

Bank Leumi le-Israel B.M.

**Additional Information to the
Annual Consolidated Reports**

2016

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Note 2 - Interest Income and Expenses

	Bank		
	2016	2015	2014
	(NIS millions)		
A. Interest Income (a)			
Credit to the public	7,532	6,744	7,589
Credit to governments	18	15	18
Deposits with banks	83	73	87
Deposits with Bank of Israel and cash	36	35	136
Interest income from securities borrowed or purchased under agreements to resell	3	3	11
Bonds (b)	627	443	667
Total Interest Income	8,299	7,313	8,508
B. Interest Expenses(a)			
Deposits of the public	(1,103)	(795)	(2,158)
Deposits from governments	(4)	(4)	(5)
Deposits from banks	(7)	(48)	(91)
Debentures, bonds and subordinated notes	(781)	(699)	(283)
Interest expense from securities loaned or sold under agreements to repurchase	(3)	(3)	(9)
Total Interest Expenses	(1,898)	(1,549)	(2,546)
Total included in interest income	6,401	5,764	5,962
C. Details of the net effect of hedging derivative financial instruments on interest income and expenses (c)			
Interest income	(42)	(46)	(45)
D. Details of interest income on accrual basis from bonds			
Held to maturity	32	38	52
Available for sale	536	322	509
Held for trading	59	83	106
Total included in interest income	627	443	667

(a) Including effective component of hedge relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 121 million (2015 - NIS 130 million, 2014 - NIS 50 million).

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

Note 3 - Non-Interest Financing Income

	Bank		
	2016	2015	2014
	(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 (a)	-	-	10
Net Income (expenses) in respect of ALM derivative instruments (b)	(241)	(233)	1,814
Total from activities in derivative instruments	(241)	(233)	1,824
A.2 From investment in bonds			
Gains on sale of debentures available for sale	385	176	196
Losses on sale of debentures available for sale(j)	(30)	(20)	(3)
Total from investment in debentures	355	156	193
A.3 Exchange rate differentials ,net	886	359	(2,303)
A.4 Gains (losses) on investment in shares			
Gains from sale of shares available for sale (i)	453	474	204
Losses from sale of shares available for sale (c)	(55)	(385)	(21)
Gain from sale of shares in companies included on equity basis	-	522	-
losses from sale of shares in investee companies	(17)	-	-
Dividend from shares available for sale	5	166	6
Total from investment in shares	386	777	189
A.5 Net profits in respect of loans sold (h)	44	11	28
Total non-interest financing income in respect of activities not for trading purposes	1,430	1,070	(69)
B. Non-interest financing income from activities for trading purposes (d)			
Net income (expenses) in respect of other derivative instruments	-	(1)	-
Realized and unrealized profits (losses) from fair value adjustment of bonds for trading, net (e)	(84)	67	423
Realized and unrealized profits (losses) from fair value adjustment of shares for trading, net (f)	(32)	(2)	30
Total non-interest financing income in respect of activities for trading purposes (g)	(116)	64	453
Total income from Non-Interest Financing	1,314	1,134	384

(a) Excluding effective component of hedging relationships.

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

(c) Including provisions for impairment relating to bonds available for sale in the amount of NIS 6 million (2015 – NIS 283 million, 2014 – NIS 12 million).

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

(e) Of which part of the profits (losses) of NIS 8 million (2015 - NIS (36) million, 2014 - NIS 33) relating to bonds held for trading still held as of balance sheet date.

(f) Of which part of the profits (losses) 2015 and 2014 - NIS (62) million and NIS 58 million, respectively, relating to shares held for trading still held as of balance sheet date.

(g) For interest income from investment in bonds held for trading, see Note 2.

(h) in respect of loans sold in amount of NIS 2,529 million (2015 - NIS 291 million 2014 - 344 million).

(i) including profit from sale of the Israel Corporation in the amount of NIS 87 million in 2016 and os Visa of NIS 343 million, of the Israel Corporation in the amount of NIS 289 in 2015 and of Tower in the amount of NIS 150 million in 2014.

(j) including provisions for impairment in amount of NIS 3 million (2015 - NIS 1 million, 2014 - NIS 1 million)

Note 4 - Commissions

	Bank		
	2016	2015	2014
	(NIS millions)		
Ledger fees	632	596	615
Conversion differences	320	316	311
Handling of credit	172	187	181
Commissions for distribution of financial products (a)	224	244	243
Foreign trade activities	127	119	112
Income from transactions in securities and certain derivative instruments	512	560	590
Credit cards	255	216	204
Management fees and commission on life insurance and home insurance	47	48	42
Net income from servicing credit portfolios	16	22	30
Commissions on financing transactions	504	503	442
Other commissions	90	89	80
Total operating commissions	2,899	2,900	2,850

(a) Mainly distribution fees of mutual funds.

Note 5 - Other Income

	Bank		
	2016	2015	2014
	(NIS millions)		
Profit from the realization of assets received for settlement of loans	1	-	1
Income from mutual funds	27	35	38
Capital gain from sale of buildings and equipment	87	126	85
Capital loss from sale of buildings and equipment	(2)	(2)	(1)
Other, net	8	55	16
Total other income	121	214	139

Note 6 - Salaries and Related Expenses

	Bank		
	2016	2015	2014
	(NIS millions)		
Salaries	2,785	2,829 ^(c)	2,385 ^(c)
Expenses deriving from share-based payment transactions	10	10	-
Severance pay, provident fund, training fund, pension, vacation and long service benefits	237	250	232
Long-term - Jubilee benefits	(90)	(358)	82
National Insurance and VAT on salaries	710	724	636
Special benefits in respect of dismissal (a)(b)	-	-	48
Defined benefit	787	722	702
Defined deposit	116	99	87
Other post-employment benefits and non-pension post retirement benefits (a)	11	121	15
Total salaries and related expenses	4,566	4,397	4,187
Of which: salaries and related expenses abroad	-	-	2

(a) See Note 23 on Employee Rights.

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

(c) Restated.

Note 7 - Other Expenses

	Bank		
	2016	2015	2014
	(NIS millions)		
Marketing and advertising	148	133	138
Legal, audit and professional consultants	205	182 ^(d)	167 ^(d)
Communications - postage, telephone, delivery services, etc.	118	112	112
Computers (a)	34	16 ^(d)	2 ^(d)
Office expenses	40	44	52
Insurance	107	23	20
Training	19	14	14
Commissions	117	107	107
Loss in respect of assets received in settlement of loans	-	1	3
Other (b) (c)	89	310	408
Total other expenses	877	942	1,023

(a) The item includes outsourcing expenses and does not include the Bank's computer expenses as the Operations Division is a part of the Bank and its expenses are recorded and classified under the various expense headings

(b) Regarding directors' fees of the Bank included in this item, see Note 34.C.

(c) Including expenses (income) in respect of the investigation by US authorities, of about NIS (205) million (2015 - NIS 46 million, 2014 - NIS 256 million)

(d) Restated.

Note 8 - Provision for Taxes on Operating Profit - Bank

A. Composition

	2016	2015	2014
	(NIS millions)		
Current taxes:			
In respect of current year	1,461	1,471	1,259
In respect of prior years	49	9	(54)
Total current taxes	1,510	1,480	1,205
Add (deduct) changes in deferred taxes:			
In respect of current year	(379)	(354)	(118)
In respect of prior years	299	49	-
Total deferred taxes	(80)	(305)	(118)
Provision for taxes on income	1,430	1,175	1,087
Deferred tax:			
Creation and reversal of temporary differences	(379)	(354)	(118)
Change in tax rate	299	49	-
Total deferred taxes	(80)	(305)	(118)

B. Reconciliation between the theoretical amount of tax applicable if the profit were liable for tax at the statutory rate of tax in Israel, and the provision for taxes on the profit appearing in the statement of profit and loss:

	2016	2015	2014
Statutory tax rate applying to a banking corporation	35.90%	37.58%	37.71%
	NIS millions		
Tax at the statutory tax rate	1,450	1,199	992
Tax (tax saving) resulting from:			
Other non-deductible expenses	30	29	166
Income of foreign consolidated companies	-	2	1
Income of Israeli consolidated companies	(5)	-	(14)
Depreciation adjustment differences	(46)	(109)	(6)
Tax exempt and at preferred rates	(101)	(18)	(38)
Timing differences for which deferred taxes have not been recorded	(300)	(27)	-
Change in deferred taxes due to change in tax rates	299	49	-
Taxes in respect of prior years	49	9	(54)
Other	54	41	40
Provision for taxes on operating profit	1,430	1,175	1,087

See the annual financial report for the consolidated note.

Note 8 - Provision for Taxes on Operating Profit - Bank (cont'd)

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

	31 December 2016 (NIS millions)	31 December 2015	31 December 2016 Average tax rate in percent	31 December 2015
Deferred tax assets				
From allowance for credit losses	1,171	1,125	34%	37%
From provision for unutilized vacations and long service bonuses	363	262	34%	37%
From excess of provision for severance pay and pension over funds allocated	3,159	2,886	34%	37%
From interest not credited to current income	4	8	34%	37%
From activity abroad	5	4	36%	37%
From Adjustments of depreciable non-monetary Assets	5	-	34%	0%
Other – from non-monetary assets	43	54	17%	20%
Total	4,750	4,339		
Deferred tax reserve				
From tax deductions carried forward	(3)	-	34%	0%
From securities	-	(50)	0%	43%
From investments in investee companies	(16)	(14)	11%	11%
From the adjustment of depreciable non-monetary assets	(75)	(113)	23%	30%
Other – from non-monetary assets	(9)	(11)	17%	17%
Total	(103)	(188)		
Deferred taxes receivable, net	4,647	4,151		
Deferred taxes included:				
In "Other assets"	4,728	4,249		
In "Other liabilities"	(81)	(98)		
Deferred tax assets, net	4,647	4,151		

Note 8 - Provision for Taxes on Operating Profit (cont'd)

G.2. Movement in deferred tax assets and liabilities relating to the following items:

For the period ended 31 December 2016

	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 2016	1,125	262	2,886	8
Changes charged to profit and loss	142	128	202	(4)
Changes charged to equity	-	-	325	-
Effect of the change in the rate of tax	(96)	(27)	(174)	-
Effect of the change in the rate of tax on Equity	-	-	(80)	-
Balance of deferred tax asset (liability) at 31 December 2016	1,171	363	3,159	4
Deferred tax asset	1,171	363	3,159	4
Balances available for offsetting	-	-	-	-
Deferred tax asset at 31 December 2016	-	-	-	-
Deferred tax liability	-	-	-	-
Balances available for offsetting	-	-	-	-
Deferred tax liability at 31 December 2016	-	-	-	-

