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

Condensed Financial Statements
As at March 31 2021
(Unaudited)

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the 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 2020. The statements herein should be read in conjunction with the 2020 Annual Financial Statements.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
Return on net income (loss) attributable to the Bank's shareholders[(c)]	**15.0**	(2.6)	5.7
Return on net income (loss) attributable to the Bank's shareholders to average assets[(c)(e)]	**1.0**	(0.2)	0.4
Liquidity coverage ratio[(f)]	**130**	128	137
Ratio of income[(b)] to average assets[(c)(e)]	**2.7**	2.1	2.5
Efficiency ratio	**49.4**	74.7	53.8
Ratio of net interest income to average assets[(c)(e)]	**1.7**	1.8	1.7
Ratio of fees and commissions to average assets[(c)(e)]	**0.6**	0.8	0.6
Rate of tax provision from profit, before taxes	**35.9**	15.7	38.8
Net interest income to average balance of interest-bearing assets (NIM)[(c)]	**1.9**	2.1	1.9
Total income to total average assets under management by the Group[(b)(c)(d)(e)]	**0.8**	0.6	0.8
Total operating and other expenses to average total assets under management by the Group[(c)(d)(e)]	**0.4**	0.4	0.4

	As at March 31		As at December 31
	2021	2020	2020
CET1 capital ratio	**11.73**	10.84	11.87
Total capital to risk-weighted assets[(a)]	**14.73**	15.03	15.58
Leverage ratio[(g)]	**6.60**	6.43	6.57
Equity attributable to the Bank's shareholders to total assets	**6.9**	6.8	6.8

Key credit quality indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
Loan loss (income) expenses out of average outstanding loans to the public[(c)]	(0.28)	1.20	0.88
Of which: (income) expenses for collective provision out of average outstanding loans to the public[(c)]	(0.06)	1.06	0.65
Percentage of balance of loan loss provision for loans to the public out of outstanding loans to the public	1.66	1.33	1.76
Percentage of impaired non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public	1.46	1.16	1.61
Percentage of net accounting write-offs out of average loans to the public	0.04	(0.07)	(0.18)

(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.
(f) For more information regarding the liquidity coverage ratio, please see section entitled “Risk Exposure and Management Thereof”.
(g) For more information regarding the leverage ratio, please see “Equity and Capital Adequacy” under “Structure and Development of Assets, Liabilities, Equity and Capital Adequacy”.

Main income statement data

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	In NIS million		
Net income (loss) attributable to the Bank's shareholders	1,340	(232)	2,102
Interest Income, Net	2,348	2,169	8,723
Loan loss (income) expenses	(212)	860	2,552
Noninterest Income	1,374	246	4,366
Of which: fees and commissions	868	893	3,281
Total operating and other expenses	1,839	1,803	7,046
Of which: salaries and related expenses	1,078	935	3,742
Net earnings (loss) per share attributable to the Bank's shareholders (in NIS):			
Basic and diluted net income (loss)	0.92	(0.16)	1.44

Main balance sheet data

	As at March 31		As at December 31
	2021	2020	2020
	In NIS million		
Total assets	565,934	531,535	556,035
Of which: cash and deposits with banks	139,979	103,171	136,194
Securities	87,685	94,012	92,297
Loans to the public, net	307,561	294,486	295,341
Total liabilities	526,379	494,826	517,940
Of which: deposits by the public	460,412	418,627	447,031
Deposits by banks	17,178	6,172	15,143
Bonds, promissory notes and subordinated bonds	13,108	22,530	16,303
Equity attributable to the Bank’s shareholders	39,118	36,245	37,664
Additional data:			
Price per share (in NIS)	22.0	19.6	18.9

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]

General Background

At the beginning of the first quarter of the year, the pandemic continued in most world countries, with some countries experiencing the most severe wave of morbidity to date. As of the Report's publication date, more than 839,000 people have been infected by the virus and more than 6,300 people have died in Israel. In December 2020, Israel began to vaccinate its population, and more than 5.4 million people (as of the report's publication date) have been given the first dose out of the two required for the vaccine to become effective, and approximately 5.1 million people have been given the second dose. Thus, the adult population (16 years and over) was vaccinated in Israel, enabling the government to lift a series of restrictions.

The Global Economy

On April 6 2021, the International Monetary Fund (IMF) revised its global growth forecasts for 2021. An improvement was recorded in relation to previous forecasts (from October 2020 and January 2021), mainly due to expected effects - both the budgetary expansion in some of the major economies, and on the back of expected recovery in the second half of the year, due to the vaccines. According to the current forecast, the gross world product is expected to expand by approximately 6.0 percent in 2021, compared with a 3.3 percent decline in 2020. Among the major Western economies, the US economy is expected to be positively affected by the relatively high pace of vaccination and economic policy measures. These include a substantial budgetary expansion and unprecedented policy measures taken by the new US administration. In addition, the expansionary monetary policy has continued through a diverse set of policy channels. Against this background, the US economy is expected to continue to grow at a faster pace than that of Europe, where vaccination is slower than in the US; the level of economic activity in the US is expected to recover to pre-crisis levels (end of 2019) as early as the first half of 2021, while the Eurozone and the UK are expected to recover later. The developments in the US economy - as the world's largest and most influential in terms of the global economy - already have positive effects on capital and financial markets around the world. In addition, China's quick growth rate is also expected to have a positive effect on global growth.

Global growth/real change rate
Source: IMF - World Economic Outlook - January 2021

	2021	2020
World	6.0%	(3.3)%
USA	6.4%	(3.5)%
Eurozone	4.4%	(6.6)%
Japan	3.3%	(4.8)%
UK	5.3%	(9.9)%
China	8.4%	2.3%

During the first quarter of the year, in all leading economies, the short-term interest rates determined by the central banks are near-zero and in some - even negative, with little likelihood of increasing in the foreseeable future. However, the long-term interest rates, which are determined by financial markets, were up during the first quarter of the year across most major economies, on the back of recovery expectations for these markets; the recovery is expressed, among other things, in rising costs of raw materials and shipping, bringing about price increases on consumer goods in various economies. Against this background, there is substantial public debate in various countries on whether the price increases reflect a one-off adjustment or an acceleration - where the current rate of price increases will continue, leading to higher prices than ever before.

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

Growth in the Israeli Economy

During the first quarter of 2021, Israel's GDP shrank (negative growth) by 6.5 percent, compared to the fourth quarter of 2020. This occurred on the back of the coronavirus crisis (the third lockdown, which started at the end of December 2020) and there was a sharp decrease in imports of sedans due to the change in the taxation policy (import taxes are part of the GDP).

The labor market still reflects a substantially lower rate of employment than pre-crisis. In March 2021, more than 500,000 workers have yet to return to work. Most of the harm to employment is still in the service sectors, some of which have yet to resume full activity.

Resumption of normal activity, on the back of the highly efficient vaccination effort and substantial decline in morbidity, has caused the Bank of Israel to assess, in its April 19 2021 forecast, that in 2021, the growth rate will reach 6.3 percent; this is expected mainly on the back of recovery of private consumption, which is expected, according to the forecast, to expand by approximately 11 percent in 2021 (after declining by 9.5 percent in 2020), assuming there is no significant worsening of morbidity which will require the government to re-impose significant restrictions with macro-economic implications on the activity.

The State Budget and its Funding

In the first quarter of the year, the state budget deficit reached NIS 22.4 billion, compared with a NIS 13.3 billion deficit in the first quarter of 2020. This sharp rise in the deficit arises from a substantial increase in spending compared to income. The sharp rise stems from the health crisis experienced by the entire world, Israel included, since the beginning of the previous year. However, compared to the tax income forecast for the first quarter of the year, actual collection reflected a surplus, which is the result of income from direct taxes. Some of the surplus in direct tax collection is explained by substantial collections in the financial sector and deductions in the capital market.

During the reporting period, a state budget for 2021 had yet to be approved. Therefore, the Government is operating based on a continuous budget, with the law defining spending limits (annual and monthly and a spending hierarchy by order of importance. The spending limit for the continuous budget for 2021 is approximately NIS 419.9 billion, and for each month - approximately NIS 35 billion. In addition, following the outbreak of the coronavirus crisis, in an effort to address the crisis, the Government defined a spending limit of NIS 68.1 billion for the 2021 economic plan.

Foreign Trade

Israel's trade deficit reached USD 7.5 billion in the first quarter of 2021, compared with USD 5.0 billion in the first quarter of last year. The substantial increase in the deficit stems from significant expansion of imports in addition to a moderate decrease in exports. The "basic" trade deficit (excluding ships, planes, diamonds and energy materials) expanded even further during the said period (a USD 3.1 billion increase). The quick expansion in imports is reflected in each of its core components: imports of consumer products, investment products and raw materials. These trends have continued since the mid-2020s and reflect a trend of economic recovery, following the contraction in activity in the first half of the previous year, upon the outbreak of the pandemic. The increase in the imports surplus is expected to contribute to mitigating the current account surplus of the balance of payments, which totaled approximately 5 percent of GDP in 2020. However, the service exports data for the first two months of the year reflect a continuation of the rapid growth, with emphasis on services provided by the high-tech industry. Therefore, if these trends persist, they may mitigate the effect of the increase in the trade deficit.

Exchange Rate and Foreign Exchange Reserves

In the first three months of the year, the shekel depreciated against the US dollar by 3.7 percent, and appreciated 0.8 percent against the euro; a 1.3 percent depreciation was recorded against the currency basket. However, in April 2021 (until April 28), the trend reversed, and the shekel appreciated against the dollar by 2.5 percent.

At the end of March 2021, the Bank of Israel's foreign exchange reserves stood at USD 185.7 billion versus USD 173.3 billion as at the end of December 2020. The substantial increase in the balances is mainly explained by foreign currency purchases of NIS 13.7 billion made by the Bank of Israel.

On January 14 2021, the Bank of Israel announced it would purchase in 2021 USD 30 billion on the foreign currency market. As aforesaid, the foreign currency purchases during the first quarter of 2021 totaled NIS 13.7 billion, which are an annualized USD 54.9 billion. These purchases have had an expansionary effect of the money basis of the Israeli economy, since the inflows of the Bank of Israel due to foreign currency purchases were only partially neutralized using other monetary tools.

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) was up 0.8 percent in the first quarter of 2021 and 0.2 percent in the twelve months ending March 2021. It appears the inflationary environment, which was very low and even negative in the past year, is reversing its course and is on the verge of a positive price increase rate - on the back of the opening of the economy as well as on the back of global trends of raw materials price increases.

The "known" Consumer Price Index was up 0.1 percent in the first quarter of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.1 percent, similar to its level in April 2020.

On April 19 2021, the Monetary Committee decided to maintain the current interest rate, noting that "the opening of the market and returning to normal are expected to support the continuation of fast growth in the coming year. However, there are still challenges to the economic activity - due to the health risks in Israel and abroad, and the damage to the market - especially the labor market - is expected to be prolonged. Therefore, the committee will continue to run a highly expansionary monetary policy over time, using a variety of tools, as needed, including the interest rate tool. The objective is to continue to support the fulfilment of policy targets, the economic recovery from the crisis, and to ensure the continued adequate activity of financial markets."

Israel's Capital Market

The Shares and Convertible Securities Index was up 5.2 percent during the first quarter of the year, following a 0.4 percent decrease in 2020. The price increases were affected by the vaccination drive, which led to a decline in morbidity and to the opening of the economy, to a point where Israel has become a world leader in the percentage of vaccinated residents.

The average daily trade volume of shares and convertible securities totaled NIS 1.859 billion in the first quarter of the year, similar to its 2020 average.

In the first three months of 2021, the government bond market was affected by the opening of the economy and the increase in inflation expectations in the coming year. The CPI-Linked Government Bond Index was up 0.4 percent in the first quarter of the year, while the Unlinked Government Bond Index was down 1.5 percent.

The CPI-linked non-government bond index (corporate bonds) was up by 2.2 percent from January to March 2021, both due to the expectation for an increase in inflation and the re-opening of the economy, which may improve the companies' position.

The Israeli Government's Relief Program

The coronavirus crisis, which broke out in March 2020, led the government to formulate an economic plan to assist the economy in coping with the crisis, in the amount of NIS 202.3 billion for 2020-2021, of which approximately NIS 137.1 billion in budgetary aid for the said period (approximately NIS 68.1 billion for 2021). As of the end of March 2021, the performance rate out of the two-year plan was approximately 67 percent.

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. For more information, please see the 2020 Financial Statements. Following are some of the actions taken in the first quarter of the year:

1. In 2020, it was decided to engage in open market activity, including purchasing NIS 85 billion in redeemable government bonds of various types and durations in the secondary market; as of March 31 2021, purchases totaled NIS 58.9 billion.
2. Executing repo transactions with government bonds as well as corporate bonds rated AA and above, as collateral, with financial institutions. As of March 31 2021, transactions reached NIS 0.5 billion.
3. The Bank of Israel offers banks long-term loans for the purpose of providing credit to small businesses. Total loans under these schemes reached NIS 28.1 billion as at March 31 2021.

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 began to affect most world countries during the first quarter of 2020; later on, the spread worsened due to the emergence of various mutations. Most governments imposed temporary lockdowns, bringing to a temporary but prolonged 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 use a variety of tools to support economic activity, beyond reducing interest rates. Towards the end of 2020, the vaccine was approved for use.

In view of the quick vaccination process implemented in Israel, the risks to economic activity in Israel have declined for now. In addition, in some major world countries - such as the US and UK - the vaccination process appears to be relatively successful, mitigating the risks in these countries. In other countries, the vaccination process has been relatively slow to date; therefore, these countries - especially emerging ones - are still substantially exposed to the economic risks arising from closures and other restrictions imposed due to high morbidity rates.

Loan loss income was NIS 212 million for the quarter, mainly as a result of collections in the reporting period. In addition, a 0.06 percent income was recorded in the collective provision due to positive developments in the reporting period, such as the extensive vaccination drive and its positive effect in lowering morbidity and reopening the economy, as well as the improvement in the economic indicators underlying the provision.

In addition, it should be noted that the Bank is continuing to explore 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.

For more information, please see under "Credit Risks, Market Risks and Operational Risks" in the Risk Management Report as at December 31 2020.

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 2020 Risk Management Report.

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

Main Changes in the Reporting Period

Agreement with Tarya

In March 2021, the Bank entered into an agreement with Tarya Fintech Inc. ("Tarya") for the joint development of a mortgage system for the Bank and Tarya.

The amount due to Tarya under the agreement is immaterial to the Bank.

Material Changes in Financial Statement Items

Net income attributable to shareholders (hereinafter - the “net income”) in the reporting period amounted to NIS 1,340 million compared to a NIS 232 million loss in the same period last year.

The return on equity in the reporting period was 15.0 percent, compared to a negative rate of approx. 2.6 percent in the same period last year. The most significant increase in the return on equity is due to a material increase in income, in addition to a moderate increase in expenses and a decrease of the loan loss provision compared to a significant increase in the loan loss provision in the same period last year.

Net interest income in the reporting period totaled approx. NIS 2,348 million, compared to a total of approx. NIS 2,169 million in the corresponding period last year, an 8.3 percent increase. The increase in interest income is despite the material decrease in the interest rates of the Fed and Bank of Israel, on the back of the increase in the Bank’s loan portfolio and the changes in the CPI from one period to another. In the reporting period, the CPI was positive, at 0.1 percent, compared with a negative 0.5 percent in the corresponding period last year.

Loan loss expenses (income) for the first quarter of 2021 reflect an income rate of approx. 0.28 percent of the average outstanding loans to the public compared to an expense rate of 1.2 percent in the corresponding period last year. Most of the income arises from the specific provision as a result of collection in the reporting period. In addition, the movement in the collective provision during the reporting period resulted in a loan loss income of 0.06 percent on the back of the improvement in economic indicators underlying the provision, mostly on the back of the rapid vaccination process and the reopening of the economy. The rate of loan loss provision relative to the outstanding loans as at March 31 2021 was 1.66 percent.

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

Noninterest finance income (expense) in the reporting period totaled approx. NIS 441 million, compared to a total of approx. NIS 660 million in the corresponding period last year. Most of the increase stems from losses recorded in this item in the same quarter last year, on the back of decreases in equity markets and the effect of derivatives and exchange rate differentials.

Operating and other fees and commissions in the reporting period were down by NIS 25 million compared to the corresponding period last year. Most of the decrease stems from fees and commissions on exchange rate differentials, on the back of unusual activity in the first quarter last year - due to the outbreak of the coronavirus and from account management fees and commissions; the decrease was offset by fees and commissions on securities.

Operating and other expenses were up by NIS 36 million in the reporting period compared to the corresponding period last year, a 2.0 percent increase.
Salaries and related expenses were up by NIS 15.3 percent, mainly due to provisions for bonuses in respect of the financial results.
The increase was offset by a decrease in other operating expenses, including maintenance expenses and depreciation, which were down 10.3 percent compared to the same period last year.

The efficiency ratio for the reporting period is 49.4 percent compared to 74.7 percent in the corresponding period last year. The material improvement in the efficiency ratio arises, as aforesaid, from a material increase in income, in addition to a minor increase in expenses.

Basic earnings per share attributable to the shareholders in the reporting period totaled a gain of approx. NIS 0.92 compared to a profit of NIS 0.16 per share in the corresponding period last year.

The CET1 capital to risk components ratio as at March 31 2021 was 11.73 percent. The total capital ratio as at March 31 2021 was 14.73 percent.

Material Developments in Income, Expenses and Other Comprehensive Income

Following is the change in net income in the first quarter of 2021 compared to the corresponding period in the previous year

	For the three months ended March 31		Change	
	2021	2020		
	In NIS million		In NIS million	In %
Interest Income, Net	2,348	2,169	179	8.3
Loan loss (income) expenses	(212)	860	(1,072)	-
Noninterest Income	1,374	246	1,128	+
Operating and other expenses	1,839	1,803	36	2.0
Profit (loss) before taxes	2,095	(248)	2,343	+
Provision (benefit) for tax	753	(39)	792	+
Profit (loss) after tax	1,342	(209)	1,551	+
The Bank’s share in associates’ profits (losses)	7	(14)	21	+
Net income attributable to non-controlling interests	(9)	(9)	-	-
Net income (loss) attributable to the Bank's shareholders	1,340	(232)	1,572	+
Return on equity (in %)	15.0	(2.6)		
Basic earnings (loss) per share (in NIS)	0.92	(0.16)		

Net income development by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Interest Income, Net	2,348	2,217	2,216	2,121	2,169
Loan loss (income) expenses	(212)	270	547	875	860
Noninterest Income	1,374	1,386	1,253	1,481	246
Operating and other expenses	1,839	1,825	1,749	1,669	1,803
Profit (loss) before taxes	2,095	1,508	1,173	1,058	(248)
Provision (benefit) for tax	753	604	432	359	(39)
Profit (loss) after tax	1,342	904	741	699	(209)
The Bank’s share in associates’ profits (losses)	7	(8)	8	1	(14)
Net loss (income) attributable to non-controlling interests	(9)	(6)	1	(6)	(9)
Net income (loss) attributable to the Bank's shareholders	1,340	890	750	694	(232)
Return on equity (in %)	15.0	9.8	8.4	7.7	(2.6)
Basic earnings (loss) per share (in NIS)	0.92	0.61	0.52	0.48	(0.16)

Interest Income, Net

Net interest income of the Leumi Group in the first three months of the year was NIS 2,348 million, compared with NIS 2,169 million in the corresponding period last year, an 8.3 percent increase.

The increase in interest income is despite the material decrease in the interest rates of the Fed and Bank of Israel, on the back of the increase in the Bank's loan portfolio and the changes in the CPI from one period to another. The CPI in the reporting period was a positive 0.1 percent, compared with a negative CPI of 0.5 percent in the corresponding period last year. As a result, net interest income in the first three months of the year was positively affected by the positive CPI in the amount of approx. NIS 40 million, while in the corresponding period last year, the results were adversely affected by the negative CPI by a total of NIS 98 million.

Net yield on interest-bearing assets in the first three months of the year was 1.91 percent, compared with 2.07 percent in the corresponding period last year, due to the decrease in interest rates.

The total interest rate spread in the reporting period is 1.83 percent, compared to a 1.92 spread in the corresponding period last year.

The following table presents interest spread information by linkage segment:

In the CPI segment, the interest rate spread in the reporting period was 1.72 percent, compared with 1.00 percent in the corresponding period last year. In the foreign exchange segment, the interest rate spread was 0.97 percent, compared with 0.87 percent in the corresponding period last year. In the non-linked NIS segment, the interest rate spread was 1.81 percent, compared with 2.24 percent in the corresponding period last year.

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 three months ended March 31		Change	
	2021	2020		
	In NIS million		In NIS million	In %
Loan loss (income) expense - specific	(169)	104	(273)	-
Loan loss expense (income) - collective	(43)	756	(799)	-
Total expense (income) for loan losses	(212)	860	(1,072)	-
Of which:				
Loan loss expenses (income) in respect of commercial credit risk	(180)	739	(919)	-
Loan loss expenses (income) in respect of housing loans credit risk	(19)	31	(50)	-
Loan loss expenses (income) for credit risk for private individuals - other	(13)	87	(100)	-
Loan loss expenses for credit risk for banks and governments	-	3	(3)	-
Total expense (income) for loan losses	(212)	860	(1,072)	-
Ratios (in %):				
Percentage of specific loan loss expense (income) out of average outstanding loans to the public[(a)]	(0.22)	0.14	(0.36)	-
Percentage of loan loss expense (income) out of average outstanding loans to the public[(a)]	(0.28)	1.20	(1.48)	-
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.04	(0.07)	0.11	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	2.33	(4.96)	7.29	+

(a) Annualized.

Development of loan loss expenses by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Loan loss (income) expense - specific	**(169)**	395	(10)	175	104
Loan loss expense (income) - collective	**(43)**	(125)	557	700	756
Total expense (income) for loan losses	**(212)**	270	547	875	860
Of which:					
Loan loss expenses (income) in respect of commercial credit risk	**(180)**	253	498	615	739
Loan loss expenses (income) in respect of housing loans credit risk	**(19)**	(15)	52	107	31
Loan loss expenses (income) for credit risk for private individuals - other	**(13)**	34	(5)	155	87
Loan loss expenses (income) for credit risk in respect of banks and governments	**-**	(2)	2	(2)	3
Total (income) expenses for loan losses	**(212)**	270	547	875	860
Ratios (in %):					
Percentage of specific loan loss (income) expense out of average outstanding loans to the public[(a)]	(0.22)	0.55	(0.01)	0.24	0.14
Percentage of loan loss expense (income) out of average outstanding loans to the public[(a)]	(0.28)	0.37	0.76	1.19	1.20
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.04	(0.02)	(0.03)	(0.06)	(0.07)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	2.33	(1.34)	(1.44)	(4.06)	(4.96)

(a) Annualized.

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

Noninterest Income

	For the three months ended March 31			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Noninterest finance income (expenses)	**441**	(660)	1,101	+
Fees and Commissions	**868**	893	(25)	(2.8)
Other income	**65**	13	52	+
Total	**1,374**	246	1,128	+

Development of noninterest income by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Noninterest finance income (expenses)	**441**	539	457	690	(660)
Fees and Commissions	**868**	824	788	776	893
Other income	**65**	23	8	15	13
Total	**1,374**	1,386	1,253	1,481	246

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first three months of the year was 36.9 percent, compared with 10.2 percent for the corresponding period last year and 33.4 percent for the 2020 full year. The material increase compared with the same quarter last year stems from losses recorded in noninterest finance income in the same period last year, as outlined below, on the back of the coronavirus crisis.

Breakdown of noninterest finance income

	For the three months ended March 31			
	2021	2020	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	**101**	(527)	628	+
Gains on sale of available-for-sale bonds, net	**65**	134	(69)	(51.5)
Gains (losses) and dividend from not held-for-trading equity securities	**192**	(206)	398	+
Losses on sale of investees' equity	**-**	(2)	2	100.0
Net income (expenses) in respect of derivatives for trading activities	**90**	(26)	116	+
Realized and unrealized losses from adjustments to fair value of held-for-trading bonds and shares, net[(a)]	**(7)**	(33)	26	78.8
Total	**441**	(660)	1,101	+

(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.

The loss in the first three months of 2020 stems, as aforesaid, from the direct and indirect effects of the spread of the coronavirus. As a result, during this period, financial assets in the capital markets were severely impaired.

Net income for derivatives and exchange rate differentials during this period were affected by the increase in the interest rate, while during the corresponding period last year, they were affected by the risk-free interest.

Breakdown of noninterest finance income by quarter

	2021	2020			
	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	**101**	254	58	214	(527)
Gains on sale of available-for-sale bonds, net	**65**	66	91	86	134
Gains (losses) and dividend from not held-for-trading equity securities	**192**	83	226	124	(206)
Losses on sale of investees' equity	**-**	-	-	-	(2)
Net income (expenses) in respect of derivatives for trading activities	**90**	140	90	163	(26)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)]	**(7)**	(4)	(8)	103	(33)
Total	**441**	539	457	690	(660)

(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 three months ended March 31			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Account management	**157**	172	(15)	(8.7)
Activity in securities and certain derivatives	**219**	198	21	10.6
Credit cards	**84**	85	(1)	(1.2)
Credit handling	**51**	43	8	18.6
Financial products distribution fees and commissions	**67**	72	(5)	(6.9)
Exchange rate differentials	**98**	137	(39)	(28.5)
Financing fees and commissions	**114**	108	6	5.6
Other fees and commissions	**78**	78	-	-
Total fees and commissions	**868**	893	(25)	(2.8)

Most of the decrease stems from fees and commissions on exchange rate differentials, on the back of unusual activity in the first quarter last year - due to the outbreak of the coronavirus and from account management fees and commissions. The decrease was offset by fees and commissions on securities.

Breakdown of fees and commissions by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Account management	**157**	154	161	155	172
Activity in securities and certain derivatives	**219**	187	165	177	198
Credit cards	**84**	82	82	78	85
Credit handling	**51**	49	42	39	43
Financial products distribution fees and commissions	**67**	68	64	64	72
Exchange rate differentials	**98**	86	84	85	137
Financing fees and commissions	**114**	120	111	103	108
Other fees and commissions	**78**	78	79	75	78
Total fees and commissions	**868**	824	788	776	893

Breakdown of other income

	For the three months ended March 31			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Gains (losses) on severance pay reserve	**10**	(3)	13	+
Other income, including on sale of buildings and equipment	**55**	16	39	+
Total	**65**	13	52	+

Breakdown of other income by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Gains (losses) on severance pay reserve	**10**	8	-	4	(3)
Other income, including on sale of buildings and equipment	**55**	15	8	11	16
Total	**65**	23	8	15	13

Operating and Other Expenses

	For the three months ended March 31			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**1,078**	935	143	15.3
Depreciation and amortization	**171**	180	(9)	(5.0)
Maintenance expenses for buildings and equipment	**195**	228	(33)	(14.5)
Other expenses	**395**	460	(65)	(14.1)
Total operating and other expenses	**1,839**	1,803	36	2.0

Operating and other expenses by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**1,078**	954	942	911	935
Depreciation and amortization	**171**	158	157	183	180
Maintenance expenses for buildings and equipment	**195**	227	214	184	228
Other expenses	**395**	486	436	391	460
Total operating and other expenses	**1,839**	1,825	1,749	1,669	1,803

Salary expenses were up compared to the same period last year, especially due to provisions for bonuses, taking into account the financial results.

The operating and other expenses in the first three months of 2021 constitute 49.4 percent of total income, compared with 74.7 percent in the corresponding period last year and 53.8 percent in the entire 2020. The material improvement in the efficiency ratio arises, as aforesaid, from a material increase in income, in addition to a moderate increase in expenses. The decline in buildings and equipment maintenance expenses and other expenses were the result of a series of measures taken by the Bank in order to cope, inter alia, with the implications of the coronavirus crisis.

Total (annualized) operating and other expenses constitute 1.31 percent of total assets, compared with 1.36 percent in the corresponding period last year and 1.27 percent in the entire 2020.

Salary expenses

	For the three months ended March 31			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**983**	855	128	15.0
Pension, severance and retirement expenses	**95**	80	15	18.8
Total salary expenses	**1,078**	935	143	15.3

Salary expenses by quarter

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**983**	845	850	824	855
Pension, severance and retirement expenses	**95**	109	92	87	80
Total salary expenses	**1,078**	954	942	911	935

Condensed Statement of Comprehensive Income:

Comprehensive income for the reporting period totaled NIS 1,454 million compared to NIS 1,359 million in the corresponding period last year. The difference between the comprehensive income for the period and the net income stems mainly from positive adjustments to liabilities for employee benefits totaling NIS 424 million, which was partially offset by negative adjustments for available-for-sale bonds totaling NIS 336 million. These adjustments were stated directly in other comprehensive income and in later periods - in profit and loss.

Changes in accumulated other comprehensive income (loss) for the three-month period ended March 31 2021 and 2020

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presenta-tion of available-for-sale bonds at fair value	Adjust-ments from transla-tion,[(a)] net after the effect of hedges[(b)]	Net gains (losses) on cash flow hedges	The Bank's share in other compre-hensive income (loss) of equity-accounted investees	Adjust-ments in respect of employee benefits[(c)]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	(416)	44	31	(3)	1,960	1,616	25	1,591
Balance as at March 31 2020	208	(155)	29	(16)	(1,988)	(1,922)	(18)	(1,904)
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	**(336)**	**51**	**(24)**	**(5)**	**424**	**110**	**(4)**	**114**
Balance as at March 31 2021	**827**	**(244)**	**2**	**(21)**	**(3,310)**	**(2,746)**	**(68)**	**(2,678)**

Changes in accumulated other comprehensive income (loss) for the year ended December 31 2020

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presenta-tion of available-for-sale bonds at fair value	Adjust-ments from transla-tion,[(a)] net after the effect of hedges[(b)]	Net gains (losses) on cash flow hedges	The Bank's share in other compre-hensive income (loss) of equity-accounted investees	Adjust-ments in respect of employee benefits[(c)]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the year	539	(96)	28	(3)	214	682	(21)	703
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)

(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.

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

The total assets of the Leumi Group as at March 31 2021 amounted to NIS 565.9 billion, compared to NIS 556 billion as at the end of 2020 - a 1.8 percent increase, and a 6.5 percent increase compared to March 2020.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 117.0 billion, 20.7 percent of the total assets. In the first quarter of 2021, the shekel appreciated against the US dollar by 3.7 percent and 0.8 percent against the euro, and depreciated by 4.4 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.6 percent increase in the Group's total assets.

Total assets under the Group's management – total assets and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,836 billion as at March 31 2021, compared with a total of NIS 1,734 billion as at the end of 2020.

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

	March 31	December 31	Change	
	2021	2020	From December 2020	From March 2020
	In NIS million		In %	
Total assets	**565,934**	556,035	1.8	6.5
Cash and deposits with banks	**139,979**	136,194	2.8	35.7
Securities	**87,685**	92,297	(5.0)	(6.7)
Loans to the public, net	**307,561**	295,341	4.1	4.4
Buildings and equipment	**2,832**	2,932	(3.4)	(4.2)
Deposits by the public	**460,412**	447,031	3.0	10.0
Deposits by banks	**17,178**	15,143	13.4	+
Bonds, promissory notes and subordinated bonds[a]	**13,108**	16,303	(19.6)	(41.8)
Equity attributable to the Bank's shareholders	**39,118**	37,664	3.9	7.9

(a) For additional information, please see section entitled "Bonds, capital notes and subordinated bonds".

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

	March 31	December 31	Change	
	2021	2020	From December 2020	From March 2020
	In NIS million		In %	
Documentary credit, net	**1,446**	1,067	35.5	45.8
Loan guarantees, net	**5,444**	5,186	5.0	8.1
Guarantees for apartment buyers, net	**21,635**	20,123	7.5	3.3
Guarantees and other commitments, net	**16,817**	16,999	(1.1)	4.0
Unutilized credit card credit facilities, net[a]	**7,554**	15,655	(51.7)	(51.3)
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**12,746**	12,813	(0.5)	0.8
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**56,771**	52,909	7.3	35.6
Derivatives[b][c]	**744,371**	698,304	6.6	(2.5)
Options - all types[c]	**156,956**	92,392	69.9	(28.2)

(a) 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" in the 2020 Annual Financial Statements.
(b) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.
(c) For more information, please see Note 11.

Loans to the Public, Net

Net loans to the public in the Leumi Group as of March 31 2021 totaled NIS 307.6 billion versus NIS 294.5 billion as at March 31 2020, a 4.4 percent increase compared to a total of NIS 295.3 billion as at the end of 2020, a 4.1 percent increase.

In addition to loans to the public, the Group invests in corporate securities, which total 20,148 as at March 31 2021, compared to NIS 19,048 million as at the end of 2020, and which also embody credit risks.

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

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

	March 31	December 31		
	2021	2020	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**91,914**	89,753	2,161	2.4
Private individuals - other	**25,807**	25,412	395	1.6
Construction and real estate	**75,143**	69,542	5,601	8.1
Commercial	**28,140**	27,048	1,092	4.0
Industry	**21,101**	19,991	1,110	5.6
Other	**65,456**	63,595	1,861	2.9
Total	**307,561**	295,341	12,220	4.1

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

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions

	March 31			December 31		
	2021			2020		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**2,657**	**132**	**2,789**	2,889	153	3,042
Substandard credit risk, net	**511**	**23**	**534**	339	25	364
Special mention credit risk, net	**3,055**	**404**	**3,459**	3,299	309	3,608
Total	**6,223**	**559**	**6,782**	6,527	487	7,014

	March 31	December 31
	2021	2020
	In NIS million	
Troubled credit risk - Commercial	**7,619**	7,807
Troubled credit risk - retail	**1,377**	1,427
Total	**8,996**	9,234
Balance of loan loss provision	**2,214**	2,220
Troubled loans after loan loss provision	**6,782**	7,014

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.W.5 in the 2020 Financial Statements.

