

Bank Leumi le-Israel B.M.

**Additional Information to the
Annual Consolidated Reports**

2012

20.03.2013

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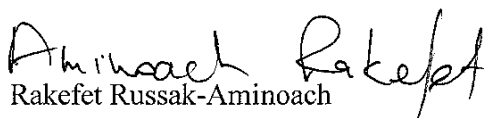
BANK LEUMI LE-ISRAEL

This booklet presents details of the data appearing in Note 29 of the annual financial statements.

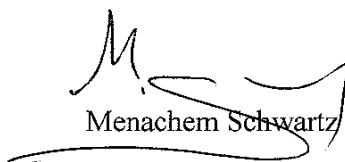
The financial information of the Bank, as appearing in this booklet was prepared in accordance with accepted accounting principles and reporting principles determined by the directives and guidelines of the Supervisor of Banks.

The Joint Auditors of the Bank, Somekh Chaikin and Kost Forer Gabbay & Kasierer audited the consolidated annual financial statements of the Bank in accordance with accepted auditing standards.

In addition, the data in this booklet have been transmitted to the Joint Auditors of the Bank in order to enable them to advise whether the information contains information that is materially incompatible with the facts or other information received by the Joint Auditors during their audit. No such announcement was received from the Joint Auditors of the Bank. The Joint Auditors of the Bank did not use for this purpose any additional auditing procedures except those that they were obliged to use for the audit of the consolidated financial statements.


Rakefet Russak-Aminoach

President and Chief Executive Officer


Menachem Schwartz

First Executive Vice President
Chief Accounting Officer
Head of Accounting Division

20 March 2013

Note 2 - Cash and Deposits with Banks-Bank

| | 31 December 2012 | 31 December 2011 |
|--|-------------------------|------------------|
| | NIS millions | |
| Cash and deposits with central banks | 38,797 | 38,685 |
| Deposits with commercial banks (a) (b) | 10,641 | 11,588 |
| Deposits with specialized banking entities (b) | - | 43,606 |
| Total | 49,438 | 93,879 |
| Including: cash and deposits with central and commercial banks for original periods not exceeding three months | 45,460 | 65,684 |

(a) After deduction of provision for doubtful debts.

(b) reclassified.

See the annual financial report for the consolidated note.

Note 3 - Securities - Bank

| 31 December 2012 | | | | | | 31 December 2011 | | | | | | |
|--|----------------------------------|--|---|---|-------------------|----------------------------------|---|---|---|-------------------|-------------------|--|
| | Amount in balance sheet | Amortized cost (In shares cost) | Accumulated other comprehensive income (loss) | | | | Amount in balance sheet | Amortized cost (In shares cost) | Accumulated other comprehensive income (loss) | | | |
| | | | profits | losses | Fair value (a) | | | | profits | losses | Fair value (a) | |
| | NIS millions | | | | | | NIS millions | | | | | |
| 1. Securities available for sale: | | | | | | | | | | | | |
| Debentures and bonds - | | | | | | | | | | | | |
| The Government of Israel | 21,832 | 21,566 | 266 | - | 21,832 | 18,200 | 18,055 | 146 | (1) | 18,200 | | |
| Foreign governments | 5,402 | 5,394 | 8 | - | 5,402 | 3,093 | 3,097 | - | (4) | 3,093 | | |
| Israel's financial institutions | 322 | 303 | 21 | (2) | 322 | 460 | 449 | 14 | (3) | 460 | | |
| Foreign financial institutions | 4,671 | 4,613 | 119 | (61) | 4,671 | 6,694 | 7,228 | 11 | (545) | 6,694 | | |
| Asset-backed (ABS) or Mortgage-backed securities (MBS) | 3,638 | 3,595 | 62 | (19) | 3,638 | 1,083 | 1,146 | 1 | (64) | 1,083 | | |
| Others in Israel | 1,037 | 1,016 | 26 | (5) | 1,037 | 603 | 638 | 5 | (40) | 603 | | |
| Others abroad | 746 | 724 | 23 | (1) | 746 | 436 | 451 | 8 | (23) | 436 | | |
| | 37,648 | 37,211 | 525 | (88) | 37,648 | 30,569 | 31,064 | 185 | (680) | 30,569 | | |
| Shares of Others companies and mutual funds (b) (e) | 997 | 616 | 381 | - | 997 | 1,074 | 759 | 315 | - | 1,074 | | |
| Total securities available for sale | 38,645 | 37,827 | (c) 906 | (c) (88) | 38,645 | 31,643 | 31,823 | (c) 500 | (c) (680) | 31,643 | | |
| | Amount in balance sheet | Amortized cost (In shares cost) | Unrealized profit from adjustments to fair value | Unrealized losses from adjustments to fair value | Fair value (a) | Amount in balance sheet | Unrealized cost (In shares cost) | Unrealized profit from adjustments to fair value | Unrecognized losses from adjustments to fair value | Fair value (a) | | |
| | NIS millions | | | | | NIS millions | | | | | | |
| 2. Securities held for trading: | | | | | | | | | | | | |
| Debentures and bonds - | | | | | | | | | | | | |
| The Government of Israel | 8,462 | 8,312 | 151 | (1) | 8,462 | 8,127 | 8,069 | 63 | (5) | 8,127 | | |
| Foreign governments | 214 | 214 | - | - | 214 | 83 | 80 | 3 | - | 83 | | |
| Israel's financial institutions | 129 | 127 | 2 | - | 129 | 172 | 172 | 2 | (2) | 172 | | |
| Foreign financial institutions | 88 | 88 | 1 | (1) | 88 | 366 | 389 | 3 | (26) | 366 | | |
| Asset-backed (ABS) or Mortgage-backed securities (MBS) | 330 | 324 | 8 | (2) | 330 | 119 | 123 | 1 | (5) | 119 | | |
| Others in Israel | 707 | 697 | 13 | (3) | 707 | 327 | 347 | - | (20) | 327 | | |
| Others abroad | 727 | 667 | 60 | - | 727 | 55 | 52 | 3 | - | 55 | | |
| | 10,657 | 10,429 | 235 | (7) | 10,657 | 9,249 | 9,232 | 75 | (58) | 9,249 | | |
| Shares | 173 | 162 | 11 | - | 173 | 361 | 362 | 4 | (5) | 361 | | |
| Total securities held for trading | 10,830 | 10,591 | (d) 246 | (d) (7) | 10,830 | 9,610 | 9,594 | (d) 79 | (d) (63) | 9,610 | | |
| Total securities | 49,475 | 48,418 | 1,152 | (95) | 49,475 | 41,253 | 41,417 | 579 | (743) | 41,253 | | |

(a) Such quotations do not necessarily reflect the price which will be obtained upon sale of securities in large volumes.

(b) Including NIS 1,194 million with respect to shares which have no readily available fair value, which are presented at cost (31 December 2011 - NIS 1,185 million).

(c) Regarding securities available for sale, total other income- unrealized profits (losses) are included in shareholders' equity in the item "adjustments in respect of presentation of securities available for sale according to fair value", except securities intended as hedging instruments for hedging fair value.

(d) Reported in the profit and loss statement but not yet realized.

(e) In January 2013, the Bank sold part of the shares in Migdal Insurance and Financial Holdings Ltd. held by it, so that at the date of publication of the report Leumi holds 4.71% of the share capital of Migdal.

Securities lent amounting to NIS 339 million (31 December 2011- NIS 648 million) are shown under Credit to the Public.

See the annual financial report for the consolidated note.

Note 3 - Securities - Bank (cont'd)

| 31 December 2012 | | | | | |
|---|------------|-------------------|---|--------|------------|
| | Book value | Amortized cost | Other comprehensive accumulated profit (loss)* | | Fair value |
| | | | Profits | Losses | |
| NIS millions | | | | | |
| 3. Bonds available for sale | | | | | |
| Pass-through securities: | | | | | |
| Securities guaranteed by GNMA | 257 | 257 | 1 | (1) | 257 |
| Securities issued by FNMA and FHLMC | 399 | 399 | - | - | 399 |
| Total | 656 | 656 | 1 | (1) | 656 |
| Other mortgage-backed securities (including CMO and STRIPPED MBS) | | | | | |
| Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities | 1,330 | 1,326 | 4 | - | 1,330 |
| Other mortgage-backed securities | 281 | 278 | 3 | (1) | 281 |
| Total | 1,611 | 1,604 | 7 | (1) | 1,611 |
| Asset-backed securities (ABS) | | | | | |
| Credit card debtors | - | - | - | - | - |
| Lines of credit for any purpose secured by dwelling | - | - | - | - | - |
| Other credit to private persons | - | - | - | - | - |
| CLO debentures | 1,371 | 1,334 | 54 | (17) | 1,371 |
| Others | - | - | - | - | - |
| Total | 1,371 | 1,334 | 54 | (17) | 1,371 |
| Total asset-backed bonds available for sale | 3,638 | 3,594 | 62 | (19) | 3,638 |

* Amounts charged to capital reserve as part of the adjustments of securities available for sale to fair value

Note 3 - Securities - Bank (cont'd)

| 31 December 2011 | | | | | |
|---|------------|-------------------|---|--------|------------|
| | Book value | Amortized cost | Other comprehensive accumulated profit (loss)* | | Fair value |
| | | | Profits | Losses | |
| NIS millions | | | | | |
| 3. Bonds available for sale (cont'd) | | | | | |
| Pass-through securities: | | | | | |
| Securities guaranteed by GNMA | - | - | - | - | - |
| Securities issued by FNMA and FHLMC | - | - | - | - | - |
| Total | - | - | - | - | - |
| Other mortgage-backed securities (including CMO and STRIPPED MBS) | | | | | |
| Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities | 8 | 8 | - | - | 8 |
| Other mortgage-backed securities | 414 | 418 | - | (4) | 414 |
| Total | 422 | 426 | - | (4) | 422 |
| Asset-backed securities (ABS) | | | | | |
| Credit card debtors | - | - | - | - | - |
| Lines of credit for any purpose secured by dwelling | - | - | - | - | - |
| Other credit to private persons | - | - | - | - | - |
| CLO debentures | 661 | 720 | 1 | (60) | 661 |
| Others | - | - | - | - | - |
| Total | 661 | 720 | 1 | (60) | 661 |
| Total asset-backed bonds available for sale | 1,083 | 1,146 | 1 | (64) | 1,083 |

* Amounts charged to capital reserve as part of the adjustments of securities available for sale to fair value

Note 3 - Securities - Bank (cont'd)

| 31 December 2012 | | | | | |
|--|--------------|----------------|--|---|------------|
| | Book value | Amortized cost | Unrealized profits from adjustments to fair value* | Unrealized losses from adjustments to fair value* | Fair value |
| | NIS millions | | | | |
| 4. Debentures for trading | | | | | |
| Pass-through securities | | | | | |
| Other securities | 5 | 5 | - | - | 5 |
| Total | 5 | 5 | - | - | 5 |
| Other mortgage-backed securities (including CMO and STRIPPED MBS) | | | | | |
| Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities | 21 | 19 | 2 | - | 21 |
| Other mortgage-backed securities | 19 | 21 | - | (2) | 19 |
| Total | 40 | 40 | 2 | (2) | 40 |
| Asset-backed securities (ABS) | | | | | |
| Credit card debtors | 37 | 36 | - | - | 37 |
| Lines of credit for any purpose secured by dwelling | 3 | 2 | - | - | 3 |
| Credit for purchase of vehicles | 166 | 163 | 3 | - | 166 |
| Other credit to private persons | 16 | 16 | - | - | 16 |
| Credit not to private persons | 1 | 1 | - | - | 1 |
| Others | 62 | 60 | 2 | - | 62 |
| Total | 285 | 278 | 5 | - | 285 |
| Total asset-backed securities for trading | 330 | 323 | 7 | (2) | 330 |

*These profits (losses) were charged to profit and loss account.

Note 3 - Securities - Bank (cont'd)

| 31 December 2011 | | | | | |
|--|--------------|----------------|--|---|------------|
| | Book value | Amortized cost | Unrealized profits from adjustments to fair value* | Unrealized losses from adjustments to fair value* | Fair value |
| | NIS millions | | | | |
| 4. Debentures for trading (cont'd) | | | | | |
| Pass-through securities | | | | | |
| Securities issued by FNMA and FHLMC | 1 | 1 | - | - | 1 |
| Other securities | 5 | 7 | - | (1) | 5 |
| Total | 6 | 8 | - | (1) | 6 |
| Other mortgage-backed securities (including CMO and STRIPPED MBS) | | | | | |
| Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities | 96 | 95 | 1 | - | 96 |
| Other mortgage-backed securities | 8 | 11 | - | (3) | 8 |
| Total | 104 | 106 | 1 | (3) | 104 |
| Asset-backed securities (ABS) | | | | | |
| Lines of credit for any purpose secured by dwelling | 3 | 3 | - | - | 3 |
| Credit not to private persons | 4 | 4 | - | - | 4 |
| Others | 2 | 2 | - | (1) | 2 |
| Total | 9 | 9 | - | (1) | 9 |
| Total asset-backed securities for trading | 119 | 123 | 1 | (5) | 119 |

*These profits (losses) were charged to profit and loss account.

