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

Condensed Financial Statements
As at September 30 2020
(Unaudited)

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Summary of Financial Statements as at September 30 2020
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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 Financial Statements.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
Return on net income attributable to the Bank's shareholders[c]	**8.4**	8.7	**4.5**	10.4	9.8
Return on net income attributable to the Bank's shareholders to average assets[c][e]	**0.58**	0.66	**0.32**	0.80	0.76
Liquidity coverage ratio	**137**	121	**137**	121	123
Ratio of income[b] to average assets[c][e]	**2.69**	2.81	**2.49**	3.05	3.02
Efficiency ratio	**50.4**	60.0	**55.0**	55.2	56.8
Ratio of net interest income to average assets[c][e]	**1.71**	1.82	**1.71**	1.93	1.92
Ratio of fees and commissions to average assets[c][e]	**0.61**	0.69	**0.64**	0.70	0.70
Rate of tax provision from net income, before taxes	**36.8**	29.3	**37.9**	33.8	33.9
Net interest income to average balance of interest-bearing assets (NIM)[c]	**1.92**	2.03	**1.92**	2.15	2.14
Total income to total average assets under management by the Group[b][c][d]	**0.87**	0.85	**0.79**	0.93	0.91
Total operating and other expenses to average total assets under management by the Group[c][d]	**0.44**	0.51	**0.43**	0.52	0.52

	As at September 30		As at December 31
	2020	2019	2019
CET1 capital ratio	**11.71**	11.73	11.88
Ratio of total capital to risk-weighted assets[a]	**15.81**	15.55	15.67
Leverage Ratio	**6.66**	7.40	7.35
Equity attributable to the Bank's shareholders to total assets	**7.0**	7.7	7.6

Key credit quality indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
Loan loss expenses out of average outstanding loans to the public[c]	**0.76**	0.26	**1.05**	0.21	0.22
Of which: expenses for collective provision for average outstanding loans to the public[c]	**0.77**	0.16	**0.92**	0.20	0.20
Percentage of balance of loan loss provision for loans to the public out of outstanding loans to the public	**1.75**	1.15	**1.75**	1.15	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	**1.25**	1.21	**1.25**	1.21	1.23
Percentage of net accounting write-offs out of average loans to the public	**(0.03)**	(0.08)	**(0.16)**	(0.18)	(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 September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	In NIS million				
Net income attributable to the Bank's shareholders	**750**	765	**1,212**	2,780	3,522
Interest income, net	**2,216**	2,092	**6,506**	6,678	8,841
Loan loss expenses	**547**	181	**2,282**	451	609
Noninterest income	**1,253**	1,132	**2,980**	3,881	5,081
Of which: fees and commissions	**788**	800	**2,457**	2,426	3,225
Total operating and other expenses	**1,749**	1,936	**5,221**	5,832	7,908
Of which: salaries and related expenses	**942**	1,043	**2,788**	3,304	4,325
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic diluted net income	**0.52**	0.52	**0.83**	1.87	2.37

Main balance sheet data

	As at September 30		As at December 31
	2020	2019	2019
	In NIS million		
Total assets	**528,050**	455,117	468,781
Of which: Cash and deposits with banks	**117,555**	63,066	76,213
Securities	**95,164**	85,781	84,949
Loans to the public, net	**286,374**	280,374	282,478
Total liabilities	**490,467**	419,514	432,907
Of which: deposits by the public	**427,115**	359,896	373,644
Deposits by banks	**10,685**	4,295	6,176
Bonds, promissory notes and subordinated bonds	**17,368**	20,002	19,958
Equity attributable to the Bank's shareholders	**37,128**	35,144	35,406
Additional data:			
Price per share (in NIS)	**15.1**	24.7	25.1

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
Dividend per share (in agorot)	-	20.87	-	75.09	95.38

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 risks 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

Since January 2020, most world countries have experienced substantial waves of morbidity due to the spread of the coronavirus. As of the Report's publication date, more than 320,000 people have been infected by the virus and more than 2,700 people have died in Israel. Most governments around the world imposed lockdowns, 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. In the second quarter, economies began to open, and economic activity was gradually resumed. During the third quarter, morbidity among many countries, including Israel, was on the rise, with Israel being placed under a second lockdown in September 2020. At the beginning of the fourth quarter, this trend worsened in many countries. Central banks across the world used a variety of tools to support economic activity, beyond reducing interest rates.

The Global Economy

On October 13 2020, the International Monetary Fund (IMF) revised its forecasts for 2020, emphasizing the "inherent uncertainty (thereby rendering predictions more difficult) regarding the pandemic and related factors." The forecast is based on a key scenario, wherein social distancing is maintained throughout 2021 and will wind down over time as a vaccine and other treatments become more widely available. There was improvement relative to the previous forecast (from June), mainly as a result of growth data for the second quarter of 2020, which will be less grim than in the previous forecasts in many countries, particularly in the US, Europe and India. According to the forecast, the gross world product (GWP) is expected to decline by 4.4 percent in 2020 (compared to a 2.8 percent growth in 2019, i.e., a negative difference of 7 percent), recovering to a growth rate of 5.2 percent in 2021. As for the leading economies, the damage is also substantial: In the US, and especially in the Eurozone, negative growth rates are expected: 4.3 percent and 8.3 percent, respectively.

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

	2020	2019
World	(4.4)%	2.8%
USA	(4.3)%	2.2%
Eurozone	(8.3)%	3.1%
Japan	(5.3)%	0.7%
United Kingdom	(9.8)%	1.5%
China	1.9%	6.1%
India	(10.3)%	4.2%

The coronavirus pandemic has led the world's largest central banks to implement a highly expansionary monetary policy, including the 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 began to adversely affect the Israeli economy as early as the first quarter of 2020, in which a negative growth rate of 6.7 percent (annualized) was recorded, compared to the fourth quarter of 2019. The lockdown of the economy and its reopening during the second quarter of the year led to a further sharp decrease in activity, which totaled 28.8 percent (annualized) compared with the first quarter, with some sectors - such as tourism and cultural

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

events, which were partially active - closing down once again as infection rates rose in the third quarter. However, various market indices in the third quarter indicate an improvement in the activity relative to the second quarter. The labor market was immediately affected by the crisis and in April 2020, approx. 1.5 million workers were off-work, most on unpaid leave. Even as of September, close to six hundred thousand workers have yet to return to work.

The return to routine activity, albeit different than usual (at least until a vaccine is found) will depend on decisions made in Israel and around the world on how to halt the virus's spread and on the public's behavior. In its October 22 2020 forecast, the Bank of Israel estimated that GDP would decline by 5.0 percent in 2020, following a 3.5 percent growth rate in 2019, assuming the high-control scenario, according to which a coronavirus routine would be successfully implemented through the end of the year, bringing morbidity to a manageable level that will allow for relatively extensive activity. Under this scenario, control over the pandemic enables a relatively high level of economic activity, such that in 2021, growth is expected to be relatively high - approx. 6.5 percent. The Bank of Israel also presented a low-control scenario over the development of morbidity, under which in 2020, GDP is expected to shrink by 6.5 percent, assuming the morbidity rate is unstable and economic activity is intermittently restricted, such that from now until a vaccine is found, several bouts of morbidity will occur, reducing economic activity.

The State Budget and its Funding

In the first nine months of the year, the state budget deficit reached NIS 102.4 billion, compared with a NIS 31.1 billion deficit in the same period last year. In the twelve months ended in September 2020, the deficit reached approximately NIS 123.5 billion (9.1 percent of GDP). In March 2020, the effects of the coronavirus crisis on the budget became manifest, especially in terms of tax revenues, which declined substantially. Due to the fact that the government operated without an approved budget since the beginning of the year, it was able to spend 1/12 of the 2019 budget each month, a situation which limited its budgetary easing capacity, which is needed at this time. Due to the coronavirus crisis, the government was required to substantially increase its spending. Therefore, on April 7 2020, an amendment to the law was enacted, followed by five more amendments to the temporary order on increasing spending due to the coronavirus crisis, enabling the government to increase its spending beyond the budget limit described above for the sole purpose of funding the handling of the crisis.

Since March 2020, the government decided on a series of measures totaling approx. NIS 100 billion designed to support the economy in coping with 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 a forecast by the Bank of Israel's Research Department dated October 22 2020, the budget deficit in 2020 is expected to amount to 13 percent of GDP.

To diversify the deficit's funding sources and relieve the burden on the local bond market, the Israeli government raised approx. USD 10 billion in long-term bond issues overseas in March and April 2020, following another approx. USD 3 billion in bonds it had raised in January 2020. In early October 2020, approx. EUR 1.5 billion was raised in global markets. The issuances were made for durations of two and four years and the average interest rate was less than 0.02 percent.

Foreign Trade

Israel's trade deficit reached USD 14.6 billion from January to September 2020, versus USD 17.3 billion in the corresponding period last year. The decline in the trade deficit stems from a more significant decrease in imports compared to the decline in exports, due to the coronavirus crisis. However, when excluding volatile components such as ships, planes, diamonds and energy materials, the deficit increased by USD 1.4 billion compared with the corresponding period last year. Most of the effect on the change in the trade deficit in the reporting period was a reduction in the value of energy materials imports.

Exchange Rate and Foreign Exchange Reserves

In the first nine months of the year, the shekel appreciated against the USD by approximately 0.4 percent, and depreciated by approximately 3.8 percent against the euro. During March 2020, there was significant volatility in the foreign exchange market, and the NIS depreciated against the US dollar, reaching 3.862 on March 17. The activity of the Bank of Israel, which is outlined below, was aimed at mitigating the volatility and strengthening the shekel.

At the end of September 2020, the Bank of Israel's foreign exchange reserves stood at approximately USD 160.6 billion compared to USD 126.0 billion as at the end of December 2019. The significant increase in the reserves stems from the second and third quarter of the year and is mainly explained by a revaluation of the reserves, absorption of USD credit, transfers of funds from abroad by the state and foreign currency purchases amounting to USD approximately 14.4 billion.

Inflation and Monetary Policy

The ("in lieu") Consumer Price Index was down 0.7 percent in January to September, similarly to the decrease in the CPI in the year ended September 2020. This represents a significant deviation from the price stability target (1-3 percent) set by the government. The coronavirus crisis compromised the Central Bureau of Statistics' ability to collect data since March, a situation which required it to use various tools to complete the missing data.

The "known" Consumer Price Index was down 0.6 percent from January to September 2020.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.25 percent. 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, a rate which has not changed since.
In its decision of October 22 2020, the Committee noted as follows: "In view of the magnitude of the crisis's adverse impact on economic activity, the Committee is utilizing a range of tools in order to increase the extent of the monetary policy accommodation and to ensure the continued orderly function of the financial markets. The Committee will expand the use of the existing tools, including the interest rate tool, and will operate additional ones, to the extent that it assesses that the crisis is lengthening and that it is necessary in order to achieve the monetary policy goals and to moderate the negative economic impact created as a result of the crisis."

Israel's Capital Market

The Shares and Convertible Securities Index was down in the first nine months of the year by approximately 14.2 percent after increasing 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 the second quarter of the year, against the background of the lockdown eases, the CPI increased and continued to increase in the third quarter as well, under the effect of the government aid schemes.

The average daily trade volume of shares and convertibles was up 48.2 percent from January to September compared with the 2019 average, totaling NIS 1.926 billion.

In January-September, the government bond market was characterized by various developments during the period: price decreases in the first quarter of the year, especially in March, as the coronavirus crisis worsened and the public sought to dispose of financial assets in substantial volumes. In the second quarter, markets recovered and prices increased, but decreased in the third and fourth quarter. During the reporting period, the CPI-Linked Government Bond Index was down by approximately 0.5 percent, while the non-linked Government Bond Index was up by approximately 1.5 percent.

The Non-Government (corporate) CPI-Linked Bond Index was down by 3.3 percent in the first nine months of the year, especially during the first quarter, due to fear of the effect of the crisis on companies' financial position. In the second and third quarter, markets recovered and the CPI was up.

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 approximately NIS 80 billion, which were increased in May to NIS 100 billion, in order to cope with the crisis. The program mainly included state-backed loan funds and support for the self-employed.

In July, the government decided to provide a safety net to salaried employees, self-employed persons and businesses until June 2021, with the main principles being providing certainty for the coming years and transferring the funds quickly. The Governor of the Bank of Israel estimates that the potential budgetary cost of the scheme amounts to tens of billions of shekels. In addition, on July 29, the Knesset approved the Economic Relief Program, under which most of Israel's residents will receive payouts totaling more than NIS 6 billion.

At the end of September 2020, the Knesset approved a series of measures to mitigate the damage to the economy during the second lockdown and to expand financial support for businesses, inter alia by reducing the eligibility threshold for receiving a fixed expenses payout for September and October to 25 percent, paying advances in respect of the fixed expenses payout, introducing an extensive employee retention scheme, and postponing the reduction in unemployment benefits. To fund the said measures, as well as the expected increase in the eligible population due to the restrictions imposed at this stage, the Knesset's plenum approved a NIS 2.5 billion increase in government spending in 2020 to cope with the coronavirus crisis and an additional NIS 8 billion in 2021. The increase shall not be taken into account in terms of spending restrictions in the coming years.

The Bank of Israel's Monetary Program

Beginning in March 2020, the Bank of Israel took measures - 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 85 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 to ease the credit terms in the economy, supporting economic activity and financial stability.
2. Executing repo transactions with government bonds as well as corporate bonds rated AA and above, 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. During the third quarter, the Bank of Israel no longer engages in these transactions and, as of September 30 2020, the balance of these transactions is zero.
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 offers the banks a fixed-interest loan scheme for a period of 3 years at a 0.1 percent rate in order to increase the credit supply for small and micro-businesses without a cap on the loan amount. The Bank of Israel plans to have the scheme in place until further notice. On July 6, the Bank of Israel announced the extension of its long-term loan scheme, provided to the Banking sector in an effort to increase the credit available to small and micro businesses. During September, NIS 3.5 billion in loans was allocated to the banking sector in this framework. The total loans under these schemes (including the scheme introduced in April) is NIS 12.2 billion.

   On October 22 2020, the Bank of Israel announced a new tier in its credit easing scheme for small and micro businesses in an amount of up to NIS 10 billion, which will be in place through the end of June 2021. Under the scheme, the Bank of Israel will provide the banking system with loans for a period of four years at a fixed interest rate of minus 0.1 percent against loans granted by the Banks to small and micro-businesses, provided the interest rate for the loans to small and micro-businesses shall not exceed prime + +1.3 percent.
8. Plan for corporate bonds in the secondary market. The Bank of Israel will purchase bonds for NIS 15 billion based on a broad benchmark of securities. The benchmark includes only companies rated A- and higher and does not include foreign corporate bonds, bonds with an equity component or bonds that are not linked to the shekel and are not fixed-rate.

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 spread of the coronavirus in January 2020 started to impact most world countries during the first quarter of 2020. Most governments imposed a temporary 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 ongoing 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 are substantial, with a significant decrease in the gross world product this year; as a result, the Bank's business may also be materially affected.

In the absence of a widely-distributed efficient vaccine and/or efficient medication, the coronavirus is handled by maintaining social distancing rules, including lockdown, and continues to disrupt orderly economic activity, with the end of the crisis nowhere in sight at the present time. In the absence of effective measures to control morbidity, the economic ramifications of the coronavirus crisis may continue for a long time.

In order to provide a solution to current needs and to enable business continuity, key Leumi functions transitioned to a new work mode, which combines work from home, physical split of organic units into pods. Adjustments were made to the work and control procedures. 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. Since this dynamic work mode changes from time to time, an ongoing process is underway to examine the required changes to the work processes and their adjustments to the risk tolerance.

According to a subjective assessment, as a result of the crisis and lack of clarity regarding the development of morbidity, the lockdown measures in the economy and the economic policy increased the severity level of the global systemic risk and domestic systemic risk in Q1 2020 to "medium-high" and beginning in Q2 2020 - to "high". Additionally, the severity level of the overall credit risk and the severity of the borrower and collateral quality risk increased beginning in the second quarter of 2020 to "moderate-high".

The Bank's assessments regarding the implications of the crisis on the severity of all risk factors are uncertain and may change in accordance with the developments and ramifications of the crisis on the economy and the Bank's business. These assessments constitute forward-looking information, as defined in the Forward-Looking Information section.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In this context, the Bank conducts uniform stress scenarios following a request by the Banking Supervision Department.

In the wake of the coronavirus crisis, the Banking Supervision Department decided (in a letter by 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.

In addition, 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, and risk focal points and market developments are being monitored in this context on a regular basis in order to prepare in advance and adapt the activity, as needed.

In addition, the Bank is exploring ways to extend assistance to customers who encounter a temporary crisis and whom the Bank believes will overcome the crisis. In this context, the effects of the crisis are taken into account and customers are scrutinized in depth. Following the crisis, loan loss expenses in the first nine months of 2020 were up, amounting to NIS 2,282 million. Most of the increase is in the collective loan loss provision. The Bank's loan loss provision reflects the Bank's estimates. The provision is an estimate based on significant judgment, which was applied during the reporting period in a changing environment characterized by unusual uncertainty.

For more information, please see the section entitled Credit Risks in the Risk Management Report dated September 30 2020.

Due to the spread of the coronavirus, there was an increase in the volatility level of risk factors in financial markets, and substantial price decreases were recorded in equity and marketable credit markets, with sharp volatility in risk-free interest rate curves and exchange rates. In the second quarter of the year, market volatility subsided, and equity markets recovered. However, uncertainty still prevails in the equity markets, and volatility may continue.

During the third quarter, the liquidity coverage ratio (LCR) grew, especially due to an increase in deposits by the public offset by the redemption of bonds. Throughout the reporting period, the LCR in foreign exchange and across all currencies was higher than the regulatory requirement.

Since the beginning of the year, there was a significant increase in the exposure of fair value to interest rate changes, and fluctuations were recorded in terms of exposure, mainly in the first half of the year on the back of the effect of the crisis and capital market volatility.

It should be clarified that there is uncertainty regarding the ramifications of the continuing coronavirus pandemic and their effect on capital markets in Israel and abroad.

For more information, please see the section entitled Market Risks in the Risk Management Report dated September 30 2020.

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

For more information about the Bank's risk management practices and risk management organizational structure and culture, please see the section entitled The Banking Corporation's Approach to Risk Management and the section entitled Additional Information about risk Exposure and Assessment Thereof in the 2019 Annual Risk Management Report.

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 nine months of 2020 (hereinafter - the “reporting period”) were materially adversely affected by the direct and indirect effects of the coronavirus spread, including the second surge in recent months, the lockdown applied following it, and the uncertainty about the crisis’s duration and future effects. As a result of the above, and the uncertainty about the future, the loan loss expense increased markedly in the reporting period. It is noted that the bulk of the increase in loan loss expenses stems from an increase in the collective provision, in response to adverse future developments in borrowers’ financial position.

Net income attributable to shareholders (hereinafter - the “net income”) in the reporting period amounted to NIS 1,212 million compared to NIS 2,780 million in the same period last year. Net income in the third quarter amounted to NIS 750 million compared to NIS 765 million in the same period last year.

Return on equity in the reporting period was 4.5 percent compared to 10.4 percent in the same period last year (9.6 percent net of the sale of Leumi Card last year). The return on equity in the third quarter was 8.4 percent compared to 8.7 percent in the same quarter last year.

The **Common Equity Tier 1 (CET1)** to risk-weighted assets ratio as at September 30 2020 was 11.71 percent. The total capital ratio as at September 30 2020 was 15.81 percent.

Net interest income in the reporting period was down by NIS 172 million, a 2.6 percent decrease compared with the same period last year. The decrease in the net interest income stems mainly from the negative (0.6) percent CPI in the reporting period compared to a positive CPI of 0.5 percent in the same period last year. The decrease in the Bank of Israel’s interest rate and the Fed’s interest rate was partially offset by an increase in the average balance of interest-bearing assets.

Loan loss expenses for the first nine months of 2020 reflect an expense rate of 1.05 percent of the average outstanding loans to the public, net vs. a 0.21 percent expense rate in the same period last year. The substantial increase in the rate of loan loss expenses stems from the effect of the changes in the macroeconomic environment against the backdrop of the second morbidity surge in Israel and the subsequent lockdown, which may further deepen the effect of the economic crisis and the uncertainty of its implications. Most of the increase in the reporting period is expressed in the collective provision, which constitutes approximately 88 percent of the total loan losses in the reporting period. The increase in the collective provision - which, as aforesaid stems from the increase in troubled debts and the worsening of the economic indicators underlying the calculation of the provision - was designed to meet the possible worsening in borrowers’ position in the subsequent quarters and a possible adverse development in the number of days in arrears, on the back of the current uncertainty regarding the duration of the crisis and its future repercussions.

It should be noted that the loan loss expense in the third quarter of 2020 was lower in relation to the first two quarters of the year, at 0.76 percent, compared to a 1.20 percent rate in the first quarter of the year and a 1.19 rate in the second quarter of the year.

For more information, please see section entitled “Credit Risks” below.

Noninterest finance income in the reporting period totaled NIS 487 million compared to NIS 1,303 million in the corresponding period last year (NIS 989 million excluding the effect of the sale of Leumi Card last year). Most of the decrease stems from losses recorded in this item in the first quarter of the year, on the back of decreases in equity markets and the effect of derivatives and exchange rate differentials. It was also noted that the revenues for the reporting period includes a gain on the revaluation of Visa US equity totaling NIS 92 million (before tax). The revenues for the corresponding period last year included revenues in the amount of NIS 123 million on the sales of the Super-Pharm and Automated Banking Services Ltd. (ABS) (before tax).

In this context, it is noted that in the second and third quarters of the year, market volatility subsided, and financial markets recovered. However, uncertainty still prevails in the markets, and volatility may 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 reporting period were up by NIS 31 million compared to the corresponding period last year. Most of the increase is due to fees and commissions on securities and exchange commissions due to an increase in transaction volumes and demand for foreign currency, especially in the first quarter of the year, following the outbreak of the coronavirus. These increases were partially offset by a decrease in account management fees and credit handling fees and commissions, inter alia on the back of a decrease in market activity due to the coronavirus.

Operating and other expenses were down by NIS 611 million in the reporting period compared to the corresponding period last year, a 10.5 percent decrease.

Salaries and related expenses were down by NIS 15.6 percent, mainly due to provisions for bonuses in respect of the financial results.

Other operating expenses, including the maintenance expenses and depreciation, were down 3.8 percent.

Basic earnings per share attributable to shareholders in the reporting period totaled NIS 0.83 compared to NIS 1.87 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

Change in net income in the third quarter of 2020 compared to the corresponding period last year

	For the three months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Interest income, net	**2,216**	2,092	124	5.9
Loan loss expenses	**547**	181	366	+
Noninterest income	**1,253**	1,132	121	10.7
Operating and Other Expenses	**1,749**	1,936	(187)	(9.7)
Profit before tax	**1,173**	1,107	66	6.0
Provision for tax	**432**	324	108	33.3
Profit after tax	**741**	783	(42)	(5.4)
The Bank's share in associates' profits (losses)	**8**	(8)	16	+
Less net income (loss) attributable to non-controlling interests	**(1)**	10	(11)	-
Net income attributable to the Bank's shareholders	**750**	765	(15)	(2.0)
Return on equity (in %)	**8.4**	8.7		
Basic earnings per share (in NIS)	**0.52**	0.52		

Change in the net income in the first nine months of 2020 compared to corresponding period last year

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Interest income, net	**6,506**	6,678	(172)	(2.6)
Loan loss expenses	**2,282**	451	1,831	+
Noninterest income	**2,980**	3,881	(901)	(23.2)
Operating and other expenses	**5,221**	5,832	(611)	(10.5)
Profit before tax	**1,983**	4,276	(2,293)	(53.6)
Provision for tax	**752**	1,444	(692)	(47.9)
Profit after tax	**1,231**	2,832	(1,601)	(56.5)
Bank's share in associates' losses	**(5)**	(22)	17	77.3
Less net income attributable to non-controlling interests	**14**	30	(16)	(53.3)
Net income attributable to the Bank's shareholders	**1,212**	2,780	(1,568)	(56.4)
Return on equity (in %)	**4.5**	10.4		
Basic earnings per share (in NIS)	**0.83**	1.87		

Net income development by quarter

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Interest income, net	**2,216**	2,121	2,169	2,163	2,092	2,466	2,120
Loan loss expenses (income)	**547**	875	860	158	181	288	(18)
Noninterest income	**1,253**	1,481	246	1,200	1,132	1,194	1,555
Operating and other expenses	**1,749**	1,669	1,803	2,076	1,936	1,950	1,946
Profit (loss) before taxes	**1,173**	1,058	(248)	1,129	1,107	1,422	1,747
Provision for tax (benefit)	**432**	359	(39)	386	324	499	621
Profit (loss) after tax	**741**	699	(209)	743	783	923	1,126
The Bank's share in associates' profits (losses)	**8**	1	(14)	7	(8)	10	(24)
Less net income (loss) attributable to non-controlling interests	**(1)**	6	9	8	10	10	10
Net income (loss) attributable to the Bank's shareholders	**750**	694	(232)	742	765	923	1,092
Return on equity (in %)	**8.4**	7.7	(2.6)	8.7	8.7	10.6	12.7
Basic earnings (loss) per share (in NIS)	**0.52**	0.48	(0.16)	0.51	0.52	0.62	0.73

Interest income, net

Net interest income of the Leumi Group in the first nine months of the year was NIS 6,506 million, compared with NIS 6,678 million in the corresponding period last year, a 2.6 percent decrease. Net interest income in the third quarter of the year totaled NIS 2,216 million compared to NIS 2,092 million in the corresponding period last year, a 5.9 percent increase.

Net interest income in the first nine months of the year was adversely affected by the negative CPI in the amount of NIS 104 million, while in the corresponding period last year, the results were positively affected by the CPI by a total of NIS 91 million. The CPI for the first nine months of the year was a negative 0.6 percent, with a positive 0.5 percent CPI in the first nine months of last year.

Net interest income in the third quarter of the year was positively affected by the negative CPI in an amount of NIS 31 million, while in the corresponding quarter last year, the results were adversely affected by the CPI by a total of NIS 118 million. The CPI for the third quarter was a positive 0.1 percent compared to a negative CPI of 0.7 percent in the same quarter last year.

In addition to the effect due to CPI differences, as described above, the net interest income was adversely affected by the interest rate decrease. These effects were partially offset by the average balance increase of interest-bearing assets.

The ratio of net interest income to the average balance of interest-bearing assets (net yield on interest-bearing assets) in the first nine months of the year was 1.92 percent, compared with 2.15 percent in the corresponding period last year.

The total interest rate spread in the reporting period is 1.79 percent, compared to a 1.91 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 1.08 percent, compared with 0.95 percent in the corresponding period last year. In the foreign exchange segment, the interest rate spread was 0.79 percent, compared with 0.82 percent in the corresponding period last year. In the non-linked NIS segment, the interest rate spread was 2.03 percent, compared with 2.21 percent in the corresponding period last year.

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 interest income and expenses, please see Appendix 1 - "Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses".

Loan loss expenses

	For the nine months ended September 30		Change	
	2020	2019		
	In NIS million		In NIS million	In %
Loan loss expense - specific	**274**	17	257	+
Loan loss expense - collective	**2,008**	434	1,574	+
Total loan loss expense	**2,282**	451	1,831	+
Of which:				
Loan loss expenses in respect of commercial credit risk	**1,852**	327	1,525	+
Loan loss expenses for credit risk in respect of housing loans	**190**	14	176	+
Loan loss expenses for other credit risk in respect of private individuals	**237**	112	125	+
Loan loss expenses (income) for credit risk in respect of banks and governments	**3**	(2)	5	+
Total loan loss expense	**2,282**	451	1,831	+
Ratios (in %):				
Percentage of specific loan loss expense out of average outstanding loans to the public[(a)]	**0.13**	0.01	0.12	+
Percentage of expenses for loan losses out of average outstanding loans to the public[(a)]	**1.05**	0.21	0.84	+
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**(0.16)**	(0.18)	0.02	11.11
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**(9.00)**	(15.40)	6.40	41.56

(a) Annualized.

Development of loan loss expenses by quarter

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Loan loss expense (income) - specific							
Loan loss expense - collective	**552**	700	756	116	113	215	106
Total expense (income) for loan losses	**547**	875	860	158	181	288	(18)
Of which:							
Loan loss expenses (income) for credit risk in respect of commercial credit risk	**498**	615	739	127	146	203	(22)
Loan loss expenses (income) for credit risk in respect of housing loans	**52**	107	31	8	(1)	24	(9)
Loan loss expenses (income) for other credit risk for private individuals	**(5)**	155	87	22	38	60	14
Loan loss expenses (income) for credit risk in respect of banks and governments	**2**	(2)	3	1	(2)	1	(1)
Total expense (income) for loan losses	**547**	875	860	158	181	288	(18)
Ratios (in %):							
Percentage of specific loan loss expenses (income) out of average outstanding loans to the public[(a)]	**(0.01)**	0.24	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)]	**0.76**	1.19	1.20	0.22	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	**(0.03)**	(0.06)	(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	**(1.44)**	(4.06)	(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. Out of a NIS 2,282 million loan loss expense, a total of NIS 2,008 million is a collective provision - which increased as a result of the worsening of the economic indicators underlying the calculation of the 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, on the back of the current uncertainty.

Noninterest Income

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Noninterest finance income	**487**	1,303	(816)	(62.6)
Fees and commissions	**2,457**	2,426	31	1.3
Other income	**36**	152	(116)	(76.3)
Total	**2,980**	3,881	(901)	(23.2)

Development of noninterest income by quarter

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Noninterest finance income (expenses)	**457**	690	(660)	383	305	333	665
Fees and commissions	**788**	776	893	799	800	817	809
Other income	**8**	15	13	18	27	44	81
Total	**1,253**	1,481	246	1,200	1,132	1,194	1,555

Due to the capital market losses in the first quarter of the year, the weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first nine months of the year was 31.4 percent, compared with 36.8 percent for the corresponding period last year and 36.5 percent for the 2019 full year.

Breakdown of noninterest finance income

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Net income (expense) in respect of derivatives and net exchange rate differentials for not held-for-trading activities	**(255)**	577	(832)	-
Gains on sale of available-for-sale bonds, net	**311**	152	159	+
Gains and dividend from non-trading shares[c]	**144**	93	51	54.8
Gains (losses) on sale of investees' shares[b]	**(2)**	287	(289)	-
Gains on sold loans, net	**-**	15	(15)	(100.0)
Net income for derivatives for trading activities	**227**	50	177	+
Realized and unrealized gains from adjustments to fair value of held-for-trading bonds and equity securities, net[a]	**62**	129	(67)	(51.9)
Total	**487**	1,303	(816)	(62.6)

(a) Realized and unrealized gains from fair value adjustments of held-for-trading bonds and equity securities, net also include the effect of exchange rate differentials.
(b) In the first nine months of 2019 - including a gain of NIS 314 million (before tax effect) and a gain of NIS 71 million on the sale of Super-Pharm (before tax effect), less loss on the sale of the Romanian office in the amount of NIS 99 million.
(c) In the first nine months of 2020, including a revaluation of Visa equity in the amount of NIS 92 million and in 2019 - a NIS 52 million gain on the sale of ABS shares (before tax).

Breakdown of noninterest finance income by quarter

	2020	2019					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Net income (expense) in respect of derivatives and net exchange rate differentials for not-held-for-trading activities	**58**	214	(527)	132	285	73	219
Gains on sale of available-for-sale bonds, net	**91**	86	134	39	118	32	2
Gains (losses) and dividend from not held-for-trading equity securities	**226**	124	(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	**90**	163	(26)	98	(53)	78	25
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and shares, net[(a)]	**(8)**	103	(33)	22	64	20	45
Total	**457**	690	(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.

Breakdown of fees and commissions

	For the nine months ended September 30		Change	
	2020	2019		
	In NIS million		In NIS million	In %
Account management	**488**	519	(31)	(6.0)
Activity in securities and certain derivatives	**540**	481	59	12.3
Credit Cards	**245**	230	15	6.5
Credit handling	**124**	144	(20)	(13.9)
Financial products distribution fees and commissions	**200**	222	(22)	(9.9)
Exchange rate differentials	**306**	273	33	12.1
Financing fees and commissions	**322**	326	(4)	(1.2)
Other fees and commissions	**232**	231	1	0.4
Total fees and commissions	**2,457**	2,426	31	1.3

Breakdown of fees and commissions by quarter

	2020	2019					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Account management	**161**	155	172	171	172	172	175
Activity in securities and certain derivatives	**165**	177	198	156	163	158	160
Credit Cards	**82**	78	85	80	74	85	71
Credit handling	**42**	39	43	53	44	45	55
Financial products distribution fees and commissions	**64**	64	72	74	76	76	70
Exchange rate differentials	**84**	85	137	88	91	91	91
Financing fees and commissions	**111**	103	108	105	103	114	109
Other fees and commissions	**79**	75	78	72	77	76	78
Total fees and commissions	**788**	776	893	799	800	817	809

The increase in the first nine months of the year compared to last year is due to fees and commissions on securities and exchange commissions on the back of an increase in transaction volumes and demand for foreign currency, especially in the first quarter of the year, following the outbreak of the coronavirus. These increases were offset by a decrease in account management fees and credit handling fees and commissions, inter alia on the back of a decrease in market activity due to the coronavirus.

Breakdown of other income

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Gains on severance pay reserve	**1**	20	(19)	(95.0)
Other income, including on sale of buildings and equipment	**35**	132	(97)	(73.5)
Total	**36**	152	(116)	(76.3)

Breakdown of other income by quarter

	2020	2019					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Gains (losses) on severance pay reserve	**-**	4	(3)	2	3	9	8
Other income, including on sale of buildings and equipment	**8**	11	16	16	24	35	73
Total	**8**	15	13	18	27	44	81

Operating and other expenses

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,788**	3,304	(516)	(15.6)
Depreciation and amortization	**520**	447	73	16.3
Maintenance expenses for buildings and equipment	**626**	677	(51)	(7.5)
Other expenses	**1,287**	1,404	(117)	(8.3)
Total operating and other expenses	**5,221**	5,832	(611)	(10.5)

Operating and other expenses by quarter

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**942**	911	935	1,021	1,043	1,125	1,136
Depreciation and amortization	**157**	183	180	153	152	147	148
Maintenance expenses for buildings and equipment	**214**	184	228	244	227	223	227
Other expenses	**436**	391	460	658	514	455	435
Total operating and other expenses	**1,749**	1,669	1,803	2,076	1,936	1,950	1,946

The operating and other expenses in the first nine months of 2020 constitute 55.0 percent of total income, compared with 55.2 percent in the corresponding period last year and 56.8 percent in the entire 2019. Less gain on the sale of Leumi Card - 56.9 percent and 58.1 percent as at September and December 2019, respectively.

Total (annualized) operating and other expenses constitute 1.32 percent of total assets, compared with 1.71 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.

Salary expenses

	For the nine months ended September 30			
	2020	2019	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,529**	3,043	(514)	(16.9)
Pension, severance and retirement expenses	**259**	261	(2)	(0.8)
Total salary expenses	**2,788**	3,304	(516)	(15.6)

Salary expenses by quarter

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**851**	823	855	926	953	1,035	1,055
Pension, severance and retirement expenses	**91**	88	80	95	90	90	81
Total salary expenses	**942**	911	935	1,021	1,043	1,125	1,136

Condensed Statement of Comprehensive Income:

Comprehensive income for the reporting period totaled NIS 2,269 million compared to NIS 1,417 million in the corresponding period last year. The difference between the comprehensive income for the period and the net income stems mainly from adjustments to employee benefits liabilities on the back of the increased discount interest rate totaling NIS 953 million (before tax), with the addition of adjustments for available-for-sale bonds totaling NIS 636 million (before tax). These adjustments were stated directly in other comprehensive income and in later periods - in profit and loss.

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 periods ended September 30 2020 and 2019

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presenta-tion of available-for-sale bonds (2018 - securities) at fair value	Adjust-ments from translation,[a] net after the effect of hedges[b]	Net gains (losses) on cash flow hedges	The Bank's ownership interests in other compre-hensive income of equity-accounted investees	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 million							
Balance as at June 30 2019	226	(147)	-	(6)	(2,934)	(2,861)	(33)	(2,828)
Net change during the period	265	(41)	-	(2)	(927)	(705)	(11)	(694)
Balance as at September 30 2019	491	(188)	-	(8)	(3,861)	(3,566)	(44)	(3,522)
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Net change during the period	**28**	**(12)**	**-**	**(7)**	**231**	**240**	**(6)**	**246**
Balance as at September 30 2020	**1,045**	**(206)**	**32**	**(20)**	**(3,323)**	**(2,472)**	**(34)**	**(2,438)**

Please see comments below.

Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30 2020 and 2019

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Adjustments from translation,[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 equity-accounted investees	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 million							
Balance as at December 31 2018	(317)	(73)	-	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	835	(115)	-	1	(2,121)	(1,400)	(18)	(1,382)
Cumulative effect for first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity of a consolidated company[e]	-	-	-	-	23	23	4	19
Balance as at September 30 2019	491	(188)	-	(8)	(3,861)	(3,566)	(44)	(3,522)
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	**421**	**(7)**	**34**	**(7)**	**625**	**1,066**	**9**	**1,057**
Balance as at September 30 2020	**1,045**	**(206)**	**32**	**(20)**	**(3,323)**	**(2,472)**	**(34)**	**(2,438)**

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

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments for presentation of available-for-sale securities at fair value	Adjustments from translation,[a] net after the effect of hedges[b]	The Bank's share in other comprehensive loss of equity-accounted investees	Net losses on cash flow hedges	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 million							
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 of a consolidated company[e]	-	-	-	-	23	23	4	19
Balance as at December 31 2019	624	(199)	(13)	(2)	(3,948)	(3,538)	(43)	(3,495)

(a) Adjustments 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 1.X in the financial statements as at December 31 2019.
(e) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the Annual Financial Statements as at December 31 2018.

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

The **total assets** of the Leumi Group as at September 30 2020 amounted to NIS 528.1 billion, compared to NIS 468.8 billion as at the end of 2019 - a 12.6 percent decrease, and compared to September 2019 - a 16.0 percent increase.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 113.3 billion, 21.5 percent of total assets. In the first nine months of 2020, the shekel appreciated against the US dollar by 0.4 percent, depreciated by 3.8 percent against the euro, and appreciated by 3.3 percent against the pound sterling. The effect of exchange rate differentials on the balance sheet in the first nine months of the year was negligible.

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 1,642 billion as at September 30 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

	September 30	December 31	Change	
			From December	From September
	2020	2019	2019	2019
	In NIS million		In %	
Total assets	528,050	468,781	12.6	16.0
Cash and deposits with banks	117,555	76,213	54.2	86.4
Securities	95,164	84,949	12.0	10.9
Loans to the public, net	286,374	282,478	1.4	2.1
Buildings and equipment	2,886	3,043	(5.2)	(2.9)
Deposits by the public	427,115	373,644	14.3	18.7
Deposits by banks	10,685	6,176	73.0	+
Bonds, promissory notes and subordinated bonds	17,368	19,958	(13.0)	(13.2)
Equity attributable to the Bank's shareholders	37,128	35,406	4.9	5.6

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

	September 30	December 31	Change	
			From December	From September
	2020	2019	2019	2019
	In NIS million		In %	
Documentary credit, net	755	727	3.9	(31.9)
Loan guarantees, net	4,800	5,219	(8.0)	(6.4)
Guarantees for apartment buyers, net	20,521	21,230	(3.3)	(1.8)
Guarantees and other commitments, net	16,173	16,099	0.5	(0.8)
Unutilized credit card credit facilities, net	15,520	14,824	4.7	6.1
Unutilized current loan account facilities and other credit facilities in demand accounts, net	12,945	12,431	4.1	4.9
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	51,547	45,282	13.8	16.4
Derivatives[(a)]	763,146	763,365	-	(4.4)
Options - all types	113,379	218,622	(48.1)	(68.2)

(a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.

For more information, please see Note 11.

For more information regarding the reduction of credit card limits in accordance with the provisions of Section 9(c) to the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel (Legislative Amendments), 2017, please see the "Laws and Regulations Governing the Banking System".

Loans to the Public, Net

Net loans to the public in the Leumi Group as of September 30 2020 totaled NIS 286.4 billion compared to NIS 280.4 billion as at September 30 2019, a 2.1 percent increase compared to a total of NIS 282.5 billion as at the end of 2019, a 1.4 percent increase.

