30.9.2019

CONDENSED FINANCIAL STATEMENTS

Q3

ISRAEL DISCOUNT BANK

Board of Directors and Management Report

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CHAPTER "A" – GENERAL OVERVIEW, GOALS AND STRATEGY

At the meeting of the Board of Directors held on November 26, 2019, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for September 30, 2019 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information regarding financial position and operating results

Condensed financial information and principal performance indices over a period of time -consolidated

	Nine months 2019	Nine months 2018	Year 2018
	In %		
Principal performance indices:			
Return on equity	10.4	9.9	9.3
Return on assets	0.76	0.69	0.66
Ratio of credit to the public, net to deposits from the public	89.2	87.2	87.2
Ratio of common equity tier 1 to risk assets	10.41	10.02	10.24
Ratio of total capital to risk assets	13.33	13.51	13.67
Leverage ratio(1)	7.1	6.8	6.9
Liquidity coverage ratio(1)	123.5	125.0	124.8
Efficiency ratio	64.0	66.7	68.2
Principal credit quality indices:			
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.35	1.34	1.36
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.23	1.37	1.24
Ratio of net accounting write-offs in respect of credit to the public to the average balance of credit to the public	0.22	0.26	0.26
Ratio of credit loss expenses to the average balance of credit to the public	0.33	0.31	0.34
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**1,377**	**1,181**	**1,505**
Interest income, net	4,414	4,106	5,526
Credit loss expenses	429	364	540
Non-financing income	2,820	(2)2,557	3,494
Of which: commissions	2,204	(2)2,119	2,851
Non-financing expenses	4,633	(2)4,442	6,148
Of which: salaries and related expenses	2,528	2,482	3,385
Comprehensive income, attributed to the Bank's shareholders	**1,497**	**1,096**	**1,661**
Total earnings per share attributed to Bank's shareholders (in NIS)	1.18	1.01	1.29
Principal balance sheet data for the end of the reporting period:			
Total assets	**248,778**	**233,153**	**239,176**
Of which:			
Cash and deposits with banks	21,746	21,400	21,858
Securities	37,303	36,748	37,898
Credit to the public, net	173,437	161,153	164,804

For footnotes see next page.

Condensed financial information and principal performance indices over a period of time –consolidated (continued)

	Nine months 2019	2018	Year 2018
	In NIS millions		
Total liabilities	**229,805**	**216,016**	**221,507**
Of which:			
Deposits from the public	194,462	184,826	188,916
Deposits from banks	5,980	6,013	6,886
Bonds and Subordinated debt notes	8,131	7,340	8,476
Equity capital attributed to the Bank's shareholders	18,457	16,630	17,151
Total equity	**18,973**	**17,137**	**17,669**
Additional data:			
Share price	1,529	1,213	1,156
Dividend per share	16.42	6.36	10.13
Ratio of commissions to total assets	1.2	1.2	1.2

Footnotes:

(1) The ratio is computed in respect of the three months ended at the end of the reporting period.

(2) Reclassified, see Note 1 D to the financial statements.

For details regarding the decision of the Bank's Board of Directors dated November 26, 2019, to distribute a dividend in the amount of approx. 5.5 Agorot per share, see Note 18 to the condensed financial statements.

Market share

Based on data relating to the banking industry as of June 30, 2019, published by the Bank of Israel, the Discount Bank Group’s share in the total of the five largest banking groups in Israel was as follows

	June 30, 2019	December 31, 2018
	In %	
Total assets	15.6	15.4
Credit to the public, net	16.8	16.4
Deposits from the public	15.6	15.5
Interest income, net	18.4	18.0
Total non-interest income	22.6	20.8

Development of the Discount share

	Closing price at end of the trading day			Change in the first nine months of 2019 in %
	November 24 , 2019	September 30, 2019	December 31, 2018	
Discount share	1,525	1,529	1,156	32.2
The TA 5 Banks index	2,526.03	2,473.55	2,053.45	20.5
The TA 35 index	1,660.08	1,615.48	1,463.87	10.4
Discount market value (in NIS billions)	17.75	17.80	13.46	32.2

Goals and business strategy

The updated strategic plan

The Bank is engaged in realizing its vision in accordance with its multiannual strategic plan that was approved in 2014, and updated in 2016 and in 2018, in accordance with market developments (as extensively discussed in the 2016 Annual Report pp. 18-20).
The updated strategic plan is based on a leading goal – leading in the Bank's customer satisfaction by means of customer adapted banking, and comprises three principal layers:

- continuing growth and efficiency;
- a transformation in traditional banking;
- development of innovative banking models.

Continuing growth and efficiency

This layer represents a continuation of the original strategic plan from 2014, within the framework of which continues the strict management of expenses alongside the continuing growth in activity.
Within the framework of growth, the following focus points have, inter alia, been defined:

- a moderate growth in consumer credit, at the Bank and at the subsidiaries, MDB and ICC;
- considerable growth in housing credit, small businesses, to middle market banking and to corporate banking;
- nurturing the connection with the Bank's customers by means of upgrading suitable and useful value offers across the spectrum of distribution channels, while implementing technological improvements and enhancing the customer experience;

Transformation in traditional banking

In order to prepare for significant changes expected in the banking field, stemming from regulation, from technology, from customer expectations and from the competition image, the Bank, as part of refreshing its strategic plan, defined in 2018 a new retail operation model, which is to be gradually integrated in the coming years. The essence of the model refers to:

A. Upgrade of the digital experience and inducement of self-service transactions by customers;
B. Upgrade of service experience on the human channels – prearranged meetings, integration of "quick bank officers" and more;
C. Leveraging of the multi-channel management platform integrated in 2018, improving customer experience in all service channels;
D. Producing information-based business perceptions aimed at enabling customers to receive the value proposition that is best and most suited to them;
E. Introduction of innovative customer moves, creating competitive differentiation.

Furthermore, the Bank shall act to continue and advance the strategy in a variety of areas:

A. Integration of the new model of operation for small businesses;
B. Integration of the multi-channel management platform for corporate and middle market banking;
C. The continuing improvement of the computer and human resources infrastructure.

Development of Innovative Banking Models

The Bank is putting to the test a number of solutions and innovative banking models. This, with a view of expanding to new customer populations and to additional platforms and services, as part of the value offer by the Bank.

Goals of the Strategic Plan

Within the framework of the strategic plan, several financial goals were set, the principal of which are achieving a return on capital of approx. 10% by 2021 and achieving an efficiency ratio approx. 60% by 2021.

Forward-looking information. The main points of the strategic plan presented above include assessments that fall into the category of forward-looking information, such as the return on equity, efficiency ratio, and so forth. These assessments are based on the latest information and estimates available to the Bank at date of publishing the reports. The strategic plan is based on assumptions regarding developments in the Israeli economy in the coming years, and also legislative and regulatory initiatives that are currently known, whose enactment is expected with a high degree of probability. Material changes in the state of the economy and the situation of the customer public, legislative and regulatory changes having a material effect, material changes in the competitive landscape and material changes in the security situation could have an impact on the degree to which the targets of the strategic plan are achieved. A further cause of uncertainty arises from the limited ability to accurately forecast the implications of the future processes and their impact on profitability.

For the definition of the term "forward looking information", see "Appendix No. 4 – Glossary".

CHAPTER "B" – EXPLICATION AND ANALYSIS OF THE FINANCIAL RESULTS AND BUSINESS POSITION

Material trends, occurrences, developments and changes

Management's handling of current material issues

The Group's activity during the first nine months of 2019 formed a direct continuation of its activity in 2018, in accordance with and within the framework of the implementation of the strategic plan of the Group. The Group's capital management is strict and the financial base of the Group continues to be stable. The ratio of equity capital Tier 1 amounts to 10.41% and the liquidity coverage ratio amounts to 123.5%. This is the capital infrastructure that allows the Group to continue growing.
The central challenges and issues in the third quarter were:

Uncompromising continuation of the strategic plan

With the refreshing of the strategy, the projects map was also updated so that at the end of the third quarter of 2019 the Group is managing 21 strategic projects. The Change Administration established in 2014 continues to take the lead in coordinating the change programs, assisting with their realization, monitoring and controlling progress and reporting to management and to the Board of Directors. The monitoring and control over progress of the strategic projects is performed by means of a unique implementation mechanism, which includes financial and other goals that are linked to each project. In addition, periodic monitoring is undertaken of the projects' progress in several circles – project managers, the administration head, members of management in charge of the projects, and overall management.
The strategic teams at the Bank and at the subsidiary companies have acted and continue to act vigorously, towards meticulous implementation of the many projects stemming from the strategic plan, including the business focus on growth, mainly as regards credit the field, within the targeted populations, as defined in the strategic plan, in a change in the organizational culture, in improvement in the infrastructure, in improved customer experience and in the promotion of innovative aspects.
The implementation of efficiency measures is also continuing, including the "Lean" processes, basing the activity of the banking service center, reducing the floor space being used by the Bank, including the merger of branches and the continuing vacating and sale of buildings (used by branches and the head office), as well as additional measures leading to direct savings in Bank expenses.
From the Group point of view, the administrative focusing in the Group's management processes and its improvement continues, inter alia, through strategic guidance with a cross-group view point, utilization of business and operational synergies, including from the aspect of strategic projects, preparations for computerization, preparations for regulation, etc.

Issuance of deferred debt notes (Series "F")

On October 28, 2019, the Bank, through its subsidiary Discount Manpikim Ltd., completed the process of issuing deferred debt notes, which include a capital loss absorption mechanism, which are capital instruments classified as Tier 2 capital for the purpose of their inclusion in the Bank's regulatory capital, in a total amount of NIS 1,231 million.

Fintech and Innovation

The Bank adjusts itself to the changing world and is active in creating innovative banking models, that would provide customers with advanced service modified to their needs.

The Bank is continuing to expand the payments operations among customers of all banks in Israel, under the brand name of "Paybox", by means of the cellular application and the Internet website. While doing so, the Bank integrated into the "Paybox" application the solution provided by HopOn Mobility Ltd. for the recharging of the public transport card ("Rav-kav" card), so that users of the "Paybox" application would be able to recharge their "Rav-kav" card by means of the application. In addition, the Bank has recently introduced a designated area in the application, which enables the transfer of donations to a variety of associations. The Bank, in cooperation with HopOn Mobility Ltd. and Cellopark Technologies Ltd., had submitted a proposal for a procedure by the Ministry of Transport for the payment of public transport fares by means of a cellular application, which was chosen as a candidate for obtaining an operating permit.

The Bank is preparing for the expansion of the open banking platform (introduced within the framework of the cooperation with iCount Company), and introduces an API (Application Programming Interface) shop that would offer to third parties to interface with the Bank in order to enjoy a variety of banking services by means of the API in a controlled and secured manner.

For additional details, see below in "Technological improvements and innovation".

Preparing for the transformation in traditional banking and the future challenges

Within the framework of the Bank's preparations for a changing work environment as a result of acceleration in the digital deployment within the organization, the Bank executed, since the beginning of 2019, a number of measures related to the development of managers for leading and leadership in the digital world.

For additional details, see below in "The Human Capital".

Increase in competition and reduction in concentration Act

The preparation for changes in the financial system is continuing, both at the Bank and at ICC, following the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act. In February 2019, the Bank began the issuance of credit cards jointly with MAX (former name: Leumi Card). Concurrently, ICC began the issuance of credit cards jointly with Bank Leumi and with Bank Hapoalim. For additional details, see Note 17 B to the condensed financial statements.

Additional issues

- **Rating.** S&P Ma'alot has raised the domestic rating of the Bank and of MDB to a level of AAA- with a stable outlook. At the same time, S&P raised the international rating outlook of the Bank and of IDB New York, which at present is "BBB+", to a positive outlook. For additional details, see below "Rating of Liabilities of the Bank and some of its Subsidiaries";
- Midroog rating agency has raised the rating for long-term deposits and for the senior debt of the Bank to Aaa.il;
- **The sale of holdings in Super-Pharm.** On April 16, 2019, Discount Capital entered into an agreement with Union Investments & Development Ltd., by which, inter alia, Discount Capital sold all its holdings in Super-Pharm. In respect of the said sale and in respect of the dividend announced before conclusion of the transaction, the Bank recognized a profit (before tax) in the amount of NIS 24.1 million (an amount of NIS 19.5 million, after tax). On May 7, 2019, the transaction was consummated. For additional details, see below "Financial Management Segment (Domestic operations) - additional details";
- **Municipal Bank (in its former name: Dexia Bank).** For details, see below "Acquisition of Municipal Bank";
- **Discount Campus.** Preparations for the construction of the Campus continued in the reported period. For additional details, see the 2018 Annual Report (p. 308), Note 10 B 6 to the condensed financial statements and "Fixed assets and installations" below;
- **Sale of shares in ABS**, for the purpose of complying with the requirements of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017, see "Legislation and Supervision" below;
- **Wage agreement at ICC.** For details, see "The Human Capital".

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first nine months of 2019.

Growth. The first nine months of 2019 were characterized by the slowdown in the rate of expansion of the global economy and trade. Global risks continue to be significant impairing the economic activity around the world and the growth forecasts. According to estimates of the Monetary Fund, the global economy is expected to grow by 3% in the current year, the lowest rate since 2008-2009. In Israel, the growth data for the third quarter of the year surprisingly indicated upward with growth of 4.1% (in annualized terms), and 3.7%, net after taxes on imports. Nevertheless, the growth mix is rather disappointing, with investment in inventories completely distorting the picture. The labor market continues to be "tight" though expanding at a more moderate rate than in the past. The Bank estimates that the Israeli economy would grow in 2019 at a rate of 3.2%, compared with 3.4% in 2018.

Exchange rates. The dollar basket (the "dollar index") appreciated by 3.3% at the end of the first nine months of 2019 in the local sector. The shekel returned to gather strength, and in total for the period appreciated by 7.1 and 11.3% as against the U.S. dollar and the Euro, respectively. In terms of the effective exchange rate, the shekel appreciated by 9.2%. The Bank estimates that the non-financial economy continues to support the strength of the shekel.

Inflation. The inflationary environment toned down. The annual inflation rate dropped in September 2019 to 0.3%, compared to 1.2% in the corresponding period last year. The rate of inflation with the elimination of energy, fruit and vegetable prices, comprising approximation of the "core inflation", was also low amounting to 0.7%. The Bank estimates that the inflation rate at the end of 2019 is expected to amount to 0.7%.

Monetary policy. Central banks around the world changed direction in the third quarter of 2019 adopting expansionary measures to support the economy. In the United States, the FED reduced the interest rate twice to 2% and to 1.75%. In the Eurozone, the ECB reduced the interest rate on bank deposits by 0.1% to -0.5%, and has renewed its bond purchase plan. The Bank of Israel left the interest rate unchanged at the rate of 0.25%, though changing its "future intention" with a more "temperate" message. In view of the turnabout in the inflationary environment, the monetary policy of the principal central banks, the moderation in the global economy and the currency appreciation, the central bank estimates that the interest rate will not rise for quite a long time. It is noted that in its interest rate announcement of October 7, 2019, the Bank of Israel even intensified its "temperate" approach, and has put back on the table the possibility for a decrease in the interest rate. According to estimates of the Bank, the Bank of Israel interest rate would be 0.1% in a year's time.

Financial markets. The trading in equities around the world was characterized in the first nine months of 2019 by a steep rise in prices, on the background of renewal of the monetary expansion process at the different economies. Accordingly, a positive trend was recorded regarding the share indices in Tel Aviv. The return on Israeli government bonds dropped at a sharp rate, on the background of the global trend and developments in the domestic market (a decline in expectations for a rise in the Bank of Israel interest rate). At the end of September, the return on shekel bonds for ten years (government shekel bonds – Series 928) stood at 0.91%, compared with 2.29% at the end of 2018.

The fourth quarter of 2019. At the end of October 2019, the FED lowered once more the interest rate to 1.75%-1.5%, but signaled the markets that no further reductions are required. Signs for stabilization in global growth together with the progress made in the trade negotiations between the Chinese and the Americans, have supported optimism in the markets and the move to risky assets. In Israel, the CPI for October indicated further moderation in the "inflationary environment". The "core inflation" (the CPI with the exclusion of energy, fruit and vegetable prices) decreased to 0.5%.

In contrast to the global trend, returns on shekel Government bonds recorded a decline in returns (mostly in short-terms). This, on the background of increased probabilities for the lowering of the interest rate in Israel in the near period, and the decline in the inherent inflationary expectations. The interest grossed-up in IRS contracts (1M forward) amounted at the end of the period to 0.12% and 0.1% for three months and for six months, respectively.

The shekel is found in an environment similar to that of the beginning of October, despite the fact that the Bank of Israel has reverted in October to intervention in the foreign currency market, following a long period of absence.

Forward-looking information. The aforesaid includes, inter alia, assessments of the Bank regarding the future development of primary indicators, which are deemed to be forward-looking information. The aforesaid reflects the assessment of the Bank's Management, taking account of information available to it at the time of preparing the quarterly report, with regard to trends in the Israeli and world economies. The aforesaid might not materialize should changes occur in the trends, in Israel and/or in the world, and as a result of various developments in the macro-economic conditions that are not under the control of the Bank.

For further details, see "Main developments in Israel and around the world in the first half of 2019" in "Corporate governance, audit, additional details regarding the business of the banking corporation and management thereof".

Leading and developing risks

The Bank considers business model risks, cyber and data protection risks, model risks, privacy protection aspects as well as conduct risks, as the most significant developing leading risks. In the first nine months of 2019, no material changes took place concerning this matter. For additional details see the 2018 Annual Report (pp. 19-20).

Initiatives concerning the banking sector and its operations

Increase in competition and reduction in concentration Act. The Increase in Competition and Reduction in Concentration in the Banking Market in Israel (Legislation Amendments) Act, 2017, was published in the Official Gazette on January 31, 2017, within the framework of which, the separation from the banks of the ownership of credit card companies has, inter alia, been determined.

In the immediate future, the separation from the banks of the ownership of credit card companies does not apply to ICC holders but only to its competitors holders (Isracard and MAX (former name: Leumi Card)). Only within a range of 4 to 6 years from date of publication of the Act, would the issue of separating the ownership of ICC be re-examined (the transaction for the sale of all the holdings of Bank Leumi and of the Azrieli Group Ltd. in MAX was consummated on February 25, 2019. Within the framework of an offer for sale to the public, the holdings of Bank Hapoalim in IsraCard were reduced on April 8, 2019, to a rate of approx. 33%. This in accordance with immediate reports issued by Bank Leumi and Bank Hapoalim, respectively). This and more, if in the past the large banks (Poalim, Leumi and Discount) issued to their customers credit cards of the credit card companies owned by them (Isracard, MAX and ICC), competition between the companies is now expected to develop. Concurrently, the banks are required, as of February 1, 2019, to move a part of the issue of the new credit cards to customers to another credit card company, at least one, with which they had no previous business. From the view point of ICC, although there would be a reduction in the issue of credit cards to customers of the owner banks, ICC now has the opportunity to compete in the issue of new credit cards to customers of Poalim and Leumi. In the era of post-entry into effect of the new Act, the different participants in the credit card market, banks on the one part and credit card companies on the other part, find themselves in front of an array of moves and action possibilities of each of them and of each of the other participants.

The aforementioned could have a material effect on the banking system, including the Bank itself and on the credit card market, including on ICC. Nevertheless, at this stage, prior to clarifying the nature, character, scope and timing of all the measures that will be taken, it is not possible to assess the aforesaid effects either in terms of materiality or in terms of quantity.

The additional tax that may apply, if doubt is raised as to the continued holding of the Bank in ICC, computed in relation to the value of the holdings in ICC stated in the books of the Bank as of September 30, 2019, is estimated at NIS 57 million.

For details regarding the said Act and additional legislation initiatives concerning the banking sector, see the 2018 Annual Report (pp. 363-370). For details in respect of agreements between ICC and certain banks on the one hand, and between the Bank and MAX on the other hand, see the 2018 Annual Report (pp. 289-290). For details in the matter of "Changes regarding competition in the credit card market", see the 2018 Annual Report (p. 350).

Reduction of the cross-commission rate. The Banking Oder (Customer service)(Supervision over cross-clearing service for transactions made by charge cards and for immediate debit transactions), 2018, was published on November 2, 2018, establishing an outline with respect to the reduction of the cross-commission in deferred charge transactions, from a rate of 0.7% at the date of publication of the Order, to a rate of 0.5%, this in five stages during the coming years, and an outline with respect to the reduction of the cross-commission regarding immediate charge transactions, from a rate of 0.3% at the date of publication of the Order, to a rate of 0.25%. The Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated. For additional details, see the 2018 Annual Report (p. 21).

For details regarding the exemption terms for the agreement (a new arrangement in the industry replacing the arrangement expired on December 31, 2018), published by the Competition Commissioner (in her former title: Antitrust Commissioner), see the 2018 Annual Report (p. 288).

Encouraging innovation at banks and at clearing agents. The Supervisor of Banks published a letter on June 23, 2019, which defines the expectations from the banking corporations and clarifies the regulatory viewpoint with the aim of reaching a further stage in the encouragement of innovation. For details regarding the actions taken by the Bank in this respect, see above "The updated strategic plan" and below "Technological improvements and innovation".

For additional details regarding Initiatives concerning the banking sector and its operations, see the 2018 Annual Report (pp. 20-21) and in the 2019 First Quarter Report (p. 15).

Acquisition of Municipal Bank (in its former name: Dexia Bank)

A merger agreement was signed between MDB and Municipal Israel Bank Ltd. (hereinafter: "Municipal Bank") on November 13, 2018.
On May 23, 2019, the Bank received the confirmation of the Competition Commissioner for the merger of Municipal Bank with MDB, subject to certain terms. On July 26, 2019, Jerusalem Bank filed with the Competition Tribunal at the Jerusalem District Court, an appeal against the said decision of the Competition Commissioner.
The confirmation by the Supervisor of Banks for the merger, in accordance with the terms stated by the Competition Authority, was received on September 2, 2019.
In order to complete the fulfillment of the terms stated in the confirmation of the Competition Authority and the fulfillment of the other conditions precedent stated in the merger agreement. Within the framework of the extension of the agreement, the parties reached an agreement regarding the additional consideration that would be paid.
On November 11, 2019, Municipal Bank, MDB and Union Bank signed an agreement for the sale of a part of the credit portfolio of Municipal to Union Bank of Israel Ltd. (hereinafter: "the credit portfolio" and the "sale agreement", respectively). The sale of the credit portfolio is in accordance with the condition stated in the approval of the Competition Commissioner and following the approval by the Competition Authority regarding the identity of the purchaser, the volume of the credit portfolio and its composition (see the Immediate Report dated August 29,2019, Ref. No. 2019-01-075288).
Upon completion of the sale to Union Bank of the credit portfolio, the parties to the merger are of the opinion that all conditions precedent to the merger of the bank and MDB had been fulfilled. The expected date for the consummation of the merger is December 1, 2019. Notwithstanding, at this stage, there is no certainty as to the exact date of the merger.
All as detailed in the immediate reports of May 23, August 29, September 3 and November 11, 2019 (Ref. No. 2019-01-050215, 2019-01-075280, 2019-01-077025 and 2019-01-112870), the detailed contained therein in this matter are presented here by way of reference.
For additional details, including the framework for issuing capital, regulatory capital instruments and bonds at MDB, see the 2018 Annual Report (p. 22 and pp. 211-212) and Note 10 B 7 to the condensed financial statements.
It should be noted that, due to Municipal Bank being a banking corporation, its financial statements are drawn up in conformity with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks. It should also be noted that the reports of Municipal Bank are available for perusal on the Magna website of the Israel Securities Authority and on the Maya website of the Tel-Aviv Stock Exchange Ltd.

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three and nine months periods ended on September 30, 2019, the independent auditors drew attention to Note 10 B item 5 regarding requests to approve certain actions and with regard to other claims as a class action suits against the Bank and investee companies.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

Net profit attributed to the Bank's shareholders for the first nine months of 2019 totalled NIS 1,377 million, compared with NIS 1,181 million in the corresponding period last year, an increase of 16.6%.

Return on equity net attributed to the Bank's shareholders for the first nine months of 2019 reached a rate of 10.4%, on an annual basis, compared with a rate of 9.9% for the corresponding period last year, and 9.3% for all of 2018.

The following are the main factors that had an effect on the business results of the Group in the first nine months of 2019, compared with the corresponding period last year:

a. An increase in interest income, net, in an amount of NIS 308 million (7.5%) mainly affected by the growth in the credit portfolio.
b. An increase in credit loss expenses, of NIS 65 million (17.9%), which was affected by the rise in expenses at the subsidiaries and was partially offset from the decrease in expenses at the Bank.
c. An increase in the total non-interest income, of NIS 263 million (10.3%), affected by an increase of NIS 188 million in non-interest financing income (46.0%), an increase of NIS 85 million in commissions (4.0%), mainly an increase in credit card commissions.
d. An increase of NIS 191 million in operating and other expenses (4.3%), affected by an increase of NIS 104 million in other expenses (8.7%), an increase of NIS 46 million in salaries and related expenses (1.9%) and an increase of NIS 41 million in maintenance and depreciation of buildings and equipment (5.4%).
e. Tax provision of NIS 764 million on earnings in the first nine months of 2019, compared with NIS 645 million in the corresponding period last year.

Additional details and explanations are presented below.

Net Profit Attributed to the Bank's Shareholders in the third quarter of 2019 amounted to NIS 427 million, compared with NIS 545 million in the second quarter of the year, a decrease of 21.7%, and compared with NIS 439 million in the third quarter of 2018, a decrease of 2.7%.

Return on equity net attributed to the Bank's shareholders for the third quarter of 2019 reached a rate of 9.7%, on an annual basis, compared with a rate of 12.8% during the second quarter of 2019 and compared with a rate of 11.1% during the third quarter of 2018.

The major factors affecting the business results of the Group in the third quarter of 2019, compared with the previous quarter, were:

a. A decrease in interest income, net, in an amount of NIS 197 million (12.4%) mostly as a result of the effect of changes in the CPI.
b. An increase in credit loss expenses, in an amount of NIS 16 million (11.8%).
c. An increase of NIS 10 million (1.0%) in non-interest income.
d. A decrease in operating and other expenses, in an amount of NIS 37 million (2.4%).
e. In the third quarter of 2019, provision for taxes on the profit was recorded, in the amount of NIS 240 million, compared with NIS 300 million in the previous quarter.

Developments in Income and Expenses

Developments in certain income statement items in the first nine months of 2019, compared with the first nine months of 2018

	For the nine months ended September 30,		
	2019	2018	Change in %
	In NIS millions		
Interest income	5,707	5,201	9.7
Interest expenses	1,293	1,095	18.1
Interest income, net	4,414	4,106	7.5
Credit loss expenses	429	364	17.9
Net interest income after credit loss expenses	**3,985**	**3,742**	**6.5**
Non-interest Income			
Non-interest financing income	597	409	46.0
Commissions	2,204	(2)2,119	4.0
Other income	19	29	(34.5)
Total non-interest income	**2,820**	**2,557**	**10.3**
Operating and other Expenses			
Salaries and related expenses	2,528	2,482	1.9
Maintenance and depreciation of buildings and equipment	804	763	5.4
Other expenses	1,301	(2)1,197	8.7
Total operating and other expenses	**4,633**	**4,442**	**4.3**
Profit before taxes	2,172	1,857	17.0
Provision for taxes on profit	764	645	18.4
Profit after taxes	1,408	1,212	16.2
Bank’s share in profit of affiliated companies, net of tax effect	11	2	
Net profit attributed to the non-controlling rights holders in consolidated companies	(42)	(33)	27.3
Net Profit attributed to Bank's shareholders	**1,377**	**1,181**	**16.6**
Return on equity attributed to the Bank's shareholders, in %(1)	10.4	9.9	
Efficiency ratio in %	64.0	66.7	

Footnotes:

(1) On an annual basis.

(2) Reclassified, see Note 1 D to the condensed financial statements.

Developments in certain income statement items in the third quarter of 2019, compared with the second quarter of 2019 and compared with the third quarter of 2018

	2019		2018	Rate of Change Q3 2019 compared to	
	Q3	Q2	Q3	Q2 2019	Q3 2018
	In NIS millions			in %	
Interest income	1,751	2,150	1,782	(18.6)	(1.7)
Interest expenses	353	555	370	(36.4)	(4.6)
Interest income, net	1,398	1,595	1,412	(12.4)	(1.0)
Credit loss expenses	152	136	123	11.8	23.6
Net interest income after credit loss expenses	**1,246**	**1,459**	**1,289**	**(14.6)**	**(3.3)**
Non-interest Income					
Non-interest financing income	195	230	160	(15.2)	21.9
Commissions	765	729	(2)730	4.9	4.8
Other income	10	1	13	900.0	(23.1)
Total non-interest income	**970**	**960**	**903**	**1.0**	**7.4**
Operating and other Expenses					
Salaries and related expenses	824	857	826	(3.9)	(0.2)
Maintenance and depreciation of buildings and equipment	272	269	255	1.1	6.7
Other expenses	437	444	(2)413	(1.6)	5.8
Total operating and other expenses	**1,533**	**1,570**	**1,494**	**(2.4)**	**2.6**
Profit before taxes	683	849	698	(19.6)	(2.1)
Provision for taxes on profit	240	300	248	(20.0)	(3.2)
Profit after taxes	443	549	450	(19.3)	(1.6)
Bank's share in profit of affiliated companies, net of tax effect	-	12	1		
Net profit attributed to the non-controlling rights holders in consolidated companies	(16)	(16)	(12)	-	33.3
Net Profit attributed to Bank's shareholders	**427**	**545**	**439**	**(21.7)**	**(2.7)**
Return on equity attributed to the Bank's shareholders, in %(1)	9.7	12.8	11.1		
Efficiency ratio in %	64.7	61.4	64.5		

Footnotes:
(1) On an annual basis.
(2) Reclassified, see Note 1 D to the condensed financial statements.

Following are details regarding material changes in statement of profit and loss items:

Interest income, net. In the first nine months of 2019, interest income, net, amounted to NIS 4,414 million compared with NIS 4,106 million in the corresponding period last year, an increase of 7.5%. The rise in the interest income, net, in the amount of NIS 308 million, is explained by a negative price impact of NIS 41 million, and a negative quantitative effect in the amount of NIS 349 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).

The interest spread, excluding derivatives, reached a rate of 2.48% in the first nine months of 2019, compared with 2.46% in the corresponding period last year.

The interest spread, excluding derivatives, reached a rate of 2.38% in the third quarter of 2019, compared with 2.53% in the corresponding period last year.

The average balance of interest bearing assets has increased by a rate of approx. 6.5%, from an amount of NIS 204,886 million to NIS 218,283 million, and the average balance of interest bearing liabilities increased by a rate of approx. 8.4%, from an amount of NIS 156,299 million to NIS 169,391 million.

Net interest income according to linkage segments

Distribution of volume of operations according to interest bearing assets, net interest income and interest margin by linkage segments

	2019			2018		
	Volume of activity(1) in %	Interest income, net in NIS millions	Interest margin in %	Volume of activity(1) in %	Interest income, net in NIS millions	Interest margin in %
Unlinked shekels	68.5	3,407	2.96	67.8	3,071	2.88
CPI-linked shekels	8.5	178	(0.56)	8.9	177	(0.73)
Foreign Currency	23.0	829	2.06	23.3	858	2.22
Interest income, net and the interest margin	**100.0**	**4,414**	**2.48**	**100.0**	**4,106**	**2.46**

Footnote:
(1) According to the average balance of the interest bearing assets.

The increase in net interest income stems, mainly, from the growth in credit to the public in the non-linked segment.

Non-interest financing income amounted in the first nine months of 2019 to NIS 597 million, compared to NIS 409 million in the corresponding period last year, an increase of 46.0%. The increase in non-interest financing income stemmed, mainly, from the increase in profit from investment in shares and bonds (see below "Analysis of the total net financing income" table).

Non-interest financing income includes the effect of activity in derivative financial instruments, which constitute an integral part of the management of the Bank's interest exposure and base exposure. Accordingly, for the purpose of analyzing the financing income from current activity, the net interest income and the non-interest financing income need to be aggregated.

Composition of the net financing income

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Interest income	1,751	2,150	1,806	1,852	1,782	1,883	1,536
Interest expenses	353	555	385	432	370	463	262
Interest income, net	1,398	1,595	1,421	1,420	1,412	1,420	1,274
Non-interest financing income	195	230	172	177	160	145	104
Total net financing income	**1,593**	**1,825**	**1,593**	**1,597**	**1,572**	**1,565**	**1,378**

Analysis of the total net financing income

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Financing Income from current operations	1,528	1,556	1,529	1,518	1,482	1,402	1,333
Effect of CPI	(33)	73	(14)	5	12	50	(9)
Net profit (loss) from realization and adjustment to fair value of bonds**	65	66	57	(9)	4	(17)	42
Profit from investments in shares*	37	71	10	48	50	5	4
Adjustment to fair value of derivative instruments	(51)	44	(35)	6	(5)	70	(35)
Exchange rate differences, options and other derivatives**	47	14	40	29	29	55	37
Net profit on the sale of loans	-	1	6	-	-	-	6
Total net financing income	**1,593**	**1,825**	**1,593**	**1,597**	**1,572**	**1,565**	**1,378**
*Of which: income from realizations in Discount Capital.	14	36	4	49	27	5	3
**Exchange rate differences in respect of trading bonds are included in the exchange rate differences line	(19)	(5)	(35)	40	(7)	43	12

Net financing income, amounted to NIS 5,011 million in the first nine months of 2019, compared to NIS 4,515 million in the corresponding period last year, an increase of 11.0%. The increase in financing income stemmed, mostly, from an increase of NIS 396 million in profit from current operations, and from an increase of NIS 159 million in profits from the sale and adjustment to fair value of bonds, which were offset by a decrease of NIS 72 million in adjustments to fair value of derivative instruments.

Rates of income and expenses. In the appendices to the annual report – Appendix 1 are presented interest income, net, with respect to the balance sheet activity. In order to explain the Bank's overall interest margin, the effects of activity in derivatives not for trading (excluding adjustments to fair value and exchange rate differences) needs to also be added.

Interest margin, including derivatives not for trading reached a rate of 2.05% in the first nine months of 2019, compared with 2.24% in the corresponding period last year.

Net financing income, amounted in the third quarter of 2019 to NIS 1,593 million, as compared with NIS 1,572 million, in the corresponding quarter last year, an increase of 1.3%, and as compared with NIS 1,825 million, in the second quarter of 2019, a decrease of 12.7%.

Interest margin, including derivatives not for trading reached a rate of 2.06% in the third quarter of 2019, compared with 2.30% in the corresponding period last year and compared with 2.07% in the second quarter of 2019.

Development of the interest income, net by regulatory operating segments

	For the three months ended September 30,			For the nine months ended September 30,		
	2019	2018	Change in %	2019	2018	Change in %
	In NIS millions			In NIS millions		
Domestic operations:						
Households	498	(1)439	13.4	1,462	(1)1,277	14.5
Private banking	22	20	10.0	65	57	14.0
Small and minute businesses	398	(1)365	9.0	1,168	(1)1,066	9.6
Medium businesses	82	75	9.3	241	218	10.6
Large businesses	179	(1)193	(7.3)	556	(1)535	3.9
Institutional bodies	10	(1)10	-	28	(1)25	12.0
Financial management	(12)	(1)83	(114.5)	195	(1)262	(25.6)
Total Domestic operations	**1,177**	**1,185**	**(0.7)**	**3,715**	**3,440**	**8.0**
Total International operations	**221**	**227**	**(2.6)**	**699**	**666**	**5.0**
Total	**1,398**	**1,412**	**(1.0)**	**4,414**	**4,106**	**7.5**

Footnote:
(1) Reclassified - see Note 12 C to the condensed financial statements.

Credit loss expenses. In the first nine months of 2019 credit loss expenses in the amount of 429 million were recorded, compared with expenses of NIS 364 million in the corresponding period last year, an increase of 17.9%.

The rise is due to an increase of NIS 60 million in the expenses at MDB (mainly a growth in expenses on a specific basis, stemming both from the increase in allowances for credit losses in respect of a limited number of business customers whose repayment ability has been reduce and from the increase in allowances in respect of restructured debts) and an increase of NIS 52 million in the expenses at IDB New York (mainly as a result of an increase in the group allowance stems from a growth in the performing credit in the first nine months of 2018, as well as from the effect of changing the rate of the allowance). The said increase was offset by a decrease in the Bank alone allowance expense, mostly due to a decrease in accounting write-offs.

For additional details, see below "Credit to the public" and "Credit risks" in Chapter "C" hereunder. For details as to the components of the credit loss expenses, see Note 14 to the condensed financial statements.

Details of the quarterly development in the credit loss expenses

	For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2018
	In NIS millions		
On a specific basis			
Change in allowance	42	4	18
Gross accounting write-offs	197	274	366
Collection	(170)	(252)	(307)
Total on a specific basis	**69**	**26**	**77**
On a group basis			
Change in allowance	99	57	107
Gross accounting write-offs	454	439	570
Collection	(193)	(158)	(214)
Total on a group basis	**360**	**338**	**463**
Total	**429**	**364**	**540**
Rate of credit loss expenses to the average balance of credit to the public	0.33%	0.31%	0.34%

Footnote:
(1) On an annual basis.

Quarterly development in the credit loss expenses

	2019			2018				
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
	In NIS millions							
On a specific basis								
Change in allowance	34	18	(10)	18	14	31	(1)	(26)
Gross Accounting Write-offs	62	70	65	366	92	64	76	134
Collection	(72)	(46)	(52)	(307)	(55)	(83)	(53)	(116)
Total on a specific basis	**24**	**42**	**3**	**77**	**51**	**12**	**22**	**(8)**
On a group basis								
Change in allowance	44	(2)	57	107	50	15	16	26
Gross Accounting Write-offs	146	160	148	570	131	140	143	156
Collection	(62)	(64)	(67)	(214)	(56)	(44)	(52)	(62)
Total on a group basis	**128**	**94**	**138**	**463**	**125**	**111**	**107**	**120**
Total	**152**	**136**	**141**	**540**	**176**	**123**	**129**	**112**
Rate of credit loss expenses to the average balance of credit to the public[(1)]:								
The rate in the quarter:	0.35%	0.32%	0.33%	-	0.44%	0.31%	0.33%	0.29%
Cumulative rate since the beginning of the year:	0.33%	0.32%	0.33%	0.34%	0.34%	0.31%	0.31%	0.29%

Footnote:
(1) On an annual basis.

For additional details, see below "Credit to the public" and "Credit risk" in chapter C hereunder.

Commissions in the first nine months of 2019 amounted to NIS 2,204 million, compared to NIS 2,119 million in the corresponding period last year, an increase of 4.0%.

Distribution of the commissions

	For the nine months ended September 30,		
	2019	2018	Change
	in NIS millions		in %
Account Management fees	352	355	(0.8)
Credit cards	1,040	937	11.0
Operations in securities and in certain derivative instruments	236	250	(5.6)
Commissions from the distribution of financial products	113	112	0.9
Handling credit	135	135	-
Conversion differences	100	101	(1.0)
Foreign trade services	43	44	(2.3)
Net income from credit portfolio services	4	4	-
Commissions on financing activities	124	(1)119	4
Other commissions	57	62	(8.1)
Total commissions	**2,204**	**2,119**	**4.0**

Footnote:
(1) Reclassified, see Note 1 D to the condensed financial statements.

Salaries and related expenses amounted to NIS 2,528 million in the first nine months of 2019, compared with NIS 2,482 million in the corresponding period last year, an increase of 1.9%. Eliminating the effect of certain components as detailed below, an increase of 0.5% would have been recorded.

Quarterly developments in salaries and related expenses, detailing the effect of certain components

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and Related Expenses - as reported	824	857	847	(1)903	(1)826	(1)838	(1)818
Awards	(64)	(94)	(69)	(75)	(82)	(83)	(59)
(1)One-time award at MDB	-	-	-	(56)	-	-	-
Reversal of excess provisions(2)	-	-	-	-	-	-	31
Salaries and Related Expenses - Disregarding certain components	**760**	**763**	**778**	**772**	**744**	**755**	**790**

Footnotes:
(1) See 2018 Annual Report (p. 317)
(2) Note 8 C 2.

Other expenses amounted to NIS 1,301 million in the first nine months of 2019, compared to NIS 1,197 million in the corresponding period last year, an increase of 8.7%. The increase stems mainly from an increase in commissions, affected, mostly, by the expansion in the activity of ICC and from an increase in long-term benefits.

Developments in the comprehensive income

Condensed statement of comprehensive income

	For the nine months ended September 30,		
	2019	2018	Change
	in NIS millions		in %
Net Profit attributed to the Bank's shareholders	1,377	1,181	16.6
Changes in components of other comprehensive income (loss), attributed to the Bank's shareholders:			
Other comprehensive income (loss), before taxes[1]	298	(167)	
Effect of attributed taxes	(178)	82	
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	120	(85)	
Comprehensive income, attributed to the Bank's shareholders	**1,497**	**1,096**	**36.6**

Footnote:
(1) For details regarding changes in the components of other comprehensive income, see Note 4 to the condensed financial statements.

The other comprehensive income was mainly affected by unrealized profits on available-for-sale bonds, which were partly offset by losses on financial statements translation.

Structure and developments of assets, liabilities, capital and capital adequacy

Development of Assets and Liabilities

Total assets as at September 30, 2019, amounted to NIS 248,778 million, compared with NIS 239,176 million at the end of 2018, an increase of 4.0%.

Developments in the principal balance sheet items

	September 30, 2019	December 31, 2018	Rate of change
	in NIS millions		in %
Assets			
Cash and deposits with banks	21,746	21,858	(0.5)
Securities	37,303	37,898	(1.6)
Credit to the public, net	173,437	164,804	5.2
Liabilities			
Deposits from the public	194,462	188,916	2.9
Deposits from banks	5,980	6,886	(13.2)
Securities loaned or sold under repurchase arrangements	1,481	1,126	31.5
Subordinated debt notes	8,131	8,476	(4.1)
Equity attributed to the Bank's shareholders	18,457	17,151	7.6
Total equity	18,973	17,669	7.4

Following are details regarding credit to the public, securities and deposits from the public.

Credit to the public

General. Credit to the public, net, (after provision for credit losses) as at September 30, 2019 totaled NIS 173,437 million, compared with NIS 164,804 million at the end of 2018, an increase of 5.2%.

For details regarding the credit portfolio, see the 2018 Annual Report (pp. 33-37). For details regarding credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2018 Annual Report (pp. 59-79). For details regarding the quality of credit, see Note 14 B 3 to the condensed financial statements and in the 2018 Annual Report (pp. 264-265).

Composition of credit to the public by linkage segments

Data on the composition of net credit to the public by linkage segments

	September 30, 2019		December 31, 2018		
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	Rate of change in %
Non-linked shekels	127,329	73.4	117,621	71.4	8.3
CPI-linked shekels	17,108	9.9	16,295	9.9	5.0
Foreign currency and foreign currency-linked shekels	29,000	16.7	30,888	18.7	(6.1)
Total credit to the public, net	**173,437**	**100.0**	**164,804**	**100.0**	**5.2**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto decreased by 6.1% compared with December 31, 2018. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels increased by US$87 million, an increase of 1.1% as compared to December 31, 2018. The total credit to the public, which includes credit in foreign currency and Israeli currency linked to foreign currency, computed in U.S. dollar terms, increased by a rate of 6.6% as compared to December 31, 2018.

Composition of credit to the public by regulatory operating segments

Review of developments in the balance of net credit to the public, by regulatory operating segments

	September 30, 2019	December 31, 2018	change
	In NIS millions		in %
Domestic operations:			
Households*	67,585	62,042	8.9
Private banking*	270	200	35.0
Small and minute businesses	36,022	33,595	7.2
Medium businesses	10,509	10,068	4.4
Large businesses	37,012	37,156	(0.4)
Institutional bodies	657	733	(10.4)
Total Domestic operations	**152,055**	**143,794**	**5.7**
Total International operations*	**23,755**	**23,284**	**2.0**
Total credit to the public	**175,810**	**167,078**	**5.2**
Credit loss expenses	(2,373)	(2,274)	4.4
Total credit to the public, net	**173,437**	**164,804**	**5.2**
*Of which - Mortgages	36,033	32,924	9.4

The increase in credit to the public in the first nine months of 2019 reflects growth in the focus points determined in the updated strategic plan. Credit to small and minute businesses grew by NIS 2,427 million (7.2%) and housing credit grew by NIS 3,109 million (9.4 %).

The reduction in credit to the large businesses segment stems from a number of early repayments, which do not represent a change in trend.

Composition of the overall credit to the public risk by economic sectors

Developments of total credit to the public risk, by main economic sectors

	September 30, 2019		December 31, 2018		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	19,921	7.3	(1)20,024	7.7	(0.5)
Construction and real estate - construction	30,956	11.4	28,763	11.1	7.6
Construction and real estate - real estate activity	22,192	8.2	21,478	8.3	3.3
Commerce	27,256	10.1	(1)26,807	10.4	1.7
Financial services	25,144	9.3	24,151	9.3	4.1
Private individuals - housing loans	39,548	14.6	35,889	13.9	10.2
Private individuals - other	67,604	24.9	63,541	24.5	6.4
Other sectors	38,440	14.2	(1)38,333	14.8	0.3
Total overall credit to the public risk	**271,061**	**100.0**	**258,986**	**100.0**	**4.7**

Footnote:
(1) Reclassified -following improving of data of subsidiary.

The data presented above indicates that in the first nine months of 2019, the overall risk regarding credit to the public increased by 4.7% compared with the end of 2018. This growth applied mostly to the following sectors: private individuals – other, private individuals - housing loans and construction and real estate - construction.

Development of problematic credit risk

Following are details on credit to the public, as specified in Note 14 to the condensed financial statements:

Impaired credit to the public. The balance sheet impaired credit to the public (accruing interest and non- accruing) amounted at September 30, 2019 to NIS 1,658 million, compared to NIS 1,633 million at December 31, 2018, an increase of 1.53%.

Impaired non-accruing credit to the public. The impaired non-accruing credit to the public which is examined on a specific basis, amounted at September 30, 2019 to NIS 1,047 million, compared to NIS 1,011 million at December 31, 2018, an increase at a rate of 3.56%.

Overall credit risk and the rate of problematic credit risk in principal economic sectors

	September 30, 2019			December 31, 2018		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	19,921	832	4.2	(1)20,024	(1)658	3.3
Construction and real estate - construction	30,956	320	1.0	28,763	316	1.1
Construction and real estate - real estate activity	22,192	512	2.3	21,478	584	2.7
Commerce	27,256	1,008	3.7	(1)26,807	(1)677	2.5
Financial services	25,144	299	1.2	24,151	301	1.2
Private individuals - housing loans	39,548	354	0.9	35,889	340	0.9
Private individuals - other	67,604	555	0.8	63,541	566	0.9
Other Sectors	38,440	577	1.5	(1)38,333	(1)688	1.8
Total Public	**271,061**	**4,457**	**1.6**	**258,986**	**4,130**	**1.6**
Banks	6,238	38	0.6	5,721	69	1.2
Governments	29,819	-	-	29,768	-	-
Total	**307,118**	**4,495**	**1.5**	**294,475**	**4,199**	**1.4**

Footnote:
(1) Reclassified -following improving of data of subsidiary.

In the first nine months of 2019, the ratio of problematic credit risk to the total credit risk increased by 0.1%. The increase in the rate of problematic credit stems, mainly from the industry and commerce sectors. On the other hand, a decrease occurred in the rate of problematic debt in the construction and real estate - real estate activity sector.

The balances of the allowance for credit losses

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a group basis, but not including allowance for off-balance sheet credit risk, totalled NIS 2,373 million as of September 30, 2019. The balance of this allowance constituted 1.35% of the credit to the public, compared with a balance of the allowance in the amount of NIS 2,274 million, constituting 1.36% of the credit to the public as of December 31, 2018.

The balance of the specific allowance for credit losses. The outstanding balance of the specific allowance for credit losses in respect of impaired credit to the public, computed on a specific basis, amounted to NIS 250 million on September 30, 2019, compared to NIS 223 million on December 31, 2018, an increase of 12.1%.

The balance of the group allowance for credit losses. The outstanding balance of the group allowance for credit losses, excluding housing loans for which the allowance for credit loss was calculated according to the extent of arrears, amounted on September 30, 2019 to NIS 1,920 million, compared to NIS 1,863 million as of December 31, 2018, an increase at a rate of approx. 3%.

The risk characterization of the credit to the public portfolio

The distribution of expenses and the ratio of credit loss expenses in the different economic sectors in relation to the outstanding balance of credit to the public in those sectors

	For the nine months ended September 30			
	2019		2018	
	Credit loss expense (expense reversal)	Rate of expense (expense reversal)	Credit loss expense (expense reversal)	Rate of expense (expense reversal)
sectors	In NIS millions	%	In NIS millions	%
Industry	50	0.5	24	0.3
Construction and real estate - construction	47	0.4	29	0.3
Construction and real estate - real estate activity	(75)	(0.5)	(59)	(0.4)
Commerce	94	0.6	(43)	(0.3)
Communications and computer services	(27)	(1.7)	117	6.8
Financial services	(8)	(0.1)	1	0.0
Other Sectors	91	0.5	24	0.1
Total Commercial	172	0.2	93	0.1
Private Individuals - Housing Loans	21	0.1	14	0.1
Private Individuals - Other	236	1.0	257	1.1
Total credit loss expenses	**429**	**0.33**	**364**	**0.31**

The data presented above indicates that the increase in credit loss expenses in the first nine months of 2019, centered mostly in the following sectors: commerce, industry and construction and real estate – construction sectors. On the other hand, credit loss expenses decreased in the following sectors: communications and computer services and in the construction and real estate - real estate activity, private individuals – other and financial services.