As of March 31 2021, the outstanding troubled credit risk totaled NIS 6,782 million compared to NIS 7,014 million as of December 31 2020. Most of the decrease stems from repayments of impaired non-performing debts.

Securities

As at March 31 2021, the Group's investments in securities amounted to NIS 87.7 billion, compared to NIS 92.3 billion as at the end of 2020, a 5.0 percent decrease.

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

For more information, please see Note 1.I.1 to the 2020 Financial Statements.

Fair value calculation method

The fair value of Israeli securities is based mainly on quoted prices on the Tel Aviv Stock Exchange; the fair value of foreign securities is based on prices received from external sources.

Non-marketable Israeli bonds denominated in NIS are revalued using a fair value model, since these bonds do not have an active market.

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

	March 31 2021					December 31 2020				
	Held-to-maturity bonds	Available-for-sale bonds[(a)]	Not held-for-trading shares and mutual funds	Held-for-trading securities[(b)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(a)]	Not held-for-trading shares and mutual funds	Held-for-trading securities[(b)]	Total
	In NIS million									
Bonds										
Of the Israeli Government	4,062	32,396		2,138	38,596	3,919	34,821		3,144	41,884
Of foreign governments[(c)]	-	17,221		1	17,222	-	19,893		223	20,116
Of Israeli financial institutions	-	68		181	249	-	69		323	392
Of foreign financial institutions[(d)]	-	8,864		89	8,953	-	8,861		98	8,959
Asset-backed (ABS) or mortgage-backed (MBS)	2,569	7,541		76	10,186	2,265	6,996		80	9,341
Of other Israeli entities	-	247		89	336	-	220		58	278
Of other foreign entities	1,853	5,415		37	7,305	818	6,067		46	6,931
Equity securities and mutual funds			4,783	55	4,838			4,335	61	4,396
Total securities	8,484	71,752	4,783	2,666	87,685	7,002	76,927	4,335	4,033	92,297

(a) Including unrealized gains from fair value adjustments in the amount of NIS 1,184 million recorded in other comprehensive income (December 31 2020 - NIS 2,062 million).

(b) Including unrealized gains from fair value adjustments in the amount of NIS 9 million recorded in profit and loss (December 31 2020 - NIS 52 million).

(c) Of which: US government - NIS 10,467 million (December 31 2020 – NIS 11,534 million).

(d) Most bonds of foreign financial institutions are rated Supranational or are state-backed.

As at March 31 2021, approx. 81.8 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 3.0 percent as held-for-trading, approx. 5.5 percent as equity securities and mutual funds not held-for-trading and approx. 9.7 percent - as held-to-maturity. Approximately 5.5 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 quarter of 2021, there was a NIS 510 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with a decrease of NIS 632 million (before tax) in the corresponding period last year.
2. In the first quarter of 2021, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 65 million (before tax), compared with net gains of NIS 134 million (before tax) in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds as at March 31 2021 totaled a positive NIS 827 million (after tax) compared with a positive NIS 1,163 million as at the end of 2020. These amounts represent net unrealized gains as at the reporting dates.

On March 1 2021, a balance of approximately NIS 750 million (USD 225 million) of the available-for-sale bonds portfolio was classified to the held-to-maturity bond portfolio.

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

Held-for-trading portfolio

As at March 31 2021, the held-for-trading portfolio has approximately NIS 2.6 billion in bonds, compared with NIS 4.0 billion as at December 31 2020. As at March 31 2021, the held-for-trading portfolio constitutes 3.0 percent of the Group's total nostro portfolio, compared with 4.4 percent as at December 31 2020.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 8 million were recorded in the income statement in the first quarter of 2021, compared with losses of NIS 32 million in the same period last year.

Investments in equity securities and mutual funds

As at March 31 2021, investments in equity securities and funds totaled NIS 4,838 million, of which NIS 3,078 million was in marketable equity securities and NIS 1,760 million - in non-marketable equity securities.

Of the total investment, NIS 4,783 million is classified to the not held-for-trading portfolio and NIS 55 million - to the held-for-trading portfolio.

As at March 31 2021, the capital required in respect of these investments was NIS 615 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, rated investment-grade, amounted to NIS 10.2 billion (about USD 3.1 billion) as at March 31 2021, compared to NIS 9.3 billion as at the end of 2020. Out of the above portfolio, as at March 31 2021, 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 of March 31 2021, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 5.4 billion. 94.02 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of March 31 2021, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was NIS 15 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 326 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 4 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 2.1 billion, of which CLO bonds account for NIS 1.4 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.9 years.

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

b. Investments in foreign non-asset-backed securities

As of March 31 2021, the Group's securities portfolio includes NIS 43.5 billion (USD 13.0 billion) in foreign non-asset-backed securities. NIS 36.1 billion (about USD 10.8 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.72 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

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

As of March 31 2021, the cumulative increase in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 468 million (NIS 308 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. 71.87 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31 2021, the value of the non-asset-backed held-for-trading portfolio was NIS 0.2 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 March 31 2021, investments in bonds issued in Israel amounted to NIS 32.9 billion, of which NIS 32.3 billion was in NIS-denominated bonds issued by the Israeli Government and the remainder - corporate bonds. 53.8 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 18 million.

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

For more information, please see Note 5.

Deposits by the public

As at March 31 2021, deposits by the public with the Group totaled NIS 460.4 billion, compared to NIS 418.6 billion as at March 31 2020, a 10.0 percent increase, and compared with a total of NIS 447.0 billion as at the end of 2020, a 3.0 percent increase.

The increase is on the back of the outbreak of the coronavirus crisis, which resulted in a material increase in deposits.

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

	March 31	December 31		
	2021	2020	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)]	**917,356**	843,017	74,339	8.8
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**187,632**	178,964	8,668	4.8
Advanced study funds	**165,063**	155,674	9,389	6.0

(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

Shelf prospectus and bonds issue

The Bank's shelf prospectus, under which securities can be offered, was effective until May 24, 2021. On May 26 2021, the Bank's Board of Directors approved a new shelf prospectus, which shall be in effect for a period of two years from its publication. The prospectus was approved by the Israel Securities Authority.

Early redemption of subordinated capital notes

On December 30 2020, the Bank's Board of Directors decided to exercise full early redemption of Subordinated Bonds (Series 400), which were issued to the public in January 2016. Accordingly, on January 21 2021, the subordinated notes were redeemed in the amount of NIS 0.9 billion. Following the decision regarding full early redemption, which was published on December 30 2020, Subordinated Bonds Series 400 were not recognized as part of the Bank's regulatory capital as at December 31 2020.

On December 30 2020, the Bank's Board of Directors decided to also redeem, by way of full early redemption, Capital Notes Series 200 and 201, which were issued to the public in February 2010. Accordingly, on February 4 2021, Capital Notes Series 200 and 201 were redeemed for a total of NIS 2.3 billion. The capital notes were partially included in the Bank's regulatory capital as at December 31 2020, according to the transitional provisions of Proper Conduct of Banking Business Directive No. 299.

For more information, please see the immediate reports dated December 30 2020, the immediate report dated January 17 2021, the immediate report dated January 24 2021 and the immediate report dated February 7 2021.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 39,118 million on March 31 2021 compared with NIS 37,664 million as at the end of 2020.

The change in shareholders' equity was affected by the profit for the period, which was partially offset by the increase in the capital reserve for available-for-sale bonds.

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.

The shareholders' equity to total assets ratio as at March 31 2021 reached 6.9 percent, compared to 6.8 percent as at December 31 2020.

Capital Adequacy Structure[(a)]

	March 31		December 31
	2021	2020	2020
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	**40,446**	35,887	39,262
Tier 2 capital, after deductions	**10,333**	13,857	12,297
Total capital	**50,779**	49,744	51,559
Balances of risk-weighted assets			
Credit risk	**317,777**	301,846	303,356
Market Risks	**4,488**	6,283	5,313
Operational risk	**22,458**	22,783	22,182
Total balances of risk-weighted assets	**344,723**	330,912	330,851
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted assets	**11.73%**	10.84%	11.87%
Total capital to risk-weighted assets	**14.73%**	15.03%	15.58%

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

Common Equity Tier 1 capital was 11.73 percent as at March 31 2021, a 0.14 percent decrease compared to December 31 2020.

Regulatory capital structure

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

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

1. Tier 1 capital, which includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital.
2. Tier 2 capital.

The sum of these tiers is also known as "capital basis for capital adequacy purposes" or "regulatory capital" or "total capital."

Common Equity Tier 1 capital and additional Tier 1 capital

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

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

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

Tier 2 capital

Tier 2 capital mainly includes capital instruments and the balance of the Group's 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 2021 is 10 percent.

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

For more information regarding Tier 2 capital instruments redeemed in 2021, 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 Regulation No. 201, Capital Measurement and Adequacy - Introduction, Application and Calculation of Requirements, a large banking corporation whose consolidated balance sheet assets total at least 24 percent of the Israeli banking system's total balance sheet assets, is required to meet a Common Equity Tier

1 capital ratio of at least 10 percent and a total capital ratio of at least 13.5 percent, beginning on January 1 2017. This requirement applies to Leumi.

Additionally, under 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 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 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”). According to the temporary order, a banking corporation whose consolidated total assets constitute more than 24 percent of the Israeli banking system’s total assets shall have a CET1 capital to risk-weighted asset ratio of no less than 9 percent and the ratio of total capital to risk-weighted assets shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular’s publication). The directive applies to Leumi.

On March 22 2021, on the back of the continued development of the coronavirus event and its implications for the Israeli and global economies, the Banking Supervision Department decided to extend the temporary order by another six-month term until September 30 2021 (the date on which the temporary order expires). The relief in capital targets will be in effect until 24 months from the temporary order expiry date, provided that the capital ratios of the banking corporation will not fall below the lower of: the capital ratios upon the Temporary Order’s expiry date or the minimum capital ratios applicable to the banking corporation prior to the temporary order.

In addition, according to the circular dated March 22 2021, in the six-month period after the expiry of the temporary order, a decrease of up to 0.3 percent in the capital ratios shall not be deemed as deviating from the required capital ratios, subject to strict, conservative capital planning and reporting to the Banking Supervision Department. According to the notice published by the Bank of Israel on March 7 2021, in addition to extending the temporary order and the capital expedients as of September 30 2021, the Banking Supervision Department expects the Banking system to refrain from using any capital surplus for the purpose of dividend distribution at least until the temporary order expires.

On November 15 2020, the Bank of Israel published a circular amending Proper Conduct of Banking Business Directive No. 218, “Leverage Ratio”, such that 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 circular’s publication). 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’s publication date.

For information regarding relief in the additional capital requirement of 1 percent of the balance of housing loans, please see the section entitled “Equity and Capital Adequacy” in the 2020 Annual Financial Statements.

In accordance with the Temporary Provision, and with the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as of March 31 2021 are 9.21 percent for the Common Equity Tier 1 capital ratio and 12.71 percent for the total capital ratio.

The Bank’s capital planning and capital adequacy targets

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

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event. For more information on the ICAAP process and the use of stress tests, please see the Risk Management Report as at December 31 2020.

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 temporary order, 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 would 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

According to the explanatory notes and the letter of the Banking Supervision Department dated March 2021, regarding the extension of the temporary order by an additional term of six months, until September 30 2021, the Banking Supervision Department expects the Banking system to refrain from using any capital surplus for the purpose of dividend distribution at least until the temporary order expires.

For additional information regarding Leumi's dividend distribution policy, please see the section entitled "Equity and Capital Adequacy" in the 2020 Annual Financial Statements.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS million
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

Adjustments to Common Equity Tier 1 capital

Measurement of the employee benefits liability

For information regarding measuring liabilities in respect of employees, please see the section entitled "Equity and Capital Adequacy" in the 2020 Annual Financial Statements.

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

Relief for operational efficiency plans

In 2016 and 2017, the Banking Supervision Department published letters entitled "Operational Efficiency of the Banking System in Israel" - workforce and real estate. According to the letters, a banking corporation which meets the terms and conditions prescribed, will be granted a relief, according to which it may spread the effect of the plan, on a straight-line basis, over a period of five years. The validity of the Banking Supervision Department was extended until December 31 2021, in an effort to allow for formulating additional efficiency plans.

In June 2016, the Bank's Board of Directors approved an efficiency plan, for a total cost of NIS 438 million (after tax). As of March 31 2021, 95 percent of the plan's costs are attributable to regulatory capital.

In July 2017, the Bank's Board of Directors approved an additional efficiency plan, for a total cost of NIS 204 million (after tax). As of March 31 2021, 75 percent of the plan's costs are attributable to regulatory capital.

As part of the understandings regarding the special collective agreement signed with the Workers' Union in July 2019, the Bank's Board of Directors approved a voluntary retirement plan, which amounted to NIS 167 million (after tax). As of March 31 2021, 35 percent of the plan's costs are attributable to regulatory capital.

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 revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. Inter alia, changes were made in the method of calculating capital requirements according to the standardized approach to credit risk, a uniform standardized approach was prescribed with regard to operational risk, and changes were made in market risk measurement. 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. In February and March 2021, the Banking Supervision Department published circular drafts in respect of the application of Proper Conduct of Banking Business Directives Nos. 203A and 208A, according to which the application date of Directive 203A is expected to be on July 1 2022 and of Directive 208A - January 1 2023. The Bank is examining the effects of the draft circulars and continues to prepare for their implementation.

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

On December 1 2020, the Banking Supervision Department published a circular regarding 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 circular of the new rules, 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.C.2.

Circular amending Proper Conduct of Banking Business Directive No. 202, "Measurement and Capital Adequacy - Regulatory Capital and Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risks"

On February 2 2021, the Banking Supervision Department published a circular entitled "Expected Loan Losses from Financial Instruments", adjusting Proper Conduct of Banking Business Directives to the new rules regarding expected loan losses. Among other things, the following were revised: Proper Conduct of Banking Business Directive No. 202, Capital Measurement and Adequacy - Regulatory Capital, and Proper Conduct of Banking Business Directive No. 203 - Capital Measurement and Adequacy - The Standardized Approach - Credit Risk, according to which banking corporations will be required, as of January 1 2022, to deduct from Common Equity Tier 1 amounts to cover for housing loans that do not accrue over time.

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 344.7 billion as at March 31 2021. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio by approx. 0.03 percent and 0.04 percent, respectively.
- Common Equity Tier 1 - Common Equity Tier 1 as of March 31 2021 totals NIS 40.4 billion. A NIS 100 million decrease in Common Equity Tier 1 capital will decrease the Common Equity Tier 1 capital and total capital ratio by 0.03 percent.
- Change in the foreign exchange rate - a 1 percent depreciation in the shekel's exchange rate against all currencies will decrease the Common Equity Tier 1 capital and total capital ratio by 0.02 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, means a cumulative effect of 0.08 percent on the CET1 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 plan and adjustments in respect of the application of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities.

	March 31		December 31
	2021	2020	2020
	In NIS million		
Consolidated data			
Tier 1 capital	**40,446**	35,887	39,262
Total exposures	**612,517**	557,829	597,538
Leverage ratio			
Leverage Ratio	**6.60%**	6.43%	6.57%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	6.00%	5.50%

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 as at March 31 2021 is 6.6 percent, a 0.03 percent increase compared to December 31 2020.

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 2020 Annual Financial Statements.

Condensed results of operations according to management approach

	For the three months ended March 31 2021											
	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	286	265	613	1,164	328	272	234	93	1	23	233	2,348
Inter-segmental	165	14	(297)	(118)	(4)	(80)	(18)	218	-	1	1	-
Interest Income, Net	451	279	316	1,046	324	192	216	311	1	24	234	2,348
Noninterest Income	363	113	4	480	113	57	78	388	89	108	61	1,374
Total income	814	392	320	1,526	437	249	294	699	90	132	295	3,722
Loan loss expenses (income)	(11)	(52)	(15)	(78)	(4)	(68)	(121)	36	6	1	16	(212)
Total operating and other expenses	691	236	75	1,002	189	74	29	103	214	48	180	1,839
Profit (loss) before tax	134	208	260	602	252	243	386	560	(130)	83	99	2,095
Provision for tax	46	71	89	206	86	83	132	192	12	20	22	753
Net income (loss) attributable to the Bank's shareholders	88	137	171	396	166	160	254	369	(142)	69	68	1,340

Balances as at March 31 2021												
Loans to the public, net	27,938	24,534	93,277	145,749	46,766	42,644	35,107	7,859	5,703	820	22,913	307,561
Deposits by the public	184,654	49,134	-	233,788	75,069	26,449	10,650	87,708	3	-	26,745	460,412
Assets under management	195,649	20,000	-	215,649	29,044	9,398	1,189	639,975	25,301	331,406	18,089	1,270,051

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

	For the three months ended March 31 2020											
	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	320	309	397	1,026	252	192	192	195	-	49	263	2,169
inter-segmental[(a)]	205	12	(119)	98	61	(25)	(26)	(107)	2	6	(9)	-
Interest income, net	525	321	278	1,124	313	167	166	88	2	55	254	2,169
Noninterest income (expenses)[(a)]	374	128	12	514	120	67	81	(613)	(2)	8	71	246
Total income (expenses)	899	449	290	1,638	433	234	247	(525)	-	63	325	2,415
Loan loss expenses (income)	119	158	36	313	122	338	37	5	(7)	5	47	860
Total operating and other expenses	686	261	62	1,009	142	56	30	99	208	50	209	1,803
Profit (loss) before tax	94	30	192	316	169	(160)	180	(629)	(201)	8	69	(248)
Provision (benefit) for tax	32	10	66	108	58	(55)	62	(215)	(18)	5	16	(39)
Net income (loss) attributable to the Bank's shareholders	62	20	126	208	111	(105)	118	(414)	(183)	(11)	44	(232)
Balances as at March 31 2020												
Loans to the public, net	28,655	24,519	86,591	139,765	41,843	45,250	27,964	9,275	5,132	808	24,449	294,486
Deposits by the public	174,236	42,479	-	216,715	57,180	24,643	8,984	85,622	4	-	25,479	418,627
Assets under management	156,599	14,838	-	171,437	19,721	9,090	1,665	496,128	16,250	293,060	17,787	1,025,138

(a) Beginning in Q1 2021, it was decided to allocate a significant portion of the ALM activity to the various P&L centers. To present comparative information, the comparative results were reclassified.

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

	For the year ended December 31 2020											
	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	1,126	1,142	2,047	4,315	1,118	880	834	510	-	128	938	8,723
inter-segmental[(a)]	774	38	(891)	(79)	103	(205)	(111)	287	-	7	(2)	-
Interest Income, Net	1,900	1,180	1,156	4,236	1,221	675	723	797	-	135	936	8,723
Noninterest income[(a)]	1,362	459	38	1,859	428	244	312	879	127	254	263	4,366
Total income	3,262	1,639	1,194	6,095	1,649	919	1,035	1,676	127	389	1,199	13,089
Loan loss expenses (income)	333	482	178	993	352	762	210	(18)	(33)	4	282	2,552
Total operating and other expenses	2,610	951	245	3,806	667	227	125	382	871	190	778	7,046
Profit (loss) before tax	319	206	771	1,296	630	(70)	700	1,312	(711)	195	139	3,491
Provision (benefit) for tax	109	70	264	443	215	(24)	239	448	(45)	41	39	1,356
Net income (loss) attributable to the Bank's shareholders	210	136	507	853	415	(46)	461	866	(666)	139	80	2,102

Balances as at December 31 2020												
Loans to the public, net	27,530	24,253	91,313	143,096	44,626	39,389	31,559	8,700	5,339	790	21,842	295,341
Deposits by the public	181,676	47,710	-	229,386	65,775	28,390	10,149	90,938	5	-	22,388	447,031
Assets under management	183,752	19,455	-	203,207	25,909	10,043	2,336	585,627	21,484	312,520	16,529	1,177,655

(a) Beginning in Q1 2021, it was decided to allocate a significant portion of the ALM activity to the various P&L centers. To present comparative information, the comparative results were reclassified.

Regulatory Operating Segments

For more information regarding the business lines according to management approach, please see section entitled "Regulatory Operating Segments" in the 2020 Annual Financial Statements.

Summary of activities by regulatory operating segments

	For the three months ended March 31 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest income (expenses), net	264	334	11	429	187	374	13	504	(2)	234	2,348
Noninterest Income	13	245	42	205	78	141	46	484	59	61	1,374
Total income	277	579	53	634	265	515	59	988	57	295	3,722
Loan loss expenses (income)	(20)	(12)	-	(43)	(41)	(136)	-	24	-	16	(212)
Total operating and other expenses	75	627	26	397	117	102	57	86	172	180	1,839
Profit (loss) before tax	222	(36)	27	280	189	549	2	878	(115)	99	2,095
Provision (benefit) for tax	80	(15)	10	102	70	200	-	312	(28)	22	753
Net income (loss) attributable to the Bank's shareholders	142	(21)	17	178	119	349	2	573	(87)	68	1,340
Balance as at March 31 2021											
Loans to the public, gross	92,275	26,607	361[(a)]	53,466	31,412	83,293	2,009	-	-	23,330	312,753
Deposits by the public	-	123,090	26,154	81,102	54,584	72,039	76,698	-	-	26,745	460,412
Assets under management	-	63,076	47,696	75,268	27,615	90,652	905,752	41,903	-	18,089	1,270,051

(a) Including outstanding housing loans in the amount of NIS 130 million, as at March 31 2021, and as at March 31 2020 – NIS 99 million.

	For the three months ended March 31 2020										
	Activity in Israel									Foreign opera-tions	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tional entities	Financial mana-gement	Other		
	In NIS million										
Interest income (expenses), net	239	410	23	511	197	342	39	156	(2)	254	2,169
Noninterest income (expenses)	15	251	39	207	83	139	74	(635)	2	71	246
Total income (expenses)	254	661	62	718	280	481	113	(479)	-	325	2,415
Loan Loss Expenses	31	87	-	197	100	386	5	7	-	47	860
Total operating and other expenses	62	624	23	383	106	95	56	73	172	209	1,803
Profit (loss) before tax	161	(50)	39	138	74	-	52	(559)	(172)	69	(248)
Provision for tax (benefit)	56	(18)	14	45	25	7	19	(174)	(29)	16	(39)
Net income (loss) attributable to the Bank's shareholders	105	(32)	25	93	49	(7)	33	(399)	(143)	44	(232)
Balance as at March 31 2020											
Loans to the public, gross	85,328	27,314	317[(a)]	49,992	27,919	79,802	3,039	-	-	24,744	298,455
Deposits by the public	-	115,912	26,734	66,958	42,411	64,602	76,531	-	-	25,479	418,627
Assets under management	-	58,234	37,021	48,897	21,316	71,138	739,875	30,870	-	17,787	1,025,138

(b) Including outstanding housing loans in the amount of NIS 130 million, as at March 31 2021, and as at March 31 2020 – NIS 99 million.

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31 2020										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest income (expenses), net	995	1,499	57	1,802	724	1,441	73	1,202	(6)	936	8,723
Noninterest Income	61	923	151	773	290	549	207	1,127	22	263	4,366
Total income	1,056	2,422	208	2,575	1,014	1,990	280	2,329	16	1,199	13,089
Loan loss expenses (income)	174	271	-	569	285	1,001	(1)	(29)	-	282	2,552
Total operating and other expenses	243	2,345	83	1,531	421	376	231	321	717	778	7,046
Profit (loss) before tax	639	(194)	125	475	308	613	50	2,037	(701)	139	3,491
Provision (benefit) for tax	236	(73)	47	177	117	219	19	804	(229)	39	1,356
Net income (loss) attributable to the Bank's shareholders	403	(121)	78	298	191	394	31	1,220	(472)	80	2,102
Balance as at December 31 2020											
Loans to the public, gross	90,133	26,212	320[(a)]	50,658	29,502	77,154	4,386	-	-	22,266	300,631
Deposits by the public	-	121,146	26,082	77,259	47,145	72,512	80,499	-	-	22,388	447,031
Assets under management	-	62,117	44,850	67,433	25,942	70,151	844,180	46,453	-	16,529	1,177,655

(a) Including outstanding housing loans in the amount of NIS 103 million as at December 31 2020.

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.

As of March 31 2021, the Bank's total investments in investee companies (including in capital notes) was NIS 11.0 billion, compared with NIS 10.8 billion as of December 31 2020, with the investee companies contributing NIS 177 million to the Group's net income in Q1 2021, compared with a NIS (2) million loss in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 7,303 million as at March 31 2021, compared with NIS 7,243 million as at December 31 2020. Their contribution to the consolidated companies in Israel to the Group's net income in the first quarter of 2021 was a profit of NIS 69 million, compared with a loss of NIS (11) million in the corresponding period last year.

Leumi Partners Ltd.

Following the increase in non-financial investments in the Leumi Group, and as part of the restructuring procedure in 2020, in March 2021, Leumi Partners issued capital notes to Leumi Financial Holdings Ltd. for a total of NIS 885 million. The capital notes do not bear interest and/or linkage, and will be repaid at the demand of Leumi Financial Holdings, but in any case, not before 5 years will have elapsed from the issuance date.

For more information, please see the section entitled "Major Investees" in the 2020 Financial Statements.

Gain on sale of Retailors' shares

On May 13 2021, Leumi Partners Ltd. exercised an option allocated to it upon its investment in Retailors Ltd. (hereinafter: "Retailors").

For more information, please see Note 16.B.

Consolidated Companies outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of March 31 2021 was NIS 3,640 million, compared with NIS 3,543 million as at December 31 2020.

In the first quarter of 2021, the foreign offices' contribution to the Group's shekel net income was NIS 107 million, compared with NIS 9 million in the corresponding period last year.

During March 2021, the Chinese regulator gave its approval for the closure of the China office. The office was finally closed down in May 2021.

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

Bank Leumi USA

Following the immediate report published by the Bank on January 22 2018, as part of the agreement to bring in strategic partners into BLUSA (through the sale of a 15 percent equity stake in Bank Leumi Corporation, which wholly-owns BLUSA) (hereinafter - the "Transaction"), after four years will have passed from the Transaction's completion date until five years will have passed from said date, If the acquired equity shall not be marketable until that date, and subject to additional terms and conditions, the strategic partners will have a put option towards the Bank, which will entitle them to demand that the Bank repurchase all equity securities, and the Bank shall be entitled to accept the option and purchase the equity securities or allocate them shares of the Bank, at the Bank's discretion.

Since the Transaction was completed, the Bank is considering, from time to time, possibilities to execute the aforesaid, including contemplating measures which will render the said equity marketable; however, so far, no decision has been made whether to carry out the Transaction of an issuance.

Risk Exposure and Management Thereof

This section was written in great detail in the Report of the Board of Directors and Management as at December 31 2020 and in the 2020 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 analyzes the risk outlook, to enable informed decision-making.

During the reporting period, there were no significant changes in the risks and their severity levels in relation to the table included in the Report of the Board of Directors and Management as at December 31 2020.

Credit Risks

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 embody 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 the risk appetite were adjusted and revised. There were no material changes in the corporate governance structure related to credit risk.

Impact of the coronavirus crisis

The economic indicators currently reflect a recovery in economic activity following the reopening of the economy and the increase in the rate of vaccinated residents.

If the vaccination process in Israel continues successfully, achieving inoculation and natural vaccination of the majority of the population, and if the pandemic’s indicators continue to reflect its subsiding - without a renewed outbreak among the majority of the population - the Government will be able to reopen more and more activities in the economy. As of the reporting date, a review of economic sectors continues to reflect significant variance in the extent of harm sustained by various economic sectors. However, recovery is evident even in economic sectors significantly harmed by the crisis.

As more and more economic sectors reopen, households’ condition is expected to improve, and demand is expected to rise. The expectation is that the “extensive” unemployment rate, as defined by the National Bureau of Statistics (“ordinary” unemployment with the addition of furloughed workers and employees fired due to the crisis) will continue to decline (less furloughed employees) with some increase in the “ordinary” unemployment rate (prolonged).

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. However, it should be noted that most business and private customers with deferred loans have resumed their regular repayments.

The Bank continues to explore ways to extend assistance to customers who encounter a temporary crisis and whom the Bank believes will overcome the crisis.

In this context, emphases in credit granting were pinpointed, and risk focal points and market developments are being monitored on a regular basis, while making preparations and adjusting the activity.

For more information, please see the section entitled “Credit Risks” in the Report of the Board of Directors and Management as at December 31 2020.

Loan loss income was NIS 212 million for the quarter, mainly as a result of collections in the reporting period.

Moreover, a 0.06 percent income was recorded in the collective 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 significant 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 impaired non-performing debt at the individual level.
- Making collective provisions which reflect the expected loss to the Bank on the collective level. In this context, the Bank is relying on 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 this process, emphasis is placed on the change in customers' risk characteristics and those of the various economic sectors, as well as the economic assessments.

  Taking into account, inter alia, the unemployment and growth rates. A worsening of any of these criteria may bring about an increase in the loan loss provision, and vice versa. The rate of unemployment - according to a broad definition of the Central Bureau of Statistics (the usual definition, with the addition of those temporarily absent due to unpaid leave and decline in the participation rate) was 12.1 percent in March 2021 - the lowest rate since August 2020, and even continued to decline in the first half of April 2021. In the first quarter of 2021, the GDP shrank (negative growth) by an annual rate of 6.5 percentage compared to Q4 2020 (Q4 2020 ended in a 6.3% positive growth compared to the annualized Q3 2020 rate). This occurred on the back of the coronavirus crisis (the third lockdown, which started at the end of December 2020) and there was a sharp decrease in imports of sedans due to the change in the taxation policy.

  As part of the process of quantifying the provision, 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 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 difficult to determine at this time. This difficulty is exacerbated by actions taken to mitigate the effects of the crisis - such as unpaid leave payments, unemployment benefits and the Government's aid program - which may render the ramifications of the customers' credit risk less obvious.

Due to the crisis's ongoing nature, the Bank continued to examine the key criteria in the provision process in Q1 2021, and made the relevant adjustments, while weighting positive developments recorded during the reporting period, such as the success of the extensive vaccination effort and its positive effect of the decline in morbidity and the reopening of the economy. Additional changes in management's assessments, 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 on 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; the scenario is based on a series of different variables as outlined above, circumstances which may be accompanied by a lower unemployment rate than the one used in the underlying assessments, as well as a higher growth rate than in the underlying assessments. 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 - based on several factors, as described above - 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. 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 March 31 2021. Without taking into account the effects of offsetting or correlation, the effect of the aforesaid, hypothetically, may cause a decrease or increase of NIS 0.3 billion in the loan loss provision, depending on the scenario assumptions.

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.
- The existence of financial harm and the customer's ability to cope therewith depend on numerous factors, which are not clear enough at this stage, including: the speed of going "back to normal", the success of the vaccination effort over time, the ability to handle variants from a medical standpoint, the ability of businesses and households to handle and adapt - by changing activity and behavior patterns, government aid, measures taken by the Bank of Israel, etc.

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.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2020.

Some of the above information constitutes "forward-looking information". For the significance of the concept and its implication, please see the section entitled "Forward-Looking Information".

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

The Bank has applied the coronavirus guidance of the Bank of Israel and adopted the unified outlines published by the Bank of Israel to date regarding changes in the loan terms, especially by way of loan deferment for private individuals and business customers.

The most recent outlines for deferment of mortgage loans and consumer loans as of November 30 2020[1] and for providing aid to small and micro-businesses[2] dated December 10 2020[3] entered into force on January 1 2021. The deadline for filing a deferment application was March 31 2021.

Separately from the above uniform outline, as from August 2020, the Bank allowed 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.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2020.

The lion share of the outstanding amounts of loans approved for deferment as of the reporting date, and which are still under deferment but not classified as troubled, is for a period of more than six months.

Regarding consumer and business loans, in the first three deferment outlines in place during 2020, deferment was provided by extending the loan term through deferment of principal repayments. In the fourth outline, which began in January 1 2021 and ended on March 31 2021, deferment was provided by deducting loan repayments for defined periods.

In housing loans - regarding the first three outlines for loan deferment in place in 2020 - 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. In the fourth outline for deferment of mortgages repayments, which began in January 1 2021 and ended on March 31 2021, deferment was provided by deducting loan repayments for defined periods.

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 frozen outstanding mortgages as at March 31 2021, approximately 80 percent have resumed regular payments.

As at April 30 2021, approx. 4.0 percent of the total outstanding mortgage loan amounts are 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 March 31 2021.

1 Intended to assist customers who were substantially hurt by the implications of the crisis, and who met several cumulative conditions: that as of February 28 2020, their household income did not exceed NIS 20,000, net and whose income was down by at least 40 percent.

2 Small business - turnover of NIS 10-50 million. Micro-business - turnover of up to NIS 10 million.

3 Intended to assist small and micro-businesses, which were substantially hurt by the crisis, and which met several cumulative conditions: The loan is in deferment status as at December 31 2020, the business's turnover is down by about 25 percent for three months (not necessarily consecutive months), during March to December 2020, compared to the same period last year.

