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

Condensed Financial Statements
As at September 30 2021
(Unaudited)

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual Financial Statements as at December 31 2020. The statements herein should be read in conjunction with the 2020 Annual Financial Statements.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
Return on net income attributable to the Bank's shareholders[(c)]	**16.0**	8.4	**15.7**	4.5	5.7
Return on net income attributable to the Bank's shareholders to average assets[(c)(e)]	**1.0**	0.6	**1.1**	0.3	0.4
Liquidity coverage ratio[(f)]	**131**	137	**131**	137	137
Ratio of income[(b)] to average assets[(c)(e)]	**2.61**	2.69	**2.76**	2.49	2.55
Efficiency ratio	**47.4**	50.4	**46.5**	55.0	53.8
Ratio of net interest income to average assets[(c)(e)]	**1.78**	1.71	**1.80**	1.71	1.70
Ratio of fees and commissions to average assets[(c)(e)]	**0.56**	0.61	**0.59**	0.64	0.64
Rate of tax provision from profit, before taxes	**36.4**	36.8	**36.3**	37.9	38.8
Net interest income to average balance of interest-bearing assets (NIM)[(c)]	**1.97**	1.92	**2.00**	1.92	1.90
Total income to total average assets under management by the Group[(b)(c)(d)(e)]	**0.80**	0.87	**0.85**	0.79	0.81
Total operating and other expenses to average total assets under management by the Group[(c)(d)(e)]	**0.38**	0.44	**0.40**	0.43	0.44

	As at September 30		As at December 31
	2021	2020	2020
CET1 capital ratio	**11.83**	11.71	11.87
Total capital to risk-weighted assets[(a)]	**14.67**	15.81	15.58
Leverage ratio[(g)]	**6.44**	6.66	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 September 30		For the nine months ended September 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)]	**(0.44)**	0.76	**(0.31)**	1.04	0.88
Of which: collective (income) expenses provision out of average outstanding loans to the public[(c)]	**(0.25)**	0.77	**(0.14)**	0.92	0.65
% of balance of loan loss provision for loans to the public out of outstanding loans to the public	**1.42**	1.75	**1.42**	1.75	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	**1.21**	1.25	**1.21**	1.25	1.61
Percentage of net accounting write-offs out of average loans to the public[(c)]	**(0.01)**	(0.10)	**0.05**	(0.21)	(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. For more information, please see Appendix 1 - Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses.
(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 September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
	In NIS million				
Net income attributable to the Bank's shareholders	**1,551**	750	**4,558**	1,212	2,102
Interest Income, Net	**2,671**	2,216	**7,793**	6,506	8,723
Loan loss (income) expenses	**(359)**	547	**(729)**	2,282	2,552
Noninterest Income	**1,240**	1,253	**4,146**	2,980	4,366
Of which: fees and commissions	**846**	788	**2,567**	2,457	3,281
Total operating and other expenses	**1,855**	1,749	**5,552**	5,221	7,046
Of which: salaries and related expenses	**1,079**	942	**3,212**	2,788	3,742
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic diluted net income	**1.07**	0.52	**3.14**	0.83	1.44

Main balance sheet data

	As at September 30		As at December 31
	2021	2020	2020
	In NIS million		
Total assets	**611,912**	528,050	556,035
Of which: cash and deposits with banks	**171,645**	117,555	136,194
Securities	**81,580**	95,164	92,297
Loans to the public, net	**325,524**	286,374	295,341
Total liabilities	**569,673**	490,467	517,940
Of which: deposits by the public	**500,876**	427,115	447,031
Deposits by banks	**23,161**	10,685	15,143
Bonds, promissory notes and subordinated bonds	**13,189**	17,368	16,303
Equity attributable to the Bank's shareholders	**41,787**	37,128	37,664
Additional data:			
Price per share (in NIS)	**27.5**	15.1	18.9

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
Dividend per share (in agorot)[(a)]	**43.36**	-	**43.36**	20.29	20.29

(a) According to the announcement date.

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 Economy[1]

General Background - the Coronavirus Pandemic

During the first nine months of the year, the coronavirus pandemic continued and a fourth wave started in the third quarter of the year. As of the Report's publication date, more than 1.3 million people have been infected by the virus and more than 8,100 people have died in Israel. In December 2020, Israel began to vaccinate its population, and more than 6.2 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 5.7 million people have been given the second dose. On the back of a surge in morbidity in the third quarter, it was decided to administer a third dose of the vaccine. As of the Report's publication date, more than 4.0 million people have been given this third dose.

The Global Economy

On October 12 2021, the International Monetary Fund (IMF) revised its global growth forecasts for 2021. Relative to the previous forecast of July 2021, there was a slight decline in the projected global growth rate for 2021, but there were changes in various countries' growth rates: growth rates were downgraded in developed countries, particularly given the implications of the damage to supply chains, and downgraded in developing countries with low income, due to the implications of the pandemic and the low vaccination rates in these countries. It should be pointed out that in the developed countries, approximately 58 percent of the population are fully vaccinated, compared with 5 percent in developing countries. According to the current forecast, the gross world product is expected to expand by approximately 5.9 percent in 2021, compared with a 3.1 percent decline in 2020. As for the large Western economies - the US economy is expected to grow by 6 percent this year, compared to 7 percent in the previous forecast, a change that stems from the adverse effects on the supply side and lower private consumption demand in the third quarter of this year. Most of the risks in this forecast of global economic activity are on the negative side, and embody the fear that different variants will spread before wide-spread immunity is achieved worldwide, as well as of a possible increase in price pressures which will cause an increase in inflationary expectations, triggering contractionary measures by central banks across the world.

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

	2021	2020
World	**5.9%**	(3.1)%
USA	**6.0%**	(3.4)%
Eurozone	**5.0%**	(6.3)%
Japan	**2.4%**	(4.6)%
UK	**6.8%**	(9.8)%
China	**8.0%**	2.3%

In the reporting period, the short-term interest rates determined by the central banks of the leading countries are near-zero and in some - even negative, with little likelihood of increasing in the foreseeable future. However, the banks started "signaling" to the public, as part of the interest rate decisions, of an expected change in approach - initially by reducing the quantitative easing. In some (such as in Canada and Australia), the process is already underway. In other countries, particularly those considered "emerging markets" - such as Hungary, Poland, the Czech Republic, Romania and Russia, where interest rates on the rise, and in some Latin American countries, such as Mexico and Chile, due to rising inflation. Against this background, the International Monetary Fund called on central banks to be ready to respond swiftly if it appears that economies are recovering quicker than expected or if the risks of an increase in inflationary expectations become more apparent.

[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 Israeli economy grew 7.8 percent in the first half of the year, compared with the corresponding period last year (data from the third quarter have yet to be published as of the closing of the financial statements). Data from the Bank of Israel’s Composite State-of-the-Economy Index, which serve as an indicator for the current economic activity, point to continued growth in the third quarter, albeit at a lower rate compared to the growth rate in the second quarter of the year. The unemployment rate remains higher 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 due to the coronavirus, as well as employees who do not participate in the work force and have been dismissed as of March 2020). However, during the first nine months of the year, there has been an improvement trend, with a decline in unemployment rates. In September 2021, approx. 338,000 employees (7.9 percent of the work force) meet the broad definition of unemployment rate.

According to its October 7 2021 assessment, the Bank of Israel believes that growth in 2021 may reach 7.0 percent, on the back of recovery across all GDP components compared to 2020, during which the economy contracted by 2.2 percent. The forecast embodied the central bank’s assessment that “the process of lifting the restrictions in Israel will continue at the same time as the gradual decline of the pandemic worldwide in the next few years, alongside additional morbidity surges in Israel and globally, which will be addressed using relatively moderate restrictions with limited adverse impact on economic activity”.

The State Budget and its Funding

From January to September, the state budget deficit reached NIS 51.5 billion, compared with a NIS 103.4 billion deficit in the same period in 2020. In the 12 months ended in September 2021, the deficit amounted to NIS 108.1 billion (approximately 7.4 percent of GDP). 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, both from direct and indirect tax collection.

During the reporting period, a state budget for 2021 had yet to be approved. Therefore, the Government operated 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 68.6 billion for the 2021 economic plan.

In August, the government approved the budget for 2021-2022, which was approved in its second and third reading by the Knesset, in November.

Foreign Trade

Israel's trade deficit reached USD 24.7 billion in the first nine months of the year, compared with USD 14.9 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 13 billion, annualized) is expected to contribute to mitigating the current account surplus of the balance of payments, which totaled approximately 5.5 percent of GDP in 2020. However, the service exports data for the first eight months of the year reflect a continuation of the rapid growth, compared to the corresponding period last year, with emphasis on exported 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 nine months of the year, the shekel depreciated against the US dollar by 0.4 percent, and appreciated 5.3 percent against the euro; a 2.5 percent appreciation was recorded against the currency basket.

At the end of September 2021, the Bank of Israel's foreign exchange reserves stood at USD 204 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 28.3 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 actual purchases of foreign currency during the reporting period totaled USD 28.3 billion.

Regarding the Bank of Israel’s future foreign exchange policy, the Governor of the Bank of Israel reiterated on October 7 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 2.5 percent in the first nine months of 2021 and a similar rate to the twelve months ending September 2021. This is a faster pace than in previous years, but is within the price stability target range (1-3 percent). The main explanations for the quick increase, as aforesaid, is the decline in morbidity rates and the almost full reopening of the economy, even during the fourth morbidity surge, which boosted demand in the economy, alongside the global price increases in raw materials and transport. Thus far, it seems to be an adjustment to the price level following the inflationary environment - which was very low and even negative in the previous year. Similar phenomena were reported in other Western economies.

From January to September, the “known” CPI was up 2.2 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.

In its October 7 2021 decision, the Monetary Committee did not change the interest rate, indicating that the “recovery process of the Israeli economy from the crisis continues. However, there are still challenges to the economic activity. Therefore, the committee will continue to run an expansionary monetary policy over time. Continued economic activity and proper growth will enable to end the various quantitative easing plans in the next few months. 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 18.0 percent during the first nine months of the year, following a 0.4 percent decrease in 2020. The price increases were affected by the morbidity situation during the reporting period - a positive effect due to the vaccination drive in the first quarter, which led to a decline in morbidity rates and to the reopening of most of the economy in the second quarter; in the third quarter, a fourth surge of morbidity began, which did not result in closures of the economy, due to the third inoculation.

The average daily trade volume of shares and convertible securities from January to September totaled NIS 1.845 billion, a decrease 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, similar to the situation in the bond markets of other developed countries. The CPI-Linked Government Bond Index was up 4.2 percent in the first nine months of the year, while the Unlinked Government Bond Index was down 1.6 percent.

The CPI-linked non-government bond index (corporate bonds) was up by 7.1 percent from January to September 2021, both due to the expectation for an increase in inflation and the re-opening of the economy (despite a fourth morbidity surge), 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, which was revised in August 2021, to NIS 188 billion. This is on the back of the economy’s recovery and the decline in demand for state-backed loans, which resulted in a decrease in the total assistance amount through credit and cash flow. Out of the revised plan, as aforesaid, approximately NIS 137.1 billion constitute budgetary assistance for the said period (approximately NIS 68.6 billion for 2021). As of the end of September 2021, the performance rate out of the two-year plan was approximately 88 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 nine months 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 September 30 2021, purchases totaled NIS 76.9 billion.
2. Executing repo transactions with government bonds as well as corporate bonds rated AA and above, as collateral, with financial institutions. As of September 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 40 billion as at September 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. 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 - especially the booster shot, which was given recently (the third vaccine), the risks to economic activity in Israel are once again declining. However, the decline of the "immunity memory" and the possible emergence of variants in the future require extra caution on the part of the Israeli government, with a possible imposition of 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.

The loan loss income in the first nine months of 2021 totaled NIS 729 million; this income was materially affected by collections, declining morbidity rates, improvement in macroeconomic parameters and economic expansion in Israel during the reporting period, of which a 0.14 percent income was recorded in the collective provision. The effects of the measures and aid programs approved at the beginning of the crisis are dwindling, following positive indications regarding the population segments which enjoyed these aid programs - both among households and business borrowers, such as: the high rates of borrowers who resumed their regular payments following the deferment period, the low rate of borrowers in arrears out of the borrowers who resumed payments, the high rate of borrowers given state-backed loans who have begun to repay them, the low rate of borrowers in arrears out of this population, etc.

To adequately reflect the improvement in financial data and on the back of the abovementioned encouraging indications, and due to the continuous nature of the crisis, the Bank continued to examine, during the third quarter of 2021, the key criteria for the provision-making process, and made the required revision thereto; in the process, it took into account the developments outlined above as well as the assessments whereby the risk of additional harm to the business activity as a result of the epidemiological aspect is lower the before; this is due to the high vaccination rates among Israel's population and the economy's adjustments to activity made during surges in morbidity. 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.

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

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".

Bank Leumi USA

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley").

For information on the transaction, please see the section entitled "Major Investees".

Material Changes in Financial Statement Items

Net income attributable to shareholders (hereinafter - the “net income”) in the first nine months of 2021 (hereinafter - the “reporting period”) amounted to NIS 4,558 million compared to NIS 1,212 million in the same period last year.

The **return on equity** in the reporting period was 15.7 percent, compared to a rate of approx. 4.5 percent in the same period last year. The return on equity in the third quarter of 2021 was 16.0 percent compared with 8.4 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 November 15 2021, the Board of Directors approved a dividend payment of NIS 1,367 million, which constitutes 30 percent of the net income for the first nine months of 2021, in addition to a NIS 630 million dividend distributed on September 2 2021.

Net interest income in the reporting period totaled approx. NIS 7,793 million, compared to a total of approx. NIS 6,506 million in the corresponding period last year, a 19.8 percent increase. The increase in the interest income stems from the increase in the Bank’s loan portfolio and from the gaps 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 2.2 percent, compared with a negative 0.6 percent in the corresponding period last year.

Loan loss expenses (income) during the reporting period reflect an income rate of approx. 0.31 percent of the average outstanding loans to the public compared to an expense rate of 1.04 percent in the corresponding period last year. Income during the reporting period arises from the specific provision, particularly as a result of collections, and from the collective provision, on the back of the economic expansion, the drop in morbidity and the improved macro-economic parameters recorded lately, circumstances which led to a recorded collective loan loss income of 0.14 percent in the reporting period and 0.25 percent in the third quarter. The rate of loan loss provision relative to the outstanding loans as at September 30 2021 was 1.42 percent.

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

Noninterest finance income in the reporting period totaled approx. NIS 1,344 million, compared to a total of approx. NIS 487 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 397 million, the vast majority of which were recorded in the second quarter of 2021 and from the effect of derivatives and exchange rate differentials. It should be noted that the results of the corresponding period last year were significantly affected by the volatility of the capital markets, due to the outbreak of the coronavirus 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 110 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, credit card fees and fees and commissions from financing activities. This increase was partially offset by a decrease in fees and commissions on account management and in exchange rate differentials, on the back of unusual activity in the first quarter of last year - due to the outbreak of the coronavirus.

Other income totaled NIS 235 million compared to NIS 36 million last year. Most of the increase stems from a gain on the sale of buildings during the period.

Operating and other expenses were up by NIS 331 million in the reporting period compared to the corresponding period last year, a 6.3 percent increase.

Salaries and related expenses were up by NIS 15.2 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 46.5 percent compared to 55.0 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 third quarter of 2021 was 47.4 percent, compared with 50.4 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 3.14 compared to a gain of NIS 0.83 in the corresponding period last year.

The **Common Equity Tier 1 (CET1)** to risk-weighted assets ratio as at September 30 2021 was 11.83 percent. The total capital ratio as at September 30 2021 was 14.67 percent.

Material Developments in Income, Expenses and Other Comprehensive Income

Change in net income in the third quarter of 2021 compared to the corresponding period last year

	For the three months ended September 30		Change	
	2021	2020		
	In NIS million		In NIS million	In %
Interest Income, Net	**2,671**	2,216	455	20.5
Loan loss (income) expenses	**(359)**	547	(906)	-
Noninterest Income	**1,240**	1,253	(13)	(1.0)
Operating and Other Expenses	**1,855**	1,749	106	6.1
Profit before taxes	**2,415**	1,173	1,242	+
Provision for tax	**879**	432	447	+
Profit after taxes	**1,536**	741	795	+
Bank's share in associates' profits	**26**	8	18	+
Net loss (income) attributable to non-controlling interests	**(11)**	1	(12)	-
Net income attributable to the Bank's shareholders	**1,551**	750	801	+
Return on equity (in %)	**16.0**	8.4		
Basic earnings per share (in NIS)	**1.07**	0.52		

Change in the net income in the first nine months of 2021 compared to corresponding period last year

	For the nine months ended September 30		Change	
	2021	2020		
	In NIS million		In NIS million	In %
Interest Income, Net	**7,793**	6,506	1,287	19.8
Loan loss (income) expenses	**(729)**	2,282	(3,011)	-
Noninterest Income	**4,146**	2,980	1,166	39.1
Operating and Other Expenses	**5,552**	5,221	331	6.3
Profit before taxes	**7,116**	1,983	5,133	+
Provision for tax	**2,582**	752	1,830	+
Profit after taxes	**4,534**	1,231	3,303	+
The Bank's share in the profits (losses) of associates	**55**	(5)	60	+
Net income attributable to non-controlling interests	**(31)**	(14)	(17)	-
Net income attributable to the Bank's shareholders	**4,558**	1,212	3,346	+
Return on equity (in %)	**15.7**	4.5		
Basic earnings per share (in NIS)	**3.14**	0.83		

Net income development by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Interest Income, Net	**2,671**	2,774	2,348	2,217	2,216	2,121	2,169
Loan loss (income) expenses	**(359)**	(158)	(212)	270	547	875	860
Noninterest Income	**1,240**	1,532	1,374	1,386	1,253	1,481	246
Operating and Other Expenses	**1,855**	1,858	1,839	1,825	1,749	1,669	1,803
Profit (loss) before taxes	**2,415**	2,606	2,095	1,508	1,173	1,058	(248)
Provision for tax (benefit)	**879**	950	753	604	432	359	(39)
Profit (loss) after tax	**1,536**	1,656	1,342	904	741	699	(209)
The Bank's share in the profits (losses) of associates	**26**	22	7	(8)	8	1	(14)
Net loss (income) attributable to non-controlling interests	**(11)**	(11)	(9)	(6)	1	(6)	(9)
Net income (loss) attributable to the Bank's shareholders	**1,551**	1,667	1,340	890	750	694	(232)
Return on equity (in %)	**16.0**	17.9	15.0	9.8	8.4	7.7	(2.6)
Basic earnings (loss) per share (in NIS)	**1.07**	1.15	0.92	0.61	0.52	0.48	(0.16)

Interest Income, Net

	For the three months ended September 30				For the nine months ended September 30			
	2021		2020		2021		2020	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	3,033	2.24	2,582	2.24	8,871	2.28	7,673	2.27
Interest expense	(362)	(0.39)	(366)	(0.44)	(1,078)	(0.40)	(1,167)	(0.48)
Interest Income, Net	2,671	1.85	2,216	1.80	7,793	1.88	6,506	1.79
Net yield on interest-bearing assets		1.97		1.92		2.00		1.92

The increase in the interest income during the reporting period stems from the increase in the Bank's loan portfolio and from the gaps 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 2.2 percent, compared with a negative CPI of 0.6 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 725 million, while in the corresponding period last year, the results were negatively affected by the negative CPI by a total of NIS 104 million. The CPI in the third quarter of 2021 was a positive 0.8 percent, compared with a positive CPI of 0.1 percent in the corresponding period last year. Interest income in the third quarter of 2021 was positively affected by the positive CPI in the amount of NIS 264 million, while in the corresponding quarter last year, the results were positively affected by the positive CPI by a total of NIS 31 million.

The growth in the net yield on interest-bearing assets in the third quarter and the reporting period mainly stems from the positive effect of the change in CPI on interest income in the reporting periods.

The total interest rate spread in the reporting period is 1.88 percent, compared to a 1.79 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 1.49 percent, compared with 1.08 percent in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reporting period was 0.89 percent, compared with 0.79 percent in the corresponding period last year. In the non-linked NIS segment, the interest rate spread was 1.77 percent, compared with 2.03 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 nine months ended September 30		Change	
	2021	2020		
	In NIS million		In NIS million	In %
Loan loss (income) expense - specific	**(396)**	269	(665)	-
Loan loss expense (income) - collective	**(333)**	2,013	(2,346)	-
Total expense (income) for loan losses	**(729)**	2,282	(3,011)	-
Of which:				
Loan loss (income) expenses in respect of commercial credit risk	**(581)**	1,852	(2,433)	-
Loan loss (income) expenses in respect of housing loans credit risk	**(90)**	190	(280)	-
Loan loss (income) expenses for credit risk for private individuals - other	**(58)**	237	(295)	-
Loan loss expenses for credit risk for banks and governments	**-**	3	(3)	-
Total expense (income) for loan losses	**(729)**	2,282	(3,011)	-
Ratios (in %):[(a)]				
Percentage of specific loan loss expense (income) out of average outstanding loans to the public	**(0.17)**	0.12	(0.29)	-
Percentage of loan loss expense (income) out of average outstanding loans to the public	**(0.31)**	1.04	(1.35)	-
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.05**	(0.21)	0.26	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**3.46**	(11.82)	15.28	+

(a) Annualized.

Development of loan loss expenses by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Loan loss (income) expense - specific	**(151)**	(76)	(169)	395	(10)	175	104
Loan loss expense (income) - collective	**(208)**	(82)	(43)	(125)	557	700	756
Total expense (income) for loan losses	**(359)**	(158)	(212)	270	547	875	860
Of which:							
Loan loss (income) expenses in respect of commercial credit risk	**(248)**	(153)	(180)	253	498	615	739
Loan loss (income) expenses in respect of housing loans credit risk	**(63)**	(8)	(19)	(15)	52	107	31
Loan loss (income) expenses for credit risk for private individuals - other	**(49)**	4	(13)	34	(5)	155	87
Loan loss (income) expenses for credit risk in respect of banks and governments	**1**	(1)	-	(2)	2	(2)	3
Total (income) expenses for loan losses	**(359)**	(158)	(212)	270	547	875	860
Ratios (in %):[(a)]							
Percentage of specific loan loss expense (income) out of average outstanding loans to the public	**(0.19)**	(0.10)	(0.22)	0.56	(0.01)	0.24	0.14
Percentage of loan loss expense (income) out of average outstanding loans to the public	**(0.44)**	(0.20)	(0.28)	0.38	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)**	0.01	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)**	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 nine months ended September 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Noninterest finance income	**1,344**	487	857	+
Fees and Commissions	**2,567**	2,457	110	4.5
Other income	**235**	36	199	+
Total	**4,146**	2,980	1,166	39.1

Development of noninterest income by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Noninterest finance income (expenses)	**276**	627	441	539	457	690	(660)
Fees and Commissions	**846**	853	868	824	788	776	893
Other income	**118**	52	65	23	8	15	13
Total	**1,240**	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 34.7 percent, compared with 31.4 percent in the same period last year; in the third quarter, the rate was 31.7 percent versus 36.1 percent in the corresponding period last year and 33.4 percent for the 2020 full year.

Breakdown of noninterest finance income

	For the nine months ended September 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	**259**	(255)	514	+
Gains on sale of available-for-sale bonds, net	**180**	311	(131)	(42.1)
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**748**	144	604	+
Losses on sale of investees' equity	**-**	(2)	2	100.0
Net income for derivatives for trading activities	**179**	227	(48)	(21.1)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(22)**	62	(84)	-
Total	**1,344**	487	857	+

(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 397 million, most of which were recorded in the second quarter of 2021.

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

Breakdown of noninterest finance income by quarter

	2021			2020			
	Q3	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	**48**	110	101	254	58	214	(527)
Gains on sale of available-for-sale bonds, net	**63**	52	65	66	91	86	134
Realized and unrealized gains (losses), net[a] and dividend from equity securities not held for trading	**108**	448	192	83	226	124	(206)
Losses on sale of investees' equity	**-**	-	-	-	-	-	(2)
Net income (expenses) in respect of derivatives for trading activities	**71**	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] and dividend from held-for-trading equity securities	**(14)**	(1)	(7)	(4)	(8)	103	(33)
Total	**276**	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 nine months ended September 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Account management	**475**	488	(13)	(2.7)
Activity in securities and certain derivatives	**584**	540	44	8.1
Credit cards	**277**	245	32	13.1
Credit handling	**148**	124	24	19.4
Financial products distribution fees and commissions	**208**	200	8	4.0
Exchange rate differentials	**284**	306	(22)	(7.2)
Financing fees and commissions	**349**	322	27	8.4
Other fees and commissions	**242**	232	10	4.3
Total fees and commissions	**2,567**	2,457	110	4.5

Most of the increase is on the back of fees and commissions from securities, credit handling fees, credit card 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 a decrease in fees and commissions on account management and in 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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Account management	**160**	158	157	154	161	155	172
Activity in securities and certain derivatives	**173**	192	219	187	165	177	198
Credit cards	**99**	94	84	82	82	78	85
Credit handling	**47**	50	51	49	42	39	43
Financial products distribution fees and commissions	**72**	69	67	68	64	64	72
Exchange rate differentials	**94**	92	98	86	84	85	137
Financing fees and commissions	**120**	115	114	120	111	103	108
Other fees and commissions	**81**	83	78	78	79	75	78
Total fees and commissions	**846**	853	868	824	788	776	893

Breakdown of other income

	For the nine months ended September 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Gains on severance pay reserve	**73**	1	72	+
Other income, including on sale of buildings and equipment	**162**	35	127	+
Total	**235**	36	199	+

Breakdown of other income by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Gains (losses) on severance pay reserve	**39**	24	10	8	-	4	(3)
Other income, including on sale of buildings and equipment	**79**	28	55	15	8	11	16
Total	**118**	52	65	23	8	15	13

Operating and Other Expenses

	For the nine months ended September 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**3,212**	2,788	424	15.2
Depreciation and amortization	**517**	520	(3)	(0.6)
Maintenance expenses for buildings and equipment	**616**	679	(63)	(9.3)
Other expenses	**1,207**	1,234	(27)	(2.2)
Total operating and other expenses	**5,552**	5,221	331	6.3

Operating and other expenses by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**1,079**	1,055	1,078	954	942	911	935
Depreciation and amortization	**172**	174	171	158	157	183	180
Maintenance expenses for buildings and equipment	**197**	209	210	245	232	202	245
Other expenses	**407**	420	380	468	418	373	443
Total operating and other expenses	**1,855**	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 46.5 percent of total income, compared with 55.0 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 1.21 percent of total assets, compared with 1.32 percent in the corresponding period last year and 1.27 percent in the entire 2020.

Salary expenses

	For the nine months ended September 30			
	2021	2020	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,926**	2,529	397	15.7
Pension, severance and retirement expenses	**286**	259	27	10.4
Total salary expenses	**3,212**	2,788	424	15.2

Salary expenses by quarter

	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**988**	955	983	845	850	824	855
Pension, severance and retirement expenses	**91**	100	95	109	92	87	80
Total salary expenses	**1,079**	1,055	1,078	954	942	911	935

Condensed Statement of Comprehensive Income

Comprehensive income for the reporting period totaled NIS 4,753 million compared to NIS 2,269 million in the corresponding period last year. The difference between the comprehensive income for the period and the net income stems mainly from positive adjustments to liabilities for employee benefits totaling NIS 560 million, which was partially offset by negative adjustments for available-for-sale bonds totaling NIS (357) 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 September 30 2021 and 2020

	Other comprehensive income (loss) before attribution to non-controlling interests							
	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	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 June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Net change during the period	28	(12)	-	(7)	231	240	(6)	246
Balance as at September 30 2020	1,045	(206)	32	(20)	(3,323)	(2,472)	(34)	(2,438)
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)
Net change during the period	**(33)**	**(13)**	**(4)**	**(2)**	**66**	**14**	**(4)**	**18**
Balance as at September 30 2021	**806**	**(288)**	**8**	**(25)**	**(3,174)**	**2,673**	**(76)**	**(2,597)**

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

	Other comprehensive income (loss) before attribution to non-controlling interests							
	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	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	421	(7)	34	(7)	625	1,066	9	1,057
Balance as at September 30 2020	1,045	(206)	32	(20)	(3,323)	(2,472)	(34)	(2,438)
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	**(357)**	**7**	**(18)**	**(9)**	**560**	**183**	**(12)**	**195**
Balance as at September 30 2021	**806**	**(288)**	**8**	**(25)**	**(3,174)**	**2,673**	**(76)**	**(2,597)**

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							
	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	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the year	539	(96)	28	(3)	214	682	(21)	703
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)

(a) Adjustments from translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) for hedging of a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments in respect of plan assets.

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

The total assets of the Leumi Group as at September 30 2021 amounted to NIS 611.9 billion, compared to NIS 556.0 billion as at the end of 2020 - a 10.0 percent increase, and compared to September 2020 - a 15.9 percent increase.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 115.8 billion, 18.9 percent of the total assets. In the first nine months of 2021, the shekel devalued against the US dollar by 0.4 percent, appreciated 5.3 percent against the euro, and appreciated against the pound sterling by 1.2 percent. The effect of exchange rate differentials on the balance sheet in the first nine months of the year was negligible.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,973 billion as at September 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

	September 30	December 31	Change	
			From December	From September
	2021	2020	2020	2020
	In NIS million		In %	
Total assets	**611,912**	556,035	10.0	15.9
Cash and deposits with banks	**171,645**	136,194	26.0	46.0
Securities	**81,580**	92,297	(11.6)	(14.3)
Loans to the public, net	**325,524**	295,341	10.2	13.7
Buildings and equipment	**2,699**	2,932	(7.9)	(6.5)
Deposits by the public	**500,876**	447,031	12.0	17.3
Deposits by banks	**23,161**	15,143	52.9	+
Bonds, capital notes and subordinated bonds[a]	**13,189**	16,303	(19.1)	(24.1)
Equity attributable to the Bank's shareholders	**41,787**	37,664	10.9	12.5

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

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

	September 30	December 31	Change	
			From December	From September
	2021	2020	2020	2020
	In NIS million		In %	
Documentary credit, net	**1,729**	1,067	62.0	+
Loan guarantees, net	**5,615**	5,186	8.3	17.0
Guarantees for apartment buyers, net	**26,272**	20,123	30.6	28.0
Guarantees and other commitments, net	**17,852**	16,999	5.0	10.4
Unutilized credit card credit facilities, net[a]	**8,726**	15,655	(44.3)	(43.8)
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**12,573**	12,813	(1.9)	(2.9)
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**59,472**	52,909	12.4	15.4
Derivative instruments[b][c]	**808,335**	698,304	15.8	5.9
Options - all types[c]	**354,699**	92,392	+	62.2

(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"). The measure to reduce unutilized credit card facilities under the Ordinance and Law applies to all Bank customers rather than only to private individuals.
Following on the Legislation and Regulation chapter in the Report of the Board of Directors and Management as of December 31 2020, it should be noted that the Bank took measures to reduce the credit facilities based, inter alia, on professional opinions, and took several actions aimed at supporting and addressing the reduction measures, including: providing adequate training to Bank branches, monitoring credit facility utilization rates, etc. The Bank is currently working on further reducing facilities.

(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 September 30 2021 totaled NIS 325.5 billion versus NIS 286.4 billion as at September 30 2020, a 13.7 percent increase compared to a total of NIS 295.3 billion as at the end of 2020, a 10.2 percent increase.

In addition to loans to the public, the Group invests in corporate securities, which total - as at September 30 2021 - NIS 20,527 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

	September 30	December 31		
	2021	2020	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	99,672	89,753	9,919	11.1
Private individuals - Other	26,644	25,412	1,232	4.8
Construction and real estate	83,553	69,542	14,011	20.1
Commercial	27,349	27,048	301	1.1
Industry	21,621	19,991	1,630	8.2
Other	66,685	63,595	3,090	4.9
Total	325,524	295,341	30,183	10.2

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

Troubled Credit Risk

Troubled credit risk after specific and collective provisions

	September 30			December 31		
	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	2,172	126	2,298	2,889	153	3,042
Substandard credit risk, net	302	9	311	339	25	364
Special mention credit risk, net	3,093	285	3,378	3,299	309	3,608
Total	5,567	420	5,987	6,527	487	7,014

	September 30	December 31
	2021	2020
	In NIS million	
Troubled credit risk - Commercial	6,551	7,807
Troubled credit risk - retail	1,326	1,427
Total	7,877	9,234
Balance of loan loss provision	1,890	2,220
Troubled loans after loan loss provision	5,987	7,014

For more information regarding troubled loans, please see section entitled “Credit Risks” 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 at September 30 2021, the outstanding troubled credit risk totaled NIS 5,987 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 September 30 2021, the Group's investments in securities amounted to NIS 81.6 billion, compared to NIS 92.3 billion as at the end of 2020, a 11.6 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.I.1 to the 2020 Financial Statements.

