to the public compared to a negative expense (income) rate of (0.03) percent in the corresponding period last year. The significant increase in the rate of loan loss expenses stems from the effect of the changes in the macroeconomic environment against the backdrop of the coronavirus spread and the accompanying economic uncertainty. Most of the increase at this stage is manifested in the collective provision against the backdrop of the deterioration in the economic indicators underlying the calculation of the provision and especially those relating to the unemployment rate and the risk embodied in various economic sectors. At this stage, it is difficult to determine the magnitude of the crisis and the effect of the measures employed by the Government and the Bank of Israel in order to help the economy overcome the crisis. The increase in the collective provision was designed to meet the possible increase in the specific provision in the subsequent quarters and a possible adverse development in the number of days in arrears.

Noninterest finance income (expense) in the first quarter of 2020 totaled approx. NIS 660 million, compared to a total of approx. NIS 665 million in the corresponding period last year (NIS 351 million net of the effect of last year's sale of Leumi Card). The results of Q1 2020 were adversely affected by the decline in the market value of securities in the reporting period and by the effect of derivatives and exchange rate differentials.

It should be noted that after the balance sheet date and until immediately before the publication date of the financial statements, there was a significant increase in the value of the securities, which offset a substantial part of the losses recorded in the reporting period.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under “Forward-Looking Information”.

The operating and other fees and commissions in the first quarter of 2020 were up by NIS 84 million compared to the corresponding period last year. The increase in these revenues was affected by the ramifications of the coronavirus spread, especially during March. The spread of the coronavirus in the reporting period increased volatility in the markets and led higher trading volumes. It also boosted demand for foreign currency. Against that backdrop, an increase was recorded in the fees and commissions from securities and exchange rate differentials, especially among institutional customers.

Operating and other expenses were down by NIS 143 **million** in the first quarter of 2020 compared with the corresponding period last year, a 7.3 percent decrease.

Salaries and related expenses were down by NIS 201 million especially against the backdrop of provisions for bonuses, taking into account the financial results. Other operating expenses were up by NIS 58 million due to costs related to employee benefits stated under operating expenses and higher depreciation expenses.

The corporation’s share in associates, after tax in the first quarter of the year totaled losses in the amount of NIS 14 million, mostly on the back of provisions for impairment in respect of an associate, recorded in the first quarter of the year.

Basic earnings (loss) per share attributable to the shareholders in the reporting period totaled a loss of approx. NIS (0.16) compared to a profit of NIS 0.73 per share in the corresponding period last year.

Dividends and buybacks - further to the Bank of Israel’s guidance, the Bank’s Board of Directors decided in April 2020 to discontinue, at this stage, the dividend distribution and the Bank’s share buyback plan.

Material Developments in Income, Expenses and Other Comprehensive Income

Following is the change in net income in the first quarter of 2020 compared to the corresponding period in the previous year:

	For the three months ended March 31		Change	
	2020	2019		
	In NIS millions		In NIS millions	In %
Interest income, net	**2,169**	2,120	49	2.3
Loan loss expenses (income)	**860**	(18)	878	+
Noninterest income	**246**	1,555	(1,309)	(84.2)
Operating and other expenses	**1,803**	1,946	(143)	(7.3)
Profit (loss) before taxes	**(248)**	1,747	(1,995)	-
Provision for tax (benefit)	**(39)**	621	(660)	-
Profit (loss) after tax	**(209)**	1,126	(1,335)	-
Bank's share in associates' losses	**(14)**	(24)	10	41.7
Less net income attributable to non-controlling interests	**9**	10	(1)	(10.0)
Net income (loss) attributable to the Bank's shareholders	**(232)**	1,092	(1,324)	-
Return on equity (%)	**(2.6)**	12.7		
Basic earnings (losses) per share (NIS)	**(0.16)**	0.73		

Net income development by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Interest income, net	**2,169**	2,163	2,092	2,466	2,120
Loan loss expenses (income)	**860**	158	181	288	(18)
Noninterest income	**246**	1,200	1,132	1,194	1,555
Operating and other expenses	**1,803**	2,076	1,936	1,950	1,946
Profit (loss) before taxes	**(248)**	1,129	1,107	1,422	1,747
Provision for tax (benefit)	**(39)**	386	324	499	621
Profit (loss) after tax	**(209)**	743	783	923	1,126
The Bank's share in the profits (losses) of associates	**(14)**	7	(8)	10	(24)
Less net income attributable to non-controlling interests	**9**	8	10	10	10
Net income (loss) attributable to the Bank's shareholders	**(232)**	742	765	923	1,092
Return on equity (%)	**(2.6)**	8.7	8.7	10.6	12.7
Basic earnings per share (NIS)	**(0.16)**	0.51	0.52	0.62	0.73

Interest Income, Net

Net interest income of the Leumi Group in the first three months of the year was NIS 2,169 million, compared with NIS 2,120 million in the corresponding period last year, a 2.3 percent increase.

The increase in interest income, net mainly arises from a decrease in expenses on deposits by the public beyond the decrease in income from loans to the public. The increase in net interest income is despite the results being adversely affected by the negative CPI in the amount of NIS 98 million in the reporting period, while in the corresponding period last year, the results were adversely affected by the CPI by a total of NIS 49 million.

The ratio between the net interest income and the average balance of interest-bearing assets (net yield on interest-bearing assets) in the first three months of the year was 2.07 percent, compared with 2.08 percent in the corresponding period last year.

The total interest spread in the reporting period is 1.92 percent, compared with a 1.88 percent spread in the corresponding period last year.

The following table presents interest spread information by segment:

In the CPI segment, the interest rate spread in the reporting period was 1.00 percent, compared with 0.76 percent in the corresponding period last year. In the foreign exchange segment, the interest rate spread was 0.87 percent, compared with 0.91 percent in the corresponding period last year. In the non-linked NIS segment, the interest rate spread was 2.24 percent, compared with 2.21 percent in the corresponding period last year.

During March 2020, the Fed interest rate decreased to a rate of 0.25 percent; after the balance sheet date, the Bank of Israel interest rate decreased to a rate of 0.1 percent. These declines are expected to adversely affect the interest income in the coming quarters.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under “Forward-Looking Information”.

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

Loan Loss Expenses

	For the three months ended March 31			
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Loan loss expense (income) - specific	**104**	(124)	228	+
Loan loss expense - collective	**756**	106	650	+
Total expense (income) for loan losses	**860**	(18)	878	+
Of which:				
Loan loss expenses (income) for credit risk in respect of commercial credit risk	**739**	(22)	761	+
Loan loss expenses (income) for credit risk in respect of housing loans	**31**	(9)	40	+
Loan loss expenses for other credit risk in respect of private individuals	**87**	14	73	+
Loan loss expenses (income) for credit risk in respect of banks and governments	**3**	(1)	4	+
Total expense (income) for loan losses	**860**	(18)	878	+
Ratios (in %):				
Percentage of specific loan losses expense (income) out of average outstanding loans to the public[(a)]	**0.14**	(0.18)	0.32	+
Percentage of expenses (income) for loan losses out of the average outstanding loans to the public[(a)]	**1.20**	(0.03)	1.23	+
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**(0.07)**	(0.02)	(0.05)	-
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**(4.96)**	(1.87)	(3.09)	-

(a) Annualized.

Development of loan loss expenses by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Loan loss expense (income) - specific	**104**	42	68	73	(124)
Loan loss expense - collective	**756**	116	113	215	106
Total expense (income) for loan losses	**860**	158	181	288	(18)
Of which:					
Loan loss expenses (income) for credit risk in respect of commercial credit risk	**739**	127	147	202	(22)
Loan loss expenses (income) for credit risk in respect of housing loans	**31**	8	(2)	25	(9)
Loan loss expenses for other credit risk for private individuals	**87**	22	38	60	14
Loan loss expenses (income) for credit risk in respect of banks and governments	**3**	1	(2)	1	(1)
Total expense (income) for loan losses	**860**	158	181	288	(18)
Ratios (in %):					
Percentage of specific loan losses expense (income) out of average outstanding loans to the public[(a)]	**0.14**	0.06	0.10	0.10	(0.18)
Percentage of loan loss expenses (income) out of average outstanding loans to the public[(a)]	**1.20**	0.23	0.26	0.41	(0.03)
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**(0.07)**	(0.06)	(0.08)	(0.07)	(0.02)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**(4.96)**	(4.90)	(7.30)	(6.05)	(1.87)

(a) Annualized.

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

Due to the coronavirus crisis, the loan loss expenses increased, mainly due to commercial loans, which include loans to micro- and small businesses, and loans to medium-sized businesses and corporations. The increase in collective loan loss expenses resulted from the deterioration in the economic indicators used to calculate the loan loss expenses, which reflect an increase in the credit risk in the various economic sectors which are expected to be adversely affected by the deterioration in the Israeli economy's financial position.

Noninterest Income

	For the three months ended March 31		Change	
	2020	2019		
	In NIS millions		In NIS millions	In %
Noninterest finance income (expenses)	**(660)**	665	(1,325)	-
Fees and Commissions	**893**	809	84	10.4
Other income	**13**	81	(68)	(84.0)
Total	**246**	1,555	(1,309)	(84.2)

Development of noninterest income by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Noninterest finance income (expenses)	**(660)**	383	305	333	665
Fees and Commissions	**893**	799	800	817	809
Other income	**13**	18	27	44	81
Total	**246**	1,200	1,132	1,194	1,555

Due to the capital market losses in the reporting period, the weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first quarter of the year was 10.2 percent, compared with 42.3 percent for the corresponding period last year and 36.5 percent for the 2019 full year.

Breakdown of noninterest finance income

	For the three months ended March 31			
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**(527)**	219	(746)	-
Gains on sale of available-for-sale bonds, net	**134**	2	132	+
Gains (losses) and dividend from not held-for-trading equity securities	**(206)**	60	(266)	-
Gains (losses) on sale of investees' shares[b]	**(2)**	314	(316)	-
Net income (expenses) in respect of derivatives for trading activities	**(26)**	25	(51)	-
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[a]	**(33)**	45	(78)	-
Total	**(660)**	665	(1,325)	-

(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 differentials.

(b) In the first three months of 2019, including a NIS 314 million gain on the sale of Leumi Card (before tax).

Breakdown of noninterest finance income by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**(527)**	132	285	73	219
Gains on sale of available-for-sale bonds, net	**134**	39	118	32	2
Gains (losses) and dividend from not held-for-trading equity securities	**(206)**	92	(27)	60	60
Gains (losses) on sale of investees' equity	**(2)**	-	(97)	70	314
Gains on sold loans, net	**-**	-	15	-	-
Net income (expenses) in respect of derivatives for trading activities	**(26)**	98	(53)	78	25
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[a]	**(33)**	22	64	20	45
Total	**(660)**	383	305	333	665

(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 differentials.

The losses due to derivatives and to net exchange rate differentials as well as the losses from the not-held-for-trading and held-for-trading securities portfolios were the result of declines in market values and the sharp price drops which occurred at the end of the quarter due to the coronavirus pandemic outbreak. It should be mentioned that after the balance sheet date, there was an increase in the value of the said securities, as mentioned in the section entitled “Material Changes in Financial Statement Items”.

Breakdown of fees and commissions

	For the three months ended March 31			
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Account management	**172**	175	(3)	(1.7)
Activity in securities and certain derivatives	**198**	160	38	23.8
Credit cards	**85**	71	14	19.7
Credit handling	**43**	55	(12)	(21.8)
Financial products distribution fees and commissions	**72**	70	2	2.9
Exchange rate differentials	**137**	91	46	50.5
Financing fees and commissions	**108**	109	(1)	(0.9)
Other fees and commissions	**78**	78	-	-
Total fees and commissions	**893**	809	84	10.4

Breakdown of fees and commissions by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Account management	**172**	171	172	172	175
Activity in securities and certain derivatives	**198**	156	163	158	160
Credit cards	**85**	80	74	85	71
Credit handling	**43**	53	44	45	55
Financial products distribution fees and commissions	**72**	74	76	76	70
Exchange rate differentials	**137**	88	91	91	91
Financing fees and commissions	**108**	105	103	114	109
Other fees and commissions	**78**	72	77	76	78
Total fees and commissions	**893**	799	800	817	809

As a result of the higher trading volumes in Q1 this year, there was an increase in fees and commissions due to activity in securities and certain derivatives and in exchange rate differentials as a result of extensive forex trading by the Bank’s customers in Q1.

Breakdown of other income

	For the three months ended March 31			
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Gains (losses) on severance pay reserve	**(3)**	8	(11)	-
Other income, including on sale of buildings and equipment	**16**	73	(57)	(78.1)
Total	**13**	81	(68)	(84.0)

Breakdown of other income by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Gains (losses) on severance pay reserve	**(3)**	2	3	9	8
Other income, including on sale of buildings and equipment	**16**	16	24	35	73
Total	**13**	18	27	44	81

Operating and Other Expenses

	For the three months ended March 31			
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses	**935**	1,136	(201)	(17.7)
Depreciation and amortization	**180**	148	32	21.6
Maintenance expenses for buildings and equipment	**228**	227	1	0.4
Other expenses	**460**	435	25	5.7
Total operating and other expenses	**1,803**	1,946	(143)	(7.3)

Operating and other expenses by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and related expenses	**935**	1,021	1,043	1,125	1,136
Depreciation and amortization	**180**	153	152	147	148
Maintenance expenses for buildings and equipment	**228**	244	227	223	227
Other expenses	**460**	658	514	455	435
Total operating and other expenses	**1,803**	2,076	1,936	1,950	1,946

The operating and other expenses in the first three months of 2020 constitute 74.7 percent of total income, compared with 53.0 percent in the corresponding period last year and 56.8 percent in the entire 2019.

Total (annualized) operating and other expenses constitute 1.36 percent of total assets, compared with 1.72 percent in the corresponding period last year and 1.69 percent in the entire 2019.

Salary expenses were down compared to the same period last year, especially due to provisions for bonuses.

The increase in other expenses is mainly due to costs related to employee benefits stated under operating expenses and an increase in depreciation costs. In this context, it should be mentioned that the Bank did not incur material operational expenses due to the coronavirus event.

Salary expenses

	For the three months ended March 31		Change	
	2020	2019		
	In NIS millions		In NIS millions	In %
Salaries and related expenses	**855**	1,055	(200)	(19.0)
Pension, severance and retirement expenses	**80**	81	(1)	(1.2)
Total salary expenses	**935**	1,136	(201)	(17.7)

Salary expenses by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and related expenses	**855**	926	953	1,035	1,055
Pension, severance and retirement expenses	**80**	95	90	90	81
Total salary expenses	**935**	1,021	1,043	1,125	1,136

Tax expenses

The Leumi Group's provision for profit tax in the reporting period totaled NIS 39 million, compared with NIS 621 million in the same period last year. The low tax provision in the reporting period stems from the low results, in relation to which the effect of the deferred expenses and timing differences between the accounting expenses and tax expense are more substantial.

Condensed Statement of Comprehensive Income

Comprehensive income for the reporting period totaled NIS 1,359 million compared to NIS 910 million in the corresponding period last year. The difference between the comprehensive income for the period and the net loss stems mainly from adjustments to employee benefits liabilities on the back of the increased discount interest rate totaling NIS 2,969 million (before tax), which was partially offset by adjustments for available-for-sale bonds totaling NIS 632 million (before tax). These adjustments were stated directly in other comprehensive income and in later periods - in profit and loss.

After the balance sheet date and until immediately before the publication date of the financial statements, there was a significant increase in the value of the securities, which offset a substantial part of the losses recorded in the reporting period. The capital reserve for employee benefits was also up due to the discount interest rate decrease.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

Changes in accumulated other comprehensive income (loss) for the three-month period ended March 31 2020 and 2019

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds (2018 - securities) at fair value	Adjust-ments from trans-lation,[a] net after the effect of hedges[b]	Net gains (losses) on cash flow hedges	The Bank's share in other comprehensive income (loss) of investees accounted for under the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attribu-table to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS millions							
Balance as at December 31 2018	(317)	(73)	-	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	382	(53)	-	3	(540)	(208)	(7)	(201)
Cumulative effect for first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity in subsidiaries to non-controlling interests	-	-	-	-	23	23	4	19
Balance as at March 31 2019	38	(126)	-	(6)	(2,280)	(2,374)	(33)	(2,341)
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	**(416)**	**44**	**31**	**(3)**	**1,960**	**1,616**	**25**	**1,591**
Balance as at March 31 2020	**208**	**(155)**	**29**	**(16)**	**(1,988)**	**(1,922)**	**(18)**	**(1,904)**

Please see comments below.

Changes in accumulated other comprehensive income (loss) for the year ended December 31 2019

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments for presen-tation of available-for-sale securities at fair value	Adjust-ments from trans-lation,[a] net after the effect of hedges[b]	The Bank's share in other comprehensive income (loss) of investees accounted for under the equity method	Net losses on cash flow hedges	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS millions							
Balance as at December 31 2018	(317)	(73)	(9)	-	(1,763)	(2,162)	(30)	(2,132)
Net change during the year	968	(126)	(4)	(2)	(2,208)	(1,372)	(17)	(1,355)
Cumulative effect in respect of first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity in subsidiaries to non-controlling interests	-	-	-	-	23	23	4	19
Balance as at December 31 2019	624	(199)	(13)	(2)	(3,948)	(3,538)	(43)	(3,495)

(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) for 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) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU, "Financial Instruments", including updates thereof. Please see Note 1X in the financial statements as at December 31 2019.

Structure and Development of Assets and Liabilities, Equity and Capital Adequacy

The total assets of the Leumi Group as at March 31 2020 amounted to NIS 532.4 billion, compared to NIS 469.1 billion as at the end of 2019 - a 13.5 percent increase compared to the end of 2019 and a 16.6 percent increase compared to March 2019.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 129.2 billion, approx. 24.3 percent of total assets. In the first quarter of 2020, the shekel depreciated against the US dollar by 3.2 percent and 0.6 percent against the euro, and appreciated by 3.5 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.5 percent increase 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 1,558 billion as at March 31 2020, compared with a total of NIS 1,621 billion as at the end of 2019.

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

	March 31	December 31	Change	
			From December	From March
	2020	2019	2019	2019
	In NIS millions		In %	
Total assets	**532,449**	469,134	13.5	16.6
Cash and deposits with banks	**103,171**	76,213	35.4	35.1
Securities	**94,012**	84,949	10.7	18.2
Loans to the public, net	**294,486**	282,478	4.3	6.1
Buildings and equipment	**2,956**	3,043	(2.9)	3.2
Deposits by the public	**418,627**	373,644	12.0	15.0
Deposits by banks	**6,172**	6,176	(0.1)	37.5
Bonds, promissory notes and subordinated bonds	**22,530**	19,958	12.9	7.5
Shareholders' equity	**36,245**	35,406	2.4	0.8

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

	March 31	December 31	Change	
			From December	From March
	2020	2019	2019	2019
	In NIS millions		In %	
Documentary credit, net	**992**	727	36.5	(31.1)
Loan guarantees, net	**5,034**	5,219	(3.5)	(1.7)
Guarantees for apartment buyers, net	**20,945**	21,230	(1.3)	11.6
Guarantees and other commitments, net	**16,173**	16,099	0.5	0.2
Derivatives[(a)]	**853,658**	763,365	11.8	15.5
Options - all types	**219,016**	218,622	0.2	(1.5)

(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 of March 31 2020 totaled NIS 294.5 billion versus NIS 277.5 billion as at March 31 2019, a 6.1 percent increase compared to a total of NIS 282.5 billion as at the end of 2019, a 4.3 percent increase.

The increase in the outstanding loans to the public in the current quarter was materially affected by the coronavirus crisis, which increased the demand for credit towards the end of the quarter, due to utilization of credit facilities and increase in customers' liquidity needs. It should be noted that after the balance sheet date, the loans extended during Q1 were repaid, in view of the gradual release of the lockdown imposed on the economy and the gradual return to business activity.

In addition to loans to the public, the Group invests in corporate securities, which total - as at March 31 2020 - NIS 19,326 million compared to NIS 18,141 million as at the end of 2019, and which also embody credit risks.

The coronavirus crisis

Upon the outbreak of the coronavirus crisis, the Bank took various measures to provide service to its customers, even from home. During the entire period, customers were provided with ongoing service. In addition, adjustments were made to banking products according to the unique characteristics of the current period.

Customers' concerns, mainly in respect of commercial credit, of the ramifications of the crisis and the uncertainty regarding the timing and pace of returning to normal, brought many customers to seek assistance or defer payments. The Bank extended credit as part of the state-backed Business Loan Fund, gave the option for a grace period on mortgage loans and the option to defer repayments for a limited time on loans to private and commercial customers. Shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 2.6 billion through the state-backed Business Loan Fund. The credit was mainly extended after the balance-sheet date.

In addition, the Bank continued to maintain ongoing contact with its customers in order to best assist them during this period.

Following are developments in loans to the public, after loan loss provision by main economic sectors

	March 31	December 31			Change less exchange rate differentials
	2020	2019	Change		
	In NIS millions		In NIS millions	In %	
Private individuals - housing loans	**85,130**	83,954	1,176	1.4	1.4
Private individuals - other	**26,474**	27,398	(924)	(3.4)	(3.5)
Construction and real estate	**64,591**	62,187	2,404	3.9	3.5
Commercial	**30,334**	28,212	2,122	7.5	7.4
Manufacturing	**23,350**	20,134	3,216	16.0	15.2
Other	**64,607**	60,593	4,014	6.6	5.8
Total	**294,486**	282,478	12,008	4.3	3.9

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

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions

	March 31			December 31		
	2020			2019		
	Balance-sheet	Off-balance-sheet	Total	Balance-sheet	Off-balance-sheet	Total
	In NIS millions					
Impaired non-performing credit risk, net	**1,953**	**155**	**2,108**	1,997	253	2,250
Substandard credit risk, net	**423**	**51**	**474**	333	108	441
Special mention credit risk, net	**2,282**	**243**	**2,525**	2,106	271	2,377
Total	**4,658**	**449**	**5,107**	4,436	632	5,068

	March 31	December 31
	2020	2019
	In NIS millions	
Troubled credit risk - commercial	**5,158**	4,920
Troubled credit risk - retail	**1,450**	1,460
Total	**6,608**	6,380
Balance of loan loss provision	**1,501**	1,312
Troubled loans after loan loss provision	**5,107**	5,068

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

For more information on the guidance of the Banking Supervision Department in the wake of the coronavirus, please see Note 1.B.4.

Securities

As at March 31 2020, the Group's investments in securities amounted to NIS 94.0 billion, compared to NIS 84.9 billion as at the end of 2019, a 10.7 percent increase.

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

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 equity securities, or held-to-maturity bonds - 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 of January 1 2019). Bond 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 item entitled Adjustments in respect of presentation of available-for-sale securities at fair value less related tax, in other comprehensive income. As of 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 item under Noninterest finance income in profit and loss and entitled Unrealized net gains (losses) on not held-for-trading equity securities. In case of an other-than-temporary impairment, the difference is charged to profit and loss. Held-to-maturity bonds are stated in the balance sheet at amortized cost.

During the first quarter of 2020, a NIS 632 million negative movement in the capital reserve from securities (before tax) was recorded. After the balance sheet date and until immediately before the publication date of the financial statements, there was a significant increase in the value of the securities, which offset a substantial part of the losses recorded in the reporting period.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

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

	March 31 2020					December 31 2019				
	Held-to-maturity bonds	Available-for-sale bonds[(a)]	Not held-for-trading equity securities	Held-for-trading securities[(b)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(a)]	Not held-for-trading equity securities	Held-for-trading securities[(b)]	Total
	In NIS millions									
Bonds										
Of the Israeli government	**3,672**	**35,726**		**10,967**	**50,365**	3,080	33,132		2,715	38,927
Of foreign governments[(c)]	**-**	**12,191**		**316**	**12,507**	-	18,121		213	18,334
Of Israeli financial institutions	**-**	**18**		**620**	**638**	-	-		101	101
Of foreign financial institutions[(d)]	**-**	**9,754**		**217**	**9,971**	-	9,597		201	9,798
Asset-backed (ABS) or mortgage-backed (MBS)	**2,219**	**8,112**		**131**	**10,462**	1,543	7,748		154	9,445
Of other Israeli entities	**-**	**203**		**105**	**308**	-	140		53	193
Of other foreign entities	**754**	**5,423**		**61**	**6,238**	822	3,530		87	4,439
Equity securities and funds			**3,516**	**7**	**3,523**			3,712	-	3,712
Total securities	**6,645**	**71,427**	**3,516**	**12,424**	**94,012**	5,445	72,268	3,712	3,524	84,949

(a) Including unrealized gains from fair value adjustments in the amount of NIS 826 million recorded in other comprehensive income (December 31 2019 - NIS 1,090 million).
(b) Including unrealized gains (losses) from fair value adjustments in the amount of NIS (50) million recorded in profit and loss (December 31 2019 - NIS 25 million).
(c) Of which: US government - NIS 7,085 million (December 31 2019 – NIS 12,690 million).
(d) Most bonds of foreign financial institutions are rated Supranational or are state-backed.

As at March 31 2020, approx. 76.0 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 13.2 percent as held-for-trading, approx. 3.7 percent as equity securities not held-for-trading and approx. 7.1 percent - as held-to-maturity. Approx. 3.7 percent of the securities' value is investments in corporate shares 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 quarter of 2020, there was a NIS 632 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with an increase of NIS 579 million (before tax) in the corresponding period last year.
2. In the first quarter of 2020, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 134 million, compared with a net loss of NIS 2 million in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds as at March 31 2020 totaled a negative NIS 416 million (after tax) compared with a positive NIS 624 million as at the end of 2019. 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 March 31 2020, the held-for-trading portfolio has NIS 12.4 billion in bonds, compared with NIS 3.5 billion as at December 31 2019. As at March 31 2020, the held-for-trading portfolio constitutes 13.2 percent of the Group's total own portfolio, compared with 4.1 percent as at December 31 2019.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 32 million were recorded in the income statement in the first quarter of 2020, compared with gains of NIS 44 million in the same period last year.

Investments in equity securities and funds

As at March 31 2020, investments in equity securities and funds totaled NIS 3,523 million, of which NIS 2,146 million was in marketable equity securities and NIS 1,377 million - in non-marketable equity securities. As of 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 3,516 million is classified to the not-for-trading portfolio and NIS 7 million - to the held-for-trading portfolio.

As at March 31 2020, the capital required in respect of these investments was NIS 484 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 10.5 billion (about USD 2.9 billion) as at March 31 2020, compared to NIS 9.4 billion as at the end of 2019. Out of the above portfolio, as at March 31 2020, NIS 8.1 billion (about USD 2.3 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of March 31 2020, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 6.4 billion. 93.91 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 of March 31 2020, the total net increase in value from the mortgage-backed bonds portfolio carried to shareholders' equity was approx. NIS 113 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 426 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 3.32 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 1.8 billion, of which CLO bonds account for NIS 1.3 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.58 years.

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

b. Investments in foreign non-asset-backed securities

As of March 31 2020, the Group's securities portfolio includes NIS 36.1 billion (USD 10.1 billion) in foreign non-asset-backed securities. NIS 33.4 billion (about USD 9.4 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.84 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 of March 31 2020, the cumulative increase in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 301 million (NIS 198 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. 86.63 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31 2020, the value of the non-asset-backed held-for-trading portfolio was NIS 0.6 billion (USD 0.2 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 March 31 2020, investments in bonds issued in Israel amounted to NIS 46.6 billion, of which NIS 45.7 billion was in NIS-denominated bonds issued by the Israeli government and the remainder - corporate bonds. 23.4 percent of corporate bonds investments - which are NIS 0.2 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

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

All corporate bonds in the held-for-trading portfolio are listed and traded on the Tel Aviv Stock Exchange.

For more information, please see Note 5.

Deposits by the Public

As at March 31 2020 with the Group totaled NIS 418.6 billion, compared to NIS 364.0 billion as at March 31 2019, a 15.0 percent increase, and compared with a total of NIS 373.6 billion as at the end of 2019, a 12 percent increase.

The increase is mainly due to a transfer of funds from financial markets to deposits following the coronavirus, and an increase in deposits by institutionals.

Following are the developments in the balances of customers' off-balance-sheet financial assets with the Leumi Group

	March 31	December 31		
	2020	2019	Change	
	In NIS millions		In NIS millions	In %
Securities portfolios[a]	**709,397**	815,120	(105,723)	(13.0)
Assets for which operating services are provided:[a][b][c]				
Mutual funds	**42,610**	56,280	(13,670)	(24.3)
Provident and pension funds	**147,310**	150,291	(2,981)	(2.0)
Study funds	**125,821**	130,336	(4,515)	(3.5)

(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 March 31 2020, bonds, capital notes and subordinated bonds amounted to NIS 22.5 billion, compared to NIS 20.0 billion as at the end of 2019, a 12.9 percent increase and 7.5 percent increase compared to March 2019.

Shelf prospectus and bonds issuance

On May 25 2018, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. On May 18 2020, the Israel Securities Authority decided to extend the period for issuing securities under the shelf prospectus until May 24 2021.

According to a shelf prospectus dated January 29 2020, the Bank issued a total of USD 750 million in Subordinated Notes Series Leumi $ 2031. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

Subordinated Notes Series Leumi $ 2031 are repayable in one lump sum, 11 years after their issue date, with the Bank having an early repayment option exercisable 6 years after the issue date, subject to certain terms and conditions.

Subordinated Notes Series Leumi $ 2031 carry a fixed annual interest rate of 3.275 percent per year, until January 29 2026, to be paid bi-annually. On that date, if the Bank does not exercise its early repayment option, the nominal interest rate of Subordinated Notes Series Leumi $ 2031 shall be updated, such that as from that date, the annual interest shall be equal to the sum of the 5-year treasury yield rate at the interest rate change rate and a spread of 1.631 percent, as outlined in the issue documents.

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 Leumi $ 2031 Subordinated Notes 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 (translated into USD according to the rate as of that date) was issued or according to the set minimum rate (USD 3.6048, subject to adjustments), the higher of the two.

These Subordinated Notes (Series 403, 404 and Series Leumi $ 2031) are eligible for inclusion in Tier 2 capital as of the issue date.

On February 17 2020, the Bank reported it was considering issuing a new series of ordinary bonds of the Bank and listing them on the TASE. On May 19 2020, a revised draft of the trust deed was published towards a possible issuance of the bonds series, as well as a revised version of the summarized terms of the issuance. As of the report date, the issuance has yet to be made.

For more information, please see the immediate report dated February 17 2020 and immediate report dated May 19 2020.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 36,245 million as at March 31 2020, compared with NIS 35,406 million as at the end of 2019, a 2.4 percent increase. The increase stems mainly from an increase in the discount interest rate of the liability for employee benefits, which reduced the liability for employee benefits that was set off by a capital reserve decline due to available-for-sale bonds and loss for the period.

This equity 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 shareholders' equity to total assets ratio as at March 31 2020 reached 6.8 percent, compared to 7.5 percent as at December 31 2019.

Capital Adequacy Structure

	March 31		December 31
	2020	2019	2019
	In NIS millions		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	**35,887**	36,424	37,603
Tier 2 capital, after deductions	**13,857**	10,709	11,987
Total capital	**49,744**	47,133	49,590
Balances of risk-weighted assets[(a)]			
Credit risk	**302,059**	284,201	288,340
Market Risks	**6,283**	5,431	5,008
Operational risk	**22,783**	23,153	23,116
Total balances of risk-weighted assets	**331,125**	312,785	316,464
Capital to risk-weighted components ratio			
Ratio of CET1 capital to risk-weighted components	**10.84%**	11.65%	11.88%
Ratio of total capital to risk-weighted components	**15.02%**	15.07%	15.67%

(a) For more information regarding the capital adequacy structure, please see Note 9A.

Common Equity Tier 1 capital was 10.84 percent as at March 31 2020, a 1 percent decrease compared to December 31 2019.

The increase in shareholders’ equity was not fully reflected in the amount recognized as CET1 capital of the Bank as at March 31 2020, since the increase in the discount interest rate of the employee benefits liability (which decreased the said liability) is measured according to an eight-quarter average, as outlined in the adjustments to CET1 capital.

The decrease in CET1 capital is due to a NIS 14.7 billion increase in the Bank’s risk-weighted assets in the first quarter of 2020, mostly from the Bank’s business activity, mainly due to a significant increase in the outstanding loans to the public, net, as well as an increase in CET1 capital as a result of a loss in the reporting period, a decrease in the capital reserve for available-for-sale bonds and the effect of the dividend paid for Q4 2019 and the share buyback plan executed at the beginning of the year.

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 Bank’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 capital 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 for 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 2020 is 20 percent.

As of the beginning of 2014, capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. The main criteria for their inclusion are that the instrument must include: (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 a defining event for non-viability (as defined in Appendix E to Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

For more information regarding subordinated bonds issued by the Bank in 2020 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 capital instruments, please see the Bank's website at: https://english.leumi.co.il.

Capital Adequacy

Capital ratios are calculated as the ratio of capital to 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”, valid until March 1 2020, a large banking corporation whose consolidated total assets represent at least 20 percent of the Israeli banking system’s total assets, is required to meet a minimum Common Equity Tier 1 capital ratio of 10 percent and a minimum total capital ratio of 13.5 percent, beginning on January 1 2017. This requirement applies to Leumi.

Additionally, under 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 0.25 percent.

Circular amending Proper Conduct of Banking Business Directive No. 201 - "Introduction, Scope of Application and Calculation of Requirements" and Amendment to Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio"

On March 1 2020, the Bank of Israel published an update to the circular revising Proper Conduct of Banking Business Directive No. 201, "Introduction, Scope of Application and Calculation of Requirements" and Amendment to Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio". In accordance with the circular, the directives were amended such that a banking corporation whose consolidated total assets constitute more than 24 percent (in lieu of 20 percent prior to the circular) of the Israeli banking system's total assets shall have a CET1 capital to risk-weighted assets ratio of no less than 10 percent, the ratio of total capital to risk weighted assets shall not fall below 13.5 percent and the leverage ratio shall be no less than 6 percent. The circular is valid from its publication date. The amendment to the directives does not affect Leumi's minimum capital requirements.

Circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis" (Temporary Provision) - Proper Conduct of Banking Business Directive No. 250

On March 29 2020 the Supervisor of Banks published a letter entitled "Profit distribution following the coronavirus crisis" (hereinafter: the "Supervisor of Banks's letter of March 29 2020"). The Supervisor of Banks announced in her letter the reduction in the minimum regulatory capital requirements applicable to the banks, following the coronavirus crisis and in the context of all measures adopted by the Bank of Israel in the wake of the crisis. In addition, all the banks were requested to reconsider their dividend distribution policy and share buyback plan, on the backdrop of the coronavirus crisis and the uncertainty, out of expectation that the capital resources that will be released as a result of the relief will not be used for dividend distribution or to perform share buybacks.

On March 31 2020, the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Provision) (Directive No. 250) (hereinafter: the "Temporary Provision"), against the backdrop of the unfolding coronavirus event and its ramifications for the Israeli and world economies. Among its other provisions, the circular prescribed an adjustment to Proper Conduct of Banking Business Directive No. 201, "Measurement and Capital Adequacy", such that a banking corporation whose consolidated total assets constitute more than 24 percent of the Israeli banking system's total assets shall have a CET1 capital to risk-weighted asset ratio of no less than 9 percent and the ratio of total capital to risk weighted assets shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). This guidance applies to Leumi.

The Temporary Provision is effective until September 30 2020, and the Supervisor of Banks may, with the Governor's permission, extend it by a maximum period of six months (hereinafter: the Temporary Provision's expiry date). The relief in capital targets will be in effect until 24 months from the Temporary Provision's expiry date, provided that the capital ratios of the banking corporation will not fall below the lower of: The capital ratios upon the Temporary Provision's expiry date or the minimum capital ratios applicable to the banking corporation prior to the Temporary Provision.

Accordingly, the minimum capital targets applicable to Leumi as at March 31 2020 are a minimum CET1 capital to risk-weighted assets ratio of 9 percent and a minimum total capital to risk-weighted assets ratio of 12.5 percent.

On April 27 2020, the Bank of Israel published a circular entitled "Additional Adjustments to Proper Conduct of Banking Business Directive for Dealing with the Coronavirus Crisis (Temporary Provision) (Directive No. 250). According to the circular, and in order to provide support to, and mitigate the impact of the crisis on, mortgage borrowers, the Temporary Provision stipulated that the additional capital requirement of 1 percent of the outstanding loan, stipulated in Section 14A to Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing Loans", will not be applicable to housing loans extended during the crisis period (from March 19 2020 until the Temporary Provision’s expiry date).

In accordance with the Temporary Provision, and with the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as of March 31 2020 are 9.25 percent for the Common Equity Tier 1 capital ratio and 12.75 percent for the total capital ratio.

The Bank’s capital planning and capital adequacy targets

The Leumi Group’s capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and 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 from December 31 2017.

In light of the specifications in the Supervisor of Banks’ letter of March 29 2020 and the Temporary Provision, and in accordance with the minimum regulatory requirements applicable to the banks in the wake of the coronavirus crisis, as outlined above, the Bank’s Board of Directors decided on April 16 2020 that the internal CET1 capital ratio threshold will be 9.5 percent in lieu of 10.5 percent. For more information, please see the immediate report dated April 16 2020 (Ref. No. 2020-01-034294).

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 February 26 2020, the Board of Directors approved, in respect of Q4 2019, a dividend consisting of 40 percent of the quarter’s net income. The dividend approved amounted to NIS 297 million, which is 20.29 agorot per share of NIS 1 par value. The Board of Directors designated March 12 2020 as the record date for purposes of dividend payment and March 23 2020 as the payment date.

As outlined above, in the Supervisor of Banks’ letter of March 29 2020, all banks were asked to reexamine their dividend distribution policy and share buyback plan due to the coronavirus crisis. Further to the specifications in the letter, and in light of the Temporary Provision (Directive No. 250), published on March 31 2020, the Bank’s Board of Directors decided on April 16 2020 to discontinue, at this stage, the dividend distribution and the Bank’s share buyback plan. For more information, please see the immediate report dated April 16 2020 (Ref. No. 2020-01-034294).

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
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
November 26 2019	December 22 2019	20.87	306
February 26 2020	March 23 2020	20.29	297

The Bank's share buyback plan

On February 26 2020, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 700 million, from March 1 2020 to February 26 2021. 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. The buyback plan will take place in three separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: “Stage A”, “Stage B” and “Stage C”). Stage A will begin on March 1 2020 and will end on the earlier of (a) May 3 2020; or (b) Purchase of the Bank’s shares in the amount of NIS 250 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the second trading day following the publication date of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) August 2 2020; or (b) Completion of the Bank’s share buyback in the amount of NIS 250 million. After the completion of Stage B, if the Bank decides to proceed to Stage C, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage C on the second trading day following the publication of the first financial statements after the decision to go forward with Stage C has been made. In such a case, Stage C will end on the earlier of: (a) February 26 2021; or (b) Purchase of the Bank’s shares in the amount of NIS 700 million, less the total amount purchased as part of Stage A and Stage B. If, following the completion of Stage A or Stage B, a decision will be made not to proceed with Stage B or Stage C, *mutatis mutandis*, the Bank will publish an immediate report to that effect.

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 February 25 2020, 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.

On April 2 2020, Stage A - in which 13,488,021 shares in the amount of NIS 250 million were purchased - ended. As of the report publication date, the Bank owns 71,824,258 treasury shares.