Note 3 - Securities - Bank (cont'd)

| 31 December 2012 | | | | | | |
|--|---------------------|--|---------------------|--|--------------|--|
| | Less than 12 months | | More than 12 months | | Total | |
| | Fair value | Unrealized losses from adjustments to fair value | Fair value | Unrealized losses from adjustments to fair value | Fair value | Unrealized losses from adjustments to fair value |
| NIS millions | | | | | | |
| 5. Additional details of asset-backed securities available for sale for which are included unrealized losses from adjustments to fair value | | | | | | |
| Mortgage-backed securities (MBS) | 351 | (1) | - | - | 351 | (1) |
| Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS) | 293 | (1) | 3 | - | 296 | (1) |
| Asset-backed securities (ABS) | 70 | (2) | 363 | (15) | 433 | (17) |
| Total | 714 | (4) | 366 | (15) | 1,080 | (19) |

| 31 December 2011 | | | | | | |
|---|---------------------|--|---------------------|--|--------------|--|
| | Less than 12 months | | More than 12 months | | Total | |
| | Fair value | Unrealized losses from adjustments to fair value | Fair value | Unrealized losses from adjustments to fair value | Fair value | Unrealized losses from adjustments to fair value |
| NIS millions | | | | | | |
| Additional details of asset-backed securities available for sale for which are included unrealized losses from adjustments to fair value | | | | | | |
| Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS) | 419 | (3) | 3 | - | 422 | (3) |
| Asset-backed securities (ABS) | 298 | (40) | 340 | (21) | 638 | (61) |
| Total | 717 | (43) | 343 | (21) | 1,060 | (64) |

Note 4 - Credit to the Public - Bank

A. Debts* and off-balance sheet credit instruments

1. Change in balance of credit loss allowance

| | 31 December 2012 | | | | | |
|---|-------------------------|-------------|---------------|----------------|-------------|----------------|
| | Credit loss allowance | | | | | |
| | Credit to the public | | | | Banks and | |
| | Commercial | Residential | Other private | Total | governments | Total |
| | (NIS millions) | | | | | |
| Balance of credit loss allowance at beginning of year | 2,875 | 13 | 328 | 3,216 | 5 | 3,221 |
| Expenses in respect of credit losses | 1,006 | (2) | 65 | 1,069 | - | 1,069 |
| Accounting write-offs | (876) | - | (470) | (1,346) | (1) | (1,347) |
| Collection of debts written off in previous years | 39 | - | 326 | 365 | - | 365 |
| Net accounting write-offs | (837) | - | (144) | (981) | (1) | (982) |
| Balance of credit loss allowance at end of year | 3,044 | 10 | 249 | 3,304 | 4 | 3,308 |
| Of which in respect of off-balance sheet credit instruments | 402 | - | 22 | 424 | - | 424 |

| | 31 December 2011 (a) | | | | | |
|--|-----------------------------|-------------|----------------|----------------|-------------|----------------|
| | Credit loss allowance | | | | | |
| | Credit to the public | | | | Banks and | |
| | Commercial | Residential | Other private | Total | governments | Total |
| | (NIS millions) | | | | | |
| 1. Change in balance of credit loss allowance | | | | | | |
| Balance of credit loss allowance at beginning of year | 7,575 | 3 | 1,505 | 9,083 | 1 | 9,084 |
| Net accounting write-offs recognized at 1.1.2011 | (4,231) | - | (1,390) | (5,621) | - | (5,621) |
| Other changes in the allowance for credit losses as at 1.1.2012 (charge to equity) | 489 | 5 | 401 | 895 | - | 895 |
| Balance of allowance for credit losses as at 1 January 2012 | 3,833 | 8 | 516 | 4,357 | 1 | 4,358 |
| Expenses in respect of credit losses | 587 | 5 | 4 | 596 | 4 | 600 |
| Accounting write-offs | (1,611) | - | (509) | (2,120) | - | (2,120) |
| Collection of debts written off in previous years | 66 | - | 317 | 383 | - | 383 |
| Net accounting write-offs | (1,545) | - | (192) | (1,737) | - | (1,737) |
| Balance of credit loss allowance at end of year | 2,875 | 13 | 328 | 3,216 | 5 | 3,221 |
| Of which in respect of off-balance sheet credit instruments | 401 | - | 35 | 436 | - | 436 |

(a) Beginning with the report for 2012, the Bank implemented for the first time the directives of the Banking Supervision Department on updating the disclosure of the credit quality of debts and the allowance for credit losses. Comparative figures for the previous year were reclassified as far as possible to adjust them to the format required under the said directives.

* Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

.See the annual financial report for the consolidated note

Note 4 - Credit to the Public - Bank (cont'd)

2. Additional information on the method of calculating the credit loss allowance in respect of debts* and on debts* on which it was calculated

| 31 December 2012 | | | | | | |
|--|----------------------|-------------|---------------|-----------------------|--------|---------|
| Credit loss allowance | | | | | | |
| | Credit to the public | | | Banks and governments | | |
| | Commercial | Residential | Other private | Total | | Total |
| (NIS millions) | | | | | | |
| Recorded debt balance of debts*: | | | | | | |
| Examined on an individual basis | 117,299 | 617 | 1,111 | 119,027 | 47,856 | 166,883 |
| Examined on a collective basis | 8,107 | 62,423 | 21,698 | 92,228 | - | 92,228 |
| Of which the allowance was calculated by extent of arrears | - | 563 ** | - | 563 | - | 563 |
| Total debts* | 125,406 | 63,040 | 22,809 | 211,255 | 47,856 | 259,111 |
| Credit loss allowance by debts*: | | | | | | |
| Examined on an individual basis | 2,492 | 5 | 20 | 2,517 | 4 | 2,521 |
| Examined on a collective basis | 160 | 450 | 206 | 816 | - | 816 |
| Of which the allowance was calculated by extent of arrears | - | 275 | - | 275 | - | 275 |
| Total Credit loss allowance | 2,652 | 455 | 226 | 3,333 | 4 | 3,337 |

| 31 December 2011 (a) | | | | | | |
|--|----------------------|-------------|---------------|-----------------------|--------|---------|
| Credit loss allowance | | | | | | |
| | Credit to the public | | | Banks and governments | | |
| | Commercial | Residential | Other private | Total | | Total |
| (NIS millions) | | | | | | |
| Recorded debt balance of debts*: | | | | | | |
| Examined on an individual basis | 120,647 | 551 | 1,210 | 122,408 | 92,289 | 214,697 |
| Examined on a collective basis | 9,502 | 945 | 21,530 | 31,977 | - | 31,977 |
| Of which the allowance was calculated by extent of arrears | - | - | - | - | - | - |
| Total debts* | 130,149 | 1,496 | 22,740 | 154,385 | 92,289 | 246,674 |
| Credit loss allowance by debts*: | | | | | | |
| Examined on an individual basis | 2,375 | 9 | 23 | 2,407 | 5 | 2,412 |
| Examined on a collective basis | 96 | 4 | 270 | 370 | - | 370 |
| Of which the allowance was calculated by extent of arrears | - | - | - | - | - | - |
| Total Credit loss allowance | 2,471 | 13 | 293 | 2,777 | 5 | 2,782 |

(a) Beginning with the report for 2012, the Bank implemented for the first time the directives of the Banking Supervision Department on updating the disclosure of the credit quality of debts and the allowance for credit losses. Comparative figures for the previous year were reclassified as far as possible to adjust them to the format required under the said directives.

* Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

** Including balance of allowance in excess of that required by the extent of arrears method calculated on a collective basis in the amount of NIS 41 million (2011 – NIS 69 million).

Note 4 - Credit to the Public (cont'd) - Bank

B. Debts¹

1. Credit quality and arrears

| 31 December 2012 | | | | | | |
|---|-------------------|----------------------------|-----------------------|----------------|--|--|
| (NIS millions) | | | | | | |
| Activity of borrowers in Israel | Non-problem debts | Problem debts ² | | Total | Unimpaired debts - additional | |
| | | Not impaired | Impaired ³ | | In arrears of 90 days or more ⁴ | In arrears of 30 to 89 days ⁵ |
| Public - commercial | | | | | | |
| Construction & real estate - construction | 12,940 | 157 | 663 | 13,760 | 4 | 32 |
| Construction & real estate - real estate activities | 22,830 | 270 | 1,845 | 24,945 | - | 12 |
| Financial services | 13,126 | 395 | 716 | 14,237 | - | 16 |
| Commercial - other | 60,840 | 2,332 | 2,312 | 65,484 | 29 | 105 |
| Total commercial | 109,736 | 3,154 | 5,536 | 118,426 | 33 | 165 |
| Private individuals - housing loans ⁶ | 61,211 | 832 | 28 | 62,071 | 829 | 593 |
| Private individuals - other | 22,663 | 106 | 24 | 22,793 | 76 | 143 |
| Total public - activity in Israel | 193,610 | 4,092 | 5,588 | 203,290 | 938 | 901 |
| Israeli banks | 39,172 | - | - | 39,172 | - | - |
| Government of Israel | 283 | - | - | 283 | - | - |
| Total activity in Israel | 233,065 | 4,092 | 5,588 | 242,745 | 938 | 901 |
| Activity of borrowers abroad | | | | | | |
| Public - commercial | | | | | | |
| Construction & real estate | 2,246 | 39 | 217 | 2,502 | - | - |
| Commercial - other | 5,186 | 10 | 232 | 5,428 | - | 19 |
| Total commercial | 7,432 | 49 | 449 | 7,930 | - | 19 |
| Private individuals | 35 | - | 2 | 37 | - | - |
| Total public - activity abroad | 7,467 | 49 | 451 | 7,967 | - | 19 |
| Foreign banks | 8,254 | - | 5 | 8,259 | - | - |
| Foreign governments | 143 | - | - | 143 | - | - |
| Total | 15,864 | 49 | 456 | 16,369 | - | 19 |

| 31 December 2011 (a) | | | | | |
|---|-----------------|-----------------------|---------|---|---|
| (NIS millions) | | | | | |
| | Not impaired | Impaired ³ | Total | Unimpaired debts - additional | |
| | | | | In arrears of 90 days or more ⁴ | In arrears of 30 to 89 days ⁵ |
| 1. Credit to the Public | | | | | |
| Examined on an individual basis | 116,821 | 5,587 | 122,408 | - | 937 |
| Housing loans by extent of arrears ⁶ | - | - | - | - | - |
| Examined on other collective basis | 31,977 | - | 31,977 | 88 | 244 |
| Total public | 148,798 | 5,587 | 154,385 | 88 | 1,181 |
| Total banks | 91,841 | 8 | 91,849 | - | - |
| Total governments | 440 | - | 440 | - | - |
| Total | 241,079 | 5,595 | 246,674 | 88 | 1,181 |

(a) Beginning with the report for 2012, the Bank implemented for the first time the directives of the Banking Supervision Department on updating the disclosure of the credit quality of debts and the allowance for credit losses. Comparative figures for the previous year were reclassified as far as possible to adjust them to the format required under the said directives.

(1) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Impaired, substandard or special mention credit risk, including in respect of housing loans for which there is a provision by extent of arrears, and housing loans for which there is no provision that are in arrears of 90 days or more.

(3) As a rule, impaired debts do not accrue interest income. For information on certain impaired debts under troubled debt restructuring, see Note 4.B.2.C.

(4) Classified as problem debts that are not impaired, accruing interest income.

(5) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of NIS 52 million were classified as problem debts that are not impaired.

(6) Including housing loans in the amount of NIS 230 million (31 December 2011 – NIS 0 million) with a provision by extent of arrears, in which an arrangement was signed for the repayment of arrears by the borrower, with a change made to the repayment schedule in respect of the loan balance of which the repayment date has not yet arrived.

Note 4 - Credit to the Public - Bank (cont'd)

B. Debts¹ (cont'd)

2. Additional information on impaired debts

| 31 December 2012 | | | | | |
|--|---|--|---|--|---|
| (NIS millions) | | | | | |
| <u>A. Impaired debts and individual allowance</u> | Balance ² of impaired debts | | Balance ² of impaired debts | | Principal contractual balance of impaired debts |
| | in respect of which there is an individual allowance ³ | Balance of individual allowance ³ | in respect of which there is no individual allowance ³ | Total balance ² of impaired debts | |
| <u>Activity of borrowers in Israel</u> | | | | | |
| <u>Public - commercial</u> | | | | | |
| Construction & real estate - construction | 77 | 22 | 585 | 662 | 1,877 |
| Construction & real estate - real estate activities | 1,407 | 187 | 439 | 1,846 | 3,122 |
| Financial services | 664 | 422 | 53 | 717 | 1,196 |
| Commercial - other | 1,349 | 534 | 963 | 2,312 | 5,662 |
| Total commercial | 3,497 | 1,165 | 2,040 | 5,537 | 11,857 |
| Private individuals - housing loans⁶ | 15 | 7 | 13 | 28 | 28 |
| Private individuals - other | 17 | 13 | 7 | 24 | 1,567 |
| Total public - activity in Israel | 3,529 | 1,185 | 2,060 | 5,589 | 13,452 |
| Israeli banks | - | - | - | - | - |
| Government of Israel | - | - | - | - | - |
| Total activity in Israel | 3,529 | 1,185 | 2,060 | 5,589 | 13,452 |
| <u>Activity of borrowers abroad</u> | | | | | |
| <u>Public - commercial</u> | | | | | |
| Construction & real estate | 74 | 30 | 144 | 218 | 443 |
| Commercial - other | 159 | 101 | 73 | 232 | 377 |
| Total commercial | 233 | 131 | 217 | 450 | 820 |
| Private individuals | 1 | - | - | 1 | 3 |
| Total public - activity abroad | 234 | 131 | 217 | 451 | 823 |
| Foreign banks | - | - | 5 | 5 | 6 |
| Foreign governments | - | - | - | - | - |
| Total * | 234 | 131 | 222 | 456 | 829 |
| Of which:* | | | | | |
| Measured by present value of cash flows | 2,414 | 1,054 | 1,551 | 3,965 | - |
| Debts under troubled debt restructuring | 916 | 37 | 420 | 1,336 | - |

(a) Beginning with the report for 2012, the Bank implemented for the first time the directives of the Banking Supervision Department on updating the disclosure of the credit quality of debts and the allowance for credit losses. Comparative figures for the previous year were reclassified as far as possible to adjust them to the format required under the said directives.

(1) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

Note 4 - Credit to the Public - Bank (cont'd)

| 31 December 2011 (a) | | | | |
|---|---|--|---|--|
| (NIS millions) | | | | |
| | Balance ² of impaired debts in respect of which there is an individual allowance ³ | Balance of individual allowance ³ | Balance ² of impaired debts in respect of which there is no individual allowance ³ | Total balance ² of impaired debts |
| Total public | 3,477 | 1,320 | 2,109 | 5,586 |
| Total banks | 2 | 1 | 5 | 7 |
| Total governments | - | - | - | - |
| Total | 3,479 | 1,321 | 2,114 | 5,593 |
| Of which: | | | | |
| Measured by present value of cash flows | 2,210 | 986 | 1,995 | 4,205 |
| Debts under troubled debt restructuring | 405 | 20 | 92 | 497 |

B. Debts¹ (cont'd)

2. Additional information on impaired debts(cont'd)

| b. Average balance and interest income | 31 December 2012 | 31 December 2011 (a) |
|--|------------------|----------------------|
| | (NIS millions) | |
| Average balance of debt in the books for the reporting period of impaired credit to the public | 5,895 | 6,353 |
| Amount of interest income recorded for the reporting period in respect of this credit during the period it was classified as impaired ¹ | 27 | 1 |
| Amount of interest income that would have been recorded for the reporting period if this credit had accrued interest in accordance with its original terms | 585 | 582 |
| Of which ¹ : interest income that would have been recorded under the cash-basis accounting method | 26 | - |

(a) Beginning with the report for 2012, the Bank implemented for the first time the directives of the Banking Supervision Department on updating the disclosure of the credit quality of debts and the allowance for credit losses. Comparative figures for the previous year were reclassified as far as possible to adjust them to the format required under the said directives.

