

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

Condensed Financial Statements
As at June 30 2021
(Unaudited)

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Table of Contents

	Page
Report of the Board of Directors and Management	
A. Overview, Goals and Strategy	
Condensed Financial Information and Key Performance Indicators	5
Forward-looking information in the Report of the Board of Directors and Management	7
B. Explanation and Analysis of the Financial Performance and Business Position	
Trends, Phenomena, Developments and Material Changes	8
Main Changes in the Reporting Period	12
Material Changes in Financial Statement Items	15
Material Developments in Income, Expenses and Other Comprehensive Income	16
Structure and Development of Assets and Liabilities, Equity and Capital Adequacy	25
Operating Segments - Management Approach	38
Regulatory Operating Segments	43
Major Investee Companies	46
C. Risk Review	
Risk Exposure and Management Thereof	48
Credit Risks	49
Market Risks	49
Liquidity Risk	81
Operational Risks	81
Other Risks	83
D. Critical Accounting Policies and Estimates, Controls and Procedures	
Accounting Policies and Estimates on Critical Issues	88
Controls and Procedures Regarding Financial Statements Disclosures	90
The Board of Directors	91

Certification	92
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Financial Statements

Review Report of the Joint Independent Auditors	94
Consolidated Income Statement	95
Consolidated Statement of Comprehensive Income	96
Consolidated Balance Sheet	97
Consolidated Statement of Changes in Equity	98
Consolidated Statement of Cash Flows	104
List of Notes	107

Corporate Governance, Additional Information and Appendices

A. Corporate Governance

Changes in the Board of Directors	236
Internal Auditor	236

B. Additional Information

Control of the Bank	237
Appointments and Departures	238
Corporate Structure	238
Material Agreements	238
Laws and Regulations Governing the Banking System	239
Credit Ratings	244

C. Appendices

Income and Expenditure Rates	245
Glossary of Terms	252

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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
Return on net income attributable to the Bank's shareholders ^(c)	17.9	7.7	16.1	2.6	5.7
Return on net income attributable to the Bank's shareholders to average assets ^{(c)(e)}	1.2	0.5	1.1	0.2	0.4
Liquidity coverage ratio ^(f)	129	133	129	133	137
Ratio of income ^(b) to average assets ^{(c)(e)}	3.02	2.74	2.85	2.41	2.55
Efficiency ratio	43.1	46.3	46.1	57.7	53.8
Ratio of net interest income to average assets ^{(c)(e)}	1.94	1.61	1.82	1.71	1.70
Ratio of fees and commissions to average assets ^{(c)(e)}	0.59	0.59	0.61	0.67	0.64
Rate of tax provision from profit, before taxes	36.5	33.9	36.2	39.5	38.8
Net interest income to average balance of interest-bearing assets (NIM) ^(c)	2.15	1.81	2.03	1.93	1.90
Total income to total average assets under management by the Group ^{(b)(c)(d)(e)}	0.92	0.91	0.88	0.75	0.81
Total operating and other expenses to average total assets under management by the Group ^{(c)(d)(e)}	0.40	0.42	0.41	0.43	0.44
			As of June 30	As at December 31	
			2021	2020	2020
CET1 capital ratio			11.98	11.49	11.87
Total capital to risk-weighted assets ^(a)			14.93	15.71	15.58
Leverage ratio ^(g)			6.45	6.72	6.57
Equity attributable to the Bank's shareholders to total assets			6.8	7.0	6.8

Key credit quality indicators (in %)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
Loan loss (income) expenses out of average outstanding loans to the public ^(c)	(0.20)	1.18	(0.24)	1.19	0.88
Of which: (income) expenses for collective provision out of average outstanding loans to the public ^(c)	(0.10)	0.94	(0.08)	1.00	0.65
Percentage of balance of loan loss provision for loans to the public out of outstanding loans to the public	1.58	1.59	1.58	1.59	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	1.34	1.27	1.34	1.27	1.61
Percentage of net accounting write-offs out of average loans to the public ^(c)	0.01	(0.25)	0.09	(0.26)	(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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
In NIS million					
Net income attributable to the Bank's shareholders	1,667	694	3,007	462	2,102
Interest Income, net	2,774	2,121	5,122	4,290	8,723
Loan loss (income) expenses	(158)	875	(370)	1,735	2,552
Noninterest income	1,532	1,481	2,906	1,727	4,366
Of which: fees and commissions	853	776	1,721	1,669	3,281
Total operating and other expenses	1,858	1,669	3,697	3,472	7,046
Of which: salaries and related expenses	1,055	911	2,133	1,846	3,742
<u>Net earnings per share attributable to the Bank's shareholders (in NIS):</u>					
Basic diluted net income	1.15	0.48	2.07	0.32	1.44

Main balance sheet data

	As of June 30		As at December 31
	2021	2020	2020
In NIS million			
Total assets	597,422	516,848	556,035
Of which: cash and deposits with banks	160,946	100,982	136,194
Securities	91,474	98,672	92,297
Loans to the public, net	315,233	286,344	295,341
Total liabilities	556,130	480,255	517,940
Of which: deposits by the public	487,082	416,956	447,031
Deposits by banks	22,140	6,659	15,143
Bonds, promissory notes and subordinated bonds	13,199	19,519	16,303
Equity attributable to the Bank's shareholders	40,848	36,132	37,664
<u>Additional data:</u>			
Price per share (in NIS)	24.8	17.3	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", "estimate", "scenarios", "likely", "may", "can", "will be", "optimistic", "pessimistic" 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 Economy¹

General Background - the Coronavirus Pandemic

The first half of the year was characterized, at its beginning, by the continuation of the coronavirus pandemic, with worsening morbidity rates. Later on, mainly in the second quarter - against the background of the successful vaccination campaign and decline in morbidity rates, the economy reopened; however, towards the beginning of the third quarter, there was another surge in morbidity. As of the Report's publication date, more than 900,000 people have been infected by the virus and more than 6,540 people have died in Israel. In December 2020, Israel began to vaccinate its population, and more than 5.8 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 5.4 million people have been given the second dose. On the back of the morbidity surge in the third quarter, it was decided to administer a third vaccine dose to a segment of the population (mainly people aged 60+). As of the report publication date, more than 570,000 residents have been given the third dose. In addition, restrictions were re-imposed on the public in order to contain the spread of the virus.

The Global Economy

On July 27 2021, the International Monetary Fund (IMF) revised its global growth forecasts for 2021. Relative to the previous forecast of April 2021, there was no change in the projected global growth rate for 2021, but there were changes in various countries' growth rates: growth rates were upgraded in developed countries and downgraded in developing countries and emerging economies, especially in Asia. Especially on the back of the gaps in the vaccination rates in the various parts of the world. According to the current forecast, the gross world product is expected to expand by approximately 6.0 percent in 2021, compared with a 3.2 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, of 7.0 percent versus 4.6 percent in the euro zone, where vaccination is slower than in the US. Most of the risks in this forecast are on the negative side; they include concern over the spread of different variants on the back of low immunization rates across the world and a possible reassessment effect of the monetary policy in the more advanced countries, if it turns out that inflation expectations rise more quickly than anticipated.

Global growth/real change rate

Source: IMF - World Economic Outlook - July 2021

	2021	2020
World	6.0%	(3.2)%
USA	7.0%	(3.5)%
Eurozone	4.6%	(6.5)%
Japan	2.8%	(4.7)%
UK	7.0%	(9.8)%
China	8.1%	2.3%

During the first half of the year, 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. This, despite rising inflation in most developed countries. Against this background, the IMF called on central banks to avoid taking monetary tightening measures until it is clear whether the inflation reflects one-off or continuous price adjustments, while properly communicating with the public in order to shape its expectations so as to avoid an increase in interest rates.

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

The Bank of Israel's Composite State-of-the-Economy Index data for the first half of the year, which constitute a measure of the ongoing economic activity (in lieu of GDP data for the first half of the year, which have yet to be published as of the report publication date), indicate a 1.4 expansion (in the second quarter of 2021 vs. the fourth quarter of 2020), compared to a 1.9 percent decrease in the same period last year. Moreover, based on this high rate, the economic activity in Q2 of 2021 was higher than on the eve of the crisis (Q1 2020).

The labor market reflects a higher unemployment rate than prior to the crisis, both according to the regular definition (unemployed individuals) and under the "broad" definition (which includes not only unemployed individuals but also employees who are temporarily absent from the work force and have been dismissed as of March 2020). However, during the first half of the year, there has been an improvement trend, with a decline in unemployment rates. In June 2021, close to four hundred thousand workers (approximately 8.8 percent of the work force) meet the broad definition of unemployment.

The Bank of Israel assessed, in its July 5 2021 forecast, that in 2021, the growth rate will reach 5.5 percent; this is expected mainly on the back of recovery of private consumption, which is expected, according to the forecast, to expand by approximately 10.5 percent in 2021 (after declining by 9.5 percent in 2020). The forecast reflects the assessment of the central bank, whereby the economy is continuing to recover from the crisis, after the vast majority of the restrictions have been lifted.

The State Budget and its Funding

In January to June, the state budget deficit reached NIS 43.5 billion, compared with a NIS 59.3 billion deficit in the same period in 2020. The decline in the deficit stems from substantially higher income for the state compared with the increase in expenses, following the reopening of the economy and its positive effect on economic activity, resulting in higher taxes. Moreover, even compared to the tax income forecast, actual collection reflected a surplus - arising from income from both direct and indirect taxes. The higher-than-expected income reflects, as aforesaid, the economic recovery after the lifting of the restrictions, as well as unprecedented hikes in the capital markets and numerous technology IPOs.

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. In addition, following the outbreak of the coronavirus crisis, in an effort to address the crisis, the Government defined a spending limit of NIS 68.2 billion for the 2021 economic plan.

In August, the government approved the budget for 2021-2022, which still needs to be approved by the Knesset.

Foreign Trade

Israel's trade deficit reached USD 15.4 billion in the first six months of the year, compared with approximately USD 9.1 billion in the corresponding period last year. The substantial increase in the deficit stems from significant expansion of imports compared to a more moderate increase in exports. 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 (increase of approximately USD 12 billion, annualized) 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 five months of the year reflect a continuation of the rapid growth, compared to the corresponding period last year, 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 six months of the year, the shekel depreciated against the US dollar by 1.4 percent, and appreciated 1.7 percent against the euro; no change was recorded against the currency basket.

At the end of June 2021, the Bank of Israel's foreign exchange reserves stood at USD 200.2 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 USD 25.2 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 half of 2021 totaled approximately USD 25.2 billion, which are an annualized USD 50.4 billion. These purchases have had an expansionary effect on 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.

Regarding the Bank of Israel's future foreign exchange policy, the Governor of the Bank of Israel said on July 5 2021: "...we are not limited to a maximum intervention of USD 30 billion for this year - when the program ends, the Bank will continue to act in the foreign exchange market as needed, taking economic activity into account."

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) was up 1.6 percent in the first half of 2021 and 1.7 percent in the twelve months ending June 2021 - close to half the price stability target (1-3 percent). It seems that the reopening of the economy due to the decline in morbidity rates on the one hand, and global trends of rising transport and raw material prices on the other hand, raised prices in Israel but also affected inflation expectations, primarily in the short term. Thus, the inflationary environment - which was very low and even negative in the previous year - reflected a positive price increase during the reporting period. Similar phenomena were reported in other Western economies.

In the first half of the year, the "known" CPI was up 1.4 percent.

During the first half 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 July 5 2021, the Monetary Committee decided to maintain the current interest rate, noting that "the process of returning to normal in Israel supports 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. 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 12.3 percent during the first half of the year, following a 0.4 percent decrease in 2020. The price increases were positively affected by the vaccination drive in the first quarter, which led to a decline in morbidity and to the reopening of most of the economy in the second quarter.

The average daily trade volume of shares and convertible securities in the first half of the year totaled NIS 1.871 billion, an increase of less than one percent over the average level in 2020.

During the reporting period, the government bond market was affected by the reopening of the economy and the increase both in actual inflation and inflation expectations for the coming years. The CPI-Linked Government Bond Index was up 1.5 percent in the first half 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 4.5 percent from January to June 2021, both due to the expectation for an increase in inflation and the re-opening of the economy, which is also reflected in 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 June 2021, the performance rate out of the two-year plan was approximately 77 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 half 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 June 30 2021, purchases totaled NIS 68.6 billion.
2. Executing repo transactions with government bonds as well as corporate bonds rated AA and above, as collateral, with financial institutions. As of June 30 2021, transactions reached NIS 0.5 billion, similar to their level at the end of the first quarter of the year.
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 37.2 billion as at June 30 2021. On July 5 2021, the Bank of Israel announced that the phase in which banks were offered loans at minus 0.1 percent has been concluded, as planned, in June 2021, and the phase of offering them loans at a rate of 0.1 percent will conclude on October 1 2021, or after NIS 40 billion will have been utilized.

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 still use a variety of tools to support economic activity, beyond maintaining interest rates at a low or even negative level. In late 2020, a vaccine was approved, which was administered at various paces across world countries, especially in the developed countries and more slowly - in developing countries.

In view of the quick vaccination process implemented in Israel, the risks to economic activity in Israel have declined. However, the decline of the "immunity memory" and the emergence of the Delta variant require extra caution on the part of the Israeli government, which has led to the imposition of new restrictions on the Israeli economy, among others, on incoming and outgoing passenger travel and large gatherings. In some major world countries, the vaccination process appears to be relatively successful, the lifting of restriction in some of these countries. In other countries, the vaccination process has been relatively slow to date; therefore, these countries - especially emerging ones - are still relatively substantially exposed to the economic risks arising from closures and other restrictions imposed due to high morbidity rates.

Loan loss income was approximately NIS 370 million in the first half of 2021, mainly as a result of collections in the reporting period. A 0.08 percent income was recorded in the collective provision. Due to the crisis's ongoing nature, the Bank continued to examine the key criteria in the provision process in Q2 2021, and made the relevant adjustments, while weighting, on the one hand, positive developments recorded during the reporting period, such as the success of the extensive vaccination effort and its positive effect on the decline in serious morbidity and the gradual reopening of the economy to full activity. And on the other hand - to the latest growing uncertainty due to epidemiological fears on the back of rising morbidity and surge of variants - developments which may lead, depending on their severity, to the re-imposition of some of the coronavirus restrictions and decline in economic activity in Israel. Additional changes in management's assessments, estimates and forecasts may significantly impact the loan loss 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.

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.

Leumi Partners Ltd.

For information regarding transactions made by Leumi Partners during the reporting period, please see the section entitled Major Investee Companies.

Material Changes in Financial Statement Items

Net income attributable to shareholders (hereinafter - the “net income”) in the first half of 2021 (hereinafter - the “reporting period”) amounted to NIS 3,007 million compared to NIS 462 million in the same period last year.

The return on equity in the reporting period was 16.1 percent, compared to a rate of approx. 2.6 percent in the same period last year. The return on equity in Q2 of 2021 was 17.9 percent compared with 7.7 percent in the corresponding 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 expense in the same period last year.

On August 12 2021, the Bank’s Board of Directors approved a dividend distribution of NIS 630 million, which represents approximately 30 percent of the net income for 2020, and 21 percent of the gains of the reporting period.

Net interest income in the reporting period totaled approx. NIS 5,122 million, compared to a total of approx. NIS 4,290 million in the corresponding period last year, a 19.4 percent increase. The increase in the interest income stems from the increase in the Bank’s loan portfolio and from the differences in the CPI from one period to another, which were partly offset by the effects of the decrease in the Federal Reserve’s interest rate and the interest rate of the Bank of Israel. In the reporting period, the CPI was positive, at 1.4 percent, compared with a negative 0.7 percent in the corresponding period last year. The positive impact of the CPI was mainly expressed in the second quarter of the year, in which a 1.3 percent positive CPI was recorded, compared with a negative 0.2 percent in the same period last year.

Loan loss expenses (income) during the reporting period reflect an income rate of approx. 0.24 percent of the average outstanding loans to the public compared to an expense rate of 1.19 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 0.08 percent, on the one hand, on the back of the improvement in economic indicators and of the risk indicators underlying the provision, on the back of the reopening of the economy and on the other hand, due to the ongoing uncertainty and doubts as to the ongoing efficiency of the vaccines, given the spread of the Delta variant. The rate of loan loss provision relative to the outstanding loans as at June 30 2021 was 1.58 percent.

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

Noninterest finance income in the reporting period totaled approx. NIS 1,068 million, compared to a total of approx. NIS 30 million in the corresponding period last year. The increase in revenues over last year stems from realized and unrealized gains on Retailors’ shares and ironSource shares totaling NIS 382 million recorded in the second quarter of 2021 and from the effect of derivatives and exchange rate differentials. In addition, the first quarter of 2020 was characterized by substantial volatility in capital markets following the outbreak of the coronavirus. In the second quarter last year, the volatility moderated, and revenues offset most of the losses recorded in the first quarter last year.

For additional information, please see below, under Major Investee Companies.

Operating and other fees and commissions in the reporting period were up by NIS 52 million compared to the corresponding period last year. Most of the increase is on the back of fees and commissions from securities, credit handling fees and fees and commissions from financing activities. This increase was partly offset by 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 by account management fees.

Operating and other expenses were up by NIS 225 million in the reporting period compared to the corresponding period last year, a 6.5 percent increase.

Salaries and related expenses were up by NIS 15.5 percent, mainly due to provisions for bonuses in respect of the financial results.

This increase was partly offset by a decrease in other operating expenses.

The efficiency ratio for the reporting period is 46.1 percent compared to 57.7 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 more moderate increase in expenses. The efficiency ratio in the second quarter of 2021 was 43.1 percent, compared with 46.3 percent in the same period last year.

Basic earnings per share attributable to the shareholders in the reporting period totaled a gain of approx. NIS 2.07 compared to a gain of NIS 0.32 in the corresponding period last year.

CET1 capital to risk weighted assets ratio as at June 30 2021 was 11.98 percent. Total capital ratio as at June 30 2021 was 14.93 percent.

Material Developments in Income, Expenses and Other Comprehensive Income

Change in net income in the second quarter of 2021 compared to corresponding period of the previous year:

	For the three months ended			
	June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Interest Income, net	2,774	2,121	653	30.8
Loan loss (income) expenses	(158)	875	(1,033)	-
Noninterest income	1,532	1,481	51	3.4
Operating and Other Expenses	1,858	1,669	189	11.3
Profit before taxes	2,606	1,058	1,548	+
Provision for tax	950	359	591	+
Profit after tax	1,656	699	957	+
Bank's share in associates' profits	22	1	21	+
Less net income attributable to non-controlling interests	(11)	(6)	(5)	83.3
Net income attributable to the Bank's shareholders	1,667	694	973	+
Return on equity (in %)	17.9	7.7		
Basic earnings per share (in NIS)	1.15	0.48		

Change in net income in the first half of 2021 compared to the corresponding period last year:

	For the six months ended June			
	30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Interest Income, net	5,122	4,290	832	19.4
Loan loss (income) expenses	(370)	1,735	(2,105)	-
Noninterest income	2,906	1,727	1,179	68.3
Operating and Other Expenses	3,697	3,472	225	6.5
Profit before taxes	4,701	810	3,891	+
Provision for tax	1,703	320	1,383	+
Profit after tax	2,998	490	2,508	+
The Bank's share in the profits (losses) of associates	29	(13)	42	+
Net income attributable to non-controlling interests	(20)	(15)	(5)	33.3
Net income attributable to the Bank's shareholders	3,007	462	2,545	+
Return on equity (in %)	16.1	2.6		
Basic earnings per share (in NIS)	2.07	0.32		

Net income development by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Interest Income, net	2,774	2,348	2,217	2,216	2,121	2,169
Loan loss (income) expenses	(158)	(212)	270	547	875	860
Noninterest income	1,532	1,374	1,386	1,253	1,481	246
Operating and Other Expenses	1,858	1,839	1,825	1,749	1,669	1,803
Profit (loss) before taxes	2,606	2,095	1,508	1,173	1,058	(248)
Provision (benefit) for tax	950	753	604	432	359	(39)
Profit (loss) after tax	1,656	1,342	904	741	699	(209)
The Bank's share in the profits (losses) of associates	22	7	(8)	8	1	(14)
Net loss (income) attributable to non-controlling interests	(11)	(9)	(6)	1	(6)	(9)
Net income (loss) attributable to the Bank's shareholders	1,667	1,340	890	750	694	(232)
Return on equity (in %)	17.9	15.0	9.8	8.4	7.7	(2.6)
Basic earnings (loss) per share (in NIS)	1.15	0.92	0.61	0.52	0.48	(0.16)

Interest Income, Net

Net interest income of the Leumi Group in the reporting period was NIS 5,122 million, compared with NIS 4,290 million in the corresponding period last year, a 19.4 percent increase.

Net interest income in the second quarter of 2021 totaled NIS 2,774 million compared to NIS 2,121 million in the corresponding period last year, a 30.8 percent increase.

The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in the CPI from one period to another, which were partly offset by the effects of the decrease in the Federal Reserve's interest rate and the interest rate of the Bank of Israel. The CPI in the reporting period was a positive 1.4 percent, compared with a negative CPI of 0.7 percent in the corresponding period last year. Net interest income in the reporting period was positively affected by the positive CPI in the amount of NIS 460 million, while in the corresponding period last year, the results were negatively affected by the negative CPI by a total of NIS 135 million. The CPI in the second quarter of 2021 was a positive 1.3 percent, compared with a negative CPI of 0.2 percent in the corresponding period last year. Net interest income in the second quarter of 2021 was positively affected by the positive CPI in the amount of NIS 420 million, while in the corresponding quarter last year, the results were adversely affected by the CPI by a total of NIS 37 million.

Net yield on interest-bearing assets in the reporting period was 2.03 percent, compared with 1.93 percent in the corresponding period last year. The increase stems from the positive impact of the CPI during the reporting period, which was partially offset by an increase in the average balance of assets generating a lower return. Net yield on interest-bearing assets in the second quarter was 2.15 percent, compared with 1.81 percent in the corresponding period last year.

The total interest rate spread in the reporting period is 1.90 percent, compared to a 1.81 percent spread in the corresponding period last year.

The following table presents interest spread information from activity in Israel by linkage segment:

In the CPI segment, the interest rate spread in the reporting period was 1.52 percent, compared with 0.99 percent in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reporting period was 0.92 percent, compared with 0.81 percent in the corresponding period last year. In the non-linked NIS segment, the interest rate spread was 1.79 percent, compared with 2.09 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 six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Loan loss (income) expense - specific	(245)	279	(524)	-
Loan loss expense (income) - collective	(125)	1,456	(1,581)	-
Total expense (income) for loan losses	(370)	1,735	(2,105)	-
Of which:				
Loan loss expenses (income) in respect of commercial credit risk	(333)	1,354	(1,687)	-
Loan loss expenses (income) in respect of housing loans credit risk	(27)	138	(165)	-
Loan loss expenses (income) for credit risk for private individuals - other	(9)	242	(251)	-
Loan loss expenses (income) for credit risk in respect of banks and governments	(1)	1	(2)	-
Total expense (income) for loan losses	(370)	1,735	(2,105)	-
Ratios (in %):^(a)				
Percentage of specific loan loss expense (income) out of average outstanding loans to the public	(0.16)	0.19	(0.35)	-
Percentage of loan loss expense (income) out of average outstanding loans to the public	(0.24)	1.19	(1.43)	-
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.09	(0.26)	0.35	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	5.24	(15.93)	21.17	+

(a) Annualized.

Development of loan loss expenses by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Loan loss (income) expense - specific	(76)	(169)	395	(10)	175	104
Loan loss expense (income) - collective	(82)	(43)	(125)	557	700	756
Total expense (income) for loan losses	(158)	(212)	270	547	875	860
Of which:						
Loan loss expenses (income) in respect of commercial credit risk	(153)	(180)	253	498	615	739
Loan loss expenses (income) in respect of housing loans credit risk	(8)	(19)	(15)	52	107	31
Loan loss expenses (income) for credit risk for private individuals - other	4	(13)	34	(5)	155	87
Loan loss expenses (income) for credit risk in respect of banks and governments	(1)	-	(2)	2	(2)	3
Total (income) expenses for loan losses	(158)	(212)	270	547	875	860
Ratios (in %):^(a)						
Percentage of specific loan loss expense (income) out of average outstanding loans to the public	(0.10)	(0.22)	0.55	(0.01)	0.24	0.14
Percentage of loan loss expense (income) out of average outstanding loans to the public	(0.20)	(0.28)	0.37	0.76	1.18	1.20
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.01	0.16	(0.10)	(0.10)	(0.25)	(0.27)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	0.79	9.65	(5.26)	(5.62)	(15.27)	(18.42)

(a) Annualized.

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

Noninterest Income

	For the six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Noninterest finance income	1,068	30	1,038	+
Fees and Commissions	1,721	1,669	52	3.1
Other income	117	28	89	+
Total	2,906	1,727	1,179	68.3

Development of noninterest income by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
In NIS million						
Noninterest finance income (expenses)	627	441	539	457	690	(660)
Fees and Commissions	853	868	824	788	776	893
Other income	52	65	23	8	15	13
Total	1,532	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 reporting period was 36.2 percent, compared with 28.7 percent in the same period last year; in the second quarter, the rate was 35.6 percent versus 41.1 percent in the corresponding period last year and 33.4 percent for the 2020 full year.

Breakdown of noninterest finance income

	For the six months ended June 30			
	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	211	(313)	524	+
Gains on sale of available-for-sale bonds, net	117	220	(103)	(46.8)
Gains (losses) and dividend from not held-for-trading equity securities	640	(82)	722	+
Losses on sale of investees' equity	-	(2)	2	100.0
Net income for derivatives for trading activities	108	137	(29)	(21.2)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net ^(a)	(8)	70	(78)	-
Total	1,068	30	1,038	+

(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.

Net income for derivatives and exchange rate differentials during the reporting period were mainly affected by the increase in the risk-free interest rate in respect of derivatives for not held-for-trading activities, while during the corresponding period last year, they were affected by the risk-free interest decrease.

Gains on equity securities not held-for-trading in the reporting period include realized and unrealized gains on Retailors' shares and ironSource shares totaling NIS 382 million recorded in the second quarter of 2021. In the period following the balance sheet date and until the financial statements' publication date, ironSource's stock was down by approximately 17 percent.

For additional information, please see below, under Major Investee Companies.

Breakdown of noninterest finance income by quarter

	2021		2020			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	110	101	254	58	214	(527)
Gains on sale of available-for-sale bonds, net	52	65	66	91	86	134
Gains (losses) and dividend from not held-for-trading equity securities	448	192	83	226	124	(206)
Losses on sale of investees' equity	-	-	-	-	-	(2)
Net income (expenses) in respect of derivatives for trading activities	18	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)	(1)	(7)	(4)	(8)	103	(33)
Total	627	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 six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Account management	315	327	(12)	(3.7)
Activity in securities and certain derivatives	411	375	36	9.6
Credit cards	178	163	15	9.2
Credit handling	101	82	19	23.2
Financial products distribution fees and commissions	136	136	-	-
Exchange rate differentials	190	222	(32)	(14.4)
Financing fees and commissions	229	211	18	8.5
Other fees and commissions	161	153	8	5.2
Total fees and commissions	1,721	1,669	52	3.1

Most of the increase is on the back of fees and commissions from securities, credit handling fees and fees and commissions from financing activities, as a result of an increase in the scope of activity. This increase was partially offset by fees and commissions on exchange rate differentials, on the back of unusual activity in the first quarter of last year - due to the outbreak of the coronavirus.

Breakdown of fees and commissions by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Account management	158	157	154	161	155	172
Activity in securities and certain derivatives	192	219	187	165	177	198
Credit cards	94	84	82	82	78	85
Credit handling	50	51	49	42	39	43
Financial products distribution fees and commissions	69	67	68	64	64	72
Exchange rate differentials	92	98	86	84	85	137
Financing fees and commissions	115	114	120	111	103	108
Other fees and commissions	83	78	78	79	75	78
Total fees and commissions	853	868	824	788	776	893

Breakdown of other income

	For the six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Gains on severance pay reserve	34	1	33	+
Other income, including on sale of buildings and equipment	83	27	56	+
Total	117	28	89	+

Breakdown of other income by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Gains (losses) on severance pay reserve	24	10	8	-	4	(3)
Other income, including on sale of buildings and equipment	28	55	15	8	11	16
Total	52	65	23	8	15	13

Operating and Other Expenses

	For the six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	2,133	1,846	287	15.5
Depreciation and amortization	345	363	(18)	(5.0)
Maintenance expenses for buildings and equipment	419	412	7	1.7
Other expenses	800	851	(51)	(6.0)
Total operating and other expenses	3,697	3,472	225	6.5

Operating and other expenses by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Salaries and related expenses	1,055	1,078	954	942	911	935
Depreciation and amortization	174	171	158	157	183	180
Maintenance expenses for buildings and equipment	224	195	227	214	184	228
Other expenses	405	395	486	436	391	460
Total operating and other expenses	1,858	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 constitute 46.1 percent of total income, compared with 57.7 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 more moderate increase in expenses on the back of provisions for bonuses, as aforesaid. The decline in other expenses is the result of a series of measures taken by the Bank in order to adjust the expenses to the business focal points.

Total (annualized) operating and other expenses constitute 1.24 percent of total assets, compared with 1.35 percent in the corresponding period last year and 1.27 percent in the entire 2020.

Salary expenses

	For the six months ended June 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	1,938	1,679	259	15.4
Pension, severance and retirement expenses	195	167	28	16.8
Total salary expenses	2,133	1,846	287	15.5

Salary expenses by quarter

	2021	2020				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Salaries and related expenses	955	983	845	850	824	855
Pension, severance and retirement expenses	100	95	109	92	87	80
Total salary expenses	1,055	1,078	954	942	911	935

Condensed Statement of Comprehensive Income

Comprehensive income for the reporting period totaled NIS 3,184 million compared to NIS 1,273 million in the corresponding period last year. The difference between the comprehensive income for the reporting period and the net income stems mainly from positive adjustments to liabilities for employee benefits totaling NIS 494 million, which was partially offset by negative adjustments for available-for-sale bonds totaling NIS (324) 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 periods ended June 30 2021 and 2020

	Other comprehensive income (loss) before attribution to non-controlling interests						Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Adjustments from trans-lation, ^(a) net after the effect of hedges ^(b)	Net gains (losses) on cash flow hedges	The Bank's ownership interests in other comprehensive income of equity-accounted investees	Adjustments in respect of employee benefits ^(c)	Total		
In NIS million								
Balance as at March 31 2020	208	(155)	29	(16)	(1,988)	(1,922)	(18)	(1,904)
Net change during the period	809	(39)	3	3	(1,566)	(790)	(10)	(780)
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Balance as at March 31 2021	827	(244)	2	(21)	(3,310)	(2,746)	(68)	(2,678)
Net change during the period	12	(31)	10	(2)	70	59	(4)	63
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)

Changes in accumulated other comprehensive income (loss) for the six-month periods ended June 30 2021 and 2020

	Other comprehensive income (loss) before attribution to non-controlling interests						Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Adjustments from trans-lation, ^(a) net after the effect of hedges ^(b)	Net gains (losses) on cash flow hedges	The Bank's share in other comprehensive income (loss) of equity-accounted investees	Adjustments in respect of employee benefits ^(c)	Total		
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	393	5	34	-	394	826	15	811
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	(324)	20	(14)	(7)	494	169	(8)	177
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)

Please see comments below.

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

	Other comprehensive income (loss) before attribution to non-controlling interests						Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's share-holders
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Adjustments from translation, ^(a) net after the effect of hedges ^(b)	Net gains (losses) on cash flow hedges	The Bank's share in other comprehensive income (loss) of equity-accounted investees	Adjustments in respect of employee benefits ^(c)	Total		
	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) The adjustments for employee benefits are net of the adjustments in respect of plan assets.

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

Total assets of the Leumi Group as at June 30 2021 amounted to NIS 597.4 billion, compared to NIS 556 billion as at the end of 2020 - a 7.4 percent increase, and compared to June 2020 - a 15.6 percent increase.

The value of assets denominated in, and linked to, foreign currency out of the Group's balance sheet is approximately NIS 117.9 billion, 19.7 percent of the total assets. In the first half of 2021, the shekel devalued against the US dollar by 1.4 percent, appreciated by 1.8 percent against the euro, and devalued by 2.9 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.2 percent increase in the Group's total assets.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,935 billion as at June 30 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

	June 30	December 31	Change	
	2021	2020	From December 2020	From June 2020
	In NIS million		In %	
Total assets	597,422	556,035	7.4	15.6
Cash and deposits with banks	160,946	136,194	18.2	59.4
Securities	91,474	92,297	(0.9)	(7.3)
Loans to the public, net	315,233	295,341	6.7	10.1
Buildings and equipment	2,763	2,932	(5.8)	(5.1)
Deposits by the public	487,082	447,031	9.0	16.8
Deposits by banks	22,140	15,143	46.2	+
Bonds, promissory notes and subordinated bonds ^(a)	13,199	16,303	(19.0)	(32.4)
Equity attributable to the Bank's shareholders	40,848	37,664	8.5	13.1

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

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

	June 30	December 31	Change	
	2021	2020	From December 2020	From June 2020
	In NIS million		In %	
Documentary credit, net	1,812	1,067	69.8	+
Loan guarantees, net	5,694	5,186	9.8	16.4
Guarantees for apartment buyers, net	23,994	20,123	19.2	19.1
Guarantees and other commitments, net	17,313	16,999	1.8	7.0
Unutilized credit card credit facilities, net ^(a)	8,124	15,655	(48.1)	(47.9)
Unutilized current loan account facilities and other credit facilities in demand accounts, net	12,698	12,813	(0.9)	(4.7)
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	56,926	52,909	7.6	22.9
Derivatives ^{(b)(c)}	789,604	698,304	13.1	3.4
Options - all types ^(c)	287,315	92,392	+	31.4

(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 June 30 2021 totaled NIS 315.2 billion versus NIS 286.3 billion as at June 30 2020, a 10.1 percent increase compared to a total of NIS 295.3 billion as at the end of 2020, a 6.7 percent increase.