In addition to loans to the public, the Group invests in corporate securities, which total - as at September 30 2020 - NIS 19,905 million compared to NIS 18,141 million as at the end of 2019, and which also embody credit risk.

The coronavirus crisis

Upon the outbreak of the coronavirus crisis, the Bank took various measures to provide service to its customers, even through remote work 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 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 loan deferment. The Bank extended credit as part of the state-backed Business Loan Fund, gave the option for a loan deferment on mortgage loans and the option to defer repayments (grace) for a limited time on loans to private and commercial customers. Until shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 5.5 billion through the state-backed Business Loan Fund.

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

For more information regarding the impact of the coronavirus crisis, please see the section entitled "Credit Risks".

Similarly to the second quarter, the current quarter was characterized by partial return to normal by the business sector. Due to the shrinking of economic activity in Israel, demand for credit by the business sector declined. Due to the continuous nature of the crisis, the activity of the business sector requires continued close monitoring and control of developments.

Development in loans to the public, after loan loss provision by main economic sectors

	September 30	December 31		
	2020	2019	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**87,660**	83,954	3,706	4.4
Private individuals - other	**25,461**	27,398	(1,937)	(7.1)
Construction and real estate	**66,074**	62,187	3,887	6.3
Commercial	**27,526**	28,212	(686)	(2.4)
Manufacturing	**20,351**	20,134	217	1.1
Other	**59,302**	60,593	(1,291)	(2.1)
Total	**286,374**	282,478	3,896	1.4

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

Troubled Credit Risk

Troubled credit risk after specific and collective provisions

	September 30			December 31		
	2020			2019		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Impaired non-performing credit risk, net	**2,026**	**128**	**2,154**	1,997	253	2,250
Substandard credit risk, net	**472**	**34**	**506**	361	108	469
Special mention credit risk, net	**3,889**	**307**	**4,196**	2,078	271	2,349
Total	**6,387**	**469**	**6,856**	4,436	632	5,068

	September 30	December 31
	2020	2019
	In NIS million	
Troubled credit risk - commercial	**7,355**	4,920
Troubled credit risk - retail	**1,509**	1,460
Total	**8,864**	6,380
Balance of loan loss provision	**2,008**	1,312
Troubled loans after loan loss provision	**6,856**	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 September 30 2020, the Group's investments in securities amounted to NIS 95.2 billion, compared to NIS 84.9 billion as at the end of 2019, a 12.0 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 at January 1 2019). Bonds 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 bonds at fair value” less related tax, in Other comprehensive income. As at 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 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.

In the first nine months of 2020, a NIS 636 million positive capital reserve from securities (before tax) was recorded, due to the continued increase in the value of securities which began during the second quarter.

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.

Classification of the securities item in the consolidated balance sheet

	September 30 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 million									
Bonds										
Of the Israeli government	**3,992**	**32,976**		**5,813**	**42,781**	3,080	33,132		2,715	38,927
Of foreign governments[c]	**-**	**20,795**		**250**	**21,045**	-	18,121		213	18,334
Of Israeli financial institutions	**-**	**68**		**336**	**404**	-	-		101	101
Of foreign financial institutions[d]	**-**	**9,488**		**149**	**9,637**	-	9,597		201	9,798
Asset-backed (ABS) or mortgage-backed (MBS)	**2,215**	**7,528**		**93**	**9,836**	1,543	7,748		154	9,445
Of other Israeli entities	**-**	**202**		**59**	**261**	-	140		53	193
Of other foreign entities	**802**	**6,286**		**64**	**7,152**	822	3,530		87	4,439
Equity securities and mutual funds			**4,024**	**24**	**4,048**			3,712	-	3,712
Total securities	**7,009**	**77,343**	**4,024**	**6,788**	**95,164**	5,445	72,268	3,712	3,524	84,949

(a) Including unrealized gains from fair value adjustments in the amount of NIS 2,003 million recorded in other comprehensive income (December 31 2019 - NIS 1,090 million).
(b) Including unrealized gains from fair value adjustments in the amount of NIS 34 million recorded in profit and loss (December 31 2019 - NIS 25 million).
(c) Of which: US government - NIS 12,794 million (December 31 2019 – NIS 12,690 million).
(d) Most bonds of foreign financial institutions are rated Supranational or are state-backed.

As at September 30 2020, approx. 81.3 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 7.1 percent - as held-for-trading, approx. 4.2 percent as not held-for-trading equity securities and 7.4 percent as held-to-maturity. Approximately 4.3 percent of the securities’ value is investments in corporate equity securities that are not equity-accounted, but rather stated at cost or according to the listed share price.

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

Available-for-sale portfolio

1. In the first nine months of 2020, there was a NIS 636 million increase (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with an increase of NIS 1,265 million (before tax) in the corresponding period last year.

2. In the first nine months of 2020, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 311 million, compared with net gains of NIS 152 million in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds portfolio as at September 30 2020 totaled a positive NIS 1,045 million (after tax) compared with a positive NIS 624 million as at the end of 2019. These amounts represent net unrealized gains as at the reporting dates.

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

Held-for-trading portfolio

As at September 30 2020, the held-for-trading portfolio has NIS 6.8 billion in bonds, compared with NIS 3.5 billion in bonds as at December 31 2019. As at September 30 2020, the held-for-trading portfolio constitutes 7.1 percent of the Group's total nostro portfolio, compared with 4.1 percent as at December 31 2019.

Realized and unrealized gains in respect of held-for-trading bonds in the amount of NIS 57 million were recorded in the income statement in the first nine months of 2020, compared with gains of NIS 127 million in the same period last year.

Investments in equity securities and funds

As at September 30 2020, investments in equity securities and provident funds totaled NIS 4,048 million, of which NIS 2,651 million was marketable and NIS 1,397 million - non-marketable. As at January 2019, changes in the fair value of unrealized not held-for-trading equity securities and funds will be recognized directly, on a regular basis, in the income statement rather than in Other comprehensive income.

Of the total investment, NIS 4,024 million is classified to the not held-for-trading portfolio and NIS 24 million - to the held-for-trading portfolio.

As at September 30 2020, the capital required in respect of these investments is NIS 516 million.

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

Investments in foreign securities

A. Investments in foreign asset-backed bonds

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to NIS 9.8 billion (about USD 2.8 billion) as at September 30 2020, compared to NIS 9.4 billion as at the end of 2019. Out of the above portfolio, as at September 30 2020, NIS 7.5 billion (about USD 2.2 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As at September 30 2020, the portfolio of available-for-sale foreign asset-backed bonds includes investments in mortgage-backed bonds totaling NIS 5.6 billion. 93.18 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 at the reporting date.

As at September 30 2020, the total net increase in value from mortgage-backed bonds portfolio charged to shareholders' equity was approximately NIS 108 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 417 million.

The weighted average maturity for the entire mortgage-backed bonds portfolio is 3.02 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 1.9 billion, of which CLO bonds account for NIS 1.5 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.4 years.

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

B. Investments in foreign non-asset-backed securities

As of September 30 2020, the Group's securities portfolio includes NIS 47.2 billion (USD 13.7 billion) in foreign non-asset-backed securities. NIS 44.3 billion (about USD 12.9 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 99.98 percent of the total securities are investment-grade and include mainly securities of the US government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli government.

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

As at September 30 2020, the outstanding aggregate increase in the value of equity capital in respect of bonds which are not backed by assets issued abroad within the available-for-sale portfolio amounted to NIS 1,085 million (NIS 714 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. 87.46 percent of the securities in the held-for-trading portfolio are investment-grade.

As at September 30 2020, the value of the non-asset-backed held-for-trading portfolio was NIS 0.5 billion (USD 0.1 billion). The difference between the fair value and the amortized cost, if any, is recorded in the income statement.

Investments in bonds issued in Israel

As at September 30 2020, investments in bonds issued in Israel amounted to NIS 37.3 billion, of which NIS 36.6 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. 40.6 percent of corporate bonds investments - which are NIS 0.3 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 0.3 billion - include a positive capital reserve of NIS 11 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 September 30 2020, deposits by the public with the Group totaled approximately NIS 427.1 billion, compared to NIS 359.9 billion as at September 30 2019, an 18.7 percent increase, and compared with a total of NIS 373.6 billion as at the end of 2019, a 14.3 percent increase.

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

Development in the balances of customers' off-balance-sheet financial assets with the Leumi Group

	September 30	December 31		
	2020	2019	Change	
	In NIS million		In NIS million	In %
Securities portfolios[a]	**785,522**	815,120	(29,598)	(3.6)
Assets for which operating services are provided:[a][b][c]				
Mutual funds	**20,210**	56,280	(36,070)	(64.1)
Provident and pension funds	**164,968**	150,291	14,677	9.8
Study funds	**143,310**	130,336	12,974	10.0

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

Bonds, capital notes and subordinated bonds

As at September 30 2020, bonds, capital notes and subordinated notes amounted to NIS 17.4 billion, compared to NIS 20.0 billion as at the end of 2019, a 13.0 percent decrease and a 13.2 percent year-on-year decrease.

Shelf prospectus and bonds 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 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 issuance 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, 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.

The Subordinated Notes Leumi Series Leumi $ 2031 are eligible for inclusion in Tier 2 capital as of their issuance date.

According to a shelf prospectus dated June 2 2020, the Bank issued, on June 4 2020, a total of NIS 2.4 billion in bonds Series 181. The bonds are repayable in one lump sum on September 5 2023, linked to the Consumer Price Index, bear an annual interest rate of 1 percent, payable annually on September 5 of each year from 2020 to 2023, inclusive. The Series 181 Bonds are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated February 17 2020, immediate report dated May 19 2020 and immediate reports dated June 4 2020.

On June 30 2020, at total of NIS 5.3 billion par value in Bonds Series 177 of the Bank were repaid. These bonds were not part of the Bank's regulatory capital.

For more information, please see the immediate report dated November 11 2020.

On November 10 2020, Subordinated Bonds Series N of the Bank at a par value of NIS 0.9 billion were redeemed. According to the directives of the Bank of Israel, these subordinated notes are included in the regulatory capital, subject to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, and subject to straight-line amortization in the last five years prior to their redemption. Accordingly, in the last year before their repayment, the Series N Subordinated Bonds were not included in the Bank's regulatory capital.

Early redemption of subordinated capital notes

On July 8 2020, the Bank's Board of Directors decided to redeem, by way of full early redemption, Capital Notes Series 300 and 301, which were issued to the public in August 2009. Accordingly, in August 10 2020, a total of NIS 2.1 billion in capital notes were redeemed (including linkage differences for Series 300).

For more information, please see the immediate report dated July 8 2020, immediate report dated July 16 2020 and immediate report dated August 11 2020.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 37,128 million on September 30 2020 compared with NIS 35,406 million as at the end of 2019, a 4.9 percent year-on-year increase. The increase stems mainly from the profit for the period, the increase in the capital reserve for available-for-sale bonds and a decrease in liabilities for employee benefits on the back on the discount interest rate increase during the period.

The ratio of equity attributable to the Bank's shareholders to total assets ratio as at September 30 2020 reached 7.0 percent, compared to 7.6 percent as at December 31 2019.

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

Capital Adequacy Structure[(a)]

	September 30		December 31
	2020	2019	2019
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	**38,086**	36,882	37,603
Tier 2 capital, after deductions	**13,341**	12,009	11,987
Total capital	**51,427**	48,891	49,590
Balance of risk-weighted assets			
Credit risk	**297,423**	285,989	288,340
Market risks	**5,314**	5,313	5,008
Operational risk	**22,448**	23,205	23,116
Total balances of risk-weighted assets	**325,185**	314,507	316,464
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted assets	**11.71%**	11.73%	11.88%
Total capital to risk-weighted assets	**15.81%**	15.55%	15.67%

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

Common Equity Tier 1 capital was 11.71 percent as at September 30 2020, a 0.17 percent decrease compared to December 31 2019.

The decrease in Common Equity Tier 1 capital mainly stems from the increase in risk-weighted assets.

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 equity attributable to the Bank's shareholders, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments and additional deductions.

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

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

Tier 2 capital

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

As at December 31 2013, equity instruments included in Tier 2 capital are subject to transitional provisions and a recognition ceiling, as prescribed by the Directives, such that the amount recognized in effect 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 at 10 percent until January 1 2022. The recognition ceiling for 2020 is 20 percent.

As of the beginning of 2014, equity 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", which was in effect 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, was 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.

Circular amending Proper Conduct of Banking Business Directive No. 201 - "Introduction, Scope of Application and Calculation of Minimum Capital 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 sector'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 Order)" - 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 Order) (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 publication of the circular). This guidance applies to Leumi.

The original temporary order was valid until September 30 2020. On September 16 2020, the Bank of Israel published a circular extending the temporary order until March 31 2021 (its expiry date). The relief in capital targets will be in effect until 24 months from the Temporary Provision 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 September 30 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 Order) (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, will not be applicable to housing loans extended during the crisis period (from March 19 2020 until the Temporary Provision expiry date). Proper Conduct of Banking Business Directive No. 329, Limitations on Issuing Housing Loans. The temporary order was extended until March 31 2021 under the circular dated September 16 2020 extending the temporary order.

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 September 30 2020 are 9.24 percent for the Common Equity Tier 1 capital ratio and 12.74 percent for total capital ratio.

On November 15 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 Order) (Directive No. 250). According to the circular, the Bank complies with Proper Conduct of Banking Business Directive No. 218, "Leverage ratio", according to which a banking corporation shall have a leverage ratio of no less than 4.5 percent on a consolidated basis, in lieu of 5 percent prior to the publication of the circular). A banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking sector's total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent prior to the publication of the circular). Accordingly, Leumi shall be required to meet a minimum leverage ratio of 5.5 percent as of the effective date. Upon the expiry of the Temporary Order, the easement shall apply for another 24 months, provided that the leverage ratio shall be no less than the leverage ratio on the Order's expiry or the minimum leverage ratio applicable to the banking corporation prior to the Temporary Order, the lower of the two. The directive shall apply to Leumi as of the circular publication date.

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 above 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.

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 million
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) Buyback 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 by 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 Annual 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 at September 30 2020, 85 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 at September 30 2020, 65 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 incurred a one-time increase in its actuarial liability totaling NIS 526 million before tax (about NIS 346 million after tax).

As part of the understanding regarding the collective agreement, the Bank's Board of Directors approved a voluntary retirement plan. The cost of the plan was NIS 167 million (after tax). As at September 30 2020, 25 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.

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. 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. 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" (SA-CCR) 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, inter alia, that the banks may temporarily discontinue their preparations for the draft regarding the Standardized Approach to calculating Counterparty Credit Risk (SA-CCR). On July 22 2020, an additional clarifications letter was published, according to which the banks were requested to resume their preparations for implementing the draft directive, the effective date for which has yet to be determined.

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 guidelines apply as of January 1 2020. The effect of the standard as at September 30 2020 is a 0.04 percent decrease in the Common Equity Tier 1 capital ratio.

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

Draft Circular to Proper Conduct of Banking Business Directive No. 299, “Regulatory Capital - Effect of Implementation of Accounting Principles regarding Expected Loan Losses”

On October 15 2020, the Banking Supervision Department published circular to Proper Conduct of Banking Business Directive No. 299, “Regulatory Capital - Effect of Implementation of Accounting Principles regarding Expected Loan Losses”, which includes transitional provisions applicable to the effect of the principles’ first-time adoption on expected loan losses. In accordance with the draft circular, their effective date for banking corporations is January 1 2022. If, as a result of the first-time adoption of these rules, there will be a decrease in the Bank’s Common Equity Tier 1 capital, net of tax, the Bank will be able partially include in Common Equity Tier 1 (i.e., to add back to Common Equity Tier 1) the decrease in Common Equity Tier 1 recorded on the initial application date, over a period of three years (with an additional 75 percent in the first application year, with a 25 percent reduction per year, until reaching 0 percent on January 1 of the fourth application year).

For more information on the general application of accounting principles on loan losses, 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 – Leumi's risk-weighted assets amounted to NIS 325.1 billion at the end of September 2020. Every 1 percent increase in risk-weighted assets (about NIS 3.3 billion) will reduce the Common Equity Tier 1 capital ratio by 0.12 percent, and the total capital ratio by 0.15 percent.
- Accrued profit or a change in the capital reserve – Leumi's Common Equity Tier 1 Capital was NIS 38.1 billion as at the end of September 2020. Total capital amounts to NIS 51.4 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 0.31 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 0.08 percent on the Common Equity Tier 1 capital ratio and total capital ratio. Of which, according to a moving average calculation for eight quarters, an effect of approximately 0.01 percent in the Common Equity Tier 1 Capital ratio and the total capital ratio for the current quarter.

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

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.

	September 30		December 31
	2020	2019	2019
	In NIS million		
Consolidated data			
Tier 1 capital	**38,086**	36,882	37,603
Total exposures	**572,012**	498,428	511,820
Leverage ratio			
Leverage Ratio	**6.66%**	7.40%	7.35%
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.

For more information regarding compliance with the leverage ratio temporary order, please see Proper Conduct of Banking Business Directive No. 250 above.

The leverage ratio was 6.66 percent as at September 30 2020, a 0.69 percent decrease compared to December 31 2019.

The decrease in the leverage ratio stems, inter alia, from the substantial increase in total assets, mainly as a result of a NIS 41 billion increase in cash and deposits with banks and a NIS 10 billion increase in securities.

Operating Segments - Management Approach

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.

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

Condensed results of operations according to management approach

	For the three months ended September 30 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 million											
Interest income, net:												
From external	268	281	595	1,144	288	224	218	94	-	24	224	2,216
Inter-segmental	159	(8)	(322)	(171)	(9)	(67)	(36)	271	(6)	5	13	-
Interest income, net	427	273	273	973	279	157	182	365	(6)	29	237	2,216
Noninterest income	323	109	6	438	97	60	74	320	112	86	66	1,253
Total income	750	382	279	1,411	376	217	256	685	106	115	303	3,469
Loan loss expenses (income)	43	59	53	155	72	166	45	(5)	(1)	(7)	122	547
Total operating and other expenses	645	234	62	941	172	59	31	88	220	45	193	1,749
Profit (loss) before tax	62	89	164	315	132	(8)	180	602	(113)	77	(12)	1,173
Provision for tax (benefit)	21	31	56	108	54	(2)	54	205	(4)	19	(2)	432
Net income (loss) attributable to the Bank's shareholders	41	58	108	207	78	(6)	126	398	(109)	65	(9)	750

Condensed results of operations according to management approach (cont.)

	For the three months ended September 30 2019											
	The Bank									Subsi-diaries in Israel	Fo-reign subs-idia-ries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Com-mer-cial	Corpo-rate	Real estate	Capital mar-kets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	300	322	332	954	237	192	188	267	(1)	27	228	2,092
Inter-segmental	238	5	(70)	173	86	(36)	(29)	(191)	3	2	(8)	-
Interest income, net	538	327	262	1,127	323	156	159	76	2	29	220	2,092
Noninterest income (expenses)	324	109	1	434	101	49	80	389	(67)	67	79	1,132
Total income (expenses)	862	436	263	1,561	424	205	239	465	(65)	96	299	3,224
Loan loss expenses (income)	60	80	(8)	132	(26)	64	(3)	4	(9)	(1)	20	181
Total operating and other expenses	739	272	66	1,077	170	62	31	89	273	50	184	1,936
Profit (loss) before tax	63	84	205	352	280	79	211	372	(329)	47	95	1,107
Provision for tax (benefit)	22	29	71	122	96	27	72	127	(145)	6	19	324
Net income (loss) attributable to the Bank's shareholders	41	55	134	230	184	52	139	246	(184)	32	66	765

Condensed results of operations according to management approach (cont.)

	For the nine months ended September 30 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 million											
Interest income, net:												
From external	846	865	1,480	3,191	810	672	613	401	-	94	725	6,506
Inter-segmental	520	(12)	(675)	(167)	50	(192)	(97)	394	3	13	(4)	-
Interest income, net	1,366	853	805	3,024	860	480	516	795	3	107	721	6,506
Noninterest income	1,005	339	17	1,361	308	172	230	459	113	138	199	2,980
Total income	2,371	1,192	822	4,385	1,168	652	746	1,254	116	245	920	9,486
Loan loss expenses (income)	332	483	197	1,012	305	608	162	(9)	(25)	1	228	2,282
Total operating and other expenses	1,960	728	182	2,870	472	171	91	272	634	133	578	5,221
Profit (loss) before tax	79	(19)	443	503	391	(127)	493	991	(493)	111	114	1,983
Provision for tax (benefit)	27	(6)	151	172	134	(43)	169	339	(65)	21	25	752
Net income (loss) attributable to the Bank's shareholders	52	(13)	292	331	257	(84)	324	653	(428)	84	75	1,212

Balances as at September 30 2020												
Loans to the public, net	27,319	24,247	89,332	140,898	42,518	39,369	29,063	5,723	5,216	744	22,843	286,374
Deposits by the public	180,897	45,601	-	226,498	64,963	24,648	8,410	78,153	4	-	24,439	427,115
Assets under management	173,306	17,647	-	190,953	23,947	9,564	1,417	546,887	17,422	306,701	17,119	1,114,010

Condensed results of operations according to management approach (cont.)

	For the nine months ended September 30 2019											
	The 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 million											
Interest income, net:												
From external	664	956	1,815	3,435	719	688	621	346	1	58	810	6,678
Inter-segmental	962	36	(1,058)	(60)	238	(209)	(155)	208	-	10	(32)	-
Interest income, net	1,626	992	757	3,375	957	479	466	554	1	68	778	6,678
Noninterest income	970	343	4	1,317	310	153	239	983	403	258	218	3,881
Total income	2,596	1,335	761	4,692	1,267	632	705	1,537	404	326	996	10,559
Loan loss expenses (income)	168	226	(2)	392	56	(8)	8	(32)	(10)	3	42	451
Total operating and other expenses	2,113	811	208	3,132	551	202	95	269	820	156	607	5,832
Profit (loss) before tax	315	298	555	1,168	660	438	602	1,300	(406)	167	347	4,276
Provision (benefit) for tax	108	102	190	400	226	150	206	444	(93)	40	71	1,444
Net income (loss) attributable to the Bank's shareholders	207	196	365	768	434	288	396	858	(313)	103	246	2,780

Balances as at September 30 2019												
Loans to the public, net	29,260	25,320	84,425	139,005	40,407	38,248	26,096	7,520	5,985	753	22,360	280,374
Deposits by the public	156,991	37,981	-	194,972	50,685	17,440	6,491	67,706	13	-	22,589	359,896
Assets under management	180,463	17,721	-	198,184	24,433	20,844	2,148	521,592	21,446	296,427	17,038	1,102,112

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	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	927	1,271	2,311	4,509	972	888	821	522	1	81	1,047	8,841
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 Annual Financial Statements.

Summary of activities by regulatory operating segment

	For the three months ended September 30 2020											
	Activity in Israel										Foreign opera-tions	Total
	Households			Small- and micro-businesses								
	Housing loans	Other	Private banking	Housing loans	Other	Mid-market	Corpora-tions	Institu-tional entities	Financial manage-ment	Other		
	In NIS million											
Interest income, net	222	359	11	39	443	180	379	9	335	2	237	2,216
Noninterest income	14	222	37	-	188	67	134	41	477	5	68	1,253
Total income	236	581	48	39	631	247	513	50	812	7	305	3,469
Loan loss expenses (income)	46	25	-	5	125	108	111	-	3	-	124	547
Total operating and other expenses	50	586	20	9	371	104	100	59	65	192	193	1,749
Profit (loss) before tax	140	(30)	28	25	135	35	302	(9)	744	(185)	(12)	1,173
Provision for tax (benefit)	47	(9)	12	9	48	13	91	(2)	276	(50)	(3)	432
Net income (loss) attributable to the Bank's shareholders	93	(21)	16	16	87	22	211	(7)	476	(135)	(8)	750

	For the three months ended September 30 2019											
	Activity in Israel										Foreign opera-tions	Total
	Households			Small- and micro-businesses								
	Housing loans	Other	Private banking	Housing loans	Other	Mid-market	Corpora-tions	Institu-tional entities	Financial manage-ment	Other		
	In NIS million											
Interest income, net	219	431	24	34	512	214	362	40	35	2	219	2,092
Noninterest income	10	231	35	-	182	74	127	42	421	(69)	79	1,132
Total income	229	662	59	34	694	288	489	82	456	(67)	298	3,224
Loan loss expenses (income)	(2)	47	-	(1)	76	(4)	64	(4)	(15)	-	20	181
Total operating and other expenses	58	709	22	11	358	119	93	61	64	257	184	1,936
Profit (loss) before tax	173	(94)	37	24	260	173	332	25	407	(324)	94	1,107
Provision for tax (benefit)	51	(30)	11	8	74	50	103	5	123	(92)	21	324
Net income (loss) attributable to the Bank's shareholders	122	(64)	26	16	186	123	229	20	276	(232)	63	765

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30 2020											
	Activity in Israel										Foreign opera-tions	Total
	Households			Small- and micro-businesses								
	Housing loans	Other	Private banking	Housing loans	Other	Mid-marked	Corpo-rations	Institu-tional entities	Financial manage-ment	Other		
	In NIS million											
Interest income, net	632	1,119	48	115	1,387	549	1,068	59	812	(4)	721	6,506
Noninterest income	46	694	111	-	580	217	399	166	555	13	199	2,980
Total income	678	1,813	159	115	1,967	766	1,467	225	1,367	9	920	9,486
Loan loss expenses (income)	177	237	-	12	642	266	717	(2)	4	-	229	2,282
Total operating and other expenses	153	1,763	60	26	1,105	313	286	171	214	552	578	5,221
Profit (loss) before tax	348	(187)	99	77	220	187	464	56	1,149	(543)	113	1,983
Provision for tax (benefit)	124	(74)	37	26	80	69	155	21	454	(164)	24	752
Net income (loss) attributable to the Bank's shareholders	224	(113)	62	51	140	118	309	35	690	(379)	75	1,212

Balance as at September 30 2020												
Loans to the public, gross	74,069	26,368	309	13,107	49,946	29,265	74,490	637	-	-	23,270	291,461
Deposits by the public	-	120,437	26,453	-	74,131	46,798	64,041	70,816	-	-	24,439	427,115
Assets under management	-	60,520	41,297	-	64,066	23,353	59,977	806,718	40,960	-	17,119	1,114,010

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30 2019											
	Activity in Israel										Foreign opera-tions	Total
	Households			Small- and micro-businesses								
	Housing loans	Other	Private banking	Housing loans	Other	Mid-market	Corpo-rations	Institu-tional entities	Financial manage-ment	Other		
	In NIS million											
Interest income, net	636	1,293	88	102	1,558	648	1,105	148	318	4	778	6,678
Noninterest income	35	690	107	-	561	227	410	134	1,148	351	218	3,881
Total income	671	1,983	195	102	2,119	875	1,515	282	1,466	355	996	10,559
Loan loss expenses (income)	5	122	-	1	258	12	55	(8)	(36)	-	42	451
Total operating and other expenses	181	2,101	73	28	1,146	376	302	185	214	619	607	5,832
Profit (loss) before tax	485	(240)	122	73	715	487	1,158	105	1,288	(264)	347	4,276
Provision (benefit) for tax	160	(81)	41	25	235	162	386	33	479	(68)	72	1,444
Net income (loss) attributable to the Bank's shareholders	325	(159)	81	48	480	325	772	72	787	(196)	245	2,780
Balance as at September 30 2019												
Loans to the public, gross	70,637	28,063	326	13,046	49,610	28,995	68,747	1,608	-	-	22,614	283,646
Deposits by the public	-	107,650	23,354	-	56,519	38,365	49,166	62,253	-	-	22,589	359,896
Assets under management	-	67,796	44,390	-	51,528	26,743	74,016	773,366	47,234	-	17,039	1,102,112

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31 2019											
	Activity in Israel										Foreign operations	Total
	Households			Small- and micro-businesses								
	Housing loans	Other	Private banking	Housing loans	Other	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million											
Interest income, net	846	1,722	115	137	2,062	864	1,457	174	448	5	1,011	8,841
Noninterest income	43	909	145	-	760	306	559	170	1,541	369	279	5,081
Total income	889	2,631	260	137	2,822	1,170	2,016	344	1,989	374	1,290	13,922
Loan loss expenses (income)	13	144	-	3	369	31	27	(6)	(30)	-	58	609
Total operating and other expenses	242	2,822	100	37	1,544	502	497	253	273	813	825	7,908
Profit (loss) before tax	634	(335)	160	97	909	637	1,492	97	1,746	(439)	407	5,405
Provision for tax (benefit)	226	(131)	57	33	327	229	536	36	661	(216)	72	1,830
Net income (loss) attributable to the Bank's shareholders	408	(204)	103	64	582	408	956	61	1,070	(223)	297	3,522
Balance as at December 31 2019												
Loans to the public, gross	71,248	28,122	346	10,714	52,013	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

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

The Bank's total investments in investees (including in capital notes), as at September 30 2020, was NIS 12.0 billion, compared with NIS 12.0 billion as at December 31 2019, with the investee companies contributing a NIS 111 million gain to the Group's net income in the first nine months of 2020, compared with a NIS 214 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 8,210 million as of September 30 2020, compared with NIS 8,062 million as at December 31 2019. The contribution of the consolidated companies to the Group's net income in the first nine months of 2020 was NIS 84 million, compared with NIS 103 million in the corresponding period last year.

Bank Leumi of Israel Trust Company Ltd.

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

On June 29 2020, the Bank exercised its sale option, selling its remaining holdings (25 percent) in the trust company to Hermetic. Upon the exercise of the option, the Bank has no more holdings in the company. The exercise of the option does not have a material effect on the Bank's financial results.

For more information, please see the immediate reports dated April 17 2018 (Ref. No.: 2018-01-039355) and June 29 2020 (Ref. No.: 2020-01-060400).

Consolidated Companies outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of September 30 2020 was NIS 3,716 million, compared with NIS 3,874 million as at December 31 2019.

In the first nine months of 2020, the foreign offices' contribution to the Group's shekel net income was NIS 26 million, compared with a net income of NIS 109 million in the corresponding period last year. The decrease in the contribution to the gain arises from loan loss expenses in the period which were partially offset by exchange rate differentials.

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. Bank Leumi'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.

Impact of the Coronavirus Crisis

The coronavirus crisis is a significant ongoing event which disrupts business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact.

According to a subjective assessment, as a result of the crisis and lack of clarity regarding the development of morbidity, the lockdown measures in the economy and the economic policy increased the severity level of the global systemic risk and domestic systemic risk in Q1 2020 to “medium-high” and beginning in Q2 2020 - to “high”. Additionally, the severity level of the overall credit risk and the severity of the borrower and collateral quality risk increased beginning in the second quarter of 2020 to “moderate-high”.

The Bank's assessments regarding the implications of the crisis on the severity of all risk factors are uncertain and may change in accordance with the developments and ramifications of the crisis on the economy and the Bank's business. These assessments constitute forward-looking information, as defined in the Forward-Looking Information section.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In this context, the Bank conducts uniform stress scenarios following a request by the Banking Supervision Department. 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.

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 on- 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 the 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.

During the reporting period, credit risk management and temporary orders for the credit policies were adjusted and revised. There were no material changes in the corporate governance structure.

Impact of the Coronavirus Crisis

The coronavirus crisis is a significant ongoing 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 are substantial, with significant decrease in the gross world product this year; as a result, the Bank’s business may also be materially affected.

In the absence of a widely-distributed efficient vaccine and/or efficient medication, the coronavirus is handled by maintaining social distancing rules, including lockdown, and continues to disrupt orderly economic activity, with the end of the crisis nowhere in sight at the present time. In the absence of effective measures to control morbidity, the economic ramifications of the coronavirus crisis may continue for a long time.

Taking into account the unique characteristics of the crisis, its adverse effects are not uniform and are more pronounced in industries directly affected by the restrictions, primarily public gathering and social distancing. The industries which sustained the most significant harm include: tourism, aviation, culture, entertainment, and food services, as well as significant indirect impacts on a wide range of industries in the fields of commerce, services and non-residential real estate. In addition, on the back of the outbreak of the coronavirus and the lack of a medication or vaccine in the foreseeable future, there is uncertainty about the possible effect of recent lockdown on various economic sectors. Households are also experiencing economic uncertainty due to the significant increase in the rate of jobseekers. If the current surges of infection continue, followed by restrictions, the damage to the unemployment rate and households is expected to be even higher.

Due to the continuous nature of the crisis, it is too early to assess the extent of its effect on the Bank’s loans portfolio. The Bank is assessing its ability to withstand adverse developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department.

In addition, 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. and risk focal points and market developments are being monitored on a regular basis in order to prepare in advance and adapt the activity, as needed.

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

As part of the Bank's efforts to support its customers' needs and overcome the crisis, the Bank extended credit to its customers through the state-backed Business Loan Funds and approved requests to alter the terms and conditions of loans extended to households and business customers who encountered temporary crises.

Following the crisis, loan loss expenses in the first nine months of 2020 were up, amounting to NIS 2,282 million. Most of the increase is in the collective loan loss provision.

The Bank's loan loss provision reflects the Bank's estimates. The provision is an estimate based on significant judgment, which was applied during the reporting period in a changing environment characterized by unusual uncertainty.

The provision process includes three main stages, which were adapted to the circumstances of the crisis:

- Identifying and locating borrowers who exhibit adverse indicators, including borrowers who were hurt by the coronavirus crisis, or who are active in economic sectors that are more exposed to the adverse effects of the crisis. The Bank places significant emphasis on strict credit underwriting processes and the monitoring and follow-up activities in order to understand the development of the risks embodied in the credit portfolio, prepare in a timely manner and apply the necessary adjustments. At the same time, the Bank carefully evaluates the need to escalate risk ratings and classification of debts which may be adversely affected by the crisis.
- Recording loan loss expenses, which reflect the expected loss to the Bank on the individual level. Since the effects of the crisis have yet to be manifested on the impaired non-performing debts, substantial weight is attributed to the collective level in the provision process for the first nine months of the year, as follows.

  Making collective provisions which reflect the expected loss to the Bank on the collective level. In this context, the Bank's management is relying on the information that is available to it, such as: volume of write-offs, risk profile of the economic sector, debt classification, risk appetite, economic conditions, etc. In the first nine-month period ended September 30 2020, emphasis was made on the risk characteristics of the various economic sectors and economic assessments, primarily in relation to the unemployment and growth rates. A worsening of any of these criteria is expected to bring about an increase in the loan loss provision. According to the Bank's estimates, the expected average unemployment rate in 2020 will be 5.5 percent. The rate is based on the definitions of the Central Bureau of Statistics. The assessment of the Bank regarding the overall unemployment rate (the regular definition with those temporary on unpaid leave and a decline in the participation rate) is approx. 18 percent, with the Bank of Israel forecasting a substantial unemployment rate of 15.7 percent, which is close to the Bank's estimate. Additionally, the Bank has examined the growth forecasts. According to the Bank's up-to-date forecasts, Israel is expected to record a negative growth rate of 5.5 percent in 2020. In addition, in this quarter, in continuation to the former quarter, the Bank included in the process of developing the provision estimates an examination of the status of customers who were directly hit by the crisis, or who are active in economic sectors that are more exposed to the direct effects of the crisis. In this framework, a mechanism was established to examine and map out risk groups according to the extent of the damage they sustained from the crisis on the one hand, and their chances of recovery on the other hand. The next step was to estimate the possibility that a certain portion of these customers will experience a deterioration in their financial position to their point of their being classified as troubled or the occurrence of a loss event. In this framework, several scenarios were calculated which represent circumstances that management believes are within a reasonable range, which were attributed weights for the purpose of obtaining the best estimate. It should be noted that, due to the extensive uncertainty surrounding the current circumstances and the resulting difficulty in identifying, recognizing and measuring loan losses, the estimated loan losses due to the coronavirus crisis are based on assumptions and assessments the reasonableness of which is very difficult to determine at this time. This difficulty is exacerbated by actions taken to mitigate the effects of the crisis - such as loan deferments and the Government's assistance program - which may render the ramifications of the customers' credit risk less obvious.

Due to the rapid changes in the financial and economy-wide conditions, the Bank re-examined the key indicators used in the provision process and revised them accordingly. However, additional changes in management's assessment, estimates and forecasts may significantly impact the loan loss provision.

Assessments and economic- and other forecasts regarding the duration and severity of the crisis may change frequently and significantly and are therefore subject to a high degree of uncertainty. Therefore, it is difficult to assess or predict how customers' status and behavior will change.

It is difficult to assess how potential changes in any variable may affect the loan loss provision in general, since management takes into account a wide range of factors, measures and indicators in its estimates. It is possible that changes in these variables may not occur at the same rate, or will be inconsistent in terms of their effect of the various components of the loan portfolio. Moreover, future changes in the loan loss provision estimate may stem from different and varied factors, such as changes in the outstanding loan balances, industry credit mix, borrower quality, write-offs, accounting classifications, etc.

Despite the aforesaid, in order to illustrate the sensitivity of the provision and to examine the alternative effect of other assumptions and estimates, the Bank used the various scenarios underlying the estimate and compared them to the outstanding provision that was recognized at the balance sheet date and calculated based on the allocation of weights to these scenarios. In this context, the Bank assumed that - under an optimistic scenario - the scope of customers exposed to the crisis whose financial condition will deteriorate such that it will cause their classification to worsen and/or that the provision made in respect thereof shall be lower than the estimates in the underlying scenario, circumstances which may be accompanied by a lower unemployment rate than the one used in the underlying scenario, as well as a higher growth rate than in the underlying scenario. On the other hand, the Bank assumed that alternatively - under a pessimistic scenario - the scope of customers exposed to the crisis whose financial position will deteriorate such that it will cause their classification to worsen and/or that the provision made in respect thereof shall be higher than the estimates in the underlying scenario, circumstances which may be accompanied by an unemployment rate according to its broad definition, which would remain in the two-digit range on an annual average, accompanied by a lower GDP growth rate than the one used in the underlying scenario prior to the crisis. The Bank compared the results of the two alternative scenarios described above to the outstanding loan loss provision recognized in its financial statements as at September 30 2020. Without taking into account the effects of offsets or correlations, the effect of the above may hypothetically cause the loan loss provision to be reduced by approx. NIS 0.5 billion, or may increase it by NIS 0.6 billion.

This analysis is highly subjective and is not intended, nor purports, to estimate future changes in the loan loss provision, for many reasons, including:

- The effects of such changes may not be linear.
- There are interactions, which may be material, between the changes.
- The crisis has rapidly affected numerous areas, with force and patterns that are unprecedented in recent history; the uncertainty therefore overshadows any estimation process.
- Significant changes in the severity and duration of the crisis, the effects of government aid, developments on the health level and speed of recovery may significantly alter the provision estimates, regardless of the sensitivities outlined above

Management believes that the current estimate is adequate as at the reporting date. Since the analysis involved significant judgment, others performing similar analyses may reach different conclusions.

It is clarified that the uncertainty regarding the trajectory of the crisis's development and its ramifications for the real economy are still high, such that the provision may change - increase or decrease - in the future by material amounts in accordance with the developments and due to the uncertainty, as described above.

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

Changes in debt covenants as part of coping with the coronavirus crisis

The Bank implemented the Bank of Israel's guidance dated April 21 2020, Regulatory Emphases for Handling Debts and Reporting to the Public and dated October 11 2020 on the coronavirus crisis - Regulatory Emphases Regarding Additional

Changes in the Terms and Conditions of Loans. In addition, the Bank adopted the uniform outline for deferral of loan repayments developed by the Bank of Israel, which was published on May 7 2020 and revised and extended on July 13 2020 as well as the additional extension of said comprehensive outline dated September 29 2020 (effective October 1 2020); in accordance with the said guidance and outlines, the Bank is working to approve applications by private individuals and business customers to change their loans' terms and conditions, mostly by deferring payments. According to the comprehensive revised outline, the deadline for applying for a loan deferment has been extended to the end of the year, i.e., December 31 2020. The extension comprises all types of loans: mortgages, consumer credit and business credit.
As a rule, the loan deferment was provided to borrowers who met their loan payments immediately prior to the crisis and are in a temporary crisis due to the coronavirus crisis, but whom the Bank believes will overcome the crisis. According to the Bank of Israel's guidance, consumer loans of up to NIS 100,000 also include a deferment component which is not subject to the Bank's discretion.