For the period ended 31 December 2015

	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
Reported amounts				
(NIS millions)				
Balance of deferred tax asset (liability) at 1 January 2015	1,054	377	2,837	21
Changes charged to profit and loss	87	(111)	288	(13)
Changes charged to equity	-	-	(199)	-
Effect of the change in the rate of tax charged to profit and loss	(16)	(4)	(28)	-
Effect of the change in the rate of tax charged to equity	-	-	(12)	-
Balance of deferred tax asset (liability) at 31 December 2015	1,125	262	2,886	8
Deferred tax asset	1,125	262	2,886	8
Balances available for offsetting	-	-	-	-
Deferred tax asset at 31 December 2015	-	-	-	-
Deferred tax liability	-	-	-	-
Balances available for offsetting	-	-	-	-
Deferred tax liability at 31 December 2015	-	-	-	-

Note 8 - 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 non-monetary items	Total
-	4	(50)	(14)	(113)	43	4,151
(3)	1	(120)	(1)	43	(9)	379
-	-	168	-	-	-	493
-	-	(2)	-	-	-	(299)
-	-	4	(1)	-	-	(77)
(3)	5	-	(16)	(70)	34	4,647
-	5	-	-	5	43	4,750
-	-	-	-	-	-	(22)
-	-	-	-	-	-	4,728
(3)	-	-	(16)	(75)	(9)	(103)
-	-	-	-	-	-	(22)
						(81)

Deductions carried forward for tax purposes	Foreign operation	Securities	Investments in investee companies	Adjustment of depreciable non-monetary assets	Other non-monetary items	Total
2	6	-	(181)	(51)	28	4,093
(2)	(2)	(36)	167	(62)	15	331
-	-	(13)	-	-	-	(212)
-	-	(1)	-	-	-	(49)
-	-	-	-	-	-	(12)
-	4	(50)	(14)	(113)	43	4,151
-	4	-	-	-	54	4,339
						(90)
						4,249
-	-	(50)	(14)	(113)	(11)	(188)
						(90)
						(98)

Note 11 - Cash and Deposits with Banks - Bank

	31 December 2016	31 December 2015
	NIS millions	
Cash and deposits with central banks	63,341	49,975
Deposits with commercial banks (a)	10,035	8,953
Total (b)	73,376	58,928
Including: cash and deposits with central and commercial banks for original periods not exceeding three months	70,454	55,943

(a) Net of the allowance for credit losses.

(b) Of which pledged cash in the amount of NIS 810 million (31 December 2015 – NIS 850 million).

See the annual financial report for the consolidated note.

Note 12 - Securities - Bank

	31 December 2016					31 December 2015				
	Amount in balance sheet	Amortized cost (In shares cost)	Accumulated other comprehensive income (loss)		Fair value (a)	Amount in balance sheet	Amortized cost (In shares cost)	Accumulated other comprehensive income (loss)		Fair value (a)
	NIS millions		profits	losses				profits	losses	
1. Securities available for sale:	NIS millions									
Debt securities and bonds -										
The Government of Israel	34,860	34,832	128	(100)	34,860	28,156	27,967	195	(6)	28,156
Foreign governments	10,820	10,864	8	(52)	10,820	7,210	7,208	5	(3)	7,210
Israel's financial institutions	23	22	1	-	23	35	33	2	-	35
Foreign financial institutions	7,400	7,387	27	(14)	7,400	6,104	6,092	30	(18)	6,104
Asset-backed (ABS) or Mortgage-backed securities (MBS)	5,540	5,595	13	(68)	5,540	6,463	6,496	20	(53)	6,463
Others in Israel	296	280	16	-	296	585	561	25	(1)	585
Others abroad	1,882	1,892	13	(23)	1,882	1,415	1,420	12	(17)	1,415
	60,821	60,872	206	(257)	60,821	49,968	49,777	289	(98)	49,968
Shares of Others companies and mutual funds (b)	1,040	958	97	(15)	1,040	1,736	1,596	154	(14)	1,736
Total securities available for sale	61,861	61,830	303 (c)	(272) (c)	61,861	51,704	51,373	443 (c)	(112) (c)	51,704
	NIS millions									
2. Securities held for trading:										
Debt securities and bonds -										
The Government of Israel	5,088	5,083	12	(7)	5,088	6,663	6,656	17	(10)	6,663
Foreign governments	2,334	2,333	1	-	2,334	3,057	3,086	-	(29)	3,057
Israel's financial institutions	159	159	-	-	159	238	238	1	(1)	238
Foreign financial institutions	103	104	-	(1)	103	141	142	-	(1)	141
Asset-backed (ABS) or Mortgage-backed securities (MBS)	279	280	2	(3)	279	751	754	4	(7)	751
Others in Israel	131	129	2	-	131	152	150	2	-	152
Others abroad	270	268	4	(2)	270	305	311	1	(7)	305
	8,364	8,356	21	(13)	8,364	11,307	11,337	25	(55)	11,307
Shares	1	1	-	-	1	609	679	10	(80)	609
Total securities held for trading	8,365	8,357	21 (d)	(13) (d)	8,365	11,916	12,016	35 (d)	(135) (d)	11,916
Total securities	70,226	70,187	324	(285)	70,226	63,620	63,389	478	(247)	63,620

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

(b) Including NIS 189 million with respect to shares which have no readily available fair value, which are presented at cost (31 December 2015 - NIS 138 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.

Securities lent amounting to NIS 324 million (31 December 2015- NIS 111 million) are shown under Credit to the Public.

See the annual financial report for the consolidated note.

Note 12 - Securities - Bank (cont'd)

31 December 2016					
	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	228	234	-	(5)	228
Securities issued by FNMA and FHLMC	673	693	-	(20)	673
Other securities	728	744	-	(15)	728
Total	1,629	1,671	-	(40)	1,629
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	2,148	2,173	-	(25)	2,148
Other mortgage-backed securities	338	337	1	(1)	338
Total	2,486	2,510	1	(26)	2,486
Asset-backed securities (ABS)					
CLO debentures	1,425	1,413	12	-	1,425
Total	1,425	1,413	12	-	1,425
Total asset-backed bonds available for sale	5,540	5,594	13	(66)	5,540

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

Note 12 - Securities - Bank (cont'd)

	31 December 2015				
	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 issued by FNMA and FHLMC	998	1,014	-	(16)	998
Other securities	790	796	-	(6)	790
Total	1,788	1,810	-	(22)	1,788
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	2,372	2,384	2	(15)	2,372
Other mortgage-backed securities	304	305	1	(1)	304
Total	2,676	2,689	3	(16)	2,676
Asset-backed securities (ABS)					
CLO debentures	1,999	1,998	17	(16)	1,999
Total	1,999	1,998	17	(16)	1,999
Total asset-backed bonds available for sale	6,463	6,497	20	(54)	6,463

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

Note 12 - Securities - Bank (cont'd)

	31 December 2016				
	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					
Securities issued by FNMA and FHLMC	6	6	-	-	6
Total	6	6	-	-	6
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Other mortgage-backed securities	85	85	-	-	85
Total	85	85	-	-	85
Asset-backed securities (ABS)					
Credit for purchase of vehicles	51	51	-	-	51
Other credit to private persons	12	12	-	-	12
Others	113	114	1	(2)	113
Total	188	189	1	(2)	188
Total asset-backed securities for trading	279	280	1	(2)	279

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

Note 12 - Securities - Bank (cont'd)

	31 December 2015				
	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	8	8	-	-	8
Total	8	8	-	-	8
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	408	410	1	(3)	408
Other mortgage-backed securities	93	93	1	-	93
Total	501	503	2	(3)	501
Asset-backed securities (ABS)					
Credit card debtors	12	12	-	-	12
Lines of credit for any purpose secured by dwelling	1	1	-	-	1
Credit for purchase of vehicles	67	68	-	(1)	67
Other credit to private persons	14	14	-	-	14
Others	148	148	2	(2)	148
Total	242	243	2	(3)	242
Total asset-backed securities for trading	751	754	4	(6)	751

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

Note 12 - Securities - Bank (cont'd)

31 December 2016						
	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)	1,630	(40)	-	-	1,630	(40)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	2,205	(28)	-	-	2,205	(28)
Asset-backed securities (ABS)	447	-	-	-	447	-
Total	4,282	(68)	-	-	4,282	(68)

31 December 2015						
	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						
Mortgage-backed securities (MBS)	1,749	(22)	-	-	1,749	(22)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	2,003	(15)	-	-	2,003	(15)
Asset-backed securities (ABS)	1,682	(16)	-	-	1,682	(16)
Total	5,434	(53)	-	-	5,434	(53)

Note 12 - Securities - Bank (cont'd)

	31 December 2016									
	Less than 12 months					More than 12 months				
	Fair value	Unrealized	losses			Fair value	Unrealized	losses		
		0-20%	20-35%	More than 35%	Total		0-20%	20-35%	More than 35%	Total
NIS millions										
bonds										
The Government of Israel	24,523	(100)	-	-	(100)	-	-	-	-	
Foreign governments	4,914	(52)	-	-	(52)	-	-	-	-	
Foreign financial institutions	4,766	(14)	-	-	(14)	-	-	-	-	
backed securities (ABS) or	447	-	-	-	-	-	-	-	-	
backed securities (MBS)	3,835	(68)	-	-	(68)	-	-	-	-	
Others in Israel	3	-	-	-	-	-	-	-	-	
Others abroad	1,018	(23)	-	-	(23)	-	-	-	-	
Shares	35	(3)	-	-	(3)	172	(12)	-	(12)	
Total securities available for sale	39,541	(260)	-	-	(260)	172	(12)	-	(12)	

	31 December 2015									
	Less than 12 months					More than 12 months				
	Fair value	Unrealized	losses			Fair value	Unrealized	losses		
		0-20%	20-35%	More than 35%	Total		0-20%	20-35%	More than 35%	Total
NIS millions										
bonds										
The Government of Israel	14,969	(6)	-	-	(6)	-	-	-	-	
Foreign governments	5,062	(3)	-	-	(3)	-	-	-	-	
Foreign financial institutions	3,837	(18)	-	-	(18)	-	-	-	-	
backed securities (ABS) or	1,682	(16)	-	-	(16)	-	-	-	-	
backed securities (MBS)	3,752	(37)	-	-	(37)	-	-	-	-	
Others in Israel	126	(1)	-	-	(1)	-	-	-	-	
Others abroad	653	(8)	(9)	-	(17)	-	-	-	-	
Shares	135	(8)	-	-	(8)	91	(6)	-	(6)	
Total securities available for sale	30,216	(97)	(9)	-	(106)	91	(6)	-	(6)	

Note 13 - Credit to the Public - Bank

A. Additional information on the method of calculating the credit loss allowance in respect of debts^(a) and on debts^(a) on which it was calculated:

31 December 2016						
Allowance for credit losses						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
	(NIS millions)					
Recorded debt balance of debts (a):						
Examined on an individual basis	111,832	-	487	112,318	10,678	122,996
Examined on a collective basis	11,732	78,656	31,274	121,662	-	121,662
Of which: the allowance was calculated by extent of arrears	(c) 909	(b) 78,656	-	79,564	-	79,564
Total debts (a)	123,564	78,656	31,761	233,981	10,678	244,658
Credit loss allowance by debts (a):						
Examined on an individual basis	1,717	-	208	1,925	1	1,926
Examined on a collective basis	167	462	487	1,116	-	1,116
Of which: the allowance was calculated by extent of arrears	-	462	-	462	-	462
Total Credit loss allowance	1,884	462	695	3,041	1	3,042
Of which: in respect of impaired debts	474	-	2	476	-	476

31 December 2015						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
	(NIS millions)					
Recorded debt balance of debts (a):						
Examined on an individual basis	109,846	-	826	110,672	9,409	120,081
Examined on a collective basis	14,680	80,616	27,555	122,851	-	122,851
Of which the allowance was calculated by extent of arrears	1,014 (c)	(b) 80,616	-	81,630	-	81,630
Total debts (a)	124,526	80,616	28,381	233,523	9,409	242,932
Credit loss allowance by debts (a):						
Examined on an individual basis	1,884	-	39 (d)	1,923	3	1,926
Examined on a collective basis	171 (d)	497	466	1,134	-	1,134
Of which the allowance was calculated by extent of arrears	1	217	-	218	-	218
Total Credit loss allowance	2,055	497	505	3,057	3	3,060
Of which: in respect of impaired debts	542 (d)	-	23 (d)	565	-	565

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

(b) 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 274 million (2015 - 280 million)

(c) Including housing loans granted to purchasing groups under construction in the amount of NIS 909 million (2015 - 1,014 million).