In addition to loans to the public, the Group invests in corporate securities, which total - as at June 30 2021 - NIS 20,574 million compared to NIS 19,048 million as at the end of 2020, and which also embody credit risk.

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

	June 30	December 31	Change	
	2021	2020		
	In NIS million		In NIS million	In %
Private individuals - housing loans	95,891	89,753	6,138	6.8
Private individuals - other	26,261	25,412	849	3.3
Construction and real estate	77,927	69,542	8,385	12.1
Commercial	27,521	27,048	473	1.7
Industry	21,018	19,991	1,027	5.1
Other	66,615	63,595	3,020	4.7
Total	315,233	295,341	19,892	6.7

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

Troubled Credit Risk

Troubled credit risk after specific and collective provisions

	June 30			December 31		
	2021			2020		
	On- balance- sheet	Off- balance- sheet	Total	On- balance- sheet	Off- balance- sheet	Total
	In NIS million					
Impaired non-performing credit risk, net	2,403	135	2,538	2,889	153	3,042
Substandard credit risk, net	390	11	401	339	25	364
Special mention credit risk, net	2,858	353	3,211	3,299	309	3,608
Total	5,651	499	6,150	6,527	487	7,014

	June 30	December 31
	2021	2020
	In NIS million	
Troubled credit risk - Commercial	6,903	7,807
Troubled credit risk - retail	1,345	1,427
Total	8,248	9,234
Balance of loan loss provision	2,098	2,220
Troubled loans after loan loss provision	6,150	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 June 30 2021, the outstanding troubled credit risk totaled NIS 6,150 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 June 30 2021, the Group's investments in securities amounted to NIS 91.5 billion, compared to NIS 92.3 billion as at the end of 2020, a 0.9 percent decrease.

The securities in the Group are classified into four categories: held-for-trading securities, not held-for-trading equity securities and mutual funds, available-for-sale bonds and held-to-maturity bonds.

For more information, please see Note 1.1.1 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-tradable 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:

	June 30 2021					December 31 2020				
	Held-to-maturity bonds	Available-for-sale bonds ^(a)	Not held-for-trading equity securities and mutual funds	Held-for-trading securities ^(b)	Total	Held-to-maturity bonds	Available-for-sale bonds ^(a)	Not held-for-trading equity securities and mutual funds	Held-for-trading securities ^(b)	Total
In NIS million										
Bonds										
Of the Israeli government	4,095	31,957		2,228	38,280	3,919	34,821		3,144	41,884
Of foreign governments ^(c)	-	20,904		3	20,907	-	19,893		223	20,116
Of Israeli financial institutions	-	70		131	201	-	69		323	392
Of foreign financial institutions ^(d)	-	9,274		81	9,355	-	8,861		98	8,959
Asset-backed (ABS) or mortgage-backed (MBS)	2,525	7,833		69	10,427	2,265	6,996		80	9,341
Of other Israeli entities	-	265		83	348	-	220		58	278
Of other foreign entities	1,815	5,257		41	7,113	818	6,067		46	6,931
Equity securities and mutual funds			4,819	24	4,843			4,335	61	4,396
Total securities	8,435	75,560	4,819	2,660	91,474	7,002	76,927	4,335	4,033	92,297

(a) Including unrealized gains from fair value adjustments in the amount of NIS 1,342 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 13,819 million (December 31 2020 - NIS 11,534 million).

(d) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.

As at June 30 2021, approximately 82.6 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 2.9 percent - as held-for-trading, approx. 5.3 percent as not held-for-trading equity securities and mutual funds

and 9.2 percent as held-to-maturity. Approximately 5.3 percent of the securities' value is investments in corporate equity securities or mutual funds that are not equity-accounted, but rather stated at cost or according to the listed share and listed mutual funds' price.

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

Available-for-sale portfolio

1. In the reporting period, there was a NIS 492 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with an increase of NIS 597 million (before tax) in the corresponding period last year.
2. During the reporting period, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 117 million (before tax), compared with net gains of NIS 220 million (before tax) in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds as at June 30 2021 totaled a positive NIS 839 million (after tax) compared with a positive NIS 1,163 million as at the end of 2020. These amounts represent net unrealized gains (after tax) 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 by the US-based subsidiary.

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

Held-for-trading portfolio

As at June 30 2021, the held-for-trading portfolio has NIS 2.6 billion in bonds, compared with NIS 4.0 billion as at December 31 2020. As at June 30 2021, the held-for-trading portfolio constitutes 2.9 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 net in the income statement in the reporting period, compared with net gains of NIS 67 million in the same period last year.

Investments in equity securities and mutual funds

As at June 30 2021, investments in shares and funds totaled NIS 4,843 million, of which NIS 3,055 million was in marketable shares and NIS 1,788 million - in non-marketable shares.

Of the total investment, NIS 4,819 million is classified to the not held-for-trading portfolio and NIS 24 million - to the held-for-trading portfolio.

As at June 30 2021, the capital required in respect of these investments was NIS 616 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, investment-grade, amounted to NIS 10.4 billion (about USD 3.2 billion) as at June 30 2021, compared to NIS 9.3 billion as at the end of 2020. Out of the above portfolio, as at June 30 2021, NIS 7.8 billion (about USD 2.4 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of June 30 2021, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 5.4 billion. 93.9 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As at June 30 2021, the total net increase in value from the mortgage-backed bonds portfolio charged to shareholders' equity was NIS 2 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 329 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 3.73 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 2.5 billion, of which CLO bonds account for NIS 1.8 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.4 years.

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

b. [Investments in foreign non-asset-backed securities](#)

As of June 30 2021, the Group's securities portfolio includes NIS 47.2 billion (USD 14.5 billion) in foreign non-asset-backed securities. NIS 40.1 billion (about USD 12.3 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.43 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 June 30 2021, the cumulative increase in shareholders' equity in respect of foreign non-asset-backed bonds in the available-for-sale portfolio was NIS 631 million (NIS 415 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. 85.74 percent of the securities in the held-for-trading portfolio are investment-grade.

As at June 30 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 June 30 2021, investments in bonds issued in Israel amounted to NIS 32.4 billion, of which NIS 31.9 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. Approximately 61.0 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 22 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 June 30 2021, deposits by the public with the Group totaled approximately NIS 487.1 billion, compared to NIS 417.0 billion as at June 30 2020, an 16.8 percent increase, and compared with a total of approximately NIS 447.0 billion as at the end of 2020, a 9.0 percent increase.

The increase is on the back of the outbreak of the coronavirus crisis in the corresponding period last year, 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

	June 30	December 31		
	2021	2020	Change	
	In NIS million		In NIS million	In %
Securities portfolios ^(a)	968,790	843,017	125,773	14.9
Assets for which operating services are provided: ^{(a)(b)(c)}				
Provident and pension funds	196,979	178,964	18,015	10.1
Advanced study funds	172,044	155,674	16,370	10.5

(a) Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.

(b) The Group does not manage mutual funds, provident funds or study funds in Israel.

(c) Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.

Bonds, Capital Notes and Subordinated Bonds

Shelf prospectus and bonds issue

On May 27 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority; the shelf prospectus will be in effect for a period of two years from its publication date.

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 40,848 million on June 30 2021 compared with NIS 37,664 million as at the end of 2020.

The change in the shareholders' equity was mainly affected by the gain in the reporting period and by the positive adjustments in the capital reserve for employee benefits.

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 June 30 2021 reached 6.8 percent, the same as reported as at December 31 2020.

Capital Adequacy Structure^(a)

	June 30	December 31	
	2021	2020	2020
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	42,014	37,475	39,262
Tier 2 capital, after deductions	10,331	13,735	12,297
Total capital	52,345	51,210	51,559
Balances of risk-weighted assets			
Credit risk	322,809	296,428	303,356
Market Risks	5,454	6,890	5,313
Operational risk	22,373	22,715	22,182
Total balances of risk-weighted assets	350,636	326,033	330,851
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	11.98%	11.49%	11.87%
Total capital to risk-weighted assets	14.93%	15.71%	15.58%

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

Common Equity Tier 1 capital was 11.98 percent as at June 30 2021, a 0.11 percent increase compared to December 31 2020, due to an increase in Tier 1 capital which was partly offset on the back of the increase in the loan portfolio during the reporting period.

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

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.

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement appears in the section entitled "Capital Adequacy".

Tier 1 capital

According to the Banking Supervision Department's directives, additional Tier 1 capital includes equity instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202.

It should be noted that so far, Israel has set no regulatory requirement regarding minimum Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

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 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.

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.

Under the temporary order, housing loans granted during the crisis period (from March 19 2020 until the order's expiry date), shall not be subject to the additional capital requirement of 1 percent of the outstanding loan prescribed in Section 14A to Proper Conduct of Banking Business No. 329, "Limitations on Issuing Housing Loans". The directive's validity was extended until September 30 2021, as part of the circular dated March 22 2021 extending the validity of the temporary order.

On August 9 2021, the Banking Supervision Department announced it would not extend the exemptions on housing loans granted under the temporary order, which shall expire on September 30 2021. The Banking Supervision Department also announced that it is currently examining the validity of the other sections of the temporary order designed to grant easements to the entire banking system during the coronavirus crisis (Proper Conduct of Banking Business No. 250).

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 June 30 2021 are 9.20 percent for the Common Equity Tier 1 capital ratio and 12.70 percent for total capital ratio.

On July 26 2021, the Banking Supervision Department published an additional circular for adjustments to the temporary order, stating that nothing prevents the banks from examining the distribution of the dividend and share buyback, even when the temporary order is still in place, based on a prudent and conservative approach, in light of the high level of uncertainty caused by the coronavirus crisis and its future ramifications. The position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the net income for 2020 will not be considered prudent and conservative capital planning.

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

On March 6 2019, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter. and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions being passed by the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

As part of the implementation of this policy, and until the Board of Directors' decision of April 16 2020 to put an end, at this point, to the dividend distribution and to the Bank's share buyback plan, the Bank used to distribute a dividend of up to 40 percent of the quarterly net income and to regularly carry out a share buyback plan.

As mentioned above, in accordance with the explanatory notes to the abovementioned Adjustments Circular to the temporary order of July 2021, the Banking Supervision Department's position is that a distribution of more than 30 percent of the income for the year 2020 will not be deemed prudent and conservative planning. Accordingly, and in light of the Bank's high income surplus, the Board of Directors approved on August 12 2021 a dividend payment of NIS 630 million, which represents approximately 30 percent of the net income for 2020, which constitute 21 percent of the gains of the first half of 2021. The dividend amount approved is 43.362 agorot per share of NIS 1 par value. The Board of Directors has set August 25 2021 as the record date for dividend payment and September 2 2021 as the payment date.

For additional information regarding Bank's dividend distribution policy, please see the section entitled "Equity and Capital Adequacy" in the Report of the Board of Directors and Management in the 2020 Annual Financial Statements.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS million
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 Report of the Board of Directors and Management 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 plans, 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 the formulation of 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 June 30 2021, 100 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 June 30 2021, 80 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 June 30 2021, 40 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. It is impossible to evaluate their expected effect at this point.

Circular entitled "Regulatory Capital - Effect of Implementation of Accounting Principles regarding Expected Loan Losses", Proper Conduct of Banking Business Directive No. 299 and circular entitled "Expected Loan Losses from Financial Instruments"

On December 2020, the Banking Supervision Department published a circular entitled "Regulatory Capital - Effect of Implementation of Accounting Principles regarding Expected Loan Losses". The circular established transitional provisions which will be applied to the effect of first-time adoption of the new rules regarding expected loan losses, in order to reduce the unexpected effect of the implementation of the rules on the regulatory capital.

Moreover, on February 2021, the Banking Supervision Department published a circular entitled “Expected Loan Losses from Financial Instruments”, adjusting a number of Proper Conduct of Banking Business directives to the new rules regarding expected loan losses. Among other things, Proper Conduct of Banking Business Directive No. 202 was revised, entitled “Capital Measurement and Adequacy - Regulatory Capital”, and banking corporations will be required, as of January 1 2022, to deduct from Common Equity Tier 1 amounts to cover for housing loans classified over time as non-accrual. The circular states that the requirement to calculate collective provision at a minimum rate of 0.35 percent for housing loans will be cancelled, as will be the requirement to calculate a minimum provision based on the extent of arrears.

The new directives will become effective on January 1 2022. In accordance with the transitional provisions published by the Banking Supervision Department, if as a result of the first-time adoption, there will be a decrease in the Common Equity Tier 1, it will be possible to add partially in the Common Equity Tier 1 (i.e., to add back to Common Equity Tier 1) the decrease in Common Equity Tier 1 that will be recorded on first-time application date, over a period of three years (with an additional 75 percent in the first application year and a 25 percent reduction per year, until reaching 0 percent on January 1 of the fourth application year).

The Bank continues to examine the effect of the implementation of the new provisions on the financial statements and to prepare for the implementation of the new regulation; therefore, it is impossible to evaluate their expected effect at this point.

For more information on the general application of accounting principles on loan losses, please see Note 1.C.2.

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

- Change in the amount of risk-weighted assets – Leumi's risk-weighted assets amounted to NIS 350.6 billion as at June 30 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.
- Change in Common Equity Tier 1 - as of June 30 2021, Common Equity Tier 1 totals NIS 42.0 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 0.06 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.

	June 30	December 31	
	2021	2020	2020
In NIS million			
Consolidated data			
Tier 1 capital	42,014	37,475	39,262
Total exposures	651,119	557,459	597,538
Leverage ratio			
Leverage Ratio	6.45%	6.72%	6.57%
Minimum total leverage ratio set by the Banking Supervision Department ^(a)	5.50%	6.00%	5.50%

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

(a) 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 June 30 2021 is 6.45 percent, a 0.12 percent decrease compared to December 31 2020. The decrease stems from an increase in the on-balance-sheet exposure (mainly from loans to the public and from cash and deposits with banks).

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 June 30 2021												
The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total	
Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments				
In NIS million												
Interest income, net:												
From external	234	264	1,051	1,549	347	269	283	55	6	25	240	2,774
Inter-segmental	233	19	(715)	(463)	(9)	(100)	(54)	625	(1)	-	2	-
Interest Income, Net	467	283	336	1,086	338	169	229	680	5	25	242	2,774
Noninterest Income												
	343	110	6	459	114	56	78	241	60	463	61	1,532
Total income	810	393	342	1,545	452	225	307	921	65	488	303	4,306
Expenses (income) in respect of loan losses												
	4	(33)	(10)	(39)	(40)	(87)	(5)	19	(6)	3	(3)	(158)
Total operating and other expenses												
	690	244	82	1,016	182	63	36	104	214	54	189	1,858
Profit (loss) before tax												
	116	182	270	568	310	249	276	798	(143)	431	117	2,606
Provision for tax												
	39	62	92	193	106	85	94	272	69	104	27	950
Net income (loss) attributable to the Bank's shareholders												
	77	120	178	375	204	164	182	527	(212)	348	79	1,667

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

For the three months ended June 30 2020											
The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
In NIS million											
Interest income, net:											
From external	258	275	488	1,021	270	256	203	112	-	21	2,121
Inter-segmental ^(a)	196	5	(209)	(8)	18	(83)	(29)	101	7	2	-
Interest income, net	454	280	279	1,013	288	173	174	213	7	23	2,121
Noninterest Income ^(a)	328	113	12	453	101	53	78	687	3	44	1,481
Total income	782	393	291	1,466	389	226	252	900	10	67	3,602
Expenses (income) in respect of loan losses											
	170	266	108	544	134	104	57	(9)	(17)	3	875
Total operating and other expenses	620	233	58	911	158	56	30	95	205	38	1,669
Profit (loss) before tax	(8)	(106)	125	11	97	66	165	814	(178)	26	1,058
Provision (benefit) for tax	(3)	(36)	42	3	33	23	56	278	(42)	(3)	359
Net income (loss) attributable to the Bank's shareholders	(5)	(70)	83	8	64	43	109	536	(136)	30	694

(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 six months ended June 30 2021												
The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total	
Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments				
In NIS million												
Interest income, net:												
From external	520	529	1,664	2,713	675	541	517	148	7	48	473	5,122
Inter-segmental	398	33	(1,012)	(581)	(13)	(180)	(72)	843	(1)	1	3	-
Interest Income, Net	918	562	652	2,132	662	361	445	991	6	49	476	5,122
Noninterest Income	706	223	10	939	227	113	156	629	149	571	122	2,906
Total income	1,624	785	662	3,071	889	474	601	1,620	155	620	598	8,028
Expenses (income) in respect of loan losses												
	(7)	(85)	(25)	(117)	(44)	(155)	(126)	55	-	4	13	(370)
Total operating and other expenses	1,381	480	157	2,018	371	137	65	207	428	102	369	3,697
Profit (loss) before tax	250	390	530	1,170	562	492	662	1,358	(273)	514	216	4,701
Provision for tax	85	133	181	399	192	168	226	464	81	124	49	1,703
Net income (loss) attributable to the Bank's shareholders	165	257	349	771	370	324	436	896	(354)	417	147	3,007
Balances as at June 30 2021												
Loans to the public, net	28,997	24,650	97,212	150,859	47,642	41,043	36,822	10,260	5,225	786	22,596	315,233
Deposits by the public	184,084	49,430	-	233,514	82,287	28,543	12,384	103,924	3	-	26,427	487,082
Assets under management	205,858	22,119	-	227,977	30,309	10,765	1,854	673,259	27,481	347,785	18,383	1,337,813

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

	For the six months ended June 30 2020												
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total	
	Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments				
	In NIS million												
Interest income, net:													
From external	578	584	885	2,047	522	448	395	307	-	70	501	4,290	
inter-segmental ^(a)	401	17	(328)	90	79	(108)	(55)	(6)	9	8	(17)	-	
Interest income, net	979	601	557	2,137	601	340	340	301	9	78	484	4,290	
Noninterest income ^(a)	702	241	24	967	221	120	159	74	1	52	133	1,727	
Total income	1,681	842	581	3,104	822	460	499	375	10	130	617	6,017	
Expenses (income) in respect of loan losses	289	424	144	857	256	442	94	(4)	(24)	8	106	1,735	
Total operating and other expenses	1,306	494	120	1,920	300	112	60	194	413	88	385	3,472	
Profit (loss) before tax	86	(76)	317	327	266	(94)	345	185	(379)	34	126	810	
Provision (benefit) for tax	29	(26)	108	111	91	(32)	118	63	(60)	2	27	320	
Net income (loss) attributable to the Bank's shareholders	57	(50)	209	216	175	(62)	227	122	(319)	19	84	462	
Balances as at June 30 2020													
Loans to the public, net	28,016	24,387	87,733	140,136	42,371	39,869	27,633	7,224	4,998	940	23,173	286,344	
Deposits by the public	176,157	44,331	-	220,488	61,070	22,022	7,233	82,050	4	-	24,089	416,956	
Assets under management	164,262	15,233	-	179,495	21,656	9,825	1,559	532,251	15,372	313,423	17,104	1,090,685	

(b) 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									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
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) 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 June 30 2021											
	Activity in Israel									Foreign operations	Total
	Households										
				Small-and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	Housing loans	Other	Private banking								
In NIS million											
Interest income, net	278	347	10	444	189	387	12	861	1	245	2,774
Noninterest Income	16	230	43	198	78	139	45	668	56	59	1,532
Total income	294	577	53	642	267	526	57	1,529	57	304	4,306
Expenses (income) in respect of loan losses	(8)	4	-	(65)	(22)	(49)	(1)	(15)	-	(2)	(158)
Total operating and other expenses	81	624	24	395	112	111	58	88	176	189	1,858
Profit (loss) before tax	221	(51)	29	312	177	464	-	1,456	(119)	117	2,606
Provision (benefit) for tax	79	(18)	10	114	64	168	-	525	(19)	27	950
Net income (loss) attributable to the Bank's shareholders	142	(33)	19	198	113	296	-	953	(100)	79	1,667
For the three months ended June 30 2020											
	Activity in Israel									Foreign operations	Total
	Households										
				Small-and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	Housing loans	Other	Private banking								
In NIS million											
Interest income (expenses), net	240	365	14	431	166	346	11	322	(4)	230	2,121
Noninterest Income	17	221	35	185	67	126	51	709	6	64	1,481
Total income	257	586	49	616	233	472	62	1,031	2	294	3,602
Expenses (income) in respect of loan losses	107	146	-	320	110	147	(7)	(6)	-	58	875
Total operating and other expenses	59	569	17	351	102	91	56	70	178	176	1,669
Profit (loss) before tax	91	(129)	32	(55)	21	234	13	967	(176)	60	1,058
Provision for tax (benefit)	32	(47)	11	(18)	10	74	4	352	(70)	11	359
Net income (loss) attributable to the Bank's shareholders	59	(82)	21	(37)	11	160	9	616	(106)	43	694

Summary of activities by regulatory operating segment (cont.)

For the six months ended June 30 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	542	681	21	873	376	761	25	1,365	(1)	479	5,122
Noninterest Income	29	475	85	403	156	280	91	1,152	115	120	2,906
Total income	571	1,156	106	1,276	532	1,041	116	2,517	114	599	8,028
Expenses (income) in respect of loan losses	(28)	(8)	-	(108)	(63)	(185)	(1)	9	-	14	(370)
Total operating and other expenses	156	1,251	50	792	229	213	115	174	348	369	3,697
Profit (loss) before tax	443	(87)	56	592	366	1,013	2	2,334	(234)	216	4,701
Provision (benefit) for tax	159	(33)	20	216	134	368	-	837	(47)	49	1,703
Net income (loss) attributable to the Bank's shareholders	284	(54)	36	376	232	645	23	1,526	(187)	147	3,007
Balance as at June 30 2021											
Loans to the public, gross	96,238	26,955	388 ^(a)	54,713	31,505	84,771	2,732	-	-	22,998	320,300
Deposits by the public	-	121,760	25,923	82,707	58,298	77,868	94,099	-	-	26,427	487,082
For the six months ended June 30 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	479	775	37	942	363	688	50	478	(6)	484	4,290
Noninterest Income	32	472	74	392	150	265	125	77	8	132	1,727
Total income	511	1,247	111	1,334	513	953	175	555	2	616	6,017
Expenses (income) in respect of loan losses	138	233	-	517	210	533	(2)	1	-	105	1,735
Total operating and other expenses	121	1,193	40	734	208	186	112	143	350	385	3,472
Profit (loss) before tax	252	(179)	71	83	95	234	65	411	(348)	126	810
Provision for tax (benefit)	88	(65)	25	27	35	81	23	178	(99)	27	320
Net income (loss) attributable to the Bank's shareholders	164	(114)	46	56	60	153	42	220	(249)	84	462
Balance as at June 30 2020											
Loans to the public, gross	86,549	26,728	289 ^(a)	50,260	28,756	73,851	1,037	-	-	23,507	290,977
Deposits by the public	-	117,267	26,324	71,429	43,775	59,298	74,774	-	-	24,089	416,956

(a) Including outstanding housing loans as at June 30 2021 in the amount of NIS 154 million as at June 30 2020 totaling NIS 94 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
Expenses (income) in respect of loan losses	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

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

Major Investee Companies

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

The Bank's total investments in investees (including in capital notes), as of June 30 2021, was NIS 11,356 million, compared with NIS 10,818 million as of December 31 2020, with the investee companies contributing NIS 584 million to the Group's net income in the first half of 2021, compared with NIS 34 million in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 7,654 million as of June 30 2021, compared with NIS 7,243 million as at December 31 2020. The contribution of the consolidated companies in Israel to the Group's net income in the first half of 2021 was NIS 417 million, compared with NIS 19 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.

On July 19 2020, the Bank of Israel informed the Bank that regarding the collective restriction on non-financial investment, the Bank should operate in accordance with the risk appetite to be established in this matter, subject to examination and challenging procedures to be implemented by the lines of defense, including the internal audit function and subject to meeting the non-financial investment restriction, in accordance with Section 23A to the Banking Licensing Law.

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").

The pre-tax gain recorded by the Bank in Q2 of 2021 in respect of the sold shares and revaluation of the remaining shares amounted to NIS 118 million.

For more information, please see Note 16.B.

Gain on sale of ironSource shares

On June 28 2021, Leumi Partners sold 1,290,230 shares of ironSource Ltd., as part of a merger between ironSource and a SPAC company, under which ironSource began trading on the NYSE. After the completion of the merger and having sold the abovementioned shares, Leumi Partners holds 0.75 percent of ironSource's shares. These shares are subject to contractual restriction provisions for a period of six months, which apply to ironSource's shareholders.

The pre-tax gain recorded by the Bank in Q2 of 2021 in respect of the sold shares (based on the share price at the merger date) and revaluation of the remaining shares amounted to NIS 264 million. Subsequent to the balance sheet date and until the financial statements' publication date, the ironSource share decreased by approximately 17 percent.

For more information, please see Note 16.C.

Investment agreement in Or Shay

On June 28 2021, Leumi Partners Ltd. entered into an agreement with Or Shay G.S. Ltd. (hereinafter - "Or Shay") and Or Shay's controlling shareholders (hereinafter - the "Controlling Shareholders") for the purchase of 20 percent of the shares of Or Shay, for NIS 40 million (by way of a private offering and purchase of shares from the Controlling Shareholders).

Upon signing the investment agreement, the Bank received, at no consideration, an option to purchase 55 percent of Or Shay's shares, exercisable after three to four and half years from the investment completion date, for a consideration

to be determined according to a company valuation of NIS 429 million or NIS 525 million, according to the exercise date (hereinafter - the "First Option").

On the First Option date, the Bank shall have an additional option to purchase the remaining shares of the controlling shareholders (25 percent), exercisable at any time during the 18 months following the exercise of the First Option against a consideration which shall be based on the company's valuation (hereinafter - the "Second Option").

If the Bank does not exercise the Second Option, the controlling shareholders shall have the option to sell the Bank all of their Or Shay shares for a consideration equal to 90 percent of the exercise consideration of the Second Option. This option shall be exercisable for 180 days once the Second Option period will have ended.

The completion of the investment transaction and the exercise of the First Option are subject to contingent terms and conditions, including the relevant regulatory approvals.

For more information, please see Note 16.D.

Consolidated Companies outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of June 30 2021 was NIS 3,671 million, compared with NIS 3,543 million as at December 31 2020.

In the first half of 2021, the foreign offices' contribution to the Group's shekel net income was NIS 165 million, compared with an NIS 15 million profit in the corresponding period last year.

During March 2021, the Chinese regulator gave its approval for the closure of the China office. The final closing the office was completed 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 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.

For more information, please see the immediate report dated May 5 2021 (Ref. No. 2021-01-078237).

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, models 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, excluding operational risk. During this quarter, it was decided to separate the cyber risk and operational risk assessment due to the uniqueness of the risk and its implications. The cyber risk continues to be estimated as moderate to high and the operational risk is estimated as moderate, i.e. the operational risk is one level lower - from "moderate-high" to "moderate", as a result of the stability of the operational environment, with emphasis on handling the coronavirus crisis.

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 and exposures for activity in derivatives.

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 expansion of economic activity continued in the second quarter, along with the lifting of most coronavirus restrictions on the back of the continued rise in the vaccination rates and low levels of severe morbidity. Economic indicators reflect a continued economic recovery, despite a certain decline compared to the rate of economic recovery in the first quarter of 2021.

Compared to the period during which the economy was under restrictions, when assessing economic activity by sector in relation to the early stages of the crisis, a continued substantial economic recovery is evident across most sectors, albeit the sectors most hurt by the crisis are well behind in terms of their recovery rates compared to other economic sectors.

As of the reporting date, the increase in demand which characterized the end of the first quarter and beginning of the second quarter has become more moderate in some of the business lines.

If the rise in morbidity rates subsequent to the report date persists, this may lead to the implementation of at least some of the coronavirus restrictions - among others incoming and outgoing travelers; combined with the difficulty in reinstating some of the furloughed employees, this may slow down the economy's recovery process.

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 are continually being honed, 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 in the first half of 2021 was NIS 370 million, mainly as a result of collections in the reporting period. A 0.08 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, in relation, among others, to the unemployment and growth rate. 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 9.0 percent in June 2021 - the lowest rate since the onset of the pandemic. The Bank of Israel's Composite State-of-the-Economy Index data for the first half of the year, which constitute a measure of the ongoing economic activity (in lieu of GDP data for the first half of the year, which have yet to be published as of the report publication date), indicate a 1.4 expansion (in the second quarter of 2021 vs. the fourth quarter of 2020), compared to a 1.9 percent decrease in the same period last year. Moreover, based on this high rate, the economic activity in Q2 of 2021 was higher than on the eve of the crisis (Q1 2020).

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 emphasized that due to the uncertainty involved in the current circumstances and, as a result, the difficulty in identifying, recognizing and measuring loan losses, the loan loss provision estimate under the crisis is the result of assumptions and assessments the reasonableness of which is difficult to determine at this point. 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 Q2 2021, and made the relevant adjustments, while weighting, on the one hand, positive developments recorded during the reporting period, such as the success of the extensive vaccination effort and its positive effect on the decline in serious morbidity and the gradual reopening of the economy to full activity. And on the other hand - to the latest growing uncertainty due to epidemiological fears on the back of rising morbidity and surge of variants - developments which may lead, depending on their severity, to the re-imposition of some of the coronavirus restrictions and decline in economic activity in Israel. 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 June 30 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 epidemiological situation, the appearance of new variants, 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

During 2020 and the first quarter of 2021, the Bank 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.

Separately from the above uniform outlines, 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 and March 31 2021.

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 on January 1 2021 and ended on March 31 2021, deferment was provided for a longer period, such that the current maturity was reduced and was no more than 50 percent of the original maturity.

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 on January 1 2021 and ended on March 31 2021, deferment was provided by way of a partial grace period. I.e., the payments were deferred only in relation to the repayment of the loan principal rather than repayment of the interest and linkage differences.

The vast majority of the applications were granted.

The Bank is monitoring all 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 July 31 2021, approximately 85.6 percent have resumed regular payments.

As at July 31 2021, approx. 3.0 percent of the total outstanding mortgage loan amounts are still under deferment.

For more information regarding changes in debt terms as part of the handling of the coronavirus crisis; 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 and March 31 2021.

Outstanding debts in Israel^(a) the covenants of which were amended as part of dealing with the coronavirus from March 1 2020 to June 30 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											
Corporations	644	41	65	346	228	-	70	298	126	172	1,060	-
Mid-sized businesses	420	62	75	22	3	-	395	398	134	210	2,280	2
Small- and micro-businesses	389	1,083	88	49	23	3	314	340	45	273	7,656	78
Private individuals - excluding housing loans	60	713	14	2	4	-	54	58	10	4	2,234	42
Housing loans	3,199	6,678	320	69	2,884	-	246	3,130	195	2,883	16,714	335
Total as at June 30 2021	4,712	8,577	562	488 ^(d)	3,142	3	1,079	4,224	510	3,542	29,944	457
Total as at March 31 2021	6,122	15,661	537	571	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 to the consolidated financial statements.

(b) As at July 31, the outstanding balance for which payments were deferred was NIS 4,072 million, and the outstanding payments deferred in effect totaled approx. NIS 550 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 77 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.

As part of the last update by the government, in May 2021, new loans with an average duration of up to 10 years were approved, and existing loans were extended to a period of no more than 10 years from the original loan date, subject to certain terms and conditions.

In addition, in existing loans, the grace period may be extended by an additional period of up to 12 months and a total of no more than 24 months from the original loan date, subject to certain terms and conditions. During the additional grace period on the principal, the interest will be paid by the customer.

In addition, in March 2021, 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.

The updated scheme is effective until July 31 2021.

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

Information regarding state-backed credit granted as part of the handling of the coronavirus crisis as at June 30 2021

	Outstanding debt as at June 30 2021	Outstanding debt as at December 31 2020
Customer classification	In NIS million	
Small- and micro-businesses	4,078	3,807
Mid-sized businesses	1,468	1,595
Corporations	407	469
Total	5,953	5,871

Comments:

- Customer classification is based on regulatory operating segments.
- Until shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 6.7 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 on this topic, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2020 and as at June 30 2021.