(1) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

Note 4 - Credit to the Public - Bank (cont'd)

B. Debts¹ (cont'd)

2. Additional information on impaired debts(cont'd)

| 31 December 2012 | | | | | |
|---|-----------------|--------------------------|--------------------------|---------------------------|--------------------|
| (NIS millions) | | | | | |
| C. Impaired debts under restructuring | | | | | |
| Activity of borrowers in Israel | Not accruing | Accruing ² in | Accruing ² in | Accruing ² not | Total ³ |
| Public - commercial | interest income | arrears of 90 | arrears of 30 | in arrears | |
| | | days or more | to 89 days | | |
| Construction & real estate - construction | 111 | - | - | - | 111 |
| Construction & real estate - real estate activities | 782 | - | - | 37 | 819 |
| Financial services | 93 | - | - | - | 93 |
| Commercial - other | 250 | - | - | 30 | 280 |
| Total commercial | 1,236 | - | - | 67 | 1,303 |
| Private individuals - housing loans 6 | 3 | - | - | - | 3 |
| Private individuals - other | 10 | - | - | - | 10 |
| Total public - activity in Israel | 1,249 | - | - | 67 | 1,316 |
| Israeli banks | - | - | - | - | - |
| Government of Israel | - | - | - | - | - |
| Total activity in Israel | 1,249 | - | - | 67 | 1,316 |
| Activity of borrowers abroad | | | | | |
| Public - commercial | | | | | |
| Construction & real estate | 14 | - | - | - | 14 |
| Commercial - other | - | - | - | - | - |
| Total commercial | 14 | - | - | - | 14 |
| Private individuals | - | - | - | - | - |
| Total public - activity abroad | 14 | - | - | - | 14 |
| Foreign banks | - | - | - | 4 | 4 |
| Foreign governments | - | - | - | - | - |
| Total - activity abroad | 15 | - | - | 4 | 19 |
| Total public | 1,263 | - | - | 67 | 1,330 |
| Total banks | - | - | - | 4 | 4 |
| Total governments | - | - | - | - | - |
| Total | 1,263 | - | - | 71 | 1,334 |

(1) Credit to the public, credit to governments, deposits in banks

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

Note 4 - Credit to the Public - Bank (cont'd)

B. Debts¹ (cont'd)

2. Additional information on impaired debts(cont'd)

| | 31 December 2011 (a) | | | | |
|---|------------------------|--------------------------------|--------------------------------|---------------------------------|--------------------------|
| | (NIS millions) | | | | |
| <u>C. Impaired debts under restructuring (cont'd)</u> | | | | | |
| | <u>Not accruing</u> | <u>Accruing² in</u> | <u>Accruing² in</u> | <u>Accruing² not</u> | |
| | <u>interest income</u> | <u>arrears of 90</u> | <u>arrears of 30</u> | <u>in arrears</u> | <u>Total³</u> |
| | <u>days or more</u> | <u>to 89 days</u> | | | |
| Total public | 493 | - | - | 4 | 497 |
| Total banks | 2 | - | - | 5 | 7 |
| Total governments | - | - | - | - | - |
| Total | 495 | - | - | 9 | 504 |

(1) Credit to the public, credit to governments, deposits in banks

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

Note 4 - Credit to the Public - Bank (cont'd)

B. Debts (cont'd)

3. Additional information on housing loans

Year end balances by rate of financing (LTV) ¹

| | | 31 December 2012 | | | |
|---------------------------------|--------------|---------------------------------|------------------------------------|-----------------------------------|---|
| | | (NIS millions) | | | |
| | | Balance of housing loans | | | |
| | | | Of which: bullet and balloon | Of which: variable interest | Off-balance sheet credit risk total |
| | <u>Total</u> | | | | |
| First charge: rate of financing | Up to 60% | 32,413 | 2,901 | 25,351 | 2,265 |
| | Above 60% | 30,108 | 1,900 | 23,649 | 1,646 |
| Second or without charge | | 834 | 61 | 659 | 23 |
| Total | | 63,355 | 4,862 | 49,659 | 3,934 |

| | | 31 December 2012 | | | |
|--------------|--------------|---------------------------------|------------------------------------|-----------------------------------|---|
| | | (NIS millions) | | | |
| | | Balance of housing loans | | | |
| | | | Of which: bullet and balloon | Of which: variable interest | Off-balance sheet credit risk total |
| | <u>Total</u> | | | | |
| Total | | 1,688 | 354 | 1,075 | - |

(1) The ratio between the approved facility when the facility was granted and the value of the property, as approved by the Bank when the facility was granted.

Note 4 - Credit to the Public - Bank (cont'd)

C. Credit to the public (a) and off-balance sheet credit risk (b) by size of debt per borrower

31 December 2012

| Credit per borrower (NIS thousands) | | Number of borrowers (c) | Credit (a) (NIS millions) | Off balance sheet credit risk (b) |
|--|-----------|-------------------------------|------------------------------|---|
| From | To | | | |
| 0 | 10 | 437,461 | 432 | 950 |
| 10 | 20 | 156,362 | 1,067 | 1,476 |
| 20 | 40 | 201,702 | 3,002 | 3,208 |
| 40 | 80 | 218,947 | 6,956 | 5,709 |
| 80 | 150 | 131,891 | 9,140 | 4,945 |
| 150 | 300 | 77,864 | 12,817 | 2,913 |
| 300 | 600 | 55,970 | 21,102 | 2,208 |
| 600 | 1,200 | 35,004 | 25,855 | 2,823 |
| 1,200 | 2,000 | 9,219 | 11,942 | 1,991 |
| 2,000 | 4,000 | 4,635 | 10,176 | 2,358 |
| 4,000 | 8,000 | 2,040 | 8,466 | 2,645 |
| 8,000 | 20,000 | 1,332 | 12,690 | 4,119 |
| 20,000 | 40,000 | 555 | 10,883 | 4,665 |
| 40,000 | 200,000 | 557 | 29,605 | 16,653 |
| 200,000 | 400,000 | 105 | 16,061 | 12,665 |
| 400,000 | 800,000 | 41 | 14,255 | 9,554 |
| 800,000 | 1,200,000 | 10 | 6,243 | 3,911 |
| 1,200,000 | 1,600,000 | 3 | 3,950 | 235 |
| 1,600,000 | 2,000,000 | - | - | - |
| 2,000,000 | 2,400,000 | 3 | 4,312 | 2,119 |
| 2,400,000 | 2,800,000 | - | - | - |
| 2,800,000 | 3,200,000 | 1 | 2,878 | 62 |
| 3,200,000 | 3,301,000 | 1 | 2,175 | 1,126 |
| Total | | 1,333,703 | 214,007 | 86,335 |

Commencing with a credit level of NIS 8,000 thousand, the classification is set out by the specific consolidation method; with respect to the other borrowers, credit has been classified by the category consolidation method.

(a) Before the effect of allowances for credit losses, and before the effect of collateral permitted for deduction for purposes of single borrower and group of borrowers indebtedness; with the addition of the fair value of derivative instruments in the amount of NIS 2,752 million. Open credit card transactions have been allocated to credit levels by the category consolidation method.

(b) Credit risk in off-balance sheet financial instruments as calculated for purposes of single borrower restrictions.

(c) Number of borrowers by total credit and credit risk.

The definition of "borrower" and the definition of debt, including off-balance sheet credit risk, are in accordance with the directives of the Banking Supervision Department for amendment of Proper Conduct of Banking Business Directive No. 313 - "Restrictions on the Debt of a Single Borrower and of a Group of Borrowers".

Note 4 - Credit to the Public - Bank (cont'd)

C. Credit to the public (a) and off-balance sheet credit risk (b) by size of debt per borrower (cont'd)

31 December 2011

| Credit per borrower (NIS thousands) | | Number of borrowers (c) | Credit (a) | Off balance sheet credit risk (b) |
|--|-----------|-------------------------------|----------------|---|
| | | | (NIS millions) | |
| From | To | | | |
| 0 | 10 | 412,201 | 421 | 812 |
| 10 | 20 | 150,901 | 966 | 1,304 |
| 20 | 40 | 193,992 | 2,777 | 2,994 |
| 40 | 80 | 204,546 | 6,159 | 5,456 |
| 80 | 150 | 109,873 | 6,691 | 4,725 |
| 150 | 300 | 43,919 | 5,470 | 2,676 |
| 300 | 600 | 15,907 | 4,228 | 1,489 |
| 600 | 1,200 | 6,901 | 4,189 | 1,192 |
| 1,200 | 2,000 | 2,946 | 3,475 | 921 |
| 2,000 | 4,000 | 2,701 | 5,720 | 1,676 |
| 4,000 | 8,000 | 1,744 | 7,411 | 2,234 |
| 8,000 | 20,000 | 1,294 | 12,145 | 4,174 |
| 20,000 | 40,000 | 561 | 10,905 | 4,721 |
| 40,000 | 200,000 | 593 | 33,158 | 16,464 |
| 200,000 | 400,000 | 88 | 15,612 | 8,961 |
| 400,000 | 800,000 | 50 | 18,791 | 8,869 |
| 800,000 | 1,200,000 | 14 | 6,788 | 6,501 |
| 1,200,000 | 1,600,000 | 5 | 4,527 | 2,011 |
| 1,600,000 | 2,000,000 | 3 | 2,527 | 2,567 |
| 2,000,000 | 2,400,000 | 1 | 1,640 | 566 |
| 2,400,000 | 2,651,000 | 2 | 5,009 | 293 |
| Total | | 1,148,242 | 158,609 | 80,606 |

Commencing with a credit level of NIS 8,000 thousand, the classification is set out by the specific consolidation method; with respect to the other borrowers, credit has been classified by the category consolidation method.

(a) Net of specific provisions for doubtful debts and with the addition of the fair value of derivative instruments in the amount of NIS 4,224million. Open credit card transactions were allocated to credit levels by the category consolidation method.

(b) Credit risk in respect of off-balance sheet financial instruments as calculated for purposes of single borrower restrictions.

(c) Number of borrowers by total credit and credit risk.

Note 5 - Credit to Governments - Bank

| | 31 December 2012 | 31 December 2011 |
|-------------------------------|-------------------------|------------------|
| | NIS millions | |
| Credit to the Government | 283 | 316 |
| Credit to foreign Governments | 143 | 124 |
| Total credit to Governments | 426 | 440 |

See the annual financial report for the consolidated note

Note 6 - Investments in Subsidiaries and Affiliated Companies -Bank

Reported Amounts

| | 31 December 2012 | | | 31 December 2011 | | |
|--|--|---------------|---------------|--|---------------|---------------|
| | Companies included on equity basis | Subsidiaries | Total | Companies included on equity basis | Subsidiaries | Total |
| | NIS millions | | | NIS millions | | |
| A. Investments in shares stated on equity basis (including other assets and goodwill) | 1,682 | 9,729 | 11,411 | 1,855 | 11,951 | 13,806 |
| Other investments: | | | | | | |
| Convertible securities | - | 2,071 | 2,071 | - | 3,032 | 3,032 |
| Shareholders' loans | - | 31 | 31 | - | 32 | 32 |
| Total other investments | - | 2,102 | 2,102 | - | 3,064 | 3,064 |
| Total investments | 1,682 | 11,831 | 13,513 | 1,855 | 15,015 | 16,870 |
| Including - Post-acquisition profits | 1,084 | 3,909 | 4,993 | 1,231 | 5,308 | 6,539 |
| Post-acquisition changes in shareholders' equity: | | | | | | |
| Adjustments in respect of presentation of securities available for sale at fair value, net | - | 84 | 84 | - | (10) | (10) |
| Translation differences | (64) | (166) | (230) | (40) | (162) | (202) |
| Details regarding goodwill: | | | | | | |
| Period of amortization | 0-20 years | | | 10-20 years | | |
| Original amount, net | 102 | 186 | 288 | 102 | 49 | 151 |
| Unamortized balance | 36 | 146 | 181 | 41 | 25 | 66 |
| Details on book value and market value of quoted securities: | | | | | | |
| Book value | 1,568 | - | 1,568 | 1,749 | - | 1,749 |
| Market value | 3,367 | - | 3,367 | 3,291 | - | 3,291 |
| B. Group's equity in profit of companies included on equity basis (in Bank - subsidiaries and affiliates) | | | | | | |
| | Bank | | | | | |
| | 2012 | 2011 | 2010 | | | |
| | NIS millions | | | | | |
| Group's equity in operating profits of companies included on equity basis (Bank - affiliated companies) | 637 | 935 | 762 | | | |
| Provision for deferred taxes | (36) | (3) | (44) | | | |
| Group's equity in operating profits of companies included on equity basis (Bank- affiliated companies) net of tax effect | 601 | 932 | 718 | | | |

See the annual financial report for the consolidated note

Note 7 - Buildings and Equipment- Bank

| | Buildings and real estate (a) | Equipment, furniture and motor vehicles | Software | Total |
|--|----------------------------------|--|--------------|--------------|
| | NIS millions | | | |
| Cost | | | | |
| As at 31 December 2011 | 2,688 | 2,221 | 3,346 | 8,255 |
| Additions | 53 | 211 | 389 | 653 |
| Disposals | (3) | (42) | (24) | (69) |
| Merger of Leumi Mortgage Bank | 56 | 111 | 83 | 250 |
| As at 31 December 2012 | 2,794 | 2,501 | 3,794 | 9,089 |
| Accumulated Depreciation | | | | |
| As at 31 December 2011 | 1,251 | 1,688 | 2,162 | 5,101 |
| Current year provision | 62 | 141 | 381 | 584 |
| Recognized losses from impairment | 47 | - | - | 47 |
| Disposals | (1) | (40) | (23) | (64) |
| Merger of Leumi Mortgage Bank | 24 | 101 | 48 | 173 |
| As at 31 December 2012 | 1,383 | 1,890 | 2,568 | 5,841 |
| Balance after depreciation as at 31 December 2012 | 1,411 | 611 | 1,226 | 3,248 |
| Balance after depreciation as at 31 December 2011 | 1,437 | 533 | 1,184 | 3,154 |

(a) Including installations and leasehold improvements

See the annual financial report for the consolidated note

Note 8 - Other Assets - Bank

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| | NIS millions | |
| Deferred tax asset, net (a) - (see note 26) | 2,273 | 1,870 |
| Excess of funds allocated for severance pay over provision (see note 15) | 328 | 219 |
| Assets transferred to ownership of the Group as a result of settlement of problem loans | 8 | 18 |
| Excess of advance tax payments over current provisions | 15 | 178 |
| Expenses to be amortized on issuance of debentures, bonds and subordinated notes | 81 | 85 |
| Accrued income | 145 | 136 |
| Prepaid expenses | 136 | 72 |
| Other receivables and prepayments | 558 | 365 |
| Total other assets | 3,544 | 2,943 |

Note 9 - Deposits of the Public - Bank

| | 31 December 2012 | 31 December 2011 |
|-------------------------------------|------------------|------------------|
| | NIS millions | |
| Demand deposits | 57,674 | 47,750 |
| Time and other deposits | 214,131 | 206,286 |
| Deposits in savings plans (a) | 2,677 | 3,494 |
| Total deposits of the public | 274,482 | 257,530 |

Note 10 - Deposits from Banks-Bank

| | 31 December 2012 | 31 December 2011 |
|---------------------------------------|------------------|------------------|
| | NIS millions | |
| Commercial banks - | | |
| Demand deposits (a) | 2,493 | 3,473 |
| Time deposits | 4,145 | 5,531 |
| Acceptances | 428 | 582 |
| Specialized banking entities - | | |
| Demand deposits (a) | - | 3 |
| Time deposits | - | - |
| Total deposits from banks | 7,066 | 9,589 |

(a) reclassified

See the annual financial report for the consolidated note

Note 11 - Debentures, Bonds and Subordinated Notes - Bank

| | | | Consolidated | | Bank | |
|---|----------------------|-------------------------|---------------|---------------|--------------|--------------|
| | Average maturity (a) | Internal yield rate (a) | 31 December | | 31 December | |
| | Years | % | 2012 | 2011 | 2012 | 2011 |
| | | | NIS millions | | NIS millions | |
| Debentures and bonds (b): | | | | | | |
| In Israeli currency linked to the CPI | 1.97 | 5.03 | 1,282 | 1,210 | - | - |
| Subordinated notes(b): | | | | | | |
| In Israeli currency Unlinked | (c) 3.91 | 5.03 | 6,301 | 4,987 | 955 | 956 |
| In Israeli currency linked to the CPI (d) | (c) 4.19 | 4.20 | 19,932 | 23,372 | 5,867 | 6,763 |
| In CHF | (c) 5.3 | 4.1 | 10 | - | - | - |
| In U.S. dollar | - | - | - | 430 | - | - |
| Total debentures, bonds and subordinated notes | | | 27,525 | 29,999 | 6,822 | 7,719 |

(a) The average duration is the average of the payment periods, weighted according to the payment flow discounted at the internal rate of return. The internal rate of return is the rate of interest discounting the value of the anticipated future flow of payments to the amount included in the balance sheet.