(d) Restated

Note 13 - Credit to the Public - Bank

B. Debts* and off-balance sheet credit instruments

1. Change in balance of credit loss allowance

31 December 2016						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
	(NIS millions)					
Balance of credit loss allowance at beginning of year	2,530	497	562	3,589	3	3,592
Expenses in respect of credit losses	(570)	(10)	422	(159)	(1)	(160)
Accounting write-offs	(449)	(26)	(656)	(1,132)	0	(1,132)
Collection of debts written off in previous years	821	0	390	1,212	0	1,212
Net accounting write-offs	372	(26)	(266)	80	0	80
Balance of credit loss allowance at end of year	2,332	461	718	3,510	2	3,512
Of which in respect of off-balance sheet credit instruments	448	0	23	470	0	470

31 December 2015						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
	(NIS millions)					
Balance of credit loss allowance at beginning of year	2,635	493	456	3,584	4	3,588
Expenses in respect of credit losses	(146)	14	282	150	(1)	149
Accounting write-offs	(375)	(10)	(545)	(930)	-	(930)
Collection of debts written off in previous years	383	-	330	713	-	713
Net accounting write-offs	8	(10)	(215)	(217)	-	(217)
Balance of credit loss allowance at end of year	2,497	497	523	3,517	3	3,520
Of which in respect of off-balance sheet credit instruments	441	0	19	460	0	460

31 December 2014						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
	(NIS millions)					
Balance of credit loss allowance at beginning of year	2,610 ^(a)	480	296 ^(a)	3,386	2	3,388
Expenses (income) in respect of credit losses	(144)	20	315	191	2	193
Accounting write-offs	(287)	(7)	(489)	(783)	-	(783)
Collection of debts written off in previous years	456	-	334	790	-	790
Net accounting write-offs	169	(7)	(155)	7	-	7
Balance of credit loss allowance at end of year	2,635	493	456	3,584	4	3,588
Of which in respect of off-balance sheet credit instruments	441	0	29	470	0	470

(a) Restated

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

Note 14 - Credit to Governments - Bank

	31 December 2016	31 December 2015
	NIS millions	
Credit to the Government	206	262
Credit to foreign Governments	436	191
Total credit to Governments	642	453

See the annual financial report for the consolidated note

Note 15 - Investments in Subsidiaries and Affiliated Companies -Bank

Reported Amounts

	31 December 2016			31 December 2015		
	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)	139	9,891	10,030	132	10,554	10,686
Other investments:						
Convertible securities	-	1,357	1,357	-	1,853	1,853
Total other investments	-	1,357	1,357	-	1,853	1,853
Total investments	139	11,248	11,387	132	12,407	12,539
Including - Post-acquisition profits	128	4,538	4,666	121	4,889	5,010
Post-acquisition changes in shareholders' equity:						
Adjustments in respect of presentation						
of securities available for sale at fair value, net	-	(101)	(101)	-	(46)	(46)
Adjustments in respect of companies included on equity basis, net	30	(374)	(344)	30	(304)	(274)
Details regarding goodwill:						
Period of amortization	10-20 years			10-20 years		
Original amount, net	-	-	-	-	-	-
Unamortized balance	-	-	-	-	-	-
Details on book value and market value of quoted securities:						
Book value	119	-	119	-	-	-
Market value	205	-	205	-	-	-

B. Group's equity in profit of companies included on equity basis (in Bank - subsidiaries and affiliates)

	Bank		
	2016	2015	2014
	NIS millions		
Group's equity in operating profits of companies included on equity basis (Bank - affiliated companies)	184	864	(85)
Provision for deferred taxes	(1)	(44)	(45)
Group's equity in operating profits of companies included on equity basis (Bank-affiliated companies) net of tax effect	183	820	(130)

See the annual financial report for the consolidated note

Note 16 - Buildings and Equipment - Bank

	Buildings and real estate (a)	Equipment, furniture and motor vehicles	Software	Total
	NIS millions			
Cost				
As at 31 December 2015	2,818	2,730	3,542	9,090
Additions	22	514	38	574
Disposals	(104)	(66)	(196)	(366)
As at 31 December 2016	2,736	3,178	3,384	9,298
Accumulated Depreciation				
As at 31 December 2015	1,471	2,252	2,823	6,546
Current year provision	78	134	308	520
Merger of Leumi Mortgage Bank	(83)	(65)	(196)	(344)
As at 31 December 2016	1,466	2,321	2,935	6,722
Balance after depreciation as at 31 December 2016	1,270	857	449	2,576
Balance after depreciation as at 31 December 2015	1,347	478	719	2,544

See the annual financial report for the consolidated note.

(a) Including installations and leasehold improvements.

Note 18 - Other Assets - Bank

	31 December 2016	31 December 2015
	NIS millions	
Deferred tax asset, net - (see note 8.G)	4,728	4,249
Excess of plan funds over liabilities un respect on employee benefits	971	1,134
Assets transferred to ownership of the Group as a result of settlement of problem loans	5	4
Excess of advance tax payments over current provisions	21	34
Expenses to be amortized on issuance of debentures, bonds and subordinated notes	57	51
Accrued income	164	142
Prepaid expenses	177	130
Maof clearing house (a)	978	548 ^(b)
Other receivables and prepayments	105	57 ^(b)
Total other assets	7,206	6,349

(a) Shown at fair value.

(b) Reclassified.

Note 19 - Deposits of the Public - Bank

Types of deposits by location raised and type of depositor

	31 December 2016	31 December 2015
	NIS millions	
in Israel		
On demand		
Non-interest bearing	79,447	70,720
Interest bearing	98,068	79,782
Total on demand	177,515	150,502
*Fixed term	146,099	149,675
Total deposits in Israel **	323,614	300,177
*of which: non-interest bearing deposits	79,447	70,720
Outside israel		
On demand	-	-
Non-interest bearing	-	-
Interest bearing	-	-
Total on demand	-	-
*Fixed term	-	-
Total deposits outside israel	-	-
*of which: non-interest bearing deposits	-	-
Total deposits of the public	323,614	300,177
**of which:		
Deposits of private persons	143,576	132,011
Deposits of institutional entities	55,862	57,090
Deposits of corporations and others	124,176	111,076

Note 20 - Deposits from Banks - Bank

	31 December 2016	31 December 2015
	NIS millions	
in Israel		
commercial banks:		
Demand deposits	2,162	2,857
Time deposits	1,077	3,382
Acceptances	423	464
central banks:		
Demand deposits	-	-
Time deposits	-	-
Outside israel		
commercial banks:		
Demand deposits	-	-
Time deposits	-	-
Acceptances	-	-
central banks:		
Demand deposits	-	-
Time deposits	-	-
Acceptances	-	-
Total deposits from banks	3,662	6,703

Note 21 - Debentures, Bonds and Subordinated Notes - Bank

Bank				
	Average maturity (a)	Internal yield rate (b)	31 December	
	Years	%	2016	2015
NIS millions				
Debentures and bonds (c):				
In Israeli currency linked to the CPI	3.5	0.6	5,285	2,023
In Israeli currency Unlinked	6.5	3.0	1,159	1,159
Subordinated notes (c) (f) (g):				
In Israeli currency Unlinked	3.8 ^(d)	2.3	5,133	4,545
In Israeli currency linked to the CPI (e)	3.0 ^(d)	0.8	11,063	13,581
Total debentures, bonds and subordinated notes			22,640	21,308

(a) The average duration is the average of the payment periods, weighted according to the payment flow discounted at the internal rate of return.

(b) The internal rate of return is the rate of interest discounting the value of the anticipated future flow of payments to the balance sheet amount included in the financial statement.

(c) The unamortized balance of the discount less the premium on debentures and on subordinated notes not yet charged to profit and loss has been deducted from the amount of the debentures.

(d) The average duration as of the date of change in interest is based on a calculation of the effective average duration as calculated for purposes of the exposure to changes in interest rates. In unlinked subordinated notes it is 2.7 years, in those linked to the CPI it is 2.6 years.

(e) Of which: subordinated notes (unquoted) deemed Tier 2 capital in the amount of NIS 1,446 million (31 December 2015 – NIS 514 million) that in certain circumstances may be converted into shares. See Note 25A.A.

(f) Of which: listed for trading on the Tel Aviv Stock Exchange an amount of NIS 8,664 million linked to the CPI and an amount of NIS 5,084 million unlinked (31 December 2015 – NIS 10,915 million linked and NIS 4,499 million unlinked).

(g) Tier 2 capital pursuant to the Basel III transitional provisions.

Note 22 - Other Liabilities- Bank

	Bank	
	31 December 2016	31 December 2015
	NIS millions	
Deferred tax liability, net – see Note 8.G	81	98
Excess of current provisions for taxes over advance payments	333	403
Excess of provisions for severance pay and penesions over amounts funded	10,079	8,871
Provision for vacation	193	207
Deferred income	294	370
Other provisions in respect of employee rights	301	269
Allowance for credit losses in respect of off-balance sheet items	469	459
Accrued expenses in respect of salaries and related expenses	718	553
Jubilee (a)	82	498
Liabilities in respect of activity in Maof Clearing House (b)	978	548 (c)
Payables in respect of credit cards	5,294	5,025
Accrued expenses	197	197
Market value of securities sold short	768	815
Other payables and credit balances	637	399 (c)
Total other liabilities	20,424	18,712

(a) For the year 2016, accumulated Jubilee vacation.

(b) Shown at fair value.

(c) Reclassified.