Securities

General. Securities in the Nosrto portfolio totaled NIS 37,303 million as of September 30, 2019, compared with NIS 37,898 million at the end of 2018, a decrease of 1.6%. Following are securities included in the "nostro" portfolio of the Discount Group, the investment in which as of September 30, 2019, amounted to 5% or over of the total amount of the portfolio: "government variable 1121", the "shekel government 0324", the "government variable 520", and the "shekel government 0323" security types, which amounted to approx. 7.7%, approx. 6.7%, approx. 6.0% and approx. 5.3%, of the total portfolio, respectively.

As of September 30, 2019, approx. 68% of the portfolio is invested in Government bonds, approx. 19% of the portfolio is invested in mortgage backed securities and agencies and approx. 2.1% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE). For details regarding the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, items 1-3. For details regarding the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, item 3.

For details regarding the Nostro portfolios management policy, see 2018 Annual Report (p. 36).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	September 30, 2019	December 31, 2018	Rate of change in %
	In NIS millions		
Non-linked shekels	20,267	19,734	2.7
CPI-linked shekels	1,461	1,544	(5.4)
Foreign currency and foreign currency-linked shekels	14,553	15,581	(6.6)
Shares - non-monetary items	1,022	1,039	(1.6)
Total	**37,303**	**37,898**	**(1.6)**

Securities in foreign currency and in Israeli currency linked to foreign currency decrease by 6.6%, compared with December 31, 2018. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency increased by US$23 million, an increase of 0.6% as compared with December 31, 2018. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms increased by 1.4% as compared with December 31, 2018.

Composition of the securities portfolio according to portfolio classification

In accordance with directives of the Supervisor of Banks, securities have been classified as follows: held-to-maturity bonds, available- for- sale bonds, investment in share not for trading and trading securities.

Composition of investments in securities according to portfolio classification in accordance with directives of the Supervisor of Banks

	September 30,2019			December 31 ,2018		
	Amortized Cost (in shares-cost)	Fair value	Book value	Amortized Cost (in shares-cost)	Fair value	Book value
	in NIS millions					
Bonds						
Held to maturity	5,300	5,551	5,300	6,722	6,791	6,722
Available for sale	28,283	28,763	28,763	28,167	27,950	27,950
Trading	2,202	2,218	2,218	2,194	2,187	2,187
Shares						
Not for trading	978	1,007	1,007	980	980	980
Trading	14	15	15	65	59	59
Total Securities	**36,777**	**37,554**	**37,303**	**38,128**	**37,967**	**37,898**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds (2018 - available-for-sale securities) portfolio as of September 30, 2019, includes investments in corporate bonds in the amount of NIS 3,391 million (of which an amount of NIS 964 million is held by IDB New York), compared with NIS 3,488 million as of December 31, 2018, a decrease of 2.8%. For details as to the balance of unrealized profit (losses) included in the balance of the said bonds, see Note 5 A (2) to the condensed financial statements.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of September 30, 2019 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 7,289 million, compared to an amount of NIS 7,383 million as at December 31, 2018, a decrease of 1.3%. The amount includes investment in mortgage and assets backed securities in the amount of NIS 6,755 million, which are held by IDB New York, compared to an amount of NIS 7,197 million as at December 31, 2018, a decrease at a rate of 6.1%. Approx. 86.8% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AA-AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.

As of September 30, 2019, the portfolio of mortgage and assets backed securities included unrealized net profits of NIS 31 million, compared with losses of NIS 169 million as of December 31, 2018.

For details regarding the agencies operating under the auspices of the U.S. Administration, see the 2018 Annual Report (p. 38).

CLO. IDB New-York holds secured bonds of the CLO class in a total amount of NIS 422 million. The said securities are rated AAA by at least one rating agency. The Bank holds secured bonds of the CLO class in a total amount of NIS 520 million. The said securities are rated AA-AAA. For details, see Note 5 to the condensed financial statements.

Details regarding impairment in value of available-for-sale securities

Based on a review of the impairment of the said securities as of September 30, 2019, and where relevant, basing itself also on the review made by the relevant subsidiary's Management, the Bank's Management believes that that the impairment is of a temporary nature.

For details regarding the adoption of standard FSP FAS 115-2, see Note 1 E 4 to the condensed financial statements.

As of September 30, 2019, September 30, 2018 and December 31, 2018, unrealized accumulated losses on available-for-sale mortgage and asset backed securities amounted to total amounts of NIS 19 million, NIS 242 million and NIS 159 million, respectively. For additional details, see Note 5 to the condensed financial statements.

Adjustment in respect of the presentation of available-for-sale bonds according to fair value

The balance of the adjustments presented as part of equity, in respect of stating available-for-sale bonds at fair value, including in respect of bonds on loan, amounted at September 30, 2019, to NIS 601 million unrealized gains before tax effect, compared to unrealized losses before tax effect in an amount of NIS 226 million (in respect of available-for-sale securities) as of December 31, 2018.

Customer assets

Deposits from the public as at September 30, 2019, totalled NIS 194,462 million, compared with NIS 188,916 million at the end of 2018, an increase of 2.9%.

Data on the composition of deposits from the public by linkage segments

	September 30, 2019		December 31, 2018		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Non-linked shekels	130,700	67.2	123,985	65.6	5.4
CPI-linked shekels	4,857	2.5	4,839	2.6	0.4
Foreign currency and foreign currency-linked shekels	58,905	30.3	60,092	31.8	(2.0)
Total	**194,462**	**100.0**	**188,916**	**100.0**	**2.9**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased at the rate of 2.0%, compared with December 31, 2018. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased by US$884 million, an increase of 5.5% compared with December 31, 2018. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, increased at a rate of 5.3%, compared with December 31, 2018.

Review of developments in the balance of deposits from the public, by regulatory operating segments

	September 30, 2019	December 31, 2018	
	In NIS millions		Change in %
Domestic operations:			
Households	75,110	73,951	1.6
Private banking	16,338	16,765	(2.5)
Small and minute businesses	36,686	33,994	7.9
Medium businesses	5,921	5,925	(0.1)
Large businesses	18,049	18,968	(4.8)
Institutional bodies	16,412	13,044	25.8
Total Domestic operations	**168,516**	**162,647**	**3.6**
Total International operations	**25,946**	**26,269**	**(1.2)**
Total deposits from the public	**194,462**	**188,916**	**2.9**

The ratio of total credit to the public, net, to deposits from the public was approx. 89.2% as at September 30, 2019, compared with 87.2% at the end of 2018.

Deposits from the public of the three largest depositor groups amounted as of September 30, 2019, to NIS 5,042 million.

Securities held for customers. On September 30, 2019, the balance of the securities held for customers at the Bank amounted to approx. NIS 183.34 billion, including approx. NIS 3.45 billion of non-marketable securities, compared to approx. NIS 173.41 billion as at December 31, 2018, including approx. NIS 3.11 billion of non-marketable securities, an increase of approx. 5.73%. For details as to income from security activities, see Note 3 to the condensed financial statements. In addition, the balance of securities held on behalf of customers at the MDB as of September 30, 2019, amounted to NIS 11.32 billion, compared with NIS 9.99 million in December 31, 2018, an increase of 13.3%.

Investment portfolio management. On September 30, 2019, Tafnit was managing investment portfolios, overall valued at approx. NIS 8,288 million, as compared to approx. NIS 7,459 million as at December 31, 2018, an increase of 11.1%. The growth is explained by price increases on the capital market and by the attracting of new customers.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at September 30, 2019, amounting to NIS 19.5 billion, compared with NIS 17.3 billion as of December 31, 2018, an increase of 12.7%. The growth is explained by price increases on the capital market and by the attracting of new customers.

Capital and capital adequacy

The instructions. Instructions regarding "Basel III guidelines", which apply as from January 1, 2014, include a requirement for maintaining a minimal ratio of common equity tier 1 of 9%, and a total capital ratio of 12.5%, as well as detailed reference with respect to transitional instructions. For details regarding the requirement concerning housing loans, see Note 9 to the condensed financial statements, item 1 (b).

Issues of capital instruments. The capital instruments that are issued according to Basel III instructions, include "loss absorption" mechanisms, whether by conversion into shares or by elimination (in full or in part) of the capital instrument.

Transitional instructions. In accordance with the transitional instructions, capital instruments not recognized any longer as regulatory capital, were recognized as from January 1, 2014, in an amount of up to 80% of their outstanding balance included in the regulatory capital at December 31, 2013, and in each consecutive year this maximum balance is being reduced by an additional 10% until January 1, 2022. In accordance with the above, the maximum balance in 2019 amounts to 30%. The aforesaid instruments are recognized in the amount of the said maximum balance or in their amortized amount, whichever is lower.

Preparations made by the Bank. The Bank prepared a detailed plan for attaining the capital targets, being at least the level of capital prescribed by the instructions of the Supervisor of Banks and according to the time schedules published by him, and it is acting towards its implementation.

Relief regarding the efficiency plan. The Supervisor of Banks granted the Bank relief regarding its 2016 and 2018 efficiency plans. For further details, see the 2017 Annual Report (pp. 21-22), the 2018 Annual Report (pp. 21-22, 187, 190) and Note 9 to the condensed financial statements, item 1 (c) and (d).

Effect of the acquisition of Municipal Bank. The effect of the acquisition of Municipal Bank on the Common Equity Tier 1 ratio, had the transaction been consummated by September 30, 2019, based on the data of Municipal Bank as of June 30, 2019, would have totaled to a decrease of approx. 0.174%.

Issuance of deferred debt notes (Series "F"). As stated, on October 28, 2019, the Bank, through Manpikim, completed the issuance process. Had the issuance been affected on September 30, 2019, the total capital ratio would have increased by 0.68%.

Premature repayment of deferred capital notes (Series 1). In accordance with the terms of the capital notes, as detailed in the 2018 Annual Report (p. 197), Manpikim Company, subject to the approval of the Supervisor of Banks, is entitled to announce as from April 20, 2020, the redemption in full of the principal sum of the deferred capital notes. The Bank intends to act towards the redemption in full of the capital notes in accordance with the said terms. Had the premature redemption been performed on September 30, 2019, the Bank's total capital ratio would have been reduced by 0.68%.

Common Equity Tier 1 goal

The policy approved by the Board of Directors, which reflects the Bank's risk appetite, is to maintain a higher capital adequacy level than the rate required by the ICAAP result and according to a system stress test.

On October 26, 2018, the Board of Directors, on the basis of ICAAP and SREP processes, adopted a minimum common equity tier 1 target level of 9.9% for the end of 2019.

For details regarding capital planning, see "Capital Adequacy" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the internet and in the 2018 Annual Report (p. 41).

Components of capital

Total capital as at September 30, 2019, totalled NIS 18,973 million, compared with NIS 17,669 million at the end of 2018, an increase of 7.4%.

Equity attributed to the Bank's shareholders as at September 30, 2019, totalled NIS 18,457 million, compared with NIS 17,151 million at the end of 2018, an increase of 7.6%. The change in equity attributed to the Bank's shareholders in the first nine months of 2019 was affected, among other things, by the net earnings during the period, by an increase of NIS 551 million in the component of net adjustment of available-for-sale bonds presented at fair value, net of the tax effect, and from a decrease of NIS 259 million in financial statements transactions adjustments and from the net actuarial loss in the amount of NIS 178 million.

Components of the regulatory capital as of September 30, 2019

Ratio of common equity tier 1 as of September 30, 2019, amounted to 10.41%, compared with 10.24% on December 31, 2018.
Total capital ratio as of September 30, 2019, amounted to 13.33%, compared with 13.67% on December 31, 2018.

Components of the regulatory capital as of September 30, 2019

	September 30,		December 31,
	2019	2018	2018
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	18,788	16,990	17,504
Additional tier 1 capital after deductions	534	712	712
Tier 1 capital	19,322	17,702	18,216
Tier 2 capital	4,731	5,197	5,140
Total capital	**24,053**	**22,899**	**23,356**
2. Weighted risk assets balance			
Credit risk(2)	161,143	150,729	153,081
Market risk	3,703	4,325	3,412
CVA risk	1,821	1,693	1,441
Operational risk	13,816	12,756	12,987
Total weighted risk assets balance	**180,483**	**169,503**	**170,921**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.41	10.02	10.24
Ratio of total capital to risk assets	13.33	13.51	13.67
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.20	9.19	9.19
Total capital ratio(1)	12.70	12.69	12.69

Footnotes:
(1) With an addition of 0.20% (September 30, 2018: 0.19%, December 31, 2018: 0.19%), in accordance with the additional capital requirements with respect to housing loans - see Note 9 (b) to the condensed financial statements.
(2) The total weighted balances of the risk assets have been reduced by NIS 11 million (September 30, 2018: NIS 126 million, December 31,2018: NIS 32 million) due to adjustments in respect to the efficiency plan.

Raising of resources

Subtraction of regulatory capital instruments in 2019. Subordinate capital notes, which under the Basel II instructions had been recognized as hybrid Tier 1 capital or as upper Tier 2 capital, are no longer qualified according to the Basel III instructions, though according to the transitional provisions they are recognized as additional Tier 1 capital and are gradually eliminated in the years 2014-2022. Furthermore, subordinate debt notes, which under the Basel II instructions had been recognized as Tier 2 capital, are no longer qualified under the Basel III instructions, though according to the transitional provisions they are recognized as Tier 2 capital and are eliminated in the years 2014-2022. Regulatory capital instruments, which are to be subtracted on January 1, 2020, in accordance with the transitional provisions, amount to NIS 787 million.

NIS 701 million were deducted in the first nine months of 2019.

For details regarding the issuance of deferred debt notes, comprising a capital instrument classified as Tier 2 capital, see above "The handling by Management of current material issues".

Additional disclosure according to the third pillar of Basel

Within the framework of the "Additional regulatory disclosures" document, a description is given of the principal characteristics of the issued regulatory capital instruments. Within the framework of the document "Disclosure according to the third pillar of Basel and additional information regarding risks" a disclosure is given of The Regulatory capital and management thereof, including the composition of the regulatory capital. The documents are available for perusal on the Magna website of the Israel Securities Authority, on the Maya website of the Tel Aviv Stock Exchange Ltd. and on the Bank's website.

Dividends distribution

On December 26, 2017 the Bank's Board of directors approved a dividend policy, according to which, starting with the first quarter of 2018, the Bank will distribute in each quarter a dividend at the rate of up to 15% of the net distributable earnings, as reflected in the consolidated financial statements for the preceding quarter.

On November 26, 2019, the Bank's Board of Directors approved an update to the Bank's dividend policy, according to which, starting with the third quarter of 2019, the Bank may distribute in each quarter, a dividend of up to 30% of the distributable net earnings according to the consolidated financial statements for the previous quarter, instead of a distribution rate of up to 15%.

The updated dividend policy was approved in view of the Bank attaining its capital outline, the consistent improvement in the business results of the Group, and following the approval by the Supervisor of Banks of the said dividend policy.

It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, in accordance with the Companies Act and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Bank of Israel and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.

In accordance with the policy, as stated, the Bank's Board of Directors decided on November 26, 2019, to distribute a dividend at the rate of 15% of the profits of the third quarter of 2019, in the amount of approx. NIS 64 million, comprising approx. 5.5 Agora for each ordinary share of NIS 0.1 par value. Additional details regarding the resolution of the Board of Directors, including the dates fixed as the ex-dividend date and the date of payment, are included in the immediate report published by the Bank together with the publication of this report.

For details of the dividends paid as from the first quarter of 2018, see Note 18 B to the condensed financial statements.

Activity of the Group according to principal Segments of Operation – principal quantitative data and main developments

General

The regulatory operating segments have been defined by the Bank of Israel, based on the characteristics of their customers, such as: the nature of their activity (in relation to private customers), or their business turnover (in case of commercial customers), in a format that connects, on a uniform and single value basis, between the different customers of the banking industry as a whole, and the regulatory operating segments.

According to the instructions, a banking corporation, the operating segments of which, according to the approach of its Management, are materially different from the regulatory operating segments, shall provide in addition, disclosure regarding operating segments according to the Management's approach ("managerial operating segments"), in accordance with the accounting principles accepted by U.S. banks in the matter of operating segments – (ASC 280). However, in accordance with directives and clarifications of the Banking Supervision Department, the disclosure in the directors' and management report shall relate to regulatory operating segments only. Note 13 to the condensed financial statements present a quantitative disclosure of the managerial operating segments that the Bank has identified.

Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements.

For details regarding the relevant public reporting instructions and the definition of the segments, and details regarding the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2018 (pp. 224-226).

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The segment's profit in the first nine months of 2019 amounted to NIS 7 million, compared to a loss in the amount of 116 million in the corresponding period last year.

The credit loss expenses in the first nine months of 2019 amounted to NIS 257 million, compared to NIS 270 million in the corresponding period last year, a decrease at a rate of 4.8%.

Principal data regarding the household segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	906	(1)(2)(3)837	2,638	(1)(2)(3)2,424	3,285
Credit loss expenses	98	104	257	270	363
Total Operating and other expenses	788	(1)(2)770	2,341	(1)(2)2,294	3,149
Net profit (Loss) Attributed to the bank's shareholders	10	(35)	7	(116)	(170)

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

Developments in the segment

In the first nine months of 2019, the Bank continued implementing measures to achieve the multi-year targets:

- Continuing with measures to improve service and sales to customers, as a direct result of completing the measure for the removal of operational activity from the branches;
- Continuing the management of customer relations through the different communication channels by means of an upgraded CRM system: encrypted mail, communication with the banker through the cellular application and a "call back" telephone service;
- Continuing the management of telephone call availability by means of a smart telephone system operated by teams;
- Management of the frontal scene at the branches by means of a queue management system, the possibility of arranging an appointment with a banker by means of the application and the positioning of a quick response banker assisting in the conduct of simple and quick banking operations at branches serving in person a large number of customers;
- Continuing to regulate workload at the branches in all communication channels: frontal, telephonic and digital, through a command and control center established at the Banking Division;
- Continuing to expand and improve the telephone center with the aim of increasing the availability of this service;
- Continuing the upgrading of the digital channels and the directing of operations to these channels.

For additional details regarding the household segment (Domestic operations), including details regarding mortgage activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to NIS 16 million, compared to NIS 10 million in the corresponding period last year, an increase at a rate of 60.0%.

Principal data regarding the Private Banking segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	38	(1)(2)39	114	(1)(2)114	149
Credit loss expenses	1	1	1	1	1
Total Operating and other expenses	25	(1)(2)34	88	(1)(2)98	125
Net Profit Attributed to the bank's shareholders	7	2	16	10	15

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

For additional details regarding the Private Banking segment, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Small and minute businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to 312 million, compared to NIS 294 million in the corresponding period last year, an increase at a rate of 6.1%.
The credit loss expenses in the first nine months of 2019 amounted to NIS 139 million, compared to NIS 63 million in the corresponding period last year.

Principal data regarding the Small and minute businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	550	(1)(2)(3)506	1,610	(1)(2)(3)1,485	2,019
Credit loss expenses	40	35	139	63	111
Total Operating and other expenses	323	(1)(2)316	984	(1)(2)959	1,347
Net Profit Attributed to the bank's shareholders	116	99	312	294	358

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the Small and minute businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Medium businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to NIS 62 million, compared to NIS 115 million in the corresponding period last year, a decrease at a rate of 46.1%.
The credit loss expenses in the first nine months of 2019 amounted to NIS 40 million, compared to expenses reversal of NIS 51 million in the corresponding period last year.

Principal data regarding the Medium businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	114	(1)(2)103	335	(1)(2)307	417
Credit loss expenses (expenses reversal)	6	(17)	40	(51)	(40)
Total Operating and other expenses	66	(1)(2)60	198	(1)(2)181	260
Net Profit Attributed to the bank's shareholders	26	40	62	115	127

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

For additional details regarding the Medium businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Large businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to NIS 320 million, compared to NIS 268 million in the corresponding period last year, an increase at a rate of 19.4%.
The credit loss expenses in the first nine months of 2019 amounted to expenses reversal of NIS 33 million, compared to expenses of NIS 99 million in the corresponding period last year.

Principal data regarding the Large businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	276	(1)(2)(3)295	830	(1)(2)(3)812	1,078
Credit loss expenses (expenses reversal)	(2)	-	(33)	99	120
Total Operating and other expenses	108	(1)(2)100	370	(1)(2)299	414
Net Profit Attributed to the bank's shareholders	109	126	320	268	355

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

Developments in the segment

Establishment of the Transaction Banking Wing. Within the framework of the consistent effort made to improve the quality of service rendered to the Bank's customers, the Bank's Management decided in September 2019, to establish a Transaction Banking Wing, which would incorporate under it the foreign trade, cash management units and the Tel Aviv Main Branch. The Wing is intended to lead the rendering of operational and digital services in these fields to the large corporate customers.

For additional details regarding the Large businesses segment (Domestic operations), including details regarding construction and real estate activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The existing and growing competition among banks and Stock Exchange members who are not banks, causes erosion in commission rates. Moreover, the low interest environment hinder the financing income from deposits.
The segment's loss in the first nine months of 2019 amounted to NIS 3 million, compared to a profit of NIS 2 million in the corresponding period last year.

Principal data regarding the Institutional bodies segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	12	(1)(2)(3)11	32	(1)(2)(3)32	46
Credit loss expenses (expenses reversal)	(1)	-	(3)	1	1
Total Operating and other expenses	14	(1)(2)7	39	(1)(2)27	41
Net Profit (Loss) Attributed to the bank's shareholders	-	2	(3)	2	3

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the Institutional bodies segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to NIS 421 million, compared to NIS 356 million in the corresponding period last year, an increase of 18.3%.

Principal data regarding the Financial management segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	180	(1)(2)(3)269	802	(1)(2)(3)704	960
Total Operating and other expenses	49	(1)(2)60	131	(1)(2)148	202
Net Profit Attributed to the bank's shareholders	79	133	421	356	483

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the financial management segment (Domestic operations), including details regarding non-financial companies activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

International operations Segment

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2019 amounted to NIS 242 million, compared to NIS 252 million in the corresponding period last year, a decrease at a rate of 4.0%.
The credit loss expenses in this segment in the first nine months of 2019 amounted to NIS 28 million, compared to expenses reversal of NIS 19 million in the corresponding period last year.

Principal data regarding the International operations segment

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Total income	292	255	873	785	1,066
Credit loss expenses (expenses reversal)	10	-	28	(19)	(16)
Total Operating and other expenses	160	147	482	436	610
Net Profit Attributed to the bank's shareholders	80	72	242	252	334

For additional details regarding the International operations segment, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Main Investee Companies

Distribution of Net profit by the Group 's structure

	Contribution to the Group's profit				
	For the nine months ended September 30,				
	2019		2018		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
The Bank	767	55.7	616	52.2	24.5
Mercantile Discount Bank	228	16.6	209	17.7	9.1
Overseas - Discount Bancorp	228	16.6	247	20.9	(7.7)
Other Activities:					
Israel Credit Cards	91	6.6	73	6.2	24.7
Discount Capital	49	3.6	26	2.2	88.5
Other financial services	14	0.9	10	0.8	40.0
Net profit	**1,377**	**100.0**	**1,181**	**100.0**	**16.6**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 610 million in the first nine months of 2019, compared to NIS 565 million in the corresponding period last year, and an income of NIS 742 million in all of 2018.

Following are the major developments in the Bank's main investee companies.

Discount Bancorp, Inc.

Discount Bancorp, Inc. ("Bancorp") is a wholly owned subsidiary of the Bank, which is a bank holding company, incorporated in accordance with the law of the State of Delaware. Bancorp has full ownership and control of Israel Discount Bank of New York (IDB New York). IDB New York is the largest Israeli bank operating overseas. The data presented hereunder in this section have been taken from Bancorp's financial statements.

Discount Bancorp, Inc. – principal data

	Third Quarter		Nine Months		Year
	2019	2018	2019	2018	2018
	In US$ millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	30	23	79	78	96
Interest income, net	62	61	189	182	246
Credit loss expenses (expenses reversal)	4	-	8	(5)	(4)
Non-financing income	25	10	58	40	56
Non-financing expenses	47	41	139	126	182
Principal balance sheet data for the end of the reporting period:					
Total assets	9,702	8,971	9,702	8,971	9,229
Credit to the public, net	6,718	6,031	6,718	6,031	6,109
Securities	2,432	2,383	2,432	2,383	2,398
Deposits from the public	7,905	7,317	7,905	7,317	7,460
Total equity	1,061	914	1,061	914	948
	In %				
Principal performance indices:					
Return on equity	11.2	10.0	10.5	11.4	10.4
Efficiency ratio	54.0	57.7	56.3	56.8	60.3
Ratio of total capital to risk assets	15.2	15.2	15.2	15.2	15.3
Ratio of credit loss expenses to the average balance of credit to the public	0.25	-	0.16	(0.12)	(0.07)
Total net return on interest bearing assets	2.70	2.92	2.79	2.83	2.85

The business results for the first nine months of 2019, compared with the corresponding period last year, were affected mostly from the growth in net interest income (US$7 million) and an increase in non-interest income (US$18 million). On the other hand, an increase occurred in credit loss expenses (US$13 million) and an increase occurred in other expenses (US$13 million).

The contribution of Bancorp to the Bank's business results reached a profit of NIS 228 million in the first nine months of 2019 (after deducting a provision for taxes of NIS 47 million), compared with NIS 247 million in the first nine months of 2018 (after deducting a provision for taxes of NIS 37 million).

Change of President and CEO. For details, see "Board of Directors and Management" below.

The annual financial statements of Bancorp and of IDB New York are available for review on the Internet website of IDB New York (IDB Bank). Annual and quarterly financial data is available for review on the Internet website of FDIC.

Mercantile Discount Bank Ltd.

Mercantile Discount Bank Ltd. ("MDB") is a wholly-owned and controlled subsidiary of the Bank.

Mercantile Discount Bank – principal data

	Third Quarter		Nine Months		Year
	2019	2018	2019	2018	2018
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	79	62	228	209	239
Interest income, net	305	274	888	798	1,080
Credit loss expenses	39	29	130	70	96
Non-financing income	82	87	270	284	368
Non-financing expenses	226	238	680	692	985
Principal balance sheet data for the end of the reporting period:					
Total assets	37,383	36,109	37,383	36,109	36,219
Credit to the public, net	27,250	25,419	27,250	25,419	25,675
Securities	4,809	5,093	4,809	5,093	6,599
Deposits from the public	31,465	30,550	31,465	30,550	30,551
Total equity	2,996	2,665	2,996	2,665	2,723
	In %				
Principal performance indices:					
Return on equity	11.1	9.7	10.8	11.0	9.2
Efficiency ratio	58.4	65.9	58.7	64.0	68.0
Ratio of total capital to risk assets	13.97	13.88	13.97	13.88	14.02
Ratio of credit loss expenses to the average balance of credit to the public	0.57	0.46	0.65	0.38	0.39
Total net return on interest bearing assets	3.57	3.29	3.46	3.24	3.26

The principal factors affecting the business results. The profit in the first nine months of 2019, compared with the corresponding period last year, was affected, inter alia, from an increase of NIS 90 million in net interest income (11.3%); from a decrease of NIS 20 million in non-interest financing income (43.5%), from an increase of NIS 60 million in credit loss expenses (85.7%) and from a decrease of NIS 12 million in operating and other expenses (1.7%).

For details regarding the strategic plan of MDB and the main projects to be carried out within the framework thereof, see the 2018 Annual Report (pp. 52-53).

For details regarding lawsuits and motions for approval of the lawsuits as class action suits and for details regarding additional proceedings, see Note 26 C to the financial statements as of December 31, 2018, items 12.2, 12.3, 13.2 and 13.5 (pp. 207-210) and Note 10 B to the condensed financial statements, items 4.2, 4.4, 4.5, 4.8, 5.2, 5.3 and 5.4.

The annual and quarterly financial statements of Mercantile Discount Bank are available on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. appearing under "Mercantile Issuance", and on the website of Mercantile Discount Bank.

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of September 30, 2019, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.

Israel Credit Cards – principal data

	Third Quarter		Nine Months		Year
	2019	2018	2019	2018	2018
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	58	43	149	121	157
The contribution to the Bank's business results[(1)]	35	27	91	73	95
Income from credit card transactions	358	323	1,004	906	1,226
Interest income, net	125	116	375	344	464
Non-financing income	2	4	-	6	8
Non-financing expenses	408	384	1,175	1,091	1,485
Of which: Credit loss expenses	54	48	117	118	156
Principal balance sheet data for the end of the reporting period:					
Total assets	18,837	15,510	18,837	15,510	16,015
Credit to the public non bearing interest, not granted by banks	6,217	5,452	6,217	5,452	5,678
Total equity	1,826	1,801	1,826	1,801	1,838
	In %				
Principal performance indices:					
Return on equity	13.5	10.1	11.0	9.4	9.0
Efficiency ratio	73.0	75.8	76.7	77.5	78.3
Ratio of total capital to risk assets	14.3	16.2	14.3	16.2	15.9
Turnover of credit card transactions – in NIS millions	28,364	24,570	78,925	68,686	93,383
Number of active cards	2,835	2,572	2,835	2,572	2,629

Footnote:
(1) Differences between net income and the contribution to the Bank's business results is derived from the recognition of current tax liability in respect of the investment in the company.

The business results of ICC for the first nine months of 2019, compared to the corresponding period last year, were mainly affected by the rise in income of NIS 123 million (9.8%), principally income from credit card transactions (NIS 98 million; 10.8%) and net interest income (NIS 31 million; 9.0%), as a result from the growth in volume of consumer credit, an increase of 13.8% in the balance of interest bearing credit (compared to September 30, 2018). On the other hand, a growth occurred in operating expenses (NIS 47 million; 11.5%) and an increase in sales and marketing expenses (NIS 29 million; 9.0%). Operating expenses in the present quarter have been affected by the non-recurring elimination of certain provisions in the amount of NIS 18 million.

Strategic plan. For details, see the 2018 Annual Report (p. 53).

Distribution of dividends. In May 2019, ICC distributed a dividend in an amount of NIS 150 million (the Bank's share is approx. NIS 108 million).

For details regarding activity in the credit card field in Israel, see in the 2018 Annual Report (pp. 287-292, 348-355) in the chapter "Corporate governance, audit and additional details regarding the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details regarding lawsuits and motions to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2018, items 12.4, 13.3, 13.6 and 13.8 (pp. 207-210) and Note 10 B items 4.6, 4.7 and 5.3 to the condensed financial statements.

The annual and quarterly financial statements of ICC are available for review on the Internet website of the company.

Discount Capital Ltd.

Discount Capital Ltd., a wholly owned and controlled subsidiary of the Bank, is engaged in investment in companies, in private investment funds and venture capital funds, investment banking in the field of securities distribution and in the underwriting and management of public offerings of securities (through a subsidiary).

Discount Capital – principal data

	In NIS millions		
Principal statements of profit and loss data for the reporting period:	2019	2018	Change in %
Net profit attributed to the shareholders	57.9	32.1	80.4
The contribution to the Bank's business results[(1)]	48.5	25.7	88.7
Principal balance sheet data for the end of the reporting period:	September 30, 2019	June 30, 2018	Change in %
Total assets	1,597.9	1,571.0	1.7
Total equity	809.8	751.9	7.7

Footnote:
(1) Differences between net income and the contribution to the Bank's business results is derived from differences in the implementation of generally accepted accounting principles and from the recognition of current tax liability in respect of the investment in the company.

For details regarding realization of investments, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".
In the first nine months of 2019, Discount Capital participated, via its subsidiary, in 37 public offerings and in 14 private placements, amounting to NIS 12.4 billion. This, compared with 51 public offerings and 14 private placements, amounting to NIS 24.9 billion, in the corresponding period last year.

CHAPTER "C" – RISKS REVIEW

General description of the risks and manner of management thereof

Risk profile of the Discount Group

For details regarding the risk profile of the Discount Group, see the 2018 Annual Report (pp. 54-55). For details regarding Risk Management Principles, see the 2018 Annual Report (p. 55-57).

Disclosures in accordance with the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure regarding the various risks above and below in this Chapter, is presented in the 2018 Annual Report (pp. 54-91) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks". The document is available for perusal on the Bank's website together with the Bank's 2018 annual report together with the Report for the third quarter of 2019 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

Credit risks and the manner of management thereof

For details regarding Credit risks and the manner of management thereof, see the 2018 annual report (pp. 57-74).

The Otzar system (new credit and attachments management system). The system is planned to manage the whole operation of underwriting, approval and management of credit to all customers of Discount Bank and of MDB.

The gradual distribution of the system among the business manager teams in the Corporate Division began in the middle of 2018. Completion of the distribution of additional units of the Corporate Division is planned to be continued also in 2020. Concurrently, the Bank is studying the suitability of the system for the different units of the Banking Division. At the present time, the system is being used for the management of credit facilities, for reporting to the Supervisor of Banks and as infrastructure for the mechanized monitoring of restrictions.

For additional details, see the 2018 Annual Report (p. 58).

The Bank's preparations for the adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses. For details regarding the Bank's preparations for the adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses, see the 2018 Annual Report (p. 59). The work teams are making progress in examining the manner of implementation of the Standard. In August 2019, the Bank, at the request of the Supervisor of Banks, delivered a review of the progress made in the preparations, including possible measurement and evaluation models, the required data base and the mapping of differences existing as regards the present situation. A further update was submitted to the Supervisor of Banks in November 2019.

Credit quality and problematic credit risk

Problematic credit risk and non performing assets

	September 30, 2019			December 31, 2018		
	Credit Risk					
	Balance Sheet	Off-Balance Sheet	Total	Balance Sheet	Off-Balance Sheet	Total
	In NIS millions					
Problematic Credit Risk[(1)]:						
Impaired credit risk	[(3)]1,707	68	1,775	[(3)]1,712	67	1,779
Substandard credit risk[(2)]	1,071	49	1,120	650	10	660
Special mention credit risk[(2)]	1,364	236	1,600	1,448	[(4)]312	1,760
Total Problematic Credit Risk	**4,142**	**353**	**4,495**	**3,810**	**389**	**4,199**
Of which: Non impaired debts, in arrears for 90 days or more[(2)]	504			435		
Non-performing assets:						
Impaired debts - non accruing interest income	1,096			1,090		

Footnotes:

(1) Impaired credit, substandard credit and credit under special mention risks.

(2) Including in respect of housing loans for which an allowance based on the extent of arrears exists and in respect of housing loans that are in arrears for 90 days or more for which an allowance based on the extent of arrears does not exist.

(3) Including non accruing corporate bonds in an amount of NIS 11 million, and non accruing bank bonds of NIS 38 million (December 31, 2018- non accruing corporate bonds in an amount of NIS 10 million, and non accruing bank bonds of NIS 69 million).

(4) Reclassified - following improvement of data of a subsidiary.

Changes in balances of impaired debts

	Three months ended September 30					
	2019			2018		
	Commercial	Private	Total	Commercial	Private	Total
	In NIS millions					
Change in impaired debts (In respect of credit to the public only):						
Balance of impaired debts as of the beginning of the period	1,530	171	1,701	1,711	127	1,838
Debts classified as impaired during the period	81	70	151	175	60	(1)235
Debts no longer classified as impaired	-	-	-	-	-	(1)-
Impaired debts written off	(45)	(52)	(97)	(35)	(44)	(1)(79)
Impaired debts settled	(82)	(11)	(93)	(173)	(9)	(1)(182)
Other	(4)	-	(4)	(2)	-	(1)(2)
Balance of impaired debts as of end of the period	**1,480**	**178**	**1,658**	**1,676**	**134**	**1,810**
Of which: movement in restructured troubled debts						
Balance of restructured troubled debts at beginning of the period	1,009	147	1,156	1,291	107	1,398
Debt restructurings performed during the period	37	18	55	87	28	(1)115
Debts that have again been classified to unimpaired due to a following restructuring	-	-	-	-	-	-
Restructured troubled debt written off	(5)	(6)	(11)	(6)	(4)	(10)
Restructured troubled debt settled	(81)	(6)	(87)	(151)	(10)	(161)
Other	(16)	-	(16)	(6)	(2)	(1)(8)
Balance of restructured troubled debts at the end of the period	**944**	**153**	**1,097**	**1,215**	**119**	**1,334**
Changes in allowances for credit losses on impaired debts:						
Balance of allowance for credit losses as of the beginning of the period	173	60	233	132	41	173
Increase in allowances	47	36	83	50	34	84
Collections and write-offs	(35)	(31)	(66)	(41)	(28)	(69)
Balance of allowance for credit losses as of end of the period	**185**	**65**	**250**	**141**	**47**	**188**

Footnote:
(1) Reclassified - Improvement in the calculation of the data.

Changes in balances of impaired debts (continued)

	Nine months ended September 30					
	2019			2018		
	Commercial	Private	Total	Commercial	Private	Total
	In NIS millions					
Change in impaired debts (In respect of credit to the public only):						
Balance of impaired debts as of the beginning of the year	1,478	155	1,633	2,042	88	2,130
Debts classified as impaired during the period	454	223	677	410	200	(1)610
Debts no longer classified as impaired	(3)	-	(3)	(56)	(1)	(57)
Impaired debts written off	(153)	(159)	(312)	(180)	(125)	(1)(305)
Impaired debts settled	(285)	(41)	(326)	(556)	(28)	(1)(584)
Other	(11)	-	(11)	16	-	(1)16
Balance of impaired debts as of end of the period	**1,480**	**178**	**1,658**	**1,676**	**134**	**1,810**
Of which: movement in restructured troubled debts						
Balance of restructured troubled debts at beginning of the year	1,094	131	1,225	1,546	71	1,617
Debt restructurings performed during the period	176	82	258	229	93	(1)322
Debts that have again been classified to unimpaired due to a following restructuring	-	-	-	(45)	-	(45)
Restructured troubled debt written off	(21)	(34)	(55)	(157)	(20)	(1)(177)
Restructured troubled debt settled	(263)	(26)	(289)	(346)	(22)	(1)(368)
Other	(42)	-	(42)	(12)	(3)	(1)(15)
Balance of restructured troubled debts at the end of the period	**944**	**153**	**1,097**	**1,215**	**119**	**1,334**
Changes in allowances for credit losses on impaired debts:						
Balance of allowance for credit losses as of the beginning of the year	169	54	223	163	25	188
Increase in allowances	184	119	303	223	70	293
Collections and write-offs	(168)	(108)	(276)	(245)	(48)	(293)
Balance of allowance for credit losses as of end of the period	**185**	**65**	**250**	**141**	**47**	**188**

Footnote:
(1) Reclassified - Improvement in the calculation of the data.

Several financial ratios used to evaluate the quality of the credit portfolio

	September 30, 2019	September 30, 2018	December 31, 2018
Ratio of balance of impaired credit to the public to balance of credit to the public	0.94%	1.11%	0.98%
Ratio of balance of non-impaired credit to the public, in arrears for 90 days or more, to balance of credit to the public	0.29%	0.27%	0.26%
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.35%	1.34%	1.36%
Ratio of balance of allowance for credit losses in respect of credit to the public to balance of impaired credit to the public	143.12%	120.50%	139.25%
Ratio of problematic credit risk in respect of the public to the total credit risk in respect of the public	1.64%	(1)1.66%	(1)1.59%
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.33%	0.31%	0.34%
Ratio of net accounting write-offs in respect of credit to the public to the average balance of credit to the public (in annualized terms)	0.22%	0.26%	0.26%
Ratio of net accounting write-offs in respect of credit to the public to the balance of allowance for credit losses in respect of credit to the public (in annualized terms)	16.18%	18.46%	18.25%
The ratio of the balance of allowance for credit losses in respect of credit to the public, to the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over	109.76%	97.24%	109.96%
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.23%	1.37%	1.24%
The ratio of the outstanding balance of noninterest bearing impaired credit to the public to total credit to the public	0.60%	0.71%	0.61%

Footnote:
(1) The calculation has been improved following reclassification.

Credit risk by economic sectors – consolidated

	September 30, 2019						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Periodic Credit Loss (income) Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	14,060	13,024	545	164	29	26	245
Construction and Real Estate - Construction'[6]	30,743	30,116	320	174	52	3	242
Construction and Real Estate - Real Estate Activity	11,910	11,390	291	250	(24)	(16)	91
Commerce	20,655	19,842	305	185	69	49	350
Communication and Computer Services	2,441	2,299	66	62	(26)	3	108
Financial Services[7]	15,375	14,908	299	298	(7)	1	89
Other Business Services	26,408	25,154	389	243	91	57	233
Total Commercial	**121,592**	**116,733**	**2,215**	**1,376**	**184**	**123**	**1,358**
Private Individuals - Housing Loans	39,326	36,163	349	-	21	6	199
Private Individuals - Other	65,589	63,241	555	178	237	190	694
Total Public	**226,507**	**216,137**	**3,119**	**1,554**	**442**	**319**	**2,251**
Banks in Israel and Government of Israel	28,097	28,096	-	-	-	-	-
Total Lending Activity in Israel	**254,604**	**244,233**	**3,119**	**1,554**	**442**	**319**	**2,251**
Total Public - Lending Activity Outside of Israel	**44,554**	**41,413**	**1,338**	**183**	**(13)**	**(31)**	**320**
Banks and Governments Outside of Israel	7,960	7,924	38	38	-	-	1
Total Lending Activity Outside of Israel	**52,514**	**49,337**	**1,376**	**221**	**(13)**	**(31)**	**321**
Total	**307,118**	**293,570**	**4,495**	**1,775**	**429**	**288**	**2,572**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 182,782 million, NIS 36,281 million, NIS 464 million, NIS 5,601 million, NIS 81,990 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Includes housing loans in the amount of NIS 113 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.

(7) Including mortgage backed securities in the amount of NIS 5,560 million, issued by GNMA and in the amount of NIS 772 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 6,237 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 256 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	September 30, 2018						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	15,037	14,311	427	83	6	3	232
Construction and Real Estate - Construction'[6]	27,534	26,659	310	130	27	15	187
Construction and Real Estate - Real Estate Activity	10,326	9,913	285	253	(21)	(12)	90
Commerce	20,376	19,395	405	247	(8)	26	331
Communication and Computer Services	2,467	2,161	206	198	116	101	140
Financial Services[7]	13,535	13,186	299	298	-	(1)	99
Other Business Services	24,616	23,495	345	206	38	19	192
Total Commercial	**113,891**	**109,120**	**2,277**	**1,415**	**158**	**151**	**1,271**
Private Individuals - Housing Loans	33,667	31,195	327	-	14	11	178
Private Individuals - Other	60,305	58,429	573	134	257	191	622
Total Public	**207,863**	**198,744**	**3,177**	**1,549**	**429**	**353**	**2,071**
Banks in Israel and Government of Israel	26,811	26,807	-	-	-	-	-
Total Lending Activity in Israel	**234,674**	**225,551**	**3,177**	**1,549**	**429**	**353**	**2,071**
Total Public - Lending Activity Outside of Israel	[10]**43,296**	**40,885**	[10]**1,002**	**380**	**(65)**	**(51)**	**305**
Banks and Governments Outside of Israel	8,618	8,587	31	31	-	-	1
Total Lending Activity Outside of Israel	**51,914**	**49,472**	**1,033**	**411**	**(65)**	**(51)**	**306**
Total	**286,588**	**275,023**	**4,210**	**1,960**	**364**	**302**	**2,377**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 169,715 million, NIS 35,749 million, NIS 697 million, NIS 3,606 million, NIS 76,821[10] million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Includes housing loans in the amount of NIS 60 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.

(7) Including mortgage backed securities in the amount of NIS 5,681 million, issued by GNMA and in the amount of NIS 1,095 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,601 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 200 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) Reclassified - following improvement of data of a subsidiary.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2018						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	14,721	13,967	447	73	23	12	241
Construction and Real Estate - Construction'[6]	28,498	27,865	316	122	25	9	190
Construction and Real Estate - Real Estate Activity	10,986	10,542	314	283	(14)	(14)	98
Commerce	19,888	18,991	389	258	5	40	334
Communication and Computer Services	2,359	2,179	125	122	134	123	136
Financial Services[7]	14,144	13,780	301	298	-	(1)	98
Other Business Services	25,579	24,386	360	213	64	39	199
Total Commercial	**116,175**	**111,710**	**2,252**	**1,369**	**237**	**208**	**1,296**
Private Individuals - Housing Loans	35,676	32,906	334	-	23	14	184
Private Individuals - Other	61,588	60,265	566	155	340	249	648
Total Public	**213,439**	**204,881**	**3,152**	**1,524**	**600**	**471**	**2,128**
Banks in Israel and Government of Israel	28,439	28,428	-	-	-	-	-
Total Lending Activity in Israel	**241,878**	**233,309**	**3,152**	**1,524**	**600**	**471**	**2,128**
Total Public - Lending Activity Outside of Israel	**[10]45,547**	**43,250**	**[10]978**	**186**	**(60)**	**(56)**	**322**
Banks and Governments Outside of Israel	7,050	6,981	69	69	-	-	1
Total Lending Activity Outside of Israel	**52,597**	**50,231**	**1,047**	**255**	**(60)**	**(56)**	**323**
Total	**294,475**	**283,540**	**4,199**	**1,779**	**540**	**415**	**2,451**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 172,917 million, NIS 36,859 million,NIS 774 million, NIS 3,726 million, NIS 81,199[10] million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Including acquisition groups in an amount of NIS 59 million.

(7) Including mortgage backed securities in the amount of NIS 5,933 million, issued by GNMA and in the amount of NIS 1,086 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,673 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) Reclassified - following improvement of data of a subsidiary.

Exposure to Foreign Countries - Consolidated

	As of September 30						As of December 31		
	2019			2018			2018		
	exposure			exposure			exposure		
The Country	balance sheet(2)	Off-balance sheet(2)(3)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total
	In NIS millions								
United States	14,311	6,609	20,920	13,530	6,320	19,850	13,793	6,766	20,559
Other(6)	6,373	(5)7,822	14,195	7,419	9,320	16,739	7,219	8,249	15,468
Total exposure to foreign countries(1)	**20,684**	**14,431**	**35,115**	**20,949**	**15,640**	**36,589**	**21,012**	**15,015**	**36,027**
Of which - Total exposure to the PIGS countries(4)	14	287	301	10	368	378	8	381	389
Of which - Total exposure to LDC countries(7)	580	176	756	696	303	999	755	250	1,005

Notes:
(1) Exposure to countries where the total amount of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is the lower. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives.
(2) Balance sheet and off-balance sheet credit risk, Problematic credit risk and impaired debts are presented before the impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.
(3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.
(4) Portugal, Italy, Greece and Spain.
(5) Including the transfer of credit risk to a consortium of international insurers in the following countries: Switzerland – an amount of NIS 2,945 million and Germany – an amount of NIS 3,467 million.
(6) As of December 31, 2018, the exposure to the United Kingdom did not meet the separate presentation criterion in the table, though it was presented separately for comparison purposes. In this report, United Kingdom is no longer shown separately.
(7) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.

Credit Exposure to Foreign Financial Institutions

General. Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.

As opposed to the definition of the "financial services" economic sector for the purpose of disclosure in the Management Review concerning the "Overall credit risk according to economic sectors", the exposure in respect of foreign financial institutions presented in the table hereunder includes exposure to foreign banks and to foreign investment banks, which, on the one hand, are not included in credit to the public, and on the other hand, does not include exposure in respect of investment in asset backed securities and in respect of potential off-balance sheet exposure.

The Bank maintains a careful credit policy and is monitoring developments and volume of exposure to key markets and to markets of the countries at risk. This is performed on an ongoing basis and at the Group level, within the framework of an inter-division forum. The Bank's dealing room monitors these markets in order to obtain a comprehensive picture and to react in real time to currency risks in accordance with the risk profile of each customer and the approved credit facilities.

As seen from the data presented above regarding "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.

For details regarding the manner of managing credit risk applying to foreign financial institutions, see the 2018 Annual Report (pp. 63-65).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, approx. 89% of the exposure as of September 30, 2019, is to financial institutions rated "A-"rating or higher. The states in respect of which the Bank has exposure as stated above as of September 30, 2019, include, inter-alia, the United States and Great Britain.

In the first nine months of 2019, no loss on impairment of securities was recorded in respect of exposure to financial institutions.