(b) The unamortized balance of discount less premium on debentures and on subordinated liability notes has been deducted from the amount of the debentures.

(c) The average duration as of the date of change in interest is based on a calculation of the effective average life as calculated for purposes of Exhibit D, in unlinked subordinated notes is 1.9 years, in those linked to the CPI is 4.33 years and in subordinated notes in U.S. dollars is 0.80 years.

(d) Of which: subordinated notes (unquoted) deemed Upper Tier 2 capital in the amount of NIS 510 million (31 December 2011 - NIS 503 million) that in certain circumstances may be converted into shares.

(e) On 16 May 2011, in accordance with a permit received from the Israel Securities Authority, the Leumi Finance published a shelf prospectus for the issue of up to 9 series of debentures (series 179 to 187), up to 11 series of subordinated notes (Series N to X) for NIS 4 billion nominal value of each. In addition, the shelf prospectus allows for the issue of up to NIS 2,950,000,000 nominal value of subordinated notes (Series L) and NIS 3,350,000,000 nominal value of subordinated notes (Series M), in the framework of an expansion of quoted series first issued by means of a shelf prospectus dated 14 September 2010. The shelf prospectus dated 16 May 2011 is valid for two years from its publication.

According to the Shelf Offer Report dated 7 September 2011, Leumi Finance issued a total of about NIS 1.4 billion subordinated notes in the expansion to Series L – M as set out below:

Subordinated notes in the expansion of Series L amounting to NIS 1,142,941,000 par value (proceeds of NIS 1,144,083,941) are due to be repaid in one installment on 10 September 2017, are linked (principal and interest) to the consumer price index for July 2010 and bear interest at 2.6% per annum, payable on 10 September of each year from 2012 to 2017 (inclusive).

Subordinated notes in the expansion of Series M amounting to NIS 276,039,000 par value (proceeds of NIS 275,486,922) are due to be repaid in one installment on 10 September 2017, are not linked (principal and interest) to the any index and bear interest at 5.4% per annum, payable on 10 September of each year from 2012 to 2017 (inclusive).

The subordinated notes have been approved by the Bank of Israel as lower Tier 2 capital.

According to the Shelf Offer Report of 9 November 2011, Leumi Finance issued a total of some NIS 2 billion of subordinated notes in the expansion of Series L and an issue of Series N as follows:

Subordinated notes in the expansion of Series L amounting to NIS 1,078,669,000 par value (proceeds of NIS 1,105,635,725). For further details in respect of Subordinated Notes Series L, see above.

Subordinated notes in the expansion of Series N amounting to NIS 860,745,000 par value are due to be repaid in one installment on 9 November 2020, are linked (principal and interest) to the consumer price index for September 2011 and bear interest at 3.4% per annum, payable on 10 November of each year from 2012 to 2020 (inclusive).

The subordinated notes have been approved by the Bank of Israel as lower Tier 2 capital.

(f) Derives from Leumi Lemimun

Note 12 - Other Liabilities- Bank

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| | NIS millions | |
| Deferred tax liability, net – see Note 26 | 98 | 80 |
| Excess of current provisions for taxes over advance payments | 38 | - |
| Excess of provisions for severance pay and pensions over amounts funded - See Note 15 | 4,827 | 4,078 |
| Provisions for unutilized vacations and long service bonus | 867 | 825 |
| Deferred income | 381 | 223 |
| Allowance for credit losses in respect of off-balance sheet items | 426 | 436 |
| Accrued expenses in respect of salaries and related expenses | 240 | 321 |
| Payables in respect of credit cards | 4,472 | 4,175 |
| Accrued expenses | 191 | 230 |
| Market value of securities sold short | 484 | 838 |
| Other payables and credit balances | 1,151 | 684 |
| Total other liabilities | 13,175 | 11,890 |

Note 15 - Employee Rights- Bank

Data relating to provisions and fundings

The amounts of provisions and related fundings for severance pay and pensions are included in the balance sheet as follows:

| | 31 December 2011 | 31 December 2011 |
|--|------------------|------------------|
| | NIS millions | |
| Provision for severance pay (a) | 2,709 | 2,504 |
| Amounts funded for severance pay (1) (a) | (3,029) | (2,713) |
| Provision for pension | 4,819 | 4,068 |
| Amounts funded for pension | - | - |
| Excess of provisions over amounts funded, net | 4,499 | 3,859 |
| Excess of provisions over amounts funded, net, included in "other liabilities" | 4,827 | 4,078 |
| Excess of amounts funded included in "other assets" | 328 | 219 |
| Excess of provisions over amounts funded, net (2) | 4,499 | 3,859 |

(a) Reclassified

(1) Bank and its subsidiaries are not allowed to draw the amount funded except for payment of severance pay.

(2) This surplus represents mainly the actuarial pension liability of the Bank for the pensioners of the Bank, and the cover for this liability is part of the Bank's assets and its current applications.

Total liabilities for pensions to employees who commenced work in the Bank before 1 January 1999, totaled NIS 7,615 million at 31 December 2012.

To cover this liability are severance monies deposited in Central Severance Pay Funds in the amount of NIS 2,581 million as well as provident monies deposited in provident funds in the amount of NIS 3,886 below.

Provident monies are set off from pension liabilities and are not shown in the balance sheet and are also not detailed in the above table.

The difference between the above provisions and amounts funded is provided for by the Bank and included under liabilities in the Bank's balance sheet.

See the annual financial report for the consolidated note

Note 16 - Assets and Liabilities Classified According to Linkage Basis -Bank

| 31 December 2012 | | | | | | | |
|--|----------------|----------------------|-----------------|----------------|---------------------|-------------------------|----------------|
| Israeli Currency | | Foreign Currency (a) | | | | | |
| | Unlinked | Linked to the CPI | IN U.S. dollars | In Euro | In other currencies | Non-monetary items (b) | Total |
| NIS millions | | | | | | | |
| Assets | | | | | | | |
| Cash and deposits with banks | 39,855 | 348 | 5,515 | 1,351 | 2,142 | 227 | 49,438 |
| Securities | 26,274 | 4,027 | 13,587 | 3,899 | 518 | 1,170 | 49,475 |
| Securities borrowed or purchased under agreement to resell | 1,435 | - | - | - | - | - | 1,435 |
| Credit to the public, net (c) | 130,950 | 54,438 | 15,933 | 4,197 | 2,310 | 94 | 207,922 |
| Credit to governments | 13 | 270 | 107 | 36 | - | - | 426 |
| Investments in companies included on equity basis | 1,333 | 6 | 33 | 29 | 700 | 11,412 | 13,513 |
| Buildings and equipment | - | - | - | - | - | 3,248 | 3,248 |
| Assets in respect of derivative instruments | 7,537 | 184 | 2,935 | 259 | 93 | 300 | 11,308 |
| Other assets | 2,749 | 3 | 126 | 3 | 136 | 527 | 3,544 |
| Total assets | 210,146 | 59,276 | 38,236 | 9,774 | 5,899 | 16,978 | 340,309 |
| Liabilities | | | | | | | |
| Deposits of the public | 155,158 | 43,164 | 54,958 | 14,954 | 5,910 | 338 | 274,482 |
| Deposits from banks | 2,249 | 909 | 3,218 | 467 | 223 | - | 7,066 |
| Deposits from governments | 14 | 109 | 129 | 8 | - | - | 260 |
| Securities loaned or sold under agreement to repurchase | 951 | - | - | - | - | - | 951 |
| Debentures, bonds and subordinated notes | 955 | 5,867 | - | - | - | - | 6,822 |
| Liabilities in respect of derivative instruments | 7,973 | 561 | 3,076 | 592 | 166 | 264 | 12,632 |
| Other liabilities | 6,792 | 5,326 | 233 | 16 | 124 | 684 | 13,175 |
| Total Liabilities | 174,092 | 55,936 | 61,614 | 16,037 | 6,423 | 1,286 | 315,388 |
| Of which: Earmarked deposits, net | 6,792 | 5,326 | 233 | 16 | 124 | 684 | 13,175 |
| Difference (d) | 36,054 | 3,340 | (23,378) | (6,263) | (524) | 15,692 | 24,921 |
| Effect of derivative instruments that are not hedged: | | | | | | | |
| Derivative instruments (except options) | (17,974) | (6,280) | 19,610 | 6,813 | (2,169) | - | - |
| Option in the money, net (in terms of underlying asset) | (431) | - | 231 | 5 | 195 | - | - |
| Options out of the money, net (in terms of underlying asset) | (134) | - | 285 | (146) | (5) | - | - |
| Total | 17,515 | (2,940) | (3,252) | 409 | (2,503) | 15,692 | 24,921 |
| Effect of derivative instruments that are not hedged: | | | | | | | |
| Option in the money, net (discounted par value) | (575) | - | 273 | (20) | 322 | - | - |
| Options out of the money, net (discounted par value) | (1,630) | - | 2,042 | (436) | 24 | - | - |

(a) Including linked to foreign currency.

(b) Including derivative instruments whose underlying asset is a non-monetary item.

(c) After deduction of provision for credit losses which were attributable to the linkage basis, totaling NIS 4,114

(d)Equity

See the annual financial report for the consolidated note

Note 16 - Assets and Liabilities Classified According to Linkage Basis-Bank (cont'd)

| 31 December 2011 | | | | | | | |
|---|----------|----------------------|--------------------|----------------------|------------------------|--------------------------------|---------|
| Israeli Currency | | | | Foreign Currency (a) | | | |
| | Unlinked | Linked to the CPI | IN U.S. dollars | In Euro | In other currencies | Non- monetary items (b) | Total |
| NIS millions | | | | | | | |
| Assets | | | | | | | |
| Cash and deposits with banks | 61,593 | 20,163 | 8,719 | 1,616 | 1,715 | 73 | 93,879 |
| Securities | 19,057 | 7,327 | 7,926 | 5,171 | 337 | 1,435 | 41,253 |
| Securities borrowed or purchased under agreement to resell | 1,225 | - | - | - | - | - | 1,225 |
| Credit to the public, net (c) | 101,999 | 21,812 | 20,063 | 4,245 | 3,406 | 83 | 151,608 |
| Credit to governments | 49 | 267 | 98 | 26 | - | - | 440 |
| Investments in companies included on equity basis | 2,359 | 16 | 30 | 29 | 630 | 13,806 | 16,870 |
| Buildings and equipment | - | - | - | - | - | 3,154 | 3,154 |
| Assets in respect of derivative instruments | 4,239 | 155 | 6,551 | 62 | 230 | 111 | 11,348 |
| Other assets | 2,406 | 1 | 200 | 2 | 1 | 333 | 2,943 |
| Total assets | 192,927 | 49,741 | 43,587 | 11,151 | 6,319 | 18,995 | 322,720 |
| Liabilities | | | | | | | |
| Deposits of the public | 147,742 | 34,690 | 53,261 | 16,146 | 5,515 | 176 | 257,530 |
| Deposits from banks | 1,856 | 678 | 5,546 | 1,041 | 468 | - | 9,589 |
| Deposits from governments | 15 | 187 | 152 | 19 | - | - | 373 |
| Securities loaned or sold under agreement to repurchase | 385 | - | - | - | - | - | 385 |
| Debentures, bonds and Subordinated notes | 956 | 6,763 | - | - | - | - | 7,719 |
| Liabilities in respect of derivative instruments | 4,086 | 650 | 6,446 | 335 | 258 | 85 | 11,860 |
| Other liabilities | 6,290 | 4,922 | 273 | 22 | 2 | 381 | 11,890 |
| Total liabilities | 161,330 | 47,890 | 65,678 | 17,563 | 6,243 | 642 | 299,346 |
| Of which: Earmarked deposits, net | 6,291 | 4,922 | 273 | 22 | 2 | 381 | 11,891 |
| Difference (d) | 31,597 | 1,851 | (22,091) | (6,412) | 76 | 18,353 | 23,374 |
| Effect of derivative instruments that are not hedged: | | | | | | | |
| Derivative instruments (except options) | (14,234) | (4,472) | 16,537 | 5,755 | (3,586) | - | - |
| Option in the money, net (in terms of underlying asset) | (838) | - | (527) | 716 | 649 | - | - |
| Options out of the money, net (in terms of underlying asset) | 9 | - | 259 | (333) | 65 | - | - |
| Total | 16,534 | (2,621) | (5,822) | (274) | (2,796) | 18,353 | 23,374 |
| Effect of derivative instruments that are not hedged: | | | | | | | |
| Option in the money, net (discounted par value) | (1,387) | - | (273) | 873 | 787 | - | - |
| Options out of the money, net (discounted par value) | 937 | - | (393) | (582) | 38 | - | - |

(a) Including linked to foreign currency.

(b) Including derivative instruments whose underlying asset is a non-monetary item.