Fair value calculation method

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

Non-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:

	September 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	4,062	26,493		1,453	32,008	3,919	34,821		3,144	41,884
Of foreign governments[(c)]	-	17,876		-	17,876	-	19,893		223	20,116
Of Israeli financial institutions	-	54		52	106	-	69		323	392
Of foreign financial institutions[(d)]	-	8,831		29	8,860	-	8,861		98	8,959
Asset-backed (ABS) or mortgage-backed (MBS)	2,409	7,925		51	10,385	2,265	6,996		80	9,341
Of other Israeli entities	-	373		136	509	-	220		58	278
Of other foreign entities	1,750	5,285		61	7,096	818	6,067		46	6,931
Equity securities and mutual funds			4,714	26	4,740			4,335	61	4,396
Total securities	8,221	66,837	4,714	1,808	81,580	7,002	76,927	4,335	4,033	92,297

(a) Including unrealized gains from fair value adjustments in the amount of NIS 1,239 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 1 million recorded in profit and loss (December 31 2020 - NIS 52 million).

(c) Of which: US government - NIS 11,430 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 September 30 2021, approximately 81.9 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 2.2 percent - as held for trading, approx. 5.8 percent as not held-for-trading equity securities and mutual funds and 10.1 percent as held-to-maturity. Approximately 5.8 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' market cap.

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 541 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with an increase of NIS 636 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 180 million (before tax), compared with net gains of NIS 311 million (before tax) in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds portfolio as at September 30 2021 totaled a positive NIS 806 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 September 30 2021, the held-for-trading portfolio has NIS 1.8 billion in bonds, compared with NIS 4.0 billion as at December 31 2020. As at September 30 2021, the held-for-trading portfolio constitutes 2.2 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 23 million were recorded net in the income statement in the reporting period, compared with net gains of NIS 57 million in the same period last year.

Investments in equity securities and mutual funds

As at September 30 2021, investments in equity securities and mutual funds totaled NIS 4,740 million, of which NIS 2,981 million was marketable and NIS 1,759 million - non-marketable.

Of the total investment, NIS 4,714 million is classified to the not held-for-trading portfolio and NIS 26 million - to the held-for-trading portfolio.

As at September 30 2021, the capital required in respect of these investments is NIS 412 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 September 30 2021, compared to NIS 9.3 billion as at the end of 2020. Out of the above portfolio, as at September 30 2021, NIS 7.9 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 September 30 2021, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 5.5 billion. 92.81 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of September 30 2021, the total net decrease in value from mortgage-backed bonds charged to shareholders' equity was NIS 7 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 420 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 4.31 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 2.4 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 5.5 years.

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

B. Investments in foreign non-asset-backed securities

As of September 30 2021, the Group's securities portfolio includes NIS 43.9 billion (USD 13.6 billion) in foreign non-asset-backed securities. NIS 36.8 billion (about USD 11.4 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.44 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

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

As at September 30 2021, the outstanding aggregate increase in the value of shareholders' equity in respect of bonds which are not backed by assets issued abroad within the available-for-sale portfolio amounted to NIS 535 million (NIS 352 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 91.68 percent of the securities in the held-for-trading portfolio are investment-grade.

As at September 30 2021, the value of the non-asset-backed held-for-trading portfolio was NIS 0.3 billion (USD 0.1 billion). The difference between the fair value and the amortized cost, if any, is recorded in the income statement.

Investments in bonds issued in Israel

As at September 30 2021, investments in bonds issued in Israel amounted to NIS 26.0 billion, of which NIS 25.4 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. Approximately 69.4 percent of corporate bonds investments - which are NIS 0.4 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 0.4 billion - include a positive capital reserve of NIS 24 million.

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

For more information, please see Note 5.

Deposits by the public

As at September 30 2021, deposits by the public with the Group totaled approximately NIS 500.9 billion, compared to NIS 427.1 billion as at September 30 2020, a 17.3 percent increase, and compared with a total of approximately NIS 447.0 billion as at the end of 2020, a 12.0 percent increase.

Off-balance sheet activity in securities held by the public

	September 30	December 31		
	2021	2020	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)]	**989,652**	843,017	146,635	17.4
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**198,180**	178,964	19,216	10.7
Advanced study funds	**172,912**	155,674	17,238	11.1

(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.

On November 8 2021, the Bank reported it was considering issuing to the public a new series of ordinary bonds of the Bank and listing them on the TASE. As of the report date, the issuance has yet to be made.

For more information, please see the immediate report dated November 8 2021.

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. Capital notes were 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 41,787 million on September 30 2021 compared with NIS 37,664 million as at the end of 2020.

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

Capital Adequacy Structure[(a)]

	September 30		December 31
	2021	2020	2020
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	**42,946**	38,086	39,262
Tier 2 capital, after deductions	**10,292**	13,341	12,297
Total capital	**53,238**	51,427	51,559
Balances of risk-weighted assets			
Credit risk	**335,495**	297,423	303,356
Market Risks	**5,111**	5,314	5,313
Operational risk	**22,393**	22,448	22,182
Total balances of risk-weighted assets	**362,999**	325,185	330,851
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	**11.83%**	11.71%	11.87%
Total capital to risk-weighted assets	**14.67%**	15.81%	15.58%

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

Common Equity Tier 1 capital ratio was 11.83 percent as at September 30 2021, a 0.04 percent decrease compared to December 31 2020, on the back of an increase in the loan portfolio, which was partly offset by the increase in Common Equity Tier 1 capital during the reporting period. The increase in the Common Equity Tier 1 during the reporting period arises mainly from the net income for the period, net of dividend.

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 collective loan loss provisions, subject to the ceiling prescribed by the directives.

As at December 31 2013, equity instruments included in Tier 2 capital are subject to transitional provisions and a recognition ceiling, as prescribed by the Directives, such that the amount recognized in effect for the equity instruments is the lower of the amortized amount of the instruments and the recognition ceiling based on the balance of the equity instruments included in Tier 2 capital as at December 31 2013, which is amortized at the beginning of each year at 10 percent until January 1 2022. The recognition ceiling for 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 by a rate which reflects 1 percent of outstanding housing loans. On October 6, 2021, the Banking Supervision Department published a revised FAQ - "Limitations on Issuing Housing Loans", in which it clarified that the requirement to increase the capital target by a rate which reflects 1 percent of the outstanding housing loans amount refers to the Common Equity Tier 1 target only, and applying it to the total capital target is not mandatory. Accordingly, the minimum total capital ratio required by the Banking Supervision Department was adjusted - see Note 9B.

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, and on September 30 2021, the Banking Supervision Department published another circular extending the period of the temporary order until December 31 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, 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.

As part of the Temporary Order, it was decided that the additional capital requirement of 1 percent of the outstanding loan, stipulated in Section 14A, will not be applicable to housing loans extended during the crisis period (from March 19 2020 until the Temporary Provision expiry date). Proper Conduct of Banking Business Directive No. 329, Limitations on Issuing Housing Loans. The temporary order was extended until September 30 2021 under the circular dated March 22 2021 extending the temporary order.

In accordance with the circular published by the Banking Supervision Department on September 30 2021, from October 1 2021, the additional 1 percent capital requirement in relation to housing loans will be reapplied, although the easement remains as to housing loans not intended to purchase real estate (all-purpose loans).

In accordance with the Temporary Order, the minimum capital requirements applicable to the Bank as of September 30 2021 are 9.18 percent for the Common Equity Tier 1 capital ratio (and with the additional capital requirement for outstanding housing loans) and 12.50 percent for total capital ratio.

According to circulars published by the Banking Supervision Department on July 26 2021 and September 30 2021, the banking system can revert to distributing dividends, and the banks should adopt a prudent and conservative approach in dividend distribution and share buyback. The position of the Banking Supervision Department is that a distribution of an amount that is higher than 30 percent of the net income for 2020 and 2021 will not be considered prudent and conservative capital planning. Moreover, the Banking Supervision Department indicated that a failure to meet the required leverage ratio and using easement in relation to the leverage ratio will not prevent the distribution of dividends, subject to an overall capital plan aimed at reverting to the required leverage ratio.

The Bank's capital planning and capital adequacy targets

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

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

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.5 percent, as from December 31 2017.

In light of the temporary order, and in accordance with the minimum regulatory requirements applicable to the banks in the wake of the coronavirus crisis, as outlined above, the Bank's Board of Directors decided on April 16 2020 that the internal CET1 capital ratio threshold would be 9.5 percent in lieu of 10.5 percent.

For more information, please see the immediate report dated April 16 2020 (Ref. No. 2020-01-034294).

Dividend distribution policy

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 to the dividend distribution and to the Bank's share buyback plan in light of the coronavirus crisis, 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 aforesaid, the position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the net income for 2020 and 2021 will not be considered prudent and conservative capital planning. After having distributed NIS 630 million, an amount equal to 30 percent of its profits for 2020 in September, and in light of the Bank's high capital surplus, on November 15 2021, the Board of Directors approved a dividend payment of NIS 1,367 million, which constitutes 30 percent of the net income for the first nine months of 2021. The dividend amount approved is 94.115 agorot per share of NIS 1 par value. The Board of Directors designated November 29 2021 as the record date for purposes of payment of the dividend and December 12 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
November 26 2019	December 22 2019	20.87	306
February 26 2020	March 23 2020	20.29	297
August 12 2021	September 2 2021	43.36	630

Adjustments to Common Equity Tier 1 capital

Measurement of the employee benefits liability

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

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

Relief for operational efficiency plans

In 2016 and 2017, the Banking Supervision Department published letters entitled "Operational Efficiency of the Banking System in Israel" - workforce and real estate. According to the letters, a banking corporation which meets the terms and conditions prescribed, will be granted a relief, according to which it may spread the effect of the 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 September 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 at September 30 2021, 85 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 at September 30 2021, 45 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, March, and October 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 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 363 billion as at September 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 September 30 2021, Common Equity Tier 1 totals NIS 43.0 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.

Regarding the Bank's assessment of the expected effect of the completion of the merger between Bank Leumi Corporation and Valley National Bancorp on Leumi's capital ratio, please see below under "Main Investee Companies."

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.

	September 30		December 31
	2021	2020	2020
	In NIS million		
Consolidated data			
Tier 1 capital	**42,946**	38,086	39,262
Total exposures	**666,818**	572,012	597,538
Leverage ratio			
Leverage Ratio	**6.44%**	6.66%	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 September 30 2021 is 6.44 percent, a 0.13 percent decrease compared to December 31 2020. The decrease stems mainly from an increase in the on-balance-sheet exposure (mainly from loans to the public and from cash and the 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 September 30 2021											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private Indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	277	271	897	1,445	355	243	277	74	-	31	246	2,671
Inter-segmental	199	22	(548)	(327)	(2)	(72)	(41)	457	(2)	1	(14)	-
Interest Income, Net	476	293	349	1,118	353	171	236	531	(2)	32	232	2,671
Noninterest Income	349	112	4	465	111	52	83	151	127	185	66	1,240
Total income	825	405	353	1,583	464	223	319	682	125	217	298	3,911
Loan loss expenses (income)	(47)	(130)	(60)	(237)	(57)	(54)	23	(19)	(9)	6	(12)	(359)
Total operating and other expenses	697	252	82	1,031	173	69	37	106	205	47	187	1,855
Profit (loss) before tax	175	283	331	789	348	208	259	595	(71)	164	123	2,415
Provision for tax	60	97	113	270	119	71	89	204	51	47	28	879
Net income (loss) attributable to the Bank's shareholders	115	186	218	519	229	137	170	392	(122)	142	84	1,551

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

	For the three months ended September 30 2020											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private Indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	268	281	595	1,144	288	224	218	94	-	24	224	2,216
inter-segmental[(a)]	192	9	(301)	(100)	10	(54)	(32)	179	(6)	5	(2)	-
Interest Income, Net	460	290	294	1,044	298	170	186	273	(6)	29	222	2,216
Noninterest income[(a)]	325	109	6	440	99	61	74	314	112	87	66	1,253
Total income	785	399	300	1,484	397	231	260	587	106	116	288	3,469
Loan loss expenses (income)	43	59	53	155	49	166	68	(5)	(1)	(7)	122	547
Total operating and other expenses	639	234	62	935	172	59	31	93	221	45	193	1,749
Profit (loss) before tax	103	106	185	394	176	6	161	499	(114)	78	(27)	1,173
Provision for tax (benefit)	36	36	64	136	60	2	55	171	(7)	20	(5)	432
Net income (loss) attributable to the Bank's shareholders	67	70	121	258	116	4	106	329	(107)	65	(21)	750

(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 nine months ended September 30 2021											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private Indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	797	800	2,561	4,158	1,030	784	794	222	7	79	719	7,793
Inter-segmental	597	55	(1,560)	(908)	(15)	(252)	(113)	1,300	(3)	2	(11)	-
Interest Income, Net	1,394	855	1,001	3,250	1,015	532	681	1,522	4	81	708	7,793
Noninterest Income	1,055	335	14	1,404	338	165	239	780	276	756	188	4,146
Total income	2,449	1,190	1,015	4,654	1,353	697	920	2,302	280	837	896	11,939
Loan loss expenses (income)	(54)	(215)	(85)	(354)	(101)	(209)	(103)	36	(9)	10	1	(729)
Total operating and other expenses	2,078	732	239	3,049	544	206	102	313	633	149	556	5,552
Profit (loss) before tax	425	673	861	1,959	910	700	921	1,953	(344)	678	339	7,116
Provision for tax	145	230	294	669	311	239	315	668	132	171	77	2,582
Net income (loss) attributable to the Bank's shareholders	280	443	567	1,290	599	461	606	1,288	(476)	559	231	4,558
Balances as at September 30 2021												
Loans to the public, net	29,774	24,916	100,906	155,596	49,011	39,376	40,391	12,070	5,034	992	23,054	325,524
Deposits by the public	185,382	50,405	-	235,787	84,986	31,619	12,771	111,054	3	-	24,656	500,876

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

	For the nine months ended September 30 2020											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	846	865	1,480	3,191	810	672	613	401	-	94	725	6,506
inter-segmental[(a)]	593	26	(629)	(10)	89	(162)	(87)	173	3	13	(19)	-
Interest Income, Net	1,439	891	851	3,181	899	510	526	574	3	107	706	6,506
Noninterest income[(a)]	1,027	350	30	1,407	320	181	233	388	113	139	199	2,980
Total income	2,466	1,241	881	4,588	1,219	691	759	962	116	246	905	9,486
Loan loss expenses (income)	332	483	197	1,012	305	608	162	(9)	(25)	1	228	2,282
Total operating and other expenses	1,945	728	182	2,855	472	171	91	287	634	133	578	5,221
Profit (loss) before tax	189	30	502	721	442	(88)	506	684	(493)	112	99	1,983
Provision for tax (benefit)[(b)]	65	10	172	247	151	(30)	173	234	(67)	22	22	752
Net income (loss) attributable to the Bank's shareholders	124	20	330	474	291	(58)	333	451	(426)	84	63	1,212
Balances as at September 30 2020												
Loans to the public, net	27,319	24,247	89,332	140,898	42,518	39,369	29,063	5,723	5,216	744	22,843	286,374
Deposits by the public	180,897	45,601	-	226,498	64,963	24,648	8,410	78,153	4	-	24,439	427,115

(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.

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

	For the year ended December 31 2020											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private Indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	1,126	1,142	2,047	4,315	1,118	880	834	510	-	128	938	8,723
inter-segmental[(a)]	774	38	(891)	(79)	103	(205)	(111)	287	-	7	(2)	-
Interest Income, Net	1,900	1,180	1,156	4,236	1,221	675	723	797	-	135	936	8,723
Noninterest income[(a)]	1,362	459	38	1,859	428	244	312	879	127	254	263	4,366
Total income	3,262	1,639	1,194	6,095	1,649	919	1,035	1,676	127	389	1,199	13,089
Loan loss expenses (income)	333	482	178	993	352	762	210	(18)	(33)	4	282	2,552
Total operating and other expenses	2,610	951	245	3,806	667	227	125	382	871	190	778	7,046
Profit (loss) before tax	319	206	771	1,296	630	(70)	700	1,312	(711)	195	139	3,491
Provision for tax (benefit)	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

(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 September 30 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpora-tions	Institu-tionals	Financial mana-gement	Other		
	In NIS million										
Interest Income, Net	286	341	12	457	192	399	12	745	(2)	229	2,671
Noninterest Income	13	240	40	197	78	141	43	302	119	67	1,240
Total income	299	581	52	654	270	540	55	1,047	117	296	3,911
Loan loss expenses (income)	(63)	(49)	-	(125)	(54)	(42)	6	(19)	-	(13)	(359)
Total operating and other expenses	82	646	22	376	115	107	60	92	170	185	1,855
Profit (loss) before tax	280	(16)	30	403	209	475	(11)	974	(53)	124	2,415
Provision for tax (benefit)	104	(3)	11	151	78	178	(4)	366	(31)	29	879
Net income (loss) attributable to the Bank's shareholders	176	(13)	19	252	131	297	(7)	634	(22)	84	1,551

	For the three months ended September 30 2020										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial mana-gement	Other		
	In NIS million										
Interest Income, Net	258	366	13	442	176	369	9	363	(1)	221	2,216
Noninterest Income	14	222	37	187	67	134	41	477	5	69	1,253
Total income	272	588	50	629	243	503	50	840	4	290	3,469
Loan Loss Expenses	51	4	-	106	53	207	-	2	-	124	547
Total operating and other expenses	59	593	20	371	103	100	59	77	174	193	1,749
Profit (loss) before tax	162	(9)	30	152	87	196	(9)	761	(170)	(27)	1,173
Provision for tax (benefit)	60	(4)	11	56	32	72	(2)	276	(62)	(7)	432
Net income (loss) attributable to the Bank's shareholders	102	(5)	19	96	55	124	(7)	493	(108)	(19)	750

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-bus.	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial manage-ment	Other		
	In NIS million										
Interest income, net	828	1,022	33	1,330	568	1,160	37	2,110	(3)	708	7,793
Noninterest Income	42	715	125	600	234	421	134	1,454	234	187	4,146
Total income	870	1,737	158	1,930	802	1,581	171	3,564	231	895	11,939
Loan loss expenses (income)	(91)	(57)	-	(233)	(117)	(227)	5	(10)	-	1	(729)
Total operating and other expenses	238	1,897	72	1,168	344	320	175	266	518	554	5,552
Profit (loss) before tax	723	(103)	86	995	575	1,488	(9)	3,308	(287)	340	7,116
Provision for tax (benefit)	263	(36)	31	367	212	546	(4)	1,203	(78)	78	2,582
Net income (loss) attributable to the Bank's shareholders	460	(67)	55	628	363	942	(5)	2,160	(209)	231	4,558
Balance as at September 30 2021											
Loans to the public, gross	99,970	27,178	406[(a)]	55,653	32,468	88,397	2,714	-	-	23,423	330,209
Deposits by the public	-	121,770	26,017	84,371	60,150	82,539	101,373	-	-	24,656	500,876

	For the nine months ended September 30 2020										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-bus.	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial manage-ment	Other		
	In NIS million										
Interest income, net	737	1,141	50	1,384	539	1,057	59	841	(7)	705	6,506
Noninterest Income	46	694	111	579	217	399	166	551	13	204	2,980
Total income	783	1,835	161	1,963	756	1,456	225	1,392	6	909	9,486
Loan loss expenses (income)	189	237	-	623	263	740	(2)	3	-	229	2,282
Total operating and other expenses	180	1,786	60	1,105	311	286	171	220	524	578	5,221
Profit (loss) before tax	414	(188)	101	235	182	430	56	1,169	(518)	102	1,983
Provision for tax (benefit)	148	(69)	36	83	67	153	21	454	(161)	20	752
Net income (loss) attributable to the Bank's shareholders	266	(119)	65	152	115	277	35	710	(357)	68	1,212
Balance as at September 30 2020											
Loans to the public, gross	88,044	26,394	309[(a)]	50,106	28,728	73,973	637	-	-	23,270	291,461
Deposits by the public	-	120,807	26,453	74,131	46,798	63,416	71,071	-	-	24,439	427,115

(a) Including outstanding housing loans as at September 30 2021 in the amount of NIS 158 million, and as at September 30 2020 totaling NIS 109 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	Institutionals	Financial management	Other		
	In NIS million										
Interest income, net	995	1,499	57	1,802	724	1,441	73	1,202	(6)	936	8,723
Noninterest Income	61	923	151	773	290	549	207	1,127	22	263	4,366
Total income	1,056	2,422	208	2,575	1,014	1,990	280	2,329	16	1,199	13,089
Loan loss expenses (income)	174	271	-	569	285	1,001	(1)	(29)	-	282	2,552
Total operating and other expenses	243	2,345	83	1,531	421	376	231	321	717	778	7,046
Profit (loss) before tax	639	(194)	125	475	308	613	50	2,037	(701)	139	3,491
Provision for tax (benefit)	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 September 30 2021, was NIS 11,534 million, compared with NIS 10,818 million as of December 31 2020, with the investee companies contributing NIS 777 million to the Group's net income in the first nine months of 2021, compared with NIS 111 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 7,812 million as of September 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 nine months of 2021 was NIS 559 million, compared with NIS 84 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 group limit on non-financial investments, the Bank should follow the risk appetite to be set for that purpose, subject to assessment and challenging procedures to be executed by the lines of defense, including the Internal Audit Division and subject to meeting the non-financial investment limit, 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 the reporting period in respect of the sold shares and revaluation of the remaining shares amounted to NIS 130 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 the reporting period in respect of the sold shares (based on the share price at the merger date) and revaluation of the remaining shares amounted to NIS 267 million.

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.
On November 2 2021, the Bank received the decision of the Competition Authority, approving the investment transaction for a period of three years. As of the report publication date, the required conditions precedent for concluding the transaction are not yet fulfilled.

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 at September 30 2021 was NIS 3,688 million, compared with NIS 3,543 million as at December 31 2020.

In the first nine months of 2021, the foreign offices' contribution to the Group's shekel net income was NIS 215 million, compared with an NIS 26 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

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley"). The transaction reflects a USD 1.2 billion valuation for BLUSA (approx. 140 percent of the share capital).

Valley is a banking holding company which holds Valley National Bank (hereinafter – "Valley Bank"). Valley Bank was established in 1927. Once the transaction has been completed, Valley Bank is expected to become of the US's 29 largest banks whose shares are listed on the NASDAQ.

Following the completion of the transaction and execution of the merger procedures, BLC will be merged into Valley and BLUSA will be merged into Valley Bank (hereinafter - the "Merger Agreement").

The consideration of the transaction will be paid to the Bank in Valley shares (90 percent of the consideration) and the rest - in cash. Following the completion of the transaction, the Bank is expected to hold 14.2 percent of Valley's share capital and to be the largest shareholder in Valley, but not the controlling shareholder.

The expected gain for the Bank from the completion of the transaction is NIS 650-750 million, after tax. The final gain will be determined in accordance with the share price, BLC's shareholders' equity and the exchange rate immediately prior to the date of completion.

At the same time as signing the merger agreement, the Bank entered into a shareholders' agreement with Valley, in which the following terms and conditions, among others, were agreed upon:

- The Bank will be entitled to appoint 2 directors for Valley's Board of directors (who will also serve on key committees), as well as an observer on Valley's board of directors and 2 directors to the Valley Bank's Board of directors. A decrease of the holding stake by approximately 12.5 percent in Valley will reduce the entitlement of the Bank to appoint one member of the Board in each of the companies; a decrease under 5 percent in the Bank's holding in Valley will void the Bank's right to appoint the aforementioned Board members.
- The locked Valley shares - to be held by the Bank for a period of 4 years - will vest in equal tranches of 25 percent per year.
- Participation transactions will continue, and Leumi Group customers active in the US will continue to be served.

- Regarding matters such as compensation, appointment of directors and shareholders' proposals, the Bank will vote in shareholders' meetings of Valley according to the recommendation of Valley's Board of directors.

The completion of the transaction (Merger Agreement and shareholders' agreement) is subject to meeting certain conditions precedent, including approval by the Bank of Israel, approval by relevant US regulators, including a confirmation whereby the Bank is not the controlling shareholder or a "source of strength" in Valley in accordance with American law and subject to the approval of Valley's general meeting.

According to the Bank's assessment, once the transaction is completed, Leumi's capital ratios will improve by 0.5 percent.

For more information, please see the immediate report dated September 23 2021 (Ref. No.: 2021-01-080569).

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.

Risk factor severity

The changes that took place in the table included in the Report of the Board of Directors and Management as at December 31 2020, are in the operational and credit risk. During the second quarter of 2021, 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. In the third quarter, the severity level of the overall credit risk and the severity of the borrower and collateral quality risk decreased from "moderate-high" to "moderate". The crisis is ongoing, but with the passage of time, knowledge across the world grows, and combined with the experience gained - uncertainty is on the decline.

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”, Proper Conduct of Banking Business Directive 311A, “Management of Consumer Credit” 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 on credit risk

Economic activity in Israel continued to grow in the third quarter, on the back of the high vaccination rates and the administering of the third (“booster”) shot.
Based on the economic indicators that were published recently, it appears that in the third quarter, the economy continued to recover substantially across most sectors, although the sectors most hurt by the crisis are well behind in terms of their recovery rates compared to other economic sectors.

The labor market reflects an unemployment rate that is higher than pre-crisis rates. However, during the first nine months of 2021, there has been an improvement trend, with a decline in unemployment rates.

The unemployment rate continues to decline slowly, but its level in the coming year is not expected to resume its pre-crisis levels.

Indeed, this is an ongoing global crisis that is expected to persist in the near future, but with the passage of time, knowledge and experience continue to accumulate, reducing uncertainty. It should be noted that most business and private customers with deferred loans have resumed their regular payments.

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.

The loan losses for the first nine months of 2021 totaled NIS 396 million in the specific provision and NIS 333 million in collective provision. The loan losses for the third quarter of 2021 totaled NIS 151 million in specific provision and NIS 208 million in collective provision. This income was significantly affected by collections, by the decrease in morbidity, by the improved macro-economic parameters and by the economic expansion in the first nine months of 2021. A loan loss provision is an estimate based on significant judgment, which was exercised during the reporting period in a changing environment.

The provision process includes three main stages, which were adapted to the circumstances of the coronavirus 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 debts 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 unemployment rate remains higher 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 due to the coronavirus, as well as employees who do not participate in the work force and have been dismissed as of March 2020). However, during the first nine months of the year, there has been an improvement trend, with a decline in unemployment rates. In September 2021, approx. 338,000 employees (7.9 percent of the work force) meet the broad definition of unemployment rate. According to the Bank, 2021 is expected to end with a broad unemployment rate of approximately 10 percent and 2022 is expected to end with a rate of 5.5-6.0 percent (yearly average). Moreover, as at October 2021, the Bank is expecting an increase of 7.2 percent in the GDP in 2021. This represents fast growth, following a 2.2 percent contraction of the GDP in 2020. The quick growth reflects a significant increase in private consumption, the weight of whose components in the national accounting item is significant, increased investment in fixed assets - particularly cars - and in the ongoing growth in exports, particularly in high-tech services. Therefore, the quick growth, coupled with the decline in unemployment rate, which reflect the adjustment of most economic sectors to a new routine during the coronavirus period, have reduced the economy's vulnerability to the scope of morbidity in relation to previous quarters.

As part of the process of quantifying the provision, scenarios were calculated which represent circumstances that management believes are within a reasonable range, which were attributed weights for the purpose of obtaining the best estimate. It should be noted that, due to the uncertainty which has decreased but still surrounds the current circumstances and the resulting difficulty which has lessened but still exists in identifying, recognizing and measuring loan losses, the estimated loan losses due to the coronavirus crisis are based on assumptions and assessments which, at this point, seem more encouraging. At the same time, the effects of the measures and aid programs approved at the beginning of the crisis are dwindling, and the Bank does not expect they will have any significant adverse effect on credit risk, following positive indications regarding the population segments which enjoyed these aid programs - both among households and business borrowers, such as: the high rates of borrowers who resumed their regular payments following the deferment period, the low rate of borrowers in arrears out of the borrowers who resumed payments, the high rate of borrowers given state-backed loans who have begun to repay them, the low rate of borrowers in arrears out of this population, etc. In order to adequately reflect the improved economic indicators and on the back of the aforementioned encouraging indications, the Bank revised the above mentioned scenarios, by increasing the weight of the optimistic forecasts, in order to come up with the best estimate.

Due to the continuous nature of the crisis, the Bank continued to examine, during the third quarter of 2021, the key criteria for the provision-making process, and made the required revision thereto; in the process, it took into account the developments outlined above as well as the assessments whereby the risk of additional harm to the business activity as a result of the epidemiological aspect is lower the before; this is due to the high vaccination rates among Israel's population and the economy's adjustments to activity made during surges in morbidity. 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 and are therefore subject to 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 a higher one-digit range on an annual average than that appearing in the underlying scenario, together with a growth rate that is lower than the underlying assumptions. The Bank compared the results of the two alternative scenarios described above to the outstanding loan loss provision recognized in its financial statements as at September 30 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 0.1 or 0.2 billion, respectively, in the loan loss provision, depending on the scenario assumptions.

This analysis is 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 still exist, such that the provision may change - increase or decrease - in the future, 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

In 2021, the Bank has applied the coronavirus guidance of the Bank of Israel and adopted the unified outlines published by the Bank of Israel to date regarding changes in the loan terms, especially by way of loan deferment for private individuals and business customers.

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, March 31 2021, and June 30 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.

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 October 31 2021, approximately 87.5 percent have resumed regular payments.

As at October 31 2021, approx. 2.4 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.

Details about outstanding debts in Israel,[a] the covenants of which were amended as part of dealing with the coronavirus from March 1 2020 to September 30 2021, which were not classified as restructuring of troubled debt following the deferment

	Deferred debts as of the reporting date[b]			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	
					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	349	41	54	280	-	-	69	69	2	63	700	-
Mid-sized businesses	345	64	81	26	-	-	319	319	20	171	2,217	2
Small- and micro-businesses	353	689	65	34	6	3	310	319	43	224	6,944	107
Private individuals - excluding housing loans	47	542	13	1	3	-	43	46	3	3	1,902	40
Housing loans	2,534	5,276	280	62	2,304	-	168	2,472	81	2,304	16,737	390
Total as at September 30 2021	**3,628**	**6,612**	**493**	**403[d]**	**2,313**	**3**	**909**	**3,225**	**149**	**2,765**	**28,500**	**539**
Total as at June 30 2021	4,712	8,577	562	488	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	3,764	14	1,773	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 October 31, 2021 the outstanding balance for which payments were deferred was NIS 3,389 million, and the outstanding payments deferred in effect totaled approx. NIS 505 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 94 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 update by the government in February 2021, an outline for granting new loans with an average duration of up to 10 years was approved. As part of a revision by the government, in May 2021, a program for extending the duration of existing loans to a period of no more than 10 years from the original loan date, was approved, subject to certain terms and conditions.

In addition, in existing loans, the grace period is 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.

The program for extending the average duration of existing loans by up to 10 years, which was in effect until July 31 2021, was extended by the State until October 31 2021.

In addition, in February 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.

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

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

Customer classification	**Recorded outstanding debt as at September 30 2021**	Recorded outstanding debt as at December 31 2020
	In NIS million	
Small- and micro-businesses	**3,877**	3,807
Mid-sized businesses	**1,373**	1,595
Corporations	**370**	469
Total	**5,620**	5,871

Comments:
1. Customer classification is based on regulatory operating segments.
2. Until shortly before the financial statements' publication date, the Bank extended loans to businesses totaling NIS 6.7 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.

Credit risk and non-performing assets

	September 30 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	223,476	96,855	25,131	345,462
Off-balance-sheet credit risk	104,853	3,211	12,539	120,603
Total credit risk in credit performance rating	328,329	100,066	37,670	466,065
Credit risk not in credit performance rating				
a. Non-troubled	2,451	2,657[(d)]	1,612	6,720
b. Total troubled[(b)]	6,063	701	610	7,374
Special mention	2,887	683	200	3,770
Substandard	351	-	65	416
Impaired non-performing	2,825	18	345	3,188
Total on-balance-sheet credit risk	8,514	3,358	2,222	14,094
Off-balance-sheet credit risk	909	-	225	1,134
Credit risk abet credit performance rating	9,423	3,358	2,447	15,228
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	80	680	50	810
Total credit risk incl. of the public	337,752	103,424	40,117	481,293
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	2,600	18	163	2,781
b. Assets received for settled loans	3	-	-	3
Total non-performing assets of the public	2,603	18	163	2,784
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.84%

(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 who were given deferment for more than six months and are still in the deferment period.

Credit risk and non-performing assets (cont.)