Credit risk and non-performing assets

	June 30 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:^(a)				
On-balance-sheet credit risk	214,411	92,473	24,890	331,774
Off-balance-sheet credit risk	97,656	3,430	12,256	113,342
Total credit risk in credit performance rating	312,067	95,903	37,146	445,116
Credit risk that is not in credit performance rating				
a. Non-troubled	2,782	3,336 ^(d)	1,487	7,605
b. Total troubled ^(b)	6,320	687	645	7,652
Special mention	2,704	667	233	3,604
Substandard	462	-	53	515
Impaired non-performing	3,154	20	359	3,533
Total on-balance-sheet credit risk	9,102	4,023	2,132	15,257
Off-balance-sheet credit risk	742	-	200	942
Credit risk abet credit performance rating	9,844	4,023	2,332	16,199
Of which: Unimpaired debts in arrears of 90 days or more ^(c)	56	666	38	760
Total credit risk incl. of the public	321,911	99,926	39,478	461,315
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	2,925	20	199	3,144
b. Assets received for settled loans	4	-	-	4
Total non-performing assets of the public	2,929	20	199	3,148
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.98%

- Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
- Credit risk that is impaired non-performing, substandard or special mention.
- 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.
- 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.)

	June 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:^(a)				
On-balance-sheet credit risk	194,981	85,498	24,361	304,840
Off-balance-sheet credit risk	85,335	2,721	17,423	105,479
Total credit risk in credit performance rating	280,316	88,219	41,784	410,319
Credit risk that is not in credit performance rating				
a. Non-troubled	4,251	431	1,561	6,243
b. Total troubled ^(b)	4,742	905	658	6,305
Special mention	1,960	879	238	3,077
Substandard	577	-	88	665
Impaired non-performing	2,205	26	332	2,563
Total on-balance-sheet credit risk	8,993	1,336	2,219	12,548
Off-balance-sheet credit risk	1,010	-	32	1,042
Credit risk abet credit performance rating	10,003	1,336	2,251	13,590
Of which: Unimpaired debts in arrears of 90 days or more ^(c)	185	879	70	1,134
Total credit risk incl. of the public	290,319	89,555	44,035	423,909
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	2,003	-	262	2,265
b. Assets received for settled loans	8	-	-	8
Total non-performing assets of the public	2,011	-	262	2,273
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public	0.78%			

(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 that is 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 impaired 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 six months ended June 30 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 impaired non-performing debts during the period	442	14	139	595
Debts once again classified as unimpaired	(104)	(19)	-	(123)
Written-off impaired non-performing debts	(180)	(2)	(32)	(214)
Repaid impaired non-performing debts	(647)	(23)	(85)	(755)
Adjustments from translation of financial statements	11	-	-	11
Outstanding balance of impaired non-performing debts as at the end of the period	3,154	20	359	3,533

	For the six months ended June 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding balance of impaired non-performing debts as at the beginning of the period	2,220	-	311	2,531
Loans classified as impaired non-performing debts during the period	818	26	126	970
Debts once again classified as unimpaired	(13)	-	-	(13)
Written-off impaired non-performing debts	(274)	-	(34)	(308)
Repaid impaired non-performing debts	(541)	-	(71)	(612)
Adjustments from translation of financial statements	(9)	-	-	(9)
Outstanding balance of impaired non-performing debts as at the end of the period	2,201	26	332	2,559

Of which: change in troubled debts under restructuring

	For the six months ended June 30 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	405	-	126	531
Debts reclassified to unimpaired following subsequent restructuring	(84)	-	-	(84)
Written off restructured debt	(55)	-	(31)	(86)
Repaid restructured debt	(418)	-	(71)	(489)
Adjustments from translation of financial statements	4	-	-	4
Balance of troubled debt under restructuring as of the end of the period	2,176	-	341	2,517

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

	For the six months ended June 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding troubled debts under restructuring as of the beginning of the period	729	-	290	1,019
Restructurings carried out during the period	498	-	98	596
Debts reclassified to unimpaired following subsequent restructuring	-	-	-	-
Written off restructured debt	(51)	-	(29)	(80)
Repaid restructured debt	(297)	-	(71)	(368)
Adjustments from translation of financial statements	-	-	-	-
Balance of troubled debt under restructuring as of the end of the period	879	-	288	1,167

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 six months ended June 30 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
Expenses (income) in respect of loan losses	(194)	1	(32)	(225)
Accounting write-offs	(180)	(2)	(32)	(214)
Collection of debts written off in previous years	356	-	82	438
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	894	6	230	1,130

	For the six months ended June 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	372	-	167	539
Loan Loss Expenses	268	-	-	268
Accounting write-offs	(274)	-	(34)	(308)
Collection of debts written off in previous years	121	-	65	186
Adjustments from translation of financial statements	-	-	-	-
Balance of loan loss provision in respect of impaired non-performing debts as at the end of the period	487	-	198	685

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

	June 30	December 31	
	2021	2020	2020
	In %		
Percentage of impaired non-performing loans to the public out of outstanding loans to the public	1.10	0.88	1.34
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	0.24	0.39	0.27
Percentage of troubled credit risk to the public out of the overall credit risk for the public	1.79	1.64	2.12
Percentage of loan loss (income) expenses in respect of average outstanding loans to the public ^(a)	(0.24)	1.19	0.88
Percentage of net write-offs for loans to the public out of average outstanding loans to the public ^(a)	0.09	(0.26)	(0.18)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.58	1.59	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	143.42	181.05	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	118.03	125.45	109.46
Percentage of net write-offs in respect of loans to the public out of the outstanding loan loss provision in respect of loans to the public ^(a)	5.24	(15.93)	(10.00)

(a) Annualized.

In the reporting period, 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. The Bank continues to closely and meticulously follow the developments in the state of the economy and health, and their possible implications for credit risks.

Total Credit Risk to the Public by Economic Sector

	June 30 2021						
					Loan losses ^(c)		
		Of which:		Of which:			
	Total credit risk ^(a)	Credit performance rating ^(e)	Of which: Troubled credit risk ^(d)	Impaired non-performing credit risk	Expenses (income) in respect of loan losses	Accounting write-offs, net	Balance of loan loss provision
In NIS million							
For borrowers activity in Israel - public-commercial							
Industry	27,103	26,587	481	194	6	5	(442)
Construction and real estate - construction ^(f)	69,367	68,855	386	93	(14)	(26)	(495)
Construction and real estate - real estate activity	37,496	36,674	400	258	(28)	(46)	(425)
Commerce	31,631	30,858	711	215	(50)	6	(428)
Financial services	35,715	35,702	13	4	48	(7)	(292)
Other industries	48,091	45,716	1,879	993	(308)	(118)	(1,066)
Commercial - total^(g)	249,403	244,392	3,870	1,757	(346)	(186)	(3,148)
Private individuals - housing loans	99,816	95,799	687	20	(28)	2	(605)
Private individuals - other	39,091	36,762	657	358	(8)	6	(776)
Total loans to the public - activity in Israel	388,310	376,953	5,214	2,135	(382)	(178)	(4,529)
Banks and governments in Israel	42,384	42,384	-	-	-	-	(1)
Total activity in Israel	430,694	419,337	5,214	2,135	(382)	(178)	(4,530)
For borrower activity outside Israel							
Total, public - activity outside Israel	73,005	68,163	3,034	1,597	13	47	(950)
Foreign banks and governments	61,320	61,311	8	8	(1)	-	(1)
Total activity outside Israel	134,325	129,474	3,042	1,605	12	47	(951)
Total activity in and outside Israel	565,019	548,811	8,256	3,740	(370)	(131)	(5,481)

- (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 336,366, 86,631, 5,721, 11,112 and 125,189 million, respectively.
- (b) 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.
- (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 2,643 million extended to purchasing groups currently in the process of construction.

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

	June 30 2020						
					Loan losses ^(c)		
		Of which:	Of which:	Of which:	Expenses		
	Total	credit	troubled	non-	(income)	Account-	Balance
	credit	perfor-	credit	perfor-	in respect	ing write-	of loan
	risk ^(a)	mance	risk ^(d)	ming	of loan	offs, net	loss
		rating ^(e)		credit	losses		provision
	In NIS million						
For borrowers activity in Israel - public-commercial							
Industry	26,737	25,652	620	341	153	64	(493)
Construction and real estate - construction ^(f)	55,087	54,624	362	140	117	26	(448)
Construction and real estate - real estate activity	31,658	30,885	408	229	54	(5)	(335)
Commerce	31,507	29,974	1,093	455	421	50	(729)
Financial services	32,519	32,504	15	8	14	(15)	(197)
Other industries	45,987	44,167	1,274	529	404	92	(857)
Commercial - total^(g)	223,495	217,806	3,772	1,702	1,163	212	(3,059)
Private individuals - housing loans	89,356	88,055	879	-	138	2	(602)
Private individuals - other	43,610	41,381	653	311	233	91	(798)
Total loans to the public - activity in Israel	356,461	347,242	5,304	2,013	1,534	305	(4,459)
Banks and governments in Israel	52,585	52,584	-	-	-	-	(1)
Total activity in Israel	409,046	399,826	5,304	2,013	1,534	305	(4,460)
For borrower activity outside Israel							
Total, public - activity outside Israel	67,448	63,077	1,669	782	200	80	(603)
Foreign banks and governments	54,191	54,162	29	29	1	-	(2)
Total activity outside Israel	121,639	117,239	1,698	811	201	80	(605)
Total activity in and outside Israel	530,685	517,065	7,002	2,824	1,735	385	(5,065)

- (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 304,830, 94,880, 1,892, 14,796 and 114,287 million, respectively.
- (b) 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.
- (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) Commercial credit risk includes a balance of NIS 2,841 million that was extended to purchasing groups which are engaged in actual construction activities.

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

	December 31 2020						
					Loan losses ^(c)		
		Of which:	Of which:	Of which:	Expenses		
	Total	credit	troubled	non-	(income)	Account-	Balance
	credit	perfor-	credit	perfor-	in respect	ing write-	of loan
	risk ^(a)	mance	risk ^(d)	ming	of loan	offs, net	loss
		rating ^(e)		credit	losses		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)
Total activity in Israel	417,817	403,135	5,753	2,524	1,873	374	(4,729)
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	1	-	(2)
Total activity outside Israel	118,430	112,822	3,496	1,747	679	155	(986)
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 (excluding deposits with the Bank of Israel) 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 percent (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 June 30 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

Eighteen months after the onset of the crisis, the pace of residential construction has yet to return to its pre-crisis levels, mainly due to the shortage of manpower. However, it may be said that the housing construction industry sustained less harm than other industries.

During the crisis, mid-sized and large shopping centers sustained losses. Substantial harm. Looking forward, once the economy resumes full activity, and provided the increase in morbidity subsequent to the Report date does not delay the economy's recovery from the crisis, the assessment is that once full activity is resumed, these centers will continue to 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 even in the second half of 2021, occupancy rates and rent may drop.

As part of analyzing the above trends, emphases in credit granting are honed on a regular basis, 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.

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, the effects of the crisis are taken into account and customers are scrutinized in depth.

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.

Borrower Groups¹

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 June 30 2021, the Bank meets the 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.

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:

	June 30 2021		
	Exposure ^{(a)(b)}		
	On-balance-sheet	Off-balance-sheet ^(c)	Total
	In NIS million		
USA	30,665	7,120	37,785
UK	17,197	11,108	28,305
France	1,987	2,236	4,223
Switzerland	1,304	1,806	3,110
Germany	4,708	1,451	6,159
Other	27,127	3,093	30,220
Total exposure to foreign countries	82,988	26,814	109,802
Of which: total exposure to GIPS countries ^(d)	1,149	240	1,389
Of which: total exposure to LDC countries ^(e)	1,072	863	1,935
Of which: total exposure to countries with liquidity issues ^(f)	163	32	195

	June 30 2020		
	Exposure ^{(a)(b)}		
	On-balance-sheet	Off-balance-sheet ^(c)	Total
	In NIS million		
USA	29,368	6,283	35,651
UK	18,651	7,540	26,191
France	4,067	1,902	5,969
Switzerland	1,389	1,734	3,123
Germany	3,556	1,461	5,017
Other	21,918	2,207	24,125
Total exposure to foreign countries	78,949	21,127	100,076
Of which: total exposure to GIPS countries ^(d)	1,135	238	1,373
Of which: total exposure to LDC countries ^(e)	1,029	755	1,784
Of which: total exposure to countries with liquidity issues ^(f)	804	223	1,027

Please see comments below.

¹ A group of borrowers are all of the following together: the borrower, a person controlling him/her 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 (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 12 countries (as of June 30 2020 - 11 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 June 30 2021, June 30 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.

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.

Credit exposure to foreign financial institutions^(a)

	As of June 30 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	27,570	783	28,353
A- to A+	5,084	872	5,956
BBB- to BBB+	350	158	508
B- to BB+	60	10	70
No credit rating	124	-	124
Total current credit exposure to foreign financial institutions	33,188	1,823	35,011

	As at June 30 2020 ^(e)		
	On-balance- sheet credit risk ^(b)	Current off- balance-sheet credit risk ^(c)	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions^(d)			
AA- to AAA	24,562	731	25,293
A- to A+	6,193	697	6,890
BBB- to BBB+	546	230	776
B- to BB+	175	6	181
No credit rating	161	-	161
Total current credit exposure to foreign financial institutions	31,637	1,664	33,301

	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) As at June 30 2021, deposits with banks, credit to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including bonds of banks rated "subordinated" total NIS 633 million (as at June 30 2020 - NIS 645 million and as at December 31 2020 - NIS 600 million).
- (c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
- (d) The Bank uses ratings of well-known rating agencies (ECAIs).
- (e) As of June 30 2021, June 30 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 an 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 the first half of 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 six months ended June		Rate of change
	30		
	2021	2020	In %
	In NIS million		In %
By the Bank	12,384	7,653	61.8
By the government of Israel	82	74	10.8
Total new loans	12,466	7,727	61.3
Old recycled loans, from the Bank's funds	867	1,578	(45.1)
Total performance	13,333	9,305	43.3

Impact of the coronavirus crisis

The government aid programs supported households adversely affected by the coronavirus crisis.

In the second quarter, the process of recovering from the crisis, the lifting of restrictions and the vaccination campaign continued. However, the implications of the restrictive measures and lockdowns burdened the labor market and state of employment. If the rise in morbidity rates subsequent to the report date persists, this may lead to the return of at least some of the coronavirus restrictions - among others incoming and outgoing travelers; combined with the difficulty in reinstating some of the furloughed employees, this may slow down the economy's recovery process.

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 are honed on a regular basis, with monitoring of: risk focal points, market developments, and customers' activity, including returning to the Bank's deferment policy prior to the crisis.

As part of the Bank's efforts to support its customers' needs and help them overcome the crisis period, the Bank implemented the Bank of Israel's directives.

On March 15 2020, the Bank of Israel published a temporary order which included several regulatory easements, as well as an easement regarding the limit on all-purpose loans guaranteed by mortgages, granted to households. The Bank adopted the easement in order to help its customers, after becoming convinced that these customers will be able to overcome the crisis. The temporary order allows to increase the LTV ratio up to 70 percent for all-purpose loans, in lieu of 50 percent.

On August 9 2021, the Bank of Israel published a revision of a Banking Supervision Department entitled "Housing Loans", including its decision not to extend the expedient, which shall expire on September 30, 2021.

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.

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.

On August 9 2021, the Bank of Israel published a draft revision of a FAQ document entitled "Limitations on Issuing Housing Loans".

According to the draft, a banking corporation may not grant an additional loan to a borrower that is designed to serve as a down payment to purchase an apartment. The latter applies both to consumer loans and to loans secured by another apartment. Despite the aforesaid, a banking corporation may grant a borrower an additional loan to complete the financing of an alternative apartment, provided that all the terms and conditions outlined in the FAQ are satisfied.

A bridge loan that has been recycled and not repaid according to schedule, shall be weighted for the purpose of measurement and capital adequacy according to the risk weight applicable to the regulatory retail portfolio. Such weighting shall apply both to internal recycling of the bridge loan and to external recycling.

In addition, according to the draft, the purposes of "all-purpose loans" should include loans secured by an apartment, as outlined in Section 3(3) to Directive No. 451, that is not designed to acquire interest in a real estate property; in addition, loans designed to recycle an existing loan shall be classified according to the purpose of the original loan (a loan to purchase an apartment or an all-purpose loan). A loan designed to recycle several loans shall be classified pro-rata according to the purpose of the original loans.

The Bank is studying and examining the possible effects of said revisions.

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
June 30 2021	95,782	6.9

2019 and 2020 saw an increase in total housing loans. The increase continued and even grew further in the first half of 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

									Foreign currency segment		Total loan portfolio in NIS million
	Non-linked segment				CPI-linked segment						
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	Out-standing amount, in NIS millions	Percen-tage of the loans portfolio	Out-standing amount, in NIS millions	Percen-tage of the loans portfolio	Out-standing amount, in NIS millions	Percen-tage of the loans portfolio	Out-standing amount, in NIS millions	Percen-tage of the loans portfolio	Out-standing amount, in NIS millions	Percen-tage of the loans portfolio	
December 31 2019	16,182	19.3	34,311	41.0	13,509	16.1	19,012	22.7	732	0.9	
December 31 2020	18,904	21.2	36,380	40.6	14,077	15.7	19,658	21.9	575	0.6	
June 30 2021	20,720	21.6	39,117	40.8	14,911	15.6	20,493	21.4	541	0.6	

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	
	Q2	Q1	Q4	Q3	Q2	Q1	Annual average	
	Rate of performance							
	In %							
Fixed - linked	16.0		16.2	16.0	15.1	16.7	18.8	20.6
Variable every 5 years or more - linked	15.9		17.0	19.1	18.1	18.7	18.7	19.2
Variable up to 5 years - linked	-		-	-	-	-	-	-
Fixed - non-linked	26.5		28.8	31.2	29.6	27.7	29.1	24.4
Variable every 5 years or more - non-linked	1.6		1.7	2.5	3.9	3.3	2.8	3.2
Variable up to 5 years - non-linked	39.9		36.3	31.2	33.3	33.5	30.6	32.5
Variable - Foreign currency	0.1		-	-	-	0.1	-	0.1

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 57.5 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 39.9 percent compared to 32.2 percent in 2020.

Data for housing loans in Israel

During the reporting period, the Bank granted new housing loans out of its own funds in the amount of NIS 12.4 billion. The average loan extended by the Bank in the first half of 2021 was NIS 866 thousand, compared to NIS 781 thousand in 2020 and NIS 711 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	Troubled debt (in arrears of over 90 days)	Percentage of troubled debt
	In NIS million		In %
December 31 2019	84,212	830	0.99
December 31 2020	90,228	720	0.80
June 30 2021	96,385	666	0.69

As of June 30 2021, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the "collective provision"), is NIS 603 million, constituting 0.63 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	
	Q2 In % ^(a)	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio							
Over 60 and up to 70, inclusive	22.4	20.7	20.5	19.8	19.9	18.7	17.2
Over 70 and up to 75, inclusive	23.6	21.5	20.1	18.5	18.2	19.4	17.5
Over 75	0.1	0.2	0.2	0.2	0.1	0.2	0.1

(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 June 30 2021 stands at 46.2 percent, compared with 45.5 percent in 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.

The percentage of loans granted in the first half of 2021 with a repayment ratio of less than 2.5 at the loan approval date in the reporting period, was 0.33 percent of the total number of new loans 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 the first half of 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 39 percent of the total new loans granted during 2021, compared with an average of 37.5 percent in 2020.

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.

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.

In the second quarter, the process of recovering from the crisis, the lifting of restrictions and the vaccination campaign continued. However, the implications of the restrictive measures and lockdowns burdened the labor market and state of employment. If the rise in morbidity rates subsequent to the report date persists, this may lead to the return of at least some of the coronavirus restrictions - among others incoming and outgoing travelers; combined with the difficulty in reinstating some of the furloughed employees, this may slow down the economy's recovery process. 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.

For more information regarding the draft revision of the FAQ document published by the Bank of Israel on August 9 2021, see the Risks section, under "Housing Loans".

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
June 30 2021	39,082

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

	June 30 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	4,496	16.9	4,585	17.8
Over one year to 3 years	5,255	19.7	4,993	19.4
Over 3 years to 5 years	8,430	31.6	9,024	35.0
Over 5 years to 7 years	4,573	17.1	3,737	14.5
Over 7 years	1,747	6.5	1,451	5.6
No repayment term ^(a)	2,177	8.2	2,006	7.7
Total	26,678	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		June 30 2021		December 31 2020	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	5,943	15.2	5,294	12.3
25	50	5,896	15.1	6,637	15.4
50	75	5,054	12.9	6,049	14.0
75	100	4,066	10.4	5,206	12.1
100	150	6,280	16.1	7,511	17.4
150	200	4,415	11.3	5,038	11.7
200	300	4,132	10.6	4,226	9.8
Over 300		3,296	8.4	3,147	7.3
Total overall credit risk		39,082	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)

	June 30 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	5,480	14.0	5,367	12.4
Car purchase loans (secured)	1,279	3.3	1,201	2.8
Other loans	19,919	51.0	19,228	44.6
Total on-balance-sheet credit risk	26,678	68.3	25,796	59.8
Unutilized current account credit facilities	6,876	17.6	6,883	16.0
Unutilized credit card facilities ^(a)	5,258	13.4	10,166	23.6
Other off-balance-sheet credit risk	270	0.7	263	0.6
Total off-balance-sheet credit risk	12,404	31.7	17,312	40.2
Total overall credit risk	39,082	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)

	June 30 2021			Total on-balance-sheet credit risk	% of portfolio In %
	Non-linked	Linked	Foreign currency		
	In NIS million	In NIS million	In NIS million		
Variable interest loans	25,086	39	70	25,195	94.4
Fixed interest loans	1,449	19	15	1,483	5.6
Total on-balance-sheet credit risk	26,535	58	85	26,678	100.0

	December 31 2020			Total on-balance-sheet credit risk	% of portfolio In %
	Non-linked	Linked	Foreign currency		
	In NIS million	In NIS million	In NIS million		
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

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

	June 30 2021	December 31 2020
	In NIS million	
Deposits by the public	97,417	96,437
Securities portfolios	56,763	51,625
Total financial asset portfolio	154,180	148,062
Total indebtedness to customers with financial asset portfolios	30,132	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)

	June 30 2021		December 31 2020	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	2,422	9.1	2,127	8.2
Of which: loan accounts ^(b)	1,635	6.1	1,515	5.9
Less than NIS 10 thousand	7,438	27.9	6,930	26.9
More than NIS 10 thousand and less than NIS 20 thousand	9,151	34.3	9,317	36.1
NIS 20 thousand or more	7,667	28.7	7,422	28.8
Total	26,678	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)

	June 30 2021	December 31 2020
	In NIS million	
Non-troubled loans	26,034	25,156
Troubled unimpaired loans	286	304
Troubled impaired non-performing loans	358	336
Total on-balance-sheet credit risk	26,678	25,796
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	2.4%	2.5%
Accounting write-offs, net	6	136
Balance of loan loss provision	765	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". And in the Credit Risks section in the Report of the Board of Directors and Management as at December 31 2020.

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

	June 30						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	-	-	-	307	-	307	-	-	-
Commerce	-	-	-	580	20	600	194	20	214
Transportation and storage	352	5	357	336	5	341	311	2	313
Hotels, hospitality and food services	628	17	645	936	8	944	629	9	638
Construction and real estate	710	315	1,025	150	195	345	427	17	444
Financial services and insurance services	322	11	333	85	151	236	67	150	217
Water supply, sewage services, waste and garbage treatment and purification services	273	-	273	340	-	340	280	-	280
Provision of power, gas, steam and air conditioning	3	428	431	-	-	-	-	-	-
Total	2,288	776	3,064	2,734	379	3,113	1,908	198	2,106

For more information, please see the Report of the Board of Directors and Management as at December 31 2020.

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.

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 June 30 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; and during Q2 2021, the non-maturity deposit model was updated. 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 June 30 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 June 30 2021, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	June 30 2021
	In NIS million
Loans	11,978
Deposits	949
Securities	3,666
Derivatives (gross) - par value	72,816

* 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

	June 30 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value ^(a)	32,406	(1,233)	31,173
Of which: banking portfolio	31,968	(2,302)	29,666

	June 30 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value ^(a)	27,560	(2,132)	25,428
Of which: banking portfolio	20,303	(2,397)	17,906

	December 31 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value ^(a)	28,473	(1,557)	26,916
Of which: banking portfolio	26,599	(1,843)	24,756

(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

June 30 2021			
	NIS	Foreign currency	Total*
In NIS million			
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	315	(256)	59
Of which: banking portfolio	318	(258)	60
Simultaneous decrease of 1 percent	(698)	74	(624)
Of which: banking portfolio	(694)	16	(678)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	(2)	(111)	(113)
Flattening ^(c)	(77)	(155)	(232)
Short-term interest rate increase	152	(269)	(117)
Short-term interest rate decrease	(165)	291	126
June 30 2020			
	NIS	Foreign currency	Total*
In NIS million			
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	414	105	519
Of which: banking portfolio	515	134	649
Simultaneous decrease of 1 percent	(788)	(97)	(885)
Of which: banking portfolio	(904)	(124)	(1,028)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	272	118	390
Flattening ^(c)	(318)	(91)	(409)
Short-term interest rate increase	(7)	(58)	(65)
Short-term interest rate decrease	(3)	111	108
December 31 2020			
	NIS	Foreign currency	Total*
In NIS million			
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	224	(178)	46
Of which: banking portfolio	243	(129)	114
Simultaneous decrease of 1 percent	(606)	(8)	(614)
Of which: banking portfolio	(633)	47	(586)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	162	(59)	103
Flattening ^(c)	(258)	(142)	(400)
Short-term interest rate increase	(35)	(193)	(228)
Short-term interest rate decrease	21	221	242

(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:

	June 30 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	905	258	1,163
Of which: banking portfolio	905	259	1,164
Simultaneous decrease of 1 percent	(1,322)	(206)	(1,528)
Of which: banking portfolio	(1,323)	(259)	(1,582)
	June 30 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	842	201	1,043
Of which: banking portfolio	842	350	1,192
Simultaneous decrease of 1 percent	(1,116)	(185)	(1,301)
Of which: banking portfolio	(1,116)	(350)	(1,466)
	December 31 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
<u>Simultaneous changes</u>			
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 June 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.

Directive for calculating Net Stable Funding Ratio (NSFR)

On June 21 2021, 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. The directive enters into effect on December 31 2021.

According to the QIS conducted by the Bank of the data as at December 31 2019, and according to assessments made during the past year, 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.

Due to the spread of the coronavirus, there was an increase in the volatility level of risk factors in financial markets. 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 second quarter of 2021, there was a moderate decrease in the liquidity coverage ratio as a result of an increase in loans to the public, offset by an increase in deposits by the public. Throughout the reviewed period, the LCR in foreign exchange and across all currencies was above the regulatory requirement and the internal limit agreed on with the Bank of Israel.

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

	For the three months ended		
	June 30	December 31	
	2021	2020	2020
	In %		
a. Consolidated data			
Liquidity coverage ratio	129	133	137
Minimum liquidity coverage ratio required by the Banking Supervision Department ^(a)	100	100	100
b. Banking corporation's data			
Liquidity coverage ratio	127	131	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 examining the methodology of calculating the liquidity ratio; the Bank believes that applying a new methodology, if any, will leave the Bank with a significantly higher liquidity ratio that the regulatory requirements. Due to the aforesaid, and in coordination with the Banking Supervision Department, the Bank set, at this stage, an internal liquidity coverage ratio of 115 percent that exceeds the minimum liquidity coverage ratio 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 risks, business continuity risks 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. However, during the quarter, it was decided to separate the cyber risk assessment from the traditional operational risk assessment, inter alia due to the uniqueness of the risk and its implications. For more information, please see under "Risk Exposure and Management Thereof" in this report.

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 the first half of 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.

Due to the trends in the labor market and the increased demand for tech-trained employees, there is a rise in the exposure to the human resource risk, especially in respect of hiring and retaining employees who have significant knowledge. Leumi is taking a number of steps in order to deal with the risk.

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 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.

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.

a. [Prohibition on money laundering and prohibition on financing of terrorism](#)

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 should be revised.

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 the 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.

For more information regarding a monetary sanction imposed by the Banking Supervision Department, please see Note 10.C.

Legal Risk

Legal risk is defined as the risk of loss as a result of the 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. Reputation risk is dynamic and varies between different demographic segments.

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 entering 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

Models risk is the risk of a loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, 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 and their usage, in accordance with the development of the crisis and the need to revise them.

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

In recent year, there is greater global awareness of potential exposure as a result of the materialization of environmental risks and climate-related risks - including transfer risk and physical risk (hereinafter - "environmental risks").

The Bank recognizes that the identification and assessment of the environmental risk is part of an adequate risk assessment process and is working to implement environmental risk exposure management, including climate risk (physical risk and transfer risk).

Environmental risks to the Bank are exposure to potential damage which may be caused as a result of events or processes related to the environment, including climate changes.

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be effected therefrom, such as air or water pollution, soil contamination, compromised biodiversity and deforestation. The Bank may be indirectly exposed to the said environmental risk, as well as directly - in case the Bank is found responsible for an environmental hazard or its facilities are damaged.

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.

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 Standards Institution of Israel.

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

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.

On June 29 2021, the Banking Supervision Department published a letter entitled "Improving the Effectiveness of Disclosure in Notifications to Customers". According to the letter, as part of the preparations for the implementation of the said revision to Directive No. 420 entitled "Sending Notices via Means of Communication", banking corporations shall examine the need to improve the disclosure provided to customers, so as to increase the understandability and effectiveness of the notices sent.

The Bank is preparing to implement the directive.

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 on the trajectories of all world countries. There is significant variance in the rate of inoculation across world countries, and the effectiveness of vaccination 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, and despite the surge of the Delta variant, the risks to economic activity in Israel have declined for now. In addition, in some major world countries, the vaccination process appears to be relatively successful, mitigating the risks in some of 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 the 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 June 30 2021, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 3,240 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 June 30 2021, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 848 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

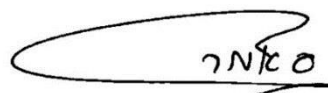
In the quarter ended June 30 2021, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to June 2021, Leumi's Board of Directors held 21 plenum meetings and its committees held 44 meetings.

At a Board meeting held on August 12 2021, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at June 30 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

August 12 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 June 30 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.

August 12 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 June 30 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.

August 12 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 June 30 2021 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the six- and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

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

August 12 2021

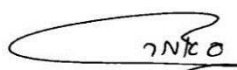
BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES

Condensed Consolidated Income Statement

For the Period Ended June 30 2021

		For the three months ended June 30		For the six months ended June 30		For the year ended December 31
		2021	2020	2021	2020	2020
		Unaudited				Audited
	Note	In NIS million				
Interest income	2	3,226	2,498	5,838	5,091	10,175
Interest expenses	2	452	377	716	801	1,452
Interest income, net	2	2,774	2,121	5,122	4,290	8,723
(Income) expenses for loan losses	6, 13	(158)	875	(370)	1,735	2,552
Interest income, net after loan loss expenses (income) for loan losses		2,932	1,246	5,492	2,555	6,171
Noninterest income						
Noninterest finance income	3A	627	690	1,068	30	1,026
Fees and commissions		853	776	1,721	1,669	3,281
Other income		52	15	117	28	59
Total noninterest income		1,532	1,481	2,906	1,727	4,366
Operating and other expenses						
Salaries and related expenses		1,055	911	2,133	1,846	3,742
Buildings and equipment - maintenance and depreciation		398	367	764	775	1,531
Other expenses		405	391	800	851	1,773
Total operating and other expenses		1,858	1,669	3,697	3,472	7,046
Net income before taxes		2,606	1,058	4,701	810	3,491
Provision for profit tax		950	359	1,703	320	1,356
Profit after taxes		1,656	699	2,998	490	2,135
The Bank's share in associates' profits (losses), after taxes		22	1	29	(13)	(13)
Net income						
Before attribution to non-controlling interests		1,678	700	3,027	477	2,122
Attributable to non-controlling interests		11	6	20	15	20
Attributable to the Bank's shareholders		1,667	694	3,007	462	2,102
Basic and diluted earnings per share (in NIS)						
Diluted basic earnings attributable to the Bank's shareholders	3B	1.15	0.48	2.07	0.32	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: August 12 2021

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

Condensed Consolidated Statement of Comprehensive Income

For the Period Ended June 30 2021

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Net income before attribution to non-controlling interests	1,678	700	3,027	477	2,122
Less net income attributable to non-controlling interests	11	6	20	15	20
Net income attributable to the Bank's shareholders	1,667	694	3,007	462	2,102
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	18	1,229	(492)	597	814
Adjustments from translation of financial statements, net ^(a) after hedging effect ^(b)	(15)	(19)	11	2	(46)
Net gains (losses) for cash flow hedges	15	7	(21)	52	43
Adjustments of liabilities for employee benefits ^(c)	105	(2,372)	749	597	336
The Bank's share in other comprehensive income (loss) of associates	(2)	5	(8)	1	(5)
Other comprehensive income (loss), before taxes	121	(1,150)	239	1,249	1,142
Related tax effect	(62)	360	(70)	(423)	(460)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	59	(790)	169	826	682
Less other comprehensive income (loss) attributable to non-controlling interests	(4)	(10)	(8)	15	(21)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	63	(780)	177	811	703
Comprehensive income (loss) before attribution to non-controlling interests	1,737	(90)	3,196	1,303	2,804
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	7	(4)	12	30	(1)
Comprehensive income (loss) attributable to the Bank's shareholders	1,730	(86)	3,184	1,273	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 June 30 2021

		June 30	December 31	
		2021	2020	2020
		Unaudited	Audited	
	Note	In NIS million		
Assets				
Cash and deposits with banks		160,946	100,982	136,194
Securities ^{(a)(b)}	5	91,474	98,672	92,297
Securities borrowed or purchased under reverse repurchase agreements		5,721	1,892	3,019
Loans to the public	6, 13	320,300	290,977	300,631
Loan loss provision	6, 13	(5,067)	(4,633)	(5,290)
Loans to the public, net		315,233	286,344	295,341
Loans to governments		945	739	632
Investments in associates		854	748	795
Buildings and equipment		2,763	2,910	2,932
Goodwill		15	16	15
Assets in respect of derivatives	11	11,216	14,796	15,252
Other assets		8,255	9,749	9,558
Total assets		597,422	516,848	556,035
Liabilities and equity				
Deposits by the public	7	487,082	416,956	447,031
Deposits by banks		22,140	6,659	15,143
Deposits by governments		219	230	208
Securities loaned or sold under repurchase agreements		814	483	605
Bonds, promissory notes and subordinated bonds		13,199	19,519	16,303
Liabilities for derivatives	11	11,555	15,810	17,315
Other liabilities ^{(a)(c)}		21,121	20,598	21,335
Total liabilities		556,130	480,255	517,940
Shareholders' equity	9	40,848	36,132	37,664
Non-controlling interests		444	461	431
Total equity		41,292	36,593	38,095
Total liabilities and equity		597,422	516,848	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: a provision for loan losses for off-balance-sheet credit instruments, NIS 412 million (as at June 30 2020 - NIS 429 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 June 30 2021

	For the three months ended June 30 2021 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock-based compensation and other transactions ^(a)
	In NIS million		
Balance as at March 31 2021	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Balance as at June 30 2021	7,041	184	53
	For the three months ended June 30 2020 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock-based compensation and other transactions ^(a)
	In NIS million		
Balance as at March 31 2020	7,041	211	53
Net income for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Share buyback	-(c)	(27)	-
Employee benefit due to stock-based compensation transactions	-	-	-
Balance as at June 30 2020	7,041	184	53

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

(b) Including NIS 5,295 million that is non-distributable, of which NIS 1,650 million in respect of share buyback (June 30 2020 - NIS 5,456 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.