Details of present credit exposure to foreign financial institutions on a consolidated basis

	Balance sheet credit risk(2)(4)(5)	Present off balance sheet credit risk(3)(4)	Present credit exposure(4)
	In NIS millions		
	As of September 30, 2019		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	1,273	98	1,371
A+ to A-	3,540	468	4,008
BBB+ to BBB-	433	6	439
BB+ to B-	2	8	10
Not rated	178	29	207
Total present credit exposure to foreign financial institutions	**5,426**	**609**	**6,035**
Balance of problematic bonds	38	-	38
	As of December 31, 2018		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	709	100	809
A+ to A-	3,301	365	3,666
BBB+ to BBB-	518	3	521
BB+ to B-	3	57	60
Not rated	37	35	72
Total present credit exposure to foreign financial institutions	**4,568**	**560**	**5,128**
Balance of problematic bonds	69	-	69

Notes:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.
(2) Deposits with banks, credit to the public, investment in bonds, securities borrowed or purchased under resale agreements and other assets in respect of derivative instruments.
(3) Mainly guarantees, including guarantees securing third party indebtedness.
(4) Credit exposures and problematic credit risk are presented before the effect of allowance for credit losses and before deductions as defined in Section 5 of Proper Conduct of Banking Business Directive No. 313.
(5) For further information regarding the composition of the credit exposure reflected in the table showing derivative instruments in relation to banks/dealers/brokers, see Note 11 to the condensed financial statements.
(6) Credit exposure does not include exposure to financial institutions that have explicit and full government guarantees, and does not include investment in assets backed securities (for additional details regarding assets backed securities, see Note 5 to the condensed financial statements).
(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.

In addition to the exposure presented in the above table, as of September 30, 2019 and December 31, 2018 a potential off-balance sheet exposure exists in respect of derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 regarding "Restrictions on indebtedness of a single borrower and of a group of borrowers"), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 87 million and NIS 167 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB New York (hereinafter will be named together as "the Group"). It is noted though, that the data relating to IDB New York are negligible (housing credit in the amount of NIS 174 million as of September 30, 2019 and NIS 147 million as of December 31, 2018).

Developments in the field of housing loans. A growth was recorded in recent years in the demand and in the volume housing loans granted. This stemmed from increasing demand in the housing market and from rising prices resulting from the shortage in the supply in residential units in relation to the said demand.

The growth recorded in the volume of housing loans granted by the banking industry, which exceeds the economic growth rates and the growth rates in the standard of living and in household income, together with a scenario of a rise in unemployment and in interest rates, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. Notwithstanding the above, there are indications on the local market regarding a moderation in demand for new residential units not included in the "price for the house purchaser" program. At the same time, with the progress made by the "price for the house purchaser" program, an increase is noted in mortgage loans granted in this segment. Since the beginning of the year, the mortgage loans granted within the framework of the "Price for the house purchaser" Plan amounted to 13% of the total mortgage loans granted. For details regarding the measures taken by the Group, see 2018 Annual Report (p. 65).

The volume of the Group's housing loan portfolio as of September 30, 2019, amounted to NIS 36,289 million (December 31, 2018 - NIS 33,159 million).

Certain risk characteristics of the Group's housing loans portfolio

	September 30, 2019	December 31, 2018
	%	
Rate of housing loans financing over 75% of the value of the property	2.1	2.5
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	8.9	9.6
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio(1)	59.4	59.4

Footnote:
(1) Loans in which the interest rate change frequency exceeds five years were also included in computing the ratio.

Amount of loans and average financing ratios

	For the nine months ended September 30,	For the year ended December 31,
	2019	2018
Average amount of loan (in NIS thousands)	788	752
Average financing ratio for housing loans (in %)	54.7	55.1
Average financing ratio for general purpose loans (in %)	28.7	34.5

Division of housing credit balances according to size of credit to borrowers

	September 30, 2019		December 31, 2018	
Credit limit net(1)(2) (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	28,554	79.0	26,345	79.9
Between 1,200 and 4,000	7,117	19.8	6,212	18.8
Over 4,000	415	1.2	414	1.3
Total	**36,086**	**100.0**	**32,971**	**100.0**
Of which:				
Housing loans that were granted abroad	174		147	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 203 million (31.12.2018: NIS 188 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 256 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2018:NIS 235 million).

Volume of problematic debts in housing credit

As at	Balance of credit to the public(1)(5)	Balance of the problematic credit(1)	Balance of allowances for credit losses(2)(3)	Ratio of problematic debt
	In NIS millions			Change in %
September 30, 2019	36,289	(4)355	74	1.0
December 31, 2018	33,159	(4)340	72	1.0

Footnotes:
(1) Recorded amount.
(2) As at September 30, 2019 the balance of the allowance includes an allowance in accordance with the extent of arrears in an amount of NIS 70 million, and also an allowance over the extent of arrears in an amount of NIS 4 million (as of December 31, 2018: NIS 68 million and NIS 4 million, respectively).
(3) Not including group allowance in a percentage of 0.35% from the credit balance in respect of which on allowance in accordance with the extent of arrears was not made, in amount of NIS 129 million as at September 30, 2019.(as at December 31, 2018: NIS 116 million).
(4) Including an amount of NIS 20 million, defined as problematic credit, which is not in arrears (December 31, 2018: NIS 24 million).
(5) The outstanding balance of credit to the public includes housing loans in the amount of NIS 256 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31, 2018:NIS 235 million).

Distribution of housing credit granted, according to financing ratios and as a ratio of credit granted

	For the nine months ended September 30,				For the year ended December 31,	
	2019		2018		2018	
Loan to value (LTV) ratio[1]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 45%	1,695	28.3	1,404	26.9	1,979	27.1
Between 45% and 60%	2,146	36.0	1,984	38.1	2,780	38.2
Over 60%	2,131	36.7	1,827	35.0	2,531	34.7
Total	**5,972**	**100.0**	**5,215**	**100.0**	**7,290**	**100.0**

Footnote:

(1) The loan to value (LTV) ratio is computed in respect of the purchased asset and does not include additional collateral, if granted.

Data regarding developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			credit			
	Fixed interest	Variable interest		Fixed interest	Variable interest		Fixed interest	Variable interest		
	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	Total Housing Credit [1][2]
As at September 30, 2019	9,725	14,522	67.2	4,579	7,112	32.4	-	148	0.4	36,086
As at December 31, 2018	8,605	13,357	66.6	4,411	6,402	32.8	2	194	0.6	32,971

Footnotes:

(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 256 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2018:NIS 235 million).

(2) The balance of credit is after deduction of allowance for credit losses of NIS 203 million (December 31,2018: NIS 188 million).

Most of the loans are granted for an initial period of up to 25 years. The average period of the loan at the Bank is slightly lower than that of the industry.

The outstanding balance as of September 30, 2019 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 4,818 million, comprising 13.4% of the total housing loans portfolio (as of December 31, 2018, the balance amounted to NIS 4,694 million, comprising 16.7% of the total housing loans portfolio).

Composition of loans granted for housing purposes, divided by the ratio of repayments to earnings

	For the nine months ended September 30,				For the year ended December 31,	
	2019		2018			
Ratio of payment to income (PTI)[1]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 40%	5,369	99.5	4,777	99.9	6,670	99.9
Over 40%	28	0.5	6	0.1	6	0.1
Total	**5,397**	**100.0**	**4,783**	**100.0**	**6,676**	**100.0**

Footnote:

(1) The amount of loans granted do not include loans secured by a mortgage on a residential unit, balloon loans and bullet loans.

Credit risk of private individuals (excluding housing credit risk)

General. The data presented in his item comprise data of operation in Israel, excluding housing loans, and they include the Bank and MDB. Certain data relating to credit to private individuals at ICC is presented separately hereunder, in accordance with available data of ICC.

Definitions. Following are the definitions used in the preparation of this report:

Amount of income per account – average income of a recurring pattern from salaries, annuities, transfers and deposits, after elimination of exceptional amounts.

Balance-Sheet credit upper limit – in accordance with the reporting to the Supervisor of Banks under Reporting to the Supervisor of Banks Directive No. 836 – current account balances, credit cards and loans. Excluding non-utilized facilities of current account and credit cards.
"Financial assets portfolio" – the financial assets portfolio related to the account of the customer: financial deposits (including current account balance), securities portfolio and other financial assets.

Development in balances

Distribution by customer's fixed income and by financial assets portfolio related to the account

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	September 30, 2019				
Level of income to the account					
Excluding permanent income to the account	1,515	137	1,652	532	2,184
Less than NIS 10 thousand	5,080	1,001	6,081	3,323	9,404
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,292	1,556	5,848	3,201	9,049
Greater than NIS 20 thousand	3,587	2,431	6,018	3,843	9,861
Total	**14,474**	**5,125**	**19,599**	**10,899**	**30,498**
	December 31, 2018				
Level of income to the account					
Excluding permanent income to the account	1,253	175	1,428	746	2,174
Less than NIS 10 thousand	5,320	974	6,294	3,218	9,512
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,238	1,485	5,723	3,013	8,736
Greater than NIS 20 thousand	3,305	2,183	5,488	3,569	9,057
Total	**14,116**	**4,817**	**18,933**	**10,546**	**29,479**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	September 30, 2019	December 31, 2018
Fixed maturity date	Balance of loans in NIS millions	
Up to 1 year	1,567	1,522
Over 1 year and up to 3 years	5,181	4,950
Over 3 years and up to 5 years	4,690	4,509
Over 5 years	2,441	2,435
Total	**13,879**	**13,416**

It is noted that the above Table presents the distribution relating only to loans, while the remaining Tables present distribution relating to the maximum balance-sheet credit, which includes also current account balances and credit cards.

Distribution by size of credit to the borrower

	September 30, 2019	December 31, 2018
Balance sheet credit upper limit (NIS thousands)	in NIS million	
Up to 40	3,905	3,870
Between 40 and 150	10,093	9,638
Over 150	5,601	5,425
Total	**19,599**	**18,933**

Distribution by exposure to changes in interest rates

	September 30, 2019	December 31, 2018
	in NIS million	
Fixed interest credit	6,067	5,930
Variable interest credit	13,532	13,003
Total	**19,599**	**18,933**

Distribution of collateral securing the credit

	September 30, 2019	December 31, 2018
Type of collateral	Total collateral in NIS millions	
Liquid financial assets	1,519	1,492
Other collateral	893	819
Total	**2,412**	**2,311**

Development of problematic credit risk in respect of private individuals

	September 30, 2019	December 31, 2018	Change in	Rate from total balance-sheet to credit to the public September 30, 2019	Rate from total balance-sheet to credit to the public December 31, 2018
	in NIS million		%	%	
Problematic credit risk	250	255	(2.0)	1.3	1.3
Of which: impaired credit risk	128	109	17.1	0.7	0.6
Debts in arrears of 90 days or more	52	61	(14.8)	0.3	0.3
Net accounting write-offs	110	160	[(1)](8.8)	[(1)] 0.7	0.8
Balance of allowance for credit losses	390	376	3.6	2.0	2.0

Footnote:
(1) On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank and MDB), amounted to NIS 913 million at September 30, 2019, as compared to NIS 720 million, as of December 31, 2018, an increase of 26.8%.

Quantitative data regarding credit granted to private individuals in ICC

A growth at the rate of 10.2% was recorded in the first nine months of 2019 in the balance of interest bearing credit granted to private individuals, in continuation of an increase of 16.7% in 2018. This credit amounted as of September 30, 2019, to NIS 5,228 million, and comprises 58.3% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 3,738 million, as compared to NIS 3,146 million as of December 31, 2018 (an increase of approx. 18.8%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.

Credit losses in respect of private individuals amounted in the first nine months of 2019 to NIS 111 million, compared to NIS 113 million in the corresponding period last year. As estimated by the Management of ICC, the increase in credit losses in the recent years, stems from the growth in the credit portfolio of ICC and from the average volume of credit granted to the individual customer in this portfolio, from a decline in the rate of debt collection, mainly through law offices, which, inter alia, resulted from heavier regulation in the field of debt collection procedures as well as from changes in market practices in relation to accepted past practices. ICC has prepared and is preparing to cope with these changes by different means.

Additional details

Background

Credit products. The credit activity in this field is conducted in three principal channels: current account credit facilities, credit card facilities and loans.

The loans comprise the major part of consumer credit balances, and are usually granted in amounts of less than NIS 50 thousand and for short periods (mostly up to five years). The market share of loan operations conducted outside the branch premises rises gradually year by year and constitutes a central layer of the total consumer credit activity.

Credit underwriting. Over the years, the Bank has developed advanced models for the assessment of risk relating to a customer seeking credit. The underwriting processes in respect of consumer credit at the Bank are accompanied by wide use of the model products and are conducted in accordance with the Bank's credit policy, carefully modifying the product to the needs of the customer.

Credit underwriting at the branches is comprised of two layers: the one – underwriting under authority, performed at the discretion of an authorized factor using indications and products of models as to the risk rating of the customer, his repayment ability, as well as additional indications required in accordance with the customer's risk and the amount of the loan. The other – automatic underwriting, being performed generally in the case of loans in relatively small amounts and in accordance with the recommendation of the model, which takes into consideration the risk level of the customer, his repayment ability and the past experience of the Bank with the borrower.

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. In recent years credit to households comprises nearly one half of the total credit portfolio of the banking industry in Israel. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.

Risk mitigating measures

Determining underwriting thresholds. Within the framework of determining the risk appetite, underwriting thresholds have been set, which reflect the maximum level of risk in which new consumer credit may be provided. Deviation from these rules is possible only in exceptional cases and in limited amounts, while ascending the authorization scale.

Models and analytical tools. The process of determining the consumer credit risk at the Bank is accompanied by statistical models, which calculate the credit risk assessments (LGD and PD) that forecast the customer's risk level and the marginal transaction. The models are based upon variables referring to the characteristics of the customer, his repayment ability, financial stability and his banking past. The models are being updated from time to time in accordance with market changes, state of the borrowers and additional factors.

Effective measurement. All business units at the Bank are being measured on a current basis by the quality of the consumer credit portfolio under their responsibility, and by their adherence to the underwriting rules. All functions related to credit underwriting have defined indices, the aim of which is maintaining the quality of the portfolio and the wide distribution of credit to the extent possible.

The fairness principle

In accordance with guidelines of the Supervisor of Banks, criteria for the initiation and marketing of credit to the private individual customer population were defined, in respect thereof the Bank is permitted to initiate offers for the granting of credit. The rules are based upon the risk level of the customer as well as on the advisability of accepting the loan on the part of the customer.
The approach to the customer is made according to conversation scenarios that include proper disclosure of the loan terms, needs of the customer and his characteristics as well as mention of the assets and liabilities stated in the customer's account.
It is noted that the fairness principle as regards the customer, has been defined both as part of the risk appetite of the Discount Group and as part of the credit underwriting policy regarding private customers.
The principle of fairness and decency as regards debtors is being applied both while they are being handled under the responsibility of the managing branch as well as after passing them on for legal proceedings by the law offices engaged by the Bank. The guideline is to try and reach an arrangement with each debtor in default, which meets his capabilities and his repayment ability.
The Bank is preparing for the implementation of the requirements of the Fair Credit Act, which took effect in November 2018. For details regarding this Act, see the 2018 Annual Report (p. 369).

Monitoring and control

The Bank performs on a current basis, control over the quality of underwriting, adherence to policy rules and proper disclosure rules. Control is performed by means of compliance officers in the business units, credit controllers and the internal audit. Current monitoring is also performed with respect to the quality of the consumer credit portfolio at the Bank.

Credit risk in relation to the construction and real estate sector

The construction and real estate sectors are a central component in the Bank's credit portfolio, and most of the credit to these sectors is managed by the Real Estate and Infrastructure wing in the Corporate Division, which possesses a high level of expertise and considerable experience in this field. The Bank's activities in this field are subject to a regulatory limit that prescribes that the weight of local real estate activities shall not exceed 20% of the total credit; in addition, the Bank has set itself a more stringent threshold alert. As of September 30, 2019 the Bank complies with the said limitations.
Moreover, the credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see hereunder "Construction and Real Estate Activity" under "Additional Details Regarding the Business of the Banking Corporation and Management Thereof".

Total credit and percentage of problematic credit in the construction and real estate sector

	September 30, 2019			December 31, 2018		
	Credit for the public(1)(2)	Of which: problematic credit(1)(2)	Rate of problematic credit	Credit for the public(1)(2)	Of which: problematic credit(1)(2)	Rate of problematic credit
Sector	in NIS million		%	in NIS million		%
Income generating real estate	11,131	257	2.3	10,406	283	2.7
Construction – general building contracting	1,940	131	6.8	1,545	165	10.7
Residential projects financing	23,066	57	0.2	19,988	41	0.2
Acquisition of building land	5,983	25	0.4	4,851	19	0.4
Subcontracting	2,559	134	5.2	2,625	114	4.3
Civil engineering work	2,836	29	1.0	3,462	58	1.7
Other	5,100	104	2.0	4,921	92	1.9
Total(2)	**52,615**	**737**	**1.4**	**47,798**	**772**	**1.6**

Footnotes:
(1) Balance-sheet and off-balance-sheet credit to the public, excluding financial derivatives.
(2) The data in this table are more expansive than the data reported according to economic sectors, in conformity with the Bank's internal reporting, and include additional activities correlating largely with the activities in the construction and real estate sector. The data in the table include activity in Israel only.

As revealed by the table, most of the growth is in the financing of residential projects and acquisition of building land field, which is in conformity with the Bank's credit policy.
For details regarding the purchase of a policy to insure against credit risk related to Sale Act guarantees and performance guarantees and with respect to the purchase of credit risk insurance in the real estate field, see the 2018 Annual Report (pp.336-337).

Credit risk in respect of leveraged finance

Definition of leveraged finance. Defined as credit for the finance of capital transactions by corporations, granted at a high financing ratio and credit granted to borrowers typified by a high leverage finance level which significantly exceeds accepted norms in this sector of operations. According to Proper Conduct of Banking Business Directive No. 327 the definition of leveraged loans has been set, and it includes, among other things, transactions for the acquisition of another corporation, purchase of own shares and the distribution of capital.
Credit risk in respect of leveraged finance. The Bank's credit policy determines strict guidelines regarding underwriting and restrictions on the scope of exposure to leveraged finance. In addition, developments in leveraged finance and compliance with the determined limitations are reported once in each quarter to the Bank's Management and the Board of Directors, this, in order to monitor the risks inherent in such financing.
Proper Conduct of Banking Business Directives determined restrictions regarding the finance of capital transactions, which the Bank abides by.
Following are data regarding credit risk pertaining to leveraged finance as of September 30, 2019. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

The Bank's exposure to leveraged finance according to economic sector of the acquired corporation

	September 30, 2019				December 31, 2018			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
Sector	In NIS millions							
Industry	-	-	-	-	15	76	91	-
Construction and real estate	447	123	570	-	509	106	615	-
Transportation and storage	151	-	151	-	153	20	173	-
Communications and computer services	95	2	97	-	-	-	-	-
Total	**693**	**125**	**818**	**-**	**677**	**202**	**879**	**-**

Balance exposure to leveraged finance as of September 30, 2019 amounted to NIS 693 million, compared to NIS 677 million at December 31, 2018, an increase of 2.4%.
The balance of exposure presented in the table above, is after accounting write-offs in accordance with the directive regarding impaired debts.
The off-balance sheet exposure in respect of leverage finance transactions as of September 30, 2019, amounted to NIS 125 million (December 31, 2018 – NIS 202 million).
For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

Additional disclosure regarding credit risk in respect of significant exposure to borrower groups

As at September 30, 2019, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

Market Risks

Market risks are presented in this review on a Group basis that includes the Bank, Mercantile Discount Bank, IDB New York, ICC and the severance pay fund for the Bank's employees (hereafter in this section: "the Group"). Other Group companies do not have any material market risk.

For general details regarding market risks, see the 2018 Annual Report (pp. 74-80).

Quantitative information regarding interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	September 30 2019			December 31 2018		
	Israeli currency	Foreign currency[2]	Total	Israeli currency	Foreign currency[2]	Total
	In NIS millions					
Net adjusted fair value[1]	10,348	5,269	15,617	10,189	4,739	14,928
Of which: the banking book	9,625	5,580	15,205	9,855	3,604	13,459

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Including Israeli currency linked to foreign currency.

The impact of scenarios of changes in interest rates on the net adjusted fair value

	September 30 2019			December 31 2018		
	Israeli currency	Foreign currency[4]	Total	Israeli currency	Foreign currency[4]	Total
	In NIS millions					
Parallel changes						
A parallel increase of 1%	139	(73)	66	(43)	(182)	(225)
Of which: the banking book	122	(51)	71	(35)	(166)	(201)
A parallel decrease of 1%	44	(400)	(356)	98	88	186
Of which: the banking book	50	(424)	(374)	85	66	151
Non-parallel changes						
Curving[2]	(124)	53	(71)	(215)	(46)	(261)
Flattening[3]	172	(174)	(2)	188	(18)	170
Interest rise in the short-term	205	(74)	131	116	(70)	46
Interest decline in the short-term	(127)	18	(109)	(25)	75	50

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Curving – decline in interest in the short-term and increase in interest in the long-term.
(3) Flattening – increase in interest in the short-term and decline in interest in the long-term.
(4) Including Israeli currency linked to foreign currency.

The impact of scenarios of changes in interest rates on net interest income and on non-interest financing income

	September 30 2019			[1]December 31 2018		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	In NIS millions					
Parallel changes						
A parallel increase of 1%	637	74	711	576	16	591
Of which: the banking book	625	86	711	559	46	606
A parallel decrease of 1%	(789)	(75)	(864)	(636)	(11)	(647)
Of which: the banking book	(781)	(87)	(869)	(620)	(48)	(668)

Footnote:
(1) During the reported period, the assumptions used in the calculation of the effect of changes in interest rate were reviewed and improved accordingly. The data as of December 31, 2018 was recalculated on the basis of the updated assumptions.

For additional quantitative and qualitative details about the interest risks, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd.

Sensitivity analysis to the effect of changes in interest rate based on the fair value of financial instruments

Fair value of financial instruments. Most of the Bank's balance sheet financial instruments do not have a quoted "market price" as they are not traded on an active market. Accordingly, in accordance with the directive, the fair value is estimated using accepted pricing models, and in particular through the calculation of the present value of the discounted cash flows using a discount interest rate appropriate to the level of risk embodied in the instrument.

The determination of the discount interest rate is subjective. Thus, for most of the financial instruments, the fair value estimate presented below does not necessarily constitute an indication of the realizable value of the financial instruments on the reporting date.

The assessment of the present value of future cash flows was done in accordance with the interest rates in effect on the reporting date, without taking into consideration fluctuations in interest rates. Using different discount rates assumptions, may result in significantly different fair value amounts. This relates particularly to financial instruments bearing a fixed interest rate or non-interest bearing.

It should be further noted, that the differential between the book value of the financial instrument and its fair value, may never be realized, as the Bank usually holds the financial instrument to maturity.

In consequence of the above, it should be stressed that the data included in this Note, is no indication of the Bank's value.

Furthermore, due to the broad spectrum of possible assessment techniques and estimates in implementing the reporting directives with regard to the fair value, care should be taken when examining the fair value data itself as well as when comparing it with the fair value data presented by other banks.

Hybrid financial instruments are debt instruments, in which are embedded derivative components that have not been separated there from. In providing information regarding fair value, the Bank is not required to classify financial instruments as hybrid financial instruments, because, according to the Bank of Israel's guidelines, the interest rate exposure of these instruments includes the division of such transactions according to maturity dates, while separating the option component from these instruments. Following are details of the hybrid financial instruments, where in the disclosure regarding exposure to changes in interest rates, the separated option and the host instrument have been treated as standalone instruments (the effect on the financial statements is not material): deposits with the option of a fixed rate of interest or of a variable rate of interest, savings deposits linked to the CPI or linked to foreign currency with an option for changing the linkage base and an option securing the Shekel principal sum deposited, deposits and loans linked to the CPI or linked to foreign currency with an option for securing the Shekel principal sum.

For further details regarding the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2018 (pp. 271-273).

Following are certain updates as of September 30, 2019:

- The fair value of impaired debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the impaired debts by NIS 2 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the impaired debts by NIS 1 million (compared to NIS 2 million and NIS 1 million, respectively, as of June 30, 2019);
- Cash flows in respect of mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, decreased the fair value of the mortgages, particularly in the CPI linked segment, by NIS 25 million (compared to an increase in fair value of NIS 11 million as at June 30, 2019);
- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.67 years on September 30, 2019, compared to 3.13 years, taking into consideration the forecast for early redemptions (compared to 3.69 years and 3.31 years, respectively, as of June 30, 2019);
- Cash flows in respect of deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits, particularly savings deposits in the CPI linked segment, by NIS 26 million (compared to NIS 27 million at June 30, 2019);
- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.48 years on September 30, 2019, compared to 2.32 years, taking into consideration the forecast for early redemption (compared to 2.45 years and 2.29 years, respectively, as of June 30, 2019).

For details regarding the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2018 (pp. 272-273).

The net changes in fair value, in the different linkage segments, stem from the active management of the active capital and the decision to move it in accordance with returns expected in the different linkage segments.

No weekly cumulative change occurred in the past ten years, which had it occurred in the reported period would have adversely affected the "going concern" assumption used at the basis of preparation of the financial statements.

Sensitivity analysis according to data used for interest exposure management (hereinafter: "economic exposure")

The data presented above, was computed on the basis of fair value, as required by the public reporting directives of the Supervisor of Banks and in accordance with the calculation of the table “Exposure to interest rate changes”, which is presented within the framework of the document “Disclosure according to the third pillar of Basel and additional information regarding risks”.

The current management of exposure to interest rates applies to all of the Bank's operations, and takes into consideration additional data that represent the economic approach to the management of exposure of the economic value of the Bank's equity to changes in interest rates.

The principal differences between the computation of exposure according to accounting fair value and the managed economic exposure are as follows:

(a) Items relating to liabilities for employee rights are included in the economic measurement in the CPI-linked segment, while in the accounting measurement they are presented in the unlinked segment;

(b) Economic exposure takes into consideration expected future cash flows, such as deposits in savings schemes, in contrast to the calculation on the fair value basis, which does not take into account such future deposits;

(c) An impaired non-interest bearing debt is related in economic exposure to the non-linked segment, as it does not carry interest, while in fair value calculations, it is presented in its original segment;

(d) Optional savings schemes are presented at fair value in their principal linkage segment, while in economic exposure each component is presented in its related linkage segment;

(e) The computation of the accounting fair value made use of graphs that take into consideration credit margins. Computation of the economic exposure made use of graphs representing the transfer prices.

Effect of hypothetical changes in interest rates of 100 base points on the Group's economic value

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
	In NIS millions				
	September 30, 2019				
An increase of 100BP in interest rates	(182)	(132)	(117)	31	(400)
A decrease of 100BP in interest rates	358	122	(366)	6	121
	December 31, 2018				
An increase of 100BP in interest rates	(223)	(137)	(212)	-	(572)
A decrease of 100BP in interest rates	293	137	77	(5)	501

As of September 30, 2019, the estimated effect of a decline of 100 basis dollar points amounted to a loss of NIS 366 million, compared to NIS 190 million as of June 30, 2019. The increase in the said estimate occurring in the third quarter stems from the manner of distribution of on-call interest bearing deposits with IDB New York. The model is based on the assumption that the interest paid of such deposits shall not be lower than a certain minimum level, which turned effective in scenarios of falling interest rates, as a result of a continuous decline in the returns graph in the US. The subsidiary company is active in developing alternative sources of finance having lower sensitivity to falling interest rates. Concurrently, hedge operations have been made at Group level in respect of declining interest scenarios (part of which have not yet been reflected as of September 30, 2019).

During the second quarter of 2019, the model assessing the effect of the distribution to periods of foreign currency on-call deposits was updated.

In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details regarding assets and liabilities according to linkage terms, see Note 15 to the condensed financial statements.
Capital sensitivity to changes in exchange rate. The capital's sensitivity to changes in exchange rate is presented in the following table, which provides details regarding the impact of changes in exchange rates of the major currencies on the capital as of September 30, 2019.
Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank's policy is not to create an exposure to foreign currency exchange rates in its ongoing activity. Coverage of the built-in foreign currency position, which arises from the investment in IDBNY, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates.

The Bank's capital sensitivity of changes in exchange rates

	For the Third Quarter ended on September 30 2019			
	in NIS millions			
Segment	10%	5%	5%-	10%-
USD	367	185	(183)	(369)
EUR	(12)	(9)	16	32
Other Foreign Currencies	(7)	(1)	(3)	(10)

This effect has been computed on the basis of the expected change in the fair value of the Group in the various currencies, given the scenario determined by the Supervisor of Banks.
Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of September 30, 2019.

Sensitivity of the capital to changes in the CPI

	As of September 30, 2019	
	in NIS millions	
Scenario	Increase of 3%	Decrease of 3%
	127	(127)

This effect has been computed as the difference between the net fair value based on the "known" CPI, including off-balance sheet items, and the net fair value after raising/reducing the CPI by 3%.

For quantitative and qualitative details about share price risk, see the 2018 annual report (pp. 79-80) and in the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.
No deviation from the said restrictions was recorded in the first nine months of 2019.
For further details regarding the management of the Liquidity and financing risks, see the 2018 Annual Report (pp. 81-83).

Liquidity coverage ratio

As of the third quarter of 2019, the liquidity coverage ratio of the Discount Group, on the basis of 76 observations average, stood at 123.5%, compared with 124.8% as of December 31, 2018, higher than the minimum requirements according to the instructions.
For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

Transferability of liquidity within the Group. The transfer of liquidity between the Group companies and the Bank is based on the money price mechanism established at the Bank. As stated, the subsidiary companies may not rely upon the transfer of liquidity where no liquidity framework had been defined which is taken into account in the liquidity model at the counterparty.

During the first nine months of 2019, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a significant liquidity surplus. The following trends were observed during the period:

- An increase of NIS 4.6 billion in the volume of non-linked and CPI linked shekel deposits, comprising a rate of 4.37%. Retail deposits increased by approx. NIS 2.2 billion, non-financial corporations increased by approx. NIS 0.6 billion, and short-term deposits of financial corporations increased by approx. NIS 1.9 billion;
- Eliminating the impact of the exchange rate, foreign currency deposits increased by an amount of US$700 million, of which approx. US$120 million in retail deposits, deposits of non-financial corporations increased by approx. US$80 million and an increase in financial deposits of approx. US$500 million. Foreign currency deposits, including the effect of the exchange rate, increased by approx. NIS 330 million.

Deposits from the public

	September 30, 2019	September 30, 2018	December 31, 2018	Change compared to September 30, 2018		Change compared to December 31, 2018	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	105,706	97,184	101,146	8,522	8.8	4,560	4.5
CPI-linked shekels	4,715	4,877	4,631	(162)	(3.3)	84	1.8
Foreign currency and foreign currency linked shekels	30,921	30,231	30,623	690	2.3	298	1.0
Total	**141,342**	**132,292**	**136,400**	**9,050**	**6.8**	**4,942**	**3.6**
Foreign currency and foreign currency linked shekels - In US$ millions	**8,880**	**8,335**	**8,170**	**545**	**6.5**	**710**	**8.7**

Deposits from Banks

	September 30, 2019	September 30, 2018	December 31, 2018	Change compared to September 30, 2018		Change compared to December 31, 2018	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	1,085	1,083	1,235	2	0.2	(150)	(12.1)
CPI-linked shekels	54	92	40	(38)	(41.3)	14	35.0
Foreign currency and foreign currency linked shekels	458	518	605	(60)	(11.6)	(147)	(24.3)
Total	**1,597**	**1,693**	**1,880**	**(96)**	**(5.7)**	**(283)**	**(15.1)**

For additional details regarding liquidity risks and the management thereof, see the “Disclosure according to the third pillar of Basel and additional information regarding risks” document, which is available for perusal on the Bank’s website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd., and also Note 15 to the condensed financial statements, regarding assets and liabilities according to linkage terms.

For additional details regarding financial risk, see the “Disclosure according to the third pillar of Basel and additional information regarding risks” document, which is available for perusal on the Bank’s website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Operational Risks

For details regarding operational risks and the manner of management thereof, including in the matter of business continuity, see the 2018 Annual Report (pp. 83-84) and the document "Disclosure according to the third pillar of Basel and additional information regarding risks" available on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd.

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. During 2017, different meetings were held between the Bank and the Ministry of Finance, the Ministry of Justice and the Supervisor of Banks with a view of forming tools for the hedge of the risk involved in the provision of services to the Palestinian banks, through the granting of a letter of commitment not to institute criminal charges and by providing a letter of indemnity in respect of possible monetary claims. During the second quarter of 2018, the Bank received immunity and indemnity letters signed by the State of Israel, in connection with the provision of services to the Palestinian banks during the period from March 28, 2016, until May 31, 2019 ("the period of immunity and indemnity").

On June 30, 2019, the Bank received a letter of indemnity signed by the Accountant General, which extends the indemnification period through February 28, 2021 (with the State being authorized to extend this date to May 31, 2021). Inter alia, the State has undertaken in the letter of indemnity to indemnify the Bank and MDB in an amount of up to NIS 1.5 billion for each indemnifiable event. Moreover, the State has also undertaken to indemnify the banks for proceedings that conclude in a mutually agreed fine in the United States (without conviction). The State's undertaking of indemnity is subject to qualifications and terms with which the banks must comply, which are similar to the qualifications and terms prescribed in the original letter of indemnity.

On May 30, 2019, the Bank received a notice from the Attorney-General regarding the extension of the immunity period, according to the current letter of immunity, through May 31, 2020. In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.

For further details regarding compliance risks, including regarding Discount Group's activities with banks acting in the Palestinian Authority, see the 2018 Annual Report (pp. 87-88).

Other risks

For additional details regarding other risks, see 2018 Annual Report (including: Cross-border risks – pp. 84-85; Information technology risks – pp. 85-86; Strategic risk - p. 86; Reputation risk - p. 86; Data and cyber protection risks - p. 86; Environmental risks - p. 86; Legal risks - p. 87; Conduct risks – p. 88). For details regarding Risk Factors Table – see 2018 Annual Report (pp. 88-91).

CHAPTER "D" – ACCOUNTING POLICY AND CRITICAL ACCOUNTING ESTIMATES, CONTROLS AND PROCEDURES

Critical Accounting Policies and Critical Accounting Estimates

The Bank's financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2018, pp. 116-134) and according to instructions and guidelines of the Supervisor of Banks.

The level of regulation regarding the financial reporting of banking corporations is among the highest in the financial reporting fields in Israel. The instructions and guidelines of the Supervisor of Banks are comprehensive, detailed and at times even dictate the wording to be used by banking corporations. Nonetheless, there are areas where implementation of the accounting policy involves a high level of evaluation and assessment performed by management of the banking corporation in the course of the preparation of the financial statements.

Implementation by management of the accounting principles and the instructions and guidelines of the Supervisor of Banks, sometimes requires various assumptions, evaluations and assessments that affect the reported amounts of assets and liabilities, including contingent liabilities, as well as the financial results reported by the Bank. It is possible that when the evaluations and assessments materialize in the future, their results may be different than those anticipated at the time the financial statements were prepared.

Certain of the evaluations and assessments applied involve uncertainty or sensitivity to various variables to a large extent. Such evaluations and assessments, changes in which might have a considerable effect on the reported financial results, are considered evaluations and assessments of "critical" matters.

The Bank's Management believes that the evaluations and assessments used in the preparation of the financial statements are fair and were made in accordance with the best of its knowledge and professional judgment.

A summary review of evaluations and assessments made regarding "critical" matters is included in the 2018 Annual Report (pp. 92-98).

Measurement of financial instruments according to their fair value

The credit risk. The adjustment of credit risk relating to assets and liabilities in respect of derivative instruments resulted in the first nine months of 2019 in a profit of a negligible amount (in 2018 – no impact).

Adjustments made to assets and liabilities in respect of derivative instruments

	September 30, 2019	December 31, 2018
	in NIS millions	
Assets in respect of derivative instruments	5,614	3,738
Adjustment in respect of credit risk regarding assets relating to derivative instruments	(11)	(12)
Liabilities in respect of derivative instruments	6,107	3,282
Adjustment in respect of credit risk regarding liabilities relating to derivative instruments	(6)	(3)

For additional details regarding the measurement of financial instruments according to their fair value, see the 2018 Annual Report (pp. 93-96).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of September 30, 2019. For details regarding the computation of the actuarial provision amount that would have been required were the cap rate to be determined in accordance with the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the annual report for 2018.

Presenting the actuary's opinion for perusal. The opinion of the Actuary[1] is available for perusal on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the 2019 Third Quarter Report (this Report).

Controls and Procedures

Disclosure controls and procedures

The Bank's President & CEO and its Chief Accounting Officer have evaluated in conjunction with the Bank's Management, the efficiency of the controls and procedures relating to disclosure at the Bank as of the end of the reporting period. Based on this evaluation, the President & CEO and Chief Accounting Officer have reached the conclusion that as of the end this period, the controls and procedures relating to disclosure at the Bank operate efficiently in order to record, process, summarize and report the information that the Bank is required to disclose in its quarterly report, in accordance with the directives of the Supervisor of Banks in the matter of reporting to the public and at such date indicated therein.

Changes in Internal Control

During the third quarter of 2019, no change has occurred in the Bank's internal control over financial reporting, which materially affected, or is reasonably expected to materially affect, the Bank's internal control over financial reporting.

Shaul Kobrinsky	Lilach Asher-Topilsky	
Chairman of the Board of Directors	President & Chief Executive Officer	November 26, 2019

1 The English translation of the Opinion is available for perusal at the Bank's website.

Internal Control over Financial Reporting

Certification

I, Lilach Asher-Topilsky, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 2019 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

November 26, 2019

Ms. Lilach Asher-Topilsky
President & Chief Executive Officer

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 2019 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   (b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   (c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   (d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

November 26, 2019

Joseph Beressi
Senior Executive Vice President
Chief Accountant

Condensed Financial Statements

Somekh Chaikin

Review Report of the independent auditors to the shareholders of Israel Discount Bank Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at September 30, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for these interim periods in accordance with Israeli GAAP regarding financial reporting for this interim period and in accordance with the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

We have conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel, and a review standard applied in the review of banking institutions according to the guidelines and directives of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with Israeli GAAP regarding financial reporting for interim periods and in accordance with the instructions and directives of the Supervisor of Banks.

Emphasis of a matter

Without qualifying our above conclusion, we call attention to the Note 10 B item 5 concerning motion to approve certain lawsuits as class action suits and with regard to other claims against the Bank and investee companies.

Somekh Chaikin
Certified Public Accountants (Isr.)

Ziv Haft
Certified Public Accountants (Isr.)

November 26, 2019

Condensed Consolidated statement of profit and loss

		Unaudited				Audited
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Notes	2019	2018	2019	2018	2018
		in NIS millions				
Interest income		1,751	1,782	5,707	5,201	7,053
Interest expenses		353	370	1,293	1,095	1,527
Interest income, net	2	1,398	1,412	4,414	4,106	5,526
Credit loss expenses	6,14	152	123	429	364	540
Net interest income after credit loss expenses		**1,246**	**1,289**	**3,985**	**3,742**	**4,986**
Non-interest Income						
Non-interest financing income	3	195	160	597	409	586
Commissions		765	(1)730	2,204	(1)2,119	2,851
Other income		10	13	19	29	57
Total non-interest income		**970**	**903**	**2,820**	**2,557**	**3,494**
Operating and other Expenses						
Salaries and related expenses		824	826	2,528	2,482	3,385
Maintenance and depreciation of buildings and equipment		272	255	804	763	1,039
Other expenses		437	(1)413	1,301	(1)1,197	1,724
Total operating and other expenses		**1,533**	**1,494**	**4,633**	**4,442**	**6,148**
Profit before taxes		683	698	2,172	1,857	2,332
Provision for taxes on profit		240	248	764	645	789
Profit after taxes		443	450	1,408	1,212	1,543
Bank's share in profit of affiliated companies, net of tax effect		-	1	11	2	6
Net profit:						
Before attribution to non-controlling rights holders		443	451	1,419	1,214	1,549
Attributed to the non-controlling rights holders		(16)	(12)	(42)	(33)	(44)
Net Profit Attributed to the Bank's Shareholders		**427**	**439**	**1,377**	**1,181**	**1,505**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.37**	**0.38**	**1.18**	**1.01**	**1.29**

Footnote:

(1) Reclassified, see Note 1 D .

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

Shaul Kobrinsky	Ms. Lilach Asher-Topilsky	Joseph Beressi	November 26, 2019
Chairman of the Board of Directors	President & Chief Executive Officer	Senior Executive Vice President, Chief Accountant	

Condensed Consolidated statement of comprehensive Income

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Net profit before attribution to non-controlling rights holders	443	451	1,419	1,214	1,549
Net profit attributed to non-controlling rights holders	(16)	(12)	(42)	(33)	(44)
Net profit attributed to the Bank's shareholders	**427**	**439**	**1,377**	**1,181**	**1,505**
Other comprehensive income (loss), before taxes:					
Adjustments, net, for presentation of available-for- sale bonds at fair value(3)	250	(29)	817	(376)	(377)
Financial statements translation adjustments, net	(81)	(21)	(259)	146	252
Adjustments of liabilities in respect of employee benefits(2)	(216)	14	(268)	66	259
Net income (loss) in respect of cash flows hedge	1	(1)	5	(3)	(1)
Other comprehensive income (loss), before taxes	**(46)**	**(37)**	**295**	**(167)**	**133**
Effect of attributed taxes	(10)	4	(177)	82	23
Other comprehensive income (loss), before attribution to non-controlling rights holders, after taxes	(56)	(33)	118	(85)	156
Other comprehensive loss, attributed to non-controlling rights holders	-	-	(2)	-	-
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	**(56)**	**(33)**	**120**	**(85)**	**156**
Comprehensive income, before attribution to non-controlling interests holders	387	418	1,537	1,129	1,705
Comprehensive income, attributed to non-controlling interests holders	(16)	(12)	(40)	(33)	(44)
Comprehensive income, attributed to the Bank's shareholders(1)	**371**	**406**	**1,497**	**1,096**	**1,661**

Footnotes:

(1) See Note 4.

(2) Reflects mostly adjustments in respect of actuarial assessments as of the end of the period of defined benefits pension plans and amortization of amounts recorded in the past in other comprehensive income.

(3) 2018 - available-for-sale shares.

The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Balance Sheet

	Note	Unaudited September 30, 2019	Unaudited September 30, 2018	Audited December 31, 2018
		in NIS millions		
Assets				
Cash and deposits with banks		21,746	21,400	21,858
Securities (of which: 3,926, 4,661, 4,767 respectively, pledged to lenders)	5	37,303	36,748	37,898
Securities borrowed or purchased under resale agreements		464	697	774
Credit to the public	6,14	175,810	163,334	167,078
Allowance for credit losses	6,14	(2,373)	(2,181)	(2,274)
Credit to the public, net		173,437	161,153	164,804
Credit to Governments		3,478	2,915	3,336
Investments in affiliated companies		172	119	135
Buildings and equipment		2,496	2,396	2,437
Intangible assets and goodwill		160	160	160
Assets in respect of derivative instruments	11	5,601	3,606	3,726
Other assets		3,921	3,959	4,048
Total assets		**248,778**	**233,153**	**239,176**
Liabilities and Equity				
Deposits from the public	7	194,462	184,826	188,916
Deposits from banks		5,980	6,013	6,886
Deposits from the Government		186	262	257
Securities loaned or sold under repurchase agreements		1,481	1,600	1,126
Bonds and Subordinated debt notes		8,131	7,340	8,476
Liabilities in respect of derivative instruments	11	6,079	3,374	3,249
Other liabilities (1)		13,486	12,601	12,597
Total liabilities		229,805	216,016	221,507
Equity attributed to the Bank's shareholders		18,457	16,630	17,151
Non-controlling rights		516	507	518
Total equity		18,973	17,137	17,669
Total Liabilities and Equity		**248,778**	**233,153**	**239,176**

Footnote:

(1) Of which NIS 198 million, NIS 195 million and NIS 176 million, as of September 30, 2019, September 30, 2018 and December 31, 2018, respectively, allowance for credit losses in respect of off-balance sheet credit instruments.

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

Condensed Statement of Changes in Equity

		Capital reserves							
	Paid up Share capital	Share premium	Other	Total paid up share capital and reserves	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributed to the Bank's shareholders	Non-controlling interests holders in consolidated subsidiaries	Total equity
	in NIS millions								
A. For the three months ended September 30, 2019 and 2018 (unaudited)									
Balance at June 30, 2019	676	4,174	215	5,065	(385)	13,488	18,168	500	18,668
Net Profit for the period	-	-	-	-	-	427	427	16	443
Dividend paid	-	-	-	-	-	(82)	(82)	-	(82)
Other comprehensive loss , net after tax effect	-	-	-	-	(56)	-	(56)	-	(56)
Balance at September 30, 2019	**676**	**4,174**	**215**	**5,065**	**(441)**	**13,833**	**18,457**	**516**	**18,973**
Balance at June 30, 2018	676	4,174	215	5,065	(769)	11,970	16,266	495	16,761
Net Profit for the period	-	-	-	-	-	439	439	12	451
Dividend paid	-	-	-	-	-	(42)	(42)	-	(42)
Other comprehensive loss, net after tax effect	-	-	-	-	(33)	-	(33)	-	(33)
Balance at September 30, 2018	**676**	**4,174**	**215**	**5,065**	**(802)**	**12,367**	**16,630**	**507**	**17,137**
B. For the nine months ended September 30, 2019 and 2018 (unaudited)									
Balance at December 31, 2018 (audited)	676	4,174	215	5,065	(561)	12,647	17,151	518	17,669
Net Profit for the period	-	-	-	-	-	1,377	1,377	42	1,419
Dividend paid	-	-	-	-	-	(191)	(191)	-	(191)
Dividend to non-controlling interests holders in consolidated companies	-	-	-	-	-	-	-	(42)	(42)
Other comprehensive income, net after tax effect	-	-	-	-	120	-	120	(2)	118
Balance at September 30, 2019	**676**	**4,174**	**215**	**5,065**	**(441)**	**13,833**	**18,457**	**516**	**18,973**
Balance at December 31, 2017 (audited)	676	4,174	215	5,065	(717)	11,246	15,594	474	16,068
Net Profit for the period	-	-	-	-	-	1,181	1,181	33	1,214
Dividend paid	-	-	-	-	-	(74)	(74)	-	(74)
Other comprehensive loss, net after tax effect[1]	-	-	-	-	(85)	14	(71)	-	(71)
Balance at September 30, 2018	**676**	**4,174**	**215**	**5,065**	**(802)**	**12,367**	**16,630**	**507**	**17,137**
C. For the year of 2018 (audited)									
Balance at December 31, 2017	676	4,174	215	5,065	(717)	11,246	15,594	474	16,068
Net Profit for the year	-	-	-	-	-	1,505	1,505	44	1,549
Dividend paid	-	-	-	-	-	(118)	(118)	-	(118)
Other comprehensive income net after tax effect[1]	-	-	-	-	156	14	170	-	170
Balance at December 31, 2018	**676**	**4,174**	**215**	**5,065**	**(561)**	**12,647**	**17,151**	**518**	**17,669**

Footnote:

(1) Including the effect of adopting ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" and the adoption of ASU 2014-09, "Recognition of Revenue from Contracts with Customers" - IDB New York, in negligible amounts.

The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Statement of Cash Flows

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	in NIS millions				
Cash Flows from Operating Activities					
Net profit before attribution to non-controlling rights holders in consolidated companies	443	451	1,419	1,214	1,549
Adjustments necessary to present cash flows from current operations:					
Bank's share in undistributed (profits) loss of affiliated companies.	1	(1)	(9)	(2)	(7)
Depreciation of buildings and equipment (including impairment in value)	114	103	333	305	424
Provision for impairment in value of securities not for trading	2	1	11	3	14
Credit loss expenses	152	(1)123	429	(1)364	540
Gain on sale of credit portfolio, net	-	-	(7)	(6)	(6)
Profit on sale of available-for-sale bonds and shares not for trading(2)	(63)	(45)	(212)	(105)	(154)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	(2)	-	13	(29)	(63)
Realized and unrealized profit on adjustment to fair value of shares no for trading	(18)	-	(36)	-	-
Gain from realization at an investment in investee companies	-	-	(13)	-	-
Gain on realization of buildings and equipment	-	(11)	(8)	(22)	(46)
Net deferred taxes	(75)	(8)	(51)	(47)	34
Severance pay – increase (decrease) in excess of provision over the deposits	213	(44)	307	(37)	(151)
Net change in current assets:					
Assets in respect of derivative instruments	(1,338)	475	(1,875)	(652)	(771)
Trading securities	(319)	508	(35)	(660)	(659)
Other assets	245	(149)	(21)	(145)	(374)
Effect of changes in exchange rate on cash and cash equivalent balances	(31)	(7)	(140)	109	188
Accrual differences included in investment and financing activities	338	442	1,246	(182)	(1,161)
Net change in current liabilities:					
Liabilities in respect of derivative instruments	1,734	(349)	2,830	143	16
Other liabilities	(107)	692	315	585	873
Adjustments in respect of exchange rate differences on current assets and liabilities	(37)	(13)	(163)	150	239
Dividends received from affiliated companies	-	-	7	36	37
Net Cash Flows from Operating Activities	**1,252**	**2,168**	**4,340**	**1,022**	**522**

Footnotes:

(1) Reclassified – classification between "credit loss expenses" and "net change in credit to the public", for the purpose of matching with the parallel items in the statement of profit and loss.

(2) 2018 - available-for-sale securities .