Outstanding debts in Israel[a] the covenants of which were amended as part of dealing with the coronavirus from March 1 2020 to March 31 2021, 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[c]		Debts whose deferment term has ended, as of the reporting date	
	Deferred debts as of the reporting date[b]				Non-troubled debts				Non-troubled debts with accrued deferment			
	Outstanding loans for which payments were deferred	No. of loans[e]	Amount of payments effectively deferred	Troubled debts	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											
Large-sized businesses	588	35	42	338	232	-	18	250	129	117	1,081	-
Mid-sized businesses	404	46	35	102	58	-	244	302	125	73	2,356	1
Small- and micro-businesses	737	2,567	63	59	17	3	658	678	244	330	7,928	99
Private individuals - excluding housing loans	246	4,457	37	5	36	-	205	241	175	49	2,456	36
Housing loans	4,147	8,556	360	67	3,472	85	523	4,080	613	3,411	16,408	319
Total as at March 31 2021	6,122	15,661	537	571[d]	3,815	88	1,648	5,551	1,286	3,980	30,229	455
Total as at December 31 2020	13,180	63,655	1,144	446	6,300	162	6,272	12,734	4,944	6,659	24,949	224

(a) Debts which were deferred in foreign subsidiaries, were done so according to local outlines and their outstanding amount is immaterial.
(b) As at April 30, the outstanding balance for which payments were deferred was NIS 5,468 million, and the outstanding payments deferred in effect totaled approx. NIS 528 million.
(c) 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.
(d) Of which: classified as non-accrual impaired non-performing debts in the amount of NIS 81 million.
(e) The number of loans is presented in units.

State-backed loans

Against the background of the coronavirus outbreak, the Bank signed agreements with the state (which were revised from time to time) 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.

Under the most recent revision, which was made by the State on March 2021, it was determined, inter alia, that the credit period in the general track and higher-risk track would be extended by up to 10 years for new loans, in lieu of up to 5 years.

In addition, in existing loans, the grace period may be extended by another period of up to 12 months under certain conditions. In addition, the maximum loan amount is the same in the general and higher-risk tracks. In all of the tracks, a business will be allowed to take a loan of up to 40 percent of its annual turnover, at a maximum amount of NIS 20 million.
The maximum loan amount eligibility is calculated according to the customer's reported turnover as of the 2019 or 2020 financial statements, at the customer's discretion.

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.

For more information and details regarding the state-backed loans, please see the section on the topic in the Report of the Board of Directors and Management as at December 31 2020 and the "Credit" section in the Risk Management Report dated December 31 2020.

Information regarding state-backed credit granted as part of the handling of the coronavirus crisis as at March 31 2021

Customer classification	Outstanding debt as at March 31 2021	Outstanding debt as at December 31 2020
	In NIS million	
Small- and micro-businesses	4,086	3,807
Mid-sized businesses	1,677	1,595
Large-sized businesses	465	469
Total	6,228	5,871

Comments:
1. Customer classification is based on regulatory operating segments.
2. Until shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 6.5 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 March 31 2021.

Credit risk and non-performing assets

	March 31 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	211,350	88,082	24,436	323,868
Off-balance-sheet credit risk	91,167	3,358	12,005	106,530
Total credit risk in credit performance rating	302,517	91,440	36,441	430,398
Credit risk not in credit performance rating				
a. Non-troubled	3,366	3,723[(d)]	1,489	8,578
b. Total troubled[(b)]	6,945	723	641	8,309
Special mention	2,906	700	236	3,842
Substandard	632	-	48	680
Impaired non-performing	3,407	23	357	3,787
Total on-balance-sheet credit risk	10,311	4,446	2,130	16,887
Off-balance-sheet credit risk	930	-	193	1,123
Credit risk abet credit performance rating	11,241	4,446	2,323	18,010
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	63	698	32	793
Total credit risk incl. of the public	313,758	95,886	38,764	448,408
More information on non-performing assets				
a. Non-accrual non-performing debts	2,970	23	209	3,202
b. Assets received for settled loans	4	-	-	4
Total non-performing assets of the public	2,974	23	209	3,206
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				1.02%

(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.
(d) Following the coronavirus crisis, the Bank expanded the definition of non-performance credit risk for housing loans, such that it also include customers that were given deferment for more than six months and are still in the deferment period.

Credit risk and non-performing assets (cont.)

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

(a) Credit risk whose credit rating at the reporting date matches 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 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	198,744	83,930	24,028	306,702
Off-balance-sheet credit risk	88,669	3,226	17,129	109,024
Total credit risk in credit performance rating	287,413	87,156	41,157	415,726
Credit risk not in credit performance rating				
a. Non-troubled	3,358	5,687[(d)]	1,519	10,564
b. Total troubled[(b)]	7,213	772	641	8,626
Special mention	3,177	722	250	4,149
Substandard	404	-	54	458
Impaired non-performing	3,632	50	337	4,019
Total on-balance-sheet credit risk	10,571	6,459	2,160	19,190
Off-balance-sheet credit risk	873	-	212	1,085
Credit risk abet credit performance rating	11,444	6,459	2,372	20,275
Of which: Unimpaired debts in arrears of 90 days or more [(c)]	56	720	38	814
Total credit risk incl. of the public	298,857	93,615	43,529	436,001

More information on non-performing assets				
a. Non-accrual non-performing debts	3,212	50	207	3,469
b. Assets received for settled loans	12	-	-	12
Total non-performing assets of the public	3,224	50	207	3,481
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				1.15%

(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.
(d) Following the coronavirus crisis, the Bank expanded the definition of non-performance credit risk for housing loans, such that it also include customers that were given deferment for more than six months and are still in the deferment period.

Change in Outstanding Impaired Non-Performing Loans

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

	For the three months ended March 31 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding balance of impaired non-performing debts as at the beginning of the period	3,632	50	337	4,019
Loans classified as non-performing loans during the period	248	11	77	336
Debts once again classified as unimpaired	(10)	(14)	-	(24)
Written-off impaired non-performing debts	(78)	(2)	(18)	(98)
Repaid impaired non-performing debts	(409)	(23)	(39)	(471)
Adjustments from translation of financial statements	24	1	-	25
Outstanding balance of impaired non-performing debts as at the end of the period	3,407	23	357	3,787

	For the three months ended March 31 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
Loans classified as non-performing loans during the period	471	-	54	525
Debts once again classified as unimpaired	(8)	-	-	(8)
Written-off impaired non-performing debts	(167)	-	(16)	(183)
Repaid impaired non-performing debts	(331)	-	(36)	(367)
Adjustments from translation of financial statements	6	-	-	6
Outstanding balance of impaired non-performing debts as at the end of the period	2,191	-	313	2,504

Of which: change in troubled debts under restructuring

	For the three months ended March 31 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding troubled debts under restructuring as of the beginning of the period	2,324	-	317	2,641
Restructurings carried out during the period	332	-	70	402
Written-off restructured debt	(33)	-	(12)	(45)
Repaid restructured debt	(188)	-	(36)	(224)
Adjustments from translation of financial statements	10	-	-	10
Balance of troubled debt under restructuring as of the end of the period	2,445	-	339	2,784

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

	For the three months ended March 31 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	164	-	50	214
Written-off restructured debt	(20)	-	(13)	(33)
Repaid restructured debt	(240)	-	(34)	(274)
Adjustments from translation of financial statements	4	-	-	4
Balance of troubled debt under restructuring as of the end of the period	637	-	293	930

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.

For more information regarding the manner in which the rates of the collective provision for the coronavirus crisis were calculated, please see the section entitled "Effect of the Coronavirus Crisis" under "Credit Risks".

Change in the outstanding loan loss provision in the balance sheet for impaired non-performing debts

	For the three months ended March 31 2021			
	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	911	7	212	1,130
Loan loss expenses (income)	(158)	1	(12)	(169)
Write-offs	(79)	(2)	(17)	(98)
Collection of debts written off in previous years	222	-	42	264
Adjustments from translation of financial statements	3	-	-	3
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	899	6	225	1,130

	For the three months ended March 31 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)	105	-	(6)	99
Write-offs	(167)	-	(16)	(183)
Collection of debts written off in previous years	67	-	33	100
Adjustments from translation of financial statements	1	-	-	1
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	378	-	178	556

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

For more information regarding provisions, please see Note 6.

Breakdown of credit risk indicators

	March 31		December 31
	2021	2020	2020
	In %		
Percentage of impaired non-performing loans to the public out of outstanding loans to the public	1.21	0.84	1.34
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	0.25	0.33	0.27
Percentage of troubled credit risk to the public out of the overall credit risk for the public	2.01	1.52	2.12
Percentage of loan loss (income) expenses in respect of average outstanding loans to the public[a]	(0.28)	1.20	0.88
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	0.04	(0.07)	(0.18)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.66	1.33	1.76
Percentage of balance of the loan loss provision for loans to the public out of outstanding impaired non-performing loans to the public	137.10	158.51	131.62
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	113.36	114.18	109.46
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	2.33	(4.96)	(10.00)

(a) Annualized.

In Q1, there was a decline (improvement) in most indicators mentioned above in light of the positive developments recorded during the reporting period, such as the success of the extensive vaccination effort and its positive effect on the decline in morbidity and the reopening of the economy as well as the improvement in the economic indicators underlying the provision.

Total Credit Risk to the Public by Economic Sector

	March 31 2021						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit perfor-mance rating[d]	Of which: Troubled credit risk[e]	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							
Industry	26,947	26,001	557	241	54	(2)	(496)
Construction and real estate - construction[f]	66,243	65,757	387	89	(27)	(33)	(485)
Construction and real estate - real estate activity	36,804	35,821	566	337	4	(12)	(426)
Commerce	32,148	31,171	896	382	(10)	(1)	(470)
Financial services	33,836	33,820	16	6	19	(4)	(265)
Other industries	47,605	44,840	2,005	986	(250)	(108)	(1,113)
Commercial - total[g]	243,583	237,410	4,427	2,041	(210)	(160)	(3,255)
Private individuals - housing loans	95,754	91,316	723	23	(20)	1	(613)
Private individuals - other	38,364	36,044	653	356	(12)	3	(775)
Total loans to the public - activity in Israel	377,701	364,770	5,803	2,420	(242)	(156)	(4,643)
Banks and governments in Israel	41,817	41,816	-	-	-	-	(3)
Total activity in Israel	419,518	406,586	5,803	2,420	(242)	(156)	(4,646)
For borrower activity outside Israel							
Total, public - activity outside Israel	70,707	65,628	3,193	1,583	30	35	(988)
Foreign banks and governments	56,236	56,227	8	8	-	-	-
Total activity outside Israel	126,943	121,855	3,201	1,591	30	35	(988)
Total activity in and outside Israel	546,461	528,441	9,004	4,011	(212)	(121)	(5,634)

(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 330,004, 82,847, 4,630, 12,979 and 116,001 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 2,648 million extended to purchasing groups currently in the process of construction.

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

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

(a) 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 319,411, 90,489, 2,365, 24,901 and 110,239 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).
(d) 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 2,947 million extended to purchasing groups currently in the process of construction.

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

	December 31 2020						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit performance rating[d]	Of which: troubled credit risk[e]	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							
Industry	26,086	25,216	511	281	147	105	(454)
Construction and real estate - construction[f]	62,099	61,643	350	137	145	25	(479)
Construction and real estate - real estate activity	33,769	32,926	525	332	100	(32)	(405)
Commerce	31,491	30,407	1,000	467	157	35	(471)
Financial services	33,751	33,739	12	4	51	(13)	(233)
Other industries	47,542	44,922	1,953	941	828	112	(1,261)
Commercial - total[g]	234,738	228,853	4,351	2,162	1,428	232	(3,303)
Private individuals - housing loans	93,455	87,028	748	26	174	6	(635)
Private individuals - other	43,115	40,745	654	336	271	136	(790)
Total loans to the public - activity in Israel	371,308	356,626	5,753	2,524	1,873	374	(4,728)
Banks and governments in Israel	46,509	46,509	-	-	1	-	(3)
Total activity in Israel	417,817	403,135	5,753	2,524	1,874	374	(4,731)
For borrower activity outside Israel							
Total, public - activity outside Israel	64,693	59,100	3,481	1,732	678	155	(984)
Foreign banks and governments	53,737	53,722	15	15	-	-	-
Total activity outside Israel	118,430	112,822	3,496	1,747	678	155	(984)
Total activity in and outside Israel	536,247	515,957	9,249	4,271	2,552	529	(5,715)

(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 311,668, 87,901, 3,019, 15,255 and 118,404 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 2,707 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-industries.

As part of managing the credit risk in respect of the construction and real estate segment, the Bank continues to follow and monitor the portfolio in accordance with the regulatory restrictions, credit policy and characteristics of the segment.

As of 2016, the Bank insures its guarantee portfolio in accordance with the Sales Law (Apartments). According to a decision by the Bank's management, the said insurance was not renewed for new projects which were launched from January 1 2021. However, sales guarantees issued for projects that began until December 31 2020, including commitments thereto, will continue to be insured under the current policies.

These policies, which were purchased from global, high-rated reinsurers, insure the Bank against paying for the forfeiture of the guarantees, according to the terms and conditions of the policy. 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).

On January 10 2021, the Bank of Israel revised Proper Conduct of Banking Business Directive No. 315, Industry Indebtedness Limitation for the real estate and construction industry in the banking system, as follows:

- The relief in the temporary order was extended by five years, allowing the banks to increase their exposure to the real estate and construction industry from 20 percent to 22 percent (excluding national infrastructure) until 2025.
- The exposure limitation to the real estate and construction industry (including national infrastructure) grew by 2 percentage points (the threshold was up from 24 percent to 26 percent of the portfolio).
- It was determined that credit for which eligible credit insurance was provided would be classified according to the insuring industry. Such that in order to measure the industry limitation, credit for real estate and construction covered by eligible credit insurance will be deducted from the indebtedness of the real estate and construction industry.

As of December 31 2021, the Bank complies with the regulatory and internal restrictions set out in the law, which are in line with the Bank's assessment of the risk embodied in the various sub-sectors.

For more information, please see the section entitled "Activity and risk boundaries in the construction and real estate industry" in the Report of the Board of Directors and Management as at December 31 2020.

Impact of the coronavirus crisis

About a year into the crisis, it may be said that the housing construction industry sustained less harm than other industries. However, more than ever, companies are exposed to cash flow issues, which may lead to construction delays. During the crisis, mid-sized and large shopping centers sustained losses. Substantial harm. Looking forward, the assessment is that once full activity is resumed, these centers will recover, albeit at a slow pace, even in light of the online commerce trends and excess supply in the market.

The office market showed relative robustness during the crisis, sustaining moderate damage. Looking forward, due to excess supply of office space even prior to the crisis and the expected continuation of partial work from home, the assessment is that in 2021, occupancy rates and rent may drop.

As part of analyzing the above trends, emphases in credit granting were made, risk focal points and market developments are being monitored on a regular basis, and preparations are made as well as adjustments to the activity according to changes in the economic situation and customers' activity.
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.

For more information and details regarding the effect of the coronavirus crisis, please see the section on the topic in the Report of the Board of Directors and Management as at December 31 2020 and the "Credit" section in the Risk Management Report as at December 31 2020.

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".

As of March 31 2021, the Bank meets the regulatory restrictions prescribed by the directive.

For more information about borrower groups, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2020.

[1] A group of borrowers are all of the following together: the borrower, a person controlling it and all those controlled by them. 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. An investee which is material to a holder that is not a controlling shareholder, and any entity under their control. Borrowers that are associated with the investee in such a manner that harming the financial stability of any one of them could affect the financial stability of the other or that the same factors could affect the financial stability of both.

Exposure to Foreign Countries

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

	March 31 2021		
	Exposure[(a)(b)]		
	On-balance-sheet	Off-balance-sheet[(c)]	Total
	In NIS million		
USA	28,129	6,399	34,528
UK	17,649	8,422	26,071
France	2,982	2,139	5,121
Switzerland	1,452	1,920	3,372
Germany	3,843	1,564	5,407
Other	26,606	2,797	29,403
Total exposure to foreign countries	80,661	23,241	103,902
Of which: total exposure to GIPS countries[(d)]	1,127	245	1,372
Of which: total exposure to LDC countries[(e)]	1,331	959	2,290
Of which: total exposure to countries with liquidity issues[(f)]	168	22	190

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

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31 2020		
	Exposure[(a)(b)]		
	On-balance-sheet	Off-balance-sheet[(c)]	Total
	In NIS million		
USA	29,300	5,774	35,074
UK	17,678	8,049	25,727
France	3,418	1,966	5,384
Switzerland	1,050	1,915	2,965
Germany	3,665	1,613	5,278
Other	22,090	2,616	24,706
Total exposure to foreign countries	77,201	21,933	99,134
Of which: total exposure to GIPS countries[(d)]	917	276	1,193
Of which: total exposure to LDC countries[(e)]	1,068	892	1,960
Of which: total exposure to countries with liquidity issues[(f)]	1,018	152	1,170

(a) Exposure to foreign countries is presented based on the final risk.
(b) Balance-sheet and off-balance-sheet credit risk, troubled commercial credit risk and impaired non-performing debts are stated before the effect of the loan loss provision and the effect of collaterals that are deductible for the purpose of specific and general indebtedness of a borrower and a group of borrowers and before the effect of bilateral offsetting 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) The Bank set several criteria, according to which a list of several countries was drawn, where the current conditions may reflect liquidity problems and which may have an effect on their solvency. The balance amount applies to 11 countries (as of March 31 2020 - 10 countries, as at December 31 2020 - 16 countries). As of March 2021, the measurement does not include exposures to investment-grade countries, unless they were individually identified as having liquidity issues which may have a material effect on their solvency.

Part B - As at March 31 2021, March 31 2020 and December 31 2020, 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, banking holding entities, investment banks, insurers and other financial entities.

The Bank closely monitors the 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

The global recession, on the back of the coronavirus crisis, led the world's central banks to support financial systems, including taking measures such as: capital requirements reliefs, reliefs in applying accounting reforms, provision of liquidity tools to banks, etc. At this time, the central banks are gradually removing the various reliefs. The credit spreads of the banks and financial institutions continue to be low on the back of the high liquidity in the markets.

The Bank continues to monitor foreign financial institutions and is adjusting its exposure thereto in accordance with the changes in the risk environment. 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.
- Risk according to international rating agencies.

- The financial robustness of the country in which the Bank's core 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 March 31 2021[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	27,199	598	27,797
A- to A+	6,364	860	7,224
BBB- to BBB+	601	163	764
B- to BB+	79	10	89
No credit rating	168	-	168
Total current credit exposure to foreign financial institutions	34,411	1,631	36,042

	As at March 31 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	33,673	603	34,276
A- to A+	6,867	811	7,678
BBB- to BBB+	605	176	781
B- to BB+	234	11	245
No credit rating	145	-	145
Total current credit exposure to foreign financial institutions	41,524	1,601	43,125

	As at December 31 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	23,742	581	24,323
A- to A+	3,863	725	4,588
BBB- to BBB+	526	216	742
B- to BB+	93	7	100
No credit rating	163	-	163
Total current credit exposure to foreign financial institutions	28,387	1,529	29,916

Please see comments below.

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including subordinated bonds of banks in March 31 2021 in the amount of NIS 597 million (as at March 31 2020 - NIS 659 million and on December 31 2020 - NIS 600 million).
(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
(d) The Bank relies on the ratings of rating agencies – ECAI.
(e) As of March 31 2021, March 31 2020, and December 31 2020, 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 funds 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, the affordable housing program, 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, The Bank also extends individual housing loans to members of housing purchase groups.

During Q1 2021, new housing loan performance in Israel increased compared with the same period last year due to demand for housing loans in Israel - both to purchase homes and credit for investing.

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

	For the three months ended March 31		Rate of change
	2021	2020	
	In NIS million		In %
By the Bank	**5,231**	4,254	23.0
By the Government of Israel	**39**	45	(13.3)
Total new loans	**5,270**	4,299	22.6
Recycled loans	**336**	938	(64.2)
Total performance	**5,606**	5,237	7.0

Impact of the coronavirus crisis

The government aid programs supported households adversely affected by the coronavirus crisis. However, the implications of the restrictive measures and lockdowns burdened the labor market and state of employment. The further along the process of opening the market is, while the Government scales down its payments to furloughed employees who refuse to take on work and/or undertake professional training, the lower the number of furloughed workers and unemployment rates will be. According to past experience, the unemployment rate may have an adverse effect of the Bank’s 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. However, most customers with deferred loans have resumed their regular repayments.
As part of analyzing the above trends, emphases in credit granting were made, with monitoring of: risk focal points, market developments, and customers’ activity, including returning to the Bank’s deferment policy prior to the crisis.

For more information and details regarding the effect of the coronavirus crisis, please see the section on the topic in the Report of the Board of Directors and Management as at December 31 2020 and the “Credit” section in the Risk Management Report as at December 31 2020.

On December 27 2020, the Bank of Israel published a revised Proper Conduct of Banking Business Directive No. 329, which revokes the prime interest rate restriction (according to which the prime portion of the loan shall not constitute more than one third of the total loan), leaving in place only the restriction that the ratio between the variable interest portion of a housing loan and the total loan amount shall not exceed 66.66 percent. The directive became effective on January 17 2021 for new housing loans and on February 28 2021 - for refinancing housing loans.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	in %
December 31 2019	83,746	4.8
December 31 2020	89,594	7.0
March 31 2021	**91,785**	**2.4**

2019 and 2020 saw an increase in total housing loans. The increase continued and even grew further in Q1 2021, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects and partial return of investors to the market.

As part of its monitoring of risk centers in the housing loans 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 the outstanding housing loans portfolio based on linkage bases and as a percentage of the Bank's outstanding 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	Per-centage of the loans port-folio	Out-standing amount in NIS million	Percentage of the loans port-folio	Out-standing amount in NIS million	Per-centage of the loans port-folio	Out-standing amount in NIS million	Per-centage of the loans port-folio	Out-standing amount in NIS million	Per-centage of the loans port-folio	Total loan port-folio, in NIS million
December 31 2019	16,182	19.3	34,311	41.0	13,509	16.1	19,012	22.7	732	0.9	83,746
December 31 2020	18,904	21.1	36,380	40.7	14,077	15.7	19,658	21.9	575	0.6	89,594
March 31 2021	**19,858**	**21.6**	**37,246**	**40.6**	**14,295**	**15.6**	**19,820**	**21.6**	**566**	**0.6**	**91,785**

Development of new housing loans by interest track, in Israel

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

	2021	2020				2019
	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance in %					
Fixed - linked	**16.2**	16.0	15.1	16.7	18.8	20.6
Variable every 5 years or more - linked	**17.0**	19.1	18.1	18.7	18.7	19.2
Variable up to 5 years - linked	-	-	-	-	-	-
Fixed - non-linked	**28.8**	31.2	29.6	27.7	29.1	24.4
Variable every 5 years or more - non-linked	**1.7**	2.5	3.9	3.3	2.8	3.2
Variable up to 5 years - non-linked	**36.3**	31.2	33.3	33.5	30.6	32.5
Variable - Foreign currency	-	-	-	0.1	-	0.1

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 55.0 percent, compared to 54.0 percent during 2020. 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 36.3 percent compared to 32.2 percent in 2020.

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 5.2 billion.

The average loan extended by the Bank in Q1 2021 was NIS 814 thousand, compared to NIS 774 thousand in 2020 and NIS 723 thousand in 2019.

Following is a balance of the housing loans portfolio and balances in arrears of over 90 days, in Israel

	Recorded outstanding debt	Delinquent amount	Percentage of delinquent amount
	In NIS million		in %
December 31 2019	84,213	826	0.98
December 31 2020	90,228	720	0.80
March 31 2021	**92,397**	**698**	**0.76**

As of March 31 2021, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the "collective provision"), is NIS 612 million, constituting 0.66 percent of the housing loans' outstanding balance, compared with NIS 634 million as at December 31 2020, which constitutes 0.70 percent of the outstanding housing loan balance.

Development of LTV ratio for new loans over 60 percent, in Israel

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

	2021	2020				2019
	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	in %[(a)]					
Over 60 and up to 70, inclusive	**20.7**	20.5	19.8	19.9	18.7	17.2
Over 70 and up to 75, inclusive	**21.5**	20.1	18.5	18.2	19.4	17.5
Over 75	**0.2**	0.2	0.2	0.1	0.2	0.2

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

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

The average LTV of the outstanding loan portfolio as at March 31 2021 stands at 45.6 percent, similar to 2020.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.

In Q1 2021, the percentage of loans with a repayment ratio of less than 2.5 on the loan approval date, granted during the reporting period, was 0.49 percent of the total number of new loans granted compared with 0.3 percent in 2020. The calculation is in accordance with the Bank of Israel's Reporting Directive No. 876.

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

In Q1 2021, the percentage of new housing loans in which the loan terms under the loan agreements are longer than 25 years, stood at an average of 38.4 percent of the total new loans, compared with an average of 37.5 percent in 2020.

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.

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

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

The government aid programs supported households adversely affected by the coronavirus crisis. However, the implications of the restrictive measures and lockdowns burdened the labor market and state of employment. The further along the process of opening the market is, while the Government scales down its payments to furloughed employees who refuse to take on work and/or undertake professional training, the lower the number of furloughed workers and unemployment rates will be. 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, although most customers for whom loans were deferred have resumed their regular payments.

As part of analyzing the above trends, emphases in credit granting were made, risk focal points and market developments are being monitored on a regular basis, and preparations are made as well as adjustments to customers' activity.

For more information and details regarding the effect of the coronavirus crisis, please see the section on the topic in the Report of the Board of Directors and Management as at December 31 2020 and the "Credit" section in the Risk Management Report as at December 31 2020.

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 2019	44,387
December 31 2020	43,108
March 31 2021	**38,355**

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

	March 31 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**4,770**	**18.2**	4,585	17.8
Over one year to 3 years	**5,091**	**19.4**	4,993	19.4
Over 3 years to 5 years	**8,679**	**33.1**	9,024	35.0
Over 5 years to 7 years	**3,998**	**15.3**	3,737	14.5
Over 7 years	**1,643**	**6.3**	1,451	5.6
No repayment term[(a)]	**2,013**	**7.7**	2,006	7.7
Total	**26,194**	**100.0**	25,796	100.0

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

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

Credit risk amount in NIS thousands		March 31 2021		December 31 2020	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	5,955	15.5	5,294	12.3
25	50	5,851	15.3	6,637	15.4
50	75	5,067	13.2	6,049	14.0
75	100	4,073	10.6	5,206	12.1
100	150	6,252	16.3	7,511	17.4
150	200	4,367	11.4	5,038	11.7
200	300	3,875	10.1	4,226	9.8
Over 300		2,915	7.6	3,147	7.3
Total overall credit risk		38,355	100.0	43,108	100.0

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

	March 31 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	5,562	14.5	5,367	12.4
Car purchase loans (secured)	1,212	3.2	1,201	2.8
Other loans	19,420	50.6	19,228	44.6
Total on-balance-sheet credit risk	26,194	68.3	25,796	59.8
Unutilized current account credit facilities	6,946	18.1	6,883	16.0
Unutilized credit card facilities[a]	4,939	12.9	10,166	23.6
Other off-balance-sheet credit risk	276	0.7	263	0.6
Total off-balance-sheet credit risk	12,161	31.7	17,312	40.2
Total overall credit risk	38,355	100.0	43,108	100.0

(a) The decrease stems primarily from measures taken by the Bank to reduce unutilized credit facilities in accordance with the Ordinance for Increasing Competition and Reducing Concentration in the Banking Industry in Israel for Minimizing Market Centralization and Promoting Economic Competition (Legal Amendments) - Change of Rate and Amounts of Credit Facilities in accordance with Section 9(c) to the Law (Temporary Order), 2020 (hereinafter - the "Ordinance") pursuant to the provisions of the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017 (hereinafter: the "Law"). For more information, please see the section entitled "Legislation and Regulation" in the Report of the Board of Directors and Management as at December 31 2020.
The measure to reduce unutilized credit card facilities under the Ordinance and Law applies to all Bank customers rather than only to private individuals.

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)

	March 31 2021				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				in %
Variable interest loans	24,791	39	61	24,891	95.0
Fixed interest loans	1,271	21	11	1,303	5.0
Total on-balance-sheet credit risk	26,062	60	72	26,194	100.0

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

	December 31 2020				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				in %
Variable interest loans	24,325	39	55	24,419	94.7
Fixed interest loans	1,342	22	13	1,377	5.3
Total on-balance-sheet credit risk	25,667	61	68	25,796	100.0

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

	March 31 2021	December 31 2020
	In NIS million	
Deposits by the public	**98,132**	96,437
Securities portfolios	**54,213**	51,625
Total financial asset portfolio	**152,345**	148,062
Total indebtedness to customers with financial asset portfolios	**29,899**	34,141

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

	March 31 2021		December 31 2020	
Level of income	In NIS million	in %	In NIS million	in %
Accounts without fixed income	**2,227**	**8.5**	2,127	8.2
Of which: loan accounts[(b)]	**1,593**	**6.1**	1,515	5.9
Less than NIS 10 thousand	**7,571**	**28.9**	6,930	26.9
More than NIS 10 thousand and less than NIS 20 thousand	**9,095**	**34.7**	9,317	36.1
NIS 20 thousand or more	**7,301**	**27.9**	7,422	28.8
Total	**26,194**	**100.0**	25,796	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 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)

	March 31 2021	December 31 2020
	In NIS million	
Non-troubled loans	25,554	25,156
Troubled unimpaired loans	284	304
Troubled impaired non-performing loans	356	336
Total on-balance-sheet credit risk	26,194	25,796
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	2.4%	2.5%
Accounting write-offs, net	3	136
Balance of loan loss provision	763	776

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".

Proper Conduct of Banking Business Directive regarding management of consumer credit

On February 4 2021, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 311A, Management of Consumer Credit.
The directive concentrates the requirements imposed by the Banking Supervision Department on the banking system in respect of retail customers. The Bank is studying the directive.

The directive's effective date will be 9 months from its publication, excluding provisions relating to consumer credit marketing, which will become effective three months after publication.

For more information, please see Laws and Regulations Governing the Banking System in the Annual Report as at December 31 2020.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business Directive No. 311, the Bank's credit policy should also address leveraged 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 Report of the Board of Directors and Management as at December 31 2020.

Outstanding aggregated credit granted to leveraged borrowers

	March 31						December 31		
	2021			2020			2020		
	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								
Industry and manufacturing	-	-	-	506	200	706	-	-	-
Commerce	203	8	211	1,051	74	1,125	194	20	214
Transportation and storage	370	2	372	368	2	370	311	2	313
Hotels, hospitality and food services	621	9	630	235	-	235	629	9	638
Construction and real estate	779	245	1,024	213	76	289	427	17	444
Financial services and insurance services	66	151	217	-	-	-	67	150	217
Water supply, sewage services, waste and garbage treatment and purification services	275	-	275	360	-	360	280	-	280
Provision of power, gas, steam and air conditioning	1	219	220	-	-	-			-
Total	2,315	634	2,949	2,733	352	3,085	1,908	198	2,106

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.

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

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; at the beginning of the crisis, substantial price decreases were recorded in equity and marketable credit markets, with sharp volatility in risk-free interest rate curves and exchange rates. Later on, along with unprecedented monetary and budgetary support, financial markets began to rise, and this rapid rise continues, reaching high price levels. The Federal Reserve has already begun to explain the principles of the interest normalization outline; this gradual, prolonged process may affect future trends in financial markets. Therefore, the high degree of uncertainty in the equity markets continues, and volatility may go on and even worsen.

The Bank tracks and monitors developments, applying stringent risk management practices, applying stress scenarios, 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.

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 as at March 31 2021.

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 profitability, equity, assets and liabilities, 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.

The tools for managing the exposures in the banking portfolio are: the price policy; the management of the Bank's own bonds portfolio; the issue of debt instruments; off-balance-sheet transactions, and more. In addition, the exposures management relies, inter alia, on forecasts and work assumptions regarding the expected developments in the money and capital markets in Israel and abroad.

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.

As a rule, interest rate sensitivity is measured at least once a month, with more frequent measurements being made as needed.

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 as at March 31 2021.

Discontinuation of LIBOR

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

For more information, please see Note 1.W.4 in the financial statements as at December 31 2020.

For more information, please see the section entitled “Credit Risk” in the Report of the Board of Directors and Management as of December 31 2020.

The Bank continues to prepare for the discontinuation of the LIBOR and use thereof. Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31 2021, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31
	In NIS
Loans	11,984
Deposits	497
Securities	3,670
Derivatives (gross) - par value	69,417

* LIBOR transactions which will continue in all currencies after December 2021, and in USD - after June 2023.

Quantitative information about interest rate risk - sensitivity analysis

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

	March 31 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	22,479	(3,460)	19,019
Of which: banking portfolio	21,772	(3,369)	18,403

	March 31 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	22,079	(3,498)	18,581
Of which: banking portfolio	17,584	(3,529)	14,055

	December 31 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	19,872	(1,901)	17,971
Of which: banking portfolio	17,998	(2,187)	15,811

(a) Fair value, net of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability and attribution of demand deposits to periods.