(c) After deduction of provision for credit losses which were attributable to the linkage basis, totaling NIS 3,967 billion

(d) Equity

Note 17 - Assets and Liabilities Classified According to Maturity Date and Linkage Basis (a) -Bank

| 31 December 2012 | | | | | | | | | | | | | |
|---|-----------------------------------|---------------------------|------------------------------|-----------------------|--------------------------|---------------------------|--------------------------|-------------------------|---------------------------|-------------------|------------------|----------------------------|----------------------------|
| Estimated future contractual cash flows | | | | | | | | | | | | | |
| | upon demand and up to a month (e) | month to three months (e) | three months to one year (e) | one year to two years | two years to three years | three years to four years | four years to five years | five years to ten years | ten years to twenty years | over twenty years | Total cash flows | without fixed maturity (b) | Contractual yield rate (g) |
| NIS millions | | | | | | | | | | | | | |
| Israeli currency - unlinked | | | | | | | | | | | | | |
| Assets | 76,831 | 18,028 | 41,113 | 24,010 | 12,663 | 9,317 | 8,475 | 19,889 | 15,511 | 5,599 | 231,436 | 2,484 | 210,146 |
| Liabilities | 123,272 | 12,270 | 22,776 | 6,978 | 2,214 | 1,835 | 3,399 | 3,533 | 309 | 117 | 176,703 | 688 | 174,092 |
| Difference | (46,441) | 5,758 | 18,337 | 17,032 | 10,449 | 7,482 | 5,076 | 16,356 | 15,202 | 5,482 | 54,733 | 1,796 | 36,054 |
| Derivative instruments (except options) | (2,080) | (10,283) | (7,072) | 1,694 | (167) | (64) | (68) | 355 | (103) | (86) | (17,874) | - | (17,974) |
| Options (in terms of underlying asset) | (505) | (327) | 271 | (7) | 9 | - | - | - | - | - | (559) | - | (565) |
| Israeli currency - linked to the CPI | | | | | | | | | | | | | |
| Assets | 1,664 | 1,301 | 7,450 | 7,869 | 6,813 | 5,180 | 5,189 | 17,658 | 14,224 | 4,560 | 71,908 | 25 | 59,276 |
| Liabilities | 1,991 | 1,752 | 12,230 | 8,442 | 9,122 | 5,756 | 6,908 | 12,173 | 2,827 | 1,709 | 62,910 | 1,736 | 55,936 |
| Difference | (327) | (451) | (4,780) | (573) | (2,309) | (576) | (1,719) | 5,485 | 11,397 | 2,851 | 8,998 | (1,711) | 3,340 |
| Derivative instruments (except options) | (513) | (726) | (2,570) | (1,958) | (151) | (250) | 284 | (220) | (303) | - | (6,407) | - | (6,280) |
| Foreign currency - Local operations (c) | | | | | | | | | | | | | |
| Assets | 15,346 | 4,327 | 8,602 | 8,361 | 4,404 | 4,874 | 2,668 | 5,663 | 1,385 | 366 | 55,996 | 672 | 53,216 |
| Liabilities | 49,278 | 14,102 | 14,722 | 1,771 | 1,783 | 946 | 540 | 823 | 49 | - | 84,014 | - | 83,668 |
| Difference | (33,932) | (9,775) | (6,120) | 6,590 | 2,621 | 3,928 | 2,128 | 4,840 | 1,336 | 366 | (28,018) | 672 | (30,452) |
| Derivative instruments (except options) | 2,593 | 11,009 | 11,322 | 264 | 318 | 314 | (29) | (135) | 406 | 86 | 26,148 | - | 26,116 |
| Options (in terms of underlying asset) | 505 | 327 | (271) | 7 | (9) | - | - | - | - | - | 559 | - | 565 |
| Foreign currency - Integrated foreign operations | | | | | | | | | | | | | |
| Assets | 173 | 189 | 285 | 1 | 11 | 41 | 17 | - | - | - | 717 | - | 693 |
| Liabilities | 183 | 131 | 93 | - | - | - | - | - | - | - | 407 | - | 406 |
| Difference | (10) | 58 | 192 | 1 | 11 | 41 | 17 | - | - | - | 310 | - | 287 |
| Derivative instruments (except options) | - | - | (1,680) | - | - | - | (187) | - | - | - | (1,867) | - | (1,862) |
| Non-monetary items | | | | | | | | | | | | | |
| Assets | - | - | - | - | - | - | - | - | - | - | 16,977 | - | 16,978 |
| Liabilities | - | - | - | - | - | - | - | - | - | - | 1,286 | - | 1,286 |
| Difference | - | - | - | - | - | - | - | - | - | - | 15,691 | - | 15,692 |
| Total | | | | | | | | | | | | | |
| Assets | 94,014 | 23,845 | 57,450 | 40,241 | 23,891 | 19,412 | 16,349 | 43,210 | 31,120 | 10,525 | 360,057 | 20,158 | 340,309 |
| Liabilities | 174,724 | 28,255 | 49,821 | 17,191 | 13,119 | 8,537 | 10,847 | 16,529 | 3,185 | 1,826 | 324,034 | 3,710 | 315,388 |
| Difference (f) | (80,710) | (4,410) | 7,629 | 23,050 | 10,772 | 10,875 | 5,502 | 26,681 | 27,935 | 8,699 | 36,023 | 16,448 | 24,921 |

(a) In this Note, forecast contractual future cash flows in respect of assets and liabilities are shown according to linkage basis, in accordance with the remaining contractual period to maturity of each cash flow. The data is presented after deduction of provisions for doubtful debts.

(b) Including overdue assets which amounts in the sum of NIS 956 million (31 December 2011- NIS 525 million)

(c) Including linkage foreign currency.

(d) As included in Note 16, "Assets and liabilities According to Linkage Basis", including off-balance sheet amounts in respect of derivatives.

(e) Credit with debitory account conditions is classified in accordance with the credit framework line of NIS 12.1 billion (31 December 2011- NIS 13.3 billion) special credit in the amount of NIS 0.9 billion is classified without repayment date (31 December 2011- NIS 0.3 billion).

(f) The above difference does not necessarily reflect the exposure to interest and/or linkage basis.

(g) Contractual yield rate is the interest rate discounting future anticipated contractual cash flows reported in this Note to its balance sheet figure.

Note: Total off-balance sheet restricted liabilities against with short-term credit was granted in the Bank amount to NIS 4.5 billion (31 December 2011- NIS 5.1 billion).

See the annual financial report for the consolidated note

Note 17 - Assets and Liabilities Classified According to Maturity Date and Linkage Basis (a) -Bank (cont'd)

| 31 December 2011 | | | | | | | | | | | | | |
|---|-------------------------------------|------------------------|------------------------------|-----------------|--------------------|---------------------|--------------------|-------------------|---------------------|-------------------|----------------------------|----------------------------|----------------------------|
| Estimated future contractual cash flows | | | | | | | | | | | Balance sheet balance (c) | | |
| | Upon demand and up to one month (d) | One month to three (d) | Three months to one year (d) | One year to two | Two years to three | Three years to four | Four years to five | Five years to ten | Ten years to twenty | Over twenty years | Total | Without fixed maturity (b) | Contractual yield rate (f) |
| NIS millions | | | | | | | | | | | | | |
| Assets | 114,757 | 25,037 | 59,837 | 32,085 | 23,418 | 18,122 | 14,021 | 30,253 | 5,023 | 442 | 322,995 | 21,700 | 4.48 |
| Liabilities | 163,983 | 25,658 | 49,208 | 21,270 | 8,931 | 9,237 | 6,815 | 20,072 | 2,785 | 1,671 | 309,630 | 2,185 | 3.89 |
| Difference (e) | (49,226) | (621) | 10,629 | 10,815 | 14,487 | 8,885 | 7,206 | 10,181 | 2,238 | (1,229) | 13,365 | 19,515 | 23,374 |

See notes on previous page

Note 18 - Contingent Liabilities and Special Commitments-Bank

| | 31 December 2012 | | 31 December 2011 | |
|---|---------------------|--|---------------------|--|
| | Contract balances | Balance of allowance for credit losses | Contract balances | Balance of allowance for credit losses |
| A. Off-balance sheet financial instruments | | | | |
| Balances of contracts or their stated amounts as at the end of the year | | | | |
| Transactions in which the balance reflects a credit risk: | | | | |
| Documentary credits | 1,164 | 4 | 1,380 | 5 |
| Credit guarantees | 6,319 | 73 | 8,139 | 78 |
| Guarantees to apartment purchasers | 13,538 | 18 | 11,421 | 24 |
| Other guarantees and liabilities | 16,202 | 222 | 15,743 | 216 |
| Unutilized credit card facilities (a) | 11,622 | 9 | 11,072 | 13 |
| Other unutilized revolving credit facilities and credit facilities in accounts on demand | 14,261 | 29 | 13,655 | 30 |
| Irrevocable commitments to provide credit which has been approved and not yet granted (a) | 15,139 | 57 | 12,615 | 54 |
| Commitments to issue guarantees | 10,794 | 15 | 11,642 | 17 |
| Unutilized facilities for activity in derivative instruments | 6,129 | - | 4,386 | - |
| Approval in principle for a guaranteed rate of interest | 3,689 | - | - | - |

(a) Of which: non unrealized credit exposures in respect of commitments to provide liquidity to securitization structures under the aegis of others totaled NIS 224 million (on 31 December 2011 NIS 229 million). This commitment is only extended in a state of financial difficulties which do not permit securitization. The liquidity framework is not currently in use and has not been used in the past. The line supplied by the Bank constitutes a small part of total liquidity lines to those entities. The Bank does not provide any other type of support to these entities.

| B. Off-balance sheet commitments for transactions based on extent of collections (a) | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Balance of credit from deposits on collection basis (b) | | |
| Israeli currency unlinked | 1,158 | 1,103 |
| Israeli currency linked to the CPI | 4,493 | 134 |
| Foreign currency | 410 | 464 |
| Total | 6,061 | 1,701 |

Cash flows in respect of collection commissions and interest margins on activities based on the extent of collections as at December 31

| | Up to one year | One to three years | Three to five years | Five to ten years | Ten to twenty years | More than twenty years | Total 2012 | Total 2011 |
|---|----------------|--------------------|---------------------|-------------------|---------------------|------------------------|------------|------------|
| NIS millions | | | | | | | | |
| 1. CPI linked sector (c) | | | | | | | | |
| Cash flows of futures contracts | 35 | 44 | 42 | 83 | 37 | 1 | 242 | 4 |
| Expected future cash flows after management estimate of early repayments | 38 | 46 | 40 | 81 | 35 | - | 240 | 4 |
| Discounted expected future cash flows after management estimate of early repayments (d) | 37 | 43 | 36 | 66 | 25 | - | 207 | 4 |
| 2. Unlinked shekel sector | | | | | | | | |
| Cash flows of futures contracts | 4 | 4 | 4 | 6 | 1 | - | 19 | 1 |
| Expected future cash flows after management estimate of early repayments | 4 | 4 | 4 | 6 | 1 | - | 19 | 1 |
| Discounted expected future cash flows after management estimate of early repayments (d) | 4 | 4 | 3 | 5 | 1 | - | 17 | 1 |

(a) Credits and deposits from deposits for which their return to the depositor is conditional on collection of the credits, (or deposits), with a margin or collection fee, (instead of a margin).

(b) Standing loans and related Government deposits totaling NIS 327 million, (NIS 417 million last year), were not included in this table.

(c) Including foreign currency sector.

(d) The discounting was made at the rate of 2.69% (2011 – 3.24%).

Note 18 - Contingent Liabilities and Special Commitments-Bank (cont'd)

| | 2012 | 2011 |
|---|--------------|------------|
| | NIS millions | |
| B. Off-balance sheet commitments for transactions based on collection (cont'd) | | |
| Information on loans granted during the year by mortgage banks: | | |
| Loans from deposits on collection basis | 34 | - |
| Standing loans | 15 | - |
| C. Other contingent liabilities and special commitments: | | |
| (1) Long-term rental contracts - rental of buildings, equipment and motor vehicles and maintenance in respect of commitments payable in following years | | |
| First year (a) | 171 | 115 |
| Second year (a) | 114 | 99 |
| Third year | 103 | 91 |
| Fourth year | 93 | 83 |
| Fifth year | 66 | 58 |
| After five years | 413 | 344 |
| Total | 960 | 790 |
| (2) Commitments to purchase securities (a) | 69 | - |
| (3) Commitments to invest in and acquire buildings and equipment | 190 | 299 |
| (4) Future deposits | | |
| Transactions with depositors for purposes of receipt of large deposits at various future dates and at fixed interest rates determined in advance as of the date of the commitment | | |
| Details of amounts of future deposits and deposit dates as determined in the terms of the | | |
| First year | 17 | 17 |
| Second year | 17 | 17 |
| Third year | 12 | 17 |
| Fourth year | 3 | 12 |
| Fifth year | - | 3 |
| Sixth and subsequent years | - | - |
| Total future deposits | 49 | 66 |

(a) reclassified

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates - Bank

| a. Scope of Activity | | | | | |
|--|--------------------|---------|----------------------------|--------------------------------|--|
| 31 December 2012 | | | | | |
| | Interest contracts | | Foreign currency contracts | Contracts in respect of shares | Contracts in respect of goods and others |
| | Shekel - index | Other | | | |
| NIS millions | | | | | |
| (1) Amount of derivative instruments | | | | | |
| a) Hedge derivative (a) | | | | | |
| Forward contracts | - | - | 1,525 | - | - |
| Swaps | - | 2,632 | - | - | - |
| Total | - | 2,632 | 1,525 | - | - |
| Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest | - | 2,613 | | | |
| b) ALM derivative (a) (b) | | | | | |
| Futures contracts | - | 6,740 | 232 | 23,393 | 2,065 |
| Forward contracts | 14,535 | 21,450 | 108,971 | - | 435 |
| Traded options | | | | | |
| Put options | - | 2,470 | 7,048 | 7,038 | 614 |
| Call options | - | 2,470 | 7,048 | 7,038 | 614 |
| Other options | | | | | |
| Put options | - | 17,589 | 18,139 | 1,353 | 469 |
| Call options | - | 17,540 | 18,009 | 1,462 | 493 |
| Swaps | 704 | 223,872 | 22,405 | 6,509 | 427 |
| Total | 15,239 | 292,131 | 181,852 | 46,793 | 5,117 |
| Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest | - | 129,033 | | | |
| c) Other derivatives (a) | | | | | |
| Swaps | - | - | - | - | - |
| Total | - | - | - | - | - |
| d) Credit derivatives and Spot contracts | | | | | |
| Credit derivatives in which the banking institution is a guarantor | | | | | - |
| Credit derivatives in which the banking institution is a beneficiary | | | | | 187 |
| Foreign exchange spot contracts | | | 7,719 | | |
| Total | - | - | 7,719 | - | 187 |
| Total | 15,239 | 294,763 | 191,096 | 46,793 | 5,304 |

(a) Except credit derivatives and Spot contracts.

(b) Derivatives constituting part of the Bank's system of management of assets and liabilities, not intended for hedging.