	September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	192,548	83,570	24,000	300,118
Off-balance-sheet credit risk	85,996	2,888	17,309	106,193
Total credit risk in credit performance rating	278,544	86,458	41,309	406,311
Credit risk not in credit performance rating				
a. Non-troubled	3,304	3,909	1,553	8,766
b. Total troubled[(b)]	6,765	833	656	8,254
Special mention	3,788	785	271	4,844
Substandard	608	-	60	668
Impaired non-performing	2,369	48	325	2,742
Total on-balance-sheet credit risk	10,069	4,742	2,209	17,020
Off-balance-sheet credit risk	958	-	212	1,170
Credit risk abet credit performance rating	11,027	4,742	2,421	18,190
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	76	785	43	904
Total credit risk incl. of the public	289,571	91,200	43,730	424,501
More information on non-performing assets				
a. Non-accrual impaired non-performing debts	2,108	22	239	2,369
b. Assets received for settled loans	12	-	-	12
Total non-performing assets of the public	2,120	22	239	2,381
Percentage of non-accrual impaired non-performing loans to the public (NPL) out of total loans to the public				0.81%

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

Credit risk and non-performing assets (cont.)

	December 31 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	198,744	83,930	24,028	306,702
Off-balance-sheet credit risk	88,669	3,226	17,129	109,024
Total credit risk in credit performance rating	287,413	87,156	41,157	415,726
Credit risk not in credit performance rating				
a. Non-troubled	3,358	5,687[(d)]	1,519	10,564
b. Total troubled[(b)]	7,213	772	641	8,626
Special mention	3,177	722	250	4,149
Substandard	404	-	54	458
Impaired non-performing	3,632	50	337	4,019
Total on-balance-sheet credit risk	10,571	6,459	2,160	19,190
Off-balance-sheet credit risk	873	-	212	1,085
Credit risk abet credit performance rating	11,444	6,459	2,372	20,275
Of which: Unimpaired debts in arrears of 90 days or more[(c)]	56	720	38	814
Total credit risk incl. of the public	298,857	93,615	43,529	436,001
More information on non-performing assets				
a. Non-accrual 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 who 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 nine months ended September 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	506	17	184	707
Debts once again classified as unimpaired	(107)	(25)	-	(132)
Written off impaired non-performing debts	(249)	(2)	(51)	(302)
Repaid impaired non-performing debts[(a)]	(957)	(22)	(125)	(1,104)
Adjustments from translation of financial statements	-	-	-	-
Outstanding balance of impaired non-performing debts as at the end of the period	2,825	18	345	3,188

	For the nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding balance of impaired non-performing debts as at the beginning of the period	2,220	-	311	2,531
Loans classified as impaired non-performing debts during the period	1,138	48	169	1,355
Debts once again classified as unimpaired	(17)	-	(2)	(19)
Written off impaired non-performing debts	(347)	-	(44)	(391)
Repaid impaired non-performing debts	(628)	-	(109)	(737)
Adjustments from translation of financial statements	(1)	-	-	(1)
Outstanding balance of impaired non-performing debts as at the end of the period	2,365	48	325	2,738

(a) Of which: collections totaling NIS 135 million for impaired non-performing debts.

Of which: change in troubled debts under restructuring

	For the nine months ended September 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	525	-	166	691
Debts reclassified to unimpaired following subsequent restructuring	(84)	-	-	(84)
Written off restructured debt	(76)	-	(30)	(106)
Repaid restructured debts[(a)]	(656)	-	(124)	(780)
Balance of troubled debt under restructuring as of the end of the period	2,033	-	329	2,362

(a) Of which: collections totaling NIS 88 million for impaired non-performing debts.

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

	For the nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Outstanding troubled debts under restructuring as of the beginning of the period	729	-	290	1,019
Restructurings carried out during the period	731	-	159	890
Debts reclassified to unimpaired following subsequent restructuring	-	-	-	-
Written off restructured debt	(63)	-	(37)	(100)
Repaid restructured debt	(359)	-	(109)	(468)
Balance of troubled debt under restructuring as of the end of the period	1,038	-	303	1,341

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

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

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

	For the nine months ended September 30 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	**911**	**7**	**212**	**1,130**
Loan loss expenses (income)	**(310)**	**(1)**	**(58)**	**(369)**
Accounting write-offs	**(250)**	**(2)**	**(50)**	**(302)**
Collection of debts written off in previous years	**437**	**-**	**119**	**556**
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	**789**	**4**	**223**	**1,016**

	For the nine months ended September 30 2020			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Balance of loan loss provision in respect of impaired non-performing debts as at the beginning of the period	372	-	167	539
Loan Loss Expenses	274	-	(17)	257
Accounting write-offs	(347)	-	(44)	(391)
Collection of debts written off in previous years	230	-	97	327
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	528	-	203	731

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

Breakdown of credit risk indicators

	September 30		December 31
	2021	2020	2020
	In %		
Percentage of impaired non-performing loans to the public out of outstanding loans to the public	**0.97**	0.94	1.34
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.25**	0.31	0.27
Percentage of troubled credit risk to the public out of the overall credit risk for the public	**1.64**	2.09	2.12
Percentage of loan loss (income) expenses in respect of average outstanding loans to the public[a]	**(0.31)**	1.05	0.88
Percentage of net write-offs for loans to the public out of average outstanding loans to the public[a]	**0.05**	(0.21)	(0.18)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.42**	1.75	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	**146.96**	185.79	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	**117.18**	139.68	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]	**3.46**	(11.82)	(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

	September 30 2021						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Impaired non-perfor-ming credit risk	Loan loss expenses (income)	Accoun-ting write-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel - public-commercial							
Industry	27,442	26,791	545	204	(1)	(11)	(447)
Construction and real estate - construction[f]	73,742	73,254	346	99	98	(25)	(604)
Construction and real estate - real estate activity	39,000	38,215	319	223	(14)	(57)	(448)
Commerce	31,547	30,892	565	189	(132)	5	(340)
Financial services	42,154	42,146	8	3	(19)	(8)	(221)
Other industries	50,223	48,214	1,709	919	(495)	(127)	(905)
Commercial - total[g]	264,108	259,512	3,492	1,637	(563)	(223)	(2,965)
Private individuals - housing loans	103,328	99,982	701	18	(91)	4	(540)
Private individuals - Other	39,726	37,284	624	344	(57)	14	(719)
Total loans to the public - activity in Israel	407,162	396,778	4,817	1,999	(711)	(205)	(4,224)
Banks and governments in Israel	36,215	36,215	-	-	-	-	(1)
Total activity in Israel	443,377	432,993	4,817	1,999	(711)	(205)	(4,225)
For borrower activity outside Israel							
Public - Foreign operations							
Total, public - activity outside Israel	74,131	69,287	3,060	1,370	(18)	84	(882)
Foreign banks and governments	60,526	60,525	1	1	-	-	(2)
Total activity outside Israel	134,657	129,812	3,061	1,371	(18)	84	(884)
Total activity in and outside Israel	578,034	562,805	7,878	3,370	(729)	(121)	(5,109)

(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 346,820, 76,840, 6,565, 13,772 and 134,037 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On- and off-balance sheet credit risk that is impaired non-performing, substandard or special mention, including housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.
(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) The commercial credit risk includes an outstanding NIS 2,579 million extended to purchasing groups currently in the process of construction.

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

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

(a) On- and off-balance-sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 306,181, 91,116, 2,333, 12,550 and 115,471 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks (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 2,838 million extended to purchasing groups currently in the process of construction.

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

	December 31 2020						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: troubled credit risk[d]	Of which: Impaired non-perfor-ming credit risk	Loan loss expenses (income)	Accoun-ting write-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel - public-commercial							
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 a significant credit exposure. 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 guarantees 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.

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 restriction 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.

In the course of 2021, Leumi was proactively expanded the real estate portfolio, focusing on the housing segment and selected financially resilient customers.

The real estate sector is defined by the Bank as relatively low-risk compared to other economic sectors. This is supported by the macroeconomic forecasts, the tight financing and regulation method, and backed by property collateral.

Total percentage of troubled credit in the construction and real estate activities in Israel has been on the decline in the past year, as was the total troubled credit in these sectors (special mention, substandard or impaired non-performing) in Israel out of overall troubled credit risk (special mention, substandard or impaired non-performing) in Israel is low and lower than its share in the overall loan portfolio.

In light of the growing competition, some of the transactions carried out recently followed relatively lenient parameters compared to similar transactions carried out in the past. It should be noted that the real estate transactions are approved using a strict underwriting process, with adequate protections.

In accordance with the Bank of Israel guidance, the Bank examined its collective provision calculation in real estate and adjusted it in order to take into account the quick increase in the loan portfolio and certain reliefs in the underwriting terms and conditions.

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 September 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. Nevertheless, due to the growth in the sector in the reporting period, the Bank is working on implementing a plan to reduce the concentration ratio in the sector.

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

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

More than 18 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, the industry was deemed vital and government reliefs were granted to enable its continuation even during lockdown (including permits to hire foreign workers).

The effect of the crisis on the industry was mainly short-term, due to the uncertainty among apartment buyers and the effect of the lockdown on developers' ability to sell apartments at the beginning of the crisis, which created unusual volatility.

However, the relatively strong demand, stemming from the population growth, in addition to an ongoing shortage of apartments, mitigated the harm to the industry's activity, which remained stable throughout the crisis.

During the lockdowns, mid-sized and large shopping centers sustained significant losses. Between lockdowns, and particularly since the end of the third wave, shopping centers are seeing increased activity, since Israelis are less inclined to travel abroad.

Looking forward, once the economy resumes full activity, and provided there is no significant increase in morbidity rates that would delay the economy's recovery from the crisis, the assessment is that 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. During lockdown, owners had to give their tenants reliefs, such as waiving rent, reducing payments, reducing rent, etc., in order to keep them. Commercial centers prepared for online sales, which partially offset the effect of the restrictions. Moreover, a partial opening of essential stores - mainly food and drug stores as well as spaces rented out to clinics and other services - enabled owners to collect some rent despite the restrictions.

The harm varies according to the type of property, with the most significant impact being on shopping centers that were closed due to lockdown, given the concern for the consumers' health.

The office market showed relative robustness during the crisis, sustaining moderate damage, particularly in Tel Aviv. In the short-term, the impact was mainly on offices located in older properties that are let out to small businesses, which were hurt by the crisis.

It is estimated that this damage will not lead to a significant drop in rent in the mid- to long term, mainly since most of the demand for office space is on the part of companies which suffered relatively moderate damage during the crisis (high-tech, finance, etc.). The short-term damage was moderated in light of the long-term contracts and high moving fees for the companies which invested in the properties.

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.

Development of indebtedness for the construction and real estate industry (in and outside Israel)

	September 30		December 31	Change compared to December 31 2020	
	2021	2020	2020		
	In NIS million			In NIS million	In %
On-balance-sheet credit risk	**85,054**	67,085	70,646	14,408	20.4%
Guarantees for apartment buyers[(a)]	**7,060**	5,236	5,181	1,879	36.3%
Other off-balance-sheet credit risk[(a)]	**36,862**	32,095	33,928	2,934	8.6%
Total overall credit risk	**128,976**	104,416	109,755	19,221	17.5%

(a) In credit risk terms.

Following are the details on credit risk in the real estate and construction sector in Israel, according to the status of the property - the Bank

	September 30 2021	December 31 2020
	Total credit risk[(a)]	
	In NIS million	
Secured by real estate collateral in Israel		
Real estate properties under construction:		
Undeveloped land	**20,329**	12,576
Real estate under construction	**34,786**	31,126
Developed real estate properties	**35,832**	31,890
Total credit secured by real estate properties in Israel	**90,947**	75,592
Not secured by real estate collateral in Israel	**21,338**	19,932
Total credit risk for construction and real estate in Israel	**112,285**	95,524

(a) On- and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.

Following is the composition of credit secured by real estate properties in Israel (in NIS million) - the Bank

	September 30 2021	December 31 2020
	Total credit risk[(a)]	
	In NIS million	
Housing	**47,195**	38,250
Office space	**17,469**	13,750
Industry	**4,644**	3,753
Commerce and services	**21,639**	19,839
Total credit secured by real estate properties in Israel	**90,947**	75,592

(a) On- and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.

Borrower Groups[1]

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

As of September 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.

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

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

	September 30 2021		
	Exposure[a][b]		
	On-balance-sheet	Off-balance-sheet[c]	Total
	In NIS million		
USA	28,777	7,624	36,401
UK	22,149	12,985	35,134
France	1,446	2,434	3,880
Switzerland	2,622	1,724	4,346
Germany	3,774	1,389	5,163
Other	27,411	3,179	30,590
Total exposure to foreign countries	86,179	29,335	115,514
Of which: total exposure to GIPS countries[d]	973	259	1,232
Of which: total exposure to LDC countries[e]	1,083	917	2,000
Of which: total exposure to countries with liquidity issues[f]	176	17	193

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

Please see comments below.

Exposure to Foreign Countries (cont.)

	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) On- 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 covers 11 countries (as at September 30 2020 - 20 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.

The rising inflation worldwide has already triggered an increase in interest rates in some countries, such as South Korea, New Zealand and Poland. Some of the major central banks have already announced measures to wind down quantitative easing. If inflation continues to rise and/or falls, this could trigger quantitative tightening measures around the world, which could adversely affect sections of financial markets around the world, adversely affect global economic activity and increase governments' debts.

Part B - As at September 30 2021, September 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 at September 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	**30,715**	**799**	**31,514**
A- to A+	**5,793**	**947**	**6,740**
BBB- to BBB+	**192**	**174**	**366**
B- to BB+	**47**	**14**	**61**
No credit rating	**98**	**-**	**98**
Total current credit exposure to foreign financial institutions	**36,845**	**1,934**	**38,779**

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

	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

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) As at September 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 627 million (as at September 30 2020 - NIS 625 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 September 30 2021, September 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 reporting period, 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 purposes.

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

	For the nine months ended September 30		Rate of change
	2021	2020	
	In NIS million		In %
By the Bank	**19,339**	11,978	61.4
By the government of Israel	**114**	109	4.6
Total new loans	**19,453**	12,087	60.9
Old recycled loans, from the Bank's funds	**1,280**	2,134	(40.0)
Total performance	**20,733**	14,221	45.8

Impact of the coronavirus crisis

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

The unemployment rate may have an adverse effect of the Bank's housing loans portfolio.

On March 15 2020, the Bank of Israel published a temporary order comprising several regulatory reliefs including: lifting the restriction on all-purpose loans of households secured by property. The Bank adopted the relief in order to help its customers, after becoming convinced that these customers will be able to overcome the crisis. This temporary order allows to increase the LTV ratio for all-purpose loans from 50 percent to 70 percent.
On August 9 2021, the Bank of Israel published a revision to the Banking Supervision Department's guidance on housing loans, including its decision not to extend this easement, which expired on September 30 2021.

For more information and details regarding the effect of the coronavirus crisis and the manner of addressing it, please see under Credit Risk at the beginning of this chapter, as well as under the same section in the Report of the Board of Directors and Management as at December 31 2020, March 31 2021 and June 30 2021.

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 the restriction according to which 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 October 6, 2021, the Bank of Israel published a revised FAQ - "Limitations on Issuing Housing Loans".
According to the revised directive, a banking corporation may not grant an additional loan to a borrower intended to serve as a down payment for a home. This applies both to consumer loans and to loans guaranteed by another apartment. Despite the aforesaid, a banking corporation may grant a borrower an additional loan to complete the financing of another apartment, subject to meeting all the terms and conditions set out in the FAQ.

In addition, it was determined that among the objectives included in classifying "all purpose loans", a loan secured by an apartment as outlined in Section 3(3) to Directive No. 451, which is not intended for the purchase of real estate, and that the loan intended to recycle an existing loan shall be classified in accordance with the original purpose of the loan

(loan to purchase an apartment or all-purpose-loan). A loan intended to recycle several loans will be classified proportionately to the purpose of the original loans.

The Bank is studying and examining the implications 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
September 30 2021	**99,576**	**11.1**

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

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

Development of the outstanding housing loans portfolio based on linkage bases and as a percentage of the Bank's outstanding loans portfolio

	Non-linked segment				CPI-linked segment				Foreign currency segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		Total loan port-folio, in NIS millions
	Outstan-ding amount, in NIS millions	Percen-tage of the loans portfolio	Outstan-ding amount, in NIS millions	Percen-tage of the loans portfolio	Outstan-ding amount, in NIS millions	Percen-tage of the loans portfolio	Outstan-ding amount, in NIS millions	Percen-tage of the loans portfolio	Outstan-ding 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	83,746
December 31 2020	18,904	21.1	36,380	40.6	14,077	15.7	19,658	21.9	575	0.6	89,594
September 30 2021	**21,907**	**22.0**	**40,925**	**41.1**	**15,136**	**15.2**	**21,110**	**21.2**	**498**	**0.5**	**99,576**

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance							
	In %							
Fixed - linked	**12.4**	16.0	16.2	16.0	15.1	16.7	18.8	20.6
Variable every 5 years or more - linked	**16.0**	15.9	16.4	19.1	18.1	18.7	18.7	19.2
Variable up to 5 years - linked	**-**	-	-	-	-	-	-	-
Fixed - non-linked	**27.3**	26.5	28.8	31.2	29.6	27.7	29.1	24.4
Variable every 5 years or more - non-linked	**1.5**	1.6	1.7	2.5	3.9	3.3	2.8	3.2
Variable up to 5 years - non-linked	**42.6**	39.9	36.8	31.2	33.3	33.5	30.6	32.5
Variable - Foreign currency	**0.2**	0.1	-	-	-	0.1	-	0.1

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 60.3 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 42.6 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 19.4 billion.

The average loan extended by the Bank in the reporting period was NIS 897 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
September 30 2021	**100,116**	**680**	**0.68**

As of September 30 2021, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the “collective provision”), is NIS 540 million, constituting 0.54 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]							
Over 60 and up to 70, inclusive	**21.8**	22.4	20.7	20.5	19.8	19.9	18.7	17.2
Over 70 and up to 75, inclusive	**24.3**	23.6	21.5	20.1	18.5	18.2	19.4	17.5
Over 75	**0.1**	0.1	0.2	0.2	0.2	0.1	0.2	0.2

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

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

The average LTV of the outstanding loan portfolio as at September 30 2021 stands at 46.73 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 extended during the reporting period with a repayment ratio of less than 2.5 on the loan approval date was 0.3 percent of the total number of new loans granted, similarly to the 2020 rate.
The calculation is in accordance with the Bank of Israel’s Reporting Directive No. 876.

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

The percentage of new housing loans in which the repayment periods under the loan agreements are longer than 25 years, stood during the reporting period at an average of 39.6 percent of total new loans granted, 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.

The unemployment rate is likely to have an adverse effect on the loan portfolio of private individuals.

For more information and details regarding the effect of the coronavirus crisis, please see under Credit Risk at the beginning of this chapter, as well as under the same section in the Report of the Board of Directors and Management as at December 31 2020, March 31 2021 and June 30 2021.

For more information regarding the revised FAQ published by the Bank of Israel on October 6 2021, please see under "Risks in the Housing Loan Portfolio".

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
September 30 2021	**39,711**

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

	September 30 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**4,431**	**16.4**	4,585	17.8
Over one year to 3 years	**5,238**	**19.4**	4,993	19.4
Over 3 years to 5 years	**8,146**	**30.2**	9,024	35.0
Over 5 years to 7 years	**4,944**	**18.3**	3,737	14.5
Over 7 years	**1,854**	**6.9**	1,451	5.6
No repayment term[a]	**2,388**	**8.8**	2,006	7.7
Total	**27,001**	**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		September 30 2021		December 31 2020	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,004**	**15.1**	5,294	12.3
25	50	**5,988**	**15.1**	6,637	15.4
50	75	**5,081**	**12.8**	6,049	14.0
75	100	**4,118**	**10.4**	5,206	12.1
100	150	**6,360**	**16.0**	7,511	17.4
150	200	**4,413**	**11.1**	5,038	11.7
200	300	**4,297**	**10.8**	4,226	9.8
Over 300		**3,450**	**8.7**	3,147	7.3
Total overall credit risk		**39,711**	**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)

	September 30 2021		December 31 2020	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**5,504**	**13.9**	5,367	12.4
Car purchase loans (secured)	**1,292**	**3.2**	1,201	2.8
Other loans	**20,205**	**50.9**	19,228	44.6
Total on-balance-sheet credit risk	**27,001**	**68.0**	25,796	59.8
Unutilized current account credit facilities	**6,850**	**17.2**	6,883	16.0
Unutilized credit card facilities[(a)]	**5,579**	**14.1**	10,166	23.6
Other off-balance-sheet credit risk	**281**	**0.7**	263	0.6
Total off-balance-sheet credit risk	**12,710**	**32.0**	17,312	40.2
Total overall credit risk	**39,711**	**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"). The measure to reduce unutilized credit card facilities under the Ordinance and Law applies to all Bank customers rather than only to private individuals.
Following on the Legislation and Regulation chapter in the Report of the Board of Directors and Management as of December 31 2020, it should be noted that the Bank took measures to reduce the credit facilities based, inter alia, on professional opinions, and took several actions aimed at supporting and addressing the reduction measures, including: providing adequate training to Bank branches, monitoring credit facility utilization rates, etc. The Bank is currently working on further reducing facilities.

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

	September 30 2021				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	**25,353**	**37**	**87**	**25,477**	**94.4**
Fixed interest loans	**1,489**	**17**	**18**	**1,524**	**5.6**
Total on-balance-sheet credit risk	**26,842**	**54**	**105**	**27,001**	**100.0**

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

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

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

	September 30 2021	December 31 2020
	In NIS million	
Deposits by the public	**96,844**	96,437
Securities portfolios	**56,851**	51,625
Total financial asset portfolio	**153,695**	148,062
Total indebtedness to customers with financial asset portfolios	**30,089**	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)

	September 30 2021		December 31 2020	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**2,421**	**9.0**	2,127	8.2
Of which: loan accounts[(b)]	**1,672**	**6.2**	1,515	5.9
Less than NIS 10 thousand	**7,128**	**26.4**	6,930	26.9
More than NIS 10 thousand and less than NIS 20 thousand	**9,294**	**34.4**	9,317	36.1
NIS 20 thousand or more	**8,158**	**30.2**	7,422	28.8
Total	**27,001**	**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)

	September 30	December 31
	2021	2020
	In NIS million	
Non-troubled loans	**26,392**	25,156
Troubled unimpaired loans	**265**	304
Troubled impaired non-performing loans	**344**	336
Total on-balance-sheet credit risk	**27,001**	25,796
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.3%**	2.5%
Accounting write-offs, net (for the period ended)	**14**	136
Balance of loan loss provision	**712**	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 directive's effective date will be nine 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

	September 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	**798**	**37**	**835**	336	5	341	311	2	313
Hotels, hospitality and food services	**594**	**22**	**616**	936	8	944	629	9	638
Construction and real estate	**189**	**260**	**449**	150	195	345	427	17	444
Financial services and insurance services	**250**	**101**	**351**	85	151	236	67	150	217
Water supply, sewage services, waste and garbage treatment and purification services	**270**	**-**	**270**	340	-	340	280	-	280
Provision of power, gas, steam and air conditioning	**1**	**290**	**291**	-	-	-	-	-	-
Total	**2,102**	**710**	**2,812**	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.

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. The process of global recovery from the crisis focuses central banks on addressing economic challenges and issues other than those addressed at the height of the crisis. Some of the central banks, including the Bank of Israel, began to gradually wind down their quantitative easing and their intervention in the bond and interest markets, and in some countries - even began to gradually raise their interest rates.

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 September 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 September 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.

On October 3 2021, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 250A, "Transitioning from LIBOR". The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure proper preparation, while addressing the potential risks embodied in the transition. In addition, the directive addresses aspects of fairness and disclosure required vis-a-vis customers. The directive refers both to existing agreements and new ones.

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

	September 30 2021
	In NIS million
Loans	10,937
Deposits	1,309
Securities	2,926
Derivatives (gross) - par value	72,336

* 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

	September 30 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	33,882	(1,759)	32,123
Of which: banking portfolio	33,423	(2,161)	31,262

	September 30 2020		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	30,055	(3,644)	26,411
Of which: banking portfolio	25,192	(3,445)	21,747

	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

	September 30 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	218	(198)	20
Of which: banking portfolio	251	(179)	72
Simultaneous decrease of 1 percent	(553)	(56)	(609)
Of which: banking portfolio	(604)	(24)	(628)
Non-simultaneous changes			
Steepening[(b)]	(110)	(126)	(236)
Flattening[(c)]	8	(88)	(80)
Short-term interest rate increase	177	(145)	32
Short-term interest rate decrease	(191)	150	(41)

	September 30 2020		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	364	(150)	214
Of which: banking portfolio	401	(93)	308
Simultaneous decrease of 1 percent	(745)	149	(596)
Of which: banking portfolio	(780)	89	(691)
Non-simultaneous changes			
Steepening[(b)]	227	8	235
Flattening[(c)]	(281)	(89)	(370)
Short-term interest rate increase	5	(163)	(158)
Short-term interest rate decrease	(16)	218	202

	December 31 2020		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
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)
Non-simultaneous changes			
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:

	September 30 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**977**	**186**	**1,163**
Of which: banking portfolio	**977**	**237**	**1,214**
Simultaneous decrease of 1 percent	**(1,453)**	**(218)**	**(1,671)**
Of which: banking portfolio	**(1,453)**	**(237)**	**(1,690)**

	September 30 2020		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	933	291	1,224
Of which: banking portfolio	933	385	1,318
Simultaneous decrease of 1 percent	(1,108)	(289)	(1,397)
Of which: banking portfolio	(1,109)	(385)	(1,494)

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

* After netting effects.

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

During the third quarter of 2021, there was an increase in the liquidity coverage ratio due to an increase in the effect of deposits by the public beyond the effect of the increase in the credit to the public. During the reporting period, the liquidity coverage ratio 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		
	September 30		December 31
	2021	2020	2020
	In %		
a. Consolidated data			
Liquidity coverage ratio	**131**	137	137
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**130**	136	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.

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.

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, 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 second 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 reporting period, 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.

The human resource risk

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 - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. As of the reporting date, the Bank's management and Workers' Union continue their negotiations.

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 regarding boosting competition in the financial sector, especially in the area of Open Banking, directives addressing conduct, risk management directives - especially environmental risk management, privacy protection and information security directives, as well as directives published on the back of the coronavirus and its implications.

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 published by the OECD.

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, interpretations and other issues 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, see under "Other Risks" in the 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 and 2022, 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, such as digital banks, will be able to access customers' bank accounts, at the customers' consent, and offer them banking services tailored to their needs. These banks are being established in Israel, with agile IT systems and innovative value propositions, which may increase competition.

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, see under "Other Risks" in the 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").

As part of this trend, on August 22 2021, the Banking Supervision Department published a draft Reporting to the Public Directive regarding disclosure on aspects of Environmental, Social and Governance (ESG). The directive is expected to enter into force starting with the 2021 Financial Statements; the Bank is preparing for its implementation.

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 on a regular basis.

Conduct Risk

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

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

The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative banking for its customers. In addition, the proactive and sale processes are subject to procedures and controls which ensure proper conduct. These processes are assessed on a regular basis, with the aim of continuously upgrading them.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on international trade.

The coronavirus outbreak in January 2020 and the substantial uncertainty regarding its various implications still constitutes a 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 some variance in the rate of inoculation across world countries, and much is still unknown as to the effectiveness of vaccination against different variants of the virus. In addition, actual developments show that the vaccine's coverage period is relatively limited. 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, including the booster inoculation, in order to address 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. In addition to the coronavirus risk, there are risks arising from climate change, which increase the potential for volatile global economic processes.

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 uncertainty which has decreased but still surrounds the current circumstances and the resulting difficulty which has lessened but still exists in identifying, recognizing and measuring loan losses, the estimated loan losses due to the coronavirus crisis are based on assumptions and assessments which, at this point, seem more encouraging. At the same time, the effects of the measures and aid programs approved at the beginning of the crisis are dwindling, and the Bank does not expect they will have any significant adverse effect on credit risk, following positive indications regarding the population segments which enjoyed these aid programs - both among households and business borrowers, such as: the high rates of borrowers who resumed their regular payments following the deferment period, the low rate of borrowers in arrears out of the borrowers who resumed payments, the high rate of borrowers given state-backed loans who have begun to repay them, the low rate of borrowers in arrears out of this population, etc.

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 September 30 2021, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 3,174 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 September 30 2021, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 1,345 million less than the actual outstanding liability.

The actuarial assessment of the employee benefits is on the Israel Securities Authority's website, on the following address 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 the Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal control changes

In the quarter ended September 30 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 September 2021, Leumi's Board of Directors held 30 plenum meetings and its committees held 61 meetings.

At a Board meeting held on November 15 2021, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at September 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

November 15 2021

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly financial statements of Bank Leumi le-Israel B.M (hereinafter: the “Bank") for the quarter ended September 30 2021 (hereinafter: the “Financial Statements").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the quarterly financial statements and other financial information included in the Financial Statements fairly represent, in all material respects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Financial Statements.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives, “Report of the Board of Directors”). In addition:

   a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

   b. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

   c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and

   d. The Financial Statements discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:

   a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank’s ability to record, process, calculate and report financial information; and

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

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

November 15 2021

Hanan Friedman
President and Chief Executive
Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly financial statements of Bank Leumi le-Israel B.M (hereinafter: the "Bank") for the quarter ended September 30 2021 (hereinafter: the "Financial Statements").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the quarterly financial statements and other financial information included in the Financial Statements fairly represent, in all material respects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Financial Statements.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives, "Report of the Board of Directors"). In addition:

   a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

   b. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

   c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and

   d. The Financial Statements discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:

   a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank's ability to record, process, calculate and report financial information; and

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

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

November 15 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 September 30 2021 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the nine- and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

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

November 15 2021

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the period ended September 30 2021

	Note	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2021	2020	**2021**	2020	2020
		Unaudited				Audited
	Note	In NIS million				
Interest income	2	**3,033**	2,582	**8,871**	7,673	10,175
Interest expenses	2	**362**	366	**1,078**	1,167	1,452
Interest income, net	2	**2,671**	2,216	**7,793**	6,506	8,723
Loan loss (income) expenses	6, 13	**(359)**	547	**(729)**	2,282	2,552
Interest income, net after loan loss expenses (income)		**3,030**	1,669	**8,522**	4,224	6,171
Noninterest income						
Noninterest finance income	3A	**276**	457	**1,344**	487	1,026
Fees and commissions		**846**	788	**2,567**	2,457	3,281
Other income		**118**	8	**235**	36	59
Total noninterest income		**1,240**	1,253	**4,146**	2,980	4,366
Operating and other expenses						
Salaries and related expenses		**1,079**	942	**3,212**	2,788	3,742
Buildings and equipment - maintenance and depreciation[(a)]		**369**	389	**1,133**	1,199	1,602
Other expenses[(a)]		**407**	418	**1,207**	1,234	1,702
Total operating and other expenses		**1,855**	1,749	**5,552**	5,221	7,046
Net income before taxes		**2,415**	1,173	**7,116**	1,983	3,491
Provision for profit tax		**879**	432	**2,582**	752	1,356
Profit after taxes		**1,536**	741	**4,534**	1,231	2,135
The Bank's share in associates' profits (losses), after taxes		**26**	8	**55**	(5)	(13)
Net income						
Before attribution to non-controlling interests		**1,562**	749	**4,589**	1,226	2,122
Attributable to non-controlling interests		**11**	(1)	**31**	14	20
Attributable to the Bank's shareholders		**1,551**	750	**4,558**	1,212	2,102
Basic and diluted earnings per share (in NIS)						
Diluted basic earnings attributable to the Bank's shareholders	3B	**1.07**	0.52	**3.14**	0.83	1.44

(a) Reclassified.