Approval of applications for loan deferment was based on outlines formulated by the business lines in collaboration with the Accounting Division and Risk Management Division, and adjusted in respect of the characteristics of the business lines and risk characteristics of the customers (including customers in arrears of over 30 days, customers in monitored lists and classified customers), including up-to-date borrowers' ratings and reassessment of the adequateness of their classification, in accordance with the Bank's rules and the regulation.
According to the Bank of Israel's outline, changes in loan covenants do not automatically result in the classification of loans as troubled debt under restructuring.
The approval process was accompanied by defining a dedicated authorization outline.

The majority of the outstanding amounts of loans approved for deferment as of the reporting date is for terms ranging from 3 to 6 months for consumer and business loans; deferment was provided by extending the loan term by deferring principal repayments.

In housing loans, most deferments were given by way of full grace (principal and interest), with the deferred payments - plus interest and linkage differences - paid over the remaining loan term.

The vast majority of the applications were granted.

The Bank is monitoring all of its customers, especially those who have deferred their loan payments, in order to identify on time any credit deterioration, including potential exposure to loss. This both as part of the monitoring and identification processes of customers in the Bank's ongoing tracking lists and as part of special-purpose monitoring to identify customers with a higher potential of incurring damage as a result of the crisis.

Out of all deferred mortgages for which there was still an outstanding amount as of September 30 2020, an average of 54 percent are being repaid regularly.

As of shorty prior to the reporting date, only approx. 10 percent of the total outstanding mortgage loan amount is still under deferment.

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 as at September 30 2020.

Outstanding debts[a] the covenants of which were amended as part of dealing with the coronavirus from March 1 2020 to l September 30 2020, which were not classified as restructuring of troubled debt following the deferment

					More information about outstanding loans to the public for which deferment was granted				More information about deferred debts by deferment period[a]		Debts whose deferment term has ended, as of the reporting date	
	Deferred debts as of the reporting date				Non-troubled debts				Non-troubled debts with accrued deferment			
	Outstanding loans for which payments were deferred	No. of loans[c]	Amount of payments deferred	Troubled debt	Debts without credit performance rating	Outstanding performance-rated loans in arrears of 30 days or more	Non-delinquent debts with credit performance rating	Total non-troubled debts	More than 3 months to 6 months	More than 6 months	Outstanding loans to the public	Of which: in arrears of 30 days or more
	In NIS million											
Corporations	1,273	81	68	176	597	-	500	1,097	890	-	1,062	-
Mid-sized businesses	758	269	73	76	118	-	564	682	469	36	2,220	-
Small- and micro-businesses	4,636	27,731	507	160	218	46	4,212	4,476	3,465	453	5,464	34
Private individuals - excluding housing loans	1,820	34,629	172	38	196	1	1,585	1,782	1,316	84	1,255	15
Housing loans	9,210	20,378	374	135	3,716	211	5,148	9,075	5,174	3,569	11,689	76
Foreign operations	1,643	117	49	144	560	13	926	1,499	69	69	1,238	110
Total as at September 30 2020	19,340	83,205	1,243	729[b]	5,405	271	12,935	18,611	11,383	4,211	22,928	235

(a) Including balances for which the deferment period has ended. The deferment period is the cumulative period of deferments granted for a debt from the beginning of the coronavirus period and does not include deferment for which the borrower is eligible under any law.
(b) Of which: classified as non-accrual impaired non-performing debts in the amount of NIS 59 million.
(c) The number of loans is presented separately.

Separately from the above outline, from August, the Bank allows customers who met their repayment schedules to date, under certain conditions, to receive a partial grace period (for principal repayments) of up to two years.

State-backed loans

Against the background of the coronavirus outbreak, the Bank signed agreements with the state for extending state-backed loans as part of the "Coronavirus Funds", the purpose of which is to aid businesses (small, mid-sized and large), which encounter cash flow difficulties as a result of the coronavirus crisis. The loan covenants were determined by the Ministry of Finance and are uniform for all types of borrowers.

The funds are designed for extending loans to finance cash flow gaps for businesses.

- The "Coronavirus Funds" have several loan tracks: the general track, the higher-risk track and the large-business track

- General track - maximum loan amount of up to 30 percent of the annual turnover, but no more than NIS 20 million
- Higher-risk track (beginning on June 21 2020) - maximum loan amount of up to 30 percent of the annual turnover, but no more than NIS 10 million
- Large business track - maximum loan amount of up to 8 percent of turnover, and no more than NIS 100 million, the lowest of the two.
- For high-tech companies: the lower of 8 percent of turnover or 8 percent of expenditure, excluding finance expenses, but no more than NIS 100 million.

Loan term: for all tracks - one to 5 years, with the principal repayments deferred by up to six months for loans of up to two years.
In loans of over two years, a 12-month grace period may be granted.
In the general and higher-risk tracks, the interest in the first year, for the grace period, is paid for by the state.
Customer collateral: up to 5 percent of the approved loan amount.
The credit risk for this type of loan is hedged by the state according to the following rates:

- In the general track: up to 85 percent in specific credit and no more than 15 percent for the entire portfolio.
- Higher-risk track: Up to 95 percent in specific credit and no more than 60 percent for the entire extended track portfolio (intended for businesses which were hard-hit by the coronavirus crisis, according to tests prescribed by the Ministry of Finance).
- In the large business track: up to 75 percent in a single loan and no more than 12 percent for the entire portfolio.

Obtaining guarantees from the State has helped the Bank support the needs of its customers and positively contributed to the quality of the Bank's loan portfolio.

Information regarding state-backed credit granted as part of the handling of the coronavirus crisis as at September 30 2020

Customer classification	Recorded outstanding debt as at September 30 2020 In NIS million
Small- and micro-businesses	3,220
Mid-sized businesses	1,487
Corporations	329
Total	5,036

Comments:
1. Customer classification is based on operating segments - management approach.
2. Until shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 5.5 billion through the state-backed Business Loan Fund.
   Additionally, the Bank approved NIS 0.2 billion in loans which have yet to be withdrawn by customers.

For more information about credit risk, please see the "Credit Risk" section in the Annual Risk Management Report as at December 31 2019.

Credit risk and non-performing assets

	September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	192,548	83,570	24,001	300,119
Off-balance-sheet credit risk	85,996	2,888	17,308	106,192
Total credit risk in credit performance rating	278,544	86,458	41,309	406,311
Credit risk not in credit performance rating				
a. Non-troubled	3,304	3,909	1,553	8,766
b. Total troubled[(b)]	6,765	833	655	8,253
Special mention	3,788	785	270	4,843
Substandard	608	-	60	668
Impaired non-performing	2,369	48	325	2,742
Total on-balance-sheet credit risk	10,069	4,742	2,208	17,019
Off-balance-sheet credit risk	959	-	212	1,171
Total credit risk not in credit performance rating	11,028	4,742	2,420	18,190
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	76	786	43	905
Total credit risk of the public	289,572	91,200	43,729	424,501
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	2,108	22	239	2,369
b. Assets received for settled loans	12	-	-	12
Total non-performing assets of the public	2,120	22	239	2,381
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.81%

(a) Credit risk whose credit rating at the reporting date matches 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.)

	September 30 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	189,774	82,305	25,332	297,411
Off-balance-sheet credit risk	83,741	2,383	16,991	103,115
Total credit risk in credit performance rating	273,515	84,688	42,323	400,526
Credit risk not in credit performance rating				
a. Non-troubled	2,216	422	2,063	4,701
b. Total troubled[b]	4,269	807	593	5,669
Special mention	1,670	807	220	2,697
Substandard	515	-	65	580
Impaired non-performing	2,084	-	308	2,392
Total on-balance-sheet credit risk	6,485	1,229	2,656	10,370
Off-balance-sheet credit risk	1,109	-	93	1,202
Total credit risk not in credit performance rating	7,594	1,229	2,749	11,572
Of which: Unimpaired debts in arrears of 90 days or more [c]	176	807	50	1,033
Total credit risk of the public	281,109	85,917	45,072	412,098
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	1,789	-	234	2,023
b. Assets received for settled loans	7	-	-	7
Total non-performing assets of the public	1,796	-	234	2,030
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.71%

(a) Credit risk whose credit rating at the reporting date matches 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 million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	189,787	83,117	25,740	298,644
Off-balance-sheet credit risk	84,484	2,573	16,748	103,805
Total credit risk in credit performance rating	274,271	85,690	42,488	402,449
Credit risk not in credit performance rating				
a. Non-troubled	1,973	472	1,684	4,129
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 on-balance-sheet credit risk	6,148	1,302	2,297	9,747
Off-balance-sheet credit risk	865	-	19	884
Total credit risk not in credit performance rating	7,013	1,302	2,316	10,631
Of which: Unimpaired debts in arrears of 90 days or more [(c)]	92	830	58	980
Total credit risk of the public	281,284	86,992	44,804	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 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 outstanding impaired non-performing debts for loans to the public

	For the nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
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	1,169	49	168	1,386
Debts once again classified as unimpaired	(17)	-	(2)	(19)
Written-off impaired non-performing debts	(379)	-	(44)	(423)
Repaid impaired non-performing debts	(627)	-	(109)	(736)
Adjustments from translation of financial statements	(1)	-	-	(1)
Outstanding balance of impaired non-performing debts as at the end of the period	2,365	49	324	2,738

	For the nine months ended September 30 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
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	1,014	-	133	1,147
Debts once again classified as unimpaired	(31)	-	(1)	(32)
Written-off impaired non-performing debts	(506)	-	(50)	(556)
Repaid impaired non-performing debts	(712)	(13)	(113)	(838)
Adjustments from translation of financial statements	(45)	(3)	-	(48)
Disposal of an investment in a previously-consolidated subsidiary	(23)	(15)	(1)	(39)
Outstanding balance of impaired non-performing debts as at the end of the period	2,077	-	308	2,385

Of which: change in troubled debts under restructuring

	For the nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding troubled debts under restructuring as of the beginning of the period	729	-	290	1,019
Restructurings carried out during the period	733	-	159	892
Debts reclassified to unimpaired following subsequent restructuring	-	-	-	-
Written off restructured debt	(63)	-	(37)	(100)
Repaid restructured debt	(361)	-	(109)	(470)
Adjustments from translation of financial statements	-	-	-	-
Outstanding troubled debts under restructuring as at the end of the period	1,038	-	303	1,341

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

	For the nine months ended September 30 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding troubled debts under restructuring as of the beginning of the period	1,318	8	319	1,645
Restructurings carried out during the period	239	-	112	351
Debts reclassified to unimpaired following subsequent restructuring	-	-	-	-
Written off restructured debt	(98)	-	(27)	(125)
Repaid restructured debt	(641)	-	(110)	(751)
Adjustments from translation of financial statements	(20)	(1)	-	(21)
Disposal of an investment in a previously-consolidated subsidiary	(18)	(7)	(1)	(26)
Outstanding troubled debts under restructuring as at the end of the period	780	-	293	1,073

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 nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
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)	277	-	(17)	260
Write-offs	(379)	-	(44)	(423)
Collection of debts written off in previous years	233	-	97	330
Adjustments from translation of financial statements	-	-	-	-
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	503	-	203	706

	For the nine months ended September 30 2019			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	459	4	150	613
Loan loss expenses (income)	70	-	(43)	27
Write-offs	(506)	-	(50)	(556)
Collection of debts written off in previous years	311	-	102	413
Adjustments from translation of financial statements	(2)	-	-	(2)
Disposal of an investment in a previously-consolidated subsidiary	(12)	(4)	-	(16)
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	320	-	159	479

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

Breakdown of credit risk indicators

	September 30		December 31
	2020	2019	2019
	In %		
Percentage of impaired non-performing loans to the public out of outstanding loans to the public	**0.94**	0.84	0.89
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.31**	0.36	0.34
Percentage of troubled credit risk to the public out of the overall credit risk for the public	**2.09**	1.57	1.54
Percentage of loan loss expenses in respect of average outstanding loans to the public[a]	**1.05**	0.21	0.22
Percentage of net write-offs for loans to the public out of average balance of loans to the public	**(0.16)**	(0.18)	(0.24)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.75**	1.15	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	**185.79**	137.19	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	**139.64**	95.73	94.79
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**(9.00)**	(15.40)	(20.04)

(a) Annualized.

Total Credit Risk to the Public by Economic Sector

	September 30 2020						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Impaired non-performing credit risk	Loan loss expenses (income)	Accounting write-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel - public-commercial							
Manufacturing	26,667	25,697	597	328	176	77	(502)
Construction and real estate - construction[f]	57,865	57,389	354	135	143	28	(472)
Construction and real estate - real estate activity	32,425	31,617	513	211	114	(6)	(396)
Commerce	31,021	29,333	1,023	451	334	42	(649)
Financial services	30,549	30,535	14	5	78	(47)	(293)
Other sectors	45,652	43,387	1,532	536	449	120	(876)
Commercial - total[g]	224,179	217,958	4,033	1,666	1,294	214	(3,188)
Private individuals - housing loans	91,033	86,325	808	22	189	5	(650)
Private individuals - other	43,324	40,905	674	325	237	124	(768)
Total public - activity in Israel	358,536	345,188	5,515	2,013	1,720	343	(4,606)
Banks and governments in Israel	46,898	46,898	-	-	3	-	(5)
Total activity in Israel	405,434	392,086	5,515	2,013	1,723	343	(4,611)
For borrowers activity outside Israel							
Total, public - activity outside Israel	65,965	61,123	3,349	953	559	115	(927)
Foreign banks and governments	56,252	56,237	15	15	-	-	-
Total activity outside Israel	122,217	117,360	3,364	968	559	115	(927)
Total activity in and outside Israel	527,651	509,446	8,879	2,981	2,282	458	(5,538)

(a) On- 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 306,181, 91,116, 2,333, 12,550 and 115,471 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) On- 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 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 2,838 million extended to purchasing groups currently in the process of construction.

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

	September 30 2019						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit performance rating[e]	Of which: troubled credit risk[d]	Of which: Impaired non-performing credit risk	Loan loss expenses (income)	Accounting write-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel - public-commercial							
Manufacturing	25,612	24,785	652	399	53	150	(410)
Construction and real estate - construction[f]	52,558	51,870	444	129	18	14	(361)
Construction and real estate - real estate activity	30,749	30,224	522	410	(20)	(39)	(385)
Commerce	31,195	30,234	910	437	228	177	(380)
Financial services	32,544	32,532	11	4	(17)	(9)	(175)
Other sectors	44,833	43,653	1,013	333	2	18	(519)
Commercial - total[g]	217,491	213,298	3,552	1,712	264	311	(2,230)
Private individuals - housing loans	85,706	84,476	807	-	14	17	(470)
Private individuals - other	44,622	41,874	606	308	113	103	(642)
Total public - activity in Israel	347,819	339,648	4,965	2,020	391	431	(3,342)
Banks and governments in Israel	46,171	46,170	-	-	(2)	-	(1)
Total activity in Israel	393,990	385,818	4,965	2,020	389	431	(3,343)
For borrowers activity outside Israel							
Total, public - activity outside Israel	64,279	60,878	1,493	574	62	73	(379)
Foreign banks and governments	44,824	44,824	-	-	-	-	-
Total activity outside Israel	109,103	105,702	1,493	574	62	73	(379)
Total activity in and outside Israel	503,093	491,520	6,458	2,594	451	504	(3,722)

(a) On- 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 credit limitations in the amounts of NIS 294,142, 82,488, 662, 12,322 and 113,479 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) On- 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 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 2,422 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: Impaired non-perfor-ming credit risk	Loan loss expenses (income)	Accoun-ting write-offs, net	Balance of loan loss provision
	In NIS million						
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)
Commerce	30,151	29,343	776	433	235	210	(357)
Financial services	33,866	33,848	18	5	(6)	12	(168)
Other sectors	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	42,077	629	311	135	111	(656)
Total public - activity in Israel	348,837	341,468	4,670	1,952	424	575	(3,228)
Banks and governments in Israel	43,263	43,263	-	-	(1)	-	(2)
Total activity in Israel	392,100	384,731	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	504,031	493,400	6,380	2,871	609	667	(3,716)

(a) On- 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, 1,117, 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) On- 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 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 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 sector's risk under a systemic stress scenario. In this context, loan losses are broken down into 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.

Impact of the Coronavirus Crisis

As a rule, the assessment is that the residential construction sector will sustain less damage than others, and that companies which were "strong" prior to the crisis, following a decade of prosperity, will emerge from it relatively well compared to companies in other economic sectors. However, more than ever, companies are exposed to cash flow issues due to the effects of the crisis and second lockdown, primarily due to the decrease in sales and construction delays. In addition, the longer the crisis continues, it is expected to affect the income-generating properties, office and large commerce markets, where, according to assessments, occupancy rates and rent are set to decline.

The Bank is assessing its ability to withstand adverse developments in the sector using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department.
In addition, 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, and risk focal points and market developments are being monitored in this context on a regular basis in order to prepare in advance and adapt the activity, as needed.
In addition, the Bank is exploring ways to extend assistance to customers who encounter a temporary crisis and whom the Bank believes will overcome the crisis. In this context, the effects of the crisis are taken into account and customers are scrutinized in depth.

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.

The Bank implemented the Bank of Israel's guidance dated April 21 2020, Regulatory Emphases for Handling Debts and Reporting to the Public and dated October 11 2020 on the coronavirus crisis - Regulatory Emphases Regarding Additional Changes in the Terms and Conditions of Loans.
In addition, the Bank adopted the uniform outline for deferral of loan repayments developed by the Bank of Israel, which was published on May 7 2020 and revised and extended on July 13 2020 as well as the additional extension of said comprehensive outline dated September 29 2020 (effective October 1 2020). In accordance with the guidance and the

abovementioned outlines, the Bank acted to approve applications of business customers to alter their loan terms and conditions mainly by offering loan deferment. According to the comprehensive revised outline, the deadline for applying for a loan deferment has been extended to the end of the year, i.e., December 31 2020. The extension comprises all types of loans: mortgages, consumer credit and business credit.

As a rule, the loan deferment was provided to borrowers who met their loan payments immediately prior to the crisis and are in a temporary crisis due to the coronavirus crisis, but whom the Bank believes will overcome the crisis.

On March 15 2020, as part of regulatory reliefs and services to the public applied to the banking system due to the coronavirus outbreak, the Bank of Israel established, under the temporary order, that banks may increase credit granted to the construction and real estate industry, such that the total credit (excluding 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 temporary order was extended on September 16 2020 by six months to March 31 2021 (the order'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 September 30 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).

As of September 30 2020, the Bank meets the 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 an equity standpoint), including the corporation or any other entity under their control. If a corporation is held by more than one person, the owners should include any 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:

	September 30 2020		
	Exposure[a][b]		
	On-balance-sheet	Off-balance-sheet[c]	Total
	In NIS million		
USA	30,882	5,962	36,844
United Kingdom	17,430	7,635	25,065
France	3,191	2,060	5,251
Switzerland	1,123	1,964	3,087
Germany	4,800	1,574	6,374
Other	22,280	2,141	24,421
Total exposure to foreign countries	79,706	21,336	101,042
Of which: total exposure to GIPS countries[d]	1,102	240	1,342
Of which: total exposure to LDC countries[e]	1,074	703	1,777
Of which: total exposure to countries with liquidity issues[f]	1,253	265	1,518

Please see comments below.

Exposure to Foreign Countries (cont.)

	September 30 2019		
	Exposure[a][b]		
	On-balance-sheet	Off-balance-sheet[c]	Total
	In NIS million		
USA	26,904	6,474	33,378
United Kingdom	13,782	9,794	23,576
France	2,288	1,786	4,074
Switzerland	1,513	1,557	3,070
Germany	5,067	1,271	6,338
Other	13,710	2,054	15,764
Total exposure to foreign countries	63,264	22,936	86,200
Of which: total exposure to GIPS countries[d]	765	152	917
Of which: total exposure to LDC countries[e]	1,201	900	2,101
Of which: total exposure to countries with liquidity issues[f]	227	227	454

	December 31 2019		
	Exposure[a][b]		
	On-balance-sheet	Off-balance-sheet[c]	Total
	In NIS million		
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) On- 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 credit rating is CCC or lower). The amount covers 20 countries (as at September 30 2019 - 10 countries, as at December 31 2019 - 13 countries).

Part B - As at September 30 2020, September 30 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.

Impact of the Coronavirus Crisis

During the first quarter - 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 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.

In the second quarter, the spreads of banks and foreign financial institutions to which the Bank is exposed declined materially. In the third quarter, there was an additional gradual decrease in credit spreads.

The Bank continued to monitor foreign financial institutions and adjusted its 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.
- Ratings are in accordance with those of 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.

Credit exposure to foreign financial institutions[a]

	As at September 30 2020[e]		
	On balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	23,668	606	24,274
A- to A+	5,145	716	5,861
BBB- to BBB+	556	201	757
B- to BB+	98	7	105
No credit rating	141	-	141
Total current credit exposure to foreign financial institutions	29,608	1,530	31,138

Please see comments below.

Credit exposure to foreign financial institutions[a] (cont.)

	As at September 30 2019[e]		
	On balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	18,066	723	18,789
A- to A+	4,808	468	5,276
BBB- to BBB+	187	108	295
B- to BB+	32	11	43
No credit rating	204	-	204
Total current credit exposure to foreign financial institutions	23,297	1,310	24,607

	As at December 31 2019[e]		
	On balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	19,527	762	20,289
A- to A+	4,526	470	4,996
BBB- to BBB+	220	231	451
B- to BB+	160	11	171
No credit rating	148	-	148
Total current credit exposure to foreign financial institutions	24,581	1,474	26,055

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) As at September 30 2020, 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 bonds of banks rated "subordinated" total NIS 625 million (as at September 30 2019 - NIS 476 million and as at 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.
(e) As of September 30 2020, September 30 2019 and December 31 2019, there is no troubled credit risk vis a vis foreign financial institutions.

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 equity investment, 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

Economic developments in Israel in recent years (a low interest environment and a moderate increase in housing prices) have led to a significant increase in housing credit provision, both for housing and investment purposes.
The housing loan portfolio is monitored and the trends in its characteristics and risk centers analyzed on a regular basis, including monitoring of the breakdown of credit by linkage base, monthly repayment capacity, interest rate, LTV ratio, and credit rating, in accordance with the Bank's 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 different, geographically diversified populations, following close scrutiny of each borrower's repayment capacity.

During the reporting period, new loan origination increased compared to the same period last year, on the back of demand for housing loans in Israel - both by homeowners and investors relative to the same period last year.

Performance of new loans and refinancing loans for the purchase of residential apartments and mortgaging of residential apartments in Israel

	For the nine months ended On September 30		Rate of change
	2020	2019	
	In NIS million		In %
By the Bank	**11,978**	10,253	16.8
By the Government of Israel	**109**	115	(5.2)
Total new loans	**12,087**	10,368	16.6
Recycled loans	**2,134**	1,798	18.7
Total performance	**14,221**	12,166	16.9

Impact of the Coronavirus Crisis

As a result of the coronavirus crisis, households are also experiencing economic uncertainty due to the significant increase in the rate of jobseekers. If the current surges of infection continue, followed by restrictions, the damage to the unemployment rate and households is expected to be even higher. According to past experience, this criterion may have an adverse effect of the housing loans portfolio.

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 adverse developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department.

In addition, 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, and risk focal points and market developments are being monitored in this context on a regular basis in order to prepare in advance and adapt the activity, as needed.

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

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.

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

On April 27 2020, the Bank of Israel published a temporary order 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 approval is expected to help the Bank's customers obtain a mortgage when they are on unpaid leave or cut back to a part-time position due to the coronavirus crisis. The Bank adopted the relief in order to help its customers, after becoming convinced that these customers will be able to overcome the crisis.
The Bank implemented the Bank of Israel's guidance dated April 21 2020, Regulatory Emphases for Handling Debts and Reporting to the Public and dated October 11 2020 on the coronavirus crisis - Regulatory Emphases Regarding Additional Changes in the Terms and Conditions of Loans.

In addition, the Bank adopted the uniform outline for deferral of loan repayments developed by the Bank of Israel, which was published on May 7 2020 and revised and extended on July 13 2020 as well as the additional extension of said comprehensive outline dated September 29 2020 (effective October 1 2020). In accordance with the guidance and the abovementioned outlines, the Bank acted to approve applications of private individuals to alter their loan terms and conditions mainly by offering loan deferment. According to the comprehensive revised outline, the deadline for applying for a loan deferment has been extended to the end of the year, i.e., December 31 2020. The extension comprises all types of loans: mortgages, consumer credit and business credit.
As a rule, the loan deferment was provided to borrowers who met their loan payments immediately prior to the crisis and are in a temporary crisis due to the coronavirus crisis, but whom the Bank believes will overcome the crisis.

From August 2020, the Bank allows customers who met their repayment schedules to date, under certain conditions, to receive a deferment of the loan principal (partial grace) for a period of up to two years.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In %
December 31 2018	79,944	3.8
December 31 2019	83,746	4.8
September 30 2020	**87,496**	**4.5**

2018 and 2019 saw an increase in total housing loans. The increase continued into the first nine months of 2020, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects.

As part of its monitoring of risk centers in the housing loan portfolio, the Bank also monitors characteristics of the portfolio and new credit, including the new credit's breakdown by loan-to-value ratios (loan-to-value ratio (LTV) is the ratio of total credit approved for the borrower - even if it has not yet been actually extended either in full or in part - out of the value of the mortgaged property during the approval of the credit line) and the repayment ratio (the repayment ratio is defined as the ratio between the available monthly income and monthly repayment).

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 million	Percentage of the loans port-folio	Out-standing amount, in NIS million	Percen-tage of the loans port-folio	Out-standing amount, in NIS million	Percen-tage of the loans port-folio	Out-standing amount, in NIS million	Percen-tage of the loans port-folio	Out-standing amount, in NIS million	Percen-tage of the loans port-folio	Total loan port-folio, in NIS million
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
September 30 2020	**17,974**	**20.6**	**35,718**	**40.8**	**13,863**	**15.8**	**19,302**	**22.1**	**639**	**0.7**	**87,496**

Development of new housing loans by interest track, in Israel

Development of new loan performance by variable and fixed interest tracks (a variable interest loan is one whose interest rate may change over the loan term):

	2020	2019						2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance							
	In %							
Fixed - linked	**15.2**	16.7	18.8	20.3	20.3	22.0	19.7	17.1
Variable every 5 years or more - linked	**17.6**	18.5	18.7	18.1	19.4	19.0	20.4	17.2
Variable up to 5 years - linked	**-**	-	-	0.1	-	-	-	-
Fixed - non-linked	**29.9**	28.0	29.1	26.5	24.4	23.2	23.2	28.1
Variable every 5 years or more - non-linked	**3.9**	3.3	2.8	2.9	3.3	3.0	3.7	5.3
Variable up to 5 years - non-linked	**33.4**	33.4	30.6	31.9	32.3	32.6	33.0	32.0
Variable - foreign currency	**-**	0.1	-	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 54.1 percent, similarly to the 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 32.5 percent similarly to the 32.5 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 11.7 billion.

The average loan extended by the Bank in the first nine months of 2020 was NIS 772 thousand, compared to NIS 729 thousand in 2019 and NIS 717 thousand in 2018.

Outstanding housing loans portfolio and the outstanding loans in arrears of over 90 days, in Israel

	Recorded outstanding debt	Amount in arrears	Percentage of amount in arrears
	In NIS million		In %
December 31 2018	80,417	862	1.07
December 31 2019	84,212	830	0.99
September 30 2020	**88,145**	**786**	**0.89**

As of September 30 2020, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the “collective provision”), is NIS 650 million, constituting 0.74 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

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
								Annual
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	average
LTV ratio	In %[(a)]							
Over 60 and up to 70, inclusive	**19.8**	19.9	18.7	16.0	17.9	18.0	16.9	17.4
Over 70 and up to 75, inclusive	**18.6**	18.2	19.4	16.8	17.4	19.2	16.4	15.5
Over 75	**0.1**	0.1	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 September 30 2020 stands at 45.3 percent, similarly to the 45.4 percent in the same period last year. The ratio is calculated based on the value of the mortgaged property upon extension of the credit line.

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.

The percentage of loans with a repayment ratio of less than 2.5 on the loan approval date in the reporting period was 0.28 percent of the total number of new loans granted compared with 0.54 percent in 2019.

The calculation is in accordance with the Bank of Israel's Reporting Directive No. 329.

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

The percentage of new housing loans in which the loan term under the loan agreements are longer than 25 years, stood at an average of 37.5 percent of the total new loans granted during the reporting period, compared with an average rate of 38.3 percent in 2019 and 36 percent in 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 private individuals - given the wide span of control required to manage this function - and in order to ensure adequate corporate governance, several units have been expanded 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 indicators.

Impact of the Coronavirus Crisis

As a result of the coronavirus crisis, households are also experiencing economic uncertainty due to the significant increase in the rate of jobseekers. If the current surges of infection continue, followed by restrictions as well, the damage to the unemployment rate and households is expected to be even higher. According to past experience, this criterion may have an adverse effect on the private individuals loan portfolio.

Due to the continuous nature of the crisis, it is too early to assess the extent of its effect on the Bank’s private individuals loan portfolio.

The Bank is assessing its ability to withstand adverse developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department.

In addition, 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. and risk focal points and market developments are being monitored on a regular basis in order to prepare in advance and adapt the activity, as needed.

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

As part of the Bank’s efforts to support the needs of its customers and overcome the crisis, the Bank implemented the Bank of Israel’s guidance dated April 21 2020, Regulatory Emphases for Handling Debts and Reporting to the Public and dated October 11 2020 on the coronavirus crisis - Regulatory Emphases Regarding Additional Changes in the Terms and Conditions of Loans.
In addition, the Bank adopted the uniform outline for deferral of loan repayments developed by the Bank of Israel, which was published on May 7 2020 and revised and extended on July 13 2020 as well as the additional extension of said comprehensive outline dated September 29 2020 (effective October 1 2020). In accordance with the guidance and the abovementioned outlines, the Bank acted to approve applications of private individuals to alter their loan terms and conditions mainly by offering loan deferment. According to the comprehensive revised outline, the deadline for applying for a loan deferment has been extended to the end of the year, i.e., December 31 2020.
As a rule, the loan deferment was provided to borrowers who met their loan payments immediately prior to the crisis and are in a temporary crisis due to the coronavirus crisis, but whom the Bank believes will overcome the crisis. According to the Bank of Israel’s guidance, consumer loans of up to NIS 100,000 also include a deferment component which is not subject to the Bank’s discretion.

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 million
December 31 2018	44,407
December 31 2019	44,387
September 30 2020	**43,317**

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans to private individuals, by term to maturity (in Israel, excluding housing loans)

	September 30 2020		December 31 2019	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**4,538**	**17.6**	5,158	18.6
Over one year to 3 years	**4,821**	**18.7**	4,992	18.0
Over 3 years to 5 years	**9,339**	**36.1**	10,464	37.8
Over 5 years to 7 years	**3,719**	**14.4**	4,117	14.9
Over 7 years	**1,263**	**4.9**	385	1.4
No repayment term[(a)]	**2,154**	**8.3**	2,561	9.3
Total	**25,834**	**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)

z		**September 30 2020**		December 31 2019	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**5,324**	**12.3**	5,155	11.6
25	50	**6,602**	**15.2**	6,526	14.7
50	75	**6,053**	**14.0**	5,939	13.4
75	100	**5,249**	**12.1**	5,226	11.8
100	150	**7,590**	**17.5**	7,758	17.5
150	200	**5,146**	**11.9**	5,480	12.3
200	300	**4,218**	**9.7**	4,637	10.4
Over 300		**3,135**	**7.3**	3,666	8.3
Total overall credit risk		**43,317**	**100.0**	44,387	100.0

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)

	September 30 2020		December 31 2019	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**5,458**	**12.6**	6,454	14.5
Car purchase loans (secured)	**1,181**	**2.7**	1,368	3.1
Other loans	**19,195**	**44.3**	19,855	44.7
Total on-balance-sheet credit risk	**25,834**	**59.6**	27,677	62.3
Unutilized current account credit facilities	**6,876**	**15.9**	6,564	14.8
Unutilized credit card facilities	**10,349**	**23.9**	9,971	22.5
Other off-balance-sheet credit risk	**258**	**0.6**	175	0.4
Total off-balance-sheet credit risk	**17,483**	**40.4**	16,710	37.7
Total overall credit risk	**43,317**	**100.0**	44,387	100.0

Distribution of on-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)

	September 30 2020				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	**24,480**	**39**	**50**	**24,569**	**95.1**
Fixed interest loans	**1,233**	**23**	**9**	**1,265**	**4.9**
Total on-balance-sheet credit risk	**25,713**	**62**	**59**	**25,834**	**100.0**

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

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

	September 30 2020	December 31 2019
	In NIS million	
Deposits by the public	**95,517**	83,167
Securities portfolios	**48,188**	56,885
Total financial asset portfolio	**143,705**	140,052
Total indebtedness to customers with financial asset portfolios	**34,123**	34,227

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

	September 30 2020		December 31 2019	
Income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**2,050**	**7.9**	1,852	6.7
Of which: loan accounts[(b)]	**1,417**	**5.5**	964	3.5
Less than NIS 10 thousand	**7,509**	**29.1**	7,959	28.8
More than NIS 10 thousand and less than NIS 20 thousand	**9,148**	**35.4**	9,831	35.5
NIS 20 thousand or more	**7,127**	**27.6**	8,035	29.0
Total	**25,834**	**100.0**	27,677	100.0

(a) The fixed income amount deposited in a customer's current account (by ID number) includes 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 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 on-balance-sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals (in Israel, excluding housing loans)

	September 30 2020	December 31 2019
	In NIS million	
Non-troubled loans	**25,179**	27,065
Troubled unimpaired loans	**331**	302
Troubled impaired non-performing loans	**324**	310
Total on-balance-sheet credit risk	**25,834**	27,677
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.5%**	2.2%
Accounting write-offs, net	**124**	111
Balance of loan loss provision	**751**	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 "Total Credit Risk to the Public by Economic Sector".

The Bank's Exposure to Leveraged Finance

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.

Aggregate outstanding loans to leveraged borrowers, each of which has an outstanding loan balance of at least 0.5 percent of the Bank's Tier 1 capital

	September 30						December 31		
	2020			2019			2019		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million								
Mining and quarrying	**-**	**-**	**-**	181	153	334	-	-	-
Industry and manufacturing	**307**	**-**	**307**	490	220	710	320	200	520
Commerce	**580**	**20**	**600**	735	28	763	384	222	606
Transportation and storage	**336**	**5**	**341**	729	2	731	346	2	348
Hotels, hospitality and food services	**936**	**8**	**944**	235	-	235	247	-	247
Construction and real estate	**150**	**195**	**345**	76	-	76	80	-	80
Financial services and insurance services	**85**	**151**	**236**	-	-	-		-	-
Water supply, sewage services, waste treatment and purification services	**340**	**-**	**340**	-	-	-	361	-	361
Total	**2,734**	**379**	**3,113**	2,446	403	2,849	1,738	424	2,162

Market risks

Market risk is defined as the risk of 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 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 as well as oversight of these risks, while implementing corporate governance which includes three lines of defense.

Impact of 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.

Due to the spread of the coronavirus, there was an increase in the volatility level of risk factors in financial markets, and substantial price decreases were recorded in equity and marketable credit markets, with sharp volatility in risk-free interest rate curves and exchange rates. As of the second quarter of the year, market volatility subsided, and equity markets recovered. However, uncertainty still prevails in the equity markets, and volatility may continue. Against the background of the crisis, the Bank is assessing its ability to withstand adverse developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department. In addition, the Bank tracks and monitors developments, applying stringent risk management practices and continuously examining the development of 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 responsibilities 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. The 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, marketable credit spreads and stock prices.

In the fourth quarter of 2019, the Board of Directors approved the inclusion of interest rate exposures for its pension liabilities less plan assets in the management of the banking portfolio and a transition to 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 marketable 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 restrictions placed and main risks by business line, product and risk center, as well as reports on unusual events.

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 globally rated AA 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 pension liabilities less plan assets. Since the beginning of the year, there was a significant increase in the exposure of fair value to interest rate changes, and fluctuations were recorded in terms of exposure, mainly in the first half of the year on the back of the effect of the crisis and capital market volatility.

It should be clarified that there is uncertainty regarding the ramifications of the continuing coronavirus pandemic and their effect of capital markets in Israel and abroad.

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 formed 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). 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 to calculate that spread for all the types of products available in the market have yet to be defined. 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 for more than one day, on which dates and by which means the interest rates will be converted in relation to the current multiple 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.

On October 23 2020, the International Swaps and Derivatives Association (ISDA) published a procedure and appendix defining parameters for revising the base interest rate and making adjustments once the LIBOR is no longer published for derivatives (whether OTC or central clearing). The two documents are expected to become effective only on January 25 2021, subject to ratification of the procedure or bilateral application of the appendix by both parties to the transaction, enabling its application both to transactions made from that date onward and to OTC derivative transactions which will be effective as of that date. The Bank is studying the main points of the ISDA publication, with the aim of preparing for its application to relevant transactions.

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 out the relevant exposures and products, evaluating risks involved in discontinuing the use of 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 on-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 said discontinuation of the LIBOR and transition to alternative interest rate benchmarks 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 relationships, 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 relatively new alternative interest rate benchmarks (such as the SOFR) were issued only recently. 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.

ASU 2020-04, which revises Topic 848, Reference Rate Reform, allows:

- To account for changes in agreements which affect the amount and timing of the contractual cash flows arising from the discontinuation of the benchmark interest rate as a result of the reform, as a continuation of the current contracts without further analysis, in lieu modification accounting.
- Not to reassess embedded derivatives which were defined as clearly and closely associated with the economic characteristics and risks of the host contract.
- To change the critical terms and conditions of the designated hedging instrument without discontinuing the hedge relationships designation.
- A one-time choice to sell and/or reclassify bonds classified as held-to-maturity before January 1 2020 and which are related to interest rates that are affected by the Reference Rate Reform, to the available-for-sale portfolio or held-for-trading portfolio.

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

	September 30 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	**22,258**	**(3,993)**	**18,265**
Of which: banking portfolio	**17,395**	**(3,794)**	**13,601**

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

	December 31 2019		
	NIS	Foreign currency	Total
	In NIS million		
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

	September 30 2020		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1%	688	(150)	538
Of which: banking portfolio	725	(93)	632
Simultaneous decrease of 1 percent	(1,122)	149	(973)
Of which: banking portfolio	(1,157)	89	(1,068)
Non-simultaneous changes			
Steepening[b]	375	8	383
Flattening[c]	(366)	(89)	(455)
Short-term interest rate increase	74	(163)	(89)
Short-term interest rate decrease	(87)	218	131

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

	December 31 2019		
	NIS	Foreign currency	Total*
	In NIS million		
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]

	September 30 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1%	**231**	**291**	**522**
Of which: banking portfolio	**231**	**385**	**616**
Simultaneous decrease of 1 percent	**(231)**	**(289)**	**(520)**
Of which: banking portfolio	**(231)**	**(385)**	**(616)**

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

	December 31 2019		
	Interest income	Noninterest finance income	Total*
	In NIS million		
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) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability and attribution of demand deposits to periods.
(b) Steepening - a 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 and constitutes a covenant in accordance with the accepted standards and various assumptions. The actual loss as a result of a 1 percent decrease in the interest rate may be higher, since there is no certainty about the ability to impose a negative interest rate on deposits and current accounts, especially when it comes to retail customers.

* 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 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. 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 Group is 100 percent.

Leumi maintains an adequate 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 for different periods of time, 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 using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards.

Impact of the Coronavirus Crisis

Due to the spread of the coronavirus, there was an increase in the volatility level of risk factors in financial markets, and substantial price decreases were recorded in equity and marketable credit markets, with sharp volatility in risk-free interest rate curves and exchange rates. As of the second quarter of the year, market volatility subsided, and equity markets recovered. However, uncertainty still prevails in the equity markets, and volatility may continue. During the third quarter, the ratio grew, especially due to an increase in deposits by the public less redemption of bonds. Throughout the reviewed period, the LCR in foreign exchange and across all currencies was above the regulatory requirement.

The banking corporation's liquidity coverage ratio (regulatory model)[(a)]

	For the three months ended		
	September 30		December 31
	2020	2019	2019
	In %		
a. Consolidated data			
Liquidity coverage ratio	**137**	121	123
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**136**	120	121
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

(a) Based on an average of daily observations.

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.

During the reporting period, there were no significant changes in the corporate governance structure, policies and operational risk management.

Impact of 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 adverse developments using systemic stress scenarios. In this context, the Bank applied uniform stress scenarios following at the request by the Banking Supervision Department. 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.

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.

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 due to the dynamic work mode, which changes from time to time, an ongoing process is underway to examine the required changes to work processes and their adjustments to the risk tolerance.