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

Condensed Consolidated Statement of Cash Flows (continued)

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	in NIS millions				
Cash Flows from Investing Activities					
Net change in Deposits with banks	(56)	(197)	(42)	(18)	(45)
Net change in Credit to the public, net	(2,520)	[(1)](4,184)	(6,987)	[(1)](10,137)	(13,798)
Net change in Credit to the Governments	60	(35)	417	(195)	(393)
Net change in Securities borrowed or purchased under resale agreements	219	(207)	310	258	180
Acquisition of held-to-maturity bonds	-	(878)	(612)	(2,050)	(2,676)
Proceeds from redemption of held-to-maturity bonds	23	42	1,046	1,300	1,333
Purchase of available-for-sale bonds and shares not for trading[(3)]	(3,035)	(2,067)	(10,173)	(11,046)	(14,240)
Proceeds of sale of available-for-sale bonds and shares not for trading[(3)]	1,693	554	9,208	3,331	5,794
Purchased credit portfolios	(442)	(1,089)	(3,281)	(3,123)	(3,838)
Gain on sale of credit portfolio	658	-	860	164	254
Proceeds of redemption of available-for-sale bonds and shares not for trading[(3)]	376	1,282	1,932	4,455	5,576
Purchase of shares in affiliated companies	-	-	(62)	-	(12)
Net Proceeds of the sale of investments in affiliated companies	-	-	26	-	-
Acquisition of buildings and equipment	(148)	(95)	(397)	(329)	(473)
Proceeds from sale of buildings and equipment	-	14	20	30	59
Net Cash Flows to Investing Activities	**(3,172)**	**(6,860)**	**(7,735)**	**(17,360)**	**(22,279)**
Cash Flows from Financing Activities					
Net change in Deposits from banks	(436)	4	(906)	1,209	2,082
Net change in Deposits from the public	1,975	1,753	4,470	9,405	13,867
Net change in Deposits from the Government	(4)	(5)	(71)	(5)	(10)
Net change in Securities borrowed or purchased under resale agreements	945	81	355	(343)	(817)
Issuance of subordinated debt notes	-	-	-	-	1,493
Redemption of subordinated debt notes	(22)	(57)	(425)	(382)	(773)
Dividend paid to the shareholders	(82)	(42)	(191)	(74)	(118)
Dividend to non-controlling rights holders	-	-	(42)	-	-
Net cash flows from Financing Activities	**2,376**	**1,734**	**3,190**	**9,810**	**15,724**
Increase (decrease) in cash	456	(2,958)	(205)	(6,528)	(6,033)
Cash balance at beginning of period	20,950	24,068	21,549	27,762	27,762
Effect of changes in exchange rate on cash and cash equivalent balances	(12)	7	51	(117)	(180)
Cash balance at end of period	**21,394**	**21,117**	**21,394**	**21,117**	**21,549**
Interest and taxes paid and/or received					
Interest received	1,867	[(2)]1,820	5,661	[(2)]5,186	[(2)]7,074
Interest paid	(466)	[(2)](344)	(1,227)	[(2)](1,144)	[(2)](1,563)
Dividends received	1	2	16	40	48
Taxes on income paid	(372)	(227)	(949)	(626)	(927)
Taxes on income received	-	-	36	272	280

Footnotes:

(1) Reclassified – classification between "credit loss expenses" and "net change in credit to the public", for the purpose of matching with the parallel items in the statement of profit and loss.
(2) Improvement in computing of the data.
(3) 2018 - available-for-sale securities .

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

Appendix A - Non-cash asset and liability activity during the reported period

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	in NIS millions				
Purchase of fixed assets	-	10	13	10	30
Lending of securities	(907)	(31)	206	885	648

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

Notes to the Condensed Financial Statements

1. Accounting Policies

A. **General.** Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of September 30, 2019, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in affiliated companies. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2018 and the accompanying notes.
The interim financial statements have been prepared on the basis of the same accounting principles used for the preparation of the audited financial statements as of December 31, 2018 except as detailed in item E hereunder.
The interim financial statements were approved for publication by the Bank's Board of Directors on November 26, 2019.

B. **Principles of financial reporting.** The interim financial statements are prepared in accordance with accounting principles determined in directives of the Supervisor of Banks applying to the preparation of an annual financial report of a banking corporation, with required changes in the circumstances of the matter, and in accordance with U.S. GAAP applying to financial reporting for interim periods, and the reporting principles determined in directives and guidelines of the Supervisor of Banks. In most of the subjects, the Supervisor's instructions are based on accounting principles accepted by U.S. banks. As regards other matters, of lesser materiality, the instructions are based on International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in Israel (Israeli GAAP).

C. **Use of assessments and discretion.** In preparing the interim financial statements in accordance with the rules, instructions and guidelines, as stated, the Management of the Bank and of the investee companies are required to use discretion and apply assessments, evaluations and assumptions that affect the implementation of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such assessments. Discretion of Management in applying the accounting policy and the principal assumptions used in assessments involving uncertainty, are consistent with those applied in the preparation of the annual financial statements.

D. **Reclassification.** The commissions on purchase of credit and guaranty insurance, which in the past had been presented in the item "Other expenses" – "Insurance", were reclassified as deduction from "Non-interest income" – "Commissions on financing activities", in order to create a more proper matching of income to expenses, following the classification made in the financial statements as of December 31, 2018.

E. **Initial implementation of accounting standards, updates of accounting standards and Directives of the Supervisor of Banks**
Starting with the period beginning January 1, 2019, the Bank implements accounting standards and instructions as detailed hereunder:
(1) Recognition and measurement of financial instruments (see item 1 below);
(2) Derivatives and hedging (see item 2 below);
(3) Receivables (see item 3 below);
Starting with the period beginning April 1, 2019, the Bank implements accounting standards and instructions as detailed hereunder:
(1) Impairment of available-for-sale bonds (see item 4 below).
Following is a description of the changes in the accounting policy adopted in these interim financial statements and a description of the manner and effect of the initial implementation, if at all:

1. **Recognition and measurement of financial instruments.** Adoption of updated standard ASU 2016-01. The principal objects of the new rules are to improve the model of reporting financial instruments and to provide users of these reports more practical information for the purpose of decision making.
At date of initial implementation, the net unrealized gains on shares classified in the past as available-for-sale shares, which were recorded in other comprehensive income, were reclassified to retained earnings (in negligible amounts). Changes in the required disclosures have been applied by way of "from now onwards".
The initial implementation and its effect. The Standard will be implemented as from January 1, 2019, and thereafter. The implementation of the Standard did not have material effect.

2. **Derivatives and hedging.** Adoption of the updated standard ASU 2017-12. The object of the new rules is to improve the financial reporting of hedge relations, in a way that would reflect in a better form the economic results of the risk management activity of a banking corporation in the financial statements.
Where made possible by the update of the U.S. Standards, the subsidiary, IDB New York has adopted the updated rule by earlier application, starting with the interim financial statements as of June 30, 2018 (see also Note 5 C).

1. Accounting Policies (continued)

The initial implementation and its effect. The standard was implemented as from January 1, 2019 and thereafter. The principal impact of the implementation of the standard was the reclassification of securities, classified in the past as held-to-maturity, to available-for-sale and the modification of the disclosure format to that of U.S. banks.

3. **Receivables.** In March 2017, U.S. Financial Accounting Standards Board (FASB) published an update (2017-08) regarding the amortization of the premium paid on the purchase of debt instruments having a premature redemption option, which comprises an amendment of Item 310-20 of the Codification regarding receivables – non-refundable fees and other costs (hereinafter: "the Amendment"). According to the Amendment, the period of amortization of the premium paid on debt instruments having a premature redemption option by the issuer, shall be shortened and computed in accordance with the earliest premature redemption date.

   The initial implementation and its effect. The Standard will be implemented as from January 1, 2019, and thereafter. The implementation of the Standard did not have material effect.

4. **Impairment of available-for-sale bonds.** In accordance with the Public Reporting Directives, starting with the financial statements as of June 30, 2019, the Bank has elected, in concurrence with the Supervisor of Banks, to adopt Standard FSP FAS 115-2, regarding the recognition and presentation of other-than-temporary impairments of securities. This, alongside the continuing implementation of the relevant guidelines included in Appendix P to the Public Reporting Directives.

   In the implementation of the Standard, with regard to bonds having an inherent credit risk, with regard to which the Bank will determine that there is an other-than-temporary impairment, no differentiation will be made between an impairment that relates to credit risk and an impairment that relates to other risks, and the gap between the fair value and the amortized cost as of the reporting date will be carried in full to profit and loss.

   The tests deciding whether the impairment is of a nature other than temporary and the cases in which an impairment of a nature other than temporary would be recognized, have been updated accordingly

   The initial implementation and its effect. The implementation of the Standard did not have material effect.

F. NEW ACCOUNTING STANDARDS AND NEW DIRECTIVES OF THE SUPERVISOR OF BANKS IN THE PERIOD PRIOR TO THEIR IMPLEMENTATION

1. **Allowances for current expected credit losses (CECL).** On July 4, 2019, the Supervisor of Banks published a draft regarding "application of U.S. GAAP with respect to expected credit losses", which includes the integration of the new rules in the public reporting instructions, deferring the initial date of application of the new rules to January 1, 2022, and the parallel operation as from January 1, 2021. Furthermore, the Supervisor of Banks published a draft "FAQ file in the matter of application of the new rules regarding expected credit losses", which is intended to assist banking corporations in the process of preparation for the implementation of the new rules.

   The said drafts were published in continuation of the letter of the Supervisor of Banks dated March 28, 2018, in which it was required, inter alia, to apply the accounting principles accepted by U.S. banks in the matter of allowances for credit losses (ASU 2016-13).

   The Bank has begun preparations for the implementation of the instructions. At this stage, the Bank is unable to assess their impact.

2. **Leasing.** A circular was published on July 1, 2018, in the matter of the reporting of leases by banking corporations and credit card companies in accordance with U.S. GAAP. The circular adopts the U.S. GAAP on this subject, and inter alia, the relating presentation, measurement and disclosure rules determined in Topic 842 of the Codification regarding leases.

   The provisions of the circular apply as from January 1, 2020, and thereafter. The Bank decided to adopt the alternative transitional method for the adoption of the leasing Standard, determined in Amendment No. 2018-11 to the Codification, according to which, the initial implementation would be on the date of adoption and not as from the beginning of the earliest period presented, with the adjustment of the cumulative effect on the opening balance of retained earnings during the adoption period.

   The Bank has begun preparations for the implementation of the standard. The Bank estimates that implementation of the standard is not expected to have a material effect on the business results and on the risk assets (the growth in risk assets is estimated at approx. NIS 800 million).

1. Accounting Policies (continued)

3. **Employee benefits and measurements of fair value.** The U.S. Financial accounting Standards Board ("FASB") published on August 28, 2018, Standards ASU 2018-13 and ASU 2018-14, regarding disclosure framework – changes in disclosure requirements for fair value measurements, comprising an update of Topic 820 of the Codification regarding fair value measurement and defined benefit plans, being an update of subtopic 715-20 of the Codification regarding Compensation—Retirement Benefits—Defined Benefit Plans, respectively. These updates were published as part of the framework project for the review of disclosures of the FASB, which mainly focuses on the improvement of effectiveness of disclosure in notes to financial statements, including the reduction in costs involved in the preparation of the required notes. The provisions of the amendments shall be implemented as from January 1, 2020 and 2021, respectively. The Bank estimates that the implementation of the said provisions is not expected to have a material impact, except for changes in disclosure.

2. Interest Income and Expenses

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	in NIS millions			
A. Interest Income[2]				
Credit to the public	1,564	1,589	5,082	4,664
Credit to the Governments	21	18	69	44
Deposits with the Bank of Israel and cash	10	5	31	18
Deposits with Banks	13	8	38	25
Bonds[1]	138	158	474	435
Other assets	5	4	13	15
Total interest income	**1,751**	**1,782**	**5,707**	**5,201**
B. Interest Expenses[2]				
Deposits from the public	(272)	(232)	(912)	(660)
Deposits from the Government	(1)	(1)	(2)	(3)
Deposits from banks	(16)	(15)	(52)	(38)
Securities loaned or sold under repurchase agreements	(6)	(17)	(16)	(55)
Bonds and subordinated debt notes	(57)	(105)	(308)	(338)
Other liabilities	(1)	-	(3)	(1)
Total interest expenses	**(353)**	**(370)**	**(1,293)**	**(1,095)**
Interest Income, Net	**1,398**	**1,412**	**4,414**	**4,106**
C. Details of the net effect of hedge derivative instruments on interest income and expenses:				
Interest Income[3]	-	(1)	(1)	(6)
Interest expenses[3]	-	-	(4)	-
D. Accrual basis, interest income from bonds:				
Held-to-maturity	23	44	103	131
Available-for-sale	112	105	350	278
Trading	3	9	21	26
Total included in interest income	138	158	474	435

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions	11	11	33	35
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	38	43	120	127

(2) Including the impact of hedge relations (2018 – including an effective component of hedge relations).

(3) Details of the effect of hedge derivative instruments on subsection A+B.

3. Non-interest Financing Income

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	in NIS millions			
A. Non-interest financing income (expenses) from operations not for trading purposes				
From operations in derivative instruments				
Net income (expenses) in respect of derivative instruments[4]	(405)	[7]2	(927)	[7]613
Total from operations in derivative instruments	(405)	2	(927)	613
From investments in bonds:				
Gains on sale of available-for-sale bonds[3]	46	6	147	58
Losses on sale of available-for-sale bonds[3]	-	(10)	-	(11)
Provision for impairment of available-for-sale bonds	-	-	-	(1)
Total from investments in bonds	46	(4)	147	46
Net exchange rate differences	505	123	1,292	(498)
Net profit (losses) from investments in shares:				
Gains on sale from non trading shares[9]	17	49	65	58
Provision for impairment of non trading shares[9]	(2)	(1)	(11)	(2)
Dividends from non trading shares [9]	2	2	10	4
Unrealized profits and losses[8]	18	-	36	-
Profit on sale of shares and activities of affiliated companies	-	-	13	1
Total from investment in shares	35	50	113	61
Net profit in respect of loans sold	-	-	7	6
Total non-interest financing income from operations not for trading purposes	**181**	**171**	**632**	**228**
B. Non-interest financing income (expenses) from operations for trading purposes[5]:				
Net income (expenses) in respect of non trading derivative instruments	12	[7](11)	(22)	[7]152
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[1]	-	-	(18)	31
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value[2]	2	-	5	(2)
Total from trading operations[6]	**14**	**(11)**	**(35)**	**181**
Details of non-interest financing income (expenses) from operations for trading purposes, according to risk exposure:				
Interest rate exposure	(34)	3	(41)	35
Foreign currency exposure	45	[7](14)	-	[7]149
Share exposure	3	-	6	(3)
Total according to risk exposure	14	(11)	(35)	181
Total non-interest financing income	**195**	**160**	**597**	**409**

Footnotes:

(1) Of which, a part of the profit (loss) relating to trading bonds that are still on hand at balance sheet date	9	13	16	(9)
(2) Of which, a part of the profit (loss) relating to trading shares that are still on hand at balance sheet date	-	-	1	(1)
(3) Reclassified from accumulated other comprehensive income, see Note 4:				
Of which, profit (loss), from investments in bonds, net	43	(4)	144	46
Of which, from investment in shares	[9]-	-	[9]-	-

(4) Excluding the impact of hedge relations (2018 – including an effective component of hedge relations).
(5) Including exchange rate differences from trading operations.
(6) For interest income on investments in trading bonds, see Note 2, above.
(7) Reclassified – improving the classification of derivatives activity.
(8) Including profits and losses on measurement at fair value of shares with readily determinable fair value, as well as upward or downward adjustments of shares without readily determinable fair value.
(9) 2018 - available-for-sale shares .

3A. Earnings Per Share

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	in NIS millions				
Earnings per share					
Total net income, attributed to bank's shareholders	427	439	1,377	1,181	1,505
	In Thousand				
Earnings per share:					
Weighted average of shares of NIS 0.1 par value:					
Balance at the beginning and end of the period	1,164,017	1,164,017	1,164,017	1,164,017	1,164,017
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,164,017**	**1,164,017**	**1,164,017**	**1,164,017**	**1,164,017**
Earnings per share of NIS 0.1 (in NIS)	**0.37**	**0.38**	**1.18**	**1.01**	**1.29**

During the reported periods included in this report, the Bank did not have securities having a dilutive effect.

4. Accumulated other comprehensive income (loss)

A. Changes in other comprehensive income (loss) after tax effect

	Other comprehensive income (loss), before attribution to non-controlling rights holders					Other comprehensive (loss) attributed to non-controlling rights holders	Other comprehensive income (loss) attributed to the Bank's shareholders
	Adjustments, net, for presentation of available-for- sale bonds at fair value[3]	Financial statements translation adjustments[1]	Net income (loss) in respect of cash flows hedge	Adjustments in respect of employee benefits	Total		
	in NIS millions						
A. For the three months ended September 30, 2019 and 2018 (unaudited)							
Balance at June 30, 2019	227	(239)	2	(384)	(394)	(9)	(385)
Net change during the period	167	(81)	1	(143)	(56)	-	(56)
Balance at September 30, 2019	**394**	**(320)**	**3**	**(527)**	**(450)**	**(9)**	**(441)**
Balance at June 30, 2018	(143)	(146)	(1)	(486)	(776)	(7)	(769)
Net change during the period	(21)	(21)	(1)	10	(33)	-	(33)
Balance at September 30, 2018	**(164)**	**(167)**	**(2)**	**(476)**	**(809)**	**(7)**	**(802)**
B. For the nine months ended September 30, 2019 and 2018 (unaudited)							
Balance at December 31, 2018 (audited)	(157)	(61)	(1)	(349)	(568)	(7)	(561)
Net change during the period	551	(259)	4	(178)	118	(2)	120
Balance at September 30, 2019	**394**	**(320)**	**3**	**(527)**	**(450)**	**(9)**	**(441)**
Balance at December 31, 2017 (audited)	111	(313)	-	(522)	(724)	(7)	(717)
Net change during the period	[2](275)	146	(2)	[2]46	(85)	-	(85)
Balance at September 30, 2018	**(164)**	**(167)**	**(2)**	**(476)**	**(809)**	**(7)**	**(802)**
C. For the year of 2018 (audited)							
Balance at December 31, 2017	111	(313)	-	(522)	(724)	(7)	(717)
Net change during the year	[2](268)	252	(1)	[2]173	156	-	156
Balance at December 31, 2018	**(157)**	**(61)**	**(1)**	**(349)**	**(568)**	**(7)**	**(561)**

Footnotes:

(1) Including financial statements translation adjustments of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) Including the effect of adoption of new standards – see the Statement of Changes in Shareholders' Equity.

(3) 2018 - available-for-sale shares.

4. Accumulated other comprehensive income (loss) (continued)

B. Changes in other comprehensive income (loss) component before tax effect and after tax effect

	Unaudited					
	For the three months ended					
	September 30, 2019			September 30, 2018		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions					
Changes in components of accumulated other comprehensive income (loss), before attribution to non-controlling rights holders:						
Adjustments for presentation of available-for- sale bonds at fair value[5]						
Net unrealized income (loss) from adjustments to fair value	293	(96)	197	(33)	9	(24)
loss (Income) on available-for-sale bonds reclassified to the statement of income[2]	(43)	13	(30)	4	(1)	3
Net change during the period	**250**	**(83)**	**167**	**(29)**	**8**	**(21)**
Translation adjustments						
Financial statements translation adjustments[1]	(81)	-	(81)	(21)	-	(21)
Net change during the period	**(81)**	**-**	**(81)**	**(21)**	**-**	**(21)**
Cash flow hedging						
Net income in respect of cash flow hedging	1	-	1	-	-	-
Net income in respect of cash flow hedging reclassified to the statement of income	-	-	-	(1)	-	(1)
Net change during the period	**1**	**-**	**1**	**(1)**	**-**	**(1)**
Employee benefits						
Net actuarial loss	(245)	83	(162)	(9)	3	(6)
loss reclassified to the statement of income[3]	29	(10)	19	23	(7)	16
Net change during the period	**(216)**	**73**	**(143)**	**14**	**(4)**	**10**
Total net changes during the period	**(46)**	**(10)**	**(56)**	**(37)**	**4**	**(33)**
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling rights holders:						
Total net changes during the period	**-**	**-**	**-**	**-**	**-**	**-**
Changes in components of accumulated other comprehensive loss attributed to the Bank's shareholders:						
Total net changes during the period	**(46)**	**(10)**	**(56)**	**(37)**	**4**	**(33)**

For footnotes see next page.

4. Accumulated other comprehensive income (loss) (continued)

B. Changes in other comprehensive income (loss) component before tax effect and after tax effect (continued)

	Unaudited						Audited		
	For the nine months ended						For the year ended		
	2019			2018			2018		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions								
Changes in components of accumulated other comprehensive income (loss), before attribution to non-controlling rights holders:									
Adjustments for presentation of available-for- sale bonds at fair value[5]									
Net unrealized income (loss) from adjustments to fair value	961	(313)	648	(330)	[4]84	(246)	(340)	[4]96	(244)
Income on available-for-sale bonds reclassified to the statement of income[2]	(144)	47	(97)	(46)	17	(29)	(37)	13	(24)
Net change during the period	**817**	**(266)**	**551**	**(376)**	**101**	**(275)**	**(377)**	**109**	**(268)**
Translation adjustments									
Financial statements translation adjustments[1]	(259)	-	(259)	146	-	146	252	-	252
Net change during the period	**(259)**	**-**	**(259)**	**146**	**-**	**146**	**252**	**-**	**252**
Cash flow hedging									
Net income (loss) in respect of cash flow hedging	5	(1)	4	(2)	1	(1)	(2)	-	(2)
Net loss (income) in respect of cash flow hedging reclassified to the statement of income	-	-	-	(1)	-	(1)	1	-	1
Net change during the period	**5**	**(1)**	**4**	**(3)**	**1**	**(2)**	**(1)**	**-**	**(1)**
Employee benefits									
Net actuarial profit (loss)	(338)	114	(224)	1	[4]1	2	117	[4](38)	79
loss reclassified to the statement of income[3]	70	(24)	46	65	(21)	44	142	(48)	94
Net change during the period	**(268)**	**90**	**(178)**	**66**	**(20)**	**46**	**259**	**(86)**	**173**
Total net change during the period	**295**	**(177)**	**118**	**(167)**	**82**	**(85)**	**133**	**23**	**156**
Changes in components of accumulated other comprehensive loss attributed to non-controlling rights holders:									
Total net change during the period	**(3)**	**1**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in components of accumulated other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**298**	**(178)**	**120**	**(167)**	**82**	**(85)**	**133**	**23**	**156**

Footnotes:

(1) Including financial statements translation adjustments of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) The pre-tax amount is reported in the of statement of profit and loss in the item "non-interest financing income". For further details see the note on non-interest financing income.

(3) The pre-tax amount has been classified to other expenses.

(4) Including the effect of adoption of new standards – see the Statement of Changes in Shareholders' Equity.

(5) 2018 - available-for-sale shares.

5. Securities

A. Composition

	Unaudited				
	September 30,2019				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	4,744	4,744	246	-	4,990
Of foreign governments	18	18	-	-	18
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	352	352	4	4	352
Of others abroad[(6)]	186	186	7	2	191
Total held-to-maturity bonds	**5,300**	[(2)]**5,300**	**257**	**6**	**5,551**

	Unaudited				
	September 30,2019				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[(1)]
	In NIS millions				
(2) Available- for- sale bonds					
Of the Israeli Government	17,493	17,131	371	9	17,493
Of foreign governments	1,006	978	29	1	1,006
Of Israeli financial institutions	91	90	1	-	91
Of foreign financial institutions	957	947	15	5	957
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,873	6,843	49	19	6,873
Of others in Israel	222	209	13	-	222
Of others abroad[(6)]	2,121	2,085	44	8	2,121
Total bonds	**28,763**	**28,283**	[(3)]**522**	[(3)]**42**	[(2)]**28,763**

	Unaudited				
	September 30,2019				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)(4)]
	In NIS millions				
(3) Investment in not for trading shares	1,007	978	[(5)]30	[(5)]1	1,007
Of which:shares, the fair value of which is not readily available	884	884	-	-	884
Total not for trading securities	**35,070**	**34,561**			**35,321**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	Unaudited				
	September 30,2019				
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,083	2,069	15	1	2,083
Of foreign governments	16	16	-	-	16
Of Israeli financial institutions	17	16	1	-	17
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	64	63	1	-	64
Of others in Israel	38	38	2	2	38
Total bonds	2,218	2,202	19	3	2,218
Shares	15	14	2	1	15
Total trading securities	**2,233**	**2,216**	**(5)21**	**(5)4**	**2,233**
Total securities	**37,303**	**36,777**			**37,554**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held to maturity portfolio at an amortized cost of NIS 159 million (approx. US$ 46 million) and from the available for sale portfolio with a market value of NIS 1,525 million (approx. US$ 438 million).

(3) Included in "Accumulated other comprehensive income".

(4) Regarding shares in this column without readily determinable fair value, are presented cost minus impairment adjusted upwards or downwards to observable prices in orderly transactions for the identical or a similar investment of the same issuer.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	September 30, 2018				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	4,502	4,502	120	11	4,611
Of foreign governments	18	18	-	-	18
Of Israeli financial institutions	28	28	1	-	29
Of foreign financial institutions	33	33	-	-	33
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	461	461	1	20	442
Of others abroad[(6)]	1,081	1,081	14	6	1,089
Total held-to-maturity bonds	**6,123**	**[(2)]6,123**	**136**	**37**	**6,222**

	Unaudited				
	September 30, 2018				
			Accumulated other comprehensive income		
	Book value	Amortized cost (in shares - cost)	Profits	Losses	Fair value[(1)]
	In NIS millions				
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	16,602	16,580	60	38	16,602
Of foreign governments	1,093	1,107	1	15	1,093
Of Israeli financial institutions	46	46	-	-	46
Of foreign financial institutions	1,253	1,255	4	6	1,253
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,562	6,804	-	242	6,562
Of others in Israel	170	168	2	-	170
Of others abroad[(6)]	1,757	1,754	17	14	1,757
Total bonds	27,483	27,714	84	315	[(2)]27,483
Shares	936	935	3	2	[(4)]936
Total available-for-sale securities	**28,419**	**28,649**	**[(3)]87**	**[(3)]317**	**28,419**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	September 30, 2018				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(3) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,969	1,975	-	6	1,969
Of Israeli financial institutions	20	20	-	-	20
Of foreign financial institutions	7	7	-	-	7
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	62	64	-	2	62
Of others in Israel	74	75	-	1	74
Of others abroad	11	11	-	-	11
Total bonds	2,143	2,152	-	9	2,143
Shares	63	64	-	1	63
Total trading securities	**2,206**	**2,216**	**(5)-**	**(5)10**	**2,206**
Total securities	**36,748**	**36,988**	**223**	**364**	**36,847**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held- to-maturity portfolio at an amortized cost of NIS 331 million (approx. US$ 91 million) and from the available-for-sale portfolio with a market value of NIS 1,176 million (approx. US$ 324 million).

(3) Included in "Accumulated other comprehensive income".

(4) Including shares, the fair value of which is not readily available, stated at cost of NIS 878 million.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	Audited				
	December 31, 2018				
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	5,118	5,118	89	20	5,187
Of foreign governments	19	19	-	-	19
Of Israeli financial institutions	27	27	-	-	27
Of foreign financial institutions	34	34	-	-	34
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	451	451	1	13	439
Of others abroad[6]	1,073	1,073	15	3	1,085
Total held-to-maturity bonds	**6,722**	[2]**6,722**	**105**	**36**	**6,791**

	Book value	Amortized cost (in shares - cost)	Accumulated other comprehensive income: Profits	Accumulated other comprehensive income: Losses	Fair value[1]
	Audited				
	December 31, 2018				
	In NIS millions				
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	16,858	16,861	52	55	16,858
Of foreign governments	749	758	-	9	749
Of Israeli financial institutions	61	61	-	-	61
Of foreign financial institutions	1,314	1,336	3	25	1,314
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,855	7,010	4	159	6,855
Of others in Israel	148	150	1	3	148
Of others abroad[6]	1,965	1,991	3	29	1,965
Total bonds	27,950	28,167	63	280	[2]27,950
Shares	980	980	3	3	[4]980
Total available-for-sale securities	**28,930**	**29,147**	[3]**66**	[3]**283**	**28,930**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2018				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(3) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,013	2,013	3	3	2,013
Of Israeli financial institutions	19	20	-	1	19
Of foreign financial institutions	8	8	-	-	8
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	77	79	-	2	77
Of others in Israel	62	66	-	4	62
Of others abroad	8	8	-	-	8
Total bonds	2,187	2,194	3	10	2,187
Shares	59	65	-	6	59
Total trading securities	**2,246**	**2,259**	**(5)3**	**(5)16**	**2,246**
Total securities	**37,898**	**38,128**	**174**	**335**	**37,967**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 124 million (approx. US$ 33 million) and from the available-for-sale portfolio with a market value of NIS 1,168 million (approx. US$ 312 million).

(3) Included in "Accumulated other comprehensive income".

(4) Including shares, the fair value of which is not readily available, stated at cost of NIS 923 million.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

B. Amortized cost and unrealized losses, according to the length of the period and rate of impairment of held-to-maturity bonds which are in an unrealized loss position - consolidated

	Unaudited							
	September 30, 2019							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	638	(1)-	-	-	-	-	-	-
Of foreign governments	-	-	-	-	17	(1)-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	15	(1)-	-	-	162	4	-	4
Of others abroad	-	-	-	-	35	2	-	2
Total held-to-maturity bonds	**653**	**-**	**-**	**-**	**214**	**6**	**-**	**6**

	Unaudited							
	September 30, 2018							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	861	11	-	11	-	-	-	-
Of foreign governments	18	(1)-	-	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	104	4	-	4	307	16	-	16
Of others abroad	276	6	-	6	-	-	-	-
Total held-to-maturity bonds	**1,259**	**21**	**-**	**21**	**307**	**16**	**-**	**16**

	Audited							
	December 31, 2018							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	1,570	20	-	20	-	-	-	-
Of foreign governments	-	-	-	-	19	(1)-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	25	(1)-	-	-	377	13	-	13
Of others abroad	246	2	-	2	38	1	-	1
Total held-to-maturity bonds	**1,841**	**22**	**-**	**22**	**434**	**14**	**-**	**14**

Footnote:

(1) An amount lower than NIS 1 million.

5. Securities (continued)

C. As part of the earlier adoption of the updated U.S. Standard in the matter derivatives and hedge transactions (see Note 1 E 2 above), the subsidiary IDB Bank has reclassified securities from the "held to maturity" portfolio to the "available-for-sale" portfolio, in an amount of US$252 million. Up to and including the financial statements as of December 31, 2018, the Bank continued to present the said securities in the consolidated financial statements as Held-to-maturity securities. As from January 1, 2019, these securities are classified to the available-for-sale portfolio.

D. Fair value and unrealized losses, according to the length of the period and rate of impairment of available- for-sale bonds (2018 - available-for-sale securities) which are in an unrealized loss position- consolidated

	Unaudited							
	September 30, 2019							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Of the Israeli Government	1,124	9	-	9	-	-	-	-
Of foreign governments	202	1	-	1	59	(1)-	-	-
Of Israeli financial institutions	30	(1)-	-	-	-	-	-	-
Of foreign financial institutions	106	1	-	1	277	4	-	4
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,204	6	-	6	1,347	13	-	13
Of others in Israel	54	(1)-	-	-	-	-	-	-
Of others abroad	553	7	-	7	33	1	-	1
Total bonds	**3,273**	**24**	**-**	**24**	**1,716**	**18**	**-**	**18**

	Unaudited							
	September 30, 2018							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available-for-sale securities								
Bonds and loans:								
Of the Israeli Government	3,802	36	-	36	374	2	-	2
Of foreign governments	868	13	-	13	112	2	-	2
Of Israeli financial institutions	31	(1)-	-	-	-	-	-	-
Of foreign financial institutions	660	6	-	6	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	4,038	118	-	118	2,400	124	-	124
Of others in Israel	42	(1)-	-	-	3	(1)-	-	-
Of others abroad	680	14	-	14	-	-	-	-
Total bonds	10,121	187	-	187	2,889	128	-	128
Shares	34	1	-	1	15	1	-	1
Total available-for-sale securities	**10,155**	**188**	**-**	**188**	**2,904**	**129**	**-**	**129**

Footnote:
(1) An amount lower than NIS 1 million.

5. Securities (continued)

D. Fair value and unrealized losses, according to the length of the period and rate of impairment of available-for-sale securities which are in an unrealized loss position- consolidated (continued)

	Audited							
	December 31, 2018							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available-for-sale securities								
Bonds and loans:								
Of the Israeli Government	6,844	49	-	49	667	6	-	6
Of foreign governments	230	4	-	4	319	5	-	5
Of Israeli financial institutions	47	(1)-	-	-	-	-	-	-
Of foreign financial institutions	1,119	25	-	25	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,853	20	-	20	4,436	139	-	139
Of others in Israel	84	3	-	3	-	-	-	-
Of others abroad	1,378	27	-	27	71	2	-	2
Total bonds	11,555	128	-	128	5,493	152	-	152
Shares	31	2	-	2	16	1	-	1
Total available-for-sale securities	**11,586**	**130**	**-**	**130**	**5,509**	**153**	**-**	**153**

Footnote:
(1) An amount lower than NIS 1 million.

E. The securities portfolio, as of September 30, 2019, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held by a consolidated subsidiary abroad. Details regarding the terms "Mortgage-backed- securities - MBS", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2018.

F. Most of the unrealized losses at September 30, 2019 are attributed to certain factors, including changes in market interest rate subsequent to acquisition, a growth in the credit margins concerning similar types of securities, the impact of inactive markets and changes in the rating of securities. For debt securities, there are no securities past due or securities for which the Bank and/or it's relevant subsidiaries estimates that it is not probable that they will be able to collect all the amounts owed to them, pursuant to the investment contracts. Whereas the Bank and the relevant subsidiaries do not intend to sell securities having an unrealized loss, the Bank and the relevant subsidiaries do not view the impairment in value of these investments to be other than temporarily impaired at September 30, 2019.

G. **Fair value presentation.** The balances of securities as of September 30, 2019, September 30, 2018, and December 31, 2018, include securities amounting to NIS 31,119 million, NIS 29,747 million and NIS 30,253 million, respectively, that are presented at fair value.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities

	Unaudited			
	September 30, 2019			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	1,023	8	3	1,028
of which:				
Bonds guaranteed by GNMA	711	5	3	713
Bonds issued by FHLMC and FNMA	312	3	-	315
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,857	41	10	4,888
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,857	41	10	4,888
Total available-for-sale MBS bonds	**5,880**	**49**	**13**	**5,916**
Held-to-maturity bonds				
Mortgage pass-through bonds:	25	2	-	27
of which:				
Bonds guaranteed by GNMA	18	1	-	19
Bonds issued by FHLMC and FNMA	7	1	-	8
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	327	2	4	325
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	327	2	4	325
Total held-to-maturity MBS	**352**	**4**	**4**	**352**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	63	1	-	64
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	63	1	-	64
Total mortgage-backed trading bonds (MBS)	**63**	**1**	**-**	**64**
Total mortgage-backed bonds (MBS)	**6,295**	**54**	**17**	**6,332**
2.Total Asset-backed available-for-sale bonds (ABS)	963	-	6	957
Of which collaterized bonds CLO	948	-	6	942
Of which Asset-backed bond (ABS)	15	-	-	15
Total mortgage and asset-backed bonds	**7,258**	**54**	**23**	**7,289**

Footnote:

(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities (continued)

	Unaudited			
	September 30, 2018			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale securities				
Mortgage pass-through securities:	1,317	-	32	1,285
of which:				
Securities guaranteed by GNMA	925	-	20	905
Securities issued by FHLMC and FNMA	392	-	12	380
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	5,177	-	210	4,967
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	5,177	-	210	4,967
Total available-for-sale MBS	**6,494**	**-**	**242**	**6,252**
Held-to-maturity securities				
Mortgage pass-through securities:	32	1	-	33
of which:				
Securities guaranteed by GNMA	21	1	-	22
Securities issued by FHLMC and FNMA	11	-	-	11
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	429	-	20	409
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	429	-	20	409
Total held-to-maturity MBS	**461**	**1**	**20**	**442**
Trading securities				
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	64	-	2	62
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	64	-	2	62
Total mortgage-backed trading securities (MBS)	**64**	**-**	**2**	**62**
Total mortgage-backed securities (MBS)	**7,019**	**1**	**264**	**6,756**
2.Total Asset-backed available-for-sale securities (ABS)	310	-	-	310
Of which collaterized bonds CLO	310	-	-	310
Total mortgage and asset-backed securities	**7,329**	**1**	**264**	**7,066**

Footnote:

(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities (continued)

	Audited			
	December 31, 2018			
	Amortized cost	Unrealized gains from adjustment to fair value[(1)]	Unrealized losses from adjustment to fair value[(1)]	Fair value
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale securities				
Mortgage pass-through securities:	1,288	-	22	1,266
of which:				
Securities guaranteed by GNMA	901	-	14	887
Securities issued by FHLMC and FNMA	387	-	8	379
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	5,353	4	132	5,225
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	5,353	4	132	5,225
Total available-for-sale MBS	**6,641**	**4**	**154**	**6,491**
Held-to-maturity securities				
Mortgage pass-through securities:	32	1	-	33
of which:				
Securities guaranteed by GNMA	21	1	-	22
Securities issued by FHLMC and FNMA	11	-	-	11
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	419	-	13	406
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	419	-	13	406
Total held-to-maturity MBS	**451**	**1**	**13**	**439**
Trading securities				
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	79	-	2	77
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	79	-	2	77
Total mortgage-backed trading securities (MBS)	**79**	**-**	**2**	**77**
Total mortgage-backed securities (MBS)	**7,171**	**5**	**169**	**7,007**
2.Total Asset-backed available-for-sale securities (ABS)	369	-	5	364
Of which collaterized bonds CLO	351	-	4	347
Of which Asset-backed bond (ABS)	18	-	1	17
Total mortgage and asset-backed securities	**7,540**	**5**	**174**	**7,371**

Footnote:
(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

I. Additional details (consolidated) regarding mortgage and asset backed securities

Additional details regarding mortgage and asset backed bonds in unrealized loss position:

	Unaudited			
	September 30, 2019			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale bonds				
A. Mortgage pass-through bonds				
Bonds guaranteed by GNMA	-	-	329	3
Bonds issued by FHLMC and FNMA	-	-	105	(1)-
Total mortgage-backed pass-through bonds	**-**	**-**	**434**	**3**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	567	2	828	8
Total other mortgage-backed bonds	**567**	**2**	**828**	**8**
Total available-for-sale MBS	**567**	**2**	**1,262**	**11**
Held-to-maturity bonds				
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	15	(1)-	158	4
Total other mortgage-backed bonds	**15**	**-**	**158**	**4**
Total held-to-maturity MBS	**15**	**-**	**158**	**4**
Trading securities				
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	14	(1)-
Total mortgage-backed trading bonds (MBS)	**-**	**-**	**14**	**-**
Total mortgage-backed bonds (MBS)	**582**	**2**	**1,434**	**15**
2. Asset-backed available-for-sale bonds (ABS)				
Collaterized bonds CLO	637	4	85	2
Total asset-backed available-for-sale bonds (ABS)	**637**	**4**	**85**	**2**
Total mortgage and asset-backed bonds	**1,219**	**6**	**1,519**	**17**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued):

	Unaudited			
	September 30, 2018			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
Mortgage-backed securities (MBS):				
Available-for-sale securities				
A.Mortgage pass through securities:				
Securities guaranteed by GNMA	593	10	304	10
Securities issued by FHLMC and FNMA	296	9	85	3
Total mortgage backed pass through securities	**889**	**19**	**389**	**13**
B.Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	2,871	99	2,011	111
Total other mortgage backed securities	**2,871**	**99**	**2,011**	**111**
Total available-for-sale MBS	**3,760**	**118**	**2,400**	**124**
Held-to-maturity securities				
A.Mortgage pass through securities:				
Securities guaranteed by GNMA	1	(1)-	-	-
Total mortgage backed pass through securities	**1**	**-**	**-**	**-**
B.Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	99	4	291	16
Total other mortgage backed securities	**99**	**4**	**291**	**16**
Total held-to-maturity MBS	**100**	**4**	**291**	**16**
Trading securities				
Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	30	(1)-	27	2
Total mortgage-backed trading securities (MBS)	**30**	**-**	**27**	**2**
Total mortgage-backed securities (MBS)	**3,890**	**122**	**2,718**	**142**
2. Asset-backed available-for-sale securities (ABS)				
Collaterized bonds CLO	278	(1)-	-	-
Total asset backed available-for-sale securities (ABS)	**278**	**-**	**-**	**-**
Total mortgage and asset backed securities	**4,168**	**122**	**2,718**	**142**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued):

	Audited			
	December 31 ,2018			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-Backed Securities (MBS):				
Available-for-sale securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	363	3	437	11
Securities issued by FHLMC and FNMA	145	1	234	7
Total mortgage-backed pass through securities	**508**	**4**	**671**	**18**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	1,009	11	3,765	121
Total other mortgage-backed securities	**1,009**	**11**	**3,765**	**121**
Total available-for-sale MBS	**1,517**	**15**	**4,436**	**139**
Held-to-maturity securities				
A.Mortgage pass-through securities:				
Securities guaranteed by GNMA	2	(1)-	-	-
Total mortgage-backed pass-through securities	**2**	**-**	**-**	**-**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	23	(1)-	364	13
Total other mortgage-backed securities	**23**	**-**	**364**	**13**
Total held-to-maturity MBS	**25**	**-**	**364**	**13**
Trading securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	21	(1)-	38	2
Total mortgage-backed trading securities (MBS)	**21**	**-**	**38**	**2**
Total mortgage-backed securities (MBS)	**1,563**	**15**	**4,838**	**154**
2.Asset-backed available-for-sale Securities (ABS)				
Collaterized bonds CLO	318	4	-	-
Of which Asset-backed bond (ABS)	18	1	-	-
Total asset-backed available-for-sale securities (ABS)	**336**	**5**	**-**	**-**
Total mortgage and asset backed securities	**1,899**	**20**	**4,838**	**154**

Footnote:
(1) Amount lower than NIS 1 million

J. Information regarding impaired bonds - consolidated

	September 30, 2019	September 30, 2018	December 31, 2018
	In NIS millions		
Recorded amount of non accruing interest income impaired bonds	49	42	79

6. Credit risk, credit to the public and allowance for credit losses

General. Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under resale agreements and assets in respect of the " Maof" market activity.

It is noted, that Note 14 presents the details included in this Note, as well as an extended discussion thereof.

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated

	Unaudited					
	September 30, 2019					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[1]	79,585	-	658	80,243	6,872	87,115
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]252	35,861	-	36,113	-	36,113
Group - other	[2]26,848	172	32,434	59,454	99	59,553
Total debts*	**106,685**	**36,033**	**33,092**	**175,810**	**6,971**	**182,781**
* Of which:						
Restructured troubled debts	944	-	153	1,097	-	1,097
Other Impaired debts	536	-	25	561	-	561
Total balance of impaired debts	**1,480**	**-**	**178**	**1,658**	**-**	**1,658**
Debts in arrears of 90 days or more	118	334	52	504	-	504
Other problematic debts	1,590	21	320	1,931	-	1,931
Total Problematic debts	**3,188**	**355**	**550**	**4,093**	**-**	**4,093**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,156	-	78	1,234	-	1,234
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]200	-	201	-	201
Group - other	366	2	570	938	1	939
Total allowance for Credit Losses	**1,523**	**202**	**648**	**2,373**	**1**	**2,374**
Of which: in respect of impaired debts	185	-	65	250	-	250

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 85,459 million and the allowance in its respect in an amount of NIS 985 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 256 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 129 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated (continued)

	Unaudited					
	September 30, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[1]	74,299	-	443	74,742	6,126	80,868
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]196	31,624	-	31,820	-	31,820
Group - other	[2]27,014	141	29,617	56,772	255	57,027
Total debts*	**101,509**	**31,765**	**30,060**	**163,334**	**6,381**	**169,715**
* Of which:						
Restructured troubled debts	1,215	-	119	1,334	-	1,334
Other Impaired debts	461	-	15	476	-	476
Total balance of impaired debts	**1,676**	**-**	**134**	**1,810**	**-**	**1,810**
Debts in arrears of 90 days or more	61	307	65	433	-	433
Other problematic debts	1,153	23	370	1,546	-	1,546
Total Problematic debts	**2,890**	**330**	**569**	**3,789**	**-**	**3,789**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,041	-	59	1,100	-	1,100
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]179	-	180	-	180
Group - other	375	2	524	901	1	902
Total allowance for Credit Losses	**1,417**	**181**	**583**	**2,181**	**1**	**2,182**
Of which: in respect of impaired debts	141	-	47	188	-	188

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 79,058 million and the allowance in its respect in an amount of NIS 912 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 200 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis in amount of NIS 3 million, computed on a group basis in amount of NIS 110 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated (continued)

	Audited					
	December 31, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[1]	75,208	-	539	75,747	5,389	81,136
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]231	32,779	-	33,010	-	33,010
Group - other	[2]28,054	145	30,122	58,321	450	58,771
Total debts*	**103,493**	**32,924**	**30,661**	**167,078**	**5,839**	**172,917**
* Of which:						
Restructured troubled debts	1,094	-	131	1,225	-	1,225
Other Impaired debts	384	-	24	408	-	408
Total balance of impaired debts	**1,478**	**-**	**155**	**1,633**	**-**	**1,633**
Debts in arrears of 90 days or more	58	316	61	435	-	435
Other problematic debts	1,294	24	345	1,663	-	1,663
Total Problematic debts	**2,830**	**340**	**561**	**3,731**	**-**	**3,731**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,096	-	64	1,160	-	1,160
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]185	-	186	-	186
Group - other	384	2	542	928	1	929
Total allowance for Credit Losses	**1,481**	**187**	**606**	**2,274**	**1**	**2,275**
Of which: in respect of impaired debts	169	-	54	223	-	223

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 79,503 million and the allowance in its respect in an amount of NIS 937 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 116 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

2. Movement in the balance of allowance for credit losses – consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	Three months ended September 30, 2019					
Balance of allowance for credit losses, as at June 30, 2019	1,631	197	672	2,500	1	2,501
Expenses for credit loss	50	6	96	152	-	152
Accounting write-offs	(88)	(1)	(119)	(208)	-	(208)
Collection of debts written-off in previous years	81	-	53	134	-	134
Net accounting write-offs	(7)	(1)	(66)	(74)	-	(74)
Financial statements translation adjustments	(7)	-	-	(7)	-	(7)
Balance of allowance for credit losses, as at September 30, 2019	**1,667**	**202**	**702**	**2,571**	**1**	**2,572**
Of which: In respect of off-balance sheet credit instruments	144	-	54	198	-	198
	Three months ended September 30, 2018					
Balance of allowance for credit losses, as at June 30, 2018	1,556	178	599	2,333	1	2,334
Expenses for credit loss	17	4	102	123	-	123
Accounting write-offs	(94)	(1)	(108)	(203)	-	(203)
Collection of debts written-off in previous years	86	-	39	125	-	125
Net accounting write-offs	(8)	(1)	(69)	(78)	-	(78)
Financial statements translation adjustments	(2)	-	-	(2)	-	(2)
Balance of allowance for credit losses, as at September 30, 2018	**1,563**	**181**	**632**	**2,376**	**1**	**2,377**
Of which: In respect of off-balance sheet credit instruments	146	-	49	195	-	195
	Nine months ended September 30, 2019					
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451
Expenses for credit loss	172	21	236	429	-	429
Accounting write-offs	(282)	(6)	(363)	(651)	-	(651)
Collection of debts written-off in previous years	190	-	173	363	-	363
Net accounting write-offs	(92)	(6)	(190)	(288)	-	(288)
Financial statements translation adjustments	(19)	-	(1)	(20)	-	(20)
Balance of allowance for credit losses, as at September 30, 2019	**1,667**	**202**	**702**	**2,571**	**1**	**2,572**
Of which: In respect of off-balance sheet credit instruments	144	-	54	198	-	198
	Nine months ended September 30, 2018					
Balance of allowance for credit losses, as at December 31, 2017 (audited)	1,560	178	566	2,304	1	2,305
Expenses for credit loss	93	14	257	364	-	364
Accounting write-offs	(364)	(11)	(337)	(712)	-	(712)
Collection of debts written-off in previous years	264	-	146	410	-	410
Net accounting write-offs	(100)	(11)	(191)	(302)	-	(302)
Financial statements translation adjustments	10	-	-	10	-	10
Balance of allowance for credit losses, as at September 30, 2018	**1,563**	**181**	**632**	**2,376**	**1**	**2,377**
Of which: In respect of off-balance sheet credit instruments	146	-	49	195	-	195

7. Deposits from the public

A. Type of deposits according to location of raising the deposit and type of depositor

	Unaudited		Audited
	September 30		December 31
	2019	2018	2018
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	35,327	34,076	34,166
Interest bearing	44,552	35,747	38,588
Total demand deposits	**79,879**	**69,823**	**72,754**
Time deposits	88,637	89,917	89,893
Total deposits in Israel*	**168,516**	**159,740**	**162,647**
* Of which:			
Private individuals deposits	91,448	87,651	90,716
Institutional bodies deposits	16,412	15,143	13,044
Corporations and others deposits	60,656	56,946	58,887
Outside Israel			
Demand deposits:			
Non-interest bearing	3,828	4,029	4,804
Interest bearing	12,301	11,585	11,845
Total demand deposits	**16,129**	**15,614**	**16,649**
Time deposits	9,817	9,472	9,620
Total deposits outside Israel	**25,946**	**25,086**	**26,269**
Total deposits from the public	**194,462**	**184,826**	**188,916**

B. Deposits from the public according to size, on a consolidated basis

	Unaudited		Audited
	September 30		December 31
	2019	2018	2018
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	74,054	70,612	71,912
Over 1 up to 10	52,582	50,203	53,005
Over 10 up to 100	28,296	27,214	29,719
Over 100 up to 500	21,251	20,490	18,976
Over 500	18,279	16,307	15,304
Total	**194,462**	**184,826**	**188,916**

8. Employee Benefits

A. Details regarding the benefits

	Unaudited		Audited
	September 30		December 31
	2019	2018	2018
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	3,234	3,409	3,093
Fair value of the plan's assets	1,678	2,016	1,815
Excess liabilities over the plan's assets	**1,556**	**1,393**	**1,278**
Excess liabilities of the program included in the item "other liabilities"	**1,556**	**1,408**	**1,297**
Excess assets of the program included in the item "other assets"	**-**	**15**	**19**
Amounts included in the other liabilities item:			
Long-service ("jubilee") awards	300	307	317
Post retirement benefits to retirees	656	710	577
Vacation	137	140	135
Illness	8	8	7
Total Excess liabilities included in the item "other liabilities"	**2,657**	**2,573**	**2,333**
Of which – in respect of benefits to employees abroad	37	32	31
Total Excess assets of the program included in the item "other assets"	**-**	**15**	**19**
Of which – in respect of benefits to employees abroad	-	15	18

8. Employee Benefits (continued)

B. Defined benefit plan

1. Commitment and financing status

1.1 CHANGE IN COMMITMENT IN RESPECT OF ANTICIPATED BENEFITS

	Unaudited								Audited	
	For the three months ended September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions									
Commitment in respect of anticipated benefits at the beginning of the period	3,168	3,392	618	696	3,093	3,430	577	734	3,430	734
Cost of service	20	24	1	2	59	68	3	5	92	6
Cost of interest	23	22	6	6	73	79	17	19	101	25
Actuarial loss (profit)	213	22	41	15	345	(3)	87	(22)	(110)	(144)
Changes in foreign currency exchange rates	(4)	(1)	(1)	-	(13)	8	(2)	1	15	2
Benefits paid	(50)	(50)	(9)	(9)	(187)	(173)	(26)	(27)	(435)	(46)
Settlements	[2](136)	-	-	-	[2](136)	-	-	-	-	-
Commitment at the end of the period in respect of anticipated benefits	**3,234**	**3,409**	**656**	**710**	**3,234**	**3,409**	**656**	**710**	**3,093**	**577**
Commitment at the end of the period in respect of accumulated benefits[1]	**2,881**	**3,015**	**656**	**710**	**2,881**	**3,015**	**656**	**710**	**2,886**	**577**

Footnotes:
(1) The commitment in respect of a cumulative benefit differs from the commitment in respect of a contractual benefit in that it does not include any assumptions with regard to the future remuneration levels.
(2) In September 2018, IDB New York's Board of Directors adopted a resolution to terminate defined benefit plan. During the reported period, the liability has been finally settled – reduction in the liability for defined benefits against a reduction in the assets of the plan.