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: November 15 2021

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the period ended September 30 2021

	For the three months ended September 30		For the nine months ended September 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	**1,562**	749	**4,589**	1,226	2,122
Less net income (loss) attributable to non-controlling interests	**11**	(1)	**31**	14	20
Net income attributable to the Bank's shareholders	**1,551**	750	**4,558**	1,212	2,102
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(49)**	39	**(541)**	636	814
Adjustments from translation of financial statements, net[(a)] after hedging effect[(b)]	**(6)**	(7)	**5**	(5)	(46)
Net gains (losses) for cash flow hedges	**(7)**	-	**(28)**	52	43
Adjustments of liabilities for employee benefits[(c)]	**99**	356	**848**	953	336
The Bank's share in other comprehensive loss of associates	**(2)**	(8)	**(10)**	(7)	(5)
Other comprehensive income, before taxes	**35**	380	**274**	1,629	1,142
Related tax effect	**(21)**	(140)	**(91)**	(563)	(460)
Other comprehensive income before attribution to non-controlling interests, after taxes	**14**	240	**183**	1,066	682
Less other comprehensive loss attributable to non-controlling interests	**(4)**	(6)	**(12)**	9	(21)
Other comprehensive income attributable to the Bank's shareholders, after taxes	**18**	246	**195**	1,057	703
Comprehensive income before attribution to non-controlling interests	**1,576**	989	**4,772**	2,292	2,804
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	**7**	(7)	**19**	23	(1)
Comprehensive income attributable to the Bank's shareholders	**1,569**	996	**4,753**	2,269	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 September 30 2021

		September 30		December 31
		2021	2020	2020
		Unaudited		Audited
	Note	In NIS million		
Assets				
Cash and deposits with banks		**171,645**	117,555	136,194
Securities[(a)(b)]	5	**81,580**	95,164	92,297
Securities borrowed or purchased under reverse repurchase agreements		**6,565**	2,333	3,019
Loans to the public	6, 13	**330,209**	291,461	300,631
Loan loss provision	6, 13	**(4,685)**	(5,087)	(5,290)
Loans to the public, net		**325,524**	286,374	295,341
Loans to governments		**873**	726	632
Investments in associates		**1,117**	801	795
Buildings and equipment		**2,699**	2,886	2,932
Goodwill		**15**	16	15
Assets in respect of derivatives	11	**13,871**	12,551	15,252
Other assets[(a)]		**8,023**	9,644	9,558
Total assets		**611,912**	528,050	556,035
Liabilities and equity				
Deposits by the public	7	**500,876**	427,115	447,031
Deposits by banks		**23,161**	10,685	15,143
Deposits by governments		**179**	232	208
Securities loaned or sold under repurchase agreements		**882**	695	605
Bonds, promissory notes and subordinated bonds		**13,189**	17,368	16,303
Liabilities for derivatives	11	**14,154**	13,559	17,315
Other liabilities[(a)(c)]		**17,232**	20,813	21,335
Total liabilities		**569,673**	490,467	517,940
Shareholders' equity	9	**41,787**	37,128	37,664
Non-controlling interests		**452**	455	431
Total equity		**42,239**	37,583	38,095
Total liabilities and equity		**611,912**	528,050	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 421 million (as at September 30 2020 - NIS 446 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 September 30 2021

	For the three months ended September 30 2021 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock-based compensation and other transactions[(a)]
	In NIS million		
Balance as at June 30 2021	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at September 30 2021	**7,041**	**184**	**53**

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

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

(b) Including NIS 5,257 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30 2020 - NIS 5,241 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 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	(2,615)	36,185	40,848	444	41,292
-	-	1,551	1,551	11	1,562
-	18	-	18	(4)	14
-	-	(630)	(630)	-	(630)
-	-	-	-	1	1
7,278	(2,597)	37,106	41,787	452	42,239

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2021

	For the nine months ended September 30 2021 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[a]
	In NIS million		
Balance as at December 31 2020 (audited)	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at September 30 2021	**7,041**	**184**	**53**

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

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

(b) Including NIS 5,257 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30 2020 - NIS 5,241 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
-	-	4,558	4,558	31	4,589
-	195	-	195	(12)	183
-	-	(630)	(630)	-	(630)
-	-	-	-	2	2
7,278	(2,597)	37,106	41,787	452	42,239

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total equity
7,528	(3,495)	31,373	35,406	468	35,874
-	-	1,212	1,212	14	1,226
-	1,057	-	1,057	9	1,066
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(250)	-	-	(250)	-	(250)
-	-	-	-	3	3
7,278	(2,438)	32,288	37,128	455	37,583

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2021

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

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

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total equity
7,528	(3,495)	31,373	35,406	468	35,874
-	-	2,102	2,102	20	2,122
-	703	-	703	(21)	682
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(250)	-	-	(250)	-	(250)
-	-	-	-	3	3
7,278	(2,792)	33,178	37,664	431	38,095

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows
For the period ended September 30 2021

	For the three months ended September 30		For the nine months ended September 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	**1,562**	749	**4,589**	1,226	2,122
<u>Adjustments</u>:					
Group's share in undistributed (gains) losses of associates[a]	**42**	(2)	**51**	17	26
Depreciation of buildings and equipment (including impairment)	**172**	157	**517**	520	678
Loan loss (income) expenses	**(359)**	547	**(729)**	2,282	2,552
Net gains on sale of available-for-sale bonds	**(63)**	(91)	**(180)**	(344)	(410)
Net realized and unrealized losses (gains) from fair value adjustments of held-for-trading securities	**15**	8	**23**	(62)	(58)
Losses on sale of investees' equity	**-**	-	**-**	2[b]	2
Losses (gains) on disposal of buildings and equipment - net	**(57)**	-	**(108)**	-	7
Provision for impairment of available-for-sale bonds	**-**	-	**-**	33	33
Realized and unrealized (gains) losses, net from fair value adjustments of equity securities not held-for-trading	**(104)**	(227)	**(732)**	(173)	(283)
Provision for impairment of equity securities not held-for-trading	**1**	2	**1**	37	66
Deferred taxes - net	**157**	(163)	**475**	(746)	(729)
Severance pay and pension – increase (decrease) in excess of provision over fund	**68**	(47)	**138**	(604)	(980)
Excess of interest received for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**164**	100	**417**	189	253
Accrual differences and rate in respect of bonds and subordinated bonds	**(10)**	(151)	**(18)**	(222)	(393)
Effect of exchange rate differentials on cash and cash equivalent balances	**309**	1	**87**	827	1,274
Other, net	**7**	(3)	**9**	(1)[b]	-
<u>Net change in current assets</u>:					
Assets in respect of derivatives	**(2,655)**	2,244	**1,384**	(1,586)	(4,298)
Held-for-trading securities	**837**	2,343	**2,202**	(3,202)	(451)
Other assets	**156**	84	**245**	(1,103)	(1,917)
<u>Net change in current liabilities</u>:					
Liabilities for derivatives	**2,647**	(2,151)	**(2,909)**	1,809	5,684
Other liabilities	**(3,976)**	602	**(2,672)**	1,165	2,379
Net cash provided from (for) operating activities	**(1,087)**	4,002	**2,790**	64	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 September 30 2021

	For the three months ended September 30		For the nine months ended September 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	**(650)**	284	**409**	(1,984)	(1,113)
Net change in loans to the public	**(10,004)**	(537)	**(29,320)**	(5,900)	(16,583)
Net change in loans to the Israeli Government	**72**	13	**(241)**	18	112
Net change in securities borrowed or purchased under reverse repurchase agreements	**(844)**	(441)	**(3,546)**	(1,216)	(1,902)
Purchase of held-to-maturity bonds	**(176)**	(193)	**(1,695)**	(2,666)	(3,026)
Proceeds from redemption of held-to-maturity bonds	**293**	429	**1,099**	1,086	1,402
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(26,660)**	(34,788)	**(78,444)**	(101,638)	(136,675)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**25,471**	28,062	**69,194**	70,489	99,757
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**9,873**	7,610	**17,972**	26,631	32,700
Purchase of associates' equity	**(311)**	(57)	**(387)**	(63)	(67)
Proceeds from sale of loan portfolios	**-**	-	**-**	4	-
Purchase of buildings and equipment	**(157)**	(137)	**(360)**	(370)	(594)
Proceeds from disposal of buildings and equipment	**104**	2	**185**	7	11
Central severance pay fund	**-**	42	**2**	107	137
Net cash for investing activities	**(2,989)**	289	**(25,132)**	(15,495)	(25,841)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**1,023**	4,032	**8,016**	4,508	9,012
Net change in deposits by the public	**14,039**	10,324	**53,821**	53,611	74,967
Net change in deposits by the government	**(40)**	3	**(29)**	(84)	(106)
Net change in securities loaned or sold under repurchase agreements	**68**	212	**273**	572	482
Proceeds from issue of bonds and subordinated bonds	**-**	-	**-**	4,986	4,986
Redemption of bonds and subordinated bonds	**-**	(2,000)	**(3,096)**	(7,354)	(8,248)
Dividend paid to shareholders	**(630)**	-	**(630)**	(297)	(297)
Dividend paid to external shareholders in consolidated companies	**-**	-	**-**	(39)	(39)
Share buyback	**-**	-	**-**	(250)	(250)
Net cash from financing activities	**14,460**	12,571	**58,355**	55,653	80,507
Increase (decrease) in cash and cash equivalents	**10,384**	16,862	**36,013**	40,222	60,223
Balance of cash and cash equivalents as at the beginning of the period	**158,467**	96,201	**132,616**	73,667	73,667
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(309)**	(1)	**(87)**	(827)	(1,274)
Balance of cash and cash equivalents as at end of period	**168,542**	113,062	**168,542**	113,062	132,616

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the period ended September 30 2021

Interest and taxes paid and/or received and dividends received

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
	Unaudited				Audited
	In NIS million				
Interest received	**2,824**	2,207	**8,180**	8,069	10,555
Interest paid	**(334)**	(596)	**1,153**	(2,040)	(2,523)
Dividends received	**74**	7	**124**	20	23
Income tax paid	**(783)**	(432)	**2,403**	(1,043)	(1,725)
Income tax received	**1**	11	**86**	242	237

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

For the nine months ended September 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

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as at September 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 for publication by the Bank's Board of Directors on November 15 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 the reported amounts. 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 as an expense in the subsequent year was revoked (please see Note 23.H.2.b.3 to the Financial Statements as at December 31 2020); a requirement was added to provide an explanation as to the reasons for material profits or losses related to a change in the defined benefit obligation during the period.
According to the Banking Supervision Department circular entitled "Improving the Usability of Banking Corporations' Reports to the Public for 2019 and 2020", which pertains to the abovementioned ASU, the provisions are applicable to reports issued to the public as of January 1 2021 and onwards.

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

Note 1 - Significant Accounting Policies (cont.)

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

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

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

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

3. ASUs regarding income taxes

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

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

   The provisions shall apply as of January 1 2021.

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

4. Specific clarifications regarding accounting treatment of financial instruments

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

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

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

   The provisions shall apply as of January 1 2021.

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

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

   In 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, revised accounting standards and new directives of the Banking Supervision Department in the period before their application.

1. Reference Rate Reform

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. As a rule, the Bank adopted the easements in relation to hedge accounting in the relevant transactions.

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

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”). 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.

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

	September 30 2021
	In NIS million
Loans	10,937
Deposits	1,309
Securities	2,926
Derivatives (gross) - nominal value	72,336

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

Note 1 - Significant Accounting Policies (cont.)

2. Updates on loan loss provisions - CECL

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

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

The 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, carrying out parallel runs, 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 September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
	Unaudited			
	In NIS million			
a. Interest income[(a)]				
From loans to the public	**2,742**	2,312	**7,994**	6,724
From loans to the Israeli Government	**8**	6	**20**	20
From deposits with the Bank of Israel and from cash	**33**	20	**87**	71
From deposits with banks	**12**	16	**44**	65
From securities borrowed or purchased under reverse repurchase agreements	**1**	1	**4**	5
From bonds[(b)]	**237**	227	**722**	788
Total interest income	**3,033**	2,582	**8,871**	7,673
b. Interest expenses				
For deposits by the public	**(229)**	(246)	**(682)**	(866)
For deposits by the government	**(1)**	(1)	**(2)**	(2)
For deposits by banks	**(1)**	(1)	**(3)**	(9)
For deposits by the Bank of Israel	**(2)**	(1)	**(7)**	(2)
For securities loaned or sold under repurchase agreements	**-**	-	**(1)**	(8)
For bonds, promissory notes and subordinated bonds	**(129)**	(117)	**(383)**	(280)
Total interest expenses	**(362)**	(366)	**(1,078)**	(1,167)
Total interest income, net	**2,671**	2,216	**7,793**	6,506
c. Details of the net effect of hedging derivatives on interest income and expenses[(c)]				
Interest expenses	**(17)**	(13)	**(41)**	(32)
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	**42**	40	**124**	130
Available-for-sale	**190**	180	**575**	635
Held-for-trading	**5**	7	**23**	23
Total included in interest income	**237**	227	**722**	788

(a) Including the effect of hedge relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 63 million and NIS 174 million for the three-month and nine-month periods ended September 30 2021 (NIS 85 million and NIS 165 million for the three-month and nine-month periods ended September 30 2020).

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

Note 3A - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	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]	**(206)**	(191)	**303**	(53)
Total from derivatives activity	**(206)**	(191)	**303**	(53)
a.2. From investment in bonds				
Gains on sale of available-for-sale bonds[g]	**64**	92	**201**	347
Losses on sale of available-for-sale bonds[g]	**(1)**	(1)	**(21)**	(3)
Provision for impairment of available-for-sale bonds[g]	**-**	-	**-**	(33)
Total from investment in bonds	**63**	91	**180**	311
a.3. Exchange rate differentials, net	**254**	249	**(44)**	(202)
a.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held for trading[i]	**149**	50	**448**	83
Provision for impairment for equity securities not held for trading	**(1)**	(2)	**(1)**	(37)
Losses on sale of equity securities not held-for-trading	**(7)**	(4)	**(27)**	(38)
Dividend from not held-for-trading equity securities	**5**	1	**17**	8
Unrealized gains (losses), net from not held-for-trading equity securities[h][i]	**(38)**	181	**311**	128
Loss on sale of investees' equity	**-**	-	**-**	(2)
Total from investment in equity securities	**108**	226	**748**	142
Total noninterest finance income (expenses) for not held-for-trading activities	**219**	**375**	**1,187**	198
b. Noninterest finance income (expenses) for trading activities				
Net income (expenses) for held-for-trading derivatives	**71**	90	**179**	227
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[c][f]	**(15)**	(10)	**(23)**	57
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[d][f]	**-**	2	**-**	5
Dividend from held-for-trading equity securities	**1**	-	**1**	-
Total from trading activities[e]	**57**	82	**157**	289
Details of noninterest finance income (expenses) due to trading activities, by risk exposure				
Interest rate exposure	**(17)**	(1)	**30**	(143)
Foreign exchange exposure	**53**	70	**83**	406
Equity exposure	**20**	13	**38**	22
Exposure to commodities and other contracts	**1**	-	**6**	4
Total	**57**	82	**157**	289
Total noninterest finance income	**276**	457	**1,344**	487

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(a) Excluding the effect of hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: NIS 6 million and 2 million in losses for the three-month and nine-month periods ended September 30 2021 in respect of held-for-trading bonds held as at the balance sheet date ((losses) gains of NIS (4) million and NIS 32 million, for the three-month and nine-month periods ended September 30 2020).
(d) There were no gains or losses in respect of held-for-trading equity securities held as at the balance sheet date for the three-month period ended September 30 2021. NIS 1 million in gains associated with held-for-trading equity securities that are still held as at the balance sheet date for the nine-month period ended September 30 2021. There were no gains or losses in respect of held-for-trading equity securities held as at the balance sheet date for the nine-month period ended September 30 2020.
(e) Interest income from investments in held-for-trading bonds, please see Note 2.
(f) Including exchange rate differentials from trading activities.
(g) Reclassified from accumulated other comprehensive income.
(h) 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.
(i) For gains on the sale of equity securities for the three-month and nine-month periods ended September 30 2021, please see Note 16 (net unrealized gains from equity securities not held for trading for the three-month and nine-month periods ended September 30 2020, including revaluation of Visa shares totaling NIS 92 million).

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's diluted earnings per share are calculated by dividing the gain attributed to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS millions)	**1,551**	750	**4,558**	1,212
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period[(a)]	**1,452,896**	1,452,896	**1,452,896**	1,466,191
Weighted effect of exercised PSUs and RSUs and the issuance of shares	**-**	-	**-**	153
Weighted effect for share buyback	**-**	-	**-**	(9,606)
Weighted average of number of shares	**1,452,896**	1,452,896	**1,452,896**	1,456,738
Basic earnings per share (in NIS)	**1.07**	0.52	**3.14**	0.83

(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 September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,551**	750	**4,558**	1,212
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**	1,452,896	**1,452,896**	1,456,738
Weighted effect of yet unexercised PSUs and RSUs	**-**	-	**-**	40
Weighted average of the number of shares, fully diluted	**1,452,896**	1,452,896	**1,452,896**	1,456,778
Diluted earnings per share (in NIS)	**1.07**	0.52	**3.14**	0.83

C. Share Capital

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

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended September 30 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 June 30 2020	1,017	(194)	32	(13)	(3,554)	(2,712)	(28)	(2,684)
Net change during the period	28	(12)	-	(7)	231	240	(6)	246
Balance as at September 30 2020	1,045	(206)	32	(20)	(3,323)	(2,472)	(34)	(2,438)
Balance as at June 30 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)
Net change during the period	**(33)**	**(13)**	**(4)**	**(2)**	**66**	**14**	**(4)**	**18**
Balance as at September 30 2021	**806**	**(288)**	**8**	**(25)**	**(3,174)**	**(2,673)**	**(76)**	**(2,597)**

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 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 December 31 2019 (audited)	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the period	421	(7)	34	(7)	625	1,066	9	1,057
Balance as at September 30 2020	1,045	(206)	32	(20)	(3,323)	(2,472)	(34)	(2,438)
Balance as at December 31 2020 (audited)	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	**(357)**	**7**	**(18)**	**(9)**	**560**	**183**	**(12)**	**195**
Balance as at September 30 2021	**806**	**(288)**	**8**	**(25)**	**(3,174)**	**(2,673)**	**(76)**	**(2,597)**

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							
	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 December 31 2019	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the year	539	(96)	28	(3)	214	682	(21)	703
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)

(a) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) for hedging a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments for plan assets.

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

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

	For the three months ended September 30 (unaudited)					
	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, net, from fair value adjustments	14	(6)	8	130	(42)	88
Gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	(63)	22	(41)	(91)	31	(60)
Net change during the period	(49)	16	(33)	39	(11)	28
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	(26)	-	(26)	(22)	-	(22)
Hedges[(c)]	20	(7)	13	15	(5)	10
Net change during the period	(6)	(7)	(13)	(7)	(5)	(12)
Net losses for cash flow hedges	(7)	3	(4)	-	-	-
The Bank's share in other comprehensive loss of associates, equity-accounted	(2)	-	(2)	(8)	1	(7)
Employee benefits:[(d)]						
Net actuarial (loss) gain	(23)	9	(14)	224	(80)	144
Net losses reclassified to the income statement[(e)]	122	(42)	80	132	(45)	87
Net change during the period	99	(33)	66	356	(125)	231
Total change during the period, net	35	(21)	14	380	(140)	240
Less changes in other comprehensive loss components attributable to non-controlling interests						
Total net change during the period	(4)	-	(4)	(7)	1	(6)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	39	(21)	18	387	(141)	246

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

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

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

	For the nine months ended September 30 (unaudited)					
	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	(361)	122	(239)	947	(321)	626
Net (gains) losses in respect of available-for-sale bonds reclassified to the income statement[a]	(180)	62	(118)	(311)	106	(205)
Net change during the period	(541)	184	(357)	636	(215)	421
Translation adjustments:[b]						
Adjustments from translation of financial statements	11	-	11	(12)	-	(12)
Hedges[c]	(6)	2	(4)	7	(2)	5
Net change during the period	5	2	7	(5)	(2)	(7)
Net gains (losses) for cash flow hedges	(28)	10	(18)	52	(18)	34
The Bank's share in other comprehensive loss of associates, equity-accounted	(10)	1	(9)	(7)	-	(7)
Employee benefits:[d]						
Net actuarial gain	474	(160)	314	607	(210)	397
Net losses reclassified to the income statement[e]	374	(128)	246	346	(118)	228
Net change during the period	848	(288)	560	953	(328)	625
Total change during the period, net	274	(91)	183	1,629	(563)	1,066
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	(19)	7	(12)	15	(6)	9
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	293	(98)	195	1,614	(557)	1,057

(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 for employee benefits 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 millions		
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 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 for employee benefits line item. For more information, please see Note 8.

Note 5 - Securities

	As at September 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	4,062	4,062	365	(6)	4,421
Mortgage-backed (MBS)	2,409	2,409	25	(34)	2,400
Of other foreign entities	1,750	1,750	60	(50)	1,760
Total held-to-maturity bonds	8,221	8,221	450	(90)	8,581

	As at September 30 2021 (unaudited)[g]				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[a]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	26,493	25,611	908	(26)	26,493
Of foreign governments	17,876	17,894	51	(69)	17,876
Of Israeli financial institutions	54	49	5	-	54
Of foreign financial institutions	8,831	8,652	184	(5)	8,831
Asset-backed (ABS) or mortgage-backed (MBS)	7,925	7,930	52	(57)	7,925
Of other Israeli entities	373	354	19	-	373
Of other foreign entities	5,285	5,108	207	(30)	5,285
Total available-for-sale bonds[f]	66,837	65,598	1,426[c]	(187)[c]	66,837

Please see comments below.

Note 5 - Securities (cont.)

	As at September 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	4,714	4,209	555	(50)	4,714
Of which: equity securities and mutual funds for which there is no available fair value[b]	1,759	1,759			1,759
Total not held for-trading equity securities and funds	4,714	4,209	555[d]	(50)[d]	4,714
Total not held-for-trading securities	79,772	78,028	2,431	(327)	80,132

	As at September 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	1,453	1,459	1	(7)	1,453
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	52	50	2	-	52
Of foreign financial institutions	29	28	1	-	29
Asset-backed (ABS) or mortgage-backed (MBS)	51	54	-	(3)	51
Of other Israeli entities	136	133	3	-	136
Of other foreign entities	61	58	3	-	61
Total bonds	1,782	1,782	10	(10)	1,782
Equity securities and mutual funds	26	25	1	-	26
Total held-for-trading securities	1,808	1,807	11[d]	(10)[d]	1,808
Total securities	81,580	79,835	2,442	(337)	81,940

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30 2020 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	3,992	3,992	589	-	4,581
Mortgage-backed (MBS)	2,215	2,215	40	(3)	2,252
Of other foreign entities	802	802	63	-	865
Total held-to-maturity bonds	7,009	7,009	692	(3)	7,698

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

Please see comments below.

Note 5 - Securities (cont.)

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

	As at September 30 2020 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	5,813	5,817	2	(6)	5,813
Of foreign governments	250	208	42	-	250
Of Israeli financial institutions	336	335	2	(1)	336
Of foreign financial institutions	149	152	3	(6)	149
Asset-backed (ABS) or mortgage-backed (MBS)	93	98	1	(6)	93
Of other Israeli entities	59	58	1	-	59
Of other foreign entities	64	65	-	(1)	64
Total bonds	6,764	6,733	51	(20)	6,764
Equity securities and mutual funds	24	21	3	-	24
Total held-for-trading securities	6,788	6,754	54[(d)]	(20)[(d)]	6,788
Total securities[(e)]	95,164	93,024	2,966	(137)	95,853

Please see comments below.

Note 5 - Securities (cont.)

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

	As at December 31 2020 (audited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	34,821	33,592	1,233	(4)	34,821
Of foreign governments	19,893	19,794	112	(13)	19,893
Of Israeli financial institutions	69	64	5	-	69
Of foreign financial institutions	8,861	8,590	271	-	8,861
Asset-backed (ABS) or mortgage-backed (MBS)	6,996	6,932	87	(23)	6,996
Of other Israeli entities	220	209	11	-	220
Of other foreign entities	6,067	5,684	387	(4)	6,067
Total available-for-sale bonds[(f)]	76,927	74,865	2,106[(c)]	(44)[(c)]	76,927

	As at December 31 2020 (audited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held-for-trading equity securities and funds:					
Equity securities and mutual funds	4,335	4,148	230	(43)	4,335
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,566	1,566			1,566
Total not held for-trading equity securities and funds	4,335	4,148	230[(d)]	(43)[(d)]	4,335
Total not held-for-trading securities	88,264	86,015	3,001	(96)	88,920

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2020 (audited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	3,144	3,135	9	-	3,144
Of foreign governments	223	192	31	-	223
Of Israeli financial institutions	323	319	4	-	323
Of foreign financial institutions	98	96	3	(1)	98
Asset-backed (ABS) or mortgage-backed (MBS)	80	85	-	(5)	80
Of other Israeli entities	58	56	2	-	58
Of other foreign entities	46	43	3	-	46
Total bonds	3,972	3,926	52	(6)	3,972
Equity securities and mutual funds	61	55	7	(1)	61
Total held-for-trading securities	4,033	3,981	59[d]	(7)[d]	4,033
Total securities	92,297	89,996	3,060	(103)	92,953

Comments:
(a) In most cases, fair value inputs are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling large blocks of securities.
(b) Shares for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.
(c) Included in equity under the “Adjustments in respect of the presentation of available-for-sale bonds at fair value, net” under other comprehensive income, except for securities designated to be hedged at fair value.
(d) Carried to the income statement but as yet unrealized.
(e) Including impaired non-performing interest-accruing bonds as at September 30 2020 - NIS 4 million.
(f) Total of NIS 9.6 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (September 30 2020 - NIS 10.0 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 amounted to NIS 120 million (as at September 30 2020 - NIS 215 million; as at December 31 2020 - NIS 95 million) are presented in the “loans to the public” line item.
Pledged securities totaled NIS 16,152 million (as at September 30 2020 - NIS 11,976 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

	September 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			
	Amortized cost	0-[c]20%	20%[d]-35%	Over[e] 35%	Total	Amortized cost	0-[c]20%	20%[d]-35%	Over[e] 35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	213	4	-	-	4	28	2	-	-	2
Mortgage-backed (MBS)	1,309	29	-	-	29	55	5	-	-	5
Of other foreign entities	1,021	50	-	-	50	-	-	-	-	-
Total held-to-maturity bonds	2,543	83	-	-	83	83	7	-	-	7

	September 30 2020 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%[d]-35%	Over[e] 35%	Total	Amortized cost	0-[c]20%	20%[d]-35%	Over[e] 35%	Total
	In NIS million									
Bonds										
Of the Israeli Government	31	-[f]	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	197	1	-	-	1	145	2	-	-	2
Of other foreign entities	282	-[f]	-	-	-	-	-	-	-	-
Total held-to-maturity bonds	510	1	-	-	1	145	2	-	-	2

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.
(f) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

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

	December 31 2020 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%[d]-35%	Over[e] 35%	Total	Amortized 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

	September 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	1,948	8	-	-	8	475	18	-	-	18
Of foreign governments	7,908	69	-	-	69	-	-	-	-	-
Of foreign financial institutions	1,069	5	-	-	5	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	3,079	40	-	-	40	874	17	-	-	17
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,238	22	-	-	22	140	8	-	-	8
Total available-for-sale bonds	15,242	144	-	-	144	1,489	43	-	-	43

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.
(f) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(g) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

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

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

	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

	September 30 2021 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	2,027	(20)	28	(2)	2,055	(22)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	645	(19)	179	(7)	824	(26)
Asset-backed bonds (ABS)	407	(1)	667	(8)	1,074	(9)
Total	3,079	(40)	874	(17)	3,953	(57)

	September 30 2020 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	-	-	-	-	-	-
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	20	(1)	-	-	20	(1)
Asset-backed bonds (ABS)	461	(7)	927	(11)	1,388	(18)
Total	481	(8)	927	(11)	1,408	(19)

	December 31 2020 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]
	In NIS million					
Mortgage-backed bonds (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.

Note 5 - Securities (cont.)

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

	September 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	2,332	25	(28)	2,329
Of which: GNMA-backed securities	1,328	14	(18)	1,324
Securities issued by FNMA or FHLMC	1,004	11	(10)	1,005
Other mortgage-backed bonds (including CMOs and stripped MBSs)	77	-	(6)	71
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	77	-	(6)	71
Total mortgage-backed bonds (MBS)	2,409	25	(34)	2,400
Total mortgage-backed held-to-maturity	2,409	25	(34)	2,400

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

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 CMOs and stripped MBSs)	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

	September 30 2021 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,425	19	(22)	3,422
Of which: GNMA-backed bonds	1,393	4	(10)	1,387
Bonds issued by FNMA or FHLMC	2,032	15	(12)	2,035
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,088	22	(26)	2,084
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	1,699	15	(26)	1,688
Total mortgage-backed bonds (MBS)	5,513	41	(48)	5,506
Asset-backed bonds (ABS)	2,417	11	(9)	2,419
Of which: loans to non-individuals - CLO-type bonds	1,786	9	(2)	1,793
Loans to non-individuals - SBA-guaranteed securities	276	-	(7)	269
Total available-for-sale mortgage-backed and asset-backed bonds	7,930	52	(57)	7,925

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

Note 5 - Securities (cont.)

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

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

	December 31 2020 (audited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass through bonds	2,513	36	(2)	2,547
Of which: GNMA-backed securities	735	9	(1)	743
Securities issued by FNMA or FHLMC	1,778	27	(1)	1,804
Other mortgage-backed bonds (including CMO and stripped MBS)	2,494	41	(9)	2,526
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	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

	September 30 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	**2**	**-**	**-**	**2**
Of which: Securities issued by FNMA or FHLMC	**2**	**-**	**-**	**2**
Other mortgage-backed securities (including CMO and stripped MBS)	**26**	**-**	**(2)**	**24**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**28**	**-**	**(2)**	**26**
Total asset-backed securities (ABS)	**26**	**-**	**(1)**	**25**
Total mortgage-backed and asset-backed held-for-trading securities	**54**	**-**	**(3)**	**51**

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

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

Note 5 - Securities (cont.)

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

	December 31 2020 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and stripped MBS)	37	-	(3)	34
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	36	-	(3)	33
Total mortgage-backed securities (MBS)	39	-	(3)	36
Total asset-backed securities (ABS)	46	-	(2)	44
Total mortgage-backed and asset-backed held-for-trading securities	85	-	(5)	80

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

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

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

	September 30 2021 (unaudited)					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	160,504	-	876	161,380	15,531	176,911
Examined on a collective basis[1]	42,145	100,213	26,471	168,829	1,080	169,909
[1]Of which: by extent of arrears	420[(c)]	100,128	-	100,548	-	100,548
Total debts[(a)2]	202,649	100,213	27,347	330,209	16,611	346,820
[2]Of which:						
Debt restructuring	2,033	-	329	2,362	-	2,362
Other impaired non-performing debts	792	18	16	826	1	827
Total impaired debts	2,825	18	345	3,188	1	3,189
Debts in arrears of 90 days or more	80	680	50	810	-	810
Other troubled debts	3,158	3	215	3,376	-	3,376
Total troubled debts	6,063	701	610	7,374	1	7,375
Outstanding loan loss provision in respect of debts[(a)]**:**						
Examined on a specific basis	2,750	-	283	3,033	3	3,036
Examined on a collective basis[3]	691	541	420	1,652	-[(d)]	1,652
[3]Of which: By extent of arrears	1	540[(b)]	-	541	-	541
Total loan loss provision[4]	3,441	541	703	4,685	3	4,688
[4]Of which: For impaired non-performing debts	789	4	223	1,016	-[(d)]	1,016

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

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

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

	September 30 2020 (unaudited)					
	Loans to the public					
	Commer-cial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	135,026	26	758	135,810	14,018	149,828
Examined on a collective basis[1]	41,914	88,286	25,451	155,651	702	156,353
[1]Of which: by extent of arrears	751[(c)]	88,154	-	88,905	-	88,905
Total debts[(a)2]	176,940	88,312	26,209	291,461	14,720	306,181
[2]Of which:						
Debt restructuring	1,038	-	303	1,341	-	1,341
Other impaired non-performing debts	1,327	48	22	1,397	15	1,412
Total impaired debts	2,365	48	325	2,738	15	2,753
Debts in arrears of 90 days or more	76	785	43	904	-	904
Other troubled debts	4,320	-	288	4,608	-	4,608
Total troubled debts	6,761	833	656	8,250	15	8,265
Outstanding loan loss provision in respect of debts[(a)]**:**						
Examined on a specific basis	2,978[(e)]	-	216	3,194	5	3,199
Examined on a collective basis[3]	708[(e)]	652	533	1,893	-[(d)]	1,893
[3]Of which: By extent of arrears	-[(d)]	650[(b)]	-	650	-	650
Total loan loss provision[4]	3,686	652	749	5,087	5	5,092
[4]Of which: For impaired non-performing debts	528[(e)]	-	203	731	-[(d)]	731

(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, totaling NIS 466 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.
(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					
	Commercial	Housing	Private - 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: 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	-[(d)]	1,926
[3]Of which: by extent of arrears	-[(d)]	634[(b)]	-	634	-	634
Total loan loss provision[4]	3,882	636	772	5,290	3	5,293
[4]Of which: For impaired non-performing debts	911[(e)]	7	212	1,130	-[(d)]	1,130

(a) Loans to the public, loans to governments, deposits with banks (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 September 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	**4,097**	**605**	**777**	**5,479**	**2**	**5,481**
Loan loss expenses (income)[(a)]	**(248)**	**(63)**	**(49)**	**(360)**	**1**	**(359)**
Accounting write-offs	**(94)**	**(1)**	**(65)**	**(160)**	**-**	**(160)**
Collection of debts written off in previous years	**94**	**-**	**56**	**150**	**-**	**150**
Accounting write-offs, net	**-**	**(1)**	**(9)**	**(10)**	**-**	**(10)**
Adjustments from translation of financial statements	**(3)**	**-**	**-**	**(3)**	**-**	**(3)**
Outstanding loan loss provision as at the end of the reporting period[1]	**3,846**	**541**	**719**	**5,106**	**3**	**5,109**
[1]Of which: in respect of off-balance sheet credit instruments	**405**	**-**	**16**	**421**	**-**	**421**

	For the three months ended September 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,651	603	808	5,062	3	5,065
Loan loss expenses (income)	498	52	(5)	545	2	547
Accounting write-offs	(169)	(3)	(101)	(273)	-	(273)
Collection of debts written off in previous years	132	-	68	200	-	200
Accounting write-offs, net	(37)	(3)	(33)	(73)	-	(73)
Adjustments from translation of financial statements	(1)	-	-	(1)	-	(1)
Outstanding loan loss provision as at the end of the reporting period[1]	4,111	652	770	5,533	5	5,538
[1]Of which: in respect of off-balance sheet credit instruments	425	-	21	446	-	446

(a) Of which: collections totaling NIS 135 million for impaired non-performing debts

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

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

	For the nine months ended September 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,284	636	792	5,712	3	5,715
Loan loss income[(a)]	(581)	(90)	(58)	(729)	-	(729)
Accounting write-offs	(344)	(5)	(207)	(556)	-	(556)
Collection of debts written off in previous years	485	-	192	677	-	677
Net accounting write-offs	141	(5)	(15)	121	-	121
Adjustments from translation of financial statements	2	-	-	2	-	2
Outstanding loan loss provision as at the end of the reporting period[1]	3,846	541	719	5,106	3	5,109
[1]Of which: in respect of off-balance-sheet credit instruments	405	-	16	421	-	421

	For the nine months ended September 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	2,590	467	657	3,714	2	3,716
Loan loss expenses	1,852	190	237	2,279	3	2,282
Accounting write-offs	(622)	(5)	(314)	(941)	-	(941)
Collection of debts written off in previous years	293	-	190	483	-	483
Net accounting write-offs	(329)	(5)	(124)	(458)	-	(458)
Adjustments from translation of financial statements	(2)	-	-	(2)	-	(2)
Outstanding loan loss provision as at the end of the reporting period[1]	4,111	652	770	5,533	5	5,538
[1]Of which: in respect of off-balance-sheet credit instruments	425	-	21	446	-	446

(a) Of which: collections totaling NIS 135 million for impaired non-performing debts

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing deposits	**145,012**	110,662	116,042
Interest-bearing deposits	**185,082**	160,252	176,276
Total demand deposits	**330,094**	270,914	292,318
Fixed deposits	**146,126**	131,762	132,325
Total deposits in Israel[1]	**476,220**	402,676	424,643
Outside Israel			
Demand deposits			
Non-interest bearing deposits	**14,247**	11,344	11,363
Interest-bearing deposits	**6,928**	7,590	6,713
Total demand deposits	**21,175**	18,934	18,076
Fixed deposits	**3,481**	5,505	4,312
Total deposits outside Israel	**24,656**	24,439	22,388
Total deposits by the public	**500,876**	427,115	447,031
[1]Of which:			
Deposits by private individuals	**147,481**	147,260[(a)]	147,228
Deposits by institutional entities	**101,373**	71,071[(a)]	80,499
Deposits by corporations and others	**227,366**	184,345[(a)]	196,916

(a) Reclassified.