Information security and cyber risk

Leumi continues to promote the provision of financial services through digital platforms and expands the use of advanced technologies. As a result, the risk of cyber-attacks is growing, and Leumi's exposure to the materialization of cyber risks grows, respectively.

Cyber-space is highly dynamic and characterized by uncertainty in terms of the type, scope and force of the attacks. A materialization of a cyber event may result in monetary damage, theft of sensitive banking information, disruption of activity and operational continuity and even damage to the Bank's reputation.

Managing cyber risk and protection are implemented by investing significant resources. The resources are invested according to the business strategy and risk tolerance. As part of the mitigation programs, Leumi operates a Cyber Fusion Center, with the purpose of optimally enabling the realization of its cyber approach and providing real time response to events.

The coronavirus crisis has led to a significant increase in cyber attacks on financial organizations around the world, as well as on entities in their supply chains. The characteristics of the attacks are varied and include ransomware attacks, an increase in phishing and social engineering attempts. The exposure to the probability of a cyber event materializing increases as a result of a wider use of digital channels by customers and extensive transitioning to remote work by employees and suppliers. Leumi takes risk-mitigating actions on a regular basis.

Technology risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees will enable business and operational availability and continuity, and invests considerable resources to that end.

The coronavirus crisis leads to extensive use of digital channels. As a result, Leumi continues to take several proactive steps to minimize potential exposure to business continuity risks deriving from these increased activities and to continue to provide adequate service to its customers while boosting infrastructures and implementing supportive technological solutions. In order to provide a solution to current needs and to enable business continuity, key Leumi functions transitioned to a new work mode, which combines work from home, physical split of organic units into pods. Adjustments were made to the work and control procedures, which were examined by all relevant functions. 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.

For more information about operational risk and main risk areas, please see the “Operational Risks” section in the Annual Risk Management Report as at December 31 2019.

Other 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, mostly 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; 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; and a complementary provision of the Banking Supervision Department, according to which a banking corporation should enable a customer to submit online an application to transfer a securities portfolio to another investment entity, without requiring him/her to arrive at a branch, and that the banking corporation will not unreasonably deny a customer’s request to such transfer; easements in calculating minimum capital requirements for banks whose total consolidated assets equal but do not exceed 24 percent of the banking system’s total assets; 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; in addition, the Memorandum of the Provision of Financial Information Services Law, 2020, which proposes the option for financial information service providers to receive, with the customer’s agreement, online access to financial information about the customer from various financial sources, in order to provide services, including: financial information aggregation services; price, cost or return comparisons; providing information to financial providers to obtain quotes to the customer for the financial services the customer wishes to consume (i.e., competing quotes) or in order to help contract with them; as well as consulting regarding financial management. And the Banking (Licensing) (Amendment No.) (Expanding Funding Sources for Non-Banking Credit Entities), 2020, which allows non-banking credit entities to expand their funding sources, inter alia by increasing maximum par value of bonds a non-banking company may issue to the public (in addition to granting credit and subject to other terms and conditions prescribed by law) from NIS 5 billion to NIS 15 billion.
- Encouraging innovation
  In this context, the following regulatory actions may be mentioned: the Banking Supervision Department’s letter entitled “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; as well as the Banking Ordinance (Service to Customers), according to which the following services were declared regulatable services and the maximum fees and commissions which may be charged for them have been restricted, as follows: transaction by a teller in the call center - NIS 2.5 per transaction; warning letter by an attorney - NIS 50 per letter; debit card fees - no charge is allowed. The order applies to private individuals or businesses and is limited in time, as outlined in the order.
- 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 sector 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.

Impact of the Coronavirus Crisis

Against the backdrop of the unfolding 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 credit supply 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 said regulatory provisions are part of the overall effect of the event 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. In view of the coronavirus crisis, compliance risk management has been modified, while identifying developing risks which characterize crisis periods.

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 of 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 as well as the implementation of the Group’s compliance policy.

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

Among other things, the Bank focuses on risk areas in financial technology domains (such as FinTech, P2P, hedge funds, 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. Currently, it is impossible to assess whether there is exposure in respect of such complaints and whether the Banking Supervision Department will issue an industry-wide decision about the complaints and/or whether class actions or other type of lawsuits will be brought as a result of such proceedings. It is therefore impossible to assess the potential exposure for the such complaints. As a result, no provision was made for the said exposure.

For more information, please see the section entitled Legal Risk in the December 31 2019 Annual Risk Management Report.

Reputational Risk

Reputational risk is the risk of compromising the trust of various stakeholders (such as customers, bondholders, shareholders, etc.) in the Leumi Group, as a result of conduct, an act, or an 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 section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

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 income 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. Additional topics include the launch of the Central Credit Register in 2019 and 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 section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

Models Risk

Model 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, reliance on non-representative data, errors in implementing the model or faulty use of the model.
Due to the coronavirus crisis and the continuing uncertainty and rapid substantial changes in the economic conditions in financial markets, business activity and customer behavior, there is an increase in the potential risks arising from the use of the model. The Bank employs various means to identify models subject to compromise and to mitigate models risks which are on the rise in light of the coronavirus crisis.

For more information about legal risk and its management, please see section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

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 section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

Conduct Risk

Conduct risk is the risk that the Bank's conduct will lead to an unwanted outcome for a customer due to inadequate service, inappropriate service or unfair conduct. The risk also includes inappropriate conduct affecting market integrity (the public's trust in the banking sector). The materialization of the risk may cause the Bank losses as a result of lawsuits (including class action lawsuits), sanctions or fines imposed (due to violating conduct-related provisions) and/or reputational damage.

The consumer-focused regulation trend continues, with emphasis on conduct. In this framework, emphasis is made on adapting the various financing products to customers' needs, while providing maximum disclosure and stressing transparent and fair conduct.

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.

The Bank offered customers who encountered temporary crises and whom the Bank believes will overcome the crisis to adjust their loan terms and conditions in accordance with the payment deferment outlines introduced by the Bank of Israel. It is estimated that while some of the customers will resume their contractual payments at the end of the deferment period, others may not be able to meet their obligations due to the continuation of the crisis and the financial challenges. The Bank has formulated a plan for handling customers who approved for deferment. At the same time, the Bank continues to promote the provision of financial services using digital platforms and estimates that this measure will, among its other advantages, mitigate the conduct risk.

For more information about legal risk and its management, please see section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

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.
The coronavirus outbreak in January 2020 and the substantial uncertainty regarding its various implications constitute a highly significant global macroeconomic risk which disrupts business and economic activity. It is highly difficult to assess the future economic developments, due to the substantial uncertainty regarding the duration and extent of its impact on world countries' trajectories. Therefore, 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 pose a future risk to the stability of financial markets. This constitutes severe harm to business activity of sensitive industries such as tourism, aviation, leisure, entertainment, food services, etc., as well as significant indirect impacts on a wide range of industries in the fields of commerce, services and non-residential real estate. The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In this context, the Bank conducts uniform stress scenarios following a request by the Banking Supervision Department. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

For more information about legal risk and its management, please see section entitled "Other Risks" in the Annual Report of the Board of Directors and Management as at December 31 2019.

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 Financial Statements are as follows: Loan loss provision and classification of troubled debts, derivatives, securities, liabilities for employee benefits, liabilities for legal claims and income tax.

Collective Loan Loss Provision

The collective loan loss provision is based on historical loss rates in various sectors of the economy, broken down by troubled debt and non-troubled debt, for the period ranging from January 1 2011 through the reporting date. Furthermore, in order to determine the appropriate allowance rate, the Bank takes into account an adjustment in respect of environmental factors.

This assessment process to determine the collective loan loss provision rate became highly complex following the coronavirus crisis, which is a significant, ongoing event that disrupts business and economic activity.
The coronavirus crisis is accompanied by substantial uncertainty in terms of its duration and impact; as a result, the Bank has increased its collective loan loss provision. The increase stems mostly from the deterioration in the economic indicators underlying the calculation of the provision, especially those relating to the unemployment rate and the risk embodied in various economic sectors.

Due to the high level of uncertainty during this period, there may be significant deviations in estimates made to determine the outstanding loan loss provision as presented in the financial statements. These estimates will be adjusted later on, subject to economic developments and their impact on the level of risk embodied in the portfolio.

For more information, please see section entitled “Credit Risks”.

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 globally 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 September 30 2020, the balance of accumulated other comprehensive income for employee benefits amounted to a negative balance of NIS 3,323 million, after the tax effect, a NIS 625 million decrease after taxes in the fund’s negative balance compared with December 31 2019.

The outstanding liability for employee benefits as at September 30 2020, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority’s approach") is NIS 352 million less 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 entire internal system of control over financial reporting.

Evaluation of disclosure controls and procedures

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

Internal control changes

In the quarter ended September 30 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 September 2020, Leumi's Board of Directors held 40 plenum meetings and its committees held 62 meetings.

At a Board meeting held on November 16 2020, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at September 30 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.

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

November 16 2020

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly financial statements of Bank Leumi le-Israel B.M (hereinafter: the “Bank") for the quarter ended September 30 2020 (hereinafter: the “Financial Statements").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - 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 Financial Statements fairly represent, in all material respects, 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 Financial Statements.

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, “Report of the Board of Directors"). 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 said companies, especially during the preparation of the Financial Statements;

    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 assessment; and

    d. The Financial Statements 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’ Audit Committee, based on our most recent assessment 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, calculate and report financial information; and

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

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

November 16 2020

Hanan Friedman
President and Chief Executive Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly financial statements of Bank Leumi le-Israel B.M (hereinafter: the “Bank") for the quarter ended September 30 2020 (hereinafter: the “Financial Statements").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - 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 Financial Statements fairly represent, in all material respects, 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 Financial Statements.

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, “Report of the Board of Directors"). 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 said companies, especially during the preparation of the Financial Statements;

    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 assessment; and

    d. The Financial Statements 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’ Audit Committee, based on our most recent assessment 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, calculate and report financial information; and

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

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

November 16 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 financial statements of Bank Leumi le-Israel B.M (hereinafter: the “Bank") for the quarter ended September 30 2020 (hereinafter: the “Financial Statements").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - 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 Financial Statements fairly represent, in all material respects, 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 Financial Statements.

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, “Report of the Board of Directors"). 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 said companies, especially during the preparation of the Financial Statements;

   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 assessment; and

   d. The Financial Statements 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’ Audit Committee, based on our most recent assessment 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, calculate and report financial information; and

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

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

November 16 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 September 30 2020 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the nine- and three-month periods 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 September 30 2019 and for the nine- and 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 November 26 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 matters, 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 have been 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 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.

Brightman Almagor Zohar

A Firm in the Deloitte Global Network
Certified Public Accountants

Somekh Chaikin

An Israeli partnership and member of the KPMG Network of independent member firms incorporated under KPMG International Cooperative ("KPMG International"), a Swiss entity
Certified Public Accountants

Joint Independent Auditors

November 16 2020

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the period ended September 30 2020

	Note	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2020	2019	**2020**	2019	2019
		Unaudited				Audited
		In NIS million				
Interest income	2	**2,582**	2,526	**7,673**	8,761	11,437
Interest expense	2	**366**	434	**1,167**	2,083	2,596
Interest income, net	2	**2,216**	2,092	**6,506**	6,678	8,841
Loan loss expenses	6, 13	**547**	181	**2,282**	451	609
Interest income, net after loan loss expenses		**1,669**	1,911	**4,224**	6,227	8,232
Noninterest income						
Noninterest finance income	3A	**457**	305	**487**	1,303	1,686
Fees and commissions		**788**	800	**2,457**	2,426	3,225
Other income		**8**	27	**36**	152	170
Total noninterest income		**1,253**	1,132	**2,980**	3,881	5,081
Operating and other expenses						
Salaries and related expenses		**942**	1,043	**2,788**	3,304	4,325
Buildings and equipment - maintenance and depreciation		**371**	379	**1,146**	1,124	1,521
Other expenses		**436**	514	**1,287**	1,404	2,062
Total operating and other expenses		**1,749**	1,936	**5,221**	5,832	7,908
Profit before taxes		**1,173**	1,107	**1,983**	4,276	5,405
Provision for profit tax		**432**	324	**752**	1,444	1,830
Profit after taxes		**741**	783	**1,231**	2,832	3,575
The Bank's share in associates' profits (losses), after taxes		**8**	(8)	**(5)**	(22)	(15)
Profit (loss) before tax						
Before attribution to non-controlling interests		**749**	775	**1,226**	2,810	3,560
Attributable to non-controlling interests		**(1)**	10	**14**	30	38
Attributable to the Bank's shareholders		**750**	765	**1,212**	2,780	3,522
Basic and diluted earnings per share (in NIS)						
Basic diluted net income attributable to the Bank's shareholders	3B	**0.52**	0.52	**0.83**	1.87	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: November 16 2020

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

Condensed Consolidated Statement of Comprehensive Income

For the period ended September 30 2020

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Net income before attribution to non-controlling interests	**749**	775	**1,226**	2,810	3,560
Less net income (loss) attributable to non-controlling interests	**(1)**	10	**14**	30	38
Net income attributable to the Bank's shareholders	**750**	765	**1,212**	2,780	3,522
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**39**	402	**636**	1,265	1,468
Adjustments from translation of financial statements, net[(a)] after hedging effect[(b)]	**(7)**	(24)	**(5)**	(60)	(65)
Net gains (losses) for cash flow hedges	**-**	-	**52**	-	(3)
Adjustments of liabilities for employee benefits[(c)]	**356**	(1,399)	**953**	(3,179)	(3,317)
The Bank's share in other comprehensive income (loss) of associates	**(8)**	(2)	**(7)**	1	(5)
Other comprehensive income (loss), before taxes	**380**	(1,023)	**1,629**	(1,973)	(1,922)
Related tax effect	**(140)**	318	**(563)**	596	573
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**240**	(705)	**1,066**	(1,377)	(1,349)
Less other comprehensive income (loss) attributable to non-controlling interests	**(6)**	(11)	**9**	(14)	(13)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**246**	(694)	**1,057**	(1,363)	(1,336)
Comprehensive income before attribution to non-controlling interests	**989**	70	**2,292**	1,433	2,211
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	**(7)**	(1)	**23**	16	25
Comprehensive income attributable to the Bank's shareholders	**996**	71	**2,269**	1,417	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.

Please 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 September 30 2020

	Note	September 30		December 31
		2020	2019	2019
		Unaudited		Audited
		In NIS million		
Assets				
Cash and deposits with banks		**117,555**	63,066[d]	76,213
Securities[a][b]	**5**	**95,164**	85,781	84,949
Securities borrowed or purchased under reverse repurchase agreements		**2,333**	662[d]	1,117[d]
Loans to the public	**6, 13**	**291,461**	283,646[d]	285,806
Loan loss provision	**6, 13**	**(5,087)**	(3,272)	(3,328)
Loans to the public, net		**286,374**	280,374	282,478
Loans to governments		**726**	672	744
Investment in associates		**801**	668	765
Buildings and equipment		**2,886**	2,973	3,043
Goodwill		**16**	16	16
Assets for derivatives	**11**	**12,551**	12,321	10,970
Other assets		**9,644**	8,584	8,486
Total assets		**528,050**	455,117	468,781
Liabilities and equity				
Deposits by the public	**7**	**427,115**	359,896[d]	373,644
Deposits by banks		**10,685**	4,295[d]	6,176
Deposits by governments		**232**	439	315
Securities loaned or sold under repurchase agreements		**695**	365[d]	123[d]
Bonds, promissory notes and subordinated bonds		**17,368**	20,002	19,958
Liabilities for derivatives	**11**	**13,559**	13,251	11,528
Other liabilities[a][c]		**20,813**	21,266	21,163
Total liabilities		**490,467**	419,514	432,907
Shareholders' equity	**9**	**37,128**	35,144	35,406
Non-controlling interests		**455**	459	468
Total equity		**37,583**	35,603	35,874
Total liabilities and equity		**528,050**	455,117	468,781

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) For more information regarding securities pledged to lenders, please see Note 5.
(c) Of which: A provision for loan losses for off-balance-sheet credit instruments, NIS 446 million (as at September 30 2019 - NIS 449 million; as at December 31 2019 - NIS 386 million).
(d) 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 Statement of Changes in Equity
For the period ended September 30 2020

	For the three months ended September 30 2020 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock-based compensation and other transactions[a]
	In NIS million		
Balance as at June 30 2020	7,041	184	53
Profit (loss) before tax for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Employee benefit due to stock-based compensation transactions	-	-	-
Balance as at September 30 2020	**7,041**	**184**	**53**

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

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,241 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30 2019 - NIS 5,300 million, of which NIS 1,197 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings(b)	Total	Non-controlling interests	Total equity
7,278	(2,684)	31,538	36,132	461	36,593
-	**-**	**750**	**750**	**(1)**	**749**
-	**246**	**-**	**246**	**(6)**	**240**
-	**-**	**-**	**-**	**1**	**1**
7,278	**(2,438)**	**32,288**	**37,128**	**455**	**37,583**

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2020

	For the nine months ended September 30 2020 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions [(a)]
	In NIS million		
Balance as at December 31 2019 (audited)	7,054	421	53
Net income for the period	-	-	-
Other comprehensive income, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	**(13)**	**(237)**	-
Employee benefit due to stock-based compensation transactions	-	-	-
Balance as at September 30 2020	**7,041**	**184**	**53**

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

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,241 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30 2019 - NIS 5,300 million, of which NIS 1,197 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 Annual 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
-	**-**	**1,212**	**1,212**	**14**	**1,226**
-	**1,057**	**-**	**1,057**	**9**	**1,066**
-	**-**	**-**	**-**	**(39)**	**(39)**
-	**-**	**(297)**	**(297)**	**-**	**(297)**
(250)	**-**	**-**	**(250)**	**-**	**(250)**
-	**-**	**-**	**-**	**3**	**3**
7,278	**(2,438)**	**32,288**	**37,128**	**455**	**37,583**

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	-	-	-
-	-	2,780	2,780	30	2,810
-	(1,363)	-	(1,363)	(18)	(1,381)
-	-	-	-	(33)	(33)
-	-	(1,081)	(1,081)	-	(1,081)
-	-	-	-	-	-
(497)	-	-	(497)	-	(497)
-	-	-	-	2	2
-	-	-	-	(378)	(378)
7,729	(3,522)	30,937	35,144	459	35,603

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2020

	For the year ended December 31 2019 (audited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions [(a)]
	In NIS million		
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 is 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 Annual 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 Statement of Cash Flows
For the period ended September 30 2020

	For the three months ended September 30		For the nine months ended September 30		For the year ended Dec. 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Cash flows from operating activities					
Net income for the period	**749**	775	**1,226**	2,810	3,560
Adjustments:					
Group's share in undistributed gains (losses) of associates[a]	**(2)**	29	**17**	51	47
Depreciation of buildings and equipment (including impairment)	**157**	152	**520**	447	600
Loan loss expenses	**547**	181	**2,282**	451	609
Gains on sale of loan portfolios	**-**	(15)	**-**	(15)	(15)
Net gains on sale of available-for-sale bonds and equity securities not held-for-trading	**(137)**	(161)	**(389)**	(264)	(327)
Realized and unrealized (gains) losses from fair value adjustments of held-for-trading securities	**8**	(64)[b]	**(62)**	(129)	(151)
(Gain) loss on disposal of investment in investees	**-**	99	**-**	(287)	(287)
Gain on disposal of buildings and equipment	**-**	(1)	**-**	(66)	(68)
Provision for impairment of equity securities not held-for-trading	**2**	-	**37**	19	39
Provision for impairment of available-for-sale bonds	**-**	-	**33**	-	2
Unrealized (gains) losses from fair value adjustments of equity securities not held-for-trading	**(181)**	72[b]	**(128)**	16	(56)
Expenses for stock-based compensation transactions	**-**	-	**-**	-	2
Deferred taxes - net	**(163)**	(147)	**(746)**	(497)	(595)
Change in net liability in lieu of employee benefits	**(47)**	(278)	**(604)**	(149)	(64)
Excess of interest received (receivable) for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**100**	10[b]	**189**	(207)	(146)
Payable (paid) interest in excess of interest accrued during the period in respect of bonds and subordinated bonds	**(151)**	(103)	**(222)**	(46)	(88)
Effect of exchange rate differentials on cash and cash equivalent balances	**1**	236	**827**	788	730
Other, net	**(3)**	(8)	**1**	(5)	59
Net change in current assets:					
Assets for derivatives	**2,244**	(1,223)	**(1,586)**	425	1,775
Held-for-trading securities	**2,343**	1,736	**(3,202)**	2,893	3,390
Other assets	**84**	(85)	**(1,103)**	1,050	1,180
Net change in current liabilities:					
Liabilities for derivatives	**(2,151)**	1,551	**1,809**	889	(718)
Other liabilities	**602**	(166)	**1,165**	3,629	3,326
Net cash provided by operating activities	**4,002**	2,590	**64**	11,803	12,804

(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 Statement of Cash Flows (cont.)

For the period ended September 30 2020

	For the three months ended September 30		For the nine months ended September 30		For the year ended Dec. 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Cash flows from investing activities					
Net change in deposits with banks with original maturities of more than three months	**284**	217[b]	**(1,984)**	2,936[b]	3,199
Net change in loans to the public	**(537)**	(4,960)[b]	**(5,900)**	(8,825)[b]	(10,795)
Net change in loans to the Israeli Government	**13**	62	**18**	110	38
Net change in securities borrowed or purchased under reverse repurchase agreements	**(441)**	1,984	**(1,216)**	375[b]	(80)[b]
Purchase of held-to-maturity bonds	**(193)**	(336)[b]	**(2,666)**	(1,179)	(2,048)
Proceeds from redemption of held-to-maturity bonds	**429**	82	**1,086**	138	647
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(34,788)**	(24,793)	**(101,638)**	(72,149)	(83,884)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**28,062**	9,309	**70,489**	34,803	41,423
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**7,610**	9,449	**26,631**	25,968	31,789
Purchase of associates' equity	**(57)**	(9)	**(63)**	(278)	(377)
Proceeds from disposal of investment in associates	**-**	-	**-**	251	251
Proceeds from disposal of an investment in a previously-consolidated subsidiary (Appendix B)	**-**	41	**-**	712	712
Proceeds from sale of loan portfolios	**-**	162[b]	**4**	555[b]	915
Purchase of buildings and equipment	**(137)**	(198)	**(370)**	(742)	(942)
Proceeds from disposal of buildings and equipment	**2**	1	**7**	91	107
Central severance pay fund	**42**	41	**107**	122	157
Net cash for investing activities	**289**	(8,948)	**(15,495)**	(17,112)	(18,888)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**4,032**	(599)[b]	**4,508**	(800)	1,067
Net change in deposits by the public	**10,324**	(13,788)[b]	**53,611**	(9,147)	5,609
Net change in deposits by the government	**3**	8	**(84)**	(245)	(367)
Net change in securities loaned or sold under reverse repurchase agreements	**212**	(272)	**572**	44[b]	(198)[b]
Proceeds from issue of bonds and subordinated bonds	**-**	1,241	**4,986**	4,393	3,152
Redemption of bonds and subordinated bonds	**(2,000)**	(1,117)	**(7,354)**	(2,143)	(958)
Dividend paid to shareholders	**-**	(369)	**(297)**	(1,081)	(1,387)
Dividend paid to external shareholders in consolidated companies	**-**	-	**(39)**	(33)	(33)
Share buyback	**-**	(353)	**(250)**	(497)	(700)
Net cash from (for) financing activities	**12,571**	(15,249)	**55,653**	(9,509)	6,185
Increase in cash and cash equivalents, including cash and cash equivalents classified as held-for-sale assets and liabilities[a]	**16,862**	(21,607)	**40,222**	(14,818)	101
Less decrease in cash and cash equivalents classified as held-for-sale assets and liabilities[a]	**-**	-	**-**	(3)	(3)
Increase in cash and cash equivalents	**16,862**	(21,607)	**40,222**	(14,815)	104
Balance of cash and cash equivalents as at the beginning of the period	**96,201**	80,533	**73,667**	74,293	74,293
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(1)**	(236)	**(827)**	(788)	(730)
Balance of cash and cash equivalents as at end of period	**113,062**	58,690	**113,062**	58,690	73,667

(a) For more information, please see Note 36F to the Annual 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 Statement of Cash Flows (cont.)
For the period ended September 30 2020
Interest and taxes paid and/or received and dividends received

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Interest received	**2,207**	2,775	**8,069**	8,438	11,143
Interest paid	**(596)**	(892)	**(2,040)**	(2,582)	(3,423)
Dividends received	**7**	23	**20**	45	64
Income tax paid	**(406)**	(663)	**(791)**	(1,722)	(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 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.

On December 1 2019, a NIS 746 million balance was reclassified from the held-to-maturity bonds portfolio to the available-for-sale securities portfolio.

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 September 30		For the nine months ended September 30		For the year ended Dec. 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Derecognized cash	-	17	-	20	20
Assets (excluding cash)	-	1,076	-	15,398	15,398
Liabilities	-	936	-	13,370	13,370
Identified assets and liabilities	-	157	-	2,048	2,048
Assets and liabilities attributable to non-controlling interests	-	-	-	378	378
Derecognized assets and liabilities	-	157	-	1,670	1,670
Capital gain on disposal of investment in previously-consolidated subsidiaries	-	(99)	-	215	215
Total proceeds on disposal of investments in previously-consolidated subsidiaries	-	58	-	1,885	1,885
Less non-cash proceeds from disposal of investments in previously-consolidated subsidiaries	-	-	-	1,153	1,153
Cash proceeds	-	58	-	732	732
Less derecognized cash	-	17	-	20	20
Inflow from disposal of investments in previously consolidated subsidiaries	-	41	-	712	712

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

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

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as at September 30 2020 are prepared in accordance with Israeli GAAP on financial reporting for interim periods and in accordance with the directives and guidelines of the Banking Supervision Department regarding the preparation of quarterly financial statements by a banking corporation. For most topics, the directives are based on US GAAP for banks. For other, less material, topics, the directives are based on certain IFRSs, interpretations of the International Financial Reporting Interpretations Committee (IFRICs) and Israeli GAAP.

When IFRS allows for several alternatives, or does 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. The condensed consolidated interim financial statements were approved for publication by the Bank's Board of Directors on November 16 2020.

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.

Change 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 2020, the Bank applies the following accounting standards and directives:

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.

Note 1 - Significant Accounting Policies (cont.)

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:

- Preserve the valuations regarding identifying a lease and its classifications as an operating lease or finance lease upon first-time application.
- Using the practical relief of not separating non-lease components, such as services or maintenance, from lease components, but treating them as a single lease component.
- Using 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 by way of retroactive application. 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 1.2 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.

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 operating leases recognized in the balance sheet at a rate of a 100 percent of adjustment to the related deferred tax balances.

Note 1 - Significant Accounting Policies (cont.)

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 software assets.

The ASU was applied prospectively 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: Deferral 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 six 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.

Note 1 - Significant Accounting Policies (cont.)

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 debt 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.

On July 13 2020, the Bank of Israel published a press release entitled Expansion of Comprehensive Framework for Deferring Loan Payments.

Following are the amendments introduced by the outline:

Consumer credit, business credit and mortgages - the deadline for submitting the application for deferring the loan repayments until October 30 2020.

Mortgages - customers who have already received approval for deferral of their mortgage payments can defer the payments until the end 2020 even if the deferral is longer than six months. Customers who have yet to defer the mortgage payments will defer the payments for a period of six months.

Consumer credit of up to NIS 100 thousand - customers can defer payments for these loans for a period of up to six months without the Bank's exercising discretion, contrary to the previous outline, in which the deferral was for a period of three months.

On October 11 2020, the Banking Supervision Department published a letter entitled "The Coronavirus Event - Regulatory Emphases for Additional Changes in Loan Terms and Conditions", following the extension of the scheme for deferment of loan repayments.

As aforesaid, the payments deferment of a loan made until December 31 2020 - as part of the extensive repayment deferment scheme - which was not in arrears of 30 days or more at the time of implementing the deferment, shall not require the loan to be classified as restructuring of a troubled debt.

Nevertheless, even under these circumstances, the Bank is required to ensure it adequately identifies and classifies the loans in accordance with the risk embodied therein, as required by the Reporting to the Public directives. To this end, since the credit quality may deteriorate, the Bank is required to assess whether subsequent changes made in the loans' terms and conditions constitute restructuring of the debts in accordance with the Reporting to the Public directives and the Bank's internal accounting policies. Small debts do no require reassessment at the individual loan level, but may rather be reassessed as part of their class of debts with similar risk characteristics.

In the course of addressing the coronavirus crisis, and following the above, the Bank made, during the past quarter as well, changes in the terms and conditions of debts, including deferment of repayment dates and extensions of terms to maturity, which were not classified as restructured troubled debts due to the deferment, in accordance with the Bank of Israel's outline.

Note 1 - Significant Accounting Policies (cont.)

B. 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, “Benchmark Interest Reform”.

On October 23 2020, the International Swaps and Derivatives Association (ISDA) published a procedure and appendix defining parameters for revising the base interest rate and making adjustments once the LIBOR is no longer published for derivatives (whether OTC or central clearing). The two documents are expected to become effective only on January 25 2021, subject to ratification of the procedure or bilateral application of the appendix by both parties to the transaction, enabling its application both to transactions made from that date onward and to OTC derivative transactions which will be effective as of that date. The Bank is studying the main points of the ISDA’s publication with the aim of preparing for applying its terms and conditions to the relevant transactions.

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 is required to examine whether these amendments will be treated as a derecognition of the existing contracts and 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 by updating the effective interest rate.
- 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 relatively new alternative benchmark rates (such as the SOFR) were published only recently. Therefore, it is expected that contracts underlying these benchmark interest rates will be classified to Level 2 or 3 in the fair value hierarchy.

ASU 2020-04, which updates Topic 848 on the Benchmark Interest Reform, allows:

- To address the contract modifications that affect the amount and timing of contractual cash flows arising from discontinuation of the use of reference rates as a result of the reform, as a continuation of the existing contracts without further analysis, in lieu of applying modification accounting.
- Failure to reconsider embedded derivatives which were defined as clearly and closely related to the economic characteristics and the risks of the hosting contract.
- To change the critical conditions of the designated hedging instrument without cancelling the the designated hedge ratios.

Note 1 - Significant Accounting Policies (cont.)

- A one-time choice to sell and/or reclassify bonds which were classified as held-to-maturity prior to January 1 2020 and which are related to interest rates affected by the Reference Rate Reform, to the available-for-sale portfolio or held-for-trading portfolio.

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.

2. Updates on loan loss provisions - CECL

On October 15 2020, the Banking Supervision Department published a draft revising Reporting to the Public directives and Proper Conduct of Banking Business directives regarding the manner of adoption and first-time application of US GAAP on expected credit losses, which included, inter alia, a proposed revision to Proper Conduct of Banking Business Directive No. 299, "Regulatory Capital - The Effect of Applying Accounting Principles on Expected Loan Losses". The revised Directive No. 299 sets transitional provisions to mitigate the effects of applying the new principles to the regulatory capital. According to the transitional provisions, if - as a result of the first-time application of these principles - the banking corporation's Common Equity Tier 1, net of tax, were to decrease, the banking corporation may redeploy the decrease in Common Equity Tier 1 over a period of 3 years. At this stage, the redeployment relates to an increase in risk-weighted assets, which may be caused upon first-time application.

The Bank continues to prepare for the Directive's application, including by mapping out the requirements and current practices and selecting a model to assess loan loss estimates.

Note 2 - Interest Income and Expenses

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	Unaudited			
	In NIS million			
a. Interest income[(a)]				
From loans to the public	**2,312**	2,146	**6,724**	7,507
From loans to the Israeli Government	**6**	8	**20**	25
From deposits with the Bank of Israel and from cash	**20**	33	**71**	108
From deposits with banks	**16**	53	**65**	145
From securities borrowed or purchased under reverse repurchase agreements	**1**	1	**5**	2
From bonds[(b)]	**227**	285	**788**	974
Total interest income	**2,582**	2,526	**7,673**	8,761
b. Interest expense[(a)]				
For deposits by the public	**(246)**	(403)	**(866)**	(1,611)
For deposits by the government	**(1)**	(1)	**(2)**	(2)
For deposits by banks	**(1)**	(9)	**(9)**	(19)
For deposits by the Bank of Israel	**(1)**	-	**(2)**	-
For securities loaned or sold under repurchase agreements	**-**	(1)	**(8)**	(2)
For bonds, promissory notes and subordinated bonds	**(117)**	(20)	**(280)**	(449)
Total interest expenses	**(366)**	434	**(1,167)**	(2,083)
Total interest income, net	**2,216**	2,092	**6,506**	6,678
c. Details of the net effect of hedging derivatives on interest income and expenses[(c)]				
Interest income (expense)	**(13)**	1	**(32)**	2
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	**40**	43	**130**	126
Available-for-sale	**180**	242	**635**	819
Held-for-trading	**7**	-	**23**	29
Total included in interest income	**227**	285	**788**	974

(a) Including an effective component in hedge ratios.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 37 million and NIS 113 for the three-month and nine-month periods ended September 30 2020 (NIS 43 million and NIS 144 million for the three-month and nine-month periods ended September 30 2019).

(c) Details about the effect of hedging derivatives on subsections a. and b.

Note 3A - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	Unaudited			
	In NIS million			
a. Noninterest finance income (expenses) for not held-for-trading activities				
a.1. From derivatives activities[a]				
Net expenses in respect of derivatives[b]	**(191)**	(218)	**(53)**	(1,188)
Total from derivatives activity	**(191)**	(218)	**(53)**	(1,188)
a.2. From investment in bonds				
Gains on sale of available-for-sale bonds[g]	**92**	124	**347**	169
Losses on sale of available-for-sale bonds[g]	**(1)**	(6)	**(3)**	(17)
Provision for impairment of available-for-sale bonds[g]	**-**	-	**(33)**	-
Total from investment in bonds	**91**	118	**311**	152
a.3. Exchange rate differentials, net	**249**	503	**(202)**	1,765
a.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held-for-trading	**50**	46	**83**	129
Provision for impairment for equity securities not held-for-trading	**(2)**	-	**(37)**	(19)
Losses on sale of equity securities not held-for-trading	**(4)**	(3)	**(38)**	(17)
Dividend from equity securities not held-for-trading	**1**	2	**8**	16[l]
Unrealized gains (losses), net from equity securities not held-for-trading[j]	**181[j]**	(72)[l]	**128**	(16)
Gain on sale of investees' equity[c]	**-**	-	**-**	386
Loss on sale of investees' equity[d]	**-**	(97)	**(2)**	(99)
Total from investment in equity securities	**226**	(124)	**142**	380
a.5. Gains on sold loans, net	**-**	15	**-**	15
Total noninterest finance income for equity securities not held-for-trading	**375**	**294**	**198**	1,124
B. Noninterest finance income for trading activities				
Net income (expenses) for held-for-trading derivatives	**90**	(53)	**227**	50
Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds, net[e][i]	**(10)**	64	**57**	127
Realized and unrealized gains from fair value adjustments of held-for-trading equity securities, net[f][i]	**2**	-[l]	**5**	2
Total from trading activities[h]	**82**	11	**289**	179
Details of noninterest finance income due to trading activities, by risk exposure				
Interest rate exposure	**(1)**	1	**(143)**	7
Foreign exchange exposure	**70**	(5)	**406**	142
Equity exposure	**13**	12[l]	**22**	25[l]
Exposure to commodities and other contracts	**-**	3	**4**	5
Total	**82**	11	**289**	179
Total noninterest finance income	**457**	305	**487**	1,303

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(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 and nine months ended September 30 2020 (gain of NIS 314 million on sale of Leumi Card equity was recorded in the three months ended March 31 2019). For more information, please see Note 36F to the financial statements as at December 31 2018. A NIS 72 million gain on the sale of Super-Pharm equity was recorded in the three months ended on June 30 2019; there were no gains on the sale of equity in the three months ended September 30 2019).

(d) Loss on sale of Leumi Romania equity in the nine months ended September 30 2019 totals NIS 99 million.

(e) Of which: NIS (4) million and 32 million in gains (losses) for the three-month and nine-month periods ended September 30 2020 in respect of held-for-trading bonds held as at the balance sheet date (gains of NIS 30 million and NIS 48 million, for the three-month and nine-month periods ended September 30 2019).

(f) There were no losses in respect of held-for-trading equity securities held as at the balance sheet date for the three-month and nine-month periods ended September 30 2020 and the three-month and nine-month periods ended September 30 2019.

(g) Reclassified from accumulated other comprehensive income.

(h) For interest income from investments in held-for-trading bonds, please see Note 2.

(i) Including exchange rate differentials from trading activities.

(j) 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.

(k) Including reevaluation of Visa US equity in the amount og NIS 92 million.

(l) 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 September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**750**	765	**1,212**	2,780
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period[(a)]	**1,452,896**	1,488,160	**1,466,191**	1,493,609
Weighted effect of exercised PSUs and RSUs and the issuance of shares	**-**	-	**153**	384
Weighted effect for share buyback	**-**	(7,050)	**(9,606)**	(4,761)
Weighted average of number of shares	**1,452,896**	1,481,110	**1,456,738**	1,489,232
Basic earnings per share (in NIS)	**0.52**	0.52	**0.83**	1.87

(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 September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**750**	765	**1,212**	2,780
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	**1,452,896**	1,481,110	**1,456,738**	1,489,232
Weighted effect of yet unexercised PSUs and RSUs	**-**	193	**40**	315
Weighted average of the number of shares, fully diluted	**1,452,896**	1,481,303	**1,456,778**	1,489,547
Diluted earnings per share (in NIS)	**0.52**	0.52	**0.83**	1.87

Note 3B - Earnings per Ordinary Share (cont.)

C. Share Capital

As at September 30 2020, the Bank's issued and paid up share capital less the Bank's share buyback plan from 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each. (As at September 30 2019, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 and 2019 is 1,474,203,005 ordinary shares of NIS 1 p.v. each).

D. Buyback after the Financial Statements Date

From October 1 2020 to November 16 2020, the Bank did not perform a buyback of shares of NIS 1 par value each of the Bank's issued share capital. For more information regarding the Banking Supervision Department's approval for the buyback, please see Note 9A.

Note 4 - Accumulated Other Comprehensive Income (Loss)

A. Changes in Accumulated Other Comprehensive Income (Loss) After Tax Effect

1. Changes in accumulated other comprehensive income (loss) for the three-month period ended September 30 2020 and 2019 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehen-sive income (loss) attributable to non-controlling interests	Other comprehen-sive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at June 30 2019	226	(147)	-	(6)	(2,934)	(2,861)	(33)	(2,828)
Net change during the period	265	(41)	-	(2)	(927)	(705)	(11)	(694)
Balance as at September 30 2019	491	(188)	-	(8)	(3,861)	(3,566)	(44)	(3,522)
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Net change during the period	**28**	**(12)**	**-**	**(7)**	**231**	**240**	**(6)**	**246**
Balance as at September 30 2020	**1,045**	**(206)**	**32**	**(20)**	**(3,323)**	**(2,472)**	**(34)**	**(2,438)**

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30 2020 and 2019 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehen-sive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehen-sive income (loss) attributable to non-controlling interests	Other comprehen-sive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2018 (audited)	(317)	(73)	-	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	835	(115)	-	1	(2,121)	(1,400)	(18)	(1,382)
Cumulative effect for first-time application of US GAAP[d]	(27)	-	-	-	-	(27)	-	(27)
Sale of equity of a consolidated company[e]	-	-	-	-	23	23	4	19
Balance as at September 30 2019	491	(188)	-	(8)	(3,861)	(3,566)	(44)	(3,522)
Balance as at December 31 2019 (audited)	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	**421**	**(7)**	**34**	**(7)**	**625**	**1,066**	**9**	**1,057**
Balance as at September 30 2020	**1,045**	**(206)**	**32**	**(20)**	**(3,323)**	**(2,472)**	**(34)**	**(2,438)**

Please see comments below.

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

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

3. Changes in accumulated other comprehensive income (loss) for the year ended December 31 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 hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) 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 million							
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[e]	-	-	-	-	23	23	4	19
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)

(a) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from 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 Annual Financial Statements as at December 31 2019.

(e) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the Annual Financial Statements as at December 31 2018.