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

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

	March 31 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	499	(531)	(32)
Of which: banking portfolio	497	(504)	(7)
Simultaneous decrease of 1 percent	(944)	246	(698)
Of which: banking portfolio	(925)	283	(642)
Non-simultaneous changes			
Steepening[(b)]	244	(352)	(108)
Flattening[(c)]	(287)	24	(263)
Short-term interest rate increase	55	(192)	(137)
Short-term interest rate decrease	(73)	213	140

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

	December 31 2020		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	608	(178)	430
Of which: banking portfolio	627	(129)	498
Simultaneous decrease of 1 percent	(1,056)	(8)	(1,064)
Of which: banking portfolio	(1,082)	47	(1,035)
Non-simultaneous changes			
Steepening[(b)]	346	(59)	287
Flattening[(c)]	(367)	(142)	(509)
Short-term interest rate increase	39	(193)	(154)
Short-term interest rate decrease	(55)	221	166

(a) Fair value, net of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability and attribution of demand deposits to periods.
(b) Steepening - a 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.
* After netting effects.

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:

	March 31 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,098	148	1,246
Of which: banking portfolio	1,098	170	1,268
Simultaneous decrease of 1 percent	(1,324)	(231)	(1,555)
Of which: banking portfolio	(1,323)	(172)	(1,495)

	March 31 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,059	340	1,399
Of which: banking portfolio	1,059	470	1,529
Simultaneous decrease of 1 percent	(1,021)	(350)	(1,371)
Of which: banking portfolio	(1,022)	(470)	(1,492)

	December 31 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,220	320	1,540
Of which: banking portfolio	1,171	395	1,566
Simultaneous decrease of 1 percent	(1,146)	(415)	(1,561)
Of which: banking portfolio	(1,197)	(397)	(1,594)

* After netting effects.

As of December 2020, Bank Leumi began to manage the accounting income sensitivity according to a model which reflects the low interest rate environment, taking into account minimum interest rates while differentiating between various customer types and applying various assumptions to scenarios with higher and lower interest rates in terms of transfer of balances from current accounts and deposits; comparative results as at March 2020 were restated according to this model.

Foreign exchange rate risk

During the reporting period, the effect of the change in foreign currency rates on the net 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.

Proper Conduct of Banking Business Directive No. 221, Liquidity Coverage Ratio, stipulates that a bank shall have a sufficient inventory of high-quality liquid assets to meet the liquidity requirements for a time-horizon of 30 days, under a combined stress scenario presented in the Directive.

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.

Draft directive for calculating Net Stable Funding Ratio (NSFR)

On March 4 2020, the Bank of Israel published Draft Directive No. 222, Net Stable Funding Ratio (NSFR) - which is based on a publication issued by the Basel Committee. Net Stable Funding Ratio is intended to improve the resilience of the liquidity risk profile of banking corporations in the long term by requiring them to maintain stable funding profiles according to their on-balance-sheet asset composition and off-balance-sheet activities. On March 11 2021, the Bank of Israel published several clarifications regarding the directive, including postponement of the directive set to December 31 2021. On April 28 2021, an updated circular on the topic was published.
According to the QIS conducted by the Bank of the data as at December 31 2019, the Bank will meet the regulatory threshold (100 percent) required by the directive. The Bank is preparing to implement the directive according to the Bank of Israel's guidelines.

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; at the beginning of the crisis, substantial price decreases were recorded in equity and marketable credit markets, with sharp volatility in risk-free interest rate curves and exchange rates. Later on, along with unprecedented monetary and budgetary support, financial markets began to rise, and this rapid rise continues, reaching high price levels. The Federal Reserve has already begun to explain the principles of the interest normalization outline; this gradual, prolonged process may affect future trends in financial markets. Therefore, the high degree of uncertainty in the equity markets continues, and volatility may go on and even worsen.

During the first quarter of 2021, there was a decrease in the liquidity coverage ratio as a result of an increase in loans to the public and repayment of bonds, offset by an increase in deposits by the public and mortgage pledges in lieu of liquid securities to secure long term financing from the Bank of Israel. 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) is based on an average of daily observations.

	For the three months ended		
	March 31		December 31
	2021	2020	2020
	in %		
a. Consolidated data			
Liquidity coverage ratio	**130**	128	137
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**128**	126	136
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Note: Based on an average of daily observations.

(a) The Bank is currently assessing the methodology of calculating the liquidity ratio. The Bank believes that a new methodology, if any, will leave the Bank with a substantially higher liquidity ratio than the relevant regulatory requirements. As a result, and in coordination with the Banking Supervision Department, the Bank has set, at this stage, an internal liquidity coverage ratio beyond the minimum liquidity coverage ratio of 115 percent required by the Banking Supervision Department.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as at December 31 2020 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, and 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.

Information security and cyber risk.

The coronavirus crisis has led to a significant increase in cyber-attacks on financial organizations in Israel and around the world, as well as on entities in their supply chains. 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 several steps to mitigate the risks, including: implementing preventive and detective controls, conducting information security surveys, boosting monitoring to remove fictitious websites, rendering authorization management and control processes more stringent, and increasing awareness to information security guidance among the employees.

In Q1 2021, no cyber incidents were discovered which affected the Bank's financial statements.

Technology risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees enable business and operational availability and continuity, and invests considerable resources to that end. The Bank implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

Leumi began to implement a business-technological (modernization) plan to achieve its business goals in the coming years.

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 2020.

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, the emphasis had been placed mainly on guidance in the following areas:

Directives published on the back of the development of the coronavirus event, regarding advancing competition in the financial sector, including the Open Banking directives, directives concerning prevention of financial crimes - prohibition on money laundering, bribery and corruption, directives regarding privacy protection and information security, as well as directives on risk management, and especially operational risk management.

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

The abovementioned trends and changes affect, and are expected to continue to affect, the Israeli 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-bank 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.

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 stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the risk derived, 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. Prohibition on money-laundering and prohibition on terror financing

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, the privacy protection officer, and the officer responsible for FATCA.

The Compliance and Enforcement Department reports to the Chief Risk Officer.

Maintaining a fair compliance culture across the entire organization requires an effective control and enforcement framework. 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 and training programs.

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.

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 by the Bank's Board of Directors. In 2018, 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 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 there are 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.

Legal Risk

Legal risk is defined as the risk of loss as a result of inability to enforce an agreement or as a result of contingent liabilities, including in respect of claims against, and demands from, the Bank. Legal risk also includes risks arising from legislation, regulations, court rulings and directives issued by authorities, risk emanating from activity that is not covered by adequate agreements, or from activity carried out 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 legal 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, in respect of motions to approve class actions suits.

There is also legal 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 according to the changing reality. All the above create an increased operating and legal exposure.

There is also a general legal 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.

For more information, please see the section entitled Legal Risk in the December 31 2020 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 2020.

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-bank 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. For Bank Leumi, the direct results are the sale of Leumi Card and restricting credit limits for Leumi’s customers. Additional material topics are the activation of the Central Credit Register (in April 2019), and topics which will come into force in 2021, such as easing the transfer of customers from bank to bank and the main stages in the Open Banking initiative, which will allow customers of the banks and credit card companies to share their financial information with third parties. New players, which are not necessarily banks, will be able to access customers’ bank accounts, at the customers’ consent, and offer them banking services tailored to their needs.

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 2020.

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.

The Bank continues to monitor changes and adjustments made to models as their usage, in accordance with the development of the 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 2020.

Environmental Risk

Environmental risk is comprised of two areas:

- Environmental risk resulting from costs associated with implementing and enforcing environmental regulations. The Bank may also be exposed to a reputational risk if an environmental hazard is attributed to the Bank, whether directly, as the 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.

The Bank may be indirectly exposed to the said environmental risk as a lender, as part of its credit risk management, as well as directly - in case the Bank is found responsible for an environmental hazard or its facilities are damaged.

The Bank regards maintaining a sustainable environment as highly important. To that end, the Bank has ISO 14001 certification, under which regulations related to environmental risks are managed and monitored, including an annual inspection by the Israel Standards Institution.

The Bank is following and studying the developments in the field.

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 2020.

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.

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 still constitutes a highly significant global macroeconomic risk. It is difficult to assess the future economic developments, due to the substantial uncertainty regarding the duration and extent of its impact the trajectories of all world countries. There is significant variance in the rate of inoculation across world countries, and the effectiveness of vaccinations against various variants of the virus is being questioned, as is the coverage period. Therefore, the ramifications of the crisis for the global economy, and to a lesser extent on the domestic economy, as well as for the Bank's business, may be substantial. In 2020, the coronavirus crisis brought about the greatest damage to global growth since World War II, much greater than in the global financial crisis; it will leave multiple economies across the world with significant 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. However, in view of the quick vaccination process implemented in Israel, the risks to economic activity in Israel have declined for now. In addition, in some major world countries - such as the US and UK - the vaccination process appears to be relatively successful, mitigating the risks in these countries. In other countries, the vaccination process has been relatively slow to date; therefore, these countries - especially emerging ones - are still substantially exposed to the economic risks arising from closures and other restrictions imposed due to high morbidity rates. 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.

Accounting Policies and Estimates on Critical Issues

Overview

The financial statements are prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department regarding the preparation of annual and quarterly financial statements of a banking corporation as detailed in Note 1 to the Annual Financial Statements as at December 31 2020.

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

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

For more information, please see the section entitled "Accounting Policies and Significant Estimates" in the 2020 Financial Statements.

Collective Loan Loss Provision

The provision reflects the expected loss to the Bank on the collective level. In this context, the Bank is relying on information that is available to it, such as: volume of write-offs, risk profile of the economic sector, debt classification, risk appetite, and economic conditions. As a rule, the Bank relies on historical loss rates in various sectors of the economy, broken down by troubled debt and non-troubled debt, from 2011 through the reporting date.

As of 2020, emphasis was made on the change in risk characteristics of customers who were directly harmed by the crisis, or who work in other economic sectors that are more exposed to the adverse 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 would experience a deterioration in their financial position to their point of their being classified as troubled or the occurrence of a loss event. The mechanism includes a series of different factors which were added to the usual provision process described above, such as: risk ratings and probability of default, assumptions regarding loss in case of default, assessments regarding the number of customers harmed by the crisis in a manner that could elevate the credit risk therefrom, assessments regarding the state of arrears, etc. 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. 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 is re-examining the key indicators used in the provision process on a regular basis and revising them accordingly. However, additional changes in management's assessments, estimates and forecasts may significantly impact the loan loss provision.

For more information, please see section entitled "Credit Risks".

Liabilities for Employee Benefits

As at March 31 2021, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 3,310 million, compared to a negative post-tax reserve of NIS 3,734 million as at December 31 2020.

The outstanding liability for employee benefits as at March 31 2021, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 538 million less than the actual outstanding liability.
The actuarial assessment of the employees' benefits is available on the Israel Securities Authority's website, at www.magna.isa.gov.il.

For more information, please see the section entitled "Accounting Policies and Significant Estimates" in the 2020 Financial Statements.

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 2013 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 2021, 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 March 31 2021, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to March 2021, Leumi's Board of Directors held 12 plenum meetings and its committees held 22 meetings.

At a Board meeting held on May 26 2021, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at March 31 2021 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

May 26 2021

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter: the "Bank") for the quarter ended March 31 2021 (hereinafter: the "Report").

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.

May 26 2021

Hanan Friedman

President and Chief Executive Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter: the "Bank") for the quarter ended March 31 2021 (hereinafter: the "Report").
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.

May 26 2021

Omer Ziv

First Executive Vice President

Chief Accounting Officer

Head of Finance and Accounting Division

Review Report of the Joint Independent Auditors to the Shareholders of Bank Leumi le-Israel B.M.

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter - the "Bank"), which includes the condensed consolidated interim balance sheet as at March 31 2021 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

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
A registered partnership in Israel and a partner firm in the global KPMG network, which is comprised of independent firms affiliated with KPMG International Limited, a privately-owned limited liability British company

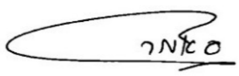
Joint Independent Auditors

May 26 2021

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the Period Ended March 31 2021

		For the three months ended March 31		For the year ended December 31
		2021	2020	2020
		Unaudited		Audited
	Note	In NIS million		
Interest income	2	2,612	2,593	10,175
Interest expenses	2	264	424	1,452
Interest income, net	2	2,348	2,169	8,723
Loan loss(income) expenses	6, 13	(212)	860	2,552
Interest income, net after loan loss expenses (income)		2,560	1,309	6,171
Noninterest income				
Noninterest finance income (expenses)	3A	441	(660)	1,026
Fees and commissions		868	893	3,281
Other income		65	13	59
Total noninterest income		1,374	246	4,366
Operating and other expenses				
Salaries and related expenses		1,078	935	3,742
Buildings and equipment - maintenance and depreciation		366	408	1,531
Other expenses		395	460	1,773
Total operating and other expenses		1,839	1,803	7,046
Profit (loss) before taxes		2,095	(248)	3,491
Provision (benefit) for profit tax		753	(39)	1,356
Profit (loss) after taxes		1,342	(209)	2,135
The Bank's share in associates' profits (losses), after taxes		7	(14)	(13)
Net income (loss)				
Before attribution to non-controlling interests		1,349	(223)	2,122
Attributable to non-controlling interests		9	9	20
Attributable to the Bank's shareholders		1,340	(232)	2,102
Basic and diluted earnings (loss) per share (in NIS)				
Diluted basic earnings (loss) attributable to the Bank's shareholders	3B	0.92	(0.16)	1.44

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
Chief Accounting Officer
Head of Finance and Accounting Division

Date of approval of the financial statements: May 26 2021

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the Period Ended March 31 2021

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Net income (loss) before attribution to non-controlling interests	**1,349**	(223)	2,122
Less net income attributable to non-controlling interests	**9**	9	20
Net income (loss) attributable to the Bank's shareholders	**1,340**	(232)	2,102
Other comprehensive income, before taxes			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(510)**	(632)	814
Adjustments from translation of financial statements, net[(a)] after hedging effect[(b)]	**26**	21	(46)
Net (losses) gains for cash flow hedges	**(36)**	45	43
Adjustments of liabilities for employee benefits[(c)]	**644**	2,969	336
The Bank's share in other comprehensive income of associates	**(6)**	(4)	(5)
Other comprehensive income, before taxes	**118**	2,399	1,142
Related tax effect	**(8)**	(783)	(460)
Other comprehensive income before attribution to non-controlling interests, after taxes	**110**	1,616	682
Less other comprehensive (loss) income attributable to non-controlling interests	**(4)**	25	(21)
Other comprehensive income attributable to the Bank's shareholders, after taxes	**114**	1,591	703
Comprehensive income before attribution to non-controlling interests	**1,459**	1,393	2,804
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	**5**	34	(1)
Comprehensive income attributable to the Bank's shareholders	**1,454**	1,359	2,805

(a) Adjustments from translation of the financial statements of a foreign operation the functional currency of which is different from 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 March 31 2021

		March 31		December 31
		2021	2020	2020
		Unaudited		Audited
	Note	In NIS million		
Assets				
Cash and deposits with banks		139,979	103,171	136,194
Securities[(a)(b)]	5	87,685	94,012	92,297
Securities borrowed or purchased under reverse repurchase agreements		4,630	1,664	3,019
Loans to the public	6, 13	312,753	298,455	300,631
Loan loss provision	6, 13	(5,192)	(3,969)	(5,290)
Loans to the public, net		307,561	294,486	295,341
Loans to governments		749	728	632
Investments in associates		790	741	795
Buildings and equipment		2,832	2,956	2,932
Goodwill		15	16	15
Assets in respect of derivatives	11	13,061	24,901	15,252
Other assets		8,632	8,860	9,558
Total assets		565,934	531,535	556,035
Liabilities and equity				
Deposits by the public	7	460,412	418,627	447,031
Deposits by banks		17,178	6,172	15,143
Deposits by governments		228	313	208
Securities loaned or sold under repurchase agreements		535	3,714	605
Bonds, promissory notes and subordinated bonds		13,108	22,530	16,303
Liabilities for derivatives	11	13,269	24,946	17,315
Other liabilities[(a)(c)]		21,649	18,524	21,335
Total liabilities		526,379	494,826	517,940
Shareholders' equity	9	39,118	36,245	37,664
Non-controlling interests		437	464	431
Total equity		39,555	36,709	38,095
Total liabilities and equity		565,934	531,535	556,035

(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: Loan loss provision for off-balance-sheet credit instruments, NIS 439 million (as at March 31 2020 - NIS 414 million; as at December 31 2020 - NIS 422 million).

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity
For the Period Ended March 31 2021

	For the three months ended March 31 2021 (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 2020 (audited)	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income, net of tax	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at March 31 2021	**7,041**	**184**	**53**

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

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,336 million that are non-distributable, of which NIS 1,650 million in respect of share buyback (March 30 2020 - NIS 3,825 million, of which NIS 1,650 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 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
7,278	(2,792)	33,178	37,664	431	38,095
-	-	1,340	1,340	9	1,349
-	114	-	114	(4)	110
-	-	-	-	1	1
7,278	(2,678)	34,518	39,118	437	39,555

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,528	(3,495)	31,373	35,406	468	35,874
-	-	(232)	(232)	9	(223)
-	1,591	-	1,591	25	1,616
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(223)	-	-	(223)	-	(223)
-	-	-	-	1	1
7,305	(1,904)	30,844	36,245	464	36,709

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the Period Ended March 31 2021

	For the year ended December 31 2020 (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 2019	7,054	421	53
Net income (loss)	-	-	-
Other comprehensive income, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	(13)	(237)	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at December 31 2020	7,041	184	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,805 million that is non-distributable, of which NIS 1,650 million in respect of share buyback. The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

The notes to the 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
-	-	2,102	2,102	20	2,122
-	703	-	703	(21)	682
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(250)	-	-	(250)	-	(250)
-	-	-	-	3	3
7,278	(2,792)	33,178	37,664	431	38,095

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows
For the Period Ended March 31 2021

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Cash flows from operating activities			
Profit (loss) before tax for the period	1,349	(223)	2,122
Adjustments:			
Group's share in undistributed (gains) losses of associates[(a)]	(1)	20	26
Depreciation of buildings and equipment (including impairment)	171	180	678
(Income) expenses for loan losses	(212)	860	2,552
Net gains on sale of bonds	(65)	(167)	(410)
Net realized and unrealized losses (gains) from fair value adjustments of held-for-trading securities	7	33	(58)
Losses on sale of investees' equity	-	2	2
Losses (gains) on disposal of buildings and equipment - net	(35)	-	7
Provision for impairment of available-for-sale bonds	-	33	33
Realized and unrealized (gains) losses, net from fair value adjustments of equity securities not held-for-trading	(185)	185	(283)
Provision for impairment of equity securities not held-for-trading	-	27	66
Deferred taxes - net	166	(42)	(729)
Severance pay and pension – increase (decrease) in excess of provision over fund	84	(579)	(980)
Excess of interest received for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	302	70	253
Accrual differences and rate in respect of bonds and subordinated bonds	(100)	(9)[(b)]	(393)
Effect of exchange rate differentials on cash and cash equivalent balances	(231)	681	1,274
Net change in current assets:			
Assets in respect of derivatives	2,197	(13,929)	(4,298)
Held-for-trading securities	1,360	(8,933)	(451)
Other assets	(146)	(1,157)[(b)]	(1,917)
Net change in current liabilities:			
Liabilities for derivatives	(3,719)	13,092	5,684
Other liabilities	1,777	896[(b)]	2,379
Net cash provided from (for) operating activities	2,719	(8,960)	5,557

(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 March 31 2021

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	(16)	(4,095)	(1,113)
Net change in loans to the public	(11,424)	(11,928)[(a)]	(16,583)
Net change in loans to the Israeli Government	(117)	16	112
Net change in securities borrowed or purchased under reverse repurchase agreements	(1,611)	(194)[(a)]	(1,902)
Purchase of held-to-maturity bonds	(1,162)	(1,561)	(3,026)
Proceeds from redemption of held-to-maturity bonds	421	403	1,402
Purchase of available-for-sale bonds and equity securities not held-for-trading	(20,291)	(30,366)	(136,675)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	19,627	21,709	99,757
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	3,991	9,060	32,700
Purchase of associates' equity	-	(5)	(67)
Proceeds from sale of loan portfolios	-	4[(a)]	-
Purchase of buildings and equipment	(75)	(92)	(594)
Proceeds from disposal of buildings and equipment	45	-	11
Central severance pay fund	1	33	137
Net cash for investing activities	(10,611)	(17,016)	(25,841)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	2,026	(40)	9,012
Net change in deposits by the public	12,552	44,299	74,967
Net change in deposits by the government	19	(6)	(106)
Net change in securities loaned or sold under repurchase agreements	(80)	3,238[(a)]	482
Proceeds from issue of bonds and subordinated bonds	-	2,593[(a)]	4,986
Redemption of bonds and subordinated bonds	(3,095)	(12)	(8,248)
Dividend paid to shareholders	-	(297)	(297)
Dividend paid to external shareholders in consolidated companies	-	(39)	(39)
Share buyback	-	(223)	(250)
Net cash from financing activities	11,422	49,513	80,507
Increase in cash and cash equivalents	3,530	23,537	60,223
Balance of cash and cash equivalents as at the beginning of the period	132,616	73,667	73,667
Effect of exchange rate fluctuations on cash and cash equivalent balances	231	(681)	(1,274)
Balance of cash and cash equivalents as at end of period	136,377	96,523	132,616

(a) 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 March 31 2021

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Interest received	**2,747**	2,853	10,555
Interest paid	**(523)**	(729)	(2,523)
Dividends received	**13**	12	23
Income tax paid	**(829)**	(437)	(1,725)
Income tax received	**78**	229	237

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

For the three months ended March 31 2021

On March 1 2021, a NIS 750 million balance was reclassified from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

For the year ended December 31 2020

As of December 31 2020, a right-of-use asset and liabilities recognized for new operating leases were included as non-cash activity.

For more information, please see Notes 1.N and 16.G to the financial statements as at December 31 2020.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as at March 31 2021 have been prepared in accordance with the Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department.

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 2020, except as outlined in Section B below. These interim financial statements do not include all information required to be included in the full annual financial statements and should be read in conjunction with the Annual Financial Statements as at December 31 2020 and their accompanying notes.

On May 19 2021, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

Preparing the condensed consolidated interim financial statements in accordance with the said directives and guidance requires management to exercise judgment, and to use estimates, assessments and assumptions, which affect the reported amounts of assets and liabilities as well as income and expenses amounts during the reporting period. It is clarified that the actual results may differ from those 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, facts, various representations, analyses and reviews, external factors and reasonable assumptions, in accordance with each estimate's particular circumstances. The uncertainty reflected in the economic and other environmental conditions is still significant; therefore, estimates and assessments may be revised according to the development of the conditions and circumstances as well as economic changes.

The policy applied by the Bank in using assessments and estimates is consistent with that used in the annual financial statements as at December 31 2020. 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 2021, the Bank applies the following accounting standards and directives:

1. Minor updates of the defined disclosure requirements of defined benefit plans

In August 2018, the FASB issued ASU 2018-14 - “Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans”. Among the changes were the following: The requirement to present an estimate of the amounts included in accumulated other comprehensive income that are expected to be deducted from accumulated other comprehensive income to the income statement in the subsequent year was revoked (please see Note 23.H.2.b.3 to the Financial Statements as at December 31 2020); a requirement was added to provide an explanation as to the reasons for material profits or losses related to a change in the defined benefit obligation during the period.
According to the Banking Supervision Department circular entitled “Improving the Usability of Banking Corporations’ Reports to the Public for 2019 and 2020”, which pertains to the abovementioned ASU, the provisions are applicable to reports issued to the public as of January 1 2021 and onwards.

The application of the provision has no material effect on the financial statements.

Note 1 - Significant Accounting Policies (cont.)

2. **Minor changes to the disclosure requirements regarding fair value measurement**

   In August 2018, the FASB published ASU 2018-13 - "Changes to the Disclosure Requirements for Fair Value Measurement". The ASU brought about minor, specific changes in the various disclosure requirements regarding fair value measurement, such as providing disclosure regarding the manner of calculating the weighted average related to Level 3 fair value measurements.

   According to the Banking Supervision Department circular entitled "Improving the Usability of Banking Corporations' Reports to the Public for 2019 and 2020", which pertains to the abovementioned ASU, the provisions are applicable to reports issued to the public as of January 1 2021 and onwards.

   The application of the provision has no material effect on the financial statements.

3. **ASUs regarding income taxes**

   In December 2019, the FASB published ASU 2019-12, "Simplifying the Accounting for Income Taxes" The purpose of the ASU is to lessen the complexity of US GAAP while maintaining the usability of the information provided to users of financial statements.

   The following are the main revisions: manner of calculating and allocating tax results in cases where there is loss in respect of continuing operations; manner of recognizing liabilities for deferred taxes in respect of taxable temporary differences in respect of investments in a foreign subsidiary which becomes an associate and vice versa; a requirement was added to recognize franchise tax (or other similar tax) based partially on the main income as income taxes, and the excess amount, if applicable - as non-income taxes; and the manner of recognizing the effect of the changes in tax laws or tax rates in interim financial statements.

   The provisions shall apply as of January 1 2021.

   The application of the provision has no material effect on the financial statements.

4. **Specific clarifications regarding accounting treatment of financial instruments**

   In January 2020, the FASB revised ASU 2020-01, "Clarifying the Interactions between Topic 321, Topic 323, and Topic 815".

   The ASU clarifies that when applying a "measurement alternative" under Topic 321, observed transactions - which cause first-time application or discontinuation of application of the equity method, should be taken into account. In other words, investments in equity instruments should be remeasured at fair value shortly prior to the first-time application or shortly after discontinuing the application of the equity method (due to obtaining significant influence or losing significant influence, respectively), with the said fair value to be based on the observed transaction which brought about the change in the measurement method, if relevant.

   In addition, the ASU clarifies that non-derivative forward contracts or purchased call options, for the purpose of purchasing equity instruments, will usually be measured according to the fair value principles as outlined in the provisions of Topic 321 prior to the settlement or exercise date, regardless of their expected accounting upon settlement or exercise.

   The provisions shall apply as of January 1 2021.

   The application of the provision has no material effect on the financial statements.

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

   On April 2020, the Bank of Israel published a letter entitled "The Coronavirus Event - Regulatory Emphases for Handling Debt and Reporting to the Public", which includes accounting guidance allowing to exclude actions taken to stabilize borrowers through changes in loan terms as restructuring of troubled debt, subject to the terms and conditions provided in the letter.

Note 1 - Significant Accounting Policies (cont.)

Further to the additional outline for deferral of mortgage and consumer loan repayments and the additional outline for loan-repayment aid to small and micro-businesses (hereinafter - the "Revised Outlines"), which were adopted by the banking system on November 2020 and December 2020, respectively, the Banking Supervision Department published letters regarding the extension of the effective date of accounting expedients outlined in the above letter to the said outlines, such that a banking corporation may not classify as troubled debt under restructuring loans that are subject to the said outlines, provided such loans were not arrears of 30 days or more at the repayment deferral date, and for which payments were deferred under the Revised Outlines between January 1 2021 and March 31 2021, even if the accumulated deferral does not exceed 6 months.

The Bank chose not to apply the accounting expedient described above, and thus - applied the ordinary classification procedures, including insofar as they pertain to restructuring of troubled debt.

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

1. Reference Rate Reform

In January 2021, the FASB published ASU 2021-01, "Reference Rate Reform - Scope" - which expands the easements in respect of the effects of the reference rate reform on financial reporting as set out in Topic 848 (hereinafter: the "ASU").

In March 2020, the FASB published ASU 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which created Topic 848; it included possible reliefs and exceptions in respect of contracts, hedge relationships and other transactions affected by the Reference Rate Reform, meeting the defined terms and conditions.

According to the ASU, the scope of Topic 848 was expanded, such that it also includes derivatives affected by the Reference Rate Reform, even if the derivatives do not bear LIBOR or another reference interest rate which is expected to be cancelled.

The Bank is examining the application of the available expedients to relevant contracts.

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

For more information, please see Note 1.W.4 to the financial statements as at December 31 2020.

The Bank continues to prepare for the discontinuation of the LIBOR and use thereof. Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31 2021, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31 2021
	In NIS million
Loans	11,984
Deposits	497
Securities	3,670
Derivatives (gross) - nominal value	69,417

* LIBOR transactions which will continue in all currencies after December 2021, and in USD - after June 2023.

Note 1 - Significant Accounting Policies (cont.)

2. Updates on loan loss provisions - CECL

The directives of the Banking Supervision Department have adopted US GAAP, "Measurement of Credit Losses on Financial Instruments" as published in ASU 2016-13, as well as other updates and amendments derived therefrom. The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording of the loan loss provisions so as to support a swifter response by banks to a deterioration in borrowers' credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

At the same time, in December 2020, the Banking Supervision Department published a circular entitled "Regulatory Capital - Effect of Applying Accounting Principles to Expected Loan Losses". The circular sets transitional provisions for first-time adoption of new rules on expected loan losses in order to mitigate the unexpected effects of the implementation of the rules on regulatory capital. In addition, in February 2021, the Banking Supervision Department published a circular entitled "Expected Loan Losses from Financial Instruments", which reversed, among other things, the requirement to calculate a minimum collective provision of 0.35 percent for housing loans as well as the requirement to calculate a minimum provision according to the extent of arrears method; it also added the requirement to deduct from CET1, amounts for housing loans classified as non-accrual longs over time.

The news directives will be implemented starting January 1 2022 by recording the cumulative effect of the application of these principles under retained earnings.

The Bank continues to assess the effect of the application of the new provisions on its financial statements and to prepare for the application of the new rules; therefore, it is impossible to reliably estimate their expected effect at this time. The effect may depend on the economic situation, forecasts and portfolio mix at the first-time application date. The Bank's preparations are in full swing; they include mapping out the requirements, establishing methodologies for calculating the estimated loan loss provision, and examining the changes needed to adjust the methods for evaluating loan losses and applying the disclosure provisions. Although the measurement methods are expected to be updated, the new rules do not alter the credit risk embodied in the Bank's credit portfolio.

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2021	2020
	Unaudited	
	In NIS million	
a. Interest income		
From loans to the public	2,348	2,218
From loans to the Israeli Government	4	8
From deposits with the Bank of Israel and from cash	26	32
From deposits with banks	17	33
From securities borrowed or purchased under reverse repurchase agreements	1	4
From bonds[(a)]	216	298
Total interest income	2,612	2,593
b. Interest expenses		
For deposits by the public	(175)	(353)
For deposits by the government	(1)	(1)
For deposits by banks	(1)	(6)
For deposits by the Bank of Israel	(2)	-
For securities loaned or sold under repurchase agreements	-	(4)
For bonds, promissory notes and subordinated bonds	(85)	(60)
Total interest expenses	(264)	(424)
Total interest income, net	2,348	2,169
c. Details of the net effect of derivative hedges on interest income and expense[(b)]		
Interest expenses	(12)	(8)
d. Details on interest income from bonds, on accrual basis		
Held-to-maturity	40	41
Available-for-sale	172	247
Held-for-trading	4	10
Total included in interest income	216	298

(a) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 57 million for the three-month period ended March 31 2021 (NIS 58 million for the three-month period ended March 31 2020).

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

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2021	2020
	Unaudited	
	In NIS million	
a. Noninterest finance income (expenses) for not held-for-trading activities		
a.1. From derivatives activities[(a)]		
Income in respect of ALM derivatives, net[(b)]	1,093	742
Total from derivatives activity	1,093	742
a.2. From investment in bonds		
Gains on sale of available-for-sale bonds	74	167
Losses on sale of available-for-sale bonds	(9)	-
Provision for impairment of available-for-sale bonds	-	(33)
Total from investment in bonds	65	134
a.3. Exchange rate differentials, net	(992)	(1,269)
a.4. Gains (losses) on investment in equity securities		
Gains on sale of equity securities not held-for-trading	108	23
Provision for impairment for equity securities not held-for-trading	-	(27)
Losses on sale of equity securities not held-for-trading	(14)	(28)
Dividend from equity securities not held-for-trading	7	6
Unrealized gains (losses), net from equity securities not held-for-trading[(g)]	91	(180)
Loss on sale of investees' equity	-	(2)
Total from investment in equity securities	192	(208)
Total noninterest finance income (expenses) for not held-for-trading activities	358	(601)
b. Noninterest finance income (expenses) for trading activities		
Net income (expenses) for held-for-trading derivatives	90	(26)
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[(e)(f)]	(8)	(32)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading shares, net[(d)(f)]	1	(1)
Total from trading activities[(e)]	83	(59)
Details of noninterest finance income (expenses) due to trading activities, by risk exposure		
Interest rate exposure	34	(252)
Foreign exchange exposure	38	215
Equity exposure	9	(24)
Exposure to commodities and other contracts	2	2
Total	83	(59)
Total noninterest finance income (expenses)	441	(660)

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) Of which: NIS 6 million in gains on the three-month period ended March 31 2021 in respect of held-for-trading bonds held as at the balance sheet date (losses of NIS 62 million for the three-month period ended March 31 2020).
(d) Of which: NIS 1 million in gains on the three-month period ended March 31 2021 in respect of held-for-trading bonds held as at the balance sheet date (there were no gains or losses in the three months ended on March 31 2020).
(e) For interest income from investments in held-for-trading bonds, please see Note 2.
(f) Including exchange rate differentials from trading activities.
(g) 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.