B. Deposits by the Public, by Amount

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	**119,601**	116,575	117,472
Over 1 and up to 10	**110,875**	108,086	108,612
Over 10 and up to 100	**84,148**	77,672	77,759
Over 100 and up to 500	**62,642**	47,498	54,650
Over 500	**123,610**	77,284	88,538
Total	**500,876**	427,115	447,031

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	**20,429**	19,440	20,491
Fair value of plan assets	**9,522**	8,146	8,945
Excess liability over plan assets	**10,907**	11,294	11,546
Accrued jubilee vacation leave			
Liability amount	**34**	35	36
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “other liabilities”)	**34**	35	36
Other benefits			
Liability amount	**637**	598	639
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “other liabilities”)	**637**	598	639
Total			
Excess liability included in “other liabilities”[1]	**11,588**	11,927	12,221
Excess assets included in the Other assets line item (for employee benefits abroad)	**10**	-	-
[1]Of which: for benefits to employees abroad	**57**	85	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 September 30		For the nine months ended September 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	**20,353**	19,551	**20,491**	20,470	20,470
Service cost	**46**	44	**144**	123	175
Interest cost	**146**	139	**424**	434	573
Contributions by planholders	**8**	8	**24**	25	33
Actuarial loss (gain)	**110**	(135)	**(35)**	(591)	555
Changes in foreign exchange rates	**(12)**	8	**(2)**	(1)	(19)
Paid benefits	**(222)**	(175)	**(617)**	(1,020)	(1,296)
Obligation in respect of expected benefit as at the end of the reporting period	**20,429**	19,440	**20,429**	19,440	20,491
Obligation in respect of cumulative benefit as at the end of the reporting period	**19,014**	17,962	**19,014**	17,962	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 September 30		For the nine months ended September 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	**9,453**	7,856	**8,945**	7,614	7,614
Actual return on plan assets	**190**	197	**739**	217	743
Plan contributions by the Bank	**20**	172	**185**	827	1,272
Contributions by planholders	**8**	8	**24**	25	33
Changes in foreign exchange rates	**(14)**	5	**(4)**	(6)	(31)
Paid benefits	**(135)**	(92)	**(367)**	(577)	(732)
Other	**-**	-	**-**	46	46
Fair value of plan assets as at the end of the reporting period	**9,522**	8,146	**9,522**	8,146	8,945
Funding status - net liability recognized at the end of the reporting period	**10,907**	11,294	**10,907**	11,294	11,546

3. Amounts recognized in the consolidated balance sheet

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	**10**	-	-
Amounts recognized in the "Other liabilities" item	**10,917**	11,294	11,546
Net liability recognized at the end of the reporting period	**(10,907)**	(11,294)	(11,546)

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

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**4,725**	4,979	5,564
Closing balance of accumulated other comprehensive income	**4,725**	4,979	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 September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
	Unaudited				Audited
	In NIS million				
Service cost	**46**	44	**144**	123	175
Interest cost	**146**	139	**424**	434	573
Expected return on plan assets	**(104)**	(96)	**(304)**	(266)	(365)
Amortization of unrealized amounts - net actuarial loss	**119**	132	**368**	342	470
Total benefit cost, net	**207**	219	**632**	633	853
Total expense for defined contribution pension plan	**45**	43	**137**	137	181
Total expenses included in profit and loss	**252**	262	**769**	770	1,034

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2021	2020	**2021**	2020	2020
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	**24**	(236)	**(470)**	(542)	177
Amortization of unrealized amounts - net actuarial loss	**(119)**	(132)	**(368)**	(342)	(470)
Changes in foreign exchange rates	**(2)**	(1)	**(1)**	1	(5)
Other	**-**	-	**-**	(46)	(46)
Total recognized in other comprehensive loss (income)	**(97)**	(369)	**(839)**	(929)	(344)
Total benefit cost, net	**207**	219	**632**	633	853
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**110**	(150)	**(207)**	(296)	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

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	**0.80**	1.44	1.00
Rate of increase in the CPI	**2.10**	1.42	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

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Discount rate	**0.96**	1.69	1.62
Expected long-term return on plan assets	**4.50**	4.62	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		
	As at September 30		As at December 31	As at September 30		As at December 31
	2021	2020	2020	**2021**	2020	2020
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,753)**	(2,644)	(2,846)	**3,418**	3,288	3,549
Rate of increase in the CPI	**(588)**	(590)	(681)	**660**	659	766
Departure rate	**311**	226	320	**(305)**	(199)	(309)
Rate of compensation increase	**646**	651	755	**(577)**	(584)	(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 at September 30		As at
	2021	2020	2020
	Unaudited		Audited
	In NIS millions		
Cash and deposits with banks	**248**	221	246
Equity securities	**1,755**	1,788	1,733
Government bonds	**419**	393	533
Corporate bonds	**941**	1,270	997
Other	**6,159**	4,474	5,436
Total	**9,522**	8,146	8,945

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

	Allocation target	Percentage of plan assets		
	As at	As at September 30		As at
	2021	**2021**	2020	2020
	Unaudited			Audited
	In %			
Cash and deposits with banks	**3**	**3**	3	3
Equity securities	**19**	**18**	22	19
Government bonds	**6**	**4**	5	6
Corporate bonds	**11**	**10**	16	11
Other	**61**	**65**	54	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 September 30		For the nine months ended September 30		For the year ended December 31
	2021	**2021**	2020	**2021**	2020	2020
	Unaudited					Audited
	In NIS million					
Contributions	**28**	**28**	180	**209**	852	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
2021	201
2022	781
2023	793
2024	857
2025	863
2026-2030	5,103
2031 and onwards	14,120
Total	22,718

(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 extend, by an additional period of six months, the validity of the Temporary Order until September 30 2021 and on September 30 2021, the Banking Supervision Department published an additional circular to extend the Temporary Order until December 31, 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, 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.

The Temporary Order determined that for housing loans that will be extended in the crisis period, (starting on March 19 2020 and until the directive's validity), the additional capital requirement of 1 percent of the outstanding loan will not be applied, as set out in Section 14A. To Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing loans". The temporary order was extended through September 30 2021, as part of the circular dated March 22 2021 extending the temporary order. In accordance with the circular published by the Banking Supervision Department on September 30 2021, from October 1 2021, the additional 1 percent capital requirement in relation to housing loans will be reapplied, although the easement remains as to housing loans not intended to purchase real estate (all-purpose loans).

According to the temporary provision, the minimum capital requirements applicable to the Bank as at September 30 2021 are 9.18 percent for Common Equity Tier 1 capital ratio (with the additional capital requirement for outstanding housing loans) and 12.50% percent for total capital ratio.

Note 9A - Equity (cont.)

According to circulars published by the Banking Supervision Department on July 26 2021 and September 30 2021, the banking system can revert to distributing dividends, and the banks should adopt a prudent and conservative approach in dividend distribution and share buyback. The position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the Bank's net income for 2020 and 2021 will not be considered prudent and conservative capital planning. Moreover, the Banking Supervision Department indicated that a failure to meet the required leverage ratio and using easement in relation to the leverage ratio will not prevent the distribution of dividends, subject to an overall capital plan aimed at reverting to the required leverage ratio.

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 to the dividend distribution and to the Bank's share buyback plan, against the backdrop of the coronavirus crisis, 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.

Note 9A - Equity (cont.)

As aforesaid, the position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the Bank's net income for the year 2020 and for the year 2021 will not be considered prudent and conservative capital planning. Since the Bank, in September 2021, distributed an amount of NIS 630 million, equal to 30 percent of its gains for 2020, and in light of the Bank's high capital surplus, the Board of Directors approved on November 15 2021 a dividend payment of NIS 1,367 million, which constitutes approximately 30 percent of the net income for the first nine months of 2021. The dividend approved per share of NIS 1 par value amounted to 94.115 agorot. The Board of Directors designated November 29 2021 as the record date for purposes of payment of the dividend and December 12 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 paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
November 26 2019	December 22 2019	20.87	306
February 26 2020	March 23 2020	20.29	297
August 12 2021	September 2 2021	43.36	630

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.

On November 8 2021, the Bank reported it was evaluating a public issuance of two new series of ordinary bonds of the Bank and listing them on the TASE. If issued, these bonds will not be included in the Bank's regulatory capital. As at the date of the report, the issuance has yet to be made.

For more information regarding the issue of Subordinated Bonds Series 401 and 402 during 2018, please see Note 25A to the 2018 Annual Financial Statements.
For more information regarding the issue of Subordinated Bonds Series 403 and 404 during 2019, please see Note 25A to the 2019 Annual Financial Statements.
For information regarding the issuance of Subordinated Note Series $ 2031, issuance of Bonds Series 181, repayment of Subordinated Bonds Series 177, and repayment of Subordinated Bonds Series N during 2020, please see Note 25A to the 2020 Annual Financial Statements.

Early Redemption of Subordinated Capital Notes

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

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

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on capital measurement and adequacy, in order to adapt them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

1. Regulatory capital components
2. Capital deductions and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for impaired non-performing debts
5. Capital allocation for CVA risk

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

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - were gradually deducted from the capital at a rate of 20 percent per year, from January 1 2014 to January 1 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1 2014 and in each subsequent year, the maximum is lowered by an additional 10 percent, until January 1 2022. As of 2021, the maximum instrument amount qualifying as regulatory capital is 10 percent.

In addition, on August 29 2013, the Banking Supervision Department published a circular on Basel disclosure requirements, addressing the composition of capital and setting forth revised disclosure requirements for banks as part of the adoption of the Basel III rules.

Volatile Capital Components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates, which are at historical lows, and also due to the considerable volatility such measurement has brought to the Bank's regulatory capital.

In this context, on July 12 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the Annual Financial Statements as at December 31 2020. On January 13 2020, the Bank of Israel approved the extension of the validation of the approval for the Annual Financial Statements as at December 31 2024 (inclusive). The new method significantly moderates the volatility resulting from changes in the discounted interest rate.

On November 15 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to the fixed spread of internationally AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 19,360 million and the Common Equity Tier 1 capital - to NIS 42,946 million, compared with a book value of NIS 20,903 million for the pension liability and Common Equity Tier 1 capital of NIS 40,354 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 363 billion as at September 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 43 billion as of September 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.)

	September 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)]	**42,946**	38,086	39,262
Tier 2 capital, after deductions	**10,292**	13,341	12,297
Total capital	**53,238**	51,427	51,559
Balance of risk-weighted assets			
Credit risk[(b)]	**335,495**	297,423	303,356
Market risks	**5,111**	5,314	5,313
Operational risk	**22,393**	22,448	22,182
Total balance of risk-weighted assets	**362,999**	325,185	330,851
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted **assets**	**11.83%**	11.71%	11.87%
Ratio of total capital to risk-weighted assets	**14.67%**	15.81%	15.58%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**9.18%**	9.24%	9.23%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**12.50%**	12.50%	12.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted **assets**	**14.00%**	13.53%	13.82%
Ratio of total capital to risk-weighted assets	**15.13%**	14.78%	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 Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. Data regarding minimum total capital ratio required by the Banking Supervision Department for previous periods have been restated due to clarifications by the Banking Supervision Department that the additional capital requirement for housing loans will be added to the Common Equity Tier 1 capital. 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 September 30 2021, a total of NIS 89 million was deducted from the balance of risk-weighted assets in respect of the adjustments to the efficiency plans (NIS 8 million was added as at September 30 2020, NIS 1 million was added 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

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**41,787**	37,128	37,664
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	**289**	312	295
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[a]	**943**	860	1,368
Total CET1 capital before regulatory adjustments and deductions	**43,019**	38,300	39,327
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(179)**	(131)	(150)
Deferred tax receivable	**-**	(410)	(188)
Regulatory adjustments and other deductions - CET1 capital	**(18)**	(13)	(13)
Total regulatory adjustments and deductions - CET1 capital	**(197)**	(554)	(351)
Total adjustments for the efficiency plan	**124**	340	286
Total CET1 capital, after regulatory adjustments and deductions	**42,946**	38,086	39,262
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**6,250**	9,623	8,505
Tier 2 capital: Provisions for loan losses, before deductions	**4,042**	3,718	3,792
Total Tier 2 capital before deductions	**10,292**	13,341	12,297
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,292**	13,341	12,297
Total capital	**53,238**	51,427	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.

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

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted components before the effect of the transitional provisions and adjustments for the efficiency plan[a]	**11.79%**	11.61%	11.78%
Adjustments for the efficiency plan[b]	**0.04%**	0.10%	0.09%
Ratio of CET1 capital to risk-weighted assets	**11.83%**	11.71%	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.

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

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, "Leverage 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.

	As at September 30		As at December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
a. Consolidated data[(a)]			
Tier 1 capital	**42,946**	38,086	39,262
Total exposures	**666,818**	572,012	597,538
Leverage ratio			
Leverage ratio	**6.44%**	6.66%	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	**10.94%**	11.13%	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 September 30 2021 is charged over a 5-year period on a straight line basis as of their effective date (0.05 percent and 0.06 percent as at December 31 2020 and September 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.

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

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.

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**131**	137	137
Minimum liquidity coverage ratio set by the Banking Supervision Department[(a)]	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**130**	136	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

Contingent Liabilities and Other Special Commitments

	September 30		December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
(1) Commitments to purchase securities	**590**	964	669
(2) Commitments to invest in, and purchase, buildings and	**58**	81	24

B. Legal Claims

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

Note 26 to the Bank's Annual Financial Statements as at December 31 2020 included information regarding all pending material legal claims as of the reporting date. The following note contains information regarding material legal claims filed during the reporting period and thereafter, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding legal claims reported in Note 26 to the Annual Financial Statements in which no change occurred.

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

In the opinion of the management of the Bank and the managements of the consolidated companies, the total amount of additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, is approx. NIS 232 million.

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.

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

1.3. On June 5 2019, a motion for class certification was filed against six banks, including the Bank. According to the plaintiffs, the exchange rate differentials constitute a “commission”, requiring the banks to provide fair disclosure thereof. As a result, charging the commission is unlawful and the banks’ commission is too high. The claimed damage for the entire class the plaintiffs purport to represent is NIS 8 billion (with additional damages that have not been quantified), of which NIS 2.2 billion is attributed to the Bank. On June 21 2020, the Tel Aviv District Court rejected in limine the motion for class certification and required the petitioners to pay the plaintiffs’ legal expenses. On July 6 2020, the plaintiffs appealed the ruling with the Supreme Court. On August 25 2021, the Supreme Court delivered its ruling, rejecting the appeal and ordering the plaintiffs to pay the petitioners’ legal expenses. On September 1 2021, the plaintiffs petitioned with the Supreme Court for an additional hearing in the case and on October 25 2021, the Supreme Court struck the petition.

1.4. 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.

1.5. On September 6 2021, a class certification motion was filed with the Tel Aviv District Court (Central Region) against five banks, including the Bank, stating that the plaintiffs suffered damage due to the fact that the banks present fees and commissions for certain transactions in foreign currency rather than in shekels, and charge these fees and commissions in shekels with a higher exchange rate than the representative exchange rates. The plaintiffs do not name a group damage amount.

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 asses the personal damages caused to them in the amount of NIS 2,000 and are not stating a damage 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.

2.3. On September 6 2021, a class certification motion was filed with the Haifa District Court against five banks, including the Bank, stating that the plaintiffs suffered damage following tax overcharges relating to proceeds from securities (such as dividends, interest, etc.), in cases there is a difference between the customer’s country of residence and the security issuer’s taxing country. According to the plaintiffs, the tax rates should be charged in accordance with the treaties for preventing double taxation between the relevant countries which, they claim, is not carried out effect. The plaintiffs do not name a group damage amount.

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

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.

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 Banking Supervision Department, 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

	September 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	3,383	16,837	20,220
Written options	1,292	3,000	4,292
Purchased options	-	1,032	1,032
Swaps[(a)]	17,135	198,648	215,783
Total[(b)]	21,810	219,517	241,327
Of which: Hedging derivatives[(c)]	6,461	-	6,461
b) Foreign currency contracts			
Futures and forwards[(d)]	58,898	230,101	288,999
Written options	1,091	37,648	38,739
Purchased options	1,091	31,462	32,553
Swaps	161	19,951	20,112
Total	61,241	319,162	380,403
c) Stock contracts			
Futures and forwards	361	141,351	141,712
Written options	692	138,064	138,756
Purchased options[(e)]	569	138,195	138,764
Other	7	-	7
Swaps	113	111,905	112,018
Total	1,742	529,515	531,257
d) Commodities and other contracts			
Futures and forwards	-	248	248
Written options	-	282	282
Purchased options	-	281	281
Swaps	-	9,236	9,236
Total	-	10,047	10,047
Total nominal amount	84,793	1,078,241	1,163,034

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 111,050 million.
(b) Of which: NIS-CPI swaps totaling NIS 14,755 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: foreign exchange spots totaling NIS 29,496 million.
(e) Of which a total of NIS 137,868 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

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

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

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

A. Volume of Consolidated Activity (cont.)

	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	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
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.)

	September 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	323	3,375	3,698	321	3,604	3,925
Of which: Hedging derivatives	189	-	189	201	-	201
b) Foreign currency contracts	179	3,173	3,352	39	3,387	3,426
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	18	6,303	6,321	37	6,290	6,327
d) Commodities and other contracts	-	502	502	-	493	493
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	520	13,353	13,873	397	13,774	14,171
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	520	13,353	13,873	397	13,774	14,171
Of which: Not subject to a master netting - or similar arrangements	46	311	357	9	386	395

(a) Of which: NIS 2 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.

	September 30 2020 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	292	6,043	6,335	783	6,285	7,068
Of which: Hedging derivatives	75	-	75	465	-	465
b) Foreign currency contracts	83	2,681	2,764	127	2,928	3,055
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	41	3,202	3,243	40	3,192	3,232
d) Commodities and other contracts	-	235	235	-	233	233
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	416	12,161	12,577	950	12,638	13,588
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	416	12,161	12,577	950	12,638	13,588
Of which: Not subject to a master netting - or similar arrangements	51	297	348	-	466	466

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

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 arrangements	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 September 30 2021		For the nine months ended September 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)]	(7)	-	(28)	-

	For the three months ended September 30 2020		For the nine months ended September 30 2020	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	-	-	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 September 30 2021	For the nine months ended September 30 2021
	Unaudited	
	In NIS million	
Total interest income (expense) recognized in the income statement	**(17)**	**(41)**
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts		
Hedged items	**(51)**	**(294)**
Hedging derivatives	**34**	**253**

	For the three months ended September 30 2020	For the nine months ended September 30 2020
	Unaudited	
	In NIS million	
Total interest income (expense) recognized in the income statement	(13)	(32)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts		
Hedged items	(97)	277
Hedging derivatives	84	(309)

	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

	As at September 30 2021 (unaudited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**5,341**	**88**	**14**

	As at September 30 2020 (unaudited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,251	292	14

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

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

B. Accounting Hedges (cont.)

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

	For the three months ended September 30 2021		For the nine months ended September 30 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Unaudited			
	In NIS million			
Deposits serving as investment hedges, net				
Foreign currency deposits	20	-	(6)	-

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

	For the year ended December 31 2020	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Audited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	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 September 30 2021	**For the nine months ended September 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	**(39)**	**97**
Foreign exchange contracts	**(122)**	**257**
Stock contracts	**25**	**122**
Commodity- and other contracts	**1**	**6**
Total	**(135)**	**482**

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

	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

	September 30 2021 (unaudited)					
	Stock exchan-ges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives[(a)(b)]	217	4,952	3,481	101	5,122	13,873
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,450	3,122	13	2,150	8,735
Credit risk mitigation in respect of cash collateral received	-	1,333	340	87	1,578	3,338
Net amount of assets in respect of derivatives	217	169	19	1	1,394	1,800
Off-balance sheet credit risk for derivatives[(d)(e)]	462	10,307	6,659	97	13,243	30,768
Mitigation of off-balance sheet credit risk	-	5,759	3,779	8	4,575	14,121
Net off-balance sheet credit risk for derivatives	462	4,548	2,880	89	8,668	16,647
Total credit risk for derivatives	679	4,717	2,899	90	10,062	18,447
Book balance of liabilities in respect of derivatives[(a)(c)]	174	4,340	4,656	13	4,988	14,171
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,450	3,122	13	2,150	8,735
Pledged cash collateral	-	571	1,064	-	1,645	3,280
Net amount of liabilities in respect of derivatives	174	319	470	-	1,193	2,156

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

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

(a) The Bank did not apply netting agreements.
(b) Of which carrying amounts of assets in respect of standalone derivatives totaling NIS 13,871 million (September 30 2020 - 12,551 million, December 31 2020 - NIS 15,252 million).
(c) Of which carrying amounts of liabilities in respect of standalone derivatives totaling NIS 14,154 million (September 30 2020 - 13,559 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 loan losses were recognized in respect of derivatives in the three-month and nine-month periods ended September 30 2021, September 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

	September 30 2021 (unaudited)				
	Up to three months	More than three months and up to one year	More than one year and up to five years	Over five years	Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	1,361	3,494	7,941	1,959	14,755
Other	13,450	33,342	110,389	69,391	226,572
Foreign exchange contracts	219,088	130,007	25,437	5,871	380,403
Stock contracts	440,330	90,507	417	3	531,257
Commodity- and other contracts	2,680	7,367	-	-	10,047
Total	676,909	264,717	144,184	77,224	1,163,034
Total as at September 30 2020 (unaudited)	429,994	222,364	141,379	82,788	876,525
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 September 30 2021 (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	1,223	908	12	2
Interest expense from external	25	-	-	(1)
Interest income, net:				
From external	1,198	908	12	3
Inter-segmental	(571)	(622)	(1)	9
Total interest income, net	627	286	11	12
Total noninterest income	253	13	66	40
Total income	880	299	77	52
Loan loss expenses (income)	(112)	(63)	(1)	-
Operating and other expenses:				
For external	723	82	59	22
Inter-segmental	5	-	-	-
Total operating and other expenses	728	82	59	22
Profit (loss) before taxes	264	280	19	30
Provision for income taxes (benefit)	101	104	7	11
Profit (loss) after taxes	163	176	12	19
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	163	176	12	19
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	163	176	12	19
Average balance of assets[b]	123,848	97,492	3,643	392
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	124,742	97,771	3,683	387
Outstanding loans to the public as at the end of the reporting period	127,148	99,970	3,650	406
Outstanding impaired non-performing debts	362	18	1	-
Outstanding debts in arrears of over 90 days	730	680	-	-
Average outstanding liabilities[b]	122,446	16	3	25,711
Of which: Average balance of deposits by the public[b]	122,388	-	-	25,709
Balance of deposits by the public as at the end of the reporting period	121,770	-	-	26,017
Average balance of risk-weighted assets[b][c]	82,121	59,443	3,305	696
Balance of risk-weighted assets as at the end of the reporting period[c]	84,138	61,575	3,442	694
Average balance of assets under management[b][d]	63,786	-	-	51,260
Breakdown of interest income, net:				
Margin from credit granting activities	572	286	11	2
Margin from deposit taking activities	55	-	-	10
Other	-	-	-	-
Total interest income, net	627	286	11	12

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.9 billion to customers whose business activity is classified to business segments.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corpora-tions	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
503	233	556	5	259	-	2,781	252	3,033
68	37	41	66	119	-	355	7	362
435	196	515	(61)	140	-	2,426	245	2,671
22	(4)	(116)	73	605	(2)	16	(16)	-
457	192	399	12	745	(2)	2,442	229	2,671
197	78	141	43	302	119	1,173	67	1,240
654	270	540	55	1,047	117	3,615	296	3,911
(125)	(54)	(42)	6	(19)	-	(346)	(13)	(359)
376	115	107	56	102	170	1,671	184	1,855
-	-	-	4	(10)	-	(1)	1	-
376	115	107	60	92	170	1,670	185	1,855
403	209	475	(11)	974	(53)	2,291	124	2,415
151	78	178	(4)	366	(31)	850	29	879
252	131	297	(7)	608	(22)	1,441	95	1,536
-	-	-	-	26	-	26	-	26
252	131	297	(7)	634	(22)	1,467	95	1,562
-	-	-	-	-	-	-	11	11
252	131	297	(7)	634	(22)	1,467	84	1,551
54,528	31,666	83,969	4,561	263,273	9,717	571,954	33,465	605,419
-	-	-	-	845	-	845	-	845
55,194	32,007	84,985	4,560	-	-	301,875	23,021	324,896
55,653	32,468	88,397	2,714	-	-	306,786	23,423	330,209
580	390	1,404	1	-	-	2,737	451	3,188
69	10	-	-	-	-	809	1	810
84,088	58,651	82,796	97,599	50,671	13,993	535,955	27,892	563,847
83,993	58,567	80,247	97,037	-	-	467,941	26,508	494,449
84,371	60,150	82,539	101,373	-	-	476,220	24,656	500,876
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370	350,636
53,081	35,742	108,783	1,143	32,178	17,124	332,883	30,116	362,999
78,900	29,231	101,880	956,692	48,066	-	1,329,815	18,383	1,348,198
434	183	390	4	940	(2)	2,523	219	2,742
23	9	9	8	(335)	-	(221)	(8)	(229)
-	-	-	-	140	-	140	18	158
457	192	399	12	745	(2)	2,442	229	2,671

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended September 30 2020[f] (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	909	588	14	2
Interest expense from external	21	-	-	27
Interest income, net:				
From external	888	588	14	(25)
Inter-segmental	(264)	(330)	-	38
Total interest income, net	624	258	14	13
Total noninterest income	236	14	55	37
Total income	860	272	69	50
Loan loss expenses	55	51	-	-
Operating and other expenses:				
For external	651	58	48	20
Inter-segmental	1	1	-	-
Total operating and other expenses	652	59	48	20
Profit (loss) before taxes	153	162	21	30
Provision for income taxes (benefit)	56	60	8	11
Profit (loss) after taxes	97	102	13	19
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	97	102	13	19
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	97	102	13	19
Average balance of assets[b]	113,296	87,137	3,677	306
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	114,276	87,634	3,716	299
Outstanding loans to the public as at the end of the reporting period	114,438	88,044	3,748	309
Outstanding impaired non-performing debts	346	22	1	-
Outstanding debts in arrears of over 90 days	828	785	-	-
Average outstanding liabilities[b]	120,719	18	8	26,224
Of which: Average balance of deposits by the public[b]	120,630	-	-	26,222
Balance of deposits by the public as at the end of the reporting period	120,807	-	-	26,453
Average balance of risk-weighted assets[b][c]	77,248	54,537	3,584	1,544
Balance of risk-weighted assets as at the end of the reporting period[c]	78,091	55,017	3,692	1,553
Average balance of assets under management[b][d]	60,495	-	-	40,698
Breakdown of interest income, net:				
Margin from credit granting activities	560	258	14	3
Margin from deposit taking activities	64	-	-	10
Other	-	-	-	-
Total interest income, net	624	258	14	13

(a) The classification is based on the office’s location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers’ provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 14.0 billion to customers whose business activity is classified to business segments.
(f) Reclassified.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
479	204	490	2	246	-	2,332	250	2,582
52	34	50	46	111	-	341	25	366
427	170	440	(44)	135	-	1,991	225	2,216
15	6	(71)	53	228	(1)	4	(4)	-
442	176	369	9	363	(1)	1,995	221	2,216
187	67	134	41	477	5	1,184	69	1,253
629	243	503	50	840	4	3,179	290	3,469
106	53	207	-	2	-	423	124	547
371	103	100	59	79	174	1,557	192	1,749
-	-	-	-	(2)	-	(1)	1	-
371	103	100	59	77	174	1,556	193	1,749
152	87	196	(9)	761	(170)	1,200	(27)	1,173
56	32	72	(2)	276	(62)	439	(7)	432
96	55	124	(7)	485	(108)	761	(20)	741
-	-	-	-	8	-	8	-	8
96	55	124	(7)	493	(108)	769	(20)	749
-	-	-	-	-	-	-	(1)	(1)
96	55	124	(7)	493	(108)	769	(19)	750
49,558	28,026	70,136	4,096	213,774	11,854	491,046	30,897	521,943
-	-	-	-	685	-	685	-	685
50,391	28,401	69,579	4,100	-	-	267,046	23,508	290,554
50,106	28,728	73,973	637	-	-	268,191	23,270	291,461
846	258	725	4	-	-	2,179	559	2,738
48	-	19	-	-	-	895	9	904
74,110	44,851	62,135	72,752	46,210	12,508	459,509	25,290	484,799
74,018	44,759	57,820	72,195	-	-	395,644	24,089	419,733
74,131	46,798	63,416	71,071	-	-	402,676	24,439	427,115
48,603	31,521	87,399	993	30,090	18,649	296,047	29,986	326,033
47,912	31,447	89,081	739	28,121	18,650	295,594	29,591	325,185
59,344	23,162	72,502	781,474	29,954	-	1,067,629	17,105	1,084,734
418	168	360	1	577	(1)	2,086	226	2,312
24	8	9	8	(344)	-	(221)	(25)	(246)
-	-	-	-	130	-	130	20	150
442	176	369	9	363	(1)	1,995	221	2,216