As outlined above, further to the Supervisor of Banks’ letter of March 29 2020, in which all the banks were asked to reconsider their dividend distribution policies and share buyback plan due to the coronavirus crisis, and in light of the Temporary Provision (Directive No. 250) of March 31 2020, the Bank’s Board of Directors decided on April 16 2020 to discontinue, at this stage, the Bank’s share buyback plan. For more information, please see the immediate report dated April 16 2020 (Ref. No. 2020-01-034294).

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, 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 discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change has been implemented as from the financial statements for the period ended June 30 2016.

On January 13 2020, the Bank of Israel extended the approval until the financial statements as at December 31 2024 (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".

Relief 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 a relief, according to which it may spread the effect of the plan on the capital adequacy and leverage ratios on a straight-line basis, over a period of five years.

In June 2016, the Bank's Board of Directors approved an efficiency plan, for a total cost of NIS 438 million (after tax). As of March 31 2020, 75 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 for 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 of March 31 2020, 55 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).

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 of March 31 2020, 15 percent of the plan's costs are attributable to regulatory capital.

In December 2019, the Banking Supervision Department published a letter extending of the validity of the two letters by an additional two years, until December 31 2021, in an effort to allow for additional efficiency plans.

For more information, please see Note 8.

Regulatory and other changes in measuring the capital requirements

Developments in the guidance of the Basel Committee on Banking Supervision regarding capital adequacy measurement

In December 2017, the Basel Committee on Banking Supervision completed its revision of the overall capital adequacy Basel III framework. As part of the revisions, (also known as Basel IV), significant changes 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. Changes are due to take effect gradually from January 1 2022 to January 1 2027. In March 2020, the body overseeing the Basel Committee published a notice whereby the application of the various standards included in the revision will be postponed by one year and will begin on January 1 2023, ending on January 1 2028. Presently, the Bank does not know how and when these rules will be adopted by Israel's Banking Supervision Department.

In April 2019, the Banking Supervision Department announced plans to begin implementing the Basel 2014 Guidelines "The Standardized Approach for Measuring Counterparty Credit Risk Exposures" as at June 1 2021 or one year after the actual EU implementation date, whichever is later. On April 23 2020, a letter was published by the Banking Supervision Department entitled "Clarifications regarding Proper Conduct of Banking Business Directive for Dealing with the Coronavirus Event", in which it was stipulated that the banks may temporarily discontinue their preparations, inter alia, for the draft regarding the Standardized Approach to Calculating Credit Risk (SA-CCR), the effective date of which has yet to be determined. It was also clarified that in December 2020, the Banking Supervision Department will examine whether the final application will require postponement.

Reporting by banking corporations and credit card companies pursuant to US GAAP on leases

On July 1 2018 the Banking Supervision Department published a circular entitled "Adoption of US generally accepted accounting principles for banking corporations and credit card companies reporting" on leases, which adopts the US generally accepted accounting principles on leases. The circular's provisions are applied as of January 1 2020 and their effect on risk-weighted assets is an increase of NIS 1.4 billion.

For more information on the leases standard, please see Note 1.

Sensitivity analysis of the main factors affecting the capital adequacy of the Leumi Group

- Change in the volume of risk-weighted assets – as at the end of March 2020, Leumi's risk-weighted assets amounted to NIS 331.1 billion. Every 1 percent increase in risk-weighted assets (about NIS 3.3 billion) will reduce the Common Equity Tier 1 capital ratio by 0.11 percent, and the total capital ratio by 0.15 percent.
- Accrued profit or a change in the capital reserve – Leumi's Common Equity Tier 1 Capital was NIS 35.9 billion as at March 31 2020. Total capital amounts to NIS 49.7 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 0.30 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 US 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 0.06 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."

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, according to regulatory adjustments regarding the capital calculation. 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 plans 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.

	March 31		December 31
	2020	2019	2019
	In NIS millions		
Consolidated data			
Tier 1 capital	**35,887**	36,424	37,603
Total exposures	**558,743**	497,672	512,173
Leverage ratio			
Leverage ratio	**6.42%**	7.32%	7.34%
Minimum total leverage ratio set by the Banking Supervision Department	**6.00%**	6.00%	6.00%

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

The leverage ratio was 6.42 percent as at March 31 2020, a 0.9 percent decrease compared to December 31 2019.

The decrease in the leverage ratio stems from a significant increase in balance sheet exposures, mostly on the back of an indirect NIS 45 billion increase in deposits by the public, as well as an increase in CET1 capital as a result of a loss in the reporting period, a decrease in the capital reserve for available-for-sale bonds and the effect of the dividend paid for Q4 2019 and the share buyback plan executed at the beginning of the year.

Operating Segments - Management Approach

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

For more information regarding the business lines according to management approach, please see section entitled "Operating Segments" in the 2019 Financial Statements.

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

	For the three months ended March 31 2020											
	The 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			
	In NIS millions											
Interest income, net:												
Interest income - from external	320	309	397	1,026	252	192	192	195	-	49	263	2,169
Interest income (expenses) - inter-segmental	182	1	(132)	51	53	(34)	(29)	(41)	3	6	(9)	-
Interest income, net	502	310	265	1,077	305	158	163	154	3	55	254	2,169
Noninterest income (expenses)	361	122	5	488	115	62	80	(576)	(2)	8	71	246
Total income (expenses)	863	432	270	1,565	420	220	243	(422)	1	63	325	2,415
Loan loss expenses (income)	119	158	36	313	122	338	37	5	(7)	5	47	860
Total operating and other expenses	693	261	62	1,016	142	56	30	92	208	50	209	1,803
Profit (loss) before tax	51	13	172	236	156	(174)	176	(519)	(200)	8	69	(248)
Provision for tax (benefit)	17	4	59	80	53	(59)	60	(177)	(17)	5	16	(39)
Net income (loss) attributable to the Bank's shareholders	34	9	113	156	103	(115)	116	(342)	(183)	(11)	44	(232)
Balances as at March 31 2020												
Loans to the public, net	28,655	24,519	86,591	139,765	41,843	45,250	27,964	9,275	5,132	808	24,449	294,486
Deposits by the public	174,236	42,479	-	216,715	57,180	24,643	8,984	85,622	4	-	25,479	418,627
Assets under management	156,599	14,838	-	171,437	19,721	9,090	1,665	496,128	16,250	293,060	17,787	1,025,138

Set forth below are the condensed results of operations according to management approach (cont.)

	For the three months ended March 31 2019											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Comm-ercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
Interest income (expenses) - from external	241	321	447	1,009	233	217	188	180	(6)	15	284	2,120
Interest income (expenses) - inter-segmental	298	13	(206)	105	78	(56)	(38)	(77)	-	2	(14)	-
Interest income (expenses), net	539	334	241	1,114	311	161	150	103	(6)	17	270	2,120
Noninterest income	320	119	2	441	103	54	78	345	387	77	70	1,555
Total income	859	453	243	1,555	414	215	228	448	381	94	340	3,675
Loan loss expenses (income)	31	62	(9)	84	37	(102)	(18)	(19)	-	3	(3)	(18)
Total operating and other expenses	680	257	70	1,007	198	72	33	77	269	58	232	1,946
Profit before tax	148	134	182	464	179	245	213	390	112	33	111	1,747
Provision for tax	51	46	62	159	61	84	73	133	77	10	24	621
Net income (loss) attributable to the Bank's shareholders	97	88	120	305	118	161	140	257	35	(1)	77	1,092

Balances as at March 31 2019												
Loans to the public, net	29,491	25,983	81,956	137,430	39,397	38,732	24,618	6,140	5,916	644	24,669	277,546
Deposits by the public	157,665	37,449	-	195,114	48,750	19,584	6,545	69,189	315	-	24,522	364,019
Assets under management	175,097	16,394	-	191,491	23,604	19,409	1,059	496,415	21,223	268,460	17,853	1,039,514

Set forth below are the condensed results of operations according to management approach (cont.)

	For the year ended December 31 2019											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Comm-ercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
Interest income - from external	927	1,271	2,311	4,509	972	888	821	522	1	81	1,047	8,841
Interest income (expenses) - inter-segmental	1,224	43	(1,294)	(27)	305	(255)	(194)	192	3	12	(36)	-
Interest income, net	2,151	1,314	1,017	4,482	1,277	633	627	714	4	93	1,011	8,841
Noninterest income	1,294	454	3	1,751	413	205	323	1,366	420	324	279	5,081
Total income	3,445	1,768	1,020	6,233	1,690	838	950	2,080	424	417	1,290	13,922
Loan loss expenses (income)	231	329	7	567	80	(124)	71	(37)	(13)	7	58	609
Total operating and other expenses	2,870	1,097	278	4,245	721	350	133	371	1,059	204	825	7,908
Profit (loss) before tax	344	342	735	1,421	889	612	746	1,746	(622)	206	407	5,405
Provision for tax (benefit)	118	117	251	486	304	209	255	597	(141)	48	72	1,830
Net income (loss) attributable to the Bank's shareholders	226	225	484	935	585	403	491	1,151	(481)	141	297	3,522

Balances as at December 31 2019												
Loans to the public, net	29,192	25,110	85,390	139,692	40,661	37,696	26,387	8,358	5,760	958	22,966	282,478
Deposits by the public	156,934	39,125	-	196,059	53,313	20,632	6,940	74,326	10	-	22,364	373,644
Assets under management	186,261	18,175	-	204,436	24,183	21,766	2,294	547,613	20,734	313,901	17,100	1,152,027

Regulatory Operating Segments

For more information regarding the business lines according to management approach, please see section entitled “Regulatory Operating Segments” in the 2019 Financial Statements.

Set forth below is a summary of activities by regulatory operating segments

	For the three months ended March 31 2020									
	Activity in Israel								Foreign opera-tions	Total
	House-holds	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial manage-ment	Other		
	In NIS millions									
Interest income, net	**609**	**22**	**549**	**198**	**344**	**40**	**157**	**(4)**	**254**	**2,169**
Noninterest income (expenses)	**266**	**39**	**207**	**83**	**139**	**74**	**(633)**	**-**	**71**	**246**
Total income (expenses)	**875**	**61**	**756**	**281**	**483**	**114**	**(476)**	**(4)**	**325**	**2,415**
Loan Loss Expenses	**118**	**-**	**202**	**101**	**380**	**5**	**7**	**-**	**47**	**860**
Total operating and other expenses	**669**	**23**	**392**	**107**	**95**	**56**	**73**	**179**	**209**	**1,803**
Profit (loss) before tax	**88**	**38**	**162**	**73**	**8**	**53**	**(556)**	**(183)**	**69**	**(248)**
Provision for tax (benefit)	**30**	**13**	**54**	**25**	**2**	**20**	**(173)**	**(26)**	**16**	**(39)**
Net income (loss) attributable to the Bank's shareholders	**58**	**25**	**108**	**48**	**6**	**33**	**(397)**	**(157)**	**44**	**(232)**
Balance as at March 31 2020										
Loans to the public, gross	**99,207**	**317**	**62,605**	**28,676**	**79,867**	**3,039**	**-**	**-**	**24,744**	**298,455**
Deposits by the public	**115,912**	**26,734**	**66,958**	**42,411**	**64,602**	**76,531**	**-**	**-**	**25,479**	**418,627**
Assets under management	**58,234**	**37,021**	**48,897**	**21,316**	**58,331**	**739,875**	**43,677**	**-**	**17,787**	**1,025,138**

	For the three months ended March 31 2019									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS millions									
Interest income, net	630	33	551	216	367	48	3	2	270	2,120
Noninterest income	240	37	190	77	146	43	362	390	70	1,555
Total income	870	70	741	293	513	91	365	392	340	3,675
Loan loss expenses (income)	5	-	77	(1)	(78)	(6)	(14)	-	(1)	(18)
Total operating and other expenses	726	27	402	134	103	59	91	172	232	1,946
Profit before taxes	139	43	262	160	488	38	288	220	109	1,747
Provision for tax	46	16	94	59	175	13	116	80	22	621
Net income attributable to the Bank's shareholders	93	27	168	101	313	25	148	140	77	1,092
Balance as at March 31 2019										
Loans to the public, gross	95,528	314	61,963	29,209	67,020	1,836	-	-	24,984	280,854
Deposits by the public	106,846	23,888	56,748	38,409	50,079	63,525	-	-	24,524	364,019
Assets under management	67,578	42,303	48,676	26,214	69,369	708,255	59,266	-	17,853	1,039,514

Set forth below is a summary of activities by regulatory operating segments (cont.)

	For the year ended December 31 2019									
	Activity in Israel								Foreign opera-tions	Total
	House-holds	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial manage-ment	Other		
	In NIS millions									
Interest income, net	2,568	115	2,199	864	1,457	174	448	5	1,011	8,841
Noninterest income	952	145	760	306	559	170	1,541	369	279	5,081
Total income	3,520	260	2,959	1,170	2,016	344	1,989	374	1,290	13,922
Loan loss expenses (income)	157	-	372	31	27	(6)	(30)	-	58	609
Total operating and other expenses	3,064	100	1,581	502	497	253	273	813	825	7,908
Profit (loss) before tax	299	160	1,006	637	1,492	97	1,746	(439)	407	5,405
Provision for tax (benefit)	95	57	360	229	536	36	661	(216)	72	1,830
Net income (loss) attributable to the Bank's shareholders	204	103	646	408	956	61	1,070	(223)	297	3,522

Balance as at December 31 2019										
Loans to the public, gross	99,370	346	62,727	29,578	67,167	3,399	-	-	23,219	285,806
Deposits by the public	106,796	23,717	57,988	40,919	53,531	68,329	-	-	22,364	373,644
Assets under management	68,416	46,867	52,402	26,786	75,156	819,923	45,377	-	17,100	1,152,027

Major Investee Companies

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

The Bank's total investments in investees (including in capital notes), as of March 31 2020, was NIS 11.9 billion, compared with NIS 12.0 billion as of December 31 2019, with the investee companies contributing a NIS (2) million loss to the Group's net loss in the first quarter of 2020, compared with a NIS 41 million profit 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 8,066 million as at March 31 2020, compared with NIS 8,062 million as at December 31 2019. Their contribution to the consolidated companies in Israel to the Group's net loss in the first quarter of 2020 was a loss of NIS (11) million, compared with a loss of NIS (1) million in the corresponding period last year.

Foreign Consolidated Companies

The Bank's total investments (including in capital notes) in its foreign offices as of March 31 2020 was NIS 3,797 million, compared with NIS 3,874 million as at the end of 2019.

The contribution of the foreign offices to the Group's net loss in NIS in Q1 2020 was a profit of NIS 9 million, compared with a NIS 42 million profit 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 March 9 2020, a dividend distribution of USD 73 million was made. Leumi Group's pro-rata share in BLC is USD 62 million.

Risk Exposure and Management Thereof

This section was written in great detail in the 2019 Annual Report of the Board of Directors and Management and in the 2019 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, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, model risk, environmental risk, conduct risk, and macroeconomic risk.

Leumi's risk management strategy 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 risks, 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 risk outlook analysis, to enable informed decision-making.

The coronavirus crisis is a significant event which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank's business, may be substantial.

As a result of the crisis, the severity level of the global systemic risk and the local systemic risk increased in Q1 of 2020 from "moderate" to "moderate-high". The outbreak of the coronavirus constitutes a substantial global macroeconomic risk. The coronavirus crisis, which is expected to bring about in 2020 the greatest blow to global growth since World War II, much greater than in the global financial crisis, will leave numerous economies around the world with very large sovereign debts, a development which is liable to constitute a certain risk to the stability of financial markets.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In addition, the Bank tracks and monitors market developments throughout the crisis period, applying stringent risk management and continuously examining events and modes of operation in order to prepare in advance and adapt its activity as needed.

There have been no additional significant changes in the severity of the risk and threat factors in relation to the table included in the 2019 Annual Report of the Board of Directors and Management.

Credit Risk

Credit provision is a core activity of the Bank and Group and 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.

The coronavirus crisis

This is a significant event which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank’s business, may be substantial, including in terms of increase credit risk from borrowers and liquidity difficulties of borrowers on the back of unemployment rates and economic slowdown.

The activities of the different economic sectors were not evenly affected by the crisis. There are sectors which were hurt most significantly, such as tourism and aviation. Likewise, there is uncertainty as to the pace of return to normal activity in the different sectors. Households also experience economic uncertainty due to the significant increase in the rate of jobseekers. As part of its credit risk management, the Bank is assessing its borrowers’ capabilities to cope with the crisis and the accompanying economic affliction through process changes and by reaching alternative solutions.

The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios. In addition, throughout the crisis period, the Bank applies stringent risk management, continuously examining events and its modes of operation. Market developments are being monitored in this context on a regular basis in order to prepare in advance and adapt the activity, as needed. One of the significant implications of the coronavirus is on the credit extension process and the credit risk management.

In addition, the Bank is exploring ways to extend assistance to its customers who encounter a temporary crisis and who the Bank believes will overcome the crisis. In this context, the effects of the crisis are taken into account and customers in the first line of the crisis are scrutinized in depth.

As part of the Bank’s efforts to support its customers’ needs in order to cope with the challenges of the period and overcome the crisis, the Bank extended credit to its customers through the state-backed Business Loan Fund and approved requests to alter the terms and conditions of loans extended to households and business customers who encountered temporary crises.

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.

Details on outstanding debts, in which changes were made to terms and conditions[a] as part of dealing with the coronavirus, which were not classified as restructuring of troubled debt

	As at March 31 2020	
	Outstanding loans for which payments were deferred	Outstanding payments deferred
	In NIS millions	
Commercial	**9,478**	**600**
Private individuals - housing loans	**10,080**	**186**
Private individuals - other	**1,856**	**129**
Total	**21,414**	**915**

(a) The deferment period of maturities (principal or interest) is up to six months.

Credit risk and non-performing assets

	March 31 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS millions			
Credit risk in credit performance rating:[a]				
Balance-sheet credit risk	**210,990**	**84,373**	**25,682**	**321,045**
Off-balance-sheet credit risk	**81,534**	**2,963**	**17,366**	**101,863**
Total credit risk in credit performance rating	**292,524**	**87,336**	**43,048**	**422,908**
Credit risk not in credit performance rating				
a. Non-troubled	**3,278**	**428**	**877**	**4,583**
b. Total troubled[b]	**4,587**	**824**	**613**	**6,024**
Special mention	**1,825**	**824**	**228**	**2,877**
Substandard	**566**	**-**	**72**	**638**
Impaired non-performing	**2,196**	**-**	**313**	**2,509**
Total balance-sheet credit risk	**7,865**	**1,252**	**1,490**	**10,607**
Off-balance-sheet credit risk	**756**	**-**	**15**	**771**
Credit risk abet credit performance rating	**8,621**	**1,252**	**1,505**	**11,378**
Of which: Unimpaired debts in arrears of 90 days or more[c]	**90**	**824**	**58**	**972**
Total credit risk incl. of the public	**301,145**	**88,588**	**44,553**	**434,286**
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	**1,978**	**-**	**229**	**2,207**
b. Assets received for settled loans	**8**	**-**	**-**	**8**
Total non-performing assets of the public	**1,986**	**-**	**229**	**2,215**
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				**0.74%**

(a) Credit risk whose credit rating at the reporting date matches with the credit rating for granting new credit in accordance with the Bank's policy.
(b) Credit risk that is impaired non-performing, substandard or special mention.
(c) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.

Credit risk and non-performing assets (cont.)

	March 31 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS millions			
Credit risk in credit performance rating:[(a)]				
Balance-sheet credit risk	188,931	80,043	26,043	295,017
Off-balance-sheet credit risk	73,955	2,108	16,936	92,999
Total credit risk in credit performance rating	262,886	82,151	42,979	388,016
Credit risk not in credit performance rating				
a. Non-troubled	2,187	444	853	3,484
b. Total troubled[(b)]	5,140	867	543	6,550
Special mention	2,668	838	166	3,672
Substandard	370	-	59	429
Impaired non-performing	2,102	29	318	2,449
Total balance-sheet credit risk	7,327	1,311	1,396	10,034
Off-balance-sheet credit risk	1,184	-	30	1,214
Credit risk abet credit performance rating	8,511	1,311	1,426	11,248
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	82	838	42	962
Total credit risk incl. of the public	271,397	83,462	44,405	399,264

More information on non-performing assets				
a. Non-accrual impaired non-performing debts	1,827	-	280	2,107
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	1,836	-	280	2,116
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.75%

(a) Credit risk whose credit rating at the reporting date matches with the credit rating for granting new credit in accordance with the Bank's policy.
(b) Credit risk that is impaired non-performing, substandard or special mention.
(c) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.

Credit risk and non-performing assets (cont.)

	December 31 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS millions			
Credit risk in credit performance rating:[(a)]				
Balance-sheet credit risk	189,787	83,117	26,644	299,548
Off-balance-sheet credit risk	84,484	2,573	16,751	103,808
Total credit risk in credit performance rating	274,271	85,690	43,395	403,356
Credit risk not in credit performance rating				
a. Non-troubled	1,972	472	781	3,225
b. Total troubled[(b)]	4,175	830	613	5,618
Special mention	1,524	830	229	2,583
Substandard	426	-	73	499
Impaired non-performing	2,225	-	311	2,536
Total balance-sheet credit risk	6,147	1,302	1,394	8,843
Off-balance-sheet credit risk	865	-	16	881
Credit risk abet credit performance rating	7,012	1,302	1,410	9,724
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	92	830	58	980
Total credit risk incl. of the public	281,283	86,992	44,805	413,080

More information on non-performing assets				
a. Non-accrual impaired non-performing debts	1,910	-	234	2,144
b. Assets received for settled loans	8	-	-	8
Total non-performing assets of the public	1,918	-	234	2,152
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.75%

(a) Credit risk whose credit rating at the reporting date matches with the credit rating for granting new credit in accordance with the Bank's policy.
(b) Credit risk that is impaired non-performing, substandard or special mention.
(c) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.

Change in Outstanding Impaired Non-Performing Loans

Change in balance of impaired non-performing debts for loans to the public

	For the three months ended March 31 2020			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Outstanding balance of impaired non-performing debts as at the beginning of the period	**2,220**	**-**	**311**	**2,531**
Debts classified as impaired non-performing debts during the period	**471**	**-**	**54**	**525**
Debts once again classified as unimpaired	**(8)**	**-**	**-**	**(8)**
Written-off impaired non-performing debts	**(167)**	**-**	**(16)**	**(183)**
Repaid impaired non-performing debts	**(230)**	**-**	**(36)**	**(266)**
Adjustments from translation of financial statements	**6**	**-**	**-**	**6**
Other	**(101)**	**-**	**-**	**(101)**
Outstanding balance of impaired non-performing debts as at the end of the period	**2,191**	**-**	**313**	**2,504**

	For the three months ended March 31 2019			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Outstanding balance of impaired non-performing debts as at the beginning of the period	2,380	31	340	2,751
Debts classified as impaired non-performing debts during the period	179	-	50	229
Debts once again classified as unimpaired	(4)	-	-	(4)
Written-off impaired non-performing debts	(132)	-	(27)	(159)
Repaid impaired non-performing debts	(311)	(1)	(45)	(357)
Adjustments from translation of financial statements	(17)	(1)	-	(18)
Outstanding balance of impaired non-performing debts as at the end of the period	2,095	29	318	2,442

Of which: Change in troubled debts under restructuring

	For the three months ended March 31 2020			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Outstanding troubled debts under restructuring as of the beginning of the period	**729**	**-**	**290**	**1,019**
Restructurings carried out during the period	**164**	**-**	**50**	**214**
Debts reclassified to unimpaired following subsequent restructuring	**-**	**-**	**-**	**-**
Written off restructured debt	**(24)**	**-**	**(13)**	**(37)**
Repaid restructured debt	**(135)**	**-**	**(34)**	**(169)**
Adjustments from translation of financial statements	**4**	**-**	**-**	**4**
Other	**(101)**	**-**	**-**	**(101)**
Outstanding troubled debts under restructuring as at the end of the period	**637**	**-**	**293**	**930**

Of which: Change in troubled debts under restructuring (cont.)

	For the three months ended March 31 2019			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Outstanding troubled debts under restructuring as of the beginning of the period	1,318	8	319	1,645
Restructurings carried out during the period	83	-	35	118
Debts reclassified to unimpaired following subsequent restructuring	-	-	-	-
Written off restructured debt	(34)	-	(13)	(47)
Repaid restructured debt	(285)	-	(37)	(322)
Adjustments from translation of financial statements	(5)	-	-	(5)
Outstanding troubled debts under restructuring as at the end of the period	1,077	8	304	1,389

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled debts, 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 outstanding loan loss provision in the balance sheet for impaired non-performing debts

	For the three months ended March 31 2020			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	**372**	**-**	**167**	**539**
Loan loss expenses (income)	**105**	**-**	**(6)**	**99**
Accounting write-offs	**(167)**	**-**	**(16)**	**(183)**
Collection of debts written off in previous years	**67**	**-**	**33**	**100**
Adjustments from translation of financial statements	**1**	**-**	**-**	**1**
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	**378**	**-**	**178**	**556**

	For the three months ended March 31 2019			
	In NIS millions			
	Commercial	For housing	Private individuals - other	Total
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	459	4	150	613
Income for loan losses	(96)	-	(24)	(120)
Accounting write-offs	(132)	-	(27)	(159)
Collection of debts written off in previous years	181	-	36	217
Adjustments from translation of financial statements	(3)	-	-	(3)
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	409	4	135	548

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

Breakdown of credit risk indicators

	March 31		December 31
	2020	2019	2019
	In %		
Percentage of impaired non-performing loans to the public out of outstanding loans to the public	**0.84**	0.87	0.89
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.33**	0.34	0.34
Percentage of troubled credit risk to the public out of the overall credit risk for the public	**1.52**	1.88	1.54
Percentage of loan loss expenses (income) in respect of average outstanding loans to the public[a]	**1.20**	(0.03)	0.22
Percentage of net write-offs for loans to the public out of average balance of loans to the public	**(0.07)**	(0.02)	(0.24)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.33**	1.18	1.16
Percentage of balance of the loan loss provision for loans to the public out of outstanding impaired non-performing loans to the public	**158.51**	135.46	131.49
Percentage of balance of the loan loss provision for loans to the public out of outstanding impaired non-performing loans to the public and the outstanding loans to the public in arrears of 90 days or more	**114.18**	97.18	94.79
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**(4.96)**	(1.87)	(20.04)

(a) Annualized.

Total Credit Risk to the Public by Economic Sector

	March 31 2020						
					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	Loan loss expenses (income)	Net accoun-ting write-offs	Balance of loan loss provision
	In NIS millions						
For borrowers activity in Israel - public-commercial							
Manufacturing	27,657	26,780	646	410	114	32	(485)
Construction and real estate - construction[f]	53,815	53,321	338	145	98	15	(439)
Construction and real estate - real estate activity	30,810	30,496	314	206	24	(5)	(303)
Trade	32,752	31,366	934	415	179	31	(519)
Financial services	40,853	40,843	10	4	49	(3)	(220)
Other industries	45,911	43,921	1,250	509	192	27	(703)
Commercial - total[g]	**231,798**	**226,727**	**3,492**	**1,689**	**656**	**97**	**(2,669)**
Private individuals - housing loans	88,382	87,137	824	-	31	1	(496)
Private individuals - other	44,153	42,650	624	312	86	35	(707)
Total loans to the public - activity in Israel	**364,333**	**356,514**	**4,940**	**2,001**	**773**	**133**	**(3,872)**
Banks and governments in Israel	56,086	56,086	-	-	3	-	(5)
Total activity in Israel	**420,419**	**412,600**	**4,940**	**2,001**	**776**	**133**	**(3,877)**
For borrowers activity outside Israel							
Total, public - activity outside Israel	**69,953**	**66,394**	**1,668**	**752**	**84**	**64**	**(511)**
Foreign banks and governments	57,033	57,033	-	-	-	-	-
Total activity outside Israel	**126,986**	**123,427**	**1,668**	**752**	**84**	**64**	**(511)**
Total activity in and outside Israel	**547,405**	**536,027**	**6,608**	**2,753**	**860**	**197**	**(4,388)**

(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 for 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 319,411, 90,489, 2,365, 24,901 and 110,239 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 impaired non-performing, substandard or special mention, including housing loans which are in arrears of 90 days or more, for which there is a provision based on 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 matches 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 commercial credit risk includes an outstanding NIS 2,947 million extended to purchasing groups currently in the process of construction.

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

	March 31 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	Loan loss expenses (income)	Net accoun-ting write-offs	Balance of loan loss provision
	In NIS millions						
For borrowers activity in Israel - public-commercial							
Manufacturing	24,399	23,378	909	432	25	38	(496)
Construction and real estate - construction[f]	48,864	48,022	671	262	(15)	(4)	(343)
Construction and real estate - real estate activity	29,527	28,984	540	426	(6)	(20)	(378)
Trade	30,561	29,472	1,008	264	64	42	(352)
Financial services	27,124	27,086	38	30	5	(1)	(192)
Other industries	45,222	43,811	1,103	356	(95)	(49)	(486)
Commercial - total[g]	205,697	200,753	4,269	1,770	(22)	6	(2,247)
Private individuals - housing loans	83,028	81,746	838	-	(9)	3	(463)
Private individuals - other	43,806	42,398	553	317	14	45	(601)
Total loans to the public - activity in Israel	332,531	324,897	5,660	2,087	(17)	54	(3,311)
Banks and governments in Israel	43,517	43,516	-	-	(1)	-	(2)
Total activity in Israel	376,048	368,413	5,660	2,087	(18)	54	(3,313)
For borrowers activity outside Israel							
Total, public - activity outside Israel	66,733	63,119	1,857	576	-	8	(417)
Foreign banks and governments	36,205	36,204	-	-	-	-	-
Total activity outside Israel	102,938	99,323	1,857	576	-	8	(417)
Total activity in and outside Israel	478,986	467,736	7,517	2,663	(18)	62	(3,730)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt,[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 credit limitations in the amounts of NIS 291,911, 76,023, 946, 9,416 and 100,690 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 impaired non-performing, substandard or special mention, including housing loans which are in arrears of 90 days or more, for which there is a provision based on 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 matches 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 commercial credit risk includes an outstanding NIS 2,230 million extended to purchasing groups currently in the process of construction.

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

	December 31 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	Loan loss expenses (income)	Net accoun-ting write-offs	Balance of loan loss provision
	In NIS millions						
For borrowers activity in Israel - public-commercial							
Manufacturing	24,938	24,029	640	388	89	189	(409)
Construction and real estate - construction[f]	52,689	52,222	294	118	29	24	(356)
Construction and real estate - real estate activity	30,837	30,401	436	331	(128)	(37)	(273)
Trade	30,151	29,343	776	433	235	210	(357)
Financial services	33,866	33,848	18	5	(6)	12	(168)
Other industries	45,177	44,057	1,047	366	48	37	(543)
Commercial - total[g]	217,658	213,900	3,211	1,641	267	435	(2,106)
Private individuals - housing loans	86,786	85,491	830	-	22	29	(466)
Private individuals - other	44,393	42,984	629	311	135	111	(656)
Total loans to the public - activity in Israel	348,837	342,375	4,670	1,952	424	575	(3,228)
Banks and governments in Israel	43,616	43,616	-	-	(1)	-	(2)
Total activity in Israel	392,453	385,991	4,670	1,952	423	575	(3,230)
For borrowers activity outside Israel							
Total, public - activity outside Israel	64,243	60,981	1,710	919	186	92	(486)
Foreign banks and governments	47,688	47,688	-	-	-	-	-
Total activity outside Israel	111,931	108,669	1,710	919	186	92	(486)
Total activity in and outside Israel	504,384	494,660	6,380	2,871	609	667	(3,716)

(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 for 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 298,888, 81,237, 1,470, 10,970 and 111,819 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 impaired non-performing, substandard or special mention, including housing loans which are in arrears of 90 days or more, for which there is a provision based on 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 matches 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 commercial credit risk includes an outstanding NIS 2,902 million extended to purchasing groups currently in the process of construction.

Activity and risk boundaries in the construction and real estate industry

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

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 segment's risk characteristics.
The Bank also assesses the real estate industry risk under a systemic stress scenario, with credit losses broken down by sub-sectors and examined against the 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 expected demand and across the various industries.

Following similar policies purchased in the past, a new insurance policy for the portfolio of guarantees was purchased in December 2019, pursuant to the Sales (Apartments) Law and for the commitment to issue such guarantees by 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 for 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 2020.

On January 12 2020, the Bank of Israel published a revised Proper Conduct of Banking Business Directive No. 315, "Limit on Industry Indebtedness". The update allows banks to grant additional credit constituting 4 percent of the credit portfolio to finance infrastructure projects which qualify as "civil engineering works", beyond the 20 percent restriction placed on other real estate sectors.

On March 15 2020, as part of regulatory reliefs and service to the public applied to the banking system due to the coronavirus outbreak, the Bank of Israel established that banks may increase credit granted to the construction and real estate industry, such that the total credit (net of national infrastructure) will increase from 20 percent to 22 percent of the total credit portfolio of the Bank (the restricted rate, including infrastructure, will be 24 percent). The directive expires on September 30 2020 (hereinafter - the "Directive's Expiry Date"). Nevertheless, to allow the Bank to revert to a 20 percent rate, the relief will continue to apply for another 24 months, provided that the indebtedness amount will not exceed the rate upon the expiration date.

As of March 31 2020, the Bank meets the regulatory restrictions prescribed by the directive.

For more information about this segment, please see under "Credit Risks" in the 2019 Annual Report of the Board of Directors and Management.

Borrower Groups[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 Banking Supervision Department issued an amendment to said directive. According to the amendment, a bank's exposure to a "group of borrowers of the credit card type" 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. On October 27 2019, the Banking Supervision Department issued an update to said directive. The update states that a borrower's net indebtedness for speculative and non-supervised activity will be limited to 10 percent of a 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.

As of March 31 2020, the Bank meets the regulatory restrictions prescribed by the directive.

1 A borrower group 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 a capital standpoint), including the corporation or any other entity under their control. If a corporation is held by more than one person, the owners should include a non-controlling party, for whom the banking corporation is material (e.g. from 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.

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:

	March 31 2020		
	Exposure[(a)(b)]		
	Balance-sheet	Off-balance-sheet[(c)]	Total
	In NIS millions		
USA	**28,127**	**6,432**	**34,559**
United Kingdom	**20,727**	**7,721**	**28,448**
France	**4,742**	**2,105**	**6,847**
Switzerland	**1,808**	**1,802**	**3,610**
Germany	**4,597**	**1,342**	**5,939**
Other	**22,342**	**2,531**	**24,873**
Total exposure to foreign countries	**82,343**	**21,933**	**104,276**
Of which: Total exposure to GIPS countries[(d)]	**896**	**255**	**1,151**
Of which: Total exposure to LDC countries[(e)]	**1,667**	**781**	**2,448**
Of which: total exposure to countries with liquidity issues[(f)]	**386**	**119**	**505**

	March 31 2019		
	Exposure[(a)(b)]		
	Balance-sheet	Off-balance-sheet[(c)]	Total
	In NIS millions		
USA	22,235	6,297	28,532
United Kingdom	11,482	6,668	18,150
France	3,522	1,725	5,247
Switzerland	2,033	1,074	3,107
Germany	6,299	1,141	7,440
Other	14,275	1,960	16,235
Total exposure to foreign countries	59,846	18,865	78,711
Of which: Total exposure to GIPS countries[(d)]	893	238	1,131
Of which: Total exposure to LDC countries[(e)]	1,469	834	2,303
Of which: total exposure to countries with liquidity issues[(f)]	220	45	265

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31 2019		
	Exposure[a][b]		
	Balance-sheet	Off-balance-sheet[c]	Total
	In NIS millions		
USA	29,086	6,771	35,857
United Kingdom	13,232	8,660	21,892
France	3,604	1,756	5,360
Switzerland	1,070	1,762	2,832
Germany	5,486	1,356	6,842
Other	17,484	2,069	19,553
Total exposure to foreign countries	69,962	22,374	92,336
Of which: Total exposure to GIPS countries[d]	1,108	206	1,314
Of which: Total exposure to LDC countries[e]	1,412	827	2,239
Of which: total exposure to countries with liquidity issues[f]	406	150	556

(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 impaired 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 limitations 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 applies to 10 countries (as of March 31 2019 - 11 countries, as at December 31 2019 - 13 countries).

Part B - As at March 31 2020, March 31 2019 and December 31 2019, there is no aggregate balance sheet exposure to foreign countries, the total exposure to each of which ranges between 0.75 percent and 1 percent of total consolidated assets or between 15 percent and 20 percent of equity, whichever the lower.

Credit Exposure to Foreign Financial Institutions

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

The Bank closely monitors the financial position of banks worldwide and frequently analyzes their financial robustness. The Bank maintains a shortlist of high-quality banks to which it has collective credit exposures.

The coronavirus crisis

Against the backdrop of the material ramifications of the coronavirus event and the extreme volatility in the financial markets there was an increase in the credit spreads of all local and foreign financial institutions to which the Bank is exposed. Alongside the volatility in the markets and the fears of a global recession, the world's central banks began to implement measures in order to support the global financial systems, including measures such as: Capital requirements reliefs, reliefs in applying accounting reforms, provision of liquidity tools to banks, etc.

The Bank increased its level of monitoring of foreign financial institutions and adjusted the exposure thereto in accordance with the changes in the risk environment it had identified. Such management takes into account, inter alia:

- Various financial ratios such as capital ratios, liquidity ratios and more, as published by the banks.
- The market assessment, as reflected in their market capitalization and equity risk embodied in CDSs and bond spreads.
- The rating according to the international rating agencies.
- The financial robustness of the country in which the bank's center of activity is located.
- These measures were implemented by each state in order to support its financial system and economy.
- Quantitative limitations on the extent of the exposure to a single bank and country.

The main exposure to banks and foreign financial institutions is reflected in investment ratings. The Bank does not believe that these banks and financial institutions are at a high risk level.

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

	As at March 31 2020		
	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	**32,705**	**603**	**33,308**
A- to A+	**6,867**	**811**	**7,678**
BBB- to BBB+	**605**	**176**	**781**
B- to BB+	**234**	**11**	**245**
Less than: B-	-	-	-
No credit rating	**145**	-	**145**
Total current credit exposure to foreign financial institutions	**40,556**	**1,601**	**42,157**
Troubled Credit Risk	-	-	-

	As at March 31 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	17,725	870	18,595
A- to A+	4,506	570	5,076
BBB- to BBB+	333	198	531
B- to BB+	35	9	44
Less than: B-	-	-	-
No credit rating	138	-	138
Total current credit exposure to foreign financial institutions[(e)]	22,737	1,647	24,384
Troubled Credit Risk	-	-	-

	As at December 31 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	18,673	762	19,435
A- to A+	4,563	470	5,033
BBB- to BBB+	220	177	397
B- to BB+	30	11	41
Less than: B-	-	-	-
No credit rating	148	-	148
Total current credit exposure to foreign financial institutions[(e)]	23,634	1,420	25,054
Troubled Credit Risk	-	-	-

Please see comments below.

(a) Foreign financial institutions include the following: Banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including subordinated bonds of banks in March 31 2020 in the amount of NIS 659 million (as at March 31 2019 - NIS 507 million and on December 31 2019 - NIS 527 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.

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 sources 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 Loans 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 (LTV), 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.

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

	For the three months ended March 31		Rate of change
	2020	2019	
	In NIS millions		In %
By the Bank	**4,254**	3,024	40.7
By the Government of Israel	**45**	42	7.1
Total new loans	**4,299**	3,066	40.2
Recycled loans	**938**	571	64.3
Total performance	**5,237**	3,637	44.0

Disclosure on housing loans

As a result of the coronavirus crisis, we recently witnessing a sharp rise in unemployment. According to past experience, this criterion may have an adverse effect of the Bank’s housing loans portfolio. However, due to the continuous nature of the crisis, it is too early to assess the extent of its effect on the Bank’s housing loans portfolio.