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates Bank (cont'd)

(a) Scope of activity (cont'd)

| 31 December 2012 | | | | | |
|---|--------------------|-------|--------------------|-------------------|-----------------------------|
| | Interest contracts | | Foreign | Contracts in | Contracts in |
| | Shekel - index | Other | currency contracts | respect of shares | respect of goods and others |
| NIS millions | | | | | |
| (2) Gross fair value of derivative instruments | | | | | |
| a) Hedged derivatives (a) | | | | | |
| Gross positive fair value | - | 1 | 30 | - | - |
| Gross negative fair value | - | 224 | 22 | - | - |
| b) ALM derivatives (a) (b) | | | | | |
| Gross positive fair value | 133 | 8,188 | 2,386 | 473 | 94 |
| Gross negative fair value | 297 | 7,915 | 3,623 | 481 | 90 |
| c) Other derivatives (a) | | | | | |
| Gross positive fair value | - | - | - | - | - |
| Gross negative fair value | - | - | - | - | - |
| d) Credit derivatives | | | | | |
| Credit derivatives in which the banking institution is a guarantor | | | | | |
| Gross positive fair value | | | | | - |
| Gross negative fair value | | | | | - |
| Credit derivatives in which the banking corporation is a beneficiary | | | | | |
| Gross positive fair value | | | | | 2 |
| Gross negative fair value | | | | | - |

(a) Except credit derivatives.

(b) Derivatives constituting part of the Bank's system of management of assets and liabilities, not intended for hedging.

(c) See the annual financial report for the consolidated note

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Date Bank (cont'd)

(a) Scope of activity (cont'd)

| 31 December 2011 | | | | | |
|---|--------------------|-----------|----------------------------------|--------------------------------------|--|
| | Interest contracts | | Foreign currency contracts | Contracts in respect of shares | Contracts in respect of goods and others |
| | Shekel - index | Other | | | |
| NIS millions | | | | | |
| (1) Amount of derivative instruments | | | | | |
| a) Hedge derivative (a) | | | | | |
| Swaps | - | 3,214 | - | - | - |
| Total | - | 3,214 | - | - | - |
| Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest | | | | | |
| | - | 3,078 | | | |
| b) ALM derivative (a) (b) | | | | | |
| Futures contracts | - | (C) 1,354 | - | (C) 18,139 | 1,175 |
| Forward contracts | 11,598 | 16,442 | 127,959 | - | 686 |
| Traded options | | | | | |
| Put options | - | 6 | 5,190 | 9,330 | - |
| Call options | - | 6 | 5,171 | 9,330 | - |
| Other options | | | | | |
| Put options | 15 | 18,127 | 34,453 | 997 | 720 |
| Call options | - | 14,723 | 29,608 | 982 | 681 |
| Swaps | 914 | 182,552 | 18,308 | 8,055 | 1,168 |
| Total | 12,527 | 233,210 | 220,689 | 46,833 | 4,430 |
| Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest | | | | | |
| | - | 91,476 | | | |
| c) Other derivatives (a) | | | | | |
| Swaps | - | - | - | - | - |
| Total | - | - | - | - | - |
| d) Credit derivatives and Spot contracts | | | | | |
| Credit derivatives in which the banking institution is a guarantor | | | | | |
| | | | | | - |
| Credit derivatives in which the banking institution is a beneficiary | | | | | |
| | | | | | - |
| Foreign exchange spot contracts | | | | | |
| | | | 11,640 | | |
| Total | - | - | 11,640 | - | - |
| Total | 12,527 | 236,424 | 232,329 | 46,833 | 4,430 |

(a) Except credit derivatives and Spot contracts.

(b) Derivatives constituting part of the Bank's system of management of assets and liabilities, not intended for hedging.

(c) reclassified

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Bank (cont'd)

(a) Scope of activity (cont'd)

| 31 December 2011 | | | | | |
|---|--------------------|-------|-----------|--------------|------------------|
| | Interest contracts | | Foreign | Contracts in | Contracts in |
| | Shekel - index | Other | currency | respect of | respect of |
| | | | contracts | shares | goods and others |
| NIS millions | | | | | |
| (2) Gross fair value of derivative instruments | | | | | |
| a) Hedged derivatives (1) | | | | | |
| Gross positive fair value | - | 9 | - | - | - |
| Gross negative fair value | - | 193 | - | - | - |
| b) ALM derivatives (1) (2) | | | | | |
| Gross positive fair value | 103 | 6,640 | 4,272 | 284 | 40 |
| Gross negative fair value | 322 | 6,591 | 4,463 | 289 | 45 |
| c) Other derivatives (1) | | | | | |
| Gross positive fair value | - | - | - | - | - |
| Gross negative fair value | - | - | - | - | - |
| d) Credit derivatives | | | | | |
| Credit derivatives in which the banking institution is a guarantor | | | | | |
| Gross positive fair value | | | | | - |
| Gross negative fair value | | | | | - |
| Credit derivatives in which the banking corporation is a beneficiary | | | | | |
| Gross positive fair value | | | | | - |
| Gross negative fair value | | | | | - |

(1) Except credit derivatives.

(2) Derivatives constituting part of the Bank's system of management of assets and liabilities, not intended for hedging.

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates Bank (cont'd)

(b) Credit Risk in Respect of Derivative Instruments According to Other Party to the Contract

| 31 December 2012 | | | | | | |
|--|--------------------|-------|---------------------|-------------------------------------|--------|--------|
| | Stock exchanges | Banks | Dealers/ brokers | Governments and Central Banks | Others | Total |
| NIS millions | | | | | | |
| Balance sheet balances of | | | | | | |
| derived assets from derivative instruments (1) (2) | 143 | 8,556 | 738 | 1 | 1,871 | 11,309 |
| Off-balance sheet credit risk in respect of derivative | | | | | | |
| instruments (3) | - | 247 | 3 | 80 | 5,885 | 6,215 |
| Total credit risk in respect of derivative instruments | 143 | 8,803 | 741 | 81 | 7,756 | 17,524 |

(1) Net accounting arrangements do not exist.

(2) Of which a balance sheet amount of stand-alone derivative instruments in the sum of NIS 11,438 million

(31 December 2011 – NIS 11,573 million) included under other assets.

(3) Off-balance sheet credit risk in respect of derivative instruments (including in respect of derivative instrument with negative fair value) as calculated for purposes of limitations on debts of borrowers.

(c) Repayment Dates - Nominal Amounts: Balances as at end of the year

| 31 December 2012 | | | | | |
|--|--------------------------|--------------------------------|------------------------------|------------------------|---------|
| | Up to three months | Three months to one year | One year to five years | After five years | Total |
| NIS millions | | | | | |
| Interest contracts: | | | | | |
| Shekel - index | 1,516 | 7,578 | 4,735 | 1,410 | 15,239 |
| Other | 27,816 | 57,801 | 125,612 | 83,533 | 294,762 |
| Foreign currency contracts | 112,157 | 57,376 | 7,887 | 13,677 | 191,097 |
| Contracts in respect of shares | 41,066 | 3,511 | 2,216 | - | 46,793 |
| Contracts in respect of commodities and others | 3,522 | 1,386 | 395 | - | 5,303 |
| Total | 186,077 | 127,652 | 140,845 | 98,620 | 553,194 |

See the annual financial report for the consolidated note

Note 18B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates Bank (cont'd)

(b) Credit Risk in Respect of Derivative Instruments According to Other Party to the Contract (cont'd)

| 31 December 2011 | | | | | | |
|---|--------------------|-------|---------------------|-------------------------------------|--------|--------|
| | Stock exchanges | Banks | Dealers/ brokers | Governments and Central Banks | Others | Total |
| NIS millions | | | | | | |
| Balance sheet balances of derived assets from derivative instruments (1) (2) | 132 | 7,124 | 479 | - | 3,613 | 11,348 |
| Off-balance sheet credit risk in respect of derivative instruments (3) | - | 433 | 1 | 64 | 3,954 | 4,452 |
| Total credit risk in respect of derivative instruments | 132 | 7,557 | 480 | 64 | 7,567 | 15,800 |

(1) Net accounting arrangements do not exist.

(2) Of which a balance sheet amount of stand-alone derivative instruments in the sum of NIS 11,438 million

(31 December 2011 – NIS 11,573 million) included under other assets.

(3) Off-balance sheet credit risk in respect of derivative instruments (including in respect of derivative instrument with negative fair value) as calculated for purposes of limitations on debts of borrowers.

(c) Repayment Dates - Nominal Amounts: Balances as at end of the year

| 31 December 2011 | | | | | |
|--|--------------------------|--------------------------------|------------------------------|------------------------|---------|
| | Up to three months | Three months to one year | One year to five years | After five years | Total |
| NIS millions | | | | | |
| Interest contracts: | | | | | |
| Shekel - index | 2,810 | 5,209 | 3,558 | 950 | 12,527 |
| Other | (1) 16,788 | 50,086 | 84,477 | 85,072 | 236,423 |
| Foreign currency contracts | 143,968 | 68,934 | 8,709 | 10,719 | 232,330 |
| Contracts in respect of shares | (1) 41,422 | 4,830 | 582 | - | 46,834 |
| Contracts in respect of commodities and others | 3,372 | 623 | 436 | - | 4,431 |
| Total | 208,360 | 129,682 | 97,762 | 96,741 | 532,545 |

(1) reclassified

Note 18C – Balances and Fair Value Assessments of Financial Instruments- Bank

| 31 December 2012 | | | | | |
|--|-------------|------------|------------|------------|---------|
| | Book value | Fair value | | | |
| | | (level 1) | (level 2) | (level 3) | Total |
| | | (1) | (1) | (1) | |
| NIS millions | | | | | |
| Financial assets | | | | | |
| Cash and deposits with banks | 49,438 | 9,081 | 38,127 | 2,220 | 49,428 |
| Securities (2) | 49,475 | 35,993 | 11,561 | 1,921 | 49,475 |
| Securities borrowed or purchased under agreement to resell | 1,435 | - | 1,435 | - | 1,435 |
| Credit to the public, net | 207,922 | 2,018 | 48,874 | 158,121 | 209,013 |
| Credit to governments | 426 | - | 13 | 450 | 463 |
| assets in respect of derivative instruments | 11,308 | 523 | 9,450 | 1,335 | 11,308 |
| Other financial assets | 711 | 399 | - | 312 | 711 |
| Total financial assets | (3) 320,715 | 48,014 | 109,460 | 164,359 | 321,833 |
| Financial liabilities | | | | | |
| Deposits of the public | 274,482 | 1,957 | 107,976 | 168,244 | 278,177 |
| Deposits from banks | 7,066 | - | 3,432 | 3,648 | 7,080 |
| Deposits from governments | 260 | - | 81 | 211 | 292 |
| Securities loaned or sold under agreement to repurchase | 951 | - | 951 | - | 951 |
| Debentures, bonds and subordinated notes | 6,822 | 2,552 | - | 5,245 | 7,797 |
| liabilities in respect of derivative instruments | 12,632 | 503 | 11,657 | 472 | 12,632 |
| Other financial liabilities | 5,728 | 399 | - | 5,307 | 5,706 |
| Total financial liabilities | (3) 307,941 | 5,411 | 124,097 | 183,127 | 312,635 |
| Off balance financial instruments | | | | | |
| Deals in which the balance represents credit risk | 263 | - | - | 263 | 263 |
| 31 December 2011 | | | | | |
| | Book value | Fair value | | | |
| | | (level 1) | (level 2) | (level 3) | Total |
| | | (1) | (1) | (1) | |
| NIS millions | | | | | |
| Financial assets | | | | | |
| Cash and deposits with banks | 93,879 | 9,605 | 58,446 | 26,657 | 94,708 |
| Securities (2) | 41,253 | 29,820 | 10,097 | 1,336 | 41,253 |
| Securities borrowed or purchased under agreement to resell | 1,225 | - | 1,225 | - | 1,225 |
| Credit to the public, net | 151,608 | - | 53,630 | 96,022 | 149,652 |
| Credit to governments | 440 | - | 49 | 420 | 469 |
| assets in respect of derivative instruments | 11,348 | 436 | 7,341 | 3,571 | 11,348 |
| Other financial assets | 502 | - | - | 181 | 181 |
| Total financial assets | (3) 300,255 | 39,861 | 130,788 | 128,187 | 298,836 |
| Financial liabilities | | | | | |
| Deposits of the public | 257,530 | - | 104,715 | 153,685 | 258,400 |
| Deposits from banks | 9,589 | - | 5,685 | 3,869 | 9,554 |
| Deposits from governments | 373 | - | 117 | 286 | 403 |
| Securities loaned or sold under agreement to repurchase | 385 | - | 385 | - | 385 |
| Debentures, bonds and subordinated notes | 7,719 | 2,316 | - | 5,844 | 8,160 |
| liabilities in respect of derivative instruments | 11,860 | 450 | 10,752 | 658 | 11,860 |
| Other financial liabilities | 5,695 | - | - | 5,349 | 5,349 |
| Total financial liabilities | (3) 293,151 | 2,766 | 121,654 | 169,691 | 294,111 |
| Off balance financial instruments | | | | | |
| Deals in which the balance represents credit risk | 279 | - | - | 279 | 279 |

(1) Level 1 – Fair value measurements used in prices quoted in an active market.

Level 2 - Fair value measurements used in other significant observed data.

Level 3 - Fair value measurements used in non-significant observed data

(2) For additional information on the balance sheet and fair value of securities, see security note.

(3) Of which: assets and liabilities totaling NIS 89,669 million (31 December 2011 – NIS 83,970 million) and NIS 76,725 million (31 December 2011 – NIS 66,485 million) respectively, where the book value is identical to fair value, (instruments for an original period of up to 3 months , for which use is made of the book value).
For additional information on instruments that were measured at fair value on a recurring and non recurring basis, see notes 18d.