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30 2021 (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	3,518	2,576	38	6
Interest expense from external	177	-	-	39
Interest income, net:				
From external	3,341	2,576	38	(33)
Inter-segmental	(1,491)	(1,748)	(1)	66
Interest income (expense), net	1,850	828	37	33
Total noninterest income	757	42	185	125
Total income	2,607	870	222	158
Loan loss expenses (income)	(148)	(91)	(6)	-
Operating and other expenses:				
For external	2,118	238	164	72
Inter-segmental	17	-	-	-
Total operating and other expenses	2,135	238	164	72
Profit (loss) before taxes	620	723	64	86
Provision for income taxes (benefit)	227	263	24	31
Profit (loss) after taxes	393	460	40	55
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	393	460	40	55
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	393	460	40	55
Average balance of assets[b]	119,457	93,539	3,558	368
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	120,296	93,848	3,598	361
Outstanding loans to the public as at the end of the reporting period	127,148	99,970	3,650	406
Outstanding impaired non-performing debts in respect of loans to the public	362	18	1	-
Outstanding debts in arrears of over 90 days	730	680	-	-
Average outstanding liabilities[b]	122,327	16	5	25,718
Of which: Average balance of deposits by the public[b]	122,265	-	-	25,716
Balance of deposits by the public as at the end of the reporting period	121,770	-	-	26,017
Average balance of risk-weighted assets[b][c]	80,333	57,752	3,535	702
Balance of risk-weighted assets as at the end of the reporting period[c]	84,138	61,575	3,442	694
Average balance of assets under management[b][d]	63,366	-	-	49,016
Breakdown of interest income, net:				
Spread from granting loans to the public	1,680	828	37	5
Margin from deposit taking from the public	170	-	-	28
Other	-	-	-	-
Total interest income, net	1,850	828	37	33

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.9 billion to customers whose business activity is classified to business segments.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,468	684	1,649	11	788	-	8,124	747	8,871
86	63	144	181	360	-	1,050	28	1,078
1,382	621	1,505	(170)	428	-	7,074	719	7,793
(52)	(53)	(345)	207	1,682	(3)	11	(11)	-
1,330	568	1,160	37	2,110	(3)	7,085	708	7,793
600	234	421	134	1,454	234	3,959	187	4,146
1,930	802	1,581	171	3,564	231	11,044	895	11,939
(233)	(117)	(227)	5	(10)	-	(730)	1	(729)
1,168	344	320	166	292	518	4,998	554	5,552
-	-	-	9	(26)	-	-	-	-
1,168	344	320	175	266	518	4,998	554	5,552
995	575	1,488	(9)	3,308	(287)	6,776	340	7,116
367	212	546	(4)	1,203	(78)	2,504	78	2,582
628	363	942	(5)	2,105	(209)	4,272	262	4,534
-	-	-	-	55	-	55	-	55
628	363	942	(5)	2,160	(209)	4,327	262	4,589
-	-	-	-	-	-	-	31	31
628	363	942	(5)	2,160	(209)	4,327	231	4,558
53,024	30,744	79,665	4,726	248,563	10,846	547,393	32,312	579,705
-	-	-	-	796	-	796	-	796
53,673	31,083	80,782	4,727	-	-	290,922	22,820	313,742
55,653	32,468	88,397	2,714	-	-	306,786	23,423	330,209
580	390	1,404	1	-	-	2,737	451	3,188
69	10	-	-	-	-	809	1	810
81,538	54,039	76,806	88,605	50,055	14,079	513,167	26,587	539,754
81,443	53,957	73,493	88,047	-	-	444,921	25,162	470,083
84,371	60,150	82,539	101,373	-	-	476,220	24,656	500,876
50,959	33,913	98,801	831	29,255	18,147	312,941	29,127	342,068
53,081	35,742	108,783	1,143	32,178	17,124	332,883	30,116	362,999
76,250	27,859	92,046	914,525	45,560	-	1,268,622	17,445	1,286,067
1,261	541	1,135	13	2,705	(3)	7,337	657	7,994
69	27	25	24	(996)	-	(653)	(29)	(682)
-	-	-	-	401	-	401	80	481
1,330	568	1,160	37	2,110	(3)	7,085	708	7,793

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30 2020[f] (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	2,475	1,470	45	4
Interest expense from external	118	-	-	85
Interest income, net:				
From external	2,357	1,470	45	(81)
Inter-segmental	(479)	(733)	(2)	131
Total interest income, net	1,878	737	43	50
Total noninterest income (expenses)	740	46	171	111
Total income (expenses)	2,618	783	214	161
Loan loss expenses (income)	426	189	(3)	-
Operating and other expenses:				
For external	1,964	178	152	60
Inter-segmental	2	2	-	-
Total operating and other expenses	1,966	180	152	60
Profit (loss) before taxes	226	414	65	101
Provision for income taxes (benefit)	79	148	24	36
Profit (loss) after taxes	147	266	41	65
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	147	266	41	65
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	147	266	41	65
Average balance of assets[b]	111,997	85,504	3,681	314
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	112,827	85,901	3,720	307
Outstanding loans to the public as at the end of the reporting period	114,438	88,044	3,748	309
Outstanding impaired non-performing debts in respect of loans to the public	346	22	1	-
Outstanding debts in arrears of over 90 days	828	785	-	-
Average outstanding liabilities[b]	115,648	20	8	25,401
Of which: Average balance of deposits by the public[b]	115,565	-	-	25,397
Balance of deposits by the public as at the end of the reporting period	120,807	-	-	26,453
Average balance of risk-weighted assets[b][c]	77,406	54,016	3,743	1,279
Balance of risk-weighted assets as at the end of the reporting period[c]	78,091	55,017	3,692	1,553
Average balance of assets under management[b][d]	62,393	-	-	41,358
Breakdown of interest income, net:				
Spread from granting loans to the public	1,657	737	43	3
Margin from deposit taking from the public	221	-	-	47
Other	-	-	-	-
Total interest income, net	1,878	737	43	50

(a) The classification is based on the office's location.
(b) Average balance calculations will be based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 14.0 billion to customers whose business activity is classified to business segments.
(f) Reclassified.

Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations[a] Total activity outside Israel	Total
1,489	610	1,390	17	863	-	6,848	825	7,673
118	132	175	157	284	-	1,069	98	1,167
1,371	478	1,215	(140)	579	-	5,779	727	6,506
13	61	(158)	199	262	(7)	22	(22)	-
1,384	539	1,057	59	841	(7)	5,801	705	6,506
579	217	399	166	551	13	2,776	204	2,980
1,963	756	1,456	225	1,392	6	8,577	909	9,486
623	263	740	(2)	3	-	2,053	229	2,282
1,105	311	286	171	224	524	4,645	576	5,221
-	-	-	-	(4)	-	(2)	2	-
1,105	311	286	171	220	524	4,643	578	5,221
235	182	430	56	1,169	(518)	1,881	102	1,983
83	67	153	21	454	(161)	732	20	752
152	115	277	35	715	(357)	1,149	82	1,231
-	-	-	-	(5)	-	(5)	-	(5)
152	115	277	35	710	(357)	1,144	82	1,226
-	-	-	-	-	-	-	14	14
152	115	277	35	710	(357)	1,144	68	1,212
49,703	28,026	71,277	4,551	202,506	9,993	478,367	31,302	509,669
-	-	-	-	764	-	764	-	764
50,304	28,315	73,339	4,437	-	-	269,529	23,857	293,386
50,106	28,728	73,973	637	-	-	268,191	23,270	291,461
846	258	725	4	-	-	2,179	559	2,738
48	-	19	-	-	-	895	9	904
68,875	42,278	61,981	71,734	48,395	13,169	447,481	25,258	472,739
68,781	42,192	58,831	71,177	-	-	381,943	24,004	405,947
74,131	46,798	63,416	71,071	-	-	402,676	24,439	427,115
48,606	31,350	87,342	979	28,167	18,287	293,416	31,054	324,470
47,912	31,447	89,081	739	28,121	18,650	295,594	29,591	325,185
57,332	23,710	69,080	786,962	35,280	-	1,076,115	17,331	1,093,446
1,282	486	1,011	8	1,547	(7)	5,987	737	6,724
102	53	46	51	(1,289)	-	(769)	(97)	(866)
-	-	-	-	583	-	583	65	648
1,384	539	1,057	59	841	(7)	5,801	705	6,506

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31 2020 (audited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
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
Loan loss expenses (income)	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[(b)]	111,951	86,354	3,728	314
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	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[(b)]	117,069	20	8	25,653
Of which: Average balance of deposits by the public[(b)]	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[(b)(c)]	77,577	54,266	3,730	1,349
Balance of risk-weighted assets as at the end of the reporting period[(c)]	78,967	56,335	3,799	695
Average balance of assets under management[(b)(d)]	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) The classification is based on the office's location.

(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(c) Risk-weighted assets - as calculated for capital adequacy purposes.

(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

(e) 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.

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

Note 12B - Operating Segments - Management Approach

Overview

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

Information regarding operating segments - management approach was included in Note 29B to the Annual Financial Statements as at December 31 2020.

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

	For the three months ended September 30 2021 (unaudited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
From external	277	271	897	1,445	355	243	277	74	-	31	246	2,671
Inter-segmental	199	22	(548)	(327)	(2)	(72)	(41)	457	(2)	1	(14)	-
Interest income, net	476	293	349	1,118	353	171	236	531	(2)	32	232	2,671
Noninterest income	349	112	4	465	111	52	83	151	127	185	66	1,240
Total income	825	405	353	1,583	464	223	319	682	125	217	298	3,911
Loan loss expenses (income)	(47)	(130)	(60)	(237)	(57)	(54)	23	(19)	(9)	6	(12)	(359)
Total operating and other expenses	697	252	82	1,031	173	69	37	106	205	47	187	1,855
Profit (loss) before tax	175	283	331	789	348	208	259	595	(71)	164	123	2,415
Provision for taxes	60	97	113	270	119	71	89	204	51	47	28	879
Net income (loss) attributable to the Bank's shareholders	115	186	218	519	229	137	170	392	(122)	142	84	1,551

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

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

	For the three months ended September 30 2020 (unaudited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
From external	268	281	595	1,144	288	224	218	94	-	24	224	2,216
Inter-segmental[(a)]	192	9	(301)	(100)	10	(54)	(32)	179	(6)	5	(2)	-
Interest income, net	460	290	294	1,044	298	170	186	273	(6)	29	222	2,216
Noninterest income[(a)]	325	109	6	440	99	61	74	314	112	87	66	1,253
Total income	785	399	300	1,484	397	231	260	587	106	116	288	3,469
Loan loss expenses (income)	43	59	53	155	49	166	68	(5)	(1)	(7)	122	547
Total operating and other expenses	639[(b)]	234	62	935	172	59	31	93[(b)]	221	45	193	1,749
Profit (loss) before tax	103	106	185	394	176	6	161	499	(114)	78	(27)	1,173
Provision (benefit) for taxes[(b)]	36	36	64	136	60	2	55	171	(7)	20	(5)	432
Net income (loss) attributable to the Bank's shareholders	67	70	121	258	116	4	106	329	(107)	65	(21)	750

(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 nine months ended September 30 2021 (unaudited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busi-nesses	Mortga-ges	Banking - total	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS millions											
Interest income, net:												
From external	797	800	2,561	4,158	1,030	784	794	222	7	79	719	7,793
Inter-segmental	597	55	(1,560)	(908)	(15)	(252)	(113)	1,300	(3)	2	(11)	-
Interest income, net	1,394	855	1,001	3,250	1,015	532	681	1,522	4	81	708	7,793
Noninterest income	1,055	335	14	1,404	338	165	239	780	276	756	188	4,146
Total income	2,449	1,190	1,015	4,654	1,353	697	920	2,302	280	837	896	11,939
Loan loss expenses (income)	(54)	(215)	(85)	(354)	(101)	(209)	(103)	36	(9)	10	1	(729)
Total operating and other expenses	2,078	732	239	3,049	544	206	102	313	633	149	556	5,552
Profit (loss) before tax	425	673	861	1,959	910	700	921	1,953	(344)	678	339	7,116
Provision for taxes	145	230	294	669	311	239	315	668	132	171	77	2,582
Net income (loss) attributable to the Bank's shareholders	280	443	567	1,290	599	461	606	1,288	(476)	559	231	4,558
Balances as at September 30 2021												
Loans to the public, net	29,774	24,916	100,906	155,596	49,011	39,376	40,391	12,070	5,034	992	23,054	325,524
Deposits by the public	185,382	50,405	-	235,787	84,986	31,619	12,771	111,054	3	-	24,656	500,876

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

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

	For the nine months ended September 30 2020 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS millions											
Interest income, net:												
From external	846	865	1,480	3,191	810	672	613	401	-	94	725	6,506
Inter-segmental[(a)]	593	26	(629)	(10)	89	(162)	(87)	173	3	13	(19)	-
Interest income, net	1,439	891	851	3,181	899	510	526	574	3	107	706	6,506
Noninterest income[(a)]	1,027	350	30	1,407	320	181	233	388	113	139	199	2,980
Total income	2,466	1,241	881	4,588	1,219	691	759	962	116	246	905	9,486
Loan loss expenses (income)	332	483	197	1,012	305	608	162	(9)	(25)	1	228	2,282
Total operating and other expenses	1,945[(b)]	728	182	2,855	472	171	91	287[(b)]	634	133	578	5,221
Profit (loss) before tax	189	30	502	721	442	(88)	506	684	(493)	112	99	1,983
Provision (benefit) for taxes	65	10	172	247	151	(30)	173	234	(67)	22	22	752
Net income (loss) attributable to the Bank's shareholders	124	20	330	474	291	(58)	333	451	(426)	84	63	1,212
Balances as at September 30 2020												
Loans to the public, net	27,319	24,247	89,332	140,898	42,518	39,369	29,063	5,723[(b)]	5,216	744	22,843	286,374
Deposits by the public	180,897	45,601	-	226,498	64,963	24,648	8,410	78,153	4	-	24,439	427,115

(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 millions											
Interest income, net:												
From external	1,126	1,142	2,047	4,315	1,118	880	834	510	-	128	938	8,723
Inter-segmental[(a)]	774	38	(891)	(79)	103	(205)	(111)	287	-	7	(2)	-
Interest income, net	1,900	1,180	1,156	4,236	1,221	675	723	797	-	135	936	8,723
Noninterest income[(a)]	1,362	459	38	1,859	428	244	312	879	127	254	263	4,366
Total income	3,262	1,639	1,194	6,095	1,649	919	1,035	1,676	127	389	1,199	13,089
Loan loss expenses (income)	333	482	178	993	352	762	210	(18)	(33)	4	282	2,552
Total operating and other expenses	2,610	951	245	3,806	667	227	125	382	871	190	778	7,046
Profit (loss) before tax	319	206	771	1,296	630	(70)	700	1,312	(711)	195	139	3,491
Provision (benefit) for 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

(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 September 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	**4,097**	**605**	**777**	**5,479**	**2**	**5,481**
Loan loss expenses (income)[b]	**(248)**	**(63)**	**(49)**	**(360)**	**1**	**(359)**
Accounting write-offs	**(94)**	**(1)**	**(65)**	**(160)**	**-**	**(160)**
Collection of debts written off in previous years	**94**	**-**	**56**	**150**	**-**	**150**
Net accounting write-offs	**-**	**(1)**	**(9)**	**(10)**	**-**	**(10)**
Adjustments from translation of financial statements	**(3)**	**-**	**-**	**(3)**	**-**	**(3)**
Balance of loan loss provision as at the end of the reporting period[1]	**3,846**	**541**	**719**	**5,106**	**3**	**5,109**
[1]Of which: in respect of off-balance-sheet credit instruments	**405**	**-**	**16**	**421**	**-**	**421**

	For the three months ended September 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,651	603	808	5,062	3	5,065
Loan loss expenses (income)	498	52	(5)	545	2	547
Accounting write-offs	(169)	(3)	(101)	(273)	-	(273)
Collection of debts written off in previous years	132	-	68	200	-	200
Net accounting write-offs	(37)	(3)	(33)	(73)	-	(73)
Adjustments from translation of financial statements	(1)	-	-	(1)	-	(1)
Outstanding loan loss provision as at the end of the reporting period[1]	4,111	652	770	5,533	5	5,538
[1]Of which: in respect of off-balance-sheet credit instruments	425	-	21	446	-	446

(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) Of which: collections totaling NIS 135 million for impaired non-performing debts

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

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

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

	For the nine months ended September 30 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	**4,284**	**636**	**792**	**5,712**	**3**	**5,715**
Loan loss income[b]	**(581)**	**(90)**	**(58)**	**(729)**	**-**	**(729)**
Accounting write-offs	**(344)**	**(5)**	**(207)**	**(556)**	**-**	**(556)**
Collection of debts written off in previous years	**485**	**-**	**192**	**677**	**-**	**677**
Net accounting write-offs	**141**	**(5)**	**(15)**	**121**	**-**	**121**
Adjustments from translation of financial statements	**2**	**-**	**-**	**2**	**-**	**2**
Outstanding loan loss provision as at the end of the reporting period[1]	**3,846**	**541**	**719**	**5,106**	**3**	**5,109**
[1]Of which: in respect of off-balance-sheet credit instruments	**405**	**-**	**16**	**421**	**-**	**421**

	For the nine months ended September 30 2020 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	2,590	467	657	3,714	2	3,716
Loan loss expenses	1,852	190	237	2,279	3	2,282
Accounting write-offs	(622)	(5)	(314)	(941)	-	(941)
Collection of debts written off in previous years	293	-	190	483	-	483
Net accounting write-offs	(329)	(5)	(124)	(458)	-	(458)
Adjustments from translation of financial statements	(2)	-	-	(2)	-	(2)
Outstanding loan loss provision as at the end of the reporting period[1]	4,111	652	770	5,533	5	5,538
[1]Of which: in respect of off-balance-sheet credit instruments	425	-	21	446	-	446

(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) Of which: collections totaling NIS 135 million for impaired non-performing debts

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

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

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

	September 30 2021 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	160,504	-	876	161,380	15,531	176,911
Examined on a collective basis[1]	42,145	100,213	26,471	168,829	1,080	169,909
[1]Of which: the provision for which was calculated by the extent of arrears	420[(c)]	100,128	-	100,548	-	100,548
Total debts[(a)]	202,649	100,213	27,347	330,209	16,611	346,820
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	2,750	-	283	3,033	3	3,036
Examined on a collective basis[2]	691	541	420	1,652	-[(d)]	1,652
[2]Of which: the provision for which was calculated by extent of arrears	1	540[(b)]	-	541	-	541
Total loan loss provision[3]	3,441	541	703	4,685	3	4,688
[3]Of which: for impaired non-performing debts	789	4	223	1,016	-[(d)]	1,016

	September 30 2020 (unaudited)					
	Loans to the public					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	135,026	26	758	135,810	14,018	149,828
Examined on a collective basis[1]	41,914	88,286	25,451	155,651	702	156,353
[1]Of which: the provision for which was calculated by the extent of arrears	751[(c)]	88,154	-	88,905	-	88,905
Total debts[(a)]	176,940	88,312	26,209	291,461	14,720	306,181
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	2,978[(e)]	-	216	3,194	5	3,199
Examined on collective basis[2]	708[(e)]	652	533	1,893	-[(d)]	1,893
[2]Of which: the provision for which was calculated by extent of arrears	-[(d)]	650[(b)]	-	650	-	650
Total loan loss provision[3]	3,686	652	749	5,087	5	5,092
[3]Of which: for impaired non-performing debts	528[(e)]	-	203	731	-[(d)]	731

(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 400 million as at September 30 2021 (September 30 2020 - NIS 466 million).
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Balances of less than NIS 1 million.
(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					
	Com-mercial	Housing	Private - other	Total - public	Banks and govern-ments	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	143,317	24	786	144,127	10,879	155,006
Examined on a collective basis[1]	40,741	90,365	25,398	156,504	158	156,662
[1]Of which: the provision for which was calculated by the extent of arrears	624[(c)]	90,237	-	90,861	-	90,861
Total debts[(a)]	184,058	90,389	26,184	300,631	11,037	311,668
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	-[(d)]	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

	September 30 2021 (unaudited)					
		Troubled debts[b]			Unimpaired debts - additional information	
	Non-troubled	Unimpaired	Impaired non-performing[c]	Total	In arrears of 90 days or more[d][h]	In arrears of 30 days to 89 days[e]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction[g]	37,264	97	85	37,446	7	35
Construction & real estate - real estate activities[g]	33,317	81	215	33,613	32	72
Financial services	17,652	5	3	17,660	1	4
Commercial - Other	75,955	1,396	1,248	78,599	39	111
Commercial - total	164,188	1,579	1,551	167,318	79	222
Private individuals - housing loans	99,415	683[f]	18	100,116	680	574
Private individuals - other	26,392	265	344	27,001	50	154
Total loans to the public - activity in Israel	289,995	2,527	1,913	294,435	809	950
Banks in Israel	1,648	-	-	1,648	-	-
Israeli Government	195	-	-	195	-	-
Total activity in Israel	291,838	2,527	1,913	296,278	809	950
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	12,828	579	232	13,639	-	15
Commercial - Other	19,570	1,080	1,042	21,692	1	335
Commercial - total	32,398	1,659	1,274	35,331	1	350
Private individuals	442	-	1	443	-	-
Total loans to the public - foreign activity	32,840	1,659	1,275	35,774	1	350
Foreign banks	14,090	-	-	14,090	-	-
Foreign governments	677	-	1	678	-	-
Total activity outside Israel	47,607	1,659	1,276	50,542	1	350
Total - public	322,835	4,186	3,188	330,209	810	1,300
Total - banks	15,738	-	-	15,738	-	-
Governments - total	872	-	1	873	-	-
Total	339,445	4,186	3,189	346,820	810	1,300

Please see comments below.

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

B. Debts[a] (cont.)

1. Credit quality and delinquency (cont.)

	September 30 2020 (unaudited)					
		Troubled debts[b]			Unimpaired debts - additional information	
	Non-troubled	Unimpaired	Impaired non-performing[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days to 89 days[e]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	26,304	131	109	26,544	10	38
Construction & real estate - real estate activities	27,749	217	195	28,161	8	55
Financial services	14,066	7	5	14,078	1	2
Commercial - Other	72,570	1,690	1,242	75,502	48	111
Commercial - total	140,689	2,045	1,551	144,285	67	206
Private individuals - housing loans	87,338	785[f]	22	88,145	785	569
Private individuals - other	25,179	331	324	25,834	43	116
Total loans to the public - activity in Israel	253,206	3,161	1,897	258,264	895	891
Banks in Israel	1,362	-	-	1,362	-	-
Israeli Government	50	-	-	50	-	-
Total activity in Israel	254,618	3,161	1,897	259,676	895	891
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,569	370	304	12,243	-	179
Commercial - Other	17,921	1,981	510	20,412	9	155
Commercial - total	29,490	2,351	814	32,655	9	334
Private individuals	515	-	27	542	-	-
Total loans to the public - foreign activity	30,005	2,351	841	33,197	9	334
Foreign banks	12,632	-	-	12,632	-	-
Foreign governments	661	-	15	676	-	-
Total activity outside Israel	43,298	2,351	856	46,505	9	334
Total - public	283,211	5,512	2,738	291,461	904	1,225
Total - banks	13,994	-	-	13,994	-	-
Governments - total	711	-	15	726	-	-
Total	297,916	5,512	2,753	306,181	904	1,225

Please see comments below.

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

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

1. Credit quality and delinquency (cont.)

	December 31 2020 (audited)					
		Troubled debts[(b)]			Unimpaired debts - additional information	
	Non-troubled	Unimpaired	Impaired non-performing[(c)]	Total	In arrears of 90 days or more[(d)]	In arrears of 30 days to 89 days[(e)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	28,608	128	110	28,846	9	29
Construction & real estate - real estate activities	29,016	99	325	29,440	3	22
Financial services	19,341	7	4	19,352	1	28
Commercial - Other	72,133	1,634	1,594	75,361	29	118
Commercial - total	149,098	1,868	2,033	152,999	42	197
Private individuals - housing loans	89,480	722[(f)]	26	90,228	720	512
Private individuals - other	25,156	304	336	25,796	38	104
Total loans to the public - activity in Israel	263,734	2,894	2,395	269,023	800	813
Banks in Israel	1,631	-	-	1,631	-	-
Israeli Government	9	-	-	9	-	-
Total activity in Israel	265,374	2,894	2,395	270,663	800	813
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,341	576	287	12,204	-	226
Commercial - Other	16,406	1,137	1,312	18,855	14	187
Commercial - total	27,747	1,713	1,599	31,059	14	413
Private individuals	524	-	25	549	-	-
Total loans to the public - 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 13B.2.c. below.

(d) Classified as unimpaired troubled debts. Accrual debt.

(e) Accrual debt. Debts in arrears of 30 and up to 89 days totaling NIS 439 million (as at September 30 2020 - NIS 351 million; as at December 31 2020 - NIS 472 million) were classified as unimpaired troubled debts.

(f) Including outstanding housing loans in the amount of NIS 77 million (September 30 2020 - NIS 78 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) 2.8 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 debt in arrears of at least 90 days as at September 30 2021, in the amount of NIS 810 million constitutes credit granted by the Bank, of which NIS 129 million is for non-housing loans and NIS 680 million - for housing loans, of which a total of NIS 199 million is in arrears of up to 149 days, NIS 145 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.

Credit quality - debt delinquency status

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

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

	September 30 2021 (unaudited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding[b] impaired non-performing debt in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debt	Outstanding contractual principal in respect of impaired non-performing debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	67	24	18	85	336
Construction & real estate - real estate activities	149	15	66	215	939
Financial services	3	1	-	3	398
Commercial - Other	1,014	413	234	1,248	2,828
Commercial - total	**1,233**	**453**	**318**	**1,551**	**4,501**
Private individuals - housing loans	-	-	18	18	18
Private individuals - other	342	223	2	344	848
Total loans to the public - activity in Israel	**1,575**	**676**	**338**	**1,913**	**5,367**
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	232	99	-	232	314
Commercial - Other	986	237	56	1,042	1,114
Commercial - total	**1,218**	**336**	**56**	**1,274**	**1,428**
Private individuals	-	-	1	1	1
Total loans to the public - foreign activity	**1,218**	**336**	**57**	**1,275**	**1,429**
Foreign governments	1	-[d]	-	1	1
Total activity outside Israel	**1,219**	**336**	**57**	**1,276**	**1,430**
Total - public	**2,793**	**1,012**	**395**	**3,188**	**6,796**
Governments - total	**1**	**-**	**-**	**1**	**1**
Total	**2,794**	**1,012**	**395**	**3,189**	**6,797**
Of which:					
Measured according to the present value of cash flows	**2,275**	**849**	**327**	**2,602**	
Restructured troubled debt	**2,184**	**639**	**178**	**2,362**	

(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.)

	September 30 2020 (unaudited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding[b] impaired non-performing debt in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debt	Outstanding contractual principal in respect of impaired non-performing debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	49	13	60	109	363
Construction & real estate - real estate activities	59	3	136	195	969
Financial services	3	1	2	5	404
Commercial - Other	729	270	513	1,242	3,082
Commercial - total	840	287	711	1,551	4,818
Private individuals - housing loans	-	-	22[e]	22	22
Private individuals - other	322	202	2	324	811
Total loans to the public - activity in Israel	1,162	489	735	1,897	5,651
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	304	77[e]	-	304	376
Commercial - Other	456	164[e]	54	510	582
Commercial - total	760	241	54	814	958
Private individuals	26	1	1	27	27
Total loans to the public - foreign activity	786	242	55	841	985
Foreign governments	15	-[d]	-	15	15
Total activity outside Israel	801	242	55	856	1,000
Total - public	1,948	731	790	2,738	6,636
Governments - total	15	-	-	15	15
Total	1,963	731	790	2,753	6,651
Of which:					
Measured according to the present value of cash flows	1,413	582	624	2,037	
Restructured troubled debt	813	272	528	1,341	

(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.
(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.)

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

	December 31 2020 (audited)				
	Outstanding[b] impaired non-performing debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding[b] impaired non-performing debt in respect of which there is no specific provision[c]	Total outstanding[b] impaired non-performing debt	Outstanding contractual principal in respect of impaired non-performing debts
	In NIS million				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	47	14	63	110	357
Construction & real estate - real estate activities	195	21	130	325	1,086
Financial services	1	1	3	4	403
Commercial - Other	1,107	428	487	1,594	3,431
Commercial - total	1,350	464	683	2,033	5,277
Private individuals - housing loans	-	-	26	26	26
Private individuals - other	334	212	2	336	834
Total loans to the public - activity in Israel	1,684	676	711	2,395	6,137
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	287	94[e]	-	287	358
Commercial - Other	1,267	353[e]	45	1,312	1,357
Commercial - total	1,554	447	45	1,599	1,715
Private individuals	24	1	1	25	25
Total loans to the public - 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 outstanding debt.
(c) Specific loan loss provision.
(d) Balances of less than NIS 1 million.
(e) Reclassified.

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

B. Debts[a] (cont.)

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

b. Average balance and interest income

	For the three months ended September 30 (unaudited)					
	2021			2020		
	Average outstanding[b] impaired non-performing debt	Recorded interest income[c]	Of which: recorded on a cash basis	Average outstanding[b] impaired non-performing debt	Recorded interest income[c]	Of which: recorded on a cash basis
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	84	-	-	102	-[e]	-[e]
Construction & real estate - real estate activities	290	-	-	220	1	-[e]
Financial services	5	-	-	5	-	-
Commercial - Other	1,458	2	-[e]	1,210	2	-
Commercial - total	**1,837**	**2**	**-**	1,537	3	-
Private individuals - housing loans	25	-	-	11	-	-
Private individuals - other	350	2	-[e]	313	1	1
Total loans to the public - activity in Israel	**2,212**	**4**	**-**	1,861	4	1
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	250	-	-	322	-	-
Commercial - other	1,013	2	2	398	-	-
Commercial - total	**1,263**	**2**	**2**	720	-	-
Private individuals	-	-	-	7	-	-
Total loans to the public - foreign activity	**1,263**	**2**	**2**	727	-	-
Foreign governments	9	-	-	11	-	-
Total activity outside Israel	**1,272**	**2**	**2**	738	-	-
Total - public	**3,475**	**6**	**2**	2,588	4	1
Governments - total	**9**	**-**	**-**	11	-	-
Total	**3,484**	**6[d]**	**2**	2,599	4[d]	1

(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 loans to accrue interest according to the original terms, interest income in the amount of NIS 119 million would be recorded for the three months ended September 30 2021 (September 30 2020 - NIS 97 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 nine months ended September 30 (unaudited)					
	2021			2020		
	Average outstanding[(b)] impaired non-performing debt	Recorded interest income[(c)]	Of which: recorded on a cash basis	Average outstanding[(b)] impaired non-performing debt	Recorded interest income[(c)]	Of which: recorded on a cash basis
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	84	1	1	103	1	-[(e)]
Construction & real estate - real estate activities	279	1	1	216	3	-[(e)]
Financial services	5	-	-	5	-	-
Commercial - Other	1,428	8	1	1,214	5	1
Commercial - total	1,796	10	3	1,538	9	1
Private individuals - housing loans	23	-	-	5	-	-
Private individuals - other	349	5	-[(e)]	314	4	3
Total loans to the public - activity in Israel	2,168	15	3	1,857	13	4
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	245	-	-	320	-	-
Commercial - Other	980	4	3	461	2	2
Commercial - total	1,225	4	3	781	2	2
Private individuals	1	-	-	6	-	-
Total loans to the public - foreign activity	1,226	4	3	787	2	2
Foreign governments	8	-	-	11	-	-
Total activity outside Israel	1,234	4	3	798	2	2
Total - public	3,394	19	6	2,644	15	6
Governments - total	8	-	-	11	-	-
Total	3,402	19[(d)]	6	2,655	15[(d)]	6

(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 378 million would be recorded for the nine months ended September 30 2021 (September 30 2020 - NIS 280 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 September 30 2021				As at September 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							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - construction	29	2	15	46	75	1	13	89
Construction & real estate - real estate activities	164	1	11	176	81	-	67	148
Financial services	1	-	1	2	1	-	1	2
Commercial - Other	718	10	185	913	529	5	116	650
Commercial - total	912	13	212	1,137	686	6	197	889
Private individuals - other	147	11	171	329	191	3	109	303
Total loans to the public - activity in Israel	1,059	24	383	1,466	877	9	306	1,192
Borrower activity outside Israel								
Public - commercial								
Construction and real estate	10	-	-	10	6	-	-	6
Commercial - Other	886	-	-	886	89	-	54	143
Commercial - total	896	-	-	896	95	-	54	149
Total loans to the public - foreign activity	896	-	-	896	95	-	54	149
Total - public	1,955	24	383	2,362	972	9	360	1,341

(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.

Note: There were no commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended as at September 30 2021 and September 30 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.)