The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios.

Due to the increased risk level, the Bank maintains - throughout the crisis period - strict underwriting processes. In this context, emphases in credit granting during the crisis period were pinpointed and underwriting processes of the Bank were rendered more stringent. while exercising controls to constantly monitor risk focal points.

In addition to managing the risk, the Bank continues to accompany and support its customers during the entire crisis period and to assist them to cope with its challenges.

On March 15 2020, the Bank of Israel published several regulatory reliefs including: lifting restrictions on all-purpose loans secured by property and unilaterally increasing credit facilities for households and businesses. The Bank has adopted these reliefs in order to help its customers, after becoming convinced that these customers will be able to overcome the crisis.

On April 6 2020, the Bank announced an extension of the approval in principle for mortgage loans - from 24 days to 32 days - for customers who received an approval in principle for a mortgage loan from Leumi by the end of April 2020, for the purpose of aiding mortgage borrowers at Leumi to complete the required procedures for obtaining the loan, and to benefit from the same terms and conditions and interest rates offered to them under the approval in principle.

As part of the Bank's efforts to support its customers' needs in order to overcome the crisis period, the Bank has implemented the Bank of Israel's guidance of April 21 2020 on regulatory emphases for treating debts and reporting to the public and also adopted the uniform outline developed by the Bank of Israel for deferral of loan repayments as of May 7 2020. In accordance with the guidance and the abovementioned outline, the Bank acted to approve applications of private individuals to alter their loan terms and conditions.

On April 27 2020, the Bank of Israel published a temporary provision according to which the banks are entitled to offer apartment buyers mortgages based on their income prior to going on unpaid leave, under several terms and conditions. This permit is expected to help the Bank's customers obtain a mortgage in a period of unpaid leave or cutback to a part-time position due to the coronavirus crisis.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS millions	In %
December 31 2018	79,944	3.8
December 31 2019	83,746	4.8
March 31 2020	**84,922**	**1.4**

2018 and 2019 saw an increase in total housing loans. The increase continued into the first three months of 2020, 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		
	Out-standing amount, in NIS millions	Percen-tage of the loans port-folio	Out-standing amount, in NIS millions	Percen-tage of the loans port-folio	Out-standing amount, in NIS millions	Percen-tage of the loans port-folio	Out-standing amount, in NIS millions	Percen-tage of the loans port-folio	Out-standing amount, in NIS millions	Percen-tage of the loans port-folio	Total loan port-folio, in NIS millions
December 31 2018	14,848	18.6	33,038	41.3	12,596	15.8	18,503	23.1	959	1.2	79,944
December 31 2019	16,182	19.3	34,311	41.0	13,509	16.1	19,012	22.7	732	0.9	83,746
March 31 2020	**16,795**	**19.8**	**34,709**	**40.9**	**13,661**	**16.1**	**19,050**	**22.4**	**707**	**0.8**	**84,922**

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):

	2020	2019				2018
	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance					
	In %					
Fixed - linked	**18.8**	20.3	20.3	22.0	19.7	17.1
Variable every 5 years or more - linked	**18.7**	18.1	19.4	19.0	20.4	17.2
Variable up to 5 years - linked	**-**	0.1	-	-	-	-
Fixed - non-linked	**29.1**	26.5	24.4	23.2	23.2	28.1
Variable every 5 years or more - non-linked	**2.8**	2.9	3.3	3.0	3.7	5.3
Variable up to 5 years - non-linked	**30.6**	31.9	32.3	32.6	33.0	32.0
Variable - foreign currency	**-**	0.2	0.3	0.2	-	0.3

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 52.1 percent, compared to 55.0 percent during 2019 and 2018. The data refer to all variable interest tracks and the various linkage segments, including loans in which the interest rate changes every 5 years or more. Excluding loans in which the variable interest rate changes every 5 years or more - which do not qualify as a variable interest loan under the Banking Supervision Department's directive - the percentage of variable-rate housing loans extended during the reporting period was 30.6 percent compared to 32.6 percent in 2019.

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 4.3 billion.

The average loan extended by the Bank in Q1 2020 was NIS 750 thousand, compared to NIS 728 thousand in 2019 and NIS 732 thousand in 2018.

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 2018	80,417	862	1.07
December 31 2019	84,212	830	0.99
March 31 2020	**85,418**	**824**	**0.96**

As of March 31 2020, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the "collective provision"), is NIS 496 million, constituting 0.58 percent of the housing loans' outstanding balance, compared with NIS 466 million as at December 31 2019, which constitutes 0.56 percent of the outstanding housing loan balance.

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).

	2020	2019				2018
	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]					
Over 60 and up to 70, inclusive	**18.7**	16.0	17.9	18.0	16.9	17.4
Over 70 and up to 75, inclusive	**19.4**	16.8	17.4	19.2	16.4	15.5
Over 75	**0.2**	0.1	0.2	0.2	0.2	0.2

(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 March 31 2020 stands at 45.0 percent, compared with 45.1 percent in 2019.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount. In Q1 2020, the percentage of loans with a repayment ratio of less than 2.5 on the loan approval date was 0.3 percent of total number of new loans granted compared with 0.5 percent in 2019.

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

In the first quarter of 2020, the percentage of new housing loans in which the loan terms under the loan agreements are longer than 25 years, stood at an average of 36 percent of total new loans granted, similarly to the average rate in 2019 and 2018.

Credit Risk for 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 a key element in outlining 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, based inter alia on an internal set of measures.

As a result of the coronavirus crisis, we are recently witnessing a sharp rise in unemployment, which is expected to increase credit risk in respect of private individuals. However, due to the continuous nature of the crisis, it is too early to assess the extent to which the high unemployment rate in Israel will affect the Bank's portfolio of private individuals' housing loans.

The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios. In addition, throughout the crisis period, the Bank employs strict underwriting procedures, which were emphasized through the credit provision policy, inter alia by restricting underwriting authorizations. while exercising controls to constantly monitor risk focal points.

As part of the Bank's efforts to support its customers' needs in order to overcome the crisis period, the Bank has implemented the Bank of Israel's guidance of April 21 2020 on regulatory emphases for treating debts and reporting to the public and also adopted the uniform outline developed by the Bank of Israel for deferral of loan repayments as of May 7 2020. In accordance with the guidance and the abovementioned outline, the Bank acted to approve applications of private individuals to alter their loan terms and conditions.

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Following are developments in outstanding total credit risk (excluding derivatives) for loans granted to private individuals (in Israel, excluding housing loans)

	Balance of credit risk
	In NIS millions
December 31 2018	44,407
December 31 2019	44,387
March 31 2020	**44,139**

Following is a distribution of the balance sheet credit risk (excluding derivatives) for loans to private individuals, by term to maturity (in Israel, excluding housing loans)

	March 31 2020		December 31 2019	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Up to one year	**4,688**	**17.5**	5,158	18.6
Over one year to 3 years	**4,871**	**18.2**	4,992	18.0
Over 3 years to 5 years	**10,224**	**38.1**	10,464	37.8
Over 5 years to 7 years	**4,120**	**15.4**	4,117	14.9
Over 7 years	**450**	**1.7**	385	1.4
No repayment term[(a)]	**2,443**	**9.1**	2,561	9.3
Total	**26,796**	**100.0**	27,677	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		**March 31 2020**		December 31 2019	
From	To	In NIS millions	% of portfolio	In NIS millions	% of portfolio
-	25	**5,255**	**11.9**	5,155	11.6
25	50	**6,572**	**14.9**	6,526	14.7
50	75	**5,957**	**13.5**	5,939	13.4
75	100	**5,218**	**11.8**	5,226	11.8
100	150	**7,754**	**17.6**	7,758	17.5
150	200	**5,476**	**12.4**	5,480	12.3
200	300	**4,431**	**10.0**	4,637	10.4
Over 300		**3,476**	**7.9**	3,666	8.3
Total overall credit risk		**44,139**	**100.0**	44,387	100.0

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

	March 31 2020		December 31 2019	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Current account balances and utilized credit card balances	**5,739**	**13.0**	6,454	14.5
Car purchase loans (secured)	**1,270**	**2.9**	1,368	3.1
Other loans	**19,787**	**44.8**	19,855	44.7
Total balance-sheet credit risk	**26,796**	**60.7**	27,677	62.3
Unutilized current account credit facilities	**6,676**	**15.1**	6,564	14.8
Unutilized credit card facilities	**10,409**	**23.6**	9,971	22.5
Other off-balance-sheet credit risk	**258**	**0.6**	175	0.4
Total off-balance-sheet credit risk	**17,343**	**39.3**	16,710	37.7
Total overall credit risk	**44,139**	**100.0**	44,387	100.0

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

	March 31 2020				
	Non-linked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	**25,446**	**40**	**40**	**25,526**	**95.3**
Fixed interest loans	**1,223**	**27**	**20**	**1,270**	**4.7**
Total balance-sheet credit risk	**26,669**	**67**	**60**	**26,796**	**100.0**

Following is a distribution of the balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by linkage segment and interest track (in Israel, excluding housing loans) (cont.)

	December 31 2019				
	Non-linked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	26,201	41	60	26,302	95.0
Fixed interest loans	1,326	29	20	1,375	5.0
Total balance-sheet credit risk	27,527	70	80	27,677	100.0

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

	March 31	December 31
	2020	2019
	In NIS millions	
Deposits by the public	**91,176**	83,167
Securities portfolios	**43,894**	56,885
Total financial asset portfolio	**135,070**	140,052
Total indebtedness to customers with financial asset portfolios	**34,021**	34,227

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

	March 31 2020		December 31 2019	
Income	In NIS millions	In %	In NIS millions	In %
Accounts without fixed income	**1,598**	**6.0**	1,852	6.7
Of which: Loan accounts[(b)]	**883**	**3.3**	964	3.5
Less than NIS 10 thousand	**7,942**	**29.6**	7,959	28.8
More than NIS 10 thousand and less than NIS 20 thousand	**9,632**	**35.9**	9,831	35.5
NIS 20 thousand or more	**7,624**	**28.5**	8,035	29.0
Total	**26,796**	**100.0**	27,677	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, less 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)

	March 31	December 31
	2020	2019
	In NIS millions	
Non-troubled loans	**26,185**	27,065
Troubled unimpaired loans	**299**	302
Troubled impaired non-performing loans	**312**	310
Total balance-sheet credit risk	**26,796**	27,677
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.3%**	2.2%
Accounting write-offs, net	**36**	111
Balance of loan loss provision	**691**	641

For more information, including regarding troubled debt and loan loss expenses, please see Note 6, Note 13, and the 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 Financing

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

For more information, please see the 2019 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

	March 31						December 31		
	2020			2019			2019		
	Balance-sheet	Off-balance-sheet	Total	Balance-sheet	Off-balance-sheet	Total	Balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS millions								
Industry and manufacturing	**506**	**200**	**706**	438	225	663	320	200	520
Trade	**1,051**	**74**	**1,125**	496	43	539	384	222	606
Transportation and storage	**368**	**2**	**370**	743	2	745	346	2	348
Hotels, hospitality and food services	**235**	**-**	**235**	267	-	267	247	-	247
Construction and real estate	**213**	**76**	**289**	86	-	86	80	-	80
Water supply, sewage services, waste and garbage treatment and purification services	**360**	**-**	**360**	-	-	-	361	-	361
Total	**2,733**	**352**	**3,085**	2,030	270	2,300	1,738	424	2,162

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 market prices, 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.

The coronavirus crisis

The coronavirus crisis is a significant event which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank’s business, may be substantial.

The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios.

In addition, the Bank tracks and monitors developments throughout the crisis period, applying stringent risk management and continuously examining events and modes of operation in order to prepare in advance and adapt its activity as needed.

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 market risk management policy, the Board of Directors prescribed restrictions for each material market risk. In addition, restrictions were placed at the Chief Risk Officer level as well as additional restrictions complementing them. 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 stock prices.

In the fourth quarter of 2019, the Board of Directors approved the inclusion of interest exposures for the pension liabilities less plan assets in the management of the banking portfolio and the transition managing the exposures based on fair value, with no change in the risk appetite. The new measurement became effective in 2020.

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 derivatives 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. The long average duration actuarial obligation to employees is significantly impacted by changes in the discount rate. The discount rate used for calculating the actuarial liabilities for employee benefits, 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-rated corporate bonds which match the average 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 discount rate changes. The approval was extended until December 31 2024, inclusive.

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 terms to maturity 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 interest rate risk and its effect on value, under various assumptions of interest rate changes, including severe 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 regulatory capital, which includes the effects on capital and capital reserve of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels.

In effect, the interest rate risk is measured and managed on the basis of various behavioral assumptions regarding repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as a long-term liability. In addition, assumptions about early repayments of mortgages are based on a statistical model that attempts to forecast early repayment based on interest rates. Such estimates are of great significance in managing interest rate risks, inter alia due to the marked 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 value structure of assets and liabilities to an interest rate change, and therefore the calculation is performed without changing the assets and liabilities structure.

From the beginning of 2020, the Bank manages the exposure to interest rate changes on the basis of fair value, while taking into account the interest rate exposures for the pension liabilities less plan assets. During the reviewed period, and in the wake of the unfolding crisis in the capital markets, material changes have occurred in the exposure of value to interest rate changes, especially due to the increase in the marketable credit risk spreads, which caused the value of the Bank's own (nostro) portfolios to decline, as well as the value of the pension liabilities.

During the first quarter of 2020, a NIS 632 million negative capital reserve from securities (before tax) was recorded. After the balance sheet date and until immediately before the publication date of the financial statements, there was a significant increase in the value of the securities, which offset a substantial part of the losses recorded in the capital reserve during the reporting period.

It should also be noted that the capital reserve for employee benefits decreased in the first quarter of 2020 by NIS 2,969 million (before tax) in view of the higher discount interest rate. After the balance sheet date and until the financial statements' publication date, the capital reserve for employee benefits was up on the back of the decrease in the discount interest rate.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

During March 2020, the US Federal Reserve decreased the interest rate from 1.50-1.75 percent to 0.00-0.25 percent. During April 2020, the Bank of Israel decreased the Bank of Israel interest rate from 0.25 percent to 0.1 percent. These decreases, which were made on the back of the coronavirus crisis, are expected to hurt the Bank's finance income.

For more information regarding interest rate risk, please see the Risk Management Report.

LIBOR

In July 2017, Britain's Financial Conduct Authority (FCA) announced it would cease, as of the end of 2021, to require LIBOR panel banks to quote interest rates. As a result, it is assumed that LIBOR rates would no longer be published.

Following the announcement, various regulatory entities in England, Europe, Japan, and the United States have created teams dedicated to identifying and adopting alternative benchmarks to replace the LIBOR for each of the five currencies (US dollar, euro, pound sterling, Japanese yen, Swiss franc). In addition, the International Swaps and Derivatives Association (ISDA) is conducting fallback consultations to define final parameters to update the base interest rate and make adjustments if the fallbacks are triggered. Some of the leading alternatives are currently based on interest rates reflecting risk-free interest, contrary to the LIBOR interest rate, which also weights in the banks' credit risk. Accordingly, the transition to risk-free base rates may require the addition of a risk spread. The parameters for calculating that spread have yet to be defined and are currently unknown. Currently, overnight base rates have been developed and it is still unclear whether the new base rates will include a wide range of financing periods (such as in the case of the LIBOR), how they will be published, on which dates and by which means the interest rates will be converted in relation to the current LIBOR-based transactions.

Some regulators have already issued operative guidance for local market players, requiring them to increase the use of the new base rates with the aim of establishing a tradable market for these base rates.

The Bank has formed a team, led by the Head of Capital Markets Division, to prepare for the expected change derived therefrom. As part of the preparations, the Bank is mapping the relevant exposures and products, evaluating risks involved in discontinuing the LIBOR interest rates, considering the changes required in the Bank's systems to transition to the new interest benchmarks, etc.

The Bank issued a disclosure regarding the reform to relevant customers, and published Frequently Asked Questions - informing its customers about the expected changes - on its website. As part of the preparations, the Bank is evaluating the existence of a mechanism, as part of the standard forms of the Bank, which would allow the Bank, under predefined circumstances, to replace LIBOR with alternative benchmark rates, after there is certainty in financial markets regarding the accepted alternative base rates and subject to the guidance of the Bank of Israel, and revises its forms as needed.

The transition to new interest base rates may affect the value of various products, such as: Interest rate derivatives, bonds, credit, etc., and as a result - affect the profits of the banking corporation and its exposures. According to the Bank's assessments, the Bank has no material balance sheet exposure to LIBOR-based contracts which extend beyond 2021. The Bank is exposed to LIBOR as part of activity in derivatives transactions, which is anchored either in ISDA agreements (which, as aforesaid, should be treated in accordance with the provisions of the ISDA) or other arrangements, the exposure to which is immaterial. The Bank continues to follow publications overseas and in Israel as well as regulatory guidance regarding the reform.

Accounting implications

The discontinuation of the LIBOR and the transition to alternative interest rates indices may have various accounting implications in several areas, such as:

- Hedge accounting - The Bank will need to examine the implications of the change on existing hedge ratios, the documentation in respect thereof and its extension so as to reflect the changes made, while adopting relevant accounting standards to allow the required adjustments to be made.
- Debt modification - Debt agreements which do not take into account fallbacks may require modifications to be made. The Bank will need to examine whether these modifications should be treated as derecognition of the current contracts and initial recognition of the new contracts, with the difference stated in the income statement or alternatively, as a continuation of the current contracts by revising the effective interest rate.
- Discount rates - The transition to alternative base interest rates may cause changes in the discount rates which serve as input for various models, valuation of various assets and liabilities such as: Financial instruments, leases, derivatives, impairment of non-financial instruments.
- Fair value hierarchy - Some of the alternative interest rate indices (such as the SOFR) were issued only recently, and therefore, there is no active market for them. Therefore, it is expected that contracts related to these alternative base rates will be classified to Level 2 or Level 3 of the fair value hierarchy.

In this context, it should be emphasized that in October 2018, the FASB published ASU 2018-16, “Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”. On March 22 2020 the FASB published “Facilitation of the Effects of Reference Rate Reform on Financial Reporting” which updates Topic 848, “Reference Reform Rate”.

The Bank is preparing for implementing the change by mapping the relevant exposures and products, evaluating risks involved in the discontinuation of the LIBOR, and considering which changes in the Bank’s systems are required in order to transition to the new interest benchmarks.

Quantitative information about interest rate risk - Sensitivity analysis

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

	March 31 2020		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	**22,009**	**(3,640)**	**18,369**
Of which: Banking portfolio	**17,514**	**(3,671)**	**13,843**

	March 31 2019		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	22,690	(1,158)	21,532
Of which: Banking portfolio	16,871	(1,121)	15,750

	December 31 2019		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	20,112	(1,526)	18,586
Of which: Banking portfolio	18,416	(1,576)	16,840

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

	March 31 2020		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1%	**418**	**394**	**812**
Of which: Banking portfolio	**526**	**405**	**931**
Simultaneous decrease of 1 percent	**(732)**	**(487)**	**(1,219)**
Of which: Banking portfolio	**(856)**	**(470)**	**(1,326)**
Non-simultaneous changes			
Steepening[b]	**189**	**139**	**328**
Flattening[c]	**(206)**	**(97)**	**(303)**
Short-term interest rate increase	**79**	**64**	**143**
Short-term interest rate decrease	**(95)**	**(37)**	**(132)**

	March 31 2019		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1%	1,379	271	1,650
Of which: Banking portfolio	1,481	239	1,720
Simultaneous decrease of 1 percent	(1,809)	(409)	(2,218)
Of which: Banking portfolio	(1,901)	(377)	(2,278)
Non-simultaneous changes			
Steepening[b]	398	59	457
Flattening[c]	(210)	(153)	(363)
Short-term interest rate increase	463	(55)	408
Short-term interest rate decrease	(503)	43	(460)

	December 31 2019		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1%	1,488	197	1,685
Of which: Banking portfolio	1,501	192	1,693
Simultaneous decrease of 1 percent	(2,003)	(280)	(2,283)
Of which: Banking portfolio	(2,031)	(306)	(2,337)
Non-simultaneous changes			
Steepening[b]	648	19	667
Flattening[c]	(469)	(98)	(567)
Short-term interest rate increase	316	(49)	267
Short-term interest rate decrease	(340)	53	(287)

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]

	March 31 2020		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1%	**383**	**340**	**723**
Of which: Banking portfolio	**383**	**470**	**853**
Simultaneous decrease of 1 percent	**(383)**	**(350)**	**(733)**
Of which: Banking portfolio	**(383)**	**(470)**	**(853)**

	March 31 2019		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1%	619	129	748
Of which: Banking portfolio	619	212	831
Simultaneous decrease of 1 percent	(619)	(138)	(757)
Of which: Banking portfolio	(619)	(212)	(831)

	December 31 2019		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1%	456	183	639
Of which: Banking portfolio	456	209	665
Simultaneous decrease of 1 percent	(456)	(135)	(591)
Of which: Banking portfolio	(456)	(209)	(665)

(a) Fair value, less 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 short-term decrease in the interest rate and long-term increase in the interest rate.
(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.

Foreign exchange rate risk

During the reporting period, the effect of the change in foreign currency rates on the income was immaterial since the Bank does not have substantial ForEx exposures.

Liquidity Risks

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. The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management, and the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, which adopts the recommendations of the Basel III Committee for calculating the minimum liquidity coverage ratio (LCR), with adjustments for the Israeli economy.

As of 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 in 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 frames, with emphasis on raising deposits from retail customers and issuing long-maturity 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 coronavirus crisis

During March, capital markets experienced sharp drops and high volatility.

Throughout the reviewed period, the LCR in foreign exchange and across all currencies was higher than the regulatory requirement.

In the reviewed period, there was a significant increase in the balance of deposits by the public from retail and business customers, mainly in NIS, partly as a result of the diversion of public funds from the capital market, which increased the LCR. Total coverage ratio as at March 31 2020 was 132 percent.

As the crisis intensified, there was a rise in finance costs in the local forex market, as well as a sharp decline in the market's liquidity level. During March, the Bank of Israel began to intervene in the foreign exchange market, providing USD liquidity to the Israeli banking system through short-term FX swaps. This activity was designed to enable the banking system to continue to provide solutions to institutional investors' need for currency hedging, which were growing as the crisis unfolds.

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

	For the three months ended		
	March 31		December 31
	2020	2019	2019
	In %		
A. Consolidated data			
Liquidity coverage ratio	**sw**	129	123
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**126**	127	121
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.

The coronavirus crisis is a significant event which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank's business, may be substantial.

The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios.

In addition, the Bank tracks and monitors developments throughout the crisis period, applying stringent risk management and continuously examining events and modes of operation in order to prepare in advance and adapt its activity as needed, in accordance with Proper Conduct of Banking Business Directive No. 355, "Business Continuity Management" and the Bank's policy on this matter.

In order to provide a solution to current needs and to enable business continuity to support businesses, multiple Leumi units transitioned to a new work mode, which combines large scale work from home, physical split of organic units and reduction of the active workforce. At the same time there was a change in the characteristics and scope of customer activity.

Adjustments were made to the work and control procedures, which were examined by all relevant functions, including: Business Continuity, business functions, Risk Management, Information Security, Compliance and Legal Counsel.

The new work mode increases exposure to operational risks, especially cyber risks, systems availability, human error, fraud, embezzlement and information leakage.

In order to ensure that the exposure remains within the boundaries of the risk tolerance - business, work-flow and automation controls were set to mitigate the risks.

It should be noted that since the dynamic work mode changes from time to time, an ongoing process is taking place to examine the required changes to the work processes and their adjustments to the risk tolerance.

Information security and cyber risk.

The coronavirus crisis has led to a significant increase in cyber-attacks on financial organizations around the world with emphasis on increase in attempted phishing and social engineering attacks. Nevertheless, telecommuting and the change in workflows and controls are increasing the susceptibility to cyber-attacks and escalating the threat of information leaks for the Bank.

Leumi undertakes numerous measures in order to mitigate the exposure to these risks, including: toughening of the work policy on the Bank's intranet, minimizing connectivity to suppliers and exterior entities during the crisis, restricting the international data communication policy, toughening the authorization policy for the Bank's officers in accordance with their functions during the crisis, increasing awareness and refreshing information security instructions, increasing monitoring to remove impostor sites, adjusting the technological solutions and monitoring processes to each function's sensitivity and the telecommuting outline. Leumi continues to monitor trends, threats and attacks around the world and adjust its cyber security accordingly.

For more information about operational risk and main risk areas, please see the "Operational Risks" section in the 2019 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, until the onset of the coronavirus event, the emphasis had been placed mainly on guidance in the following areas:

- Promoting competition in the financial sector
  In this context, the following regulatory actions may be mentioned: Reliefs for new banks, including a more lenient licensing process and establishment of an IT service bureau to serve new banks; reliefs for credit card companies split from banks to establish them as major players in the competition with the 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 as to allow them to optimize their value propositions to customers; and providing additional entities the option to interface with payment systems; continued regulation of licensing procedures for regulated financial service providers; recommendations for increasing competition in the securities brokerage domain; establishing that a large banking corporation (which has higher capital requirements) is one whose consolidated total assets constitute 24 percent or more of the banking system's total assets (in lieu of 20 percent to date); as well as reliefs for registering beneficiaries and holders of accounts managed for credit providers and P2P platforms to remove a barrier which made it difficult for these entities to operate in the Israeli financial system and to compete within the banking system.
- 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"); option to issue bank guarantees digitally; the "Open Banking" reform; allowing banks to engage in the field of payment applications for merchants; continued provision of reliefs 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 deferral of the monthly repayment dates for a housing loan under special circumstances (giving birth, illness, maternity leave, death); Fair Credit Law (formerly the "Nonbank Loans Arrangement Law") and the Proper Conduct of Banking Business Directive "Simplifying Customer Agreements" relating to its implementation of the Law and its purpose is to make it easier for customers to understand complex banking credit agreements; as well as 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, and implementing the Law to Reduce the Use of Cash.
- 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.

The abovementioned trends and changes affect, and are expected to continue to affect, the banking system 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 expenses and requires constant improvement of the service and innovation levels.

The coronavirus crisis

Against the backdrop of the unfolding of the coronavirus event and its ramifications on the Israeli and global economies, as well as on households and businesses, the Banking Supervision Department and other regulators have set a series of regulatory measures in an effort to assist households and businesses to overcome this period, while allowing banking corporations to be more flexible in their business conduct.

The said measures focus, among other things, on continuing to provide banking services to the public, with emphasis on transitioning to the various digital channels, providing services without the need for customers to reach the Bank's branches and making adjustments for working remotely; providing various reliefs to the banks to allow them to function property even when not fully staffed; requiring the banks to assist the economy in overcoming the crisis by increasing the available credit and pricing loans fairly.

The said measures are limited to various time frames, in line with the assessments regarding the continuation of the coronavirus event, and are continuously updated in accordance with the needs of the customers and those of the bank, as well as the economic situation in Israel. The application of said regulatory provisions is part of a comprehensive handling of the coronavirus event, and their impacts will be assessed as part of the assessment of the event's total impact on the Bank and Group.

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.

Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function in Banking Corporations", formally defines the compliance function's areas of responsibility at the Group level. The directive outlines the definition of compliance provisions and stipulates that compliance risk stems from laws, regulations, regulatory provisions, internal procedures, conduct rules and Israel Securities Authority's position papers. The directive stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the compliance risk derived, as stated above, from the entire body of laws governing the Bank's activity.

According to the Bank's policy, compliance risk is managed at the Group level. In this context, various steps are taken to supervise and control and foreign offices and subsidiaries in order to monitor compliance issues as a whole and apply the Group's compliance policy.

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.

Maintaining a fair compliance culture across the entire organization requires an effective control and enforcement framework, which is outlined in work processes and enables the organization to comply with all regulations. To this end, strict compliance and enforcement processes have been established for all workflows and their compliance risks. The purpose of the control and enforcement framework is, among other things, to identify existing and potential gaps and exposures in order to determine whether work processes, procedures, training programs and assimilation requirements need revision. The control processes are based, inter alia, on an analysis of the compliance regulations, internal and external audit findings, complaints by the public, legal proceedings against the Bank or other banks that may indicate possible compliance exposures, as well as analysis of trends and events in Israel and around the world.

The Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole and implementation of the collective 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, financial service providers, 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 officers and employees if they have violated the relevant provisions.

The Group's Chief Compliance Officer also serves as the Chief Compliance Enforcement Officer, responsible for implementation of the internal enforcement program in the area of securities and investment management which was approved the Bank's Board of Directors. In 2019, the enforcement plan was revalidated by an external expert.

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 authenticate 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 guidance 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 for such complaints and whether the Banking Supervision Department will issue an industry-wide decision about the complaints and/or whether class actions or other type of lawsuits will be brought as a result of such proceedings. It is therefore impossible to assess the potential exposure for the such complaints. As a result, no provision was made for the said exposure.

For more information about legal risk and its management, please see the section entitled “Other Risks” in the 2019 Annual Report of the Board of Directors and Management.

Reputational Risk

Reputational risk is the risk of compromising various stakeholders’ trust in the Leumi Group, such as customers, shareholders, etc., as a result of conduct, act, or omission by the Group, officers in 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 the section entitled “Other Risks” in the 2019 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 risk may not have a significant immediate effect on the profit in the immediate term, but 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 macroeconomic, industry-specific, 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 Industry 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.

The coronavirus crisis has a substantial impact on the environment in which the Bank operates, from the macroeconomic, industry-specific, regulatory, consumer and technological aspects. Such a crisis raises the importance of a proper analysis of the implications of the crisis, making correct business and operational decisions, appropriate implementation of decisions and effective and swift reaction to changes. Bank Leumi is preparing accordingly, inter alia by adjusting its strategy.

For more information about legal risk and its management, please see the section entitled “Other Risks” in the 2019 Annual Report of the Board of Directors and Management.

Models Risk

Models risk is the risk of a loss or harm to the Bank’s reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, errors in implementing the model or faulty use of the model.

For more information about legal risk and its management, please see the section entitled “Other Risks” in the 2019 Annual Report of the Board of Directors and Management.

Environmental Risk

Environmental risk is comprised of two areas:

- Environmental risk resulting from costs associated with implementing and enforcing environmental regulations. The Bank may be exposed to such environmental risk indirectly, in various aspects of its activity, including through its credit risk management, such as if a borrower’s financial position is adversely affected by the need to make investments due to environmental provisions or as a result of impairment of exercised collaterals, but also directly, if the Bank is found directly responsible for an environmental hazard, including the possibility of the Bank being required to incur the costs of removing an environmental hazard or found responsible for an environmental hazard towards a third party.
  The Bank may also be exposed to a reputational risk if an environmental hazard is attributed to the Bank, whether directly, as one who created the hazard, or indirectly - for having financed the hazard.
- Environmental risk as a result of climate change or natural hazard associated with it, such as: Extreme weather, rising of the sea level and as a result of transitioning to non-polluting energy.
  The Bank may incur direct harm to its facilities as a result of these changes, or indirectly through a borrower’s credit risks.

For more information about legal risk and its management, please see the section entitled “Other Risks” in the 2019 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.
During the past year, various domestic and international economic entities have pointed at a global economic slowdown. The geopolitical tensions and trade disputes have increased uncertainty about the future of the world trade system, globalization, 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 coronavirus outbreak in January 2020 constitutes a major global macroeconomic risk which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank's business, may be substantial. The coronavirus crisis, which is expected to bring about in 2020 the greatest blow to global growth since World War II, much greater than in the global financial crisis, will leave numerous economies around the world with very large sovereign debts, a development which is liable to constitute a certain risk to the stability of financial markets. 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 2019.

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

The actual results of these estimates may differ from the estimates and/or assessments. In most cases, the estimates and assessments are based on economic forecasts, assessments regarding 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 2019 Annual Report are as follows: Loan loss provision and classification of troubled debts, derivatives, securities, liabilities for employee benefits, liabilities for legal claims and income tax.

Liabilities for Employee Benefits

Retirement and pension benefits are determined according to a classification of different employment periods at the Bank: Employees who began working at the Bank from January 1 1999 make ongoing pension and severance pay 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 liability 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-rated 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 March 31 2020, the balance of accumulated other comprehensive income for employee benefits amounted to a negative balance of NIS 1,988 million, after the tax effect, a NIS 1,960 million decrease after taxes in the fund’s negative balance, compared with December 31 2019.

The outstanding liability for employee benefits as at March 31 2020, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority’s approach") is NIS 826 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 control 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 2020, the Bank validates and updates material control processes and conducts effective evaluations of its internal system of control over financial reporting. During Q1 2020, these moves were carried out in accordance with the special circumstances surrounding the coronavirus crisis.

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 March 31 2020, 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.

The Board of Directors

From January to March 2020, Leumi's Board of Directors held 16 plenum meetings and its committees held 17 meetings.

At a Board meeting held on May 26 2020, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at March 31 2020 and for the period then ended.

The Bank's Board of Directors 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.

סאמר

Dr. Samer Haj Yehia
Chairman of the Board

May 26 2020

Hanan Friedman
President and Chief Executive Officer

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 March 31 2020 (hereinafter: the "Report").

2. To my knowledge, the Report does not contain any misrepresentation of a material fact, nor does it 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 financial statements 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 control over financial reporting or have caused such internal control 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 guidance 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 control over financial reporting that are reasonably expected to 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.

May 26 2020

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 March 31 2020 (hereinafter: the “Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, nor does it 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 financial statements 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 control over financial reporting or have caused such internal control 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 guidance 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 control over financial reporting that are reasonably expected to 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.

May 26 2020

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 March 31 2020 (hereinafter: the “Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, nor does it 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 financial statements 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 control over financial reporting or have caused such internal control 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 guidance 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 control over financial reporting that are reasonably expected to 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.

May 26 2020

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"), which includes the condensed consolidated interim balance sheet as at March 31 2020 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

The consolidated annual financial statements of the Bank as at December 31 2019 and for the year then ended and the condensed interim consolidated financial information as at March 31 2019 and for the three-month period then ended were audited and reviewed, respectively, by Somekh Chaikin and another independent auditor, whose reports as at February 26 2020 and May 27 2019, respectively, included an unqualified opinion and an unqualified conclusion, respectively.

Review scope

We performed our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and a review standard applied in the review of banking corporations pursuant to the Banking Supervision Department's directives and guidelines. A review of interim financial information consists of inquiries, mostly of persons responsible for financial and accounting issues, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed in accordance with Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

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

Somekh Chaikin
An Israeli partnership and member of the
Deloitte Global Network KPMG
International Cooperative ("KPMG International"),
a Swiss entity

CPAs

Brightman Almagor Zohar & Co.
A member of the Deloitte Global Network of
independent firms

CPAs

Joint Independent Auditors

May 26 2020

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the period ended March 31 2020

		For the three months ended March 31		For the year ended December 31
		2020	2019	2019
		Unaudited		Audited
	Note	In NIS millions		
Interest income	**2**	**2,593**	2,679	11,437
Interest expense	**2**	**424**	559	2,596
Interest income, net	**2**	**2,169**	2,120	8,841
Loan loss expenses (income)	**6, 13**	**860**	(18)	609
Interest income, net after loan loss expenses		**1,309**	2,138	8,232
Noninterest income				
Noninterest finance (expenses) income	**3A**	**(660)**	665	1,686
Fees and commissions		**893**	809	3,225
Other income		**13**	81	170
Total noninterest income		**246**	1,555	5,081
Operating and other expenses				
Salaries and related expenses		**935**	1,136	4,325
Buildings and equipment - Maintenance and depreciation		**408**	375	1,521
Other expenses		**460**	435	2,062
Total operating and other expenses		**1,803**	1,946	7,908
(Loss) profit before taxes		**(248)**	1,747	5,405
(Benefit) provision for profit tax		**(39)**	621	1,830
(Loss) profit after tax		**(209)**	1,126	3,575
The Bank's share in associates' losses, after taxes		**(14)**	(24)	(15)
Net income (loss)				
Before attribution to non-controlling interests		**(223)**	1,102	3,560
Attributable to non-controlling interests		**9**	10	38
Attributable to the Bank's shareholders		**(232)**	1,092	3,522
Basic and diluted earnings (loss) per share (in NIS)				
Basic net income (loss) attributable to the Bank's shareholders	**3B**	**(0.16)**	0.73	2.37
Diluted net income (loss) attributable to the Bank's shareholders	**3B**	**(0.16)**	0.73	2.37

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

Dr. Samer Haj Yehia
Chairman of the Board of Directors

Hanan Friedman
President and Chief Executive Officer

Omer Ziv
First Executive Vice President
Head of Finance Division

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

Date of approval of the financial statements: May 26 2020

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the period ended March 31 2020

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Net income (loss) before attribution to non-controlling interests	**(223)**	1,102	3,560
Less net income attributable to non-controlling interests	**9**	10	38
Net income (loss) attributable to the Bank's shareholders	**(232)**	1,092	3,522
Other comprehensive income (loss), before taxes			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(632)**	579	1,468
Adjustments from translation of financial statements, net[(a)],after the effect of hedges[(b)]	**21**	(30)	(65)
Net gains (losses) for cash flow hedges	**45**	-	(3)
Adjustments of liabilities for employee benefits[(c)]	**2,969**	(787)	(3,317)
The Bank's share in other comprehensive (loss) income of associates	**(4)**	5	(5)
Other comprehensive income (loss), before taxes	**2,399**	(233)	(1,922)
Related tax effect	**(783)**	48	573
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**1,616**	(185)	(1,349)
Less other comprehensive income (loss) attributable to non-controlling interests	**25**	(3)	(13)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**1,591**	(182)	(1,336)
Comprehensive income before attribution to non-controlling interests	**1,393**	917	2,211
Less comprehensive income attributable to non-controlling interests	**34**	7	25
Comprehensive income attributable to the Bank's shareholders	**1,359**	910	2,186

(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.

See also Note 4, Accumulated Other Comprehensive Income (Loss)

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Balance Sheet
As at March 31 2020

		March 31		December 31
		2020	2019	2019
		Unaudited		Audited
	Note	In NIS millions		
Assets				
Cash and deposits with banks		**103,171**	76,380	76,213
Securities[(a)(b)]	**5**	**94,012**	79,553	84,949
Securities borrowed or purchased under reverse repurchase agreements		**2,365**	946	1,470
Loans to the public	**6, 13**	**298,455**	280,854	285,806
Loan loss provision	**6, 13**	**(3,969)**	(3,308)	(3,328)
Loans to the public, net		**294,486**	277,546	282,478
Loans to governments		**728**	723	744
Investments in associates		**741**	601	765
Buildings and equipment		**2,956**	2,863	3,043
Goodwill		**16**	17	16
Underlying assets for derivatives	**11**	**24,901**	9,408	10,970
Other assets		**9,073**	8,450	8,486
Total assets		**532,449**	456,487	469,134
Liabilities and equity				
Deposits by the public	**7**	**418,627**	364,019	373,644
Deposits by banks		**6,172**	4,488	6,176
Deposits by governments		**313**	424	315
Securities loaned or sold under repurchase agreements		**4,415**	664	476
Bonds, promissory notes and subordinated bonds		**22,530**	20,951	19,958
Liabilities for derivatives	**11**	**24,946**	9,519	11,528
Other liabilities[(a)(c)]		**18,737**	20,001	21,163
Total liabilities		**495,740**	420,066	433,260
Shareholders' equity	**9**	**36,245**	35,940	35,406
Non-controlling interests		**464**	481	468
Total equity		**36,709**	36,421	35,874
Total liabilities and equity		**532,449**	456,487	469,134

(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: Loan loss provision for off-balance-sheet credit instruments, NIS 414 million (as at March 31 2019 - NIS 420 million; as at December 31 2019 - NIS 386 million).