Note 25 - Contingent Liabilities and Special Commitments-Bank

31 December				
	2016		2015	
	Contract balances	Balance of allowance for credit losses	Contract balances	Balance of allowance for credit losses
NIS millions				
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	896	1	1,125	4
Credit guarantees	6,125	113	5,883	76
Guarantees to apartment purchasers	19,555	17	19,313	21
Other guarantees and liabilities	15,668	236	16,672	228
Unutilized credit card facilities (a)	14,090	12	13,413	17
Other unutilized revolving credit facilities and credit facilities in accounts on demand	12,648	24	13,269	35
Irrevocable commitments to provide credit which has been approved and not yet granted (a)	17,375	49	19,940	65
Commitments to issue guarantees	13,807	20	14,403	16
Unutilized facilities for activity in derivative instruments	2,912	-	4,115	-
Approval in principle for a guaranteed rate of interest	2,725	-	3,874	-
Total	105,801	472	112,007	462

(a) Of which: non unrealized credit exposures in respect of commitments to provide liquidity to securitization structures under the aegis of others totaled NIS 231 million (on 31 December 2015 NIS 234 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 2016	31 December 2015
Balance of credit from deposits on collection basis (b)		
Israeli currency unlinked	354	454
Israeli currency linked to the CPI	1,685	2,039
Foreign currency	7	27
Total	2,046	2,520

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

	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 2016	Total 2015
(NIS millions)								
1. CPI linked sector (c)								
Cash flows of futures contracts	20	22	17	20	6	-	85	105
Expected future cash flows after management estimate of early repayments	20	22	17	20	6	-	85	104
Discounted expected future cash flows after management estimate of early repayments (d)	19	20	15	16	4	-	74	95
2. Unlinked shekel sector								
Cash flows of futures contracts	8	2	1	1	-	-	12	14
Expected future cash flows after management estimate of early repayments	8	2	1	1	-	-	12	14
Discounted expected future cash flows after management estimate of early repayments (d)	8	2	1	1	-	-	12	14

(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 113 million, (NIS 146 million last year), were not included in this table.

(c) Including foreign currency sector.

(d) The discounting was made at the rate of 3.24% (2014 – 2.73%).

See the annual financial report for the consolidated note.

Note 25 - Contingent Liabilities and Special Commitments-Bank (cont'd)

	2016	2015
	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	(16)	(11)
Standing loans	(21)	(10)
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	228	228
Second year	136	144
Third year	112	125
Fourth year	102	103
Fifth year	70	78
After five years	461	486
Total	1,109	1,164
(2) Commitments to purchase securities	339	24
(3) Commitments to invest in and acquire buildings and equipment (a)	3	2
(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		
First year	-	3
Second year	-	-
Third year	-	-
Fourth year	-	-
Fifth year	-	-
Sixth and subsequent years	-	-
Total future deposits	-	3

(a) restated

Note 26 - Liens Restrictive Conditions and Collaterals - Bank

Sources of securities received which the Bank may sell or pledge, by fair value, excluding set-offs:

	2016	2015	2014
	<u>(NIS millions)</u>		
Securities received in securities borrowing transactions against cash	1,284	1,764	2,000

Uses of securities received as collateral and securities of the Bank, by fair value, excluding set-offs:

	2016	2015	2014
	<u>(NIS millions)</u>		
Securities loaned in securities lending transactions against cash	539	938	1,238

Note 27B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates - Bank

a. Scope of Activity					
31 December 2016					
	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	-	-	-	-	-
Swaps	-	3,460	-	-	-
Total	-	3,460	-	-	-
Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest					
	-	3,460	-	-	-
b. ALM derivative (a) (b)					
Futures contracts	-	40,972	183	61,988	210
Forward contracts	12,187	4,850	185,177	407	11
Exchange-traded options	-	-	-	-	-
Put options	-	299	14,513	9,719	67
Call options	-	299	14,556	9,719	67
Other options	-	-	-	-	-
Put options	-	7,210	12,553	2,526	56
Call options	-	4,186	12,215	2,568	189
Swaps	572	263,088	26,796	29,441	253
Total	12,759	320,904	265,993	116,368	853
Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest					
	-	140,716	-	-	-
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					20
Foreign exchange spot contracts			8,642		
Total	-	-	8,642	-	20
Total	12,759	324,364	274,635	116,368	873

(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 27B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates Bank (cont'd)

(a) Scope of activity (cont'd)

31 December 2016					
	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	-	60	-	-	-
Gross negative fair value	-	107	-	-	-
b) ALM derivatives (a) (b)					
Gross positive fair value	339	5,567	3,020	1,571	24
Gross negative fair value	400	5,155	3,423	1,543	20
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					-
Gross negative fair value					-
e) Total					
Gross positive fair value (c)	339	5,628	3,020	1,571	24
Fair value amounts offset in the balance sheet	-	-	-	-	-
Book value of assets in respect of derivative instruments (*)	339	5,628	3,020	1,571	24
*Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	41	370	27	-	-
Gross negative fair value (c)	400	5,262	3,423	1,543	21
Fair value amounts offset in the balance sheet	-	-	-	-	-
Book value of liabilities in respect of derivative instruments (*)	400	5,262	3,423	1,543	21
*Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar	-	194	260	3	-

(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 27B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Dates

Bank (cont'd)

(a) Scope of activity (cont'd)

a) Scope of activity (cont'd)	31 December 2015				
	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	-	-	-	-	-
Swaps	-	2,420	-	-	-
Total	-	2,420	-	-	-
Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,420	-	-	-
b. ALM derivative (a) (b)					
Futures contracts	-	14,589	10	58,799	217
Forward contracts	12,525	14,300	175,093	366	2
Put options	-	262	14,797	11,129	100
Call options	-	250	15,292	11,129	101
Put options	-	10,797	15,484	3,142	139
Call options	-	8,037	16,055	3,244	139
Swaps	587	268,075	28,668	27,384	299
Total	13,112	316,310	265,399	115,193	997
Of which: Swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	137,618	-	-	-
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	-	-	-	-	40
Foreign exchange spot contracts	-	-	9,015	-	-
Total	-	-	9,015	-	40
Total	13,112	318,730	274,414	115,193	1,037

(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 27B – Derivative Instrument Activity - Scope, Credit Risks and Repayment Bank (cont'd)

(a) Scope of activity (cont'd)

		31 December 2015			
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Contracts in respect of goods and others
	Shekel - index	Other			
NIS millions					
(2) Gross fair value of derivative instruments					
a. Hedged derivatives (a)					
Gross positive fair value	-	1	-	-	-
Gross negative fair value	-	145	-	-	-
b. ALM derivatives (a) (b)					
Gross positive fair value	344	6,370	3,174	1,245	46
Gross negative fair value	392	5,944	3,278	1,258	45
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	-	-	-	-	-
Gross negative fair value	-	-	-	-	1
e. Total					
Gross positive fair value (c)	344	6,371	3,174	1,245	46
Fair value amounts offset in the balance sheet	-	-	-	-	-
Book value of assets in respect of derivative instruments (*)	344	6,371	3,174	1,245	46
* Of which: Book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements.	31	11	114	65	-
Gross negative fair value (c)	392	6,090	3,278	1,258	46
Fair value amounts offset in the balance sheet	-	-	-	-	-
Book value of liabilities in respect of derivative instruments (*)	392	6,090	3,278	1,258	46
* Of which: Book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements.	-	-	449	37	-

(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 Dates Bank (cont'd)

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

31 December 2016						
	Stock exchanges	Banks	Dealers/ brokers	Governments and Central Banks	Others	Total
NIS millions						
Balance sheet balances of						
derived assets from derivative instruments (a)	121	6,701	2,072	11	1,678	10,583
Gross amounts that not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	5,246	1,365	11	757	7,379
Mitigation of credit risk in respect of cash collateral received	-	1,305	438	-	55	1,798
Net amount of assets in respect of derivative instruments	121	150	269	-	866	1,406
Off-balance sheet credit risk in respect of derivative						
instruments (c)	-	3,880	1,277	61	4,519	9,737
Mitigation of off-balance sheet credit risk	-	2,141	484	37	1,788	4,450
Net off-balance sheet credit risk in respect of derivative instruments.	-	1,738	793	24	2,731	5,286
Total credit risk in respect of derivative instruments	121	1,888	1,062	24	3,597	6,692
Book balance of liabilities in respect of derivative instruments (b)	132	5,880	1,692	31	2,916	10,651
Gross amounts that not offset in the balance sheet:						
Financial instruments	-	5,246	1,365	11	757	7,379
Cash collateral pledged	-	509	53	7	963	1,532
Net amount of liabilities in respect of derivative instruments	132	125	274	13	1,196	1,740

(a) Net accounting arrangements do not exist.

(b) Of which a balance sheet amount of stand-alone derivative instruments in the sum of NIS 10,577 million (2015 - NIS 10,030 million)

(31 December 2015 – NIS 11,030 million) included under other assets.

(c) 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 2016					
	Up to three months	Three months to one year	One year to five years	After five years	Total
NIS millions					
Interest contracts:					
Shekel - index	2,928	2,486	5,230	2,115	12,759
Other	43,563	78,607	119,414	82,780	324,364
Foreign currency contracts	157,759	83,807	26,241	6,826	274,633
Contracts in respect of shares	92,249	22,479	1,635	4	116,367
Contracts in respect of commodities and others	465	381	28	-	874
Total	296,964	187,760	152,548	91,725	728,997

Note 27B – 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 2015						
	Stock exchanges	Banks	Dealers/ brokers	Governments and Central Banks	Others	Total
NIS millions						
Balance sheet balances of derived assets from derivative instruments (a)	169	6,616	1,869	6	2,519	11,179
Gross amounts that not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	2,926	1,085	6	814	4,831
Mitigation of credit risk in respect of cash collateral received	-	731	252	-	96	1,079
Net amount of assets in respect of derivatives instruments	169	2,959	532	-	1,609	5,269
Off-balance sheet credit risk in respect of derivatives instruments (c)	-	3,522	1,220	71	4,939	9,752
Mitigation of off-balance sheet credit risk	-	370	97	43	2,392	2,902
Net off-balance sheet credit risk in respect of derivative instruments.	-	3,152	1,123	28	2,547	6,850
Total credit risk in respect of derivative instruments	169	6,111	1,655	28	4,156	12,119
Book balance of liabilities in respect of derivative instruments (b)	194	6,395	1,707	91	2,677	11,064
Gross amounts that not offset in the balance sheet:						
Financial instruments	-	2,926	1,085	6	814	4,831
Cash collateral pledged	-	341	68	29	1	439
Net amount of liabilities in respect of derivatives instruments	194	3,128	554	56	1,862	5,794

(a) Net accounting arrangements do not exist.

(b) Of which a balance sheet amount of stand-alone derivative instruments in the sum of NIS 10,577 million (2015 - NIS 10,030 million) (31 December 2015 – NIS 11,030 million) included under other assets.