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

B. Changes in Accumulated Other Comprehensive Income (Loss) Components, Before and After Tax Effect

	For the three months ended September 30 (unaudited)					
	2020			2019		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments for available-for-sale bonds at fair value:						
Unrealized gains (losses), net, from fair value adjustments	**130**	**(42)**	**88**	520	(177)	343
(Gains) losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	**(91)**	**31**	**(60)**	(118)	40	(78)
Net change during the period	**39**	**(11)**	**28**	402	(137)	265
Adjustments from translation:[(b)]						
Adjustments from translation of financial statements	**(22)**	**-**	**(22)**	(75)	-	(75)
Hedges[(c)]	**15**	**(5)**	**10**	51	(17)	34
Net change during the period	**(7)**	**(5)**	**(12)**	(24)	(17)	(41)
Net gains (losses) for cash flow hedges	**-**	**-**	**-**	-	-	-
The Bank's share in other comprehensive income (loss) of associates accounted for using the equity method	**(8)**	**1**	**(7)**	(2)	-	(2)
Net change during the period	**(8)**	**1**	**(7)**	(2)	-	(2)
Employee benefits:[(e)]						
Net actuarial (loss) gain	**224**	**(80)**	**144**	(1,509)	510	(999)
Net losses (gains) reclassified to the income statement[(d)]	**132**	**(45)**	**87**	110	(38)	72
Net change during the period	**356**	**(125)**	**231**	(1,399)	472	(927)
Total change during the period, net	**380**	**(140)**	**240**	(1,023)	318	(705)
Changes in other comprehensive (loss) income components attributable to non-controlling interests						
Total net change during the period	**(7)**	**1**	**(6)**	(10)	(1)	(11)
Changes in other comprehensive (loss) income attributable to the Bank's shareholders						
Total change during the period, net	**387**	**(141)**	**246**	(1,013)	319	(694)

(a) The before-tax amount is reported in the income statement under the Noninterest finance income item. Please see Note 3A.
(b) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from 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) 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 nine months ended September 30 (unaudited)					
	2020			2019		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments for available-for-sale bonds at fair value:						
Unrealized gains (losses), net, from fair value adjustments	**947**	**(321)**	**626**	1,417	(482)	935
(Gains) losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	**(311)**	**106**	**(205)**	(152)	52	(100)
Net change during the period	**636**	**(215)**	**421**	1,265	(430)	835
Adjustments from translation:[(b)]						
Adjustments from translation of financial statements	**(12)**	**-**	**(12)**	(222)	-	(222)
Hedges[(c)]	**7**	**(2)**	**5**	162	(55)	107
Net change during the period	**(5)**	**(2)**	**(7)**	(60)	(55)	(115)
Net gains (losses) for cash flow hedges	**52**	**(18)**	**34**	-	-	-
The Bank's share in other comprehensive income of associates, equity-accounted	**(7)**	**-**	**(7)**	1	-	1
Net change during the period	**(7)**	**-**	**(7)**	1	-	1
Employee benefits[(f)]						
Net actuarial gain (loss)	**607**	**(210)**	**397**	(3,466)	1,177	(2,289)
Net losses (gains) reclassified to the income statement[(d)]	**346**	**(118)**	**228**	256	(88)	168
Sale of equity of a consolidated company[(e)]	**-**	**-**	**-**	31	(8)	23
Net change during the period	**953**	**(328)**	**625**	(3,179)	1,081	(2,098)
Total change during the period, net	**1,629**	**(563)**	**1,066**	(1,973)	596	(1,377)
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	**15**	**(6)**	**9**	(5)	(9)	(14)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	**1,614**	**(557)**	**1,057**	(1,968)	605	(1,363)

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

(b) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from 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 Annual 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 million		
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:			
Adjustments in respect of presentation of available-for-sale bonds at fair value:			
Unrealized gains (losses), net, from fair value adjustments	1,659	(565)	1,094
(Gains) losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	(191)	65	(126)
Net change during the year	1,468	(500)	968
Adjustments from translation:[(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 (loss) gain	(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 income (loss) components attributable to non-controlling interests			
Total change during the year, net	(2)	(11)	(13)
Changes in other comprehensive (loss) income 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 the translation of financial statements of foreign operations whose functional currency is different from 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 Annual 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 September 30 2020 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	**3,992**	**3,992**	**589**	**-**	**4,581**
Mortgage-backed (MBS)	**2,215**	**2,215**	**40**	**(3)**	**2,252**
Of other foreign entities	**802**	**802**	**63**	**-**	**865**
Total held-to-maturity bonds	**7,009**	**7,009**	**692**	**(3)**	**7,698**

	As at September 30 2020 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	**32,976**	**31,818**	**1,164**	**(6)**	**32,976**
Of foreign governments	**20,795**	**20,664**	**141**	**(10)**	**20,795**
Of Israeli financial institutions	**68**	**65**	**3**	**-**	**68**
Of foreign financial institutions	**9,488**	**9,261**	**236**	**(9)**	**9,488**
Asset-backed (ABS) or mortgage-backed (MBS)	**7,528**	**7,428**	**119**	**(19)**	**7,528**
Of other Israeli entities	**202**	**194**	**10**	**(2)**	**202**
Of other foreign entities	**6,286**	**5,910**	**383**	**(7)**	**6,286**
Total available-for-sale bonds[(f)]	**77,343**	**75,340**	**2,056[(c)]**	**(53)[(c)]**	**77,343**

Please see comments below.

Note 5 – Securities (cont.)

	As at September 30 2020 (unaudited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held for-trading equity securities and funds:					
Equity securities and funds	**4,024**	**3,921**	**164**	**(61)**	**4,024**
Of which: equity securities and funds for which there is no available fair value[(b)]	**1,397**	**1,397**			**1,397**
Total not held for-trading equity securities and funds	**4,024**	**3,921**	**164[(d)]**	**(61)[(d)]**	**4,024**
Total not held-for-trading securities	**88,376**	**86,270**	**2,912**	**(117)**	**89,065**

	As at September 30 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 million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	**5,813**	**5,817**	**2**	**(6)**	**5,813**
Of foreign governments	**250**	**208**	**42**	**-**	**250**
Of Israeli financial institutions	**336**	**335**	**2**	**(1)**	**336**
Of foreign financial institutions	**149**	**152**	**3**	**(6)**	**149**
Asset-backed (ABS) or mortgage-backed (MBS)	**93**	**98**	**1**	**(6)**	**93**
Of other Israeli entities	**59**	**58**	**1**	**-**	**59**
Of other foreign entities	**64**	**65**	**-**	**(1)**	**64**
Total bonds	**6,764**	**6,733**	**51**	**(20)**	**6,764**
Equity securities and funds	**24**	**21**	**3**	**-**	**24**
Total held-for-trading securities	**6,788**	**6,754**	**54[(d)]**	**(20)[(d)]**	**6,788**
Total securities[(e)]	**95,164**	**93,024**	**2,966**	**(137)**	**95,853**

Please see comments below.

Note 5 – Securities (cont.)

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

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

Please see comments below.

Note 5 – Securities (cont.)

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

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

Please see comments below.

Note 5 – Securities (cont.)

	As at 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 million				
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 million				
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 million				
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 held-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 million				
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 bonds 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 non-performing interest-bearing bonds totaling NIS 4 million (as at September 30 2019 - NIS 7 million; as at December 31 2019 - NIS 5 million).

(f) Total of NIS 10.0 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (September 30 2019 - NIS 9.3 billion, December 31 2019 - NIS 8.3 billion).

General comments:

Loaned securities amounted to NIS 215 million (as at September 30 2019 - NIS 238 million; as at December 31 2019 - NIS 127 million) are presented in the "loans to the public" line item.

Pledged securities totaled NIS 11,976 million (as at September 30 2019 - NIS 3,833 million; as at December 31 2019 - NIS 4,521 million).

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

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

Note 5 – Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in a Deferred Loss Position

	September 30 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-[c]20%	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-[c]20%	20%[d]-35%	More than 35%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	**31**	-[f]	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	**197**	**1**	-	-	**1**	**145**	**2**	-	-	**2**
Of other foreign entities	**282**	-[f]	-	-	-	-	-	-	-	-
Total held-to-maturity bonds	**510**	**1**	-	-	**1**	**145**	**2**	-	-	**2**

	September 30 2019 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-[c]20%	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-[c]20%	20%[d]-35%	More than 35%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	249	1	-	-	1	257	1	-	-	1
Of other foreign entities	415	4	-	-	4	-	-	-	-	-
Total held-to-maturity bonds	664	5	-	-	5	257	1	-	-	1

(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 a Deferred 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			
	Amor-tized cost	0-[c]20%	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-[c]20%	20%[d]-35%	More than 35%[e]	Total
	In NIS million									
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

	September 30 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 million									
Bonds										
Of the Israeli Government	**2,743**	**6**	-	-	**6**	-	-	-	-	-
Of foreign governments	**3,151**	**5**	-	-	**5**	**113**	**5**	-	-	**5**
Of foreign financial institutions	**659**	**9**	-	-	**9**	**138**	-[g]	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	**481**	**8**	-	-	**8**	**927**	**11**	-	-	**11**
Of other Israeli entities	**33**	**2**	-	-	**2**	-	-	-	-	-
Of other foreign entities	**597**	**7**	-	-	**7**	-	-	-	-	-
Total available-for-sale bonds	**7,664**	**37**	-	-	**37**	**1,178**	**16**	-	-	**16**

(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 of tax.
(g) Losses of less than NIS 1 million.

Note 5 – Securities (cont.)

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

	September 30 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 million									
Bonds										
Of the Israeli Government	-	-	-	-	-	-	-	-	-	-
Of foreign governments	4,263	6	-	-	6	-	-	-	-	-
Of foreign financial institutions	1,597	4	-	-	4	628	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	569	1	-	-	1	1,234	5	-	-	5
Of other Israeli entities	55	6	-	-	6	-	-	-	-	-
Of other foreign entities	7	-[g]	-	-	-	181	1	-	-	1
Total available-for-sale bonds	6,491	17	-	-	17	2,043	7	-	-	7

	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 million									
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 of tax.
(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

	September 30 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 million					
Mortgage-backed bonds (MBSs)	**-**	**-**	**-**	**-**	**-**	**-**
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	**20**	**(1)**	**-**	**-**	**20**	**(1)**
Asset-backed bonds (ABS)	**461**	**(7)**	**927**	**(11)**	**1,388**	**(18)**
Total	**481**	**(8)**	**927**	**(11)**	**1,408**	**(19)**

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

	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 million					
Mortgage-backed bonds (MBSs)	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 of tax.
(b) Losses of less than NIS 1 million.

Note 5 – Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds

	September 30 2020 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	**2,096**	**40**	**(3)**	**2,133**
Of which: GNMA-backed securities	**1,264**	**20**	**(3)**	**1,281**
Securities issued by FNMA or FHLMC	**832**	**20**	**-**	**852**
Other mortgage-backed bonds (including CMO and stripped MBS)	**119**	**-**	**-**	**119**
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	**119**	**-**	**-**	**119**
Total mortgage-backed bonds (MBS)	**2,215**	**40**	**(3)**	**2,252**
Total mortgage-backed held-to-maturity bonds	**2,215**	**40**	**(3)**	**2,252**

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

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 million			
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 CMO and stripped MBS)	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

	September 30 2020 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	**2,677**	**55**	**-**	**2,732**
Of which: GNMA-backed bonds	**851**	**17**	**-**	**868**
Bonds issued by FNMA or FHLMC	**1,826**	**38**	**-**	**1,864**
Other mortgage-backed bonds (including CMO and stripped MBS)	**2,813**	**54**	**(1)**	**2,866**
Of which: bonds issued or guaranteed by GNMA, FNMA, or FHLMC	**2,439**	**46**	**(1)**	**2,484**
Total mortgage-backed bonds (MBS)	**5,490**	**109**	**(1)**	**5,598**
Asset-backed bonds (ABS)	**1,938**	**10**	**(18)**	**1,930**
Of which: loans to non-individuals - CLO-type bonds	**1,482**	**7**	**(13)**	**1,476**
Loans to non-individuals - SBA-guaranteed securities	**368**	**1**	**(5)**	**364**
Total available-for-sale mortgage-backed and asset-backed bonds	**7,428**	**119**	**(19)**	**7,528**

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

Note 5 – Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds (cont.)

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

	December 31 2019 (audited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	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 CMO and stripped MBS)	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 of tax.

Note 5 – Securities (cont.)

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

	September 30 2020 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	**2**	**-**	**-**	**2**
Of which: securities issued by FNMA or FHLMC	**2**	**-**	**-**	**2**
Other mortgage-backed securities (including CMO and stripped MBS)	**38**	**-**	**(3)**	**35**
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**40**	**-**	**(3)**	**37**
Total asset-backed securities (ABS)	**58**	**1**	**(3)**	**56**
Total mortgage-backed and asset-backed held-for-trading securities	**98**	**1**	**(6)**	**93**

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

(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 million			
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

	September 30 2020 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	**135,026**	**26**	**758**	**135,810**	**14,018**	**149,828**
Examined on a collective basis[1]	**41,914**	**88,286**	**25,451**	**155,651**	**702**	**156,353**
[1]Of which: by extent of arrears	**751[c]**	**88,154**	**-**	**88,905**	**-**	**88,905**
Total debts[a][2]	**176,940**	**88,312**	**26,209**	**291,461**	**14,720**	**306,181**
[2]Of which:						
Debt restructuring	**1,038**	**-**	**303**	**1,341**	**-**	**1,341**
Other impaired non-performing debts	**1,327**	**49**	**21**	**1,397**	**15**	**1,412**
Total impaired non-performing debt	**2,365**	**49**	**324**	**2,738**	**15**	**2,753**
Debts in arrears of 90 days or more	**76**	**786**	**43**	**905**	**-**	**905**
Other troubled debts	**4,320**	**-**	**287**	**4,607**	**-**	**4,607**
Total troubled debts	**6,761**	**835**	**654**	**8,250**	**15**	**8,265**
Balance of loan loss provision in respect of debts[a]:						
Examined on a specific basis	**2,953**	**-**	**216**	**3,169**	**5**	**3,174**
Examined on collective basis[3]	**733**	**652**	**533**	**1,918**	**-**	**1,918**
[3]Of which: by extent of arrears	**-[d]**	**650[b]**	**-**	**650**	**-**	**650**
Total loan loss provision[4]	**3,686**	**652**	**749**	**5,087**	**5**	**5,092**
[4]Of which: for impaired non-performing debt	**503**	**-**	**203**	**706**	**-**	**706**

(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, totaling NIS 466 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.)

	September 30 2019 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	129,494[e]	-	748	130,242	10,115[e]	140,357
Examined on a collective basis[1]	42,630[e]	83,534	27,240[e]	153,404	381	153,785
[1]Of which: by extent of arrears	737[c][e]	83,335	-	84,072	-	84,072
Total debts[a][2]	172,124	83,534	27,988	283,646	10,496	294,142
[2]Of which:						
Debt restructuring	780	-	293	1,073	-	1,073
Other impaired non-performing debts	1,297	-	15	1,312	-	1,312
Total impaired non-performing debt	2,077	-	308	2,385	-	2,385
Debts in arrears of 90 days or more	176	807	50	1,033	-	1,033
Other troubled debts	2,009	-	235	2,244	-	2,244
Total troubled debts	4,262	807	593	5,662	-	5,662
Balance of loan loss provision in respect of debts[a]:						
Examined on a specific basis	1,688	-	167	1,855	1	1,856
Examined on collective basis[3]	490[e]	471	456[e]	1,417	-	1,417
[3]Of which: by extent of arrears	-[d]	470[b]	-	470	-	470
Total loan loss provision[4]	2,178	471	623	3,272	1	3,273
[4]Of which: for impaired non-performing debt	320	-	159	479	-	479

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

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

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

(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 million					
Recorded outstanding debt:[(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 debt	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 debt	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 September 30 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 million					
Outstanding loan loss provision as at the beginning of the reporting period	**3,651**	**603**	**808**	**5,062**	**3**	**5,065**
Loan loss expenses (income)	**498**	**52**	**(5)**	**545**	**2**	**547**
Write-offs	**(169)**	**(3)**	**(101)**	**(273)**	**-**	**(273)**
Collection of debts written off in previous years	**132**	**-**	**68**	**200**	**-**	**200**
Write-offs, net	**(37)**	**(3)**	**(33)**	**(73)**	**-**	**(73)**
Adjustments from translation of financial statements	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Balance of loan loss provision as at the end of the reporting period[1]	**4,111**	**652**	**770**	**5,533**	**5**	**5,538**
[1]Of which: in respect of off-balance-sheet credit instruments	**425**	**-**	**21**	**446**	**-**	**446**

	For the three months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans To the public[(a)]					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,686	482	641	3,809	3	3,812
Disposal of an investment in a previously-consolidated subsidiary	(20)	(5)	(1)	(26)	-	(26)
Balance of loan loss provision as at |July 1 2019	2,666	477	640	3,783	3	3,786
Loan loss expenses (income)	146	(1)	38	183	(2)	181
Write-offs	(266)	(5)	(88)	(359)	-	(359)
Collection of debts written off in previous years	67	-	53	120	-	120
Write-offs, net	(199)	(5)	(35)	(239)	-	(239)
Adjustments from translation of financial statements	(6)	-	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period[1]	2,607	471	643	3,721	1	3,722
[1]Of which: in respect of off-balance-sheet credit instruments	429	-	20	449	-	449

(a) Reclassified.

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

b. Change in Balance of Loan Loss Provision (cont.)

	For the nine months ended September 30 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 million					
Outstanding loan loss provision as at the beginning of the reporting period	**2,590**	**467**	**657**	**3,714**	**2**	**3,716**
Loan loss expenses	**1,852**	**190**	**237**	**2,279**	**3**	**2,282**
Write-offs	**(622)**	**(5)**	**(314)**	**(941)**	**-**	**(941)**
Collection of debts written off in previous years	**293**	**-**	**190**	**483**	**-**	**483**
Net write-offs	**(329)**	**(5)**	**(124)**	**(458)**	**-**	**(458)**
Adjustments from translation of financial statements	**(2)**	**-**	**-**	**(2)**	**-**	**(2)**
Balance of loan loss provision as at the end of the reporting period[1]	**4,111**	**652**	**770**	**5,533**	**5**	**5,538**
[1]Of which: in respect of off-balance-sheet credit instruments	**425**	**-**	**21**	**446**	**-**	**446**

	For the nine months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans To the public[(a)]					
	Com-mercial	Housing	Private indivi-duals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,700	479	634	3,813	3	3,816
Loan loss expenses (income)	327	14	112	453	(2)	451
Write-offs	(746)	(17)	(299)	(1,062)	-	(1,062)
Collection of debts written off in previous years	361	-	197	558	-	558
Net write-offs	(385)	(17)	(102)	(504)	-	(504)
Adjustments from translation of financial statements	(15)	-	-	(15)	-	(15)
Disposal of an investment in a previously-consolidated subsidiary	(20)	(5)	(1)	(26)	-	(26)
Balance of loan loss provision as at the end of the reporting period[1]	2,607	471	643	3,721	1	3,722
[1]Of which: in respect of off-balance-sheet credit instruments	429	-	20	449	-	449

(a) Reclassified.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Noninterest bearing deposits	**110,662**	77,391	86,908
Interest-bearing deposits	**160,252**	129,798[(a)]	135,846
Total demand deposits	**270,914**	207,189	222,754
Fixed deposits	**131,762**	130,118[(a)]	128,526
Total deposits in Israel[1]	**402,676**	337,307	351,280
Outside Israel			
Demand deposits			
Noninterest bearing deposits	**11,344**	8,161	8,118
Interest-bearing deposits	**7,590**	6,292	6,287
Total demand deposits	**18,934**	14,453	14,405
Fixed deposits[2]	**5,505**	8,136	7,959
Total deposits outside Israel	**24,439**	22,589	22,364
Total deposits by the public	**427,115**	359,896	373,644
[1]Of which:			
Deposits by private individuals	**146,890**	131,004[(a)]	130,513
Deposits by institutional entities	**70,816**	62,253[(a)]	68,329
Deposits by corporations and others	**184,970**	144,050[(a)]	152,438

B. Deposits by the Public, by Amount

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
Maximum deposit is NIS millions	In NIS million		
Up to 1	**116,575**	103,433	103,709
From 1 to 10	**108,086**	91,852	92,249
From 10 to 100	**77,672**	61,840[(a)]	66,169
From 100 to 500	**47,498**	36,868	36,318
Over 500	**77,284**	65,903[(a)]	75,199
Total	**427,115**	359,896	373,644

(a) Reclassified.

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	**19,440**	19,639	20,470
Fair value of plan assets	**8,146**	7,004	7,614
Excess liability over plan assets (included in "Other liabilities")	**11,294**	12,635	12,856
Cumulative jubilee vacation leave			
Liability amount	**35**	48	36
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in "Other liabilities")	**35**	48	36
Other benefits			
Liability amount	**598**	592	635
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in "Other liabilities")	**598**	592	635
Total[1]			
Amount by which the liability for employee benefits exceeds the plan assets included in "Other liabilities"	**11,927**	13,275	13,527
[1]Of which: for benefits to employees abroad	**85**	68	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 September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Obligation in respect of expected benefit as at the beginning of the period	**19,551**	18,137	**20,470**	15,867	15,867
Service cost	**44**	39	**123**	103	149
Interest cost	**139**	166	**434**	496	640
Contributions by planholders	**8**	10	**25**	29	39
Actuarial loss (gain)	**(135)**	1,470	**(591)**	3,711	4,526
Changes in foreign exchange rates	**8**	(13)	**(1)**	(30)	(22)
Paid benefits[(a)]	**(175)**	(170)	**(1,020)**	(506)	(698)
Other	**-**	-	**-**	(31)	(31)
Obligation in respect of expected benefit as at the end of the reporting period	**19,440**	19,639	**19,440**	19,639	20,470
Obligation in respect of cumulative benefit as at the end of the reporting period	**17,962**	17,785	**17,962**	17,785	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 September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Fair value of plan assets as at the beginning of the period	**7,856**	6,625	**7,614**	6,235	6,235
Actual return on plan assets	**197**	89	**217**	499	1,143
Plan contributions by the Bank[(a)]	**172**	331	**827**	378	403
Contributions by planholders	**8**	10	**25**	29	39
Changes in foreign exchange rates	**5**	(12)	**(6)**	(29)	(24)
Paid benefits[(b)]	**(92)**	(39)	**(577)**	(108)	(182)
Other	**-**	-	**46**	-	-
Fair value of plan assets as at the end of the reporting period	**8,146**	7,004	**8,146**	7,004	7,614
Funding status - net liability recognized at the end of the reporting period	**11,294**	12,635	**11,294**	12,635	12,856

3. Amounts recognized in the consolidated balance sheet

	As at September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other liabilities" item	**11,294**	12,635	12,856
Net liability recognized at the end of the reporting period	**11,294**	12,635	12,856

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

	As at September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**4,979**	5,790	5,908
Closing balance of accumulated other comprehensive income	**4,979**	5,790	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 September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Service cost	**44**	39	**123**	103	149
Interest cost	**139**	166	**434**	496	640
Expected return on plan assets	**(96)**	(95)	**(266)**	(267)	(364)
Amortization of unrealized amounts - net actuarial loss	**132**	109	**342**	253	401
Other incl. restructuring	**-**	-	**-**	31	31
Total benefit cost, net	**219**	219	**633**	616	857
Total expense for defined contribution pension plan	**43**	42	**137**	127	170
Total expenses included in profit and loss	**262**	261	**770**	743	1,027

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	**(236)**	1,476	**(542)**	3,410[a]	3,678[a]
Amortization of unrealized amounts - net actuarial loss	**(132)**	(109)	**(342)**	(253)	(401)
Changes in foreign exchange rates	**(1)**	(1)	**1**	(4)	(6)
Other	**-**	-	**(46)**	(31)	(31)
Total recognized in other comprehensive loss (income)	**(369)**	1,366	**(929)**	3,122	3,240
Total benefit cost, net	**219**	219	**633**	616	857
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(150)**	1,585	**(296)**	3,738	4,097

(a) Including adjustments for previous years.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

3. Estimate of the amounts included in accumulated other comprehensive income that are expected to be amortized as an expense to the income statement in 2020, before the tax effect

	For the three months ended December 31 2020
	Unaudited
	In NIS million
Net actuarial loss	**125**
Total amount expected to be amortized from accumulated other comprehensive income	**125**

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 obligation

	September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Discount rate	**1.44**	1.55	1.22
Rate of increase in the CPI	**1.42**	1.45	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

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

	September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Discount rate	**1.69**	2.37	2.16
Expected long-term return on plan assets	**4.62**[(b)]	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		
	September 30		December 31	September 30		December 31
	2020	2019	2019	**2020**	2019	2019
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,644)**	(2,592)	(2,760)	**3,288**	3,211	3,435
Rate of increase in the CPI	**(590)**	(638)	(635)	**659**	712	714
Departure rate	**226**	242	233	**(199)**	(211)	(202)
Rate of compensation increase	**651**	712	714	**(584)**	(638)	(635)

(a) The assumptions are only in respect of the Bank's data.
(b) Weighted return. Please see Note 8.A.4.b

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.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

4. Plan assets

A. Composition of the fair value of plan assets

	As at September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**221**	471	323
Equity securities	**1,788**	2,478	2,011
Government bonds	**393**	1,207	884
Corporate bonds	**1,270**	1,805	1,319
Other	**4,474**	1,043	3,077
Total	**8,146**	7,004	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	September 30		December 31
	2020	**2020**	2019	2019
	Unaudited			Audited
	In %			
Cash and deposits with banks	**4**	**3**	7	4
Equity securities	**38**	**22**	35	27
Government bonds	**13**	**5**	17	12
Corporate bonds	**27**	**16**	26	17
Other	**18**	**54**	15	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 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.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

5. Cash flows

a. Contributions

	Forecast[(a)]	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	**2020**	2019	**2020**	2019	2019
	Unaudited					Audited
	In NIS million					
Contributions	**303**	**180**	341	**852**	407	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 million
2020	209
2021	738
2022	736
2023	772
2024	800
2025-2029	4,663
2030 and onwards	13,645
Total	21,563

(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"). The Implementation of Stage A will begin on March 1 2020 and will end the earlier of (a) May 3 2020; or (b) The completion of the Bank's share buyback 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.

Note 9A – Equity (cont.)

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 Order) (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.

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 Order) - 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. Also, all the banks were asked to re-examine their dividend distribution policy and their share buyback plan, on the back of the coronavirus crisis and the uncertainty, out of the expectation that the capital sources released as a result of the relief won't be used for dividend distribution or share buyback execution.

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 Order) (Directive No. 250) (hereinafter - the "Temporary Order"), 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 amends 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 publication of the circular). The directive is applicable to Leumi.

The Temporary Order was originally valid through September 30 2020. On September 16 2020, the Bank of Israel published a circular extending the validity of the Temporary Order until March 31 2021 (upon which it shall expire). The capital targets easement shall be in effect for 24 months from the directive's expiry date, provided that the banking corporation's capital ratio shall be no less than the capital ratios upon the directive's expiration or the minimum capital ratios applicable to the banking corporation prior to the temporary order, whichever the lower.

In accordance with Temporary Order, the minimum capital targets applicable for Leumi as at September 30 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 below 12.5 percent.

On April 27 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). According to the circular, and in order to help mitigate the effects of the crisis on mortgage borrowers, the Temporary Order 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 out in Section 14A. To Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing loans". The temporary order was extended through March 31 2021, as part of the circular dated September 16 2020 extending the temporary order.

According to the temporary order, and the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as at September 30 2020 are 9.24 percent for Common Equity Tier 1 capital ratio and 12.74 percent for total capital ratio.

Note 9A - Equity (cont.)

On November 15 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular adjusts the Directive to Proper Conduct of Banking Business Directive No. 218, “Leverage ratio”, such that a banking corporation shall have a leverage ratio of no less than 4.5 percent on a consolidated basis (in lieu of 5 percent prior to the publication of the circular). A banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking sector’s total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent prior to the publication of the circular). According to the circular, Leumi shall be required to meet a minimum leverage ratio of 5.5 percent. Upon the expiry of the Temporary Order, the easement shall apply for another 24 months, provided that the leverage ratio shall be no less than the leverage ratio on the Order’s expiry or the minimum leverage ratio applicable to the banking corporation prior to the Temporary Order, the lower of the two. The directive applies to Leumi as of the circular publication date.

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 order, 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.

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.

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 order published on March 31 2020, the Bank’s board of directors decided on April 16 2020 to discontinue, 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.

Note 9A - Equity (cont.)

Details of dividend paid

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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 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 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.

Subordinated Notes Series Leumi $ 2031 bear 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.

According to a shelf prospectus dated June 2 2020, the Bank issued, on June 4 2020, a total of NIS 2.4 billion in bonds Series 181. The bonds are payable in one lump sum on September 5 2023 and bear an annual interest rate of 1 percent, are linked to the Consumer Price Index, and are payable annually on June 5 of each year from 2020 to 2023, inclusive. The Series 181 Bonds are not recognized for regulatory capital purposes.

On June 30 2020, NIS 5.3 billion par value in Series 177 Bonds of the Bank were repaid. These bonds did not form part of the Bank’s regulatory capital.

On November 10 2020, Subordinated Bonds Series N in the amount of NIS 0.9 billion were redeemed. According to the Bank of Israel’s guidance, these Subordinated Bonds were included in the regulatory capital subject to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, and subject to an equal decrease in the five years preceding their redemption. Accordingly, in the last year prior to their redemption, the Subordinated Bonds Series N were not included in the Bank’s regulatory capital.

For more information regarding the issue of 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 9A - Equity (cont.)

Early redemption of subordinated capital notes

On July 8 2020, the Bank's Board of Directors decided on full early repayment of Capital Notes Series 300 and 301, which were issued to the public in August 2009. Accordingly, on August 10 2020, NIS 2.1 billion in capital notes were redeemed (including linkage differences for Series 300). Capital notes were partially included in the Bank's regulatory capital as at June 30 2020, in accordance with the transitional provisions of Proper Conduct of Banking Business Directive No. 299.

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 debt
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 Annual 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 Annual 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 internationally AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 18,323 million and the Common Equity Tier 1 capital - to NIS 38,086 million, compared with a book value of NIS 19,852 million for the pension liability and Common Equity Tier 1 capital of NIS 34,898 million.

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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital adjustments and deductions[(b)]	**38,086**	36,882	37,603
Tier 2 capital, after deductions	**13,341**	12,009	11,987
Total capital	**51,427**	48,891	49,590
Balance of risk-weighted assets			
Credit risk[(b)]	**297,423**	285,989[(e)]	288,340
Market risks	**5,314**	5,313	5,008
Operational risk	**22,448**	23,205	23,116
Total balance of risk-weighted assets	**325,185**	314,507	316,464
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted **assets**[(d)]	**11.71%**	11.73%	11.88%
Ratio of total capital to risk-weighted **assets**[(d)]	**15.81%**	15.55%	15.67%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**9.24%**	10.26%	10.27%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**12.74%**	13.76%	13.77%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted **assets**	**13.53%**	13.90%	14.04%
Ratio of total capital to risk-weighted **assets**	**14.78%**	14.78%	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 Tier 1 capital ratio required and the minimum total capital ratio required from March 31 2020 are 10 percent and 13.5 percent, respectively. On March 31 2020, the Banking Supervision Department published a temporary order intended to address the coronavirus crisis, according to which the minimum Common Equity Tier 1 capital and minimum total capital ratio required are 9 percent and 12.5 percent respectively. In addition to the above ratios, there is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. For more information about the temporary order for addressing the coronavirus crisis, please see Section a. above.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks's letter entitled Operational Efficiency of the Banking System in Israel. The adjustments are deducted gradually until June 30 2021, June 30 2022 and September 30 2024, respectively. On June 30 2020, a total of NIS 8 million was added to the balance of risk-weighted assets in respect of the adjustments to the efficiency plans (NIS 194 million was added as at September 30 2019, NIS 283 million was deducted as at December 31). For more information regarding the adjustments for the efficiency plans, please see Section D below.

(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 at September 30 2020, a capital conservation buffer of 2.5 percent 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 0.04 decrease in the Common Equity Tier 1 capital ratio and 0.05 percent in total capital ratio, as a result of including the risk-weighted assets for the right of use assets which arise from operating 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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**37,128**	35,144	35,406
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	**312**	262	266
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[a]	**860**	1,188	1,687
Total CET1 capital before regulatory adjustments and deductions	**38,300**	36,594	37,359
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(131)**	(129)	(148)
Deferred tax receivable	**(410)**	(149)	-
Regulatory adjustments and other deductions - CET1 capital	**(13)**	(11)	(11)
Total regulatory adjustments and deductions - CET1 capital	**(554)**	(289)	(159)
Total adjustments for the efficiency plan	**340**	577	403
Total CET1 capital, after regulatory adjustments and deductions	**38,086**	36,882	37,603
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**9,623**	8,896	8,897
Tier 2 capital: Provisions for loan losses, before deductions	**3,718**	3,113	3,090
Total Tier 2 capital before deductions	**13,341**	12,009	11,987
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**13,341**	12,009	11,987
Total capital	**51,427**	48,891	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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets before the effect of the transitional provisions and adjustments for the efficiency plan[(a)]	**11.61%**	11.56%	11.74%
Adjustments for the efficiency plan[(b)]	**0.10%**	0.17%	0.14%
Ratio of CET1 capital to risk-weighted **assets**	**11.71%**	11.73%	11.88%

(a) Including the effect of adopting US GAAP on employee benefits.
(b) Adjustments for the efficiency plans in accordance with the provision of the Banking Supervision Department are charged over a 5-year period, on a straight-line basis, in respect of capital adequacy calculations. For more information, please see Note 8.

A. 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 24 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.

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

	As at September 30		As at December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
a. Consolidated data[(a)]			
Tier 1 capital	**38,086**	36,882	37,603
Total exposures	**572,012**	498,428[(b)]	511,820[(b)]
Leverage ratio			
Leverage ratio	**6.66%**	7.40%	7.35%
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	**11.13%**	12.03%	12.46%
Minimum total leverage ratio set by the Banking Supervision Department	**5.00%**	5.00%	5.00%

(a) The data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. The effect of the relief granted in respect of the efficiency plans on the leverage ratio, estimated at 0.06 percent as at September 30 2020 is charged over a 5-year period on a straight line basis as of their effective date (0.08 percent and 0.12 percent as at December 31 2019 and September 30 2019, respectively). For more information regarding the 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.

I. 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.

As from January 1 2017, the required minimum liquidity coverage ratio is 100 percent. However, in a period of financial pressure, a banking corporation may fall below these minimum requirements.

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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**137**	121	123
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**136**	120	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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	In NIS million		
(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		201	244
In second year		151	182
In third year		122	152
In fourth year		106	113
In fifth year		98	102
In more than 5 years		665	657
Total long-term leases		1,343	1,450
(2) Commitments to purchase securities	**964**	587	692
(3) Commitments to invest in, and purchase of, buildings and equipment	**81**	95	30

(a) As at January 1 2020 following the application of Topic 842, "Leases", no information regarding rental contracts was provided under Other liabilities. For information regarding leases, please see Note 1.B.1.

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In NIS million				
(4) Loan sale activity					
Book balance of sold loans	-	147	**4**	540[(a)]	900
Cash proceeds	-	162	**4**	555[(a)]	915
Total net income on sale of loans	-	15	-	15	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 at 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 legal claims reported in Note 26 to the Annual Financial Statements in which no change occurred.

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

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.

In the opinion of the management of the Bank and the managements of the consolidated companies, the total amount of additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, is approx. NIS 197 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 District Court issued a ruling which dismissed the motion for class certification and required the applicant to pay the Bank's legal expenses. On June 24 2020, the applicant appealed the ruling with the Supreme Court.

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 granted a motion to dismiss the legal claim in limine. On September 8 2017, the plaintiffs appealed the ruling and on February 19 2019, the Court accepted the plaintiffs' appeal and overturned the in limine decision. On June 8 2020, the court granted the plaintiffs' request to dismiss the lawsuit against the Bank and some of the defendants. However, the legal procedure will continue against the other respondents, including Bank Leumi USA.

1.3. On May 22 2016, a motion for class certification was filed against the Bank and other banks, claiming that when a teller conducts a cash transaction, he/she charges a fee according to a price list, without taking into account benefits which apply to certain population groups, and neither do the banks take into account such benefits when calculating the minimum fee they charge customers' accounts. The applicants have not estimated the exact amount allegedly collected from all the class members. On September 20 2018, a ruling dismissed the motion for class certification and on November 12 2018, the applicants appealed the ruling. On November 12 2020, the Supreme Court dismissed the appeal, thus bringing the case against the Bank to a close.

1.4. On January 22 2017, a motion for class certification was filed against the Bank. The applicant claims that the Bank allegedly converts foreign currency credit balances deposited with customers' NIS accounts even if customers did not ask for such conversion to be made. According to the applicant, the damage allegedly caused to the customer as a result of such conversion comprises the conversion fee amount and the difference between conversion at the representative exchange rate and the conversion rate actually used by the Bank (which is lower). According to the applicant, the personal damages caused to him total NIS 38 and the total amount of damages caused to the class of plaintiffs is estimated by the plaintiff at NIS 1 million, but no breakdown was provided. On August 23 2020, the court approved a settlement agreement in this procedure, and the lawsuit was concluded.

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

1.5. On June 5 2019, a motion for class certification was filed against the Bank and other banks. According to the plaintiff, the exchange rate differentials constitute a "commission", requiring the banks to provide fair disclosure thereof. As a result, charging the commission was illegal and the commission is too high. The claimed damage for the entire class the plaintiff purports to represent is NIS 8 billion (the plaintiff claims additional damages, which have not been quantified), of which NIS 2.2 billion is attributed to the Bank. On June 21 2020, the Tel Aviv District Court rejected in limine the motion for class certification and required the petitioners to pay the plaintiffs' legal expenses. On July 6 2020, the applicant appealed the ruling with the Supreme Court.

1.6. 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 and commissions in accordance with Chapter 5 of the Foreign Currency price list. The plaintiffs value the damage incurred by all members of the group they purport to represent at tens of millions of shekels.

1.7. 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 plaintiffs, the banks are compromising 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.

1.8. In 2018, NGO Financial Justice filed a petition with the Supreme Court against then Supervisor of Banks and the Attorney General (amended in 2019 to include the Israel Police) (hereinafter: the "Petition"). The petition asked for remedies designed to prevent the continued tenure and appointment in other banking corporations of anyone investigated in Israeli in relation to the "American customers case". In addition, the petition asked for the Attorney General, the Government and the Police to explain why the investigation is not being exhausted and why charges are not being filed. The Bank is not a party to the petition.

The Bank was exposed to all documents filed in the Petition lately, after filing a motion to review the court documents. In an updated response to the Petition filed by the State Attorney's Office (the latest one was filed on October 19 2020), it was noted that in August 2017, the Attorney General ordered a criminal investigation to begin and established that the case would be transferred for handling by the Police; that suspects have yet to be interrogated; that the investigation is in full swing; that several consultations have been held on the issue with the Attorney General and parties at the Attorney General's office; and that the issues are being evaluated by the State Attorney's Office, which is also considering non-criminal charges as a course of action. The State requested additional time to respond until the end of 2020. The Bank believes that the odds of the investigation resulting in an indictment and criminal conviction against the Bank are low-risk.

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

	September 30 2020 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	2,164	25,414	27,578
Written options	1,445	3,921	5,366
Purchased options	-	2,928	2,928
Swaps[(a)]	26,099	239,347	265,446
Total[(b)]	29,708	271,610	301,318
Of which: hedging derivatives[(c)]	5,897	-	5,897
b) Foreign currency contracts			
Futures and forwards[(d)]	39,133	225,519	264,652
Written options	1,098	22,229	23,327
Purchased options	1,098	23,562	24,660
Swaps[(a)]	70	19,293	19,363
Total	41,399	290,603	332,002
Of which: hedging derivatives[(c)]	-	-	-
c) Stock contracts			
Futures and forwards	536	109,017	109,553
Written options	1,166	27,269	28,435
Purchased options[(e)]	970	27,273	28,243
Swaps	78	71,732	71,810
Total	2,750	235,291	238,041
d) Commodities and other contracts			
Futures and forwards	-	4,483	4,483
Written options	-	210	210
Purchased options	-	210	210
Swaps	-	261	261
Total	-	5,164	5,164
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	73,857	802,668	876,525

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 132,677 million.
(b) Of which: NIS-CPI swaps totaling NIS 13,167 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: foreign exchange spots totaling NIS 26,994 million.
(e) Of which a total of NIS 27,088 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

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

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

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

A. Volume of Consolidated Activity (cont.)

	December 31 2019 (audited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(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 (IRS).
(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.)