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Changes in Equity
For the period ended March 31 2020

	For the three months ended March 31 2020 (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 2019 (audited)	7,054	421	53
Net income (loss) for the period	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	**(13)**	**(210)**	-
Employee benefit due to stock-based compensation transactions	-	-	-
Balance as at March 31 2020	**7,041**	**211**	**53**

	For the three months ended March 31 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 loss for the period	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid	-	-	-
Issuance of shares	1	6	(7)
Sale of equity of a consolidated company	-	-	-
Balance as at March 31 2019	7,082	1,093	51

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 3,825 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (March 31 2019 - NIS 3,164 million, of which NIS 700 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.X in the financial statements as at December 31 2019.

The notes to the condensed consolidated interim 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 equity
7,528	(3,495)	31,373	35,406	468	35,874
-	**-**	**(232)**	**(232)**	**9**	**(223)**
-	**1,591**	**-**	**1,591**	**25**	**1,616**
-	**-**	**-**	**-**	**(39)**	**(39)**
-	**-**	**(297)**	**(297)**	**-**	**(297)**
(223)	**-**	**-**	**(223)**	**-**	**(223)**
-	**-**	**-**	**-**	**1**	**1**
7,305	**(1,904)**	**30,844**	**36,245**	**464**	**36,709**

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
8,226	(2,132)	29,211	35,305	856	36,161
-	(27)	27	-	-	-
-	-	1,092	1,092	10	1,102
-	(182)	-	(182)	(7)	(189)
-	-	(275)	(275)	-	(275)
-	-	-	-	-	-
-	-	-	-	(378)	(378)
8,226	(2,341)	30,055	35,940	481	36,421

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

Condensed Statement of Changes in Equity (cont.)

For the period ended March 31 2020

	For the year ended December 31 2019 (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 2018	7,081	1,087	58
Cumulative effect for first-time application of US GAAP[c]	-	-	-
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issuance of shares	1	6	(7)
Share buyback	(28)	(672)	-
Employee benefit due to stock-based compensation transactions	-	-	2
Sale of equity of a consolidated company	-	-	-
Balance as at December 31 2019	7,054	421	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,610 million that are non-distributable, of which NIS 1,400 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.
(c) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - "Financial Instruments", including updates thereof. Please see Note 1.X in the financial statements as at December 31 2019.

The notes to the condensed consolidated interim 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 equity
8,226	(2,132)	29,211	35,305	856	36,161
-	(27)	27	-	-	-
-	-	3,522	3,522	38	3,560
-	(1,336)	-	(1,336)	(17)	(1,353)
-	-	-	-	(33)	(33)
-	-	(1,387)	(1,387)	-	(1,387)
-	-	-	-	-	-
(700)	-	-	(700)	-	(700)
2	-	-	2	2	4
-	-	-	-	(378)	(378)
7,528	(3,495)	31,373	35,406	468	35,874

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Cash Flow Statement
For the period ended March 31 2020

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Cash flows from operating activities			
Net income (loss) for the period	**(223)**	1,102	3,560
Adjustments:			
Group's share in undistributed profits of associates[(a)]	**20**	27	47
Depreciation of buildings and equipment (including impairment)	**180**	148	600
Loan loss expenses (income)	**860**	(18)	609
Gains on sale of loan portfolios	**-**	-	(15)
Net gains on sale of available-for-sale bonds and equity securities not held-for-trading	**(195)**	(32)	(329)
Realized and unrealized loss (gain) from fair value adjustments of held-for-trading securities	**33**	(45)[(b)]	(151)
Gain on disposal of investment in investees	**-**	(314)	(287)
Gain on disposal of buildings and equipment	**-**	(45)	(68)
Provision for impairment of equity securities not held for trading	**27**	19	39
Provision for impairment of available-for-sale bonds	**33**	-	2
Unrealized losses (gains) from fair value adjustments of equity securities not held for trading	**180**	(42)	(56)
Expenses for stock-based compensation transactions	**-**	-	2
Deferred taxes - net	**(42)**	(215)	(595)
Change in net liability in lieu of employee benefits	**(579)**	36	(64)
Excess of interest received (receivable) for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**70**	(73)[(b)]	(146)
Payable (paid) interest in excess of interest accrued during the period in respect of bonds and subordinated bonds	**(90)**	10	(88)
Effect of exchange rate differentials on cash and cash equivalent balances	**681**	281	730
Other, net	**2**	2	59
Net change in current assets:			
Underlying assets for derivatives	**(13,929)**	3,340	1,775
Held-for-trading securities	**(8,933)**	233	3,390
Other assets	**(1,370)**	438	1,180
Net change in current liabilities:			
Liabilities for derivatives	**13,092**	(2,632)	(718)
Other liabilities	**1,109**	4,192[(b)]	3,326
Net cash provided from (for) operating activities	**(9,074)**	6,412	12,802

(a) Net of dividend received.
(b) Reclassified.

The notes to the condensed consolidated interim 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 March 31 2020

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	**(4,095)**	3,004[(b)]	3,199
Net change in loans to the public	**(12,029)**	(2,981)[(b)]	(10,795)
Net change in loans to the Israeli Government	**16**	59	38
Net change in securities borrowed or purchased under reverse repurchase agreements	**(895)**	311	(213)
Purchase of held-to-maturity bonds	**(1,561)**	(643)[(b)]	(2,048)
Proceeds from redemption of held-to-maturity bonds	**403**	4	647
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(30,333)**	(22,595)	(83,882)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**21,709**	10,532	41,423
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**9,060**	8,129	31,789
Purchase of associates' equity	**(5)**	-	(377)
Proceeds from disposal of investment in associates	**-**	-	251
Proceeds from disposal of an investment in a previously-consolidated subsidiary (Appendix B)	**-**	671	712
Proceeds from sale of loan portfolios	**105**	178	915
Purchase of buildings and equipment	**(92)**	(187)	(942)
Proceeds from disposal of buildings and equipment	**-**	66[(b)]	107
Central severance pay fund	**33**	46	157
Net cash for investing activities	**(17,684)**	(3,406)	(19,019)
Cash flows from financing activities			
Net change in deposits by banks with original maturities of more than three months	**(40)**	(676)[(b)]	1,067
Net change in deposits by the public	**44,299**	(5,754)[(b)]	5,609
Net change in deposits by the government	**(6)**	(270)	(367)
Net change in securities loaned or sold under reverse repurchase agreements	**3,939**	123	(65)
Proceeds from issue of bonds and subordinated bonds	**2,674**	3,152	3,152
Redemption of bonds and subordinated bonds	**(12)**	(9)	(958)
Dividend paid to shareholders	**(297)**	-	(1,387)
Dividend paid to external shareholders in consolidated companies	**(39)**	-	(33)
Share buyback	**(223)**	-	(700)
Net cash from (for) financing activities	**50,295**	(3,434)	6,318
Increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified as held-for-sale assets and liabilities[(a)]	**23,537**	(428)	101
Less decrease in cash and cash equivalents classified as held-for-sale assets and liabilities[(a)]	**-**	(3)	(3)
Increase (decrease) in cash and cash equivalents	**23,537**	(425)	104
Balance of cash and cash equivalents at beginning of period	**73,667**	74,293	74,293
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(681)**	(281)	(730)
Balance of cash and cash equivalents at end of period	**96,523**	73,587	73,667

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

The notes to the condensed consolidated interim 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 March 31 2020

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Interest received	**2,853**	2,862	11,143
Interest paid	**(729)**	(663)	(3,423)
Dividends received	**12**	10	64
Income tax paid	**(244)**	(453)	(2,498)

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

For the year ended December 31 2019

On July 15 2019, NIS 139.9 million p.v. in Series 201 Subordinated Capital Notes were exchanged for NIS 142 million p.v. in Series 404 Subordinated Bonds and NIS 976.9 million p.v. in Series N Subordinated Bonds were exchanged for NIS 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.

As part of the adoption of ASU 2019-04, a NIS 746 million balance was reclassified from the held-to-maturity bonds portfolio to the available-for-sale securities portfolio on December 1 2019.

Appendix B - Proceeds from Disposal of Investments in a 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 March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Derecognized cash	-	3	20
Assets (excluding cash)	-	14,322	15,398
Liabilities	-	12,434	13,370
Identified assets and liabilities	-	1,891	2,048
Assets and liabilities attributable to non-controlling interests	-	378	378
Derecognized assets and liabilities	-	1,513	1,670
Capital gain on disposal of investment in previously-consolidated subsidiaries	-	314	215
Total proceeds on disposal of investments in previously-consolidated subsidiaries	-	1,827	1,885
Less non-cash proceeds from disposal of investments in previously-consolidated subsidiaries	-	1,153	1,153
Cash proceeds	-	674	732
Net of derecognized cash	-	3	20
Proceeds on disposal of investments in previously consolidated subsidiaries	-	671	712

(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 March 31 2020 have been prepared in accordance with the Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department regarding the preparation of quarterly financial statements of a banking corporation. In most topics, 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 2019, except as outlined in Section B below. The financial statements should be read in conjunction with the Annual Financial Statements as at December 31 2019 and their accompanying notes. On May 27 2020, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

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

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

Changes in estimates

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were 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:

Note 1 - Significant Accounting Policies (cont.)

1. Reporting by banking corporations and credit card companies pursuant to US GAAP on 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. On August 30 2018, a circular regarding derivatives and hedging, classification and measurement of financial instruments, cash flow statement and additional topics was published.

The main highlights of the 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. In operating leases, a right-of-use asset shall be recorded in the balance sheet which reflects the Bank's right to use the leased asset against an obligation to pay the lease.
c. Transactions in which a banking corporation sells an asset and leases it back may be considered, under certain circumstances, as accounting sales transactions.
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.

Under the new provisions, for agreements in which the Bank is the lessee, upon initial recognition, the Bank recognized a liability in the amount equal to the present value of the future lease payments during the lease term (these payments do not include variable lease payments that do not depend on the CPI or the interest rate) and, at the same time, recognized the right-of-use asset in the amount of the lease liability, adjusted for advance or accrued lease payments less lease incentives, plus direct costs incurred for the lease.

In addition, as permitted by the standard’s provisions, the Bank has decided to apply the following reliefs:

- To use the practical relief of not separating non-lease components, such as services or maintenance, from lease components, but rather treating them as a single lease component.
- To use the practical relief whereby short-term leases of up to one year are treated such that lease payments are charged to profit and loss according to the straight-line method, throughout the lease term, without recognizing the right-of-use asset and/or liability for a lease in the statement of financial position.
- To apply the standard’s provisions to a portfolio of leases with similar characteristics (in terms of size and composition), for which the Bank reasonably expects that the application of the lease model to the portfolio will not be materially different from the application of the model separately for each lease contained in the portfolio.

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 new directives were applied as at January 1 2020 on a prospective basis. I.e., the first-time application date is the standard's effective date.

The effect of the application of the directives on the balance sheet was an increase of approx. NIS 1.4 billion in the balance of right-of-use assets and the outstanding liability for this lease. The application of the directives had no material effect on the profit and loss.

Note 1 - Significant Accounting Policies (cont.)

In addition, the implementation of the new directives brought about a decrease in the Common Equity Tier 1 capital ratio and total capital ratio at a rate of approx. 0.04 percent and 0.07 percent, respectively, as at January 1 2020, as a result of including the risk-weighted assets for the right of use assets which arise from operational leases recognized in the balance sheet at a rate of a 100 percent of adjustment to the related deferred tax balances.

2. ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.

On August 29 2018, the FASB issued ASU 2018-15, which updates Subtopic 350-40 regarding internal use software.

In accordance with the ASU, costs incurred for the purpose of integrating cloud computing services shall be deferred or charged to profit or loss in the same manner they would have been treated in accordance with provisions regarding 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 of software assets.

The ASU was applied retrospectively as at January 1 2020.

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

3. 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".

In accordance with 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 book value. However, the impairment loss may not exceed the goodwill amount attributed to the reporting unit.

The ASU was applied prospectively as at January 1 2020.

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

4. Regulatory emphases regarding accounting treatment of debts and reporting to the public due to the coronavirus crisis

On April 21 2020, the Bank of Israel published a letter entitled "The coronavirus event - regulatory emphases for handling debt and reporting to the public", which adopts guidelines and reliefs set by US regulators, as follows:

Changes in loan terms and conditions

Stabilizing borrowers who are not delinquent on their existing loans and are experiencing financial or operational difficulties in the short-term due to the coronavirus event by changing the terms and conditions of their debts, such as: Delay of repayments, waiving interest for delay and extending repayment periods will not cause these debts to be classified as troubled debts under restructuring, subject to the following terms and conditions:

- The change was made due to the coronavirus event;
- The borrower was not delinquent on the date in which the plan to change the terms and conditions was implemented;
- The change is for a short period (up to 6 months)

In this regard, it has been clarified that borrowers are considered non-delinquent if they are in arrears of less than 30 days on the contractual terms and conditions at the time of the implementation of the change plan. In addition, when the change in the terms and conditions of the debt has resulted in deferred repayment which is not short-term, the debt will not be classified as a troubled debt under restructuring if it is renewed at the same interest rate as the interest rate set for a new debt at a similar risk level.

Housing loans that are treated according to the extent of arrears method, where such short-term deferral was made to a debt which was not a troubled debt before the delay date, are not required, as a rule, to be classified as debt under restructuring.

Determining the extent of arrears
The Bank is not required to classify debts that were not previously delinquent, and whose repayment has been deferred due to the coronavirus event, as debts in arrears due to that postponement. Regarding debts for which repayments were deferred due to the coronavirus event and which were delinquent prior to the postponement, a freeze should be placed on the delinquency period for the duration of the repayment postponement period.

Classification of troubled debts, including nonaccrual impaired non-performing debts and accounting write-offs.
During the period in which short-term arrangements were made, these loans will, as a rule, be reported as accruing loans, except for debts for which new information was collected indicating a decline in repayment prospects, for which the Bank acted in accordance with the Reporting to the Public Directives on the classification of troubled debts and accounting write-offs.

In the course of addressing the coronavirus crisis, and following the above, the Bank made, during the past quarter, changes in the terms and conditions of debts which were not classified as restructured troubled debts, including deferral of repayment dates and extensions of repayment periods.

C. New accounting standards and new directives issued by the Banking Supervision Department which are not yet in force

1. Discontinue the use of the LIBOR interest

Following the Benchmark Interest Reform, interbank interest rates - LIBOR - will be discontinued and substituted with alternative observable benchmark interest rates or actual transaction-based interest rates that will be less susceptible to manipulation, starting at the end of 2021.

In this context, on October 2018, the FASB published ASU 2018-16, “Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate in the Benchmark Interest Rate for Hedge Accounting Purposes”.
On March 22 2020, the FASB published ASU 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, which updates Topic 848, “Reference Rate Reform”.

The aforementioned discontinuation of the use of the LIBOR and the transition to alternative benchmark interest rates may have various accounting effects in a number of areas, inter alia on:

- Hedge accounting - the Bank will need to examine the implications of the change for existing hedging relationships, the documentation performed thereof and its expansion for the purpose of integrating the changes made. All as part of the adoption of the accounting standards which will enable the required adjustments to be made.

- Debt modification agreements - debt agreements which do not include references to fallbacks may require these agreements to be modified The Bank need to examine whether these amendments will be treated as a derecognition of the existing contracts and an initial recognition of the new contracts, while the difference will be recognized in the income statement or alternatively as a continuation of the existing contracts through the update of the effective interest rate.

Note 1 - Significant Accounting Policies (cont.)

- Discount rates - transitioning to alternative benchmark interest rates might bring about changes in the discount rates used as inputs in various valuation models of various assets and liabilities, such as: Financial instruments, leases, derivatives, impairment of non-financial assets.
- The fair value hierarchy - some of the alternative benchmark rates (such as the SOFR) were published only recently, and thus no active market exists for them. Therefore, it is expected that contracts underlying these benchmark interest rates will be classified to Level 2 or 3 in the fair value hierarchy.

The Bank is preparing for the change by mapping relevant exposures and products, and examining the risks involved in the replacement of the LIBOR interest rates, including evaluating the changes required to be made to the Bank's systems in order to transition to the new benchmark rates.

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2020	2019
	Unaudited	
	In NIS millions	
a. Interest income[(a)]		
From loans to the public	**2,218**	2,286
From loans to the Israeli Government	**8**	8
From deposits with the Bank of Israel and from cash	**32**	36
From deposits with banks	**33**	46
From securities borrowed or purchased under reverse repurchase agreements	**4**	1
From bonds[(b)]	**298**	302
Total interest income	**2,593**	2,679
b. Interest expense[(a)]		
For deposits by the public	**(353)**	(464)
For deposits by the government	**(1)**	(1)
For deposits by banks	**(6)**	(3)
For securities loaned or sold under repurchase agreements	**(4)**	(1)
For bonds, promissory notes and subordinated bonds	**(60)**	(90)
Total interest expense	**(424)**	(559)
Total interest income, net	**2,169**	2,120
c. Details of the net effect of hedging derivatives and interest income and expenses[(c)]		
Interest income	**(8)**	(1)
d. Details on interest income from bonds, on accrual basis		
Held-to-maturity	**41**	37
Available for sale	**247**	257
Held-for-trading	**10**	8
Total included in interest income	**298**	302

(a) Including an effective component in hedge ratios.
(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 41 million for the three-month period ended March 31 2020 (NIS 54 million for the three-month period ended March 31 2019).
(c) Details about the effect of hedging derivatives on subsections a. and b.

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2020	2019
	Unaudited	
	In NIS millions	
a. Noninterest finance income (expenses) for non-trading activities		
a.1. From derivative activities[a]		
Net income (expenses) in respect of derivatives[b]	**742**	(688)
Total from derivatives activity	**742**	(688)
a.2. From investment in bonds		
Gains on sale of available-for-sale bonds, net[f]	**167**	7
Losses on sale of available-for-sale bonds, net[f]	**-**	(5)
Provision for impairment of available-for-sale bonds	**(33)**	-
Total from investment in bonds	**134**	2
a.3. Exchange rate differentials, net	**(1,269)**	907
a.4. Gains (losses) on investment in equity securities		
Gains on sale of equity securities not held for trading	**23**	33
Provision for impairment for equity securities not held for trading	**(27)**	(19)
Losses from sale of equity securities not held for trading	**(28)**	(3)
Dividend from equity securities not held for trading	**6**	7
Unrealized gains (losses), net from equity securities not held for trading[i]	**(180)**	42
Gain on sale of investees' equity[c]	**-**	314
Loss on sale of investees' equity	**(2)**	-
Total from investment in equity securities	**(208)**	374
Total noninterest finance income (expenses) for non-trading activities	**(601)**	595
b. Noninterest finance income (expenses) for trading activities[h]		
Net income (expenses) for held-for-trading derivatives	**(26)**	25
Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds, net[d][e]	**(32)**	44
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading shares, net[e][h]	**(1)**	1
Total from trading activities[g]	**(59)**	70
Details of noninterest finance income for trading activities, by risk exposure		
Interest rate exposure	**(252)**	51[j]
Foreign exchange exposure	**215**	(7)[j]
Equity exposure	**(24)**	26[j]
Exposure to commodities and other contracts	**2**	-
Total	**(59)**	70
Total noninterest finance income (expenses)	**(660)**	665

Please see comments below.

(a) Excluding the effect of hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) There were no gains on the sale of equity securities in the three months ended March 31 2020 (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.
(d) Of which: NIS 62 million in losses on the three-month period ended March 31 2020 in respect of held-for-trading bonds held as at the balance sheet date (gains of NIS 27 million for the three-month period ended March 31 2019).
(e) There were no losses in respect of held-for-trading bonds held as at the balance sheet date in the three-month period ended March 31 2020 in the three months ended March 31 2019.
(f) Reclassified from accumulated other comprehensive income.
(g) For interest income from investments in held-for-trading bonds, please see Note 2.
(h) Including exchange rate differentials from trading activities.
(i) 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.
(j) Reclassified.

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's diluted earnings (loss) per share are calculated by dividing the profit (loss) attributable 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 March 31	
	2020	2019
	Unaudited	
Basic earnings		
Net (loss) income attributable to the Bank's shareholders (in NIS millions)	**(232)**	1,092
Weighted average of the number of shares (in thousands of shares)		
Balance as at beginning of period[(a)]	**1,466,191**	1,493,609
Weighted effect of exercised PSUs and RSUs and issuance of shares	**72**	135
Weighted effect for share buyback	**(1,811)**	-
Weighted average of the number of shares	**1,464,452**	1,493,744
Basic (loss) earnings per share (in NIS)	**(0.16)**	0.73

(a) Balance as at the beginning of period less share buyback until December 31 2018 and 2019.

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 March 31	
	2020	2019
	Unaudited	
Diluted earnings		
Net (loss) income attributable to the Bank's shareholders (in NIS millions)	(232)	1,092
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	**1,464,452**	1,493,744
Weighted effect of yet unexercised PSUs and RSUs	**-**	564
Weighted average of the number of shares, fully diluted	**1,464,452**	1,494,308
Diluted (loss) earnings per share (in NIS)	(0.16)[(a)]	0.73

(a) In light of the net loss for the period, the diluted earnings (loss) per share is identical to the basic earnings (loss) per share.

C. Share Capital

As at March 31 2020, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,453,553,262 ordinary shares of NIS 1 p.v. each. (As at March 31 2019, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 and 2019 is 1,494,114,689 ordinary shares of NIS 1 p.v. each).

D. Buyback after the Financial Statements Date

From April 1 2020 to May 26 2020, the Bank performed a buyback of 657,256 shares of NIS 1 p.v. 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 period ended March 31 2020 and 2019 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after the effect of hedges[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income of investees, equity-accounted	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attribu-table to non-controlling interests	Other compre-hensive income (loss) attribu-table to the Bank's share-holders
	In NIS millions							
Balance as at December 31 2018 (audited)	(317)	(73)	-	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	382	(53)		3	(540)	(208)	(7)	(201)
Cumulative effect for first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity of a consolidated company	-	-	-	-	23	23	4	19
Balance as at March 31 2019	38	(126)	-	(6)	(2,280)	(2,374)	(33)	(2,341)
Balance as at December 31 2019 (audited)	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	**(416)**	**44**	**31**	**(3)**	**1,960**	**1,616**	**25**	**1,591**
Balance as at March 31 2020	**208**	**(155)**	**29**	**(16)**	**(1,988)**	**(1,922)**	**(18)**	**(1,904)**

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

B. Changes in Accumulated Other Comprehensive Income (Loss) after Tax Effect (cont.)

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31 2019 (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 adjustments,[a] after the effect of hedges[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income of investees, equity-accounted	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 2018	(317)	(73)	-	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the year	968	(126)	(2)	(4)	(2,208)	(1,372)	(17)	(1,355)
Cumulative effect for first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity of a consolidated company	-	-	-	-	23	23	4	19
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)

(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) for hedging a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments for plan assets, including the effect of transitioning to a paying fund for the retirees.
(d) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - "Financial Instruments", including updates thereof. Please see Note 1.X in the financial statements as at December 31 2019.

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 March 31 (unaudited)					
	2020			2019		
	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 for available-for-sale bonds at fair value:						
Unrealized (losses) gains, net, from fair value adjustments	**(498)**	**170**	**(328)**	581	(198)	383
(Gains) losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	**(134)**	**46**	**(88)**	(2)	1	(1)
Net change during the period	**(632)**	**216**	**(416)**	579	(197)	382
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	**89**	**-**	**89**	(98)	-	(98)
Hedges[(c)]	**(68)**	**23**	**(45)**	68	(23)	45
Net change during the period	**21**	**23**	**44**	(30)	(23)	(53)
Net gains (losses) for cash flow hedges	**45**	**(14)**	**31**	-	-	-
The Bank's share in other comprehensive income of associates, equity-accounted	**(4)**	**1**	**(3)**	5	(2)	3
Employee benefits[(f)]						
Net actuarial gain (loss)	**2,828**	**(961)**	**1,867**	(883)	285	(598)
Net losses (gains) reclassified to the income statement[(d)]	**141**	**(48)**	**93**	65	(7)	58
Sale of equity of a consolidated company[(e)]	**-**	**-**	**-**	31	(8)	23
Net change during the period	**2,969**	**(1,009)**	**1,960**	(787)	270	(517)
Total change during the period, net	**2,399**	**(783)**	**1,616**	(233)	48	(185)
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	**30**	**(5)**	**25**	1	(4)	(3)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	**2,369**	**(778)**	**1,591**	(234)	52	(182)

(a) The before-tax amount is reported in the income statement under the Noninterest finance income 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) for hedging a net investment in foreign currency.
(d) The before-tax amount is reported in the income statement under the Other expenses item. For more information, please see Note 8.
(e) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Adjustments for employee benefits include the costs of the implemented voluntary retirement programs.

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 2019 (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	1,659	(565)	1,094
(Gains) losses in respect of available-for-sale securities reclassified to the income statement[(a)]	(191)	65	(126)
Net change during the year	1,468	(500)	968
Translation adjustments:[(b)]			
Adjustments from translation of financial statements	(243)	-	(243)
Hedges[(c)]	178	(61)	117
Net change during the year	(65)	(61)	(126)
Net gains (losses) for cash flow hedges	(3)	1	(2)
The Bank's share in other comprehensive (loss) income of associates, equity-accounted	(5)	1	(4)
Employee benefits[(f)]			
Net actuarial gain (loss)	(3,746)	1,276	(2,470)
Net losses (gains) reclassified to the income statement[(d)]	398	(136)	262
Sale of equity of a consolidated company[(e)]	31	(8)	23
Net change during the year	(3,317)	1,132	(2,185)
Total change during the year, net	(1,922)	573	(1,349)
Less changes in other comprehensive loss components attributable to non-controlling interests			
Total change during the year, net	(2)	(11)	(13)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders			
Total change during the year, net	(1,920)	584	(1,336)

(a) The before-tax amount is reported in the income statement under the Noninterest finance income 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) for hedging a net investment in foreign currency.
(d) The before-tax amount is reported in the income statement under the Other expenses item. For more information, please see Note 8.
(e) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Adjustments for employee benefits include the costs of the implemented voluntary retirement programs.

Note 5 - Securities

	As at March 31 2020 (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	**3,672**	**3,672**	**332**	**(9)**	**3,995**
Mortgage-backed (MBS)	**2,219**	**2,219**	**60**	**(3)**	**2,276**
Of other foreign entities	**754**	**754**	**39**	**(3)**	**790**
Total held-to-maturity bonds	**6,645**	**6,645**	**431**	**(15)**	**7,061**

	As at March 31 2020 (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	**35,726**	**35,185**	**623**	**(82)**	**35,726**
Of foreign governments	**12,191**	**12,059**	**167**	**(35)**	**12,191**
Of Israeli financial institutions	**18**	**17**	**1**	**-**	**18**
Of foreign financial institutions	**9,754**	**9,772**	**100**	**(118)**	**9,754**
Asset-backed (ABS) or mortgage-backed (MBS)	**8,112**	**8,075**	**138**	**(101)**	**8,112**
Of other Israeli entities	**203**	**209**	**1**	**(7)**	**203**
Of other foreign entities	**5,423**	**5,284**	**197**	**(58)**	**5,423**
Total available-for-sale bonds[(f)]	**71,427**	**70,601**	**1,227[(c)]**	**401[(c)]**	**71,427**

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2020 (unaudited)				
	Balance sheet value	Cost	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	**3,516**	**3,630**	**78**	**(192)**	**3,516**
Of which: Equity securities and funds for which there is no available fair value[(b)]	**1,377**	**1,377**			**1,377**
Total not held for-trading equity securities and funds	**3,516**	**3,630**	**78[(d)]**	**(192)[(d)]**	**3,516**
Total not held-for-trading securities	**81,588**	**80,876**	**1,736**	**(608)**	**82,004**

	As at March 31 2020 (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	**10,967**	**11,014**	**5**	**(52)**	**10,967**
Of foreign governments	**316**	**267**	**50**	**(1)**	**316**
Of Israeli financial institutions	**620**	**621**	**3**	**(4)**	**620**
Of foreign financial institutions	**217**	**254**	**1**	**(38)**	**217**
Asset-backed (ABS) or mortgage-backed (MBS)	**131**	**142**	**-**	**(11)**	**131**
Of other Israeli entities	**105**	**107**	**6**	**(8)**	**105**
Of other foreign entities	**61**	**61**	**1**	**(1)**	**61**
Total bonds	**12,417**	**12,466**	**66**	**(115)**	**12,417**
Equity securities and funds	**7**	**8**	**-**	**(1)**	**7**
Total held-for-trading securities	**12,424**	**12,474**	**66[(d)]**	**(116)[(d)]**	**12,424**
Total securities[(e)]	**94,012**	**93,350**	**1,802**	**(724)**	**94,428**

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 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	2,813	2,813	111	-	2,924
Mortgage-backed (MBS)	1,710	1,710	9	(10)	1,709
Of other foreign entities	989	989	2	(2)	989
Total held-to-maturity bonds	5,512	5,512	122	(12)	5,622

	As at March 31 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	31,098	31,027	133	(62)	31,098
Of foreign governments	9,857	9,822	37	(2)	9,857
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	10,651	10,628	46	(23)	10,651
Asset-backed (ABS) or mortgage-backed (MBS)	9,078	9,151	26	(99)	9,078
Of other Israeli entities	172	165	7	-	172
Of other foreign entities	3,157	3,114	60	(17)	3,157
Total available-for-sale bonds[(f)]	64,013	63,907	309[(c)]	(203)[(c)]	64,013

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2019 (unaudited)				
	Balance sheet value	Cost	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	3,453	3,412	57	(16)	3,453
Of which: Equity securities and funds for which there is no available fair value[(b)]	1,103	1,103			1,103
Total not held for-trading equity securities and funds	3,453	3,412	57[(d)]	(16)[(d)]	3,453
Total not for-trading securities	72,978	72,831	488	(231)	73,088

	As at March 31 2019 (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	5,626	5,611	17	(2)	5,626
Of foreign governments	58	58	-	-	58
Of Israeli financial institutions	115	114	1	-	115
Of foreign financial institutions	110	111	1	(2)	110
Asset-backed (ABS) or mortgage-backed (MBS)	249	248	2	(1)	249
Of other Israeli entities	190	188	4	(2)	190
Of other foreign entities	210	209	2	(1)	210
Total - bonds	6,558	6,539	27	(8)	6,558
Equity securities and funds	17	16	1	-	17
Total held-for-trading securities	6,575	6,555	28[(d)]	(8)[(d)]	6,575
Total securities[(e)]	79,553	79,386	516	(239)	79,663

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2019 (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	3,080	3,080	420	-	3,500
Mortgage-backed (MBS)	1,543	1,543	12	(4)	1,551
Of other foreign entities	822	822	31	(2)	851
Total held-to-maturity bonds	5,445	5,445	463	(6)	5,902

	As at December 31 2019 (audited)				
			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	33,132	32,393	739	-	33,132
Of foreign governments	18,121	18,069	64	(12)	18,121
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	9,597	9,476	124	(3)	9,597
Asset-backed (ABS) or mortgage-backed (MBS)	7,748	7,716	45	(13)	7,748
Of other Israeli entities	140	142	1	(3)	140
Of other foreign entities	3,530	3,382	150	(2)	3,530
Total available-for-sale bonds[(f)]	72,268	71,178	1,123[(c)]	(33)[(c)]	72,268

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2019 (audited)				
	Balance sheet value	Cost	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	3,712	3,656	100	(44)	3,712
Of which: Equity securities and funds for which there is no available fair value[b]	1,317	1,317			1,317
Total not held for-trading equity securities and funds	3,712	3,656	100[d]	(44)[d]	3,712
Total not for-trading securities	81,425	80,279	1,686	(83)	81,882

	As at December 31 2019 (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	2,715	2,699	16	-	2,715
Of foreign governments	213	214	1	(2)	213
Of Israeli financial institutions	101	100	1	-	101
Of foreign financial institutions	201	194	7	-	201
Asset-backed (ABS) or mortgage-backed (MBS)	154	153	1	-	154
Of other Israeli entities	53	52	1	-	53
Of other foreign entities	87	87	1	(1)	87
Total bonds	3,524	3,499	28	(3)	3,524
Equity securities and funds	-	-	-	-	-
Total held-for-trading securities	3,524	3,499	28[d]	(3)[d]	3,524
Total securities[e]	84,949	83,778	1,714	(86)	85,406

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) Shares 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.

(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) Carried to the income statement but as yet unrealized.

(e) Including interest-bearing non-performing bonds totaling NIS 5 million (as at March 31 2019 - NIS 7 million; as at December 31 2019 - NIS 5 million).

(f) Total of NIS 9.6 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (March 31 2019 - NIS 10.1 billion, December 31 2019 - NIS 8.3 billion).

General comments:

Loaned securities in the amount of NIS 233 million (as at March 31 2019 - NIS 339 million; as at December 31 2019 - NIS 127 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 9,041 million (as at March 31 2019 - NIS 2,880 million; as at December 31 2019 - NIS 4,521 million).

For more information on of 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

	March 31 2020 (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%-35%[d]	More than 35%[e]	Total	Amortized cost	0-20%[c]	20%-35%[d]	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	**509**	**9**	**-**	**-**	**9**	**-**	**-**	**-**	**-**	**-**
Mortgage-backed (MBS)	**141**	**1**	**-**	**-**	**1**	**144**	**2**	**-**	**-**	**2**
Of other foreign entities	**184**	**3**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**
Total held-to-maturity bonds	**834**	**13**	**-**	**-**	**13**	**144**	**2**	**-**	**-**	**2**

	March 31 2019 (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%-35%[d]	More than 35%[e]	Total	Amortized cost	0-20%[c]	20%-35%[d]	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	37	-[f]	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	404	2	-	-	2	263	8	-	-	8
Of other foreign entities	-	-	-	-	-	83	2	-	-	2
Total held-to-maturity bonds	441	2	-	-	2	346	10	-	-	10

(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) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in an Unrealized Loss Position (cont.)

	December 31 2019 (audited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0- [(c)]20%	20%[(d)]-35%	More than 35%[(e)]	Total	Amortized cost	0- [(c)]20%	20%[(d)]-35%	More than 35%[(e)]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	299	2	-	-	2	220	2	-	-	2
Of other foreign entities	766	2	-	-	2	-	-	-	-	-
Total held-to-maturity bonds	1,065	4	-	-	4	220	2	-	-	2

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position

	March 31 2020 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0- [(c)]20%	20%[(d)]-35%	More than 35%[(e)]	Total	Fair value	0- [(c)]20%	20%[(d)]-35%	More than 35%[(e)]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	**8,122**	**82**	-	-	**82**	-	-	-	-	-
Of foreign governments	**2,582**	**35**	-	-	**35**	-	-	-	-	-
Of foreign financial institutions	**3,766**	**88**	**17**	-	**105**	**715**	**13**	-	-	**13**
Asset-backed (ABS) or mortgage-backed (MBS)	**1,076**	**43**	-	-	**43**	**1,914**	**58**	-	-	**58**
Of other Israeli entities	**121**	**6**	**1**	-	**7**	-	-	-	-	-
Of other foreign entities	**1,183**	**55**	**2**	-	**57**	**127**	**1**	-	-	**1**
Total available-for-sale bonds	**16,850**	**309**	**20**	-	**329**	**2,756**	**72**	-	-	**72**

(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 carried to the capital reserve as part of other comprehensive income, net, after tax effect.

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position (cont.)

	March 31 2019 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-[c]20%	20%[d]-35%	More than 35%[e]	Total	Fair value	0-[c]20%	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	10,624	60	-	-	60	234	2	-	-	2
Of foreign governments	2,752	2	-	-	2	123	-[g]	-	-	-
Of foreign financial institutions	1,106	7	-	-	7	1,651	16	-	-	16
Asset-backed (ABS) or mortgage-backed (MBS)	1,588	13	-	-	13	5,125	86	-	-	86
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	76	3	-	-	3	762	14	-	-	14
Total available-for-sale bonds	16,146	85	-	-	85	7,895	118	-	-	118

	December 31 2019 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-[c]20%	20%[d]-35%	More than 35%[e]	Total	Fair value	0-[c]20%	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	188	-[g]	-	-	-	-	-	-	-	-
Of foreign governments	5,258	12	-	-	12	70	-[g]	-	-	-
Of foreign financial institutions	1,193	3	-	-	3	225	-[g]	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	1,211	6	-	-	6	2,394	7	-	-	7
Of other Israeli entities	52	3	-	-	3	-	-	-	-	-
Of other foreign entities	455	1	-	-	1	178	1	-	-	1
Total available-for-sale bonds	8,357	25	-	-	25	2,867	8	-	-	8

(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 carried 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 in an Unrealized Loss Position

	March 31 2020 (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)	**150**	**(3)**	**59**	**(1)**	**209**	**(4)**
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS)	**319**	**(9)**	**935**	**(10)**	**1,254**	**(19)**
Asset-backed bonds (ABS)	**607**	**(31)**	**920**	**(47)**	**1,527**	**(78)**
Total	**1,076**	**(43)**	**1,914**	**(58)**	**2,990**	**(101)**

	March 31 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)	-	-	1,860	(33)	1,860	(33)
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS)	935	(8)	2,393	(45)	3,328	(53)
Asset-backed bonds (ABS)	653	(5)	872	(8)	1,525	(13)
Total	1,588	(13)	5,125	(86)	6,713	(99)

	December 31 2019 (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 bonds (MBS)	112	-[(b)]	103	(3)	215	(3)
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS)	889	(5)	1,194	(2)	2,083	(7)
Asset-backed bonds (ABS)	210	(1)	1,097	(2)	1,307	(3)
Total	1,211	(6)	2,394	(7)	3,605	(13)

(a) Amounts carried 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 Bonds

	March 31 2020 (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 securities	**2,210**	**60**	**(3)**	**2,267**
Of which: GNMA-backed securities	**1,343**	**30**	**(3)**	**1,370**
Securities issued by FNMA or FHLMC	**867**	**30**	**-**	**897**
Other mortgage-backed bonds (including CMOs and stripped MBSs)	**9**	**-**	**-**	**9**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**9**	**-**	**-**	**9**
Total mortgage-backed bonds (MBS)	**2,219**	**60**	**(3)**	**2,276**
Total mortgage-backed held-to-maturity bonds	**2,219**	**60**	**(3)**	**2,276**

	March 31 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 securities	1,409	9	(1)	1,417
Of which: GNMA-backed securities	1,021	6	(1)	1,026
Securities issued by FNMA or FHLMC	388	3	-	391
Other mortgage-backed bonds (including CMOs and stripped MBSs)	301	-	(9)	292
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	129	-	(6)	123
Total mortgage-backed bonds (MBS)	1,710	9	(10)	1,709
Total mortgage-backed held-to-maturity bonds	1,710	9	(10)	1,709

Note 5 - Securities (cont.)