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's diluted earnings (loss) per share are calculated by dividing the profit (loss) attributable to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended March 31	
	2021	2020
	Unaudited	
Basic earnings		
Net income (loss) attributable to the Bank's shareholders (in NIS million)	**1,340**	(232)
Weighted average of the number of shares (in thousands of shares)		
Balance as at beginning of period[(a)]	**1,452,896**	1,466,191
Weighted effect of exercised PSUs and RSUs and the issuance of shares	**-**	72
Weighted effect for share buyback	**-**	(1,811)
Weighted average of number of shares	**1,452,896**	1,464,452
Basic earnings (loss) per share (in NIS)	**0.92**	(0.16)

(a) Balance as at the beginning of period less share buyback until December 31 2019 and 2020.

B. Diluted Earnings Per Share

The calculated diluted earnings (loss) per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, after adjustment for all the potentially dilutive ordinary shares, as follows:

	For the three months ended March 31	
	2021	2020
	Unaudited	
Diluted earnings		
Net income (loss) attributable to the Bank's shareholders (in NIS million)	**1,340**	(232)
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**	1,464,452
Weighted average of the number of shares, fully diluted	**1,452,896**	1,464,452
Basic earnings (loss) per share (in NIS)	**0.92**	(0.16)[(a)]

(a) In light of the net loss for the three months ended March 31 2020, the diluted earnings (loss) per share is identical to the basic earnings (loss) per share.

C. Share Capital

As at March 31 2021, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each. (As at March 31 2020, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,453,553,262 ordinary shares of NIS 1 p.v. each).

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31 2021 and 2020 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2019 (audited)	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	(416)	44	31	(3)	1,960	1,616	25	1,591
Balance as at March 31 2020	208	(155)	29	(16)	(1,988)	(1,922)	(18)	(1,904)
Balance as at December 31 2020 (audited)	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	**(336)**	**51**	**(24)**	**(5)**	**424**	**110**	**(4)**	**114**
Balance as at March 31 2021	**827**	**(244)**	**2**	**(21)**	**(3,310)**	**(2,746)**	**(68)**	**(2,678)**

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31 2020 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale securities 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	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the year	539	(96)	28	(3)	214	682	(21)	703
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)

(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.

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

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

	For the three months ended March 31 (unaudited)					
	2021			2020		
	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 losses, net, from fair value adjustments	(445)	152	(293)	(498)	170	(328)
Net (gains) losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	(65)	22	(43)	(134)	46	(88)
Net change during the period	(510)	174	(336)	(632)	216	(416)
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	99	-	99	89	-	89
Hedges[(c)]	(73)	25	(48)	(68)	23	(45)
Net change during the period	26	25	51	21	23	44
Net (losses) gains for cash flow hedges	(36)	12	(24)	45	(14)	31
The Bank's share in other comprehensive loss of associates, equity-accounted	(6)	1	(5)	(4)	1	(3)
Employee benefits:[(d)]						
Net actuarial gain (loss)	510	(174)	336	2,828	(961)	1,867
Net losses reclassified to the income statement[(e)]	134	(46)	88	141	(48)	93
Net change during the period	644	(220)	424	2,969	(1,009)	1,960
Total change during the period, net	118	(8)	110	2,399	(783)	1,616
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	(14)	10	(4)	30	(5)	25
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	132	(18)	114	2,369	(778)	1,591

(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) Adjustments for employee benefits include the costs of the implemented voluntary retirement programs.
(e) The "before tax" amount is reported in the income statement under the "other expenses" line item. For more information, please see Note 8.

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

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

	For the year ended December 31 2020 (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, net, from fair value adjustments	1,191	(404)	787
Net gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	(377)	129	(248)
Net change during the year	814	(275)	539
Translation adjustments:[(b)]			
Adjustments from translation of financial statements	(193)	-	(193)
Hedges[(c)]	147	(50)	97
Net change during the year	(46)	(50)	(96)
Net gains (losses) for cash flow hedges	43	(15)	28
The Bank's share in other comprehensive loss of associates, equity-accounted	(5)	2	(3)
Employee benefits:[(d)]			
Net actuarial loss	(134)	39	(95)
Net losses reclassified to the income statement[(e)]	470	(161)	309
Net change during the year	336	(122)	214
Total change during the year, net	1,142	(460)	682
Less changes in other comprehensive income (loss) components attributable to non-controlling interests			
Total change during the year, net	(17)	(4)	(21)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders			
Total change during the year, net	1,159	(456)	703

(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) Adjustments for employee benefits include the costs of the implemented voluntary retirement programs.
(e) The "before tax" amount is reported in the income statement under the "other expenses" line item. For more information, please see Note 8.

Note 5 - Securities

	As at March 31 2021 (unaudited)[g]				
	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	4,062	4,062	378	(3)	4,437
Mortgage-backed (MBS)	2,569	2,569	30	(49)	2,550
Of other foreign entities	1,853	1,853	63	(56)	1,860
Total held-to-maturity bonds	8,484	8,484	471	(108)	8,847

	As at March 31 2021 (unaudited)[g]				
			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	32,396	31,525	930	(59)	32,396
Of foreign governments	17,221	17,243	79	(101)	17,221
Of Israeli financial institutions	68	64	4	-	68
Of foreign financial institutions	8,864	8,679	194	(9)	8,864
Asset-backed (ABS) or mortgage-backed (MBS)	7,541	7,555	57	(71)	7,541
Of other Israeli entities	247	233	14	-	247
Of other foreign entities	5,415	5,269	213	(67)	5,415
Total available-for-sale bonds[f]	71,752	70,568	1,491[c]	(307)[c]	71,752

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2021 (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 mutual funds	4,783	4,501	328	(46)	4,783
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,760	1,760			1,760
Total not held-for-trading equity securities and funds	**4,783**	**4,501**	**328[(d)]**	**(46)[(d)]**	**4,783**
Total not held-for-trading securities	**85,019**	**83,553**	**2,290**	**(461)**	**85,382**

	As at March 31 2021 (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	2,138	2,136	5	(3)	2,138
Of foreign governments	1	1	-	-	1
Of Israeli financial institutions	181	177	4	-	181
Of foreign financial institutions	89	87	3	(1)	89
Asset-backed (ABS) or mortgage-backed (MBS)	76	78	1	(3)	76
Of other Israeli entities	89	87	2	-	89
Of other foreign entities	37	35	2	-	37
Total bonds	**2,611**	**2,601**	**17**	**(7)**	**2,611**
Equity securities and mutual funds	**55**	**56**	**-**	**(1)**	**55**
Total held-for-trading securities	**2,666**	**2,657**	**17[(d)]**	**(8)[(d)]**	**2,666**
Total securities	**87,685**	**86,210**	**2,307**	**(469)**	**88,048**

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2020 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	3,672	3,672	332	(9)	3,995
Mortgage-backed (MBS)	2,219	2,219	60	(3)	2,276
Of other foreign entities	754	754	39	(3)	790
Total held-to-maturity bonds	6,645	6,645	431	(15)	7,061

	As at March 31 2020 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	35,726	35,185	623	(82)	35,726
Of foreign governments	12,191	12,059	167	(35)	12,191
Of Israeli financial institutions	18	17	1	-	18
Of foreign financial institutions	9,754	9,772	100	(118)	9,754
Asset-backed (ABS) or mortgage-backed (MBS)	8,112	8,075	138	(101)	8,112
Of other Israeli entities	203	209	1	(7)	203
Of other foreign entities	5,423	5,284	197	(58)	5,423
Total available-for-sale bonds[(f)]	71,427	70,601	1,227[(c)]	401[(c)]	71,427

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2020 (unaudited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held-for-trading equity securities and funds:					
Equity securities and mutual funds	3,516	3,630	78	(192)	3,516
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,377	1,377			1,377
Total not held-for-trading equity securities and funds	3,516	3,630	78[(d)]	(192)[(d)]	3,516
Total not held-for-trading securities	81,588	80,876	1,736	(608)	82,004

	As at March 31 2020 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	10,967	11,014	5	(52)	10,967
Of foreign governments	316	267	50	(1)	316
Of Israeli financial institutions	620	621	3	(4)	620
Of foreign financial institutions	217	254	1	(38)	217
Asset-backed (ABS) or mortgage-backed (MBS)	131	142	-	(11)	131
Of other Israeli entities	105	107	6	(8)	105
Of other foreign entities	61	61	1	(1)	61
Total bonds	12,417	12,466	66	(115)	12,417
Equity securities and mutual funds	7	8	-	(1)	7
Total held-for-trading securities	12,424	12,474	66[(d)]	(116)[(d)]	12,424
Total securities[(e)]	94,012	93,350	1,802	(724)	94,428

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2020 (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	3,919	3,919	557	(1)	4,475
Mortgage-backed (MBS)	2,265	2,265	40	(8)	2,297
Of other foreign entities	818	818	68	-	886
Total held-to-maturity bonds	7,002	7,002	665	(9)	7,658

	As at December 31 2020 (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	34,821	33,592	1,233	(4)	34,821
Of foreign governments	19,893	19,794	112	(13)	19,893
Of Israeli financial institutions	69	64	5	-	69
Of foreign financial institutions	8,861	8,590	271	-	8,861
Asset-backed (ABS) or mortgage-backed (MBS)	6,996	6,932	87	(23)	6,996
Of other Israeli entities	220	209	11	-	220
Of other foreign entities	6,067	5,684	387	(4)	6,067
Total available-for-sale bonds[(f)]	76,927	74,865	2,106[(c)]	(44)[(c)]	76,927

	As at December 31 2020 (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 mutual funds	4,335	4,148	230	(43)	4,335
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,566	1,566			1,566
Total not held-for-trading equity securities and funds	4,335	4,148	230[(d)]	(43)[(d)]	4,335
Total not held-for-trading securities	88,264	86,015	3,001	(96)	88,920

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2020 (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	3,144	3,135	9	-	3,144
Of foreign governments	223	192	31	-	223
Of Israeli financial institutions	323	319	4	-	323
Of foreign financial institutions	98	96	3	(1)	98
Asset-backed (ABS) or mortgage-backed (MBS)	80	85	-	(5)	80
Of other Israeli entities	58	56	2	-	58
Of other foreign entities	46	43	3	-	46
Total bonds	3,972	3,926	52	(6)	3,972
Equity securities and mutual funds	61	55	7	(1)	61
Total held-for-trading securities	4,033	3,981	59[(d)]	(7)[(d)]	4,033
Total securities	92,297	89,996	3,060	(103)	92,953

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) Included in equity under the “Adjustments in respect of the presentation of available-for-sale bonds at fair value, net” under 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 impaired non-performing interest-accruing bonds on March 31 2020 - NIS 5 million.

(f) Total of NIS 9.3 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (March 31 2020 - NIS 9.6 billion, December 31 2020 - NIS 9.0 billion).

(g) On March 1 2021, the subsidiary in the US classified a NIS 750 million (USD 225 million) balance from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

General comments:

Loaned securities in the amount of NIS 1 million (as at March 31 2020 - NIS 233 million; as at December 31 2020 - NIS 95 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 14,899 million (as at March 31 2020 - NIS 9,041 million; as at December 31 2020 - NIS 14,419 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

	March 31 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total	Amortized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	183	3	-	-	3	-	-	-	-	-
Mortgage-backed (MBS)	1,473	45	-	-	45	104	4	-	-	4
Of other foreign entities	1,036	56	-	-	56	-	-	-	-	-
Total held-to-maturity bonds	2,692	104	-	-	104	104	4	-	-	4

	March 31 2020 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total	Amortized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	509	9	-	-	9	-	-	-	-	-
Mortgage-backed (MBS)	141	1	-	-	1	144	2	-	-	2
Of other foreign entities	184	3	-	-	3	-	-	-	-	-
Total held-to-maturity bonds	834	13	-	-	13	144	2	-	-	2

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

Note 5 - Securities (cont.)

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

	December 31 2020 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total	Amortized cost	0-20%[c]	20%[d]-35%	Over[e]35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	31	1	-	-	1	-	-	-	-	-
Mortgage-backed (MBS)	252	5	-	-	5	117	3	-	-	3
Of other foreign entities	273	-[g]	-	-	-	-	-	-	-	-
Total held-to-maturity bonds	556	6	-	-	6	117	3	-	-	3

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

	March 31 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%[d]-35%	Over[e]35%	Total	Fair value	0-20%[c]	20%[d]-35%	Over[e]35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	3,076	59	-	-	59	-	-	-	-	-
Of foreign governments	5,928	97	-	-	97	108	4	-	-	4
Of foreign financial institutions	1,018	8	-	-	8	30	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	2,933	60	-	-	60	982	11	-	-	11
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,694	67	-	-	67	1	-[g]	-	-	-
Total available-for-sale bonds	14,649	291	-	-	291	1,121	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.)

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

	December 31 2020 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%[d]-35%	Over[e] 35%	Total	Fair value	0-20%[c]	20%[d]-35%	Over[e] 35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	1,490	4	-	-	4	-	-	-	-	-
Of foreign governments	4,073	13	-	-	13	-	-	-	-	-
Of foreign financial institutions	363	-[g]	-	-	-	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	926	10	-	-	10	1,018	13	-	-	13
Of other Israeli entities	5	-[g]	-	-	-	-	-	-	-	-
Of other foreign entities	568	4	-	-	4	-	-	-	-	-
Total available-for-sale bonds	7,425	31	-	-	31	1,018	13	-	-	13

(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

	March 31 2021 (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)	1,949	(32)	36	(2)	1,985	(34)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	766	(27)	57	-[b]	823	(27)
Asset-backed bonds (ABS)	219	(1)	889	(9)	1,108	(10)
Total	2,934	(60)	982	(11)	3,916	(71)

	March 31 2020 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]
	In NIS million					
Mortgage-backed bonds (MBSs)	150	(3)	59	(1)	209	(4)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	319	(9)	935	(10)	1,254	(19)
Asset-backed bonds (ABS)	607	(31)	920	(47)	1,527	(78)
Total	1,076	(43)	1,914	(58)	2,990	(101)

	December 31 2020 (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)	108	(1)	40	(1)	148	(2)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	576	(7)	77	(2)	653	(9)
Asset-backed bonds (ABS)	242	(2)	901	(10)	1,143	(12)
Total	926	(10)	1,018	(13)	1,944	(23)

(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

	March 31 2021 (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	2,409	30	(30)	2,409
Of which: GNMA-backed securities	1,323	17	(16)	1,324
Securities issued by FNMA or FHLMC	1,086	13	(14)	1,085
Other mortgage-backed bonds (including CMO and stripped MBS)	160	-	(19)	141
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	160	-	(19)	141
Total mortgage-backed bonds (MBS)	2,569	30	(49)	2,550
Total mortgage-backed held-to-maturity bonds	2,569	30	(49)	2,550

	March 31 2020 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjust-ments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,210	60	(3)	2,267
Of which: GNMA-backed securities	1,343	30	(3)	1,370
Securities issued by FNMA or FHLMC	867	30	-	897
Other mortgage-backed bonds (including CMO and stripped MBS)	9	-	-	9
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	9	-	-	9
Total mortgage-backed bonds (MBS)	2,219	60	(3)	2,276
Total mortgage-backed held-to-maturity bonds	2,219	60	(3)	2,276

Note 5 - Securities (cont.)

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

	December 31 2020 (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	2,102	40	(4)	2,138
Of which: GNMA-backed securities	1,114	19	(4)	1,129
Securities issued by FNMA or FHLMC	988	21	-	1,009
Other mortgage-backed bonds (including CMO and stripped MBS)	163	-	(4)	159
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	163	-	(4)	159
Total mortgage-backed bonds (MBS)	2,265	40	(8)	2,297
Total mortgage-backed held-to-maturity bonds	2,265	40	(8)	2,297

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

	March 31 2021 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,019	14	(34)	2,999
Of which: GNMA-backed bonds	982	2	(11)	973
Bonds issued by FNMA or FHLMC	2,037	12	(23)	2,026
Other mortgage-backed bonds (including CMO and stripped MBS)	2,429	32	(27)	2,434
Of which: bonds issued or guaranteed by GNMA, FNMA, or FHLMC	2,112	24	(27)	2,109
Total mortgage-backed bonds (MBS)	5,448	46	(61)	5,433
Asset-backed bonds (ABS)	2,107	11	(10)	2,108
Of which: loans to non-individuals - CLO-type bonds	1,411	10	(3)	1,418
Loans to non-individuals - SBA-guaranteed securities	324	-	(6)	318
Total available-for-sale mortgage-backed and asset-backed bonds	7,555	57	(71)	7,541

(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.)

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

	December 31 2020 (audited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	2,513	36	(2)	2,547
Of which: GNMA-backed securities	735	9	(1)	743
Securities issued by FNMA or FHLMC	1,778	27	(1)	1,804
Other mortgage-backed bonds (including CMO and stripped MBS)	2,494	41	(9)	2,526
Of which: securities issued or guaranteed by GNMA, FNMA, or FHLMC	2,159	33	(8)	2,184
Total mortgage-backed bonds (MBS)	5,007	77	(11)	5,073
Asset-backed bonds (ABS)	1,925	10	(12)	1,923
Of which: loans to non-individuals - CLO-type bonds	1,509	9	(5)	1,513
Loans to non-individuals - SBA-guaranteed securities	330	-	(7)	323
Total available-for-sale mortgage-backed and asset-backed bonds	6,932	87	(23)	6,996

(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

	March 31 2021 (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)	36	-	(3)	33
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	35	-	(3)	32
Total mortgage-backed securities (MBS)	38	-	(3)	35
Total asset-backed securities (ABS)	40	1	-	41
Total mortgage-backed and asset-backed held-for-trading securities	78	1	(3)	76

	March 31 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	3	-	-	3
Of which: securities issued by FNMA or FHLMC	3	-	-	3
Other mortgage-backed securities (including CMO and stripped MBS)	40	-	(1)	39
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	43	-	(1)	42
Total asset-backed securities (ABS)	99	-	(10)	89
Total mortgage-backed and asset-backed held-for-trading securities	142	-	(11)	131

(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 2020 (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	2	-	-	2
Of which: securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and stripped MBS)	37	-	(3)	34
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	36	-	(3)	33
Total mortgage-backed securities (MBS)	39	-	(3)	36
Total asset-backed securities (ABS)	46	-	(2)	44
Total mortgage-backed and asset-backed held-for-trading securities	85	-	(5)	80

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

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

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

	March 31 2021 (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	151,403	-	818	152,221	15,188	167,409
Examined on a collective basis[1]	42,256	92,528	25,748	160,532	2,063	162,595
[1]Of which: by extent of arrears	638[(c)]	92,405	-	93,043	-	93,043
Total debts[(a)2]	193,659	92,528	26,566	312,753	17,251	330,004
[2]Of which:						
Restructured debts	2,445	-	339	2,784	-	2,784
Other impaired non-performing debts	962	23	18	1,003	8	1,011
Total impaired non-performing debts	3,407	23	357	3,787	8	3,795
Debts in arrears of 90 days or more	63	698	32	793	-	793
Other troubled debts	3,475	2	252	3,729	-	3,729
Total troubled debts	6,945	723	641	8,309	8	8,317
Balance of loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,141	-	238	3,379	3	3,382
Examined on collective basis[3]	678	614	521	1,813	-	1,813
[3]Of which: by extent of arrears	1	612[(b)]	-	613	-	613
Total loan loss provision[4]	3,819	614	759	5,192	3	5,195
[4]Of which: for impaired non-performing debts	899	6	225	1,130	-[(d)]	1,130

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

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

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

	March 31 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	141,719	-	857	142,576	19,441	162,017
Examined on a collective basis[1]	43,946	85,627	26,306	155,879	1,515	157,394
[1]Of which: by extent of arrears	728[(c)]	85,427	-	86,155	-	86,155
Total debts[(a)2]	185,665	85,627	27,163	298,455	20,956	319,411
[2]Of which:						
Restructured debts	637	-	293	930	-	930
Other impaired non-performing debts	1,554	-	20	1,574	-	1,574
Total impaired non-performing debts	2,191	-	313	2,504	-	2,504
Debts in arrears of 90 days or more	90	824	58	972	-	972
Other troubled debts	2,301	-	242	2,543	-	2,543
Total troubled debts	4,582	824	613	6,019	-	6,019
Balance of loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	2,186	-	190	2,376	5	2,381
Examined on collective basis[3]	597	497	499	1,593	-	1,593
[3]Of which: by extent of arrears	-[(d)]	496[(b)]	-	496	-	496
Total loan loss provision[4]	2,783	497	689	3,969	5	3,974
[4]Of which: for impaired non-performing debts	378	-	178	556	-	556

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 301 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.

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

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

	December 31 2020 (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	143,317	24	786	144,127	10,879	155,006
Examined on a collective basis[1]	40,741	90,365	25,398	156,504	158	156,662
[1]Of which: by extent of arrears	624[(c)]	90,237	-	90,861	-	90,861
Total debts[(a)2]	184,058	90,389	26,184	300,631	11,037	311,668
[2]Of which:						
Restructured debts	2,324	-	317	2,641	-	2,641
Other impaired non-performing debts	1,308	50	20	1,378	15	1,393
Total impaired non-performing debts	3,632	50	337	4,019	15	4,034
Debts in arrears of 90 days or more	56	720	38	814	-	814
Other troubled debts	3,525	2	266	3,793	-	3,793
Total troubled debts	7,213	772	641	8,626	15	8,641
Balance of loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,135[(e)]	1	228	3,364	3	3,367
Examined on collective basis[3]	747[(e)]	635	544	1,926	-	1,926
[3]Of which: by extent of arrears	-[(d)]	634[(b)]	-	634	-	634
Total loan loss provision[4]	3,882	636	772	5,290	3	5,293
[4]Of which: for impaired non-performing debts	911[(e)]	7	212	1,130	-[(d)]	1,130

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

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

B. Change in Balance of Loan Loss Provision

	For the three months ended March 31 2021 (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	4,284	636	792	5,712	3	5,715
Loan loss income	(180)	(19)	(13)	(212)	-	(212)
Accounting write-offs	(114)	(3)	(74)	(191)	-	(191)
Collection of debts written off in previous years	241	-	71	312	-	312
Net accounting write-offs	127	(3)	(3)	121	-	121
Adjustments from translation of financial statements	10	-	-	10	-	10
Balance of loan loss provision as at the end of the reporting period[1]	4,241	614	776	5,631	3	5,634
[1]Of which: in respect of off-balance-sheet credit instruments	422	-	17	439	-	439

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

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing deposits	126,404	102,975	116,042
Interest-bearing deposits	177,780	156,745	176,276
Total demand deposits	304,184	259,720	292,318
Fixed deposits	129,483	133,428	132,325
Total deposits in Israel[1]	433,667	393,148	424,643
Outside Israel			
Demand deposits			
Non-interest bearing deposits	13,361	8,673	11,363
Interest-bearing deposits	9,295	6,485	6,713
Total demand deposits	22,656	15,158	18,076
Fixed deposits	4,089	10,321	4,312
Total deposits outside Israel	26,745	25,479	22,388
Total deposits by the public	460,412	418,627	447,031
[1]Of which:			
Deposits by private individuals	149,244	142,646	147,228
Deposits by institutional entities	76,698	76,531	80,499
Deposits by corporations and others	207,725	173,971	196,916

B. Deposits by the Public, by Amount

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
Maximum deposit is NIS millions	In NIS million		
Up to 1	120,881	110,282	117,472
Over 1 and up to 10	110,994	105,389	108,612
Over 10 and up to 100	84,156	73,592	77,759
Over 100 and up to 500	55,563	44,973	54,650
Over 500	88,818	84,391	88,538
Total	460,412	418,627	447,031

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	20,174	16,751	20,491
Fair value of plan assets	9,179	7,448	8,945
Excess liability over plan assets (included in “Other liabilities”)	10,995	9,303	11,546
Accrued jubilee vacation leave			
Liability amount	35	33	36
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in “Other liabilities”)	35	33	36
Other benefits			
Liability amount	652	552	639
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in “Other liabilities”)	652	552	639
Total[1]			
Amount by which the liability for employee benefits exceeds the plan assets included in “Other liabilities”	11,682	9,888	12,221
[1]Of which: for employee benefits abroad	63	61	84

2. Defined benefit plan

a. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Obligation in respect of expected benefit as at the beginning of the period	20,491	20,470	20,470
Service cost	49	45	175
Interest cost	134	132	573
Contributions by planholders	8	9	33
Actuarial loss (gain)	(327)	(3,278)	555
Changes in foreign exchange rates	17	1	(19)
Paid benefits	(198)	(628)	(1,296)
Obligation in respect of expected benefit as at the end of the reporting period	20,174	16,751	20,491
Obligation in respect of cumulative benefit as at the end of the reporting period	18,557	15,618	18,817

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

a. Obligation and funding status (cont.)

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Fair value of plan assets as at the beginning of the period	**8,945**	7,614	7,614
Actual return on plan assets	**282**	(423)	743
Plan contributions by the Bank	**43**	633	1,272
Contributions by planholders	**8**	9	33
Changes in foreign exchange rates	**18**	-	(31)
Paid benefits	**(117)**	(385)	(732)
Other	**-**	-	46
Fair value of plan assets as at the end of the reporting period	**9,179**	7,448	8,945
Funding status - net liability recognized at the end of the reporting period	**10,995**	9,303	11,546

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other liabilities" item	**10,995**	9,303	11,546
Net liability recognized at the end of the reporting period	**10,995**	9,303	11,546

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

	As at March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**4,925**	3,005	5,564
Closing balance of accumulated other comprehensive income	**4,925**	3,005	5,564

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

b. Expenditure for the period

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Service cost	**49**	45	175
Interest cost	**134**	132	573
Expected return on plan assets	**(99)**	(89)	(365)
Amortization of unrealized amounts - net actuarial loss	**131**	139	470
Other incl. restructuring	**-**	-	-
Total benefit cost, net	**215**	227	853
Total expense for defined contribution pension plan	**45**	48	181
Total expenses included in profit and loss	**260**	275	1,034

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Net actuarial loss (gain) for the period	**(510)**	(2,766)	177
Amortization of unrealized amounts - net actuarial loss	**(131)**	(139)	(470)
Changes in foreign exchange rates	**2**	2	(5)
Other	**-**	-	(46)
Total recognized in other comprehensive loss (income)	**(639)**	(2,903)	(344)
Total benefit cost, net	**215**	227	853
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(424)**	(2,676)	509

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 for the obligation

	March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	**0.98**	2.43	1.00
Rate of increase in the CPI	**1.91**	1.47	1.63
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 cost of the net benefit for the period

	March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	**1.00**	1.22	1.62
Expected long-term return on plan assets	**4.50**	5.50	4.59
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

b. The effect of a one percentage point change on the expected benefit obligation before tax effect

	Increase by one percentage point			Decrease by one percentage point		
	March 31		December 31	March 31		December 31
	2021	2020	2020	**2021**	2020	2020
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,767)**	(2,141)	(2,846)	**3,445**	2,634	3,549
Rate of increase in the CPI	**(660)**	(444)	(681)	**745**	496	766
Departure rate	**316**	212	320	**(306)**	(188)	(309)
Rate of compensation increase	**732**	496	755	**(650)**	(444)	(672)

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

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 employee 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).

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

4. Plan assets

b. Composition of the fair value of plan assets

	As at March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**332**	256	246
Equity securities	**1,730**	1,655	1,733
Government bonds	**380**	463	533
Corporate bonds	**1,073**	1,230	997
Other	**5,664**	3,844	5,436
Total	**9,179**	7,448	8,945

b. Fair value of plan assets by type of asset and allocation target for 2021

	Allocation target	Percentage of plan assets		
	December 31	March 31		December 31
	2021	**2021**	2020	2020
	Unaudited			Audited
	In %			
Cash and deposits with banks	3	**4**	3	3
Equity securities	19	**19**	22	19
Government bonds	6	**4**	6	6
Corporate bonds	11	**12**	17	11
Other	61	**61**	52	61
Total	100	**100**	100	100

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

5. Cash flows

a. Contributions

	Forecast[a]	For the three months ended March 31		For the year ended December 31
	2021	**2021**	2020	2020
	Unaudited			Audited
	In NIS million			
Contributions	**184**	**51**	642	1,305

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2021.

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

Year	In NIS million
2021	573
2022	746
2023	774
2024	827
2025	829
2026-2030	4,876
2031 and onwards	13,894
Total	22,519

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Treasury shares of the Bank

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 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"). In accordance with the temporary order, a banking corporation whose consolidated total assets equals or exceeds 24 percent of the banking system's total assets shall maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive is applicable to Leumi.

On March 22 2021, on the back of the development of the coronavirus event and its implications on the Israeli and global economies, the Banking Supervision Department decided to prolong, by an additional period of six months, the validity of the temporary order until September 30 2021 (the date on which the order expires). 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 corporation prior to the temporary order, whichever the lower.

In addition, pursuant to the circular dated March 22 2021, it was determined that for a period of six months from the expiry of the temporary order, a reduction of up to 0.3 percent in the capital ratios shall not be deemed as deviating from the required capital ratios, subject to stringent and conservative capital planning and to reporting to the Banking Supervision Department. Following the notice published by the Bank of Israel on March 7 2021, in addition to extending the validity of the temporary order and the capital reliefs contained therein to September 30 2021, the Banking Supervision Department expects the banking system in Israel to refrain from using its excess capital for dividend distribution purposes, at least until the expiry of the temporary order.

On November 15 2020, as part of the temporary order, the Bank of Israel published a circular amending Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", such that a banking corporation whose consolidated on-balance sheet assets is 24 percent or more than the total on-balance sheet assets of the banking system, shall comply with a leverage ratio of no less than 5.5 percent (in lieu of the 6 percent prior to the publication of the circular). 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 is applicable to Leumi as of the circular's publication date.

For information regarding the additional capital ratio relief of 1 percent of the outstanding balance of housing loans, please see Note 25A to the 2020 Annual Financial Statements.

According to the temporary provision, and the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as at March 31 2021 are 9.21 percent for Common Equity Tier 1 capital ratio and 12.71 percent for total capital ratio.

Dividend Distribution Policy

In accordance with the explanatory notes to the temporary order and the notice published by the Banking Supervision Department in March 2021, regarding the extension of the validity of the temporary order for an additional period of six months until September 30 2021, the Banking Supervision Department expects the banking system in Israel to refrain from using its excess capital for dividend distribution purposes, at least until the expiry of the temporary order.

For more information and for information regarding Leumi's dividend distribution policy, please see Note 25A to the 2020 Annual Financial Statements.

Note 9A – Equity (cont.)

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
May 26 2019	June 23 2019	29.27	437
August 13 2019	September 8 2019	24.95	369
November 26 2019	December 22 2019	20.87	306
February 26 2020	March 23 2020	20.29	297

Shelf Prospectus and Bond Issue

The Bank's shelf prospectus, under which securities can be offered, is effective through May 24 2021. On May 26 2021, the Bank's Board of Directors approved a new shelf prospectus, which shall be in effect for a period of two years from its publication. The prospectus was approved by the Israel Securities Authority.

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.
For information regarding the issuance of Subordinated Note Series $ 2031, issuance of Bonds Series 181, repayment of Subordinated Bonds Series 177, and repayment of Subordinated Bonds Series N during 2020, please see Note 25A to the 2020 Annual Financial Statements.

Early Redemption of Subordinated Capital Notes

On December 30 2020, the Board of Directors decided to redeem, by way of full early redemption, Subordinated Bonds Series 400, which were issued to the public in January 2016. Accordingly, on January 21 2021, NIS 0.9 billion in Subordinated Bonds Series 400 was redeemed. Following the full early redemption decision, published on December 30 2020, Subordinated Bonds Series 400 were not recognized in the Bank's regulatory capital as at December 31 2020.

On December 30 2020, the Bank's Board of Directors decided on full early redemption of Capital Notes Series 200 and 201, which were issued to the public in February 2010. Accordingly, on February 4 2021, NIS 2.3 billion in Capital Notes Series 200 and 201 was redeemed. The capital notes were included in the Bank's regulatory capital as at December 31 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 debts
5. Capital allocation for CVA risk

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

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - were 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 2021, the maximum instrument amount qualifying as regulatory capital is 10 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 18,868 million and the Common Equity Tier 1 capital - to NIS 40,446 million, compared with a book value of NIS 20,644 million for the pension liability and Common Equity Tier 1 capital of NIS 37,061 million.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at March 31 2021:

- Change in the volume of risk-weighted assets – risk-weighted assets amounted to NIS 344.7 billion at March 31 2021. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and total capital ratio by 0.03 percent and 0.04 percent, respectively.
- Change in Common Equity Tier 1 capital - Common Equity Tier 1 capital was NIS 40.4 billion as of March 31 2021. A decrease of NIS 100 million in the Common Equity Tier 1 capital will reduce the CET1 capital ratio by approx. 0.03 percent.

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

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital adjustments and deductions[b]	**40,446**	35,887	39,262
Tier 2 capital, after deductions	**10,333**	13,857	12,297
Total capital	**50,779**	49,744	51,559
Balance of risk-weighted assets			
Credit risk[b]	**317,777**	301,846[d]	303,356
Market risks	**4,488**	6,283	5,313
Operational risk	**22,458**	22,783	22,182
Total balance of risk-weighted assets	**344,723**	330,912	330,851
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.73%**	10.84%	11.87%
Ratio of total capital to risk-weighted assets	**14.73%**	15.03%	15.58%
Minimum CET 1 capital ratio set by the Banking Supervision Department[a]	**9.21%**	9.25%	9.23%
Minimum total capital ratio set by the Banking Supervision Department[a]	**12.71%**	12.75%	12.73%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted assets	**14.07%**	12.54%	13.82%
Ratio of total capital to risk-weighted assets	**15.25%**	13.48%	15.07%
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 Note 9.A above.