(c) Balances of less than NIS 1 million.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings ^(b)	Total	Non-controlling interests	Total equity
7,278	(2,678)	34,518	39,118	437	39,555
-	-	1,667	1,667	11	1,678
-	63	-	63	(4)	59
7,278	(2,615)	36,185	40,848	444	41,292

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings ^(b)	Total	Non-controlling interests	Total equity
7,305	(1,904)	30,844	36,245	464	36,709
-	-	694	694	6	700
-	(780)	-	(780)	(10)	(790)
(27)	-	-	(27)	-	(27)
-	-	-	-	1	1
7,278	(2,684)	31,538	36,132	461	36,593

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

Condensed Statement of Changes in Equity (cont.)

For the Period Ended June 30 2021

	For the six months ended June 30 2021 (unaudited)		
	Share capital	Capital reserves	
		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 (loss), net of tax effect	-	-	-
Employee benefit due to stock-based compensation transactions	-	-	-
Balance as at June 30 2021	7,041	184	53

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

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

(b) Including NIS 5,295 million that is non-distributable, of which NIS 1,650 million in respect of share buyback (June 30 2020 - NIS 5,456 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
-	-	3,007	3,007	20	3,027
-	177	-	177	(8)	169
-	-	-	-	1	1
7,278	(2,615)	36,185	40,848	444	41,292

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
-	-	462	462	15	477
-	811	-	811	15	826
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(250)	-	-	(250)	-	(250)
-	-	-	-	2	2
7,278	(2,684)	31,538	36,132	461	36,593

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

Condensed Statement of Changes in Equity (cont.)

For the Period Ended June 30 2021

	For the year ended December 31 2020 (audited)		
	Share capital	Capital reserves	
		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	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	(13)	(237)	-
Employee benefit due to 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 June 30 2021

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Cash flows from operating activities					
Net income for the period	1,678	700	3,027	477	2,122
Adjustments:					
Group's share in undistributed (gains) losses of associates ^(a)	10	(1)	9	19	26
Depreciation of buildings and equipment (including impairment)	174	183	345	363	678
(Income) expenses for loan losses	(158)	875	(370)	1,735	2,552
Net gains on sale of bonds	(52)	(86)	(117)	(253)	(410)
Net realized and unrealized losses (gains) from fair value adjustments of held-for-trading securities	1	(103)	8	(70)	(58)
Losses on sale of investees' equity	-	-	-	2 ^(b)	2
Losses (gains) on disposal of buildings and equipment - net	(16)	-	(51)	-	7
Provision for impairment of available-for-sale bonds	-	-	-	33	33
Realized and unrealized (gains) losses, net from fair value adjustments of not held-for-trading equity securities	(443)	(131)	(628)	54	(283)
Provision for impairment of not held-for-trading equity securities	-	8	-	35	66
Deferred taxes - net	152	(541)	318	(583)	(729)
Severance pay and pension – increase (decrease) in excess of provision over fund	(14)	22	70	(557)	(980)
Excess of interest received for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	(49)	19	253	89	253
Accrual differences and rate in respect of bonds and subordinated bonds	92	(62)	(8)	(71)	(393)
Effect of exchange rate differentials on cash and cash equivalent balances	9	145	(222)	826	1,274
Other, net	2	2	2	2 ^(b)	-
Net change in current assets:					
Assets in respect of derivatives	1,842	10,099	4,039	(3,830)	(4,298)
Held-for-trading securities	5	3,388	1,365	(5,545)	(451)
Other assets	235	(30) ^(b)	89	(1,187)	(1,917)
Net change in current liabilities:					
Liabilities for derivatives	(1,837)	(9,132)	(5,556)	3,960	5,684
Other liabilities	(473)	(333) ^(b)	1,304	563	2,379
Net cash provided from (for) operating activities	1,158	5,022	3,877	(3,938)	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 June 30 2021

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	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	1,075	1,827	1,059	(2,268)	(1,113)
Net change in loans to the public	(7,892)	6,565 ^(a)	(19,316)	(5,363) ^(a)	(16,583)
Net change in loans to the Israeli Government	(196)	(11)	(313)	5	112
Net change in securities borrowed or purchased under reverse repurchase agreements	(1,091)	(581) ^(a)	(2,702)	(775) ^(a)	(1,902)
Purchase of held-to-maturity bonds	(357)	(912)	(1,519)	(2,473)	(3,026)
Proceeds from redemption of held-to-maturity bonds	385	254	806	657	1,402
Purchase of available-for-sale bonds and not held-for-trading equity securities	(31,493)	(36,484)	(51,784)	(66,850)	(136,675)
Proceeds from sale of available-for-sale bonds and not held-for-trading equity securities not held-for-trading	24,096	20,718	43,723	42,427	99,757
Proceeds from redemption of available-for-sale bonds and not held-for-trading equity securities	4,108	9,961	8,099	19,021	32,700
Purchase of associates' equity	(76)	(1)	(76)	(6)	(67)
Proceeds from sale of loan portfolios	-	-	-	4	-
Purchase of buildings and equipment	(128)	(141)	(203)	(233)	(594)
Proceeds from disposal of buildings and equipment	36	5	81	5	11
Central severance pay fund	1	32	2	65	137
Net cash for investing activities	(11,532)	1,232	(22,143)	(15,784)	(25,841)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	4,967	516	6,993	476	9,012
Net change in deposits by the public	27,230	(1,012)	39,782	43,287	74,967
Net change in deposits by the government	(8)	(81)	11	(87)	(106)
Net change in securities loaned or sold under repurchase agreements	285	(2,878) ^(a)	205	360 ^(a)	482
Proceeds from issue of bonds and subordinated bonds	-	2,393	-	4,986	4,986
Redemption of bonds and subordinated bonds	(1)	(5,342)	(3,096)	(5,354)	(8,248)
Dividend paid to shareholders	-	-	-	(297)	(297)
Dividend paid to external shareholders in consolidated companies	-	-	-	(39)	(39)
Share buyback	-	(27)	-	(250)	(250)
Net cash from financing activities	32,473	(6,431)	43,895	43,082	80,507
Increase (decrease) in cash and cash equivalents	22,099	(177)	25,629	23,360	60,223
Balance of cash and cash equivalents as at the beginning of the period	136,377	96,523	132,616	73,667	73,667
Effect of exchange rate fluctuations on cash and cash equivalent balances	(9)	(145)	222	(826)	(1,274)
Balance of cash and cash equivalents as at end of period	158,467	96,201	158,467	96,201	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 June 30 2021

Interest and taxes paid and/or received and dividends received

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Interest received	2,609	3,009	5,356	5,862	10,555
Interest paid	(296)	(715)	(819)	(1,444)	(2,523)
Dividends received	37	1	50	13	23
Income tax paid	(791)	(315)	(1,620)	(529)	(1,725)
Income tax received	7	4	85	231	237

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

For the six months ended June 30 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		Page
1	Significant Accounting Policies	108
2	Interest Income and Expenses	112
3A	Noninterest Finance Income	113
3B	Earnings per Ordinary Share	115
4	Accumulated Other Comprehensive Income (Loss)	116
5	Securities	121
6	Credit Risk, Loans to the Public and Loan Loss Provision	136
7	Deposits by the Public	141
8	Employee Benefits	142
9A	Equity	148
9B	Capital Adequacy, Leverage and Liquidity	151
10	Contingent Liabilities and Special Commitments	158
11	Derivative Activity - Scope, Credit Risks and Maturity Dates	161
12A	Regulatory Operating Segments	173
12B	Operating Segments - Management Approach	184
13	Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision	189
14	Assets and Liabilities by Linkage Basis	211
15A	Balances and Fair Value Estimates of Financial Instruments	214
15B	Items Measured at Fair Value	217
15C	Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3	224
15D	Quantitative Information on Items Measured at Fair Value Included in Level 3	229
16	Miscellaneous Topics	233

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as at June 30 2021 have been prepared in accordance with 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.

The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on August 12 2021.

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 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 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 in December 2020 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 in 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 June 30 2021, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	June 30 2021
	In NIS million
Loans	11,978
Deposits	949
Securities	3,666
Derivatives (gross) - nominal value	72,816

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

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

Note 1 - Significant Accounting Policies (cont.)

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 new directives will be implemented starting January 1 2022 by recording the cumulative effect of the first-time application of these principles under retained earnings. In accordance with the transitional provisions published by the Banking Supervision Department, if the first-time application leads to a decrease in the Bank's Common Equity Tier 1 capital, it will be possible to partially add to the Common Equity Tier 1 capital (i.e., return to the Common Equity Tier 1 capital) the decrease in the Common Equity Tier 1 capital that will be recorded on first-time application, over a period of three years (adding 75 percent in the year of first-time application, with a 25 percent decrease each year, until reaching 0 percent on January 1 of the fourth application year).

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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
	Unaudited			
	In NIS million			
a. Interest income^(a)				
From loans to the public	2,904	2,194	5,252	4,412
From loans to the Israeli Government	8	6	12	14
From deposits with the Bank of Israel and from cash	28	19	54	51
From deposits with banks	15	16	32	49
From securities borrowed or purchased under reverse repurchase agreements	2	-	3	4
From bonds ^(b)	269	263	485	561
Total interest income	3,226	2,498	5,838	5,091
b. Interest expenses				
For deposits by the public	(278)	(267)	(453)	(620)
For deposits by the government	-	-	(1)	(1)
For deposits by banks	(1)	(2)	(2)	(8)
For deposits by the Bank of Israel	(3)	(1)	(5)	(1)
For securities loaned or sold under repurchase agreements	(1)	(4)	(1)	(8)
For bonds, promissory notes and subordinated bonds	(169)	(103)	(254)	(163)
Total interest expenses	(452)	(377)	(716)	(801)
Total interest income, net	2,774	2,121	5,122	4,290
c. Details of the net effect of hedging derivatives on interest income and expenses^(c)				
Interest expenses	(12)	(11)	(24)	(19)
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	42	49	82	90
Available-for-sale	213	208	385	455
Held-for-trading	14	6	18	16
Total included in interest income	269	263	485	561

(a) Including the effect of hedge relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 54 million and NIS 111 million for the three-month and six-month periods ended June 30 2021 (NIS 22 million and NIS 80 million for the three-month and six-month periods ended June 30 2020).

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

Note 3A - Noninterest Finance Income

	For the three months ended			
	June 30		For the six months ended June 30	
	2021	2020	2021	2020
	Unaudited			
In NIS million				
a. Noninterest finance income (expenses) for not held-for-trading activities				
a.1. From derivative activities^(a)				
Net income (expenses) in respect of ALM derivatives ^(b)	(584)	(604)	509	138
Total from derivatives activity	(584)	(604)	509	138
a.2. From investment in bonds				
Gains on sale of available-for-sale bonds	63	88	137	255
Losses on sale of available-for-sale bonds	(11)	(2)	(20)	(2)
Provision for impairment of available-for-sale bonds	-	-	-	(33)
Total from investment in bonds	52	86	117	220
a.3. Exchange rate differentials, net	694	818	(298)	(451)
a.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held for trading ^(h)	191	10	299	33
Provision for impairment for equity securities not held for trading	-	(8)	-	(35)
Losses on sale of equity securities not held-for-trading	(6)	(6)	(20)	(34)
Dividend from not held-for-trading equity securities	5	1	12	7
Unrealized gains (losses), net from not held-for-trading equity securities ^{(g)(h)}	258	127	349	(53)
Loss on sale of investees' equity	-	-	-	(2)
Total from investment in equity securities	448	124	640	(84)
Total noninterest finance income (expenses) for not held-for-trading activities	610	424	968	(177)
b. Noninterest finance income (expenses) for trading activities				
Net income (expenses) for held-for-trading derivatives	18	163	108	137
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net ^{(c)(f)}	-	99	(8)	67
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net ^{(d)(f)}	(1)	4	-	3
Total from trading activities^(e)	17	266	100	207
Details of noninterest finance income (expenses) due to trading activities, by risk exposure				
Interest rate exposure	13	110	47	(142)
Foreign exchange exposure	(8)	121	30	336
Equity exposure	9	33	18	9
Exposure to commodities and other contracts	3	2	5	4
Total	17	266	100	207
Total noninterest finance income	627	690	1,068	30

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 2 million and NIS 6 million in gains for the three-month and six-month periods ended June 30 2021 in respect of held-for-trading bonds held as at the balance sheet date (gains of NIS 44 million and NIS 52 million, respectively, for the three-month and six-month periods ended June 30 2020).
- (d) There were no gains or losses in respect of held-for-trading equity securities held as at the balance sheet date in the three- and six-month periods ended June 30 2021 and in the three-month and six-month periods ended June 30 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.
- (h) For more information, please see Note 16.

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's diluted earnings 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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS millions)	1,667	694	3,007	462
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period ^(a)	1,452,896	1,453,553	1,452,896	1,466,191
Weighted effect of exercised PSUs and RSUs and the issuance of shares	-	-	-	133
Weighted effect for share buyback	-	(646)	-	(7,644)
Weighted average of number of shares	1,452,896	1,452,907	1,452,896	1,458,680
Basic earnings per share (in NIS)	1.15	0.48	2.07	0.32

(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 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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS millions)	1,667	694	3,007	462
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	1,452,907	1,452,896	1,458,680
Weighted effect of yet unexercised PSUs and RSUs	-	-	-	60
Weighted average of the number of shares, fully diluted	1,452,896	1,452,907	1,452,896	1,458,740
Diluted earnings per share (in NIS)	1.15	0.48	2.07	0.32

C. Share Capital

As at June 30 2021, the Bank's issued and paid up share capital less the Bank's share buyback plan from 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each. As at June 30 2020, the Bank's issued and paid up share capital less the Bank's share buyback plan from 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each.

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

- Changes in accumulated other comprehensive income (loss) for the three-month periods ended June 30 2021 and 2020 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments, ^(a) after hedging effect ^(b)	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits ^(c)	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at March 31 2020	208	(155)	29	(16)	(1,988)	(1,922)	(18)	(1,904)
Net change during the period	809	(39)	3	3	(1,566)	(790)	(10)	(780)
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Balance as at March 31 2021	827	(244)	2	(21)	(3,310)	(2,746)	(68)	(2,678)
Net change during the period	12	(31)	10	(2)	70	59	(4)	63
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)

- Changes in accumulated other comprehensive income (loss) for the six-month period ended June 30 2021 and 2020 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments, ^(a) after hedging effect ^(b)	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits ^(c)	Total		
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	393	5	34	-	394	826	15	811
Balance as at June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Balance as at December 31 2020 (audited)	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	(324)	20	(14)	(7)	494	169	(8)	177
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)

Please see comments below.

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

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

3. Changes in accumulated other comprehensive income (loss) for the year ended December 31 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) attribu- table to non- controlling interests	Other compre- hensive income (loss) attribu- table to the Bank's share- holders
	In NIS million							
Balance as at 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) The adjustments for employee benefits are net of adjustments for plan assets.

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 June 30 (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 gains (losses), net, from fair value adjustments	70	(24)	46	1,315	(449)	866
(Gains) losses in respect of available-for-sale bonds reclassified to the income statement ^(a)	(52)	18	(34)	(86)	29	(57)
Net change during the period	18	(6)	12	1,229	(420)	809
Translation adjustments:^(b)						
Adjustments from translation of financial statements	(62)	-	(62)	(79)	-	(79)
Hedges ^(c)	47	(16)	31	60	(20)	40
Net change during the period	(15)	(16)	(31)	(19)	(20)	(39)
Net gains (losses) for cash flow hedges	15	(5)	10	7	(4)	3
The Bank's share in other comprehensive income of associates, equity-accounted	(2)	-	(2)	5	(2)	3
Employee benefits:^(d)						
Net actuarial (loss) gain	(13)	5	(8)	(2,445)	831	(1,614)
Net losses (gains) reclassified to the income statement ^(e)	118	(40)	78	73	(25)	48
Net change during the period	105	(35)	70	(2,372)	806	(1,566)
Total change during the period, net	121	(62)	59	(1,150)	360	(790)
Changes in other comprehensive (loss) income components attributable to non-controlling interests						
Total net change during the period	(1)	(3)	(4)	(9)	(1)	(10)
Changes in other comprehensive (loss) income attributable to the Bank's shareholders						
Total change during the period, net	122	(59)	63	(1,141)	361	(780)

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

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

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

(d) The adjustments for employee benefits are net of adjustments for plan assets.

(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 six months ended June 30 (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 gains (losses), net, from fair value adjustments	(375)	128	(247)	817	(279)	538
Net (gains) losses in respect of available-for-sale bonds reclassified to the income statement ^(a)	(117)	40	(77)	(220)	75	(145)
Net change during the period	(492)	168	(324)	597	(204)	393
Translation adjustments:^(b)						
Adjustments from translation of financial statements	37	-	37	10	-	10
Hedges ^(c)	(26)	9	(17)	(8)	3	(5)
Net change during the period	11	9	20	2	3	5
Net gains (losses) for cash flow hedges	(21)	7	(14)	52	(18)	34
The Bank's share in other comprehensive income of associates, equity-accounted	(8)	1	(7)	1	(1)	-
Employee benefits:^(d)						
Net actuarial gain (loss)	497	(169)	328	383	(130)	253
Net gains (losses) reclassified to the income statement ^(e)	252	(86)	166	214	(73)	141
Net change during the period	749	(255)	494	597	(203)	394
Total change during the period, net	239	(70)	169	1,249	(423)	826
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	(15)	7	(8)	22	(7)	15
Changes in other comprehensive income (loss) components attributable to the Bank's shareholders						
Total change during the period, net	254	(77)	177	1,227	(416)	811

- (a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
- (b) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
- (c) Net gains (losses) for hedging a net investment in foreign currency.
- (d) The adjustments for employee benefits are net of adjustments for plan assets.
- (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) The adjustments for employee benefits are net of adjustments for plan assets.

(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 June 30 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	4,095	4,095	400	(5)	4,490
Mortgage-backed (MBS)	2,525	2,525	25	(35)	2,515
Of other foreign entities	1,815	1,815	72	(42)	1,845
Total held-to-maturity bonds	8,435	8,435	497	(82)	8,850
As at June 30 2021 (unaudited) ^(g)					
	Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)
			Gains	Losses	
In NIS million					
2. Available-for-sale bonds:					
Of the Israeli Government	31,957	31,057	926	(26)	31,957
Of foreign governments	20,904	20,908	64	(68)	20,904
Of Israeli financial institutions	70	65	5	-	70
Of foreign financial institutions	9,274	9,065	212	(3)	9,274
Asset-backed (ABS) or mortgage-backed (MBS)	7,833	7,830	53	(50)	7,833
Of other Israeli entities	265	248	17	-	265
Of other foreign entities	5,257	5,045	235	(23)	5,257
Total available-for-sale bonds^(f)	75,560	74,218	1,512^(c)	(170)^(c)	75,560

Please see comments below.

Note 5 - Securities (cont.)

As at June 30 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	4,819	4,280	572	(33)	4,819
Of which: equity securities and mutual funds for which there is no available fair value ^(b)	1,788	1,788			1,788
Total not held-for-trading equity securities and funds	4,819	4,280	572^(d)	(33)^(d)	4,819
Total not held-for-trading securities	88,814	86,933	2,581	(285)	89,229
As at June 30 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	2,228	2,228	3	(3)	2,228
Of foreign governments	3	3	-	-	3
Of Israeli financial institutions	131	129	2	-	131
Of foreign financial institutions	81	77	4	-	81
Asset-backed (ABS) or mortgage-backed (MBS)	69	71	1	(3)	69
Of other Israeli entities	83	81	2	-	83
Of other foreign entities	41	39	2	-	41
Total bonds	2,636	2,628	14	(6)	2,636
Equity securities and funds	24	23	1	-	24
Total held-for-trading securities	2,660	2,651	15^(d)	(6)^(d)	2,660
Total securities	91,474	89,584	2,596	(291)	91,889

Please see comments below.

Note 5 - Securities (cont.)

As at June 30 2020 (unaudited)					
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)
In NIS million					
1. Held-to-maturity bonds:					
Of the Israeli Government	4,010	4,010	610	-	4,620
Mortgage-backed (MBS)	2,308	2,308	56	(2)	2,362
Of other foreign entities	947	947	57	(1)	1,003
Total held-to-maturity bonds	7,265	7,265	723	(3)	7,985
As at June 30 2020 (unaudited)					
	Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)
			Gains	Losses	
In NIS million					
2. Available-for-sale bonds:					
Of the Israeli Government	36,234	35,002	1,237	(5)	36,234
Of foreign governments	19,157	19,004	167	(14)	19,157
Of Israeli financial institutions	67	65	2	-	67
Of foreign financial institutions	9,488	9,279	228	(19)	9,488
Asset-backed (ABS) or mortgage-backed (MBS)	7,604	7,513	128	(37)	7,604
Of other Israeli entities	199	199	4	(4)	199
Of other foreign entities	5,746	5,370	379	(3)	5,746
Total available-for-sale bonds^(f)	78,495	76,432	2,145^(c)	(82)^(c)	78,495

Please see comments below.

Note 5 - Securities (cont.)

	As at June 30 2020 (unaudited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)
	In NIS million				
3. Investment in not held-for-trading equity securities and funds:					
Equity securities and mutual funds	3,773	3,758	119	(104)	3,773
Of which: equity securities and mutual funds for which there is no available fair value ^(b)	1,395	1,395			1,395
Total not held-for-trading equity securities and funds	3,773	3,758	119^(d)	(104)^(d)	3,773
Total not held-for-trading securities	89,533	87,455	2,987	(189)	90,253
	As at June 30 2020 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	7,924	7,904	24	(4)	7,924
Of foreign governments	262	217	45	-	262
Of Israeli financial institutions	527	524	4	(1)	527
Of foreign financial institutions	163	170	2	(9)	163
Asset-backed (ABS) or mortgage-backed (MBS)	124	129	-	(5)	124
Of other Israeli entities	49	55	1	(7)	49
Of other foreign entities	71	71	1	(1)	71
Total bonds	9,120	9,070	77	(27)	9,120
Equity securities and funds	19	18	1	-	19
Total held-for-trading securities	9,139	9,088	78^(d)	(27)^(d)	9,139
Total securities^(e)	98,672	96,543	3,065	(216)	99,392

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)					
	Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)
			Gains	Losses	
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 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 June 30 2020 - NIS 4 million.
- (f) Total of NIS 9.8 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (June 30 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 36 million (as at June 30 2020 - NIS 7 million; as at December 31 2020 - NIS 95 million) are presented under the Loans to the public line item.

Pledged securities totaled NIS 17.989 million (as at June 30 2020 - NIS 7,020 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

June 30 2021 (unaudited)										
Less than 12 months ^(a)					12 months or more ^(b)					
Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments					
Amor- tized cost	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	Amor- tized cost	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	
In NIS million										
Bonds										
Of the Israeli Government	181	5	-	-	5	-	-	-	-	-
Mortgage-backed (MBS)	1,272	29	-	-	29	85	6	-	-	6
Of other foreign entities	956	42	-	-	42	-	-	-	-	-
Total held-to-maturity bonds	2,409	76	-	-	76	85	6	-	-	6
June 30 2020 (unaudited)										
Less than 12 months ^(a)					12 months or more ^(b)					
Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments					
Amor- tized cost	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	Amor- tized cost	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	
In NIS million										
Bonds										
Of the Israeli Government	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	123	1	-	-	1	126	1	-	-	1
Of other foreign entities	195	1	-	-	1	-	-	-	-	-
Total held-to-maturity bonds	318	2	-	-	2	126	1	-	-	1

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.

(b) Investments in a continuous unrealized loss position for a period of 12 months or more.

(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.

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

(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.

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- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	Amor- tized cost	0- (c)20%	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

	June 30 2021 (unaudited)									
	Less than 12 months ^(a)					12 months or more ^(b)				
	Unrealized losses ^(f)					Unrealized losses ^(f)				
	Fair value	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total	Fair value	0- (c)20%	20%(d)- 35%	Over ^(e) 35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	1,224	26	-	-	26	-	-	-	-	-
Of foreign governments	7,042	68	-	-	68	-	-	-	-	-
Of foreign financial institutions	879	3	-	-	3	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	2,845	40	-	-	40	903	10	-	-	10
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,258	23	-	-	23	-	-	-	-	-
Total available-for-sale bonds	13,248	160	-	-	160	903	10	-	-	10

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.

(b) Investments in a continuous unrealized loss position for a period of 12 months or more.

(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.

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

(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.

(f) 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.)

	June 30 2020 (unaudited)									
	Less than 12 months ^(a)					12 months or more ^(b)				
	Unrealized losses ^(f)					Unrealized losses ^(f)				
Fair value	0- ^(c) 20%	20% ^(d) -35%	Over ^(e) 35%	Total	Fair value	0- ^(c) 20%	20% ^(d) -35%	Over ^(e) 35%	Total	
In NIS million										
Bonds										
Of the Israeli Government	1,386	5	-	-	5	-	-	-	-	-
Of foreign governments	3,777	14	-	-	14	-	-	-	-	-
Of foreign financial institutions	689	19	-	-	19	1,041	-(g)	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	890	20	-	-	20	1,756	17	-	-	17
Of other Israeli entities	33	3	-	-	3	25	1	-	-	1
Of other foreign entities	139	3	-	-	3	9	-(g)	-	-	-
Total available-for-sale bonds	6,914	64	-	-	64	2,831	18	-	-	18
	December 31 2020 (audited)									
	Less than 12 months ^(a)					12 months or more ^(b)				
	Unrealized losses ^(f)					Unrealized losses ^(f)				
Fair value	0- ^(c) 20%	20% ^(d) -35%	Over ^(e) 35%	Total	Fair value	0- ^(c) 20%	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

	June 30 2021 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)	
	Fair value		Fair value		Fair value	
	In NIS million					
Mortgage-backed bonds (MBS)	1,693	(18)	32	(2)	1,725	(20)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	728	(20)	66	(1)	794	(21)
Asset-backed bonds (ABS)	424	(2)	805	(7)	1,229	(9)
Total	2,845	(40)	903	(10)	3,748	(50)

	June 30 2020 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)	
	Fair value		Fair value		Fair value	
	In NIS million					
Mortgage-backed bonds (MBS)	81	.. ^(b)	53	(1)	134	(1)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	187	(3)	793	(2)	980	(5)
Asset-backed bonds (ABS)	622	(17)	910	(14)	1,532	(31)
Total	890	(20)	1,756	(17)	2,646	(37)

	December 31 2020 (audited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)		Unrealized losses from fair value adjustments ^(a)	
	Fair value		Fair value		Fair value	
	In NIS million					
Mortgage-backed bonds (MBS)	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

	June 30 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	2,407	25	(25)	2,407
Of which: GNMA-backed securities	1,392	15	(17)	1,390
Securities issued by FNMA or FHLMC	1,015	10	(8)	1,017
Other mortgage-backed bonds (including CMO and stripped MBS)	118	-	(10)	108
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	118	-	(10)	108
Total mortgage-backed bonds (MBS)	2,525	25	(35)	2,515
Total mortgage-backed held-to-maturity bonds	2,525	25	(35)	2,515
	June 30 2020 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,246	56	(2)	2,300
Of which: GNMA-backed securities	1,432	32	(2)	1,462
Securities issued by FNMA or FHLMC	814	24	-	838
Other mortgage-backed bonds (including CMO and stripped MBS)	62	-	-	62
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	62	-	-	62
Total mortgage-backed bonds (MBS)	2,308	56	(2)	2,362
Total mortgage-backed held-to-maturity bonds	2,308	56	(2)	2,362

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

	June 30 2021 (unaudited)			
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
		Gains	Losses	
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,167	17	(20)	3,164
Of which: GNMA-backed bonds	1,079	3	(9)	1,073
Bonds issued by FNMA or FHLMC	2,088	14	(11)	2,091
Other mortgage-backed bonds (including CMO and stripped MBS)	2,204	26	(21)	2,209
Of which: bonds issued or guaranteed by GNMA, FNMA, or FHLMC	1,883	19	(21)	1,881
Total mortgage-backed bonds (MBS)	5,371	43	(41)	5,373
Asset-backed bonds (ABS)	2,459	10	(9)	2,460
Of which: loans to non-individuals - CLO-type bonds	1,801	9	(2)	1,808
Loans to non-individuals - SBA-guaranteed securities	301	-	(6)	295
Total available-for-sale mortgage-backed and asset-backed bonds	7,830	53	(50)	7,833

(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.)

	June 30 2020 (unaudited)			
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
		Gains	Losses	
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass through held-to-maturity bonds	2,988	64	(1)	3,051
Of which: GNMA-backed securities	806	16	-	822
Securities issued by FNMA or FHLMC	2,182	48	(1)	2,229
Other mortgage-backed bonds (including CMO and stripped MBS)	2,607	57	(5)	2,659
Of which: securities issued or guaranteed by GNMA, FNMA, or FHLMC	2,230	49	(3)	2,276
Total mortgage-backed bonds (MBS)	5,595	121	(6)	5,710
Asset-backed bonds (ABS)	1,918	7	(31)	1,894
Of which: loans to non-individuals - CLO-type bonds	1,447	7	(28)	1,426
Loans to non-individuals - SBA-guaranteed securities	379	-	(2)	377
Total available-for-sale mortgage-backed and asset-backed bonds	7,513	128	(37)	7,604
	December 31 2020 (audited)			
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
		Gains	Losses	
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass through held-to-maturity 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

	June 30 2021 (unaudited)			
		Unrealized gains from fair value	Unrealized losses from fair value	
	Amortized cost	adjustments ^(a)	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)	34	-	(2)	32
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	33	-	(2)	31
Total mortgage-backed securities (MBS)	36	-	(2)	34
Total asset-backed securities (ABS)	35	1	(1)	35
Total mortgage-backed and asset-backed held-for-trading securities	71	1	(3)	69
	June 30 2020 (unaudited)			
		Unrealized gains from fair value	Unrealized losses from fair value	
	Amortized cost	adjustments ^(a)	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)	38	-	(2)	36
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	41	-	(2)	39
Total asset-backed securities (ABS)	88	-	(3)	85
Total mortgage-backed and asset-backed held-for-trading securities	129	-	(5)	124

(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)
	In NIS million		Fair value
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	-	34
Of which: securities issued or guaranteed by FNMA, FHLMC, or GNMA	36	-	33
Total mortgage-backed securities (MBS)	39	-	36
Total asset-backed securities (ABS)	46	-	44
Total mortgage-backed and asset-backed held-for-trading securities	85	-	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

June 30 2021 (unaudited)						
Loans to the public						
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
In NIS million						
Recorded outstanding debt:^(a)						
Examined on a specific basis	155,164	-	872	156,036	13,577	169,613
Examined on a collective basis ¹	41,618	96,496	26,150	164,264	2,489	166,753
¹ Of which: by extent of arrears	505 ^(c)	96,393	-	96,898	-	96,898
Total debts^{(a)2}	196,782	96,496	27,022	320,300	16,066	336,366
² Of which:						
Debt restructuring	2,176	-	341	2,517	-	2,517
Other impaired non-performing debts	978	20	18	1,016	8	1,024
Total impaired debts	3,154	20	359	3,533	8	3,541
Debts in arrears of 90 days or more	56	666	38	760	-	760
Other troubled debts	3,110	1	248	3,359	-	3,359
Total troubled debts	6,320	687	645	7,652	8	7,660
Outstanding loan loss provision in respect of debts:^(a)						
Examined on a specific basis	3,060	-	246	3,306	2	3,308
Examined on a collective basis ³	641	605	515	1,761	-	1,761
³ Of which: By extent of arrears	-(d)	603 ^(b)	-	603	-	603
Total loan loss provision⁴	3,701	605	761	5,067	2	5,069
⁴ Of which: For impaired non-performing debts	894	6	230	1,130	-(d)	1,130

(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 452 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.)