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

	December 31 2019 (audited)			
	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	1,538	12	(4)	1,546
Of which: GNMA-backed securities	877	5	(4)	878
Securities issued by FNMA or FHLMC	661	7	-	668
Other mortgage-backed bonds (including CMOs and stripped MBSs)	5	-	-	5
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	5	-	-	5
Total mortgage-backed bonds (MBS)	1,543	12	(4)	1,551
Total mortgage-backed held-to-maturity bonds	1,543	12	(4)	1,551

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds

	March 31 2020 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed bonds (MBS)				
Pass-through securities	**3,373**	**83**	**(4)**	**3,452**
Of which: GNMA-backed bonds	**745**	**20**	**-**	**765**
Bonds issued by FNMA or FHLMC	**2,628**	**63**	**(4)**	**2,687**
Other mortgage-backed bonds (including CMOs and stripped MBSs)	**2,869**	**53**	**(19)**	**2,903**
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	**2,478**	**49**	**(11)**	**2,516**
Total mortgage-backed bonds (MBS)	**6,242**	**136**	**(23)**	**6,355**
Asset-backed bonds (ABS)	**1,833**	**2**	**(78)**	**1,757**
Of which: Loans to non-individuals - CLO-type bonds	**1,329**	**1**	**(74)**	**1,256**
Loans to non-individuals - SBA-guaranteed securities	**412**	**-**	**(3)**	**409**
Total available-for-sale mortgage-backed and asset-backed bonds	**8,075**	**138**	**(101)**	**8,112**

(a) Amounts carried 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 (cont.)

	March 31 2019 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed bonds (MBS)				
Pass-through securities	2,543	9	(33)	2,519
Of which: GNMA-backed securities	373	2	(2)	373
Securities issued by FNMA or FHLMC	2,170	7	(31)	2,146
Other mortgage-backed bonds (including CMOs and stripped MBSs)	4,398	12	(53)	4,357
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	4,093	11	(53)	4,051
Total mortgage-backed bonds (MBS)	6,941	21	(86)	6,876
Asset-backed bonds (ABS)	2,210	5	(13)	2,202
Of which: Loans to non-individuals - CLO-type bonds	1,555	5	(7)	1,553
Loans to non-individuals - SBA-guaranteed securities	591	-	(6)	585
Total available-for-sale mortgage-backed and asset-backed bonds	9,151	26	(99)	9,078

	December 31 2019 (audited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed bonds (MBS)				
Pass-through securities	2,627	21	(3)	2,645
Of which: GNMA-backed securities	538	3	(1)	540
Securities issued by FNMA or FHLMC	2,089	18	(2)	2,105
Other mortgage-backed bonds (including CMOs and Stripped MBSs)	3,425	20	(7)	3,438
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	3,036	14	(6)	3,044
Total mortgage-backed bonds (MBS)	6,052	41	(10)	6,083
Asset-backed bonds (ABS)	1,664	4	(3)	1,665
Of which: Loans to non-individuals - CLO-type bonds	1,152	3	(2)	1,153
Loans to non-individuals - SBA-guaranteed securities	438	-	(1)	437
Total available-for-sale mortgage-backed and asset-backed bonds	7,716	45	(13)	7,748

(a) Amounts carried 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

	March 31 2020 (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)	**40**	**-**	**(1)**	**39**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**43**	**-**	**(1)**	**42**
Total asset-backed securities (ABS)	**99**	**-**	**(10)**	**89**
Total mortgage-backed and asset-backed held-for-trading securities	**142**	**-**	**(11)**	**131**

	March 31 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)	47	-	-	47
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	50	-	-	50
Total asset-backed securities (ABS)	198	2	(1)	199
Total mortgage-backed and asset-backed held-for-trading securities	248	2	(1)	249

(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 2019 (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	3	-	-	3
Of which: Securities issued by FNMA or FHLMC	3	-	-	3
Other mortgage-backed securities (including CMO and stripped MBS)	40	-	-	40
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	43	-	-	43
Total asset-backed securities (ABS)	110	1	-	111
Total mortgage-backed and asset-backed held-for-trading securities	153	1	-	154

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

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

A. Debts(a), Loans to the Public and Balance of Loan Loss Provision

	March 31 2020 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts:(a)						
Examined on a specific basis	**141,719**	**-**	**857**	**142,576**	**19,441**	**162,017**
Examined on a collective basis[1]	**43,946**	**85,627**	**26,306**	**155,879**	**1,515**	**157,394**
[1]Of which: By extent of arrears	**728 (c)**	**85,427**	**-**	**86,155**	**-**	**86,155**
Total debts(a)[2]	**185,665**	**85,627**	**27,163**	**298,455**	**20,956**	**319,411**
[2]Of which:						
Debt restructuring	**637**	**-**	**293**	**930**	**-**	**930**
Other impaired non-performing debts	**1,554**	**-**	**20**	**1,574**	**-**	**1,574**
Total impaired non-performing debts	**2,191**	**-**	**313**	**2,504**	**-**	**2,504**
Debts in arrears of 90 days or more	**90**	**824**	**58**	**972**	**-**	**972**
Other troubled debts	**2,301**	**-**	**242**	**2,543**	**-**	**2,543**
Total troubled debts	**4,582**	**824**	**613**	**6,019**	**-**	**6,019**
Balance of loan loss provision in respect of debts(a):						
Examined on a specific basis	**2,186**	**-**	**190**	**2,376**	**5**	**2,381**
Examined on collective basis[3]	**597**	**497**	**499**	**1,593**	**-**	**1,593**
[3]Of which: By extent of arrears	**-(d)**	**496(b)**	**-**	**496**	**-**	**496**
Total loan loss provision[4]	**2,783**	**497**	**689**	**3,969**	**5**	**3,974**
[4]Of which: For impaired non-performing debts	**378**	**-**	**178**	**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 301 million.

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

(d) Balances of less than NIS 1 million.

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

A. Debts[(a)], Loans to the Public and Balance of Loan Loss Provision (cont.)

	March 31 2019 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts:[(a)]						
Examined on a specific basis	126,713[(e)]	29	840	127,582	10,705 [(e)]	138,287
Examined on a collective basis[1]	45,350[(e)]	81,326	26,596[(e)]	153,272	352	153,624
[1]Of which: By extent of arrears	808[(c)]	80,928	-	81,736	-	81,736
Total debts[(a)2]	172,063	81,355	27,436	280,854	11,057	291,911
[2]Of which:						
Debt restructuring	1,077	8	304	1,389	-	1,389
Other impaired non-performing debts	1,018	21	14	1,053	-	1,053
Total impaired non-performing debts	2,095	29	318	2,442	-	2,442
Debts in arrears of 90 days or more	82	838	42	962	-	962
Other troubled debts	2,956	-	183	3,139	-	3,139
Total troubled debts	5,133	867	543	6,543	-	6,543
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	1,750[(e)]	4	150	1,904	2	1,906
Examined on collective basis[3]	507[(e)]	464[(e)]	433[(e)]	1,404	-	1,404
[3]Of which: By extent of arrears	-[(d)]	463[(b)(e)]	-	463	-	463
Total loan loss provision[4]	2,257	468	583	3,308	2	3,310
[4]Of which: For impaired non-performing debts	408	4	135	547	-	547

(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 297 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.
(e) Reclassified.

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

A. Debts[(a)], Loans to the Public and Balance of Loan Loss Provision (cont.)

	December 31 2019 (audited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts:[(a)]						
Examined on a specific basis	130,760	-	795	131,555	12,800	144,355
Examined on a collective basis[1]	42,589	84,421	27,241	154,251	282	154,533
[1]Of which: By extent of arrears	714[(c)]	84,220	-	84,934	-	84,934
Total debts[(a)2]	173,349	84,421	28,036	285,806	13,082	298,888
[2]Of which:						
Debt restructuring	729	-	290	1,019	-	1,019
Other impaired non-performing debts	1,491	-	21	1,512	-	1,512
Total impaired non-performing debts	2,220	-	311	2,531	-	2,531
Debts in arrears of 90 days or more	92[(e)]	830	58	980	-	980
Other troubled debts	1,858	-	244	2,102	-	2,102
Total troubled debts	4,170	830	613	5,613	-	5,613
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	1,721	-	176	1,897	2	1,899
Examined on collective basis[3]	503	467	461	1,431	-	1,431
[3]Of which: By extent of arrears	-[(d)]	466[(b)]	-	466	-	466
Total loan loss provision[4]	2,224	467	637	3,328	2	3,330
[4]Of which: For impaired non-performing debts	372	-	167	539	-	539

(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 299 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.
(e) Reclassified.

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

B. Change in Balance of Loan Loss Provision

	For the three months ended March 31 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	**2,590**	**467**	**657**	**3,714**	**2**	**3,716**
Loan loss expenses	**739**	**31**	**87**	**857**	**3**	**860**
Accounting write-offs	**(252)**	**(1)**	**(104)**	**(357)**	**-**	**(357)**
Collection of debts written off in previous years	**91**	**-**	**69**	**160**	**-**	**160**
Accounting write-offs, net	**(161)**	**(1)**	**(35)**	**(197)**	**-**	**(197)**
Adjustments from translation of financial statements	**9**	**-**	**-**	**9**	**-**	**9**
Balance of loan loss provision as at the end of the reporting period[1]	**3,177**	**497**	**709**	**4,383**	**5**	**4,388**
[1]Of which: For off-balance-sheet credit instruments	**394**	**-**	**20**	**414**	**-**	**414**

	For the three months ended March 31 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,700	479	634	3,813	3	3,816
Loan loss expenses (income)	(22)[a]	(9)[a]	14	(17)	(1)	(18)
Accounting write-offs	(221)[a]	(3)	(119)[a]	(343)	-	(343)
Collection of debts written off in previous years	207[a]	-	74[a]	281	-	281
Accounting write-offs, net	(14)	(3)	(45)	(62)	-	(62)
Adjustments from translation of financial statements	(7)	1	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period[1]	2,657	468	603	3,728	2	3,730
[1]Of which: For off-balance-sheet credit instruments	400	-	20	420	-	420

(a) Reclassified.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
In Israel			
Demand deposits			
Non-interest bearing deposits	**102,975**	80,109[(a)]	86,908
Interest-bearing deposits	**156,745**	121,568	135,846
Total demand deposits	**259,720**	201,677	222,754
Fixed deposits	**133,428**	137,818	128,526
Total deposits in Israel[1]	**393,148**	339,495	351,280
Outside Israel			
Demand deposits			
Non-interest bearing deposits	**8,673**	9,139	8,118
Interest-bearing deposits	**6,485**	5,209	6,287
Total demand deposits	**15,158**	14,348	14,405
Fixed deposits[2]	**10,321**	10,176	7,959
[2]Non-interest bearing deposits	**-**	17	-
Total deposits outside Israel	**25,479**	24,524	22,364
Total deposits by the public	**418,627**	364,019	373,644
[1]Of which:			
Deposits by private individuals	**142,646**	130,734[(a)]	130,513
Deposits by institutional entities	**76,531**	63,525[(a)]	68,329
Deposits by corporations and others	**173,971**	145,236[(a)]	152,438

B. Deposits by the Public, by Amount

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Maximum deposit is NIS millions	In NIS millions		
Up to 1	**110,282**	101,778	103,709
From 1 to 10	**105,389**	93,438	92,249
From 10 to 100	**73,592**	63,308	66,169
From 100 to 500	**44,973**	36,949[(a)]	36,318
Over 500	**84,391**	68,546	75,199
Total	**418,627**	364,019	373,644

(a) Reclassified.

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Retirement benefits - pension and severance pay			
Liability amount	**16,751**	16,921	20,470
Fair value of plan assets	**7,448**	6,502	7,614
Excess liability over plan assets (included in “Other liabilities”)	**9,303**	10,419	12,856
Cumulative jubilee vacation leave			
Liability amount	**33**	43	36
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “Other liabilities”)	**33**	43	36
Other benefits			
Liability amount	**552**	557	635
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “Other liabilities”)	**552**	557	635
Total[1]			
Amount by which the liability for employee benefits exceeds the plan assets included in “Other liabilities”	**9,888**	11,019	13,527
[1]Of which: For benefits to employees abroad	**61**	61	61

2. Defined benefit plan

a. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Obligation in respect of expected benefit as at the beginning of the period	**20,470**	15,867	15,867
Service cost	**45**	30	149
Interest cost	**132**	170	640
Contributions by planholders	**9**	10	39
Actuarial loss (gain)	**(3,278)**	1,063	4,526
Changes in foreign exchange rates	**1**	(6)	(22)
Paid benefits[(a)]	**(628)**	(182)	(698)
Other	**-**	(31)	(31)
Obligation in respect of expected benefit as at the end of the reporting period	**16,751**	16,921	20,470
Obligation in respect of cumulative benefit as at the end of the reporting period	**15,618**	16,119	18,902

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

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

a. Obligation and funding status (cont.)

2. Change in the fair value of plan assets and plan's funding status

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Fair value of plan assets as at the beginning of the period	**7,614**	6,235	6,235
Actual return on plan assets	**(423)**	282	1,143
Plan contributions by the Bank[(a)]	**633**	23	403
Contributions by planholders	**9**	10	39
Changes in foreign exchange rates	**-**	(7)	(24)
Paid benefits[(b)]	**(385)**	(41)	(182)
Other	**-**	-	-
Fair value of plan assets as at the end of the reporting period	**7,448**	6,502	7,614
Funding status - net liability recognized at the end of the reporting period	**9,303**	10,419	12,856

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Amounts recognized in the "Other liabilities" item	**9,303**	10,419	12,856
Net liability recognized at the end of the reporting period	**9,303**	10,419	12,856

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

	As at March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Net actuarial loss	**3,005**	3,448	5,908
Closing balance of accumulated other comprehensive income	**3,005**	3,448	5,908

(a) Please see Note 8.A.4.b
(b) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

b. Expenditure for the period

1. Components of the net benefit cost recognized in the income statement

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Service cost	**45**	30	149
Interest cost	**132**	170	640
Expected return on plan assets	**(89)**	(84)	(364)
Amortization of unrealized amounts - net actuarial loss	**139**	61	401
Other incl. restructuring	**-**	31	31
Total benefit cost, net	**227**	208	857
Total expense for defined contribution pension plan	**48**	40	170
Total expenses included in profit and loss	**275**	248	1,027

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Net actuarial loss (gain) for the period	**(2,766)**	865	3,678 [(a)]
Amortization of unrealized amounts - net actuarial loss	**(139)**	(61)	(401)
Changes in foreign exchange rates	**2**	7	(6)
Other	**-**	(31)	(31)
Total recognized in other comprehensive loss (income)	**(2,903)**	780	3,240
Total benefit cost, net	**227**	208	857
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(2,676)**	988	4,097

(a) Including adjustments for previous years

Note 8 - Employee Benefits (cont.)

A. 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

	March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Discount rate	**2.43**	2.25	1.22
Rate of increase in the CPI	**1.47**	1.55	1.42
Departure rate	**0.1-3.7**	0.1-3.7	0.1-3.7
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

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

2. The main assumptions used for calculating the net benefit cost for the period

	March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Discount rate	**1.22**	2.74	2.16
Expected long-term return on plan assets	**5.50**	5.50	5.50
Rate of compensation 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 tax effect

	Increase by one percentage point			Decrease by one percentage point		
	March 31		December 31	March 31		December 31
	2020	2019	2019	**2020**	2019	2019
	Unaudited		Audited	Unaudited		Audited
	In NIS millions					
Discount rate	**(2,141)**	(2,168)	(2,760)	**2,634**	2,678	3,435
Rate of increase in the CPI	**(444)**	-	(635)	**496**	-	714
Departure rate	**212**	209	233	**(188)**	(186)	(202)
Rate of compensation increase	**496**	637	714	**(444)**	(541)	(635)

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

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

The employee benefits liability amount is affected by several key variables, which include market variables (discount 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

b. Composition of the fair value of plan assets

	As at March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
Cash and deposits with banks	**256**	243	323
Equity securities	**1,655**	2,441	2,011
Government bonds	**463**	1,048	884
Corporate bonds	**1,230**	1,851	1,319
Other	**3,844**	919	3,077
Total	**7,448**	6,502	7,614

b. Fair value of plan assets by type of asset and allocation target for 2020

	Allocation target	Percentage of plan assets		
	December 31	March 31		December 31
	2020	**2020**	2019	2019
	Unaudited			Audited
	In %			
Cash and deposits with banks	**4**	**3**	4	4
Equity securities	**38**	**22**	38	27
Government bonds	**13**	**6**	16	12
Corporate bonds	**27**	**17**	28	17
Other	**18**	**52**	14	40
Total	**100**	**100**	100	100

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 pension or a 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, pension and severance pay funds, which are managed by a management company held by the fund's members. Following a former engagement, the

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

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 certainty 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 March 31		For the year ended December 31
	2020	**2020**	2019	2019
	Unaudited			Audited
	In NIS millions			
Contributions	**90**	**642**	33	442

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2020.

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

Year	In NIS millions
2020	509
2021	767
2022	696
2023	738
2024	754
2025-2029	4,411
From 2030	10,627
Total	18,502

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Stock-based compensation

Under the Bank's compensation plan, the precondition for the vesting of the third and last of the PSUs which were allotted to the Bank officers as part of the approval of the performance-based annual bonus for half of the 2017 annual bonus (hereinafter: The "**2017 PSUs**") for shares, have been met; therefore, the third and last of the 2017 PSUs have vested. As a result, on February 26 2020, the Bank's officers were allotted shares, according to the number of 2017 PSUs vested as of that date.

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

It should be noted that the vesting of the 2017 PSUs at each of the vesting dates was 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 had not complied with the aforesaid ratio, the relevant tranche's vesting would have been 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 2019 Annual Financial Statements.

The Bank's share buyback plan

On February 26 2020, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 700 million, from March 1 2020 to February 26 2021. The share buyback plan will take place as part of 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. The buyback plan will take place in three separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: "Stage A", "Stage B" and "Stage C"). Stage A will begin on March 1 2020 and will end on the earlier of (a) May 3 2020; or (b) Completion of the purchase of the Bank's shares in the amount of NIS 250 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the second trading day following the publication of the first financial statements after the decision to go forward with Stage B has been made. In this case, Stage B will end on the earlier of (a) August 2 2020; or (b) The completion of the Bank's share buyback in the amount of NIS 250 million. After the completion of Stage B, if the Bank decides to proceed to Stage C, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage C on the second trading day following the publication of the first financial statements after the decision to go forward with Stage C has been made. In such a case, Stage C will end on the earlier of: (a) February 26 2021; or (b) Completion of the purchase of the Bank's shares in the amount of NIS 700 million, less the total amount purchased as part of Stage A and Stage B. If, following the end of Stage A or Stage B, a decision will be made not to proceed with Stage B or Stage C, as the case may be, the Bank will publish an immediate report to that effect. For the discontinuation of the buyback plan, please see below.

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 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.

Stage A of the buyback plan ended on April 2 2020, during which 13,488,021 shares were bought for NIS 250 million.

As outlined below, pursuant to the letter of the Supervisor of Banks dated March 29 2020, in which all the banks were asked to reconsider their dividend distribution policy and share buyback plan in light of the coronavirus crisis, and pursuant to the circular published by the Bank of Israel on March 31 2020 entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Provision) (Proper Conduct of Banking Business Directive No. 250), the Bank's Board of Directors decided on April 16 2020 to discontinue, at this stage, the share buyback plan. For more information, please see section entitled "Update of Common Equity Tier 1 capital target, discontinuation of the share buyback plan" below.

Note 9A - Equity (cont.)

As of the reporting date, the Bank owns 71,824,258 treasury shares.

Circular on Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Provision) - Proper Conduct of Banking Business Directive No. 250

On March 29 2020 the Supervisor of Banks issued a letter entitled "Profit Distribution Following the Coronavirus Crisis" (hereinafter: the "Supervisor of Banks' letter of March 29 2020"). The Supervisor of Banks announced in the letter the reduction of the minimum regulatory capital requirements applicable to the banks, following the coronavirus crisis and as part of a range of measures taken by the Bank of Israel due to the crisis. In addition, all the banks were asked to reconsider their dividend distribution policy and share buyback plans due to the coronavirus crisis and uncertainty, out of the expectation that the capital sources released as a result of the relief will not be used for dividend distributions or share buybacks.

On March 31 2020 the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Provision) (Directive No. 250) (hereinafter - the "Temporary Provision"), on the back of the developing coronavirus event and its implications for the global and the Israeli economies. Among other things, the circular's provisions adjusts Proper Conduct of Banking Business Directive No. 201, "Measurement and Capital Adequacy" such that a banking corporation whose consolidated total assets equals or exceeds 24 percent of the banking system's total assets shall maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive is applicable to Leumi.

The temporary provision will be valid through September 30 2020 (and may be extended by an additional six months). The lower capital requirements will be in effect for a period of another 24 months after the order's expiration date, in order to allow the banks to return to the minimum capital ratios prior to the Temporary Provision, provided that as of the order's expiration date, the Bank's capital ratios will be no less than the capital ratios as at the order's expiration date or the minimum capital ratios applicable to the Bank prior to the temporary order, the lower of the two.

In accordance with temporary provision, the minimum capital targets applicable for Leumi as at March 31 2020 are ratio of Common Equity Tier 1 capital to Risk-weighted assets that shall not fall from 9 percent and ratio of total capital to risk-weighted assets that shall not fall from 12.5 percent.

On April 27 2020, the Bank of Israel published a circular outlining further adjustments to the Temporary Provision (Directive No. 250). According to the circular, and in order to help mitigate the effects of the crisis on mortgage borrowers, the temporary provision determined that for housing loans that will be extended in the crisis period, (starting on March 19 2020 and until the directive's validity), the additional capital requirement of 1 percent of the loan's balance will not be applied, as set in Section 14A to Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing Loans".

According to the temporary provision, and the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as at March 31 2020 are 9.25 percent for Common Equity Tier 1 capital ratio and 12.75 percent for total capital ratio.

Update of Common Equity Tier 1 capital target, discontinuation of the share buyback plan

According to the Supervisor of Banks's letter of March 29 2020, the banks' boards of directors are required to reconsider their dividend distribution policy and share buyback plans against the backdrop of the crisis and uncertainty. In view of the content of this letter and the Temporary Provision, and in accordance with the reduction of the minimum regulatory requirements applicable to banks following the coronavirus crisis, as detailed above, the Bank's Board of Directors decided on April 16 2020 as follows:

A. To establish that the internal Common Equity Tier 1 capital ratio threshold will be 9.5 percent in lieu of the previous 10.5 percent.

B. To discontinue, at this stage, the dividend distribution and the Bank's share buyback plan.

Note 9A - Equity (cont.)

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 February 26 2020, the Board of Directors approved, in respect of Q4 2019, a dividend consisting of 40 percent of the quarter’s net income. The dividend approved amounted to NIS 297 million, which is 20.29 agorot per share of NIS 1 par value. The Board of Directors designated March 12 2020 as the record date for purposes of dividend payment and March 23 2020 as the payment date.

As aforesaid, in the Supervisor of Banks’s letter dated March 29 2020, the banks’ boards of directors were asked to reconsider their dividend distribution policy and share buyback plan against the backdrop of the coronavirus crisis. Further to the letter, and in view of the temporary provision published on March 31 2020, the bank’s board of directors decided on April 16 2020 to cease, at this stage, the dividend distribution.

For more information, please see section entitled “Update of Common Equity Tier 1 capital target, discontinuation of the share buyback plan” above.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS millions
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
November 26 2019	December 22 2019	20.87	306
February 26 2020	March 23 2020	20.29	297

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. On May 18 2020, the Israel Securities Authority approved the application to extend the issuance period under the Bank's shelf prospectus to May 24 2021.

On January 29 2020, the Bank issued a total of USD 750 million in par value Subordinated Notes Series Leumi $ 2031. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

Subordinated Notes Series Leumi $ 2031 are repayable in one lump sum, 11 years after their issue date, with the Bank having an early repayment option exercisable 6 years after the issue date, subject to certain terms and conditions.

Note 9A - Equity (cont.)

Subordinated Notes Series Leumi $ 2031 carry a fixed annual interest rate of 3.275 percent per year, until January 29 2026, to be paid semi-annually. On that date, if the Bank does not exercise its early repayment option, the nominal interest rate of Subordinated Notes Series Leumi $ 2031 shall be updated, such that as from that date, the annual interest rate shall be equal to the sum of the 5-year treasury bond yield rate at the interest rate change rate and a spread of 1.631 percent, as outlined in the issue documents.

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 Leumi $ 2031 Subordinated Notes 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 (translated into USD according to the exchange rate as of that date) was issued or according to the set minimum rate (USD 3.6048, subject to adjustments), the highest of the two.

Subordinated Notes Series Leumi $ 2031 are eligible for inclusion in Tier 2 capital as of the issue date.

On February 17 2020, the Bank reported it was considering a public issuance of a new series of ordinary bonds of the Bank and listing them on the TASE. On May 19 2020 an updated draft of the indenture towards a possible bond series offering and an updated version of the offering's covenants' abstract was published. As at the date of the report, the issuance has yet to be made.

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.
For more information regarding the issue of Subordinated Bonds Series 403 and 404 during 2019, please see Note 25A to the 2019 Annual Financial Statements.

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 impaired non-performing debts
5. Capital allocation for CVA risk

The abovementioned amendments became effective on January 1 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - are to be gradually deducted from the capital at a rate of 20 percent per year, from January 1 2014 to January 1 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1 2014 and in each subsequent year, the maximum is lowered by an additional 10 percent, until January 1 2022. As of 2020, the maximum instrument amount qualifying as regulatory capital is 20 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. On January 13 2020, the Bank of Israel approved the extension of the validation of the approval for the financial statements as at December 31 2024 (inclusive). The new method significantly moderates the volatility resulting from changes in the discounted 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 the fixed spread of AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 17,628 million and the Common Equity Tier 1 capital - to NIS 35,887 million, compared with a book value of NIS 17,106 million for the pension liability and Common Equity Tier 1 capital of NIS 34,879 million.

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

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital adjustments and deductions[(b)]	**35,887**	36,424	37,603
Tier 2 capital, after deductions	**13,857**	10,709	11,987
Total capital	**49,744**	47,133	49,590
Balance of risk-weighted assets			
Credit risk[(b)]	**302,059**	284,201[(e)]	288,340
Market risks	**6,283**	5,431	5,008
Operational risk	**22,783**	23,153	23,116
Total balance of risk-weighted assets	**331,125**	312,785	316,464
Ratio of capital to risk-weighted components			
Ratio of CET1 capital to risk-weighted components[(d)]	**10.84%**	11.65%	11.88%
Ratio of total capital to risk-weighted components[(d)]	**15.02%**	15.07%	15.67%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**9.25%**	10.26%	10.27%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**12.75%**	13.76%	13.77%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted components	**12.54%**	14.19%	14.04%
Ratio of total capital to risk-weighted components	**13.48%**	15.09%	14.91%
Minimum CET1 capital ratio set by the local authorities[(c)]	**7.00%**	7.00%	7.00%
Minimum total capital ratio set by the local authorities[(c)]	**10.50%**	10.50%	10.50%

(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 from March 31 2020 to September 30 2022, the minimum Common Equity Tier 1 capital and minimum total capital ratio required are 9 percent and 12.5 percent respectively, in accordance with the temporary provision published on the back of the coronavirus crisis. 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. According to the circular, and in order to help mitigate the effects of the coronavirus crisis on mortgage borrowers, the temporary provision determined that for housing loans that will be extended in the crisis period, i.e., starting on March 19 2020 and until the directive expires, the additional capital requirement of 1 percent of the outstanding housing loan's balance shall not apply. Thus, the minimum CET1 capital ratio and the minimum total capital ratio required by the Banking Supervision Department as of March 31 2020, according to the data as at the reporting date, are 9.25 percent and 12.75 percent, respectively.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks's 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 9 million - in respect of Adjustments for the Efficiency Plan - was added to the total balance of risk-weighted assets (as at March 31 2019 - NIS 21 million were added, as at December 31 2019, NIS 283 million were deducted).

(c) The minimum Common Equity Tier 1 capital ratio and the minimum total capital ratio required in accordance with the local regulation are 4.5 percent and 8 percent, respectively. As of March 31 2020, a 2.5 percent capital conservation buffer is added to these ratios.

(d) On January 1 2020 the Bank began to implement the new directives on leases. The implementation of the new directives brought about a decrease in the Common Equity Tier 1 capital ratio and total capital ratio at a rate of approx. 0.04 percent and approx. 0.07 percent, respectively, as a result of including the risk-weighted assets for the right of use assets which arise from operational leases recognized in the balance sheet at a rate of a 100 percent of adjustment to the related deferred tax balances.

(e) Restated.

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

C. Capital Components for Calculation of Capital Ratios

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
1. CET1 capital			
Shareholders' equity	**36,245**	35,940	35,406
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	**336**	230	266
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[a]	**(531)**	141	1,687
Total CET1 capital before regulatory adjustments and deductions	**36,050**	36,311	37,359
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(132)**	(212)	(148)
Deferred tax receivable	**(442)**	(3)	-
Regulatory adjustments and other deductions - CET1 capital	**(23)**	(17)	(11)
Total regulatory adjustments and deductions - CET1 capital	**(597)**	(232)	(159)
Total adjustments for the efficiency plan	**434**	345	403
Total CET1 capital, after regulatory adjustments and deductions	**35,887**	36,424	37,603
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**10,119**	7,661	8,897
Tier 2 capital: Provisions for loan losses, before deductions	**3,738**	3,048	3,090
Total Tier 2 capital before deductions	**13,857**	10,709	11,987
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**13,857**	10,709	11,987
Total capital	**49,744**	47,133	49,590

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

Comment: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding capital measurement and capital adequacy, which became effective on January 1 2014.

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

D. Effect of the Transitional Provisions and Adjustments for the Efficiency Plan on the CET1 Capital Ratio

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted components			
Ratio of CET1 capital to risk-weighted components before the implementation of the transitional provisions and before the effect of Adjustments for the Efficiency Plan[(a)]	**10.71%**	11.53%	11.74%
Adjustments for the efficiency plan[(b)]	**0.13%**	0.12%	0.14%
Ratio of CET1 capital to risk-weighted components	**10.84%**	11.65%	11.88%

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

(b) On January 12 2016, the Banking Supervision Department published a letter entitled Operational Efficiency of the Banking System in Israel. According to the said letter, a banking corporation's Board of Directors should set out a multi-year efficiency plan. A banking corporation which meets the conditions prescribed in the letter will be granted a relief, according to which it may spread the effect of the plan, on a straight-line basis, over a period of 5 years, in respect of calculations for capital adequacy purposes. For more information, please see Note 8.

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 collaterals, 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.)

On March 1 2020, the Bank of Israel published a circular updating Directive No. 218, Leverage Ratio. In accordance with the circular, the directives were amended so that a banking corporation whose consolidated total assets are equal to 24 percent or more (in lieu of 20 percent according to the directives prior to the circular), of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 6 percent. The circular is effective from the date of its publication. The amendment of the directives has no impact on Leumi's minimum capital requirements.

	As at March 31		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
a. Consolidated data[(a)]			
Tier 1 capital	**35,887**	36,424	37,603
Total exposures	**558,743**	497,672[(b)]	512,173
Leverage ratio			
Leverage ratio	**6.42%**	7.32%	7.34%
Minimum total leverage ratio set by the Banking Supervision Department	**6.00%**	6.00%	6.00%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage ratio	**11.49%**	12.21%	12.46%
Minimum total 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 Supervisor of Banks'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 till September 30 2024. The effect on the leverage ratio of the relief in respect of the efficiency plans was approximately 0.07 percent as at March 31 2020 (0.08 percent and 0.07 percent as at December 31 2019 and March 31 2019, 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.

(b) Restated.

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

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

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.

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**128**	129	123
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**126**	127	121
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

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
(1) Long-term leases - rent for buildings, equipment and motor vehicles, and maintenance fees due to commitments to pay over the coming years[(a)]			
In first year		193	244
In second year		178	182
In third year		122	152
In fourth year		109	113
In fifth year		97	102
In more than 5 years		714	657
Total long-term leases		1,413	1,450
(2) Commitments to purchase securities	**821**	784	692
(3) Commitments to invest in, and purchase of, buildings and equipment	**82**	139	30

(a) As at January 1 2020 following the application of Topic 842, "Leases", liabilities for lease contracts were included in Other liabilities. For information regarding leases, please see Note 1.B.1.

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS millions		
(4) Loan sale activity			
Book balance of sold loans	**105**	96[(a)]	900
Cash proceeds	**105**	96[(a)]	915
Total net income on sale of loans	**-**	-	15

(a) Restated.

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 2019 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.)

B. Contingent Liabilities and Other Special Commitments (cont.)

In the opinion of the management of the Bank and the managements of the consolidated companies, the total additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to NIS 184 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 February 11 2015, a motion for class certification was filed against the Bank. The amount claimed is NIS 2.3 billion (later reduced to NIS 1.5 billion). According to the applicant, the Bank allegedly has a "black list" of customers, which it flags in its systems for an unlimited period of time, in a manner which harms them or makes it difficult for them to obtain credit or carry out other business transactions with the Bank. On April 1 2020 the Tel Aviv District Court issued a ruling which dismissed the motion for class certification and required the applicant to pay the bank's legal expenses.

   1.2. 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 decision and on February 19 2019, the Court accepted the plaintiffs' appeal and overturned the in limine decision. On May 4 2020, the plaintiffs submitted a notice to the court according to which the action against the Bank and against some of the respondents will be revoked. The procedure will continue against the other respondents, including Bank Leumi USA.

   1.3. On January 21 2020, a motion for class certification was filed in the Tel Aviv District Court against the Bank and against other banks. The motion claims that the Bank allegedly charges all of its customers (whether private individuals, small businesses or corporations) for transactions to purchase products and/or services overseas, whether for private use or in order to transfer them overseas or import them into Israel, according to Chapter 7 of the Foreign Trade price list, rather than charge lower fees in accordance with Chapter 5 of the Foreign Currency price list. The claimants value the damage incurred by all members of the group they purport to represent at tens of millions of shekels.

   1.4. On May 10 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two other banks. According to the claimants, the banks are harming their customers' privacy and are violating their duty of secrecy by transferring identifying information to companies such as Facebook and Google. It was also claimed that the banks use third party tools in order to surveil their customers while they perform activities on the banking websites and applications for the purpose of conducting advertising campaigns. The claimants asses the personal damages caused to them in the amount of NIS 1,000 and are not stating a damages amount for the class.

2. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries.

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

A. Volume of Consolidated Activity

	March 31 2020 (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	**3,058**	**38,147**	**41,205**
Written options	**1,426**	**11,579**	**13,005**
Purchased options	**-**	**10,101**	**10,101**
Swaps[(a)]	**38,894**	**270,202**	**309,096**
Total[(b)]	**43,378**	**330,029**	**373,407**
Of which: Hedging derivatives[(c)]	**5,974**	**-**	**5,974**
b) Foreign currency contracts			
Futures and forwards[(d)]	**44,088**	**253,388**	**297,476**
Written options	**1,040**	**36,664**	**37,704**
Purchased options	**1,040**	**35,990**	**37,030**
Swaps[(a)]	**676**	**18,050**	**18,726**
Total	**46,844**	**344,092**	**390,936**
Of which: Hedging derivatives[(c)]	**-**	**-**	**-**
c) Stock contracts			
Futures and forwards	**537**	**99,874**	**100,411**
Written options	**1,095**	**59,106**	**60,201**
Purchased options[(e)]	**1,035**	**58,981**	**60,016**
Swaps	**446**	**84,472**	**84,918**
Total	**3,113**	**302,433**	**305,546**
d) Commodities and other contracts			
Futures and forwards	**-**	**1,430**	**1,430**
Written options	**-**	**480**	**480**
Purchased options	**-**	**479**	**479**
Swaps	**-**	**396**	**396**
Total	**-**	**2,785**	**2,785**
e) Credit contracts			
Where the Bank is a guarantor	**-**	**-**	**-**
Where the Bank is a beneficiary	**-**	**-**	**-**
Total	**-**	**-**	**-**
Total nominal amount	**93,335**	**979,339**	**1,072,674**

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 163,031 million.
(b) Of which: NIS-CPI swaps totaling NIS 13,821 million.
(c) Mainly including hedging transactions and interest rate swaps.
(d) Of which: Foreign exchange spots totaling NIS 33,958 million.
(e) Of which a total of NIS 58,672 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.)

	March 31 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	2,593	76,437	79,030
Written options	-	50,011	50,011
Purchased options	-	47,818	47,818
Swaps[(a)]	24,315	252,606	276,921
Total[(b)]	26,908	426,872	453,780
Of which: Hedging derivatives[(c)]	3,528	-	3,528
b) Foreign currency contracts			
Futures and forwards[(d)]	34,589	166,177	200,766
Written options	1,394	46,201	47,595
Purchased options	1,394	48,374	49,768
Swaps[(a)]	740	22,008	22,748
Total	38,117	282,760	320,877
Of which: Hedging derivatives[(c)]	-	-	-
c) Stock contracts			
Futures and forwards	416	110,077	110,493
Written options	2,130	10,851	12,981
Purchased options[(e)]	1,809	11,097	12,906
Swaps	182	47,958	48,140
Total	4,537	179,983	184,520
d) Commodities and other contracts			
Futures and forwards	-	776	776
Written options	-	673	673
Purchased options	-	671	671
Swaps	-	159	159
Total	-	2,279	2,279
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	69,562	891,894	961,456

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 143,057 million.
(b) Of which: NIS-CPI swaps totaling NIS 18,161 million.
(c) The Bank uses interest rate swaps (IRS) for hedging.
(d) Of which: Foreign exchange spots totaling NIS 7,663 million.
(e) Of which NIS 10,764 million are traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

	December 31 2019 (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	1,081	24,316	25,397
Written options	1,382[f]	16,688[f]	18,070
Purchased options	-	16,227	16,227
Swaps[a]	37,085	275,579	312,664
Total[b]	39,548	332,810	372,358
Of which: Hedging derivatives[c]	5,064[f]	-	5,064
b) Foreign currency contracts			
Futures and forwards[d]	32,492	176,729	209,221
Written options	1,242	26,722	27,964
Purchased options	1,242	29,092	30,334
Swaps[a]	710	19,155	19,865
Total	35,686	251,698	287,384
Of which: Hedging derivatives[c]	-	-	-
c) Stock contracts			
Futures and forwards	618	141,575	142,193
Written options	1,103	61,474	62,577
Purchased options[e]	1,187	61,378	62,565
Swaps	29	52,584	52,613
Total	2,937	317,011	319,948
d) Commodities and other contracts			
Futures and forwards	-	1,133	1,133
Written options	-	444	444
Purchased options	-	441	441
Swaps	-	279	279
Total	-	2,297	2,297
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	78,171	903,816	981,987

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 164,068 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,522 million.
(c) Mainly including hedging transactions and interest rate swaps.
(d) Of which: Foreign exchange spots totaling NIS 11,436 million.
(e) Of which a total of NIS 61,181 million is traded on the Tel Aviv Stock Exchange.
(f) Reclassified.

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

A. Volume of Consolidated Activity (cont.)

	March 31 2020 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	**299**	**6,469**	**6,768**	**1,026**	**6,622**	**7,648**
Of which: Hedging derivatives	**46**	**-**	**46**	**525**	**-**	**525**
b) Foreign currency contracts	**183**	**5,498**	**5,681**	**144**	**4,666**	**4,810**
Of which: Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**
c) Stock contracts	**21**	**12,153**	**12,174**	**30**	**12,185**	**12,215**
d) Commodities and other contracts	**-**	**278**	**278**	**-**	**275**	**275**
e) Credit contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total assets/liabilities in respect of derivatives, gross[(a)]	**503**	**24,398**	**24,901**	**1,200**	**23,748**	**24,948**
Amounts netted on the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Book balance	**503**	**24,398**	**24,901**	**1,200**	**23,748**	**24,948**
Of which: Not subject to a master netting- or similar arrangement	**42**	**319**	**361**	**3**	**479**	**482**

(a) Of which, NIS 2 million in gross fair value of liabilities in respect of embedded derivatives.