(c) 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 (cont'd)

31 December 2015					
	Up to three months	Three months to one year	One year to five years	After five years	Total
NIS millions					
Interest contracts:					
Shekel - index	2,384	2,416	5,537	2,775	13,112
Other	30,712	72,142	133,598	82,277	318,729
Foreign currency contracts	170,959	67,569	26,352	9,533	274,413
Contracts in respect of shares	90,066	24,195	931	4	115,196
Contracts in respect of commodities and others	746	274	19	-	1,039
Total	294,867	166,596	166,437	94,589	722,489

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

A. Debts* and off-balance sheet credit instruments

1. Change in balance of credit loss allowance

	31 December 2016					
	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	2,530	497	562	3,589	3	3,592
Expenses in respect of credit losses	(570)	(10)	422	(159)	(1)	(160)
Accounting write-offs	(449)	(26)	(656)	(1,132)	0	(1,132)
Collection of debts written off in previous years	821	0	390	1,212	0	1,212
Net accounting write-offs	372	(26)	(266)	80	0	80
Balance of credit loss allowance at end of year	2,332	461	718	3,510	2	3,512
Of which in respect of off-balance sheet credit instruments	448	0	23	470	0	470

	31 December 2015					
	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	2,635	493	456	3,584	4	3,588
Expenses in respect of credit losses	(146)	14	282	150	(1)	149
Accounting write-offs	(375)	(10)	(545)	(930)	-	(930)
Collection of debts written off in previous years	383	-	330	713	-	713
Net accounting write-offs	8	(10)	(215)	(217)	-	(217)
Balance of credit loss allowance at end of year	2,497	497	523	3,517	3	3,520
Of which in respect of off-balance sheet credit instruments	441	0	19	460	0	460

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

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

A. Additional information on the method of calculating the credit loss allowance in respect of debts^a and on debts^a on which it was calculated:

31 December 2016						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
(NIS millions)						
Recorded debt balance of debts (a):						
Examined on an individual basis	111,832	-	487	112,318	10,678	122,996
Examined on a collective basis	11,732	78,656	31,274	121,662	-	121,662
Of which the allowance was calculated by extent of arrears	909 ^(c)	78,656 ^(b)	-	79,564	-	79,564
Total debts (a)	123,564	78,656	31,761	233,981	10,678	244,658
Credit loss allowance by debts (a):						
Examined on an individual basis	1,717	-	208	1,925	1	1,926
Examined on a collective basis	167	462	487	1,116	-	1,116
Of which the allowance was calculated by extent of arrears	-	462	-	462	-	462
Total Credit loss allowance	1,884	462	695	3,041	1	3,042
Of which: in respect of impaired debts	474	-	2	476	-	476
31 December 2015						
Credit loss allowance						
	Credit to the public			Banks and governments		
	Commercial	Residential	Other private	Total		Total
(NIS millions)						
Recorded debt balance of debts(a):						
Examined on an individual basis	109,846	-	826	110,672	9,409	120,081
Examined on a collective basis	14,680	80,616	27,555	122,851	-	122,851
Of which the allowance was calculated by extent of arrears	1,014	80,616 ^(b)	-	81,630	-	81,630
Total debts (a)	124,526	80,616	28,381	233,523	9,409	242,932
Credit loss allowance by debts(a):						
Examined on an individual basis	1,884	-	39 ^(d)	1,923	3	1,926
Examined on a collective basis	171 ^(d)	497	466	1,134	-	1,134
Of which the allowance was calculated by extent of arrears	1	217	-	218	-	218
Total Credit loss allowance	2,055	497	505	3,057	3	3,060
Of which: in respect of impaired debts	542 ^(d)	-	23 ^(d)	565	-	565

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

(b) 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 294 million (2015 - 310 million)

(c) Including housing loans granted to purchasing groups under construction in the amount of NIS 909 million (2015 - 1,014 million).

(d) Restated

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts¹

1. Credit quality and arrears

31 December 2016						
(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	14,773	275	264	15,312	19	58
Construction & real estate - construction	22,844	360	618	23,822	12	35
Construction & real estate - real estate activities	10,035	5	459	10,499	2	3
Financial services	64,708	1,745	1,549	68,002	65	144
Commercial - other	112,360	2,385	2,890	117,635	98	241
Total commercial	77,926	719	-	78,645	719	530
Private individuals - housing loans ⁶	31,369	294	91	31,754	122	250
Private individuals - other	221,655	3,398	2,981	228,034	939	1,020
Total public - activity in Israel	1,718	-	-	1,718	-	-
Israeli banks	206	-	-	206	-	-
Government of Israel	223,579	3,398	2,981	229,958	939	1,020
Total activity in Israel						
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	1,812	2	24	1,838	-	-
Commercial - other	4,088	-	2	4,090	-	-
Total commercial	5,900	2	26	5,928	-	-
Private individuals	17	-	-	17	-	-
Total public - activity abroad	5,917	2	26	5,945	-	-
Foreign banks	2,775	-	-	2,775	-	-
Foreign governments	436	-	-	436	-	-
Total	9,128	2	26	9,156	-	-

31 December 2015 ^(a)						
(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	14,196	414	557	15,167	8	27
Construction & real estate - construction	22,955	553	899	24,407	6	12
Construction & real estate - real estate activities	13,098	13	62	13,173	2	1
Financial services	61,954	1,787	1,493	65,234	38	98
Commercial - other	112,203	2,767	3,011	117,981	54	138
Total commercial	79,822	781	-	80,603	753	481
Private individuals - housing loans ⁶	28,166	161	44	28,371	92	154
Private individuals - other	220,191	3,709	3,055	226,955	899	773
Total public - activity in Israel	3,862	-	-	3,862	-	-
Israeli banks	262	-	-	262	-	-
Government of Israel	224,315	3,709	3,055	231,079	899	773
Total activity in Israel						
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	2,483	3	32	2,518	-	58
Commercial - other	4,028	-	3	4,031	-	3
Total commercial	6,511	3	35	6,549	-	61
Private individuals	22	2	-	24	-	-
Total public - activity abroad	6,533	5	35	6,573	-	61
Foreign banks	5,094	-	-	5,094	-	-
Foreign governments	191	-	-	191	-	-
Total	11,818	5	35	11,858	-	61

(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.

(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 349 million were classified as problem debts that are not impaired.

(6) Including housing loans in the amount of NIS 114 million (31 December 2015 – NIS 144 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 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts¹ (cont'd)

2. Additional information on impaired debts

	31 December 2016				
	(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	Principal contractual balance of impaired debts
<u>A. Impaired debts and individual allowance</u>					
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	54	(24)	210	264	790
Construction & real estate - real estate activities	113	(57)	505	618	1,754
Financial services	1	(1)	458	459	958
Commercial - other	638	(389)	911	1,549	4,630
Total commercial	806	(471)	2,084	2,890	8,132
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	17	(2)	74	91	2,182
Total public - activity in Israel	823	(473)	2,158	2,981	10,314
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	823	(473)	2,158	2,981	10,314
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	9	(4)	16	25	67
Commercial - other	-	-	2	2	36
Total commercial	9	(4)	18	27	103
Private individuals	-	-	-	-	-
Total public - activity abroad	9	(4)	18	27	103
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total *	9	(4)	18	27	103
Of which:*					
Measured by present value of cash flows	635	(314)	1,487	2,122	0
Debts under troubled debt restructuring	86	(15)	1,611	1,697	0

(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 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts¹ (cont'd)

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

31 December 2015					
(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	Principal contractual balance of impaired debts
A. Impaired debts and individual allowance					
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	144	33	413	557	1,041
Construction & real estate - real estate activities (4)	649	158	252	901	2,188
Financial services	1	1	61	62	589
Commercial - other	1,096	331	397	1,493	4,791
Total commercial	1,890	523	1,123	3,013	8,609
Private individuals - housing loans	-	-	-	-	-
Private individuals - other (4)	44	32	-	44	1,814
Total public - activity in Israel	1,934	555	1,123	3,057	10,423
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,934	555	1,123	3,057	10,423
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	18	11	15	33	151
Commercial - other	-	-	3	3	42
Total commercial	18	11	18	36	193
Private individuals	-	-	-	-	-
Total public - activity abroad	18	11	18	36	193
Foreign banks	-	-	-	-	1
Foreign governments	-	-	-	-	-
Total *	18	11	18	36	194
*Of which:					
Measured by present value of cash flows	1,122	337	862	1,984	-
Debts under troubled debt restructuring	995	130	683	1,678	-

(1) Credit to the public, credit to governments, deposits in banks and other debts, excluding

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

(4) Reclassified

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts* (cont'd)

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

B. Average balance and interest income

	31 December 2016		
	Average balance of impaired debts**	Interest income recorded***	Of which: recorded on cash basis
	(NIS millions)		
<u>Activity of borrowers in Israel</u>			
<u>Public - commercial</u>			
Construction & real estate - construction	288	2	(1)
Construction & real estate - real estate activities	665	6	(3)
Financial services	226	1	(0)
Commercial - other	1,657	33	(25)
Total commercial	2,836	41	(29)
Private individuals - housing loans	-	-	-
Private individuals - other	124	3	(1)
Total public - activity in Israel	2,960	43	(30)
Israeli banks	-	-	-
Government of Israel	-	-	-
Total activity in Israel	2,960	43	(30)
<u>Activity of borrowers abroad</u>			
<u>Public - commercial</u>			
Construction & real estate	17	-	-
Other commercial	2	0	-
Total commercial	19	0	-
Private individuals	0	-	-
Total public - activity abroad	19	0	-
Foreign banks	-	-	-
Foreign governments	-	-	-
Total activity abroad*	19	0	-
Total public	2,979	43	(30)
Total banks	-	-	-
Total governments	-	-	-
Total	2,979	43 ****	(30)

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

** Average debt balance recorded of impaired debts in the reporting period.

*** Interest income recorded in the reporting period in respect of the average balance of impaired debts, for the period in which the debts were classified as impaired.