Note 18D – Items Measured for Fair Value on a Recurring Basis- Bank

A. instruments being measured by fair value over a repeated basis.

| 31 December 2012 | | | | |
|---|--|---|---|---------------|
| | Fair Value Measurements using | | | |
| | Prices quoted in an active market (level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Book Value |
| | NIS millions | | | |
| Assets | | | | |
| Securities available for sale: | | | | |
| Israeli government bonds | 19,798 | 2,033 | - | 21,832 |
| Foreign government bonds | 5,221 | 182 | - | 5,402 |
| Bonds of Israeli financial institutions | 259 | 63 | - | 322 |
| Bonds of financial institutions abroad | - | 4,548 | 123 | 4,671 |
| MBS/ABS | - | 2,267 | 1,371 | 3,638 |
| Others in Israel | 644 | 394 | - | 1,038 |
| Others abroad | - | 672 | 74 | 746 |
| Shares available for sale | 645 | - | - | 645 |
| Total securities available for sale | 26,567 | 10,159 | 1,568 | 38,294 |
| Securities held for trading: | | | | |
| Bonds held for trading | 9,253 | 1,402 | - | 10,655 |
| Shares held for trading | 173 | - | - | 173 |
| Total securities held for trading | 9,426 | 1,402 | - | 10,828 |
| Assets in respect of derivative financial instruments: | | | | |
| Interest contracts | 27 | 7,605 | 691 | 8,322 |
| Foreign currency contracts | 31 | 1,689 | 619 | 2,339 |
| Contracts in respect of shares | 209 | 131 | 14 | 354 |
| Commodities and other contracts | 60 | 25 | 12 | 97 |
| Maof market activity | 196 | - | - | 196 |
| Total assets in respect of derivative financial instruments | 523 | 9,450 | 1,336 | 11,308 |
| Others | | | | |
| Credit and deposits in respect of lending of securities | 2,245 | 4 | - | 2,249 |
| Others | 398 | - | - | 398 |
| Total Assets | 39,159 | 21,015 | 2,904 | 63,077 |
| Liabilities: | | | | |
| Liabilities in respect of derivative financial instruments: | | | | |
| Other interest contracts | 27 | 8,256 | 154 | 8,437 |
| Foreign currency contracts | 10 | 3,219 | 318 | 3,547 |
| Contracts in respect of shares | 209 | 153 | - | 362 |
| Commodities and other contracts | 60 | 29 | - | 90 |
| Maof market activity | 196 | - | - | 196 |
| Total liabilities in respect of derivative financial instruments | 502 | 11,657 | 472 | 12,632 |
| Others | | | | |
| Deposites in respect of lending of securities | 1,957 | 21 | - | 1,978 |
| Others | 400 | - | - | 400 |
| Total Liabilities | 2,859 | 11,678 | 472 | 15,010 |

See the annual financial report for the consolidated note

Note 18D – Items Measured for Fair Value on a Recurring Basis-Bank(cont'd)

A. instruments being measured by fair value over a repeated basis (cont'd)

| 31 December 2011 (a) | | | | |
|--|--|---|--|---------------|
| | Fair Value Measurements using | | | |
| | Prices quoted in an active market (level 1) | other significant observable in inputs (level 2) | significant unobservable inputs (level 3) | Book Value |
| | NIS Millions | | | |
| Assets: | | | | |
| Securities available for sale: | | | | |
| Israeli government bonds | 16,785 | 1,414 | - | 18,199 |
| Foreign government bonds | 2,880 | 213 | - | 3,093 |
| Corporate bonds in Israel | 333 | 62 | - | 396 |
| Corporate bonds abroad | - | 6,580 | 113 | 6,694 |
| MBS/ABS | - | 422 | 661 | 1,083 |
| Others in Israel | 171 | 432 | - | 603 |
| Others abroad | - | 365 | 71 | 436 |
| Shares available for sale | 584 | - | - | 584 |
| Total securities available for sale | 20,753 | 9,488 | 845 | 31,088 |
| Securities held for trading: | | | | |
| Bonds held for trading | 8,641 | 608 | - | 9,250 |
| Shares held for trading | 361 | - | - | 361 |
| Total securities held for trading | 9,002 | 608 | - | 9,611 |
| Assets in respect of derivative financial instruments: | | | | |
| Interest contracts | 95 | 4,896 | 1,760 | 6,748 |
| Foreign currency contracts | - | 2,406 | 1,790 | 4,196 |
| Contracts in respect of shares | 26 | 24 | 14 | 65 |
| Commodities and other contracts | 22 | 16 | 2 | 40 |
| Maof market activity | 294 | - | - | 294 |
| Total assets in respect of derivative financial instruments | 437 | 7,342 | 3,566 | 11,343 |
| Others | | | | |
| Credit and deposits in respect of lending of securities | 1,600 | - | - | 1,600 |
| Others | 321 | - | - | 321 |
| Total Assets | 32,113 | 17,438 | 4,411 | 53,963 |
| Liabilities: | | | | |
| Liabilities in respect of derivative financial instruments: | | | | |
| Other interest contracts | 96 | 6,704 | 297 | 7,098 |
| Foreign currency contracts | 2 | 3,981 | 361 | 4,344 |
| Contracts in respect of shares | 26 | 44 | - | 70 |
| Commodities and other contracts | 22 | 23 | - | 45 |
| Maof market activity | 294 | - | - | 294 |
| Total liabilities in respect of derivative financial instruments | 440 | 10,752 | 658 | 11,851 |
| Others | | | | |
| Deposits in respect of lending of securities | 1,122 | 44 | - | 1,166 |
| Others | 321 | - | - | 321 |
| Total Liabilities | 1,883 | 10,796 | 658 | 13,338 |

(a) reclassified

Note 18D – Items Measured for Fair Value on a Recurring Basis (cont'd)Bank

B. instruments being measured by fair value over a repeated basis

| 31 December 2012 | | | | |
|--------------------------------------|-------------------------------|---------------------|---------------------|------------|
| | Fair Value Measurements using | | | |
| | Prices quoted in | other significant | Significant | Total |
| | an active market | observable in | unobservable | fair value |
| | (level 1) | inputs (level 2) | inputs (level 3) | |
| NIS Millions | | | | |
| Collateral-dependent impaired credit | - | 1,790 | - | 1,790 |
| Other Assets | - | - | - | - |
| Total | - | 1,790 | - | 1,790 |
| 31 December 2011 | | | | |
| | Fair Value Measurements using | | | |
| | Prices quoted in | other significant | Significant | Total |
| | an active market | observable in | unobservable | fair value |
| | (level 1) | inputs (level 2) | inputs (level 3) | |
| NIS Millions | | | | |
| Collateral-dependent impaired credit | - | (222) | - | (222) |
| Other Assets | - | - | - | - |
| Total | - | (222) | - | (222) |

Note 18E – Changes in items measured for fair value on a recurring basis included in Level 3 - Bank

31 December 2012

Changes in items measured for fair value included in level 3

| Changes in items measured for fair value included in level 3 | | | | | | | | | |
|--|---|--|----------------------------------|--------------|--------------|-----------------|---------------------------------|---|---|
| | Fair value at Beginning of the year | Total realized and un-realized profits(losses) | overall profit after discount | Acquisition | Sales | Extinguishments | Transfers to/from level 3 | Fair value . at 31 December 2012 | Unrealized profit/loss from instruments held 31 December 2012 |
| | NIS Millions | | | | | | | | |
| Assets: | | | | | | | | | |
| Bonds Available for sale: | | | | | | | | | |
| Financial institutes abroad | 113 | 2 | 10 | - | - | (2) | - | 123 | 10 |
| MBS \ ABS | 662 | 75 | 97 | 872 | (243) | (91) | - | 1,372 | 160 |
| Others in Israel | - | - | - | - | - | - | - | - | - |
| Others abroad | 71 | 1 | 3 | - | - | (1) | - | 74 | 3 |
| Total bonds available for sale | 846 | (a) 78 | (a) 110 | 872 | (243) | (94) | - | 1,569 | 173 |
| Assets in respect of derivative financial instruments: | | | | | | | | | |
| Interest contracts | 1,759 | (1,047) | - | - | - | (58) | 36 | 690 | (384) |
| Foreign currency contracts | 1,790 | (1,347) | - | 176 | - | - | - | 619 | 408 |
| Contracts in respect of shares | 14 | - | - | - | - | - | - | 14 | 14 |
| Commodities and other contracts | 2 | 10 | - | - | - | - | - | 12 | 12 |
| Total assets in respect of derivative financial instruments | 3,565 | (2,384) | - | 176 | - | (58) | 36 | 1,335 | 50 |
| Total Assets | 4,411 | (2,306) | 110 | 1,048 | (243) | (152) | 36 | 2,904 | 223 |
| Liabilities: | | | | | | | | | |
| Liabilities in respect of derivative financial instruments: | | | | | | | | | |
| Interest contracts | 297 | (167) | - | - | - | - | 24 | 154 | (91) |
| Foreign currency contracts | 361 | (43) | - | - | - | - | - | 318 | (43) |
| Total liabilities in respect of derivative financial instruments | 658 | (210) | - | - | - | - | 24 | 472 | (134) |
| Total Liabilities | 658 | (210) | - | - | - | - | 24 | 472 | (134) |

(a) Realized profits (losses) net have been included in the statement of profit and loss under "Non-interest financing income".

Note 18E – Changes in items measured for fair value on a recurring basis included in Level 3-Bank(cont'd)

31 December 2011 (b)

Changes in items measured for fair value included in level 3

| Changes in items measured for fair value included in level 3 | | | | | | | | | |
|---|---|--|-------------------------------------|-------------|--------------|-----------------|---------------------------------|---|---|
| | Fair value at Beginning of the year | Total realized and un-realized profits(losses) | In overall profit after discount | Acquisition | Sales | Extinguishments | Transfers to/from level 3 | Fair value . at 31 December 2011 | Unrealized profit/loss from instruments held 31 December 2011 |
| | NIS Millions | | | | | | | | |
| Assets: | | | | | | | | | |
| Bonds Available for sale: | | | | | | | | | |
| Financial institutes abroad | 113 | 8 | (4) | - | - | (3) | - | 114 | 1 |
| MBS \ ABS | 817 | 167 | (133) | 343 | (471) | (62) | - | 661 | 8 |
| Others in Israel | 21 | 7 | - | - | - | (2) | (27) | (1) | - |
| Others abroad | 70 | 5 | (2) | - | - | (2) | - | 71 | 1 |
| Total bonds available for sale | 1,021 | (a) 187 | (a) (139) | 343 | (471) | (69) | (27) | 845 | 10 |
| Assets in respect of derivative financial instruments: | | | | | | | | | |
| Interest contracts | 778 | 1,025 | - | - | - | (46) | 4 | 1,761 | 1,095 |
| Foreign currency contracts | 1,085 | 341 | - | 363 | - | - | - | 1,789 | 1,053 |
| Contracts in respect of shares | 518 | (504) | - | - | - | - | - | 14 | 14 |
| Commodities and other contracts | 10 | (8) | - | - | - | - | - | 2 | (3) |
| Total assets in respect of derivative financial instruments | 2,391 | 854 | - | 363 | - | (46) | 4 | 3,566 | 2,159 |
| Total Assets | 3,412 | 1,041 | (139) | 706 | (471) | (115) | (23) | 4,411 | 2,169 |
| Liabilities: | | | | | | | | | |
| Liabilities in respect of derivative financial instruments: | | | | | | | | | |
| Other interest contracts | 310 | (13) | - | - | - | - | 1 | 298 | (37) |
| Foreign currency contracts | 762 | (402) | - | - | - | - | - | 360 | 85 |
| Commodities and other contracts | 1 | (1) | - | - | - | - | - | - | - |
| Total liabilities in respect of derivative financial instruments | 1,073 | (416) | - | - | - | - | 1 | 658 | 48 |
| Total Liabilities | 1,073 | (416) | - | - | - | - | 1 | 658 | 48 |

(a) reclassified

Note 20 - Interest Income and Expenses

| | Consolidated | | | Bank | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 | 2011(a) | 2010(a) | 2012 | 2011(a) | 2010(a) |
| | (NIS millions) | | | (NIS millions) | | |
| A. Interest Income(b) | | | | | | |
| Credit to the public | 11,578 | 12,137 | 10,662 | 7,355 | 7,844 | 6,951 |
| Credit to governments | 21 | 21 | 20 | 21 | 21 | 20 |
| Deposits with banks | 95 | 208 | 147 | 1,702 | 1,835 | 1,362 |
| Deposits with Bank of Israel and cash | 515 | 663 | 363 | 513 | 660 | 306 |
| Interest income from securities borrowed or purchased under agreements to resell | 45 | 47 | 23 | 45 | 47 | 23 |
| Bonds (c) | 1,253 | 1,207 | 1,274 | 1,223 | 1,145 | 1,109 |
| Total Interest Income | 13,507 | 14,283 | 12,489 | 10,859 | 11,552 | 9,771 |
| B. Interest Expenses(b) | | | | | | |
| Deposits of the public | (4,441) | (5,185) | (3,709) | (5,011) | (5,419) | (3,849) |
| Deposits from governments | (14) | (22) | (29) | (12) | (20) | (27) |
| Deposits from banks | (58) | (126) | (65) | (115) | (172) | (87) |
| Debentures, bonds and subordinated notes | (1,555) | (1,813) | (1,695) | (355) | (563) | (520) |
| Interest expense from securities loaned or sold under agreements to repurchase | (31) | (30) | (19) | (28) | (27) | (18) |
| Total Interest Expenses | (6,099) | (7,176) | (5,517) | (5,521) | (6,201) | (4,501) |
| Total included in interest income | 7,408 | 7,107 | 6,972 | 5,338 | 5,351 | 5,270 |
| C. Details of the net effect of hedging derivative financial instruments on interest income and expenses (d) | | | | | | |
| Interest income | - | (6) | (6) | - | (6) | (6) |
| Interest expenses | (9) | 4 | 4 | (9) | 4 | 4 |
| D. Details of interest income on accrual basis from bonds | | | | | | |
| Held to maturity | - | - | - | 103 | 57 | 38 |
| Available for sale | 966 | 967 | 1,047 | 855 | 853 | 846 |
| Held for trading | 287 | 240 | 227 | 265 | 235 | 225 |
| Total included in interest income | 1,253 | 1,207 | 1,274 | 1,223 | 1,145 | 1,109 |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Including effective component of hedge relationships.

(c) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 64 million (2011 - NIS 43 million, 2010 - NIS 62 million).

(d) Details of the effect of hedging derivative instruments on sub-sections A. and B.

Note 21 - Non-Interest Financing Income

| | Consolidated | | | Bank | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 | (a) 2011 | (a) 2010 | 2012 | (a) 2011 | (a) 2010 |
| | (NIS millions) | | | (NIS millions) | | |
| A. Non-interest financing income from activities not for trading purposes | | | | | | |
| A.1 From activities in derivative instruments | | | | | | |
| Non-effective part of hedging relationships (b) | 6 | - | 4 | 6 | - | 4 |
| Net Income (expenses) in respect of ALM derivative instruments (c) | (690) | 1,057 | (1,801) | (724) | 974 | (1,725) |
| Total from activities in derivative instruments | (684) | 1,057 | (1,797) | (718) | 974 | (1,721) |
| A.2 From investment in bonds | | | | | | |
| Gains on sale of debentures available for sale | 313 | 315 | 271 | 271 | 294 | 201 |
| Losses on sale of debentures available for sale | (22) | (50) | (9) | (22) | (39) | (6) |
| Total from investment in debentures | 291 | 265 | 262 | 249 | 255 | 195 |
| A.3 Exchange rate differentials, net | 597 | (1,482) | 1,752 | 578 | (1,797) | 1,912 |
| A.4 Gains (losses) on investment in shares | | | | | | |
| Gains from sale of shares available for sale | 81 | 86 | 71 | 17 | 29 | 4 |
| Losses from sale of shares available for sale (d) | (171) | (312) | (30) | - | (25) | (7) |
| Gain from sale of shares in companies included on equity basis | 24 | - | 181 | - | - | - |
| Dividend from shares available for sale | 54 | 74 | 174 | 30 | 27 | 30 |
| Total from investment in shares | (12) | (152) | 396 | 47 | 31 | 27 |
| Total non-interest financing income in respect of activities not for trading purposes | 192 | (312) | 613 | 156 | (537) | 413 |
| A. Non-interest financing income from activities for trading purposes (e) | | | | | | |
| Net income (expenses) in respect of other derivative instruments | 11 | 7 | 15 | (5) | 7 | 2 |
| Realized and unrealized profits (losses) from fair value adjustment of bonds for trading, net (f) | 229 | 176 | (154) | 229 | 174 | (155) |
| Realized and unrealized profits (losses) from fair value adjustment of shares for trading, net (g) | 10 | 137 | 1 | 4 | 132 | (9) |
| Dividend from shares held for trading | 2 | 3 | - | 2 | 3 | - |
| Total from investment in shares (h) | 252 | 323 | (138) | 230 | 316 | (162) |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Excluding effective component of hedging relationships.