	June 30 2020 (unaudited)					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Recorded outstanding debt:^(a)						
Examined on a specific basis	134,956 ^(e)	26	748	135,730	13,566 ^(e)	149,296
Examined on a collective basis ¹	42,613	86,806	25,828	155,247	287	155,534
¹ Of which: by extent of arrears	736 ^(c)	86,642	-	87,378	-	87,378
Total debts^{(a)2}	177,569	86,832	26,576	290,977	13,853	304,830
² Of which:						
Debt restructuring	879	-	288	1,167	-	1,167
Other impaired non-performing debts	1,322	26	44	1,392	29	1,421
Total impaired debts	2,201	26	332	2,559	29	2,588
Debts in arrears of 90 days or more	185	879	70	1,134	-	1,134
Other troubled debts	2,352	-	256	2,608	-	2,608
Total troubled debts	4,738	905	658	6,301	29	6,330
Outstanding loan loss provision in respect of debts:^(a)						
Examined on a specific basis	2,551	-	211	2,762	3	2,765
Examined on a collective basis ³	691	603	577	1,871	-	1,871
³ Of which: By extent of arrears	-(^d)	602 ^(b)	-	602	-	602
Total loan loss provision⁴	3,242	603	788	4,633	3	4,636
⁴ Of which: For impaired non-performing debts	487	-	198	685	-	685

(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 362 million.

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

(d) Balances of less than NIS 1 million.

(e) Reclassified.

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

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

	December 31 2020 (audited)					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and govern-	Total
					ments	
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:						
Debt restructuring	2,324	-	317	2,641	-	2,641
Other impaired non-performing debts	1,308	50	20	1,378	15	1,393
Total impaired 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
Outstanding 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 a 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 provision⁴	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 (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 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 June 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	4,241	614	776	5,631	3	5,634
Expenses (income) in respect of loan losses	(153)	(8)	4	(157)	(1)	(158)
Accounting write-offs	(136)	(1)	(68)	(205)	-	(205)
Collection of debts written off in previous years	150	-	65	215	-	215
Accounting write-offs, net	14	(1)	(3)	10	-	10
Adjustments from translation of financial statements	(5)	-	-	(5)	-	(5)
Outstanding loan loss provision as at the end of the reporting period ¹	4,097	605	777	5,479	2	5,481
¹ Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

	For the three months ended June 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	3,177	497	709	4,383	5	4,388
Expenses (income) in respect of loan losses	615	107	155	877	(2)	875
Accounting write-offs	(201)	(1)	(109)	(311)	-	(311)
Collection of debts written off in previous years	70	-	53	123	-	123
Accounting write-offs, net	(131)	(1)	(56)	(188)	-	(188)
Adjustments from translation of financial statements	(10)	-	-	(10)	-	(10)
Outstanding loan loss provision as at the end of the reporting period ¹	3,651	603	808	5,062	3	5,065
¹ Of which: in respect of off-balance-sheet credit instruments	409	-	20	429	-	429

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

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

	For the six months ended June 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	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	(333)	(27)	(9)	(369)	(1)	(370)
Accounting write-offs	(250)	(4)	(142)	(396)	-	(396)
Collection of debts written off in previous years	391	-	136	527	-	527
Net accounting write-offs	141	(4)	(6)	131	-	131
Adjustments from translation of financial statements	5	-	-	5	-	5
Outstanding loan loss provision as at the end of the reporting period ¹	4,097	605	777	5,479	2	5,481
¹ Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

	For the six months ended June 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,590	467	657	3,714	2	3,716
Loan loss expenses	1,354	138	242	1,734	1	1,735
Accounting write-offs	(453)	(2)	(213)	(668)	-	(668)
Collection of debts written off in previous years	161	-	122	283	-	283
Net accounting write-offs	(292)	(2)	(91)	(385)	-	(385)
Adjustments from translation of financial statements	(1)	-	-	(1)	-	(1)
Outstanding loan loss provision as at the end of the reporting period ¹	3,651	603	808	5,062	3	5,065
¹ Of which: in respect of off-balance-sheet credit instruments	409	-	20	429	-	429

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	June 30	December 31	
	2021	2020	2020
	Unaudited	Audited	
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing deposits	134,951	100,593	116,042
Interest-bearing deposits	189,760	158,475	176,276
Total demand deposits	324,711	259,068	292,318
Fixed deposits	135,944	133,799	132,325
Total deposits in Israel ¹	460,655	392,867	424,643
Outside Israel			
Demand deposits			
Non-interest bearing deposits	14,407	10,791	11,363
Interest-bearing deposits	7,915	6,792	6,713
Total demand deposits	22,322	17,583	18,076
Fixed deposits	4,105	6,506	4,312
Total deposits outside Israel	26,427	24,089	22,388
Total deposits by the public	487,082	416,956	447,031
¹ Of which:			
Deposits by private individuals	147,683	143,591	147,228
Deposits by institutional entities	94,099	74,774	80,499
Deposits by corporations and others	218,873	174,502	196,916

B. Deposits by the Public, by Amount

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
Maximum deposit is NIS million	In NIS million		
Up to 1	122,290	111,908	117,472
Over 1 and up to 10	110,973	105,730	108,612
Over 10 and up to 100	83,024	75,521	77,759
Over 100 and up to 500	60,451	43,930	54,650
Over 500	110,344	79,867	88,538
Total	487,082	416,956	447,031

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As of June 30		As at
	2021	2020	December 31
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	20,353	19,551	20,491
Fair value of plan assets	9,453	7,856	8,945
Excess liability over plan assets (included in "other liabilities")	10,900	11,695	11,546
Accrued jubilee vacation leave			
Liability amount	35	36	36
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in "other liabilities")	35	36	36
Other benefits			
Liability amount	660	591	639
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in "other liabilities")	660	591	639
Total¹			
Amount by which the liability for employee benefits exceeds the plan assets included in "Other liabilities"	11,595	12,322	12,221
¹ Of which: for employee benefits abroad	60	84	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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Obligation in respect of expected benefit as at the beginning of the period	20,174	16,751	20,491	20,470	20,470
Service cost	49	34	98	79	175
Interest cost	144	163	278	295	573
Contributions by planholders	8	8	16	17	33
Actuarial loss (gain)	182	2,822	(145)	(456)	555
Changes in foreign exchange rates	(7)	(10)	10	(9)	(19)
Paid benefits	(197)	(217)	(395)	(845)	(1,296)
Obligation in respect of expected benefit as at the end of the reporting period	20,353	19,551	20,353	19,551	20,491
Obligation in respect of cumulative benefit as at the end of the reporting period	18,922	18,099	18,922	18,099	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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Fair value of plan assets as at the beginning of the period	9,179	7,448	8,945	7,614	7,614
Actual return on plan assets	267	443	549	20	743
Plan contributions by the Bank	122	22	165	655	1,272
Contributions by planholders	8	8	16	17	33
Changes in foreign exchange rates	(8)	(11)	10	(11)	(31)
Paid benefits	(115)	(100)	(232)	(485)	(732)
Other	-	46	-	46	46
Fair value of plan assets as at the end of the reporting period	9,453	7,856	9,453	7,856	8,945
Funding status - net liability recognized at the end of the reporting period	10,900	11,695	10,900	11,695	11,546

3. Amounts recognized in the consolidated balance sheet

	As of June 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other liabilities" item	10,900	11,695	11,546
Net liability recognized at the end of the reporting period	10,900	11,695	11,546

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

	As of June 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Net actuarial loss	4,822	5,347	5,564
Closing balance of accumulated other comprehensive income	4,822	5,347	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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Service cost	49	34	98	79	175
Interest cost	144	163	278	295	573
Expected return on plan assets	(101)	(81)	(200)	(170)	(365)
Amortization of unrealized amounts - net actuarial loss	118	71	249	210	470
Total benefit cost, net	210	187	425	414	853
Total expense for defined contribution pension plan	47	46	92	94	181
Total expenses included in profit and loss	257	233	517	508	1,034

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

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	16	2,460	(494)	(306)	177
Amortization of unrealized amounts - net actuarial loss	(118)	(71)	(249)	(210)	(470)
Changes in foreign exchange rates	(1)	(1)	1	1	(5)
Other	-	(46)	-	(46)	(46)
Total recognized in other comprehensive loss (income)	(103)	2,342	(742)	(561)	(344)
Total benefit cost, net	210	187	425	414	853
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	107	2,529	(317)	(147)	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 obligation

	June 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	0.90	1.40	1.00
Rate of increase in the CPI	1.99	1.46	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

	June 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	0.99	1.83	1.62
Expected long-term return on plan assets	4.50	4.45	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		
	December			December		
	June 30	31		June 30	31	
	2021	2020	2020	2021	2020	2020
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	(2,770)	(2,664)	(2,846)	3,444	3,312	3,549
Rate of increase in the CPI	(595)	(580)	(681)	667	648	766
Departure rate	313	229	320	(305)	(200)	(309)
Rate of compensation increase	654	640	755	(585)	(574)	(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

a. Composition of the fair value of plan assets

	As of June 30		As at
	2021	2020	December 31
	Unaudited		2020
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	291	344	246
Equity securities	1,729	1,673	1,733
Government bonds	380	427	533
Corporate bonds	1,033	1,163	997
Other	6,020	4,249	5,436
Total	9,453	7,856	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	June 30		December 31
	2021	2021	2020	2020
	Unaudited			Audited
	In %			
Cash and deposits with banks	3	3	4	3
Equity securities	19	18	21	19
Government bonds	6	4	5	6
Corporate bonds	11	11	15	11
Other	61	64	55	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 June 30		For the six months ended June 30		For the year ended December 31
	2021	2021	2020	2021	2020	2020
	Unaudited					Audited
	In NIS million					
Contributions	55	130	30	181	672	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	380
2022	769
2023	783
2024	842
2025	846
2026-2030	4,987
2031 and onwards	14,067
Total	22,674

(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 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.

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.

Under the temporary order, housing loans granted during the crisis period (from March 19 2020 until the order's expiry date), shall not be subject to the additional capital requirement of 1 percent of the outstanding loan prescribed in Section 14A to Proper Conduct of Banking Business No. 329, "Limitations on Issuing Housing Loans". The directive's validity was extended until September 30 2021, as part of the circular dated March 22 2021 extending the validity of the temporary order.

On August 9 2021, the Banking Supervision Department announced it would not extend the exemptions on housing loans granted under the temporary order, which shall expire on September 30 2021. The Banking Supervision Department also announced that it is currently examining the validity of the other sections of the temporary order designed to grant easements to the entire banking system during the coronavirus crisis (Proper Conduct of Banking Business No. 250).

According to the Temporary Order, and the additional capital requirement for outstanding housing loans, the minimum capital requirements applicable to the Bank as at June 30 2021 are 9.20 percent for Common Equity Tier 1 capital ratio and 12.70 percent for total capital ratio.

Note 9A – Equity (cont.)

On July 26 2021, the Banking Supervision Department published an additional circular for adjustments to the temporary order, stating that nothing prevents the banks from examining the distribution of the dividend and share buyback, even if the temporary order is still in place, based on a careful and conservative approach, in light of the high level of uncertainty caused by the Corona crisis and its future ramifications. The position of the Banking Supervision Department is that distributing a distribution that is higher than 30 percent of the net income for the year 2020 will not be considered prudent and conservative capital planning.

Dividend Distribution Policy

On March 6 2019, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions being passed by the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

As part of the implementation of this policy, and until the Board of Directors' decision of April 16 2020 to put an end, at this point, to the dividend distribution and to the Bank's share buyback plan, the Bank used to distribute a dividend of up to 40 percent of the quarterly net income and to regularly carry out a share buyback plan.

As mentioned above, in accordance with the explanatory notes to the abovementioned Adjustments Circular to the temporary order from July 2021, the Banking Supervision Department's position is that a distribution of more than 30 percent of the income for the year 2020 will not be deemed careful and conservative planning. Accordingly and in light of the Bank's high income surplus, the Board of Directors approved on August 12 2021 a dividend payment of NIS 630 million, which represents approximately 30 percent of the net income for the year 2020, and 21 percent of the income from the first half of 2021. The dividend approved per share of NIS 1 par value amounted to 43.362 agorot. The Board of Directors has set August 25 2021 as the record date for dividend payment and September 2 2021 as the payment date.

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

Details of dividend paid

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

Shelf Prospectus and Bond Issue

On May 27 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority; the shelf prospectus shall be in effect for two years from its publication date.

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.

Note 9A – Equity (cont.)

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 19,289 million and the Common Equity Tier 1 capital - to NIS 42,014 million, compared with a book value of NIS 20,830 million for the pension liability and Common Equity Tier 1 capital of NIS 39,166 million.

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

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at June 30 2021:

- Change in the volume of risk-weighted assets – risk-weighted assets amounted to NIS 350.6 billion at June 30 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 42 billion as of June 30 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.)

	June 30		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)	42,014	37,475	39,262
Tier 2 capital, after deductions	10,331	13,735	12,297
Total capital	52,345	51,210	51,559
Balance of risk-weighted assets			
Credit risk ^(b)	322,809	296,428	303,356
Market risks	5,454	6,890	5,313
Operational risk	22,373	22,715	22,182
Total balance of risk-weighted assets	350,636	326,033	330,851
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	11.98%	11.49%	11.87%
Ratio of total capital to risk-weighted assets	14.93%	15.71%	15.58%
Minimum CET 1 capital ratio set by the Banking Supervision Department ^(a)	9.20%	9.25%	9.23%
Minimum total capital ratio set by the Banking Supervision Department ^(a)	12.70%	12.75%	12.73%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted assets	14.13%	13.33%	13.82%
Ratio of total capital to risk-weighted assets	15.27%	14.52%	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 9A 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 2022 and September 30 2024, respectively. On June 30 2021, a total of NIS 104 million was deducted from the balance of risk-weighted assets in respect of the adjustments to the efficiency plans (NIS 15 million was added as at June 30 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.

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

C. Capital Components for Calculation of Capital Ratios

	June 30	December 31	
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	40,848	36,132	37,664
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	289	321	295
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve ^(a)	931	1,128	1,368
Total CET1 capital before regulatory adjustments and deductions	42,068	37,581	39,327
Regulatory adjustments and deductions:			
Goodwill and intangible assets	(179)	(132)	(150)
Deferred tax receivable	-	(344)	(188)
Regulatory adjustments and other deductions - CET1 capital	(16)	(22)	(13)
Total regulatory adjustments and deductions - CET1 capital	(195)	(498)	(351)
Total adjustments for the efficiency plan	141	392	286
Total CET1 capital, after regulatory adjustments and deductions	42,014	37,475	39,262
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	6,296	10,030	8,505
Tier 2 capital: Provisions for loan losses, before deductions	4,035	3,705	3,792
Total Tier 2 capital before deductions	10,331	13,735	12,297
Deductions:			
Total deductions - Tier 2 capital	-	-	-
Total Tier 2 capital	10,331	13,735	12,297
Total capital	52,345	51,210	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

	June 30 2021	2020	December 31 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)	11.94%	11.37%	11.78%
Adjustments for the efficiency plan ^(b)	0.04%	0.12%	0.09%
Ratio of CET1 capital to risk-weighted assets	11.98%	11.49%	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). According to the circular, an adjustment was made to Proper Conduct of Banking Business Directive No. 218, "Leverage ratio". For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A above.

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

	As of June 30		As at
	2021	2020	December 31
	Unaudited		2020
	In NIS million		Audited
a. Consolidated data ^(a)			
Tier 1 capital	42,014	37,475	39,262
Total exposures	651,119	557,459 ^(b)	597,538
Leverage ratio			
Leverage ratio	6.45%	6.72%	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	10.48%	10.86%	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 0.02 percent as at June 30 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 June 30 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.)

	June 30	December 31	
	2021	2020	2020
	Unaudited	Audited	
	In %		
a. Consolidated data			
Liquidity coverage ratio	129	133	137
Minimum liquidity coverage ratio set by the Banking Supervision Department ^(a)	100	100	100
b. The Bank's data			
Liquidity coverage ratio	127	131	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) Currently, the Bank is reassessing its liquidity ratio calculation methodology; it believes that if a new methodology is applied, it will leave the Bank with a significantly higher liquidity ratio than the regulatory requirements. Thus, and in coordination with the Banking Supervision Department, the Bank has set an internal liquidity coverage ratio of 115 percent, in excess of the minimum liquidity coverage ratio set by the Banking Supervision Department.

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Special Commitments

	June 30		December 31		
	2021	2020	2020		
	Unaudited		Audited		
	In NIS million				
(1) Commitments to purchase securities	704	929	669		
(2) Commitments to invest in, and purchase, buildings and equipment	51	78	24		
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	In NIS million				
(3) Credit sale activity					
Book balance of sold loans	-	-	-	4	-
Cash proceeds	-	-	-	4	-
Total net income on sale of loans	-	-	-	-	-

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 NIS 244 million.

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

1. Following is information regarding material changes in the reporting period until the report publication date:
 - 1.1. On December 2 2013, a motion for class certification was filed against the Bank regarding early repayment fees for non-housing loans. According to the applicants, the early repayment fee, both in respect of loans subject to calculation principles set in the Proper Conduct of Banking Business Directives and in respect of loans subject to rules set by the Bank, are calculated by the Bank in an unlawful manner. According to the applicants, at this stage it is impossible to estimate the overall claim amount. On November 3 2019, a decision was handed down by the Tel Aviv District Court, which partially approved the application for class action certification regarding the manner of calculating the early repayment fee for unsupervised loans; and on July 12 2021, the Supreme Court dismissed the appeal filed by the plaintiffs on the judgment, and the lawsuit will continue to be heard in the district court in accordance with the approved cause.
 - 1.2. A motion to approve a 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.
 - 1.3. 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 are motions 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 these motions being approved – it is impossible to estimate the odds 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 assess the personal damages caused to them in the amount of NIS 2,000 and are not stating a damages amount for the class.
 - 2.2. On June 7 2021, a motion for class certification was filed in the Tel Aviv District Court against the Bank. The lawsuit's main focus is the plaintiff's claim whereby he incurred damage due to failure to update his bank account balance during the two days which elapsed from the date on which he purchased foreign securities and the date on which his account was charged for the purchase. The plaintiff estimates his personal damage at NIS 35 thousand and does not provide a collective damage amount.
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 10 - Contingent Liabilities and Special Commitments (cont.)

C. Contingent Liabilities and Miscellaneous Commitments

1. On June 13 2021, the Bank received a notice from the Banking Supervision Department regarding the imposition of a NIS 975,000 monetary sanction due to cases where a fee was charged for an attorney's letter, contrary to the Banking Ordinance (Service to Customers) (Supervision of Messaging or Alert Service), 2015. The monetary sanction amount was after a 35 percent reduction of the maximum monetary sanction by the Supervisor of Banks, who is authorized to do so under the circumstances of the case, due to the reduction causes provided by law.

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

A. Volume of Consolidated Activity

	June 30 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	2,686	16,217	18,903
Written options	1,565	3,506	5,071
Purchased options	-	2,509	2,509
Swaps ^(a)	18,043	198,688	216,731
Total ^(b)	22,294	220,920	243,214
Of which: Hedging derivatives ^(c)	6,487	-	6,487
b) Foreign currency contracts			
Futures and forwards ^(d)	49,043	257,585	306,628
Written options	2,070	47,535	49,605
Purchased options	2,070	37,663	39,733
Swaps ^(a)	-	18,800	18,800
Total	53,183	361,583	414,766
c) Stock contracts			
Futures and forwards	547	126,531	127,078
Written options	752	94,160	94,912
Purchased options ^(e)	609	94,268	94,877
Other	7	-	7
Swaps	123	92,768	92,891
Total	2,038	407,727	409,765
d) Commodities and other contracts			
Futures and forwards	-	782	782
Written options	-	304	304
Purchased options	-	304	304
Swaps	-	7,784	7,784
Total	-	9,174	9,174
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total nominal amount	77,515	999,404	1,076,919

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 110,639 million.

(b) Of which: NIS-CPI swaps totaling NIS 13,997 million.

(c) Mainly including hedging transactions and interest rate swaps (IRS).

(d) Of which: foreign exchange spots totaling NIS 31,039 million.

(e) Of which a total of NIS 93,940 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.)

	June 30 2020 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	1,887	30,804	32,691
Written options	1,386	3,571	4,957
Purchased options	-	2,571	2,571
Swaps ^(a)	31,918	272,094	304,012
Total ^(b)	35,191	309,040	344,231
Of which: Hedging derivatives ^(c)	6,298	-	6,298
b) Foreign currency contracts			
Futures and forwards ^(d)	35,157	216,504	251,661
Written options	1,084	27,094	28,178
Purchased options	1,084	29,215	30,299
Swaps ^(a)	70	19,615	19,685
Total	37,395	292,428	329,823
c) Stock contracts			
Futures and forwards	501	92,061	92,562
Written options	1,343	70,915	72,258
Purchased options ^(e)	1,037	70,911	71,948
Swaps	385	63,424	63,809
Total	3,266	297,311	300,577
d) Commodities and other contracts			
Futures and forwards	-	6,373	6,373
Written options	-	307	307
Purchased options	-	307	307
Swaps	-	342	342
Total	-	7,329	7,329
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total nominal amount	75,852	906,108	981,960

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 148,175 million.

(b) Of which: NIS-CPI swaps totaling NIS 13,164 million.

(c) Mainly including hedging transactions and interest rate swaps (IRS).

(d) Of which: foreign exchange spots totaling NIS 22,624 million.

(e) Of which a total of NIS 70,767 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.)

	June 30 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	249	3,675	3,924	403	3,820	4,223
Of which: Hedging derivatives	158	-	158	227	-	227
b) Foreign currency contracts	129	2,663	2,792	51	2,806	2,857
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	26	4,121	4,147	36	4,115	4,151
d) Commodities and other contracts	-	356	356	-	351	351
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross^(a)	404	10,815	11,219	490	11,092	11,582
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	404	10,815	11,219	490	11,092	11,582
Of which: Not subject to a master netting- or similar arrangement	47	273	320	6	486	492

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 27 million in gross fair value of liabilities in respect of embedded derivatives.

	June 30 2020 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held- for-trading derivatives	Held-for- trading derivatives	Total	Not held- for-trading derivatives	Held-for- trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	262	6,950	7,212	920	7,102	8,022
Of which: Hedging derivatives	53	-	53	545	-	545
b) Foreign currency contracts	84	2,519	2,603	124	2,698	2,822
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	43	4,769	4,812	23	4,778	4,801
d) Commodities and other contracts	-	185	185	-	182	182
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross^(a)	389	14,423	14,812	1,067	14,760	15,827
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	389	14,423	14,812	1,067	14,760	15,827
Of which: Not subject to a master netting- or similar arrangement	53	413	466	-	474	474

(a) Of which: NIS 16 million in gross fair value of assets in respect of embedded derivatives, NIS 17 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 June 30 2021		For the six months ended June 30 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement ^(a)
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges^(b)				
Interest rate contracts ^(c)	15	-	(21)	-
	For the three months ended June 30 2020		For the six months ended June 30 2020	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement ^(a)
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges^(b)				
Interest rate contracts ^(c)	7	-	52	-
	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 June 30 2021	For the six months ended June 30 2021
	Unaudited	
	In NIS million	
Total interest income (expense) recognized in the income statement	(12)	(24)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts		
Hedged items	155	(243)
Hedging derivatives	(167)	219
	For the three months ended June 30 2020	For the six months ended June 30 2020
	Unaudited	
	In NIS million	
Total interest income (expense) recognized in the income statement	(11)	(19)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts		
Hedged items	11	374
Hedging derivatives	(22)	(393)
		For the year ended December 31 2020
		Audited
		In NIS million
Total interest income (expense) 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

	<u>As at June 30 2021 (unaudited)</u>		
	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	5,451	126	10
	<u>As at June 30 2020 (unaudited)</u>		
	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	5,502	279	-
	<u>For the year ended December 31 2020 (audited)</u>		
	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	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 June 30 2021		For the six months ended June 30 2021	
	Amounts carried to other comprehensive income (loss) Unaudited In NIS million	Profit (loss) reclassified from Accumulated other comprehensive income (loss) ^(a)	Amounts carried to other comprehensive profit (loss) Unaudited In NIS million	Profit (loss) reclassified from Accumulated other comprehensive income (loss) ^(a)
Deposits serving as investment hedges, net				
Foreign currency deposits	47	-	(26)	-

	For the three months ended June 30 2020		For the six months ended June 30 2020	
	Amounts carried to other comprehensive income (loss) Unaudited In NIS million	Profit (loss) reclassified from Accumulated other comprehensive income (loss) ^(a)	Amounts carried to other comprehensive profit (loss) Unaudited In NIS million	Profit (loss) reclassified from Accumulated other comprehensive income (loss) ^(a)
Deposits serving as investment hedges, net				
Foreign currency deposits	60	-	(8)	-

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

(a) 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 June 30 2021	For the six months ended June 30 2021
	Gain (loss) recognized in income (expenses) from derivatives activity ^(a)	Gain (loss) recognized in income (expenses) from derivatives activity ^(a)
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(23)	136
Foreign exchange contracts	(594)	379
Stock contracts	47	97
Commodity- and other contracts	4	5
Total	(566)	617
	For the three months ended June 30 2020	For the six months ended June 30 2020
	Gain (loss) recognized in income (expenses) from derivatives activity ^(a)	Gain (loss) recognized in income (expenses) from derivatives activity ^(a)
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(20)	(610)
Foreign exchange contracts	(609)	847
Stock contracts	186	34
Commodity- and other contracts	2	4
Total	(441)	275
		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

June 30 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)}	147	4,950	3,733	107	2,282	11,219
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	2,675	3,166	16	1,369	7,226
Credit risk mitigation in respect of cash collateral received	-	1,923	526	80	309	2,838
Net amount of assets in respect of derivatives	147	352	41	11	604	1,155
Off-balance sheet credit risk for derivatives ^{(d)(e)}	354	8,709	5,977	94	11,068	26,202
Mitigation of off-balance sheet credit risk	-	2,644	2,423	8	5,637	10,712
Net off-balance sheet credit risk for derivatives	354	6,065	3,554	86	5,431	15,490
Total credit risk for derivatives	501	6,417	3,595	97	6,035	16,645
Book balance of liabilities in respect of derivatives ^{(a)(c)}	123	3,482	3,168	16	4,793	11,582
Gross amounts not netted on the balance sheet:						
Financial instruments	-	2,675	3,166	16	1,369	7,226
Pledged cash collateral	-	633	-	-	2,307	2,940
Net amount of liabilities in respect of derivatives	123	174	2	-	1,117	1,416
June 30 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)}	201	7,900	1,761	249	4,701	14,812
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	6,781	1,482	24	2,455	10,742
Credit risk mitigation in respect of cash collateral received	-	569	107	225	1,111	2,012
Net amount of assets in respect of derivatives	201	550	172	-	1,135	2,058
Off-balance sheet credit risk for derivatives ^{(d)(e)}	349	6,815	3,719	149	9,230	20,262
Mitigation of off-balance sheet credit risk	-	3,586	1,792	16	4,200	9,594
Net off-balance sheet credit risk for derivatives	349	3,229	1,927	133	5,030	10,668
Total credit risk for derivatives	550	3,779	2,099	133	6,165	12,726
Book balance of liabilities in respect of derivatives ^{(a)(c)}	212	8,668	2,271	23	4,653	15,827
Gross amounts not netted on the balance sheet:						
Financial instruments	-	6,781	1,482	23	2,455	10,741
Pledged cash collateral	-	1,611	786	-	541	2,938
Net amount of liabilities in respect of derivatives	212	276	3	-	1,657	2,148

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 total standalone assets in respect of derivatives totaling NIS 11,216 million (June 30 2020 - 14,796 million, December 31 2020 - NIS 15,252 million).

(c) Of which outstanding total standalone liabilities in respect of derivatives totaling NIS 11,555 million (June 30 2020 - 15,810 million, 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 and six-month periods ended June 30 2021, June 30 2020 and in the year ended December 31 2020.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	June 30 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	672	3,875	7,491	1,959	13,997
Other	22,987	30,351	105,588	70,291	229,217
Foreign exchange contracts	235,437	148,695	24,404	6,230	414,766
Stock contracts	318,235	91,111	419	-	409,765
Commodity- and other contracts	987	8,181	6	-	9,174
Total	578,318	282,213	137,908	78,480	1,076,919
Total as at June 30 2020 (unaudited)	411,742	333,985	142,624	93,609	981,960
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 stated in the FAQ file.

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 June 30 2021 (unaudited)			
	Activity in Israel			
	Households ^(d)			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,375	1,057	13	2
Interest expense from external	109	-	-	23
Interest income, net:				
From external	1,266	1,057	13	(21)
Inter-segmental	(641)	(779)	-	31
Total interest income, net	625	278	13	10
Total noninterest income	246	16	61	43
Total income	871	294	74	53
Expenses (income) in respect of loan losses	(4)	(8)	(3)	-
Operating and other expenses:				
For external	699	81	48	24
Inter-segmental	6	-	-	-
Total operating and other expenses	705	81	48	24
Profit (loss) before taxes	170	221	29	29
Provision for income taxes (benefit)	61	79	11	10
Profit (loss) after taxes	109	142	18	19
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	109	142	18	19
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	109	142	18	19
Average balance of assets ^(a)	119,380	93,151	3,644	372
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^(a)	120,234	93,457	3,684	363
Outstanding loans to the public as at the end of the reporting period	123,193	96,238	3,719	388
Outstanding impaired non-performing debts	378	20	2	-
Outstanding debts in arrears of over 90 days	704	666	-	-
Average outstanding liabilities ^(a)	122,811	16	4	25,665
Of which: Average balance of deposits by the public ^(a)	122,748	-	-	25,663
Balance of deposits by the public as at the end of the reporting period	122,066	-	-	25,923
Average balance of risk-weighted assets ^{(a)(b)}	79,910	57,477	3,502	714
Balance of risk-weighted assets as at the end of the reporting period ^(b)	82,121	59,443	3,305	696
Average balance of assets under management ^{(a)(c)}	63,556	-	-	49,488
Breakdown of interest income, net:				
Margin from credit granting activities	563	278	13	2
Margin from deposit taking activities	62	-	-	8
Other	-	-	-	-
Total interest income, net	625	278	13	10

(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, study funds, mutual funds and securities.

(d) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.3 billion to customers whose business activity is classified to business segments.