	September 30 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 million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	**292**	**6,043**	**6,335**	**783**	**6,285**	**7,068**
Of which: Hedging derivatives	**75**	**-**	**75**	**465**	**-**	**465**
b) Foreign currency contracts	**83**	**2,681**	**2,764**	**127**	**2,928**	**3,055**
Of which: Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**
c) Stock contracts	**41**	**3,202**	**3,243**	**40**	**3,192**	**3,232**
d) Commodities and other contracts	**-**	**235**	**235**	**-**	**233**	**233**
e) Credit contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total assets/liabilities in respect of derivatives, gross[(a)]	**416**	**12,161**	**12,577**	**950**	**12,638**	**13,588**
Amounts netted on the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Book balance	**416**	**12,161**	**12,577**	**950**	**12,638**	**13,588**
Of which: not subject to a master netting- or similar arrangement	**51**	**297**	**348**	**-**	**466**	**466**

(a) Of which: NIS 26 million in gross fair value of assets in respect of embedded derivatives, NIS 29 million in gross fair value of liabilities in respect of embedded derivatives.

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

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

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 million					
(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 September 30 2020		**For the nine months ended September 30 2020**	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used to hedge cash flows[(b)]				
Interest rate contracts	**-**	**-**	**52**	**-**

	For the three months ended September 30 2019		For the nine months ended September 30 2019	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used to hedge cash flows[(b)]				
Interest rate contracts	-	-	-	-

	For the year ended December 31 2019	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Audited	
	In NIS million	
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) line item or in the noninterest finance income (expense) line 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 (cont.)

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

	For the three months ended September 30 2020	For the nine months ended September 30 2020
	Unaudited	
	In NIS million	
Total interest income (expense) recognized in the income statement	**(32)**	**(51)**
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts		
Hedged items	**(97)**	**277**
Hedging derivatives	**65**	**(328)**

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

	For the year ended December 31 2019
	Audited
	In NIS million
Total interest income (expense) 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 September 30 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	**5,251**	**292**	**14**

	As at September 30 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	4,323	184	-

	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 September 30 2020		**For the nine months ended September 30 2020**	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]
	Unaudited			
	In NIS million			
Deposits serving as investment hedges, net				
Foreign currency deposits	**15**	**-**	**7**	**-**

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

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

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

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

B. Accounting Hedges (cont.)

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

	For the three months ended September 30 2020	**For the nine months ended September 30 2020**
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	**(3)**	**(612)**
Foreign currency contracts	**(159)**	**687**
Stock contracts	**61**	**95**
Commodity and other contracts	**-**	**4**
Total	**(101)**	**174**

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

	For the year ended December 31 2019
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
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 (expenses) item.

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

C. Credit Risk for Derivatives by Contract Counterparty

	September 30 2020 (unaudited)					
	Stock ex-changes	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance of assets in respect of derivatives[(a)(b)]	**266**	**6,771**	**1,441**	**27**	**4,072**	**12,577**
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**5,986**	**1,417**	**27**	**1,352**	**8,782**
Credit risk mitigation in respect of cash collateral received	**-**	**489**	**19**	**-**	**1,741**	**2,249**
Net amount of assets in respect of derivatives	**266**	**296**	**5**	**-**	**979**	**1,546**
Off-balance-sheet credit risk for derivatives[(d)(e)]	**404**	**6,474**	**3,622**	**92**	**8,054**	**18,646**
Mitigation of off-balance-sheet credit risk	**-**	**3,096**	**2,398**	**55**	**2,549**	**8,098**
Net off-balance-sheet credit risk for derivatives	**404**	**3,378**	**1,224**	**37**	**5,505**	**10,548**
Total credit risk for derivatives	**670**	**3,674**	**1,229**	**37**	**6,484**	**12,094**
Book balance of liabilities in respect of derivatives[(a)(c)]	**202**	**7,822**	**2,126**	**76**	**3,362**	**13,588**
Gross amounts not netted on the balance sheet:						
Financial instruments	**-**	**5,986**	**1,417**	**27**	**1,352**	**8,782**
Pledged cash collateral	**-**	**1,644**	**675**	**49**	**528**	**2,896**
Net amount of liabilities in respect of derivatives	**202**	**192**	**34**	**-**	**1,482**	**1,910**

	September 30 2019 (unaudited)					
	Stock ex-changes	Banks[(f)]	Dealers/ brokers[(f)]	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance of assets in respect of derivatives[(a)(b)]	162	6,603	2,146	139	3,272	12,322
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	5,213	1,560	-	1,861	8,634
Credit risk mitigation in respect of cash collateral received	-	1,219	546	102	592	2,459
Net amount of assets in respect of derivatives	162	171	40	37	819	1,229
Off-balance-sheet credit risk for derivatives[(d)(e)]	539	8,164	5,045	84	9,919	23,751
Mitigation of off-balance-sheet credit risk	-	4,561	2,395	-	3,448	10,404
Net off-balance-sheet credit risk for derivatives	539	3,603	2,650	84	6,471	13,347
Total credit risk for derivatives	701	3,774	2,690	121	7,290	14,576
Book balance of liabilities in respect of derivatives[(a)(c)]	168	5,802	1,941	-	5,376	13,287
Gross amounts not netted on the balance sheet:						
Financial instruments	-	5,213	1,560	-	1,861	8,634
Pledged cash collateral	-	479	335	-	1,410	2,224
Net amount of liabilities in respect of derivatives	168	110	46	-	2,105	2,429

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 million					
Book balance of assets 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 apply netting agreements.
(b) Of which carrying amounts of assets in respect of standalone derivatives totaling NIS 12,551 million (September 30 2019 - 12,321 million, December 31 2019 - NIS 10,970 million).
(c) Of which carrying amounts of liabilities in respect of standalone derivatives totaling NIS 13,559 million (September 30 2019 - 13,251 million, 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 loan losses were recognized in respect of derivatives in the nine-month period ended September 30 2020, September 30 2019 and December 2019.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	September 30 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 million				
Interest rate contracts:					
NIS-CPI	**1,472**	**2,553**	**7,147**	**1,995**	**13,167**
Other	**40,453**	**61,180**	**112,055**	**74,463**	**288,151**
Foreign currency contracts	**210,648**	**93,858**	**21,166**	**6,330**	**332,002**
Stock contracts	**176,270**	**60,824**	**947**	**-**	**238,041**
Commodity and other contracts	**1,151**	**3,949**	**64**	**-**	**5,164**
Total	**429,994**	**222,364**	**141,379**	**82,788**	**876,525**
Total as at September 30 2019 (unaudited)	547,455	280,848	238,648	88,267	1,155,218
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 should be 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 September 30 2020 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	817	505	14	1
Interest expense from external	21	-	-	27
Interest income, net:				
From external	796	505	14	(26)
Inter-segmental	(215)	(283)	-	37
Total interest income, net	581	222	14	11
Total noninterest income	236	14	55	37
Total income	817	236	69	48
Loan loss expenses	71	46	-	-
Operating and other expenses:				
For external	635	49	54	20
Inter-segmental	1	1	-	-
Total operating and other expenses	636	50	54	20
Profit (loss) before taxes	110	140	15	28
Provision for income taxes (benefit)	38	47	6	12
Profit (loss) after taxes	72	93	9	16
The Bank's share in associates' profit	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	72	93	9	16
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	72	93	9	16
Average balance of assets[(a)]	98,613	72,693	3,793	304
Of which: Investments in associates[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)]	99,540	73,160	3,832	297
Outstanding loans to the public as at the end of the reporting period	100,437	74,069	3,901	309
Outstanding impaired non-performing debt	346	22	1	-
Outstanding debt in arrears of over 90 days	829	786	-	-
Average balance of liabilities[(a)]	120,559	18	8	26,256
Of which: Average balance of deposits by the public[(a)]	119,800	-	-	26,219
Balance of deposits by the public as at the end of the reporting period	120,437	-	-	26,453
Average balance of risk-weighted assets[(a)(b)]	69,442	46,570	3,616	705
Balance of risk-weighted assets as at the end of the reporting period [(b)]	70,156	46,920	3,726	704
Average balance of assets under management[(a)(c)]	60,495	-	-	40,698
Breakdown of interest income, net:				
Margin from credit granting activities	517	222	14	1
Margin from deposit taking activities	64	-	-	10
Other	-	-	-	-
Total interest income, net	581	222	14	11

(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 14,001 million as at the end of the period.

Small- and micro-businesses[d]	Mid-sized businesses[d]	Corporations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations: Total activity outside Israel	Total
566	208	492	2	246	-	2,332	250	2,582
52	34	50	46	111	-	341	25	366
514	174	442	(44)	135	-	1,991	225	2,216
(32)	6	(63)	53	200	2	(12)	12	-
482	180	379	9	335	2	1,979	237	2,216
188	67	134	41	477	5	1,185	68	1,253
670	247	513	50	812	7	3,164	305	3,469
130	108	111	-	3	-	423	124	547
380	104	100	59	67	192	1,557	192	1,749
-	-	-	-	(2)	-	(1)	1	-
380	104	100	59	65	192	1,556	193	1,749
160	35	302	(9)	744	(185)	1,185	(12)	1,173
57	13	91	(2)	276	(50)	435	(3)	432
103	22	211	(7)	468	(135)	750	(9)	741
-	-	-	-	8	-	8	-	8
103	22	211	(7)	476	(135)	758	(9)	749
-	-	-	-	-	-	-	(1)	(1)
103	22	211	(7)	476	(135)	758	(8)	750
61,657	28,442	69,797	5,890	222,134	4,209	491,046	30,897	521,943
-	-	-	-	675	-	675	-	675
62,538	28,818	69,959	5,894	-	-	267,046	23,508	290,554
63,053	29,265	74,490	637	-	-	268,191	23,270	291,461
846	258	725	4	-	-	2,179	559	2,738
48	-	19	-	-	-	896	9	905
74,639	44,939	61,775	72,555	46,278	12,508	459,509	25,290	484,799
74,007	44,753	58,867	71,998	-	-	395,644	24,089	419,733
74,131	46,798	64,041	70,816	-	-	402,676	24,439	427,115
56,678	31,984	88,157	995	29,437	18,649	296,047	29,986	326,033
56,178	31,882	89,767	739	27,518	18,650	295,594	29,591	325,185
59,344	23,162	60,250	781,474	42,206	-	1,067,629	17,105	1,084,734
458	172	370	1	567	1	2,087	225	2,312
24	8	9	8	(344)	-	(221)	(25)	(246)
-	-	-	-	112	1	113	37	150
482	180	379	9	335	2	1,979	237	2,216

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended September 30 2019[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	647	293	17	-
Interest expense from external	31	-	-	37
Interest income, net:				
From external	616	293	17	(37)
Inter-segmental	34	(74)	-	61
Total interest income, net	650	219	17	24
Total noninterest income (expenses)	241	10	55	35
Total income (expenses)	891	229	72	59
Loan loss expenses (income)	45	(2)	2	-
Operating and other expenses:				
For external	766	57	56	22
Inter-segmental	1	1	-	-
Total operating and other expenses	767	58	56	22
Profit (loss) before taxes	79	173	14	37
Provision for income taxes (benefit)	21	51	7	11
Profit (loss) after taxes	58	122	7	26
The Bank's share in associates' (losses)	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	58	122	7	26
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	58	122	7	26
Average balance of assets[a]	96,080	68,523	4,010	339
Of which: Investments in associates[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	94,000	66,226	4,049	334
Outstanding loans to the public as at the end of the reporting period	98,700	70,637	4,457	326
Outstanding impaired non-performing debt	307	-	-	-
Outstanding debt in arrears of over 90 days	857	807	-	-
Average balance of liabilities[a]	108,404	23	8	23,602
Of which: Average balance of deposits by the public[a]	108,053	-	-	23,498
Balance of deposits by the public as at the end of the reporting period	107,650	-	-	23,354
Average balance of risk-weighted assets[a][b]	69,516	45,533	4,032	755
Balance of risk-weighted assets as at the end of the reporting period [b]	70,068	45,928	4,139	748
Average balance of assets under management[a][c]	67,695	-	-	43,541
Breakdown of interest income, net:				
Margin from credit granting activities	546	219	17	(1)
Margin from deposit taking activities	104	-	-	25
Other	-	-	-	-
Total interest income, net	650	219	17	24

(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 12,640 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]	Corporations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
559	201	447	11	343	-	2,208	318	2,526
34	67	73	88	33	-	363	71	434
525	134	374	(77)	310	-	1,845	247	2,092
21	80	(12)	117	(275)	2	28	(28)	-
546	214	362	40	35	2	1,873	219	2,092
182	74	127	42	421	(69)	1,053	79	1,132
728	288	489	82	456	(67)	2,926	298	3,224
75	(4)	64	(4)	(15)	-	161	20	181
369	119	93	61	61	257	1,748	188	1,936
-	-	-	-	3	-	4	(4)	-
369	119	93	61	64	257	1,752	184	1,936
284	173	332	25	407	(324)	1,013	94	1,107
82	50	103	5	123	(92)	303	21	324
202	123	229	20	284	(232)	710	73	783
-	-	-	-	(8)	-	(8)	-	(8)
202	123	229	20	276	(232)	702	73	775
-	-	-	-	-	-	-	10	10
202	123	229	20	276	(232)	702	63	765
64,818	28,533	64,313	3,973	165,663	8,199	431,918	31,714	463,632
-	-	-	-	672	-	672	-	672
64,879	28,744	66,144	3,980	-	-	258,081	24,156	282,237
62,656	28,995	68,747	1,608	-	-	261,032	22,614	283,646
709	251	715	-	-	-	1,982	403	2,385
59	-	15	-	-	-	931	102	1,033
58,447	38,674	51,990	66,368	41,517	13,311	402,313	25,122	427,435
58,321	38,568	49,179	65,846	-	-	343,465	24,235	367,700
56,519	38,365	49,166	62,253	-	-	337,307	22,589	359,896
54,030	30,464	83,284	757	25,559	18,473	282,838	31,925	314,763
54,544	30,905	83,906	647	25,009	18,424	284,251	30,256	314,507
51,387	26,290	70,841	733,591	50,825	-	1,044,170	17,295	1,061,465
481	158	327	1	350	2	1,864	282	2,146
65	56	35	38	(652)	-	(329)	(74)	(403)
-	-	-	1	337	-	338	11	349
546	214	362	40	35	2	1,873	219	2,092

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30 2020 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	**2,247**	**1,263**	**45**	**3**
Interest expense from external	**118**	**-**	**-**	**85**
Interest income, net:				
From external	**2,129**	**1,263**	**45**	**(82)**
Inter-segmental	**(378)**	**(631)**	**(2)**	**130**
Interest income (expense), net	**1,751**	**632**	**43**	**48**
Total noninterest income	**740**	**46**	**171**	**111**
Total income	**2,491**	**678**	**214**	**159**
Loan loss expenses (income)	**414**	**177**	**(3)**	**-**
Operating and other expenses:				
For external	**1,914**	**151**	**152**	**60**
Inter-segmental	**2**	**2**	**-**	**-**
Total operating and other expenses	**1,916**	**153**	**152**	**60**
Profit (loss) before taxes	**161**	**348**	**65**	**99**
Provision for income taxes (benefit)	**50**	**124**	**24**	**37**
Profit (loss) after taxes	**111**	**224**	**41**	**62**
The Bank's share in associates' profits (losses)	**-**	**-**	**-**	**-**
Net income (loss) before amount attributable to non-controlling interests	**111**	**224**	**41**	**62**
Net income (loss) attributable to non-controlling interests	**-**	**-**	**-**	**-**
Net income (loss) attributable to the Bank's shareholders	**111**	**224**	**41**	**62**
Average balance of assets[(a)]	**97,909**	**71,571**	**3,715**	**314**
Of which: Investments in associates[(a)]	**-**	**-**	**-**	**-**
Average outstanding balance of loans to the public[(a)]	**98,702**	**71,956**	**3,754**	**307**
Outstanding loans to the public as at the end of the reporting period	**100,437**	**74,069**	**3,901**	**309**
Outstanding impaired non-performing debt	**346**	**22**	**1**	**-**
Outstanding debt in arrears of over 90 days	**829**	**786**	**-**	**-**
Average balance of liabilities[(a)]	**115,572**	**20**	**8**	**25,410**
Of which: Average balance of deposits by the public[(a)]	**115,289**	**-**	**-**	**25,396**
Balance of deposits by the public as at the end of the reporting period	**120,437**	**-**	**-**	**26,453**
Average balance of risk-weighted assets[(a)(b)]	**69,663**	**46,294**	**3,777**	**722**
Balance of risk-weighted assets as at the end of the reporting period [(b)]	**70,156**	**46,920**	**3,726**	**704**
Average balance of assets under management[(a)(c)]	**62,393**	**-**	**-**	**41,358**
Breakdown of interest income, net:				
Margin from credit granting activities	**1,530**	**632**	**43**	**1**
Margin from deposit taking activities	**221**	**-**	**-**	**47**
Other	**-**	**-**	**-**	**-**
Total interest income, net	**1,751**	**632**	**43**	**48**

(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 14,001 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
1,703	622	1,393	17	863	-	6,848	825	7,673
118	132	175	157	284	-	1,069	98	1,167
1,585	490	1,218	(140)	579	-	5,779	727	6,506
(83)	59	(150)	199	233	(4)	6	(6)	-
1,502	549	1,068	59	812	(4)	5,785	721	6,506
580	217	399	166	555	13	2,781	199	2,980
2,082	766	1,467	225	1,367	9	8,566	920	9,486
654	266	717	(2)	4	-	2,053	229	2,282
1,131	313	286	171	218	552	4,645	576	5,221
-	-	-	-	(4)	-	(2)	2	-
1,131	313	286	171	214	552	4,643	578	5,221
297	187	464	56	1,149	(543)	1,870	113	1,983
106	69	155	21	454	(164)	728	24	752
191	118	309	35	695	(379)	1,142	89	1,231
-	-	-	-	(5)	-	(5)	-	(5)
191	118	309	35	690	(379)	1,137	89	1,226
-	-	-	-	-	-	-	14	14
191	118	309	35	690	(379)	1,137	75	1,212
62,101	28,644	71,247	4,555	205,086	8,492	478,348	31,321	509,669
-	-	-	-	745	-	745	-	745
62,734	28,934	72,397	4,559	-	-	267,633	23,857	291,490
63,053	29,265	74,490	637	-	-	268,191	23,270	291,461
846	258	725	4	-	-	2,179	559	2,738
48	-	19	-	-	-	896	9	905
69,021	42,279	61,968	71,668	48,394	13,169	447,481	25,258	472,739
68,777	42,190	59,180	71,111	-	-	381,943	24,004	405,947
74,131	46,798	64,041	70,816	-	-	402,676	24,439	427,115
56,420	31,784	87,625	985	27,929	18,311	293,439	31,102	324,541
56,178	31,882	89,767	739	27,518	18,650	295,594	29,591	325,185
57,332	23,710	61,918	786,962	42,442	-	1,076,115	17,331	1,093,446
1,400	496	1,022	8	1,536	(5)	5,988	736	6,724
102	53	46	51	(1,289)	-	(769)	(97)	(866)
-	-	-	-	565	1	566	82	648
1,502	549	1,068	59	812	(4)	5,785	721	6,506

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30 2019[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	2,605	1,527	52	2
Interest expense from external	260	-	-	139
Interest income, net:				
From external	2,345	1,527	52	(137)
Inter-segmental	(416)	(891)	-	225
Total interest income, net	1,929	636	52	88
Total noninterest income	725	35	161	107
Total income	2,654	671	213	195
Loan loss expenses (income)	127	5	-	-
Operating and other expenses:				
For external	2,281	180	162	73
Inter-segmental	1	1	-	-
Total operating and other expenses	2,282	181	162	73
Profit before taxes	245	485	51	122
Provision for profit tax	79	160	18	41
Profit after taxes	166	325	33	81
The Bank's share in associates' losses	-	-	-	-
Net income before attribution to non-controlling interests	166	325	33	81
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	166	325	33	81
Average balance of assets[a]	95,280	67,758	3,741	330
Of which: Investments in associates[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	94,551	66,769	3,777	324
Outstanding loans to the public as at the end of the reporting period	98,700	70,637	4,457	326
Outstanding impaired non-performing debt	307	-	-	-
Outstanding debt in arrears of over 90 days	857	807	-	-
Average balance of liabilities[a]	108,313	23	7	23,629
Of which: Average balance of deposits by the public[a]	108,098	-	-	23,573
Balance of deposits by the public as at the end of the reporting period	107,650	-	-	23,354
Average balance of risk-weighted assets[a][b]	69,376	45,092	4,151	756
Balance of risk-weighted assets as at the end of the reporting period [b]	70,068	45,928	4,139	748
Average balance of assets under management[a][c]	67,547	-	-	42,913
Breakdown of interest income, net:				
Margin from credit granting activities	1,613	636	52	-
Margin from deposit taking activities	316	-	-	88
Other	-	-	-	-
Total interest income, net	1,929	636	52	88

(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 12,640 million as at the end of the period.
(e) Reclassified, incl. improvement effort carried out in 2019.

							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
1,817	625	1,518	30	1,124	-	7,721	1,040	8,761
143	200	282	406	423	-	1,853	230	2,083
1,674	425	1,236	(376)	701	-	5,868	810	6,678
(14)	223	(131)	524	(383)	4	32	(32)	-
1,660	648	1,105	148	318	4	5,900	778	6,678
561	227	410	134	1,148	351	3,663	218	3,881
2,221	875	1,515	282	1,466	355	9,563	996	10,559
259	12	55	(8)	(36)	-	409	42	451
1,174	376	302	185	229	599	5,219	613	5,832
-	-	-	-	(15)	20	6	(6)	-
1,174	376	302	185	214	619	5,225	607	5,832
788	487	1,158	105	1,288	(264)	3,929	347	4,276
260	162	386	33	479	(68)	1,372	72	1,444
528	325	772	72	809	(196)	2,557	275	2,832
-	-	-	-	(22)	-	(22)	-	(22)
528	325	772	72	787	(196)	2,535	275	2,810
-	-	-	-	-	-	-	30	30
528	325	772	72	787	(196)	2,535	245	2,780
63,138	28,253	65,170	2,574	167,601	8,070	430,416	32,664	463,080
-	-	-	-	615	-	615	-	615
63,390	28,499	65,687	2,580	-	-	255,031	24,914	279,945
62,656	28,995	68,747	1,608	-	-	261,032	22,614	283,646
709	251	715	-	-	-	1,982	403	2,385
59	-	15	-	-	-	931	102	1,033
58,427	38,381	53,156	67,351	39,434	12,259	400,950	25,473	426,423
58,321	38,287	49,201	66,537	-	-	344,017	24,953	368,970
56,519	38,365	49,166	62,253	-	-	337,307	22,589	359,896
53,851	30,099	80,898	1,110	24,862	18,655	279,607	33,146	312,753
54,544	30,905	83,906	647	25,009	18,424	284,251	30,256	314,507
51,082	26,080	70,126	717,467	52,518	-	1,027,733	17,591	1,045,324
1,458	481	993	7	2,040	4	6,596	911	7,507
202	167	112	140	(2,410)	-	(1,385)	(226)	(1,611)
-	-	-	1	688	-	689	93	782
1,660	648	1,105	148	318	4	5,900	778	6,678

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 million			
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 income taxes (benefit)	95	226	18	57
Profit (loss) after taxes	204	408	31	103
The Bank's share in associates' (losses), 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	69,192	4,205	333
Of which: Investments in associates[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)]	97,500	69,527	4,245	328
Outstanding loans to the public as at the end of the reporting period	99,370	71,248	4,176	346
Outstanding impaired non-performing debt	310	-	-	-
Outstanding debt in arrears of 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.

Small- and micro-businesses[d]	Mid-sized businesses[d]	Corporations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations 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	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 Annual Financial Statements as at December 31 2019.

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

	For the three months ended September 30 2020 (unaudited)											
	The 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 million											
Interest income (expense), net:												
From external	**268**	**281**	**595**	**1,144**	**288**	**224**	**218**	**94**	**-**	**24**	**224**	**2,216**
Inter-segmental	**159**	**(8)**	**(322)**	**(171)**	**(9)**	**(67)**	**(36)**	**271**	**(6)**	**5**	**13**	**-**
Interest income (expense), net	**427**	**273**	**273**	**973**	**279**	**157**	**182**	**365**	**(6)**	**29**	**237**	**2,216**
Noninterest income	**323**	**109**	**6**	**438**	**97**	**60**	**74**	**320**	**112**	**86**	**66**	**1,253**
Total income	**750**	**382**	**279**	**1,411**	**376**	**217**	**256**	**685**	**106**	**115**	**303**	**3,469**
Loan loss expenses (income)	**43**	**59**	**53**	**155**	**72**	**166**	**45**	**(5)**	**(1)**	**(7)**	**122**	**547**
Total operating and other expenses	**645**	**234**	**62**	**941**	**172**	**59**	**31**	**88**	**220**	**45**	**193**	**1,749**
Profit (loss) before tax	**62**	**89**	**164**	**315**	**132**	**(8)**	**180**	**602**	**(113)**	**77**	**(12)**	**1,173**
Provision (benefit) for tax	**21**	**31**	**56**	**108**	**54**	**(2)**	**54**	**205**	**(4)**	**19**	**(2)**	**432**
Net income (loss) attributable to the Bank's shareholders	**41**	**58**	**108**	**207**	**78**	**(6)**	**126**	**398**	**(109)**	**65**	**(9)**	**750**

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

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

	For the three months ended September 30 2019 (unaudited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Com-mercial	Corp-orate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income (expense), net:												
From external	300	322	332	954	237	192	188	267	(1)	27	228	2,092
Inter-segmental	238	5	(70)	173	86	(36)	(29)	(191)	3	2	(8)	-
Interest income, net	538	327	262	1,127	323	156	159	76	2	29	220	2,092
Noninterest income (expense)	324	109	1	434	101	49	80	389	(67)	67	79	1,132
Total income (expenses)	862	436	263	1,561	424	205	239	465	(65)	96	299	3,224
Loan loss expenses (income)	60	80	(8)	132	(26)	64	(3)	4	(9)	(1)	20	181
Total operating and other expenses	739	272	66	1,077	170	62	31	89	273	50	184	1,936
Profit (loss) before tax	63	84	205	352	280	79	211	372	(329)	47	95	1,107
Provision (benefit) for tax	22	29	71	122	96	27	72	127	(145)	6	19	324
Net income (loss) attributable to the Bank's shareholders	41	55	134	230	184	52	139	246	(184)	32	66	765

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

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

	For the nine months ended September 30 2020 (unaudited)											
	The 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 million											
Interest income (expense), net:												
From external	**846**	**865**	**1,480**	**3,191**	**810**	**672**	**613**	**401**	**-**	**94**	**725**	**6,506**
Inter-segmental	**520**	**(12)**	**(675)**	**(167)**	**50**	**(192)**	**(97)**	**394**	**3**	**13**	**(4)**	**-**
Interest income, net	**1,366**	**853**	**805**	**3,024**	**860**	**480**	**516**	**795**	**3**	**107**	**721**	**6,506**
Noninterest income	**1,005**	**339**	**17**	**1,361**	**308**	**172**	**230**	**459**	**113**	**138**	**199**	**2,980**
Total income	**2,371**	**1,192**	**822**	**4,385**	**1,168**	**652**	**746**	**1,254**	**116**	**245**	**920**	**9,486**
Loan loss expenses (income)	**332**	**483**	**197**	**1,012**	**305**	**608**	**162**	**(9)**	**(25)**	**1**	**228**	**2,282**
Total operating and other expenses	**1,960**	**728**	**182**	**2,870**	**472**	**171**	**91**	**272**	**634**	**133**	**578**	**5,221**
Profit (loss) before tax	**79**	**(19)**	**443**	**503**	**391**	**(127)**	**493**	**991**	**(493)**	**111**	**114**	**1,983**
Provision (benefit) for tax	**27**	**(6)**	**151**	**172**	**134**	**(43)**	**169**	**339**	**(65)**	**21**	**25**	**752**
Net income (loss) attributable to the Bank's shareholders	**52**	**(13)**	**292**	**331**	**257**	**(84)**	**324**	**653**	**(428)**	**84**	**75**	**1,212**

Balances as at September 30 2020												
Loans to the public, net	**27,319**	**24,247**	**89,332**	**140,898**	**42,518**	**39,369**	**29,063**	**5,723**	**5,216**	**744**	**22,843**	**286,374**
Deposits by the public	**180,897**	**45,601**	**-**	**226,498**	**64,963**	**24,648**	**8,410**	**78,153**	**4**	**-**	**24,439**	**427,115**
Assets under management	**173,306**	**17,647**	**-**	**190,953**	**23,947**	**9,564**	**1,417**	**546,887**	**17,422**	**306,701**	**17,119**	**1,114,010**

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

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

	For the nine months ended September 30 2019 (unaudited)											
	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 million											
Interest income (expense), net:												
From external	664	956	1,815	3,435	719	688	621	346	1	58	810	6,678
Inter-segmental	962	36	(1,058)	(60)	238	(209)	(155)	208	-	10	(32)	-
Interest income, net	1,626	992	757	3,375	957	479	466	554	1	68	778	6,678
Noninterest income	970	343	4	1,317	310	153	239	983	403	258	218	3,881
Total income	2,596	1,335	761	4,692	1,267	632	705	1,537	404	326	996	10,559
Loan loss expenses (income)	168	226	(2)	392	56	(8)	8	(32)	(10)	3	42	451
Total operating and other expenses	2,113	811	208	3,132	551	202	95	269	820	156	607	5,832
Profit (loss) before tax	315	298	555	1,168	660	438	602	1,300	(406)	167	347	4,276
Provision (benefit) for tax[(a)]	108	102	190	400	226	150	206	444	(93)	40	71	1,444
Net income (loss) attributable to the Bank's shareholders	207	196	365	768	434	288	396	858	(313)	103	246	2,780
Balances as at September 30 2019												
Loans to the public, net	29,260[(a)]	25,320	84,425	139,005	40,407	38,248	26,096	7,520[(a)]	5,985[(a)]	753	22,360	280,374
Deposits by the public	156,991	37,981	-	194,972	50,685	17,440	6,491	67,706[(a)]	13	-	22,589	359,896
Assets under management	180,463	17,721	-	198,184	24,433	20,844	2,148	521,592	21,446	296,427	17,038	1,102,112

(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)											
	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 million											
Interest income (expense), net:												
From external	927	1,271	2,311	4,509	972	888	821	522	1	81	1,047	8,841
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 tax	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 September 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com- mercial	Housing	Private individuals - other	Total - public	Banks and govern- ments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	**3,651**	**603**	**808**	**5,062**	**3**	**5,065**
Loan loss expenses (income)	**498**	**52**	**(5)**	**545**	**2**	**547**
Write-offs	**(169)**	**(3)**	**(101)**	**(273)**	**-**	**(273)**
Collection of debts written off in previous years	**132**	**-**	**68**	**200**	**-**	**200**
Net write-offs	**(37)**	**(3)**	**(33)**	**(73)**	**-**	**(73)**
Adjustments from translation of financial statements	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Balance of loan loss provision as at the end of the reporting period[1]	**4,111**	**652**	**770**	**5,533**	**5**	**5,538**
[1]Of which: in respect of off-balance-sheet credit instruments	**425**	**-**	**21**	**446**	**-**	**446**

	For the three months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans to the public[(b)]					
	Com- mercial	Housing	Private individuals - other	Total - public	Banks and govern- ments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,686	482	641	3,809	3	3,812
Disposal of an investment in a previously-	(20)	(5)	(1)	(26)	-	(26)
Balance of loan loss provision as at |July 1 2019	2,666	477	640	3,783	3	3,786
Loan loss expenses (income)	146	(1)	38	183	(2)	181
Write-offs	(266)	(5)	(88)	(359)	-	(359)
Collection of debts written off in previous years	67	-	53	120	-	120
Net write-offs	(199)	(5)	(35)	(239)	-	(239)
Adjustments from translation of financial	(6)	-	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period[1]	2,607	471	643	3,721	1	3,722
[1]Of which: in respect of off-balance-sheet	429	-	20	449	-	449

(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) 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.)

1. Change in outstanding loan loss provision (cont.)

	For the nine months ended September 30 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 million					
Outstanding loan loss provision as at the beginning of the reporting period	**2,590**	**467**	**657**	**3,714**	**2**	**3,716**
Loan loss expenses	**1,852**	**190**	**237**	**2,279**	**3**	**2,282**
Write-offs	**(622)**	**(5)**	**(314)**	**(941)**	**-**	**(941)**
Collection of debts written off in previous years	**293**	**-**	**190**	**483**	**-**	**483**
Net write-offs	**(329)**	**(5)**	**(124)**	**(458)**	**-**	**(458)**
Adjustments from translation of financial statements	**(2)**	**-**	**-**	**(2)**	**-**	**(2)**
Balance of loan loss provision as at the end of the reporting period[1]	**4,111**	**652**	**770**	**5,533**	**5**	**5,538**
[1]Of which: in respect of off-balance-sheet credit instruments	**425**	**-**	**21**	**446**	**-**	**446**

	For the nine months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans to the public[(b)]					
	Com-mercial	Housing	Private individuals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,700	479	634	3,813	3	3,816
Loan loss (income) expenses	327	14	112	453	(2)	451
Write-offs	(746)	(17)	(299)	(1,062)	-	(1,062)
Collection of debts written off in previous years	361	-	197	558	-	558
Net write-offs	(385)	(17)	(102)	(504)	-	(504)
Adjustments from translation of financial statements	(15)	-	-	(15)	-	(15)
Disposal of an investment in a previously-consolidated subsidiary	(20)	(5)	(1)	(26)	-	(26)
Balance of loan loss provision as at the end of the reporting period[1]	2,607	471	643	3,721	1	3,722
[1]Of which: in respect of off-balance-sheet credit instruments	429	-	20	449	-	449

(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

	September 30 2020 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private individuals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	**135,026**	**26**	**758**	**135,810**	**14,018**	**149,828**
Examined on a collective basis[1]	**41,914**	**88,286**	**25,451**	**155,651**	**702**	**156,353**
[1]Of which: the provision for which was calculated by the extent of arrears	**751[(c)]**	**88,154**	**-**	**88,905**	**-**	**88,905**
Total debts[(a)]	**176,940**	**88,312**	**26,209**	**291,461**	**14,720**	**306,181**
Balance of loan loss provision in respect of debts[(a)]:						
Examined on a specific basis	**2,953**	**-**	**216**	**3,169**	**5**	**3,174**
Examined on a collective basis[2]	**733**	**652**	**533**	**1,918**	**-**	**1,918**
[2]Of which: The provision for which was calculated by extent of arrears	**-[(d)]**	**650[(b)]**	**-**	**650**	**-**	**650**
Total loan loss provision[3]	**3,686**	**652**	**749**	**5,087**	**5**	**5,092**
[3]Of which: for impaired non-performing debt	**503**	**-**	**203**	**706**	**-**	**706**

	September 30 2019 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private individuals - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	129,494[(e)]	-	748	130,242	10,115[(e)]	140,357
Examined on a collective basis[1]	42,630[(e)]	83,534	27,240[(e)]	153,404	381	153,785
[1]Of which: the provision for which was calculated by the extent of arrears	737[(c)(e)]	83,335	-	84,072	-	84,072
Total debts[(a)]	172,124	83,534	27,988	283,646	10,496	294,142
Balance of loan loss provision in respect of debts[(a)(e)]:						
Examined on a specific basis	1,688	-	167	1,855	1	1,856
Examined on a collective basis[2]	490[(e)]	471[(e)]	456	1,417	-	1,417
[2]Of which: The provision for which was calculated by extent of arrears	-[(d)]	470[(b)]	-	470	-	470
Total loan loss provision[3]	2,178	471	623	3,272	1	3,273
[3]Of which: for impaired non-performing debt	320	-	159	479	-	479

(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 466 million as at September 30 2020 (September 30 2019 - 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.
(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 million					
Recorded outstanding debt:[(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 a 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 debt	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

	September 30 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 million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction[g]	26,304	131	109	26,544	10	38
Construction & real estate - real estate activities[g]	27,749	217	195	28,161	8	55
Financial services	14,066	7	5	14,078	1	2
Commercial - other	72,570	1,690	1,242	75,502	48	111
Commercial - total	**140,689**	**2,045**	**1,551**	**144,285**	**67**	**206**
Private individuals - housing loans	87,338	785[f]	22	88,145	786	569
Private individuals - other	25,179	331	324	25,834	43	116
Total loans to the public - activity in Israel	**253,206**	**3,161**	**1,897**	**258,264**	**896**	**891**
Banks in Israel	1,362	-	-	1,362	-	-
Government of Israel	50	-	-	50	-	-
Total activity in Israel	**254,618**	**3,161**	**1,897**	**259,676**	**896**	**891**
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	11,569	370	304	12,243	-	179
Commercial - other	17,921	1,981	510	20,412	9	155
Commercial - total	**29,490**	**2,351**	**814**	**32,655**	**9**	**334**
Private individuals	515	-	27	542	-	-
Total loans to the public - activity overseas	**30,005**	**2,351**	**841**	**33,197**	**9**	**334**
Foreign banks	12,632	-	-	12,632	-	-
Foreign governments	661	-	15	676	-	-
Total activity outside Israel	**43,298**	**2,351**	**856**	**46,505**	**9**	**334**
Total - public	**283,211**	**5,512**	**2,738**	**291,461**	**905**	**1,225**
Total - banks	**13,994**	**-**	**-**	**13,994**	**-**	**-**
Governments - total	**711**	**-**	**15**	**726**	**-**	**-**
Total	**297,916**	**5,512**	**2,753**	**306,181**	**905**	**1,225**

Please see comments below.

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

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

1. Credit quality and delinquency (cont.)

	September 30 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 million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	23,710[(i)]	97	88	23,895	11	25
Construction & real estate - real estate activities	26,558[(i)]	101	292	26,951	14	41
Financial services	15,881[(i)]	5	4	15,890	1	149
Commercial - other	73,296[(i)]	1,269	1,121	75,686	48	144
Commercial - total	139,445	1,472	1,505	142,422	74	359
Private individuals - housing loans	82,514	807[(f)]	-	83,321	807	652
Private individuals - other	26,996[(i)]	284	307	27,587	50	153
Total loans to the public - activity in Israel	248,955	2,563	1,812	253,330	931	1,164
Banks in Israel	747	-	-	747	-	-
Government of Israel	17	-	-	17	-	-
Total activity in Israel	249,719	2,563	1,812	254,094	931	1,164
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	10,593	136	236	10,965	-	11
Commercial - other	17,824[(i)]	577	336	18,737	102	210
Commercial - total	28,417	713	572	29,702	102	221
Private individuals	612	1	1	614	-	-
Total loans to the public - activity overseas	29,029	714	573	30,316	102	221
Foreign banks	9,077[(i)]	-	-	9,077	-	-
Foreign governments	655	-	-	655	-	-
Total activity outside Israel	38,761	714	573	40,048	102	221
Total - public	277,984	3,277	2,385	283,646	1,033	1,385
Total - banks	9,824	-	-	9,824	-	-
Governments - total	672	-	-	672	-	-
Total	288,480	3,277	2,385	294,142	1,033	1,385

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	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 million					
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
Commercial - total	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 & real estate	11,523	77	362	11,962	3	17
Commercial - other	17,862	511	359	18,732	-[(i)]	139
Commercial - total	29,385	588	721	30,694	3	156
Private individuals	566	-	1	567	-	-
Total loans to the public - activity overseas	29,951	588	722	31,261	3	156
Foreign 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	-	-
Governments - total	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 more than 90 days or more for which there is no provision based on the extent of arrears.

(c) As a rule, impaired non-performing debt do not accrue interest income. For information regarding certain impaired non-performing debt 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 and up to 89 days totaling NIS 351 million (as at September 30 2019 - NIS 274 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 78 million (September 30 2019 - NIS 87 million, December 31 2019 - NIS 85 million) with a provision for the extent of arrears, for which an agreement was signed for the borrower to repay the overdue balance, which involves changes in the repayment schedule of outstanding future payments.

(g) 2.7 percent of the credit granted to rental properties through the Bank's Construction and Real Estate Department features LTV rates in excess of 85 percent.

(h) Outstanding unimpaired debt in arrears of at least 90 days as at September 30 2020, in the amount of NIS 897 million constitutes credit granted by the Bank, of which NIS 111 million is for non-housing loans and NIS 786 million - for housing loans, of which a total of NIS 202 million is in arrears of up to 149 days, NIS 158 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 number of arrears days.