1.2 CHANGE IN FAIR VALUE OF THE PLAN'S ASSETS AND FINANCING STATUS OF THE PLAN

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	Severance pay, retirement and pension				
	in NIS millions				
Fair value of the plan's assets at the beginning of the period	1,825	1,956	1,815	2,034	2,034
Actual return on the plan's assets	21	43	131	36	(51)
Changes in foreign currency exchange rates	(4)	(1)	(14)	7	12
Deposits by the Bank to the plan	6	42	18	54	63
Benefits paid	(34)	(24)	(136)	(115)	(243)
Settlements	(136)	-	(136)	-	-
Fair value of the program's assets at the end of the period	**1,678**	**2,016**	**1,678**	**2,016**	**1,815**
Financing status - liability, net, recognized at the end of the period	**(1,556)**	**(1,393)**	**(1,556)**	**(1,393)**	**(1,278)**

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.3 AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Unaudited				Audited	
	September 30				December 31	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other assets"	-	15	-	-	19	-
Amounts recognized in the item "other liabilities"	(1,556)	(1,408)	(656)	(710)	(1,297)	(577)
Net liability recognized at the end of the period	**(1,556)**	**(1,393)**	**(656)**	**(710)**	**(1,278)**	**(577)**

1.4 AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX EFFECT

	Unaudited				Audited	
	September 30				December 31	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Actuarial profit (loss), net	(763)	(659)	(32)	(63)	(580)	59
Net cost in respect of prior service	-	-	3	4	-	4
Closing balances of accumulated other comprehensive income	**(763)**	**(659)**	**(29)**	**(59)**	**(580)**	**63**

1.5 PLANS IN WHICH THE COMMITMENT IN RESPECT OF CUMULATIVE BENEFITS EXCEEDS THE PLAN'S ASSETS

	Unaudited		Audited
	September 30		December 31
	2019	2018	2018
	Severance pay, retirement and pension		
	in NIS millions		
Commitment in respect of anticipated benefits	3,045	3,056	2,749
Commitment in respect of cumulative benefits	2,750	2,697	2,569
Fair value of the plan's assets	1,508	1,656	1,455

1.6 PLANS IN WHICH THE COMMITMENT IN RESPECT OF ANTICIPATED BENEFITS EXCEEDS THE PLAN'S ASSETS

	Unaudited		Audited
	September 30		December 31
	2019	2018	2018
	Severance pay, retirement and pension		
	in NIS millions		
Commitment in respect of anticipated benefits	3,234	3,225	2,910
Fair value of the plan's assets	1,678	1,817	1,612

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period

2.1 COMPONENTS OF NET BENEFIT COSTS RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS IN RESPECT OF DEFINED BENEFITS PENSION AND DEFINED DEPOSIT PLANS

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December,
	2019	2018	2019	2018	2018
	in NIS millions				
Severance pay, retirement and pension payments					
Cost of service	20	24	59	68	92
Cost of interest	23	22	73	79	101
Anticipated return on assets of the plan	(13)	(17)	(41)	(54)	(71)
Amortization of unrecognized amounts:					
Net actuarial loss	11	13	34	38	51
Total amortization of unrecognized amounts	**11**	**13**	**34**	**38**	**51**
Other, including loss from reduction or settlement	18	9	40	25	88
Total net cost of benefits	**59**	**51**	**165**	**156**	**261**
Total expense regarding defined deposits pension plans	**54**	**49**	**149**	**142**	**189**
Total expenses included in respect Severance pay, retirement and pension payments	**113**	**100**	**314**	**298**	**450**
Of which: expenses included in salaries and related expenses	74	73	208	210	281
Of which: expenses included in other expenses	39	27	106	88	169
Post retirement retiree benefits					
Cost of service	1	2	3	5	6
Cost of interest	6	6	17	19	25
Amortization of unrecognized amounts:					
Net actuarial loss (income)	(1)	1	(4)	3	4
Cost of prior service	-	-	(1)	(1)	(1)
Total amortization of unrecognized amounts	**(1)**	**1**	**(5)**	**2**	**3**
Other, including income from reduction or settlement	-	-	-	-	(1)
Total net cost of benefits	**6**	**9**	**15**	**26**	**33**
Of which: expenses included in salaries and related expenses	1	2	3	5	6
Of which: expenses included in other expenses	5	7	12	21	27

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

2.2 CHANGES IN ASSETS OF THE PLAN AND IN THE COMMITMENT FOR BENEFITS RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX EFFECT

	Unaudited								Audited	
	For the three months ended September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Net actuarial loss (income) for the period	205	(4)	41	15	255	56	87	(22)	53	(144)
Amortization of actuarial (loss) income	(11)	(13)	1	(1)	(34)	(38)	4	(3)	(51)	(4)
Amortization of credit in respect of prior service	-	-	-	-	-	-	1	1	-	1
Amortization of net liability in respect of the transition	-	-	-	-	-	(41)	-	-	(41)	-
Changes in foreign currency exchange rates	1	-	-	-	2	(1)	-	-	(1)	-
Other, including loss (profit) from reduction or settlement	(18)	(9)	-	-	(40)	(25)	-	-	(88)	1
Total recognized in other comprehensive loss (income)	**177**	**(26)**	**42**	**14**	**183**	**(49)**	**92**	**(24)**	**(128)**	**(146)**
Total net cost of benefits[(1)]	**59**	**51**	**6**	**9**	**165**	**156**	**15**	**26**	**261**	**33**
Total amount recognized in net cost of benefits and in other comprehensive income	**236**	**25**	**48**	**23**	**348**	**107**	**107**	**2**	**133**	**(113)**

Footnote:
(1) See item 2.1 above.

2.3 ESTIMATE OF AMOUNTS INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME EXPECTED TO BE AMORTIZED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME TO THE STATEMENT OF PROFIT AND LOSS DURING THE REMAINDER OF 2019 AS AN EXPENSE (INCOME), BEFORE TAX EFFECT

	Unaudited	
	October - December 2019	
	Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions	
Net actuarial profit (loss)	14	(1)
Settlements	16	-
Total amount expected to be amortized from other comprehensive income	**30**	**(1)**

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions

3.1 ASSUMPTIONS ON THE BASIS OF A WEIGHTED AVERAGE USED IN DETERMINING THE COMMITMENT IN RESPECT OF THE BENEFIT AND IN MEASURING THE NET COST OF THE BENEFIT

3.1.1 Principal assumptions used in determining the commitment in respect of the benefit

	Unaudited		Audited	Unaudited		Audited
	September 30		December 31	September 30		December 31
	2019	2018	2018	2019	2018	2018
	Severance pay, retirement and pension			Post retirement retiree benefits		
Discount rate	0.21%-1.22%	1.34%-2.07%	1.83%-2.54%	-0.04%-1.53%	0.75%-2.2%	1.32%-2.70%

3.1.2 Principal assumptions used in measuring the net cost of benefit for the period

	Unaudited		Audited	Unaudited		Audited
	September 30		December 31	September 30		December 31
	2019	2018	2018	2019	2018	2018
	Severance pay, retirement and pension			Post retirement retiree benefits		
Discount rate	0.92%-2.54%	1.06%-2.23%	1.06%-2.23%	0.45%-2.70%	0.66%-2.35%	0.66%-2.35%

3.2 EFFECT OF A ONE PERCENTAGE POINT CHANGE ON THE COMMITMENT FOR ANTICIPATED BENEFITS, BEFORE THE TAX EFFECT

	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
	Increase of one percentage point						Decrease of one percentage point					
	Severance pay, retirement and pension			Post retirement retiree benefits			Severance pay, retirement and pension			Post retirement retiree benefits		
	September 30		December 31	September 30		December 31	September 30		December 31	September 30		December 31
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018
	in NIS millions											
Discount rate	(262)	(268)	(270)	(36)	(26)	(30)	264	270	282	36	26	31

The said sensitivity analysis relates to the Bank, and to MDB, which comprise more than 90% of the liability in respect of an anticipated benefit.

4. Cash flow

4.1 DEPOSITS

	Unaudited					Audited
	Forecast[1]	Actual deposits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2019	2019	2018	2019	2018	2018
	Severance pay, retirement and pension payments					
	in NIS millions					
Deposits	16	6	42	18	54	63

Footnote:
(1) Assessment of expected deposits with defined benefit pension plans during the remainder of 2019.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks

1. Capital adequacy according to Directives of the Supervisor of Banks

(a) **Adoption of Basel III instructions.** Details in this matter were brought in Note 25, item 1, in the 2018 Annual Report.

(b) **Additional capital requirements in respect of housing loans.** On September 28, 2014 the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329, in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the total capital target by a rate which expresses 1% of the outstanding housing loans. The said requirement increased the total minimum equity capital requirement and the total capital by approx. 0.20%.

(c) **Relief regarding the efficiency plan 2016.** The Supervisor of Banks granted the Bank relief regarding its 2016 efficiency plan. Costs in a total amount of NIS 372 million (before taxes; on a consolidated basis; an amount of NIS 245 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2016, and are gradually amortized, as from the fourth quarter of 2016, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 147 million have been amortized to September 30, 2019. Additional details regarding this matter are given in Note 25 item 1 c to the 2018 annual report.

(d) **Relief regarding the efficiency plan 2018.** The Supervisor of Banks granted the Bank a relief regarding its 2018 efficiency plan. Costs in a total amount of approx. NIS 145 million (before taxes; an amount of NIS 95 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2018, and are gradually amortized, as from the third quarter of 2018, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 24 million have been amortized to September 30, 2019. Additional details regarding this matter are given in Note 25 item 1 d to the 2018 annual report.

E. Capital for calculating ratio of capital

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	in NIS millions		
Common equity tier 1 after deductions	[(1)]18,788	[(1)]16,990	[(1)]17,504
Additional tier 1 capital after deductions	534	712	712
Tier 1 capital	19,322	17,702	18,216
Tier 2 capital after deductions	4,731	5,197	5,140
Total capital	**24,053**	**22,899**	**23,356**

Footnote:
(1) See item "C" and "D" above.

F. Weighted risk assets balance

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	in NIS millions		
Credit risk[(1)]	161,143	150,729	153,081
Market Risk	3,703	4,325	3,412
CVA risk	1,821	1,693	1,441
Operational risk	13,816	12,756	12,987
Total weighted risk assets balance	**180,483**	**169,503**	**170,921**

Footnote:
(1) The total weighted balances of the risk assets have been reduced by NIS 11 million (September 30, 2018: NIS 126 million, December 31,2018: NIS 32 million) due to adjustments in respect to the efficiency plan.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

G. Ratio of capital risk assets

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.41	10.02	10.24
Ratio of total capital to risk assets	13.33	13.51	13.67
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(4)	9.20	9.19	9.19
Minimum total capital adequacy ratio required by the Supervisor of Banks(4)	12.70	12.69	12.69
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	11.8	11.2	11.4
Ratio of total capital to risk assets	14.0	13.9	14.0
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(5)	9.2	9.2	9.2
Minimum total capital adequacy ratio required by the Supervisor of Banks(5)	12.7	12.7	12.7
2. Discount Bancorp Inc. (1)			
Ratio of common equity tier 1 to risk assets	14.1	14.2	14.3
Ratio of total capital to risk assets	15.2	15.2	15.3
Ratio of minimum common equity tier 1 required in accordance with local regulation(2)	4.5	4.5	4.5
Minimum total capital adequacy ratio required in accordance with local regulation(2)	8.0	8.0	8.0
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	13.3	15.0	14.8
Ratio of total capital to risk assets	14.4	16.2	15.9
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.0	8.0	8.0
Minimum total capital adequacy ratio required by the Supervisor of Banks(3)	11.5	11.5	11.5

Footnotes:

(1) The data in this item was computed in accordance with the rules mandatory in the U.S.A.

(2) IDB New York is subject to the new Basel III capital rules based on the final rules published by the FRB. Capital ratios are as follows: 4.5% CET1 to risk-weighted assets; 6.0% Tier 1 capital to risk-weighted assets; and 8.0% Total capital to risk-weighted assets.

(3) In accordance with of the approach by the Supervisor of Banks, ICC was required to maintain a total capital ratio of not less than 15%, starting from December 31, 2010. The Supervisor of banks announced the cancellation of the restriction on February 4, 2018.

(4) With an addition of 0.20% (September 30, 2018: 0.19%, December 31, 2018: 0.19%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.

(5) With an addition of 0.20% (September 30, 2018: 0.19%, December 31, 2018: 0.20%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

H. Capital components for calculating ratio of capital

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	in NIS millions		
A. Common Equity Tier 1			
Common equity	18,973	17,137	17,669
Difference between common equity and common equity tier 1	(189)	(223)	(222)
Total common equity tier 1 before supervisory adjustments and deductions	18,784	16,914	17,447
Supervisory adjustments and deductions			
Goodwill and other intangible assets	160	160	160
Supervisory adjustments and other deductions	6	2	3
Total supervisory adjustments and deductions before adjustments in respect to the efficiency plan	166	162	163
Total adjustments in respect to the efficiency plan	170	238	220
Total common equity tier 1 after supervisory adjustments and deductions	**18,788**	**16,990**	**17,504**
B. Additional tier 1 capital			
Additional tier 1 capital before deductions	534	712	712
Total additional tier 1 capital after deductions	**534**	**712**	**712**
C. Tier 2 capital			
Instruments before deductions	2,612	3,221	3,135
Allowance for credit losses before deductions	2,037	1,905	1,932
Minority interests in a subsidiary	82	71	73
Total tier 2 capital before deductions	4,731	5,197	5,140
Deductions	-	-	-
Total tier 2 capital	**4,731**	**5,197**	**5,140**

I. The effect of the adjustments in respect to the efficiency plan on the ratio of common equity tier 1

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	In %		
Ratio of common equity tier 1 to risk assets before the effect of the adjustments in respect to the efficiency plan	10.32	9.87	10.11
Effect of the adjustments in respect to the efficiency plan	0.09	0.15	0.13
Ratio of common equity tier 1 to risk assets after the effect of the adjustments in respect to the efficiency plan	10.41	10.02	10.24

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

2. Leverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio. The Directive took effect on April 1, 2015. Beginning of the implementation of the Directive is from January 1, 2018.

	Unaudited		Audited
	September 30,		December 31,
	2019	2018	2018
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	19,322	17,702	18,216
Total exposures	272,349	259,412	264,000
	In %		
Leverage ratio	7.1	6.8	6.9
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	7.6	6.9	7.1
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
2. Discount Bakcorp Inc.			
Leverage ratio	11.0	10.7	10.8
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	8.2	9.6	9.5
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0

Footnote:

(1) For the effect of the adjustments in respect to the efficiency plans, see items 1 H ,I.

3. Liquidity coverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 221 in the matter of liquidity coverage ratio.

General. The computation is based on the average of daily observations in the period of ninety days prior to the date of the report (with the exception of ICC, where the computation was based on the average of monthly observations).

	Unaudited		Audited
	For the three months ended		
	September 30,		December 31,
	2019	2018	2018
	In %		
A. Consolidated			
Liquidity coverage ratio	123.5	125.0	124.8
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	133.6	131.9	136.4
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries[1]			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	147.1	148.1	133.1
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

(1) The new directive does not apply to credit card companies and thus data relating to ICC are not presented. Likewise, the directive does not apply to IDB New York.

10. Contingent liabilities and special commitments

A. Contingent liabilities and other special commitments

	Unaudited		Audited
			December
	September 30		31
	2019	2018	2018
	in NIS millions		
1. Long-term lease contracts - rent payable in future years:			
First year	149	111	158
Second year	120	106	123
Third year	99	83	103
Fourth year	70	64	78
Fifth year	48	55	64
Sixth year and thereafter	222	191	248
Total	**708**	**610**	**774**
2. Commitment to acquire buildings and equipment	153	125	154
3. Commitment to invest in private investment funds and in venture capital funds	515	577	583

B. Contingent liabilities and other special commitments

4. Various actions against the Bank and its consolidated subsidiaries:

As detailed in Note 26 C 12 to the financial statements as at December 31, 2018, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and requests to approve actions as class action suits. In the opinion of the Bank's Management, which is based, inter alia, on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based upon the opinion of their legal counsels, respectively, as the - case may be, adequate provisions have been included in the financial statements, where required.

The total exposure with respect to claims filed against the Bank and its consolidated subsidiaries, whose prospects of materializing, in whole or in part, have been assessed as reasonably possible, amounted to approx. NIS 937 million as of September 30, 2019.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 12 through 14 to the financial statements as at December 31, 2018. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 16 to the financial statements as at December 31, 2018.

Following is a summary of significant updates regarding material legal actions against the Bank and its subsidiaries:

4.1 Note 26 C 12.6 to the financial statements as of December 31, 2018, described an action against the Bank together with a motion for approval of the action as a class action suit filed January 26, 2016 with the Tel Aviv District Court. The subject matter of the motion was the alleged incorrect entries and the non-rectification thereof according to the correct entries. The Plaintiff stated the amount of the claim upon its submission at NIS 100 million. A verdict was given on September 23, 2019, rejecting the motion for approval of the action as a class action suit..

4.2 Note 26 C 13.4 to the financial statements as of December 31, 2018, described a lawsuit together with a motion for its approval as a class action suit, filed on December 12, 2017, against MDB and additional banks. The Claimants argue that MDB, which had been successful in a State tender for providing loans guaranteed by the Small and Medium Size Businesses Fund, requires the borrowers to deposit a fictitious deposit out of the loan funds, comprising the tying of a service to another service which is prohibited by law. The Claimants further argue that in practice the interest charged on the loans is 2.3 times higher than the interest that the Bank is permitted to charge in accordance with the agreement with the State. The Claimants assessed their claim against MDB at NIS 124 million.

On November 28, 2018, the Claimants amended the amount of the claim to NIS 2.5 million, in respect of each bank. On March 24, 2019, the Court decided to reject the motion for approval of the claim as a class action suit.

4.3 Note 26 C 12.1 to the financial statements as of December 31, 2018, described a lawsuit against the Bank and additional banks, filed on August 28, 2013, with the Tel Aviv District Court, together with a motion for its approval as a class action suit. The subject of the motion is the claim regarding the unlawfully charging of commission fees on the conversion and transfer of foreign currency with no proper disclosure to their customers and that by operating in this manner the respondent banks in fact maintain a binding arrangement in contradiction to the provisions of the Antitrust Act, 1988.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

The Appellant filed on April 23, 2015, a summary motion for approval of the suit as a class action suit and placed the amount of the claim for all the defendant banks at NIS 7.7 billion, of which, the part attributed to the Bank amounts to NIS 929 million. On March 1, 2018, a verdict was given rejecting the motion for approval of the action as a class action suit. An appeal against the said verdict was filed with the Supreme Court on March 18, 2018. A verdict rejecting the appeal was handed on April 1, 2019.

4.4 Note 26 C 12.3 to the financial statements as of December 31, 2018, described a lawsuit, together with a motion for approval of the lawsuit as a class action suit filed with the Tel Aviv-Jaffa District Court on March 2, 2014, against the MDB and against other banks. The Claimants allege that the respondent banks unlawfully charge a commission on the conversion and transfer of foreign currency with no proper disclosure to their customers. The Claimant stated the amount of the claim from all the Respondents and for all class members at approx. NIS 2.07 billion.

On March 1, 2018, a verdict was given rejecting the motion for approval of the action as a class action suit. An appeal against the said verdict was filed with the Supreme Court on March 18, 2018. A verdict rejecting the appeal was handed on April 1, 2019.

4.5 In September 2017, the Bank and MDB were served with notice of an action filed against them and against other Respondents with a Federal Court in Australia, in respect of the accounts of two companies in liquidation, related to companies being the subject matter of the action described in item 5.2 below. The action had been filed by the Liquidator of the two companies, claiming, inter alia, that the said banks provided banking services to these companies during the years 1997 to 2005, which assisted them in evading the payment of taxes. The Liquidator claimed an amount of Australian $11 million, and of an amount of approx. Australian $9.3 million from the Bank. A preliminary argument brief was submitted on behalf of the Bank on October 16, 2017, including objection to the performance of delivery.

The request for permission to appeal, which the banks have filed against the decision from June 22, 2019, which dismissed their preliminary arguments, was rejected on May 31, 2019.

An amended action brief was submitted on September 2, 2019, in the framework of which, the Liquidator and the Tax Authority had been added as Claimants with respect to one of the causes of action. The amount of the claim against both banks was reduced to an amount of Australian $ 16 million.

A defense brief on behalf of the banks was filed on October 3, 2019. At the hearing held on November 7, 2019, for the purpose of fixing dates for the continuation of the hearing of the case, the parties informed the Court that they had reached an agreement in principle for the conclusion of the proceedings by way of a compromise, and that they require additional time for the conclusion of the compromise arrangement. An additional hearing of case is fixed for December 6, 2019.

With respect to details regarding additional proceedings being conducted in a similar matter, see item 5.2 below.

4.6 Note 26 C 13.3 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit against Diners Club Israel Ltd. (hereinafter: "Diners") and against an additional company (hereinafter: "the Respondents"), filed on October 19, 2017.

The subject matter of the request is a claim that Diners, together with the other defendant company, intentionally mislead in their publications the members of the Frequent Flyer Club who hold credit cards of the Diners Fly Card class (hereinafter: "the card"), with respect to the manner of calculation of the flight points that might be accumulated when using the card for payments made to Government agencies. The Claimants fixed the amount of the claim for all class members at approx. NIS 66 million, and alternatively at NIS 300 million.

On March 20, 2018, Diners filed its response to the motion for approval. On February 13, 2019, the Respondents filed a motion for the dismissal in limine of the motion for approval. On May 6, 2019, the Court admitted the motion and instructed the dismissal of the motion for approval.

4.7 Note 26 C 13.6 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit was filed on May 6, 2018, with the Tel Aviv-Jaffa District Court against ICC and two additional Respondents. The subject of the motion is the claim that the Respondents had not provided proper disclosure regarding the charging of interest by them. The Claimants stated the amount of their claim in respect of all class members, and against all respondents, at approx. NIS 181 million.

ICC submitted on March 5, 2019, its response to the motion for approval.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

4.8 Note 26 C 13.5 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit which were filed on May 3, 2018, with the Tel Aviv-Jaffa District Court against MDB. The Claimants argue that MDB does not attach details of its procedures to the general terms form, which is signed by customers, and does not disclose to them that it is possible that the bank may require additional confirmations during the course of operating the account, as a condition for continuing the activity. The Claimants stated the amount of their claim at approx. NIS 139 million, in respect of non-monetary damage caused by "impairment of autonomy".

On November 1, 2018, MDB filed its response and on November 29, 2018, the Appellants filed their response. A preliminary hearing of the case was fixed for January 13, 2020.

4.9 Note 26 C 13.7 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit was filed against the Bank on June 21, 2018, with the Central District Court in Lod. As alleged by the Appellant, the Bank violates the provisions of the Custodian General Act, 1978, and the provisions of the Protection of Deposited Assets Act, 1964, in that it does not report to the Custodian General its holding of an "abandoned asset". It was further claimed that the Bank does not make reasonable efforts to locate the owners of "the abandoned asset", and causes damage to members of the class in that the Custodian General would have invested these funds in a most beneficial fashion suitable to the type of "the abandoned asset", and would have made real efforts to locate the owners. The Appellant stated the amount of the claim for all class members at NIS 300 million.

The response of the Bank was filed in February 10, 2019. On July 28, 2019, the parties submitted a joint notice to the Court regarding their agreement to refer the case to mediation. In view of the demand of the Appellant to add to the mediation proceedings a cause of action not included in the claim, a mediation process shall not take place. The case is fixed for a preliminary hearing on January 22, 2020.

4.10 Note 26 C 13.8 to the financial statements as of December 31, 2018, described a claim together with a motion for approval of the action as a class action suit filed on July 22, 2018, in the Tel Aviv District Court against ICC and two other credit card companies. The subject of the petition is paperless transactions (mainly telephone transactions) with companies engaged in direct marketing. It is alleged in the petition that the credit card companies have not prevented the companies engaged in direct marketing from exploiting the elderly and stealing their money in respect to illegal transactions, with this being done by charging their credit cards. It is also alleged in the petition that the credit card companies should have prevented this phenomenon at the outset and, prior to entering into an engagement with the direct marketing companies, they should have checked the nature of these companies and their activity and should have verified that they were in full compliance with the law. The petitioners have assessed the amount of their claim in the sum of approx. NIS 900 million for all the members of the group.

A preliminary hearing of the case was fixed for January 7, 2020.

4.11 Note 26 C 13.9 to the financial statements as of December 31, 2018, described an action against the Bank together with a motion for approval of the action as a class action suit was filed on August 2, 2018 with the Central Region-Lod District Court. The Claimant argues that the practice of the Bank is to charge variable commission fees in respect of foreign currency transfers between accounts in Israel of the same customer, instead of charging a fixed commission in US dollars, according to the Bank's pricelists. The Claimant states the amount of the claim in respect of all members of the class at NIS 112 million.

An agreed motion was filed with the Court on November 24, 2019, regarding the withdrawal from the motion for approval of the action as a class action suit.

5. Class action suits and requests to approve certain actions as class action suits as well as other actions are pending against the Bank and its consolidated subsidiaries, which, in the opinion of the Bank's Management, based on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based on the opinions of their legal counsels, respectively, as the case may be, it is not possible at this stage to evaluate their prospects of success, and therefore no provision have been included in respect therewith.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

5.1 Note 26 C 13.1 to the financial statements as of December 31, 2018, described a lawsuit against the Bank and against two additional defendants together with a motion for partial exemption from Court fees filed on April 9, 2016, with the Jerusalem District Court. The lawsuit was filed by a trustee in bankruptcy of a former CEO and shareholder of a group of companies who personally was also a guarantor for the debts of the group. According to the Plaintiff, the Bank, which had supported the group during its years of business operations, cancelled suddenly, with no prior notice, the credit facilities of the group with everything involved therein. The Plaintiff alleges that these actions taken by the Bank brought about the collapse of the group of companies, and as a result the economic and personal collapse of the bankrupt. It is further claimed that due to the conduct of the Bank, an investor pulled back from investing in the company. The total amount of the claim against all defendants, jointly and severally, is approx. NIS 105 million.

On February 4, 2018, the Supreme Court rejected a motion for leave to appeal the ruling that rejected the motion seeking exemption from the fee.

In accordance with the Court's decision of April 7, 2019, an amended claim brief was submitted on April 15, 2019. The amount of the claim was stated at approx. NIS 36 million and the Court fees were paid. On May 1, 2019 the Bank submitted preliminary motions in the case. On September 23, 2019, the Plaintiff submitted his reply to the motions for the in limine dismissal of the case and for the request for surety. The Bank has to submit a defense brief until November 26, 2019.

5.2 Note 26 C 13.2 to the financial statements as of December 31, 2018, described the following proceedings:

(a) On December 4, 2016, the Bank received a claim brief which had been filed with the Federal Court in Australia against the Bank and against twelve additional respondents (hereinafter: "the claim"). The claim was filed by the Liquidator of three Australian corporations that maintained accounts at the Bank. As argued in the claim brief, the Bank had provided banking services to the said corporations and their owners, which assisted them to evade the payment of taxes as well as conceal and hide income in Australia. The claim relates to various transactions in the aforesaid accounts in the years 1992 through 2009. The amount of the claim at date of filing was Australian $ 100 million. According to the Claimants, the amount claimed carries interest in accordance with Australian law, at an annual rate of 8%. A hearing was held on September 29, 2017, in which the Bank stated its preliminary arguments against the decision to approve service outside jurisdiction. No decision has yet been handed as regards these arguments.

In a hearing held on November 1, 2018, the Court instructed the Claimants to submit an amended claim brief, that would include the claims against Discount Bank only, and this in view of the fact that certain of the other Defendants had reached an arrangement and would be removed from the claim brief. An amended claim brief was filed on February 13, 2019. On July 31, 2019, the Court decided to reject the claim of the Defendants for confidentiality of the documents regarding the compromise arrangement reached with the Liquidator. The request of the Tax Authority to determine that the agreement reached with it is confidential, has been partly admitted, the Court stating that the Tax Authority shall provide a copy of the arrangement reached with it and it may erase items considered "classified information". The Tax Authority had appealed this decision and its execution has been stayed. The hearing of the appeal was fixed for February 2020. On September 20, 2019, the Bank filed a motion for the in limine dismissal of the action, arguing an improper forum. A hearing of all the preliminary arguments of the Bank was held on November 12, 2019. A decision in the matter has not yet been given. During the said hearing, the Court permitted the filing by the Liquidator of an amended action brief, within the framework of which the Liquidator and the Tax Authority are to be added as Claimants with respect to one of the causes of action.

(b) The Bank obtained information that on June 15, 2017, following a motion filed with the Court in Australia, as part of the proceedings being conducted between the Australian Tax Authorities and a company related to the companies mentioned in item (a) and item 4.5 above, the Magistrate Court in Tel Aviv issued an Order permitting an Israeli counsel to obtain testimony and evidence from three employees of MDB (some of whom in retirement), this in accordance with an inter-state request for legal relief. The hearing of evidence was postponed at this stage to an unknown date.

In the same matter, on November 14, 2017, the Court issued an Order for submission of documents addressed to MDB. MDB has filed a notice of appeal against the decision to issue such Order, and alternatively also filed a motion for permission to appeal (for reasons of care).

With respect to a motion for permission to appeal submitted by MDB respecting the stay of execution motion, the Supreme Court determined that the documents are to be delivered into the trust of the petitioners' representative without him being permitted to peruse them or to make any use of them. The hearing of the appeal was fixed for November 28, 2019.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

(c) On July 18, 2019, the law offices representing the Bank in Israel, received a request for the disclosure of documents, from a liquidator appointed in Australia for four Australian companies, which are alleged had managed accounts with the Bank, and which are related to the group of companies being the subject matter of the proceedings stated above.

(d) On October 3, 2019, the Bank became aware that the Liquidators of the three Claimant companies in the proceedings discussed in subsection (a) above, and of the four companies mentioned in subsection (c) above, filed on that day with the Tel Aviv District Court, twelve motions for the recognition in Israel of the Liquidation proceedings in Australia regarding these companies and five additional companies. The motions were filed under the Insolvency and Economic Recovery Act, 2018. The Bank was not a party to the proceedings. On October 3, 2019, the Court admitted the motions. On November 14, 2019, the Liquidators applied to the Court for an order instructing the Bank to disclose to them documents and information held by the Bank regarding all the accounts that had been or are being conducted with the Bank in the name of the companies being the subject matter of the motions, or in respect of related accounts. The Bank has not yet submitted its response.

With respect to details regarding additional proceedings being conducted in a similar matter, see item 4.5 above.

5.3 On March 25, 2019, an action was filed against MDB with the Tel Aviv District Court, together with a motion for approval of the action as a class action suit. The Claimant argues that MDB had delivered incorrect information regarding the Claimant to the companies managing the financial data base, being financial information that is not supposed to appear in consumption credit reports for individuals, due to the fact that the Claimant had settled his debt to MDB, prior to the expiry of sixty days from date of sending the warning letter. Delivery of the above mentioned information, as claimed, is in contradiction to the provisions of the law, causing the Claimant difficulties in obtaining credit, loans, increase in credit facilities and more.

The Claimant stated the amount of the claim in respect of all members of the class at NIS 10 billion. A preliminary hearing was fixed for December 2, 2019.

5.4 A legal action was filed with the District Court Central Region on May 29, 2019, against MDB together with a motion for approval of the action as a class action suit. The Plaintiff claims that it had entered into a transaction with MDB, which was defined by MDB as a transaction for the discounting of checks, while in fact the transaction in substance was a loan transaction. Inter alia, the Plaintiff claims that MDB did not disclose the effective interest rate, which as alleged by the Plaintiff, included also the commission charged in respect of the transaction. It is further claimed that MDB had subjected the granting of credit to the opening of a deposit account pledged in favor of MDB in a way comprising the subjecting of a service to another service.

The Plaintiff stated the amount of the claim in respect of all class members at NIS 163 million.

5.5 A legal action was filed with the Tel Aviv District Court on June 5, 2019, against the Bank and against five additional banks, together with a motion for approval of the action as a class action suit.

The subject matter of the motion is foreign currency conversion operations. It is alleged that when customers transact a foreign currency conversion operation, the charges applying to such a transaction comprise of two commission fees: an operation commission (which, as alleged, is properly disclosed in the published pricelists of the Respondents) and an additional commission, which as claimed is an exchange differences commission, which according to the Plaintiff is not properly disclosed neither in the pricelists nor in the transaction statement issued to the customer. It is therefore argued that the charging of such a commission fee is in contradiction of the law. It is further claimed that whereas such charge is hidden from the eyes of the customers, they have no way of knowing the actual cost of currency conversion services.

As to the operation commission, it is claimed that the Bank and two other banks compute such commission on the transaction amount including the exchange difference increment, thus charging an excessive operation commission.

The Plaintiff has stated the amount of the claim against the Bank in respect of all class members at NIS 1,486 million.

On October 10, 2019, the Bank submitted a motion for the in limine dismissal of the motion, as well as a motion for extension of the date for submission of its response. On October 27, 2019, the Appellant submitted his response brief to the motions. On October 28, 2019, the Court ruled that the Bank is not required to respond to the motion for approval until a different ruling of the Court is given.

6. **Discount Campus.** Details regarding the project are presented in Note 26 C 18 to the annual financial statements as of December 31, 2018. The investment in the project amounted at September 30, 2019, to approx. NIS 170 million. The balance of the commitment in respect of this project amounted at that date to approx. NIS 84 million.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

7. Acquisition of Municipal Bank (in its former name: Dexia Bank). Note 26 C 19 to the financial statements as of December 31, 2018, contains a description of the action taken for the acquisition of Municipal Bank. A merger agreement was signed between MDB and Municipal Israel Bank Ltd. (hereinafter: "Municipal Bank") on November 13, 2018. The general meeting of shareholders of Municipal Bank approved on January 3, 2019, the proposal for the merger with MDB.

   In November 2018, MDB approached the Competition Authority (in its former name: Antitrust Authority) and the Bank of Israel with a request to approve the agreement.

   On May 30, 2019, Municipal Bank received the confirmation of the Tax Authority regularizing the tax issues upon consummation of the merger. The said tax confirmation had been defined in the agreement as one of the conditions precedent for the completion of the transaction, which is subject to the approval of the merger by the Supervisor of Banks and the Competition Commissioner.

   On May 23, 2019, the Bank received the confirmation of the Competition Commissioner for the merger of Municipal Bank with MDB, subject to certain terms, the essence of which is the sale of the credit portfolio of several local authorities (hereinafter: "the confirmation terms"). In the opinion of the Bank, the confirmation terms are not expected to have a material effect upon the profitability of the transaction.

   On July 26, 2019, Jerusalem Bank filed with the Competition Tribunal at the Jerusalem District Court, an appeal against the said decision of the Competition Commissioner. The Claimant argues that that the merger of Municipal Bank with MDB, comprises a merger between competitors and between leading players which provide banking services to municipal authorities. The Claimant argues that the approval of the merger transaction impairs competition and prevents the entry into the market of new players and of small banks as new competitors in the credit market for municipal authorities, thus perpetuating the high level of centralization in this credit market.

   On August 15, 2019, the Bank, MDB and Municipal Bank filed a motion for the in limine rejection of the appeal, inter alia, due to the fact that the appeal does not raise an antitrust violation which justifiably may be heard within the framework of an appeal against the decision of the Commissioner approving a merger transaction. On the same day, the Competition Commissioner also filed a motion for the in limine rejection of the appeal on similar grounds. A decision regarding the motion has not yet been given. The Respondents have not yet filed a response brief regarding the appeal itself.

   The confirmation by the Supervisor of Banks for the merger, in accordance with the terms stated by the Competition Authority, was received on September 2, 2019.

   On August 22, 2019, the Competition Commissioner approved Union Bank as the potential purchaser of the credit portfolio, and also approved the scope and composition of the credit portfolio expected to be purchased by it in accordance with the approval of the Competition Authority and on the basis of the data that had been provided to it.

   On November 11, 2019, Municipal Bank, MDB and Union Bank signed an agreement for the sale of a part of the credit portfolio of Municipal to Union Bank of Israel Ltd. (hereinafter: "the credit portfolio" and the "sale agreement", respectively). The sale of the credit portfolio is in accordance with the condition stated in the approval of the Competition Commissioner and following the approval by the Competition Authority regarding the identity of the purchaser, the volume of the credit portfolio and its composition.

   Consummation of the sale agreement is subject to the fulfillment of all conditions precedent to the merger until December 1, 2019, which is expected to be completed proximate before the consummation of the merger.

   Upon completion of the sale to Union Bank of the credit portfolio, the parties to the merger are of the opinion that all conditions precedent to the merger of the bank and MDB had been fulfilled. The expected date for the consummation of the merger is December 1, 2019. Notwithstanding, at this stage, there is no certainty as to the exact date of the merger.

   On November 17, 2019, the Bank filed with the Competition Tribunal, hearing the appeal by the Jerusalem Bank, an updating statement regarding the signing of the sale agreement.

   On November 19, 2019, the Jerusalem Bank applied to the Competition Tribunal with an urgent request for information regarding the sale agreement, as well as for an Interim Order instructing MDB, Discount Bank and Municipal Bank to refrain from taking any action and/or disposition, the substance of which is the realization, in whole or in part, of the merger in accordance with the said agreement, for a period of fourteen business days from date of receipt of the said information. The Court was also motioned to attach Union Bank as a Respondent to the Plea, and to fix an urgent hearing of the motion.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

On November 21, 2019, the Bank, MDB and Municipal Bank filed their response brief to the motion, in which it is, inter alia, argued that the motion for the issue of an Interim Order should be rejected on grounds of being extremely delayed in submission, as well as submitted in bad faith and lacking innocence. Also submitted was the response by the Competition Commissioner arguing, inter alia, that the Jerusalem Bank has no right to receive the requested information due to the conditions required for the issuance of an Interim Order not being fulfilled, and that there is no basis for the attachment of Union Bank as a respondent to the Plea. On November 25, 2019, the Jerusalem Bank filed a response brief to the said response. A decision in the matter has not yet been given.

In order to complete the fulfillment of the terms, which were stated in the confirmation of the Competition Authority, and the fulfillment of the other conditions precedent stated in the merger agreement, the validity of the merger agreement has been extended for an additional period of three months, so that the final date for the completion of the conditions precedent stated in the merger agreement was September 1, 2019 (hereinafter: "the first extended period"), instead of June 1, 2019. In continuation thereof, the validity of the merger agreement has been extended once again, so that the final date for completion of the conditions precedent, as stated in the merger agreement, is December 1, 2019 (hereinafter: "the second extension period") instead of September 1, 2019 (a special general meeting of shareholders of Municipal Bank held on October 10, 2019, approved the said extension).

In accordance with the instructions of the merger agreement, and whereas the agreement has not been fulfilled until April 1, 2019, the consideration payable to the shareholders of Municipal Bank would be increased by an amount of NIS 1.25 million per month, as from April 1, 2019 and until May 31, 2019. Within the framework of the extensions of the agreement, the parties concluded that with respect to the first extension period, a total amount of NIS 2.25 million per month would be paid, and with respect to the additional period beginning on September 1, 2019 and until the consummation of the transaction, a total amount of NIS 4.5 million per month, or a proportionate part thereof, would be paid, on condition that the total amount of the consideration would not be less than NIS 691 million.

11. Derivative Instruments Activity - volume, credit risk and due dates

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	September 30, 2019			September 30, 2018			December 31, 2018		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions								
Interest rate contracts									
Forward and Futures contracts	8,340	8,265	16,605	6,294	5,421	11,715	7,170	7,971	15,141
Options written	370	12,461	12,831	-	13,780	13,780	-	13,486	13,486
Options purchased	394	11,741	12,135	-	12,667	12,667	-	12,777	12,777
Swaps[1]	12,053	140,842	152,895	10,474	113,267	123,741	11,358	108,245	119,603
Total[2]	**21,157**	**173,309**	**194,466**	**16,768**	**145,135**	**161,903**	**18,528**	**142,479**	**161,007**
Of which: Hedging derivatives[5]	3,485	-	3,485	3,247	-	3,247	3,522	-	3,522
Foreign currency contracts									
Forward and Futures contracts[3]	1,009	22,289	23,298	591	18,305	18,896	862	14,924	15,786
Options written	-	16,634	16,634	-	14,357	14,357	-	12,051	12,051
Options purchased	-	14,156	14,156	3	13,385	13,388	6	11,228	11,234
Swaps	32,231	37,664	69,895	15,902	36,912	52,814	24,536	36,838	61,374
Total	**33,240**	**90,743**	**123,983**	**16,496**	**82,959**	**99,455**	**25,404**	**75,041**	**100,445**
Contracts on shares									
Forward and Futures contracts	-	43	43	-	-	-	-	44	44
Options written	217	7,044	7,261	-	6,229	6,229	-	9,431	9,431
Options purchased[4]	225	7,044	7,269	-	6,240	6,240	-	9,443	9,443
Swaps	-	686	686	-	1,441	1,441	-	1,173	1,173
Total	**442**	**14,817**	**15,259**	**-**	**13,910**	**13,910**	**-**	**20,091**	**20,091**
Commodities and other contracts									
Forward and Futures contracts	-	906	906	-	256	256	-	1,544	1,544
Options written	21	3	24	-	6	6	-	4	4
Options purchased	21	3	24	-	6	6	-	4	4
Total	**42**	**912**	**954**	**-**	**268**	**268**	**-**	**1,552**	**1,552**
Total stated amount	**54,881**	**279,781**	**334,662**	**33,264**	**242,272**	**275,536**	**43,932**	**239,163**	**283,095**

Footnotes:

	September 30, 2019	September 30, 2018	December 31, 2018
(1) Of which: swaps on which the Bank pays a fixed interest	47,645	41,459	40,610
(2) Of which: shekel/CPI swaps	13,014	11,522	13,062
(3) Of which: spot foreign currency swap contracts	3,519	1,941	2,360
(4) Of which: traded on the Stock Exchange	7,445	5,805	9,009

(5) The Bank conducts accounting hedge by way of IRS transactions.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

A. Volume of activity on a consolidated basis (continued)

2. Gross fair value of derivative instruments

	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	September 30, 2019					
Interest rate contracts	172	3,597	3,769	360	3,625	3,985
Of which: Hedging	21	-	21	134	-	134
Foreign currency contracts	330	1,104	1,434	646	1,066	1,712
Contracts on shares	12	348	360	12	348	360
Commodities and other contracts	1	50	51	1	49	50
Total assets/liabilities in respect of derivatives gross[(1)]	**515**	**5,099**	**5,614**	**1,019**	**5,088**	**6,107**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	515	5,099	5,614	1,019	5,088	6,107
Of which: not subject to net settlement arrangement or similar arrangements	-	329	329	42	316	358
	September 30, 2018					
Interest rate contracts	187	1,542	1,729	222	1,512	1,734
Of which: Hedging	78	-	78	11	-	11
Foreign currency contracts	381	905	1,286	265	813	1,078
Contracts on shares	-	600	600	-	599	599
Commodities and other contracts	-	6	6	-	5	5
Total assets/liabilities in respect of derivatives gross[(1)]	**568**	**3,053**	**3,621**	**487**	**2,929**	**3,416**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	568	3,053	3,621	487	2,929	3,416
Of which: not subject to net settlement arrangement or similar arrangements	-	525	525	-	568	568
	December 31, 2018					
Interest rate contracts	154	1,232	1,386	253	1,154	1,407
Of which: Hedging	32	-	32	52	-	52
Foreign currency contracts	594	987	1,581	282	823	1,105
Contracts on shares	-	733	733	-	732	732
Commodities and other contracts	-	38	38	-	38	38
Total assets/liabilities in respect of derivatives gross[(1)]	**748**	**2,990**	**3,738**	**535**	**2,747**	**3,282**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	748	2,990	3,738	535	2,747	3,282
Of which: not subject to net settlement arrangement or similar arrangements	-	660	660	-	707	707

Footnote:

(1) Of which: NIS 13 million (September 30, 2018: NIS 15 million; December 31, 2018: NIS 12 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 28 million (September 30, 2018: NIS 42 million; December 31, 2018: NIS 33 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

B. Accounting hedge

1. Effect of accounting hedge

	Unaudited	
	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
	Interest income (expenses)	
	In NIS millions	
Profit (loss) on fair value hedge		
Interest rate contracts		
Hedged items	18	114
Hedging derivatives	(19)	(115)

2. Items hedged by fair value hedge

	Unaudited	
	September 30, 2019	
	Book value	Cumulative fair value adjustments increasing the book value
	In NIS millions	
Securities	2,093	122
Deposits from the public	1,032	(14)

3. Effect of Derivatives not designated as hedging instruments on statement of profit and loss

	Unaudited	
	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
	In NIS millions	
Interest rate contracts	9	(8)
Foreign currency contracts	(403)	(942)
Contracts on shares	1	1
Commodities and other contracts	-	-
Total	**(393)**	**(949)**

Footnote:
(1) Included in the item Non-interest financing income (expenses)

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	Unaudited					
	September 30, 2019					
Balance sheet balance of assets in respect of derivative instruments(2)	28	1,610	23	104	3,849	5,614
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,443)	(13)	-	(2,606)	(4,062)
Credit risk mitigation in respect of cash collateral received	-	(138)	(1)	(82)	(47)	(268)
Net amount of assets in respect of derivative instruments	**28**	**29**	**9**	**22**	**1,196**	**1,284**
Off-balance sheet credit risk in respect of derivative instruments(1)	196	95	51	18	638	998
Total credit risk in respect of derivative instruments(4)	**224**	**1,705**	**74**	**122**	**4,487**	**6,612**
Balance sheet balance of liabilities in respect of derivative instruments(3)	280	2,468	24	-	3,335	6,107
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,443)	(13)	-	(2,606)	(4,062)
Pledged cash collateral	-	(885)	-	-	(166)	(1,051)
Net amount of liabilities in respect of derivative instruments	**280**	**140**	**11**	**-**	**563**	**994**
	Unaudited					
	September 30, 2018					
Balance sheet balance of assets in respect of derivative instruments(2)	50	1,585	42	6	1,938	3,621
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,101)	(6)	(6)	(860)	(1,973)
Credit risk mitigation in respect of cash collateral received	-	(356)	(6)	-	(42)	(404)
Net amount of assets in respect of derivative instruments	**50**	**128**	**30**	**-**	**1,036**	**1,244**
Off-balance sheet credit risk in respect of derivative instruments(1)	136	123	80	-	582	921
Total credit risk in respect of derivative instruments(4)	**186**	**1,708**	**122**	**6**	**2,520**	**4,542**
Balance sheet balance of liabilities in respect of derivative instruments(3)	310	1,510	136	39	1,421	3,416
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,101)	(6)	(6)	(860)	(1,973)
Pledged cash collateral	-	(331)	-	-	(22)	(353)
Net amount of liabilities in respect of derivative instruments	**310**	**78**	**130**	**33**	**539**	**1,090**
	Audited					
	December 31, 2018					
Balance sheet balance of assets in respect of derivative instruments(2)	82	1,520	130	-	2,006	3,738
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,015)	(3)	-	(677)	(1,695)
Credit risk mitigation in respect of cash collateral received	-	(406)	(10)	-	(70)	(486)
Net amount of assets in respect of derivative instruments	**82**	**99**	**117**	**-**	**1,259**	**1,557**
Off-balance sheet credit risk in respect of derivative instruments(1)	194	205	141	9	627	1,176
Total credit risk in respect of derivative instruments(4)	**276**	**1,725**	**271**	**9**	**2,633**	**4,914**
Balance sheet balance of liabilities in respect of derivative instruments(3)	441	1,328	25	59	1,429	3,282
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,015)	(3)	-	(677)	(1,695)
Pledged cash collateral	-	(251)	-	-	-	(251)
Net amount of liabilities in respect of derivative instruments	**441**	**62**	**22**	**59**	**752**	**1,336**

Footnotes:

(1) The difference, if positive, between the total amount in respect of derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, before credit risk mitigation, and between the balance sheet amount of assets in respect of derivative instruments of the borrower.