	March 31 2019 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	105	4,122	4,227	250	3,886	4,136
Of which: Hedging derivatives	26	-	26	61	-	61
b) Foreign currency contracts	159	2,433	2,592	79	2,768	2,847
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	63	2,491	2,554	39	2,479	2,518
d) Commodities and other contracts	-	43	43	-	42	42
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	327	9,089	9,416	368	9,175	9,543
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	327	9,089	9,416	368	9,175	9,543
Of which: Not subject to a master netting- or similar arrangement	6	306	312	1	751	752

(a) Of which: NIS 8 million in gross fair value of assets in respect of embedded derivatives, NIS 24 million in gross fair value of liabilities in respect of embedded derivatives.

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

A. Volume of Consolidated Activity (cont.)

	December 31 2019 (audited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	130	4,527	4,657	254	4,492	4,746
Of which: Hedging derivatives	10	-	10	171[(b)]	-	171
b) Foreign currency contracts	149	2,294	2,443	158	2,819	2,977
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	105	3,721	3,826	104	3,708	3,812
d) Commodities and other contracts	-	44	44	-	43	43
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	384	10,586	10,970	516	11,062	11,578
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	384	10,586	10,970	516	11,062	11,578
Of which: Not subject to a master netting- or similar arrangement	-	173	173	14	347	361

(a) Of which: NIS 50 million in gross fair value of liabilities for embedded derivatives.
(b) Reclassified.

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

B. Accounting Hedges

1. Effect of hedge accounting of cash flows on accumulated other comprehensive income (loss)

	For the three months ended March 31 2020 (unaudited)	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	In NIS millions	
a. Derivatives used to hedge cash flows[(b)]		
Interest rate contracts	**45**	**-**

	For the three months ended March 31 2019 (unaudited)	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	In NIS millions	
a. Derivatives used to hedge cash flows[(b)]		
Interest rate contracts	-	-

	For the year ended December 31 2019 (audited)	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	In NIS millions	
a. Derivatives used to hedge cash flows[(b)]		
Interest rate contracts	(3)	-

(a) profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) item or in the noninterest finance income (expense) item according to the line item in which the effect of the hedged item is presented.
(b) Represents amounts included in the hedge effectiveness assessment.

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

B. Accounting Hedges

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

	For the three months ended March 31 2020 (unaudited)
	In NIS millions
Total interest income (expenses) recognized in the income statement	**(8)**
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts	
Hedged items	**363**
Hedging derivatives	**(371)**

	For the three months ended March 31 2019 (unaudited)
	In NIS millions
Total interest income (expenses) recognized in the income statement	(1)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts	
Hedged items	68
Hedging derivatives	(69)

	For the year ended December 31 2019 (audited)
	Interest income (expenses)
	In NIS millions
Total interest income (expenses) recognized in the income statement	(13)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts	
Hedged items	176
Hedging derivatives	(189)

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

B. Accounting Hedges (cont.)

3. Items hedged at fair value hedges

	As at March 31 2020 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value of the hedged item	
		Existing hedge relationships	Discontinued hedge relationships
Securities - debt instruments classified as available-for-sale securities	**4,892**	**18**	**-**

	As at March 31 2019 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value of the hedged item	
		Existing hedge relationships	Discontinued hedge relationships
Securities - debt instruments classified as available-for-sale securities	3,627	(18)	-

	For the year ended December 31 2019 (audited)		
	Book value	Fair value adjustments which increased (decreased) the book value of the hedged item	
		Existing hedge relationships	Discontinued hedge relationships
Securities - debt instruments classified as available-for-sale securities	4,024	127	-

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

B. Accounting Hedges (cont.)

4. 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 March 31 2020 (unaudited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	**(68)**	**-**

	For the three months ended March 31 2019 (unaudited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	68	-

	For the year ended December 31 2019 (audited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	178	-

(a) profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) item or in the noninterest finance income (expense) item.

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

B. Accounting Hedges (cont.)

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

	For the three months ended March 31 2020 (unaudited)
	Gain (loss) recognized in income (expense) from derivatives activity[(a)]
	In NIS millions[(h)]
Derivatives not designated as hedging instruments	
Interest rate contracts	**(589)**
Foreign currency contracts	**1,456**
Stock contracts	**(153)**
Commodity- and other contracts	**2**
Total	**716**

	For the three months ended March 31 2019 (unaudited)
	Gain (loss) recognized in income (expense) from derivatives activity[(a)]
	In NIS millions[(h)]
Derivatives not designated as hedging instruments	
Interest rate contracts	(40)[(b)]
Foreign currency contracts	(720)[(b)]
Stock contracts	97[(b)]
Commodity- and other contracts	-
Total	(663)

	For the year ended December 31 2019 (audited)
	Gain (loss) recognized in income (expense) from derivatives activity[(a)]
	In NIS millions[(h)]
Derivatives not designated as hedging instruments	
Interest rate contracts	(154)
Foreign currency contracts	(1,145)
Stock contracts	183
Commodity- and other contracts	4
Total	(1,112)

(a) Included in the noninterest finance income (expense) item.
(b) Reclassified.

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

C. Credit Risk for Derivatives by Contract Counterparty

	March 31 2020 (unaudited)					
	Stock ex-changes	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS millions					
Book balance in respect of derivatives[a][b]	**484**	**10,042**	**4,032**	**986**	**9,357**	**24,901**
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**8,799**	**2,797**	**83**	**3,288**	**14,967**
Credit risk mitigation in respect of cash collateral received	**-**	**988**	**1,217**	**-**	**4,519**	**6,724**
Net amount of assets in respect of derivatives	**484**	**255**	**18**	**903**	**1,550**	**3,210**
Off-balance-sheet credit risk for derivatives[d][e]	**437**	**6,642**	**4,366**	**182**	**9,048**	**20,675**
Mitigation of off-balance-sheet credit risk	**-**	**3,656**	**2,075**	**9**	**3,442**	**9,182**
Net off-balance-sheet credit risk for derivatives	**437**	**2,986**	**2,291**	**173**	**5,606**	**11,493**
Total credit risk for derivatives	**921**	**3,241**	**2,309**	**1,076**	**7,156**	**14,703**
Book balance of liabilities in respect of derivatives[a][c]	**601**	**12,809**	**4,673**	**83**	**6,782**	**24,948**
Gross amounts not netted on the balance sheet:						
Financial instruments	**-**	**8,799**	**2,797**	**83**	**3,288**	**14,967**
Pledged cash collateral	**-**	**3,715**	**1,638**	**-**	**1,668**	**7,021**
Net amount of liabilities in respect of derivatives	**601**	**295**	**238**	**-**	**1,826**	**2,960**

	March 31 2019 (unaudited)					
	Stock ex-changes	Banks[f]	Dealers/ brokers[f]	Govern-ments and central banks	Other	Total
	In NIS millions					
Book balance in respect of derivatives[a][b]	114	5,396	1,929	18	1,959	9,416
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,808	891	18	1,274	5,991
Credit risk mitigation in respect of cash collateral received	-	1,221	681	-	121	2,023
Net amount of assets in respect of derivatives	114	367	357	-	564	1,402
Off-balance-sheet credit risk for derivatives[d][e]	279	5,486	3,327	83	6,603	15,778
Mitigation of off-balance-sheet credit risk	-	2,354	620	50	3,224	6,248
Net off-balance-sheet credit risk for derivatives	279	3,132	2,707	33	3,379	9,530
Total credit risk for derivatives	393	3,499	3,064	33	3,943	10,932
Book balance of liabilities in respect of derivatives[a][c]	119	4,035	992	31	4,366	9,543
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,808	891	17	1,274	5,990
Pledged cash collateral	-	74	77	13	1,420	1,584
Net amount of liabilities in respect of derivatives	119	153	24	1	1,672	1,969

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 2019 (audited)					
	Stock ex-changes	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS millions					
Book balance in respect of derivatives[(a)(b)]	175	6,386	2,039	141	2,229	10,970
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	4,165	1,352	-	1,303	6,820
Credit risk mitigation in respect of cash collateral received	-	2,090	617	133	474	3,314
Net amount of assets in respect of derivatives	175	131	70	8	452	836
Off-balance-sheet credit risk for derivatives[(d)(e)]	467	6,312	4,825	84	9,014	20,702
Mitigation of off-balance-sheet credit risk	-	2,410	1,295	-	4,837	8,542
Net off-balance-sheet credit risk for derivatives	467	3,902	3,530	84	4,177	12,160
Total credit risk for derivatives	642	4,033	3,600	92	4,629	12,996
Book balance of liabilities in respect of derivatives[(a)(c)]	154	4,477	1,422	-	5,525	11,578
Gross amounts not netted on the balance sheet:						
Financial instruments	-	4,165	1,352	-	1,303	6,820
Pledged cash collateral	-	178	62	-	3,095	3,335
Net amount of liabilities in respect of derivatives	154	134	8	-	1,127	1,423

(a) The Bank did not offset netting agreements.
(b) Of which the carrying amount of standalone assets in respect of derivatives totaling NIS 24,901 million (as at March 31 2019 - NIS 9,408 million; as at December 31 2019 - NIS 10,970 million).
(c) Of which the carrying amount of standalone liabilities in respect of derivatives totaling NIS 24,946 million (as at March 31 2019 - NIS 9,519 million; as at December 31 2019 - NIS 11,528 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 book balance of assets in respect of the borrower's derivatives.
(f) Reclassified.

Comment:
No credit losses were recognized in respect of derivatives in the three-month period ended March 31 2020, March 31 2019 and as at December 31 2019 no credit losses were recognized for derivatives.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	March 31 2020 (unaudited)				
	Up to three months	More than three months and up to one year	More than one year and up to five years	Over five years	Total
	In NIS millions				
Interest rate contracts:					
NIS-CPI	**2,485**	**2,597**	**6,524**	**2,215**	**13,821**
Other	**39,000**	**92,204**	**145,003**	**83,379**	**359,586**
Foreign currency contracts	**246,213**	**124,332**	**16,125**	**4,266**	**390,936**
Stock contracts	**233,361**	**71,134**	**1,051**	**-**	**305,546**
Commodity- and other contracts	**2,136**	**621**	**28**	**-**	**2,785**
Total	**523,195**	**290,888**	**168,731**	**89,860**	**1,072,674**
Total as at March 31 2019 (unaudited)	418,931	268,299	195,181	79,045	961,456
Total as at December 31 2019 (audited)	509,466	210,029	181,526	80,966	981,987

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2019.

Customer classification

Customers are classified by operating segment according to their turnovers or characteristics (private individuals and other private customers - 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 facilities, 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 corporations 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 March 31 2020 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	**696**	**324**	**16**	**1**
Interest expense from external	**41**	**-**	**-**	**32**
Interest income, net:				
From external	**655**	**324**	**16**	**(31)**
Inter-segmental	**(46)**	**(117)**	**(1)**	**53**
Interest income (expense), net	**609**	**207**	**15**	**22**
Total noninterest income	**266**	**15**	**59**	**39**
Total income (expenses)	**875**	**222**	**74**	**61**
Loan loss expenses (income)	**118**	**31**	**(4)**	**-**
Operating and other expenses:				
For external	**668**	**52**	**49**	**23**
Inter-segmental	**1**	**1**	**-**	**-**
Total operating and other expenses	**669**	**53**	**49**	**23**
Profit (loss) before taxes	**88**	**138**	**29**	**38**
Provision for profit taxes (benefit)	**30**	**48**	**10**	**13**
Profit (loss) after taxes	**58**	**90**	**19**	**25**
The Bank's share in associates' profits (losses)	**-**	**-**	**-**	**-**
Net income (loss) before amount attributable to non-controlling interests	**58**	**90**	**19**	**25**
Net income (loss) attributable to non-controlling interests	**-**	**-**	**-**	**-**
Net income (loss) attributable to the Bank's shareholders	**58**	**90**	**19**	**25**
Average balance of assets[(a)]	**97,604**	**71,182**	**3,843**	**342**
Of which: Investments in associates[(a)]	**-**	**-**	**-**	**-**
Average outstanding balance of loans to the public[(a)]	**98,193**	**71,504**	**3,884**	**334**
Outstanding loans to the public as at the end of the reporting period	**99,207**	**72,655**	**3,656**	**317**
Outstanding impaired non-performing debts	**312**	**-**	**1**	**-**
Outstanding debts in arrears for over 90 days	**882**	**824**	**-**	**-**
Average balance of liabilities[(a)]	**108,813**	**22**	**8**	**23,736**
Of which: Average balance of deposits by the public[(a)]	**108,734**	**-**	**-**	**23,731**
Balance of deposits by the public as at the end of the reporting period	**115,912**	**-**	**-**	**26,734**
Average balance of risk-weighted assets[(a)(b)]	**69,901**	**45,960**	**4,052**	**742**
Balance of risk-weighted assets as at the end of the reporting period[(b)]	**69,645**	**46,353**	**3,662**	**720**
Average balance of assets under management[(a)(c)]	**66,781**	**-**	**-**	**44,382**
Breakdown of interest income, net:				
Margin from credit granting activities	**521**	**207**	**15**	**1**
Margin from deposit taking activities	**88**	**-**	**-**	**21**
Other	**-**	**-**	**-**	**-**
Total interest income, net	**609**	**207**	**15**	**22**

(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 13,435 million as at the end of the period.

							Foreign operations	
Small- and micro-businesses(d)	Mid-sized businesses(d)	Corpo-rations(d)	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
590	204	436	12	342	–	2,281	312	**2,593**
38	55	76	67	66	–	375	49	**424**
552	149	360	(55)	276	–	1,906	263	**2,169**
(3)	49	(16)	95	(119)	(4)	9	(9)	**-**
549	198	344	40	157	(4)	1,915	254	**2,169**
207	83	139	74	(633)	–	175	71	**246**
756	281	483	114	(476)	(4)	2,090	325	**2,415**
202	101	380	5	7	–	813	47	**860**
392	107	95	56	74	179	1,594	209	**1,803**
–	–	–	–	(1)	–	–	–	**-**
392	107	95	56	73	179	1,594	209	**1,803**
162	73	8	53	(556)	(183)	(317)	69	**(248)**
54	25	2	20	(173)	(26)	(55)	16	**(39)**
108	48	6	33	(383)	(157)	(262)	53	**(209)**
–	–	–	–	(14)	–	(14)	–	**(14)**
108	48	6	33	(397)	(157)	(276)	53	**(223)**
–	–	–	–	–	–	–	9	**9**
108	48	6	33	(397)	(157)	(276)	44	**(232)**
63,000	28,305	69,587	3,260	171,621	9,228	442,947	29,882	**472,829**
–	–	–	–	761	–	761	–	**761**
63,488	28,524	69,835	3,263	–	–	263,637	23,219	**286,856**
62,605	28,676	79,867	3,039	–	–	273,711	24,744	**298,455**
699	285	720	–	–	–	2,016	488	**2,504**
72	–	16	–	–	–	970	2	**972**
62,725	39,423	56,128	65,666	43,405	14,222	414,118	23,212	**434,240**
62,334	39,337	53,113	65,108	–	–	352,357	22,364	**374,721**
66,958	42,411	64,602	76,531	–	–	393,148	25,479	**418,627**
55,936	31,712	82,749	1,022	26,200	17,675	285,937	30,527	**316,464**
56,645	31,656	91,970	938	28,150	18,609	298,333	32,792	**331,125**
57,405	24,711	67,018	814,714	42,699	–	1,117,710	17,100	**1,134,810**
497	159	316	4	443	(4)	1,937	281	**2,218**
52	39	28	36	(567)	–	(303)	(50)	**(353)**
–	–	–	–	281	–	281	23	**304**
549	198	344	40	157	(4)	1,915	254	**2,169**

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31 2019[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	727	368	18	1
Interest expense from external	58	-	-	39
Interest income, net:				
From external	669	368	18	(38)
Inter-segmental	(39)	(165)	-	71
Total interest income, net	630	203	18	33
Total noninterest income	240	13	50	37
Total income	870	216	68	70
Loan loss expenses (income)	5	(9)	(1)	-
Operating and other expenses:				
For external	726	60	58	27
Inter-segmental	-	-	-	-
Total operating and other expenses	726	60	58	27
Profit before taxes	139	165	11	43
Provision for profit tax	46	55	4	16
Profit after taxes	93	110	7	27
The Bank's share in associates' profits (losses)	-	-	-	-
Net income before attribution to non-controlling interests	93	110	7	27
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	93	110	7	27
Average balance of assets[a]	94,529	68,613	4,182	323
Of which: Investments in associates[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	95,121	68,922	4,222	318
Outstanding loans to the public as at the end of the reporting period	95,528	68,874	4,321	314
Outstanding impaired non-performing debts	316	-	-	-
Outstanding debts in arrears for over 90 days	880	838	-	-
Average balance of liabilities[a]	107,259	-	7	23,454
Of which: Average balance of deposits by the public[a]	107,162	-	-	23,448
Balance of deposits by the public as at the end of the reporting period	106,846	-	-	23,888
Average balance of risk-weighted assets[a][b]	68,960	44,932	4,179	742
Balance of risk-weighted assets as at the end of the reporting period[b]	68,517	44,869	4,131	741
Average balance of assets under management[a][c]	67,085	-	-	41,363
Breakdown of interest income, net:				
Margin from credit granting activities	527	203	18	1
Margin from deposit taking activities	103	-	-	32
Other	-	-	-	-
Total interest income, net	630	203	18	33

(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 12,801 million as at the end of the period.
(e) Reclassified, incl. improvement effort carried out in 2019.

Small- and micro-businesses[d]	Mid-sized businesses[d]	Corpo-rations[d]	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
573	203	464	7	342	-	2,317	362	2,679
46	64	71	120	80	-	478	81	559
527	139	393	(113)	262	-	1,839	281	2,120
24	77	(26)	161	(259)	2	11	(11)	-
551	216	367	48	3	2	1,850	270	2,120
190	77	146	43	362	390	1,485	70	1,555
741	293	513	91	365	392	3,335	340	3,675
77	(1)	(78)	(6)	(14)	-	(17)	(1)	(18)
402	134	103	59	100	164	1,715	231	1,946
-	-	-	-	(9)	8	(1)	1	-
402	134	103	59	91	172	1,714	232	1,946
262	160	488	38	288	220	1,638	109	1,747
94	59	175	13	116	80	599	22	621
168	101	313	25	172	140	1,039	87	1,126
-	-	-	-	(24)	-	(24)	-	(24)
168	101	313	25	148	140	1,015	87	1,102
-	-	-	-	-	-	-	10	10
168	101	313	25	148	140	1,015	77	1,092
61,949	27,911	64,519	1,280	163,809	7,140	421,460	35,045	456,505
-	-	-	-	623	-	623	-	623
62,391	28,158	64,942	1,287	-	-	252,217	25,620	277,837
61,963	29,209	67,020	1,836	-	-	255,870	24,984	280,854
740	349	468	-	-	-	1,873	569	2,442
50	-	32	-	-	-	962	-	962
58,087	37,853	53,509	65,184	37,613	10,221	393,180	27,212	420,392
57,979	37,752	49,552	63,418	-	-	339,311	25,908	365,219
56,748	38,409	50,079	63,525	-	-	339,495	24,524	364,019
54,240	28,981	78,918	1,122	25,518	17,550	276,031	34,157	310,188
53,920	30,753	80,866	1,452	25,212	17,967	279,428	33,357	312,785
50,289	25,833	69,353	694,267	47,910	-	996,100	17,624	1,013,724
483	160	329	2	471	2	1,975	311	2,286
68	56	38	46	(733)	-	(390)	(74)	(464)
-	-	-	-	265	-	265	33	298
551	216	367	48	3	2	1,850	270	2,120

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31 2019 (audited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	3,392	1,918	71	4
Interest expense from external	319	-	-	176
Interest income, net:				
From external	3,073	1,918	71	(172)
Inter-segmental	(505)	(1,072)	-	287
Total interest income, net	2,568	846	71	115
Total noninterest income	952	43	204	145
Total income	3,520	889	275	260
Loan loss expenses (income)	157	13	2	-
Operating and other expenses:				
For external	3,063	241	224	100
Inter-segmental	1	1	-	-
Total operating and other expenses	3,064	242	224	100
Profit (loss) before taxes	299	634	49	160
Provision for profit taxes (benefit)	95	226	18	57
Profit (loss) after taxes	204	408	31	103
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	204	408	31	103
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	204	408	31	103
Average balance of assets[(a)]	96,868	69,932	4,205	333
Of which: Investments in associates[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)]	97,500	70,267	4,245	328
Outstanding loans to the public as at the end of the reporting period	99,370	71,962	4,176	346
Outstanding impaired non-performing debts	310	-	-	-
Outstanding debts in arrears for over 90 days	888	830	-	-
Average balance of liabilities[(a)]	107,842	-	8	23,498
Of which: Average balance of deposits by the public[(a)]	107,746	-	-	23,491
Balance of deposits by the public as at the end of the reporting period	106,796	-	-	23,717
Average balance of risk-weighted assets[(a)(b)]	69,266	45,316	4,120	746
Balance of risk-weighted assets as at the end of the reporting period[(b)]	69,901	45,960	4,052	742
Average balance of assets under management[(a)(c)]	67,701	-	-	43,681
Breakdown of interest income, net:				
Margin from credit granting activities	2,153	846	71	2
Margin from deposit taking activities	415	-	-	113
Other	-	-	-	-
Total interest income, net	2,568	846	71	115

(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 12,903 million as at the end of the period.
(e) Reclassified.

							Foreign operations	
Small- and micro-businesses[d]	Mid-sized businesses[d]	Corpo-rations[d]	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
2,404	842	1,973	33	1,449	-	10,097	1,340	11,437
189	262	353	490	517	-	2,306	290	2,596
2,215	580	1,620	(457)	932	-	7,791	1,050	8,841
(16)	284	(163)	631	(484)	5	39	(39)	-
2,199	864	1,457	174	448	5	7,830	1,011	8,841
760	306	559	170	1,541	369	4,802	279	5,081
2,959	1,170	2,016	344	1,989	374	12,632	1,290	13,922
372	31	27	(6)	(30)	-	551	58	609
1,581	502	496	252	269	813	7,076	832	7,908
-	-	1	1	4	-	7	(7)	-
1,581	502	497	253	273	813	7,083	825	7,908
1,006	637	1,492	97	1,746	(439)	4,998	407	5,405
360	229	536	36	661	(216)	1,758	72	1,830
646	408	956	61	1,085	(223)	3,240	335	3,575
-	-	-	-	(15)	-	(15)	-	(15)
646	408	956	61	1,070	(223)	3,225	335	3,560
-	-	-	-	-	-	-	38	38
646	408	956	61	1,070	(223)	3,225	297	3,522
62,263	28,452	64,489	2,138	163,553	10,207	428,303	32,196	460,499
-	-	-	-	625	-	625	-	625
62,744	28,702	64,807	2,142	-	-	256,223	24,333	280,556
62,727	29,578	67,167	3,399	-	-	262,587	23,219	285,806
762	259	699	-	-	-	2,030	501	2,531
72	-	17	-	-	-	977	3[e]	980
58,035	38,456	51,155	66,919	40,126	13,152	399,183	25,339	424,522
57,926	38,357	47,612	65,932	-	-	341,064	24,339	365,403
57,988	40,919	53,531	68,329	-	-	351,280	22,364	373,644
54,184	30,276	81,743	995	25,422	18,104	280,736	32,424	313,160
55,936	31,712	82,749	1,022	26,200	17,675	285,937	30,527	316,464
51,617	26,111	71,165	735,417	51,368	-	1,047,060	17,453	1,064,513
1,941	652	1,301	1	2,593	4	8,647	1,179	9,826
258	212	156	172	(3,066)	-	(1,740)	(286)	(2,026)
-	-	-	1	921	1	923	118	1,041
2,199	864	1,457	174	448	5	7,830	1,011	8,841

Note 12B - Operating Segments - Management Approach

Overview

Operating segments reporting according to management 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 approach was included in Note 29B to the financial statements as at December 31 2019.

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

	For the three months ended March 31 2020 (unaudited)											
	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			
	In NIS millions											
Interest income, net:												
Interest income from external	**320**	**309**	**397**	**1,026**	**252**	**192**	**192**	**195**	**-**	**49**	**263**	**2,169**
Interest income (expense) - inter-segmental	**182**	**1**	**(132)**	**51**	**53**	**(34)**	**(29)**	**(41)**	**3**	**6**	**(9)**	**-**
Interest income, net	**502**	**310**	**265**	**1,077**	**305**	**158**	**163**	**154**	**3**	**55**	**254**	**2,169**
Noninterest income (expense)	**361**	**122**	**5**	**488**	**115**	**62**	**80**	**(576)**	**(2)**	**8**	**71**	**246**
Total income (expenses)	**863**	**432**	**270**	**1,565**	**420**	**220**	**243**	**(422)**	**1**	**63**	**325**	**2,415**
Loan loss expenses (income)	**119**	**158**	**36**	**313**	**122**	**338**	**37**	**5**	**(7)**	**5**	**47**	**860**
Total operating and other expenses	**693**	**261**	**62**	**1,016**	**142**	**56**	**30**	**92**	**208**	**50**	**209**	**1,803**
Profit (loss) before tax	**51**	**13**	**172**	**236**	**156**	**(174)**	**176**	**(519)**	**(200)**	**8**	**69**	**(248)**
Provision (benefit) for taxes	**17**	**4**	**59**	**80**	**53**	**(59)**	**60**	**(177)**	**(17)**	**5**	**16**	**(39)**
Net income (loss) attributable to the Bank's shareholders	**34**	**9**	**113**	**156**	**103**	**(115)**	**116**	**(342)**	**(183)**	**(11)**	**44**	**(232)**
Balances as at March 31 2020												
Loans to the public, net	**28,655**	**24,519**	**86,591**	**139,765**	**41,843**	**45,250**	**27,964**	**9,275**	**5,132**	**808**	**24,449**	**294,486**
Deposits by the public	**174,236**	**42,479**	**-**	**216,715**	**57,180**	**24,643**	**8,984**	**85,622**	**4**	**-**	**25,479**	**418,627**
Assets under management	**156,599**	**14,838**	**-**	**171,437**	**19,721**	**9,090**	**1,665**	**496,128**	**16,250**	**293,060**	**17,787**	**1,025,138**

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

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

	For the three months ended March 31 2019 (unaudited)											
	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			
	In NIS millions											
Interest income, net:												
Interest income (expense) - from external	241	321	447	1,009	233	217	188	180	(6)	15	284	2,120
Interest income (expense) - inter-segmental	298	13	(206)	105	78	(56)	(38)	(77)	-	2	(14)	-
Interest income (expenses), net	539	334	241	1,114	311	161	150	103	(6)	17	270	2,120
Noninterest income	320	119	2	441	103	54	78	345	387	77	70	1,555
Total income	859	453	243	1,555	414	215	228	448	381	94	340	3,675
Loan loss expenses (income)	31	62	(9)	84	37	(102)	(18)	(19)	-	3	(3)	(18)
Total operating and other expenses	680	257	70	1,007	198[a]	72	33[a]	77	269	58	232	1,946
Profit before taxes	148	134	182	464	179	245	213	390	112	33	111	1,747
Provision for taxes[a]	51	46	62	159	61	84	73	133	77	10	24	621
Net income (loss) attributable to the Bank's shareholders	97	88	120	305	118	161	140	257	35	(1)	77	1,092
Balances as at March 31 2019												
Loans to the public, net	29,491	25,983	81,956	137,430	39,397	38,732	24,618	6,140[a]	5,916	644	24,669	277,546
Deposits by the public	157,665	37,449	-	195,114	48,750	19,584	6,545	69,189[a]	315	-	24,522	364,019
Assets under management	175,097	16,394	-	191,491	23,604	19,409	1,059	496,415	21,223	268,460	17,853	1,039,514

(a) Reclassified.

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

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

	For the year ended December 31 2019 (audited)											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
Interest income from external	927	1,271	2,311	4,509	972	888	821	522	1	81	1,047	8,841
Interest income (expense) - inter-segmental	1,224	43	(1,294)	(27)	305	(255)	(194)	192	3	12	(36)	-
Interest income, net	2,151	1,314	1,017	4,482	1,277	633	627	714	4	93	1,011	8,841
Noninterest income	1,294	454	3	1,751	413	205	323	1,366	420	324	279	5,081
Total income	3,445	1,768	1,020	6,233	1,690	838	950	2,080	424	417	1,290	13,922
Loan loss expenses (income)	231	329	7	567	80	(124)	71	(37)	(13)	7	58	609
Total operating and other expenses	2,870	1,097	278	4,245	721	350	133	371	1,059	204	825	7,908
Profit (loss) before tax	344	342	735	1,421	889	612	746	1,746	(622)	206	407	5,405
Provision (benefit) for taxes	118	117	251	486	304	209	255	597	(141)	48	72	1,830
Net income (loss) attributable to the Bank's shareholders	226	225	484	935	585	403	491	1,151	(481)	141	297	3,522

Balances as at December 31 2019												
Loans to the public, net	29,192	25,110	85,390	139,692	40,661	37,696	26,387	8,358	5,760	958	22,966	282,478
Deposits by the public	156,934	39,125	-	196,059	53,313	20,632	6,940	74,326	10	-	22,364	373,644
Assets under management	186,261	18,175	-	204,436	24,183	21,766	2,294	547,613	20,734	313,901	17,100	1,152,027

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 outstanding loan loss provision

	For the three months ended March 31 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	**2,590**	**467**	**657**	**3,714**	**2**	**3,716**
Loan loss expenses	**739**	**31**	**87**	**857**	**3**	**860**
Accounting write-offs	**(252)**	**(1)**	**(104)**	**(357)**	**-**	**(357)**
Collection of debts written off in previous years	**91**	**-**	**69**	**160**	**-**	**160**
Accounting write-offs, net	**(161)**	**(1)**	**(35)**	**(197)**	**-**	**(197)**
Adjustments from translation of financial statements	**9**	**-**	**-**	**9**	**-**	**9**
Balance of loan loss provision as at the end of the reporting period[1]	**3,177**	**497**	**709**	**4,383**	**5**	**4,388**
[1]Of which: For off-balance-sheet credit instruments	**394**	**-**	**20**	**414**	**-**	**414**

	For the three months ended March 31 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,700	479	634	3,813	3	3,816
Loan loss expenses (income)	(22)[(b)]	(9)[(b)]	14	(17)	(1)	(18)
Accounting write-offs	(221)[(b)]	(3)	(119)[(b)]	(343)	-	(343)
Collection of debts written off in previous years	207[(b)]	-	74[(b)]	281	-	281
Accounting write-offs, net	(14)	(3)	(45)	(62)	-	(62)
Adjustments from translation of financial statements	(7)	1	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period[1]	2,657	468	603	3,728	2	3,730
[1]Of which: For off-balance-sheet credit instruments	400	-	20	420	-	420

(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) Reclassified.

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

	March 31 2020 (unaudited)					
	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 a specific basis	**141,719**	**-**	**857**	**142,576**	**19,441**	**162,017**
Examined on a collective basis[1]	**43,946**	**85,627**	**26,306**	**155,879**	**1,515**	**157,394**
[1]Of which: The provision for which was calculated by the extent of arrears	**728 [(c)]**	**85,427**	**-**	**86,155**	**-**	**86,155**
Total debts[(a)]	**185,665**	**85,627**	**27,163**	**298,455**	**20,956**	**319,411**
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	**2,186**	**-**	**190**	**2,376**	**5**	**2,381**
Examined on a collective basis[2]	**597**	**497**	**499**	**1,593**	**-**	**1,593**
[2]Of which: The provision for which was calculated by extent of arrears	**-[(d)]**	**496[(b)]**	**-**	**496**	**-**	**496**
Total loan loss provision[3]	**2,783**	**497**	**689**	**3,969**	**5**	**3,974**
[3]Of which: For impaired non-performing debts	**378**	**-**	**178**	**556**	**-**	**556**

	March 31 2019 (unaudited)					
	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 a specific basis	126,713[(e)]	29	840	127,582	10,705 [(e)]	138,287
Examined on a collective basis[1]	45,350[(e)]	81,326	26,596[(e)]	153,272	352	153,624
[1]Of which: The provision for which was calculated by the extent of arrears	808[(c)]	80,928	-	81,736	-	81,736
Total debts[(a)]	172,063	81,355	27,436	280,854	11,057	291,911
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	1,750[(e)]	4	150	1,904	2	1,906
Examined on collective basis[2]	507[(e)]	464[(e)]	433[(e)]	1,404	-	1,404
[2]Of which: The provision for which was calculated by extent of arrears	-[(d)]	463[(b)(e)]	-	463	-	463
Total loan loss provision[3]	2,257	468	583	3,308	2	3,310
[3]Of which: For impaired non-performing debts	408	4	135	547	-	547

(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 of March 31 2020 (March 31 2019 - NIS 297 million).
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.
(e) Reclassified.

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 2019 (audited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts:[(a)]						
Examined on a specific basis	130,760	-	795	131,555	12,800	144,355
Examined on a collective basis[1]	42,589	84,421	27,241	154,251	282	154,533
[1]Of which: The provision for which was calculated by the extent of arrears	714[(c)]	84,220	-	84,934	-	84,934
Total debts[(a)]	173,349	84,421	28,036	285,806	13,082	298,888
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	1,721	-	176	1,897	2	1,899
Examined on collective basis[2]	503	467	461	1,431	-	1,431
[2]Of which: The provision for which was calculated by extent of arrears	-[(d)]	466[(b)]	-	466	-	466
Total loan loss provision[3]	2,224	467	637	3,328	2	3,330
[3]Of which: For impaired non-performing debts	372	-	167	539	-	539

(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 299 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a]

1. Credit quality and delinquency

	March 31 2020 (unaudited)					
		Troubled debts[b]			Unimpaired debts - additional information	
	Non-troubled	Unimpaired	Impaired non-performing[c]	Total	In arrears of 90 days or more[d][h]	In arrears of 30 days to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction[g]	**24,925**	**119**	**111**	**25,155**	**9**	**47**
Construction & real estate - real estate activities[g]	**27,095**	**98**	**174**	**27,367**	**7**	**45**
Financial services	**17,078**	**4**	**4**	**17,086**	**1**	**6**
Commercial - other	**77,674**	**1,401**	**1,248**	**80,323**	**71**	**200**
Total commercial	**146,772**	**1,622**	**1,537**	**149,931**	**88**	**298**
Private individuals - housing loans	**84,595**	**824[f]**	**-**	**85,419**	**824**	**613**
Private individuals - other	**26,185**	**299**	**312**	**26,796**	**58**	**190**
Total loans to the public - activity in Israel	**257,552**	**2,745**	**1,849**	**262,146**	**970**	**1,101**
Banks in Israel	**1,600**	**-**	**-**	**1,600**	**-**	**-**
Government of Israel	**10**	**-**	**-**	**10**	**-**	**-**
Total activity in Israel	**259,162**	**2,745**	**1,849**	**263,756**	**970**	**1,101**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**12,403**	**80**	**312**	**12,795**	**2**	**149**
Commercial - other	**21,908**	**689**	**342**	**22,939**	**-**	**501**
Total commercial	**34,311**	**769**	**654**	**35,734**	**2**	**650**
Private individuals	**573**	**1**	**1**	**575**	**-**	**27**
Total loans to the public - activity outside Israel	**34,884**	**770**	**655**	**36,309**	**2**	**677**
Foreign-based banks	**18,628**	**-**	**-**	**18,628**	**-**	**-**
Foreign governments	**718**	**-**	**-**	**718**	**-**	**-**
Total activity outside Israel	**54,230**	**770**	**655**	**55,655**	**2**	**677**
Total - public	**292,436**	**3,515**	**2,504**	**298,455**	**972**	**1,778**
Total - banks	**20,228**	**-**	**-**	**20,228**	**-**	**-**
Total - governments	**728**	**-**	**-**	**728**	**-**	**-**
Total	**313,392**	**3,515**	**2,504**	**319,411**	**972**	**1,778**

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.)

	March 31 2019 (unaudited)					
		Troubled debts[b]			Unimpaired debts - additional information	
	Non-troubled	Unimpaired	Impaired non-performing[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	22,247[i]	144	216	22,607	12	93
Construction & real estate - real estate activities	25,962[i]	104	308	26,374	15	58
Financial services	16,001[i]	6	11	16,018	2	137
Commercial - other	73,131[i]	1,820	1,015	75,966	53	171
Total commercial	137,341	2,074	1,550	140,965	82	459
Private individuals - housing loans	80,082	838[f]	-	80,920	838	682
Private individuals - other	26,353[i]	225	316	26,894	42	165
Total loans to the public - activity in Israel	243,776	3,137	1,866	248,779	962	1,306
Banks in Israel	1,229[i]	-	-	1,229	-	-
Government of Israel	14	-	-	14	-	-
Total activity in Israel	245,019	3,137	1,866	250,022	962	1,306
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	10,872[i]	495[i]	108	11,475	-	36
Commercial - other	18,717[i]	469[i]	437	19,623	-	256
Total commercial	29,589	964	545	31,098	-	292
Private individuals	946	-	31	977	-	12
Total loans to the public - activity outside Israel	30,535	964	576	32,075	-	304
Foreign-based banks	9,105[i]	-	-	9,105	-	-
Foreign governments	709	-	-	709	-	-
Total activity outside Israel	40,349	964	576	41,889	-	304
Total - public	274,311	4,101	2,442	280,854	962	1,610
Total - banks	10,334	-	-	10,334	-	-
Total - governments	723	-	-	723	-	-
Total	285,368	4,101	2,442	291,911	962	1,610

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 2019 (audited)					
		Troubled debts[b]			Unimpaired debts - additional information	
	Non-troubled	Unim-paired	Impaired non-perfor-ming[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	23,601	102	79	23,782	8	48
Construction & real estate - real estate activities	26,703	94	300	27,097	13	28
Financial services	17,147	11	4	17,162	4	54
Commercial - other	72,343	1,155	1,116	74,614	64	150
Total commercial	139,794	1,362	1,499	142,655	89	280
Private individuals - housing loans	83,383	830[f]	-	84,213	830	620
Private individuals - other	27,065	302	310	27,677	58	154
Total loans to the public - activity in Israel	250,242	2,494	1,809	254,545	977	1,054
Banks in Israel	2,167	-	-	2,167	-	-
Government of Israel	11	-	-	11	-	-
Total activity in Israel	252,420	2,494	1,809	256,723	977	1,054
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,523	77	362	11,962	3	17
Commercial - other	17,862	511	359	18,732	-[i]	139
Total commercial	29,385	588	721	30,694	3	156
Private individuals	566	-	1	567	-	-
Total loans to the public - activity outside Israel	29,951	588	722	31,261	3	156
Foreign-based banks	10,171	-	-	10,171	-	-
Foreign governments	733	-	-	733	-	-
Total activity outside Israel	40,855	588	722	42,165	3	156
Total - public	280,193	3,082	2,531	285,806	980	1,210
Total - banks	12,338	-	-	12,338	-	-
Total - governments	744	-	-	744	-	-
Total	293,275	3,082	2,531	298,888	980	1,210

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 impaired non-performing, substandard or special-mention, 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, impaired non-performing debts 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 unimpaired troubled debts. Accrual debt.

(e) Accrual debt. Debts in arrears of 30 to 89 days totaling NIS 222 million (as at March 31 2019 - NIS 250 million; as at December 31 2019 - NIS 210 million) were classified as unimpaired troubled debts.