Debt evaluated on a specific basis is handled as non-performing (non-accruing) after 90 days of arrears. For debt evaluated on a collective basis, 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. Any debt restructured as troubled debt and which is once again accruing interest but is in arrears of 60 days under the new repayment terms, shall be treated once again as non-performing. 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 financial difficulties due to the coronavirus crisis, 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.)

B. Debts[a] (cont.)

2. Additional information on impaired non-performing debt

a. Impaired non-performing debt and specific provision

	September 30 2020 (unaudited)				
	Outs-tanding[b] impaired non-perfor-ming debt in respect of which there is a specific provi-sion[c]	Balance of specific provi-sion[c]	Outstanding balance[b] of impaired non-perfor-ming debts in respect of which there is no specific provis-ion[c]	Total outs-tanding[b] impaired non-perfor-ming debts	Outs-tanding cont-ractual principal in respect of impaired non-perfor-ming debt
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	49	13	60	109	363
Construction & real estate - real estate activities	59	3	136	195	969
Financial services	3	1	2	5	404
Commercial - other	729	270	513	1,242	3,082
Commercial - total	**840**	**287**	**711**	**1,551**	**4,818**
Private individuals - housing loans	22	-	-	22	22
Private individuals - other	322	202	2	324	811
Total loans to the public - activity in Israel	**1,184**	**489**	**713**	**1,897**	**5,651**
Borrower activity outside Israel					
Public - commercial					
Construction & real estate	304	70	-	304	376
Commercial - other	456	146	54	510	582
Commercial - total	**760**	**216**	**54**	**814**	**958**
Private individuals	26	1	1	27	27
Total loans to the public - activity overseas	**786**	**217**	**55**	**841**	**985**
Foreign governments	15	-	-	15	15
Total activity outside Israel	**801**	**217**	**55**	**856**	**1,000**
Total - public	**1,970**	**706**	**768**	**2,738**	**6,636**
Governments - total	**15**	-	-	**15**	**15**
Total	**1,985**	**706**	**768**	**2,753**	**6,651**
Of which:					
Measured according to the present value of cash flows	**1,413**	**582**	**624**	**2,037**	
Restructuring of troubled debt	**813**	**272**	**528**	**1,341**	

(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 debt(cont.)

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

	September 30 2019 (unaudited)				
	Outstanding[(b)] impaired non-performing debt 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 contractual principal in respect of impaired non-performing debt
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	56	11	32	88	324
Construction & real estate - real estate activities	98	27	194	292	1,124
Financial services	3	1	1	4	411
Commercial - other	574	197	547	1,121	3,352
Commercial - total	731	236	774	1,505	5,211
Private individuals - other	305	158	2	307	765
Total loans to the public - activity in Israel	1,036	394	776	1,812	5,976
Borrower activity outside Israel					
Public - commercial					
Construction & real estate	236	48	-	236	253
Commercial - other	100	36	236	336	355
Commercial - total	336	84	236	572	608
Private individuals	1	1	-	1	3
Total loans to the public - activity overseas	337	85	236	573	611
Total - public	1,373	479	1,012	2,385	6,587
Of which:					
Measured according to the present value of cash flows	1,250	427	715	1,965	
Restructuring of troubled debt	690	193	383	1,073	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.

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

B. Debts[a] (cont.)

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

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

	December 31 2019 (audited)				
	Outstanding[b] impaired non-performing debt 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 contractual principal in respect of impaired non-performing debt
	In NIS million				
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
Commercial - total	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 & real estate	362	100	-	362	379
Commercial - other	137	41	222	359	392
Commercial - total	499	141	222	721	771
Private individuals	1	1	-	1	1
Total loans to the public - activity overseas	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	
Restructuring of troubled debt	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 debt(cont.)

b. Average balance and interest income[(e)]

	For the three months ended September 30					
	2020			2019		
	Average outs-tanding[(b)] impaired non-performing debt	Recorded interest in-come[(c)(d)]	Of which: recorded on a cash basis	Average outstan-ding[(b)] impaired non-performing debt	Recorded interest in-come[(c)(d)]	Of which: recorded on a cash basis
	Unaudited					
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**102**	**-**	**-**	168	3	2
Construction & real estate - real estate activities	**220**	**1**	**-**	309	4	3
Financial services	**5**	**-**	**-**	8	-	-
Commercial - other	**1,210**	**2**	**-**	1,168	1	-
Commercial - total	**1,537**	**3**	**-**	1,653	8	5
Private individuals - housing loans	**11**	**-**	**-**	-	-	-
Private individuals - other	**313**	**1**	**1**	321	1	-
Total loans to the public - activity in Israel	**1,861**	**4**	**1**	1,974	9	5
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	**322**	**-**	**-**	238[(e)]	-	-
Commercial - other	**398**	**-**	**-**	278[(e)]	1	-
Commercial - total	**720**	**-**	**-**	516	1	-
Private individuals	**7**	**-**	**-**	15[(e)]	-	-
Total loans to the public - activity overseas	**727**	**-**	**-**	531	1	-
Foreign governments	**11**	**-**	**-**	-	-	-
Total activity outside Israel	**738**	**-**	**-**	531	1	-
Total - public	**2,588**	**4**	**1**	2,505	10	5
Governments - total	**11**	**-**	**-**	-	-	-
Total	**2,599**	**4**	**1**	2,505	10	5

(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 debts of impaired non-performing debt in the reporting period.

(c) Interest income recorded for the reporting period in respect of the average outstanding impaired non-performing debt 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, interest income in the amount of NIS 97 million would be recorded for the three months ended September 30 2020 (September 30 2019 - NIS 79 million).

(e) 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 debt (cont.)

b. Average balance and interest income (cont.)

	For the nine months ended September 30					
	2020			2019		
	Average outs-tanding[(b)] impaired non-perfor-ming debt	Recorded interest in-come[(c)(d)]	Of which: recorded on a cash basis	Average outstanding[(b)] impaired non-perfor-ming debt	Recorded interest in-come[(c)(d)]	Of which: recorded on a cash basis
	Unaudited					
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**103**	**1**	**-**	156	3	2
Construction & real estate - real estate activities	**216**	**3**	**-**	306	4	3
Financial services	**5**	**-**	**-**	7	-	-
Commercial - other	**1,214**	**5**	**1**	1,161	7	3
Commercial - total	**1,538**	**9**	**1**	1,630	14	8
Private individuals - housing loans	**5**	**-**	**-**	-	-	-
Private individuals - other	**314**	**4**	**3**	319	2	-
Total loans to the public - activity in Israel	**1,857**	**13**	**4**	1,949	16	8
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	**320**	**-**	**-**	133	2	-
Commercial - other	**461**	**2**	**2**	371	3	2
Commercial - total	**781**	**2**	**2**	504	5	2
Private individuals	**6**	**-**	**-**	12	-	-
Total loans to the public - activity overseas	**787**	**2**	**2**	516	5	2
Foreign governments	**11**	**-**	**-**	-	-	-
Total activity outside Israel	**798**	**2**	**2**	516	5	2
Total - public	**2,644**	**15**	**6**	2,465	21	10
Governments - total	**11**	**-**	**-**	-	-	-
Total	**2,655**	**15**	**6**	2,465	21	10

(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 debts of impaired non-performing debt in the reporting period.
(c) Interest income recorded for the reporting period in respect of the average outstanding impaired non-performing debt 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, interest income in the amount of NIS 280 million would be recorded for the nine months ended September 30 2020 (September 30 2019 - NIS 264 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 debt (cont.)

c. Troubled debts under restructuring

	As at September 30 2020				As at September 30 2019			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Ac-crual,[b] non-delin-quent	Total [c]	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Ac-crual,[b] non-delin-quent	Total [c]
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - construction	**75**	**1**	**13**	**89**	37	2	26	65
Construction & real estate - real estate activities	**81**	**-**	**67**	**148**	79	2	136	217
Financial services	**1**	**-**	**1**	**2**	2	-	1	3
Commercial - other	**529**	**5**	**116**	**650**	241	9	103	353
Commercial - total	**686**	**6**	**197**	**889**	359	13	266	638
Private individuals - other	**191**	**3**	**109**	**303**	219	5	69	293
Total loans to the public - activity in Israel	**877**	**9**	**306**	**1,192**	578	18	335	931
Borrower activity outside Israel								
Public - commercial								
Construction & real estate	**6**	**-**	**-**	**6**	15	-	-	15
Commercial - other	**89**	**-**	**54**	**143**	118	-	9	127
Commercial - total	**95**	**-**	**54**	**149**	133	-	9	142
Private individuals	**-**	**-**	**-**	**-**	-	-	-	-
Total loans to the public - activity overseas	**95**	**-**	**54**	**149**	133	-	9	142
Total - public	**972**	**9**	**360**	**1,341**	711	18	344	1,073

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Accrual debt.
(c) Included in impaired non-performing debt.

There were no commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended as at September 30 2020 and September 30 2019.

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 debt (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 million			
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
Commercial - total	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 & real estate	-	-	-	-
Commercial - other	96	-	24	120
Commercial - total	96	-	24	120
Private individuals	-	-	-	-
Total loans to the public - activity overseas	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 debt.

There were no commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended as at December 31 2019.

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 debt (cont.)

c. Troubled debts under restructuring (cont.)

1. Debt restructurings

	For the three months ended September 30					
	2020			2019[(b)]		
	No. of contracts	Recorded outs-tanding debt before restruc-turing	Recorded outs-tanding debt after restruc-turing	No. of contracts	Recorded outs-tanding debt before restru-cturing	Recorded outstan-ding debt after restru-cturing
	Unaudited					
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**88**	**11**	**11**	95	12	12
Construction & real estate - real estate activities	**36**	**20**	**20**	25	4	4
Financial services	**3**	**-**	**-**	5	-	-
Commercial - other	**592**	**72**	**73**	482	54	53
Commercial - total	**719**	**103**	**104**	607	70	69
Private individuals - other	**1,919**	**61**	**61**	1,384	43	43
Total public - activity in Israel	**2,638**	**164**	**165**	1,991	113	112
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	**1**	**1**	**1**	-	-	-
Commercial - other	**3**	**130**	**130**	-	-	-
Commercial - total	**4**	**131**	**131**	-	-	-
Total loans to the public - activity overseas	**4**	**131**	**131**	-	-	-
Total - public	**2,642**	**295**	**296**	1,991	113	112

(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 debt (cont.)

c. Restructured troubled debts (cont.)

1. Completed restructurings (cont.)

	For the nine months ended September 30					
	2020			2019[b]		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
	Unaudited					
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**276**	**68**	**67**	262	29	28
Construction & real estate - real estate activities	**83**	**30**	**30**	72	24	23
Financial services	**10**	**1**	**1**	18	1	1
Commercial - other	**1,665**	**502**	**498**	1,265	178	175
Commercial - total	**2,034**	**601**	**596**	1,617	232	227
Private individuals - other	**4,653**	**161**	**159**	3,799	114	112
Total loans to the public - activity in Israel	**6,687**	**762**	**755**	5,416	346	339
Borrower activity outside Israel						
Public - commercial						
Construction & real estate	**2**	**7**	**7**	2	12	12
Commercial - other	**3**	**130**	**130**	-	-	-
Commercial - total	**5**	**137**	**137**	2	12	12
Total loans to the public - activity overseas	**5**	**137**	**137**	2	12	12
Total - public	**6,692**	**899**	**892**	5,418	358	351

(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 debt (cont.)

c. Troubled debts under restructuring (cont.)

2. Failed debt restructurings[(b)]

	For the three months ended September 30			
	2020		2019	
	No. of contracts	Recorded outstanding debt[(c)]	No. of contracts	Recorded outstanding debt[(c)]
	Unaudited			
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	**24**	**2**	42[(d)]	5
Construction & real estate - real estate activities	**8**	**-**	14	8
Financial services	**3**	**1**	4	-
Commercial - other	**177**	**18**	194[(d)]	28
Commercial - total	**212**	**21**	254	41
Private individuals - other	**415**	**11**	436[(d)]	14
Total loans to the public - activity in Israel	**627**	**32**	690	55
Borrower activity outside Israel				
Public - commercial				
Construction & real estate	**-**	**-**	1	3
Commercial - other	**-**	**-**	1	3
Commercial - total	**-**	**-**	2	6
Total public - foreign operations	**-**	**-**	2	6
Total - public	**627**	**32**	692	61

(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) 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 debt (cont.)

c. Restructured troubled debts (cont.)

2. Failed restructurings[b] (cont.)

	For the nine months ended September 30 (unaudited)			
	2020		2019	
	No. of contracts	Recorded outstanding debt[c]	No. of contracts	Recorded outstanding debt[c]
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	**111**	**12**	135	16
Construction & real estate - real estate activities	**34**	**14**	37	13
Financial services	**6**	**1**	10	1
Commercial - other	**639**	**83**	577[d]	86
Commercial - total	**790**	**110**	759	116
Private individuals - other	**1,409**	**42**	1,483[d]	44
Total loans to the public - activity in Israel	**2,199**	**152**	2,242	160
Borrower activity outside Israel				
Public - commercial				
Construction & real estate	**-**	**-**	2	3
Commercial - other	**-**	**-**	4	3
Commercial - total	**-**	**-**	6	6
Total public - foreign operations	**-**	**-**	6	6
Total - public	**2,199**	**152**	2,248	166

(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) 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

		September 30 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 million			
First pledge: LTV ratio	Up to 60%	**56,930**	**1,585**	**36,220**	**2,487**
	More than 60%	**31,375**	**643**	**20,470**	**401**
Unpledged secondary lien		**7**	**-**	**4**	**-**
Total		**88,312**	**2,228**	**56,694**	**2,888**

		September 30 2019 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	54,065	1,712	34,984	2,090
	More than 60%	29,447	692	19,747	295
Unpledged secondary lien		22	-	19	-
Total		83,534	2,404	54,750	2,385

		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 million			
First pledge: LTV ratio	Up to 60%	54,809	1,771	35,258	2,270
	More than 60%	29,601	659	19,730	303
Unpledged secondary lien		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

	September 30				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 million					
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	**757**	**2**	1,112	3	729	2
Loan guarantees	**4,869**	**69**	5,204	78	5,293	74
Guarantees for apartment buyers	**20,540**	**19**	20,915	18	21,248	18
Guarantees and other commitments[(b)]	**16,356**	**183**	16,521	220	16,257	158
Unutilized credit card credit facilities	**15,535**	**15**	14,646	13	14,837	13
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,974**	**29**	12,361	25	12,456	25
Irrevocable loan commitments approved but not yet granted[1]	**31,378**	**109**	27,543	77	28,655	81
Commitments to issue guarantees	**20,298**	**20**	16,852	15	16,723	15
Unutilized credit facilities for derivatives activity	**3,676**	**-**	2,469	-	2,921	-
Approval in principle to maintain interest rate[(c)]	**4,901**	**-**	4,051	-	4,778	-

1. Of which: Unutilized credit exposures in respect of an obligation to provide liquidity to securitization structures under the auspices of others in the amount of NIS 206 million (September 30 2019 - NIS 209 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 483 million (as at September 30 2019 and as at December 31 2019 in the amounts of NIS 197 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 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

D. Guarantees

	September 30 2020 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,686	785	126	272	4,869
Guarantees for apartment buyers	-	20,540	-	-	20,540
Guarantees and other commitments	9,458	4,574	1,212	1,112	16,356
Total guarantees	13,144	25,899	1,338	1,384	41,765

	September 30 2019 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,139	719	124	222	5,204
Guarantees for apartment buyers	-	20,915	-	-	20,915
Guarantees and other commitments	9,605	3,216	2,018	1,682	16,521
Total guarantees	13,744	24,850	2,142	1,904	42,640

	December 31 2019 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,119	809	124	241	5,293
Guarantees for apartment buyers	-	21,248	-	-	21,248
Guarantees and other commitments	9,629	3,043	2,072	1,513	16,257
Total guarantees	13,748	25,100	2,196	1,754	42,798

The following collateral information reflects collateral the Bank has received specifically against guarantees:
If the outstanding cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 260 million (as at September 30 2019 - NIS 310 million, as at December 31 2019 - NIS 319 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 13 million (as at September 30 2019 - NIS 13 million, December 31 2019 - NIS 13 million).

Note 14 - Assets and Liabilities by Linkage Basis

	September 30 2020 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	104,379	-	8,204	1,293	1,992	1,687	117,555
Securities	32,199	4,603	45,871	4,278	4,165	4,048	95,164
Securities borrowed or purchased under reverse repurchase agreements	725	-	1,607	1	-	-	2,333
Loans to the public, net[c]	202,914	43,318	30,225	3,519	4,678	1,720	286,374
Loans to governments	50	-	666	10	-	-	726
Investment in associates	-	-	-	-	-	801	801
Buildings and equipment	-	-	-	-	-	2,886	2,886
Assets for derivatives	3,644	10	4,492	799	438	3,168	12,551
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	7,273	4	1,075	-	25	1,267	9,644
Total assets	351,184	47,935	92,140	9,900	11,298	15,593	528,050
Liabilities							
Deposits by the public	282,264	10,936	115,970	9,464	5,485	2,996	427,115
Deposits by banks	7,252	-	3,027	239	65	102	10,685
Deposits by governments	113	-	110	9	-	-	232
Securities loaned or sold under repurchase agreements	466	-	228	-	-	1	695
Bonds, promissory notes and subordinated bonds	4,597	10,175	2,596	-	-	-	17,368
Liabilities for derivatives	4,221	157	4,681	842	499	3,159	13,559
Other liabilities	7,528	12,019	797	21	122	326	20,813
Total liabilities	306,441	33,287	127,409	10,575	6,171	6,584	490,467
Difference[d]	44,743	14,648	(35,269)	(675)	5,127	9,009	37,583
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(26,254)	(878)	32,903	(413)	(5,949)	591	-
In the money options, net (according to underlying asset)	(350)	-	(166)	479	(1)	38	-
Out of the money options, net (according to underlying asset)	328	-	(367)	32	16	(9)	-
Grand total	18,467	13,770	(2,899)	(577)	(807)	9,629	37,583
In the money options, net (discounted nominal value)	(491)	-	(193)	632	(5)	57	-
Out of the money options, net (discounted nominal value)	859	-	(1,105)	(75)	144	177	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 5,087 million.
(d) Shareholders' equity including non-controlling interests.

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

	September 30 2019 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	53,124	-	5,781[e]	2,093[f]	1,918[f]	150	63,066
Securities	35,707	3,569	37,637	3,241	2,334	3,293	85,781
Securities borrowed or purchased under reverse repurchase agreements	659	-	3[f]	-[f]	-[f]	-	662
Loans to the public, net[c]	197,843	43,613	30,046[e]	3,850	4,758	264	280,374
Loans to governments	17	-	636	19	-	-	672
Investment in associates	-	-	-	-	-	668	668
Buildings and equipment	-	-	-	-	-	2,973	2,973
Assets for derivatives	5,995	104	3,233	128	100	2,761	12,321
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	7,339	5	912	2	24	302	8,584
Total assets	300,684	47,291	78,248	9,333	9,134	10,427	455,117
Liabilities							
Deposits by the public	232,518	14,310	96,613[e]	10,044[f]	5,964[f]	447	359,896
Deposits by banks	1,308	-	2,457[e]	407	123	-	4,295
Deposits by governments	113	-	319	7	-	-	439
Securities loaned or sold under repurchase agreements	365	-	-[f]	-[f]	-[f]	-	365
Bonds, promissory notes and subordinated bonds	5,629	14,373	-	-	-	-	20,002
Liabilities for derivatives	7,584	312	2,391	123	115	2,726	13,251
Other liabilities	7,291	12,934	543	25	122	351	21,266
Total liabilities	254,808	41,929	102,323	10,606	6,324	3,524	419,514
Difference[d]	45,876	5,362	(24,075)	(1,273)	2,810	6,903	35,603
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(15,332)	(3,895)	21,165	525	(3,339)	876	-
In the money options, net (according to underlying asset)	(3,605)	-	2,551	1,172	(65)	(53)	-
Out of the money options, net (according to underlying asset)	2,065	-	(1,250)	(788)	9	(36)	-
Grand total	29,004	1,467	(1,609)	(364)	(585)	7,690	35,603
In the money options, net (discounted nominal value)	(5,677)	-	4,505	1,353	(69)	(112)	-
Out of the money options, net (discounted nominal value)	4,898	-	(4,745)	134	(121)	(166)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the credit linkage, in the amount of NIS 3,272 million.
(d) Shareholders' equity 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 million						
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	-	956[e]	-[e]	-[e]	-	1,117
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
Investment in associates	-	-	-	-	-	765	765
Buildings and equipment	-	-	-	-	-	3,043	3,043
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	81,484	10,147	9,156	12,829	468,781
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	-	-[e]	-[e]	-[e]	11	123
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	105,019	10,187	5,703	5,366	432,907
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 those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 3,328 million.
(d) Shareholders' equity including non-controlling interests.
(e) Restated.

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

	September 30 2020 (unaudited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	**117,555**	**106,733**	**9,412**	**1,463**	**117,608**
Securities[(b)]	**95,164**	**52,300**	**39,429**	**4,124**	**95,853**
Securities borrowed or purchased under reverse repurchase agreements	**2,333**	**2,333**	**-**	**-**	**2,333**
Loans to the public, net	**286,374**	**3,132**	**84,413**	**199,991**	**287,536**
Loans to governments	**726**	**-**	**75**	**626**	**701**
Assets for derivatives	**12,551**	**2,147**	**8,863**	**1,541**	**12,551**
Other financial assets	**1,957**	**63**	**-**	**1,894**	**1,957**
Total financial assets	**516,660**[(c)]	**166,708**	**142,192**	**209,639**	**518,539**
Financial liabilities					
Deposits by the public	**427,115**	**4,645**	**313,360**	**108,953**	**426,958**
Deposits by banks	**10,685**	**102**	**4,907**	**5,634**	**10,643**
Deposits by governments	**232**	**-**	**141**	**100**	**241**
Securities loaned or sold under repurchase agreements	**695**	**695**	**-**	**-**	**695**
Bonds, promissory notes and subordinated bonds	**17,368**	**17,038**	**-**	**802**	**17,840**
Liabilities for derivatives	**13,559**	**2,156**	**11,175**	**228**	**13,559**
Other financial liabilities	**5,795**	**278**	**4,105**	**1,412**	**5,795**
Total financial liabilities	**475,449**[(c)]	**24,914**	**333,688**	**117,129**	**475,731**
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	**306**	**-**	**-**	**306**	**306**
In addition, liabilities in respect of employee benefits, gross - pension and severance pay[(d)]	**19,440**	**-**	**202**	**19,238**	**19,440**

(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 book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 139,996 million and NIS 285,305 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 three 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 to 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	September 30 2019 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	63,066[(e)(f)]	55,292[(f)]	5,768[(e)]	2,009	63,069
Securities[(b)]	85,781	52,919	30,792	2,544	86,255
Securities borrowed or purchased under reverse repurchase agreements	662[(e)]	662[(e)]	-	-	662
Loans to the public, net	280,374[(e)]	2,251	89,196[(e)]	190,914	282,361
Loans to governments	672	-	16	681	697
Assets for derivatives	12,321	2,010[(e)]	8,717[(e)]	1,594[(e)]	12,321
Other financial assets	2,138	46	-	2,092	2,138
Total financial assets	445,014[(c)]	113,180	134,489	199,834	447,503
Financial liabilities					
Deposits by the public	359,896[(e)(f)]	3,115[(f)]	258,750[(e)]	96,070	357,935
Deposits by banks	4,295[(e)]	-	4,259[(e)]	38	4,297
Deposits by governments	439	-	362	89	451
Securities loaned or sold under repurchase agreements	365[(e)]	365[(e)]	-	-	365
Bonds, promissory notes and subordinated bonds	20,002	20,176	-	810	20,986
Liabilities for derivatives	13,251	2,010[(e)]	10,869[(e)]	372	13,251
Other financial liabilities	5,246	153	4,447	646	5,246
Total financial liabilities	403,494[(c)]	25,819	278,687	98,025	402,531
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	332	-	-	332	332
In addition, liabilities in respect of employee benefits, gross - pension and severance pay[(d)]	19,639	-	182	19,457	19,639

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.
(b) For more information regarding the book balance and fair value of securities, please see Note 5.
(c) Of which: Assets and liabilities in the amount of NIS 131,240 million and NIS 226,777 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 three 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 to 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)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
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	1,117[(e)]	1,117[(e)]	-	-	1,117
Loans to the public, net	282,478	2,384	88,862	192,218	283,464
Loans to governments	744	-	11	759	770
Assets for derivatives	10,970	2,146[(e)]	7,587[(e)]	1,237[(e)]	10,970
Other financial assets	2,009	47	-	1,961	2,008
Total financial assets	458,480[(c)]	123,334	136,395	200,198	459,927
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	123 [(e)]	123 [(e)]	-	-	123
Bonds, promissory notes and subordinated notes	19,958	20,041	-	828	20,869
Liabilities for derivatives	11,528	2,133[(e)]	9,100[(e)]	295	11,528
Other financial liabilities	5,052	100	4,348	607	5,055
Total financial liabilities	416,796[(c)]	25,834	290,441	100,136	416,411
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 book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 129,303 million and NIS 216,344 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 three 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 to 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) Reclassified.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	September 30 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 million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	**28,071**	**4,869**	**36**	**32,976**
Foreign governments' bonds	**12,319**	**8,473**	**3**	**20,795**
Bonds of Israeli financial institutions	**-**	**68**	**-**	**68**
Bonds of foreign financial institutions	**-**	**9,480**	**8**	**9,488**
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**-**	**4,849**	**2,679**	**7,528**
Other Israeli bonds	**73**	**129**	**-**	**202**
Other foreign bonds	**-**	**6,286**	**-**	**6,286**
Total available-for-sale bonds	**40,463**	**34,154**	**2,726**	**77,343**
Equity securities and mutual funds not held-for-trading:				
Shares and mutual funds not held-for-trading	**2,627**	**-**	**-**	**2,627**
Held-for-trading securities:				
Government of Israel bonds	**5,813**	**-**	**-**	**5,813**
Foreign governments' bonds	**250**	**-**	**-**	**250**
Bonds of Israeli financial institutions	**336**	**-**	**-**	**336**
Bonds of foreign financial institutions	**-**	**149**	**-**	**149**
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**-**	**92**	**1**	**93**
Other Israeli bonds	**59**	**-**	**-**	**59**
Other foreign bonds	**-**	**64**	**-**	**64**
Equity securities and mutual funds	**24**	**-**	**-**	**24**
Total held-for-trading securities	**6,482**	**305**	**1**	**6,788**
Assets in respect of derivatives:				
NIS-CPI contacts	**-**	**224**	**121**	**345**
Interest rate contracts	**10**	**5,454**	**526**	**5,990**
Foreign exchange rate contracts	**-**	**1,870**	**693**	**2,563**
Stock contracts	**1,470**	**1,304**	**181**	**2,955**
Commodity and other contracts	**204**	**11**	**20**	**235**
MAOF (Israeli financial instruments and futures) market activity	**463**	**-**	**-**	**463**
Total assets in respect of derivatives	**2,147**	**8,863**	**1,541**	**12,551**
Other:				
Credit and deposits for loaned securities	**4,862**	**-**	**-**	**4,862**
Securities borrowed or purchased under reverse repurchase agreements	**2,333**	**-**	**-**	**2,333**
Other	**63**	**-**	**-**	**63**
Total - Other	**7,258**	**-**	**-**	**7,258**
Total assets	**58,977**	**43,322**	**4,268**	**106,567**

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	September 30 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 million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	**-**	**358**	**87**	**445**
Interest rate contracts	**26**	**6,590**	**-**	**6,616**
Foreign exchange rate contracts	**-**	**2,719**	**141**	**2,860**
Stock contracts	**1,467**	**1,477**	**-**	**2,944**
Commodity and other contracts	**202**	**31**	**-**	**233**
MAOF (Israeli financial instruments and futures) market activity	**461**	**-**	**-**	**461**
Total liabilities in respect of derivatives	**2,156**	**11,175**	**228**	**13,559**
Other:				
Deposits in respect of loaned securities	**4,647**	**3**	**-**	**4,650**
Securities loaned or sold under repurchase agreements	**695**	**-**	**-**	**695**
Other	**278**	**-**	**-**	**278**
Total - Other	**5,620**	**3**	**-**	**5,623**
Total liabilities	**7,776**	**11,178**	**228**	**19,182**

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	September 30 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	33,688	2,697	-	36,385
Foreign governments' bonds	11,109	4,274	-	15,383
Bonds of foreign financial institutions	39	9,793	-	9,832
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	6,331	1,382	7,713
Other Israeli bonds	87	41	-	128
Other foreign bonds	-	3,133	-	3,133
Total available-for-sale bonds	44,923	26,269	1,382	72,574
Available-for-sale equity securities and funds:				
Equity securities and mutual funds	2,112	-	-	2,112
Held-for-trading securities:				
Government of Israel bonds	3,243	-	-	3,243
Foreign governments' bonds	81	-	-	81
Bonds of Israeli financial institutions	71	-	-	71
Bonds of foreign financial institutions	-	190	-	190
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	183	-	183
Other Israeli bonds	64	-	-	64
Other foreign bonds	-	148	-	148
Equity securities and mutual funds	19	-	-	19
Total held-for-trading securities	3,478	521	-	3,999
Assets in respect of derivatives:[(a)]				
NIS-CPI contacts	-	107	94	201
Interest rate contracts	44	4,697	902	5,643
Foreign exchange rate contracts	-	2,633	524	3,157
Stock contracts	1,613	1,043	63	2,719
Commodity and other contracts	28	237	11	276
MAOF (Israeli financial instruments and futures) market activity	325	-	-	325
Total assets in respect of derivatives	2,010	8,717	1,594	12,321
Other:				
Credit and deposits for loaned securities	3,353[(b)]	-	-	3,353
Securities borrowed or purchased under reverse repurchase agreements	662[(a)]	-	-	662
Other	46	-	-	46
Total - Other	4,061	-	-	4,061
Total assets	56,584	35,507	2,976	95,067

(a) Reclassified.
(b) Restated.

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	September 30 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:[(a)]				
NIS-CPI contacts	-	205	106	311
Interest rate contracts	41	5,742	-	5,783
Foreign exchange rate contracts	-	3,569	266	3,835
Stock contracts	1,617	1,103	-	2,720
Commodity and other contracts	26	250	-	276
MAOF (Israeli financial instruments and futures) market activity	326	-	-	326
Total liabilities in respect of derivatives	2,010	10,869	372	13,251
Other:				
Deposits in respect of loaned securities	3,114[(b)]	30	6	3,150
Securities loaned or sold under repurchase agreements	365[(a)]	-	-	365
Other	153	-	-	153
Total - Other	3,632	30	6	3,668
Total liabilities	5,642	10,899	378	16,919

(a) Reclassified.
(b) Restated.

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 million			
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
Total held-for-trading securities	3,082	442	-	3,524
Assets in respect of derivatives:[(a)]				
NIS-CPI contacts	-	127	82	209
Interest rate contracts	17	3,667	764	4,448
Foreign exchange rate contracts	-	1,942	379	2,321
Stock contracts	1,774	1,841	8	3,623
Commodity and other contracts	30	10	4	44
MAOF (Israeli financial instruments and futures) market activity	325	-	-	325
Total assets in respect of derivatives	2,146	7,587	1,237	10,970
Other:				
Credit and deposits for loaned securities	3,564	-	-	3,564
Securities borrowed or purchased under reverse repurchase agreements	1,117[(a)]	-	-	1,117
Other	47	-	-	47
Total - Other	4,728	-	-	4,728
Total assets	55,228	35,965	2,692	93,885

(a) Reclassified.

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 million			
Liabilities				
Liabilities for derivatives:[(a)]				
NIS-CPI contacts	-	265	38	303
Interest rate contracts	14	4,429	-	4,443
Foreign exchange rate contracts	-	2,547	257	2,804
Stock contracts	1,763	1,846	-	3,609
Commodity and other contracts	30	13	-	43
MAOF (Israeli financial instruments and futures) market activity	326	-	-	326
Total liabilities in respect of derivatives	2,133	9,100	295	11,528
Other:				
Deposits in respect of loaned securities	3,437	44	6	3,487
Securities loaned or sold under repurchase agreements	123[(a)]	-	-	123
Other	100	-	-	100
Total - Other	3,660	44	6	3,710
Total liabilities	5,793	9,144	301	15,238

(a) Reclassified.

Note 15B - Items Measured at Fair Value (cont.)

B. Items Measured at Fair Value on a Non-Recurring Basis

	September 30 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 (loss) from changes in value during the period
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	**-**	**-**	**694**	**694**	**(135)**
Total	**-**	**-**	**694**	**694**	**(135)**

	September 30 2019 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)[(a)]	Total fair value	Total profit (loss) from changes in value during the period[(a)]
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	-	-	420	420	(22)
Total	-	-	420	420	(22)

	December 31 2019 (audited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)[(a)]	Total fair value	Total profit (loss) from changes in value during the period[(a)]
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	-	-	508	508	76
Total	-	-	508	508	76

(a) Restated.

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended September 30 2020 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2020	Unrealized gain (losses) in respect of instruments held as at September 30 2020
	In NIS million										
Assets											
Available-for-sale bonds:											
Government of Israel	**34**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**36**	**-**
Foreign governments	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
Foreign financial institutions	**7**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**-**
MBS/ABS	**1,914**	**44**	**28**	**520**	**-**	**(64)**	**-**	**237**	**-**	**2,679**	**1**
Total available-for-sale bonds	**1,958**	**45**	**30**	**520**	**-**	**(64)**	**-**	**237**	**-**	**2,726**	**1**
held-for-trading bonds:											
MBS/ABS	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Total held-for-trading bonds:	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Assets in respect of derivatives:											
NIS-CPI contacts	**114**	**5**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**121**	**(112)**
Interest rate contracts	**1,007**[(d)]	**(481)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**526**	**(396)**
Foreign exchange rate contracts	**472**[(d)]	**179**	**-**	**42**	**-**	**-**	**-**	**-**	**-**	**693**	**349**
Stock contracts	**350**	**(169)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**(63)**
Commodity and other contracts	**30**	**(10)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**(9)**
Total assets in respect of derivatives	**1,973**	**(476)**	**-**	**42**	**-**	**-**	**-**	**2**	**-**	**1,541**	**(231)**
Total assets	**3,932**	**(431)**	**30**	**562**	**-**	**(64)**	**-**	**239**	**-**	**4,268**	**(230)**
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	**77**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**87**	**(34)**
Foreign exchange rate contracts	**192**	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141**	**(61)**
Total liabilities in respect of derivatives	**269**	**(51)**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**228**	**(95)**
Total liabilities	**269**	**(51)**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**228**	**(95)**

(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 CPI contracts for a period of over one year were transferred when the term to maturity was less than one year.
(d) Reclassified.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended September 30 2019 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the period	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at September 30 2019	Unrealized gain (losses) in respect of instruments held as at September 30 2019
	In NIS million										
Assets											
Available-for-sale securities:											
MBS/ABS	1,531	(33)	-	-	(68)	(50)	-	-	2	1,382	(1)
Assets in respect of derivatives:											
NIS-CPI contacts	90	(1)	-	-	-	-	-	3	2	94	(31)
Interest rate contracts	665	282[d]	-	-	-	(45)	-	-	-	902	246
Foreign exchange rate contracts	508	(113)[d]	-	129	-	-	-	-	-	524	270
Stock contracts	17	46	-	-	-	-	-	-	-	63	50
Commodity and other contracts	9	2	-	-	-	-	-	-	-	11	4
Total assets in respect of derivatives	1,289	216	-	129	-	(45)	-	3	2	1,594	539
Total assets	2,820	183	-	129	(68)	(95)	-	3	4	2,976	538
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	112	-	-	-	-	-	-	(4)	(2)	106	(3)
Foreign exchange rate contracts	205	61	-	-	-	-	-	-	-	266	56
Total liabilities in respect of derivatives	317	61	-	-	-	-	-	(4)	(2)	372	53
Total - Other	8	(2)	-	-	-	-	-	-	-	6	-
Total liabilities	325	59	-	-	-	-	-	(4)	(2)	378	53

(a) 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 CPI transactions for a period of over one year and less than 5 years were transferred when the term to maturity was less than one year.

Transfers from Level 3 to Level 2 – forwards-CPI transactions for a period of over 5 years, as at the reporting date, were transferred when the term to maturity was over one year and less than 5 years.

(d) Reclassified

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

For the nine months ended September 30 2020 (unaudited)

	Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2020	Unrealized gain (losses) in respect of instruments held as at September 30 2020
	In NIS million										
Assets											
Available-for-sale bonds:											
Government of Israel	-	1	1	-	-	-	-	34	-	36	3
Foreign governments	-	-	-	-	-	-	-	3	-	3	-
Foreign financial institutions	-	-	1	7	-	-	-	-	-	8	1
MBS/ABS	1,455	96	5	1,034	-	(383)	-	472	-	2,679	1
Total available-for-sale bonds	1,455	97	7	1,041	-	(383)	-	509	-	2,726	5
held-for-trading bonds:											
MBS/ABS	-	-	-	-	-	-	-	1	-	1	-
Total held-for-trading bonds:	-	-	-	-	-	-	-	1	-	1	-
Assets in respect of derivatives:											
NIS-CPI contacts	82	31	-	-	-	-	-	8	-	121	(26)
Interest rate contracts	764[(d)]	(29)	-	-	-	(209)	-	-	-	526	(264)
Foreign exchange rate contracts	379[(d)]	(532)	-	846	-	-	-	-	-	693	531
Stock contracts	8	173	-	-	-	-	-	-	-	181	175
Commodity and other contracts	4	16	-	-	-	-	-	-	-	20	18
Total assets in respect of derivatives	1,237	(341)	-	846	-	(209)	-	8	-	1,541	434
Total assets	2,692	(244)	7	1,887	-	(592)	-	518	-	4,268	439
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	38	(12)	-	-	-	-	-	61	-	87	5
Foreign exchange rate contracts	257	(116)	-	-	-	-	-	-	-	141	-
Total liabilities in respect of derivatives	295	(128)	-	-	-	-	-	61	-	228	5
Total - Other	6	(6)	-	-	-	-	-	-	-	-	-
Total liabilities	301	(134)	-	-	-	-	-	61	-	228	5

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.
(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)".
(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of over one year were transferred when the term to maturity was less than one year.
(d) Reclassified.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine months ended September 30 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 issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at September 30 2019	Unrealized gain (losses) in respect of instruments held as at September 30 2019
	In NIS million										
Assets											
Available-for-sale securities:											
MBS/ABS	2,821	(126)	32	300	(315)	(220)	-	-	(1,110)	1,382	(1)
Assets in respect of derivatives:											
NIS-CPI contacts	149	(63)	-	-	-	-	-	8	-	94	(96)
Interest rate contracts	142	814[d]	-	-	-	(54)	-	-	-	902	730
Foreign exchange rate contracts	971	(848)[d]	-	401	-	-	-	-	-	524	302
Stock contracts	937	(874)	-	-	-	-	-	-	-	63	(205)
Commodity and other contracts	19	(8)	-	-	-	-	-	-	-	11	1
Total assets in respect of derivatives	2,218	(979)	-	401	-	(54)	-	8	-	1,594	732
Total assets	5,039	(1,105)	32	701	(315)	274	-	8	(1,110)	2,976	731
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	109	(35)	-	-	-	-	-	34	(2)	106	9
Foreign exchange rate contracts	128	138	-	-	-	-	-	-	-	266	-
Total liabilities in respect of derivatives	237	103	-	-	-	-	-	34	(2)	372	9
Total - Other	3	3	-	-	-	-	-	-	-	6	2
Total liabilities	240	106	-	-	-	-	-	34	(2)	378	11

(a) 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 CPI transactions for a period of over one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – forwards-CPI transactions for a period of over 5 years, as at the reporting date, were transferred when the term to maturity was over one year and less than 5 years.
(d) Reclassified.