(2) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 5,601 million included in the item assets in respect of derivative instruments (September 30, 2018: NIS 3,606 million; December 31, 2018: NIS 3,726 million).

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 6,079 million included in the item liabilities in respect of derivative instruments (September 30, 2018: NIS 3,374 million; December 31, 2018: NIS 3,249 million).

(4) The amount does not include the above deductions. The comparative data has been restated accordingly.

(5) The fair value of derivative instruments subject to netting agreements is in the amount of NIS 4,016 million (as of September 30, 2018 – an amount of NIS 1,917 million, as of December 31, 2018 – an amount of NIS 1,687 million).

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

D. Due dates - Par value: consolidated period end balances

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
	In NIS millions				
	Unaudited				
	September 30, 2019				
Interest rate contracts					
Shekel/CPI	2,250	3,579	3,705	3,480	13,014
Other	25,949	37,174	53,545	64,784	181,452
Foreign currency contracts	65,883	40,861	11,360	5,879	123,983
Contracts on shares	13,766	865	628	-	15,259
Commodities and other contracts	228	684	42	-	954
Total	**108,076**	**83,163**	**69,280**	**74,143**	**334,662**
	Unaudited				
	September 30, 2018				
Total	**87,752**	**53,794**	**68,604**	**65,386**	**275,536**
	Audited				
	December 31, 2018				
Total	**80,408**	**72,886**	**70,486**	**59,315**	**283,095**

12. Regulatory Operating Segments

A. Details regarding the regulatory segments were brought in Note 29a to the financial statements as of December 31, 2018. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2018.

For details regarding administrative segments recognized by the Bank were brought in Note 30a to the financial statements as of December 31, 2018.

Whereas, with respect to a part of the customers, the Bank did not have the complete information required for the classification to regulatory operating segment, in accordance with the new instructions, in particular information regarding their business turnover, various actions were taken to obtain such information, and in certain cases, in the absence of information, decisions had been made on the basis of evaluations and estimates. The Bank is acting to complete the improvement of the information, and accordingly, such improvements may in future reporting periods require the reclassification of customers to the operating segments.

B. Reclassification - Some of the data as of September 30, 2018, and for the period ended therein, were reclassified in this report, following the classifications made in the financial statements as of December 31, 2018.

C. Reclassified – classification of income earned on lending by the different segments to the financial management segment.

D. Reclassified – improvement in the allotment of risk assets to the segments.

12. Regulatory Operating Segments (continued)

E. Information regarding regulatory operating segments, consolidated

	Unaudited				
	For the three months ended September 30, 2019				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	524	170	129	1	425
Interest expenses To external sources	42	-	-	27	37
Interest income, net from external sources	482	170	129	(26)	388
Interest income, net Intersegmental	16	(72)	(8)	48	10
Total Interest income, net	498	98	121	22	398
Non-interest financing income from external sources	720	2	294	246	347
Non-interest financing income Intersegmental	(312)	-	-	(230)	(195)
Total Non-interest financing income	408	2	294	16	152
Total income	**906**	**100**	**415**	**38**	**550**
Credit loss expenses	98	5	52	1	40
Operating and other expenses	788	26	300	25	323
Profit (loss) before taxes	20	69	63	12	187
Provision for taxes (tax savings) on profit	2	23	20	5	65
Profit after taxes	18	46	43	7	122
Bank's share in operating income of affiliated companies	-	-	-	-	-
Net profit from ordinary operations before Attributed to the non-controlling rights holders	18	46	43	7	122
Net profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(8)	-	(8)	-	(6)
Net profit Attributed to the bank's shareholders	**10**	**46**	**35**	**7**	**116**
Average Assets	67,827	34,889	15,983	269	37,537
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public(3)	66,797	35,031	15,744	210	36,973
Balance of credit to the public at the period end (3)	67,585	35,720	16,133	270	36,022
Balance of impaired debts	178	-	50	-	579
Balance of debts (not impaired) in arrear for over ninety days	386	334	-	-	48
Average Liabilities	80,498	39	2,823	15,031	42,543
Of which - Average Deposits from the public	76,118	-	22	14,902	37,064
Balance of deposits from the public at the period end	75,110	-	18	16,338	36,686
Average Risk-assets(1)	51,594	20,774	13,905	388	35,465
Balance of Risk-assets at the period end (1)	50,453	20,236	13,252	431	35,024
Average assets under management(2)	32,652	382	-	18,686	26,353
Interest income, net:					
Margin from credit activity to the public	416	98	121	-	356
Margin from deposits activity from the public	82	-	-	22	42
Other	-	-	-	-	-
Total Interest income, net	**498**	**98**	**121**	**22**	**398**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
92	240	6	111	1,399	352	1,751
4	22	36	54	222	131	353
88	218	(30)	57	1,177	221	1,398
(6)	(39)	40	(69)	-	-	-
82	179	10	(12)	1,177	221	1,398
47	89	76	(626)	899	71	970
(15)	8	(74)	818	-	-	-
32	97	2	192	899	71	970
114	**276**	**12**	**180**	**2,076**	**292**	**2,368**
6	(2)	(1)	-	142	10	152
66	108	14	49	1,373	160	1,533
42	170	(1)	131	561	122	683
15	56	(1)	56	198	42	240
27	114	-	75	363	80	443
-	-	-	-	-	-	-
27	114	-	75	363	80	443
(1)	(5)	-	4	(16)	-	(16)
26	**109**	**-**	**79**	**347**	**80**	**427**
10,772	35,066	860	61,372	213,703	33,880	247,583
-	-	-	172	172	-	172
10,658	35,020	690	-	150,348	23,070	173,418
10,509	37,012	657	-	152,055	23,755	175,810
225	247	294	-	1,523	135	1,658
4	66	-	-	504	-	504
6,432	20,846	16,715	16,907	198,972	30,185	229,157
5,325	17,581	16,655	-	167,645	26,320	193,965
5,921	18,049	16,412	-	168,516	25,946	194,462
13,214	39,513	1,432	14,064	155,670	26,714	182,384
12,602	39,397	1,460	13,720	153,087	27,396	180,483
9,348	38,723	74,657	2,377	202,796	13,769	216,565
77	169	4	-	1,022	149	1,171
5	10	6	-	167	45	212
-	-	-	(12)	(12)	27	15
82	**179**	**10**	**(12)**	**1,177**	**221**	**1,398**

12. Regulatory Operating Segments (continued)

E. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the three months ended September 30, 2018				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	553	222	123	1	387
Interest expenses To external sources	54	-	-	27	25
Interest income, net from external sources	499	222	123	(26)	362
Interest income, net Intersegmental	(6)(60)	(143)	(4)	46	(6)3
Total Interest income, net	439	79	119	20	365
Non-interest financing income from external sources (4)(5)	454	4	275	79	156
Non-interest financing income Intersegmental	(56)	-	-	(60)	(15)
Total Non-interest financing income	398	4	275	19	141
Total income	**837**	**83**	**394**	**39**	**506**
Credit loss expenses (expenses reversal)	104	3	48	1	35
Operating and other expenses (4)(5)	770	31	270	34	316
Profit (loss) before taxes	(37)	49	76	4	155
Provision for taxes (tax savings) on profit	(11)	18	25	2	54
Profit (loss) after taxes	(26)	31	51	2	101
Bank's share in operating income of affiliated companies	-	-	-	-	-
Net profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	(26)	31	51	2	101
Net profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(9)	-	(9)	-	(2)
Net profit (loss) Attributed to the bank's shareholders	**(35)**	**31**	**42**	**2**	**99**
Average Assets	60,425	30,879	13,848	262	32,495
Of which - Investment in Investee companies	-	-	-	-	-
Of which- Average credit to the public(3)	59,636	31,009	13,705	176	31,943
Balance of credit to the public at the period end(3)	60,306	31,542	13,653	182	32,387
Balance of impaired debts	134	-	33	-	477
Balance of debts (not impaired) in arrear for over ninety days	372	307	-	-	56
Average Liabilities	76,055	4	2,627	15,323	36,190
Of which - Average Deposits from the public	72,168	-	23	15,169	30,998
Balance of deposits from the public at the period end	71,593	-	22	16,058	30,953
Average Risk-assets(1)(7)	45,803	17,620	12,202	473	31,301
Balance of Risk-assets at the period end (1)(7)	46,043	17,977	12,119	478	31,448
Average assets under management(2)	34,799	395	-	19,897	21,534
Interest income, net:					
Margin from credit activity to the public	382	79	119	1	334
Margin from deposits activity from the public	57	-	-	19	31
Other	-	-	-	-	-
Total Interest income, net	**439**	**79**	**119**	**20**	**365**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Reclassified - see B above.
(5) Reclassified - see note 1 D .
(6) Reclassified - see C above.
(7) Reclassified - see D above.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
88	289	5	128	1,451	331	1,782
5	25	19	111	266	104	370
83	264	(14)	17	1,185	227	1,412
(8)	(6)(71)	(6)24	(6)66	-	-	-
75	193	10	83	1,185	227	1,412
36	107	(2)	45	875	28	903
(8)	(5)	3	141	-	-	-
28	102	1	186	875	28	903
103	**295**	**11**	**269**	**2,060**	**255**	**2,315**
(17)	-	-	-	123	-	123
60	100	7	60	1,347	147	1,494
60	195	4	209	590	108	698
20	67	2	78	212	36	248
40	128	2	131	378	72	450
-	-	-	1	1	-	1
40	128	2	132	379	72	451
-	(2)	-	1	(12)	-	(12)
40	**126**	**2**	**133**	**367**	**72**	**439**
9,628	36,531	873	59,422	199,636	32,311	231,947
-	-	-	119	119	-	119
9,544	36,448	756	-	138,503	21,640	160,143
10,054	37,348	821	-	141,098	22,236	163,334
150	463	294	-	1,518	292	1,810
5	-	-	-	433	-	433
6,314	22,087	14,589	15,266	185,824	28,960	214,784
5,285	19,386	14,540	-	157,546	24,985	182,531
5,405	20,588	15,143	-	159,740	25,086	184,826
12,369	39,740	1,372	13,861	144,919	23,129	168,048
12,191	40,451	1,351	14,207	146,169	23,334	169,503
3,845	48,613	66,968	9,239	204,895	13,954	218,849
70	181	6	-	974	107	1,081
5	12	4	-	128	84	212
-	-	-	83	83	36	119
75	**193**	**10**	**83**	**1,185**	**227**	**1,412**

12. Regulatory Operating Segments (continued)

E. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the nine months ended September 30, 2019				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,790	742	389	3	1,247
Interest expenses To external sources	167	-	1	97	110
Interest income, net from external sources	1,623	742	388	(94)	1,137
Interest income, net Intersegmental	(161)	(462)	(22)	159	31
Total Interest income, net	1,462	280	366	65	1,168
Non-interest financing income from external sources	1,923	9	818	651	932
Non-interest financing income Intersegmental	(747)	-	-	(602)	(490)
Total Non-interest financing income	1,176	9	818	49	442
Total income	**2,638**	**289**	**1,184**	**114**	**1,610**
Credit loss expenses (expenses reversal)	257	21	114	1	139
Operating and other expenses	2,341	81	847	88	984
Profit (loss) before taxes	40	187	223	25	487
Provision for taxes (tax savings) on profit	3	64	74	9	165
Profit (loss) after taxes	37	123	149	16	322
Bank's share in operating income of affiliated companies	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	37	123	149	16	322
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(30)	-	(30)	-	(10)
Net Profit (loss) Attributed to the bank's shareholders	**7**	**123**	**119**	**16**	**312**
Average Assets	65,651	33,907	15,149	267	35,553
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public[(3)]	64,689	34,019	14,944	198	34,967
Balance of credit to the public at the period end[(3)]	67,585	35,720	16,133	270	36,022
Balance of impaired debts	178	-	50	-	579
Balance of debts (not impaired) in arrear for over ninety days	386	334	-	-	48
Average Liabilities	79,328	41	2,715	15,673	40,419
Of which - Average Deposits from the public	75,240	-	22	15,548	35,332
Balance of deposits from the public at the period end	75,110	-	18	16,338	36,686
Average Risk-assets[(1)]	49,292	19,794	12,823	430	34,115
Balance of Risk-assets at the period end [(1)]	50,453	20,236	13,252	431	35,024
Average assets under management[(2)]	33,178	384	-	19,432	25,111
Interest income, net:					
Margin from credit activity to the public	1,218	280	366	1	1,045
Margin from deposits activity from the public	244	-	-	64	123
Other	-	-	-	-	-
Total Interest income, net	**1,462**	**280**	**366**	**65**	**1,168**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
281	847	17	437	4,622	1,085	5,707
28	71	97	337	907	386	1,293
253	776	(80)	100	3,715	699	4,414
(12)	(220)	108	95	-	-	-
241	556	28	195	3,715	699	4,414
174	193	179	(1,406)	2,646	174	2,820
(80)	81	(175)	2,013	-	-	-
94	274	4	607	2,646	174	2,820
335	**830**	**32**	**802**	**6,361**	**873**	**7,234**
40	(33)	(3)	-	401	28	429
198	370	39	131	4,151	482	4,633
97	493	(4)	671	1,809	363	2,172
33	165	(1)	269	643	121	764
64	328	(3)	402	1,166	242	1,408
-	-	-	11	11	-	11
64	328	(3)	413	1,177	242	1,419
(2)	(8)	-	8	(42)	-	(42)
62	**320**	**(3)**	**421**	**1,135**	**242**	**1,377**
10,448	36,776	852	60,194	209,741	33,102	242,843
-	-	-	172	172	-	172
10,334	36,698	696	-	147,582	23,376	170,958
10,509	37,012	657	-	152,055	23,755	175,810
225	247	294	-	1,523	135	1,658
4	66	-	-	504	-	504
7,182	21,752	14,923	15,881	195,158	29,487	224,645
6,115	18,585	14,879	-	165,699	26,088	191,787
5,921	18,049	16,412	-	168,516	25,946	194,462
12,614	40,629	1,420	13,606	152,106	26,854	178,960
12,602	39,397	1,460	13,720	153,087	27,396	180,483
9,606	40,209	72,941	2,279	202,756	13,767	216,523
220	525	12	-	3,021	434	3,455
21	31	16	-	499	199	698
-	-	-	195	195	66	261
241	**556**	**28**	**195**	**3,715**	**699**	**4,414**

12. Regulatory Operating Segments (continued)

E. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the nine months ended September 30, 2018				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,674	686	358	3	1,141
Interest expenses To external sources	167	-	1	75	73
Interest income, net from external sources	1,507	686	357	(72)	1,068
Interest income, net Intersegmental	(6)(230)	(460)	(24)	129	(6)(2)
Total Interest income, net	1,277	226	333	57	1,066
Non-interest financing income from external sources (4)(5)	878	11	763	(211)	195
Non-interest financing income Intersegmental	269	-	-	268	224
Total Non-interest financing income	1,147	11	763	57	419
Total income	**2,424**	**237**	**1,096**	**114**	**1,485**
Credit loss expenses (expenses reversal)	270	14	116	1	63
Operating and other expenses (4)(5)	2,294	88	790	98	959
Profit (loss) before taxes	(140)	135	190	15	463
Provision for taxes (tax savings) on profit	(50)	47	60	5	163
Profit (loss) after taxes	(90)	88	130	10	300
Bank's share in operating loss of affiliated companies	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	(90)	88	130	10	300
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(26)	-	(26)	-	(6)
Net Profit (loss) Attributed to the bank's shareholders	**(116)**	**88**	**104**	**10**	**294**
Average Assets	58,775	29,731	13,120	240	31,631
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public(3)	58,014	29,871	12,991	166	31,169
Balance of credit to the public at the period end(3)	60,306	31,542	13,653	182	32,387
Balance of impaired debts	134	-	33	-	477
Balance of debts (not impaired) in arrear for over ninety days	372	307	-	-	56
Average Liabilities	74,413	46	2,545	15,257	35,656
Of which - Average Deposits from the public	70,648	-	23	15,139	30,732
Balance of deposits from the public at the period end	71,593	-	22	16,058	30,953
Average Risk-assets(1)(7)	45,317	16,906	12,368	461	31,007
Balance of Risk-assets at the period end (1)(7)	46,043	17,977	12,119	478	31,448
Average assets under management(2)	35,437	403	-	20,227	22,750
Interest income, net:					
Margin from credit activity to the public	1,119	226	333	2	980
Margin from deposits activity from the public	158	-	-	55	86
Other	-	-	-	-	-
Total Interest income, net	**1,277**	**226**	**333**	**57**	**1,066**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Reclassified - see B above.
(5) Reclassified - see note 1 D .
(6) Reclassified - see C above.
(7) Reclassified - see D above.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
257	823	18	350	4,266	935	5,201
12	71	54	374	826	269	1,095
245	752	(36)	(24)	3,440	666	4,106
(27)	[6](217)	[6]61	[6]286	-	-	-
218	535	25	262	3,440	666	4,106
65	230	(32)	1,313	2,438	119	2,557
24	47	39	(871)	-	-	-
89	277	7	442	2,438	119	2,557
307	**812**	**32**	**704**	**5,878**	**785**	**6,663**
(51)	99	1	-	383	(19)	364
181	299	27	148	4,006	436	4,442
177	414	4	556	1,489	368	1,857
61	142	2	206	529	116	645
116	272	2	350	960	252	1,212
-	-	-	2	2	-	2
116	272	2	352	962	252	1,214
(1)	(4)	-	4	(33)	-	(33)
115	**268**	**2**	**356**	**929**	**252**	**1,181**
9,796	34,445	845	60,024	195,756	31,595	227,351
-	-	-	127	127	-	127
9,726	34,400	712	-	134,187	21,140	155,327
10,054	37,348	821	-	141,098	22,236	163,334
150	463	294	-	1,518	292	1,810
5	-	-	-	433	-	433
6,398	21,335	14,525	14,784	182,368	28,348	210,716
5,435	18,712	14,492	-	155,158	24,477	179,635
5,405	20,588	15,143	-	159,740	25,086	184,826
12,719	38,314	1,410	13,171	142,399	22,737	165,136
12,191	40,451	1,351	14,207	146,169	23,334	169,503
3,569	45,865	70,250	9,053	207,151	13,592	220,743
203	506	14	-	2,824	326	3,150
15	29	11	-	354	259	613
-	-	-	262	262	81	343
218	**535**	**25**	**262**	**3,440**	**666**	**4,106**

12. Regulatory Operating Segments (continued)

E. Information regarding regulatory operating segments, consolidated (continued)

	Audited				
	For the year ended December 31, 2018				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,241	909	486	4	1,551
Interest expenses To external sources	221	-	2	106	113
Interest income, net from external sources	2,020	909	484	(102)	1,438
Interest income, net Intersegmental	(280)	(598)	(32)	181	13
Total Interest income, net	1,740	311	452	79	1,451
Non-interest financing income from external sources	1,055	15	1,033	(410)	164
Non-interest financing income Intersegmental	490	-	-	480	404
Total Non-interest financing income	1,545	15	1,033	70	568
Total income	**3,285**	**326**	**1,485**	**149**	**2,019**
Credit loss expenses (expenses reversal)	363	23	152	1	111
Operating and other expenses	3,149	122	1,079	125	1,347
Profit (loss) before taxes	(227)	181	254	23	561
Provision for taxes (tax savings) on profit	(92)	62	78	8	196
Profit (loss) after taxes	(135)	119	176	15	365
Bank's share in operating income of affiliated companies	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	(135)	119	176	15	365
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(35)	-	(35)	-	(7)
Net Profit (loss) Attributed to the bank's shareholders	**(170)**	**119**	**141**	**15**	**358**
Average Assets	59,619	30,240	13,337	257	32,326
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public(3)	58,671	30,365	13,197	181	31,805
Balance of credit to the public at the period end(3)	62,042	32,684	14,028	200	33,595
Balance of impaired debts	155	-	46	-	507
Balance of debts (not impaired) in arrear for over ninety days	377	316	-	-	54
Average Liabilities	75,024	77	2,548	14,951	37,835
Of which - Average Deposits from the public	71,075	-	23	14,837	32,779
Balance of deposits from the public at the period end	73,951	-	23	16,765	33,994
Average Risk-assets(1)(4)	45,574	17,238	12,298	453	31,284
Balance of Risk-assets at the period end (1)(4)	46,880	18,568	12,037	424	32,400
Average assets under management(2)	35,904	399	-	19,145	25,223
Interest income, net:					
Margin from credit activity to the public	1,513	311	452	2	1,326
Margin from deposits activity from the public	227	-	-	77	125
Other	-	-	-	-	-
Total Interest income, net	**1,740**	**311**	**452**	**79**	**1,451**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Reclassified - see D above.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	348	1,109	25	(5)475	5,753	1,300	7,053
	29	90	81	476	1,116	411	1,527
	319	1,019	(56)	(1)	4,637	889	5,526
	(22)	(304)	90	322	-	-	-
	297	715	34	321	4,637	889	5,526
	41	354	(72)	2,185	3,317	177	3,494
	79	9	84	(1,546)	-	-	-
	120	363	12	(4)639	3,317	177	3,494
	417	**1,078**	**46**	**960**	**7,954**	**1,066**	**9,020**
	(40)	120	1	-	556	(16)	540
	260	414	41	(4)202	5,538	610	6,148
	197	544	4	758	1,860	472	2,332
	68	184	1	286	651	138	789
	129	360	3	472	1,209	334	1,543
	-	-	-	6	6	-	6
	129	360	3	478	1,215	334	1,549
	(2)	(5)	-	5	(44)	-	(44)
	127	**355**	**3**	**483**	**1,171**	**334**	**1,505**
	9,885	34,892	841	59,601	197,421	31,825	229,246
	-	-	-	126	126	-	126
	9,795	34,889	710	-	136,051	21,461	157,512
	10,068	37,156	733	-	143,794	23,284	167,078
	137	399	295	-	1,493	140	1,633
	4	-	-	-	435	-	435
	7,229	19,801	14,522	14,486	183,848	28,543	212,391
	6,227	17,143	14,495	-	156,556	24,655	181,211
	5,925	18,968	13,044	-	162,647	26,269	188,916
	12,565	38,369	1,483	13,108	142,836	23,458	166,294
	11,952	38,582	1,776	12,568	144,582	26,339	170,921
	7,422	40,491	72,915	7,833	208,933	13,410	222,343
	275	676	19	-	3,811	420	4,231
	22	39	15	-	505	428	933
	-	-	-	(5)321	321	41	362
	297	**715**	**34**	**321**	**4,637**	**889**	**5,526**

13. Managerial Operating Segments

	Retail banking(2)	Middle market banking	Corporate banking	Financial management	Discount Capital(1)	Discount Bancorp(1)	Israel Credit Cards(1)	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the three months ended September 30, 2019									
Interest income, net	689	152	215	(5)	4	218	126	(1)	-	1,398
Non-interest income	279	32	96	138	25	72	360	13	(45)	970
Total income	**968**	**184**	**311**	**133**	**29**	**290**	**486**	**12**	**(45)**	**2,368**
Credit loss expenses (expenses reversal)	97	13	(23)	-	(1)	10	55	-	1	152
Operating and other expenses	777	112	121	37	10	160	354	7	(45)	1,533
Income (loss) before taxes	94	59	213	96	20	120	77	5	(1)	683
Provision for taxes (tax saving) on income	29	20	73	43	5	42	26	2	-	240
Income (loss) after taxes	65	39	140	53	15	78	51	3	(1)	443
Bank's share in income of affiliated companies, net of tax effect	-	-	-	2	(1)	-	-	-	(1)	-
Net income (loss) before attributed to the non-controlling rights holders	65	39	140	55	14	78	51	3	(2)	443
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(16)	(1)	1	(16)
Net Income (loss) Attributed to the bank's shareholders	**65**	**39**	**140**	**55**	**14**	**78**	**35**	**2**	**(1)**	**427**
Balance of Assets	80,196	20,467	50,280	65,199	1,585	33,764	18,837	4,218	(25,768)	248,778
Balance of credit to the public	77,176	20,626	45,928	-	29	23,755	18,196	-	(9,900)	175,810
Balance of deposits from the public	123,726	15,207	30,481	3,652	-	25,946	18	-	(4,568)	194,462
	For the three months ended September 30, 2018									
Interest income, net	626	141	210	91	2	225	116	1	-	1,412
Non-interest income	(2)278	(2)34	(2)103	134	34	27	326	12	(45)	903
Total income	**904**	**175**	**313**	**225**	**36**	**252**	**442**	**13**	**(45)**	**2,315**
Credit loss expenses (expenses reversal)	106	(12)	(19)	-	-	(1)	48	-	1	123
Operating and other expenses	(2)839	66	(2)90	(2)47	9	147	336	6	(46)	1,494
Income (loss) before taxes	(41)	121	242	178	27	106	58	7	-	698
Provision for taxes (tax saving) on income	(2)-	28	(2)85	67	9	36	21	3	(1)	248
Income (loss) after taxes	(41)	93	157	111	18	70	37	4	1	450
Bank's share in income of affiliated companies, net of tax effect	-	-	-	2	(1)	-	-	-	-	1
Net income (loss) before attributed to the non-controlling rights holders	(41)	93	157	113	17	70	37	4	1	451
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(10)	(1)	(1)	(12)
Net Income (loss) Attributed to the bank's shareholders	**(41)**	**93**	**157**	**113**	**17**	**70**	**27**	**3**	**-**	**439**
Balance of Assets	73,704	18,821	42,092	66,825	1,497	32,505	15,511	3,077	(20,879)	233,153
Balance of credit to the public	71,577	18,896	42,890	-	85	22,236	15,104	-	(7,454)	163,334
Balance of deposits from the public	117,715	15,114	27,618	2,653	-	25,085	22	-	(3,381)	184,826

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified, see Note 1 D.

13. Managerial Operating Segments (continued)

	Unaudited									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	In NIS millions									
	For the nine months ended September 30, 2019									
Interest income, net	2,033	448	648	212	8	685	376	1	3	4,414
Non-interest income	821	98	296	432	87	176	1,004	40	(134)	2,820
Total income	**2,854**	**546**	**944**	**644**	**95**	**861**	**1,380**	**41**	**(131)**	**7,234**
Credit loss expenses (expenses reversal)	304	42	(62)	-	(1)	28	118	-	-	429
Operating and other expenses	2,383	322	374	94	28	484	1,058	21	(131)	4,633
Income (loss) before taxes	167	182	632	550	68	349	204	20	-	2,172
Provision for taxes (tax saving) on income	47	62	216	218	22	121	71	7	-	764
Income (loss) after taxes	120	120	416	332	46	228	133	13	-	1,408
Bank's share in income of affiliated companies, net of tax effect	1	-	-	9	3	-	-	-	(2)	11
Net income before attributed to the non-controlling rights holders	121	120	416	341	49	228	133	13	(2)	1,419
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(42)	(2)	2	(42)
Net Income attributed to the bank's shareholders	**121**	**120**	**416**	**341**	**49**	**228**	**91**	**11**	**-**	**1,377**
Balance of Assets	80,196	20,467	50,280	65,199	1,585	33,764	18,837	4,218	(25,768)	248,778
Balance of credit to the public	77,176	20,626	45,928	-	29	23,755	18,196	-	(9,900)	175,810
Balance of deposits from the public	123,726	15,207	30,481	3,652	-	25,946	18	-	(4,568)	194,462
	For the nine months ended September 30, 2018									
Interest income, net	1,814	411	593	274	4	662	343	2	3	4,106
Non-interest income	[2]842	[2]102	[2]295	312	61	118	912	47	(132)	2,557
Total income	**2,656**	**513**	**888**	**586**	**65**	**780**	**1,255**	**49**	**(129)**	**6,663**
Credit loss expenses (expenses reversal)	257	(44)	48	-	1	(19)	121	-	-	364
Operating and other expenses	[2]2,448	[2]268	[2]285	[2]120	25	436	973	16	(129)	4,442
Income (loss) before taxes	(49)	289	555	466	39	363	161	33	-	1,857
Provision for taxes (tax saving) on income	[2]1	[2]87	[2]192	172	13	116	56	10	(2)	645
Income (loss) after taxes	(50)	202	363	294	26	247	105	23	2	1,212
Bank's share in income of affiliated companies, net of tax effect	1	-	-	3	-	-	-	-	(2)	2
Net income (loss) before attributed to the non-controlling rights holders	(49)	202	363	297	26	247	105	23	-	1,214
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(32)	(3)	2	(33)
Net Income (loss) Attributed to the bank's shareholders	**(49)**	**202**	**363**	**297**	**26**	**247**	**73**	**20**	**2**	**1,181**
Balance of Assets	73,704	18,821	42,092	66,825	1,497	32,505	15,511	3,077	(20,879)	233,153
Balance of credit to the public	71,577	18,896	42,890	-	85	22,236	15,104	-	(7,454)	163,334
Balance of deposits from the public	117,715	15,114	27,618	2,653	-	25,085	22	-	(3,381)	184,826

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified, see Note 1 D.

13. Managerial Operating Segments (continued)

	Retail banking[2]	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Audited									
	For the year ended December 31, 2018									
	In NIS millions									
Interest income, net	2,468	554	803	343	7	879	463	3	6	5,526
Non-interest income	1,131	136	385	421	125	177	1,235	62	(178)	3,494
Total income	**3,599**	**690**	**1,188**	**764**	**132**	**1,056**	**1,698**	**65**	**(172)**	**9,020**
Credit loss expenses (expenses reversal)	375	(27)	48	-	1	(16)	159	-	-	540
Operating and other expenses	3,325	425	409	164	34	611	1,329	23	(172)	6,148
Income (loss) before taxes	(101)	292	731	600	97	461	210	42	-	2,332
Provision for taxes (tax saving) on income	(41)	101	251	228	29	138	71	12	-	789
Income (loss) after taxes	(60)	191	480	372	68	323	139	30	-	1,543
Bank's share in income of affiliated companies, net of tax effect	1	-	-	6	2	-	-	-	(3)	6
Net income (loss) before attributed to the non-controlling rights holders	(59)	191	480	378	70	323	139	30	(3)	1,549
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(44)	(3)	3	(44)
Net Income (loss) Attributed to the bank's shareholders	**(59)**	**191**	**480**	**378**	**70**	**323**	**95**	**27**	**-**	**1,505**
Balance of Assets	75,211	19,180	47,791	64,065	1,559	34,554	16,015	4,314	(23,513)	239,176
Balance of credit to the public	73,281	19,345	43,247	-	85	23,284	15,622	-	(7,786)	167,078
Balance of deposits from the public	122,261	14,707	26,295	3,942	-	26,270	23	-	(4,582)	188,916

footnote:

(1) The contribution to the Bank's business results.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses

General. Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under resale agreements and assets in respect of the "Maof" market activity.

A. Debts and off-balance sheet credit instruments

1. Change in the balance of the allowance for credit losses - Consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	Three months ended September 30, 2019					
Balance of allowance for credit losses, as at June 30, 2019	1,631	197	672	2,500	1	2,501
Expenses for credit loss	50	6	96	152	-	152
Accounting write-offs	(88)	(1)	(119)	(208)	-	(208)
Collection of debts written-off in previous years	81	-	53	134	-	134
Net accounting write-offs	(7)	(1)	(66)	(74)	-	(74)
Financial statements translation adjustments	(7)	-	-	(7)	-	(7)
Balance of allowance for credit losses, as at September 30, 2019	**1,667**	**202**	**702**	**2,571**	**1**	**2,572**
Of which: In respect of off-balance sheet credit instruments	144	-	54	198	-	198
	Three months ended September 30, 2018					
Balance of allowance for credit losses, as at June 30, 2018	1,556	178	599	2,333	1	2,334
Expenses for credit loss	17	4	102	123	-	123
Accounting write-offs	(94)	(1)	(108)	(203)	-	(203)
Collection of debts written-off in previous years	86	-	39	125	-	125
Net accounting write-offs	(8)	(1)	(69)	(78)	-	(78)
Financial statements translation adjustments	(2)	-	-	(2)	-	(2)
Balance of allowance for credit losses, as at September 30, 2018	**1,563**	**181**	**632**	**2,376**	**1**	**2,377**
Of which: In respect of off-balance sheet credit instruments	146	-	49	195	-	195
	Nine months ended September 30, 2019					
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451
Expenses for credit loss	172	21	236	429	-	429
Accounting write-offs	(282)	(6)	(363)	(651)	-	(651)
Collection of debts written-off in previous years	190	-	173	363	-	363
Net accounting write-offs	(92)	(6)	(190)	(288)	-	(288)
Financial statements translation adjustments	(19)	-	(1)	(20)	-	(20)
Balance of allowance for credit losses, as at September 30, 2019	**1,667**	**202**	**702**	**2,571**	**1**	**2,572**
Of which: In respect of off-balance sheet credit instruments	144	-	54	198	-	198
	Nine months ended September 30, 2018					
Balance of allowance for credit losses, as at December 31, 2017 (audited)	1,560	178	566	2,304	1	2,305
Expenses for credit loss	93	14	257	364	-	364
Accounting write-offs	(364)	(11)	(337)	(712)	-	(712)
Collection of debts written-off in previous years	264	-	146	410	-	410
Net accounting write-offs	(100)	(11)	(191)	(302)	-	(302)
Financial statements translation adjustments	10	-	-	10	-	10
Balance of allowance for credit losses, as at September 30, 2018	**1,563**	**181**	**632**	**2,376**	**1**	**2,377**
Of which: In respect of off-balance sheet credit instruments	146	-	49	195	-	195

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	September 30, 2019					
Recorded amount of debts:						
Examined on a specific basis[1]	79,585	-	658	80,243	6,872	87,115
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]252	35,861	-	36,113	-	36,113
Group - other	[2]26,848	172	32,434	59,454	99	59,553
Total debts	**106,685**	**36,033**	**33,092**	**175,810**	**6,971**	**182,781**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,156	-	78	1,234	-	1,234
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]200	-	201	-	201
Group - other	366	2	570	938	1	939
Total allowance for Credit Losses	**1,523**	**202**	**648**	**2,373**	**1**	**2,374**
	September 30, 2018					
Recorded amount of debts:						
Examined on a specific basis[1]	74,299	-	443	74,742	6,126	80,868
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]196	31,624	-	31,820	-	31,820
Group - other	[2]27,014	141	29,617	56,772	255	57,027
Total debts	**101,509**	**31,765**	**30,060**	**163,334**	**6,381**	**169,715**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,041	-	59	1,100	-	1,100
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]179	-	180	-	180
Group - other	375	2	524	901	1	902
Total allowance for Credit Losses	**1,417**	**181**	**583**	**2,181**	**1**	**2,182**

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 85,459 million (September 30, 2018 - NIS 79,058 million) and the allowance in its respect in an amount of NIS 985 million (September 30, 2018 - NIS 912 million) computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 256 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (as of September 30, 2018 – an amount of NIS 200 million).

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million (September 30, 2018 - NIS 3 million), and computed on a group basis, in an amount of NIS 129 million (September 30, 2018 - NIS 110 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated (continued)

	Audited					
	December 31, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[(1)]	75,208	-	539	75,747	5,389	81,136
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(2)]231	32,779	-	33,010	-	33,010
Group - other	[(2)]28,054	145	30,122	58,321	450	58,771
Total debts	**103,493**	**32,924**	**30,661**	**167,078**	**5,839**	**172,917**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[(1)]	1,096	-	64	1,160	-	1,160
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(3)]1	[(3)]185	-	186	-	186
Group - other	384	2	542	928	1	929
Total allowance for Credit Losses	**1,481**	**187**	**606**	**2,274**	**1**	**2,275**

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 79,503 million and the allowance in its respect in an amount of NIS 937 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, and computed on a group basis, in an amount of NIS 116 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts

1. Credit quality and arrears - consolidated

	Unaudited					
	September 30, 2019					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	14,061	54	113	14,228	11	37
Construction and Real Estate - Real Estate Activity	10,060	28	248	10,336	1	17
Financial Services	9,205	1	298	9,504	1	1
Commercial - Other	46,322	597	639	47,558	105	249
Total Commercial	**79,648**	**680**	**1,298**	**81,626**	**118**	**304**
Private Individuals - Housing Loans	35,463	[5]349	-	35,812	329	109
Private Individuals - Other Loans	31,430	372	178	31,980	52	172
Total Public - Activity in Israel	**146,541**	**1,401**	**1,476**	**149,418**	**499**	**585**
Banks in Israel	268	-	-	268	-	-
Government of Israel	2,112	-	-	2,112	-	-
Total Activity in Israel	**148,921**	**1,401**	**1,476**	**151,798**	**499**	**585**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	8,219	122	98	8,439	-	-
Commercial - Other	15,630	906	84	16,620	-	1
Total Commercial	**23,849**	**1,028**	**182**	**25,059**	**-**	**1**
Private Individuals	1,327	6	-	1,333	5	1
Total Public - Activity Abroad	**25,176**	**1,034**	**182**	**26,392**	**5**	**2**
Foreign banks	3,225	-	-	3,225	-	-
Foreign governments	1,366	-	-	1,366	-	-
Total Activity Abroad	**29,767**	**1,034**	**182**	**30,983**	**5**	**2**
Total public	**171,717**	**2,435**	**1,658**	**175,810**	**504**	**587**
Total banks	**3,493**	**-**	**-**	**3,493**	**-**	**-**
Total governments	**3,478**	**-**	**-**	**3,478**	**-**	**-**
Total	**178,688**	**2,435**	**1,658**	**182,781**	**504**	**587**

For footnotes see page 148.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears - consolidated (continued)

	Unaudited					
	September 30, 2018					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	11,971	61	95	12,127	13	46
Construction and Real Estate - Real Estate Activity	8,949	17	250	9,216	1	29
Financial Services	9,436	1	297	9,734	1	1
Commercial - Other	44,754	606	694	46,054	46	221
Total Commercial	**75,110**	**685**	**1,336**	**77,131**	**61**	**297**
Private Individuals - Housing Loans	31,226	[5]327	-	31,553	303	105
Private Individuals - Other Loans	28,291	435	134	28,860	65	197
Total Public - Activity in Israel	**134,627**	**1,447**	**1,470**	**137,544**	**429**	**599**
Banks in Israel	116	-	-	116	-	-
Government of Israel	2,006	-	-	2,006	-	-
Total Activity in Israel	**136,749**	**1,447**	**1,470**	**139,666**	**429**	**599**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	8,544	251	138	8,933	-	97
Commercial - Other	14,965	278	202	15,445	-	8
Total Commercial	**23,509**	**529**	**340**	**24,378**	**-**	**105**
Private Individuals	1,409	3	-	1,412	4	21
Total Public - Activity Abroad	**24,918**	**532**	**340**	**25,790**	**4**	**126**
Foreign banks	3,350	-	-	3,350	-	-
Foreign governments	909	-	-	909	-	-
Total Activity Abroad	**29,177**	**532**	**340**	**30,049**	**4**	**126**
Total public	**159,545**	**1,979**	**1,810**	**163,334**	**433**	**725**
Total banks	**3,466**	**-**	**-**	**3,466**	**-**	**-**
Total governments	**2,915**	**-**	**-**	**2,915**	**-**	**-**
Total	**165,926**	**1,979**	**1,810**	**169,715**	**433**	**725**

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears - consolidated (continued)

	Audited					
	December 31, 2018					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	12,496	71	88	12,655	13	28
Construction and Real Estate - Real Estate Activity	9,506	14	281	9,801	1	11
Financial Services	9,553	1	298	9,852	1	7
Commercial - Other	44,439	620	625	45,684	43	149
Total Commercial	**75,994**	**706**	**1,292**	**77,992**	**58**	**195**
Private Individuals - Housing Loans	32,377	[5]334	-	32,711	310	99
Private Individuals - Other Loans	28,896	406	155	29,457	61	174
Total Public - Activity in Israel	**137,267**	**1,446**	**1,447**	**140,160**	**429**	**468**
Banks in Israel	399	-	-	399	-	-
Government of Israel	2,167	-	-	2,167	-	-
Total Activity in Israel	**139,833**	**1,446**	**1,447**	**142,726**	**429**	**468**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,068	131	139	9,338	-	-
Commercial - Other	15,601	515	47	16,163	-	14
Total Commercial	**24,669**	**646**	**186**	**25,501**	**-**	**14**
Private Individuals	1,411	6	-	1,417	6	1
Total Public - Activity Abroad	**26,080**	**652**	**186**	**26,918**	**6**	**15**
Foreign banks	2,104	-	-	2,104	-	-
Foreign governments	1,169	-	-	1,169	-	-
Total Activity Abroad	**29,353**	**652**	**186**	**30,191**	**6**	**15**
Total public	**163,347**	**2,098**	**1,633**	**167,078**	**435**	**483**
Total banks	**2,503**	**-**	**-**	**2,503**	**-**	**-**
Total governments	**3,336**	**-**	**-**	**3,336**	**-**	**-**
Total	**169,186**	**2,098**	**1,633**	**172,917**	**435**	**483**

Footnotes:

(1) Impaired, substandard or under special mention credit risk, including housing loans for which an allowance according to the extent of arrears exists and including housing loans in arrears for ninety days or over for which an allowance according to the extent of arrears does not exist.

(2) As a general rule, interest income is not accrued in respect of impaired debts. For information regarding impaired debt restructured under problematic debt restructuring, see B.2.c. below.

(3) Classified as unimpaired problematic debts. Accruing interest income.

(4) Debts in arrears for between 30 and 89 days which accrue interest income, in amount of NIS 111 million are classified as unimpaired problematic debts (September 30, 2018 - NIS 150 million, December 31, 2018 - NIS 125 million).

(5) Including housing loans in amount of NIS 11 million with an allowance according to the extent of arrears, for which an arrangement was made for the repayment of overdue amounts, which included a change in the repayment schedule for the balance of the loan not yet due (September 30, 2018 - NIS 11 million, December 31, 2018 - NIS 10 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE

	Unaudited				
	September 30, 2019				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	85	25	28	113	1,117
Construction and Real Estate - Real Estate Activity	128	8	120	248	1,029
Financial Services	298	22	-	298	401
Commercial - Other	461	130	178	639	3,230
Total Commercial	**972**	**185**	**326**	**1,298**	**5,777**
Private Individuals - Other Loans	146	65	32	178	544
Total Public - Activity in Israel	**1,118**	**250**	**358**	**1,476**	**6,321**
Total Activity in Israel	**1,118**	**250**	**358**	**1,476**	**6,321**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	4	-	94	98	426
Commercial - Other	-	-	84	84	158
Total Commercial	**4**	**-**	**178**	**182**	**584**
Private Individuals	-	-	-	-	-
Total Public - Activity Abroad	**4**	**-**	**178**	**182**	**584**
Total Activity Abroad	**4**	**-**	**178**	**182**	**584**
Total public	**1,122**	**250**	**536**	**1,658**	**6,905**
Total	**1,122**	**250**	**536**	**1,658**	**6,905**
Of which:					
Measured according to present value of cash flows	896	217	94	990	
Debts under troubled debt restructurings	759	143	338	1,097	

For footnotes see page 151.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Unaudited				
	September 30, 2018				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	53	10	42	95	1,782
Construction and Real Estate - Real Estate Activity	107	5	143	250	1,074
Financial Services	297	22	-	297	407
Commercial - Other	442	102	252	694	3,493
Total Commercial	**899**	**139**	**437**	**1,336**	**6,756**
Private Individuals - Other Loans	110	47	24	134	496
Total Public - Activity in Israel	**1,009**	**186**	**461**	**1,470**	**7,252**
Total Activity in Israel	**1,009**	**186**	**461**	**1,470**	**7,252**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	138	138	497
Commercial - Other	17	2	185	202	306
Total Commercial	**17**	**2**	**323**	**340**	**803**
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	**17**	**2**	**323**	**340**	**804**
Total Activity Abroad	**17**	**2**	**323**	**340**	**804**
Total public	**1,026**	**188**	**784**	**1,810**	**8,056**
Total	**1,026**	**188**	**784**	**1,810**	**8,056**
Of which:					
Measured according to present value of cash flows	875	167	99	974	
Debts under troubled debt restructurings	835	138	499	1,334	

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Audited				
	December 31, 2018				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	56	15	32	88	1,545
Construction and Real Estate - Real Estate Activity	168	8	113	281	1,077
Financial Services	298	22	-	298	404
Commercial - Other	450	124	175	625	3,444
Total Commercial	**972**	**169**	**320**	**1,292**	**6,470**
Private Individuals - Other Loans	123	54	32	155	528
Total Public - Activity in Israel	**1,095**	**223**	**352**	**1,447**	**6,998**
Total Activity in Israel	**1,095**	**223**	**352**	**1,447**	**6,998**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	139	139	498
Commercial - Other	-	-	47	47	127
Total Commercial	**-**	**-**	**186**	**186**	**625**
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	**-**	**-**	**186**	**186**	**626**
Total Activity Abroad	**-**	**-**	**186**	**186**	**626**
Total public	**1,095**	**223**	**538**	**1,633**	**7,624**
Total	**1,095**	**223**	**538**	**1,633**	**7,624**
Of which:					
Measured according to present value of cash flows	888	196	84	972	
Debts under troubled debt restructurings	868	163	357	1,225	

Footnotes:

(1) Recorded amount.

(2) Specific allowance for credit losses.

(3) The contractual balance of the principal amount includes accrued unpaid interest at date of the initial implementation of the instruction in respect of impaired debts, not yet written off or collected.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

B. AVERAGE BALANCE AND INTEREST INCOME

	Unaudited					
	Three months ended September 30					
	2019			2018		
	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	115	1	1	95	1	-
Construction and Real Estate - Real Estate Activity	264	2	1	257	1	1
Financial Services	299	2	-	299	2	-
Commercial - Other	681	6	2	725	6	6
Total Commercial	**1,359**	**11**	**4**	**1,376**	**10**	**7**
Private Individuals - Other Loans	187	2	1	143	1	-
Total Public - Activity in Israel	**1,546**	**13**	**5**	**1,519**	**11**	**7**
Total Activity in Israel	**1,546**	**13**	**5**	**1,519**	**11**	**7**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	118	1	-	139	2	-
Commercial - Other	68	2	-	261	3	-
Total Commercial	**186**	**3**	**-**	**400**	**5**	**-**
Total Public - Activity Abroad	**186**	**3**	**-**	**400**	**5**	**-**
Total Activity Abroad	**186**	**3**	**-**	**400**	**5**	**-**
Total	**1,732**	**(3)16**	**5**	**1,919**	**(3)16**	**7**

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

B. AVERAGE BALANCE AND INTEREST INCOME (CONTINUED)

	Unaudited					
	Nine months ended September 30					
	2019			2018		
	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	127	1	1	102	1	-
Construction and Real Estate - Real Estate Activity	284	4	3	280	4	3
Financial Services	299	7	1	312	6	-
Commercial - Other	751	13	7	859	12	9
Total Commercial	**1,461**	**25**	**12**	**1,553**	**23**	**12**
Private Individuals - Other Loans	208	5	2	150	3	1
Total Public - Activity in Israel	**1,669**	**30**	**14**	**1,703**	**26**	**13**
Total Activity in Israel	**1,669**	**30**	**14**	**1,703**	**26**	**13**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	100	4	-	140	5	-
Commercial - Other	97	4	-	282	8	-
Total Commercial	**197**	**8**	**-**	**422**	**13**	**-**
Total Public - Activity Abroad	**197**	**8**	**-**	**422**	**13**	**-**
Total Activity Abroad	**197**	**8**	**-**	**422**	**13**	**-**
Total	**1,866**	**(3)38**	**14**	**2,125**	**(3)39**	**13**

Footnotes:

(1) Average recorded amount of Impaired debts during the reported period.