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
495	226	581	3	293	-	2,975	251	3,226
-	10	66	76	159	-	443	9	452
495	216	515	(73)	134	-	2,532	242	2,774
(51)	(27)	(128)	85	727	1	(3)	3	-
444	189	387	12	861	1	2,529	245	2,774
198	78	139	45	668	56	1,473	59	1,532
642	267	526	57	1,529	57	4,002	304	4,306
(65)	(22)	(49)	(1)	(15)	-	(156)	(2)	(158)
395	112	111	56	95	176	1,668	190	1,858
-	-	-	2	(7)	-	1	(1)	-
395	112	111	58	88	176	1,669	189	1,858
312	177	464	-	1,456	(119)	2,489	117	2,606
114	64	168	(1)	525	(19)	923	27	950
198	113	296	1	931	(100)	1,566	90	1,656
-	-	-	-	22	-	22	-	22
198	113	296	1	953	(100)	1,588	90	1,678
-	-	-	-	-	-	-	11	11
198	113	296	1	953	(100)	1,588	79	1,667
53,358	30,835	80,207	4,765	246,115	8,856	543,888	33,448	577,336
-	-	-	-	766	-	766	-	766
54,068	31,252	80,494	4,768	-	-	291,179	23,326	314,505
54,713	31,505	84,771	2,732	-	-	297,302	22,998	320,300
635	429	1,569	-	-	-	3,011	522	3,533
46	10	-	-	-	-	760	-	760
81,832	54,658	73,962	88,515	47,995	13,730	509,168	28,059	537,227
81,738	54,577	70,903	86,313	-	-	441,942	26,745	468,687
82,707	58,298	77,868	94,099	-	-	460,655	26,427	487,082
51,855	34,170	100,050	818	29,333	18,175	315,025	29,698	344,723
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370	350,636
78,288	27,799	86,975	920,106	50,867	-	1,277,079	18,089	1,295,168
422	179	379	4	1,132	1	2,682	222	2,904
22	10	8	8	(387)	-	(269)	(9)	(278)
-	-	-	-	116	-	116	32	148
444	189	387	12	861	1	2,529	245	2,774

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended June 30 2020 ^(e) (unaudited)			
	Activity in Israel			
	Households ^(d)			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	814	483	15	2
Interest expense from external	56	-	-	26
Interest income, net:				
From external	758	483	15	(24)
Inter-segmental	(153)	(243)	(1)	38
Total interest income, net	605	240	14	14
Total noninterest income	238	17	57	35
Total income	843	257	71	49
Expenses (income) in respect of loan losses	253	107	1	-
Operating and other expenses:				
For external	635	59	55	17
Inter-segmental	(7)	-	-	-
Total operating and other expenses	628	59	55	17
Profit (loss) before taxes	(38)	91	15	32
Provision for income taxes (benefit)	(15)	32	6	11
Profit (loss) after taxes	(23)	59	9	21
The Bank's share in associates' losses	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	(23)	59	9	21
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	(23)	59	9	21
Average balance of assets ^(a)	111,547	85,473	3,430	296
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^(a)	112,443	85,844	3,467	290
Outstanding loans to the public as at the end of the reporting period	113,277	86,549	3,594	289
Outstanding impaired non-performing debts	311	-	1	-
Outstanding debts in arrears of over 90 days	949	879	-	-
Average outstanding liabilities ^(a)	117,856	20	8	26,272
Of which: Average balance of deposits by the public ^(a)	117,775	-	-	26,267
Balance of deposits by the public as at the end of the reporting period	117,267	1	-	26,324
Average balance of risk-weighted assets ^{(a)(b)}	69,645	46,353	3,662	720
Balance of risk-weighted assets as at the end of the reporting period ^(b)	77,248	54,537	3,584	1,544
Average balance of assets under management ^{(a)(c)}	59,903	-	-	38,994
Breakdown of interest income, net:				
Margin from credit granting activities	536	240	14	-
Margin from deposit taking activities	69	-	-	14
Other	-	-	-	-
Total interest income, net	605	240	14	14

(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, study funds, mutual funds and securities.

(d) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 13.9 billion to 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
475	204	461	4	275	-	2,235	263	2,498
28	43	49	44	107	-	353	24	377
447	161	412	(40)	168	-	1,882	239	2,121
(16)	5	(66)	51	154	(4)	9	(9)	-
431	166	346	11	322	(4)	1,891	230	2,121
185	67	126	51	709	6	1,417	64	1,481
616	233	472	62	1,031	2	3,308	294	3,602
320	110	147	(7)	(6)	-	817	58	875
351	102	91	61	59	178	1,494	175	1,669
-	-	-	(5)	11	-	(1)	1	-
351	102	91	56	70	178	1,493	176	1,669
(55)	21	234	13	967	(176)	998	60	1,058
(18)	10	74	4	352	(70)	348	11	359
(37)	11	160	9	615	(106)	650	49	699
-	-	-	-	1	-	1	-	1
(37)	11	160	9	616	(106)	651	49	700
-	-	-	-	-	-	-	6	6
(37)	11	160	9	616	(106)	651	43	694
48,909	28,513	74,228	6,309	220,336	7,609	497,747	33,615	531,362
-	-	-	-	782	-	782	-	782
49,474	28,786	75,416	6,314	-	-	272,723	24,745	297,468
50,260	28,756	73,851	1,037	-	-	267,470	23,507	290,977
851	279	673	2	-	-	2,116	443	2,559
100	4	30	-	-	-	1,083	51	1,134
70,381	42,704	67,647	76,788	54,442	10,326	466,416	27,261	493,677
70,282	42,618	64,737	76,232	-	-	397,911	25,482	423,393
71,429	43,775	59,298	74,774	-	-	392,867	24,089	416,956
56,645	31,656	91,970	938	28,150	18,609	298,333	32,792	331,125
48,603	31,521	88,053	993	29,436	18,649	296,047	29,986	326,033
55,247	23,257	67,720	764,699	33,187	-	1,043,007	17,787	1,060,794
404	159	337	4	528	(4)	1,964	230	2,194
27	7	9	7	(378)	-	(245)	(22)	(267)
-	-	-	-	172	-	172	22	194
431	166	346	11	322	(4)	1,891	230	2,121

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the six months ended June 30 2021 (unaudited)			
	Activity in Israel			
	Households ^(d)			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	2,295	1,668	26	4
Interest expense from external	152	-	-	40
Interest income, net:				
From external	2,143	1,668	26	(36)
Inter-segmental	(920)	(1,126)	-	57
Interest income (expense), net	1,223	542	26	21
Total noninterest income	504	29	119	85
Total income	1,727	571	145	106
Expenses (income) in respect of loan losses	(36)	(28)	(5)	-
Operating and other expenses:				
For external	1,395	156	105	50
Inter-segmental	12	-	-	-
Total operating and other expenses	1,407	156	105	50
Profit (loss) before taxes	356	443	45	56
Provision for income taxes (benefit)	126	159	17	20
Profit (loss) after taxes	230	284	28	36
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	230	284	28	36
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	230	284	28	36
Average balance of assets ^(a)	117,266	91,563	3,515	356
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^(a)	118,073	91,887	3,555	348
Outstanding loans to the public as at the end of the reporting period	123,193	96,238	3,719	388
Outstanding impaired non-performing debts in respect of loans to the public	378	20	2	-
Outstanding debts in arrears of over 90 days	704	666	-	-
Average outstanding liabilities ^(a)	122,379	16	6	25,729
Of which: Average balance of deposits by the public ^(a)	122,315	-	-	25,727
Balance of deposits by the public as at the end of the reporting period	122,066	-	-	25,923
Average balance of risk-weighted assets ^{(a)(b)}	79,439	56,906	3,651	705
Balance of risk-weighted assets as at the end of the reporting period ^(b)	82,121	59,443	3,305	696
Average balance of assets under management ^{(a)(c)}	63,156	-	-	47,894
Breakdown of interest income, net:				
Spread from granting loans to the public	1,108	542	26	3
Margin from deposit taking from the public	115	-	-	18
Other	-	-	-	-
Total interest income, net	1,223	542	26	21

(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, study funds, mutual funds and securities.

(d) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.3 billion to customers whose business activity is classified to business segments.

Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations		Total
							Total activity outside Israel		
965	451	1,093	6	529	-	5,343	495		5,838
18	26	103	115	241	-	695	21		716
947	425	990	(109)	288	-	4,648	474		5,122
(74)	(49)	(229)	134	1,077	(1)	(5)	5		-
873	376	761	25	1,365	(1)	4,643	479		5,122
403	156	280	91	1,152	115	2,786	120		2,906
1,276	532	1,041	116	2,517	114	7,429	599		8,028
(108)	(63)	(185)	(1)	9	-	(384)	14		(370)
792	229	213	110	190	348	3,327	370		3,697
-	-	-	5	(16)	-	1	(1)		-
792	229	213	115	174	348	3,328	369		3,697
592	366	1,013	2	2,334	(234)	4,485	216		4,701
216	134	368	-	837	(47)	1,654	49		1,703
376	232	645	2	1,497	(187)	2,831	167		2,998
-	-	-	-	29	-	29	-		29
376	232	645	2	1,526	(187)	2,860	167		3,027
-	-	-	-	-	-	-	20		20
376	232	645	2	1,526	(187)	2,860	147		3,007
52,271	30,284	77,512	4,809	242,848	9,836	535,182	31,340		566,522
-	-	-	-	781	-	781	-		781
52,913	30,621	78,684	4,811	-	-	285,450	22,795		308,245
54,713	31,505	84,771	2,732	-	-	297,302	22,998		320,300
635	429	1,569	-	-	-	3,011	522		3,533
46	10	-	-	-	-	760	-		760
80,336	51,768	73,585	84,109	49,411	14,123	501,440	25,945		527,385
80,241	51,687	69,890	83,553	-	-	433,413	24,484		457,897
82,707	58,298	77,868	94,099	-	-	460,655	26,427		487,082
50,496	33,488	97,461	786	28,068	18,340	308,783	29,007		337,790
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370		350,636
74,925	27,173	87,129	893,442	44,307	-	1,238,026	16,976		1,255,002
827	358	745	9	1,765	(1)	4,814	438		5,252
46	18	16	16	(661)	-	(432)	(21)		(453)
-	-	-	-	261	-	261	62		323
873	376	761	25	1,365	(1)	4,643	479		5,122

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the six months ended June 30 2020 ^(a) (unaudited)			
	Activity in Israel			
	Households ^(d)			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,566	882	31	2
Interest expense from external	97	-	-	58
Interest income, net:				
From external	1,469	882	31	(56)
Inter-segmental	(215)	(403)	(2)	93
Total interest income, net	1,254	479	29	37
Total noninterest income (expenses)	504	32	116	74
Total income (expenses)	1,758	511	145	111
Expenses (income) in respect of loan losses	371	138	(3)	-
Operating and other expenses:				
For external	1,313	120	104	40
Inter-segmental	1	1	-	-
Total operating and other expenses	1,314	121	104	40
Profit (loss) before taxes	73	252	44	71
Provision for income taxes (benefit)	23	88	16	25
Profit (loss) after taxes	50	164	28	46
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	50	164	28	46
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	50	164	28	46
Average balance of assets ^(a)	111,348	84,688	3,683	319
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^(a)	112,103	85,035	3,722	312
Outstanding loans to the public as at the end of the reporting period	113,277	86,549	3,594	289
Outstanding impaired non-performing debts in respect of loans to the public	311	-	1	-
Outstanding debts in arrears of over 90 days	949	879	-	-
Average outstanding liabilities ^(a)	113,224	21	8	24,997
Of which: Average balance of deposits by the public ^(a)	113,144	-	-	24,992
Balance of deposits by the public as at the end of the reporting period	117,267	-	-	26,324
Average balance of risk-weighted assets ^{(a)(b)}	69,774	46,157	3,857	732
Balance of risk-weighted assets as at the end of the reporting period ^(b)	77,248	54,537	3,584	1,544
Average balance of assets under management ^{(a)(c)}	63,342	-	-	41,688
Breakdown of interest income, net:				
Spread from granting loans to the public	1,097	479	29	-
Margin from deposit taking from the public	157	-	-	37
Other	-	-	-	-
Total interest income, net	1,254	479	29	37

(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, study funds, mutual funds and securities.

(d) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 13.9 billion to 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
							Total activity outside Israel		
1,010	406	900	15	617	-	4,516	575		5,091
66	98	125	111	173	-	728	73		801
944	308	775	(96)	444	-	3,788	502		4,290
(2)	55	(87)	146	34	(6)	18	(18)		-
942	363	688	50	478	(6)	3,806	484		4,290
392	150	265	125	77	8	1,595	132		1,727
1,334	513	953	175	555	2	5,401	616		6,017
517	210	533	(2)	1	-	1,630	105		1,735
734	208	186	112	145	350	3,088	384		3,472
-	-	-	-	(2)	-	(1)	1		-
734	208	186	112	143	350	3,087	385		3,472
83	95	234	65	411	(348)	684	126		810
27	35	81	23	178	(99)	293	27		320
56	60	153	42	233	(249)	391	99		490
-	-	-	-	(13)	-	(13)	-		(13)
56	60	153	42	220	(249)	378	99		477
-	-	-	-	-	-	-	15		15
56	60	153	42	220	(249)	378	84		462
49,804	28,027	71,716	4,778	195,973	8,416	470,773	31,775		502,548
-	-	-	-	750	-	750	-		750
50,261	28,273	72,365	4,782	-	-	268,096	23,981		292,077
50,260	28,756	73,851	1,037	-	-	267,470	23,507		290,977
851	279	673	2	-	-	2,116	443		2,559
100	4	30	-	-	-	1,083	51		1,134
66,337	41,023	62,245	71,226	48,893	12,543	440,488	25,237		465,725
66,235	40,944	59,124	70,669	-	-	375,108	23,949		399,057
71,429	43,775	59,298	74,774	-	-	392,867	24,089		416,956
56,291	31,684	87,360	980	27,176	18,142	292,139	31,660		323,799
48,603	31,521	88,053	993	29,436	18,649	296,047	29,986		326,033
56,326	23,984	67,369	789,707	37,943	-	1,080,359	17,444		1,097,803
864	318	651	7	970	(6)	3,901	511		4,412
78	45	37	43	(945)	-	(548)	(72)		(620)
-	-	-	-	453	-	453	45		498
942	363	688	50	478	(6)	3,806	484		4,290

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
Outstanding impaired non-performing debts 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
Margin from deposit taking from 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, study funds, mutual funds and securities.

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

Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations		Total
							Total activity outside Israel		
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 June 30 2021 (unaudited)												
The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total	
Private individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments				
In NIS million												
Interest income, net:												
From external	234	264	1,051	1,549	347	269	283	55	6	25	240	2,774
Inter-segmental	233	19	(715)	(463)	(9)	(100)	(54)	625	(1)	-	2	-
Interest income, net	467	283	336	1,086	338	169	229	680	5	25	242	2,774
Noninterest income	343	110	6	459	114	56	78	241	60	463	61	1,532
Total income	810	393	342	1,545	452	225	307	921	65	488	303	4,306
Expenses (income) in respect of loan losses	4	(33)	(10)	(39)	(40)	(87)	(5)	19	(6)	3	(3)	(158)
Total operating and other expenses	690	244	82	1,016	182	63	36	104	214	54	189	1,858
Profit (loss) before tax	116	182	270	568	310	249	276	798	(143)	431	117	2,606
Provision for taxes	39	62	92	193	106	85	94	272	69	104	27	950
Net income (loss) attributable to the Bank's shareholders	77	120	178	375	204	164	182	527	(212)	348	79	1,667

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

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

For the three months ended June 30 2020 (unaudited)												
The Bank										Subsidiaries in Israel	Foreign subsidiaries	Total
Private individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments				
In NIS million												
Interest income, net:												
From external	258	275	488	1,021	270	256	203	112	-	21	238	2,121
Inter-segmental ^(a)	196	5	(209)	(8)	18	(83)	(29)	101	7	2	(8)	-
Interest income, net	454	280	279	1,013	288	173	174	213	7	23	230	2,121
Noninterest income ^(a)	328	113	12	453	101	53	78	687	3	44	62	1,481
Total income	782	393	291	1,466	389	226	252	900	10	67	292	3,602
Expenses (income) in respect of loan losses	170	266	108	544	134	104	57	(9)	(17)	3	59	875
Total operating and other expenses	620	233	58	911	158	56	30	95	205	38	176	1,669
Profit (loss) before tax	(8)	(106)	125	11	97	66	165	814	(178)	26	57	1,058
Provision (benefit) for taxes	(3)	(36)	42	3	33	23	56	278	(42)	(3)	11	359
Net income (loss) attributable to the Bank's shareholders	(5)	(70)	83	8	64	43	109	536	(136)	30	40	694

(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 six months ended June 30 2021 (unaudited)												
										Subsidiaries in Israel	Foreign subsidiaries	Total
The Bank												
	Private individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
In NIS million												
Interest income, net:												
From external	520	529	1,664	2,713	675	541	517	148	7	48	473	5,122
Inter-segmental	398	33	(1,012)	(581)	(13)	(180)	(72)	843	(1)	1	3	-
Interest income, net	918	562	652	2,132	662	361	445	991	6	49	476	5,122
Noninterest income	706	223	10	939	227	113	156	629	149	571	122	2,906
Total income	1,624	785	662	3,071	889	474	601	1,620	155	620	598	8,028
Expenses (income) in respect of loan losses	(7)	(85)	(25)	(117)	(44)	(155)	(126)	55	-	4	13	(370)
Total operating and other expenses	1,381	480	157	2,018	371	137	65	207	428	102	369	3,697
Profit (loss) before tax	250	390	530	1,170	562	492	662	1,358	(273)	514	216	4,701
Provision for taxes	85	133	181	399	192	168	226	464	81	124	49	1,703
Net income (loss) attributable to the Bank's shareholders	165	257	349	771	370	324	436	896	(354)	417	147	3,007
Balance as at June 30 2021												
Loans to the public, net	28,997	24,650	97,212	150,859	47,642	41,043	36,822	10,260	5,225	786	22,596	315,233
Deposits by the public	184,084	49,430	-	233,514	82,287	28,543	12,384	103,924	3	-	26,427	487,082
Assets under management	205,858	22,119	-	227,977	30,309	10,765	1,854	673,259	27,481	347,785	18,383	1,337,813

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

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

For the six months ended June 30 2020 (unaudited)												
										Subsidia- ries in Israel	Foreign subsidi- aries	Total
The Bank												
Private indivi- duals	Small busi- nesses	Mort-- gages	Banking - total	Commer- cial	Corp- orate	Real estate	Capital markets	Other and adjust- ments				
In NIS million												
Interest income, net:												
From external	578	584	885	2,047	522	448	395	307	-	70	501	4,290
Inter- segmental ^(a)	401	17	(328)	90	79	(108)	(55)	(6)	9	8	(17)	-
Interest income, net	979	601	557	2,137	601	340	340	301	9	78	484	4,290
Noninterest income ^(a)	702	241	24	967	221	120	159	74	1	52	133	1,727
Total income	1,681	842	581	3,104	822	460	499	375	10	130	617	6,017
Expenses (income) in respect of loan losses												
	289	424	144	857	256	442	94	(4)	(24)	8	106	1,735
Total operating and other expenses	1,306	494	120	1,920	300	112	60	194	413	88	385	3,472
Profit (loss) before tax	86	(76)	317	327	266	(94)	345	185	(379)	34	126	810
Provision (benefit) for taxes	29	(26)	108	111	91	(32)	118	63	(60)	2	27	320
Net income (loss) attributable to the Bank's shareholders	57	(50)	209	216	175	(62)	227	122	(319)	19	84	462
Balance as at June 30 2020												
Loans to the public, net	28,016	24,387	87,733	140,136	42,371	39,869	27,633	7,224 ^(b)	4,998	940	23,173	286,344
Deposits by the public	176,157	44,331	-	220,488	61,070	22,022	7,233	82,050	4	-	24,089	416,956
Assets under management	164,262	15,233	-	179,495	21,656	9,825	1,559	532,251	15,372	313,423	17,104	1,090,685

(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.

(b) 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										Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	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 taxes	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 June 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	4,241	614	776	5,631	3	5,634
Expenses (income) in respect of loan losses	(153)	(8)	4	(157)	(1)	(158)
Accounting write-offs	(136)	(1)	(68)	(205)	-	(205)
Collection of debts written off in previous years	150	-	65	215	-	215
Net accounting write-offs	14	(1)	(3)	10	-	10
Adjustments from translation of financial statements	(5)	-	-	(5)	-	(5)
Outstanding loan loss provision as at the end of the reporting period ¹	4,097	605	777	5,479	2	5,481
¹ Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

	For the three months ended June 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	3,177	497	709	4,383	5	4,388
Expenses (income) in respect of loan losses	615	107	155	877	(2)	875
Accounting write-offs	(201)	(1)	(109)	(311)	-	(311)
Collection of debts written off in previous years	70	-	53	123	-	123
Net accounting write-offs	(131)	(1)	(56)	(188)	-	(188)
Adjustments from translation of financial statements	(10)	-	-	(10)	-	(10)
Outstanding loan loss provision as at the end of the reporting period ¹	3,651	603	808	5,062	3	5,065
¹ Of which: in respect of off-balance-sheet credit instruments	409	-	20	429	-	429

(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.)

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

	For the six months ended June 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	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	(333)	(27)	(9)	(369)	(1)	(370)
Accounting write-offs	(250)	(4)	(142)	(396)	-	(396)
Collection of debts written off in previous years	391	-	136	527	-	527
Net accounting write-offs	141	(4)	(6)	131	-	131
Adjustments from translation of financial statements	5	-	-	5	-	5
Outstanding loan loss provision as at the end of the reporting period ¹	4,097	605	777	5,479	2	5,481
¹ Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

	For the six months ended June 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
	In NIS million					
Outstanding loan loss provision as at the beginning of the reporting period	2,590	467	657	3,714	2	3,716
Loan loss expenses	1,354	138	242	1,734	1	1,735
Accounting write-offs	(453)	(2)	(213)	(668)	-	(668)
Collection of debts written off in previous years	161	-	122	283	-	283
Net accounting write-offs	(292)	(2)	(91)	(385)	-	(385)
Adjustments from translation of financial statements	(1)	-	-	(1)	-	(1)
Outstanding loan loss provision as at the end of the reporting period ¹	3,651	603	808	5,062	3	5,065
¹ Of which: in respect of off-balance-sheet credit instruments	409	-	20	429	-	429

(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

June 30 2021 (unaudited)						
Loans to the public						
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
In NIS million						
Recorded outstanding debt:^(a)						
Examined on a specific basis	155,164	-	872	156,036	13,577	169,613
Examined on a collective basis ¹	41,618	96,496	26,150	164,264	2,489	166,753
¹ Of which: the provision for which was calculated by the extent of arrears	505 ^(c)	96,393	-	96,898	-	96,898
Total debts ^(a)	196,782	96,496	27,022	320,300	16,066	336,366
Outstanding loan loss provision in respect of debts:^(a)						
Examined on a specific basis	3,060	-	246	3,306	2	3,308
Examined on a collective basis ²	641	605	515	1,761	-	1,761
² Of which: the provision for which was calculated by extent of arrears	-(d)	603 ^(b)	-	603	-	603
Total loan loss provision ³	3,701	605	761	5,067	2	5,069
³ Of which: for impaired non-performing debts	894	6	230	1,130	-(d)	1,130
June 30 2020 (unaudited)						
Loans to the public						
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	Total
In NIS million						
Recorded outstanding debt:^(a)						
Examined on a specific basis	134,956 ^(e)	26	748	135,730	13,566 ^(e)	149,296
Examined on a collective basis ¹	42,613	86,806	25,828	155,247	287	155,534
¹ Of which: the provision for which was calculated by the extent of arrears	736 ^(c)	86,642	-	87,378	-	87,378
Total debts ^(a)	177,569	86,832	26,576	290,977	13,853	304,830
Outstanding loan loss provision in respect of debts:^(a)						
Examined on a specific basis	2,551	-	211	2,762	3	2,765
Examined on collective basis ²	691	603	577	1,871	-	1,871
² Of which: the provision for which was calculated by extent of arrears	-(d)	602 ^(b)	-	602	-	602
Total loan loss provision ³	3,242	603	788	4,633	3	4,636
³ Of which: for impaired non-performing debts	487	-	198	685	-	685

(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 452 million on June 30 2021 (June 30 2020 - NIS 362 million).

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

(d) Balances of less than NIS 1 million.

(e) Reclassified.

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

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

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

December 31 2020 (audited)						
Loans to the public						
	Middle-market	Housing	Private individuals - other	Total - public	Banks and governments	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
Outstanding 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 (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 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

June 30 2021 (unaudited)						
	<div> <div>Troubled debts^(b)</div> <div> <div>Impaired non-performing^(c)</div> <div>Total</div> </div> </div>				<div>Unimpaired debts - additional information</div> <div> <div>In arrears of 90 days or more^{(d)(h)}</div> <div>In arrears of 30 days to 89 days^(e)</div> </div>	
	Non-troubled	Unimpaired				
	In NIS million					
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction ^(g)	33,651	122	76	33,849	4	31
Construction & real estate - real estate activities ^(g)	31,457	125	247	31,829	25	25
Financial services	19,100	7	4	19,111	1	2
Commercial - other	74,799	1,527	1,334	77,660	26	78
Commercial - total	159,007	1,781	1,661	162,449	56	136
Private individuals - housing loans	95,698	667 ^(f)	20	96,385	666	502
Private individuals - other	26,034	286	358	26,678	38	108
Total loans to the public - activity in Israel	280,739	2,734	2,039	285,512	760	746
Banks in Israel	1,589	-	-	1,589	-	-
Israeli Government	202	-	-	202	-	-
Total activity in Israel	282,530	2,734	2,039	287,303	760	746
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	12,477	582	223	13,282	-	109
Commercial - other	18,978	803	1,270	21,051	-	106
Commercial - total	31,455	1,385	1,493	34,333	-	215
Private individuals	454	-	1	455	-	-
Total loans to the public - foreign activity	31,909	1,385	1,494	34,788	-	215
Foreign banks	13,532	-	-	13,532	-	-
Foreign governments	735	-	8	743	-	-
Total activity outside Israel	46,176	1,385	1,502	49,063	-	215
Total - public	312,648	4,119	3,533	320,300	760	961
Total - banks	15,121	-	-	15,121	-	-
Governments - total	937	-	8	945	-	-
Total	328,706	4,119	3,541	336,366	760	961

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.)

	June 30 2020 (unaudited)				Unimpaired debts - additional information	
	Troubled debts ^(b)				In arrears of 30 days or more ^(d)	In arrears of 90 days to 89 days ^(e)
	Non-troubled	Unimpaired	Impaired non-performing ^(c)	Total		
	In NIS million					
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	25,132	137	112	25,381	14	21
Construction & real estate - real estate activities	27,475	96	193	27,764	10	18
Financial services	13,538	6	8	13,552	3	4
Commercial - other	74,137	1,529	1,249	76,915	107	143
Commercial - total	140,282	1,768	1,562	143,612	134	186
Private individuals - housing loans	85,756	879 ^(f)	-	86,635	879	537
Private individuals - other	25,544	325	311	26,180	70	151
Total loans to the public - activity in Israel	251,582	2,972	1,873	256,427	1,083	874
Banks in Israel	1,374	-	-	1,374	-	-
Israeli Government	16	-	-	16	-	-
Total activity in Israel	252,972	2,972	1,873	257,817	1,083	874
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	11,841	178	303	12,322	-	29
Commercial - other	20,708 ⁽ⁱ⁾	591	336	21,635	51	116
Commercial - total	32,549	769	639	33,957	51	145
Private individuals	545	1	47	593	-	-
Total loans to the public - foreign activity	33,094	770	686	34,550	51	145
Foreign banks	11,740 ⁽ⁱ⁾	-	-	11,740	-	-
Foreign governments	694	-	29	723	-	-
Total activity outside Israel	45,528	770	715	47,013	51	145
Total - public	284,676	3,742	2,559	290,977	1,134	1,019
Total - banks	13,114	-	-	13,114	-	-
Governments - total	710	-	29	739	-	-
Total	298,500	3,742	2,588	304,830	1,134	1,019

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)				Unimpaired debts - additional information	
	Troubled debts ^(b)			Total	In arrears of 90 days or more ^(d)	In arrears of 30 days to 89 days ^(e)
	Non-troubled	Unimpaired	Impaired non-performing ^(c)			
	In NIS million					
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
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	-	-
Israeli Government	9	-	-	9	-	-
Total activity in Israel	265,374	2,894	2,395	270,663	800	813
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
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 - foreign activity	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 (excluding deposits with the Bank of Israel) 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. Accrual debt.
- (e) Accrual debt. Debts in arrears of 30 to 89 days totaling NIS 208 million (as at June 30 2020 - NIS 246 million; as at December 31 2020 - NIS 472 million) were classified as unimpaired troubled debt.
- (f) Including outstanding housing loans in the amount of NIS 76 million (June 30 2020 - NIS 81 million, December 31 2020 - NIS 78 million) with a provision for the extent of arrears, for which an agreement was signed for the borrower to repay the overdue balance, which involves changes in the repayment schedule of outstanding future payments.
- (g) 3 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 June 30 2021, in the amount of NIS 761 million constitutes credit granted by the Bank, of which NIS 95 million is for non-housing loans and NIS 666 million - for housing loans, of which a total of NIS 173 million is in arrears of up to 149 days, NIS 136 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.
- (i) Reclassified.

Credit quality - debt delinquency status

Regularly monitored, the extent of arrears constitutes one of the main indications for credit quality. The extent of arrears is determined according to the actual number of arrears days.

Debt evaluated on a specific basis is handled as non-performing (non-accruing) after 90 days of arrears. For debt evaluated on a collective basis, the extent of arrears affects the debt classification (the greater the extent of arrears - the more severe the debt classification); usually, after 150 days of arrears, the Bank performs an accounting write-off of 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

	June 30 2021 (unaudited)				
	Outstan- ding ^(b) impaired non- performing debts in respect of which there is a specific provision ^(c)	Balance of specific provision ^(c)	Outstan- ding ^(b) impaired non- performing debts in respect of which there is no specific provision ^(c)	Total outstan- ding ^(b) impaired non- performing debts	Outstan- ding contractual principal in respect of impaired non- performing debts
In NIS million					
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	53	12	23	76	328
Construction & real estate - real estate activities	167	18	80	247	974
Financial services	3	1	1	4	398
Commercial - other	1,071	436	263	1,334	2,999
Commercial - total	1,294	467	367	1,661	4,699
Private individuals - housing loans	-	-	20	20	20
Private individuals - other	356	230	2	358	864
Total loans to the public - activity in Israel	1,650	697	389	2,039	5,583
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	223	101	-	223	307
Commercial - other	1,212	326	58	1,270	1,353
Commercial - total	1,435	427	58	1,493	1,660
Private individuals	-	-	1	1	1
Total loans to the public - foreign activity	1,435	427	59	1,494	1,661
Foreign governments	8	-(d)	-	8	8
Total activity outside Israel	1,443	427	59	1,502	1,669
Total - public	3,085	1,124	448	3,533	7,244
Governments - total	8	-	-	8	8
Total	3,093	1,124	448	3,541	7,252
Of which:					
Measured according to the present value of cash flows	2,573	961	376	2,949	
Restructured troubled debt	2,295	669	222	2,517	

(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) Recorded debt balance.

(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.)

	June 30 2020 (unaudited)				
	Outstan- ding ^(b) impaired non- performing debts in respect of which there is a specific provision ^(c)	Balance of specific provision ^(c)	Outstan- ding ^(b) impaired non- performing debts in respect of which there is no specific provision ^(c)	Total outstan- ding ^(b) impaired non- performing debts	Outstan- ding contractual principal in respect of impaired non- performing debts
In NIS million					
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	49	13	63	112	367
Construction & real estate - real estate activities	56	2	137	193	970
Financial services	2	1	6	8	411
Commercial - other	786	270	463	1,249	3,135
Commercial - total	893	286	669	1,562	4,883
Private individuals - other	307	188	4	311	773
Total loans to the public - activity in Israel	1,200	474	673	1,873	5,656
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	302	77	1	303	380
Commercial - other	229	124	107	336	370
Commercial - total	531	201	108	639	750
Private individuals	21	10	26	47	47
Total loans to the public - foreign activity	552	211	134	686	797
Foreign governments	29	-(d)	-	29	29
Total activity outside Israel	581	211	134	715	826
Total - public	1,752	685	807	2,559	6,453
Governments - total	29	-	-	29	29
Total	1,781	685	807	2,588	6,482
Of which:					
Measured according to the present value of cash flows	1,536	599	573	2,109	
Restructured troubled debt	649	226	518	1,167	

(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) 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.)

	December 31 2020 (audited)				
	Outstan- ding ^(b) impaired non- performing debts in respect of which there is a specific provision ^(c)	Balance of specific provision ^(c)	Outstan- ding ^(b) impaired non- performing debts in respect of which there is no specific provision ^(c)	Total outstan- ding ^(b) impaired non- performing debts	Outstan- ding 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 - foreign activity	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 (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Recorded debt balance.

(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 June 30 (Unaudited)					
	2021			2020		
	Average outstandi ng ^(b) impai red non-	Recorded interest income ^(c)	Of which: recorded on a cash basis	Average outstan- ding ^(b) impaired non-	Recorded interest income ^(c)	Of which: recorded on a cash basis
	In NIS million					
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	86	_(e)	_(e)	98	1	_(e)
Construction & real estate - real estate activities	314	_(e)	_(e)	230	1	_(e)
Financial services	5	_(e)	_(e)	5	_(e)	_(e)
Commercial - other	1,526	3	1	1,194	1	1
Commercial - total	1,931	3	1	1,527	3	1
Private individuals - housing loans	19	-	-	-	-	-
Private individuals - other	348	1	_(e)	311	2	2
Total loans to the public - activity in Israel	2,298	4	1	1,838	5	3
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	263	-	-	331	-	-
Commercial - other	1,028	2	1	332	1	1
Commercial - total	1,291	2	1	663	1	1
Private individuals	-	-	-	5	-	-
Total loans to the public - foreign activity	1,291	2	1	668	1	1
Foreign governments	11	-	-	5	-	-
Total activity outside Israel	1,302	2	1	673	1	1
Total - public	3,589	6	2	2,506	6	4
Governments - total	11	-	-	5	-	-
Total	3,600	6^(d)	2	2,511	6^(d)	4

(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) 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, interest income in the amount of NIS 125 million would be recorded for the three months ended June 30 2021 (June 30 2020 - NIS 89 million).

(e) Balances of less than NIS 1 million.

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

B. Debts^(a) (cont.)

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

b. Average balance and interest income (cont.)