(b) These data include adjustments for the efficiency plans prescribed in the Banking Supervision Department'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, accordingly. On March 31 2021, a total of NIS 7 million was deducted from the balance of risk-weighted assets in respect of the adjustments to the efficiency plans (NIS 9 million was added as at March 31 2020, NIS 1 million was deducted as at December 31 2020). 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 minimum total capital ratio required under local regulation are 4.5 percent and 8 percent, respectively. These ratios are compounded by a capital conservation buffer of 2.5 percent.

(d) Reclassified.

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

C. Capital Components for the Calculation of Capital Ratios

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	39,118	36,245	37,664
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	283	336	295
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[(a)]	1,065	(531)	1,368
Total CET1 capital before regulatory adjustments and deductions	40,466	36,050	39,327
Regulatory adjustments and deductions:			
Goodwill and intangible assets	(179)	(132)	(150)
Deferred tax receivable	(55)	(442)	(188)
Regulatory adjustments and other deductions - CET1 capital	(17)	(23)	(13)
Total regulatory adjustments and deductions - CET1 capital	(251)	(597)	(351)
Total adjustments for the efficiency plan	231	434	286
Total CET1 capital, after regulatory adjustments and deductions	40,446	35,887	39,262
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	6,361	10,119	8,505
Tier 2 capital: Provisions for loan losses, before deductions	3,972	3,738	3,792
Total Tier 2 capital before deductions	10,333	13,857	12,297
Deductions:			
Total deductions - Tier 2 capital	-	-	-
Total Tier 2 capital	10,333	13,857	12,297
Total capital	50,779	49,744	51,559

(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 Adjustments for the Efficiency Plan on the CET1 Capital Ratio (cont.)

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted components before the effect of the transitional provisions and adjustments for the efficiency plan[a]	**11.67%**	10.71%	11.78%
Adjustments for the efficiency plan[b]	**0.06%**	0.13%	0.09%
Ratio of CET1 capital to risk-weighted assets	**11.73%**	10.84%	11.87%

(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.

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

On April 28 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Liquidity Coverage Ratio". The directive sets a simple, transparent and non-risk based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between 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 system'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.

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 circular). A banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent prior to the circular). Accordingly, Leumi is 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.

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

	As at March 31		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
a. Consolidated data[a]			
Tier 1 capital	**40,446**	35,887	39,262
Total exposures	**612,517**	557,829[b]	597,538
Leverage ratio			
Leverage ratio	**6.60%**	6.43%	6.57%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	6.00%	5.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage ratio	**10.85%**	11.49%	11.41%
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 0.03 percent as at March 31 2021 is charged over a 5-year period on a straight line basis as of their effective date (0.05 percent and 0.07 percent as at December 31 2020 and March 31 2020, 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) Reclassified.

F. Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department

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.)

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	130	128	137
Minimum liquidity coverage ratio set by the Banking Supervision Department[(a)]	100	100	100
b. The Bank's data			
Liquidity coverage ratio	128	126	136
Minimum liquidity coverage ratio set by the Banking Supervision Department	100	100	100

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

(a) The Bank is currently assessing the methodology of calculating the liquidity ratio. The Bank believes that a new methodology, if any, will leave the Bank with a substantially higher liquidity ratio than the relevant regulatory requirements. As a result, and in coordination with the Banking Supervision Department, the Bank has set, at this stage, an internal liquidity coverage ratio beyond the minimum liquidity coverage ratio of 115 percent required by the Banking Supervision Department.

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Other Special Commitments

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
(1) Commitments to purchase securities	**679**	821	669
(2) Commitments to invest in, and purchase, buildings and equipment	**38**	82	24

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
(4) Credit sale activity			
Book balance of sold loans	**-**	4[(a)]	-
Cash proceeds	**-**	4[(a)]	-
Total net income on sale of loans	**-**	-	-

(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 2020 included information regarding all pending material legal claims as of the reporting date. The following note contains information regarding material legal claims filed during the reporting period and thereafter, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding legal claims reported in Note 26 to the Annual Financial Statements in which no change occurred.

In the opinion of the management of the Bank and the managements of the consolidated companies - which are based on legal opinions regarding the expected results of such claims, including class action certification motions - the financial statements reflect adequate provisions, where needed, to cover any damages resulting from such claims.

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 240 million.

1. Following is information regarding material changes in the reporting period until the report publication date:

   1.1. A motion to approve a motion for class certification was filed against the Bank on April 29 2015. The claim amount was NIS 150 million. According to the applicant, funds of Holocaust survivors which were deposited with the Anglo Palestine Bank before World War II and which were not withdrawn by them during the war are paid to customers or their next of kin without being purportedly revalued to real terms. On February 11 2021, the District Court issued a ruling dismissing the motion for class action certification and on April 12 2021, the plaintiffs appealed the ruling to the Supreme Court.

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

1.2. On March 2 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two additional banks. According to the lawsuit, the banks are not entitled to charge large corporate customers a transaction recording fee ("line fee") in addition to the specific fees charged for various services. The plaintiff notes that the damage caused to the plaintiff is NIS 101.65 and does not note the damage assessment for the class.

2. Also pending against the Bank is a motion for class certification for a material amount, which – according to the Bank's management, which is based on legal opinions as to the odds of the motion being approved – it is impossible to estimate the odds of at this stage. For this reason, no provisions were made in respect of these motions:

2.1. On April 11 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against other banks and additional financial institutions. The plaintiffs claim that the defendants are compromising their clients' privacy and violating the duty of secrecy they are bound by, by transferring private information about the clients to third parties, in particular - Google. The claimants asses the personal damages caused to them in the amount of NIS 2,000 and are not stating a damages amount for the class.

3. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries, excluding that which is outlined in Note 26.E.2.1. to the financial statements as at December 31 2020.

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

A. Volume of Consolidated Activity

	March 31 2021 (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	1,751	13,222	14,973
Written options	1,500	6,575	8,075
Purchased options	-	2,746	2,746
Swaps[(a)]	21,193	197,868	219,061
Total[(b)]	24,444	220,411	244,855
Of which: Hedging derivatives[(c)]	6,911	-	6,911
b) Foreign currency contracts			
Futures and forwards[(d)]	41,230	245,050	286,280
Written options	1,021	34,563	35,584
Purchased options	1,021	33,844	34,865
Swaps[(a)]	683	19,648	20,331
Total	43,955	333,105	377,060
c) Stock contracts			
Futures and forwards	545	115,478	116,023
Written options	702	36,831	37,533
Purchased options[(e)]	621	36,940	37,561
Swaps	116	83,546	83,662
Total	1,984	272,795	274,779
d) Commodities and other contracts			
Futures and forwards	-	3,857	3,857
Written options	-	296	296
Purchased options	-	296	296
Swaps	-	184	184
Total	-	4,633	4,633
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total nominal amount	70,383	830,944	901,327

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 110,265 million.
(b) Of which: NIS-CPI swaps totaling NIS 12,495 million.
(c) Mainly including hedging transactions and interest rate swaps.
(d) Of which: Foreign exchange spots totaling NIS 15,474 million.
(e) Of which a total of NIS 36,573 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

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

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

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

A. Volume of Consolidated Activity (cont.)

	December 31 2020 (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	2,309	21,497	23,806
Written options	1,350	6,732	8,082
Purchased options	-	3,899	3,899
Swaps[(a)]	22,330	187,068	209,398
Total[(b)]	25,989	219,196	245,185
Of which: Hedging derivatives[(c)]	5,973	-	5,973
b) Foreign currency contracts			
Futures and forwards[(d)]	42,487	189,234	231,721
Written options	844	15,469	16,313
Purchased options	844	16,511	17,355
Swaps[(a)]	711	18,541	19,252
Total	44,886	239,755	284,641
c) Stock contracts			
Futures and forwards	462	134,763	135,225
Written options	824	22,340	23,164
Purchased options[(e)]	730	22,341	23,071
Swaps	73	75,894	75,967
Total	2,089	255,338	257,427
d) Commodities and other contracts			
Futures and forwards	-	2,778	2,778
Written options	-	254	254
Purchased options	-	254	254
Swaps	-	157	157
Total	-	3,443	3,443
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total nominal amount	72,964	717,732	790,696

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 103,343 million.
(b) Of which: NIS-CPI swaps totaling NIS 12,553 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: foreign exchange spots totaling NIS 12,852 million.
(e) Of which a total of NIS 22,272 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

	March 31 2021 (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	403	4,044	4,447	390	4,135	4,525
Of which: hedging derivatives	278	-	278	201	-	201
b) Foreign currency contracts	149	3,721	3,870	166	3,857	4,023
Of which: hedging derivatives	-	-	-	-	-	-
c) Stock contracts	26	4,546	4,572	33	4,542	4,575
d) Commodities and other contracts	-	175	175	-	174	174
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	578	12,486	13,064	589	12,708	13,297
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	578	12,486	13,064	589	12,708	13,297
Of which: Not subject to a master netting- or similar arrangement	18	323	341	-	474	474

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 28 million in gross fair value of liabilities in respect of embedded derivatives.

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

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

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

A. Volume of Consolidated Activity (cont.)

	December 31 2020 (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	263	4,926	5,189	633	5,070	5,703
Of which: hedging derivatives	94	-	94	384	-	384
b) Foreign currency contracts	33	4,829	4,862	354	6,117	6,471
Of which: hedging derivatives	-	-	-	-	-	-
c) Stock contracts	34	4,998	5,032	25	4,969	4,994
d) Commodities and other contracts	-	172	172	-	171	171
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	330	14,925	15,255	1,012	16,327	17,339
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	330	14,925	15,255	1,012	16,327	17,339
Of which: Not subject to a master netting- or similar arrangement	41	322	363	26	439	465

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 24 million in gross fair value of liabilities in respect of embedded derivatives.

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

B. Accounting Hedges

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

	For the three months ended March 31 2021	
	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 for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(36)	-

	For the three months ended March 31 2020	
	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 for cash flow hedges[(b)]		
Interest rate contracts[(c)]	45	-

	For the year ended December 31 2020	
	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 for cash flow hedges[(b)]		
Interest rate contracts[(c)]	43	-

(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.
(c) The US subsidiary designates certain derivatives as cash flow hedges - derivative hedging an exposure to changes in cash flows from given loans. The effect of hedges is expected to significantly lower the exposure to the given loans.

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 March 31 2021
	Unaudited
	In NIS million
Total interest income (expenses) recognized in the income statement	**(12)**
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts	
Hedged items	(398)
Hedging derivatives	386

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

	For the year ended December 31 2020
	Audited
	In NIS million
Total interest income (expenses) recognized in the income statement	(50)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts	
Hedged items	166
Hedging derivatives	(216)

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

B. Accounting Hedges (cont.)

3. Items hedged by fair value hedges

	As at March 31 2021 (unaudited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	6,066	-	17

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

	For the year ended December 31 2020 (audited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,465	303	14

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

B. Accounting Hedges (cont.)

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

	For the three months ended March 31 2021	
	Amounts carried to other comprehensive profit (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(73)	-

	For the three months ended March 31 2020	
	Amounts carried to other comprehensive profit (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(68)	-

	For the year ended December 31 2020	
	Amounts carried to other comprehensive profit (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Audited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	147	-

(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 March 31 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	156
Foreign exchange contracts	975
Stock contracts	50
Commodity- and other contracts	2
Total	1,183

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

	For the year ended December 31 2020
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(535)
Foreign exchange contracts	(1,071)
Stock contracts	182
Commodity- and other contracts	4
Total	(1,420)

(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

	March 31 2021 (unaudited)					
	Stock ex-changes	Banks	Dealers-/brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives[a][b]	242	5,121	4,042	85	3,574	13,064
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,398	3,094	28	1,821	8,341
Credit risk mitigation in respect of cash collateral received	-	1,568	772	57	993	3,390
Net amount of assets in respect of derivatives	242	155	176	-	760	1,333
Off-balance-sheet credit risk for derivatives[d][e]	384	6,314	4,915	106	8,913	20,632
Mitigation of off-balance-sheet credit risk	-	3,119	1,982	21	3,948	9,070
Net off-balance-sheet credit risk for derivatives	384	3,195	2,933	85	4,965	11,562
Total credit risk for derivatives	626	3,350	3,109	85	5,725	12,895
Book balance of liabilities in respect of derivatives[a][c]	152	4,774	3,398	28	4,945	13,297
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,398	3,094	28	1,821	8,341
Pledged cash collateral	-	1,172	303	-	1,678	3,153
Net amount of liabilities in respect of derivatives	152	204	1	-	1,446	1,803

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

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 2020 (audited)					
	Stock ex-changes	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives(a)(b)	228	8,871	2,764	166	3,226	15,255
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	6,204	1,409	28	1,714	9,355
Credit risk mitigation in respect of cash collateral received	-	2,304	1,020	135	325	3,784
Net amount of assets in respect of derivatives	228	363	335	3	1,187	2,116
Off-balance-sheet credit risk for derivatives(d)(e)	352	6,720	4,061	91	8,222	19,446
Mitigation of off-balance-sheet credit risk	-	2,230	912	9	4,431	7,582
Net off-balance-sheet credit risk for derivatives	352	4,490	3,149	82	3,791	11,864
Total credit risk for derivatives	580	4,853	3,484	85	4,978	13,980
Book balance of liabilities in respect of derivatives(a)(c)	191	7,525	1,562	28	8,033	17,339
Gross amounts not netted on the balance sheet:						
Financial instruments	-	6,204	1,409	28	1,714	9,355
Pledged cash collateral	-	1,025	148	-	4,321	5,494
Net amount of liabilities in respect of derivatives	191	296	5	-	1,998	2,490

(a) The Bank did not apply netting agreements.
(b) Of which the carrying amount of standalone assets in respect of derivatives totaling NIS 13,061 million (as at March 31 2020 - NIS 24,901 million; as at December 31 2020 - NIS 15,252 million).
(c) Of which the carrying amount of standalone liabilities in respect of derivatives totaling NIS 13,269 million (as at March 31 2020 - NIS 24,946 million; as at December 31 2020 - NIS 17,315 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 for the borrower's derivatives.

Comment:
No credit losses were recognized in respect of derivatives in the three-month period ended March 31 2021, in the corresponding period last year and in December 2020.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	March 31 2021 (unaudited)				
	Up to three months	Over 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	1,037	2,248	7,301	1,909	12,495
Other	19,081	40,163	101,952	71,164	232,360
Foreign exchange contracts	226,782	125,698	19,026	5,554	377,060
Stock contracts	211,052	63,322	405	-	274,779
Commodity- and other contracts	2,631	1,995	7	-	4,633
Total	460,583	233,426	128,691	78,627	901,327
Total as at March 31 2020 (unaudited)	523,195	290,888	168,731	89,860	1,072,674
Total as at December 31 2020 (audited)	410,873	180,462	127,916	71,445	790,696

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2020.

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 March 31 2021 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	920	611	13	2
Interest expense from external	43	-	-	17
Interest income, net:				
From external	877	611	13	(15)
Inter-segmental	(279)	(347)	-	26
Interest income (expense), net	598	264	13	11
Total noninterest income	258	13	58	42
Total income	856	277	71	53
Expenses (income) in respect of loan losses	(32)	(20)	(2)	-
Operating and other expenses:				
For external	696	75	57	26
Inter-segmental	6	-	-	-
Total operating and other expenses	702	75	57	26
Profit (loss) before taxes	186	222	16	27
Provision for income taxes (benefit)	65	80	6	10
Profit (loss) after taxes	121	142	10	17
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	121	142	10	17
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	121	142	10	17
Average balance of assets[(a)]	115,162	89,975	3,386	338
Of which: Investments in associates[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)]	115,913	90,317	3,426	331
Outstanding loans to the public as at the end of the reporting period	118,882	92,275	3,981	361
Balance of non-performing loans in respect of loans to the public	379	23	2	-
Outstanding debts in arrears of over 90 days	730	698	-	-
Average outstanding liabilities[(a)]	122,168	16	8	25,808
Of which: Average balance of deposits by the public[(a)]	122,104	-	-	25,806
Balance of deposits by the public as at the end of the reporting period	123,090	-	-	26,154
Average balance of risk-weighted assets[(a)(b)]	78,967	56,335	3,799	695
Balance of risk-weighted assets as at the end of the reporting period[(b)]	79,910	57,477	3,502	714
Average balance of assets under management[(a)(c)]	62,756	-	-	46,300
Breakdown of interest income, net:				
Spread from granting loans to the public	545	264	13	1
Spread from taking deposits by the public	53	-	-	10
Other	-	-	-	-
Total interest income, net	598	264	13	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 housing loans with NIS 14.6 billion in outstanding balance of loans to the public as at the end of the period in respect of customers whose business activity is classified to business segments.

Small- and micro-businesses	Mid-sized businesses	Corpo-rations	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
470	225	512	3	236	-	2,368	244	2,612
18	16	37	39	82	-	252	12	264
452	209	475	(36)	154	-	2,116	232	2,348
(23)	(22)	(101)	49	350	(2)	(2)	2	-
429	187	374	13	504	(2)	2,114	234	2,348
205	78	141	46	484	59	1,313	61	1,374
634	265	515	59	988	57	3,427	295	3,722
(43)	(41)	(136)	-	24	-	(228)	16	(212)
397	117	102	54	95	172	1,659	180	1,839
-	-	-	3	(9)	-	-	-	-
397	117	102	57	86	172	1,659	180	1,839
280	189	549	2	878	(115)	1,996	99	2,095
102	70	200	-	312	(28)	731	22	753
178	119	349	2	566	(87)	1,265	77	1,342
-	-	-	-	7	-	7	-	7
178	119	349	2	573	(87)	1,272	77	1,349
-	-	-	-	-	-	-	9	9
178	119	349	2	573	(87)	1,272	68	1,340
51,185	29,732	74,817	4,853	235,655	11,693	523,435	29,233	552,668
-	-	-	-	764	-	764	-	764
51,758	29,989	75,929	4,854	-	-	278,774	22,332	301,106
53,466	31,412	83,293	2,009	-	-	289,423	23,330	312,753
787	423	1,724	2	-	-	3,315	472	3,787
50	-	-	-	-	-	780	13	793
78,987	48,946	73,891	79,707	48,065	13,081	490,653	23,847	514,500
78,891	48,865	70,389	79,156	-	-	425,211	22,388	447,599
81,102	54,584	72,039	76,698	-	-	433,667	26,745	460,412
49,136	32,806	94,872	753	26,802	18,505	302,536	28,315	330,851
51,855	34,170	100,050	818	29,333	18,175	315,025	29,698	344,723
71,562	26,547	87,283	866,778	37,747	-	1,198,973	15,864	1,214,837
405	179	366	5	633	(2)	2,132	216	2,348
24	8	8	8	(274)	-	(163)	(12)	(175)
-	-	-	-	145	-	145	30	175
429	187	374	13	504	(2)	2,114	234	2,348

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31 2020[d] (unaudited)			
	Activity in Israel			
	Households[d]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	752	399	16	-
Interest expense from external	41	-	-	32
Interest income, net:				
From external	711	399	16	(32)
Inter-segmental	(62)	(160)	(1)	55
Total interest income, net	649	239	15	23
Total noninterest income (expenses)	266	15	59	39
Total income (expenses)	915	254	74	62
Expenses (income) in respect of loan losses	118	31	(4)	-
Operating and other expenses:				
For external	678	61	49	23
Inter-segmental	8	1	-	-
Total operating and other expenses	686	62	49	23
Profit (loss) before taxes	111	161	29	39
Provision for income taxes (benefit)	38	56	10	14
Profit (loss) after taxes	73	105	19	25
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before attribution to non-controlling interests	73	105	19	25
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	73	105	19	25
Average balance of assets[a]	111,023	83,806	3,932	341
Of which: Investments in associates[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	111,637	84,129	3,973	333
Outstanding loans to the public as at the end of the reporting period	112,642	85,328	3,749	317
Balance of non-performing loans in respect of loans to the public	312	-	1	-
Outstanding debts in arrears of over 90 days	882	824	-	-
Average outstanding liabilities[a]	108,813	22	8	23,736
Of which: Average balance of deposits by the public[a]	108,734	-	-	23,731
Balance of deposits by the public as at the end of the reporting period	115,912	-	-	26,734
Average balance of risk-weighted assets[a][b]	77,731	53,402	4,016	742
Balance of risk-weighted assets as at the end of the reporting period[b]	77,237	54,108	3,629	1,552
Average balance of assets under management[a][c]	66,781	-	-	44,382
Breakdown of interest income, net:				
Spread from granting loans to the public	561	239	15	-
Spread from taking deposits by the public	88	-	-	23
Other	-	-	-	-
Total interest income, net	649	239	15	23

(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 housing loans with NIS 13.4 billion in outstanding balance of loans to the public as at the end of the period in respect of customers whose business activity is classified to business segments.
(e) Reclassified.

Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
535	202	439	11	342	-	2,281	312	2,593
38	55	76	67	66	-	375	49	424
497	147	363	(56)	276	-	1,906	263	2,169
14	50	(21)	95	(120)	(2)	9	(9)	-
511	197	342	39	156	(2)	1,915	254	2,169
207	83	139	74	(635)	2	175	71	246
718	280	481	113	(479)	-	2,090	325	2,415
197	100	386	5	7	-	813	47	860
383	106	95	51	86	172	1,594	209	1,803
-	-	-	5	(13)	-	-	-	-
383	106	95	56	73	172	1,594	209	1,803
138	74	-	52	(559)	(172)	(317)	69	(248)
45	25	7	19	(174)	(29)	(55)	16	(39)
93	49	(7)	33	(385)	(143)	(262)	53	(209)
-	-	-	-	(14)	-	(14)	-	(14)
93	49	(7)	33	(399)	(143)	(276)	53	(223)
-	-	-	-	-	-	-	9	9
93	49	(7)	33	(399)	(143)	(276)	44	(232)
50,524	27,507	69,453	3,245	171,624	9,228	442,945	29,884	472,829
-	-	-	-	761	-	761	-	761
50,992	27,726	69,701	3,248	-	-	263,637	23,219	286,856
49,992	27,919	79,802	3,039	-	-	273,711	24,744	298,455
699	285	720	-	-	-	2,016	488	2,504
72	-	16	-	-	-	970	2	972
62,725	39,423	56,128	65,666	43,405	14,222	414,118	23,212	437,330
62,334	39,337	53,113	65,108	-	-	352,357	22,364	374,721
66,958	42,411	64,602	76,531	-	-	393,148	25,479	418,627
48,528	31,321	83,973	1,014	24,953	17,675	285,937	30,527	316,464
48,764	31,208	91,883	930	28,150	18,538	298,262	32,650	330,912
57,405	24,711	79,825	814,714	29,892	-	1,117,710	17,100	1,134,810
460	159	314	3	442	(2)	1,937	281	2,218
51	38	28	36	(567)	-	(303)	(50)	(353)
-	-	-	-	281	-	281	23	304
511	197	342	39	156	(2)	1,915	254	2,169

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31 2020 (audited)			
	Activity in Israel			
	Households[d]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	3,362	2,038	59	4
Interest expense from external	178	-	-	107
Interest income, net:				
From external	3,184	2,038	59	(103)
Inter-segmental	(690)	(1,043)	(3)	160
Total interest income, net	2,494	995	56	57
Total noninterest income	984	61	226	151
Total income	3,478	1,056	282	208
Expenses (income) in respect of loan losses	445	174	(1)	-
Operating and other expenses:				
For external	2,567	243	211	83
Inter-segmental	21	-	-	-
Total operating and other expenses	2,588	243	211	83
Profit (loss) before taxes	445	639	72	125
Provision for income taxes (benefit)	163	236	28	47
Profit (loss) after taxes	282	403	44	78
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	282	403	44	78
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	282	403	44	78
Average balance of assets[a]	111,951	86,354	3,728	314
Of which: Investments in associates[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	112,629	86,766	3,767	307
Outstanding loans to the public as at the end of the reporting period	116,345	90,133	4,007	320
Balance of non-performing loans in respect of loans to the public	362	26	1	-
Outstanding debts in arrears of over 90 days	758	720	-	-
Average outstanding liabilities[a]	117,069	20	8	25,653
Of which: Average balance of deposits by the public[a]	116,986	-	-	25,650
Balance of deposits by the public as at the end of the reporting period	121,146	-	-	26,082
Average balance of risk-weighted assets[a][b]	77,577	54,266	3,730	1,349
Balance of risk-weighted assets as at the end of the reporting period[b]	78,967	56,335	3,799	695
Average balance of assets under management[a][c]	61,996	-	-	41,741
Breakdown of interest income, net:				
Spread from granting loans to the public	2,207	995	56	2
Spread from taking deposits by the public	287	-	-	55
Other	-	-	-	-
Total interest income, net	2,494	995	56	57

(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 housing loans with NIS 14.2 billion in outstanding balance of loans to the public as at the end of the period in respect of customers whose business activity is classified to business segments.

							Foreign operations	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,950	825	1,868	18	1,091	-	9,118	1,057	10,175
128	156	198	196	376	-	1,339	113	1,452
1,822	669	1,670	(178)	715	-	7,779	944	8,723
(20)	55	(229)	251	487	(6)	8	(8)	-
1,802	724	1,441	73	1,202	(6)	7,787	936	8,723
773	290	549	207	1,127	22	4,103	263	4,366
2,575	1,014	1,990	280	2,329	16	11,890	1,199	13,089
569	285	1,001	(1)	(29)	-	2,270	282	2,552
1,531	421	376	214	359	717	6,268	778	7,046
-	-	-	17	(38)	-	-	-	-
1,531	421	376	231	321	717	6,268	778	7,046
475	308	613	50	2,037	(701)	3,352	139	3,491
177	117	219	19	804	(229)	1,317	39	1,356
298	191	394	31	1,233	(472)	2,035	100	2,135
-	-	-	-	(13)	-	(13)	-	(13)
298	191	394	31	1,220	(472)	2,022	100	2,122
-	-	-	-	-	-	-	20	20
298	191	394	31	1,220	(472)	2,022	80	2,102
49,304	27,875	71,631	4,030	207,738	9,225	482,068	31,300	513,368
-	-	-	-	743	-	743	-	743
49,873	28,197	72,320	4,033	-	-	267,359	23,656	291,015
50,658	29,502	77,154	4,386	-	-	278,365	22,266	300,631
821	448	1,758	1	-	-	3,390	629	4,019
38	-	4	-	-	-	800	14	814
70,842	43,406	62,972	72,039	47,376	11,487	450,844	25,329	476,173
70,749	43,319	59,951	71,482	-	-	388,137	24,093	412,230
77,259	47,145	72,512	80,499	-	-	424,643	22,388	447,031
48,452	31,374	88,399	919	27,515	18,396	293,981	30,724	324,705
49,136	32,806	94,872	753	26,802	18,505	302,536	28,315	330,851
59,238	23,901	62,860	794,455	40,228	-	1,084,419	17,277	1,101,696
1,678	662	1,386	14	2,090	(7)	8,032	937	8,969
124	62	55	59	(1,583)	-	(941)	(112)	(1,053)
-	-	-	-	695	1	696	111	807
1,802	724	1,441	73	1,202	(6)	7,787	936	8,723

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 2020.

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

	For the three months ended March 31 2021 (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, net:												
From external	286	265	613	1,164	328	272	234	93	1	23	233	2,348
Inter-segmental	165	14	(297)	(118)	(4)	(80)	(18)	218	-	1	1	-
Interest income, net	451	279	316	1,046	324	192	216	311	1	24	234	2,348
Noninterest income	363	113	4	480	113	57	78	388	89	108	61	1,374
Total income	814	392	320	1,526	437	249	294	699	90	132	295	3,722
Expenses (income) in respect of loan losses	(11)	(52)	(15)	(78)	(4)	(68)	(121)	36	6	1	16	(212)
Total operating and other expenses	691	236	75	1,002	189	74	29	103	214	48	180	1,839
Profit (loss) before tax	134	208	260	602	252	243	386	560	(130)	83	99	2,095
Provision for taxes	46	71	89	206	86	83	132	192	12	20	22	753
Net income (loss) attributable to the Bank's shareholders	88	137	171	396	166	160	254	369	(142)	69	68	1,340
Balances as at March 31 2021												
Loans to the public, net	27,938	24,534	93,277	145,749	46,766	42,644	35,107	7,859	5,703	820	22,913	307,561
Deposits by the public	184,654	49,134	-	233,788	75,069	26,449	10,650	87,708	3	-	26,745	460,412
Assets under management	195,649	20,000	-	215,649	29,044	9,398	1,189	639,975	25,301	331,406	18,089	1,270,051

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

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

	For the three months ended March 31 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	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	320	309	397	1,026	252	192	192	195	-	49	263	2,169
Inter-segmental[(a)]	205	12	(119)	98	61	(25)	(26)	(107)	2	6	(9)	-
Interest income, net	525	321	278	1,124	313	167	166	88	2	55	254	2,169
Noninterest income (expenses)[(a)]	374	128	12	514	120	67	81	(613)	(2)	8	71	246
Total income (expenses)	899	449	290	1,638	433	234	247	(525)	-	63	325	2,415
Expenses (income) in respect of loan losses	119	158	36	313	122	338	37	5	(7)	5	47	860
Total operating and other expenses	686	261	62	1,009	142	56	30	99	208	50	209	1,803
Profit (loss) before tax	94	30	192	316	169	(160)	180	(629)	(201)	8	69	(248)
Provision (benefit) for tax	32	10	66	108	58	(55)	62	(215)	(18)	5	16	(39)
Net income (loss) attributable to the Bank's shareholders	62	20	126	208	111	(105)	118	(414)	(183)	(11)	44	(232)
Balances as at March 31 2020												
Loans to the public, net	28,655	24,519	86,591	139,765	41,843	45,250	27,964	9,275	5,132	808	24,449	294,486
Deposits by the public	174,236	42,479	-	216,715	57,180	24,643	8,984	85,622	4	-	25,479	418,627
Assets under management	156,599	14,838	-	171,437	19,721	9,090	1,665	496,128	16,250	293,060	17,787	1,025,138

(a) As Q1 2021, it was decided to allocate a material portion of the ALM activity to the various P&Ls. To present comparative information, the comparative results were reclassified.

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

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

	For the year ended December 31 2020 (audited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Com-mercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	1,126	1,142	2,047	4,315	1,118	880	834	510	-	128	938	8,723
Inter-segmental[(a)]	774	38	(891)	(79)	103	(205)	(111)	287	-	7	(2)	-
Interest income, net	1,900	1,180	1,156	4,236	1,221	675	723	797	-	135	936	8,723
Noninterest income[(a)]	1,362	459	38	1,859	428	244	312	879	127	254	263	4,366
Total income	3,262	1,639	1,194	6,095	1,649	919	1,035	1,676	127	389	1,199	13,089
Expenses (income) in respect of loan losses	333	482	178	993	352	762	210	(18)	(33)	4	282	2,552
Total operating and other expenses	2,610	951	245	3,806	667	227	125	382	871	190	778	7,046
Profit (loss) before tax	319	206	771	1,296	630	(70)	700	1,312	(711)	195	139	3,491
Provision (benefit) for tax	109	70	264	443	215	(24)	239	448	(45)	41	39	1,356
Net income (loss) attributable to the Bank's shareholders	210	136	507	853	415	(46)	461	866	(666)	139	80	2,102
Balances as at December 31 2020												
Loans to the public, net	27,530	24,253	91,313	143,096	44,626	39,389	31,559	8,700	5,339	790	21,842	295,341
Deposits by the public	181,676	47,710	-	229,386	65,775	28,390	10,149	90,938	5	-	22,388	447,031
Assets under management	183,752	19,455	-	203,207	25,909	10,043	2,336	585,627	21,484	312,520	16,529	1,177,655

(a) As Q1 2021, it was decided to allocate a material portion of the ALM activity to the various P&Ls. To present comparative information, the comparative results were reclassified.

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

A. Debts[(a)] and Off-Balance-Sheet Credit Instruments

1. Change in outstanding loan loss provision

	For the three months ended March 31 2021 (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	4,284	636	792	5,712	3	5,715
Loan loss income	(180)	(19)	(13)	(212)	-	(212)
Accounting write-offs	(114)	(3)	(74)	(191)	-	(191)
Collection of debts written off in previous years	241	-	71	312	-	312
Net accounting write-offs	127	(3)	(3)	121	-	121
Adjustments from translation of financial statements	10	-	-	10	-	10
Balance of loan loss provision as at the end of the reporting period[1]	4,241	614	776	5,631	3	5,634
[1]Of which: in respect of off-balance-sheet credit instruments	422	-	17	439	-	439

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

(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.

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

A. Debts[(a)] and Off-Balance-Sheet Credit Instruments (cont.)

2. Additional information on calculating the loan loss provision for debts[(a)] and for the debts[(a)] for which it was calculated

	March 31 2021 (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	151,403	-	818	152,221	15,188	167,409
Examined on a collective basis[1]	42,256	92,528	25,748	160,532	2,063	162,595
[1]Of which: the provision for which was calculated by the extent of arrears	638[(c)]	92,405	-	93,043	-	93,043
Total debts[(a)]	193,659	92,528	26,566	312,753	17,251	330,004
Balance of loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,141	-	238	3,379	3	3,382
Examined on a collective basis[2]	678	614	521	1,813	-	1,813
[2]Of which: the provision for which was calculated by extent of arrears	1	612[(b)]	-	613	-	613
Total loan loss provision[3]	3,819	614	759	5,192	3	5,195
[3]Of which: for impaired non-performing debts	899	6	225	1,130	-[(d)]	1,130

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

(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 454 million as of March 31 2021 (March 31 2020 - NIS 301 million).
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.