(2) Interest income recognized in the reported period, in respect of the average balance of impaired debts, during the time period in which these debts had been classified as impaired.

(3) Total interest income that would have been recognized had such credit accrued interest according to its original terms is in amoumt of NIS 19 millions and NIS 52 millions for the three and nine months ended September 30, 2019, respectively (NIS 22 millions and NIS 63 millions for the three and nine months ended September 30, 2018).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED

	Unaudited				
	September 30, 2019				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	32	-	-	10	42
Construction and Real Estate - Real Estate Activity	75	-	8	30	113
Financial Services	-	-	-	294	294
Commercial - Other	278	-	3	82	363
Total Commercial	**385**	**-**	**11**	**416**	**812**
Private Individuals - Other Loans	75	-	1	77	153
Total Public - Activity in Israel	**460**	**-**	**12**	**493**	**965**
Total Activity in Israel	**460**	**-**	**12**	**493**	**965**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	26	-	-	42	68
Commercial - Other	-	-	-	64	64
Total Commercial	**26**	**-**	**-**	**106**	**132**
Total Public - Activity Abroad	**26**	**-**	**-**	**106**	**132**
Total Activity Abroad	**26**	**-**	**-**	**106**	**132**
Total	**486**	**-**	**12**	**599**	**1,097**

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

Commitment to grant additional credit to borrowers, in respect of which a troubled debt restructurings was performed, within the framework of which the credit terms had been changed, amounts at September 30, 2019, to NIS 13 million (September 30, 2018 - NIS 32 million; December 31, 2018 – NIS 33 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

	Unaudited				
	September 30, 2018				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	21	-	-	7	28
Construction and Real Estate - Real Estate Activity	112	-	-	16	128
Financial Services	-	-	-	294	294
Commercial - Other	431	-	2	125	558
Total Commercial	**564**	**-**	**2**	**442**	**1,008**
Private Individuals - Other Loans	69	-	1	49	119
Total Public - Activity in Israel	**633**	**-**	**3**	**491**	**1,127**
Total Activity in Israel	**633**	**-**	**3**	**491**	**1,127**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	9	-	-	100	109
Commercial - Other	42	-	-	56	98
Total Commercial	**51**	**-**	**-**	**156**	**207**
Total Public - Activity Abroad	**51**	**-**	**-**	**156**	**207**
Total Activity Abroad	**51**	**-**	**-**	**156**	**207**
Total	**684**	**-**	**3**	**647**	**1,334**

Footnotes:
(1) Accruing interest income.
(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

	Audited				
	December 31, 2018				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	22	-	-	7	29
Construction and Real Estate - Real Estate Activity	119	-	3	15	137
Financial Services	-	-	-	295	295
Commercial - Other	379	-	-	102	481
Total Commercial	**520**	**-**	**3**	**419**	**942**
Private Individuals - Other Loans	74	-	1	56	131
Total Public - Activity in Israel	**594**	**-**	**4**	**475**	**1,073**
Total Activity in Israel	**594**	**-**	**4**	**475**	**1,073**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	9	-	-	101	110
Commercial - Other	-	-	-	42	42
Total Commercial	**9**	**-**	**-**	**143**	**152**
Total Public - Activity Abroad	**9**	**-**	**-**	**143**	**152**
Total Activity Abroad	**9**	**-**	**-**	**143**	**152**
Total	**603**	**-**	**4**	**618**	**1,225**

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited					
	Three months ended September 30					
	2019			2018		
	Debt restructuring performed					
	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	60	7	6	45	7	7
Construction and Real Estate - Real Estate Activity	4	2	2	4	8	8
Financial Services	-	-	-	-	-	-
Commercial - Other	229	25	25	180	70	67
Total Commercial	**293**	**34**	**33**	**229**	**85**	**82**
Private Individuals - Other Loans	1,500	31	31	1,349	31	30
Total Public - Activity in Israel	**1,793**	**65**	**64**	**1,578**	**116**	**112**
Total Activity in Israel	**1,793**	**65**	**64**	**1,578**	**116**	**112**
Lending Activity Abroad						
Public - Commercial						
Commercial - Other	1	-	-	2	10	10
Total Commercial	**1**	**-**	**-**	**2**	**10**	**10**
Private Individuals	2	(1)-	(1)-	-	-	-
Total Public - Activity Abroad	**3**	**-**	**-**	**2**	**10**	**10**
Total Activity Abroad	**3**	**-**	**-**	**2**	**10**	**10**
Total	**1,796**	**65**	**64**	**1,580**	**126**	**122**

Footnote:
(1) An amount lower than NIS 1 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited					
	Nine months ended September 30					
	2019			2018		
	Debt restructuring performed					
	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	180	22	21	103	16	16
Construction and Real Estate - Real Estate Activity	14	7	7	9	10	10
Financial Services	3	(1)-	(1)-	3	(1)-	(1)-
Commercial - Other	749	92	90	593	134	130
Total Commercial	**946**	**121**	**118**	**708**	**160**	**156**
Private Individuals - Other Loans	4,846	110	108	4,191	101	98
Total Public - Activity in Israel	**5,792**	**231**	**226**	**4,899**	**261**	**254**
Total Activity in Israel	**5,792**	**231**	**226**	**4,899**	**261**	**254**
Lending Activity Abroad						
Public - Commercial						
Commercial - Other	3	50	40	6	41	41
Total Commercial	**3**	**50**	**40**	**6**	**41**	**41**
Private Individuals	4	(1)-	(1)-	4	(1)-	(1)-
Total Public - Activity Abroad	**7**	**50**	**40**	**10**	**41**	**41**
Total Activity Abroad	**7**	**50**	**40**	**10**	**41**	**41**
Total	**5,799**	**281**	**266**	**4,909**	**302**	**295**

Footnote:
(1) An amount lower than NIS 1 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited			
	Three months ended September 30			
	2019		2018	
	Failure of restructured debts[1]			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate - Construction	27	2	17	3
Construction and Real Estate - Real Estate Activity	3	8	3	6
Commercial - Other	107	5	123	8
Total Commercial	**137**	**15**	**143**	**17**
Private Individuals - Other	908	8	[3]889	10
Total Public - Activity in Israel	**1,045**	**23**	**1,032**	**27**
Total Activity in Israel	**1,045**	**23**	**1,032**	**27**
Lending Activity Abroad				
Private Individuals	-	-	**2**	[2]-
Total Public - Activity Abroad	-	-	**2**	[2]-
Total Activity Abroad	-	-	**2**	[2]-
Total	**1,045**	**23**	**1,034**	**27**

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited			
	Nine months ended September 30			
	2019		2018	
	Failure of restructured debts(1)			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate - Construction	67	3	38	6
Construction and Real Estate - Real Estate Activity	9	13	8	7
Financial Services	-	-	1	(2)-
Commercial - Other	306	17	235	17
Total Commercial	**382**	**33**	**282**	**30**
Private Individuals - Other	2,888	23	(3)2,296	22
Total Public - Activity in Israel	**3,270**	**56**	**2,578**	**52**
Total Activity in Israel	**3,270**	**56**	**2,578**	**52**
Lending Activity Abroad				
Private Individuals	-	--	2	(2)-
Total Public - Activity Abroad	**-**	**-**	**2**	**(2)-**
Total Public - Activity Abroad	**-**	**-**	**2**	**(2)-**
Total	**3,270**	**56**	**2,580**	**52**

Footnotes:
(1) Debts, which in the reported year turned into debts in arrears for 30 days or over, which had been restructured under troubled debt restructurings during the period of twelve months prior to their having become debts in arrear.
(2) An amount lower than NIS 1 million.
(3) Reclassified – improvement of data of subsidiary company.

3. Additional disclosure regarding the quality of credit

(A) Risk characteristics according to credit segments

(1) Business credit

- Sensitivity to the domestic economic cycle in Israel. In addition, in view of material overseas investments by large Israeli corporations, the level of exposure to global crises increased;
- Sensitivity to changes in private consumption;
- Exposure to foreign competition;
- In view of the high concentration of the ownership and control structure of corporations in the Israeli market – credit is typified by high concentration at the large borrower groups' level. Furthermore, the structure of the holding groups and their indebtedness at several levels within the holding corporations, increase the credit risk and the vulnerability of these corporations. Several debt arrangements were particularly noticeable in the recent years, and uncertainty exists as to the ability of corporations, which had raised debt with no matching cash flow, to recycle such debts.

(2) Credit to private individuals – housing loans

- Loans involving a high finance ratio carry risk in the event of impairment in the value of collateral below the balance of the loan. The Bank's underwriting policy limits the ratio of finance when granting a loan.

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors.
- Intensification of competition in the banking system in recent years may lead to erosion in margins, decline in quality of borrowers with a resultant increase in credit risk. The credit policy does not allow at the present time the granting of credit to customers having a low internal credit rating, thus moderating such risks.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

3. Additional disclosure regarding the quality of credit (continued)

(B) INDICATION OF CREDIT QUALITY

	Unaudited				Audited			
	September 30, 2019				December 31, 2018			
		Private Individuals				Private Individuals		
	Commercial	Housing Loans	Other Loans	Total	Commercial	Housing Loans	Other Loans	Total
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	97.0%	99.0%	98.4%	97.7%	97.3%	99.0%	98.2%	97.7%
Ratio of the balance of problematic unimpaired credit to the public to the balance of credit to the public	1.6%	1.0%	1.1%	1.4%	1.3%	1.0%	1.3%	1.3%
Ratio of the balance of impaired credit to the public to the balance of credit to the public	1.4%	-	0.5%	0.9%	1.4%	-	0.5%	1.0%
Ratio of the balance of allowance to credit losses in respect of credit to the public to the balance of credit to the public	1.4%	0.6%	1.9%	1.3%	1.4%	0.6%	2.0%	1.4%
Ratio of the balance of allowance to credit losses in respect of credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	43.1%	57.1%	116.5%	53.4%	46.1%	55.0%	107.2%	55.2%

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs. A debt that is examined on a specific basis, is classified as an impaired debt when the repayment of capital or interest thereon is in arrears for 90 days or more, except where the debt is well secured and in the process of collection.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

4. Additional information regarding housing loans

BALANCES FOR THE YEAR END, ACCORDING TO LOAN-TO-VALUE (LTV)[(1)] RATIO, MANNER OF REPAYMENT AND TYPE OF INTEREST

		Balance of housing loans			
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	Total Off-Balance Sheet Credit Risk
		In NIS millions			
		Unaudited			
		September 30, 2019			
First degree pledge: financing ratio	Up to 60%	23,390	396	14,066	328
	Over 60%	11,656	116	7,177	146
Second degree pledge or without pledge		987	113	442	3,041
Total		**[(2)]36,033**	**625**	**21,685**	**3,515**
		Unaudited			
		September 30, 2018			
First degree pledge: financing ratio	Up to 60%	20,481	387	12,325	218
	Over 60%	10,366	93	6,440	53
Second degree pledge or without pledge		918	87	421	1,844
Total		**[(2)]31,765**	**567**	**19,186**	**2,115**
		Audited			
		December 31, 2018			
First degree pledge: financing ratio	Up to 60%	21,359	344	12,815	297
	Over 60%	10,648	99	6,630	88
Second degree pledge or without pledge		917	75	423	2,581
Total		**[(2)]32,924**	**518**	**19,868**	**2,966**

Footnotes:

(1) The ratio between the authorized credit line at the time the credit line was granted and the value of the asset, as confirmed by the Bank at the time the credit line was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.

(2) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 256 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (September 30, 2018 - NIS 200 million, December 31, 2018 - NIS 235 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

C. Information regarding the purchase and sale of debts

During the reported period, no transactions for the purchase or sale of loans were made, the amount of which reached the materiality level determined by the Bank as requiring disclosure of this matter in the interim financial statements (0.5% of the balance of credit to the public).

D. Off balance Sheet Financial Instruments[3]

	Unaudited		Unaudited		Audited	
	Balance[1]	Provision[2]	Balance[1]	Provision[2]	Balance[1]	Provision[2]
	September 30, 2019		September 30, 2018		December 31, 2018	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	1,072	5	[4]1,082	4	1,234	5
Credit guarantees	2,426	28	1,858	25	2,139	27
Guarantees for home purchasers	10,452	3	9,178	3	9,184	3
Other guarantees and obligations	9,826	57	[4]8,741	62	8,782	40
Unutilized facilities for transactions in derivative instruments	1,440	-	1,337	-	1,522	-
Unutilized facilities credit line for credit cards	29,989	43	27,889	38	28,543	39
Unutilized current loan account facilities and other credit facilities in on-call accounts	9,267	24	8,737	23	8,805	22
Irrevocable commitments to extend credit approved but not yet granted[3]	20,705	35	18,976	37	20,403	36
Commitment to issue guarantees	6,854	3	5,991	3	6,701	4

Footnotes:

(1) Contract balance or their stated amounts at period end before of allowance for credit loss.

(2) Balance of allowance for credit losses at period end.

(3) Including commitments to customers for granting credit within the framework of "an approval in principle and maintaining interest rates" in accordance with Proper Management Directive No. 451 "Procedures for the granting of housing loans".

(4) Reclassified – improvement of data of a subsidiary company.

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	September 30, 2019						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	17,703	33	3,174	438	398	-	21,746
Securities	20,267	1,461	13,328	1,217	8	1,022	37,303
Securities borrowed or purchased under resale agreements	464	-	-	-	-	-	464
Credit to the public, net	127,329	17,108	27,321	1,384	295	-	173,437
Credit to the Government	903	308	1,339	928	-	-	3,478
Investments in affiliated companies	-	-	-	-	-	172	172
Buildings and equipment	-	-	-	-	-	2,496	2,496
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	1,849	119	3,063	79	150	341	5,601
Other assets	1,966	26	1,028	1	468	432	3,921
Total assets	**170,481**	**19,055**	**49,253**	**4,047**	**1,319**	**4,623**	**248,778**
Liabilities							
Deposits from the public	130,700	4,857	51,022	5,608	2,275	-	194,462
Deposits from banks	3,693	2	2,144	135	6	-	5,980
Deposits from the Government	127	13	46	-	-	-	186
Securities loaned or sold under repurchase agreements	-	-	1,481	-	-	-	1,481
Bonds and Subordinated debt notes	2,936	5,154	-	41	-	-	8,131
Liabilities in respect of derivative instruments	1,957	204	3,275	153	150	340	6,079
Other liabilities	12,583	159	452	8	111	173	13,486
Total liabilities	**151,996**	**10,389**	**58,420**	**5,945**	**2,542**	**513**	**229,805**
Difference	18,485	8,666	(9,167)	(1,898)	(1,223)	4,110	18,973
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(12,796)	(4,005)	13,411	2,122	1,268	-	-
Options in the money, net (in terms of underlying asset)	775	-	(315)	(335)	(125)	-	-
Options out of the money, net (in terms of underlying asset)	103	-	(158)	79	(24)	-	-
Total	**6,567**	**4,661**	**3,771**	**(32)**	**(104)**	**4,110**	**18,973**
Options in the money, net (discounted par value)	497	-	(548)	129	(78)	-	-
Options out of the money, net (discounted par value)	1,422	-	(446)	(765)	(211)	-	-

Footnote:

(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Unaudited						
	September 30, 2018						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	17,192	40	2,700	1,045	423	-	21,400
Securities	18,749	1,610	14,666	714	10	999	36,748
Securities borrowed or purchased under resale agreements	697	-	-	-	-	-	697
Credit to the public, net	115,555	16,254	27,299	1,682	363	-	161,153
Credit to the Government	777	336	917	885	-	-	2,915
Investments in affiliated companies	-	2	-	-	-	117	119
Buildings and equipment	-	-	-	-	-	2,396	2,396
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	744	122	1,973	97	97	573	3,606
Other assets	1,841	22	1,181	32	382	501	3,959
Total assets	**155,555**	**18,386**	**48,736**	**4,455**	**1,275**	**4,746**	**233,153**
Liabilities							
Deposits from the public	121,483	4,828	50,252	6,052	2,211	-	184,826
Deposits from banks	3,686	3	2,104	209	11	-	6,013
Deposits from the Government	133	24	105	-	-	-	262
Securities loaned or sold under repurchase agreements	-	-	1,600	-	-	-	1,600
Bonds and Subordinated debt notes	1,673	5,593	-	74	-	-	7,340
Liabilities in respect of derivative instruments	771	183	1,614	145	88	573	3,374
Other liabilities	11,401	191	538	27	24	420	12,601
Total liabilities	**139,147**	**10,822**	**56,213**	**6,507**	**2,334**	**993**	**216,016**
Difference	16,408	7,564	(7,477)	(2,052)	(1,059)	3,753	17,137
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(11,575)	(2,703)	10,980	2,187	1,111	-	-
Options in the money, net (in terms of underlying asset)	583	-	(318)	(167)	(98)	-	-
Options out of the money, net (in terms of underlying asset)	(362)	-	290	(10)	82	-	-
Total	**5,054**	**4,861**	**3,475**	**(42)**	**36**	**3,753**	**17,137**
Options in the money, net (discounted par value)	1,017	-	(451)	(431)	(135)	-	-
Options out of the money, net (discounted par value)	(1,129)	-	1,540	(476)	65	-	-

Footnote:
(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Audited						
	December 31, 2018						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	18,066	35	2,937	449	371	-	21,858
Securities	19,734	1,544	14,604	967	10	1,039	37,898
Securities borrowed or purchased under resale agreements	774	-	-	-	-	-	774
Credit to the public, net	117,621	16,295	28,631	1,800	457	-	164,804
Credit to the Government	888	324	1,225	899	-	-	3,336
Investments in affiliated companies	-	2	-	-	-	133	135
Buildings and equipment	-	-	-	-	-	2,437	2,437
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	505	95	2,168	128	115	715	3,726
Other assets	1,991	11	941	49	541	515	4,048
Total assets	**159,579**	**18,306**	**50,506**	**4,292**	**1,494**	**4,999**	**239,176**
Liabilities							
Deposits from the public	123,985	4,839	51,785	5,933	2,374	-	188,916
Deposits from banks	3,883	3	2,817	176	7	-	6,886
Deposits from the Government	128	22	107	-	-	-	257
Securities loaned or sold under repurchase agreements	-	-	1,126	-	-	-	1,126
Bonds and Subordinated debt notes	3,168	5,236	-	72	-	-	8,476
Liabilities in respect of derivative instruments	502	141	1,596	176	115	719	3,249
Other liabilities	11,221	154	643	20	94	465	12,597
Total liabilities	**142,887**	**10,395**	**58,074**	**6,377**	**2,590**	**1,184**	**221,507**
Difference	16,692	7,911	(7,568)	(2,085)	(1,096)	3,815	17,669
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(10,314)	(3,720)	10,694	1,948	1,392	-	-
Options in the money, net (in terms of underlying asset)	277	-	(90)	40	(227)	-	-
Options out of the money, net (in terms of underlying asset)	(375)	-	364	29	(18)	-	-
Total	**6,280**	**4,191**	**3,400**	**(68)**	**51**	**3,815**	**17,669**
Options in the money, net (discounted par value)	347	-	(20)	(59)	(268)	-	-
Options out of the money, net (discounted par value)	(2,876)	-	2,658	334	(116)	-	-

Footnote:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	September 30, 2019				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	21,746	10,223	-	11,523	21,746
Securities[2]	37,303	22,857	13,813	884	37,554
Securities borrowed or purchased under resale agreements	464	-	-	464	464
Credit to the public, net	173,437	3,440	-	170,248	173,688
Credit to Governments	3,478	-	-	3,514	3,514
Assets in respect of derivative instruments	5,601	314	3,486	1,801	5,601
Other financial assets	1,724	15	13	1,696	1,724
Total financial assets	**[3]243,753**	**36,849**	**17,312**	**190,130**	**244,291**
Financial liabilities					
Deposits from the public	194,462	18,086	136,836	39,874	194,796
Deposits from banks	5,980	17	4,440	1,575	6,032
Deposits from the Government	186	-	126	63	189
Securities loaned or sold under repurchase agreements	1,481	-	-	1,483	1,483
Bonds and Subordinated debt notes	8,131	6,955	156	1,615	8,726
Liabilities in respect of derivative instruments	6,079	314	5,480	285	6,079
Other financial liabilities	9,960	357	28	9,575	9,960
Total financial liabilities	**[3]226,279**	**25,729**	**147,066**	**54,470**	**227,265**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	114	-	-	114	114

Footnotes:

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

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 53,051 million and NIS 104,706 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

	Unaudited				
	September 30, 2018				
	Book	Fair value			
	value	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	21,400	9,734	-	11,669	21,403
Securities[(2)]	36,748	20,856	15,113	878	36,847
Securities borrowed or purchased under resale agreements	697	-	-	696	696
Credit to the public, net	161,153	3,925	1	157,865	161,791
Credit to Governments	2,915	-	-	2,931	2,931
Assets in respect of derivative instruments	3,606	512	2,301	793	3,606
Other financial assets	1,968	274	15	1,679	1,968
Total financial assets	**[(3)]228,487**	**35,301**	**17,430**	**176,511**	**229,242**
Financial liabilities					
Deposits from the public	184,826	17,119	130,622	37,298	185,039
Deposits from banks	6,013	455	4,613	1,042	6,110
Deposits from the Government	262	-	210	55	265
Securities loaned or sold under repurchase agreements	1,600	-	-	1,629	1,629
Bonds and Subordinated debt notes	7,340	6,059	313	1,741	8,113
Liabilities in respect of derivative instruments	3,374	512	2,610	252	3,374
Other financial liabilities	9,326	726	42	8,558	9,326
Total financial liabilities	**[(3)]212,741**	**24,871**	**138,410**	**50,575**	**213,856**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	100	-	-	100	100

Footnotes:

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

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 49,976 million and NIS 94,444 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

	Audited				
	December 31, 2018				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	21,858	9,490	-	12,462	21,952
Securities[(2)]	37,898	21,362	15,682	923	37,967
Securities borrowed or purchased under resale agreements	774	-	-	774	774
Credit to the public, net	164,804	3,567	-	161,137	164,704
Credit to Governments	3,336	-	-	3,336	3,336
Assets in respect of derivative instruments	3,726	654	2,297	775	3,726
Other financial assets	2,162	309	12	1,841	2,162
Total financial assets	**[(3)]234,558**	**35,382**	**17,991**	**181,248**	**234,621**
Financial liabilities					
Deposits from the public	188,916	17,909	132,910	38,319	189,138
Deposits from banks	6,886	708	5,136	1,057	6,901
Deposits from the Government	257	-	122	138	260
Securities loaned or sold under repurchase agreements	1,126	-	-	1,130	1,130
Bonds and Subordinated debt notes	8,476	7,217	215	1,617	9,049
Liabilities in respect of derivative instruments	3,249	653	2,382	214	3,249
Other financial liabilities	9,517	784	33	8,700	9,517
Total financial liabilities	**[(3)]218,427**	**27,271**	**140,798**	**51,175**	**219,244**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	105	-	-	105	105

Footnotes:

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

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 49,969 million and NIS 96,242 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Unaudited				
	September 30, 2019				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	15,079	2,414	-	-	17,493
Foreign Governments bonds	831	175	-	-	1,006
Israeli financial institutions bonds	49	42	-	-	91
Foreign financial institutions bonds	-	957	-	-	957
Bonds backed by assets (ABS) or by mortgage (MBS)	9	6,864	-	-	6,873
Bonds of others in Israel	124	98	-	-	222
Bonds of others abroad	-	2,121	-	-	2,121
Shares not for trading	113	10	-	-	123
Total available-for-sale bonds and shares not for trading	**16,205**	**12,681**	**-**	**-**	**28,886**
Trading Securities					
Israeli Government bonds	1,576	507	-	-	2,083
Foreign Governments bonds	16	-	-	-	16
Israeli financial institutions bonds	17	-	-	-	17
Foreign financial institutions bonds	-	-	-	-	-
Bonds backed by assets (ABS) or by mortgage (MBS)	-	64	-	-	64
Bonds of others in Israel	38	-	-	-	38
Bonds of others abroad	-	-	-	-	-
Trading Shares	15	-	-	-	15
Total trading securities	**1,662**	**571**	**-**	**-**	**2,233**
Credit to the public in respect of securities loaned	3,440	-	-	-	3,440
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	164	-	164
Other Interest Rate Contracts	-	2,604	1,001	-	3,605
Foreign Currency Contracts	3	804	614	-	1,421
Shares Contracts	310	50	-	-	360
Commodity and other Contracts	1	28	22	-	51
Total assets in respect of derivative instruments	314	3,486	1,801	-	5,601
Other	-	13	-	-	13
Assets in respect of the "Maof" market operations	15	-	-	-	15
Total assets	**21,636**	**16,751**	**1,801**	**-**	**40,188**
Liabilities					
Deposits from the public in respect of securities borrowed	1,957	-	-	-	1,957
CLN deposits	-	-	148	-	148
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	89	-	89
Other Interest Rate Contracts	-	3,889	-	-	3,889
Foreign Currency Contracts	3	1,512	196	-	1,711
Shares Contracts	310	31	-	-	341
Commodity and other Contracts	1	48	-	-	49
Total liabilities in respect of derivative instruments	314	5,480	285	-	6,079
Other	-	28	-	-	28
Commitments in respect of the "Maof" market operations	15	-	-	-	15
Short sales of securities	342	-	-	-	342
Total liabilities	**2,628**	**5,508**	**433**	**-**	**8,569**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Unaudited				
	September 30, 2018				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available for sale securities					
Of the Israeli Government	14,797	1,805	-	-	16,602
Of foreign governments	372	721	-	-	1,093
Of Israeli financial institutions	13	33	-	-	46
Of foreign financial institutions	-	1,253	-	-	1,253
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	6,562	-	-	6,562
Of others in Israel	66	104	-	-	170
Of others abroad	-	1,757	-	-	1,757
Shares	58	-	-	-	58
Total available-for-sale securities	**15,306**	**12,235**	**-**	**-**	**27,541**
Trading Securities					
Of the Israeli Government	771	1,198	-	-	1,969
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	20	-	-	-	20
Of foreign financial institutions	-	7	-	-	7
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	62	-	-	62
Of others in Israel	74	-	-	-	74
Of others abroad	-	11	-	-	11
Shares	63	-	-	-	63
Total trading securities	**928**	**1,278**	**-**	**-**	**2,206**
Credit to the public in respect of securities loaned	3,925	1	-	-	3,926
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	125	-	125
Other Interest Rate Contracts	-	1,369	235	-	1,604
Foreign Currency Contracts	15	828	428	-	1,271
Shares Contracts	497	103	-	-	600
Commodity and other Contracts	-	1	5	-	6
Total assets in respect of derivative instruments	512	2,301	793	-	3,606
Other	-	15	-	-	15
Assets in respect of the "Maof" market operations	274	-	-	-	274
Total assets	**20,945**	**15,830**	**793**	**-**	**37,568**
Liabilities					
Deposits from the public in respect of securities borrowed	1,505	-	-	-	1,505
CLN deposits	-	-	200	-	200
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	100	-	100
Other Interest Rate Contracts	-	1,623	-	-	1,623
Foreign Currency Contracts	15	906	152	-	1,073
Shares Contracts	497	76	-	-	573
Commodity and other Contracts	-	5	-	-	5
Total liabilities in respect of derivative instruments	512	2,610	252	-	3,374
Other	-	42	-	-	42
Commitments in respect of the "Maof" market operations	274	-	-	-	274
Short sales of securities	452	-	-	-	452
Total liabilities	**2,743**	**2,652**	**452**	**-**	**5,847**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Audited				
	December 31, 2018				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available for sale securities					
Of the Israeli Government	14,832	2,026	-	-	16,858
Of foreign governments	-	749	-	-	749
Of Israeli financial institutions	39	22	-	-	61
Of foreign financial institutions	-	1,314	-	-	1,314
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	9	6,846	-	-	6,855
Of others in Israel	58	90	-	-	148
Of others abroad	-	1,965	-	-	1,965
Shares	57	-	-	-	57
Total available-for-sale securities	**14,995**	**13,012**	**-**	**-**	**28,007**
Trading Securities					
Of the Israeli Government	1,032	981	-	-	2,013
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	19	-	-	-	19
Of foreign financial institutions	-	8	-	-	8
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	77	-	-	77
Of others in Israel	62	-	-	-	62
Of others abroad	-	8	-	-	8
Shares	59	-	-	-	59
Total trading securities	**1,172**	**1,074**	**-**	**-**	**2,246**
Credit to the public in respect of securities loaned	3,567	-	-	-	3,567
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	124	-	124
Other Interest Rate Contracts	1	968	293	-	1,262
Foreign Currency Contracts	7	1,217	345	-	1,569
Shares Contracts	643	90	-	-	733
Commodity and other Contracts	3	22	13	-	38
Total assets in respect of derivative instruments	654	2,297	775	-	3,726
Other	-	12	-	-	12
Assets in respect of the "Maof" market operations	309	-	-	-	309
Total assets	**20,697**	**16,395**	**775**	**-**	**37,867**
Liabilities					
Deposits from the public in respect of securities borrowed	1,260	-	-	-	1,260
CLN deposits	-	-	193	-	193
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	93	-	93
Other Interest Rate Contracts	-	1,299	-	-	1,299
Foreign Currency Contracts	7	972	121	-	1,100
Shares Contracts	643	76	-	-	719
Commodity and other Contracts	3	35	-	-	38
Total liabilities in respect of derivative instruments	653	2,382	214	-	3,249
Other	-	33	-	-	33
Commitments in respect of the "Maof" market operations	309	-	-	-	309
Short sales of securities	475	-	-	-	475
Total liabilities	**2,697**	**2,415**	**407**	**-**	**5,519**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

2. Items measured according to fair value not on a recurring basis

	Unaudited				
	September 30, 2019				
	Level 1	Level 2	Level 3	Total fair value	Loss for the nine months ended September 30, 2019
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	668	668	(46)
Not for trading shares	-	-	39	39	(11)

	Unaudited				
	September 30, 2018				
	Level 1	Level 2	Level 3	Total fair value	Loss for the nine months ended September 30, 2018
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	836	836	(101)
Other, include available-for-sale shares	-	-	59	59	(2)

	Audited				
	December 31, 2018				
	Level 1	Level 2	Level 3	Total fair value	Loss for the year ended December 31, 2018
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	661	661	(152)
Available-for-sale shares	-	-	58	58	(6)

Footnote:
(1) 2018 - Available-for-sale shares.

16. Balances and fair value estimates of financial instruments (continued)

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) in respect of instruments held as at end of period
	in NIS millions								
	Unaudited								
	For the three months ended September 30, 2019								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	33	[1]31	-	-	11	-	-	75	[1]32
Other Interest Rate Contracts	700	[1]507	-	-	(193)	(27)	14	1,001	[1]438
Foreign Currency Contracts	253	[1]226	-	35	(112)	11	5	418	[1]227
Commodity and other Contracts	3	[1]21	-	-	(2)	-	-	22	[1]19
Total	**989**	**785**	**-**	**35**	**(296)**	**(16)**	**19**	**1,516**	**716**
Liabilities									
CLN Deposits	(156)	[2](1)	-	-	9	-	-	(148)	[2](1)
	For the three months ended September 30, 2018								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	26	[1](5)	-	-	4	-	-	25	[1](2)
Other Interest Rate Contracts	228	[1]119	-	-	(112)	-	-	235	[1]121
Foreign Currency Contracts	551	[1](323)	-	(10)	57	(2)	3	276	[1](276)
Commodity and other Contracts	3	[1]5	-	-	(3)	-	-	5	[1]8
Total	**808**	**(204)**	**-**	**(10)**	**(54)**	**(2)**	**3**	**541**	**(149)**
Liabilities									
CLN Deposits	(233)	[2](2)	-	-	35	-	-	(200)	[2](2)
	For the nine months ended September 30, 2019								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	31	[1]41	-	-	3	-	-	75	[1]44
Other Interest Rate Contracts	293	[1]1,099	-	-	(409)	(49)	67	1,001	[1]941
Foreign Currency Contracts	224	[1]237	1	(110)	64	8	(6)	418	[1]296
Commodity and other Contracts	13	[1]20	-	-	(11)	-	-	22	[1]22
Total	**561**	**1,397**	**1**	**(110)**	**(353)**	**(41)**	**61**	**1,516**	**1,303**
Liabilities									
CLN Deposits	(193)	[2](3)	-	-	48	-	-	(148)	[2](3)

Footnotes:

(1) Included in the statement of income in the item "Non-interest financing income".

(2) Included in the statement of profit and loss in the item "Interest income and expenses".

16. Balances and fair value estimates of financial instruments (continued)

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated (continued)

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) in respect of instruments held as at end of period
	in NIS millions								
	Unaudited								
	For the nine months ended September 30, 2018								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	18	(1)(1)	-	-	8	-	-	25	(1)7
Other Interest Rate Contracts	134	(1)97	-	-	3	(1)	2	235	(1)127
Foreign Currency Contracts	170	(1)201	-	(132)	40	-	(3)	276	(1)203
Commodity and other Contracts	-	(1)8	-	-	(3)	-	-	5	(1)11
Total	**322**	**305**	**-**	**(132)**	**48**	**(1)**	**(1)**	**541**	**348**
Liabilities									
CLN Deposits	(284)	(2)(3)	-	-	87	-	-	(200)	(2)(4)
	Audited								
	For the year ended December 31, 2018								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	18	(1)(9)	-	-	22	-	-	31	(1)25
Other Interest Rate Contracts	134	(1)(42)	-	-	200	-	1	293	(1)(36)
Foreign Currency Contracts	170	(1)170	-	(112)	(8)	-	4	224	(1)210
Commodity and other Contracts	-	(1)21	-	-	(8)	-	-	13	(1)13
Total	**322**	**140**	**-**	**(112)**	**206**	**-**	**5**	**561**	**212**
Liabilities									
CLN Deposits	(284)	(2)(2)	-	-	93	-	-	(193)	(2)(2)

Footnotes:
(1) Included in the statement of profit and loss in the item "Non-interest financing income".
(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first nine months of 2019, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information regarding the measurement of fair value at level 3

	Unaudited							
	Fair value as at September 30, 2019	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Impaired credit the collection of which is collateral dependent	668	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	39	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	75	Discounted cash flow	Inflationary expectations	From	-0.31%	to	3.02%	(1.17%)
			Counterparty credit risk (CVA)	From	0.00%	to	4.36%	(0.35%)
Other Interest Rate Contracts	1,001	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	0.38%	(0.01%)
Foreign Currency Contracts	418	Discounted cash flow	Inflationary expectations	From	- 0.31%	to	3.02%	(1.14%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	4.83%	(0.14%)
Commodities and other contracts	22	Rating model	Counterparty credit risk (CVA)	From	1.30%	to	1.30%	(1.30%)
Liabilities								
CLN Deposits	148	Discounted cash flow	Credit risk of the underlying asset					

	Unaudited							
	Fair value as at September 30, 2018	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Impaired credit the collection of which is collateral dependent	836	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Others, include available-for-sale shares	59	Evaluation	Company value, real estate market inputs					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	25	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.17%	to	0.82%	(-0.24%)
			Counterparty credit risk (CVA)	From	0.00%	to	5.11%	(0.44%)
Other Interest Rate Contracts	235	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	4.54%	(0.01%)
Foreign Currency Contracts	276	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.27%	to	0.37%	(-0.48%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	18.13%	(0.27%)
Commodities and other contracts	5	Rating model	Counterparty credit risk (CVA)	From	0.00%	to	0.07%	(0.01%)
Liabilities								
CLN Deposits	200	Discounted cash flow	Credit risk of the underlying asset					

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

	Audited							
	Fair value as at December 31, 2018	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Impaired credit the collection of which is collateral dependent	661	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Available-for-sale shares	58	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	31	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.32%	to	2.08%	(-0.03%)
			Counterparty credit risk (CVA)	From	0.00%	to	4.88%	(1.49%)
Other Interest Rate Contracts	293	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	1.17%	(0.02%)
Foreign Currency Contracts	224	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.59%	to	1.47%	(-0.22%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	17.56%	(0.38%)
Commodities and other contracts	13	Rating model	Counterparty credit risk (CVA)	From	0.10%	to	0.20%	(0.10%)
Liabilities								
CLN Deposits	193	Discounted cash flow	Credit risk of the underlying asset					

2. Qualitative information regarding the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). In as much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). In as much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. Existing arrangements between the credit card companies and between such companies and the banks

1. The arrangements were described in Note 36 A to the financial statements as of December 31, 2018.

Amended cross clearing arrangement - reduction of the issuer commission rate. The arrangement expired on December 31, 2018.

Exemption terms for the operating agreement. Instead of the amended cross-settlement arrangement, which expired on December 31, 2018, the Competition Commissioner published on April 25, 2018, terms for the granting of an exemption to the operating interface agreement. The exemption relates to the operating-technical interface and does not include reference to the rate of the cross-commission, which was determined by the Bank of Israel. The terms include, inter alia, restrictions on issuers and clearing agents with wide-ranging activity, regarding discrimination or regarding operations resulting in the discrimination of other issuers and clearing agents. It has also been decided that credit card companies are required to allow participation in the cross-clearing agreement, in an equal manner and at no cost, to any issuer, clearing agent or anyone on their behalf who wish to join this agreement, and to put at his disposal all the information required by him in order to join the agreement and act in accordance therewith, as well as perform any adjustments, where required, in a way that would allow the new participant, as stated, to join the agreement and operate in accordance with its provisions.

The granting of the exemption is conditional upon the transition to the daily clearing of deferred debit transactions. This condition shall become effective on July 1, 2021, and would apply to a single payment transaction. In the case of such transactions, the issuer would be required to transfer the consideration to the clearing agent no later than one day following the date of broadcast of the transaction by the trading house. This condition does not apply to installment transactions.

Reduction of the cross-commission rate. The Governor of the Bank of Israel announced on February 25, 2018 a new outline with respect to the reduction of the cross-commission in deferred charge transactions, from the present rate of 0.7% to a rate of 0.5%, this in five stages during the coming years. The cross commission level under the new outline has been calculated based on the methodology that was approved in 2006 by the Competition Court, as referred to above.

The reduction in the issuer's fee to a level of 0.5% will be implemented in stages, as follows:

- from January 1, 2019, through December 31, 2019, the issuer's fee will stand at an average rate that shall not exceed 0.6%;
- from January 1, 2020, through December 31, 2020, the issuer's fee will stand at an average rate that shall not exceed 0.575%;
- from January 1, 2021, through December 31, 2021, the issuer's fee will stand at an average rate that shall not exceed 0.55%;
- from January 1, 2022, through December 31, 2022, the issuer's fee will stand at an average rate that shall not exceed 0.525%;
- from January 1, 2023, the issuer's fee will stand at an average rate that shall not exceed 0.5%.

In addition, an outline was established with respect to the reduction of the cross-commission regarding immediate charge transactions, from the current rate of 0.3%, to a rate of 0.25%, in two phases, during the coming years. The aforementioned reduction will be carried out in stages, as follows:

- from January 1, 2021 through December 31, 2022, the commission will be at an average rate of not more than 0.275%;
- from January 1, 2023, the commission will be at an average rate of not more than 0.25%.

On November 25, 2018, these rates were recognized in the Banking Order (Customer service) (Supervision over cross-clearing service for charge card transactions and for immediate debit transactions), 2018 (hereunder: "the Order regarding cross-commissions").

It should be noted that the reducing the rate of the cross commission effects various parameters, including: the scope of the fees collected from trading houses, the scope of the royalties paid to the banks with which the company has entered into a joint-issuing agreement, various operational fees, the scope of the clearing activity, the effects of the changes in the credit card sector as a result of the "Strum Law" etc. Difficulties exist in assessing each of these parameters on its own and in assessing their aggregate impact, particularly in light of the fact that their impact is felt gradually over time. Consequently, ICC is of the opinion that it is not possible to assess the scope of the impact of the reduction in the cross commission rate on its business results. Nevertheless, the Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated.

17. Credit card activity (continued)

Petition regarding the rate of the cross commission. On December 9, 2018, a petition was filed with the Supreme Court sitting as the High Court of Justice, in which relief was sought through the revocation of the Order regarding cross-commissions. According to the petitioners, the Order should be revoked, and it should be prescribed that the credit card companies be forbidden from generating profit from the cross commission, which is meant to cover only the issuer's costs. In addition, the petitioners allege that the cross commission is a "restrictive agreement" that requires a permit. ICC submitted its response on August 19, 2019.

2. Extension of agreement – The First International Bank. On May 23, 2019, ICC and Diners signed an agreement for the updating and extension of the validity of agreements for the joint issuance with the First International Bank. The agreement states, among other things, a compensation mechanism based on the volume of cards being issued.
The provisions of the agreement would enter into effect upon a detailed agreement between the parties taking effect, which as of date of this report has not as yet been formed. Until this agreement takes effect, the parties operate in accordance with the provisions of the existing agreement.
3. Extension of agreement - Discount Bank. On June 13, 2019, ICC and the Bank signed an agreement for the joint issuance of brand name charge cards of "VISA" and "MasterCard", to be operated by ICC. At the same date, Diners signed an agreement for the joint issuance of brand name charge cards of "Diners", to be operated by it. The agreements include, inter alia, mechanisms for the distribution of income, which take effect retroactively as from January 1, 2019, as well as a compensation mechanism for the Bank in respect of attainment of goals. The validity of these agreements is in effect until December 31, 2022. Under certain circumstances of a reduction in the rate of holdings of the Bank in the company, the Bank would be entitled to notify the company of the termination of the agreement, and the agreement will be terminated at the end of six month from the date of the Bank's notice.

B. Arrangements following the Strum Act. Following the Increase in Competition and Reduction in Concentration in the Banking Market in Israel Act (Legislation amendments), 2017 ("the Strum Act"), The Bank and ICC reached the following arrangements:
1. Agreement between the Bank and MAX (former name: Leumi Card). The Bank signed a joint issuance agreement on March 29, 2018, with MAX, based on the commercial understandings reached between the parties. In accordance with the agreement, the Bank would issue credit cards together with MAX as from February 2019 (date of entering into effect of the duty stated in the Act to conduct the issuance operation by means of more than one operating company). Inter alia, the agreement regularizes the services to be received by the Bank, the division of responsibility and the manner of settlement between the parties. The agreement is in effect until January 31, 2024, and may be extended for an additional period of two years by a notice in advance by the Bank.
2. A joint issuance agreement with Bank Hapoalim. On November 21, 2018, ICC and Bank Hapoalim Ltd. signed an agreement for the joint issuance and operation of charge cards. According to the agreement, the parties will issue credit cards to customers of Bank Hapoalim, which would be operated by ICC. The agreement determines the distribution of income between the parties, as well as their rights and obligations and further arrangements regarding the said operation. The agreement will be in effect as from date of signature thereof and until December 31, 2024. Bank Hapoalim is entitled to extend the period of the agreement by means of a written request delivered to ICC no later than June 30, 2024, while ICC is entitled to inform Bank Hapoalim of its consent within 45 days from date of delivery of the request for extension.
3. Agreement for joint issuance with Bank Leumi. On August 12, 2018, ICC, Diners and Bank Leumi Le-Israel Ltd. (hereinafter: "Leumi") signed an agreement for the joint issuance and operation of debit card issuance. In accordance with the agreement, the parties would issue to customers of Leumi debit cards operated by ICC. The agreement determines the division among the parties of income and expenses derived from the joint issuance operations, as well as the rights and duties of the parties and additional arrangements relating to the described operations. The period covered by the agreement would be from February 1, 2019 to December 31, 2024 (approx. 6 years). Leumi will be entitled to terminate the period of the agreement one year prior to the date of termination of the said period. The parties will be permitted to agree to extend the period of the agreement by four additional periods of one year each.

17. Credit card activity (continued)

C. **Joint distribution agreement with El-Al Company.** Note 36 C to the financial statements as of December 31, 2018 described an agreement of principles signed on December 11, 2018, in respect of a new engagement of ICC with EL AL, regarding the issuance and operation of brand name credit cards for a period of ten years as from September 1, 2019. The agreement of principles entered into effect with the fulfillment of certain conditions stated therein. It has been agreed that as from the effective date of the agreement of principles, it would be binding upon the parties for all intents and purposes.
On September 26, 2019, ICC and Diners signed a tripartite agreement with MasterCard Europe SA ("MasterCard") and El AL ("the tripartite agreement"). The tripartite agreement regulates the cooperation with MasterCard in implementing the Fly Card agreement: the issuance of Fly Card credit cards ("Premium" and "Bronze") under the MasterCard brand name and integrated cards under the MasterCard and Diners brand names and other matters. The agreement is in force for a period of ten years as from September 1, 2019, with the option of mutual retirement from the agreement for each one of the parties after seven years.
In accordance with the plan of operation of the agreement, ICC's profitability is expected to be impaired due to expenses relating to operating the club in the first two years of its operation.

D. **Acquisition of the minority interest in Diners.** In December 2015 ICC acquired all the holdings of Dor-Alon and Blue Square in Diners (49%), so that upon conclusion of the transaction ICC holds all the rights (100%) in Diners. A dispute arose between the parties regarding the entitlement of the sellers to additional consideration, conditional upon fulfillment of conditions precedent. The parties referred to mediation proceeding in the matter, but the mediation proceedings were not successfully concluded.
A monetary action was filed on September 24, 2019 with the Tel Aviv District Court against ICC, in which the Court is requested to order ICC to pay to the Claimants (Alon Blue Square Israel Ltd. and Dor-Alon Finance Ltd.) an amount of NIS 21 million.

E. **Extension of the clearing license of ICC and Diners.** On March 6, 2019, the company received letters from the Bank of Israel extending the temporary clearing licenses of the company and Diners until March 31, 2020.

F. **Extension of the Diners franchise.** In September 2019, Diners and Diners Club International ("Diners International") signed an agreement, according to which the Diners franchise would be extended until December 31, 2029. The agreement states that Diners is entitled to an incentive for the years 2019-2020. Also determined are additional incentives subject to attainment of acceptance and volume of operation goals, as well as additional marketing incentives.

18. Shareholders' Equity, Preferred Shares and Dividends

a. **Dividend policy.** On December 26, 2017 the Bank's Board of directors approved a dividend policy, according to which, starting with the first quarter of 2018, the Bank will distribute in each quarter a dividend at the rate of up to 15% of the net distributable earnings, as reflected in the consolidated financial statements for the preceding quarter.
On November 26, 2019, the Bank's Board of Directors approved an update to the Bank's dividend policy. According to which, starting with the third quarter of 2019, the Bank may distribute in each quarter, a dividend of up to 30% of the distributable net earnings according to the consolidated financial statements for the previous quarter, instead of a distribution rate of up to 15%.
The updated dividend policy was approved in view of the Bank attaining its capital outline, the consistent improvement in the business results of the Group, and following the approval by the Supervisor of Banks of the said dividend policy.
It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, in accordance with the Companies Act and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Bank of Israel and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.

18. Shareholders' Equity, Preferred Shares and Dividends (continued)

b. Details regarding the dividend paid

Declaration date	Payment date	Total dividend paid	Ratio out of the earnings	Dividend per share
		In NIS million	In %	In agorot (100 agorot = NIS 1)
May 17, 2018	June 6, 2018	32.0	10	2.75
August 15, 2018	September 2, 2018	42.0	10	3.61
November 15, 2018	December 4, 2018	43.9	10	3.77
March 11, 2019	March 28, 2019	48.6	15	4.18
May 16, 2019	June 3, 2019	60.8	15	5.22
August 14, 2019	September 1, 2019	81.8	15	7.02

c. **Distribution of a dividend out of profits of the third quarter of 2019.** In accordance with the policy, the Bank's Board of Directors decided on November 26, 2019, to distribute a dividend at the rate of 15% of the profits of the third quarter of 2019, in the amount of NIS 64 million, comprising approx. 5.5 Agora for each ordinary share of NIS 0.1 par value.

d. **Dividend to holders of preferred shares.** The Bank's annual general meeting of shareholders held on September 16, 2019, approved a dividend for the year 2019, at the rate of 6%, payable to the holders of 40,000 6% preferred, cumulative shares of a par value of NIS 0.00504 each. The dividend amounts to £24,000, which is expected to be paid on December 31, 2019.

19. Transactions with interested parties – terms of office of the Chairman of the Board

The Chairman of the Board of Directors took office as Chairman on December 3, 2018.

The Board of Directors decided on February 26, 2019, to accept the recommendation of the Remuneration Committee of February 12, 2019, and approve the terms of office of the Chairman (which were described in Note 35 F to the financial statements as of December 31, 2018), beginning with the date on which he takes office as Chairman of the Board of the Bank, and subject to the provisions of the law/regulation permitting such terms of office as stated.