	For the six months ended June 30 (Unaudited)					
	2021			2020		
	Average outstan- ding ^(b) impaired non- performing debts	Recorded interest income ^(c)	Of which: recorded on a cash basis	Average outstan- ding ^(b) impaired non- performing debts	Recorded interest income ^(c)	Of which: recorded on a cash basis
In NIS million						
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	84	1	1	100	1	-(e)
Construction & real estate - real estate activities	300	1	1	223	2	-(e)
Financial services	5	-(e)	-(e)	5	-	-(e)
Commercial - other	1,488	6	1	1,205	3	1
Commercial - total	1,877	8	3	1,533	6	1
Private individuals - housing loans	10	-	-	-	-	-
Private individuals - other	350	3	-(e)	311	3	2
Total loans to the public - activity in Israel	2,237	11	3	1,844	9	3
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	255	-	-	323	-	-
Commercial - other	1,045	2	1	335	2	2
Commercial - total	1,300	2	1	658	2	2
Private individuals	12	-	-	8	-	-
Total loans to the public - foreign activity	1,312	2	1	666	2	2
Foreign governments	10	-	-	10	-	-
Total activity outside Israel	1,322	2	1	676	2	2
Total - public	3,549	13	4	2,510	11	5
Governments - total	10	-	-	10	-	-
Total	3,559	13^(d)	4	2,520	11^(d)	5

(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) 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, interest income in the amount of NIS 259 million would be recorded for the six months ended June 30 2021 (June 30 2020 - NIS 182 million).

(e) Balances of less than NIS 1 million.

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

B. Debts^(a) (cont.)

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

C. Restructured troubled debt

	As at June 30 2021				As at June 30 2020			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days ^(b)	Accrual, ^(b) non-delinquent	Total ^(c)	Non-accrual debt	Accrual, in arrears of 30 days to 89 days ^(b)	Accrual, ^(b) non-delinquent	Total ^(c)
Unaudited								
In NIS million								
<u>Borrower activity in Israel</u>								
<u>Public - commercial</u>								
Construction & real estate - construction	25	1	15	41	71	1	13	85
Construction & real estate - real estate activities	180	1	12	193	69	-	66	135
Financial services	1	-	1	2	4	-	1	5
Commercial - other	706	9	189	904	523	6	106	635
Commercial - total	912	11	217	1,140	667	7	186	860
Private individuals - other	181	5	155	341	192	3	93	288
Total loans to the public - activity in Israel	1,093	16	372	1,481	859	10	279	1,148
<u>Borrower activity outside Israel</u>								
<u>Public - commercial</u>								
Construction and real estate	11	-	-	11	6	-	-	6
Commercial - other	1,024	-	1	1,025	8	-	5	13
Commercial - total	1,035	-	1	1,036	14	-	5	19
Total loans to the public - foreign activity	1,035	-	1	1,036	14	-	5	19
Total - public	2,128	16	373	2,517	873	10	284	1,167

(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) 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 June 30 2021 (as at June 30 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. Restructured troubled debt (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				
<u>Borrower activity in Israel</u>				
<u>Public - commercial</u>				
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
<u>Borrower activity outside Israel</u>				
<u>Public - commercial</u>				
Construction and real estate	17	-	-	17
Commercial - other	1,060	-	4	1,064
Commercial - total	1,077	-	4	1,081
Total loans to the public - foreign activity	1,077	-	4	1,081
Total - public	2,091	13	537	2,641

(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) 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. Restructured troubled debt (cont.)

1. Debt restructurings

	For the three months ended June 30 (Unaudited)					
	2021			2020		
	No. of contracts	Recorded outstan- ding debt before restruc- turing	Recorded outstan- ding debt after restruc- turing	No. of contracts	Recorded outstan- ding debt before restruc- turing	Recorded outstan- ding debt after restruc- turing
		In NIS million			In NIS million	
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	46	9	9	95	51	50
Construction & real estate - real estate activities	9	9	9	21	3	3
Financial services	3	-(b)	-(b)	2	1	1
Commercial - other	249	57	55	543	280	279
Commercial - total	307	75	73	661	335	333
Private individuals - other	1,081	57	56	1,261	49	48
Total public - activity in Israel	1,388	132	129	1,922	384	381
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	-	-	-	-	-	-
Commercial - other	-	-	-	-	-	-
Commercial - total	-	-	-	-	-	-
Total loans to the public - foreign activity	-	-	-	-	-	-
Total - public	1,388	132	129	1,922	384	381

(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) Balances of less than NIS 1 million.

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

B. Debts^(a) (cont.)

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

C. Restructured troubled debts (cont.)

1. Completed restructurings (cont.)

	For the six months ended June 30 (Unaudited)					
	2021			2020		
	No. of contracts	Recorded outstan- ding debt before restruc- turing	Recorded outstan- ding debt after restruc- turing	No. of contracts	Recorded outstan- ding debt before restruc- turing	Recorded outstan- ding debt after restruc- turing
		In NIS million			In NIS million	
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	85	17	17	188	57	56
Construction & real estate - real estate activities	21	17	17	47	10	10
Financial services	8	1	1	7	1	1
Commercial - other	557	362	360	1,073	430	425
Commercial - total	671	397	395	1,315	498	492
Private individuals - other	2,289	127	126	2,734	100	98
Total loans to the public - activity in Israel	2,960	524	521	4,049	598	590
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
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 - foreign activity	1	10	10	1	6	6
Total - public	2,961	534	531	4,050	604	596

(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.)

B. Debts^(a) (cont.)

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

C. Restructured troubled debt (cont.)

2. Failed debt restructurings^(b)

	For the three months ended June 30 (Unaudited)			
	2021		2020	
	No. of contracts	Recorded outstanding debt ^(c)	No. of contracts	Recorded outstanding debt ^(c)
		In NIS million		In NIS million
<u>Borrower activity in Israel</u>				
<u>Public - commercial</u>				
Construction & real estate - construction	33	4	34	6
Construction & real estate - real estate activities	4	2	11	6
Financial services	1	-(d)	1	-(d)
Commercial - other	186	27	213	30
Commercial - total	224	33	259	42
Private individuals - other	467	14	441	14
Total loans to the public - activity in Israel	691	47	700	56
<u>Borrower activity outside Israel</u>				
<u>Public - commercial</u>				
Construction and real estate	-	-	-	-
Commercial - other	-	-	-	-
Commercial - total	-	-	-	-
Total loans to the public - foreign operations	-	-	-	-
Total - public	691	47	700	56

(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) 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.)

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

C. Restructured troubled debts (cont.)

2. Failed restructurings^(b) (cont.)

	For the six months ended June 30 (unaudited)			
	2021		2020	
	No. of contracts	Recorded outstanding debt ^(c)	No. of contracts	Recorded outstanding debt ^(c)
	In NIS million		In NIS million	
<u>Borrower activity in Israel</u>				
<u>Public - commercial</u>				
Construction & real estate - construction	73	8	87	10
Construction & real estate - real estate activities	15	3	26	14
Financial services	2	-(d)	3	-(d)
Commercial - other	462	67	462	65
Commercial - total	552	78	578	89
Private individuals - other	1,021	31	994	31
Total loans to the public - activity in Israel	1,573	109	1,572	120
<u>Borrower activity outside Israel</u>				
<u>Public - commercial</u>				
Construction and real estate	1	-(d)	-	-
Commercial - total	1	-	-	-
Total loans to the public - foreign operations	1	-	-	-
Total - public	1,574	109	1,572	120

(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) 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

		June 30 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%	60,925	1,576	38,318	2,998
	More than 60%	35,567	671	22,675	432
Unpledged secondary lien		4	-	3	-
Total		96,496	2,247	60,996	3,430
		June 30 2020 (unaudited)			
		Outstanding housing loans			
		Total ¹	¹ Of which: bullet and balloon loans	¹ Of which: variable interest loans	Total off- balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	56,177	1,625	35,881	2,394
	More than 60%	30,645	659	20,130	328
Unpledged secondary lien		10	-	7	-
Total		86,832	2,284	56,018	2,722
		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 (excluding deposits with the Bank of Israel) 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

	June 30				December 31	
	2021		2020		2020	
	Outstan- ding loan con- tracts ^(a)	Outstan- ding loan loss provision	Outstan- ding loan con- tracts ^(a)	Outstan- ding loan loss provision	Outstan- ding loan con- tracts ^(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	1,816	4	628	2	1,070	3
Loan guarantees	5,763	69	4,970	78	5,254	68
Guarantees for apartment buyers	24,015	21	20,163	19	20,141	18
Guarantees and other commitments ^(b)	17,463	150	16,359	174	17,171	172
Unutilized credit card credit facilities	8,131	7	15,608	15	15,670	15
Unutilized current loan account facilities and other credit facilities in demand accounts	12,723	25	13,358	29	12,841	28
Irrevocable loan commitments approved but not yet granted ¹	38,758	119	30,204	96	32,567	98
Commitments to issue guarantees	18,304	17	16,240	16	20,460	20
Unutilized credit facilities for derivative activity	2,577	-	3,925	-	3,083	-
Approval in principle to maintain interest rate ^(c)	9,222	-	5,586	-	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 June 30 2020 in the amount of NIS 208 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 452 million (as at June 30 2020 and as at December 31 2020 in the amounts of NIS 572 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

	June 30 2021 (unaudited)				
	One to				Total
	Up to one	three	Three to	Over five	
	year	years	five years	years	
	In NIS million				
Loan guarantees	4,018	1,108	143	494	5,763
Guarantees for apartment buyers	-	24,015	-	-	24,015
Guarantees and other commitments	10,051	5,006	1,276	1,130	17,463
Total guarantees	14,069	30,129	1,419	1,624	47,241
	June 30 2020 (unaudited)				
	One to				Total
	Up to one	three	Three to	Over five	
	year	years	five years	years	
	In NIS million				
Loan guarantees	3,711	752	136	371	4,970
Guarantees for apartment buyers	-	20,163	-	-	20,163
Guarantees and other commitments	9,594	4,450	834	1,481	16,359
Total guarantees	13,305	25,365	970	1,852	41,492
	December 31 2020 (audited)				
	One to				Total
	Up to one	three	Three to	Over five	
	year	years	five years	years	
	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:
The balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 335 million (as at June 30 2020 - NIS 272 million, as at December 31 2020 - NIS 347 million). In addition, the balance of securities and other marketable assets held as collaterals, totaled NIS 12 million (as at June 30 2020 - NIS 11 million, December 31 2020 - NIS 11 million).

Note 14 - Assets and Liabilities by Linkage Basis

	June 30 2021 (unaudited)							
	NIS		Foreign currency ^(a)				Non-monetary items ^(b)	Total
	Non-linked	CPI-linked	In US dollars	In EUR	Other			
						In NIS million		
Assets								
Cash and deposits with banks	146,609	-	9,173	1,449	1,985	1,730	160,946	
Securities	26,912	5,308	46,110	3,547	4,754	4,843	91,474	
Securities borrowed or purchased under reverse repurchase agreements	1,074	-	4,647	-	-	-	5,721	
Loans to the public, net ^(c)	225,955	45,956	30,987	3,504	6,189	2,642	315,233	
Loans to governments	3	199	545	198	-	-	945	
Investments in associates	-	-	-	-	-	854	854	
Buildings and equipment	-	-	-	-	-	2,763	2,763	
Assets in respect of derivatives	2,923	89	3,584	124	214	4,282	11,216	
Goodwill	-	-	-	-	-	15	15	
Other assets	6,121	4	840	-	35	1,255	8,255	
Total assets	409,597	51,556	95,886	8,822	13,177	18,384	597,422	
Liabilities								
Deposits by the public	326,581	10,935	129,231	10,329	5,640	4,366	487,082	
Deposits by banks	18,322	-	2,677	1,029	85	27	22,140	
Deposits by governments	123	-	84	12	-	-	219	
Securities loaned or sold under repurchase agreements	562	-	252	-	-	-	814	
Bonds, promissory notes and subordinated bonds	2,859	7,861	2,479	-	-	-	13,199	
Liabilities for derivatives	3,604	284	2,905	192	308	4,262	11,555	
Other liabilities	7,951	11,826	796	21	120	407	21,121	
Total liabilities	360,002	30,906	138,424	11,583	6,153	9,062	556,130	
Difference ^(d)	49,595	20,650	(42,538)	(2,761)	7,024	9,322	41,292	
Effect of non-hedging derivatives:								
Derivatives (excluding options)	(33,283)	(2,648)	40,436	2,560	(7,612)	547	-	
In the money options, net (according to underlying asset)	185	-	(229)	73	(41)	12	-	
Out of the money options, net (according to underlying asset)	(759)	-	905	5	(66)	(85)	-	
Grand total	15,738	18,002	(1,426)	(123)	(695)	9,796	41,292	
In the money options, net (discounted nominal value)	176	-	(298)	107	(59)	74	-	
Out of the money options, net (discounted nominal value)	8,839	-	(9,118)	568	(175)	(114)	-	

(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 5,067 million.

(d) Shareholders' equity including non-controlling interests.

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

	June 30 2020 (unaudited)							
	NIS		Foreign currency ^(a)				Non-monetary items ^(b)	Total
	Non-linked	CPI-linked	In US dollars	In EUR	Other			
	In NIS million							
Assets								
Cash and deposits with banks	88,654	-	9,356	1,055	1,228	689 ^(e)	100,982	
Securities	37,420	5,108	45,172	4,529	2,651	3,792	98,672	
Securities borrowed or purchased under reverse repurchase agreements	320	-	1,572 ^(e)	.. ^(e)	.. ^(e)	-	1,892	
Loans to the public, net ^(c)	200,880	43,571	30,939	3,945	4,522	2,487 ^(e)	286,344	
Loans to governments	16	-	708	15	-	-	739	
Investments in associates	-	-	-	-	-	748	748	
Buildings and equipment	-	-	-	-	-	2,910	2,910	
Assets in respect of derivatives	4,715	9	4,778	415	236	4,643	14,796	
Goodwill	-	-	-	-	-	16	16	
Other assets	7,235	6	1,139	-	30	1,339	9,749	
Total assets	339,240	48,694	93,664	9,959	8,667	16,624	516,848	
Liabilities								
Deposits by the public	277,810	11,958	109,305	9,423	5,452	3,008	416,956	
Deposits by banks	4,038	-	2,188	331	51	51	6,659	
Deposits by governments	93	-	127	10	-	-	230	
Securities loaned or sold under repurchase agreements	274	-	208 ^(e)	.. ^(e)	.. ^(e)	1	483	
Bonds, promissory notes and subordinated bonds	5,601	11,282	2,636	-	-	-	19,519	
Liabilities for derivatives	5,201	217	5,011	473	276	4,632	15,810	
Other liabilities	6,844	12,445	795	18	117	379	20,598	
Total liabilities	299,861	35,902	120,270	10,255	5,896	8,071	480,255	
Difference ^(d)	39,379	12,792	(26,606)	(296)	2,771	8,553	36,593	
Effect of non-hedging derivatives:								
Derivatives (excluding options)	(19,008)	(2,703)	25,139	(525)	(3,440)	537	-	
In the money options, net (according to underlying asset)	(59)	-	(428)	429	58	-	-	
Out of the money options, net (according to underlying asset)	(130)	-	225	(131)	8	28	-	
Grand total	20,182	10,089	(1,670)	(523)	(603)	9,118	36,593	
In the money options, net (discounted nominal value)	(145)	-	(493)	558	80	-	-	
Out of the money options, net (discounted nominal value)	796	-	(831)	(321)	169	187		

(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 4,633 million.

(d) Shareholders' equity including non-controlling interests.

(e) Reclassified.

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

	December 31 2020 (audited)							
	NIS		Foreign currency ^(a)				Non-monetary items ^(b)	Total
	Non-linked	CPI-linked	In US dollars	In EUR	Other			
						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	
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 including non-controlling interests.

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

	June 30 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	160,946	151,538	8,073	1,300	160,911
Securities ^(b)	91,474	49,341	38,243	4,305	91,889
Securities borrowed or purchased under reverse repurchase agreements	5,721	5,721	-	-	5,721
Loans to the public, net	315,233	9,280	-	306,775	316,055
Loans to governments	945	-	5	912	917
Assets in respect of derivatives	11,216	2,013	8,033	1,170	11,216
Other financial assets	881	31	-	850	881
Total financial assets	586,416 ^(c)	217,924	54,354	315,312	587,590
Financial liabilities					
Deposits by the public	487,082	12,152	367,459	105,434	485,045
Deposits by banks	22,140	2,108	3,942	15,951	22,001
Deposits by governments	219	-	66	154	220
Securities loaned or sold under repurchase agreements	814	814	-	-	814
Bonds, promissory notes and subordinated bonds	13,199	13,256	-	808	14,064
Liabilities for derivatives	11,555	2,038	9,242	275	11,555
Other financial liabilities	6,427	595	4,395	1,437	6,427
Total financial liabilities	541,436 ^(c)	30,963	385,104	124,059	540,126
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	307	-	-	307	307
In addition, liabilities in respect of employee benefits, net - Pension and severance pay ^(d)	10,900	-	-	10,900	10,900

(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 151,089 million and NIS 338,988 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 net basis and takes into account plan assets managed against it.

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

	June 30 2020 (unaudited)				
	Book	Fair value			
	balance	Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	100,982 ^(e)	93,360 ^(e)	6,287 ^(e)	1,412 ^(e)	101,059
Securities ^(b)	98,672	57,165	38,873	3,354	99,392
Securities borrowed or purchased under reverse repurchase agreements	1,892 ^(e)	1,892 ^(e)	-	-	1,892
Loans to the public, net	286,344 ^(e)	5,989 ^(e)	-(e)	281,246 ^(e)	287,235
Loans to governments	739	-	14	700	714
Assets in respect of derivatives	14,796	3,508	9,315 ^(e)	1,973 ^(e)	14,796
Other financial assets	1,909	69	-	1,840	1,909
Total financial assets	505,334 ^(c)	161,983	54,489	290,525	506,997
Financial liabilities					
Deposits by the public	416,956	12,490 ^(e)	294,366 ^(e)	110,111 ^(e)	416,967
Deposits by banks	6,659	999 ^(e)	3,532 ^(e)	2,116	6,647
Deposits by governments	230	-	155	88	243
Securities loaned or sold under repurchase agreements	483 ^(e)	483 ^(e)	-	-	483
Bonds, promissory notes and subordinated bonds	19,519	18,940	-	806	19,746
Liabilities for derivatives	15,810	3,512	12,029	269	15,810
Other financial liabilities	5,388	92	3,977	1,319	5,388
Total financial liabilities	465,045 ^(c)	36,516	314,059	114,709	465,284
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	330	-	-	330	330
In addition, liabilities in respect of employee benefits, net - Pension and severance pay ^{(d)(e)}	11,695	-	-	11,695	11,695

(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 141,011 million and NIS 276,383 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 net basis and takes 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	129,673 ^(e)	5,019 ^(e)	1,538 ^(e)	136,230
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	8,059 ^(e)	-(e)	288,157 ^(e)	296,216
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)	193,689	54,394	298,150	546,233
Financial liabilities					
Deposits by the public	447,031	9,650 ^(e)	332,024 ^(e)	105,087 ^(e)	446,761
Deposits by banks	15,143	2,612 ^(e)	3,535 ^(e)	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)	31,988	354,370	116,396	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, net - Pension and severance pay ^{(d)(e)}	11,546	-	-	11,546	11,546

(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 net basis and takes into account plan assets managed against it.

(e) Reclassified.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	June 30 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	27,217	4,704	36	31,957
Foreign governments' bonds	13,819	7,085	-	20,904
Bonds of Israeli financial institutions	-	70	-	70
Bonds of foreign financial institutions	-	9,274	-	9,274
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	5,369	2,464	7,833
Other Israeli bonds	156	109	-	265
Other foreign bonds	-	5,257	-	5,257
Total available-for-sale bonds	41,192	31,868	2,500	75,560
Equity securities and not held-for-trading mutual funds:				
Equity securities and mutual funds not held for-trading	3,031	-	-	3,031
Held-for-trading securities:				
Government of Israel bonds	2,228	-	-	2,228
Foreign governments' bonds	1	2	-	3
Bonds of Israeli financial institutions	131	-	-	131
Bonds of foreign financial institutions	-	81	-	81
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	52	17	69
Other Israeli bonds	83	-	-	83
Other foreign bonds	-	41	-	41
Equity securities and mutual funds	24	-	-	24
Total held-for-trading securities	2,467	176	17	2,660
Assets in respect of derivatives:				
NIS-CPI contacts	-	97	139	236
Interest rate contracts	25	3,449	214	3,688
Foreign exchange contracts	1	2,232	448	2,681
Stock contracts	1,688	2,226	70	3,984
Commodity- and other contracts	28	29	299	356
MAOF (Israeli financial instruments and futures) market activity	271	-	-	271
Total underlying assets for derivatives	2,013	8,033	1,170	11,216
Other:				
Credit and deposits in respect of loaned securities	7,635	-	-	7,635
Securities borrowed or purchased under reverse repurchase agreements	5,721	-	-	5,721
Other	31	-	-	31
Total - other	13,387	-	-	13,387
Total assets	62,090	40,077	3,687	105,854

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

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

	June 30 2021 (unaudited)			
	Fair value measurements using			
	Prices quoted	In other	In significant	
	on an active	significant	unobservable	
	market	observable	unobservable	
	(Level 1)	inputs (Level 2)	inputs (Level 3)	Total fair value
In NIS million				
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	-	220	60	280
Interest rate contracts	60	3,877	-	3,937
Foreign exchange contracts	-	2,540	208	2,748
Stock contracts	1,684	2,281	7	3,972
Commodity- and other contracts	27	324	-	351
MAOF (Israeli financial instruments and futures) market activity	267	-	-	267
Total liabilities in respect of derivatives	2,038	9,242	275	11,555
Other:				
Deposits in respect of loaned securities	7,601	22	2	7,625
Securities loaned or sold under repurchase agreements	814	-	-	814
Other	595	-	-	595
Total - other	9,010	22	2	9,034
Total liabilities	11,048	9,264	277	20,589

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

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

	June 30 2020 (unaudited)			
	Fair value measurements using			
	In other			
	Prices quoted on an active market (Level 1)	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	31,540	4,660	34	36,234
Foreign governments' bonds	11,633	7,521	3	19,157
Bonds of Israeli financial institutions	-	67	-	67
Bonds of foreign financial institutions	-	9,481	7	9,488
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	5,690	1,914	7,604
Other Israeli bonds	70	129	-	199
Other foreign bonds	-	5,746	-	5,746
Total available-for-sale bonds	43,243	33,294	1,958	78,495
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,378	-	-	2,378
Held-for-trading securities:				
Government of Israel bonds	7,924	-	-	7,924
Foreign governments' bonds	252	10	-	262
Bonds of Israeli financial institutions	527	-	-	527
Bonds of foreign financial institutions	-	163	-	163
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	123	1	124
Other Israeli bonds	49	-	-	49
Other foreign bonds	-	71	-	71
Equity securities and mutual funds	19	-	-	19
Total held-for-trading securities	8,771	367	1	9,139
Assets in respect of derivatives:				
NIS-CPI contacts	-	213	114	327
Interest rate contracts	28	5,850	1,007	6,885
Foreign exchange contracts	-	1,973 ^(a)	472 ^(a)	2,445
Stock contracts	2,943	1,252 ^(a)	350	4,545
Commodity- and other contracts	128	27	30	185
MAOF (Israeli financial instruments and futures) market activity	409	-	-	409
Total underlying assets for derivatives	3,508	9,315	1,973	14,796
Other:				
Credit and deposits in respect of loaned securities	4,381	-	-	4,381
Securities borrowed or purchased under reverse repurchase agreements	1,892 ^(a)	-	-	1,892
Other	69	-	-	69
Total - other	6,342	-	-	6,342
Total assets	64,242	42,976	3,932	111,150

(a) Reclassified.

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

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

	June 30 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	-	336	77	413
Interest rate contracts	39	7,570	-	7,609
Foreign exchange contracts	-	2,473 ^(a)	192	2,665
Stock contracts	2,935	1,596 ^(a)	-	4,531
Commodity- and other contracts	128	54	-	182
MAOF (Israeli financial instruments and futures) market activity	410	-	-	410
Total liabilities in respect of derivatives	3,512	12,029	269	15,810
Other:				
Deposits in respect of loaned securities	4,376	-	-	4,376
Securities loaned or sold under repurchase agreements	483 ^(a)	-	-	483
Other	92	-	-	92
Total - other	4,951	-	-	4,951
Total liabilities	8,463	12,029	269	20,761

(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			
	In other			
	Prices quoted on an active market (Level 1)	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 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 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

June 30 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	-	-	570	570	140
Total	-	-	570	570	140

June 30 2020 (unaudited)					
Fair value measurements using					
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
In NIS million					
Impaired non-performing loans whose collection is collateral-dependent	-	-	479	479	(55)
Total	-	-	479	479	(55)

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)

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

	For the three months ended June 30 2021 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including:		Purchases and sales	Dis-charges	Adjust-ments from trans-lation of financial state-ments	Transfers to Level 3 ^(c)	Trans-fers from level 3 ^(c)	Fair value as at June 30 2021	Unrealized gain (losses) in respect of instruments held as at June 30 2021	
		In the income state-ment ^(a)	In other compre-hensive income ^(b)								
In NIS million											
Assets											
Available-for-sale bonds:											
Israeli Government	34	-	2	-	-	-	-	-	-	36	1
Foreign financial institutions	8	-	-	-	-	-	-	(8)	-	-	-
MBS/ABS	2,711	34	19	715	-	(320)	-	(216)	(479)	2,464	2
Others - abroad	3	-	-	-	-	-	-	-	(3)	-	-
Total available-for-sale bonds	2,756	34	21	715	-	(320)	-	(224)	(482)	2,500	3
Held-for-trading bonds:											
MBS/ABS	18	1	-	-	-	(2)	-	-	-	17	-
Total held-for-trading bonds:	18	1	-	-	-	(2)	-	-	-	17	-
Assets in respect of derivatives:											
NIS-CPI contacts	134	4	-	-	-	-	-	1	-	139	(45)
Interest rate contracts	252	(38)	-	-	-	-	-	-	-	214	(44)
Foreign exchange contracts	970	(577)	-	55	-	-	-	-	-	448	(57)
Stock contracts	119	(49)	-	-	-	-	-	-	-	70	(48)
Commodity- and other contracts	2	297	-	-	-	-	-	-	-	299	298
Total underlying assets for derivatives	1,477	(363)	-	55	-	-	-	1	-	1,170	104
Total assets	4,251	(328)	21	770	-	(322)	-	(223)	(482)	3,687	107
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	87	(42)	-	-	-	-	-	15	-	60	20
Foreign exchange contracts	188	20	-	-	-	-	-	-	-	208	20
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	275	(22)	7	-	-	-	-	15	-	275	40
Total - other	3	(1)	-	-	-	-	-	-	-	2	-
Total liabilities	278	(23)	7	-	-	-	-	15	-	277	40

(a) Realized gains (losses), net, reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at June 30 2021, amounted to NIS 3 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 June 30 2020 (unaudited)										
	Fair value as at the beginning of the period	Realized/ unrealized gains (losses), net, including:			Dis- charges	Adjust- ments from trans- lation of financial state- ments	Transfers to Level 3 ^(c)	Trans- fers from Level 3 ^(c)	Fair value as at June 30 2020	Unrealized gain (losses) in respect of instruments held as at June 30 2020	
		In the income state- ment ^(a)	In other compre- hensive income ^(b)	Pur- chases and issuances							
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	34	(1)	1	-	-	-	-	-	-	34	-
Of foreign governments	-	-	-	-	-	-	-	3	-	3	-
Foreign financial institutions	-	-	-	7	-	-	-	-	-	7	-
MBS/ABS	1,722	(1)	48	171	-	(88)	-	62	-	1,914	(27)
Total available-for-sale bonds	1,756	(2)	49	178	-	(88)	-	65	-	1,958	(27)
Held-for-trading bonds:											
MBS/ABS	-	-	-	-	-	-	-	1	-	1	-
Total held-for-trading bonds:	-	-	-	-	-	-	-	1	-	1	-
Assets in respect of derivatives:											
NIS-CPI contacts	117	(9)	-	-	-	-	-	6	-	114	(116)
Interest rate contracts	813	194	-	-	-	-	-	-	-	1,007	198
Foreign exchange contracts	1,257 ^(d)	(890) ^(d)	-	105	-	-	-	-	-	472	(121)
Stock contracts	1,557	(1,207)	-	-	-	-	-	-	-	350	(942)
Commodity- and other contracts	48	(18)	-	-	-	-	-	-	-	30	(10)
Total underlying assets for derivatives	3,792	(1,930)	-	105	-	-	-	6	-	1,973	(991)
Total assets	5,548	(1,932)	49	283	-	(88)	-	72	-	3,932	(1,018)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	53	(26)	-	-	-	-	-	50	-	77	(26)
Foreign exchange contracts	175	17	-	-	-	-	-	-	-	192	16
Total liabilities in respect of derivatives	228	(9)	-	-	-	-	-	50	-	269	(10)
Total - other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	228	(9)	-	-	-	-	-	50	-	269	(10)

(a) Realized gains (losses), net, reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at June 30 2020, amounted to NIS (27) 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.

(d) Reclassified.

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

For the six months ended June 30 2021 (unaudited)											
Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including:			Purchases and issuances	Sales	Dis-charges	Adjust-ments from trans-lation of financial state-ments	Transfers to Level 3 ^(c)	Trans-fers from level 3 ^(c)	Fair value as at June 30 2021	Unrealized gain (losses) in respect of instruments held as at June 30 2021
	In the income statement ^(a)	In other compr-ehensive income ^(b)									
In NIS million											
Assets											
Available-for-sale bonds:											
Israeli Government	33	1	2	-	-	-	-	-	-	36	2
Foreign financial institutions	-	1	-	-	-	-	-	(1)	-	-	-
MBS/ABS	2,556	156	1	905	(33)	(642)	-	-	(479)	2,464	5
Others - abroad	8	-	-	-	-	(3)	-	-	(5)	-	-
Total available-for-sale bonds	2,597	158	3	905	(33)	(645)	-	(1)	(484)	2,500	7
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(1)	-	-	(5)	17	-
Others - abroad	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds:	24	1	-	-	-	(1)	-	-	(7)	17	-
Assets in respect of derivatives:											
NIS-CPI contacts	148	(10)	-	-	-	-	-	1	-	139	(88)
Interest rate contracts	439	(16)	-	-	-	(209)	-	-	-	214	(413)
Foreign exchange contracts	1,158	(1,776)	-	1,066	-	-	-	-	-	448	(17)
Stock contracts	18	52	-	-	-	-	-	-	-	70	39
Commodity- and other contracts	4	295	-	-	-	-	-	-	-	299	297
Total underlying assets for derivatives	1,767	(1,455)	-	1,066	-	(209)	-	1	-	1,170	(182)
Total assets	4,388	(1,296)	3	1,971	(33)	(855)	-	-	(491)	3,687	(175)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	63	(52)	-	-	-	-	-	49	-	60	17
Foreign exchange contracts	176	32	-	-	-	-	-	-	-	208	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	(20)	7	-	-	-	-	49	-	275	17
Total - other	-	2	-	-	-	-	-	-	-	2	3
Total liabilities	239	(18)	7	-	-	-	-	49	-	277	20

(a) Realized gains (losses), net, reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at June 30 2021, amounted to NIS 7 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 six months ended June 30 2020 (unaudited)										
	Fair value as at the beginning of year	Realized/unrealized gains (losses), net, including:		Purchases and sales	Dis-charges	Adjust-ments from trans-lation of financial state-ments	Transfers to Level 3 ^(c)	Trans-fers from Level 3 ^(c)	Fair value as at June 30 2020	Unrealized gain (losses) in respect of instruments held as at June 30 2020	
		In the income state-ment ^(a)	In other compre-hensive income ^(b)								
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	-	(1)	1	-	-	-	-	34	-	34	3
Of foreign governments	-	-	-	-	-	-	-	3	-	3	-
Foreign financial institutions	-	-	-	7	-	-	-	-	-	7	-
MBS/ABS	1,455	51	(23)	514	-	(317)	-	234	-	1,914	(27)
Total available-for-sale bonds	1,455	50	(22)	521	-	(317)	-	271	-	1,958	(24)
Held-for-trading bonds:											
MBS/ABS	-	-	-	-	-	-	-	1	-	1	-
Total held-for-trading bonds:	-	-	-	-	-	-	-	1	-	1	-
Assets in respect of derivatives:											
NIS-CPI contacts	82	26	-	-	-	-	-	6	-	114	(39)
Interest rate contracts	764 ^(d)	452 ^(d)	-	-	-	(209)	-	-	-	1,007	120
Foreign exchange contracts	379 ^(d)	(712) ^(d)	-	805	-	-	-	-	-	472	348
Stock contracts	8	342	-	-	-	-	-	-	-	350	340
Commodity- and other contracts	4	26	-	-	-	-	-	-	-	30	28
Total underlying assets for derivatives	1,237	134	-	805	-	(209)	-	6	-	1,973	797
Total assets	2,692	184	(22)	1,326	-	(526)	-	278	-	3,932	773
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	38	(12)	-	-	-	-	-	51	-	77	45
Foreign exchange contracts	257	(65)	-	-	-	-	-	-	-	192	-
Total liabilities in respect of derivatives	295	(77)	-	-	-	-	-	51	-	269	45
Total - other	6	(6)	-	-	-	-	-	-	-	-	-
Total liabilities	301	(83)	-	-	-	-	-	51	-	269	45

(a) Realized gains (losses), net, reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at June 30 2020, amounted to NIS (24) 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.