**** If the impaired debts had accrued interest under their original terms, interest income would have been recorded in the amount of NIS 297 million

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts* (cont'd)

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

B. Average balance and interest income (cont'd)

	31 December 2015		
	Average balance of impaired debts**	Interest income recorded***	Of which: recorded on cash basis
	(NIS millions)		
<u>Activity of borrowers in Israel</u>			
<u>Public - commercial</u>			
Construction & real estate - construction	574	12	12
Construction & real estate - real estate activities	1,188	16	16
Financial services	36	7	7
Commercial - other	1,495	49	32
Total commercial	3,293	84	67
Private individuals - housing loans	-	-	-
Private individuals - other	65	20	20
Total public - activity in Israel	3,358	104	88
Israeli banks	-	-	-
Government of Israel	-	-	-
Total activity in Israel	3,358	104	88
<u>Activity of borrowers abroad</u>			
<u>Public - commercial</u>			
Construction & real estate	41	0	0
Other commercial	16	0	0
Total commercial	57	1	1
Private individuals	(0)	0	0
Total public - activity abroad	57	1	1
Foreign banks	-	-	-
Foreign governments	-	-	-
Total activity abroad	57	1	1
Total public	3,414	105	88
Total banks	-	-	-
Total governments	-	-	-
Total	3,414	105 ****	88

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

** Average debt balance recorded of impaired debts in the reporting period.

*** Interest income recorded in the reporting period in respect of the average balance of impaired debts, for the period in which the debts were classified as

**** If the impaired debts had accrued interest under their original terms, interest income would have been recorded in the amount of NIS 326 million

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts¹ (cont'd)

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

31 December 2016					
(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	199	-	-	13	212
Construction & real estate - real estate activities	346	-	4	44	394
Financial services	403	-	-	-	403
Commercial - other	394	-	2	217	613
Total commercial	1,342	-	6	274	1,622
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	49	-	1	23	73
Total public - activity in Israel	1,391	-	7	297	1,695
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,391	-	7	297	1,695
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	-	-	-	-	-
Commercial - other	-	-	-	2	2
Total commercial	-	-	-	2	2
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	2	2
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total - activity abroad	-	-	-	2	2
Total public	1,391	-	7	299	1,697
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	1,391	-	7	299	1,697

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

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts¹ (cont'd)

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

31 December 2015					
(NIS millions)					
C. Impaired debts under restructuring (cont'd)					
<u>Activity of borrowers in Israel</u>	<u>Not accruing</u>	<u>Accruing² in</u>	<u>Accruing² in</u>	<u>Accruing² not</u>	
<u>Public - commercial</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>			
Construction & real estate - construction	455	-	-	14	469
Construction & real estate - real estate activities (4)	613	-	-	4	617
Financial services	1	-	-	-	1
Commercial - other	511	-	-	29	540
Total commercial	1,580	-	-	47	1,627
Private individuals - housing loans 6	-	-	-	-	-
Private individuals - other	49	-	-	-	49
Total public - activity in Israel	1,629	-	-	47	1,676
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,629	-	-	47	1,676
Activity of borrowers abroad					
<u>Public - commercial</u>					
Construction & real estate	-	-	-	-	-
Commercial - other	-	-	-	3	3
Total commercial	-	-	-	3	3
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	3	3
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total - activity abroad	-	-	-	3	3
Total public	1,629	-	-	50	1,679
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	1,629	-	-	50	1,679

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

(2) Balance of recorded debt.

(3) Individual allowance for credit losses.

(4) Restated.

Note 29 - Credit risk, Credit to the Public and Allowance for Credit Losses - Bank

B. Debts*

2. Additional information on impaired debts:

C. Impaired debts under restructuring (cont'd)

1. Restructurings carried out

	31 December 2016		
	Number of contracts (NIS millions)	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Activity of borrowers in Israel			
Public - commercial			
Construction & real estate - construction	195	183	179
Construction & real estate - real estate activities	29	146	144
Financial services	14	410	405
Commercial - other	895	82	75
Total commercial	1,133	821	803
Private individuals - housing loans	-	-	-
Private individuals - other	4,435	64	50
Total public - activity in Israel	5,568	885	853
Israeli banks	-	-	-
Government of Israel	-	-	-
Total activity in Israel	5,568	885	853
Activity of borrowers abroad			
Public - commercial			
Construction & real estate	-	-	-
Other commercial	-	-	-
Total commercial	-	-	-
Private individuals	-	-	-
Total public - activity abroad	-	-	-
Foreign banks	-	-	-
Foreign governments	-	-	-
Total activity abroad	-	-	-
Total public	5,568	885	853
Total banks	-	-	-
Total governments	-	-	-
Total	5,568	885	853

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

Note 29 - Credit risk, Credit to the Public and Allowance for Credit Losses - Bank (cont'd)

B. Debts*

2. Additional information on impaired debts:

C. Impaired debts under restructuring (cont'd)

2.Failed restructurings (cont'd)

31 December 2015			
	Number of contracts (NIS millions)	Recorded debt balance	Recorded debt balance after restructuring
Activity of borrowers in Israel			
<u>Public - commercial</u>			
Construction & real estate - construction	9	70	68
Construction & real estate - real estate activities	4	28	26
Financial services	-	-	-
Commercial - other	17	104	97
Total commercial	30	202	191
Private individuals - housing loans	-	-	-
Private individuals - other	2	1	1
Total public - activity in Israel	32	203	192
Israeli banks	-	-	-
Government of Israel	-	-	-
Total activity in Israel	32	203	192
Activity of borrowers abroad			
<u>Public - commercial</u>			
Construction & real estate	-	-	-
Other commercial	0	1	-
Total commercial	0	1	-
Private individuals	-	-	-
Total public - activity abroad	0	1	-
Foreign banks	-	-	-
Foreign governments	-	-	-
Total activity abroad	0	1	-
Total public	32	204	192
Total banks	-	-	-
Total governments	-	-	-
Total	32	204	192

*Credit to the public, credit to governments, deposits in banks (excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to

Note 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

B. Debts (cont'd)

3. Additional information on housing loans

Year end balances by rate of financing (LTV) ¹

		31 December 2016			
		(NIS millions)			
		Balance of housing loans			
			<u>Of which:</u>	<u>Of which:</u>	<u>Off-balance</u>
			<u>bullet and</u>	<u>variable</u>	<u>sheet credit</u>
		<u>Total</u>	<u>balloon</u>	<u>interest</u>	<u>risk total</u>
First charge: rate of financing	Up to 60%	50,186	2,635	33,138	1,681
	Above 60%	28,459	766	20,073	216
Second or without charge		12	0	6	27
Total		78,656	3,402	53,217	1,925

		31 December 2015			
		(NIS millions)			
		Balance of housing loans			
			<u>Of which:</u>	<u>Of which:</u>	<u>Off-balance</u>
			<u>bullet and</u>	<u>variable</u>	<u>sheet credit</u>
		<u>Total</u>	<u>balloon</u>	<u>interest</u>	<u>risk total</u>
First charge: rate of financing	Up to 60%	50,091	3,072	34,586	3,173
	Above 60%	29,728	975	21,310	926
Second or without charge		797	26	600	118
Total		80,616	4,073	56,496	4,217

(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 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

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

31 December 2016

Credit per borrower (NIS thousands)		Number of borrowers (c)	Credit (a) (NIS millions)	Off balance sheet credit risk (b)
From	To			
0	10	417,801	271	897
10	20	161,420	1,055	1,407
20	40	199,693	2,907	3,091
40	80	212,820	6,897	5,318
80	150	149,338	11,492	4,762
150	300	93,905	16,078	3,578
300	600	67,811	26,099	3,080
600	1,200	53,705	40,789	4,090
1,200	2,000	14,366	19,119	2,423
2,000	4,000	5,916	13,492	2,540
4,000	8,000	2,258	9,814	2,592
8,000	20,000	1,474	13,979	4,188
20,000	40,000	565	11,663	4,214
40,000	200,000	596	34,393	16,345
200,000	400,000	83	12,429	10,175
400,000	800,000	42	9,805	13,164
800,000	1,200,000	10	4,931	4,734
1,200,000	1,600,000	1	869	432
1,600,000	2,000,000	2	2,890	789
2,000,000	2,400,000	-	-	-
2,400,000	2,800,000	-	-	-
2,800,000	3,200,000	-	-	-
3,200,000	3,672,537	1	3,669	3
Total		1,381,807	242,642	87,822

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 3,871 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 29 - Additional Information on Credit Risk, Credit to the Public, and the Allowance for Credit Losses

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

31 December 2015

Credit per borrower (NIS thousands)		Number of borrowers (c)	Credit (a) (NIS millions)	Off balance sheet credit risk (b)
From	To			
0	10	416,911	331	830
10	20	151,616	967	1,366
20	40	189,346	2,687	3,021
40	80	199,262	6,247	5,200
80	150	132,780	9,857	4,574
150	300	83,338	14,269	3,309
300	600	64,169	24,983	2,764
600	1,200	53,778	40,890	4,059
1,200	2,000	14,365	19,005	2,576
2,000	4,000	5,908	13,469	2,498
4,000	8,000	2,210	9,628	2,837
8,000	20,000	1,366	13,367	3,670
20,000	40,000	549	11,235	4,262
40,000	200,000	585	32,030	16,537
200,000	400,000	108	17,016	12,887
400,000	800,000	44	10,832	13,481
800,000	1,200,000	9	3,052	5,241
1,200,000	1,600,000	2	2,205	615
1,600,000	2,000,000	1	35	1,613
2,000,000	2,400,000	2	3,056	1,193
2,400,000	2,800,000	0	0	0
2,800,000	2,924,711	1	2,921	4
Total		1,316,350	238,083	92,536

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 4,557 million. 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.

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 30 - Assets and Liabilities Classified According to Linkage Basis - Bank

31 December 2016							
	Israeli Currency		Foreign Currency (a)				
	Unlinked	Linked to	IN U.S.		In other	Non-	
	NIS millions	the CPI	dollars	In Euro	currencies	monetary	Total
						items (b)	
Assets							
Cash and deposits with banks	63,300	247	8,054	1,227	263	285	73,376
Securities	35,293	3,701	25,815	2,913	1,463	1,041	70,226
Securities borrowed or purchased under agreement to resell	1,284	-	-	-	-	-	1,284
Credit to the public, net (c)	177,079	44,372	10,374	2,902	823	180	235,730
Credit to governments	57	149	382	54	-	-	642
Investments in companies included on equity basis	1,049	-	8	-	300	10,030	11,387
Buildings and equipment	-	-	-	-	-	2,576	2,576
Assets in respect of derivative instruments	5,601	98	2,984	260	99	1,535	10,577
Other assets	5,950	-	185	1	-	1,070	7,206
Total assets	289,613	48,567	47,802	7,357	2,948	16,717	413,004
Liabilities							
Deposits of the public	219,543	20,389	65,201	13,596	4,377	508	323,614
Deposits from banks	1,033	18	1,614	742	255	-	3,662
Deposits from governments	68	-	102	8	-	-	178
Securities loaned or sold under agreement to repurchase	534	-	5	-	-	-	539
Debentures, bonds and subordinated notes	6,292	16,348	-	-	-	-	22,640
Liabilities in respect of derivative instruments	5,843	230	2,685	281	96	1,465	10,600
Other liabilities	8,388	10,612	276	21	1	1,126	20,424
Total Liabilities	241,701	47,597	69,883	14,648	4,729	3,099	381,657
Of which: Earmarked deposits, net	-	-	-	-	-	-	-
Difference (d)	47,912	970	(22,081)	(7,291)	(1,781)	13,618	31,347
Effect of derivative instruments that are not hedged:							
Derivative instruments (except options)	(26,243)	(1,469)	19,839	7,693	40	140	-
Option in the money, net (in terms of underlying asset)	1,424	-	(1,318)	(214)	(30)	138	-
Options out of the money, net (in terms of underlying asset)	642	-	(180)	(476)	14	-	-
Total	23,735	(499)	(3,740)	(288)	(1,757)	13,896	31,347
Effect of derivative instruments that are not hedged:							
Option in the money, net (discounted par value)	2,103	-	(2,014)	(253)	(37)	201	-
Options out of the money, net (discounted par value)	1,904	-	(500)	(1,447)	43	-	-

(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 3,042 million.

(d) Equity.

See the annual financial report for the consolidated note.