	December 31 2020			
	Non-accrual debt	Accrual, in arrears of 30 days to 89 days[(b)]	Accrual,[(b)] non-delinquent	Total [(c)]
	Audited			
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	72	1	14	87
Construction & real estate - real estate activities	192	-	67	259
Financial services	1	-	1	2
Commercial - Other	562	8	325	895
Commercial - total	827	9	407	1,243
Private individuals - other	187	4	126	317
Total loans to the public - activity in Israel	1,014	13	533	1,560
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	17	-	-	17
Commercial - Other	1,060	-	4	1,064
Commercial - total	1,077	-	4	1,081
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 September 30 (unaudited)					
	2021			2020		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	38	12	11	88	11	11
Construction & real estate - real estate activities	4	1	-(b)	36	20	20
Financial services	5	1	1	3	-(b)	-(b)
Commercial - Other	192	108	108	592	72	72
Commercial - total	239	122	120	719	103	103
Private individuals - other	770	40	40	1,919	61	61
Total loans to the public - activity in Israel	1,009	162	160	2,638	164	164
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	-	-	-	1	1	-(b)
Commercial - other	-	-	-	3	130	130
Commercial - total	-	-	-	4	131	130
Total loans to the public - foreign activity	-	-	-	4	131	130
Total - public	1,009	162	160	2,642	295	294

(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 nine months ended September 30 (unaudited)					
	2021			2020		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	**123**	**29**	**28**	276	68	67
Construction & real estate - real estate activities	**25**	**18**	**17**	83	30	30
Financial services	**13**	**2**	**2**	10	1	1
Commercial - Other	**749**	**470**	**468**	1,665	502	497
Commercial - total	**910**	**519**	**515**	2,034	601	595
Private individuals - other	**3,059**	**167**	**166**	4,653	161	159
Total loans to the public - activity in Israel	**3,969**	**686**	**681**	6,687	762	754
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**-**	**-**	**-**	2	7	6
Commercial - Other	**1**	**10**	**10**	3	130	130
Commercial - total	**1**	**10**	**10**	5	137	136
Total loans to the public - foreign activity	**1**	**10**	**10**	5	137	136
Total - public	**3,970**	**696**	**691**	6,692	899	890

(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 September 30 (unaudited)			
	2021		2020	
	No. of contracts	Recorded outstanding debt[c]	No. of contracts	Recorded outstanding debt[c]
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	18	1	24	2
Construction & real estate - real estate activities	5	5	8	-[d]
Financial services	1	-[d]	3	1
Commercial - Other	125	14	177	18
Commercial - total	149	20	212	21
Private individuals - other	450	13	415	11
Total loans to the public - activity in Israel	599	33	627	32
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	-	-	-	-
Commercial - Other	-	-	-	-
Commercial - total	-	-	-	-
Total loans to the public - foreign operations	-	-	-	-
Total - public	599	33	627	32

(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 nine months ended September 30 (unaudited)			
	2021		2020	
	No. of contracts	Recorded outstanding debt[c]	No. of contracts	Recorded outstanding debt[c]
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	91	9	111	12
Construction & real estate - real estate activities	20	8	34	14
Financial services	3	-[d]	6	1
Commercial - Other	587	81	639	83
Commercial - total	**701**	**98**	790	110
Private individuals - other	1,471	44	1,409	42
Total loans to the public - activity in Israel	**2,172**	**142**	2,199	152
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	1	-[d]	-	-
Commercial - total	**1**	**-**	-	-
Total loans to the public - foreign operations	**1**	**-**	-	-
Total - public	**2,173**	**142**	2,199	152

(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

		September 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%	**62,576**	**1,564**	**39,418**	**2,672**
	More than 60%	**37,631**	**748**	**23,902**	**541**
Unpledged secondary lien		**6**	**-**	**4**	**-**
Total		**100,213**	**2,312**	**63,324**	**3,213**

		September 30 2020 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	56,930	1,585	36,220	2,487
	More than 60%	31,375	643	20,470	401
Unpledged secondary lien		7	-	4	-
Total		88,312	2,228	56,694	2,888

		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

	September 30				December 31	
	2021		2020		2020	
	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**1,733**	**4**	757	2	1,070	3
Loan guarantees	**5,683**	**68**	4,869	69	5,254	68
Guarantees for apartment buyers	**26,296**	**24**	20,540	19	20,141	18
Guarantees and other commitments[(b)]	**17,999**	**147**	16,356	183	17,171	172
Unutilized credit card credit facilities	**8,734**	**8**	15,535	15	15,670	15
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,598**	**25**	12,974	29	12,841	28
Irrevocable loan commitments approved but not yet granted[1]	**42,007**	**128**	31,378	109	32,567	98
Commitments to issue guarantees	**17,610**	**17**	20,298	20	20,460	20
Unutilized credit facilities for derivatives activity	**2,679**	**-**	3,676	-	3,083	-
Approval in principle to maintain interest rate[(c)]	**5,535**	**-**	4,901	-	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 September 30 2020 in the amount of NIS 206 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 488 million (as at September 30 2020 and as at December 31 2020 in the amounts of NIS 483 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

	September 30 2021 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	**3,964**	**1,083**	**154**	**482**	**5,683**
Guarantees for apartment buyers	**-**	**26,296**	**-**	**-**	**26,296**
Guarantees and other commitments	**10,448**	**5,187**	**1,589**	**775**	**17,999**
Total guarantees	**14,412**	**32,566**	**1,743**	**1,257**	**49,978**

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

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

The following collateral information reflects collaterals the Bank has received specifically against guarantees:
The outstanding cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 285 million (as at September 30 2020 - NIS 260 million, as at December 31 2020 - NIS 347 million). In addition, the balance of securities and other marketable assets held as collaterals, totaled NIS 10 million (as at September 30 2020 - NIS 13 million, December 31 2020 - NIS 11 million).

Note 14 - Assets and Liabilities by Linkage Basis

	September 30 2021 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	157,586	-	8,249	784	3,178	1,848	171,645
Securities	20,927	4,854	43,635	2,877	4,547	4,740	81,580
Securities borrowed or purchased under reverse repurchase agreements	990	-	5,537	38	-	-	6,565
Loans to the public, net[c]	234,268	47,161	31,445	3,529	6,294	2,827	325,524
Loans to governments	2	193	492	186	-	-	873
Investments in associates	-	-	-	-	-	1,117	1,117
Buildings and equipment	-	-	-	-	-	2,699	2,699
Assets in respect of derivatives	2,931	144	3,956	83	113	6,644	13,871
Goodwill	-	-	-	-	-	15	15
Other assets	5,972	4	859	-	23	1,165	8,023
Total assets	422,676	52,356	94,173	7,497	14,155	21,055	611,912
Liabilities							
Deposits by the public	333,358	11,188	136,300	9,705	5,667	4,658	500,876
Deposits by banks	19,246	-	2,659	911	272	73	23,161
Deposits by governments	103	-	67	9	-	-	179
Securities loaned or sold under repurchase agreements	632	-	250	-	-	-	882
Bonds, promissory notes and subordinated bonds	2,859	7,895	2,435	-	-	-	13,189
Liabilities for derivatives	3,935	385	2,954	121	135	6,624	14,154
Other liabilities	4,222	11,816	666	23	118	387	17,232
Total liabilities	364,355	31,284	145,331	10,769	6,192	11,742	569,673
Difference[d]	58,321	21,072	(51,158)	(3,272)	7,963	9,313	42,239
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(40,048)	(4,063)	48,802	3,338	(8,408)	379	-
In the money options, net (according to underlying asset)	1,409	-	(1,059)	(187)	(135)	(28)	-
Out of the money options, net (according to underlying asset)	(1,598)	-	1,773	(64)	(77)	(34)	-
Grand total	18,084	17,009	(1,642)	(185)	(657)	9,630	42,239
In the money options, net (discounted nominal value)	1,912	-	(1,416)	(256)	(192)	(48)	-
Out of the money options, net (discounted nominal value)	2,098	-	(2,449)	622	(187)	(84)	-

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

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

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

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

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

	December 31 2020 (audited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	126,474	-	5,416	1,457	1,999	848	136,194
Securities	30,706	5,194	42,965	3,895	5,141	4,396	92,297
Securities borrowed or purchased under reverse repurchase agreements	584	-	1,554	1	880	-	3,019
Loans to the public, net[c]	211,311	43,202	31,124	3,377	5,403	924	295,341
Loans to governments	9	-	613	10	-	-	632
Investments in associates	-	-	-	-	-	795	795
Buildings and equipment	-	-	-	-	-	2,932	2,932
Assets in respect of derivatives	6,008	12	3,004	807	464	4,957	15,252
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

	September 30 2021 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	171,645	160,130	10,172	1,287	171,589
Securities[(b)]	81,580	40,502	36,151	5,287	81,940
Securities borrowed or purchased under reverse repurchase agreements	6,565	6,565	-	-	6,565
Loans to the public, net	325,524	10,495	-	315,549	326,044
Loans to governments	873	-	12	898	910
Assets in respect of derivatives	13,871	4,154	8,264	1,453	13,871
Other financial assets	875	15	-	860	875
Total financial assets	600,933[(c)]	221,861	54,599	325,334	601,794
Financial liabilities					
Deposits by the public	500,876	14,023	372,213	112,443	498,679
Deposits by banks	23,161	1,735	4,405	16,918	23,058
Deposits by governments	179	-	9	170	179
Securities loaned or sold under repurchase agreements	882	882	-	-	882
Bonds, promissory notes and subordinated bonds	13,189	13,344	-	816	14,160
Liabilities for derivatives	14,154	4,092	9,757	305	14,154
Other financial liabilities	2,568	439	840	1,289	2,568
Total financial liabilities	555,009[(c)]	34,515	387,224	131,941	553,680
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	300	-	-	300	300
In addition, liabilities in respect of employee benefits, net - Pension and severance pay[(d)]	10,907	-	-	10,907	10,907

(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 141,362 million and NIS 346,897 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.)

	September 30 2020 (unaudited)				
	Book	Fair value			
	balance	Level 1[a]	Level 2[a]	Level 3[a]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	117,555	109,641[e]	6,546[e]	1,421[e]	117,608
Securities[b]	95,164	52,300	39,429	4,124	95,853
Securities borrowed or purchased under reverse repurchase agreements	2,333	2,333	-	-	2,333
Loans to the public, net	286,374	5,161[e]	-[e]	282,373[e]	287,534
Loans to governments	726	-	75	626	701
Assets in respect of derivatives	12,551	2,147	8,863	1,541	12,551
Other financial assets	1,957	63	-	1,894	1,957
Total financial assets	516,660[c]	171,645	54,913	291,979	518,537
Financial liabilities					
Deposits by the public	427,115	11,813[e]	307,060[e]	108,085[e]	426,958
Deposits by banks	10,685	666[e]	4,342[e]	5,634	10,642
Deposits by governments	232	-	141	100	241
Securities loaned or sold under repurchase agreements	695	695	-	-	695
Bonds, promissory notes and subordinated bonds	17,368	17,038	-	802	17,840
Liabilities for derivatives	13,559	2,156	11,175	228	13,559
Other financial liabilities	5,795	278	4,105	1,412	5,795
Total financial liabilities	475,449[c]	32,646	326,823	116,261	475,730
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	306	-	-	306	306
In addition, liabilities in respect of employee benefits, net - Pension and severance pay[d][e]	11,294	-	-	11,294	11,294

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

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

(c) Of which: Assets and liabilities in the amount of NIS 139,996 million and NIS 285,305 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a 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

	September 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	21,581	4,879	33	26,493
Foreign governments' bonds	11,431	6,445	-	17,876
Bonds of Israeli financial institutions	-	54	-	54
Bonds of foreign financial institutions	-	8,808	23	8,831
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	4,463	3,462	7,925
Other Israeli bonds	250	123	-	373
Other foreign bonds	-	5,282	3	5,285
Total available-for-sale bonds	33,262	30,054	3,521	66,837
Equity securities and mutual funds not held-for-trading:				
Equity securities and mutual funds not held for-trading	2,955	-	-	2,955
Held-for-trading securities:				
Government of Israel bonds	1,453	-	-	1,453
Bonds of Israeli financial institutions	52	-	-	52
Bonds of foreign financial institutions	-	29	-	29
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	44	7	51
Other Israeli bonds	136	-	-	136
Other foreign bonds	-	61	-	61
Equity securities and mutual funds	26	-	-	26
Total held-for-trading securities	1,667	134	7	1,808
Assets in respect of derivatives:				
NIS-CPI contracts	-	99	166	265
Interest rate contracts	105	3,194	134	3,433
Foreign exchange contracts	1	2,784	465	3,250
Stock contracts	3,646	2,168	216	6,030
Commodity- and other contracts	11	19	472	502
MAOF (Israeli financial instruments and futures) market activity	391	-	-	391
Total underlying assets for derivatives	4,154	8,264	1,453	13,871
Other:				
Credit and deposits in respect of loaned securities	8,398	-	-	8,398
Securities borrowed or purchased under reverse repurchase agreements	6,565	-	-	6,565
Other	15	-	-	15
Total - other	14,978	-	-	14,978
Total assets	57,016	38,452	4,981	100,449

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

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

	September 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			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	247	74	321
Interest rate contracts	36	3,565	-	3,601
Foreign exchange contracts	-	3,101	224	3,325
Stock contracts	3,658	2,360	7	6,025
Commodity- and other contracts	9	484	-	493
MAOF (Israeli financial instruments and futures) market activity	389	-	-	389
Total liabilities in respect of derivatives	4,092	9,757	305	14,154
Other:				
Deposits in respect of loaned securities	8,280	15	-	8,295
Securities loaned or sold under repurchase agreements	882	-	-	882
Other	439	-	-	439
Total - other	9,601	15	-	9,616
Total liabilities	13,693	9,772	305	23,770

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

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

	September 30 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	28,071	4,869	36	32,976
Foreign governments' bonds	12,319	8,473	3	20,795
Bonds of Israeli financial institutions	-	68	-	68
Bonds of foreign financial institutions	-	9,480	8	9,488
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	4,849	2,679	7,528
Other Israeli bonds	73	129	-	202
Other foreign bonds	-	6,286	-	6,286
Total available-for-sale bonds	40,463	34,154	2,726	77,343
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,627	-	-	2,627
Held-for-trading securities:				
Government of Israel bonds	5,813	-	-	5,813
Foreign governments' bonds	250	-	-	250
Bonds of Israeli financial institutions	336	-	-	336
Bonds of foreign financial institutions	-	149	-	149
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	92	1	93
Other Israeli bonds	59	-	-	59
Other foreign bonds	-	64	-	64
Equity securities and mutual funds	24	-	-	24
Total held-for-trading securities	6,482	305	1	6,788
Assets in respect of derivatives:				
NIS-CPI contracts	-	224	121	345
Interest rate contracts	10	5,454	526	5,990
Foreign exchange contracts	-	1,870	693	2,563
Stock contracts	1,470	1,304	181	2,955
Commodity- and other contracts	204	11	20	235
MAOF (Israeli financial instruments and futures) market activity	463	-	-	463
Total underlying assets for derivatives	2,147	8,863	1,541	12,551
Other:				
Credit and deposits in respect of loaned securities	4,862	-	-	4,862
Securities borrowed or purchased under reverse repurchase agreements	2,333	-	-	2,333
Other	63	-	-	63
Total - other	7,258	-	-	7,258
Total assets	58,977	43,322	4,268	106,567

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

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

	September 30 2020 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	358	87	445
Interest rate contracts	26	6,590	-	6,616
Foreign exchange contracts	-	2,719	141	2,860
Stock contracts	1,467	1,477	-	2,944
Commodity- and other contracts	202	31	-	233
MAOF (Israeli financial instruments and futures) market activity	461	-	-	461
Total liabilities in respect of derivatives	2,156	11,175	228	13,559
Other:				
Deposits in respect of loaned securities	4,647	3	-	4,650
Securities loaned or sold under repurchase agreements	695	-	-	695
Other	278	-	-	278
Total - other	5,620	3	-	5,623
Total liabilities	7,776	11,178	228	19,182

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

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

	December 31 2020 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	29,809	4,979	33	34,821
Foreign governments' bonds	11,046	8,847	-	19,893
Bonds of Israeli financial institutions	-	69	-	69
Bonds of foreign financial institutions	-	8,861	-	8,861
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	4,440	2,556	6,996
Other Israeli bonds	105	115	-	220
Other foreign bonds	-	6,059	8	6,067
Total available-for-sale bonds	40,960	33,370	2,597	76,927
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,769	-	-	2,769
Held-for-trading securities:				
Government of Israel bonds	3,144	-	-	3,144
Foreign governments' bonds	223	-	-	223
Bonds of Israeli financial institutions	323	-	-	323
Bonds of foreign financial institutions	-	98	-	98
Asset-backed (ABS) or mortgage-backed (MBS)bonds	-	58	22	80
Other Israeli bonds	58	-	-	58
Other foreign bonds	-	44	2	46
Equity securities and mutual funds	61	-	-	61
Total held-for-trading securities	3,809	200	24	4,033
Assets in respect of derivatives:				
NIS-CPI contracts	-	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 contracts	-	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

	September 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	-	-	567	567	136
Total	-	-	567	567	136

	September 30 2020 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Impaired non-performing loans whose collection is collateral-dependent	-	-	694	694	(135)
Total	-	-	694	694	(135)

	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 September 30 2021 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the period	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2021	Unrealized gain (losses) in respect of instruments held as at September 30 2021
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	36	(1)	(2)	-	-	-	-	-	-	33	(1)
Foreign financial institutions	-	-	-	-	-	-	-	23	-	23	-
MBS/ABS	2,464	(24)	(13)	373	-	(400)	-	583	479	3,462	(3)
Others - abroad	-	-	-	-	-	-	-	-	3	3	-
Total available-for-sale bonds	2,500	(25)	(15)	373	-	(400)	-	606	482	3,521	(4)
Held-for-trading bonds:											
MBS/ABS	17	-	-	-	-	(6)	-	-	(4)	7	-
Total held-for-trading bonds:	17	-	-	-	-	(6)	-	-	(4)	7	-
Assets in respect of derivatives:											
NIS-CPI contracts	139	17	-	-	-	-	-	10	-	166	(10)
Interest rate contracts	214	(80)	-	-	-	-	-	-	-	134	(79)
Foreign exchange contracts	448	(16)	-	33	-	-	-	-	-	465	118
Stock contracts	70	146	-	-	-	-	-	-	-	216	150
Commodity- and other contracts	299	173	-	-	-	-	-	-	-	472	173
Total underlying assets for derivatives	1,170	240	-	33	-	-	-	10	-	1,453	352
Total assets	3,687	215	(15)	406	-	(406)	-	616	478	4,981	348
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	60	(1)	-	-	-	-	-	15	-	74	19
Foreign exchange contracts	208	16	-	-	-	-	-	-	-	224	17
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	275	15	-	-	-	-	-	15	-	305	36
Total - other	2	(2)	-	-	-	-	-	-	-	-	-
Total liabilities	277	13	-	-	-	-	-	15	-	305	36

(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 September 30 2021, amounted to NIS (4) 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 September 30 2020 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the period	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at September 30 2020	Unrealized gain (losses) in respect of instruments held as at September 30 2020
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	34	1	1	-	-	-	-	-	-	36	-
Of foreign governments	3	-	-	-	-	-	-	-	-	3	-
Foreign financial institutions	7	-	1	-	-	-	-	-	-	8	-
MBS/ABS	1,914	44	28	520	-	(64)	-	237	-	2,679	1
Total available-for-sale bonds	1,958	45	30	520	-	(64)	-	237	-	2,726	1
Held-for-trading bonds:											
MBS/ABS	1	-	-	-	-	-	-	-	-	1	-
Total held-for-trading bonds:	1	-	-	-	-	-	-	-	-	1	-
Assets in respect of derivatives:											
NIS-CPI contracts	114	5	-	-	-	-	-	2	-	121	(112)
Interest rate contracts	1,007[d]	(481)	-	-	-	-	-	-	-	526	(396)
Foreign exchange contracts	472[d]	179	-	42	-	-	-	-	-	693	349
Stock contracts	350	(169)	-	-	-	-	-	-	-	181	(63)
Commodity- and other contracts	30	(10)	-	-	-	-	-	-	-	20	(9)
Total underlying assets for derivatives	1,973	(476)	-	42	-	-	-	2	-	1,541	(231)
Total assets	3,932	(431)	30	562	-	(64)	-	239	-	4,268	(230)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	77	-	-	-	-	-	-	10	-	87	(34)
Foreign exchange contracts	192	(51)	-	-	-	-	-	-	-	141	(61)
Total liabilities in respect of derivatives	269	(51)	-	-	-	-	-	10	-	228	(95)
Total - other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	269	(51)	-	-	-	-	-	10	-	228	(95)

(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 September 30 2020, amounted to NIS 1 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 nine months ended September 30 2021 (unaudited)										
	Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2021	Unrealized gain (losses) in respect of instruments held as at September 30 2021
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	33	-	-	-	-	-	-	-	-	33	1
Foreign financial institutions	-	1	-	-	-	-	-	22	-	23	-
MBS/ABS	2,556	132	(12)	1,278	(33)	(1,042)	-	583	-	3,462	(7)
Others - abroad	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	133	(12)	1,278	(33)	(1,045)	-	605	(2)	3,521	(6)
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(7)	-	-	(9)	7	-
Others - abroad	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds:	24	1	-	-	-	(7)	-	-	(11)	7	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	7	-	-	-	-	-	11	-	166	(55)
Interest rate contracts	439	(96)	-	-	-	(209)	-	-	-	134	(490)
Foreign exchange contracts	1,158	(1,792)	-	1,099	-	-	-	-	-	465	106
Stock contracts	18	198	-	-	-	-	-	-	-	216	201
Commodity- and other contracts	4	468	-	-	-	-	-	-	-	472	471
Total underlying assets for derivatives	1,767	(1,215)	-	1,099	-	(209)	-	11	-	1,453	233
Total assets	4,388	(1,081)	(12)	2,377	(33)	(1,261)	-	616	(13)	4,981	227
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(53)	-	-	-	-	-	64	-	74	7
Foreign exchange contracts	176	48	-	-	-	-	-	-	-	224	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	(5)	7	-	-	-	-	64	-	305	7
Total liabilities	239	(5)	7	-	-	-	-	64	-	305	7

(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 September 30 2021, amounted to NIS (6) 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 nine months ended September 30 2020 (unaudited)

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

(a) 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 September 30 2020, amounted to NIS 5 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)										
		Net gains (losses) Realized/unrealized and which included:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at December 31 2020	Unrealized gains (losses) for instruments held as at December 31 2020
	In NIS million										
Assets											
Available-for-sale securities:											
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 contracts	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 contracts	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

	September 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	33	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	23	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,462	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	3	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	7	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	140	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
	26	Discounted cash flows	Counterparty risk	0.15%-100%(*)	1.28%
Interest rate contracts	134	Discounted cash flows	Counterparty risk	0.15%-100%(*)	1.28%
Foreign exchange contracts	465	Discounted cash flows	Counterparty risk	0.15%-100%(*)	1.28%
Stock contracts	216	Discounted cash flows	Counterparty risk	0.15%-100%(*)	1.28%
Commodity contracts	472	Discounted cash flows	Counterparty risk	0.15%-100%(*)	1.28%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	74	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
Foreign exchange contracts	224	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	567	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.)

	September 30 2020 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	36	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Of foreign governments	3	Discounted cash flows	Spread	135 bp	135 bp
Foreign financial institutions	8	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,679	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	55	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
	66	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Interest rate contracts	526	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
	693	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Stock contracts	181	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Commodity contracts	20	Discounted cash flows	Counterparty risk	0.36%-100%[*]	1.67%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	87	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
Foreign exchange contracts	141	Discounted cash flows	Expected inflation	(0.15)%-(0.17)%	(0.16)%
b. Items measured at fair value on a non-recurring basis					
Impaired non-performing loans whose collection is collateral-dependent	694	Collateral's fair value			

* For a defaulted counterparty.

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[1]					
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 are still using a variety of tools to support economic activity. 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.

Due to the swift vaccination process in Israel, specifically the booster shot (third inoculation) administered lately, the risks to Israel's economic activity have been once again mitigated. However, the decline of the "immunity memory" and the possible emergence of future variants require extra caution on the part of the Israeli government, with possible imposition of restrictions on the Israeli economy, including 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.

The loan loss income in the first nine months of 2021 totaled NIS 729 million; this income was materially affected by collections, declining morbidity rates, improvement in macroeconomic parameters and economic expansion in Israel during the reporting period of which a 0.14 percent income was recorded in the collective provision. The effects of the measures and aid programs approved at the beginning of the crisis are dwindling, following positive indications regarding the population segments which enjoyed these aid programs - both among households and business borrowers, such as: the high rates of borrowers who resumed their regular payments following the deferment period, the low rate of borrowers in arrears out of the borrowers who resumed payments, the high rate of borrowers given state-backed loans who have begun to repay them, the low rate of borrowers in arrears out of this population, etc.

To adequately reflect the improvement in financial data and on the back of the abovementioned encouraging indications, and due to the continuous nature of the crisis, the Bank continued to examine, during the third quarter of 2021, the key criteria for the provision-making process, and made the required revision thereto; in the process, it took into account the developments outlined above as well as the assessments whereby the risk of additional harm to the business activity as a result of the epidemiological aspect is lower the before; this is due to the high vaccination rates among Israel's population and the economy's adjustments to activity made during surges in morbidity. Additional changes in assessments, estimates and forecasts of management may 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 the nine months of 2021 in respect of the sold shares and revaluation of the remaining shares amounted to NIS 130 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.

Note 16 - Miscellaneous Topics (cont.)

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 the first nine months of 2021 in respect of the sold shares and revaluation of the remaining shares amounted to NIS 267 million, based on the share price at the merger date.

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.

On November 2 2021, the Bank received the decision of the Competition Authority, approving the investment transaction, for a period of three years. As of the reporting date, the remaining conditions precedent required to complete the transaction have not been met.

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 - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. As at the reporting date, the Bank's management and Workers' Union are still in negotiations.

F. Bank Leumi USA (BLUSA) - Merger agreement

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley"). The transaction reflects a USD 1.2 billion valuation for BLUSA (approx. 140 percent of share capital).

Valley is a banking holding company which holds Valley National Bank (hereinafter – "Valley Bank"). Valley Bank was established in 1927. Once the transaction has been completed, Valley Bank is expected to become of the US's 29 largest banks whose shares are listed on the NASDAQ.

Following the completion of the transaction and execution of the merger procedures, BLC will be merged into Valley and BLUSA will be merged into Valley Bank (hereinafter - the "Merger Agreement").

The consideration of the transaction will be paid to the Bank in Valley shares (90 percent of the consideration) and the rest - in cash. Following the completion of the transaction, the Bank is expected to hold 14.2 percent of Valley's share capital and to be the largest shareholder in Valley, but not the controlling shareholder.

Note 16 - Miscellaneous Topics (cont.)

The expected gain for the Bank from the completion of the transaction is NIS 650-750 million, after tax. The final gain will be determined in accordance with the share price, BLC's shareholders' equity and the exchange rate immediately prior to the date of completion.

At the same time as signing the merger agreement, the Bank entered into a shareholders' agreement with Valley, in which the following terms and conditions, among others, were agreed upon:

- The Bank will be entitled to appoint 2 directors for Valley's board of directors (who will also serve on key committees), as well as an observer on Valley's board of directors and 2 directors to the Valley Bank's board of directors. A decrease of the holding stake by approximately 12.5 percent in Valley will reduce the entitlement of the Bank to appoint one member of the board in each of the companies; a decrease under 5 percent in Valley will void the Bank's right to appoint the aforementioned board members.
- The locked Valley shares - to be held by the Bank for a period of 4 years - will vest in equal tranches of 25 percent per year.
- Participation transactions will continue, and Leumi Group customers active in the US will continue to be served.
- Regarding matters such as compensation, appointment of directors and shareholders' proposals, the Bank will vote in shareholders' meetings of Valley according to the recommendation of Valley's board of directors.

The completion of the transaction (Merger Agreement and shareholders' agreement) is subject to meeting certain conditions precedent, including approval by the Bank of Israel, approval by relevant US regulators, including a confirmation whereby the Bank is not the controlling shareholder or a "source of strength" in Valley in accordance with American law and subject to the approval of Valley's general meeting.

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

Corporate Governance, Additional Details and Appendices

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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 third 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 the 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. For more information on this topic, please see breakdown below.

On October 31 2021, Mr. Ohad Marani's tenure as External Director in the Bank, in accordance with Directive 301, ended.

On November 1, 2021, Mr. Sasson Elya started his tenure as External Director, pursuant to the provisions of the Companies Law, 1999, in the Bank.

On November 12 2021, Mr. Yoram Gabbay's tenure as External Director in the Bank, pursuant to the provisions of the Companies Law, 1999, ended.

On November 13 2021, Mr. Dan Koller began his tenure as External Director in the Bank, in accordance with Directive 301.

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

In the Bank's 2021 annual general meeting, which was held on September 13 2021, the following resolutions were approved:

1. To reappoint the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank's joint independent auditors for the period starting on the date of approval of the current annual general meeting through the end of the Bank's next annual general meeting and to authorize the Bank's Board of Directors to set their fees.

2. To appoint Mr. Sasson Elya as External Director pursuant to the provisions of the Companies Law, 1999, for a period of 3 years. On October 28 2021, the Bank received the Banking Supervision Department's non-objection letter for Mr. Sasson Elya's said appointment. Accordingly, on November 1 2021, he began his first tenure as External Director in the Bank.
3. To appoint Ms. Tamar Gottlieb as an External Director pursuant to the provisions of the Companies Law, 1999, for an additional 3-year period. On October 14 2021, the Bank received the Banking Supervision Department's non-objection letter for Ms. Tamar Gottlieb's said appointment. Accordingly, on October 15, 2021 (the day after concluding her second term in office), she began her third term as External Director in the Bank.
4. To appoint Dr. Shmuel Ben Zvi as External Director pursuant to Directive 301, for a period of 3 years. On October 27 2021, the Bank received the Banking Supervision Department's non-objection letter for Dr. Shmuel Ben Zvi's said appointment. Accordingly, and in accordance with the information received from the Banking Supervision Department on July 8 2021, as detailed above, his third tenure will begin on July 29 2021 (the day following the end of his second tenure).
5. To appoint Mr. Dan Koller as External Director pursuant to Directive No. 301, for a period of 3 years. On November 11 2021, the Bank received the Banking Supervision Department's non-objection letter for Mr. Dan Koller's said appointment. Accordingly, on November 13 2021, he began his first tenure as External Director in the Bank, in accordance with Directive 301.

For more information, please see the immediate report regarding summons to annual general meeting dated August 5 2021 (Ref. No.: 2021-01-127977) (in this chapter - the "Summons Report") and an immediate report on the results of the meeting published on September 13 2021 (Ref. No.: 2021-01-146520).

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.

The Internal Auditor

Details regarding the Group's internal auditing function, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and considerations taken into account in formulating the work plans were included in the 2020 Annual Financial Statements.

The 2020 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on March 8 2021, discussed by the Committee on March 15 2021, submitted to the Board of Directors on March 15 2021 and discussed by the Board on March 22 2021.

A bi-annual compilation of audit reports and records for the first half of 2021 was submitted to the Audit Committee on August 23 2021 and discussed by the Committee on August 30 2021, submitted to the Board of Directors on September 19, and reported to it on September 29 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 completed her term in office on June 30 2021.

CPA Hagit Argov was appointed Chief Audit Executive and Head of the Internal Audit Division, taking office on June 17 2021, after the Bank of Israel's non-objection to the appointment.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information on interested parties' holdings in the Bank as at September 30 2021, please see the immediate report entitled "Status of Holdings of Interested Parties and Senior Officers" dated October 7 2021 (Ref. No. 2021-01-153498). 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 Deputy CEO, as of January 1 2021.

Mr. **Shmulik Arbel**, Head of the Corporate Division and a member of the Bank's management, was appointed Head of the Banking Division and Deputy CEO, 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 Risk Management Division, as a member of the Bank's management at the rank of 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 Finance and Accounting Division, as of April 1 2021.

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

Mr. **Eyal Efrat** was appointed Head of the Strategy, Data Analytics and Organizational Implementation, member of the Bank's management and First Executive Vice President as of October 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.

Departures

Ms. **Hilla Eran-Zick**, Head of Human Resources Division and member of the Bank's management, completed her term in office on March 31 2021, after approximately 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.

Ms. **Sharon Gur**, Chief Auditor and Head of the Internal Audit Division, completed her term in office on June 30 2021 after approximately 28 years of working at Leumi.

Adv. **Livnat Ein-Shay Wilder**, Secretary of the Bank and Group, completed her term in office on February 28 2021, after 5 years of working at Leumi.

Corporate Structure

Finance and Accounting Division

As of April 1 2021, the Finance Division and Accounting Division were merged.

The Strategy, Data Analytics and Organizational Implementation Division

On October 1 2021, a new division was established, consolidating all the activities of the Strategy Department and the CDO Department; it will also be responsible for leading cross-company, cross-silo projects.