Note 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 2020 (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	143,317	24	786	144,127	10,879	155,006
Examined on a collective basis[1]	40,741	90,365	25,398	156,504	158	156,662
[1]Of which: the provision for which was calculated by the extent of arrears	624[(c)]	90,237	-	90,861	-	90,861
Total debts[(a)]	184,058	90,389	26,184	300,631	11,037	311,668
Balance of loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,135[(e)]	1	228	3,364	3	3,367
Examined on collective basis[2]	747[(e)]	635	544	1,926	-	1,926
[2]Of which: the provision for which was calculated by extent of arrears	-[(d)]	634[(b)]	-	634	-	634
Total loan loss provision[3]	3,882	636	772	5,290	3	5,293
[3]Of which: for impaired non-performing debts	911[(e)]	7	212	1,130	-[(d)]	1,130

(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 460 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.)

B. Debts[a]

1. Credit quality and arrears

	March 31 2021 (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]	31,409	122	65	31,596	5	40
Construction & real estate - real estate activities[g]	30,952	136	328	31,416	15	89
Financial services	18,702	9	5	18,716	1	11
Commercial - other	75,339	1,698	1,539	78,576	29	95
Commercial - total	156,402	1,965	1,937	160,304	50	235
Private individuals - housing loans	91,674	700[f]	23	92,397	698	525
Private individuals - other	25,554	284	356	26,194	32	116
Total loans to the public - activity in Israel	273,630	2,949	2,316	278,895	780	876
Banks in Israel	1,134	-	-	1,134	-	-
Government of Israel	53	-	-	53	-	-
Total activity in Israel	274,817	2,949	2,316	280,082	780	876
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	12,347	558	245	13,150	-	427
Commercial - other	17,965	1,015	1,225	20,205	13	419
Commercial - total	30,312	1,573	1,470	33,355	13	846
Private individuals	502	-	1	503	-	-
Total loans to the public - activity overseas	30,814	1,573	1,471	33,858	13	846
Foreign banks	15,368	-	-	15,368	-	-
Foreign governments	688	-	8	696	-	-
Total activity outside Israel	46,870	1,573	1,479	49,922	13	846
Total - Public	304,444	4,522	3,787	312,753	793	1,722
Total - banks	16,502	-	-	16,502	-	-
Governments - total	741	-	8	749	-	-
Total	321,687	4,522	3,795	330,004	793	1,722

Please see comments below.

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

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

1. Credit quality and delinquency (cont.)

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

Please see comments below.

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

B. Debts[a] (cont.)

1. Credit quality and delinquency (cont.)

	December 31 2020 (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	28,608	128	110	28,846	9	29
Construction & real estate - real estate activities	29,016	99	325	29,440	3	22
Financial services	19,341	7	4	19,352	1	28
Commercial - other	72,133	1,634	1,594	75,361	29	118
Commercial - total	149,098	1,868	2,033	152,999	42	197
Private individuals - housing loans	89,480	722[f]	26	90,228	720	512
Private individuals - other	25,156	304	336	25,796	38	104
Total loans to the public - activity in Israel	263,734	2,894	2,395	269,023	800	813
Banks in Israel	1,631	-	-	1,631	-	-
Government of Israel	9	-	-	9	-	-
Total activity in Israel	265,374	2,894	2,395	270,663	800	813
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,341	576	287	12,204	-	226
Commercial - other	16,406	1,137	1,312	18,855	14	187
Commercial - total	27,747	1,713	1,599	31,059	14	413
Private individuals	524	-	25	549	-	-
Total loans to the public - activity overseas	28,271	1,713	1,624	31,608	14	413
Foreign banks	8,774	-	-	8,774	-	-
Foreign governments	608	-	15	623	-	-
Total activity outside Israel	37,653	1,713	1,639	41,005	14	413
Total - public	292,005	4,607	4,019	300,631	814	1,226
Total - banks	10,405	-	-	10,405	-	-
Governments - total	617	-	15	632	-	-
Total	303,027	4,607	4,034	311,668	814	1,226

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 debts do not accrue interest income. For information regarding certain impaired non-performing debts restructured as part of troubled debts restructuring, please see Note 13.B.2.c. below.

(d) Classified as unimpaired troubled debts. Accrue interest income.

(e) Accrue interest income. Debts in arrears of 30 to 89 days totaling NIS 419 million (as at March 31 2020 - NIS 222 million; as at December 31 2020 - NIS 472 million) were classified as unimpaired troubled debts.

(f) Including outstanding housing loans in the amount of NIS 80 million (March 31 2020 - NIS 81 million, December 31 2020 - NIS 78 million) with a provision by the extent of arrears, for which an agreement was signed for the borrower to repay the overdue balance, which involves changes in the repayment schedule of outstanding future payments.

(g) 3.4 percent of the credit granted for income-generating properties through the Bank's Construction and Real Estate Department requires LTV rates in excess of 85 percent.

(h) Outstanding unimpaired debts in arrears of at least 90 days as at March 31 2021, in the amount of NIS 780 million constitutes credit granted by the Bank, of which NIS 82 million is for non-housing loans and NIS 698 million - for housing loans, of which a total of NIS 198 million is in arrears of up to 149 days, NIS 145 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.

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 until December 31 2020, 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.5 and Note 1.W.5 to the 2020 Annual Financial Statements.

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

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

2. Additional information on impaired non-performing debts

a. Impaired non-performing debts and specific provision

	March 31 2021 (unaudited)				
	Outstanding[(b)] impaired non-performing debts in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding[(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 debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	46	12	19	65	299
Construction & real estate - real estate activities	191	21	137	328	1,081
Financial services	4	1	1	5	403
Commercial - other	1,101	431	438	1,539	3,208
Commercial - total	1,342	465	595	1,937	4,991
Private individuals - housing loans	-	-	23	23	23
Private individuals - other	354	224	2	356	859
Total loans to the public - activity in Israel	1,696	689	620	2,316	5,873
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	245	109	-	245	307
Commercial - other	1,168	325	57	1,225	1,392
Commercial - total	1,413	434	57	1,470	1,699
Private individuals	1	1	-	1	2
Total loans to the public - activity overseas	1,414	435	57	1,471	1,701
Foreign governments	8	-[(d)]	-	8	8
Total activity outside Israel	1,422	435	57	1,479	1,709
Total - Public	3,110	1,124	677	3,787	7,574
Governments - total	8	-	-	8	8
Total	3,118	1,124	677	3,795	7,582
Of which:					
Measured according to the present value of cash flows	2,635	967	556	3,191	
Restructured troubled debt	2,388	716	396	2,784	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) Balances of less than NIS 1 million.

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

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

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

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

	March 31 2020 (unaudited)				
	Outstanding[(b)] impaired non-performing debts in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding[(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 debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	49	11	62	111	358
Construction & real estate - real estate activities	56	2	118	174	959
Financial services	3	1	1	4	410
Commercial - other	734	249	514	1,248	3,169
Commercial - total	842	263	695	1,537	4,896
Private individuals - other	309	177	3	312	773
Total loans to the public - activity in Israel	1,151	440	698	1,849	5,669
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	312	56	-	312	385
Commercial - other	224	59	118	342	385
Commercial - total	536	115	118	654	770
Private individuals	1	1	-	1	1
Total loans to the public - activity overseas	537	116	118	655	771
Total - public	1,688	556	816	2,504	6,440
Of which:					
Measured according to the present value of cash flows	1,430	496	609	2,039	
Restructured troubled debt	653	208	277	930	

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

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

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

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

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

	December 31 2020 (audited)				
	Outstanding[(b)] impaired non-performing debts in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding[(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 debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	47	14	63	110	357
Construction & real estate - real estate activities	195	21	130	325	1,086
Financial services	1	1	3	4	403
Commercial - other	1,107	428	487	1,594	3,431
Commercial - total	1,350	464	683	2,033	5,277
Private individuals - housing loans	-	-	26	26	26
Private individuals - other	334	212	2	336	834
Total loans to the public - activity in Israel	1,684	676	711	2,395	6,137
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	287	94[(e)]	-	287	358
Commercial - other	1,267	353[(e)]	45	1,312	1,357
Commercial - total	1,554	447	45	1,599	1,715
Private individuals	24	1	1	25	25
Total loans to the public - activity overseas	1,578	448	46	1,624	1,740
Foreign governments	15	-[(d)]	-	15	15
Total activity outside Israel	1,593	448	46	1,639	1,755
Total - Public	3,262	1,124	757	4,019	7,877
Governments - total	15	-	-	15	15
Total	3,277	1,124	757	4,034	7,892
Of which:					
Measured according to the present value of cash flows	2,675	947	594	3,269	
Restructured troubled debt	2,148	589	493	2,641	

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

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

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

b. Average balance and interest income

	For the three months ended March 31					
	2021			2020		
	Average outstan-ding[(b)] impaired non-performing debt	Recorded interest income[(c)(d)]	Of which: recorded on a cash basis	Average outstan-ding[(b)] impaired non-performing debt	Recorded interest income[(c)(d)]	Of which: recorded on a cash basis
	Unaudited					
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	88	1	1	95	-	-[(e)]
Construction & real estate - real estate activities	327	1	1	237	1	-[(e)]
Financial services	5	-	-[(e)]	4	-	-[(e)]
Commercial - other	1,564	3	-[(e)]	1,182	2	-[(e)]
Commercial - total	**1,984**	**5**	**2**	**1,518**	**3**	**-**
Private individuals - housing loans	12	-	-	-	-	-
Private individuals - other	346	2	-[(e)]	311	1	-[(e)]
Total loans to the public - activity in Israel	**2,342**	**7**	**2**	**1,829**	**4**	**-**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	271	-	-	339[(f)]	-	-
Commercial - other	1,010	-	-	269	1	1
Commercial - total	**1,281**	**-**	**-**	**608**	**1**	**1**
Private individuals	25	-	-	1	-	-
Total loans to the public - activity overseas	**1,306**	**-**	**-**	**609**	**1**	**1**
Foreign governments	11	-	-	-	-	-
Total activity outside Israel	**1,317**	**-**	**-**	**609**	**1**	**1**
Total - Public	**3,648**	**7**	**2**	**2,438**	**5**	**1**
Governments - total	**11**	**-**	**-**	**-**	**-**	**-**
Total	**3,659**	**7**	**2**	**2,438**	**5**	**1**

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded average outstanding debt of impaired non-performing debts in the reporting period.
(c) Interest income recorded for the reporting period in respect of the average outstanding impaired non-performing debts during the period in which the debts were classified as impaired non-performing.
(d) Were the impaired non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 134 million would be recorded for the three-month period ended March 31 2021 (March 31 2020 - NIS 93 million).
(e) Balances of less than NIS 1 million.
(f) Reclassified.

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

B. Debts[a](cont.)

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

c. Troubled debts under restructuring

	As at March 31 2021				As at March 31 2020			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Accrual,[b] non-delin-quent	Total [c]	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[b]	Accrual,[b] non-delin-quent	Total [c]
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - construction	27	1	15	43	25	1	14	40
Construction & real estate - real estate activities	186	2	70	258	69	-	72	141
Financial services	2	-	1	3	3	-	1	4
Commercial - other	729	8	339	1,076	313	14	105	432
Commercial - total	**944**	**11**	**425**	**1,380**	410	15	192	617
Private individuals - other	191	5	143	339	209	6	78	293
Total loans to the public - activity in Israel	**1,135**	**16**	**568**	**1,719**	619	21	270	910
Borrower activity outside Israel								
Public - commercial								
Construction and real estate	11	-	-	11	5	-	-	5
Commercial - other	1,053	-	1	1,054	9	-	6	15
Commercial - total	**1,064**	**-**	**1**	**1,065**	14	-	6	20
Private individuals	-	-	-	-	-	-	-	-
Total loans to the public - activity overseas	**1,064**	**-**	**1**	**1,065**	14	-	6	20
Total - public	**2,199**	**16**	**569**	**2,784**	633	21	276	930

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

Comment: Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 2 million as at March 31 2021 (as at March 31 2020, there were no commitments for provision of additional credit to accounts receivable for which restructuring of troubled debt was carried out, which included changes in the credit terms and conditions).

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

B. Debts[a](cont.)

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

c. Troubled debts under restructuring (cont.)

	December 31 2020			
	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	72	1	14	87
Construction & real estate - real estate activities	192	-	67	259
Financial services	1	-	1	2
Commercial - other	562	8	325	895
Commercial - total	827	9	407	1,243
Private individuals - other	187	4	126	317
Total loans to the public - activity in Israel	1,014	13	533	1,560
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	17	-	-	17
Commercial - other	1,060	-	4	1,064
Commercial - total	1,077	-	4	1,081
Private individuals	-	-	-	-
Total loans to the public - activity overseas	1,077	-	4	1,081
Total - public	2,091	13	537	2,641

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

Comment: Commitments for granting additional loan to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 20 million as at December 31 2020.

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

B. Debts[a](cont.)

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

c. Troubled debts under restructuring(cont.)

1. Debt restructurings

	For the three months ended March 31					
	2021			2020		
	No. of contracts	Recorded outstan-ding debt before restruc-turing	Recorded outstan-ding debt after restruc--turing	No. of contracts	Recorded outstandi ng debt before restru-cturing	Recorded outstan-ding debt after restruc-turing
	Unaudited					
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	39	8	8	93	6	6
Construction & real estate - real estate activities	12	8	8	26	7	7
Financial services	5	1	1	5	-	-
Commercial - other	308	305	305	530	150	146
Commercial - total	**364**	**322**	**322**	**654**	**163**	**159**
Private individuals - other	1,208	70	70	1,473	51	50
Total loans to the public - activity in Israel	**1,572**	**392**	**392**	**2,127**	**214**	**209**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	-	-	-	1	6	6
Commercial - other	1	10	10	-	-	-
Commercial - total	**1**	**10**	**10**	**1**	**6**	**6**
Total loans to the public - activity overseas	**1**	**10**	**10**	**1**	**6**	**6**
Total - Public	**1,573**	**402**	**402**	**2,128**	**220**	**215**

(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.

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

B. Debts[a](cont.)

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

c. Troubled debts under restructuring (cont.)

2. Failed restructurings[b]

	For the three months ended March 31 (unaudited)			
	2021		2020	
	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	40	4	53	4
Construction & real estate - real estate activities	11	1	15	8
Financial services	1	-[d]	2	-[d]
Commercial - other	276	40	249	35
Commercial - total	**328**	**45**	319	47
Private individuals - other	554	17	553	17
Total loans to the public - activity in Israel	**882**	**62**	872	64
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	1	-[d]	-	-
Commercial - total	**1**	**-**	-	-
Total loans to the public - foreign operations	**1**	**-**	-	-
Total - Public	**883**	**62**	872	64

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(c) The outstanding debt recorded as at the end of the quarter in which the failure occurred.
(d) Balances of less than NIS 1 million.

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

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

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV)[(b)], type of repayment and interest

		March 31 2021 (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%	59,137	1,526	37,288	2,823
	More than 60%	33,386	622	21,443	484
Unpledged secondary lien		5	-	3	-
Total		92,528	2,148	58,734	3,307

		March 31 2020 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	55,470	1,673	35,495	2,499
	More than 60%	30,145	676	19,897	464
Unpledged secondary lien		12	-	9	-
Total		85,627	2,349	55,401	2,963

		December 31 2020 (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%	58,016	1,525	36,610	2,818
	More than 60%	32,366	611	20,923	409
Unpledged secondary lien		7	-	4	-
Total		90,389	2,136	57,537	3,227

(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.

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

C. Off-Balance-Sheet Financial Instruments

	March 31				December 31	
	2021		2020		2020	
	Outstan-ding loan contracts[(a)]	Outstan-ding loan loss provision	Outstan-ding loan contracts[(a)]	Outstan-ding loan loss provision	Outstan-ding loan contracts[(a)]	Outstan-ding loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**1,450**	**4**	995	3	1,070	3
Loan guarantees	**5,520**	**76**	5,107	73	5,254	68
Guarantees for apartment buyers	**21,654**	**19**	20,964	19	20,141	18
Guarantees and other commitments[(b)]	**16,990**	**173**	16,352	179	17,171	172
Unutilized credit card credit facilities	**7,561**	**7**	15,536	14	15,670	15
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,773**	**27**	12,673	27	12,841	28
Irrevocable loan commitments approved but not yet granted[1]	**36,173**	**114**	26,030	83	32,567	98
Commitments to issue guarantees	**20,731**	**19**	15,922	16	20,460	20
Unutilized credit facilities for derivatives activity	**3,033**	**-**	3,619	-	3,083	-
Approval in principle to maintain interest rate[(c)]	**6,268**	**-**	3,565	-	7,175	-

1. Of which: Credit exposures in respect of an unutilized obligation to provide liquidity to securitization entities under the auspices of others as at March 31 2020 in the amount of NIS 214 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 430 million (as at March 31 2020 and as at December 31 2020 in the amounts of NIS 431 million and NIS 421 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 by Repayment Date

	March 31 2021 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,071	975	129	345	5,520
Guarantees for apartment buyers	-	21,654	-	-	21,654
Guarantees and other commitments	9,802	5,100	1,045	1,043	16,990
Total guarantees	13,873	27,729	1,174	1,388	44,164

	March 31 2020 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,788	915	139	265	5,107
Guarantees for apartment buyers	-	20,964	-	-	20,964
Guarantees and other commitments	9,495	4,840	905	1,112	16,352
Total guarantees	13,283	26,719	1,044	1,377	42,423

	December 31 2020 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,590	1,225	153	286	5,254
Guarantees for apartment buyers	-	20,141	-	-	20,141
Guarantees and other commitments	10,198	4,929	957	1,087	17,171
Total guarantees	13,788	26,295	1,110	1,373	42,566

The following collateral information reflects collaterals 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 381 million (as at March 31 2020 - NIS 331 million, as at December 31 2020 - NIS 347 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 9 million (as at March 31 2020 - NIS 9 million, December 31 2020 - NIS 11 million).

Note 14 - Assets and Liabilities by Linkage Basis

	March 31 2021 (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	123,811	-	11,241	1,442	1,738	1,747	139,979
Securities	27,205	5,399	42,691	3,420	4,132	4,838	87,685
Securities borrowed or purchased under reverse repurchase agreements	465	-	3,113	-	1,052	-	4,630
Loans to the public, net[c]	221,197	44,772	31,356	3,323	6,006	907	307,561
Loans to governments	53	-	574	122	-	-	749
Investments in associates	-	-	-	-	-	790	790
Buildings and equipment	-	-	-	-	-	2,832	2,832
Assets in respect of derivatives	2,761	57	5,189	111	404	4,539	13,061
Intangible assets and goodwill	-	-	-	-	-	15	15
Other assets	6,222	4	1,095	-	40	1,271	8,632
Total assets	381,714	50,232	95,259	8,418	13,372	16,939	565,934
Liabilities							
Deposits by the public	311,152	11,297	119,387	10,281	5,667	2,628	460,412
Deposits by banks	14,419	-	1,837	789	85	48	17,178
Deposits by governments	124	-	94	10	-	-	228
Securities loaned or sold under repurchase agreements	278	-	257	-	-	-	535
Bonds, promissory notes and subordinated bonds	2,842	7,752	2,514	-	-	-	13,108
Liabilities for derivatives	3,438	232	4,385	199	495	4,520	13,269
Other liabilities	8,605	11,794	706	20	131	393	21,649
Total liabilities	340,858	31,075	129,180	11,299	6,378	7,589	526,379
Difference[d]	40,856	19,157	(33,921)	(2,881)	6,994	9,350	39,555
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(22,845)	(1,392)	28,844	2,529	(7,681)	545	-
In the money options, net (according to underlying asset)	(3,910)	-	3,892	(12)	30	-	-
Out of the money options, net (according to underlying asset)	1,756	-	(1,807)	143	(107)	15	-
Grand total	15,857	17,765	(2,992)	(221)	(764)	9,910	39,555
In the money options, net (discounted nominal value)	(5,452)	-	5,377	37	38	-	-
Out of the money options, net (discounted nominal value)	6,282	-	(7,385)	1,134	(256)	225	-

(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 5,192 million.
(d) Shareholders' equity includes non-controlling interests.

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

	March 31 2020 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	75,864	-	22,130	3,875	1,048	254	103,171
Securities	41,665	4,480	38,918	2,655	2,771	3,523	94,012
Securities borrowed or purchased under reverse repurchase agreements	623	-	602[e]	-[e]	439[e]	-	1,664
Loans to the public, net[c]	204,613	43,048	37,284	4,142	5,040	359	294,486
Loans to governments	11	-	702	15	-	-	728
Investments in associates	-	-	-	-	-	741	741
Buildings and equipment	-	-	-	-	-	2,956	2,956
Assets in respect of derivatives	5,062	75	7,346	463	166	11,789	24,901
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	6,402	4	825	6	22	1,601[e]	8,860
Total assets	334,240	47,607	107,807	11,156	9,486	21,239	531,535
Liabilities							
Deposits by the public	264,552	12,305	126,006	10,050	5,080	634	418,627
Deposits by banks	1,870	-	4,041	175	86	-	6,172
Deposits by governments	118	-	181	14	-	-	313
Securities loaned or sold under repurchase agreements	99	-	3,615[e]	-[e]	-[e]	-	3,714
Bonds, promissory notes and subordinated bonds	5,584	14,258	2,688	-	-	-	22,530
Liabilities for derivatives	5,092	201	7,313	281	268	11,791	24,946
Other liabilities	6,604	10,306[e]	860[e]	20	336	398	18,524
Total liabilities	283,919	37,070	144,704	10,540	5,770	12,823	494,826
Difference[d]	50,321	10,537	(36,897)	616	3,716	8,416	36,709
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(26,662)	(1,846)	34,160	(1,847)	(4,609)	804	-
In the money options, net (according to underlying asset)	(251)	-	(856)	1,051	16	40	-
Out of the money options, net (according to underlying asset)	(130)	-	392	(342)	18	62	-
Grand total	23,278	8,691	(3,201)	(522)	(859)	9,322	36,709
In the money options, net (discounted nominal value)	(525)	-	(1,062)	1,492	31	64	-
Out of the money options, net (discounted nominal value)	(396)	-	210	(116)	136	166	-

(a) Including 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 3,969 million.
(d) Shareholders' equity includes non-controlling interests.
(e) Reclassified.

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

	December 31 2020 (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	126,474	-	5,416	1,457	1,999	848	136,194
Securities	30,706	5,194	42,965	3,895	5,141	4,396	92,297
Securities borrowed or purchased under reverse repurchase agreements	584	-	1,554	1	880	-	3,019
Loans to the public, net[c]	211,311	43,202	31,124	3,377	5,403	924	295,341
Loans to governments	9	-	613	10	-	-	632
Investments in associates	-	-	-	-	-	795	795
Buildings and equipment	-	-	-	-	-	2,932	2,932
Assets in respect of derivatives	6,008	12	3,004	807	464	4,957	15,252
Intangible Assets and Goodwill	-	-	-	-	-	15	15
Other assets	7,419	4	916	1	39	1,179	9,558
Total assets	382,511	48,412	85,592	9,548	13,926	16,046	556,035
Liabilities							
Deposits by the public	310,835	10,925	108,671	9,256	5,668	1,676	447,031
Deposits by banks	10,607	-	3,710	642	71	113	15,143
Deposits by governments	115	-	84	9	-	-	208
Securities loaned or sold under repurchase agreements	354	-	251	-	-	-	605
Bonds, promissory notes and subordinated bonds	4,614	9,244	2,445	-	-	-	16,303
Liabilities for derivatives	7,006	178	3,172	1,159	892	4,908	17,315
Other liabilities	7,746	12,269	787	20	166	347	21,335
Total liabilities	341,277	32,616	119,120	11,086	6,797	7,044	517,940
Difference[d]	41,234	15,796	(33,528)	(1,538)	7,129	9,002	38,095
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(25,547)	(701)	32,704	1,052	(7,990)	482	-
In the money options, net (according to underlying asset)	658	-	(959)	236	65	-	-
Out of the money options, net (according to underlying asset)	(89)	-	(44)	102	19	12	-
Grand total	16,256	15,095	(1,827)	(148)	(777)	9,496	38,095
In the money options, net (discounted nominal value)	773	-	(1,109)	252	84	-	-
Out of the money options, net (discounted nominal value)	(756)	-	181	419	(82)	238	-

(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 5,290 million.
(d) Shareholders' equity includes non-controlling interests.

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

	March 31 2021 (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	139,979	127,807	10,629	1,535	139,971
Securities[(b)]	87,685	46,322	37,192	4,534	88,048
Securities borrowed or purchased under reverse repurchase agreements	4,630	4,630	-	-	4,630
Loans to the public, net	307,561	3,493	94,576	210,515	308,584
Loans to governments	749	-	30	700	730
Assets in respect of derivatives	13,061	2,121	9,463	1,477	13,061
Other financial assets	964	33	-	931	964
Total financial assets	554,629[(c)]	184,406	151,890	219,692	555,988
Financial liabilities					
Deposits by the public	460,412	5,286	346,346	107,605	459,237
Deposits by banks	17,178	48	4,631	12,372	17,051
Deposits by governments	228	-	112	120	232
Securities loaned or sold under repurchase agreements	535	535	-	-	535
Bonds, promissory notes and subordinated bonds	13,108	13,163	-	793	13,956
Liabilities for derivatives	13,269	2,079	10,915	275	13,269
Other financial liabilities	7,025	647	5,032	1,346	7,025
Total financial liabilities	511,755[(c)]	21,758	367,036	122,511	511,305
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	314	-	-	314	314
In addition, liabilities in respect of employee benefits, gross - pension and severance pay[(d)]	20,174	-	211	19,963	20,174

(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 142,048 million and NIS 320,787 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.)

	March 31 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	103,171	85,928	15,731	1,554	103,213
Securities[(b)]	94,012	55,497	35,798	3,133	94,428
Securities borrowed or purchased under reverse repurchase agreements	1,664[(e)]	1,664[(e)]	-	-	1,664
Loans to the public, net	294,486	1,380	97,557	195,164	294,101
Loans to governments	728	-	10	692	702
Assets in respect of derivatives	24,901	6,970[(e)]	14,139[(e)]	3,792[(e)]	24,901
Other financial assets	1,763	81	-	1,682	1,763
Total financial assets	520,725[(c)]	151,520	163,235	206,017	520,772
Financial liabilities					
Deposits by the public	418,627	2,635	306,876	107,471	416,982
Deposits by banks	6,172	-	6,120	43	6,163
Deposits by governments	313	-	236	90	326
Securities loaned or sold under repurchase agreements	3,714[(e)]	3,714[(e)]	-	-	3,714
Bonds, promissory notes and subordinated bonds	22,530	21,724	-	769	22,493
Liabilities for derivatives	24,946	7,108[(e)]	17,610[(e)]	228	24,946
Other financial liabilities	6,308[(e)]	602	3,971	1,735[(e)]	6,308
Total financial liabilities	482,610[(c)]	35,783	334,813	110,336	480,932
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	308	-	-	308	308
In addition, liabilities in respect of employee benefits, gross - pension and severance pay[(d)]	16,751	-	179	16,572	16,751

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 162,696 million and NIS 287,378 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 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2020 (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	136,194	127,710	6,938	1,581	136,229
Securities[(b)]	92,297	50,256	38,510	4,187	92,953
Securities borrowed or purchased under reverse repurchase agreements	3,019	3,019	-	-	3,019
Loans to the public, net	295,341	2,661	91,683	201,873	296,217
Loans to governments	632	-	24	589	613
Assets in respect of derivatives	15,252	2,644	10,841	1,767	15,252
Other financial assets	1,950	38	-	1,912	1,950
Total financial assets	544,685[(c)]	186,328	147,996	211,909	546,233
Financial liabilities					
Deposits by the public	447,031	3,473	337,410	105,878	446,761
Deposits by banks	15,143	113	6,034	8,929	15,076
Deposits by governments	208	-	94	122	216
Securities loaned or sold under repurchase agreements	605	605	-	-	605
Bonds, promissory notes and subordinated notes	16,303	16,233	-	802	17,035
Liabilities for derivatives	17,315	2,631	14,445	239	17,315
Other financial liabilities	5,746	257	4,272	1,217	5,746
Total financial liabilities	502,351[(c)]	23,312	362,255	117,187	502,754
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)]	20,491	-	203	20,288	20,491

(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 144,975 million and NIS 309,860 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 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	March 31 2021 (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	27,583	4,779	34	32,396
Foreign governments' bonds	10,466	6,755	-	17,221
Bonds of Israeli financial institutions	-	68	-	68
Bonds of foreign financial institutions	-	8,856	8	8,864
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	4,830	2,711	7,541
Other Israeli bonds	133	114	-	247
Other foreign bonds	-	5,412	3	5,415
Total available-for-sale bonds	38,182	30,814	2,756	71,752
Equity securities and mutual funds not held-for-trading:				
Equity securities and mutual funds not held for-trading	3,023	-	-	3,023
Held-for-trading securities:				
Government of Israel bonds	2,138	-	-	2,138
Foreign governments' bonds	1	-	-	1
Bonds of Israeli financial institutions	181	-	-	181
Bonds of foreign financial institutions	-	89	-	89
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	58	18	76
Other Israeli bonds	89	-	-	89
Other foreign bonds	-	37	-	37
Equity securities and mutual funds	55	-	-	55
Total held-for-trading securities	2,464	184	18	2,666
Assets in respect of derivatives:				
NIS-CPI contacts	-	100	134	234
Interest rate contracts	40	3,921	252	4,213
Foreign exchange rate contracts	8	2,751	970	3,729
Stock contracts	1,547	2,650	119	4,316
Commodity- and other contracts	132	41	2	175
MAOF (Israeli financial instruments and futures) market activity	394	-	-	394
Total underlying assets for derivatives	2,121	9,463	1,477	13,061
Other:				
Credit and deposits in respect of loaned securities	5,287	-	-	5,287
Securities borrowed or purchased under reverse repurchase agreements	4,630	-	-	4,630
Other	33	-	-	33
Total - other	9,950	-	-	9,950
Total assets	55,740	40,461	4,251	100,452

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

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

	March 31 2021 (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	-	239	87	326
Interest rate contracts	8	4,187	-	4,195
Foreign exchange rate contracts	7	3,697	188	3,892
Stock contracts	1,554	2,749	-	4,303
Commodity- and other contracts	131	43	-	174
MAOF (Israeli financial instruments and futures) market activity	379	-	-	379
Total liabilities in respect of derivatives	2,079	10,915	275	13,269
Other:				
Deposits in respect of loaned securities	5,287	22	3	5,312
Securities loaned or sold under repurchase agreements	535	-	-	535
Other	647	-	-	647
Total - other	6,469	22	3	6,494
Total liabilities	8,548	10,937	278	19,763

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

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

	March 31 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	32,049	3,643	34	35,726
Foreign governments' bonds	6,640	5,551	-	12,191
Bonds of Israeli financial institutions	-	18	-	18
Bonds of foreign financial institutions	-	9,754	-	9,754
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	6,390	1,722	8,112
Other Israeli bonds	69	134	-	203
Other foreign bonds	-	5,423	-	5,423
Total available-for-sale bonds	38,758	30,913	1,756	71,427
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,139	-	-	2,139
Held-for-trading securities:				
Government of Israel bonds	10,967	-	-	10,967
Foreign governments' bonds	316	-	-	316
Bonds of Israeli financial institutions	620	-	-	620
Bonds of foreign financial institutions	-	217	-	217
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	131	-	131
Other Israeli bonds	105	-	-	105
Other foreign bonds	-	61	-	61
Equity securities and mutual funds	7	-	-	7
Total held-for-trading securities	12,015	409	-	12,424
Assets in respect of derivatives:[(a)]				
NIS-CPI contacts	-	202	117	319
Interest rate contracts	38	5,598	813	6,449
Foreign exchange rate contracts	-	4,188	1,257	5,445
Stock contracts	5,652	4,132	1,557	11,341
Commodity- and other contracts	211	19	48	278
MAOF (Israeli financial instruments and futures) market activity	1,069	-	-	1,069
Total underlying assets for derivatives	6,970	14,139	3,792	24,901
Other:				
Credit and deposits in respect of loaned securities	2,869	-	-	2,869
Securities borrowed or purchased under reverse repurchase agreements	1,664[(a)]	-	-	1,664
Other	81	-	-	81
Total - other	4,614	-	-	4,614
Total assets	64,496	45,461	5,548	115,505

(a) Reclassified.

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

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

	March 31 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:[(a)]				
NIS-CPI contacts	-	363	53	416
Interest rate contracts	162	7,070	-	7,232
Foreign exchange rate contracts	-	4,395	175	4,570
Stock contracts	5,659	5,721	-	11,380
Commodity- and other contracts	214	61	-	275
MAOF (Israeli financial instruments and futures) market activity	1,073	-	-	1,073
Total liabilities in respect of derivatives	7,108	17,610	228	24,946
Other:				
Deposits in respect of loaned securities	2,635	2	-	2,637
Securities loaned or sold under repurchase agreements	3,714[(a)]	-	-	3,714
Other	602	-	-	602
Total - other	6,951	2	-	6,953
Total liabilities	14,059	17,612	228	31,899

(a) Reclassified.