Note 30 - Assets and Liabilities Classified According to Linkage Basis-Bank (cont'd)

	31 December 2015							
	Israeli Currency			Foreign Currency (a)				
								</

(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 3,118 million.

(d) Equity.

Note 31 - Assets and Liabilities Classified According to Maturity Date and Linkage Basis (a) - Bank

31 December 2016														
	Estimated future contractual cash flows										Balance sheet balance (d)			
	upon demand and up to a month (e)	one 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) (e)	Contractual yeild rate (g)	
NIS millions														
Israeli currency (c)														
Assets	104,339	21,980	52,857	29,566	26,100	19,709	18,343	47,139	40,073	13,938	374,044	4,719	340,051	2.42%
Liabilities	178,738	23,141	43,061	9,061	6,533	12,406	5,151	8,270	2,954	3,781	293,096	865	291,105	2.43%
Difference	(74,399)	(1,161)	9,796	20,505	19,567	7,303	13,192	38,869	37,119	10,157	80,948	3,854	48,946	
Derivative instruments (except options)	(13,312)	(605)	(14,313)	184	1,638	(465)	(790)	448	(147)	-	(27,362)	-	(27,712)	
Options (in terms of underlying asset)	34	205	124	193	920	708	-	-	-	-	2,185	-	2,066	
Difference After Effect of Derivatives instruments	(87,677)	(1,561)	(4,393)	20,882	22,125	7,546	12,402	39,317	36,972	10,157	55,771	3,854	23,300	
Foreign currency														
Assets	12,568	9,377	10,113	7,651	3,458	4,082	2,156	9,688	2,952	1,084	63,129	1,794	56,238	1.55%
Liabilities	65,955	9,991	11,275	1,833	1,141	443	320	341	55	3	91,357	56	87,449	1.67%
Difference	(53,387)	(614)	(1,162)	5,818	2,317	3,639	1,836	9,347	2,897	1,081	(28,228)	1,738	(31,211)	
Of which difference in \$	(43,469)	2,234	(1,360)	1,919	4,451	2,607	1,552	8,531	2,344	822	(20,369)	1,627	(21,761)	
Of which: difference in respect of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	
Derivative instruments (except options)	13,312	605	14,313	(184)	(1,638)	465	790	(448)	147	-	27,362	-	27,571	
Options (in terms of underlying asset)	(34)	(205)	(124)	(193)	(920)	(708)	-	-	-	-	(2,184)	-	(2,204)	
Difference After Effect of Derivatives instruments	(40,109)	(214)	13,027	5,441	(241)	3,396	2,626	8,899	3,044	1,081	(3,050)	1,738	(5,844)	
Total														
Assets	116,908	31,357	62,970	37,217	29,558	23,792	20,499	56,827	43,024	15,022	437,174	6,514	396,289	2.28%
Liabilities	244,693	33,132	54,336	10,893	7,674	12,849	5,470	8,611	3,009	3,784	384,451	921	378,554	2.36%
Difference (f)	(127,785)	(1,775)	8,634	26,324	21,884	10,943	15,029	48,216	40,015	11,238	52,723	5,593	17,735	
Of which: credit to the public	41,160	18,279	36,534	28,820	22,899	18,477	13,852	40,744	38,719	11,698	271,182	3,598	235,551	3.33%
Of which: deposits of the public	232,708	30,579	42,776	8,208	4,359	1,552	1,778	2,644	554	-	325,158	98	323,106	0.92%

(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 524 million (31 December 2015- NIS 372 million)

(c) Including linkage foreign currency.

(d) As included in Note 30, "Assets and liabilities According to Linkage Basis".

(e) Credit with debitory account conditions is classified in accordance with the credit framework line of NIS 7.6 billion (31 December 2015 - NIS 7.4 billion) special credit in the amount of NIS 0.9 billion is classified without repayment date (31 December 2015 - NIS 0.8 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 4.95 billion (31 December 2015 - NIS 4.9 billion).

See the annual financial report for the consolidated note.

Note 31 - Assets and Liabilities Classified According to Maturity Date and Linkage Basis (a) - Bank (cont'd)

31 December 2015														
Estimated future contractual cash flows											Balance sheet balance (d)			
Upon demand and up to one month (e)	One month to three (e)	Three months to one year (e)	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)(e)	Total	Contractual yield rate (g)	
NIS millions														
Israeli currency (c)														
Assets	94,397	20,719	48,115	28,566	21,996	18,475	17,663	47,472	41,109	13,976	352,488	3,575	318,891	2.42%
Liabilities	167,856	18,377	35,915	16,892	4,664	4,714	8,496	10,571	4,017	2,285	273,787	1,391	271,937	2.43%
Difference	(73,459)	2,342	12,199	11,674	17,332	13,761	9,167	36,901	37,092	11,691	78,701	2,184	46,954	
Derivative instruments (except options)	(7,757)	(406)	(14,898)	145	596	1,697	(823)	(758)	(195)	-	(22,400)	-	(22,049)	
Options (in terms of underlying asset)	(808)	298	(206)	4	188	930	726	-	-	-	1,132	-	1,055	
Difference After Effect of Derivative instruments	(82,024)	2,234	(2,904)	11,823	18,117	16,388	9,070	36,142	36,897	11,691	57,434	2,184	25,960	
Foreign currency														
Assets	10,902	3,736	8,587	6,218	3,803	3,282	2,973	9,555	4,979	4,300	58,334	770	51,673	1.55%
Liabilities	60,407	10,208	12,162	2,479	892	1,140	492	384	61	(0)	88,226	(2)	85,158	1.67%
Difference	(49,505)	(6,472)	(3,576)	3,739	2,910	2,142	2,481	9,171	4,918	4,301	(29,892)	773	(33,485)	
Of which difference in \$	(38,467)	(5,446)	(3,357)	3,489	1,515	1,261	1,158	7,776	4,216	3,731	(24,122)	740	(24,120)	
If which: difference in respect of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	
Derivative instruments (except options)	7,757	406	14,898	(145)	(596)	(1,697)	823	758	195	-	22,400	-	22,444	
Options (in terms of underlying asset)	808	(298)	206	(4)	(188)	(930)	(726)	-	-	-	(1,132)	-	(1,055)	
Difference After Effect of Derivative instruments	(40,940)	(6,364)	11,528	3,590	2,126	(485)	2,578	9,929	5,113	4,301	(8,624)	773	(12,097)	
Total														
Assets	105,299	24,455	56,702	34,784	25,799	21,757	20,636	57,027	46,089	18,276	410,822	4,345	370,563	2.28%
Liabilities	228,263	28,585	48,078	19,371	5,556	5,854	8,988	10,955	4,079	2,284	362,013	1,389	357,095	2.36%
Difference (f)	(122,964)	(4,130)	8,624	15,413	20,243	15,903	11,648	46,072	42,010	15,992	48,809	2,956	13,468	
Of which: credit to the public	39,919	17,568	34,572	28,028	22,350	17,554	14,576	40,236	39,233	12,539	266,574	1,002	230,217	3.33%
Of which: deposits of the public	214,515	25,253	41,067	9,026	3,248	2,643	1,367	3,693	498	0	301,312	0	299,714	0.92%

Note 32a – Balances and Fair Value Assessments of Financial Instruments - Bank

31 December 2016					
	Book value	Fair value			
		level 1(1)	level 2 (1)	level 3 (1)	Total
NIS millions					
Financial assets					
Cash and deposits with banks	73,376	63,072	7,508	2,799	73,379
Securities (2)	70,226	49,354	19,258	1,614	70,226
Securities borrowed or purchased under agreement to resell	1,284	1,284	-	-	1,284
Credit to the public, net	235,730	2,522	54,411	177,504	234,437
Credit to governments	642	-	27	642	669
assets in respect of derivative instruments	10,577	723	8,886	968	10,577
Other financial assets	1,242	980	-	262	1,242
Total financial assets	393,077 (3)	117,935	90,090	183,789	391,814
Financial liabilities					
Deposits of the public	323,614	2,379	209,738	112,568	324,685
Deposits from banks	3,662	-	3,571	92	3,663
Deposits from governments	178	-	111	86	197
Securities loaned or sold under agreement to repurchase	539	539	-	-	539
Debentures, bonds and subordinated notes	22,640	17,794	12	6,119	23,925
liabilities in respect of derivative instruments	10,600	723	9,469	408	10,600
Other financial liabilities	7,737	1,746	5,294	698	7,738
Total financial liabilities	368,970 (3)	23,181	228,195	119,971	371,347
Off balance financial instruments					
Deals in which the balance represents credit risk	335	-	-	335	335
31 December 2015					
	Book value	Fair value			
		level 1 (1)	level 2 (1)	level 3 (1)	Total
NIS millions					
Financial assets					
Cash and deposits with banks	58,928	50,182	6,397	2,399	58,978
Securities (2)	63,620	45,572	15,912	2,136	63,620
Securities borrowed or purchased under agreement to resell	1,764	1,764	-	-	1,764
Credit to the public, net	230,466	2,246	48,575	179,438	230,259
Credit to governments	453	-	26	441	467
assets in respect of derivative instruments	11,173	917	8,854	1,402	11,173
Other financial assets	745	551	-	194	745
Total financial assets	367,149 (3)	101,232	79,764	186,010	367,006
Financial liabilities					
Deposits of the public	300,177	2,666	178,972	119,998	301,636
Deposits from banks	6,703	-	4,196	2,550	6,746
Deposits from governments	146	-	84	86	170
Securities loaned or sold under agreement to repurchase	938	938	-	-	938
Debentures, bonds and subordinated notes	21,308	17,879	340	4,731	22,950
liabilities in respect of derivative instruments	11,032	914	9,866	252	11,032
Other financial liabilities	6,864	1,363	5,025	476	6,864
Total financial liabilities	347,168 (3)	23,760	198,483	128,093	350,336
Off balance financial instruments					
Deals in which the balance represents credit risk	326	-	-	326	326

(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 109,474 million (31 December 2015 – NIS 100,076 million)

and NIS 174,493 million (31 December 2015 – NIS 155,798 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 32d.

Note 32b – Items Measured for Fair Value on a Recurring Basis- Bank

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

31 December 2016				
	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	33,310	1,550	-	34,860
Foreign government bonds	9,364	1,456	-	10,820
Bonds of Israeli financial institutions	-	23	-	23
Bonds of financial institutions abroad	-	7,400	-	7,400
MBS/ABS	-	4,115	1,425	5,540
Others in Israel	68	228	-	296
Others abroad	-	1,882	-	1,882
Shares available for sale	851	-	-	851
Total securities available for sale	43,593	16,654	1,425	61,672
Securities held for trading:				
Bonds held for trading	5,761	2,604	-	8,365
Shares held for trading	1	-	-	1
Total securities held for trading	5,762	2,604	-	8,366
Assets in respect of derivative financial instruments:				
Shekel-index contracts	-	137	202	339
Interest contracts	33	5,460	130	5,623
Foreign currency contracts	1	2,315	575	2,891
Contracts in respect of shares	432	958	57	1,447
Commodities and other contracts	6	16	3	25
Maof market activity	253	-	-	253
Total assets in respect of derivative financial instruments	725	8,886	967	10,578
Others				
Credit and deposits in respect of lending of securities	1,284	-	-	1,284
Others	3,501	5	-	3,506
Total Assets	54,865	28,149	2,392	85,406
Liabilities:				
Shekel-index contracts	-	238	162	400
Interest contracts	33	5,230	-	5,263
Foreign currency contracts	1	3,002	246	3,249
Contracts in respect of shares	432	983	-	1,415
Commodities and other contracts	6	15	-	21
Maof market activity	252	-	-	252
Total liabilities in respect of derivative financial instruments	724	9,468	408	10,600
Others				
Deposits in respect of lending of securities	539	16	34	589
Others	4,124	-	-	4,124
Total Liabilities	5,387	9,484	442	15,313

See the annual financial report for the consolidated note.