Note 15C - Changes in 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 issuances	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 million										
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	728[(d)]	-	-	-	(106)	-	-	-	764	618
Foreign exchange rate contracts	971	(1,122)[(d)]	-	530	-	-	-	-	-	379	229
Stock contracts	937	(929)	-	-	-	-	-	-	-	8	2
Commodity and other contracts	19	(15)	-	-	-	-	-	-	-	4	(2)
Total assets in respect of derivatives	2,218	(1,418)	-	530	-	(106)	-	18	(5)	1,237	822
Total assets	5,039	(1,562)	31	838	(315)	(340)	-	18	(1,017)	2,692	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 gains included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of over one year were transferred when the term to maturity was less than one year.
(d) Reclassified.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	September 30 2020 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	**36**	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25.00%	25.00%
Foreign governments	**3**	Discounted cash flows	Spread	135 bp	135 bp
Foreign financial institutions	**8**	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**2,679**	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%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**1**	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30.00%	30.00%
Assets for derivatives[2]					
NIS-CPI interest contracts	**55**	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
	66	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Interest rate contracts	**526**	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Foreign exchange rate contracts	**693**	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Stock contracts	**181**	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Commodity contracts	**20**	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	**87**	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
Foreign exchange rate contracts	**141**	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	**694**	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.)

	September 30 2019 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,382	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	72	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
	22	Discounted cash flows	Counterparty risk	1.06%-100%[*]	2.54%
Interest rate contracts	902[a]	Discounted cash flows	Counterparty risk	1.06%-100%[*]	2.54%
Foreign exchange rate contracts	80	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
	444[a]	Discounted cash flows	Counterparty risk	1.06%-100%[*]	2.54%
Stock contracts	63	Discounted cash flows	Counterparty risk	1.06%-100%[*]	2.54%
Commodity contracts	11	Discounted cash flows	Counterparty risk	1.06%-100%[*]	2.54%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	106	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
Foreign exchange rate contracts	266	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	420[b]	Collateral's fair value			

(a) Reclassified.

(b) 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 million				
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%	2.9%
			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	764[a]	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%
	297[a]	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 loans whose collection is collateral-dependent	508[b]	Collateral's fair value			

(a) Reclassified.

(b) 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.

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.

On May 26 2020, the conditions precedent in the addendum were met, and the addendum went into effect.

b. The effects of the coronavirus spread

The spread of the coronavirus began in January 2020, and started to impact most world countries during the first quarter of 2020. Most governments imposed a temporary 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 ongoing event which is disrupting 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 are substantial, with a significant decrease in gross world product this year; as a result, there may be a material effect on the Bank's business.

In the absence of an efficient, widely-distributed vaccine or medication, handling the virus will require adhering to social distancing rules, including lockdowns, which continue to disrupt orderly economic activity, with the end of the crisis nowhere in sight. In the absence of efficient steps to control morbidity, the economic aspects of the coronavirus could linger for quite some time.

In order to provide a solution to the current needs and enable business continuity, key Leumi units transitioned to a new work mode, which combines work from home, physical separation of organic units and pods. Work and control processes were adjusted. 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. Since the work format is dynamic and changes from time to time, the work processes are continuously assessed as are their compliance with the risk tolerance.

According to a subjective assessment, as a result of the crisis and lack of clarity regarding the development of COVID-19 morbidity, lockdown measures and economic policy, the severity level of the global systemic risk and domestic systemic risk increased in the first quarter for 2020 to "medium-high" and beginning in the second quarter of 2020 - to "high". In addition, in the second quarter of 2020, the severity level of the overall credit risk and the severity level of the borrower and collateral quality risk increased to "moderate-high".

The Bank's assessments regarding the effect of the crisis on all risk factors are uncertain and may change according to the developments of the crisis and its ramifications for the economy and the Bank's business.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios; in this context, the Bank conducted uniform stress scenarios at the request of the Banking Supervision Department.

Note 16 - Miscellaneous Topics (cont.)

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.

In addition, 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, and ongoing monitoring and follow up of risk focal points and market developments are conducted in order to prepare in advance and adapt the activity, as needed.

In addition, the Bank is examining ways to provide assistance to customers who are in temporary crisis and who, according to the Bank's assessment, will overcome it. In this context, the effects of the crisis are taken into account and the customers are thoroughly scrutinized. Due to the crisis, loan loss expenses increased, totaling NIS 2,282 million in the first nine months of 2020. Most of the increase is in the collective loan loss provision. The loan loss provision of the Bank reflects the Bank's estimates. The provision is an estimate based on significant judgment exercised during the reporting period in a changing environment characterized by unusual uncertainty.

Due to the spread of the coronavirus, there was an increase in the risk factors in financial markets and substantial declines were recorded in equity markets and marketable credit, and significant fluctuations were in the risk-free interest curves and exchange rates. In the second quarter of the year, market volatility subsided and equity markets recovered. However, uncertainty still prevails in the markets, and volatility in financial markets may persist.

During the third quarter, the LCR ratio grew, especially on the back on an increase in deposits by the public, offset by the redemption of bonds. Throughout the reviewed period, the LCR in foreign exchange and across all currencies was higher than the regulatory requirement.

Since the beginning of the year, there was a significant increase in the fair value's exposure to interest rate changes, and value fluctuations were recorded mainly in the first half of the year due to the effect of the crisis and fluctuations on equity markets.

It should be clarified that there is uncertainty regarding the ramifications of the continued coronavirus pandemic and their impact on capital markets in Israel and worldwide.

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.

c. Early redemption of subordinated capital notes

On July 8 2020, the Bank's Board of Directors decided on full early repayment of Capital Notes Series 300 and 301, which were issued to the public in August 2009. Accordingly, on August 10 2020, NIS 2.1 billion in capital notes were redeemed (including linkage differences for Series 300). Capital notes were partially included in the Bank's regulatory capital as at June 30 2020, in accordance with the transitional provisions of Proper Conduct of Banking Business Directive No. 299.

d. Repayment and issuance of bonds

According to a shelf prospectus dated June 2 2020, the Bank issued, on June 4 2020, a total of NIS 2.4 billion in bonds Series 181. The bonds are payable in one lump sum on September 5 2023 and bear an annual interest rate of 1 percent, are linked to the Consumer Price Index, and are payable annually on September 5 of each year from 2020 to 2023, inclusive. The Series 181 Bonds are not recognized for regulatory capital purposes.

Note 16 - Miscellaneous Topics (cont.)

On June 30 2020, NIS 5.3 billion par value in Series 177 Bonds of the Bank were repaid. These bonds did not form part of the Bank's regulatory capital.

e. Redemption of subordinated bonds

On November 10 2020, Subordinated Bonds Series N in the amount of NIS 0.9 billion were redeemed. According to the Bank of Israel's guidance, these Subordinated Bonds were included in the regulatory capital subject to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, and subject to an equal decrease in the five years preceding their redemption. Accordingly, in the last year prior to their redemption, the Subordinated Bonds Series N were not included in the Bank's regulatory capital.

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 third quarter of 2020, there were no changes in the composition of the Board of Directors. On November 9 2020, after Mr. Avi Bzura's tenure as a member of the Board of Directors commenced, the number of Board members increased to 10.

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.

On October 29 2020, Dr. Samer Haj Yehia, Chairman of the Board of Directors of the Bank, had ended his second term as director with the status of "Other Director" - a director who is not an external director in accordance with Section 11d(a)(2) to the Banking Ordinance, 1941 (hereinafter: the "**Banking Ordinance**", "**Director with the Status of Other Director**" to the Bank's Board of Directors. Dr. Samer Haj Yehia was elected to a further term as director with the status of Other Director by the Bank's 2020 annual general meeting, as outlined below. On October 28 2020, the Bank received the Supervisor of Banks' notice of non-objection to Dr. Samer Haj Yehia's additional tenure as an "Other Director" and Chairman of the Board. Accordingly, on October 30 2020, Dr. Samer Haj Yehia began his third and last tenure as Other Director in the Bank.

On November 4 2020, a notice was received regarding the Supervisor of Banks' non-objection to the appointment of Mr. Avi Bzura as Other Director in the Bank, subject to his resignation from his positions in the following companies: Gibui Holdings Ltd., Gibui Eitan Ltd. Pitaron Ltd. and Masai Ltd. and his commitment to refrain from providing, during his tenure as director in the Bank, consulting services in any area that competes with the Bank's activity. Accordingly, on November 9 2020, Mr. Avi Bzura began his first tenure as a director with the status of Other Director in the Bank. For more information, please see the immediate report dated November 9 2020 (Ref. No. 2010-01-111469).

On November 21 2020, Ms. Zipora Samet is expected to end her third and last term as external director in accordance with Proper Conduct of Banking Business Directive No. 301 (hereinafter: "Directive 301", "External Director"); Ms. Samet also complies with the qualifications of an External Director, in accordance with the provisions of the Companies Law.[1]

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 and two directors with the status of "Other Director". 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 included 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**").

On August 5 2020, the Bank published a summons to an annual general meeting to be convened on September 10 2020, with the following items on its agenda: (1) Discussion of the annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of two directors with the status of "Other

1 Ms. Z. Samet, who served as an ED at the Bank until August 17 2017, was re-elected External Director who and also meets the terms of qualifications for ED, by the general meeting held on October 3 2017 under an individual arrangement (for more information, please see Section 1.4.2 to the Report on Convening a general meeting published by the Bank on September 28 2017 (Ref. No. 2017-01-086014) and commenced her third term with the Bank on November 22 2017.

Director”; (4) Appointment of one External Director (Ref. No. 2020-01-084459) (hereinafter: the “**Meeting Summons**”). On August 13 2020, the Bank published a complementary report to the Meeting Summons (Ref. No. 2020-01-078268).

In the Bank’s 2020 annual general meeting held on September 10 2020, the following resolutions were made: (1) To reappoint the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank’s joint independent auditors for the period starting on the date of approval of the current annual general meeting through the end of the Bank’s next annual general meeting and to authorize the Bank’s Board of Directors to set their fees; (2) To appoint Mr. Avi Bzura as a director having the status of “Other Director” for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department; (3) To appoint Dr. Samer Haj Yehia as a director having the status of “Other Director” for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department, but not before October 30 2020 (after the end of his second tenure); and (4) To appoint Prof. Yedidia (Zvi) Stern as an External Director for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department, but not before November 22, 2020, after the end of Ms. Zipora Samet’s third and last tenure.

As of the Report publication date, no approval has been obtained from the Supervisor of Banks for the appointment of Prof. Yedidia (Zvi) Stern.

As detailed above, on October 30 2020, Dr. Samer Haj Yehia began his third and last tenure as Other Director in the Bank and on November 9 2020, Mr. Avi Bzura began his first tenure as a director with the status of Other Director in the Bank. For more information, please see the immediate report published by the Bank regarding the results of the annual general meeting of the Bank dated September 10 2020 (Ref. No. 2020-01-090973).

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 Leumi Group’s 2019 Internal Audit Report 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 May 3 2020 and reported to the Board of Directors on May 6 2020.

A bi-annual compilation of audit reports and records for the first half of 2020 was submitted to the Audit Committee on August 3 2020 and discussed by the Committee on August 6 2020, submitted to the Board of Directors on August 25 2020, and reported to the Board of Directors on August 27 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 on interested parties’ holdings in the Bank as at September 30 2020, please see the immediate report entitled “Status of Holdings of Interested Parties and Senior Officers” dated October 13 2020 (Ref. No. 01-2020-102535). Please see also the complementary 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) as well as the immediate report entitled “Entity which Became a Material Holder of Means of Control in a Banking Corporation without a Controlling Core” dated May 31 2020 (Ref. No. 2020-01-054723).

Appointments and Departures

Appointments

Mr. **Uri Yonissi** was appointed Head of Customer Relations Division, member of the Bank’s management and First Executive Vice President, reporting directly the Banking Division as of June 26 2020.

Adv. **Mor Fingerer** was appointed Chief Legal Counsel and Head of the Legal Counsel Division, member of the Bank’s management and First Executive Vice President, as of September 1 2020.

On August 5 2020, the Bank's Board of Directors confirmed the appointment of Mr. **Michael Schiller** to the post of CEO of Bank Leumi UK. The appointment is effective October 12 2020, subject to obtaining the required approvals under local regulation.

Departures

Mr. **Ilan Buganim**, Head of the Data Division and member of the Bank's management, retired on May 31 2020, after approx. 7 years of working for Leumi.

Ms. **Irit Roth**, Head of the Legal Counsel Division, Chief Legal Counsel, Legal Risk Manager and member of the Bank's management, retired on August 31 2020, after approx. 3 years of working for Leumi.

Mr. **Shlomo Goldfarb**, who serves as a member of management, Chief Accounting Officer and Head of the Bank's Accounting Division, announced his intention to retire after approximately 40 years of working at the Bank, approximately 8 of which as member of management. The date of his retirement has yet to be determined, but shall follow a handover period which shall continue until after the publication of the 2020 Annual Financial Statements.

Mr. **Gil Karni**, CEO of Bank Leumi UK, resigned on November 9 2020.

Corporate Structure

Data Division

The Data Division was split in June, and the units included therein were 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).

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 effect on the Bank.

Customer Relations Division

In July, it was decided to form a Customer Relations Division, reporting to the Banking Division, as part of the boost required for service and business purposes. The mortgages function, banking centers and Business Development Department will report directly to the new division.

The Financial and Accounting Division

In November 2020, it was decided that upon the retirement of Mr. Shlomo Goldfarb, the Finance Division and the Accounting Division will be merged. In this framework, the Board of Directors has decided to approve the appointment of Mr. Omer Ziv, who currently serves as a member of management and Head of the Finance Division, as Chief Accounting Officer and Head of the Finance and Accounting Division. Mr. Ziv's tenure as Chief Accounting Officer shall begin upon Mr. Goldfarb's retirement as Chief Accounting Officer of the Bank.

Human resource management during the coronavirus event

The Bank acts based on the regulations and guidance issued by government entities and is taking 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, drafting guidelines to prevent gatherings of the Bank's employees, defining "pods", etc.

During the past few months, thousands of employees have begun working remotely, through diverse technological solutions, as part of the Bank's preparations for various scenarios, due to the outbreak of the coronavirus.

Labor Relations

On October 5 2020, the New General Workers' Union (Histadrut) - Maof Federation declared a strike under the Law for the Resolution of Labor Disputes due to an undisclosed dispute. On November 1 2020, a special collective agreement was signed between the Bank, the Bank workers' unions and the New General Workers' Union (Maof Federation), which was approved by the Bank's Board of Directors, thus bringing the dispute to a close and cancelling the strike declaration.

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. The merger was completed on July 2 2020.

For more information about the Maalot-Standard Agreement, please see the section entitled "Material Agreements" in the 2019 Annual 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 Agreement will be extended until December 31 2022.

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.

On May 26 2020, the conditions precedent in the addendum were met, and the addendum went into effect.

For more information, please see the immediate report 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.

Legislation

Checks Without Cover Law (Amendment No. 14), 2020

On August 18 2020, an amendment to the Checks Without Cover Law was promulgated. According to the amendment, if a check is deposited and there is no adequate balance in the customer's account to pay the check, the bank will notify the account holder on which the check is drawn in order to notify the holder of the need to deposit founds in the account no later than two and a half hours prior to the end of the work day, in order to prevent the check from bouncing.

The amendment will become effective one year from its publication date.

The amendment to the law requires the Bank to adjust its work mode with customers in this respect.

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.

Due to the coronavirus event, the Banking Supervision Department will consider in December 2020 whether an additional deferral in the final implementation of the directive is needed; at this point, the directive's effective date is July 1 2021.

New Proper Conduct of Banking Business Directive No. 443, Dormant Deposits and Accounts whose Owners Have Passed Away

On November 15 2020, the Banking Supervision Department published a new Proper Conduct of Banking Business Directive whose objective is to improve the way dormant deposits and accounts whose owners have passed away are handled, inter alia by extending the obligation to locate the owners of these deposits and accounts and the requirement to ensure that there is an organizational function responsible for ensuring that such deposits are being handled.

The directive requires the Bank to make changes in its work processes and the resources allocated to this matter.

Various Initiatives for Increasing Competition in the Retail Credit Market

Recently, special emphasis has been placed on regulation 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 minimum capital requirements, aimed at providing easements to banks the consolidated total assets of which equal or do not exceed 24 percent of the banking sector's total assets. 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 Banking Supervision Department 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, leverage ratio, liquidity ratio, 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.
- Payments domain - in the past few years, there have been substantial changes in the payments domain, aimed at increasing competition in this area. On June 18 2020, pursuant to this trend, the Israel Competition Authority extended the cartel exemption for the five largest banks, regarding cooperation between them as part of their jointly-owned Bank Clearing Center ("MASAV"). MASAV is a corporation which clears all inter-bank payments

transactions. According to the exemption decision, new terms and conditions were set to ensure the ability of non-bank entities to use the MASAV system and enjoy its services at the same terms and conditions as the banks. This includes the decision to allow these entities to gain access to the instant payments systems promoted by MASAV. The system will allow the instant transfer of funds between bank accounts.

As part of the said exemption, terms and conditions were set requiring MASAV to accept as participants any payments service provider who is eligible for it and represented by a bank and allow each participant to take part in MASAV's internal committees that are relevant to them. In addition, the five largest banks were prohibited from unreasonably denying a non-bank entity the required services in order to connect them to MASAV as participants. In addition, the Bank was prohibited from making use of the instant payments system for its payments app until it represents a non-bank entity, such that the represented entity transfers transactions through that system. According to the exemption, the condition regarding the instant payment system expires on the earlier of: June 30 2022 or until one year has elapsed from the day on which the first non-bank entity began to conduct such transactions on a regular basis.

These terms, along with the other terms applicable to MASAV, are intended to allow non-bank entities to compete with the banks on the provision of various financial services and offer various financial services to the public.

In tandem with the said cartel exemption for the MASAV activity, the Bank of Israel published directions for MASAV and MASAV participants for compulsory clearing representation or in the MASAV system's rulings. In this context, the Bank of Israel established the terms and conditions designed to allow payments service providers access to the various payments systems managed by MASAV by being represented by the clearing participants as well as the definition of "reasonable denial" and terms and conditions such participants may put forward for said representation.

- On June 24 2020, the Ministry of Finance published Memorandum of Financial Information Services Law, 2020. The purpose of the memorandum is to replace portions of the Supervision of Financial Services (Regulated Financial Services) Law, 2016, which relate to the service of comparing financial costs by a new law, which will regulate all the information included in providing financial information services both by the entities providing the service and the financial entities which hold financial information of customers. The proposed regulation will allow financial information service providers to receive, with the customer's agreement, online access to financial information about the customer from financial sources, in order to provide various services (at this stage: banks, issuer clearing entities and deposit and credit unions). At the same time, such information sources will be required to allow financial information service providers online access to customers' financial information, subject to the customer's agreement. The financial information services included in the Memorandum of Provision of Financial Information Services Law are: price, cost or return comparisons; providing information to financial providers to obtain quotes to the customer for the financial services the customer wishes to consume (i.e., competing quotes) or in order to help contract with them; as well as consulting regarding financial management. The access to customers' financial information stored by financial information sources is expected, according to the explanatory notes, to remove barriers for transitioning between various financial providers and encourage competition, both on the demand and supply sides. The proposed law will also apply to banking corporations, both as financial service providers and information sources.
- On July 2 2020, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 432, "Transferring Activity and Closing a Customer's Account." According to the amendment, a banking corporation should enable a customer to submit an online application to transfer a securities portfolio to another investment entity, without requiring him/her to arrive at a branch. The banking corporation will not unreasonably deny a customer's request to such transfer. The guidance's objective was to make it easier for customers to transfer their securities portfolios between various entities in and outside the banking system, as well as to encourage competition in the brokerage industry, pursuant to a recommendation of the Brokerage Report published by the Israel Securities Authority and Israel Competition Authority.

- On October 2 2020, Memorandum of Banking Law (Licensing) (Amendment No.) (Expanding Funding Sources for Non-Banking Credit Entities), 2020 was published. The memorandum allows non-banking credit entities to expand their funding sources, inter alia by increasing maximum par value of bonds a non-banking company may issue to the public (in addition to granting credit and subject to other terms and conditions prescribed by law) from NIS 5 billion to NIS 15 billion.

Regulatory Developments Following the Coronavirus

Against the backdrop of the unfolding 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 available credit and pricing loans fairly.

Following are the main topics of the said adjustments:

Adjustments for working remotely

- Directives issued by the Banking Supervision Department:
  - Opening branches - setting minimum requirements for opening of branches 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 and the need to schedule an appointment in advance as well as allocating adequate resources to providing service by phone, within reasonable time, to customers from branches which provide no customer-facing service.
  - Subscribing to digital services - banks were allowed to send customers notifications on digital channels offering them to subscribe to 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 arriving at 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.
  - Management of guardian bank accounts - guidance regarding issuing debit cards to a guardian and a person who was appointed a guardian in the appropriate cases, as well as guidance for enrolling a guardian in online information services and regulating transactions in a guardian account not necessarily to the branch to which the customer's account is assigned.
  - 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 providing 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).
- Banking Ordinance (Customer Service) (Supervision of Immediate Debit Card, Letter of Warning by a Lawyer and Teller-Performed Transaction through a Call Center) (Temporary Order), 2020 - in accordance with the order published on September 13 2020, the following services were declared regulatable services and the maximum fees that may be charged for them shall be capped, as follows: teller-executed transaction by way of a phone call - NIS 2.5 per transaction; warning letter by a lawyer - NIS 50 per letter; immediate debit card fees - it is prohibited to charge fees. The ordinance applies to private individuals or small businesses and is limited in time, as outlined in the ordinance.
  The purpose of the ordinance is to help customers deal with the coronavirus crisis, to encourage them to refrain from arriving at the branches and to prefer remote transactions.
  The said ordinance is expected to affect the Bank’s revenues from these fees and commissions.

- 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 a 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 advisory call. The relief was valid through the end of August 2020. Another relief was granted regarding call control by a “call controller”.
- Amendment to the Execution Law - the amendment 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 approved 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 in their accounts and allows the customers to perform transactions with the card against their unused credit facility.
- Amendment to 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

- Directives 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 emphasized 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.
- Reporting to the Central Credit Register - in accordance with the guidance of the Bank of Israel, negative reporting of alerts for 5 bounced checks were deleted from the system from March 4 2020 to August 10 2020. In addition, transaction which entered into difficulties during the coronavirus crisis were flagged. Reliefs granted to customers following the coronavirus crisis in connection with loan and mortgage deferment are reported in the Register's reporting form fields.
- 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 going on 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 in respect of 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 grace periods, 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 defer mortgage payments by up to six months - in new applications by eligible borrowers who did not request grace on their loans so far, if the application is submitted to the Bank by December 31 2020. For eligible borrowers who have already been granted grace periods, the Bank should allow the grace periods to be extended until December 31 2020, even beyond six-month in total.

- Outline for deferment of loan repayments in order to assist bank 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 to cope with the consequences of the coronavirus crisis.
  The published outline applies to loans of the following types: mortgages, consumer loans and loans for businesses with annual turnovers of up to NIS 25 million, and includes a series of terms and conditions for the loan rescheduling. The period for submitting the deferral applications under the outline was extended until December 31 2020.

- Amendments to Bounced Checks Regulations - which complement the Banking Supervision Department's guidance on the topic (according to which any restriction on a bank account and its owner should be suspended during the said period), according to which checks which bounced from March 4 2020 to August 10 2020 will be derecognized from the total number of regular bounced checks (and the account restrictions should be lifted accordingly).

- Offering a solution to customers who are in financial difficulties due to the coronavirus crisis - according to the Banking Supervision Department's letter, despite the resumption of activity under the coronavirus, the ramifications of the crisis have not yet played out in full, and it appears that many households and businesses are affected and will continue to be affected by the ramifications of the crisis both in the short and mid-terms. Against this backdrop, the banks are required to try to exhaust, as far as possible, various ways to collect debts, including all its components, from customers before turning to the courts and to speed up such efforts, compared to regular times, in order to identify difficulties and help their customers overcome the challenging period, as early as possible, thus helping to prevent them from accumulating debt and from future deterioration. In this context, a variety of tools may be used, such as: extending debt handling schedules; proactively and promptly reaching out to customers in arrears in order to examine ways for helping them; offering them convenient payment terms; providing discounts on fees and commissions and interest in arrears; rescheduling debts for longer periods, and more.

- The coronavirus event - regulatory emphases regarding additional changes in the loan terms and conditions - a letter published on October 12 2020 by the Banking Supervision Department on the substantial adverse effect of the coronavirus event. The letter outlines practices for stabilizing borrowers by prudently and adequately altering their loan terms and conditions, in an effort to ease the cash flow pressures on borrowers who were adversely affected by the crisis, improve their ability to service their debts and help the banking corporation collect its debts. The principles of the letter are based on guidance issued by US bank regulators on August 3 2020, with adjustments to Israel's circumstances.

Reliefs due to staffing shortages and working remotely

- Directives 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 option 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 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 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 provide 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. At this stage, the Banking Supervision Department has determined that the easements may be used under exceptional circumstances, such as a complete lockdown or substantial decrease in manpower.

- Rotation and continuous leave in 2020 - various reliefs in implementing the continuous leave requirement, while distinguishing between employees who do not fulfil roles identified as sensitive and those fulfilling roles that have been identified as such. In addition to the relief, the banks are required to step up their supervision and control over fraud and embezzlement risks.

- General:
  - General permit to employ workers overtime, taking into account the special needs of the work place and the good of the workers, their safety and needs, which was in effect for two months as of March 17 2020. On October 4 2020, an additional permit was published, which was valid until October 31 2020.

Postponement of the effective dates, reliefs for reporting to the Banking Supervision Department, and additional guidance

- Postponement of the effective date of Proper Conduct of Banking Business Directive No. 368, "Open Banking" by approx. three months, such that the gradual application of the directive will commence on March 31 2021.

- Postponement of the banks' preparations for various topics, including: postponement of preparations for reporting the results of Quantitative Impact Survey (QIS) regarding restrictions on pledging assets of banking corporations; deferral of the deadline for completing the QIS in respect of to the Proper Conduct of Banking Business Directive draft on Net Stable Funding Ratio (NFSR) until December 31 2020 (in December 2020, the Banking Supervision Department will examine whether the final application of the directive, whose effective date is July 1 2021, requires postponement as well); and postponement of the gaps survey according to the FX Global Code.

- Postponement of the deadline 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.

- Postponement of an independent survey of the internal control function (which banking corporations are required to conduct at least every five years), such that if the five-year period ends during 2020, the bank may extend the completion date by six months.

- Postponement of an operational risks survey (which banking corporations are required to conduct at least every three years), such that if the three-year period ends during 2020, the bank may extend the completion date by six months.

- Postponement of the "Mandatory Inter-Bank Transitioning" Reform by six months, until September 22 2021.

- A draft ordinance was published on October 29 2020 pursuant to the provisions of the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017 (hereinafter: the "Law"). Pursuant to the law, from January 31 2021 to January 31 2024, the total credit limits on the Bank's credit cards by customers of a bank with extensive activity, each year, shall not exceed 50 percent of the total credit limits on the credit cards of the Bank's customers as of 2015. In calculating the said total credit limits, credit limits above NIS 5,000 shall be included and the credit limit on a customer's credit card shall not be reduced to less than the said amount. In this matter, "a bank with extensive activity" is one whose total assets is more than 20 percent of all Israeli banks' total assets.

According to the draft ordinance, and against the backdrop of worsening economic condition of numerous households following the coronavirus event, it is proposed to determine that the credit limits on credit cards of customers of such banks shall not exceed 55 percent of the limits, as was the case in 2015. It is also proposed that in calculating the said total credit limits, credit limits above NIS 7,500 shall be included and the credit limit on a customer's credit card shall not be reduced to less than the said amount. The proposed ordinance shall be in effect for a limited period of one year, until January 31 2022, upon which the new arrangement under the law shall become effective.

According to the provisions of the law, the Bank began reducing the said credit limits and will make the necessary adjustments in accordance with the final arrangement established under the law.

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 revised 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

Credit ratings and outlook for the State of Israel and the Bank as at November 16 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+
Local rating (in Israel)	S&P Maalot	AAA	Stable	
	Midroog	Aaa	Stable	P-1

Following is the development of the Bank’s credit rating and credit outlook from January 1 2020 to November 16 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.

On June 17 2020, credit rating agency Moody’s reiterated the Bank's rating and rating outlook.

On June 19 2020, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On July 20 2020, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On July 20 2020, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On September 30 2020, credit rating agency Midroog 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 September 30					
	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	260,094	2,085	3.25	251,356	1,865	3.00
Outside Israel	23,499	227	3.92	24,128	281	4.74
Total[i]	283,593	2,312	3.30	275,484	2,146	3.15
Loans to the government						
In Israel	734	6	3.31	711	8	4.58
Outside Israel	-	-	-	-	-	-
Total	734	6	3.31	711	8	4.58
Deposits with banks						
In Israel	10,027	16	0.64	11,069	52	1.89
Outside Israel	157	-	-	469	1	0.86
Total	10,184	16	0.63	11,538	53	1.85
Deposits with central banks						
In Israel	76,037	20	0.11	46,546	29	0.25
Outside Israel	925	-	-	1,097	4	1.47
Total	76,962	20	0.10	47,643	33	0.28
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	2,096	1	0.19	885	1	0.45
Outside Israel	-	-	-	-	-	-
Total	2,096	1	0.19	885	1	0.45
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	77,899	197	1.02	69,902	253	1.46
Outside Israel	4,688	23	1.98	5,145	32	2.51
Total	82,587	220	1.07	75,047	285	1.53
Bonds - held-for-trading[d]						
In Israel	8,655	7	0.32	4,870	-	-
Outside Israel	-	-	-	-	-	-
Total	8,655	7	0.32	4,870	-	-
Total interest-bearing assets	464,811	2,582	2.24	416,178	2,526	2.45
Non-interest-bearing receivables for credit cards	5,332			6,013		
Other non-interest-bearing assets[e]	51,800			41,441		
Total assets	521,943	2,582		463,632	2,526	
Total interest-bearing assets attributed to foreign operations	29,269	250	3.46	30,839	318	4.19

See comments below.

Part B - Average Balances and Interest Rates - Liabilities and Capital

	For the three months ended September 30					
	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	291,722	(221)	(0.30)	259,909	(332)	(0.51)
Demand deposits	154,851	1	-	129,367	(43)	(0.13)
Fixed deposits	136,871	(222)	(0.65)	130,542	(289)	(0.89)
Outside Israel	14,356	(25)	(0.70)	15,951	(71)	(1.79)
Demand deposits	7,850	(4)	(0.20)	6,035	(46)	(3.08)
Fixed deposits	6,506	(21)	(1.30)	9,916	(25)	(1.01)
Total	306,078	(246)	(0.32)	275,860	(403)	(0.59)
Deposits by the government						
In Israel	189	(1)	(2.13)	190	(1)	(2.12)
Outside Israel	56	-	-	251	-	-
Total	245	(1)	(1.64)	441	(1)	(0.91)
Deposits by central banks						
In Israel	3,418	(1)	(0.12)	47	-	-
Outside Israel	-	-	-	-	-	-
Total	3,418	(1)	(0.12)	47	-	-
Deposits by banks						
In Israel	5,169	(1)	(0.08)	6,015	(9)	(0.60)
Outside Israel	165	-	-	99	-	-
Total	5,334	(1)	(0.08)	6,114	(9)	(0.59)
Securities borrowed or sold under reverse repurchase agreements						
In Israel	426	-	-	576	(1)	(0.70)
Outside Israel	-	-	-	-	-	-
Total	426	-	-	576	(1)	(0.70)
Bonds						
In Israel	18,527	(117)	(2.55)	19,938	(20)	(0.40)
Outside Israel	-	-	-	-	-	-
Total	18,527	(117)	(2.55)	19,938	(20)	(0.40)
Total interest-bearing liabilities	334,028	(366)	(0.44)	302,976	(434)	(0.57)
Non-interest-bearing deposits by the public	113,655			91,840		
Non-interest-bearing payables for credit cards	631			4,209		
Other non-interest-bearing liabilities[(f)]	36,485			27,951		
Total liabilities	484,799	(366)		426,976	(434)	
Total capital resources	37,144			36,656		
Total capital commitments and sources	521,943	(366)		463,632	(434)	
Interest rate spread		2,216	1.80		2,092	1.88
Net return[(g)] on interest-bearing assets						
In Israel	435,542	1,991	1.84	385,339	1,845	1.93
Outside Israel	29,269	225	3.11	30,839	247	3.24
Total	464,811	2,216	1.92	416,178	2,092	2.03
Total interest-bearing liabilities attributed to foreign operations	14,577	(25)	(0.69)	16,301	(71)	(1.75)

See comments below.

Part A - Average Balances and Interest Rates – Assets

	For the nine months ended September 30					
	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	261,477	5,985	3.06	248,710	6,596	3.55
Outside Israel	23,793	739	4.16	24,921	911	4.90
Total[(i)]	285,270	6,724	3.16	273,631	7,507	3.67
Loans to the government						
In Israel	731	20	3.66	726	25	4.62
Outside Israel	-	-	-	-	-	-
Total	731	20	3.66	726	25	4.62
Deposits with banks						
In Israel	11,334	65	0.77	10,093	141	1.87
Outside Israel	202	-	-	397	4	1.35
Total	11,536	65	0.75	10,490	145	1.85
Deposits with central banks						
In Israel	63,480	69	0.14	51,039	96	0.25
Outside Israel	1,161	2	0.23	1,157	12	1.39
Total	64,641	71	0.15	52,196	108	0.28
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	1,857	5	0.36	826	2	0.32
Outside Israel	-	-	-	-	-	-
Total	1,857	5	0.36	826	2	0.32
Bonds - held-to-maturity and available-for-sale[(d)]						
In Israel	74,958	681	1.21	65,667	832	1.69
Outside Israel	4,823	84	2.33	5,601	113	2.70
Total	79,781	765	1.28	71,268	945	1.77
Bonds - held-for-trading[(d)]						
In Israel	8,551	23	0.36	5,658	29	0.68
Outside Israel	-	-	-	-	-	-
Total	8,551	23	0.36	5,658	29	0.68
Total interest-bearing assets	452,367	7,673	2.27	414,795	8,761	2.83
Non-interest-bearing receivables for credit cards	5,297			5,906		
Other non-interest-bearing assets[(e)]	52,005			42,379		
Total assets	509,669	7,673		463,080	8,761	
Total interest-bearing assets attributed to foreign operations	29,979	825	3.69	32,076	1,040	4.35

See comments below.

Part B - Average Balances and Interest Rates - Liabilities and Capital

	For the nine months ended September 30					
	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	282,925	(768)	(0.36)	260,250	(1,381)	(0.71)
Demand deposits	147,677	(36)	(0.03)	126,907	(120)	(0.13)
Fixed deposits	135,248	(732)	(0.72)	133,343	(1,261)	(1.26)
Outside Israel	14,783	(98)	(0.88)	15,923	(230)	(1.93)
Demand deposits	6,521	(22)	(0.45)	5,611	(84)	(2.00)
Fixed deposits	8,262	(76)	(1.23)	10,312	(146)	(1.89)
Total	297,708	(866)	(0.39)	276,173	(1,611)	(0.78)
Deposits by the government						
In Israel	190	(2)	(1.41)	197	(2)	(1.36)
Outside Israel	97	-	-	328	-	-
Total	287	(2)	(0.93)	525	(2)	(0.51)
Deposits by central banks						
In Israel	1,588	(2)	(0.17)	19	-	-
Outside Israel	-	-	-	-	-	-
Total	1,588	(2)	(0.17)	19	-	-
Deposits by banks						
In Israel	5,553	(9)	(0.22)	4,921	(19)	(0.52)
Outside Israel	152	-	-	55	-	-
Total	5,705	(9)	(0.21)	4,976	(19)	(0.51)
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	1,288	(8)	(0.83)	421	(2)	(0.63)
Outside Israel	-	-	-	-	-	-
Total	1,288	(8)	(0.83)	421	(2)	(0.63)
Bonds						
In Israel	20,902	(280)	(1.79)	19,865	(449)	(3.02)
Outside Israel	-	-	-	-	-	-
Total	20,902	(280)	(1.79)	19,865	(449)	(3.02)
Total interest-bearing liabilities	327,478	(1,167)	(0.48)	301,979	(2,083)	(0.92)
Non-interest-bearing deposits by the public	108,239			92,797		
Non-interest-bearing payables for credit cards	1,883			3,849		
Other non-interest-bearing liabilities(f)	35,139			27,798		
Total liabilities	472,739	(1,167)		426,423	(2,083)	
Total capital resources	36,930			36,657		
Total capital commitments and sources	509,669	(1,167)		463,080	(2,083)	
Interest rate spread		6,506	1.79		6,678	1.91
Net return(g) on interest-bearing assets						
In Israel	422,388	5,779	1.83	382,719	5,868	2.05
Outside Israel	29,979	727	3.25	32,076	810	3.38
Total	452,367	6,506	1.92	414,795	6,678	2.15
Total interest-bearing liabilities attributed to foreign operations	15,032	(98)	(0.87)	16,306	(230)	(1.89)

See comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel

	For the three months ended September 30					
	2020			2019		
	Average balance(b)	Interest income (expenses)	% of income (expense)	Average balance(b)	Interest income (expenses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	47,969	405	3.42	46,845	42	0.36
Total interest-bearing liabilities	22,125	(127)	(2.32)	29,419	48	0.65
Interest rate spread			1.10			1.01
Non-linked NIS						
Total interest-bearing assets	308,956	1,630	2.13	272,436	1,738	2.58
Total interest-bearing liabilities	232,558	(101)	(0.17)	202,488	(148)	(0.29)
Interest rate spread			1.96			2.29
Foreign currency						
Total interest-bearing assets	78,617	297	1.52	66,058	428	2.62
Total interest-bearing liabilities	64,768	(113)	(0.70)	54,768	(263)	(1.93)
Interest rate spread			0.82			0.69
Total activity in Israel						
Total interest-bearing assets	435,542	2,332	2.16	385,339	2,208	2.31
Total interest-bearing liabilities	319,451	(341)	(0.43)	286,675	(363)	(0.51)
Interest rate spread			1.73			1.80

See comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel (cont.)

	For the nine months ended September 30					
	2020			2019		
	Average balance(b)	Interest income (expenses)	% of income (expense)	Average balance(b)	Interest income (expenses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	47,539	805	2.26	46,323	1,293	3.74
Total interest-bearing liabilities	25,166	(223)	(1.18)	30,100	(627)	(2.79)
Interest rate spread			1.08			0.95
Non-linked NIS						
Total interest-bearing assets	297,462	4,993	2.24	273,994	5,125	2.50
Total interest-bearing liabilities	222,375	(352)	(0.21)	202,192	(438)	(0.29)
Interest rate spread			2.03			2.21
Foreign currency						
Total interest-bearing assets	77,387	1,050	1.81	62,402	1,303	2.79
Total interest-bearing liabilities	64,905	(494)	(1.02)	53,381	(788)	(1.97)
Interest rate spread			0.79			0.82
Total activity in Israel						
Total interest-bearing assets	422,388	6,848	2.17	382,719	7,721	2.70
Total interest-bearing liabilities	312,446	(1,069)	(0.46)	285,673	(1,853)	(0.87)
Interest rate spread			1.71			1.83

See comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2020 vs. 2019			2020 vs. 2019		
	For the three months ended September 30			For the nine months ended September 30		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS millions					
Interest-bearing assets						
Loans to the public						
In Israel	70	150	220	292	(903)	(611)
Outside Israel	(6)	(48)	(54)	(35)	(137)	(172)
Total	64	102	166	257	(1,040)	(783)
Other interest-bearing assets						
In Israel	58	(154)	(96)	144	406	(262)
Outside Israel	(4)	(10)	(14)	(13)	(30)	(43)
Total	54	164	(110)	131	(436)	(305)
Total interest income	118	(62)	56	388	(1,476)	(1,088)
Interest-bearing liabilities						
Deposits by the public						
In Israel	24	(135)	(111)	62	(675)	(613)
Outside Israel	(3)	(43)	(46)	(8)	(124)	(132)
Total	21	(178)	(157)	54	(799)	(745)
Other interest-bearing liabilities						
In Israel	4	85	89	42	(213)	(171)
Outside Israel	-	-	-	-	-	-
Total	4	85	89	42	(213)	(171)
Total interest expense	25	(93)	(68)	96	(1,012)	(916)
Total, net	93	31	124	292	(464)	(172)

Comments:

(a) The data in the above tables are stated after the effect of derivatives instruments hedging.

(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 outstanding 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 were deducted from/added to the average balance of held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under “Accumulated other comprehensive income”, in the "Adjustments in respect of presentation of available-for-sale securities at fair value" item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 1,469 million (September 30 2019 – NIS 210 million).

(e) Including book balances of derivatives, other non-interest-bearing 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 nine-month period in the amount of NIS 304 million were included in interest income from loans to the public (September 30 2019 - NIS 297 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 non-controlling 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)	Non-accrual impaired debt.
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.