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

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

	December 31 2020 (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	29,809	4,979	33	34,821
Foreign governments' bonds	11,046	8,847	-	19,893
Bonds of Israeli financial institutions	-	69	-	69
Bonds of foreign financial institutions	-	8,861	-	8,861
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	4,440	2,556	6,996
Other Israeli bonds	105	115	-	220
Other foreign bonds	-	6,059	8	6,067
Total available-for-sale bonds	40,960	33,370	2,597	76,927
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,769	-	-	2,769
Held-for-trading securities:				
Government of Israel bonds	3,144	-	-	3,144
Foreign governments' bonds	223	-	-	223
Bonds of Israeli financial institutions	323	-	-	323
Bonds of foreign financial institutions	-	98	-	98
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	58	22	80
Other Israeli bonds	58	-	-	58
Other foreign bonds	-	44	2	46
Equity securities and mutual funds	61	-	-	61
Total held-for-trading securities	3,809	200	24	4,033
Assets in respect of derivatives:				
NIS-CPI contacts	-	144	148	292
Interest rate contracts	14	4,448	439	4,901
Foreign exchange rate contracts	-	3,553	1,158	4,711
Stock contracts	2,062	2,677	18	4,757
Commodity- and other contracts	149	19	4	172
MAOF (Israeli financial instruments and futures) market activity	419	-	-	419
Total underlying assets for derivatives	2,644	10,841	1,767	15,252
Other:				
Credit and deposits in respect of loaned securities	3,567	-	-	3,567
Securities borrowed or purchased under reverse repurchase agreements	3,019	-	-	3,019
Other	38	-	-	38
Total - other	6,624	-	-	6,624
Total assets	56,806	44,411	4,388	105,605

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

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

	December 31 2020 (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:				
NIS-CPI contacts	-	332	63	395
Interest rate contracts	14	5,288	-	5,302
Foreign exchange rate contracts	-	6,145	176	6,321
Stock contracts	2,050	2,657	-	4,707
Commodity- and other contracts	148	23	-	171
MAOF (Israeli financial instruments and futures) market activity	419	-	-	419
Total liabilities in respect of derivatives	2,631	14,445	239	17,315
Other:				
Deposits in respect of loaned securities	3,474	21	-	3,495
Securities loaned or sold under repurchase agreements	605	-	-	605
Other	257	-	-	257
Total - other	4,336	21	-	4,357
Total liabilities	6,967	14,466	239	21,672

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

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

	March 31 2021 (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	-	-	579	579	125
Total	-	-	579	579	125

	March 31 2020 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period[(a)]
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	-	-	465	465	(18)
Total	-	-	465	465	(18)

	December 31 2020 (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	Total profit (loss) from changes in value during the period
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	-	-	737	737	(179)
Total	-	-	737	737	(179)

(a) Restated.

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

	For the three months ended March 31 2021 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the 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 March 31 2021	Unrealized gains (losses) in respect of instruments held as at March 31 2021
	In NIS million										
Assets											
Available-for-sale bonds:											
Government of Israel	33	1	-	-	-	-	-	-	-	34	1
Of foreign financial institutions	-	1	-	-	-	-	-	7	-	8	-
MBS/ABS	2,556	122	(18)	189	(33)	(320)	-	215	-	2,711	(13)
Others - abroad	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	124	(18)	189	(33)	(323)	-	222	(2)	2,756	(12)
Held-for-trading bonds:											
MBS/ABS	22	-	-	-	-	-	-	-	(4)	18	-
Others - abroad	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds:	24	-	-	-	-	-	-	-	(6)	18	-
Assets in respect of derivatives:											
NIS-CPI contacts	148	(14)	-	-	-	-	-	-	-	134	(98)
Interest rate contracts	439	22	-	-	-	(209)	-	-	-	252	(369)
Foreign exchange rate contracts	1,158	(1,198)	-	1,010	-	-	-	-	-	970	136
Stock contracts	18	101	-	-	-	-	-	-	-	119	87
Commodity- and other contracts	4	(2)	-	-	-	-	-	-	-	2	(5)
Total underlying assets for derivatives	1,767	(1,091)	-	1,010	-	(209)	-	-	-	1,477	(249)
Total assets	4,388	(967)	(18)	1,199	(33)	(532)	-	222	(8)	4,251	(261)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	63	(9)	-	-	-	-	-	33	-	87	33
Foreign exchange rate contracts	176	12	-	-	-	-	-	-	-	188	-
Total liabilities in respect of derivatives	239	3	-	-	-	-	-	33	-	275	33
Total - other	-	3	-	-	-	-	-	-	-	3	4
Total liabilities	239	6	-	-	-	-	-	33	-	278	37

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31 2021, amounted to NIS (12) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

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

	For the three months ended March 31 2020 (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 March 31 2020	Unrealized gains (losses) in respect of instruments held as at March 31 2020
	In NIS million										
Assets											
Available-for-sale securities:											
Government of Israel	-	-	-	-	-	-	-	34	-	34	2
MBS/ABS	1,455	52	(71)	343	-	(229)	-	172	-	1,722	(75)
Total available-for-sale bonds	1,455	52	(71)	343	-	(229)	-	206	-	1,756	(73)
Assets in respect of derivatives:											
NIS-CPI contacts	82	35	-	-	-	-	-	-	-	117	(38)
Interest rate contracts	764	258[(d)]	-	-	-	(209)	-	-	-	813	(77)
Foreign exchange rate contracts	379	178[(d)]	-	700	-	-	-	-	-	1,257	945
Stock contracts	8	1,549	-	-	-	-	-	-	-	1,557	1,546
Commodity- and other contracts	4	44	-	-	-	-	-	-	-	48	45
Total underlying assets for derivatives	1,237	2,064	-	700	-	(209)	-	-	-	3,792	2,421
Total assets	2,692	2,116	(71)	1,043	-	(438)	-	206	-	5,548	2,348
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	38	14	-	-	-	-	-	1	-	53	1
Foreign exchange rate contracts	257	(82)	-	-	-	-	-	-	-	175	-
Total liabilities in respect of derivatives	295	(68)	-	-	-	-	-	1	-	228	1
Total - other	6	(6)	-	-	-	-	-	-	-	-	-
Total liabilities	301	(74)	-	-	-	-	-	1	-	228	1

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31 2020, amounted to NIS (73) million.

(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 at the date of the financial statements 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 at the date of the financial statements 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 2020 (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 2020	Unrealized gains (losses) for instruments held as at December 31 2020
	In NIS million										
Assets											
Available-for-sale securities:											
Government of Israel	-	(1)	-	-	-	-	-	34	-	33	2
Foreign financial institutions	-	-	-	7	-	-	-	-	(7)	-	-
MBS/ABS	1,455	(39)	8	1,323	(70)	(565)	-	444	-	2,556	5
Others - abroad	-	(1)	-	-	-	-	-	9	-	8	-
Total available-for-sale bonds	1,455	(41)	8	1,330	(70)	(565)	-	487	(7)	2,597	7
Held-for-trading bonds											
MBS/ABS	-	-	-	-	-	-	-	22	-	22	-
Others - abroad	-	-	-	-	-	-	-	2	-	2	-
Total held-for-trading bonds:	-	-	-	-	-	-	-	24	-	24	-
Assets in respect of derivatives:											
NIS-CPI contacts	82	22	-	-	-	-	-	44	-	148	11
Interest rate contracts	764	(116)	-	-	-	(209)	-	-	-	439	(319)
Foreign exchange rate contracts	379	(122)	-	901	-	-	-	-	-	1,158	878
Stock contracts	8	10	-	-	-	-	-	-	-	18	12
Commodity- and other contracts	4	-	-	-	-	-	-	-	-	4	4
Total underlying assets for derivatives	1,237	(206)	-	901	-	(209)	-	44	-	1,767	586
Total assets	2,692	(247)	8	2,231	(70)	(774)	-	555	(7)	4,388	593
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	38	(31)	-	-	-	-	-	56	-	63	-
Foreign exchange rate contracts	257	(81)	-	-	-	-	-	-	-	176	-
Total liabilities in respect of derivatives	295	(112)	-	-	-	-	-	56	-	239	-
Total - other	6	(6)	-	-	-	-	-	-	-	-	-
Total liabilities	301	(118)	-	-	-	-	-	56	-	239	-

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at December 31 2020, amounted to NIS 7 million.

Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

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

Quantitative Information on Fair Value Measurement in Level 3

	March 31 2021 (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	34	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25.00%	25.00%
Foreign financial institutions	8	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,711	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%
Other - abroad	3	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	18	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	103	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
	31	Discounted cash flows	Counterparty risk	0.13%-100%(*)	1.24%
Interest rate contracts	252	Discounted cash flows	Counterparty risk	0.13%-100%(*)	1.24%
Foreign exchange rate contracts	970	Discounted cash flows	Counterparty risk	0.13%-100%(*)	1.24%
Stock contracts	116	Discounted cash flows	Counterparty risk	0.13%-100%(*)	1.24%
Structured - shares	3	Discounted cash flows	Share prices	(0.01)%-0.06%	0.03%
Commodity contracts	2	Discounted cash flows	Counterparty risk	0.13%-100%(*)	1.24%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	87	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
Foreign exchange rate contracts	188	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
Other	3	Discounted cash flows	Share prices	(0.01)%-0.06%	0.03%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	579	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

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

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	March 31 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 securities[(1)]					
Government of Israel bonds	34	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,722	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[(2)]					
NIS-CPI interest contracts	62	Discounted cash flows	Expected inflation	0.15%-(0.24)%	(0.05)%
	55	Discounted cash flows	Counterparty risk	0.51%-100%[(*)]	2.11%
Interest rate contracts	813	Discounted cash flows	Counterparty risk	0.51%-100%[(*)]	2.11%
Foreign exchange rate contracts	67	Discounted cash flows	Expected inflation	0.15%-(0.24)%	(0.05)%
	1,190[(a)]	Discounted cash flows	Counterparty risk	0.51%-100%[(*)]	2.11%
Stock contracts	1,557	Discounted cash flows	Counterparty risk	0.51%-100%[(*)]	2.11%
Commodity contracts	48	Discounted cash flows	Counterparty risk	0.51%-100%[(*)]	2.11%
Liabilities					
Liabilities for derivatives[(2)]					
NIS-CPI interest contracts	53	Discounted cash flows	Expected inflation	0.15%-(0.24)%	(0.05)%
Foreign exchange rate contracts	175	Discounted cash flows	Expected inflation	0.15%-(0.24)%	(0.05)%
Other	-	Discounted cash flows	Stock prices	(0.30)%-0.05%	(0.13)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	465	Collateral's fair value			

(a) Reclassified.
* For a defaulted counterparty.

Please see comments below.

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 2020 (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)					
Government of Israel bonds	33	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,556	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%
Others - abroad	8	Discounted cash flows	Spread	110-215 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	22	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%
Others - abroad	2	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Assets for derivatives(2)					
NIS-CPI interest contracts	90	Discounted cash flows	Expected inflation	0%-0.24%	0.12%
	58	Discounted cash flows	Counterparty risk	0.19%-100%(*)	1.54%
Interest rate contracts	439	Discounted cash flows	Counterparty risk	0.19%-100%(*)	1.54%
Foreign exchange rate contracts	-	Discounted cash flows	Expected inflation	0%-0.24%	0.12%
	1,158	Discounted cash flows	Counterparty risk	0.19%-100%(*)	1.54%
Stock contracts	18	Discounted cash flows	Counterparty risk	0.19%-100%(*)	1.54%
Commodity contracts	4	Discounted cash flows	Counterparty risk	0.19%-100%(*)	1.54%
Liabilities					
Liabilities for derivatives(2)					
NIS-CPI interest contracts	63	Discounted cash flows	Expected inflation	0%-0.24%	0.12%
Foreign exchange rate contracts	176	Discounted cash flows	Expected inflation	0%-0.24%	0.12%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	737	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

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.)

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. The weighted average was calculated based on the relative fair value of the exposures.

Note 16 - Miscellaneous Topics

a. Impact of the coronavirus crisis

The spread of the coronavirus began to impact most world countries during the first quarter of 2020; later on, the virus spread more quickly due to the onset of various mutations. Most governments imposed temporary lockdowns, temporary and prolonged disruptions of significant parts of the economic activity and take care of those who contracted the disease, while significantly increasing the costs incurred for taking care of citizens and businesses whose work was disrupted. Central banks across the world use a variety of tools to support economic activity, beyond reducing interest rates. Towards the end of 2020, a vaccination was approved for use.

Due to the swift vaccination process in Israel, the risks to Israel's economic activity have been moderated for now. In addition, in some leading world countries, such as the US and UK, the vaccination process appears to be relatively successful, which contributes to mitigating risks in these countries. In other world countries, the vaccination process has been relatively slow so far; as a result, these countries, especially emerging ones, still have a relatively high exposure to economic risks emanating from closures and other restrictions imposed due to high morbidity rates.

The income from loan losses during the quarter was NIS 212 million, especially on the back of collections in the reporting period. In addition, a 0.06 percent income was recorded in the collective provision due to positive developments in the reporting period, such as the extensive vaccination drive and its positive effect in lowering morbidity and reopening the economy, as well as the improvement in the economic indicators underlying the provision.

It should be noted that the Bank continues to examine ways to provide assistance to customers who are in temporary distress 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.

b. Sale of Retailors' shares

On May 13 2021, Leumi Partners Ltd. exercised an option allocated to it upon its investment in Retailors Ltd. (hereinafter: "**Retailors**"). The shares allocated upon exercise of the option (hereinafter - the "**Option Shares**") were sold on May 18 2021 as part of the completion of the issuance and sale offer dated May 18 2021.

The pre-tax profit expected to be recorded by Bank Leumi as a result of the exercise of the share option is NIS 90 million.

Following the completion of the IPO and offer for sale under the prospectus, Leumi Partners shall hold 6.81 percent of Retailors' shares The shares are restricted for a period of up to 18 months following the listing of Retailors' shares.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Corporate Governance, Additional Information and Appendices
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Changes in the Board of Directors

As of the report publication date, the Board of Directors includes 10 members, in accordance with the maximum number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter: "**Directive 301**"). During the first quarter of 2021, there were no changes in the composition of the Board of Directors.

Annual general meeting and election of directors

On February 24 2021, the Bank published a preliminary notice regarding the intention to summon an annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of two external directors in accordance with the requirements of the Companies Law, and appointment of two external directors in accordance with Directive No. 301. For more information, please see the immediate report published by the Bank on February 24 2021 (Ref. No. 2021-01-022431).

For more information about directors' competencies as required by Directive 301, please see under "Members of the Board of Directors" in the Bank's 2020 Annual Financial Statements.

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 2020 Annual Financial Statements.

The 2020 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on March 8 2021, discussed by the Committee on March 15 2021, submitted to the Board of Directors on March 15 2021 and discussed by the Board on March 22 2021.

On March 22 2021, Ms. Sharon Gur, Chief Audit Executive and Head of the Internal Audit Division, announced her intention to resign from the Bank. Sharon will resign during the second quarter of 2021.

During Q2 2021, Hagit Argov, CPA, will be appointed Chief Audit Executive and Head of the Internal Audit Division, subject to the approval or lack of objection by the Bank of Israel.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information regarding interested parties' holdings in the Bank as at March 31 2021, please see the immediate report on the status of holdings of interested parties and senior officers dated April 7 2021 (Ref. No.: 2021-01-058476). Please see also the immediate report on the list of holders of significant means of control in the Bank as at March 31 2021, dated April 7 2021 (Ref. No. 2021-01-058458).

Appointments and Departures

Appointments

CPA **Ronen Agassi**, Head of Capital Markets Division and member of the Bank's management, was appointed Head of the Corporate Division and First Executive Vice President, as of January 1 2021.

Mr. **Shmulik Arbel**, Head of Corporate Division and member of the Bank's management, was appointed Head of the Banking Division and First Executive Vice President, as of January 1 2021.

CPA **Bosmat Ben Zvi**, Head of Risk Management Division and member of the Bank's management, was appointed Head of the Capital Markets Division as of January 1 2021.

CPA **Liat Shuv** was appointed Head of the Risk Management Division and member of the Bank's management and First Executive Vice President, as of January 1 2021.

Mr. **Jaime Schcolnik** was appointed Head of Leumi Technologies Division, member of the Bank's management and First Executive Vice President, as of January 3 2021.

Ms. **Avivit Klein** was appointed Head of Human Resources Division, member of the Bank's management and First Executive Vice President, as of April 1 2021.

CPA Omer Ziv, who currently serves as member of management and Head of the Finance Division, was appointed Chief Accounting Officer and Head of the Finance and Accounting Division as of April 1 2021.

Ms. Sharon Daniel was appointed Chief Compliance Officer and Head of Compliance and Enforcement Department, effective January 11 2021.

Ms. Hadar Vismunski-Weinberg will be appointed secretary of the Bank and Group during the second quarter of 2021.

CPA Hagit Argov will be appointed Chief Audit Executive and Head of the Internal Audit Division, at the rank of Executive Vice President, during Q2 2021. The appointment is subject to approval by the Bank of Israel.

Departures

Ms. Hilla Eran-Zick, Head of Human Resources Division and member of the Bank's management, resigned on March 31 2021, after 29 years of working at Leumi.

CPA Shlomo Goldfarb, Chief Accounting Officer, Head of the Accounting Division and member of the Bank's management, resigned on March 31 2021, after approximately 40 years of working at Leumi.

Adv. Livnat Ein-Shay Wilder, Secretary of the Bank and Group, resigned on February 28 2021, after 5 years of working at Leumi.

Ms. Sharon Gur, Chief Auditor and Head of the Internal Audit Division, will resign during the second quarter of 2021 after approximately 28 years of working at Leumi.

Corporate Structure

The Finance and Accounting Division

As of April 1 2021, the Finance Division and Accounting Division were merged.

Material Agreements

For more information, please see the section entitled "Material Agreements" in the 2020 Annual Financial Statements.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term and implications of its significance, please see under "Forward-Looking Information".

During the reporting period, several proposals for regulatory amendments and changes in various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. 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.

For more information, please see the 2020 Annual Financial Statements.

Directives Issued by the Banking Supervision Department

Provision of access for banking information

Amendment of Proper Conduct of Banking Business Directive No. 368 regulating the implementation of open banking in Israel

The directive was first published in February 2020. Open Banking requires banks and credit card companies to share a customer's banking information at his/her request, with authorized third-party providers and to allow making payments to his/her account through third parties (authorized for this purpose). The objective is that based on the said banking information, third-party suppliers will be able to offer customers new products, customized to their needs. According to the directive, the adoption of the Open Banking will encourage new players in the payments, information, marketing and intermediation domains to enter the market, offering customers better pricing and innovative products. At this time, the directive only applies to banks and credit card companies. In April 2020, the directive's effective date was postponed by three months, with the effective date of the first phase set to March 31 2021.

On April 5 2021, due to issues arising from the complexity of the directive's implementation, the directive was revised. The revision mainly focuses on the postponement of the various phases of the directive. According to the revision, the effective date of the first phase was postponed to April 18 2021 as were the effective dates of other implementation phases, as outlined in the directive.

The Bank is working to implement the directive according to the effective dates of the gradual outline.

The Banking Supervision Department's letter on Banks' activity as information consumers in open banking

On April 14 2021, the Banking Supervision Department published a letter on Banks' activity as information consumers in open banking. According to the letter, the Banking Supervision Department intends to amend Proper Conduct of Banking Business Directive No. 368 such that a bank or an acquirer will require preapproval from the Banking Supervision Department for a new activity that involves a cost comparison service which includes brokering financial products that the bank or the acquirer provide to customers - to another financial entity. In the letter, the Banking Supervision Department outlines the information a bank or an acquirer will be required to provide to the Department in order to obtain an approval to engage in such an activity, especially where conflicts of interest and disclosure to customers about the said service is concerned.

In addition, according to the letter, the Banking Supervision Department intends to amend Proper Conduct of Banking Business Directive No. 368 so as to allow entities supervised by other financial regulators to access information through open banking; the letter also states that the Banking Supervision Department is considering allowing such entities to receive consideration in respect of cost comparison services which involve brokering financial products under a new directive which is currently being developed.

Following the said letter, the Ministry of Finance announced its intention to advance the enactment of the Memorandum of Law, Financial Information Services, 2020, which regulates, inter alia, conflict of interests in open banking. In this matter, the Ministry of Finance stated that the banks should be prevented from engaging in price comparison and brokering for products of competing financial entities.

Pursuant to the said letter of the Banking Supervision Department, on April 29 2021, the Competition Commissioner published a letter addressed to the CEOs of the banking corporations and credit card companies; according to the letter, providing cost comparison services for competing products offered by the same entity may constitute a cartel; therefore, one of the following should be examined: the need to obtain a cartel exemption or approval from the Competition Court - prior to providing the said cost comparison services.

As a result of the above, the issue of the banks' ability to engage in cost comparison and brokering is still unclear.

The Banking Supervision Department's letter on promotion of open banking

On May 10 2021, the Banking Supervision Department published a letter addressed to the Commissioner of Insurance, Capital Markets, and Savings, the Chairperson of the Israel Securities Authority, and the Supervisor of the Central Credit Register. In the letter, the Commissioner clarifies that since legislative processes which were designed to regulated the activity of the third parties (other than banks or credit card companies) have not yet matured, at this stage, open banking will air pursuant to Proper Conduct of Banking Business Directive No. 368, "Application of the Open Banking Standard in Israel". The duty to make information accessible under this directive applies only to the banks and credit card companies, and in the first stage, access to information shall only be to banks and credit card companies.

However, the Commissioner clarifies that, subject to the dialogue undertaken with the addressee regulators, due to the latter's willingness to regulate and oversee the activity of their regulated entities in the aspects required from third parties with access to banking information (information consumers) the Banking Supervision Department intends to allow access to information to said regulated information consumers, under a requirement to be imposed on the banking system pursuant to a scheduled amendment to Directive No. 368.

According to the Commissioner, providing access to the additional entities without adequate regulation is complex and may increase the various risks already embodied in an open banking system. Thus, in the very least, uniform regulation among the various entities in the open banking environment is needed, which includes relevant regulation, ongoing oversight and enforcement, as well as the issuing of certificates by the entities' regulator.

Draft Proper Conduct of Banking Business Directive - ties between banking corporations with cost comparison service providers

The draft directive outlines general rules regarding ties between banking corporations and cost comparison service providers working as brokers and regarding cost comparison service providers working as an agent of the customer. According to the draft, the cost comparison service provider is any of the following: credit bureaus, information bureaus on entities engaging in such activities and paid representatives, as defined by the Credit Information Service Law; as well as banking corporations, subject to obtaining a written advance approval from the Banking Supervision Department.

The above directives regarding access to banking information are part of the initiatives intended to boost competition, as outlined in the Regulation section in the 2020 Financial Statements; the directives are expected to affect the Israeli banking system in the next few years.

Draft Amendment to Proper Conduct of Banking Business Directive No. 336, Restrictions on Imposing a Lien on Assets of a Banking Corporation

The draft amendment was published on April 29 2021 following the increase in volume and variety of activities in respect of which banking corporations are required to pledge assets, as a result of various global regulatory reforms.
The draft proposes to revoke the current qualitative restriction on pledging assets of a banking corporation, or define requirements for adequate administration of pledged assets.
It is proposed that the directive will become effective on January 1 2022. However, a banking corporation that deviates, or is highly likely to deviate, from the current quantitative restriction until the said effective date, is to notify the Banking Supervision Department in writing and outline the reason for the deviation and the compensatory mechanisms it adopts.
The Bank is studying the draft and preparing for its application.

Draft amendment of Proper Conduct of Banking Business Directive No. 222 draft, "Stable Funding Ratio"

Please see the section entitled Liquidity Risk in the Report of the Board of Directors and Management.

Regulatory Developments Following the Coronavirus Event

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Coronavirus) (Delay in Proceedings for Formulation and Approval of Debt Settlement), 2021

The Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) hurt by the coronavirus crisis, which will be in effect for a period of one year until March 18 2022, and allow debtors to reach debt settlement agreements as an alternative to full insolvency proceedings. The proposed temporary settlement allows to stay legal proceedings and collections proceedings against a debtor. During the stay period, the debtor will retain control of his/her assets. At the same time, the proposed arrangement includes respective alternative protections to lenders.

Amendment to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis

The directive was first published in March 2020 as a temporary order, on the back of the development of the coronavirus event, and includes a series of measures and adjustments designed to allow banking corporations the business flexibility needed during this period. The directive was revised several times. On March 22 2021, the last revision to the directive was published; the main point of the directive was the extension of the temporary order until September 30 2021 (in lieu of March 31 2021).

In addition, in the six-month period following the expiry of the temporary order, a decrease of up to 0.3 percentage points in the minimum capital ratio shall not be deemed as deviating from the temporary order.

For additional information regarding the various regulatory adjustments on the back of the coronavirus event and their effect, please see the 2020 Financial Statements.

Additional Topics

Privacy protection

Following the details provided in the 2020 Financial Statements, there has been a trend of growing regulation in the area of privacy protection, both in Israel and around the world. On March 25 2021, due to the increase in the number of severe information security events, the Privacy Protection Authority published an additional draft policy paper regarding decreasing the scope of private information included in databases of various organizations. In the paper, the Authority provides recommendations and emphases for businesses and public sector entities on how to scale down collection, maintenance and use of excess information. According to the Authority, failure to scale down excess information by a database owner that had discovered such information in its possession, may, under certain circumstances, constitute a breach of the Privacy Protection Regulations (Information Security).

In addition, on April 22 2021, the Privacy Protection Authority published a paper on privacy protection for advanced means of payment in transmitting funds and payments at merchants' premises. The Authority's paper places special emphasis on obtaining consent for subscription to, and use of, all aspects of advanced means of payments, in order to enable users to control the privacy of their information in an optimal manner and ensure that their information will be used at their knowledge and subject to their full consent.

On May 25 2021, the Privacy Protection Authority published an opinion for public comments, in which it clarifies and illustrates what signifies "information" and "knowledge of a person's private affairs" in the Privacy Protection Law, and what types of data the provisions of the law apply to in accordance with the interpretation given to them by the courts.

For more information on privacy protection regulation, please see the 2020 Annual Financial Statements.

Implementation of the various provisions in this area, if any, will require changes in work processes.

Credit Ratings

Following are the credit ratings of Israel and the Bank as at May 19 2021:

	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-1
	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 2021 to May 19 2021:

On January 20 2021, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On February 16 2021, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates[a] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates - Assets

	For the three months ended March 31					
	2021			2020		
	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income
	In NIS million		In %	In NIS million		In %
Interest-bearing assets						
Loans to the public[c]						
In Israel	273,398	2,132	3.16	257,674	1,940	3.05
Outside Israel	22,252	216	3.94	23,153	278	4.89
Total[i]	295,650	2,348	3.21	280,827	2,218	3.20
Loans to the government						
In Israel	694	4	2.33	738	8	4.41
Outside Israel	-	-	-	-	-	-
Total	694	4	2.33	738	8	4.41
Deposits with banks						
In Israel	10,912	17	0.62	9,811	33	1.35
Outside Israel	119	-	-	161	-	-
Total	11,031	17	0.62	9,972	33	1.33
Deposits with central banks						
In Israel	101,877	26	0.10	47,809	30	0.25
Outside Israel	976	-	-	792	2	0.81
Total	102,853	26	0.10	48,601	32	0.26
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	3,226	1	0.12	1,682	4	0.95
Outside Israel	-	-	-	-	-	-
Total	3,226	1	0.12	1,682	4	0.95
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	74,284	184	0.99	69,191	256	1.49
Outside Israel	4,503	28	2.51	4,710	32	2.75
Total	78,787	212	1.08	73,901	288	1.57
Held-for-trading bonds[d]						
In Israel	2,951	4	0.54	6,268	10	0.64
Outside Israel	-	-	-	-	-	-
Total	2,951	4	0.54	6,268	10	0.64
Total interest-bearing assets	495,192	2,612	2.13	421,989	2,593	2.48
Non-interest-bearing receivables for credit cards	5,089			5,714		
Other non-interest-bearing assets[e]	52,387			45,126		
Total assets	552,668	2,612		472,829	2,593	
Total interest-bearing assets attributed to foreign operations	27,850	244	3.55	28,816	312	4.40

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the three months ended March 31					
	2021			2020		
	Average balance[b]	Interest expense	% of expense	Average balance[b]	Interest expense	% of expense
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	304,889	(163)	(0.21)	261,883	(304)	(0.47)
Demand deposits	173,434	(4)	(0.01)	130,413	(34)	(0.10)
Fixed deposits	131,455	(159)	(0.48)	131,470	(270)	(0.82)
Outside Israel	13,714	(12)	(0.35)	14,246	(49)	(1.38)
Demand deposits	9,402	(3)	(0.13)	6,287	(15)	(0.96)
Fixed deposits	4,312	(9)	(0.84)	7,959	(34)	(1.72)
Total	318,603	(175)	(0.22)	276,129	(353)	(0.51)
Deposits by the Israeli Government						
In Israel	204	(1)	(1.98)	175	(1)	(2.31)
Outside Israel	15	-	-	131	-	-
Total	219	(1)	(1.84)	306	(1)	(1.31)
Deposits by central banks						
In Israel	9,912	(2)	(0.08)	154	-	-
Outside Israel	-	-	-	-	-	-
Total	9,912	(2)	(0.08)	154	-	-
Deposits by banks						
In Israel	5,836	(1)	(0.07)	5,209	(6)	(0.46)
Outside Israel	141	-	-	67	-	-
Total	5,977	(1)	(0.07)	5,276	(6)	(0.46)
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	479	-	-	1,331	(4)	(1.21)
Outside Israel	252	-	-	-	-	-
Total	731	-	-	1,331	(4)	(1.21)
Bonds						
In Israel	14,578	(85)	(2.35)	21,652	(60)	(1.11)
Outside Israel	-	-	-	-	-	-
Total	14,578	(85)	(2.35)	21,652	(60)	(1.11)
Total interest-bearing liabilities	350,020	(264)	(0.30)	304,848	(424)	(0.56)
Non-interest-bearing deposits by the public	128,996			98,592		
Non-interest-bearing payables for credit cards	1,692			3,730		
Other non-interest-bearing liabilities[f]	33,792			30,160		
Total liabilities	514,500	(264)		437,330	(424)	
Total capital resources	38,168			35,499		
Total capital commitments and sources	552,668	(264)		472,829	(424)	
Interest rate spread		2,348	1.83		2,169	1.92
Net return[g] on interest-bearing assets						
In Israel	467,342	2,116	1.82	393,173	1,906	1.95
Outside Israel	27,850	232	3.37	28,816	263	3.70
Total	495,192	2,348	1.91	421,989	2,169	2.07
Total interest-bearing liabilities attributed to operations outside Israel	14,122	(12)	(0.34)	14,444	(49)	(1.36)

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel

	For the three months ended March 31					
	2021			2020		
	Average balance(b)	Interest income (expen-ses)	% of income (expense)	Average balance(b)	Interest income (expen-ses)	% of income (expense)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	48,596	445	3.71	46,818	138	1.18
Total interest-bearing liabilities	19,057	(94)	(1.99)	27,151	(12)	(0.18)
Interest rate spread			1.72			1.00
Unlinked NIS						
Total interest-bearing assets	341,405	1,651	1.95	276,700	1,719	2.51
Total interest-bearing liabilities	258,298	(93)	(0.14)	206,047	(137)	(0.27)
Interest rate spread			1.81			2.24
Foreign currency						
Total interest-bearing assets	77,341	272	1.41	69,655	424	2.46
Total interest-bearing liabilities	58,543	(65)	(0.44)	57,206	(226)	(1.59)
Interest rate spread			0.97			0.87
Total activity in Israel						
Total interest-bearing assets	467,342	2,368	2.04	393,173	2,281	2.34
Total interest-bearing liabilities	335,898	(252)	(0.30)	290,404	(375)	(0.52)
Interest rate spread			1.74			1.82

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2021 vs. 2020		
	For the three months ended March 31		
	Increase (decrease) due to change[h]		Net change
	Quantity	Price	
	In NIS million		
Interest-bearing assets			
Loans to the public			
In Israel	123	69	192
Outside Israel	(9)	(53)	(62)
Total	114	16	130
Other interest-bearing assets			
In Israel	71	(176)	(105)
Outside Israel	-	(6)	(6)
Total	71	(182)	(111)
Total interest income	185	(166)	19
Interest-bearing liabilities			
Deposits by the public			
In Israel	23	(164)	(141)
Outside Israel	-	(37)	(37)
Total	23	(201)	(178)
Other interest-bearing liabilities			
In Israel	7	11	18
Outside Israel	-	-	-
Total	7	11	18
Total interest expense	30	(190)	(160)
Total, net	155	24	179

Comments:
(a) The data in the above tables are stated after the effect of hedging derivatives.
(b) Based on monthly opening balances, except for the non-linked Israeli currency segment - where the average balance is calculated according to daily inputs, and before deducting the average book balance of loan loss provisions; foreign subsidiaries - based on quarterly opening balances.
(c) Before deducting the average 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 was added to (deducted from) the average balance of held-for-trading bonds and available-for-sale bonds, as were gains (losses) in respect of available-for-sale bonds included in shareholder's equity under accumulated other comprehensive income, in the Adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 1,859 million (March 31 2020 – NIS 1,199 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 was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.
(i) Fees and commissions for the three-month period in the amount of NIS 146 million were included in interest income from loans to the public (March 31 2020 - NIS 130 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.