Note 32B – 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 2015			
	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	26,754	1,403	-	28,158
Foreign government bonds	6,421	789	-	7,211
Corporate bonds in Israel	-	35	-	35
Corporate bonds abroad	-	6,103	-	6,103
MBS/ABS	-	4,465	1,998	6,463
Others in Israel	113	474	-	586
Others abroad	-	1,414	-	1,414
Shares available for sale	1,596	-	-	1,596
Total securities available for sale	34,884	14,683	1,998	51,566
Securities held for trading:				
Bonds held for trading	10,077	1,229	-	11,306
Shares held for trading	611	-	-	611
Total securities held for trading	10,688	1,229	-	11,917
Assets in respect of derivative financial instruments:				
Shekel-index contracts	-	170	174	344
Interest contracts	30	6,037	296	6,363
Foreign currency contracts	-	2,221	770	2,993
Contracts in respect of shares	517	420	127	1,065
Commodities and other contracts	7	5	33	45
Maof market activity	363	-	-	363
Total assets in respect of derivative financial instruments	917	8,853	1,400	11,173
Others				
Credit and deposits in respect of lending of securities	1,764	-	-	1,764
Others	2,797	6	-	2,803
Total Assets	51,050	24,771	3,398	79,223
Liabilities:				
Liabilities in respect of derivative financial instruments:				
Shekel-index contracts	-	339	53	392
Interest contracts	30	6,060	-	6,089
Foreign currency contracts	-	2,867	199	3,067
Contracts in respect of shares	517	559	-	1,076
Commodities and other contracts	7	39	-	46
Maof market activity	360	-	-	360
Total liabilities in respect of derivative financial instruments	914	9,864	252	11,030
Others				
Deposits in respect of lending of securities	938	20	13	971
Others	4,029	-	-	4,029
Total Liabilities	5,881	9,884	265	16,030

Note 32B – 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 2016				
	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	-	-	724	724
Other Assets	-	-	-	-
Total	-	-	724	724

31 December 2015				
	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	-	-	879	879
Other Assets	-	-	-	-
Total	-	-	879	879

Note 32c – Changes in items measured for fair value on a recurring basis included in Level 3 - Bank

31 December 2016									
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	Extinguishment:	Transfers to/from level 3	Fair value at 31 December 2016	Unrealized profit/loss from instruments held 31 December 2016
NIS Millions									
Assets:									
Bonds Available for sale:									
Foreign Governments	-	-	-	-	-	-	-	-	-
Financial institutes abroad	-	-	-	-	-	-	-	-	-
MBS \ ABS	1,998	(61)	10	134	(378)	(278)	-	1,425	14
Others in Israel	-	-	-	-	-	-	-	-	-
Others abroad	-	-	-	-	-	-	-	-	-
Total bonds available for sale	1,998	(61)	10	134	(378)	(278)	-	1,425	14
Assets in respect of derivative financial instruments:									
Shekel-index contracts	174	19	-	-	-	-	9	202	32
Interest contracts	297	(3)	-	-	-	(164)	-	130	(160)
Foreign currency contracts	771	(768)	-	573	-	-	-	576	299
Contracts in respect of shares	127	(70)	-	-	-	-	-	57	36
Commodities and other contracts	33	(30)	-	-	-	-	-	3	1
Total assets in respect of derivative financial instruments	1,402	(852)	-	573	-	(164)	9	968	208
Total assets	3,400	(913)	10	707	(378)	(442)	9	2,393	222
Liabilities:									
Liabilities in respect of derivative financial instruments:									
Shekel-index contracts	53	109	-	-	-	-	(1)	161	159
Foreign currency contracts	199	47	-	-	-	-	-	246	56
Total liabilities in respect of derivative financial instruments	252	156	-	-	-	-	(1)	407	215
Other	14	22	-	-	-	-	-	36	13
Total liabilities	266	178	-	-	-	-	(1)	443	228

Note 32c – Changes in items measured for fair value on a recurring basis included in Level 3-Bank(cont'd)

31 December 2015									
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 2015	Unrealized profit/loss from instruments held 31 December 2015
NIS Millions									
Assets:									
Bonds Available for sale:									
Financial institutes abroad	-	-	-	-	-	-	-	-	-
MBS \ ABS	2,003	47	(11)	510	(138)	(411)	-	2,000	(4)
Others in Israel	-	-	-	-	-	-	-	-	-
Others abroad	-	-	-	-	-	-	-	-	-
Total bonds available for sale	2,003	47	(11)	510	(138)	(411)	-	2,000	(4)
Assets in respect of derivative financial instruments:									
Shekel-index contracts	145	(23)	-	-	-	-	52	174	66
Interest contracts	423	(11)	-	-	-	(116)	-	296	(83)
Foreign currency contracts	2,307	(3,478)	-	1,942	-	-	-	771	230
Contracts in respect of shares	64	63	-	-	-	-	-	127	108
Commodities and other contracts	64	(31)	-	-	-	-	-	33	32
Total assets in respect of derivative financial instruments	3,003	(3,480)	-	1,942	-	(116)	52	1,401	353
Total Assets	5,006	(3,433)	(11)	2,452	(138)	(527)	52	3,401	349
Liabilities:									
Liabilities in respect of derivative financial instruments:									
Shekel-index contracts	41	(37)	-	-	-	-	50	54	49
Other interest contracts	-	-	-	-	-	-	-	-	-
Foreign currency contracts	110	89	-	-	-	-	-	199	123
Total liabilities in respect of derivative financial instruments	151	52	-	-	-	-	50	253	172
other	10	3	-	-	-	-	-	13	13
Total Liabilities	161	55	-	-	-	-	50	266	185

Statement of Cash Flows - Bank

For the year ended 31 December 2016

	2016	2015	2014
	(NIS millions)		
Cash flows generated by operating activity			
Net profit for the year	2,791	2,835	1,413
Adjustments:			
Group share in undistributed gains (losses) of companies included on equity basis (a)	(176)	(13)	147
Expenses deriving from share-based payment transactions	10	10	0
Depreciation of buildings and equipment (including impairment)	520	488	467
Expenses in respect of credit losses	(160)	149	195
Provision for impairment in assets transferred to group ownership	0	1	3
Net gains on sale of securities available for sale (including impairment)	(753)	(245)	(376)
Realized and unrealized gain from adjustment to fair value of securities held for trading	116	(65)	(453)
Loss (gain) on realization of investment in companies included on equity basis	17	(522)	0
Loss (gain) on realization of buildings and equipment	(66)	(92)	(83)
Extraordinary provisions (elimination of provisions) in connection with fixed assets after taxes	0	2	(1)
Interest received in excess of accumulated interest (not yet received) for debentures available for sale	297	99	(89)
Interest not yet paid for debentures and subordinated notes	781	699	282
Effect of exchange differentials on cash and deposits with banks for period not exceeding three months	351	(91)	(698)
Deferred taxes, net	(80)	(305)	(118)
Severance pay and pension - increase in excess of provision over amount funded (b)	279	375	625
Profit on sale of loan portfolios	(44)	(11)	(28)
Other, net	85	28	(160)
Net change in current assets:			
Deposits in banks for an original period of more than three months	636	1,147	(734)
Credit to the public (b)	(1,855)	(9,808)	(12,031)
Credit to the government	(189)	24	39
Securities borrowed or purchased under agreements to resell	480	236	(640)
Assets in respect of derivative instruments	596	5,529	(3,738)
Securities held for trading	3,434	754	(1,408)
Other assets	(533)	(398)	107
Net change in current liabilities:			
Deposits from banks	(3,041)	(2,186)	1,367
Deposits of the public	18,282	30,665	13,921
Deposits from governments	32	23	(32)
Securities lent or sold under agreements to repurchase	(399)	(300)	614
Liabilities in respect of derivative instruments	(326)	(4,451)	2,081
Other liabilities	1,015	664	(546)
Net cash generated by operating activity	22,100	25,241	126

(a) Not including profits (losses) of companies included on equity basis, as required under generally accepted accounting principles in Israel.

(b) Reclassified.

Statement of Cash Flows (cont'd)

For the year ended 31 December 2016

	2016	2015	2014
	(NIS millions)		
Cash flows generated by investment activity			
Acquisition of securities available for sale	(89,643)	(78,007)	(30,592)
Proceeds from sale of securities available for sale	35,161	30,132	21,070
Proceeds from redemption of securities available for sale	44,223	27,827	25,934
Acquisition of shares in companies included on equity basis	(4)	(75)	3
Proceeds from realization of investment in companies included on equity basis	0	707	0
Net decrease (indecreease) in capital notes of investee companies	409	89	50
Acquisition of buildings and equipment	(785)	(658)	(438)
Proceeds from realization of buildings and equipment	88	129	94
Proceeds of sale of loan portfolios	2,589	317	344
Change in cash resulting from merger of Leeumi Mortgage and Maalot (b)	173	24	(304)
Net cash for investment activity	(7,789)	(19,515)	16,161

(b) Reclassified.

Statement of Cash Flows (cont'd)

For the year ended 31 December 2016

	2016	2015	2014
	(NIS millions)		
Cash flows generated by financing activity			
Issue of debentures and subordinated notes (b)	4,443	2,606	0
Redemption of debentures and subordinated notes (b)	(3,892)	(5,667)	(855)
Loans to employees for purchase of the Bank's shares	0	42	1
Net, cash flows generated by financing activity	551	(3,019)	(854)
Increase (decrease) in cash and cash equivalents	14,862	2,707	15,433
Balance of cash and cash equivalents at beginning of year	55,943	53,145	37,014
Effect of movements in exchange rates on cash balances and cash equivalents	(351)	91	698
Balance of cash and cash equivalents at end of year	70,454	55,943	53,145
	2016	2015	2014
	(NIS millions)		
Interest received	8,624	8,350	9,128
Interest paid	(2,875)	(3,060)	(3,602)
Dividend received	13	973	22
Taxes paid on income	(1,473)	(1,133)	(1,420)

(b) Reclassified.

Appendix C – Non-cash investment and financing transactions in the reporting period:

During the year, shares were issued against the conversion of rights that accumulated to the benefit of the employees in the amount of NIS 636 million.