(c) Derivative instruments which constitute part of the Bank's assets and liability management system and were not designated for hedging relationships.

(d) Including provision for impairment of NIS 0 million, (2011 - NIS 3 million, 2010 - NIS 0 million).

(e) Including exchange rate differences resulting from trading activity.

(f) Of which part of the profits (losses) of NIS 192 million (2011 and 2010 - NIS (36) million and NIS (19) million, respectively), relating to bonds held for trading still held as of balance sheet date.

(g) Of which part of the profits (losses) of NIS 12 million (2011 and 2010 - NIS (1) million and NIS (11) million, respectively), relating to shares held for trading still held as of balance sheet date.

(h) For interest income from investment in bonds held for trading, see Note 20.

Note 22 - Commissions

| | Consolidated | | | Bank | | |
|---|----------------|---------|---------|----------------|---------|---------|
| | 2012 | 2011(a) | 2010(a) | 2012 | 2011(a) | 2010(a) |
| | (NIS millions) | | | (NIS millions) | | |
| Ledger fees (d) | 868 | 837 | 847 | 625 | 621 | 631 |
| Conversion differences | 298 | 287 | 293 | 289 | 285 | 292 |
| Handling of credit | 358 | 368 | 337 | 304 | 314 | 290 |
| Commissions for distribution of financial products (b) | 185 | 197 | 188 | 135 | 146 | 130 |
| Foreign trade activities | 129 | 126 | 127 | 124 | 122 | 122 |
| Income from transactions in securities and certain derivative instruments | 835 | 793 | 872 | 604 | 630 | 693 |
| Credit cards | 864 | 856 | 818 | 176 | 181 | 185 |
| Management fees and commission on life insurance and home insurance | 42 | 41 | 49 | 42 | 41 | 49 |
| Net income from servicing credit portfolios | 37 | 41 | 45 | 6 | 7 | 7 |
| Management, operations, and custody for institutional entities (c) | 51 | 53 | 55 | - | - | - |
| Commissions on financing transactions | 425 | 414 | 390 | 375 | 358 | 322 |
| Other commissions | 107 | 103 | 108 | 89 | 86 | 91 |
| Total operating commissions | 4,199 | 4,116 | 4,129 | 2,769 | 2,791 | 2,812 |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Mainly distribution fees of mutual funds.

(c) Mainly operations of provident funds.

(d) Reclassified

Note 23 - Other Income

| | Consolidated | | | Bank | | |
|--|----------------|---------|---------|----------------|---------|---------|
| | 2012 | 2011(a) | 2010(a) | 2012 | 2011(a) | 2010(a) |
| | (NIS millions) | | | (NIS millions) | | |
| Profit from the realization of assets received for settlement of loans | 1 | 2 | 1 | 1 | 2 | 1 |
| Profits from severance pay funds | 95 | - | 70 | 92 | - | 68 |
| Capital gain from sale of buildings and equipment | 6 | 2 | 6 | 4 | 2 | 9 |
| Capital loss from sale of buildings and equipment | (4) | - | - | (2) | - | - |
| Other, net (b) | 33 | 44 | 86 | 15 | 30 | 35 |
| Total other income | 131 | 48 | 163 | 110 | 34 | 113 |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Reclassified

Note 24 - Salaries and Related Expenses

| | Consolidated | | | Bank | | |
|--|----------------|---------|---------|----------------|---------|---------|
| | 2012 | 2011(a) | 2010(a) | 2012 | 2011(a) | 2010(a) |
| | (NIS millions) | | | (NIS millions) | | |
| Salaries | 3,025 | 2,949 | 2,945 | 2,156 | 2,136 | 2,174 |
| Early retirement (b) | 323 | - | - | 323 | - | - |
| Severance pay, provident fund, training fund, pension, vacation and long service bonus | 729 | 682 | 652 | 587 | 562 | 558 |
| Expense (income) deriving from share-based payment transactions | - | 13 | (24) | - | 13 | (23) |
| National Insurance and VAT on salaries | 655 | 618 | 621 | 561 | 536 | 537 |
| Other related expenses | 217 | 199 | 188 | 127 | 117 | 109 |
| Adjustment of provisions for related expenses as a result of changes in salaries in the current year | 341 | 600 | 4,686 | 350 | 557 | 301 |
| Total salaries and related expenses | 5,290 | 5,061 | 9,068 | 4,104 | 3,921 | 3,656 |
| Of which: salaries and related expenses abroad | 642 | 590 | 519 | 3 | 4 | 4 |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Expenses related to early retirement of employees as part of the plan for structural change in the Bank.

Note 25 - Other Expenses

| | Consolidated | | | Bank | | |
|--|----------------|-------|-------|----------------|------|------|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| | (NIS millions) | | | (NIS millions) | | |
| Marketing and advertising | 267 | 283 | 260 | 108 | 122 | 114 |
| Legal, audit and professional consultants | 321 | 377 | 324 | 208 | 263 | 196 |
| Communications - postage, telephone, delivery services, etc. | 171 | 161 | 157 | 111 | 108 | 107 |
| Computers (a) | 240 | 222 | 218 | 74 | 90 | 93 |
| Office expenses | 79 | 84 | 82 | 48 | 54 | 52 |
| Insurance | 21 | 20 | 22 | 16 | 22 | 16 |
| Training | 19 | 27 | 27 | 11 | 21 | 20 |
| Commissions | 162 | 136 | 122 | 77 | 80 | 66 |
| Loss in respect of assets received in settlement of loans | 12 | 14 | 16 | 11 | 11 | 5 |
| Other (b) | (c) 676 | 250 | 376 | (c) 606 | 193 | 281 |
| Total other expenses | 1,968 | 1,574 | 1,604 | 1,270 | 964 | 950 |

(a) Reclassified pursuant to the first-time implementation of the directives of the Supervisor of Banks on the format of the statement of profit and loss for a banking corporation.

(b) Regarding directors' fees of the Bank included in this item, see Note 19.D.

(c) Including expenses in respect of US customers, about NIS 400 million.

Note 26 - Provision for Taxes on Operating Profit

A. Composition

| | 2012 | 2011 | 2010 |
|--|----------------|-------|-------|
| | (NIS millions) | | |
| Current taxes - | | | |
| In respect of current year | 1,020 | 405 | 906 |
| In respect of prior years | 45 | 45 | 55 |
| Total current taxes | 1,065 | 450 | 961 |
| Total deferred taxes | (635) | (252) | (100) |
| Provision for taxes on income | 430 | 198 | 861 |
| Deferred tax | | | |
| Creation and reversal of temporary differences | (589) | 50 | (133) |
| Change in tax rate | (46) | (302) | 33 |
| Total deferred taxes | (635) | (252) | (100) |

B. Reconciliation between the theoretical tax on the operating profit at the statutory tax rate applying to the Bank in Israel, and the adjusted provision for taxes on operating profit appearing in the statement of profit and loss:

| | 2012 | 2011 | 2010 |
|--|--------------|--------|--------|
| Statutory tax rate applying to a banking corporation | 35.53% | 34.48% | 35.34% |
| | NIS millions | | |
| Tax at the statutory tax rate (a) | 270 | 398 | 809 |
| Tax (tax saving) resulting from: | | | |
| General and supplementary provisions for doubtful debts | - | - | (18) |
| Other non-deductible expenses | 123 | 27 | 28 |
| Income of foreign consolidated companies | 8 | 21 | 3 |
| Income of Israeli consolidated companies | (8) | (10) | (9) |
| Depreciation adjustment differences | 9 | 15 | (4) |
| Tax exempt and at preferred rates | (6) | (6) | (12) |
| Timing differences for which deferred taxes have not been recorded | - | 1 | (26) |
| Change in deferred taxes due to change in tax rates (a) | (46) | (302) | 33 |
| Taxes in respect of prior years (a) | 45 | 45 | 55 |
| Other | 35 | 9 | 2 |
| Provision for taxes on operating profit | 430 | 198 | 861 |

See the annual financial report for the consolidated note.

Note 26 - Provision for Taxes on Operating Profit (cont'd)

G. Components of deferred tax assets and deferred tax liabilities are as follows:

| | 31 December 2012 | 31 December 2011 | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|-----------------------------|------------------|
| | (NIS millions) | | Average tax rate in percent | |
| Deferred tax assets | | | | |
| From allowance for credit losses | 862 | 686 | 36% | 35% |
| From provision for unutilized vacations and long service bonuses | 311 | 290 | 36% | 35% |
| From excess of provision for severance pay and pension over funds allocated | 1,494 | 1,259 | 36% | 35% |
| From interest not credited to current income | 38 | - | 36% | 0% |
| From tax deductions carried forward | 39 | 23 | 43% | 25% |
| From activity abroad | 3 | - | 36% | 0% |
| From adjustment of depreciable non-monetary assets | - | - | 0% | 0% |
| Other – from non-monetary assets | 25 | 16 | 15% | 12% |
| Total | 2,772 | 2,274 | | |
| Deferred tax reserve | | | | |
| From excess of provision for severance pay and pension over funds allocated | - | - | 0% | 0% |
| From securities | (121) | (97) | 37% | 36% |
| From investments in investee companies | (191) | (168) | 15% | 10% |
| From adjustment of depreciable non-monetary assets | (275) | (206) | 35% | 31% |
| Other – from monetary assets | - | - | 0% | 0% |
| Other – from non-monetary assets | (10) | (13) | 13% | 17% |
| Total | (597) | (484) | | |
| Deferred taxes receivable, net | 2,175 | 1,790 | | |
| Deferred taxes included: (a) | | | | |
| "In "Other assets | 2,273 | 1,870 | | |
| "In "Other liabilities | (98) | (80) | | |
| Deferred tax assets, net | 2,175 | 1,790 | | |

Note 26 - Provision for Taxes on Operating Profit (cont'd)

B. Movement in deferred tax assets and liabilities relating to the following items:

For the period ended 31 December 2012

| | Allowance for credit losses | Provision for vacation and bonuses | Surplus of funds over reserve for severance pay and pension | Interest not charged to annual income |
|---|--------------------------------|--|--|---|
| | (NIS millions) | | | |
| Balance of deferred tax asset (liability) at 1 January 2012 | 686 | 290 | 1,260 | - |
| Changes charged to profit and loss | 160 | 15 | 204 | 38 |
| Changes charged to equity | - | - | - | - |
| Effect of the change in the rate of tax | 16 | 6 | 30 | - |
| Balance of deferred tax asset (liability) at 31 December 2012 | 862 | 311 | 1,494 | 38 |
| Deferred tax asset | 862 | 311 | 1,494 | 38 |
| Balances available for offsetting | - | - | - | - |
| Deferred tax asset at 31 December 2012 | 862 | 311 | 1,494 | 38 |
| Deferred tax liability | - | - | - | - |
| Balances available for offsetting | - | - | - | - |
| Deferred tax liability at 31 December 2012 | - | - | - | - |

For the period ended 31 December 2011

| | Allowance for credit losses | Provision for vacation and bonuses | Surplus of funds over reserve for severance pay and pension | Interest not charged to annual income |
|---|--------------------------------|--|--|---|
| | (NIS millions) | | | |
| Balance of deferred tax asset (liability) at 1 January 2011 | 57 | 238 | 917 | - |
| Changes charged to profit and loss | 73 | 13 | 166 | - |
| Changes charged to equity | 453 | - | - | - |
| Effect of the change in the rate of tax | 103 | 39 | 176 | - |
| Balance of deferred tax asset (liability) at 31 December 2011 | 686 | 290 | 1,259 | - |
| Deferred tax asset | 686 | 290 | 1,259 | - |
| Balances available for offsetting | - | - | - | - |
| Deferred tax asset at 31 December 2011 | - | - | - | - |
| Deferred tax liability | - | - | - | - |
| Balances available for offsetting | - | - | - | - |
| Deferred tax liability at 31 December 2011 | - | - | - | - |

Note 26 - Provision for Taxes on Operating Profit (cont'd)

| Deductions carried forward for tax purposes | Foreign operation | Securities | Investments in investee companies | Adjustment of depreciable non-monetary assets | Other monetary items | Other non-monetary items | Total |
|---|-------------------|------------|-----------------------------------|---|----------------------|--------------------------|-------|
| 23 | - | (97) | (168) | (206) | - | 2 | 1,790 |
| 16 | 3 | 317 | (9) | (28) | (21) | 13 | 708 |
| - | - | (335) | - | (12) | 21 | - | (326) |
| - | - | (6) | (14) | - | - | - | 32 |
| - | - | - | - | (29) | - | - | (29) |
| 39 | 3 | (121) | (191) | (275) | - | 15 | 2,175 |
| 39 | 3 | - | - | - | - | 25 | 2,772 |
| - | - | - | - | - | - | - | (499) |
| | | | | | | | 2,273 |
| - | - | (121) | (191) | (275) | - | (10) | (597) |
| - | - | - | - | - | - | - | (499) |
| | | | | | | | (98) |

| Deductions carried forward for tax purposes | Foreign operation | Securities | Investments in investee companies | Adjustment of depreciable non-monetary assets | Other monetary items | Other non-monetary items | Total |
|---|-------------------|------------|-----------------------------------|---|----------------------|--------------------------|-------|
| 16 | 7 | (173) | (162) | (144) | - | 14 | 770 |
| 7 | (7) | (249) | (6) | (62) | - | 4 | (60) |
| - | - | 325 | - | - | - | - | 778 |
| - | - | - | - | - | - | (15) | 302 |
| 23 | - | (97) | (168) | (206) | - | 3 | 1,790 |
| 23 | - | - | - | - | - | 16 | 2,274 |
| | | | | | | | (404) |
| | | | | | | | 1,870 |
| - | - | (97) | (168) | (206) | - | (13) | (484) |
| | | | | | | | (404) |
| | | | | | | | (80) |

Note 28 - Earmarked Deposits, Credit and Deposits from Earmarked Deposits

| | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| | (NIS millions) | |
| Credit and deposits from earmarked deposits | | |
| Total credit to the public | 158 | 220 |
| Earmarked deposits | | |
| Deposits of the public | 6 | 8 |
| Deposits from banks | 13 | 24 |
| Deposits from the Government | 173 | 278 |
| Total | 192 | 310 |