Announcement of a labor dispute

On August 1 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Workers' Union at the Bank, by the New Federation of Workers - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. As of the reporting date, the Bank's management and Workers' Union continue their negotiations.

Human resources management

On August 15 2021, the Bank instituted a hybrid work plan allowing employees to work remotely on day a week. It was agreed that the plan shall be in force for 3 months, or until negotiations on the issue between management and the Workers' Committee are successful, the earlier of the two.
In agreement with the employees' representative body, the hybrid work plan was extended until the end of 2021, with the parties expected to continue negotiations in order to formulate a final plan on the topic.

Material Agreements

Maalot-Standard Agreement

Under an agreement from September 2021, the Maalot Standard agreement was extended. In addition, Veritas Insurance Agency assigned to Harel Insurance Company Ltd., as of August 29 2021, its undertakings related to Maalot in respect of sale and marketing of Harel's insurance agency to potential customers.

For more information, please see the Maalot-Standard agreement under "Material Agreements" in the 2019 Annual Financial Statements.
For more information regarding the assignment of rights from Standard to Veritas, please see the section entitled "Material Agreements" in the 2020 Annual Financial Statements.

For more information regarding material agreements of investee companies, please see Note 16 and under "Major Investee Companies" in the Report of the Board of Directors and Management.

For more information regarding additional material agreements, please see the section entitled "Material Agreements" in the 2020 Annual Financial Statements.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term and implications of its significance, please see under "Forward-Looking Information".

During the reporting period, several proposals for regulatory amendments and changes 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 directives 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, Pledging the 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 of the implementation of various global regulatory reforms.

The amendment revoked the current qualitative restriction on pledging assets of a banking corporation. Alternatively, the directive defined requirements for proper management of asset pledging.

The directive will become effective on January 1 2022. A banking corporation which deviates or is highly likely to deviate from the restriction between the publication of the directive and December 31, 2021, will report so in writing to the Banking Supervision Department. In its notice, the banking corporation will specify the reason for the deviation, and the compensatory mechanisms it adopts in accordance with the revised directive.

The Bank is preparing to implement the amendment.

Amendment to Proper Conduct of Banking Business Directive No. 222, "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 revised Proper Conduct of Banking Business Directive No. 420 - “Sending Notices via Means of Communications”. The amendment was initiated against the backdrop of a technological revolution taking place in the banking industry in recent years, which allows banking corporations in Israel to develop services that include a variety of channels for obtaining banking services and information. The main point of the amendment is that a banking corporation should select the most appropriate means of communication to deliver a specific message to a customer who has joined the e-banking notices service. Selecting the appropriate service channel for sending the notice will be according to the materiality level of the information and the speed at which it should be delivered. The amendment to the directive will enter into force one year after its publication.

In tandem 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 the preparations for the implementation of the said revision to 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 to them.

The Bank is preparing to implement the directive.

Proper Conduct of Banking Business Directive regarding the LIBOR transition

On October 3 2021, the Banking Supervision Department published a new Proper Conduct of Banking Business Directive, LIBOR Transition. The directive was published on the back of the discontinuation of the LIBOR. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure proper preparation, while addressing the potential risks embodied in the transition. In addition, the directive addresses aspects of fairness and disclosure required vis-a-vis customers. The directive refers both to existing agreements and new ones.

The Bank is preparing to implement the transition from LIBOR, as required by 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, “Application of the Open Banking Standard in Israel”

   The directive was first published in February 2020. Open Banking requires the 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 effective dates of the directive were postponed by three months, with the effective date of the first phase set for March 31 2021.

   On April 5 2021, due to issues arising from the complexity of the directive’s implementation, the directive was revised. The amendment 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 preparing to implement the directive gradually, in accordance with the effective dates therein.

2. Financial Information Service Law, 2021

On November 2, the law was approved in its second and third reading. The law is meant to replace portions of the Supervision of Financial Services (Regulated Financial Services) Law, 2016, which relate to the service of comparing financial costs by a new law, which will regulate all the information included in providing financial information services both by the entities providing the service and the financial entities which hold financial information of customers. The law allows financial information service providers to receive, with the customer's agreement, online access to financial information about the customer from financial information sources - (at this stage: banks, acquirers - including those acting as issuers (credit card companies), affiliate corporations as well as institutionals, those licensed to provide deposit and credit services, credit provider licensees and licensees to operate credit intermediary services), in order to provide various services. At the same time, the law requires such information sources to allow financial information service providers online access to customers' financial information, subject to the customers' agreement. A financial information service provider shall not obtain financial information collected by another and shall not make use of the information unless for the purpose of providing service to a customer regarding his/her financial conduct, including: summary of financial information for the customer; cost comparison; mediation; consultation regarding financial conduct; and an offer to the customer by the service provider. The purpose of the law is to break down the basket of financial services, boost comparability between various financial providers for customers, reduce information gaps among various financial providers regarding the unique characteristics of customers and allow customers to obtain a full snapshot of their financial position in real time, at the click of a button. The purpose of the above is to remove competitive barriers in the industry and render financial services in Israel more efficient.

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) (Amendment), 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 August 19 2021, the Banking Supervision Department published a revised Proper Conduct of Banking Business Directive No. 448, regulating customers' online transitioning between banks, as well as Reporting to the Banking Supervision Department Directive No. 844, "Reporting on Transition between Banks", which will enter into force as of the reporting for December 31 2021, and which was aimed at assisting the Banking Supervision Department in examining the scope of activity and trend shifts in light of the Transition between Banks Project.

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. These amendments entered into force on September 22 2021.

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, an amendment 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" Under the amendment, all branches of the banking system will open to the public. The branches will provide all services provided prior to the advent of the coronavirus crisis in Israel. 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 to the directive was published, addressing the following issues:

- Adjustments to Directive 331, "Distribution of Dividends by Banking Corporations" - the Banking Supervision Department clarifies that, despite the process of emerging from the coronavirus crisis, the level of uncertainty is still high, and affects the ability of banking corporations 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. It is also clarified that the Banking Supervision Department 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 September 30 2021, the Banking Supervision Department issued another amendment to the directive, extending the validity of the temporary order by another three months, until December 31 2021. The amendment also includes revisions of a number of adjustments. Following is a breakdown of the main revisions:

- Proper Conduct of Banking Business Directive No. 311, "Credit Risk Management" - it was clarified that the adjustments made to this directive - according to which a financial report may be deemed up-to-date if the scheduled period for its filing has passed - shall also apply to financial reports for 2020.
- Proper Conduct of Banking Business Directive No. 329, Limitations on Issuing Housing Loans.
    - This relief allowing to increase the LTV ratio for all-purpose loans from 50 percent to 70 percent was revoked. For more information, see under risk and its management, please see section entitled "Housing Loans Portfolio Risks" in the Report of the Board of Directors and Management.
    - The relief whereby banks are not required to increase the Common Equity Tier 1 by 1 percent for housing loans has been revoked. This means that, as of October 1 2021, the additional capital requirement of 1 percent will apply to housing loans and shall not apply to all-purpose loans. For more information, please see section entitled "Equity and Capital Adequacy" in the Annual Report of the Board of Directors and Management.

- Proper Conduct of Banking Business Directive 331, “Distribution of Dividends by Banking Corporations” clarifies that, despite the process of emerging from the coronavirus crisis, the level of uncertainty is still high, and affects the ability of banking corporations to predict their capital needs in the mid-term. 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 (“distribution”). The position of the Banking Supervision Department is that a distribution that is higher than 30 percent of the net income for 2020 and 2021 will not be considered prudent and conservative capital planning. It was also emphasized that the Banking Supervision Department expects the banking corporations to continue using the capital and liquidity surplus they enjoy towards increasing the credit and supporting the market’s economic activity rather than towards distribution, particularly when they are taking advantage of the capital requirement relief. However, failure to meet the required leverage ratio and using the easement in relation to the leverage ratio will not prevent the distribution of dividends, subject to an overall capital plan aimed at reverting to the required leverage ratio.

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 a fortnight, until July 6 2021. The Minister of Justice, with the approval of the Constitution, Law and Justice Law Committee, is authorized to extend the temporary order by additional periods of no more than 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 Annual Financial Statements.

Additional Topics

Privacy protection

Following the detailed information in the 2020 Annual 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, following a sharp rise in severe information security incidents, the Privacy Protection Authority published an additional policy paper aimed at reducing the personal information stored by various organizations. In the paper, the Authority provides recommendations and focal points for Israeli businesses and public entities on how to reduce the collection, storage and use of excess information. According to the Authority, failure to reduce the excess information by an owner of a database who has become aware that such information is stored in its database, may - under certain circumstances - give rise to a breach of the Privacy Protection Regulations (Information Security).

In addition, on April 22, 2021, the Privacy Protection Authority published a paper regarding privacy in advanced payment means for transferring funds and payments to merchants. 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.

Environmental risk management

Following the detailed information in the 2020 Annual Financial Statements, there is a growing understanding in Israel and around the world that the materialization of environmental risks will adversely affect the economy and undermine the stability of the banks and the financial system. Accordingly, regulators in Israel and across the world require banks to prepare to risk-manage this issue.

As part of this trend, on August 22 2021, the Banking Supervision Department published a draft Reporting to the Public Directive regarding disclosure on aspects of Environmental, Social and Governance (ESG). The draft was published as part of the measures taken by the Banking Supervision Department to boost sustainability in the banking system and the Israel economy for the long term, and in view of the experience gained on the topic in Israel and around the world.

In accordance with the draft, the directive is expected to enter into force starting with the 2021 Financial Statements.

The Bank is preparing to implement the directive.

The BCBS/IOSCO regarding initial margins (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 became 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 applies 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 a vis a specific counterparty), by pledging a securities account with a foreign custodian by each party, in trust, for the other party.

Credit Ratings

Credit ratings and outlook for the State of Israel and the Bank as at November 15 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 November 15 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.

On October 6 2021, credit rating agency Midroog reiterated the Bank's rating and rating outlook.

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

Part A - Average Balances and Interest Rates - Assets

	For the three months ended September 30					
			2021			2020
	Average balance[(b)]	Interest income	% of income	Average balance[(b)]	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest-bearing assets						
Loans to the public[(c)]						
In Israel	292,871	2,521	3.49	260,094	2,085	3.25
Outside Israel	22,985	221	3.90	23,499	227	3.92
Total[(i)]	315,856	2,742	3.52	283,593	2,312	3.30
Loans to the government						
In Israel	924	8	3.51	734	6	3.31
Outside Israel	-	-	-	-	-	-
Total	924	8	3.51	734	6	3.31
Deposits with banks						
In Israel	10,813	12	0.44	10,027	16	0.64
Outside Israel	186	-	-	157	-	-
Total	10,999	12	0.44	10,184	16	0.63
Deposits with central banks						
In Israel	127,250	32	0.10	76,037	20	0.11
Outside Israel	3,016	1	0.13	925	-	-
Total	130,266	33	0.10	76,962	20	0.10
Securities borrowed or purchased under agreements to resell						
In Israel	6,354	1	0.06	2,096	1	0.19
Outside Israel	-	-	-	-	-	-
Total	6,354	1	0.06	2,096	1	0.19
Bonds - held-to-redemption and available-for-sale[(d)]						
In Israel	72,774	202	1.11	77,899	197	1.02
Outside Israel	6,117	30	1.98	4,688	23	1.98
Total	78,891	232	1.18	82,587	220	1.07
Held-for-trading bonds[(d)]						
In Israel	2,960	5	0.68	8,655	7	0.32
Outside Israel	-	-	-	-	-	-
Total	2,960	5	0.68	8,655	7	0.32
Total interest-bearing assets	546,250	3,033	2.24	464,811	2,582	2.24
Non-interest-bearing receivables for credit cards	5,899			5,332		
Other non-interest-bearing assets[(e)]	53,270			51,800		
Total assets	605,419	3,033		521,943	2,582	
Total interest-bearing assets attributed to foreign operations	32,304	252	3.16	29,269	250	3.46

Please see comments below.

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

	For the three months ended September 30					
	2021			2020		
	Average balance[b]	Interest expense	% of expense	Average balance[b]	Interest expense	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities						
Deposits by the public						
In Israel	324,683	(222)	(0.27)	291,722	(221)	(0.30)
Demand deposits	182,976	(3)	(0.01)	154,851	1	-
Fixed deposits	141,707	(219)	(0.62)	136,871	(222)	(0.65)
Outside Israel	12,019	(7)	(0.23)	14,356	(25)	(0.70)
Demand deposits	7,915	(1)	(0.05)	7,850	(4)	(0.20)
Fixed deposits	4,104	(6)	(0.59)	6,506	(21)	(1.30)
Total	336,702	(229)	(0.27)	306,078	(246)	(0.32)
Deposits from the Israeli government						
In Israel	189	(1)	(2.13)	189	(1)	(2.13)
Outside Israel	7	-	-	56	-	-
Total	196	(1)	(2.06)	245	(1)	(1.64)
Deposits by central banks						
In Israel	16,637	(2)	(0.05)	3,418	(1)	(0.12)
Outside Israel	-	-	-	-	-	-
Total	16,637	(2)	(0.05)	3,418	(1)	(0.12)
Deposits by banks						
In Israel	6,057	(1)	(0.07)	5,169	(1)	(0.08)
Outside Israel	204	-	-	165	-	-
Total	6,261	(1)	(0.06)	5,334	(1)	(0.08)
Securities loaned or sold under reverse repurchase agreements						
In Israel	500	-	-	426	-	-
Outside Israel	252	-	-	-	-	-
Total	752	-	-	426	-	-
Bonds						
In Israel	12,892	(129)	(4.06)	18,527	(117)	(2.55)
Outside Israel	-	-	-	-	-	-
Total	12,892	(129)	(4.06)	18,527	(117)	(2.55)
Total interest-bearing liabilities	373,440	(362)	(0.39)	334,028	(366)	(0.44)
Non-interest-bearing deposits by the public	157,747			113,655		
Non-interest-bearing payables for credit cards	2,270			631		
Other non-interest-bearing liabilities[f]	30,390			36,485		
Total liabilities	563,847	(362)		484,799	(366)	
Total capital resources	41,572			37,144		
Total capital commitments and sources	605,419	(362)		521,943	(366)	
Interest rate spread		2,671	1.85		2,216	1.80
Net return[g] on interest-bearing assets						
In Israel	513,946	2,426	1.90	435,542	1,991	1.84
Outside Israel	32,304	245	3.07	29,269	225	3.11
Total	546,250	2,671	1.97	464,811	2,216	1.92
Total interest-bearing liabilities attributed to foreign operations	12,482	(7)	(0.22)	14,577	(25)	(0.69)

Please see comments below.

Part A - Average Balances and Interest Rates - Assets

	For the nine months ended September 30					
			2021			2020
	Average balance(b)	Interest income	% of income	Average balance(b)	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest-bearing assets						
Loans to the public(c)						
In Israel	**283,608**	**7,336**	**3.46**	261,477	5,985	3.06
Outside Israel	**22,843**	**658**	**3.86**	23,793	739	4.16
Total(i)	**306,451**	**7,994**	**3.49**	285,270	6,724	3.16
Loans to the government						
In Israel	**827**	**20**	**3.24**	731	20	3.66
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**827**	**20**	**3.24**	731	20	3.66
Deposits with banks						
In Israel	**11,113**	**44**	**0.53**	11,334	65	0.77
Outside Israel	**166**	**-**	**-**	202	-	-
Total	**11,279**	**44**	**0.52**	11,536	65	0.75
Deposits with central banks						
In Israel	**113,639**	**85**	**0.10**	63,480	69	0.14
Outside Israel	**2,155**	**2**	**0.12**	1,161	2	0.23
Total	**115,794**	**87**	**0.10**	64,641	71	0.15
Securities borrowed or purchased under agreements to resell						
In Israel	**5,043**	**4**	**0.11**	1,857	5	0.36
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**5,043**	**4**	**0.11**	1,857	5	0.36
Bonds - held-to-redemption and available-for-sale(d)						
In Israel	**73,053**	**612**	**1.12**	74,958	681	1.21
Outside Israel	**5,574**	**87**	**2.09**	4,823	84	2.33
Total	**78,627**	**699**	**1.19**	79,781	765	1.28
Held-for-trading bonds(d)						
In Israel	**2,866**	**23**	**1.07**	8,551	23	0.36
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,866**	**23**	**1.07**	8,551	23	0.36
Total interest-bearing assets	**520,887**	**8,871**	**2.28**	452,367	7,673	2.27
Non-interest-bearing receivables for credit cards	**5,466**			5,297		
Other non-interest-bearing assets(e)	**53,352**			52,005		
Total assets	**579,705**	**8,871**		509,669	7,673	
Total interest-bearing assets attributed to foreign operations	**30,738**	**747**	**3.25**	29,979	825	3.69

Please see comments below.

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

	For the nine months ended September 30					
	2021			2020		
	Average balance[b]	Interest expense	% of expense	Average balance[b]	Interest expense	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	312,441	(654)	(0.28)	282,925	(768)	(0.36)
Demand deposits	178,424	(11)	(0.01)	147,677	(36)	(0.03)
Fixed deposits	134,017	(643)	(0.64)	135,248	(732)	(0.72)
Outside Israel	13,039	(28)	(0.29)	14,783	(98)	(0.88)
Demand deposits	8,871	(6)	(0.09)	6,521	(22)	(0.45)
Fixed deposits	4,168	(22)	(0.70)	8,262	(76)	(1.23)
Total	325,480	(682)	(0.28)	297,708	(866)	(0.39)
Deposits from the Israeli government						
In Israel	198	(2)	(1.35)	190	(2)	(1.41)
Outside Israel	11	-	-	97	-	-
Total	209	(2)	(1.28)	287	(2)	(0.93)
Deposits by central banks						
In Israel	13,463	(7)	(0.07)	1,588	(2)	(0.17)
Outside Israel	-	-	-	-	-	-
Total	13,463	(7)	(0.07)	1,588	(2)	(0.17)
Deposits by banks						
In Israel	5,948	(3)	(0.07)	5,553	(9)	(0.22)
Outside Israel	154	-	-	152	-	-
Total	6,102	(3)	(0.07)	5,705	(9)	(0.21)
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	554	(1)	(0.24)	1,288	(8)	(0.83)
Outside Israel	254	-	-	-	-	-
Total	808	(1)	(0.17)	1,288	(8)	(0.83)
Bonds						
In Israel	13,629	(383)	(3.76)	20,902	(280)	(1.79)
Outside Israel	-	-	-	-	-	-
Total	13,629	(383)	(3.76)	20,902	(280)	(1.79)
Total interest-bearing liabilities	359,691	(1,078)	(0.40)	327,478	(1,167)	(0.48)
Non-interest-bearing deposits by the public	144,603			108,239		
Non-interest-bearing payables for credit cards	2,761			1,883		
Other non-interest-bearing liabilities[f]	32,699			35,139		
Total liabilities	539,754	(1,078)		472,739	(1,167)	
Total capital resources	39,951			36,930		
Total capital commitments and sources	579,705	(1,078)		509,669	(1,167)	
Interest rate spread		7,793	1.88		6,506	1.79
Net return[g] on interest-bearing assets						
In Israel	490,149	7,074	1.93	422,388	5,779	1.83
Outside Israel	30,738	719	3.13	29,979	727	3.25
Total	520,887	7,793	2.00	452,367	6,506	1.92
Total interest-bearing liabilities attributed to foreign operations	13,458	(28)	(0.28)	15,032	(98)	(0.87)

Please see comments below.

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

	For the three months ended September 30					
	2021			2020		
	Average balance[b]	Interest income (expen-ses)	% of income (expense)	Average balance[b]	Interest income (expen-ses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	51,438	758	6.03	47,969	405	3.42
Total interest-bearing liabilities	17,575	(209)	(4.84)	22,125	(127)	(2.32)
Interest rate spread			1.19			1.10
Unlinked NIS						
Total interest-bearing assets	379,834	1,772	1.88	308,956	1,630	2.13
Total interest-bearing liabilities	279,643	(86)	(0.12)	232,558	(101)	(0.17)
Interest rate spread			1.76			1.96
Foreign currency						
Total interest-bearing assets	82,674	251	1.22	78,617	297	1.52
Total interest-bearing liabilities	63,740	(60)	(0.38)	64,768	(113)	(0.70)
Interest rate spread			0.84			0.82
Total activity in Israel						
Total interest-bearing assets	513,946	2,781	2.18	435,542	2,332	2.16
Total interest-bearing liabilities	360,958	355	(0.39)	319,451	(341)	(0.43)
Interest rate spread			1.79			1.73

Please see comments below.

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

	For the nine months ended September 30					
	2021			2020		
	Average balance[(b)]	Interest income (expen-ses)	% of income (expense)	Average balance[(b)]	Interest income (expen-ses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	**50,220**	**2,209**	**5.91**	47,539	805	2.26
Total interest-bearing liabilities	**18,172**	**(599)**	**(4.42)**	25,166	(223)	(1.18)
Interest rate spread			**1.49**			1.08
Unlinked NIS						
Total interest-bearing assets	**359,949**	**5,130**	**1.90**	297,462	4,993	2.24
Total interest-bearing liabilities	**269,182**	**(266)**	**(0.13)**	222,375	(352)	(0.21)
Interest rate spread			**1.77**			2.03
Foreign currency						
Total interest-bearing assets	**79,980**	**785**	**1.31**	77,387	1,050	1.81
Total interest-bearing liabilities	**58,879**	**(185)**	**(0.42)**	64,905	(494)	(1.02)
Interest rate spread			**0.89**			0.79
Total activity in Israel						
Total interest-bearing assets	**490,149**	**8,124**	**2.22**	422,388	6,848	2.17
Total interest-bearing liabilities	**346,233**	**(1,050)**	**(0.40)**	312,446	(1,069)	(0.46)
Interest rate spread			**1.82**			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 September 30			For the nine months ended September 30		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS millions					
Interest-bearing assets						
Loans to the public						
In Israel	282	154	436	572	779	1,351
Outside Israel	(5)	(1)	(6)	(27)	(54)	(81)
Total	277	153	430	545	725	1,270
Other interest-bearing assets						
In Israel	54	(41)	13	174	(249)	(75)
Outside Israel	12	(4)	8	19	(16)	3
Total	66	(45)	21	193	(265)	(72)
Total interest income	343	108	451	738	460	1,198
Interest-bearing liabilities						
Deposits by the public						
In Israel	23	(22)	1	62	(176)	(114)
Outside Israel	(1)	(17)	(18)	(4)	(66)	(70)
Total	22	(39)	(17)	58	(242)	(184)
Other interest-bearing liabilities						
In Israel	31	(18)	13	50	45	95
Outside Israel	-	-	-	-	-	-
Total	31	(18)	13	50	45	95
Total interest expenses	53	(57)	(4)	108	(197)	(89)
Total, net	290	165	455	630	657	1,287

Comments:

(a) The data in the above tables are stated after the effect of hedging derivatives.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average book balance of loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual impaired non-performing debts.

(d) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted from/added to the average balance of held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under “Accumulated other comprehensive income”, in the "Adjustments in respect of presentation of available-for-sale securities at fair value" item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 1.488 million (September 30 2020 – NIS 1,469 million).

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivative instruments and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month and nine-month periods ended September 30 2021 in the amount of NIS 110 million and NIS 374 million, respectively, were included in the interest income from loans to the public (fees and commissions for the three-month and nine-month periods ended September 30 2020 in the amount of NIS 90 million and NIS 305 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: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.
Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.

Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.
I	
Impaired Non-Performing Loan	A balance sheet loan that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as Impaired Loan whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet loans are classified as impaired loans if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a debt that which is assessed on an individual basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's

	securities, commitments of the bank to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.
Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.

M	
Market Risks	Market Risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share and commodity prices, as well as in other economic measures).
Mortgage-Backed Securities (MBS)	Bonds which are backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Non-Performing Loan (NPL)	Non-accrual impaired debt.
O	
OECD	An international organization whose members are developed countries that accept the principles of liberal democracy and free market. The organization is a platform for discussing policy, benchmarking, identifying solutions to difficulties and drawing up codes, guiding principles and shared standards for the implementation of domestic economic and social policies. Each member state can make a significant contribution to the organization's policy and development of shared policies.
Off-Balance Sheet Exposures	These exposures arise from the Bank's undertakings to its borrowers that have not yet been realized/utilized by the borrowers as of the reporting date and therefore have not yet been recorded as a balance sheet asset or liability. Such exposures include, among other things: Unutilized undertakings to extend loans; • Unutilized credit facilities; • Undertakings pursuant to guarantee agreements; • Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, • and more.
On-call Credit	Loan granted for several days and repaid on call, in accordance with the conditions of the agreement between the Bank and the customer.
Operational Risk	Operational Risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk.
Option Contract/Option	There are two types of Option Contracts: an option to buy (call option) or an option to sell (put option). A call option is the right to buy a specified asset at an

	agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date. A put option is the right to sell a specified asset at an agreed price (strike price) up to (American-style option) or at (European-style option) a stipulated date.
P	
Performance Stock Units (PSU)	Performance Stock Unit awards are restricted shares and depend on the bank's future performance.
Pillar 1	The allocation of minimum capital against credit, market and operational risks, using a method that correlates the scope of exposure to the various risks and Regulatory Capital requirement. The Pillar 1 Directives set by BCBS were adopted as part of Proper Conduct of Banking Business Directives No. 201 to No. 209; these directives set a supervisory method for calculation of risk-weighted assets and calculation of the capital requirements in respect of such risk-weighted assets.
Private Individuals	Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity. According to the directives of the Bank of Israel, private persons are defined such that this category includes non-business loans to individuals who are classified into the private individuals sector according to uniform definitions of the Central Bureau of Statistics including households and private banking.
Probability of Default (PD)	A financial term describing the likelihood of borrower default within a given period of time from the date on which rating is issued. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations.
R	
Regulatory Capital	Capital used to calculate the Bank's capital adequacy ratio and other regulatory ratios (such as: leverage ratio, credit concentration and more). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
Repurchase Agreement or Reverse Repurchase Agreement	These repo agreements are agreements for the purchase or sale of securities in consideration for cash or securities; when entering into these agreements, the seller and the buyer agree to enter into a reverse transaction at a predetermined date and price.
Reputational Risk	The risk that the publication or public disclosure of a customer-related transaction or practice, as well as the Group's business results and events relating thereto will have an adverse effect on the public's trust in the Group

	or reduce its customer base or that the Group will incur high legal costs or that its revenues will decline.
Residual Risk	Residual Risk is the risk of loss remaining after all other specific risks have been factored in. For example: when a person purchases an asset, he is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as increase or decrease in share prices, increase or decrease in interest rates or change in growth rate of a specific economy or industry. The exposure to this risk can be reduced by diversification.
Restricted Share Units (RSUs)	An ordinary share whose issuance terms restrict its tradability over a certain period or until the occurrence of a certain event where the period has not yet elapsed and/or the event has not yet occurred.
Restructuring of Troubled Debt	A debt, in respect of which the Bank, whether for economic or legal reasons related to financial difficulties of the borrower, grants the borrower a waiver by changing the terms of the debt, in order to enable the borrower to repay the cash payments in the short term or by accepting other assets as debt repayment.
Return on Equity	Net income less dividend for preferred shares which was not recorded as an expense in profit or loss and was declared in the reported period only, divided by the average common equity.
Rate of Return on Equity (ROE)	The ratio between a business's return (net income) and its common equity. This rate measures the Bank's ability to generate profit from its net assets and illustrates how efficiently the Bank operates to utilize further investments in order to increase its revenues. Return on Equity in banks is reflected in the following ratios: • Net income attributed to bank's shareholders net of dividend distributed in respect of preferred shares which was not recorded as an expense in profit or loss and was declared during the reporting period, divided by the average common equity; • Net income attributed to bank's shareholders net of dividend distributed to preferred shares which was not recorded as an expense in the income statement and was declared during the reporting period, divided by the average common equity net of average balance of preferred shares that were included in common equity.
Return on Risk-Adjusted Capital (RORAC)	A Rate of Return measure used to compare returns on various investments taking into account the risk. Actual return is adjusted by measuring the asset's exposure to risk and curtails the return on higher-risk assets. The method's effectiveness depends on the accuracy of the risk associated with different assets and on the extent to which the "sanction" imposed on higher-risk assets does, indeed, reflect each investor's risk aversion. Risk

	assessment of new types of assets, such as financial derivatives, involves high levels of uncertainty due to the actual behavior of their prices.
Risk-Weighted Assets (RWA) or Risk Assets	Risk-Weighted Assets reflect balance sheet and off-balance sheet exposures arising from the Bank's activities and weighted by their level of credit, market and operational risk according to Proper Conduct of Banking Business Directives No. 203 to No. 209. Such Risk Assets are designed to reflect the weighted risk in respect of which the Bank is required to comply with the Regulatory Capital Requirement as part of the Capital Adequacy requirements.
S	
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.
Securitization Structures	Structures created in order to transfer cash flows from other instruments or assets to bondholders, for which a Special-Purpose Entity (SPE) is set up that pools the underlying cash flow-generating assets that are transferred by the originator and forwards the cash-flows to the bondholders according to a structure agreed upon with the bondholders in accordance with the seniority of the different series of bonds (tranches). Such assignment of rights creates a legal structure in which the assets of the transferring entity will not be accessible to creditors of the SPE and the creditors will not be exposed to the risks associated with other activities of the transferring entity. The sole function of the SPE is to receive the said cash flows and transfer them to the bondholders.
Small Business Administration (SBA)	A U.S. government agency that supports small businesses in the U.S.A.
Special Mention Loan	Loan under Special Supervision is credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loan is classified as loan under special supervision if the materialization of the contingent liability in respect of the item is defined as "reasonably possible" and if the debts that may be recognized as a result of the materialization of the contingent liability meet the criteria for classification into this category.
Standby Letter of Credit (SBLC)	A Standby Letter of Credit is a bank guarantee in the format of a commercial letter of credit, whose main goal is to secure a payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes an undertaking by the Bank to pay the amount specified therein against a payment demand by the beneficiary, whereas in the case of a commercial letter of credit one is required to present various documents in order to secure the payment by the Bank in respect of the guarantee.

Specific Provision	A provision that is determined specifically for each debt being assessed (including any restructuring of troubled debt subject to specific assessment according to the Bank's policy). The provision amount is estimated according to the projected cash flows which are discounted at the debt's original interest rate or, when the debt is defined as a debt whose collection is contingent on the fair value of the collateral - according to the fair value of the collateral net of disposal costs and after appropriate cushions are utilized. In order to determine the appropriate provision, the Bank assesses the relevant borrowers on an ongoing basis and according to procedure. Furthermore, a Specific Provision is carried out in respect of each such debt that is subject to individual review and which is 90 days overdue.
Strategic Risk	A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes.
Subordinated Notes	Bonds the interests in which are subordinate to the claims of all other creditors of the bank, excluding other bonds of the same type.
Substandard Loan	A loan which is insufficiently guaranteed by the current sound worth and repayment capacity of a borrower or a pledged collateral, if any. Balance sheet credit risk that has been classified in this manner should have a well-defined weakness or weaknesses, which jeopardize the repayment of the debt. Loan, in respect of which a collective loan loss provision is recorded, shall be classified as a Substandard Loan when it has been past due for 90 days or more.
Supervisory Review Process (SREP)	The processes intended to ensure that banks have adequate capital to support all the risks associated with their business and also to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. As part of the process, the Banking Supervision Department assesses a bank's risk profile and its internal process for assessing the adequacy of the regulatory capital it maintains against the exposures. This process is designed to provide regulators with tools for independent assessment of the Bank's risk profile and risk management and to enable early intervention in order to prevent compromising the Bank's financial stability.
Swap	A series of forward contracts or a series of futures contracts for several stipulated periods in which two parties agree to exchange cash flows on a notional amount.

Syndication	A transaction in which several lenders share extending a loan to a single borrower, but each borrower extends a loan at a certain amount to a borrower and has the right to be repaid by that borrower. Often, groups of lenders finance such loans together, with the amount extended greater than any single lender is willing to lend.
Synthetic Collateralized Debt Obligation (SCDO)	An agreement backed by a portfolio of (derivative) collateralized debt securities of various seniority levels.
T	
The Economic Capital Model	The Bank uses the Economic Capital Model, which is based on the borrowers' rating, in order to assess the overall credit risk of the entire loan portfolio and portions thereof.
Tier 2 Capital	A tier of capital included in the calculation of qualifying regulatory capital. Tier 2 capital (also known as "gone concern capital") is a substandard component of the Bank's capital; it mainly comprises qualifying instruments previously issued by the Bank and included in Tier 2 capital pursuant to the transitional provisions for the implementation of Basel III Directives as well as the new qualifying capital instruments that constitute the Bank's Contingent Convertible (CoCo) capital instruments issued by the Bank and which will be converted into the Bank's shares if the Bank reaches the point of non-viability. Furthermore, this Tier 2 capital also includes 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.