(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)											
Fair value as at the beginning of year	Realized/unrealized gains (losses), net, including:		Purchases and issuances		Dis-charges		Adjustments from translation of financial state-ments		Trans-fers from level 3 ^(c)		Unrealized gains (losses) for instruments held as at December 31 2020
	In the income state-ment ^(a)	In other compre-hensive income ^(b)	Sales				to Level 3 ^(c)		Fair value as at December 31 2020		
In NIS million											
Assets											
Available-for-sale securities:											
Israeli Government	-	(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 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 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 line 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.
- (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 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

June 30 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	36	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	2,464	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities⁽¹⁾					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	17	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	110	Discounted cash flows	Expected inflation	(0.05)%-1.82%	0.89%
	29	Discounted cash flows	Counterparty risk	0.13%-100% ^(*)	1.39%
Interest rate contracts	214	Discounted cash flows	Counterparty risk	0.13%-100% ^(*)	1.39%
Foreign exchange contracts	448	Discounted cash flows	Counterparty risk	0.13%-100% ^(*)	1.39%
Stock contracts	68	Discounted cash flows	Counterparty risk	0.13%-100% ^(*)	1.39%
Structured - stocks	2	Discounted cash flows	Stock prices	0%-0.09% ^(*)	0.05%
Commodity contracts	299	Discounted cash flows	Counterparty risk	0.13%-100%	1.39%
Liabilities					
Liabilities for derivatives⁽²⁾					
NIS-CPI interest contracts	60	Discounted cash flows	Expected inflation	(0.05)%-1.82%	0.89%
Foreign exchange contracts	208	Discounted cash flows	Expected inflation	(0.05)%-1.82%	0.89%
Other	2	Discounted cash flows	Stock prices	0%-0.09%	0.05%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	570	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.)

June 30 2020 (unaudited)					
	Fair value	Valuation technique	Unobservable inputs	Range	Average ⁽³⁾
In NIS million					
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds⁽¹⁾					
Government of Israel bonds	34	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Of foreign governments	3	Discounted cash flows	Spread	135 bp	135 bp
Foreign financial institutions	7	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,914	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities⁽¹⁾					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives⁽²⁾					
NIS-CPI interest contracts	56	Discounted cash flows	Expected inflation	0%-0.21%	0.11%
	58	Discounted cash flows	Counterparty risk	0.2%-100% ^(*)	1.31%
Interest rate contracts	1,007	Discounted cash flows	Counterparty risk	0.2%-100% ^(*)	1.31%
	472 ^(a)	Discounted cash flows	Counterparty risk	0.2%-100% ^(*)	1.31%
Stock contracts	350	Discounted cash flows	Counterparty risk	0.2%-100% ^(*)	1.31%
Commodity contracts	30	Discounted cash flows	Counterparty risk	0.2%-100% ^(*)	1.31%
Liabilities					
Liabilities for derivatives⁽²⁾					
NIS-CPI interest contracts	77	Discounted cash flows	Expected inflation	0%-0.21%	0.11%
Foreign exchange contracts	192	Discounted cash flows	Expected inflation	0%-0.21%	0.11%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	479	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%	
	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 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 are taking 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 still use a variety of tools to support economic activity, beyond maintaining a low or even negative interest rate. In late 2020, a vaccine was approved, which was administered at various paces across world countries, especially in the developed countries and more slowly - in the developing countries.

Due to the swift vaccination process in Israel, the risks to Israel's economic activity have been moderated. However, the decline of the "immunity memory" and the emergence of the Delta variant require extra caution on the part of the Israeli government, which has led to the imposition of new restrictions on the Israeli economy, among others things, on incoming and outgoing passenger travel and large gatherings. In some leading world countries, the vaccination process appears to be relatively successful, which has contributed to the lifting of restrictions in some of 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.

Income from loan losses during the first half of 2021 was approximately NIS 370 million, especially on the back of collections in the reporting period. A 0.08 percent income was recorded in the collective provision. During the second quarter of 2021, due to the continuous nature of the crisis, the Bank continued to examine the key parameters in the provision process and made the necessary updates, giving consideration - on the one hand - to positive developments recorded in the reporting period, such as the success of the extensive vaccination campaign and its positive impact on reducing severe morbidity and gradual reopening of the economy. And on the other hand - to the latest growing uncertainty due to epidemiological fears on the back of rising morbidity and surge of new variants - developments which may lead, depending on their severity, to the re-imposition of some of the coronavirus restrictions and a decline in economic activity in Israel. Additional changes in assessments, estimates and forecasts of management may significantly affect the loan loss 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 gain recorded by the Bank in Q2 2021 in respect of the sold shares and revaluation of the remaining shares amounted to NIS 118 million.

Following the completion of the IPO and offer for sale under the prospectus, Leumi Partners holds 6.81 percent of Retailors' shares. The shares are restricted for a period of up to 18 months following the listing of Retailors' shares.

C. Sale of ironSource shares

On June 28 2021, Leumi Partners sold 1,290,230 shares of ironSource Ltd., as part of a merger between ironSource and a SPAC company, under which ironSource began trading on the NYSE. After the completion of the merger and having sold the abovementioned shares, Leumi Partners holds 0.75 percent of ironSource's shares. These shares are subject to contractual restriction provisions for a period of six months, which apply to ironSource's shareholders.

The pre-tax gain recorded by the Bank in Q2 2021 in respect of the sold shares (based on the share price at the merger date) and revaluation of the remaining shares amounted to NIS 264 million. In the period subsequent to the balance sheet date and until immediately prior to the financial statements' publication date, the share's price decreased by approx. 17 percent.

Note 16 - Miscellaneous Topics (cont.)

D. Investment agreement in Or Shay

On June 28 2021, Leumi Partners Ltd. entered into an agreement with Or Shay G.S. Ltd. (hereinafter - "Or Shay") and Or Shay's controlling shareholders (hereinafter - the "Controlling Shareholders") for the purchase of 20 percent of the shares of Or Shay, for NIS 40 million (by way of a private offering and purchase of shares from the Controlling Shareholders).

Upon signing the investment agreement, the Bank received, at no consideration, an option to purchase 55 percent of Or Shay's shares, exercisable after three to four and half years from the investment completion date, for a consideration to be determined according to a company valuation of NIS 429 million or NIS 525 million, according to the exercise date (hereinafter - the "First Option").

On the First Option date, the Bank shall have an additional option to purchase the remaining shares of the controlling shareholders (25 percent), exercisable at any time during the 18 months following the exercise of the First Option against a consideration which shall be based on the company's valuation (hereinafter - the "Second Option").

If the Bank does not exercise the Second Option, the controlling shareholders shall have the option to sell the Bank all of their Or Shay shares for a consideration equal to 90 percent of the exercise consideration of the Second Option. This option is given for disposal for a period of 180 days, starting from the end of the second option period.

Completion of the investment transaction as well as the exercise of the first option are subject to the existence of the contingent preconditions, including obtaining appropriate regulatory approvals.

E. Announcement of a Labor Dispute

On August 1 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Bank workers' union, by the New Federation of Workers - Histadrut Hamaof, under the Labor Dispute Settlement Law, 1957. Pursuant to the notice, the Bank workers' union may take organizational measures, including a strike, as of August 17 2021.

The issues in dispute, according to the notice, are as follows (among others): reaching agreements regarding work from home, permanent employee status, revoking the salary update mechanism, shift work, etc.

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

Corporate Governance, Additional Information and Appendices

Table of Contents

	Page
A. Corporate Governance	
Changes in the Board of Directors	236
Internal Auditor	236
B. Additional Information	
Control of the Bank	237
Appointments and Departures	238
Corporate Structure	238
Material Agreements	238
Laws and Regulations Governing the Banking System	239
Credit Ratings	244
C. Appendices	
Income and Expenditure Rates	245

Changes in the Board of Directors

As of the report publication date, the Board of Directors includes ten members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter: **"Directive 301"**). During the second quarter of 2021, there were no changes in the composition of the Board of Directors.

On July 8 2021, the Bank received a notice from the Banking Supervision Department, which noted that due to the expected decline in the number of directors at the Bank, once three years of Dr. Shmuel Ben Zvi's tenure as external director in accordance with Directive 301 will have elapsed on July 28 2021, after which the number of directors will have reached nine, a number which - according to the notice - is lower than the number of directors required in a banking corporation without a control core in accordance with Section 22(b) of Directive 301, pursuant to its power under Section 11E(a)(6) to the Banking Ordinance, 1941, the Banking Supervision Department approves that Dr. Shmuel Ben Zvi shall continue in his position for an additional three months of the end of his said tenure or until the number of directors reaches the adequate one (and a general meeting in which Dr. Ben Zvi is a candidate for re-election is held), the earlier of the two. In addition, it is noted that if Dr. Ben Zvi is elected for an additional term at the 2021 annual general meeting and his appointment is approved, his term will begin on the date in which the term was extended as aforesaid.

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, 1999 (hereinafter - 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).

Pursuant to the Preliminary Notice published by the Bank as aforesaid and in accordance with Sections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941, on June 7 2021, a notice was published by the Committee for Appointment of Directors in Banking Corporations, which was appointed in accordance with Section 36A of the Banking (Licensing) Law, 1981 (hereinafter: the **"Committee for Appointment of Directors"**). The notice includes a list of candidates to serve as the Bank's directors for election in the Bank's 2021 annual general meeting (hereinafter - the **"Candidates"**). For more information, please see the immediate report published by the Bank on June 7 2021 (Ref. No. 2021-01-097434).

In addition, on July 14 2021, a notice was published by the Committee for the Appointment of Directors with an alternative candidate for the list of candidates. For more information, please see the immediate report published by the Bank on July 14 2021 (Ref. No. 2021-01-117102).

On August 5 2021, the Bank published a summons to an annual general meeting to be convened on September 13 2021, with the following items on its agenda: (1) Discussion of the annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of two external directors, in accordance with the requirements of the Companies Law; (4) Appointment of two external directors, in accordance with the requirements of Directive 301. For more information, please see the immediate report dated August 5 2021 (Ref. No. 2021-01-127977).

More information about the candidates was provided in the summons to the annual meeting published by the Bank according to law.

For more information about the directors' competencies as required by Directive 301, please see under **"Members of the Board of Directors"** in the Bank's 2020 Annual Financial Statements.

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 Auditor and Head of the Internal Audit Division, announced her intention to resign from the Bank. Ms. Gur resigned from her post on June 30 2021.

CPA Hagit Argov was appointed Chief Audit Executive and Head of the Internal Audit Division, and began her tenure on June 17 2021, after receiving the Bank of Israel's non-objection letter.

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 June 30 2021, please see the immediate report on the status of holdings of interested parties and senior officers dated July 7 2021 (Ref. No.: 2021-01-113439). For information on the changes in the holdings of the interested parties after the above date, please see the immediate reports dated July 29 2021 (Ref. Nos. 2021-01-124950 and 2021-01-124935). 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** was appointed Secretary of the Bank and Group as of June 10 2021.

CPA **Hagit Argov** was appointed Chief Audit Executive and Head of the Internal Audit Division, at the rank of Executive Vice President, as of June 17 2021.

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, has resigned on June 30 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.

Announcement of a labor dispute

On August 1 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Bank workers' union, by the New Federation of Workers - Histadrut Hamaof, under the Labor Dispute Settlement Law, 1957. Pursuant to the notice, the Bank workers' union may take organizational measures, including a strike, as of August 17 2021.

The issues in dispute, according to the notice, are as follows (among others): reaching agreements regarding work from home, permanent employee status, revoking the salary update mechanism, shift work, etc.

Managing human capital

As of August 15, 2021, the Bank will launch a hybrid work program, which will allow employees to work remotely one day per week. The program shall be in effect until the earlier of: 3 months or the completion of negotiations on the matter between management and the workers' union.

Material Agreements

For more information, please see Note 16 and 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 to various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Some of the proposals are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force which may have a significant effect on the Bank.

For more information, please see the 2020 Annual Financial Statements.

Directives Issued by the Banking Supervision Department

[Amendment to Proper Conduct of Banking Business Directive No. 336, Restrictions on Imposing a Lien on Assets of a Banking Corporation](#)

The amendment was published on June 16 2021 following the increase in volume and variety of activities in respect of which banking corporations are required to pledge assets, as a result the implementation of various global regulatory reforms.

Under the amendment, the existing quantitative restriction on pledging assets of a banking corporation was revoked. In its stead, the directive now includes requirements for proper management of pledged assets.

The directive will become effective on January 1 2022. A banking corporation that exceeds, or is highly likely to exceed, the limit in the period ranging from the publication of the directive to December 31 2021, will notify the Banking Supervision Department thereof. In its notice, the banking corporation will outline the reason for the deviation and the compensatory mechanisms from the revised directive it adopts.

The Bank is preparing to implement the amendment.

[Amendment to 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.

[Amendment to Proper Conduct of Banking Business Directive No. 420, "Sending Notices via Means of Communications"](#)

On June 6 2021 the Banking Supervision Department published a revision to Proper Conduct of Banking Business Directive No. 420 - "Sending Notices via Means of Communications" The amendment was made against the backdrop of the technological revolution taking place in the banking industry in recent years, which enables Israeli banking corporations to develop services that include a variety of channels for receiving banking services and information. The essence of the amendment is that a banking corporation shall select the adequate communication channel to deliver a given notice to customers who have subscribed to the notice delivery service in the communication channels. Selection of the adequate communication channel to deliver the notice shall be made according to the materiality level of the information and the speed required for its delivery. The amendment to the directive is scheduled to become effective one year from its publication date.

Concurrently with the said publication, the Banking Supervision Department published a letter entitled "Improving the Effectiveness of Disclosure in Notifications to Customers". In the letter, the Banking Supervision Department clarifies that as part of implementing the amendment to the said revision in Directive No. 420, banking corporations shall examine the need to improve the disclosure provided to customers, so as to increase the understandability and effectiveness of the notices sent.

The Bank is preparing to implement the directive.

Various Initiatives for Increasing Competition

Recently, special emphasis has been placed on regulation to encourage competition in various segments pertaining to the banking system's areas of activity. This trend is reflected in various legislative provisions and initiatives which aim to ease the entry of new players into the market, inter alia, by the transfer and sharing of information stored by banks.

In this context, the following topics may be mentioned:

Provision of access for banking information

1. [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.

2. [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.

3. [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 Banking Supervision Department clarifies that since legislative processes which were designed to regulate 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 Proper Conduct of Banking Business Directive No. 368.

According to the Banking Supervision Department, 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.

4. [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.

[Additional issues regarding increasing competition](#)

On July 1 2021, Banking Rules (Service to Customers) (Transfer of Financial Activity of a Customer from Bank to Bank), 2021 was published. On July 12 2021, a bill entitled "Responsibility of the Receiving Bank to Transfer a Customer's Financial Activity" was published, as was Amendment to Electronic Clearing of Checks (Scanning, Saving and Producing an Output of an Automated Check), which regulates the manner of handling checks in an account that is in the process of being transferred from one bank to another. Moreover, on July 28 2021, the Banking Supervision Department published a draft of the update to Proper Conduct of Banking Business Directive No. 448, regulating customers' online transitioning between banks.

The directives constitute yet another step towards the application of Section 5B1 to the Banking Law (Customer Service), 1981, according to which banks are required to allow customers wishing to transition to another bank, to do so online, easily, securely and free of charge. Most of these amendments are scheduled to take effect on September 22 2021, the date on which the said Section 5B1 will take effect.

The above directives form 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.

Regulatory Developments Following the Coronavirus Event

[The Insolvency and Economic Rehabilitation Law \(Amendment No. 4 - Temporary Order\) \(Novel Coronavirus\) \(Stay of Proceedings for Formulation and Approval of Debt Settlement\), 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 until March 18 2022, and allow debtors to reach debt settlement agreements

as an alternative to full insolvency proceedings. The 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 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.

On July 20 2021, an additional amendment to the directive was published relating to adjustments made to Proper Conduct of Banking Business Directive No. 355, "Business Continuity Management". According to the amendment, all branches of the banking system will be open to the public. The branches will provide all the services provided in Israel prior to the coronavirus crisis. At the same time, the banks are required to continue taking the measures needed to protect the customers and employees.

On July 28 2021, an additional amendment regarding the directive was published regarding the following topics:

- Adjustments to Directive 331, "Distribution of Dividends by Banking Corporations" - the Banking Supervision Department clarifies that despite the continued recovery from the coronavirus crisis, the level of uncertainty is still high and affects the Banking Corporations' ability to predict their capital needs in the mid-term. Moreover, in light of the significant change in the effects of the banking corporations' balance sheets, the credit losses may not have fully materialized yet. The said uncertainty and risk require continued prudent and conservative capital planning; accordingly, the Banking Supervision Department encourages banking corporations to adopt a prudent and conservative approach to dividend distribution and share buybacks. When a board of directors decides regarding such distribution, it must prepare a written forecast based on the capital ratio, regarding the future effect of the crisis on exposures and capital. In addition, the position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the net income for 2020 will not be considered prudent and conservative capital planning. The Banking Supervision Department also expects the banking corporations to continue using their capital and liquidity surplus towards increasing the credit and supporting the market's economic activity rather than towards distribution.
- Adjustments to Directive 329, "Limitations on Issuing Housing Loans" - due to the continuation of the coronavirus crisis and its effects on the income of self-employed individuals in 2020, self-employed individuals may not meet the "rate of repayment out of income" prescribed by the directive when applying for a housing loans in 2021. According to the amendment to the directive, in this matter, banks may rely on the self-employed individual's income prior to the crisis (the average of income in the tax assessments for 2018 and 2019).

On August 9 2021, the Banking Supervision Department announced it would not extend the exemptions on housing loans granted under the temporary order, which shall expire on September 30 2021. The exemptions are as follows:

- Increasing the LTV for all-purpose loans to 70 percent (in lieu of 50 percent). For more information, see the section entitled Housing Loans Portfolio Risks in the Report of the Board of Directors and Management.
- Banks are not required to increase the Common Equity Tier 1 capital target by 1 percent due to housing loans. For more information, please see the Equity and Capital Adequacy section in the Report of the Board of Directors and Management.

The Banking Supervision Department also announced that it is currently examining the validity of the other sections of Proper Conduct of Banking Business No. 250.

[The Execution Ordinance \(Novel Coronavirus - Amendment No. 68 and Temporary Order\), 2021](#)

On September 24 2020, the Execution Law (Novel Coronavirus - Amendment No. 68 and Temporary Order), 2020 was published. The law, which was designated as a temporary order for nine months, included various arrangements, inter alia a special payments arrangement for the duration of the coronavirus period and extension of repayment dates. Later on, the ordinance was extended by an additional two weeks until July 6 2021. The Minister of Justice, with the approval of the Constitution, Law and Justice Law Committee was granted the power to extend the temporary order by additional periods, provided the additional period does not exceed 18 months. On July 6 2021, the temporary order was extended until March 24 2022.

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 comment, in which it clarifies and illustrates what constitutes "information" and "knowledge of a person's private affairs" within their meaning in the Privacy Protection Law, as well as the types of data to which the provisions of the said law apply 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.

[The BCBS/IOSCO regarding preliminary pledges \(IM\) for non-centrally cleared derivatives](#)

The IM reform set by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) requires the deposit of primary collateral for non-centrally cleared derivatives (OTC derivatives).

The reform went into effect gradually since September 2016, and shall become effective on September 1 2021 for corporations with a total average of said derivatives exceeding EUR 50 billion according to European regulation or USD 50 billion according to the US regulation (including the Bank) (Phase 5).

The reform, which shall apply to Leumi's business with foreign financial institutions, requires the Bank to post primary collateral as aforesaid (subject to a threshold of EUR 50 million in Europe and USD 50 million in the US vis à vis a specific counterparty), by pledging a securities account with a foreign custodian by each party, in trust, for the other party.

The Bank is preparing to implement the requirements.

Credit Ratings

Following are the credit ratings and outlook of the State of Israel and the Bank as at August 12 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 August 12 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.

On July 20 2021, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On July 20 2021, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates^(a) and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates - Assets

	For the three months ended June 30					
	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	284,555	2,683	3.83	266,663	1,960	2.97
Outside Israel	23,291	221	3.85	24,726	234	3.84
Total ⁽ⁱ⁾	307,846	2,904	3.83	291,389	2,194	3.05
Loans to the government						
In Israel	865	8	3.75	721	6	3.37
Outside Israel	-	-	-	-	-	-
Total	865	8	3.75	721	6	3.37
Deposits with banks						
In Israel	11,561	15	0.52	14,052	16	0.46
Outside Israel	195	-	-	288	-	-
Total	11,756	15	0.51	14,340	16	0.45
Deposits with central banks						
In Israel	111,790	27	0.10	66,594	19	0.11
Outside Israel	2,472	1	0.16	1,766	-	-
Total	114,262	28	0.10	68,360	19	0.11
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	5,550	2	0.14	2,178	-	-
Outside Israel	-	-	-	-	-	-
Total	5,550	2	0.14	2,178	-	-
Bonds - held-to-maturity and available-for-sale ^(d)						
In Israel	71,832	226	1.26	77,907	228	1.18
Outside Israel	6,100	29	1.92	5,070	29	2.31
Total	77,932	255	1.32	82,977	257	1.24
Held-for-trading bonds ^(d)						
In Israel	2,685	14	2.10	10,724	6	0.22
Outside Israel	-	-	-	-	-	-
Total	2,685	14	2.10	10,724	6	0.22
Total interest-bearing assets	520,896	3,226	2.50	470,689	2,498	2.14
Non-interest-bearing receivables for credit cards						
	5,408			4,845		
Other non-interest-bearing assets ^(e)						
	51,032			55,828		
Total assets	577,336	3,226		531,362	2,498	
Total interest-bearing assets attributed to foreign operations						
	32,058	251	3.17	31,850	263	3.34

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the three months ended June 30					
	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	309,912	(269)	(0.35)	295,174	(242)	(0.33)
Demand deposits	178,861	(3)	(0.01)	157,767	(2)	(0.01)
Fixed deposits	131,051	(266)	(0.81)	137,407	(240)	(0.70)
Outside Israel	13,384	(9)	(0.27)	16,806	(25)	(0.60)
Demand deposits	9,295	(2)	(0.09)	6,485	(4)	(0.25)
Fixed deposits	4,089	(7)	(0.69)	10,321	(21)	(0.82)
Total	323,296	(278)	(0.34)	311,980	(267)	(0.34)
Deposits from the Israeli government						
In Israel	199	-	-	206	-	-
Outside Israel	10	-	-	102	-	-
Total	209	-	-	308	-	-
Deposits by central banks						
In Israel	13,839	(3)	(0.09)	1,192	(1)	(0.34)
Outside Israel	-	-	-	-	-	-
Total	13,839	(3)	(0.09)	1,192	(1)	(0.34)
Deposits by banks						
In Israel	5,954	(1)	(0.07)	6,281	(2)	(0.13)
Outside Israel	117	-	-	223	-	-
Total	6,071	(1)	(0.07)	6,504	(2)	(0.12)
Securities loaned or sold under reverse repurchase agreements						
In Israel	175	(1)	(2.31)	2,490	(4)	(0.64)
Outside Israel	257	-	-	-	-	-
Total	432	(1)	(0.93)	2,490	(4)	(0.64)
Bonds						
In Israel	13,124	(169)	(5.25)	22,535	(103)	(1.84)
Outside Israel	-	-	-	-	-	-
Total	13,124	(169)	(5.25)	22,535	(103)	(1.84)
Total interest-bearing liabilities	356,971	(452)	(0.51)	345,009	(377)	(0.44)
Non-interest-bearing deposits by the public	145,391			111,413		
Non-interest-bearing payables for credit cards	3,004			1,289		
Other non-interest-bearing liabilities ^(f)	31,861			35,966		
Total liabilities	537,227	(452)		493,677	(377)	
Total capital resources	40,109			37,685		
Total capital commitments and sources	577,336	(452)		531,362	(377)	
Interest rate spread		2,774	1.99		2,121	1.70
Net return^(e) on interest-bearing assets						
In Israel	488,838	2,532	2.09	438,839	1,883	1.73
Outside Israel	32,058	242	3.05	31,850	238	3.02
Total	520,896	2,774	2.15	470,689	2,121	1.81
Total interest-bearing liabilities attributed to foreign operations	13,768	(9)	(0.26)	17,131	(25)	(0.59)

Please see comments below.

Part A - Average Balances and Interest Rates - Assets

	For the six months ended June 30					
	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	278,976	4,815	3.48	262,168	3,900	3.00
Outside Israel	22,771	437	3.88	23,940	512	4.32
Total ⁽ⁱ⁾	301,747	5,252	3.51	286,108	4,412	3.11
Loans to the government						
In Israel	780	12	3.10	729	14	3.88
Outside Israel	-	-	-	-	-	-
Total	780	12	3.10	729	14	3.88
Deposits with banks						
In Israel	11,253	32	0.57	11,927	49	0.82
Outside Israel	157	-	-	225	-	-
Total	11,410	32	0.56	12,152	49	0.81
Deposits with central banks						
In Israel	106,833	53	0.10	57,201	49	0.17
Outside Israel	1,724	1	0.12	1,279	2	0.31
Total	108,557	54	0.10	58,480	51	0.17
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	4,388	3	0.14	1,739	4	0.46
Outside Israel	-	-	-	-	-	-
Total	4,388	3	0.14	1,739	4	0.46
Bonds - held-to-maturity and available-for-sale ^(d)						
In Israel	73,051	410	1.13	73,549	484	1.32
Outside Israel	5,302	57	2.16	4,889	61	2.51
Total	78,353	467	1.20	78,438	545	1.39
Held-for-trading bonds ^(d)						
In Israel	2,819	18	1.28	8,492	16	0.38
Outside Israel	-	-	-	-	-	-
Total	2,819	18	1.28	8,492	16	0.38
Total interest-bearing assets	508,054	5,838	2.31	446,138	5,091	2.30
Non-interest-bearing receivables for credit cards						
	5,249			5,279		
Other non-interest-bearing assets ^(e)						
	53,219			51,131		
Total assets	566,522	5,838		502,548	5,091	
Total interest-bearing assets attributed to foreign operations						
	29,954	495	3.33	30,333	575	3.83

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the six months ended June 30					
	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	306,318	(432)	(0.28)	278,529	(547)	(0.39)
Demand deposits	176,148	(7)	(0.01)	144,091	(36)	(0.05)
Fixed deposits	130,170	(425)	(0.65)	134,438	(511)	(0.76)
Outside Israel	13,549	(21)	(0.31)	15,526	(73)	(0.94)
Demand deposits	9,349	(5)	(0.11)	6,386	(18)	(0.56)
Fixed deposits	4,200	(16)	(0.76)	9,140	(55)	(1.21)
Total	319,867	(453)	(0.28)	294,055	(620)	(0.42)
Deposits from the Israeli government						
In Israel	202	(1)	(0.99)	191	(1)	(1.05)
Outside Israel	12	-	-	117	-	-
Total	214	(1)	(0.94)	308	(1)	(0.65)
Deposits by central banks						
In Israel	11,875	(5)	(0.08)	673	(1)	(0.30)
Outside Israel	-	-	-	-	-	-
Total	11,875	(5)	(0.08)	673	(1)	(0.30)
Deposits by banks						
In Israel	5,895	(2)	(0.07)	5,745	(8)	(0.28)
Outside Israel	129	-	-	145	-	-
Total	6,024	(2)	(0.07)	5,890	(8)	(0.27)
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	456	(1)	(0.44)	1,719	(8)	(0.93)
Outside Israel	255	-	-	-	-	-
Total	711	(1)	(0.28)	1,719	(8)	(0.93)
Bonds						
In Israel	13,851	(254)	(3.70)	22,089	(163)	(1.48)
Outside Israel	-	-	-	-	-	-
Total	13,851	(254)	(3.70)	22,089	(163)	(1.48)
Total interest-bearing liabilities	352,542	(716)	(0.41)	324,734	(801)	(0.49)
Non-interest-bearing deposits by the public	138,030			105,002		
Non-interest-bearing payables for credit cards	3,007			2,509		
Other non-interest-bearing liabilities ^(f)	33,806			33,480		
Total liabilities	527,385	(716)		465,725	(801)	
Total capital resources	39,137			36,823		
Total capital commitments and sources	566,522	(716)		502,548	(801)	
Interest rate spread		5,122	1.90		4,290	1.81
Net return^(e) on interest-bearing assets						
In Israel	478,100	4,648	1.95	415,805	3,788	1.83
Outside Israel	29,954	474	3.19	30,333	502	3.34
Total	508,054	5,122	2.03	446,138	4,290	1.93
Total interest-bearing liabilities attributed to foreign operations	13,945	(21)	(0.30)	15,788	(73)	(0.93)

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 June 30					
	2021			2020		
	Average balance ^(b)	Interest income (expenses)	% of income (expense)	Average balance ^(b)	Interest income (expenses)	% of income (expense)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	51,483	1,006	8.05	47,831	262	2.21
Total interest-bearing liabilities	17,885	(298)	(6.83)	26,223	(82)	(1.26)
Interest rate spread			1.22			0.95
Unlinked NIS						
Total interest-bearing assets	357,424	1,705	1.92	306,732	1,643	2.16
Total interest-bearing liabilities	269,309	(87)	(0.13)	228,528	(117)	(0.20)
Interest rate spread			1.79			1.96
Foreign currency						
Total interest-bearing assets	79,931	264	1.33	84,276	330	1.58
Total interest-bearing liabilities	56,009	(58)	(0.41)	73,127	(153)	(0.84)
Interest rate spread			0.92			0.74
Total activity in Israel						
Total interest-bearing assets	488,838	2,975	2.46	438,839	2,235	2.05
Total interest-bearing liabilities	343,203	(443)	(0.52)	327,878	(352)	(0.43)
Interest rate spread			1.94			1.62

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel (cont.)

	For the six months ended June 30					
	2021			2020		
	Average	Interest	% of	Average	Interest	% of
	balance ^(b)	income (expen- ses)	income (expense)	balance ^(b)	income (expen- ses)	income (expense)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	50,551	1,451	5.82	47,325	400	1.70
Total interest-bearing liabilities	18,471	(393)	(4.30)	26,687	(95)	(0.71)
Interest rate spread			1.52			0.99
Unlinked NIS						
Total interest-bearing assets	348,916	3,358	1.93	291,708	3,361	2.32
Total interest-bearing liabilities	263,804	(179)	(0.14)	217,285	(253)	(0.23)
Interest rate spread			1.79			2.09
Foreign currency						
Total interest-bearing assets	78,633	534	1.36	76,772	755	1.98
Total interest-bearing liabilities	56,322	(123)	(0.44)	64,974	(380)	(1.17)
Interest rate spread			0.92			0.81
Total activity in Israel						
Total interest-bearing assets	478,100	5,343	2.25	415,805	4,516	2.18
Total interest-bearing liabilities	338,597	(695)	(0.41)	308,946	(728)	(0.47)
Interest rate spread			1.84			1.71

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2021 vs. 2020			2021 vs. 2020		
	For the three months ended			For the six months ended June		
	June 30			30		
	Increase (decrease) due to change ^(h)		Net change	Increase (decrease) due to change ^(h)		Net change
	Quantity	Price		Quantity	Price	
In NIS million						
Interest-bearing assets						
Loans to the public						
In Israel	169	554	723	290	625	915
Outside Israel	(14)	1	(13)	(22)	(53)	(75)
Total	155	555	710	268	572	840
Other interest-bearing assets						
In Israel	46	(29)	17	121	(209)	(88)
Outside Israel	6	(5)	1	6	(11)	(5)
Total	52	(34)	18	127	(220)	(93)
Total interest income	207	521	728	395	352	747
Interest-bearing liabilities						
Deposits by the public						
In Israel	13	14	27	39	(154)	(115)
Outside Israel	(2)	(14)	(16)	(3)	(49)	(52)
Total	11	-	11	36	(203)	(167)
Other interest-bearing liabilities						
In Israel	3	61	64	15	67	82
Outside Israel	-	-	-	-	-	-
Total	3	61	64	15	67	82
Total interest expenses	14	61	75	51	(136)	(85)
Total, net	193	460	653	344	488	832

Comments:

- The data in the above tables are stated after the effect of hedging derivatives.
- 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.
- Before deducting the average outstanding loan loss provisions. Including non-accrual impaired non-performing debts.
- The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted from/added to the average outstanding held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under Accumulated other comprehensive income, in the Adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 1.501 million (June 30 2020 – NIS 1,197 million).
- Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.
- Including book balances of derivatives and non-monetary liabilities.
- Net yield – net interest income divided by total interest-bearing assets.
- 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.
- Fees and commissions for the three-month and six-month periods ended June 30 2021 in the amount of NIS 110 million and NIS 261 million, respectively, were included in the interest income from loans to the public (fees and commissions for the three-month and six-month periods ended June 30 2020 in the amount of NIS 85 million and NIS 214 million, respectively).

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: <ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p> <p>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.</p>
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; <ul style="list-style-type: none"> • 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

	<p>agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date.</p> <p>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>
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	<p>Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity.</p> <p>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.</p>
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)	<p>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.</p> <p>Return on Equity in banks is reflected in the following ratios:</p> <ul style="list-style-type: none"> • 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 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.