(f) Including outstanding housing loans in the amount of NIS 81 million (March 31 2019 - NIS 87 million, December 31 2019 - NIS 85 million) with a provision by 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) 2.3 percent of the credit granted to income-generating properties through the Bank's Construction and Real Estate Department features LTV rates in excess of 85 percent.

(h) Outstanding unimpaired debts in arrears of at least 90 days as at March 31 2020, in the amount of NIS 971 million constitutes credit granted by the Bank, of which NIS 146 million is for non-housing loans and NIS 824 million - for housing loans, of which a total of NIS 207 million is in arrears of up to 149 days, NIS 160 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.

(i) Reclassified.

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.

It should be noted that in light of the Bank of Israel's guidance of April 21 2020, and as part of the efforts to assist borrowers in difficulties, debt arrangements under which the terms and conditions of the debt were changed, and specifically - the original repayment dates were deferred, were not taken into consideration in determining the arrears status or debt classification.

For more information on the Banking Supervision Department's guidance in the context of dealing with the coronavirus, please see Note 1.B.4.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Debts[a] (cont.)

2. Additional information on impaired non-performing debts

a. Impaired non-performing debts and specific provision

	March 31 2020 (unaudited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding balance[b] of impaired non-performing debts in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debts	Outstanding balance of contractual principal in respect of impaired non-performing debts
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	**49**	**11**	**62**	**111**	**358**
Construction & real estate - real estate activities	**56**	**2**	**118**	**174**	**959**
Financial services	**3**	**1**	**1**	**4**	**410**
Commercial - other	**734**	**249**	**514**	**1,248**	**3,169**
Total commercial	**842**	**263**	**695**	**1,537**	**4,896**
Private individuals - other	**309**	**177**	**3**	**312**	**773**
Total loans to the public - activity in Israel	**1,151**	**440**	**698**	**1,849**	**5,669**
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	**312**	**56**	**-**	**312**	**385**
Commercial - other	**224**	**59**	**118**	**342**	**385**
Total commercial	**536**	**115**	**118**	**654**	**770**
Private individuals	**1**	**1**	**-**	**1**	**1**
Total loans to the public - activity outside Israel	**537**	**116**	**118**	**655**	**771**
Total - public	**1,688**	**556**	**816**	**2,504**	**6,440**
Of which:					
Measured according to the present value of cash flows	**1,430**	**496**	**609**	**2,039**	
Debt restructuring of troubled debts	**653**	**208**	**277**	**930**	

(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.)

C. Debts[a] (cont.)

2. Additional information on impaired non-performing debts (cont.)

a. Impaired non-performing debts and specific provision(cont.)

	March 31 2019 (unaudited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding balance[b] of impaired non-performing debts in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debts	Outstanding balance of contractual principal in respect of impaired non-performing debts
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	54	9	162	216	446
Construction & real estate - real estate activities	110	27	198	308	1,159
Financial services	2	1	9	11	425
Commercial - other	761	273	254	1,015	3,027
Total commercial	927	310	623	1,550	5,057
Private individuals - other	310	133	6	316	758
Total loans to the public - activity in Israel	1,237	443	629	1,866	5,815[d]
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	101	48	7	108	252
Commercial - other	180	50	257	437	815
Total commercial	281	98	264	545	1,067
Private individuals	13	6	18	31	84
Total loans to the public - activity outside Israel	294	104	282	576	1,151
Total - public	1,531	547	911	2,442	6,966
Of which:					
Measured according to the present value of cash flows	1,348	481	599	1,947	
Debt restructuring of troubled debts	776	199	613	1,389	

(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) 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 impaired non-performing debts (cont.)

a. Impaired non-performing debts and specific provision(cont.)

	December 31 2019 (audited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding balance[b] of impaired non-performing debts in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debts	Outstanding balance of contractual principal in respect of impaired non-performing debts
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	57	11	22	79	323
Construction & real estate - real estate activities	65	2	235	300	1,097
Financial services	3	1	1	4	410
Commercial - other	575	217	541	1,116	2,981
Total commercial	700	231	799	1,499	4,811
Private individuals - other	307	166	3	310	765
Total loans to the public - activity in Israel	1,007	397	802	1,809	5,576
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	362	100	-	362	379
Commercial - other	137	41	222	359	392
Total commercial	499	141	222	721	771
Private individuals	1	1	-	1	1
Total loans to the public - activity outside Israel	500	142	222	722	772
Total - public	1,507	539	1,024	2,531	6,348
Of which:					
Measured according to the present value of cash flows	1,329	493	694	2,023	
Debt restructuring of troubled debts	662	181	357	1,019	

(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 impaired non-performing debts (cont.)

b. Average balance and interest income

	For the three months ended March 31					
	2020			2019		
	Average outstan-ding[(b)] impaired non-performing debts	Recorded interest income [(c)]	Of which: Recorded on a cash basis	Average outstan-ding[(b)] impaired non-performing debts	Recorded interest income [(c)]	Of which: Recorded on a cash basis
	Unaudited					
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**95**	**-**	**-[(e)]**	224	-	-[(e)]
Construction & real estate - real estate activities	**237**	**1**	**-[(e)]**	311	-	-[(e)]
Financial services	**4**	**-**	**-[(e)]**	10	-	-[(e)]
Commercial - other	**1,182**	**2**	**-[(e)]**	1,128	4	3
Total commercial	**1,518**	**3**	**-**	1,673	4	3
Private individuals - other	**311**	**1**	**-[(e)]**	328	1	-
Total loans to the public - activity in Israel	**1,829**	**4**	**-**	2,001	5	3
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**259**	**-**	**-**	109	1	-[(e)]
Commercial - other	**269**	**1**	**1**	439	1	1
Total commercial	**528**	**1**	**1**	548	2	1
Private individuals	**1**	**-**	**-**	18	-	-[(e)]
Total loans to the public - activity outside Israel	**529**	**1**	**1**	566	2	1
Total - public	**2,358**	**5[(d)]**	**1**	2,567	7[(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 impaired non-performing debts in the reporting period.
(c) Interest income recorded for the reporting period in respect of the average outstanding impaired non-performing debts during the period in which the debts were classified as impaired non-performing.
(d) Were the impaired non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 93 million would be recorded for the three months period ended March 31 2020 (March 31 2019 - NIS 96 million).
(e) Balances of less than 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 impaired non-performing debts (cont.)

c. Troubled debts under restructuring

	As at March 31 2020				As at March 31 2019			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Accrual,[b] non-delinquent	Total [c]	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Accrual,[b] non-delinquent	Total[c]
	Unaudited							
	In NIS millions							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - construction	**25**	**1**	**14**	**40**	181	1	10	192
Construction & real estate - real estate activities	**69**	**-**	**72**	**141**	212	-	17	229
Financial services	**3**	**-**	**1**	**4**	1	-	1	2
Commercial - other	**313**	**14**	**105**	**432**	314	4	86	404
Total commercial	**410**	**15**	**192**	**617**	708	5	114	827
Private individuals - other	**209**	**6**	**78**	**293**	240	3	60	303
Total loans to the public - activity in Israel	**619**	**21**	**270**	**910**	948	8	174	1,130
Borrower activity outside Israel								
Public - commercial								
Construction and real estate	**5**	**-**	**-**	**5**	43	-	2	45
Commercial - other	**9**	**-**	**6**	**15**	58	-	147	205
Total commercial	**14**	**-**	**6**	**20**	101	-	149	250
Private individuals	**-**	**-**	**-**	**-**	5	-	4	9
Total loans to the public - activity outside Israel	**14**	**-**	**6**	**20**	106	-	153	259
Total - public	**633**	**21**	**276**	**930**	1,054	8	327	1,389

(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) Accrual debt.
(c) Included in impaired non-performing debts.

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 March 31 2020 (as at March 31 2019 - 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 impaired non-performing debts (cont.)

c. Troubled debts under restructuring (cont.)

	December 31 2019			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[(b)]	Accrual,[(b)] non-delinquent	Total [(c)]
	Audited			
	In NIS millions			
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	32	1	15	48
Construction & real estate - real estate activities	63	-	139	202
Financial services	2	-	1	3
Commercial - other	226	8	122	356
Total commercial	323	9	277	609
Private individuals - other	213	5	72	290
Total loans to the public - activity in Israel	536	14	349	899
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	-	-	-	-
Commercial - other	96	-	24	120
Total commercial	96	-	24	120
Private individuals	-	-	-	-
Total loans to the public - activity outside Israel	96	-	24	120
Total - public	632	14	373	1,019

(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) Accrual debt.
(c) Included in impaired non-performing debts.

Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on impaired non-performing debts (cont.)

c. Troubled debts under restructuring (cont.)

1. Completed restructurings

	For the three months ended March 31					
	2020			2019		
	No. of contracts	Recorded outstan-ding debt before restruc-turing	Recorded outstan-ding debt after restruc-turing	No. of contracts	Recorded outstan-ding debt before restruc-turing	Recorded outstan-ding debt after restruc-turing
	Unaudited					
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**93**	**6**	**6**	69	6	6
Construction & real estate - real estate activities	**26**	**7**	**7**	25	9	9
Financial services	**5**	**-**	**-**	5	-	-
Commercial - other	**530**	**150**	**146**	368	65	65
Total commercial	**654**	**163**	**159**	467	80	80
Private individuals - other	**1,473**	**51**	**50**	1,117	36	35
Total loans to the public - activity in Israel	**2,127**	**214**	**209**	1,584[b]	116[b]	115[b]
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**1**	**5**	**5**	1	3	3
Total commercial	**1**	**5**	**5**	1	3	3
Total loans to the public - activity outside Israel	**1**	**5**	**5**	1	3	3
Total - public	**2,128**	**219**	**214**	1,585	119	118

(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) 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 impaired non-performing debts (cont.)

c. Troubled debts under restructuring (cont.)

2. Failed restructurings[b]

	For the three months ended March 31 (unaudited)			
	2020		2019	
	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	**53**	**4**	58	8
Construction & real estate - real estate activities	**15**	**8**	16	2
Financial services	**2**	**-**	3	-[d]
Commercial - other	**249**	**35**	230	36
Total commercial	**319**	**47**	307	46
Private individuals - other	**553**	**17**	575	19
Total loans to the public - activity in Israel	**872**	**64**	882[e]	65[e]
Borrower activity outside Israel				
Public - commercial				
Commercial - other	**-**	**-**	1	-[d]
Total commercial	**-**	**-**	1	-
Total loans to the public - foreign operations	**-**	**-**	1	-
Total - public	**872**	**64**	883	65

(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 of less than NIS 1 million.
(e) Restated.

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

		March 31 2020 (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 pledge: LTV ratio	Up to 60%	**55,470**	**1,673**	**35,495**	**2,499**
	Over 60%	**30,145**	**676**	**19,897**	**464**
Secondary pledge or unpledged		**12**	**-**	**9**	**-**
Total		**85,627**	**2,349**	**55,401**	**2,963**

		March 31 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 pledge: LTV ratio	Up to 60%	52,645	1,868	34,302	1,889
	Over 60%	28,676	719	19,549	218
Secondary pledge or unpledged		34	1	31	-
Total		81,355	2,588	53,882	2,107

		December 31 2019 (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 pledge: LTV ratio	Up to 60%	54,809	1,771	35,258	2,270
	Over 60%	29,601	659	19,730	303
Secondary pledge or unpledged		11	-	9	-
Total		84,421	2,430	54,997	2,573

(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 facility on the date granted and the value of the asset, as approved by the Bank when granting the credit facility.
The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit facility. 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

	March 31				December 31	
	2020		2019		2019	
	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision
	Unaudited				Audited	
	In NIS millions					
Off-balance-sheet financial instruments						
The outstanding loan contracts or their nominal value as at the end of the period - transactions in which the balance embodies credit risk:						
Documentary credit	**995**	**3**	1,442	2	729	2
Loan guarantees	**5,107**	**73**	5,178	58	5,293	74
Guarantees for apartment buyers	**20,964**	**19**	18,787	13	21,248	18
Guarantees and other commitments[(b)]	**16,352**	**179**	16,365	226	16,257	158
Unutilized credit card credit facilities	**15,536**	**14**	14,228	12	14,837	13
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,673**	**27**	11,915	26	12,456	25
Irrevocable loan commitments approved but not yet granted[1]	**26,030**	**83**	23,924	68	28,655	81
Commitments to issue guarantees	**15,922**	**16**	17,040	15	16,723	15
Unutilized credit facilities for derivatives activity	**3,619**	**-**	2,780	-	2,921	-
Approval in principle to maintain interest rate[(c)]	**3,565**	**-**	4,901	-	4,778	-

1. Of which: Unutilized credit exposures in respect of an obligation to provide liquidity to securitization entities under the auspices of others in the amount of NIS 214 million (March 31 2019 - NIS 218 million, December 31 2019 - NIS 207 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 TASE and the MAOF Clearing House in the amount of NIS 431 million (as at March 31 2019 and as at December 31 2019 in the amounts of NIS 213 million and NIS 259 million, respectively).
(c) Liabilities to extend credit to customers in the framework of "Authorization in principle and preserving the interest rate" to Proper Conduct of Banking Business Directive No. 451, "Procedures for Extending Housing Loans".

Note 14 - Assets and Liabilities by Linkage Basis

	March 31 2020 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	**75,864**	**-**	**22,130**	**3,875**	**1,048**	**254**	**103,171**
Securities	**41,665**	**4,480**	**38,918**	**2,655**	**2,771**	**3,523**	**94,012**
Securities borrowed or purchased under reverse repurchase agreements	**623**	**-**	**1,210**	**60**	**472**	**-**	**2,365**
Loans to the public, net[c]	**204,613**	**43,048**	**37,284**	**4,142**	**5,040**	**359**	**294,486**
Loans to governments	**11**	**-**	**702**	**15**	**-**	**-**	**728**
Investments in associates	**-**	**-**	**-**	**-**	**-**	**741**	**741**
Buildings and equipment	**-**	**-**	**-**	**-**	**-**	**2,956**	**2,956**
Underlying assets for derivatives	**5,062**	**75**	**7,346**	**463**	**166**	**11,789**	**24,901**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**16**	**16**
Other assets	**6,402**	**4**	**825**	**6**	**22**	**1,814**	**9,073**
Total assets	**334,240**	**47,607**	**108,415**	**11,216**	**9,519**	**21,452**	**532,449**
Liabilities							
Deposits by the public	**264,552**	**12,305**	**126,006**	**10,050**	**5,080**	**634**	**418,627**
Deposits by banks	**1,870**	**-**	**4,041**	**175**	**86**	**-**	**6,172**
Deposits by governments	**118**	**-**	**181**	**14**	**-**	**-**	**313**
Securities loaned or sold under repurchase agreements	**99**	**-**	**4,223**	**60**	**33**	**-**	**4,415**
Bonds, promissory notes and subordinated bonds	**5,584**	**14,258**	**2,688**	**-**	**-**	**-**	**22,530**
Liabilities for derivatives	**5,092**	**201**	**7,313**	**281**	**268**	**11,791**	**24,946**
Other liabilities	**6,604**	**10,376**	**1,003**	**20**	**336**	**398**	**18,737**
Total liabilities	**283,919**	**37,140**	**145,455**	**10,600**	**5,803**	**12,823**	**495,740**
Difference[d]	**50,321**	**10,467**	**(37,040)**	**616**	**3,716**	**8,629**	**36,709**
Effect of non-hedging derivatives:							
Derivatives (excluding options)	**26,662**	**(1,846)**	**34,160**	**(1,847)**	**(4,609)**	**804**	**-**
In the money options, net (according to underlying asset)	**(251)**	**-**	**(856)**	**1,051**	**16**	**40**	**-**
Out of the money options, net (according to underlying asset)	**(130)**	**-**	**392**	**(342)**	**18**	**62**	**-**
Grand total	**23,278**	**8,621**	**(3,344)**	**(522)**	**(859)**	**9,535**	**36,709**
In the money options, net (discounted nominal value)	**(525)**	**-**	**(1,062)**	**1,492**	**31**	**64**	**-**
Out of the money options, net (discounted nominal value)	**(396)**	**-**	**210**	**(116)**	**136**	**166**	**-**

(a) Including foreign-currency linked.
(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 3,969 million.
(d) Shareholders' equity including non-controlling interests.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	March 31 2019 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	66,210	-	7,455[e]	1,651[f]	1,033[f]	31	76,380
Securities	32,421	3,755	32,953	4,610	2,344	3,470	79,553
Securities borrowed or purchased under reverse repurchase agreements	643	-	220	60	23	-	946
Loans to the public, net[c]	194,137	42,310	30,761[e]	4,136	5,947	255	277,546
Loans to governments	14	-	683	26	-	-	723
Investments in associates	-	-	-	-	-	601	601
Buildings and equipment	-	-	-	-	-	2,863	2,863
Underlying assets for derivatives	3,464	126	3,066	127	118	2,507	9,408
Intangible assets and goodwill	-	-	-	-	-	17	17
Other assets	6,565	4	985	3	32	861	8,450
Total assets	303,454	46,195	76,123	10,613	9,497	10,605	456,487
Liabilities							
Deposits by the public	233,766	15,963	97,813[e]	10,618[f]	5,577[f]	282	364,019
Deposits by banks	1,849	-	1,956[e]	586	97	-	4,488
Deposits by governments	110	-	308	6	-	-	424
Securities loaned or sold under repurchase agreements	363	-	192	49	23	37	664
Bonds, promissory notes and subordinated bonds	5,727	15,224	-	-	-	-	20,951
Liabilities for derivatives	4,166	313	2,366	112	118	2,444	9,519
Other liabilities	7,747	10,916	410	28	128	772	20,001
Total liabilities	253,728	42,416	103,045	11,399	5,943	3,535	420,066
Difference[d]	49,726	3,779	(26,922)	(786)	3,554	7,070	36,421
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(14,370)	(4,077)	22,533	(306)	(4,249)	469	-
In the money options, net (according to underlying asset)	183	-	(335)	(1)	(27)	180	-
Out of the money options, net (according to underlying asset)	(3,377)	-	2,580	839	41	(83)	-
Grand total	32,162	(298)	(2,144)	(254)	(681)	7,636	36,421
In the money options, net (discounted nominal value)	367	-	(541)	(43)	(37)	254	-
Out of the money options, net (discounted nominal value)	(6,742)	-	5,723	956	114	(51)	-

(a) Including foreign-currency linked.
(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 3,308 million.
(d) Shareholders' equity including non-controlling interests.
(e) Reclassified.
(f) Restated.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	December 31 2019 (audited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	65,549	-	6,785	1,103	1,859	917	76,213
Securities	32,390	3,186	38,649	5,059	1,953	3,712	84,949
Securities borrowed or purchased under reverse repurchase agreements	161	-	1,220	59	30	-	1,470
Loans to the public, net[c]	197,939	43,731	31,513	3,775	5,096	424	282,478
Loans to governments	11	-	713	20	-	-	744
Investments in associates	-	-	-	-	-	765	765
Buildings and equipment	-	-	-	-	-	3,043	3,043
Underlying assets for derivatives	4,654	97	2,111	187	228	3,693	10,970
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	7,443	4	757	3	20	259	8,486
Total assets	308,147	47,018	81,748	10,206	9,186	12,829	469,134
Liabilities							
Deposits by the public	244,406	13,878	99,241	9,531	5,220	1,368	373,644
Deposits by banks	2,280	-	3,385	444	67	-	6,176
Deposits by governments	108	-	199	8	-	-	315
Securities loaned or sold under repurchase agreements	112	-	264	59	30	11	476
Bonds, promissory notes and subordinated bonds	5,621	14,337	-	-	-	-	19,958
Liabilities for derivatives	5,422	285	1,698	185	301	3,637	11,528
Other liabilities	7,090	13,093	496	19	115	350	21,163
Total liabilities	265,039	41,593	105,283	10,246	5,733	5,366	433,260
Difference[d]	43,108	5,425	(23,535)	(40)	3,453	7,463	35,874
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(15,496)	(3,009)	23,180	(1,159)	(4,150)	634	-
In the money options, net (according to underlying asset)	380	-	(1,351)	972	(1)	-	-
Out of the money options, net (according to underlying asset)	(13)	-	(128)	133	8	-	-
Grand total	27,979	2,416	(1,834)	(94)	(690)	8,097	35,874
In the money options, net (discounted nominal value)	33	-	(1,531)	1,496	2	-	-
Out of the money options, net (discounted nominal value)	(1,146)	-	(113)	1,188	71	-	-

(a) Including foreign-currency linked.
(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 3,328 million.
(d) Shareholders' equity including non-controlling interests.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	March 31 2020 (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	**103,171**	**85,928**	**15,731**	**1,554**	**103,213**
Securities(b)	**94,012**	**55,497**	**35,798**	**3,133**	**94,428**
Securities borrowed or purchased under reverse repurchase agreements	**2,365**	**2,365**	**-**	**-**	**2,365**
Loans to the public, net	**294,486**	**1,380**	**97,557**	**195,164**	**294,101**
Loans to governments	**728**	**-**	**10**	**692**	**702**
Underlying assets for derivatives	**24,901**	**6,950**	**13,821**	**4,130**	**24,901**
Other financial assets	**1,763**	**81**	**-**	**1,682**	**1,763**
Total financial assets	**521,426**(c)	**152,201**	**162,917**	**206,355**	**521,473**
Financial liabilities					
Deposits by the public	**418,627**	**2,635**	**306,876**	**107,471**	**416,982**
Deposits by banks	**6,172**	**-**	**6,120**	**43**	**6,163**
Deposits by governments	**313**	**-**	**236**	**90**	**326**
Securities loaned or sold under repurchase agreements	**4,415**	**4,415**	**-**	**-**	**4,415**
Bonds, promissory notes and subordinated bonds	**22,530**	**21,724**	**-**	**769**	**22,493**
Liabilities for derivatives	**24,946**	**6,953**	**17,765**	**228**	**24,946**
Other financial liabilities	**6,520**	**602**	**3,971**	**1,947**	**6,520**
Total financial liabilities	**483,523**(c)	**36,329**	**334,968**	**110,548**	**481,845**
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	**308**	**-**	**-**	**308**	**308**
In addition, liabilities in respect of employee benefits, gross - pension and severance pay(d)	**16,751**	**-**	**179**	**16,572**	**16,751**

(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 162,696 million and NIS 287,591 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 maturity 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.)

	March 31 2019 (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	76,380[(e)(f)]	66,882[(f)]	7,828[(e)]	1,649	76,359
Securities[(b)]	79,553	43,871	32,816	2,976	79,663
Securities borrowed or purchased under reverse repurchase agreements	946	946	-	-	946
Loans to the public, net	277,546[(e)]	1,931	89,026[(e)]	186,123	277,080
Loans to governments	723	-	10	745	755
Underlying assets for derivatives	9,408	2,193	6,073	1,142	9,408
Other financial assets, including balances classified as held-for-sale assets	2,738	506	-	2,233	2,739
Total financial assets	447,294[(c)]	116,329	135,753	194,868	446,950
Financial liabilities					
Deposits by the public	364,019[(e)(f)]	1,911[(f)]	252,090[(e)]	107,281	361,282
Deposits by banks	4,488[(e)]	-	4,326[(e)]	157	4,483
Deposits by governments	424	-	356	80	436
Securities loaned or sold under repurchase agreements	664	664	-	-	664
Bonds, promissory notes and subordinated bonds	20,951	19,853	-	2,011	21,864
Liabilities for derivatives	9,519	2,188	7,038	293	9,519
Other financial liabilities, including balances classified as held-for-sale liabilities	5,993	755	4,274	965	5,994
Total financial liabilities	406,058[(c)]	25,371	268,084	110,787	404,242
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	335	-	-	335	335
In addition, liabilities in respect of employee benefits, gross - pension and severance pay[(d)]	16,921	-	171	16,750	16,921

(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 117,147 million and NIS 219,478 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 with original maturities 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.

(e) Reclassified.

(f) Restated.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2019 (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	76,213	66,837	8,104	1,251	76,192
Securities[(b)]	84,949	50,803	31,831	2,772	85,406
Securities borrowed or purchased under reverse repurchase agreements	1,470	1,470	-	-	1,470
Loans to the public, net	282,478	2,384	88,862	192,218	283,464
Loans to governments	744	-	11	759	770
Underlying assets for derivatives	10,970	2,123	7,448	1,399	10,970
Other financial assets, including balances classified as held-for-sale assets	2,009	47	-	1,961	2,008
Total financial assets	458,833[(c)]	123,664	136,256	200,360	460,280
Financial liabilities					
Deposits by the public	373,644	3,437	270,780	98,136	372,353
Deposits by banks	6,176	-	5,977	183	6,160
Deposits by governments	315	-	236	87	323
Securities loaned or sold under repurchase agreements	476	476	-	-	476
Bonds, promissory notes and subordinated notes	19,958	20,041	-	828	20,869
Liabilities for derivatives	11,528	2,123	9,110	295	11,528
Other financial liabilities, including balances classified as held-for-sale liabilities	5,052	100	4,348	607	5,055
Total financial liabilities	417,149[(c)]	26,177	290,451	100,136	416,764
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	301	-	-	301	301
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[(d)]	20,470	-	186	20,284	20,470

(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 129,657 million and NIS 216,697 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 with original maturities 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

	March 31 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	**32,049**	**3,643**	**34**	**35,726**
Foreign governments' bonds	**6,640**	**5,551**	**-**	**12,191**
Bonds of Israeli financial institutions	**-**	**18**	**-**	**18**
Bonds of foreign financial institutions	**-**	**9,754**	**-**	**9,754**
Asset-backed (ABS) or mortgage-backed (MBS)bonds	**-**	**6,390**	**1,722**	**8,112**
Other Israeli bonds	**69**	**134**	**-**	**203**
Other foreign bonds	**-**	**5,423**	**-**	**5,423**
Total available-for-sale bonds	**38,758**	**30,913**	**1,756**	**71,427**
Equity securities and mutual funds not held-for-trading:				
Equity securities and mutual funds not held for-trading	**2,139**	**-**	**-**	**2,139**
Held-for-trading securities:				
Government of Israel bonds	**10,967**	**-**	**-**	**10,967**
Foreign governments' bonds	**316**	**-**	**-**	**316**
Bonds of Israeli financial institutions	**620**	**-**	**-**	**620**
Bonds of foreign financial institutions	**-**	**217**	**-**	**217**
Asset-backed (ABS) or mortgage-backed (MBS)bonds	**-**	**131**	**-**	**131**
Other Israeli bonds	**105**	**-**	**-**	**105**
Other foreign bonds	**-**	**61**	**-**	**61**
Equity securities and mutual funds	**7**	**-**	**-**	**7**
Total held-for-trading securities	**12,015**	**409**	**-**	**12,424**
Assets in respect of derivatives:				
NIS-CPI contacts	**-**	**202**	**117**	**319**
Interest rate contracts	**25**	**5,611**	**813**	**6,449**
Foreign exchange rate contracts	**-**	**3,651**	**1,595**	**5,246**
Stock contracts	**5,644**	**4,338**	**1,557**	**11,539**
Commodity- and other contracts	**211**	**19**	**48**	**278**
MAOF (Israeli financial instruments and futures) market activity	**1,070**	**-**	**-**	**1,070**
Total underlying assets for derivatives	**6,950**	**13,821**	**4,130**	**24,901**
Other:				
Credit and deposits for loaned securities	**2,869**	**-**	**-**	**2,869**
Securities borrowed or purchased under reverse repurchase agreements	**2,365**	**-**	**-**	**2,365**
Other	**81**	**-**	**-**	**81**
Total - other	**5,315**	**-**	**-**	**5,315**
Total assets	**65,177**	**45,143**	**5,886**	**116,206**

Note 15B - Items measured at fair value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	**-**	**363**	**53**	**416**
Interest rate contracts	**25**	**7,207**	**-**	**7,232**
Foreign exchange rate contracts	**-**	**4,009**	**175**	**4,184**
Stock contracts	**5,644**	**6,122**	**-**	**11,766**
Commodity- and other contracts	**211**	**64**	**-**	**275**
MAOF (Israeli financial instruments and futures) market activity	**1,073**	**-**	**-**	**1,073**
Total liabilities in respect of derivatives	**6,953**	**17,765**	**228**	**24,946**
Other:				
Deposits in respect of loaned securities	**2,635**	**2**	**-**	**2,637**
Securities loaned or sold under repurchase agreements	**4,415**	**-**	**-**	**4,415**
Other	**602**	**-**	**-**	**602**
Total - other	**7,652**	**2**	**-**	**7,654**
Total liabilities	**14,605**	**17,767**	**228**	**32,600**

Note 15B - Items measured at fair value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	28,375	2,723	-	31,098
Foreign governments' bonds	5,107	4,750	-	9,857
Bonds of Israeli financial institutions	-	-	-	-
Bonds of foreign financial institutions	43	10,608	-	10,651
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	7,205	1,873	9,078
Other Israeli bonds	97	75	-	172
Other foreign bonds	-	3,157	-	3,157
Total available-for-sale bonds	33,622	28,518	1,873	64,013
Available-for-sale equity securities and funds:				
Equity securities and mutual funds	2,350	-	-	2,350
Held-for-trading securities:				
Government of Israel bonds	5,626	-	-	5,626
Foreign governments' bonds	58	-	-	58
Bonds of Israeli financial institutions	115	-	-	115
Bonds of foreign financial institutions	-	110	-	110
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	249	-	249
Other Israeli bonds	190	-	-	190
Other foreign bonds	-	210	-	210
Equity securities and mutual funds	17	-	-	17
Total held-for-trading securities	6,006	569	-	6,575
Assets in respect of derivatives:				
NIS-CPI contacts	-	84	123	207
Interest rate contracts	436	3,186	390	4,012
Foreign exchange rate contracts	-	1,882	588	2,470
Stock contracts	1,513	902	33	2,448
Commodity- and other contracts	16	19	8	43
MAOF (Israeli financial instruments and futures) market activity	228	-	-	228
Total underlying assets for derivatives	2,193	6,073	1,142	9,408
Other:				
Credit and deposits for loaned securities	1,961	8	-	1,969
Securities borrowed or purchased under reverse repurchase agreements	946	-	-	946
Other	506	-	-	506
Total - other	3,413	8	-	3,421
Total assets	47,584	35,168	3,015	85,767

Note 15B - Items measured at fair value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	-	232	97	329
Interest rate contracts	435	3,372	-	3,807
Foreign exchange rate contracts	-	2,523	196	2,719
Stock contracts	1,506	885	-	2,391
Commodity- and other contracts	16	26	-	42
MAOF (Israeli financial instruments and futures) market activity	231	-	-	231
Total liabilities in respect of derivatives	2,188	7,038	293	9,519
Other:				
Deposits in respect of loaned securities	1,623	15	9	1,647
Securities loaned or sold under repurchase agreements	664	-	-	664
Other	517	-	-	517
Total - other	2,804	15	9	2,828
Total liabilities	4,992	7,053	302	12,347

Note 15B - Items measured at fair value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2019 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	30,470	2,662	-	33,132
Foreign governments' bonds	12,258	5,863	-	18,121
Bonds of foreign financial institutions	41	9,556	-	9,597
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	6,293	1,455	7,748
Other Israeli bonds	108	32	-	140
Other foreign bonds	-	3,530	-	3,530
Total available-for-sale bonds	42,877	27,936	1,455	72,268
Available-for-sale equity securities and funds:				
Equity securities and mutual funds	2,395	-	-	2,395
Held-for-trading securities:				
Government of Israel bonds	2,715	-	-	2,715
Foreign governments' bonds	213	-	-	213
Bonds of Israeli financial institutions	101	-	-	101
Bonds of foreign financial institutions	-	201	-	201
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	154	-	154
Other Israeli bonds	53	-	-	53
Other foreign bonds	-	87	-	87
Equity securities and mutual funds	-	-	-	-
Total held-for-trading securities	3,082	442	-	3,524
Assets in respect of derivatives:				
NIS-CPI contacts	-	127	82	209
Interest rate contracts	6	3,675	767	4,448
Foreign exchange rate contracts	-	1,741	538	2,279
Stock contracts	1,762	1,894	8	3,664
Commodity- and other contracts	29	11	4	44
MAOF (Israeli financial instruments and futures) market activity	326	-	-	326
Total underlying assets for derivatives	2,123	7,448	1,399	10,970
Other:				
Credit and deposits for loaned securities	3,564	-	-	3,564
Securities borrowed or purchased under reverse repurchase agreements	1,470	-	-	1,470
Other	47	-	-	47
Total - other	5,081	-	-	5,081
Total assets	55,558	35,826	2,854	94,238

Note 15B - Items measured at fair value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2019 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	-	265	38	303
Interest rate contracts	6	4,437	-	4,443
Foreign exchange rate contracts	-	2,511	257	2,768
Stock contracts	1,762	1,883	-	3,645
Commodity- and other contracts	29	14	-	43
MAOF (Israeli financial instruments and futures) market activity	326	-	-	326
Total liabilities in respect of derivatives	2,123	9,110	295	11,528
Other:				
Deposits in respect of loaned securities	3,437	44	6	3,487
Securities loaned or sold under repurchase agreements	476	-	-	476
Other	100	-	-	100
Total - other	4,013	44	6	4,063
Total liabilities	6,136	9,154	301	15,591

Note 15B - Items measured at fair value (cont.)

B. Items Measured at Fair Value on a Non-Recurring Basis

	March 31 2020 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit from changes in value during the period
	In NIS millions				
Impaired non-performing credit whose collection is collateral-dependent	**-**	**-**	**465**	**465**	**33**
Total	**-**	**-**	**465**	**465**	**33**

	March 31 2019 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)[a]	Total fair value	Total profit from changes in value during the period
	In NIS millions				
Impaired non-performing credit whose collection is collateral-dependent	-	-	495	495	140
Total	-	-	495	495	140

	December 31 2019 (audited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3) [a]	Total fair value	Total profit from changes in value during the period
	In NIS millions				
Impaired non-performing credit whose collection is collateral-dependent	-	-	508	508	214
Total	-	-	508	508	214

(a) Restated.

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended March 31 2020 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the begin-ning of the year	In the income statement[(a)]	In other compre-hensive income[(b)]	Pur-chases and issues	Sales	Dis-charges	Adjustments from translation of finan-cial state-ments	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at March 31 2020	Unrealized gains (losses) in respect of instruments held as at March 31 2020
	In NIS millions										
Assets											
Available-for-sale bonds:											
Government of Israel	-	-	-	-	-	-	-	34	-	34	2
MBS/ABS	1,455	52	(71)	343	-	(229)	-	172	-	1,722	(75)
Assets in respect of derivatives:											
NIS-CPI contacts	82	35	-	-	-	-	-	-	-	117	(38)
Interest rate contracts	767	255	-	-	-	(209)	-	-	-	813	(77)
Foreign exchange rate contracts	538	357	-	700	-	-	-	-	-	1,595	945
Stock contracts	8	1,549	-	-	-	-	-	-	-	1,557	1,546
Commodity- and other contracts	4	44	-	-	-	-	-	-	-	48	45
Total underlying assets for derivatives	1,399	2,240	-	700	-	(209)	-	-	-	4,130	2,421
Total assets	2,854	2,292	(71)	1,043	-	(438)	-	206	-	5,886	2,348
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	38	14	-	-	-	-	-	1	-	53	1
Foreign exchange rate contracts	257	(82)	-	-	-	-	-	-	-	175	-
Total liabilities in respect of derivatives	295	(68)	-	-	-	-	-	1	-	228	1
Total - other	6	(6)	-	-	-	-	-	-	-	-	-
Total liabilities	301	(74)	-	-	-	-	-	1	-	228	1

(a) Net realized gains (losses) 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 over one year and less than 5 years, while at the date of the financial statements the remaining term to maturity was less than one year.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended March 31 2019 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[a]	In other comprehensive income[b]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at March 31 2019	Unrealized gains (losses) for instruments held as at March 31 2019
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	2,821	(56)	28	236	-	(132)	-	-	(1,024)	1,873	(6)
Assets in respect of derivatives:											
NIS-CPI contacts	149	(25)	-	-	-	-	-	1	(2)	123	(33)
Interest rate contracts	142	265	-	-	-	(17)	-	-	-	390	249
Foreign exchange rate contracts	971	(558)	-	175	-	-	-	-	-	588	(87)
Stock contracts	937	(904)	-	-	-	-	-	-	-	33	(607)
Commodity- and other contracts	19	(11)	-	-	-	-	-	-	-	8	(7)
Total underlying assets for derivatives	2,218	(1,233)	-	175	-	(17)	-	1	(2)	1,142	(485)
Total assets	5,039	(1,289)	28	411	-	(149)	-	1	(1,026)	3,015	(491)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	109	(24)	-	-	-	-	-	12	-	97	41
Interest rate contracts	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange rate contracts	128	68	-	-	-	-	-	-	-	196	(16)
Total liabilities in respect of derivatives	237	44	-	-	-	-	-	12	-	293	25
Total - other	3	6	-	-	-	-	-	-	-	9	5
Total liabilities	240	50	-	-	-	-	-	12	-	302	30

(a) Net realized gains (losses) 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 over one year and less than 5 years, while at the date of the financial statements the remaining term to maturity was less than one year. In addition, SBA transactions were transferred following reallocation of the outstanding principal.
Transfers from Level 3 to Level 2 – forwards-CPI transactions for a period of over 5 years, while at the date of the financial statement the remaining term to maturity was over 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 2019 (audited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at December 31 2019	Unrealized gains (losses) for instruments held as at December 31 2019
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	2,821	(144)	31	308	(315)	(234)	-	-	(1,012)	1,455	(4)
Assets in respect of derivatives:											
NIS-CPI contacts	149	(80)	-	-	-	-	-	18	(5)	82	(25)
Interest rate contracts	142	731	-	-	-	(106)	-	-	-	767	618
Foreign exchange rate contracts	971	(963)	-	530	-	-	-	-	-	538	229
Stock contracts	937	(929)	-	-	-	-	-	-	-	8	2
Commodity- and other contracts	19	(15)	-	-	-	-	-	-	-	4	(2)
Total underlying assets for derivatives	2,218	(1,256)	-	530	-	(106)	-	18	(5)	1,399	822
Total assets	5,039	(1,400)	31	838	(315)	(340)	-	18	(1,017)	2,854	818
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	109	(37)	-	-	-	-	-	35	(69)	38	12
Foreign exchange rate contracts	128	129	-	-	-	-	-	-	-	257	-
Total liabilities in respect of derivatives	237	92	-	-	-	-	-	35	(69)	295	12
Total - other	3	3	-	-	-	-	-	-	-	6	3
Total liabilities	240	95	-	-	-	-	-	35	(69)	301	15

(a) Net realized gains (losses) 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 over one year and less than 5 years, while at the date of the financial statements the remaining term to maturity was less than one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	March 31 2020 (unaudited)				
	Fair value	Valuation 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]					
Government of Israel bonds	**34**	Discounted cash flows	Spread	bp 205	bp 205
			Probability of default	1.68%	1.68%
			% of loss	25.00%	25.00%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**1,722**	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	**62**	Discounted cash flows	Expected inflation	(0.24)%-0.15%	(0.05)%
	55	Discounted cash flows	Counterparty risk	0.51%-100%(*)	2.11%
Interest rate contracts	**813**	Discounted cash flows	Counterparty risk	0.51%-100%(*)	2.11%
Foreign exchange rate contracts	**67**	Discounted cash flows	Expected inflation	(0.24)%-0.15%	(0.05)%
	1,528	Discounted cash flows	Counterparty risk	0.51%-100%(*)	2.11%
Stock contracts	**1,557**	Discounted cash flows	Counterparty risk	0.51%-100%(*)	2.11%
Commodity contracts	**48**	Discounted cash flows	Counterparty risk	0.51%-100%(*)	2.11%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	**53**	Discounted cash flows	Expected inflation	(0.24)%-0.15%	(0.05)%
Foreign exchange rate contracts	**175**	Discounted cash flows	Expected inflation	(0.24)%-0.15%	(0.05)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing credit whose collection is collateral-dependent	**465**	Collateral's fair value			

* For a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities and of securities of the Israeli government: The 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 CPI-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 Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	March 31 2019 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS millions				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,873	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	106	Discounted cash flows	Expected inflation	0%-1.38%	0.83%
	17	Discounted cash flows	Counterparty risk	0.61%-100%[*]	1.71%
Interest rate contracts	390	Discounted cash flows	Counterparty risk	0.61%-100%[*]	1.71%
Foreign exchange rate contracts	72	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
	516	Discounted cash flows	Counterparty risk	0.61%-100%[*]	1.71%
Stock contracts	24	Discounted cash flows	Counterparty risk	0.61%-100%[*]	1.71%
Structured - stocks	9	Discounted cash flows	Stock prices	0.05%-(0.30)%	(0.13)%
Commodity contracts	8	Discounted cash flows	Counterparty risk	0.61%-100%[*]	1.71%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	97	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
Foreign exchange rate contracts	196	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
Other	9	Discounted cash flows	Stock prices	0.05%- (0.30)%	(0.13)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing credit whose collection is collateral-dependent	495[a]	Collateral's fair value			

(a) Restated.

* For a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect 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 CPI-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 Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31 2019 (audited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS millions				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,455	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	45	Discounted cash flows	Expected inflation	0.04%-0.81%	0.43%
	37	Discounted cash flows	Counterparty risk	0.12%-100%[*]	0.75%
Interest rate contracts	767	Discounted cash flows	Counterparty risk	0.12%-100%[*]	0.75%
Foreign exchange rate contracts	82	Discounted cash flows	Expected inflation	0.04%-0.81%	0.43%
	456	Discounted cash flows	Counterparty risk	0.12%-100%[*]	0.75%
Stock contracts	2	Discounted cash flows	Counterparty risk	0.12%-100%[*]	0.75%
Structured - stocks	6	Discounted cash flows	Stock prices	(0.41)%-0.27%	(0.07)%
Commodity contracts	4	Discounted cash flows	Counterparty risk	0.12%-100%[*]	0.75%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	38	Discounted cash flows	Expected inflation	0.04%-0.81%	0.43%
Foreign exchange rate contracts	257	Discounted cash flows	Expected inflation	0.04%-0.81%	0.43%
Other	6	Discounted cash flows	Stock prices	(0.41)%-0.27%	(0.07)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing credit whose collection is collateral-dependent	508[a]	Collateral's fair value			

(a) Restated.

* For a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect 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 CPI-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. IT and Operational Services Agreement with Union Bank of Israel Ltd.

The Bank arrived at an understanding with Union Bank of Israel Ltd. on the extension of the engagement term for IT and Operational Services Agreement (hereinafter: the “Agreement”), altering some of the terms and conditions of the engagement.

In this framework, it was agreed, inter alia, that subject to, and in accordance with the terms and conditions detailed in writing in the addendum to the Agreement (hereinafter: the “Addendum”), the validity of the Agreement will be extended until December 31 2022, with options to extend the Agreement by further terms but no later than December 31 2032 if the merger of Union Bank of Israel Ltd. with Mizrahi-Tefahot Bank Ltd. will not take place until the dates set in the Addendum, and subject to the fulfillment of the terms and conditions for the exercise of each of the options.

The scope of the ongoing services and the service level provided by Leumi according to the Addendum will be the same as the ongoing services and the service level which were provided to Union Bank as of December 31 2016, and Leumi will provide Union Bank with ongoing services in the Addendum term according to the “follow me” principle. In addition, an adjustment was made to the consideration paid in the framework of the agreement.

b. The effects of the coronavirus spread

The first quarter of 2020 was characterized by the spread of the coronavirus, which began in China in late 2019, and started to impact most world countries during the first quarter of 2020. As of mid-May 2020, more than 4.7 million people contracted the virus, one third of whom reside in the US, and more than 300,000 died worldwide. Most governments imposed a lockdown, bringing to a halt significant parts of the economic activity and taking care of those hurt by the disease, while significantly increasing the costs incurred for taking care of citizens and businesses whose work was disrupted. Central banks across the world used a variety of tools to support economic activity, beyond reducing interest rates.

The coronavirus crisis is an event accompanied by substantial uncertainty in terms of duration and extent of impact. The ramifications of the crisis for the global and domestic economies, as well as for the Bank’s business, may be substantial, including in terms of an increase in borrowers’ credit risk and liquidity difficulty, inter alia on the back of an increase in unemployment and economic slowdown.

In order to enable business continuity to support businesses, multiple Leumi units transitioned to a new work mode, which combines large scale work from home physical separation of organic units, and adjustments to work and control procedures. The new work mode increases exposure to operational risks, especially cyber risks, systems availability, human error, fraud, embezzlement and information leakage. In order to ensure that the exposure remains within the boundaries of the risk tolerance, business, procedural and automated controls were set up to hedge the risks. It should be mentioned that throughout the months-long crisis, the Bank continued to provide the entire array of services to its clientele, while providing solutions to cope with the challenges presented by the pandemic.

As a result of the crisis, the severity level of the global systemic risk and the local systemic risk increased in Q1 of 2020 from “moderate” to “moderate-high”. The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios.

In the wake of the coronavirus crisis, the Banking Supervision Department decided (in a letter of the Supervisor of Banks dated March 29 2020), to reduce the minimum regulatory capital adequacy requirements. Subsequently, the Bank’s Board of Directors decided on April 16 2020 to establish that the internal Common Equity Tier 1 capital ratio threshold will be 9.5 percent in lieu of the previous 10.5 percent and that the Bank will discontinue, at this stage, the dividend distribution and the continuation of the Bank’s share buyback plans.

Note 16 - Miscellaneous Topics (cont.)

Due to the increased risk level, the Bank maintains - throughout the crisis period - strict underwriting processes. In this context, emphases in credit granting during the crisis period were pinpointed and the Bank's underwriting processes were rendered more stringent, including credit granting authorizations. At the same time, controls monitoring risk focal points are being implemented, and while continuing to manage the risk throughout the crisis period, the Bank supports its customers and helps them cope with the crisis's challenges. Following the crisis, loan loss expenses increased, totaling NIS 860 million in the first quarter of 2020. Most of the increase is in the collective loan loss provision, the calculation of which is based on a deterioration in the economic indicators.

Against the backdrop of the material ramifications of the coronavirus event and the extreme volatility in financial markets there was an increase in the credit spreads of all local and foreign financial institutions to which the Bank is exposed towards the end of the reporting period. The Bank increased its level of monitoring of foreign financial institutions and adjusted the exposure thereto in accordance with the changes in the risk environment it had identified. The main exposure to banks and foreign financial institutions is reflected in investment ratings. The Bank does not believe that these banks and financial institutions are at a high risk level.

During March, there were sharp declines in the capital markets worldwide, accompanied by high volatility.

In the reviewed period, there was a significant increase in the balance of deposits by the public from retail and business customers, mainly in NIS, partly as a result of the diversion of public funds from the capital market, which increased the LCR (liquidity coverage ratio). Throughout the reviewed period, the LCR in foreign exchange and across all currencies was higher than the regulatory requirement.

As the crisis intensified, there was a rise in finance costs in the local forex market, as well as a sharp decline in the market's liquidity level. During March, the Bank of Israel began to intervene in the foreign exchange market, providing USD liquidity to the Israeli banking system through short-term FX swaps. This activity was designed to enable the banking system to continue to provide solutions to institutional investors' need for currency hedging, which were growing as the crisis unfolds.

From the beginning of 2020, the Bank manages the exposure to interest rate changes on the basis of fair value, while taking into account the interest rate exposures for the pension liabilities less plan assets. During the reviewed period, and in the wake of the unfolding crisis in capital markets, material changes have occurred in the exposure of value to interest rate changes mainly due to the increase in the tradable credit risk spreads, which caused the value of the Bank's own (nostro) portfolios to decline, as well as its pension liabilities.

During the first quarter, noninterest finance expenses totaled NIS 660 million (before tax) and a negative capital reserve from securities in the amount of NIS 632 million (before tax) was recorded. After the balance sheet date and until immediately prior to the financial statements' publication date, there was a significant increase in the value of securities which offset a significant portion of the losses recorded and decrease in the risk reserve during the reporting period.

It should also be noted that the capital reserve for employee benefits decreased in the first quarter by NIS 2,969 million (before tax) due to the higher discount interest rate. After the balance sheet date and until immediately prior to the financial statements' publication date, the capital reserve for employee benefits increased on the back of the discount rate decrease.

It should be clarified that the current period is characterized by considerable volatility in financial markets both in Israel and around the world, due to the continuation of the coronavirus pandemic, such that the volatility in the value of financial assets could continue.

During March 2020, the Fed lowered the interest rate from 1.50-1.75 percent to 0.00-0.25 percent. During April 2020, the Bank of Israel lowered the Bank of Israel interest rate from 0.25 percent to 0.1 percent. These decreases, which were made on the back of the coronavirus crisis, are expected to hurt the Bank's finance income.

Throughout the crisis period, the Bank applies stringent risk management practices and continuously examines its events and modes of operation in order to prepare in advance and adapt its activity and strategy, as needed.

Some of the above information constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

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 at the end of the reporting period, the Board of Directors includes 9 members. During the first quarter of 2020, there were no changes in the composition of the Board of Directors.

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.

For more information regarding the manner of reducing the number of directors to their current number, please see under “Changes in the Board of Directors” in the Bank’s 2019 Annual Financial Statements.

Ms. Samet is expected to end her third and last term of office as director with the Bank on November 21 2020.

Annual general meeting and election of directors

On April 26 2020, the Bank published a preliminary notice regarding a plan to convene an annual general meeting of the Bank’s shareholders to discuss several topics, including the appointment of one external director in accordance with Proper Conduct of Banking Business Directive No. 301 of the Banking Supervision Department, and two directors 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. For more information, please see the immediate report published by the Bank on April 26 2020 (Ref. No. 2020-01-041766) (hereinafter: the “**Preliminary Notice**”).

Pursuant to the Preliminary Notice published by the Bank as aforesaid and in accordance with Sections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941, on May 18 2020 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 2020 annual general meeting (for more information, please see the immediate report issued by the Bank on May 19 2020 (Ref. No. 2020-01-049725) (hereinafter: the “Notice Issued by the Committee for the Appointment of Directors”).

The Internal Auditor

Details regarding the Group's internal auditing function, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and considerations taken into account in formulating the work plans were included in the 2019 Annual Financial Statements.

The 2019 Internal Auditor's Report of the Leumi Group was submitted to the Audit Committee on March 26 2020, discussed by the Committee on March 30 2020, submitted to the Board of Directors on April 22 2020 and discussed by the Board on April 26 2020.

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 up-to-date information regarding interested parties’ holdings in the Bank as at March 31 2020, please see the immediate report on the status of holdings of interested parties and senior officers dated April 23 2020 (Ref. No.: 2020-01-036631). Please see also the immediate report on the list of holders of significant means of control in the Bank as at March 31 2020, dated April 19 2020 (Ref. No. 2020-01-034717).

Appointments and Departures

Appointments

On February 26 2020, the Bank's Board of Directors approved the appointment of Mr. **Uri Yonissi** as a member of management, reporting to the Head of the Banking Division. Mr. Yonissi will commence his term of office on June 26 2020.

Departures

Mr. **Ilan Buganim**, Head of the Data Division and member of management, who announced his wish to depart from the Bank, will end his tenure upon completion of the Data Division's split.

Ms. **Irit Roth**, Head of Legal Counsel Division, Chief Legal Counsel, Legal Risk Officer and member of the Bank's management, announced her wish to terminate her office with the Bank; Ms. Roth's date of departure is yet to be determined.

Mr. **Gil Karni**, CEO of Bank Leumi UK, announced his wish to end his tenure; the date of his departure has yet to be determined.

Corporate Structure

Data Division

The Data Division will be split and the units included therein will be integrated into the various divisions of the Bank, in order to improve the implementation of the Bank's strategy and to bring about a further leap in Leumi's digital leadership and data capabilities.

For more information, please see the immediate report dated April 27 2020 (Ref. No.: 2020-01-041826).

Human resource management during the coronavirus event

The Bank acted based on the standards and guidance issued by government entities and took a series of additional measures, in order to reduce the exposure of employees and customers to the risk of contracting the virus and in order to enable business continuity. This included dispersing large units among various facilities, working in shifts and defining core branches which provide customer-facing service in accordance with the guidance of the Banking Supervision Department.

Starting in mid-March, employees who were defined as essential for work under the emergency routine, were required to work from the Bank's facilities or from their homes, according to the business needs, and employees who were non-essential to the emergency working routine were put on vacation leave during this period.

During this period, a significant effort was made in order to expand the possibility working from home for thousands of employees, through diverse technological solutions.

From the beginning of May and until mid-May, all of the Bank's employees returned to work gradually, subject to compliance with strict standards for managing the risk of infection, including signing daily statements on temperature and health, wearing masks in common areas, restricting movement between the Bank's various facilities, restricting multi-participant meetings and training sessions, emphasis on personal hygiene, and more.

Leumi's China office

The Bank began the process of closing its China office, a process which it expects to complete in the coming months. The field office conducted no business activity and its closure has no material impact on the Bank.

Material Agreements

Maalot-Standard Agreement

In accordance with an agreement dated March 29 2020, Standard has assigned Veritas Insurance Agency Ltd. of the Harel Group, as at April 1 2020, the full rights and commitments of Standard under the Maalot-Standard Agreement, subject to the completion of the merger of Standard into Harel.

For more information about the Maalot-Standard Agreement, please see the section entitled "Material Agreements" in the 2019 Financial Statements.

IT and Operational Services Agreement with Union Bank of Israel Ltd.

The Bank arrived at an understanding with Union Bank of Israel Ltd. on the extension of the engagement term for IT and Operational Services Agreement (hereinafter - the "Agreement"), altering some of the terms and conditions of the engagement.

In this framework, it was agreed, inter alia, that subject to, and in accordance with the terms and conditions detailed in writing in the addendum to the Agreement (hereinafter: the "Addendum"), the validity of the Agreement will be extended until December 31 2022, with options to extend the Agreement by further terms but no later than December 31 2032 if the merger of Union Bank of Israel Ltd. with Mizrahi-Tefahot Bank Ltd. will not take place until the dates set in the Addendum, and subject to the fulfillment of the terms and conditions for the exercise of each of the options.

The scope of the ongoing services and the service level provided by Leumi according to the Addendum will be the same as the ongoing services and the service level which were provided to Union Bank as of December 31 2016, and Leumi will provide Union Bank with ongoing services in the Addendum term according to the "follow me" principle. In addition, an adjustment was made to the consideration paid in the framework of the agreement.

For more information, please see the immediate reports published by the Bank on May 12 2020 (Ref. No. 2020-01-047130) and on May 26 2020 (Ref. No. 2020-01-052887).

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 2019 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. Some 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

Proper Conduct of Banking Business Directive No. 222, "Stable Funding Ratio":

The draft adopts the Basel III recommendations regarding the calculation of the Net Stable Funding Ratio (NSFR) by the Israeli banking system.

In accordance with the draft, a banking corporation is required to maintain a stable net funding ratio - defined as the amount of stable available funding divided by the amount of required stable funding (as prescribed by the directive) - to be calculated according to the total currencies and be no less than 100 percent at any given time.

The net funding ratio will be met and reported including all currencies, but banking corporations are expected to actively monitor and control the liquidity needs required in order to maintain a net stable funding ratio for each of the main currencies.

The stable net funding ratio will be used by the banking corporation on an ongoing basis and reported to senior management and Board of Directors at least once each quarter (in extreme cases, more frequently).

A banking corporation which leads a banking group will apply the directive on a consolidated basis.

At this stage, due to the coronavirus event, and according to the guidance of the Banking Supervision Department, the Bank's preparation for the directive was suspended, including the quantitative impact survey on the subject. In December 2020, the Banking Supervision Department will examine whether the final application will require postponement.

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 reliefs for connecting to the payment and clearing systems.

These amendments are expected to affect the Israeli banking system 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 system 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 2019 Annual Financial Statements.

The following topics should also be mentioned in this context:

- On March 1 2020, the Bank of Israel published a revision for Proper Conduct of Banking Business Directive No. 201, "Measurement and Capital Adequacy". The amendment to the directive includes a change in the calculation of the required minimum capital, aimed at providing easements to banks the consolidated total assets of which equal or exceed 24 percent. The purpose of the proposed amendment is to enable a structural change in the banking system with the aim of reducing the dominance of the two large banking groups.

- On March 12 2020 the Banking Supervision Department published new directives regarding adjustments to directives of the Supervisor of Banks which will be applicable to new banks and banks under establishment. In this context, a Proper Conduct of Banking Business Directive No. 480 regarding adjustments to Proper Conduct of Banking Business directive applicable to a new bank and a bank under establishment was published, as was a Reporting to the Public directive applicable to a new banking corporation and a new banking corporation under establishment.

  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.

- On March 12 2020, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 411, "Management of Anti-Money Laundering and Countering Financing of Terrorism Risks". The amendment grants, inter alia, reliefs in respect of the obligation of banks to register beneficiaries and holders of accounts managed for credit providers and P2P platforms (provided that these entities are regulated by the Capital Markets, Insurance and Savings Authority, and have been given a license to grant credit or a license to operate a credit intermediation system, under the condition that the transactions in these accounts are in accordance with the licenses). The purpose of the amendment is to remove a significant barrier that hinders these entities from operating in the Israeli financial system and competing with the banking system.

- On May 7 2020 the Bank of Israel announced that the Payments Department has completed clearing-out process of the BICs (bank codes) which are used to identify payment service providers and their customers in the payments systems. This measure will enable the entities dealing with the provision of payment services (which hold a license, or are exempt from holding a license that enables the provision of payment services), to connect to and use the payments systems, thus increasing competition in this area.

Regulatory Developments Following the Coronavirus

Against the backdrop of the unfolding of the coronavirus event and its ramifications on the Israeli and global economies, as well as on households and businesses, the Banking Supervision Department and other regulators have set a series of regulatory measures in an effort to assist households and businesses to overcome this period, while allowing banking corporations to be more flexible in their business conduct.
The said measures focus, among other things, on continuing to provide banking services to the public, with emphasis on transitioning to the various digital channels, providing services without the need for customers to reach the Bank's branches and making adjustments for working remotely; providing various reliefs to the banks to allow them to function property even when not fully staffed; requiring the banks to assist the economy in overcoming the crisis by increasing the available credit and pricing loans fairly.

Following are the main topics of the said adjustments:

Adjustments for working remotely

- Guidance issued by the Banking Supervision Department:
  - Opening branches - setting the minimum rate of branches to be open to the public according to adequate geographical dispersion, and their ability to provide banking services to a wide array of customers, while taking into account the type of services rendered in these branches.
  - Joining digital services - banks were allowed to send customers notifications on digital channels offering them to join the digital banking services and instructing them on how to do so. Banks were also allowed to send

customers who do not possess debit cards issued by the bank notifications on the e-banking channels offering them to have a debit card issued to them.

- To formulate an outline for debit cards issuance for customers receiving National Insurance annuities in order to help these customers withdraw their annuities from any ATM without accessing a branch.
- Bankrupt customers - guidance to issue debit cards to bankrupt customers and subscribe them to a service allowing them to carry out transactions through the bank's website, without the need for approval by a trustee in bankruptcy for each request, based on the position of the Official Receiver, who has given it a sweeping approval.
- Reliefs regarding obtaining telephone banking services - including entering into agreements for e-banking services, giving orders by phone, making telephone calls to sell credit to retail customers and entering into agreements to grant credit (excluding housing loans) through unrecorded telephone calls.
- Check deposits - increasing the maximum deposit amount for a single check by smartphone from NIS 20,000 to NIS 50,000.
- Professional human telephone response - bringing the minimum age for receiving priority in call centers down from 75 to 70.
- Identification requirements - relief in identification requirements for a general trust account managed by a lawyer, accountant or rabbinical lawyer for their customers. If the trustee in a general trust account (exempt from the beneficiaries' statement as long as he does not exceed the stipulated amounts) wishes to exceed the amount restrictions set for the management of this type of account, he will be able to convert the account to an unrestricted account, by sending an updated beneficiaries statement. Since this does not involve opening an account, the beneficiaries statement may be sent via facsimile (in lieu of sending the original).
- De-authorization - To receive a customer's order to withdraw an account billing authorization (or a specific charge under authorization), over the phone, provided that the call is recorded (in lieu of a written order).

- The Registrar of Companies and Registrar of Liens and Mortgages - developing a remote work outline to register and remove liens and mortgages.
- Amendment to the Land Regulations (Management and Registration) - the amendment allows mortgages to be registered digitally, without physical presence, in two ways: either directly with the Registrar or through the bank.
- Supervisor of the Sales Law - According to the Sales Law (Apartments) (Securing Investments of Home Buyers), in certain cases, buyers of new apartments are required to pay for them using vouchers. The Supervisor of the Sales Law published a procedure allowing such vouchers to be paid other than by physically arriving at a bank branch.
- Investment advice - the Israel Securities Authority - option to work remotely on the initial customer needs inquiry for a new customer as well as reliefs for the requirement to revise the customer's needs and how such revision should be made, and reliefs regarding documentation of an advice call.
- Amendment of the Execution Law - the Law currently prescribes that a restriction on the use of debit cards imposed by the Executions Registrar on the debtor will not apply to the use of immediate debit cards, provided that transactions will only be allowed after verifying that the debtor has a credit balance. The amendment allows such debit cards to be issued to customers who have a credit facility and allows the customers to perform transactions with the card against their unused credit facility.
- Amendment of the Debit Cards Law - waiver of the requirement for a "blue signature" on the card contract, which was replaced by the requirement to obtain the customer's agreement and the requirement that the issuer document his/her agreement.

Adjustments designed to assist customers in the credit domain

- Guidance issued by the Banking Supervision Department:
  - The banking system joins forces to help the Israeli economy through the crisis by boosting its credit offering and fair pricing of loans - a letter by the Banking Supervision Department, in which the Supervisor of Banks emphasizes her expectation that the banks continue to provide credit and refrain from exercising stricter underwriting criteria, with emphasis on small and mid-sized business borrowers and households - out of a long-term holistic economic view which takes into account the needs of the economy and customers.
  - Reducing the minimum capital ratio requirements - the Bank of Israel granted reliefs in respect of the capital requirements so that the banks use the capital sources released as a result in order to increase the pool of credit available to households and the business sector, without detracting from the need for meticulous and responsible underwriting, with emphasis on the extension of credit to customers who met their credit repayments regularly prior to the outbreak of the coronavirus crisis. Released sources may not be used for dividend distribution or share buyback purposes.
  - Increasing the industry indebtedness limit for the construction and real estate sector - in an effort to continue the activity of the real estate sector and help contractors meet the growing funding needs, banks were allowed to increase the credit to the construction and real estate industry, so that the total credit (less indebtedness to the national infrastructure) would increase from 20 percent to a rate of 22 percent of total indebtedness by the public.
  - Managing credit facilities in current accounts - option to authorize an overdraft beyond the credit facility at the customer’s request for a period of three days (in lieu of one day prior to the relief) and an option to refrain from applying the guidance to amounts greater than NIS 5,000 for private individuals and NIS 100,000 for commercial credit, when the customer has an authorized credit facility. The overdraft interest rate shall not exceed the rate set in the most recent credit facility agreed with the customer.
  - Reports to the Central Credit Register - the Bank of Israel issued a guidance under which, any reliefs granted to customers should not be reported in a negative manner. In a case of a report on late payment, a note can be added that the late payment is a result of a “force majeure"). In addition, no reporting should be made for checks and debit orders if the bank is seeking to increase the facility so that they do not bounce.
  - Bounced checks - according to the Banking Supervision Department’s guidance, any restriction on a bank account and its owner should be suspended during the determined period. Information about bounced checks should be reported to the Central Credit Register.
  - The LTV on mortgages -
    a. The Bank may grant loans for any purpose against mortgaging of an apartment at a 70 percent LTV ratio, in lieu of 50 percent prior to the relief). The loan is conditioned upon the borrower’s declaration, whereby the loan shall not be used to purchase another apartment.
    b. To estimate a borrower’s income, banking corporations may take into account the average amount of the borrower’s income in the three months prior to their unpaid leave or their cutback to part-time employment owing to the coronavirus crisis, subject to the following conditions: (1) In the bank’s estimation, the borrower is expected to return, after the coronavirus crisis, to their employment at the same income level they had had prior to the unpaid leave; (2) Repayments shall not exceed 70 percent of the borrower’s income after returning from unpaid leave; (3) The bank shall set a limit to the total credit extended under this relief.
    c. The requirement whereby for the purpose of calculating the capital adequacy requirement, a banking corporation can increase the CET1 capital target to a rate that reflects 1 percent of the outstanding housing loans will not apply to housing loans approved during the defined period. This relief was designed to ease the capital requirement for banks for mortgages and respectively, decrease the interest on housing loans.

- Debt settlement agreements - the requirement to sign a debt settlement agreement was substituted by a requirement to obtain the customer's documented agreement even by phone.
- Reliefs regarding the date of delivering an up-to-date financial statement to the bank, respectively, according to the extension provided for this matter by the tax authorities.
- Certain changes in the loan terms, in connection with the coronavirus (such as deferral of repayment dates, waiver of arrears interest, etc.) with individual borrowers or as part of a program for borrowers encountering short-term difficulties, will not be classified as troubled debt upon restructuring, in order to help stabilize borrowers who do not meet or will not meet their contractual repayment commitments due to the effect of the coronavirus event.

- Reliefs in mortgage payments for entitled parties - guidance by the Accountant General and the Ministry of Housing and Construction regarding reliefs in mortgage payments to entitled parties, including the need to exercise judgment and make special concessions regarding collection processes, and the option to deferral of mortgage payments by up to 4 months (in certain cases, banks may authorize additional deferrals).
- Outline for deferring loan repayments in order to assist the banks' customers to cope with the ramifications of the coronavirus crisis - This extensive outline, which was adopted by the banking system, for deferring loan repayments in an effort to assist bank customers (households and small businesses) to cope with the consequences of the coronavirus crisis.
  The published outline applies to loans of the following types: mortgages, consumer loans and small business loans, and includes a series of terms and conditions for the loan rescheduling.
  Applications to defer loan repayments under the outline may be submitted until July 31 2020.

Reliefs due to staffing shortages and working remotely

- Guidance issued by the Banking Supervision Department:
  - Changes in the work of the Board of Directors - the Banking Supervision Department issued guidance allowing board meetings to be conducted remotely, using electronic means of communications, in lieu of by physical presence. In addition, the Chairman of the Board was given the ability to determine the date and frequency of discussing various topics (subject to the requirements of the Companies Law), thus taking into account the developing risks and rapid changes in the operating environment, and the need to monitor the operations of banking corporations. A relief was also granted regarding the dates of approving and distributing the minutes of meetings.
  - Reporting extraordinary actions - clarification by the Banking Supervision Department whereby banks are required to report such actions as soon as possible according to the circumstances. However, in this context, the changes in the modus operandi of banking corporations at this time should be taken into account. In a case of a reporting delay, the delay should be documented. This clarification is consistent with the one issued by the Prohibition on Money Laundering Authority, according to which the Authority will accept reporting delays. On the other hand, the Authority emphasized it expects financial institutions to transfer information to it as close as possible to the relevant date, in accordance with the risk management policy and as needed.
  - Handling public inquiries - reliefs regarding the handling of public inquiries, including the manner of answering customers and the time frames for providing the response.
  - Extension of the deadline for closing a customer's account from 5 work days to 14 work days from the date on which the customer has completed the actions required therefrom.
  - Extension of various obligatory dates for handling housing loans.
- General:
  General permit to employ workers overtime, taking into account the special needs of the work place and the good of the workers.

Postponement of the effective dates of various directives and reliefs for reporting to the Banking Supervision Department

- Postponement of the effective date of Proper Conduct of Banking Business Directive No. 368, "Open Banking" by approx. three months, so that the gradual application of the directive will commence on March 31 2021.
- Postponement of the effective date of Proper Conduct of Banking Business Directive No. 359A, "Outsourcing" by approx. six months, to September 30 2020.
- Postponement of the publishing date of the financial statements for Q1 2020 to June 30 2020.
- Postponement of the banks' preparations for various topics, including: postponement of preparations for reporting the results of Quantitative Impact Surveys (QIS) regarding restrictions on pledging assets of banking corporations; cessation of preparations for Proper Conduct of Banking Business Directive drafts on Net Stable Funding Ratio (NFSR); cessation of preparations for the Standard Approach for Counterparty Credit Risk exposure calculation (SA-CCR); and postponement of the gaps survey according to the FX Global Code.
- Postponing the final date for conducting a safety survey for high-risk systems.
- Reliefs for reporting to the Banking Supervision Department in accordance with various reporting requirements, whether by temporarily holding the report or postponing it.

The various adjustments required due to the coronavirus event were limited to different time frames, in line with the assessments regarding the duration of the coronavirus event, and are continuously being updated in accordance with the needs of the customers and banking system, as well as the economic situation in Israel.
The effect of said regulatory provisions is part of the overall effect of the event on the Bank and Group as outlined in this report.

Credit Ratings

Following are the credit ratings of Israel and the Bank as at May 26 2020:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	Stable	P-1
	S&P	AA-	Stable	A-1+
	Fitch	A+	Stable	F1+
Bank Leumi: foreign exchange	Moody's	A2	Stable	P-1
	S&P	A	Stable	A-2
	Fitch	A	Stable	F1+
				A-1
Local rating (in Israel)	S&P Maalot	AAA	Stable	F1+
	Midroog	Aaa	Stable	P-1

Following is the development of the Bank's credit rating and credit outlook from January 1 2020 to May 26 2020:

On February 18 2020, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On April 30 2020, credit rating agency Fitch 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 Balances and Interest Rates – Assets

	For the three months ended March 31					
	2020			2019		
	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	**257,674**	**1,940**	**3.05**	245,884	1,976	3.25
Outside Israel	**23,153**	**278**	**4.89**	25,692	310	4.91
Total[(i)]	**280,827**	**2,218**	**3.20**	271,576	2,286	3.41
Loans to the government						
In Israel	**738**	**8**	**4.41**	731	8	4.45
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**738**	**8**	**4.41**	731	8	4.45
Deposits with banks						
In Israel	**9,811**	**33**	**1.35**	10,403	44	1.70
Outside Israel	**161**	**-**	**-**	372	2	2.17
Total	**9,972**	**33**	**1.33**	10,775	46	1.72
Deposits with central banks						
In Israel	**47,809**	**30**	**0.25**	50,675	32	0.25
Outside Israel	**792**	**2**	**0.81**	1,767	4	1.00
Total	**48,601**	**32**	**0.26**	52,442	36	0.28
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**1,682**	**4**	**0.95**	697	1	0.58
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,682**	**4**	**0.95**	697	1	0.58
Bonds - held-to-maturity and available-for-sale[(d)]						
In Israel	**69,191**	**256**	**1.49**	62,029	249	1.62
Outside Israel	**4,710**	**32**	**2.75**	6,095	45	2.99
Total	**73,901**	**288**	**1.57**	68,124	294	1.74
Bonds - held-for-trading[(d)]						
In Israel	**6,268**	**10**	**0.64**	6,133	8	0.52
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**6,268**	**10**	**0.64**	6,133	8	0.52
Total interest-bearing assets	**421,989**	**2,593**	**2.48**	410,478	2,679	2.64
Non-interest-bearing receivables for credit cards	**5,714**			5,832		
Other non-interest-bearing assets[(e)]	**45,126**			40,195		
Total assets	**472,829**	**2,593**		456,505	2,679	
Total interest-bearing assets attributed to foreign operations	**28,816**	**312**	**4.40**	33,926	361	4.33

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Capital

	For the three months ended March 31					
	2020			2019		
	Average balance(b)	Interest expense	% of expense	Average balance(b)	Interest expense	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	**261,883**	**(304)**	**(0.47)**	255,259	(385)	(0.60)
Demand deposits	**130,413**	**(34)**	**(0.10)**	121,811	(34)	(0.11)
Fixed deposits	**131,470**	**(270)**	**(0.82)**	133,448	(351)	(1.06)
Outside Israel	**14,246**	**(49)**	**(1.38)**	16,187	(79)	(1.97)
Demand deposits	**6,287**	**(15)**	**(0.96)**	5,432	(19)	(1.41)
Fixed deposits	**7,959**	**(34)**	**(1.72)**	10,755	(60)	(2.25)
Total	**276,129**	**(353)**	**(0.51)**	271,446	(464)	(0.69)
Deposits by the government						
In Israel	**175**	**(1)**	**(2.31)**	199	(1)	(2.03)
Outside Israel	**131**	**-**	**-**	502	-	-
Total	**306**	**(1)**	**(1.31)**	701	(1)	(0.57)
Deposits by central banks						
In Israel	**154**	**-**	**-**	-	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**154**	**-**	**-**	-	-	-
Deposits by banks						
In Israel	**5,209**	**(6)**	**(0.46)**	4,665	(3)	(0.26)
Outside Israel	**67**	**-**	**-**	27	-	-
Total	**5,276**	**(6)**	**(0.46)**	4,692	(3)	(0.26)
Securities loaned or sold under reverse repurchase agreements						
In Israel	**1,331**	**(4)**	**(1.21)**	357	(1)	(1.13)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,331**	**(4)**	**(1.21)**	357	(1)	(1.13)
Bonds						
In Israel	**21,652**	**(60)**	**(1.11)**	19,357	(90)	(1.87)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**21,652**	**(60)**	**(1.11)**	19,357	(90)	(1.87)
Total interest-bearing liabilities	**304,848**	**(424)**	**(0.56)**	296,553	(559)	(0.76)
Non-interest bearing deposits by the public	**98,592**			93,773		
Non-interest bearing payables for credit cards	**3,730**			3,488		
Other non-interest-bearing liabilities(f)	**30,160**			26,578		
Total liabilities	**437,330**	**(424)**		420,392	(559)	
Total capital resources	**35,499**			36,113		
Total capital commitments and sources	**472,829**	**(424)**		456,505	(559)	
Interest rate spread		**2,169**	**1.92**		2,120	1.88
Net return(g) on interest-bearing assets						
In Israel	**393,173**	**1,906**	**1.95**	376,552	1,838	1.97
Outside Israel	**28,816**	**263**	**3.70**	33,926	282	3.37
Total	**421,989**	**2,169**	**2.07**	410,478	2,120	2.08
Total interest-bearing liabilities attributed to foreign operations	**14,444**	**(49)**	**(1.36)**	16,716	(79)	(1.90)

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 March 31					
	2020			2019		
	Average balance(b)	Interest income (expen-ses)	% 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	**46,818**	**138**	**1.18**	45,415	218	1.93
Total interest-bearing liabilities	**27,151**	**(12)**	**(0.18)**	30,554	(89)	(1.17)
Interest rate spread			**1.00**			0.76
Non-linked NIS						
Total interest-bearing assets	**276,700**	**1,719**	**2.51**	272,295	1,677	2.49
Total interest-bearing liabilities	**206,047**	**(137)**	**(0.27)**	198,950	(141)	(0.28)
Interest rate spread			**2.24**			2.21
Foreign currency						
Total interest-bearing assets	**69,655**	**424**	**2.46**	58,842	423	2.91
Total interest-bearing liabilities	**57,206**	**(226)**	**(1.59)**	50,333	(250)	(2.00)
Interest rate spread			**0.87**			0.91
Total activity in Israel						
Total interest-bearing assets	**393,173**	**2,281**	**2.34**	376,552	2,318	2.49
Total interest-bearing liabilities	**290,404**	**(375)**	**(0.52)**	279,837	(480)	(0.69)
Interest rate spread			**1.82**			1.80

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2020 vs. 2019		
	For the three months ended March 31		
	Increase (decrease) due to change [h]		Net change
	Quantity	Price	
Interest-bearing assets			
Loans to the public			
In Israel	**89**	**(125)**	**(36)**
Outside Israel	**(30)**	**(2)**	**(32)**
Total	**59**	**(127)**	**(68)**
Other interest-bearing assets			
In Israel	**12**	**(13)**	**(1)**
Outside Israel	**(15)**	**(2)**	**(17)**
Total	**(3)**	**(15)**	**(18)**
Total interest income	**56**	**(142)**	**(86)**
Interest-bearing liabilities			
Deposits by the public			
In Israel	**8**	**(89)**	**(81)**
Outside Israel	**(7)**	**(23)**	**(30)**
Total	**1**	**(112)**	**(111)**
Other interest-bearing liabilities			
In Israel	**10**	**(34)**	**(24)**
Outside Israel	**-**	**-**	**-**
Total	**10**	**(34)**	**(24)**
Total interest expenses	**11**	**(146)**	**(135)**
Total, net	**45**	**4**	**49**

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 non-linked 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 non-accrual impaired non-performing debts.

(d) The average balance of unrealized gains (losses) from fair value adjustments of held-for-trading bonds was added to (deducted from) the average balance of held-for-trading bonds and available-for-sale bonds, as were gains (losses) in respect of available-for-sale 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 1,199 million (March 31 2019 – NIS (332) million).

(e) Including book balances of derivatives, other non-accrual assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivatives and non-monetary liabilities.

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

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month period in an amount of NIS 129 million were included in interest income from loans to the public (March 31 2019 - NIS 107 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.
Active Market	A market in which transactions in an asset or liability exist at a sufficient frequency and volume to provide information about pricing on an ongoing basis.
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.
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 bank and whose activities are limited to the fields of activity permitted to the bank controlling it, except activities reserved exclusively for corporations defined as banks 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 bank plays no direct role in setting it.
Bid-Ask Spread	The difference between the offered purchase price and selling price. This is, in fact, the difference between the highest price a buyer is willing to pay for an asset and the lowest price in which a seller is willing to sell 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 bank'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.
Committee Of Sponsoring Organizations of the Treadway Commission (COSO)	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 Valuation Adjustment (CVA)	The calculation of credit risk in derivatives reflects the expected loss to the bank in case the counterparty to the transaction will default.
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 bank.
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 bank) 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 2019. 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: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • 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 Non-Performing Loan	A 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 bank 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 of the Banking Supervision Department.
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	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
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.
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 (MBS)	Bonds which are 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	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Non-Performing Loan (NPL)	

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; • Unutilized credit facilities; • Undertakings pursuant to guarantee agreements; • Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, • and more.
On-call Credit	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 (PSU)	Performance Stock Unit awards are restricted shares and depend on the bank'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 Equity	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.
Rate of 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: • Net income attributed to bank'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; • Net income attributed to bank'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.
Special Mention Loan	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.
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.
Subordinated Notes	Bonds the interests in which are subordinate to the claims of all other creditors of the bank, excluding other bonds of the same type.
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 banks have adequate capital to support all the risks associated with their business and also to encourage banks 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 bank'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.

Syndication	A transaction in which several lenders share extending a loan to a single borrower, but each borrower extends a loan at a certain amount to a borrower and has the right to be repaid by that borrower. Often, groups of lenders finance such loans together, with the amount extended greater than any single lender is willing to lend.
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.
Treasury Shares	Shares directly held by the company. These shares do not have equity or voting rights.
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.