On April 3, 2019, the general meeting of the Bank's shareholders approved the aforesaid terms of office and the revision of the remuneration policy for officers accordingly. This, subject to the provisions of the law/regulation permitting such terms of office as stated.

The terms determined in the decision of the General Meeting of Shareholders regarding the entry into effect of the terms of office and employment, as stated above, were fulfilled on July 29, 2019, including the approval by the Supervisor of Banks and the terms stated by her.

20. Pledges, Restrictive Terms and Collateral

A. IDB New York's pledge in favor of Federal Home Loan Bank which is described in Note 27 A of the financial statements as of December 31, 2018, was settled in the reporting period.

B. In the reporting period, IDB New York created a pledge of the "securities pledged for deposits" type – a pledge of CLO-type securities to local authorities against deposits that are received from them. The balance of the pledged securities amounted on September 30, 2019 to approx. NIS 202 million (approx. US$58 million).

21. Issuance of deferred debt notes (Series "F")

On October 28, 2019, the Bank, through its subsidiary Discount Manpikim Ltd., completed the process of issuing deferred debt notes, which include a capital loss absorption mechanism, which are capital instruments classified as Tier 2 capital for the purpose of their inclusion in the Bank's regulatory capital, in a total amount of NIS 1,231 million.

Corporate Governance, Audit, Additional Details Regarding the Business of the Banking Corporation and Management Thereof

Corporate Governance and additional details – List of tables

CORPORATE GOVERNANCE AND AUDIT

Board of Directors and Management

Changes in the Board of Directors during the third quarter of 2019

The office as Director of Mr. Yehuda Levi was terminated on July 14, 2019, all as detailed in an immediate report dated July 14, 2019 (reference no. 2019-01-060255). Mr. Yali Sheffi terminated his tenure as Director (external) on November 10, 2019, all as reported in the Immediate Report dated November 10, 2019 (Ref. No. 2019-01-096063).
The Chairman of the Board, the Board of Directors and the President & CEO thank Messrs. Yehuda Levi and Yali Sheffi for their activity and contribution during their period of office at the Bank.

Changes in Management during the third quarter of 2019

On June 24, 2019, Ms. Orit Alster, Executive Vice President and Head of the Corporate Division, announced her decision to retire from the Bank. All as stated in the immediate report dated June 24, 2019 (Ref. No. 2019-01-052971).
On September 23, 2019 the Bank's Board of Directors decided to appoint Mr. Ziv Biron, Executive Vice President, Head of the Planning, Strategy and Finance Division, to the office of President and CEO and also Director of Discount Bancorp Inc. and recommended to the Board of Directors of Bancorp the appointment of Mr. Biron to the office of President and CEO of IDB New York. All as stated in the immediate report dated September 23, 2019 (Ref. No. 2019-01-098398). On September 25, 2019, the Board of Directors of Bancorp. resolved to appoint Mr. Ziv to the office of President and Director of IDB New York.
On November 4, 2019, the Bank's Board of Directors decided to approve the following appointments: Mr. Yuval Gavish, Senior Executive Vice President, who officiates as Head of the Banking Division, will be appointed as Head of the Corporate Division, replacing Ms. Orit Alster. Ms. Yafit Gheriani, Executive Vice President, who officiates as Head of the Human Resources and Properties Division, will be appointed as Head of the Banking Division, replacing Mr. Yuval Gavish.
Mr. Barak Nardi, who officiates as Deputy General Manager of ICC, will be appointed member of the Bank's Management with the title of Executive Vice President, Head of the Planning, Strategy and Finance Division, replacing Mr. Ziv Biron.
The above appointments would take effect on January 1, 2020, subject to approval of the Supervisor of Banks or lack of objection on her part.
All as stated in the immediate report dated November 4, 2019 (Ref. No. 2019-01-107650).

The Chairman of the Board, the Board of Directors and the President & CEO thank Ms. Alster for her activity and contribution during her period of office at the Bank, and wish Mr. Ziv Biron, Yuval Gavish, Yafit Gheriani and Barak Nardi success in fulfilling their office.

Termination of office of the President & CEO

On June 5, 2019, the President & CEO, Ms. Lilach Asher-Topilsky announced her intention to terminate her office, after over five years of service. All as stated in the immediate report dated June 5, 2019 (Ref. No. 2019-01-048138).
On July 15, 2019, the Bank's Board of Directors decided to adopt the recommendations of the Search Committee, headed by the Chairman of the Board of Directors Mr. Shaul Kobrinsky, to appoint Mr. Uri Levin, the CEO of IDB New York, to serve as President & CEO of the Bank. The date for commencing office was fixed for December 1, 2019, all as stated in the immediate reports dated July 15 and September 23, 2019 (Ref. No. 2019-01-060741 and 2019-01-098398).
The Chairman and members of the Board of Directors wish to thank Ms. Asher-Topilsky and appreciate her significant contribution to the development of the Bank, leading it to impressive achievements.

Meetings of the Board of Directors and its committees

In the first nine months of 2019, the Board of Directors held 21 meetings. In addition, 56 meetings of committees of the Board of Directors were held.

The detailed information contained in the immediate reports mentioned above in the item "Board of Directors and Management", is presented herewith by way of reference.

Remuneration of Interested Parties and Senior Officers and Transactions with Interested Parties

Remuneration policy for Officers of the Bank. The Bank's annual general meeting of shareholders, held on September 16, 2019, decided to approve the prolonging of the effective period of the remuneration policy for officer at the Bank, in accordance with Section 267A of the Companies Act, for a period of up to six months from date of termination of the effect of the present remuneration policy (namely until May 8, 2020, at the latest). This, in order to enable the designated President & CEO to state his position prior to the adoption of a remuneration policy and an award mechanism for officers of the Bank, to apply in respect of the years 2020 to 2022, and in order for the plan to include also the terms of employment of the designated President & CEO. All as stated in the immediate reports dated August 12 and September 16, 2019 (Ref. No. 2019-01-083503 and 2019-01-080757).

Terms of office of Mr. Kobrinsky. For details, see Note 19 to the condensed financial statements.

Letter of the Supervisor of Banks in the matter of "principles for determining the terms of office of the chairman of the board of a bank having no core controlling interest". The letter, published on August 1, 2019, states that the Supervisor of Banks would not intervene with regards to the terms of office of the Chairman of the Board, determined in accordance with the principles stated in the letter, on condition that these are determined for the period ending at the end of the year 2020. During this period, the Supervisor will examine the definitions of the office and the new terms of office relating to chairmen of boards of directors of banking corporations having no core controlling interest as well as the need to amend the Directive. The letter clarifies that the terms of office of the chairman of the board shall be determined in accordance with principles, which ensure that the duties and authority of the chairman do not deviate from the duties and authority conferred upon him by Law, and that the terms of remuneration do not create "affinity" and/or might impair the independence of the chairman. Furthermore, the letter notes that the need to establish the status of the chairman of the Board as being part of the board of directors and segregate him from the management of the bank, including by means of determining his remuneration in relation to the manner in which the other members of the board of directors are being remunerated, as stated in Proper Conduct of Banking Business Directive No. 301A, is of a double importance in the case of a bank having no core controlling interest.

It is noted that the terms of office that had been approved in respect of the Bank's Chairman of the Board, as described in Note 19 to the condensed financial statements, comply with the principles determined by the Supervisor of Banks, as stated in her said letter.

The Internal Audit in the Group

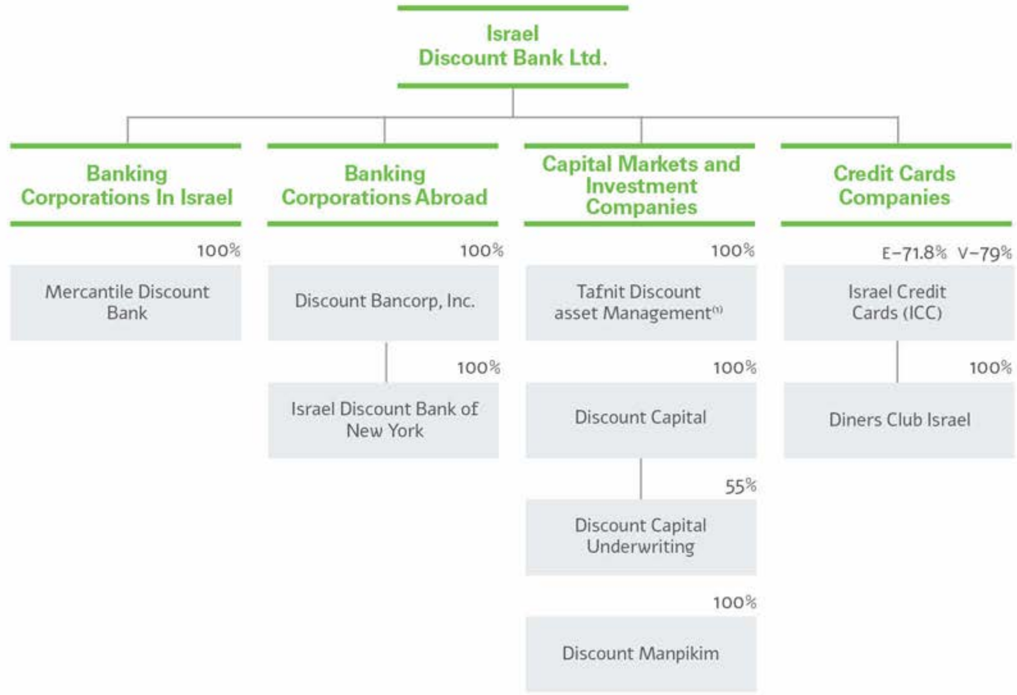
Details regarding the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2018 Annual Report (pp. 298-301).

Updates. During the third quarter of 2019 the following periodic reports were submitted and discussed:

- The quarterly report on the activities of the internal audit in the first quarter of 2019 was submitted on April 18, 2019, and discussed by the Audit Committee on June 18, 2019;
- The quarterly report on the activities of the internal audit in the second quarter of 2019 was submitted on August 8 2019, and discussed by the Audit Committee on September 22, 2019;
- The quarterly report on the activities of the internal audit in the third quarter of 2019 was submitted on October 27, 2019, and is expected to be discussed by the Audit Committee on November 26, 2019.

ADDITIONAL DETAILS REGARDING THE BUSINESS OF THE BANKING CORPORATION AND MANAGEMENT THEREOF

Discount Group Structure



(1) Directly and Indirectly.

Fixed Assets and Installations

Gain on sale of assets. In the first nine months of 2019, a gain of approx. NIS 7 million net of the tax effect from the sale of properties was recorded, compared with approx. NIS 15 million net of the tax effect, in the corresponding period last year.

Establishment of the Discount Campus. The construction of the Project is at the stage of the underground support work and the first floor. For additional details, see the 2018 Annual Report (p. 308) and Note 10 B 6 to the condensed financial statements.

The human capital

Preparing for the transformation in traditional banking and the future challenges

Within the framework of the Bank's preparations for a changing work environment as a result of acceleration in the digital deployment within the organization, the Bank executed a number of measures related to the development of managers for leading and leadership in the digital world.

During the first quarter, a conference was held for the senior managers at the Bank – "The way we lead", in which were discussed leadership challenges in the changing world, and in particular the leadership ability in an era of uncertainty, multi-generation management, creation of clarity and direction in a changing environment. Also discussed at the conference were the relevant qualifications for success in the digital era, in particular, the ability to learn, inquisitiveness and flexibility.

In continuation to the convention, the Bank has started integration activities that include continuing learning of the relevant qualifications required in the digital era: "WhatsApp" groups for middle and senior grade managers where learning content is introduced on a weekly basis, lectures and workshops for managers and staff. In addition, a digital readiness room has been constructed – integrative and experiential simulation illustrating confrontation with the required qualifications in the digital era and provision of tools for development.

In addition, a development program for branch managers was held in the current year – "Long distance leadership", with the participation of all the Bank's branch managers. The aim of this program is the development of leadership and skillfulness abilities for branch managers, suited for leadership challenges of the Bank at the present time and in the future, strengthening and developing the duty concept for branch managers as a leader of his staff and the leveraging of the manager community operating together against the challenges facing the Bank.

Also conducted this year was the "I.TEAM" program – a program designed for leading team heads and project managers in the Technologies and Operations Division, which is intended to improve initiative among members of this grade as well as maintaining and strengthening the bond between the organization and this qualitative population. The program, conducted in accordance with agile methodology, has won success – participating wings conducted significant initiatives and the program has led to the development of all middle grade managers in the Division, by means of their integration as accompanying managers at critical crossroads all along the program.

Wage agreement at ICC

On June 11, 2019, a special collective agreement was signed by ICC, the New Federation of Labor and the national committee of ICC employees, which is effective from January 1, 2019 through December 31, 2022. The agreement prescribes that, in each of the years 2019-2022, a wage increment at an average rate of 3.1% will be granted. In addition, employees with the status of "permanent staff" will be granted a long-service increment at a rate of 0.5% for each of the aforesaid years. The agreement governs certain economic benefits to which the ICC employees will be entitled, as well as various aspects related to the company's employment arrangements. In the agreement, the parties have undertaken to maintain industrial calm at the company through December 31, 2022 in all matters relating to the topics covered by the agreement.

Organizational culture

The integration of the "Discount spirit" into cross-organizational processes continued in 2019.

A performance evaluation process was conducted in the second quarter, which was changed and adjusted in accordance with trends prevailing in the performance evaluation field. The process, being target directed, focused on the values of the Discount Spirit and on the discourse of the manager and his subordinates regarding development outlook and future development directions. Training sessions towards this process had been conducted for more than 500 managers. The process, including the changes applied therein, has been successfully integrated and 99% of the employees have undergone evaluation.

Improvement of Service

The handling of complaints. The annual report to the public regarding the handling of complaints in 2018, is available on the Bank's Internet website.

The Bank/Customer Relations Group of the Supervisor of Banks published in September 2019 data regarding complaints that had been filed against banks in Israel in the year 2018. This review had been made in a different fashion to those of prior years with changes made to a part of the indices published by the Supervisor of Banks. The ratio of justified complaints to the total complaints examined by the Supervisor of Banks amounted to 8%.

According to the data produced by the Bank, the ratio of justified complaints attributed to the Bank amounted to 5.6%, as compared to 17.5% in 2017.

Rating of Liabilities of the Bank and some of its Subsidiaries

On September 29, Moody's Agency reaffirmed the rating of the Bank at a level of A3 with a stable outlook.

On September 23, 2019, Midroog announced the raising of the internal financial stability evaluation (BCA) and the raising of the rating of the long-term deposits and the senior debt of the Bank to Aaa.il, in view of the continuing improvement of the Bank's financial profile, supported by the continuing improvement in the quality of the assets, as reflected by the risk indices of the credit portfolio alongside the growth potential of the portfolio and the implementation of efficiency measures, which support the ability to produce future profits and to continue in structuring the capital buffer. All as detailed in the immediate report dated September 23, 2019 (Ref. No. 2019-01-098383).

On July 11, 2019, the rating agency S&P Ma'alot announced the raising of the local rating of the Bank and of MDB to "AAA" with a stable outlook. At the same time, S&P raised the international rating outlook of the Bank and of IDB New York, which at present is "BBB+", to a positive outlook. The raising of the rating of the Bank reflects the estimates of S&P Ma'alot regarding the reduction in the economic risks facing Israeli banks and the improvement in efficiency and profitability of the Bank. All as detailed in the immediate reports dated July 11, 2019 (Ref. No. 2019-01-059868 and 2019-01-059805).

The detailed information contained in the immediate reports mentioned above in the item "Rating of Liabilities of the Bank and some of its Subsidiaries", is presented herewith by way of reference.

Rating determined for the Bank and some of its subsidiaries by different rating agencies

Rating given by	Subject of rating	Rating	Rating outlook	Date of rating/ ratification of rating
	Discount Bank			
Standard & Poor's, Ma'alot	Issuer rating (including deposits)	il AAA	Stable	July 11, 2019
	Subordinate capital notes[(1)]	il AA+	Stable	July 11, 2019
	Upper tier 2 capital (Series 1)	il AA-	Stable	July 11, 2019
	Hybrid tier 1 capital (Series "A")	il A	Stable	July 11, 2019
	Subordinated debt notes with a loss absorption mechanism (Series "L")	AA-	Stable	July 11, 2019
	Bonds (Series M-N)	il AAA	Stable	July 11, 2019
Midroog	Long-term deposits	Aaa	Stable	September 23, 2019
	Short-term deposits	P-1		September 23, 2019
	Subordinate capital notes[(1)]	Aa1	Stable	September 23, 2019
	Subordinate capital notes (tier 1 capital)	Aa3	Stable	September 23, 2019
	Subordinated debt notes with a loss absorption mechanism (Series "L")	Aa3	Stable	September 23, 2019
	Bonds (Series M-N)	Aaa	Stable	September 23, 2019
The international rating agency S&P	Issuer rating short and long-term	BBB+	Positive	July 11, 2019
The international rating agency Moody's	Long-term foreign currency deposits	A3	Stable	September 29, 2019
	Mercantile Discount Bank[(2)]			
Standard & Poor's, Ma'alot	Issuer rating (including deposits)	il AAA	Stable	July 11, 2019
	Subordinate capital notes	il AA+	Stable	July 11, 2019
	IDB New York			
Kroll Bond Rating agency	Deposits	A-	Stable	November 13, 2018
The international rating agency S&P	Issuer rating short and long-term	BBB+	Positive	July 11, 2019

Footnotes:

(1) The rating also relates to subordinate capital notes (lower tier 2 capital) issued by Manpikim.

(2) Mercantile Discount Bank has been defined as a "core company" of the Discount Group. This determination creates a unique affinity between the Bank's rating and the rating of Mercantile Discount Bank.

Activity of the Group according to regulatory operating segments – additional details

Household Segment (Domestic operations) - additional details

Developments in the segment

Branches. At the end of the third quarter, the Bank has 103 branches in operation. In the third quarter the Tel Aviv North-Dizengoff Branch was closed down and a branch was opened in Pardess Hanna.

For additional details, see the 2018 Annual Report (pp. 324-329).

Mortgage Activity

During the first nine months of 2019, the Bank trained additional mortgage consultants, a move which increased the number of branches providing mortgage services, which at present number 67 branches. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	September 30,		
	2019	2018	Change in %
	in NIS millions		
Total housing loans granted by the banks, excluding internal recycling of loans	50,397	43,677	15.4
Loans from State funds	545	368	48.1

New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit

	For the nine months ended September 30,			For the year ended December 31,
	2019	2018		2018
	In NIS millions		Change in %	In NIS millions
From bank funds[(1)]	5,972	5,215	14.5	7,290
From Treasury funds[(2)]	48	30	60.0	46
Total of new loans	6,020	5,245	14.8	7,336
Recycled loans	411	394	4.3	516
Total granted[(3)]	**6,431**	**5,639**	**14.0**	**7,852**

Footnotes:
(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 97 million in the first nine months of 2019, compared to NIS 112 million as at September 30, 2018 and NIS 136 million in 2018.
(2) Including standing loans in the amount of NIS 10 million in the first nine months of 2019, compared to NIS 5 million as at September 30, 2018 and NIS 8 million in 2018.
(3) At the Bank and M.D.B.

Legislative restrictions, regulations and special constraints applicable to the operations

Draft FAQ File in the matter of Limitations on Issuing Housing Loans – Proper Conduct of Banking Business Directive No. 329. The draft, published on July 16, 2019, proposes to add clarifications as to the manner of calculating the limitations imposed on that part of the loan bearing variable interest rate and regarding the manner of considering the free income of a "relative" with no rights in the property, when computing the ratio of repayment to income.
For details regarding guidelines and instructions of the Supervisor of Banks designed to restrain the mortgage market, see the 2015 Annual Report (pp. 469-471). For additional details, see the 2018 Annual Report (pp. 327-328).

Private Banking Segment (Domestic operations) - additional details

During the first nine months of 2019, the Bank intensified its activity with existing customers and new immigrants and the implementation of cross-border banking management rules.
The Investments and Affluent Customer Wing continues its activity to adapt the relevant service layouts for affluent customers at the private banking centers.

For additional details, see the 2018 Annual Report (pp. 329-331).

Small and Minute Businesses Segment (Domestic Operations) - Additional Details

Legislative restrictions, regulations and special constraints applicable to the operations

Amendment to the Banking Rules (Customer Service)(Commissions), 2008. The Amendment was published in the Official Gazette on May 1, 2019. For details regarding the Amendment, see the 2018 annual report (p.333).

Business Strategy, Goals and Points of Emphasis

Since the third quarter of 2019, the Bank applies strategic emphasis to the small businesses field, performing within this framework different moves regarding this segment that would enable assistance of the operation of the business and contribute to the growth of the business, with the aim of comprising a supporting network for Discount customers belonging to this segment.
The small businesses segment shall be characterized by the granting of a comprehensive and professional banking service for business development, which includes focusing on all possible banking operations alongside the development of areas of relevant banking services, and which would also include integration of innovations and the introduction of tools maintaining the differentiating value.
The values on which the new strategy has been structured shall be reflected in the professional training of bank officers, in work routine, measurement and value offers to new customers.

For additional details, see the 2018 Annual Report (pp. 331-333).

Large businesses Segment (Domestic operations) - additional details

Reaching targets and business strategy – first nine months of 2019

The Bank has acted in accordance with the work plan for the corporate banking segment, while focusing on increasing risk adjusted return on risk assets and a customer-focused view. Among other things, the Bank acted to adjust its exposure in accordance with sectorial risk level evaluations, adjust the credit spreads to the risk level and to the reduction in exposure to activities involving a high level of risk.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of September 30, 2019, no deviations existed to the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as September 30, 2019, there were no deviations from the limitations on "related persons". In accordance with a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.
Amendment of Proper Conduct of Banking Business Directive No, 313. The Supervisor of Banks published on October 27, 2019, an amendment to the Directive, which adds restrictions relating to indebtedness of a borrower/groups of borrowers engaged in speculative activity. The Amendment takes effect on July 1, 2020.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of August 2019[2] to NIS 949 billion, an increase of 2.8% compared with the end of December 2018 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

The increase in the total indebtedness is due to an increase in the debt to banks and to foreign residents at a rate of 3.4% and 3.0%, respectively, as well as from the increase in the debt to institutional bodies at a rate of 3.6%. It should be noted that, while private loans granted by the institutional bodies grew at a rate of approx. 9.0%, the balance of bonds held by them recorded stability. A decrease of 0.9% was recorded in the debt to households. As a result of the aforesaid trends, the weight of the banks in the total debt of the business sector has increased slightly and, at the end of August 2019, stood at 48.0%.

During the period from January to September, the business sector (excluding banks and insurance companies) raised funds through the issuance of bonds to the tune of approx. NIS 25.5 billion (via the Tel Aviv Stock Exchange and by nonmarketable bonds). This is a slightly slower rate in relation to that recorded in 2018 – approx. NIS 36.8 billion on an annual level.

The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of September 2019 was 1.26%, compared with 1.46% at the end of 2018 and 1.14% at the end of September 2018.

Developments in the Segment Markets

Following are development directions in the principal economic sectors:

- Industrial sector – The main indicators indicate that there has been a regression on the background of the decline in the volume of exports in most industries, along with a decline in the number of workers, inter alia, due to the trade war and the continued strengthening of the shekel. When divided into operating segments, most of the negative contribution derives from the elite industry segment and mainly from the pharmaceutical industry. Consistent with the developments also the Purchasing Managers Index for August 2019, turned to point to a contraction as it fell by 7.9 points to 44.3 points, due to a decline in almost all components of the index. It is noted that the regression in question does not differ from global developments and evidence to that is the World Purchasing Managers Index, which for four consecutive months indicates contraction in industrial activity;
- Diamonds – The long-term downward trend continued also during the past three months, when the net volume of exports decreased by a two-digit rate, leading the average rate of decline since the beginning of the year to approx. 20%;
- The commerce sector - The sector is affected mainly by local demand, when during the second quarter of 2019, private consumption data indeed indicated a decline, though this stemmed mostly from the durable goods component (motor vehicles) while other components – current consumption (food, beverage, clothing and footwear) and consumption of semi-durable goods (such as furniture) increased in comparison with the first quarter. These increases contributed to an increase in the volume of turnover in the retail segment, comprising two-thirds of the total commercial sector, to its highest level since the middle of 2018;
- Hotels, hotel services and food – the upward trend in this sector continued well into the year 2019, with a further growth in entry of tourists resulting in higher hotel occupancy. However, it is important to note that most of the contribution to the growth in hotel occupancy came from foreign tourists on account of local guests which correlate, inter alia, with the growth in outgoing tourism following the "open sky" reform;
- Real estate sector – For details, see below under "Construction and real estate activity".

Anticipated Developments in the Segment's Markets

According to the growth forecast of the Bank of Israel of July 2019, the economy is expected to grow by a rate of 3.1% in 2019, when there is no change in the estimate that the market operates in a full-employment environment and is growing at a pace nearing the potential rate. As to the year 2020, the growth forecast has been reduced by one-half of a percent to a level of 3.0%, inter alia, due to the estimate that the measures that would be taken in order to reduce the deficit would lead to a decline in private and public consumption. Furthermore, the inflationary forecast for the next twelve months dropped to a level of 1.2% on the background of the continuing strengthening of the shekel and the growth in competition which has not yet been fully utilized. In addition, the updated inflationary forecast alongside expectations for increasing expansionary monetary policy around the world, led the Bank of Israel to update downwards its interest rate outline, which is expected to remain at the same level or to be decreased to a level of 0.1%.

For details regarding developments expected in the real estate and infrastructure sector, see below under "Construction and real estate activity".

For additional details regarding the "Large businesses Segment", see the 2018 Annual Report (pp. 334-338).

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2 The most updated data available at the time of submitting the report to print.

Construction and Real Estate Activity

Developments in markets of the activity

Residential real estate. The annual pace of apartment prices returned to rise following a slight decline during most of the preceding year. In contrast, the downward trend in the prices of new apartments is attributed to accelerated sales within the framework of the "Price for the Purchaser" program in tenders concluded in previous periods. On the supply part, construction beginnings in the second quarter of the year reached a level of 51.4 thousand apartments (in annualized terms) – an increase compared to the corresponding period last year, though still lower than the record level reached in the middle of 2017. The volume of transactions in the period of three months ended in August has risen compared with the corresponding period last year, mostly due to the increase in sales within the framework of the "Price for the Purchaser" program. Looking ahead, trends in this sector are expected to be impacted by developments on the supply part alongside the decrease in the interest rate on mortgage loans, as well as the political crisis which clouds the continuation of the existing Government policy regarding the housing market.

Income producing commercial real estate. The commercial real estate market maintains stability in occupancy rates alongside a slight decline in rental prices in certain areas in the country. It is noted that the weakness being noticed in trading activity alongside the development of new commercial areas in recent years, may lead to excessive supply in certain areas.

Income producing office premises. The office premises market maintains its stability in occupancy rates and in rental prices that is backed by growth in economic activity. Notwithstanding the above, the existing supply of office premises and the building projects in process, mainly in the central region, might lead to a surplus in supply in certain areas.

Legislative and regulatory limitations and special constraints applying to the activity

The limitations described above applying to the business segment also apply to construction and real-estate operations. In addition, it should be noted that as part of Proper Conduct of Banking Business Directives No. 315, a limitation applies to sectorial credit concentration, where that part of the credit being the responsibility of the banking corporation (including off-balance sheet credit) granted to a certain industry, as defined in the Directive, exceeds 20% of total credit to the public being the responsibility of the banking corporation. The Bank's sectorial credit concentration in the real estate sector stood at a rate of 18.72% as of June 30, 2019, compared with 18.48% at the end of 2018.

For additional details, see the 2017 Annual Report (pp. 347-349).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

As of September 30, 2019, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2018 Annual Report (pp. 345-346).

Investment of the Group in private investment funds, venture capital funds and corporations

Discount Capital is a partner in a number of private and public corporations, private investment funds and venture capital funds. As of September 30, 2019, the net investments of Discount Capital in these corporations and funds amounted to approx. US$276 million. As of September 30, 2019, the maximum future commitment of Discount Capital for investment in these corporations and funds amounted to approx. US$149.2 million.

Developments in the activity

The sale of holdings in Super-Pharm. On April 16, 2019, Discount Capital entered into an agreement with Union Investments & Development Ltd. ("the purchaser") and others for the sale of shares of Super-Pharm, including the sale of all the holdings of Discount Capital in Super-Pharm, which were purchased in 2013 and comprise approx. 10.37% of the share capital of Super-Pharm. The agreement further states that until the date of consummation of the transaction, Super-Pharm would distribute a dividend to its present shareholders. The share of Discount Capital in such a dividend amounts to approx. NIS 4.1 million.

On April 28, 2019, the approval of the Commissioner of Competition was received and on May 7, 2019, the transaction was consummated.

All as detailed in the immediate report dated April 16, 2019 (Ref No. 2019-01-034875), the details included therein are presented herewith by way of reference.
In respect of the above sale, the Bank recorded a profit (before tax) of approx. NIS 20 million, this in addition to the distributed dividend - in total of approx. NIS 24.1 million before tax (an amount of NIS 19.5 million, after tax).
Realizations. In the first nine months of 2019, Discount Capital has recognized income in the total amount of NIS 69.5 million in respect of realizations of investments, compared with NIS 36 million in the corresponding period last year.

For additional details, see the 2018 Annual Report (pp. 343-345).

International Operations Segment - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. In accordance with guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel.
On September 30, 2019, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 15.19% of total risk assets, as compared with 15.44%[3] on December 31, 2018. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group.
The Bank monitors the development of the risks assets in respect of its operations in overseas extensions.

For additional details, see the 2018 Annual Report (pp. 346-347).

Additional Segments

For additional details regarding the Medium businesses segment (Domestic operations), see the 2018 Annual Report (pp. 333-334). For additional details regarding the Institutional bodies segment (Domestic operations), see the 2018 Annual Report (pp. 341).

Credit Card Operations

Developments in operations

Arrangements following the Strum Act. For details in respect of agreements between ICC and certain banks on the one hand, and between the Bank and factors in the credit card market on the other hand, see Note 17 B to the condensed financial statements.
Discontinuation of the "YOU" Club agreement. On September 2, 2019 the agreement between ICC and the customers' club of Blue Square-Dor Alon (registered partnership), pursuant to which the "YOU" Club was operated, has expired.
Joint issuance agreements with banks. For details, see Note 17 to the condensed financial statements.
Decision of the Governor regarding payment applications. For details, see "Legislation and Supervision" below.
Prolonging the H&O agreement. ICC and Diners signed an agreement on May 23, 2019 with H&O Fashion Chain Stores Ltd. This agreement forms an addendum to the set of agreements that had been signed by the parties in the past, and would be in effect until May 31, 2025. The agreement states that the Carter's chain would be attached to the joint customer club of the parties.

3 A technical mistake in calculation has been corrected.

Legislative Restrictions, Regulations and Special Constraints applicable to the Credit Card Operations

Draft amendments to Proper Conduct of Banking Business Directive No.470 "charge cards" and to Proper Conduct of Banking Business Directive No.472 "clearing agents and clearing of charge card transactions". The draft Amendments, which were published on November 3, 2019, deal with amendments to be made to different aspects related to the issuance of charge cards and to the clearing of transactions, for the purpose of accelerating the integration of the EMV Standard into trading houses. Within the framework of the proposed Amendment to Directive No. 470, it is stated that all charge cards that will be issued would be compatible with the EMV Standard allowing contactless transactions, excluding bank cards for the withdrawal of cash. The Directive does not apply to one-off rechargeable cards. A transitional period was fixed for the application of the Directive. It is also stated that all automated teller machines (ATM) belonging to banks and off-banking entities have to support the EMV Standard. The proposed Amendment to Directive No. 472 states that a clearing agent shall not allow a trading house to enter into a "non-smart" transaction. A smart transaction requires the use of the EMV Standard as well as entering a personal identification number (PIN), in accordance with the risk management policy of the clearing agent. A gradual integration of the Directive has been fixed, inter alia, according to the size of the trading house and the turnover of transactions made by use of credit cards.

For additional details see the 2017 Annual Report (pp. 356-363) and Note 17 to the condensed financial statements.

Technological improvements and innovation

General. Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and increasing customer experience. Among the measures taken in this field may be noted the establishment of the Digital and Data Division operating within the framework of which are the Digital department, a fintech and innovation unit, a unit which manages the Paybox application and the Chief Digital Officer (CDO) department.
During the third quarter, the Bank continued to expand payment operations under the Paybox brand by means of the application and the website, with customers of all the banks in Israel (for additional details, see the 2018 Annual Report, p. 335).
A permit from the Bank of Israel was received on July 9, 2019, for the expansion of the use of the "Paybox" application for trading houses. For additional details, see "Legislation and Supervision" below.

Expanding the payment activity of "Paybox"

As part of expanding the payment operations on the Paybox application, on March 27, 2019, the Bank signed an agreement with HopOn Mobility Ltd., which offers, inter alia, refill services for the “Rav-Kav” card used for travel on public transport, in partnership with Dan Public Transportation Co. Ltd.. During the second quarter, the Bank integrated within the Paybox application the company’s solution for topping up Rav Kav travelcards, whereby Paybox users can top-up their Rav Kav travelcard via the application. In addition, the Bank has recently introduced a designated area in the application, which enables the transfer of donations to a variety of associations.
The Bank, in cooperation with HopOn Mobility Ltd. and Cellopark Technologies Ltd., had submitted a proposal for a procedure by the Ministry of Transport for the payment of public transport fares by means of a cellular application, which was chosen as a candidate for obtaining an operating permit.

The open banking platform

Discount Bank was the first bank in the Israeli banking sector that has implemented, in cooperation with iCount Company, the concept of open banking, for the interface with third party suppliers, by means of the API platform (Application Programming Interface), being one of the most advanced in the world (for additional details, see the 2018 Annual Report, p. 358). The Bank is preparing to expand the open banking platform and introduces an API shop offering third parties to interface with the Bank in order to consume a variety of banking services through the API, in a controlled and secured manner.

Agreement with nsKnox

On February 18, 2019, the Bank signed an agreement with nsKnox Technologies Ltd., which has developed security and control solutions with respect to organizational payment systems for large and medium corporations, using cooperative cyber security technology.

In the framework of this agreement and as part of the realization of the cooperative defense concept, the Bank shall become part of the defense layout of the company, in return for consideration out of the income of the company. This is a first and innovative move for the leverage of existing capabilities of the Bank in favor of third parties, and this within the efforts made to expand its operations and diversify its sources of income, while implementing innovative banking models. The start of operations is subject to performing technological adjustments.

Direct channels

The Bank acts persistently in order to provide its customers with an advanced experience regarding its direct channels. The Bank is striving to continuously improve the range of services that it provides, while placing emphasis on a user-friendly service and an exceptional customer experience. Within the framework of this activity, the Bank introduced the following products and services during the third quarter of 2019:

A new private customer website. The website enables obtaining information and the conduct of transactions in an advanced, convenient and friendly visibility. It is possible to arrange in the website a personal adjustment of the presentation on the home page and in the menu of operations, so that it suits different users. It includes, inter alia, the highlighting of new updates and warnings already on the home page, the possibility of working concurrently on a number of transactions, a quick menu of operations on any screen, etc.

The assignment of subscribers to the new website has begun gradually in the third quarter and is planned to be completed until the end of the year.

The first account to be presented on the digital. A subscriber having more than one account may define, also by means of the application, which account shall be presented as the default option upon entry to the digital.

Communication between the Bank and the customer

"My services and channels". Similar to the private customer website, the Bank presents from now on, information regarding the status of joining the "mail@discount" and "Discount by SMS" services also on the business website. It is possible to join, update or cancel these services by means of the website (on the business website).

Locating branches. Similar to the private customer application, the service presents the nearby branches and enables sorting them in accordance with the services granted and criteria, such as: pension consulting, mortgage consulting, different ATM services, accessibility to handicapped customers, etc. (on the business app).

Meeting with a broker. The possibility of making an appointment for teller services at any branch offering teller services, even if the branch is not the "mother branch". In addition, a customer requesting an appointment for teller services with respect to transactions which can be made independently by means of the digital (deposit of checks, transfer of funds, order of check books, etc.), would be presented with the proposal to perform these operations by means of the digital instead of the visit to the branch (on the private customer application).

Current accounts

A digital check printout. A printout or saving of a formal document of the Bank regarding a dishonored check, on condition that no printout had previously been produced by the branch (on the business website, on the private customer website).

"Confirmation of keeping an account". The possibility of producing a form confirming the keeping of an account (On the business website).

Collection vouchers. Presentation of collection vouchers credited to the account, including contractor vouchers and viewing a copy of the voucher (on the private customer website, on the business+ website and on the private customer website in English).

Improving the experience of a transfer transaction. The business customer would also be able now to "share" the beneficiary of a funds transfer transaction made by him or save a digital copy of the transaction as proof of the transaction (on the business application).

Deposits

Increasing the amount of deposited funds. The maximum amount of a deposit transaction has been increased from NIS 800 thousand to NIS 2 million. (On the private customer website, on the private customer application, on the business website, on the business application).

Credit

Fair credit. As part of the implementation of the Regulation and the expansion of the disclosure rules regarding customers, the digital presents all the detailed information prior to taking a loan, in order to allow the customer to review the terms and details of the proposed loan (on the private customer website, on the private customer application, on the business website, on the business application).

Credit cards

VIP Discount key at Ben Gurion Airport. The customer can check his entitlement and exercise the benefit by means of the digital (on the private customer application, on the business application).

Capital market

Expansion of information in the capital market world. The Bank has added links to the website adjusted for the viewing of information regarding tax balances, returns according to additional periods and historic performances (on the private customer application).
Trading in foreign equities listed on the NYSE and on the NASDAQ even though they have not yet been established in the systems of the Bank. A customer may trade in a security even if it had not yet been established in the systems of the Bank as long as it is included in the results of a search. The security would be automatically established in the systems (on the private customer website, on the business website, on the business application).

Foreign currency

Conversion of foreign currency. Conversion of foreign currency directly by means of the application instead of by moving to the adjusted website. The service supports a round of signatures if required by the account (on the business application).
Transfer of foreign currency within the Bank. The transfer of foreign currency to accounts held at Discount directly by means of the application instead of by moving to the adjusted website (on the business application).

Foreign trade

Expected repayments. Information regarding all expected payments and receipts relating to import or export transactions, including amounts, dates and information regarding payments made by the customer by means of deferred foreign currency transfers. The sorting and classification are being conducted by means of an advanced and convenient interface (on the business website).
Expanding information on complex historical transactions. Additional information on the steps in complex transactions and parameters not previously presented, such as documentary credit opening details, receipt of documents, conversion of bill of lading and more (on the business website).
Duplication of a transaction. Upon choosing the "duplication of a transaction", most of the relevant parameters are being automatically duplicated, thus saving the time and effort of the customer in a renewed feeding of the transaction data (on the business website).
Payments regarding "documents for collection" - import. Importers are now able to transmit payment orders in respect of cash import transactions or on the due date of supplier credit transactions (on the business website).

Identification and passwords

Privacy policy. In view of the importance attributed by us to the privacy of customers, we have redrafted and presented for their approval the "privacy policy" of the Bank upon entering the digital channels (on the private customer website, on the private customer application, on the business website, on the business application and on the website in English).
Improving customer experience upon changing password. We have made it possible to choose a password that had been in use in the past (excluding the present password and the one preceding it) and have reduced the strictness regarding use of sequential characters when choosing a new password. In addition, upon replacing an invalid password, it is no longer required to feed in the present password (on the private customer website, on the private customer application, on the business website and on the business application).
Restoration of an identifying code. It is now easier and simpler to restore the identifying code (on private customer website).
Presentation of a personal name. In order to create a personal feeling, it is possible to define a name in different languages, including use of emoji. The name would be presented on the application screens and on the identification screen (on the private customer application).

Main developments in the Israeli economy and around the world in the first nine months of 2019

Developments in the Global economy

General. The first nine months of 2019 were characterized by a downturn in the pace of global economic expansion and in global trade. Furthermore, global risks have increased in view of the trade war between the U.S. and China and the uncertainty regarding the Brexit. Accordingly, various entities, such as the IMF and the OECD have lowered their global trade and growth forecasts for most of the trading blocs.
Economic growth in the United States in the third quarter of 2019, was higher than expected, reaching 1.9%. In any event, when compared to the previous quarter, growth has slowed down (2%). Private consumption continues as the growth engine of the U.S. economy, despite the slowdown of the third quarter, when the expansion rate remained strong. On the other hand weakness is noted in investments. Economic growth in the Eurozone in the third quarter amounted to 0.8%, similarly to the previous quarter, when the weakness being noticed in industry continues to burden activity. It should be noted that despite the slow growth rate, the data was higher than earlier expectations.
The rate of inflation in most of the principal economies is found below the targeted rate of the central banks. Central banks around the world reduced the interest rate during the third quarter of the year and adopted additional expansionary measures in order to support the economy. The FED reduced the interest rate twice at the end of the quarter to 2% and to 1.75% (compared to 2.5% and 2.25% in the second quarter). In the Eurozone, the ECB reduced the interest rate on bank deposits by 0.1% to -0.5% and has renewed its plan for the purchase of bonds.
Financial markets. Globally, equity trading was characterized by price rises, on the background of the renewal of the monetary expansion process at the different economies. For the period as a whole, the world's leading indexes posted steep price rises.

The changes in selected share indices recorded in the first nine months of the years 2018 and 2019

Index	2019	2018
S&P 500	18.7%	9.0%
DAX	17.7%	(5.2%)
MSCI Emerging Markets	3.6%	(9.5%)

During the reviewed period, steep declines were recorded in government bond yields. At the end of the third quarter of 2019, yields on 10-year bonds in the U.S. had fallen to 1.66%, from a level of 2.68% at the beginning of the year. In Germany, the 10-year yield fell by 81 basis points and, at the end of the period, was traded at a negative level of 0.57%.

The returns on government bonds

Return on bonds for 10 years	September 30, 2019	December 31, 2018
U.S.A.	1.7%	2.7%
Germany	(0.57%)	0.24%

In the third quarter the dollar basket ("the dollar index") appreciated by 3.4%, after remaining stable in the first half of the year.

Changes in the U.S. dollar against selected currencies in the first nine months of the years 2018 and 2019

Exchange rate	2019	2018
EUR	5.0%	3.4%
JPY	(1.4%)	0.9%
GBP	3.7%	3.7%

The price of oil dropped in the third quarter by a steep rate of approx. 9%, on the background of the continuing weakness in demand and despite increasing geo-political risks.

Changes in selected commodities indexes in the first nine months of the years 2018 and 2019

	2019	2018
The commodities index - GSCI	7.8%	9.9%
The oil price (BRENT)	13.0%	23.7%
The oil price (WTI)	19.1%	21.2%
Gold	14.7%	(8.5%)

Main Developments in the Israeli Economy

General

The growth data for the third quarter of the year surprisingly indicated upward with a growth of 4.1%, (in annualized terms) and 3.7%, net after taxes on imports. Nevertheless, the growth mix is rather disappointing, with investment in inventories completely distorting the picture. Private consumption (excluding motor vehicles) was at a standstill, and exports (excluding diamonds and startup companies) shrank at a rate of 3.6%. This, on the background of the steep decline in industrial exports and a slowdown in export of other services (mostly hi-tech). Concurrently, investments in fixed assets recorded a decline.

The labor market continues to be "tight": a very low unemployment rate – 3.4% on an average since the beginning of the year (period of January to September), compared to 3.5% in 2018 (for ages 25-64). The participation rate remained at a high level – 80.3%, and concurrently, wages in the market continue to rise. Notwithstanding the above, a decline is noted in the expansion rate of the labor market: the rate of vacant positions is declining moderately over the past few months, while the number of employee positions remained stable since the beginning of the year.

Developments in economic sectors

An improvement in industrial production was recorded in the first nine months of the year, following weakness in the last quarter of last year, however this improvement is mostly attributed to manufacturing sectors belonging to hi-tech. The industrial production index rose by an average rate of 3.6% in the months of January and August 2019[4], compared to the monthly average in 2018. Industrial production in the hi-tech sectors recorded acceleration (an increase of 8.2%), on the other hand, weakness is noticed in the remaining technological fields, affected by the global trend. The traditional industry and the mixed traditional industry sectors grew by 0.9%, when industry sectors belonging to the mixed hi-tech recorded a decline at the rate of 1.4%.

The growth trend continues in the services sectors led by the hi-tech services sectors, with a moderation in the growth pace.

Developments in foreign activities of the Israeli economy

During January- August 2019[4], direct investments of foreign residents in Israel (through banks) amounted to US$6.5 billion, compared with US$5.2 billion in the first nine months of 2018. The financial investments by foreign residents in Israeli financial assets traded abroad (due to a growth in Government bonds) expanded by US$0.6 billion, compared with a US$2.2 billion decrease in the first nine months of 2018. On the other hand, the financial investments by foreign residents on the Tel-Aviv Stock Exchange posted net realizations of US$0.8 billion in the reviewed period (stemming from net realizations of shares and government bonds).

The financial investments in traded securities by Israeli residents abroad amounted to US$5.1 billion in the period January-August 2019, compared with US$7.9 billion in the first nine months of 2018. In bonds an increase of US$3.8 billion was recorded, compared to an increase of US $1.3 billion in shares.

4 The most updated data available at the time of submitting the report to print.

The changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-August 2019	January-September 2018
	US$ millions	
Total direct investments through banks	6,498	5,237
Total financial investments	(178)	3,545
Of which: Government bonds and MAKAM	1,661	4,849
Shares	(1,563)	(1,310)

Investments abroad by Israeli residents	January-August 2019	January-September 2018
	US$ millions	
Total direct investments	1,570	760
Total financial investments	5,119	7,946

Developments in inflation and foreign exchange rates

The inflationary environment has declined. The annual inflation rate dropped in September to 0.3%. This compared to an inflation rate of 1.2% in the period of twelve months ended in September 2018. The inflation rate, with the elimination of energy, fruit and vegetable prices, comprising an approximation of the "core inflation", is also low amounting to 0.7%. It is noted that the inflationary expectations for a period of one year are in the vicinity of the lower end of the target.

The shekel has changed the trend, being appreciated in the first nine months of the year by rates of 7.1% and 11.3% as against the US dollar and the Euro, respectively. In terms of the effective exchange rate, the shekel strengthened by 9.2%.

Fiscal and monetary policy

Fiscal policy. A deficit of NIS 30.9 billion was measured in the first nine months of the year in the budgetary activity of the Government, compared to a deficit of NIS 23.8 billion in the corresponding period last year. The cumulative deficit for the twelve months ended in September 2019, amounted to 3.8% of the GDP, (adjusted deficit with the elimination of deferred taxes from September 2018 to October 2018, due to the High Holidays period last year).

Monetary policy. The Bank of Israel left the interest unchanged during the reviewed period, at a rate of 0.25%, though changing its "future intention". The Monetary Committee estimates that in view of the turnabout in the inflationary environment, the monetary policy of the principal central banks, the moderation in the global economy and the currency appreciation, the interest rate will not rise for quite a long time. It is noted that in its interest rate announcement of October 7, the Bank of Israel even intensified its "temperate" approach, and has put back on the table the possibility for a decrease in the interest rate.

Change in the monetary base. The M1 money supply (cash in the hands of the public together with shekel current account deposits) grew during the first nine months of 2019 by 5.9%, of which, current account deposits grew by 6.6% and cash by 2.2%. In the corresponding period last year, the M1 money supply grew by 4%. An increase at even a higher rate is noted in the M2 money supply (M1 with the addition of non-linked deposits of up to one year). A more moderate increase of 4% (until August) is noted, compared to an increase of 2.6% in the first nine months of 2018.

A growth of NIS 4.6 billion was recorded in the first nine months of 2019 in the monetary base, compared to an increase of NIS 6.2 billion in the corresponding period last year. During the reviewed period, the money supply by the Bank of Israel increased by NIS 18.6 billion, with an absorption by the Government, on the other hand, of NIS 14 billion. The money supply by the Bank of Israel was effected through the decrease in tenders for shekel deposits, and on the other hand absorption by open market transactions (the surplus raising of funds over redemption of short-term loans (MAKAM)).

Sources for the change in the monetary base

	January-September		change
	2019	2018	
	In NIS billion		in %
Operations on the Capital Market	(10.7)	(7.9)	35.7
The Shekel deposits tender	29.0	17.0	70.6
Foreign currency conversion	0.3	9.6	(96.7)
Government activity	(14.2)	(12.3)	15.5

Capital market

The reviewed period was characterized by price rises on the domestic capital market, against the background of global developments.

The changes recorded in selected share indices in the first nine months of 2018 and 2019

	Change during the first nine months of the year	
Index	2019	2018
TA 35	10.4%	8.8%
TA 125	15.0%	8.8%
TA banks	21.0%	11.3%
TA Global-Blutech	13.9%	7.5%
Real-estate	56.2%	(1.4%)

Over the whole period, trading in government bonds in Israel was characterized by a sharp fall in returns, which was even strengthened in the third quarter, against the background of the global trend and developments on the domestic market (lower expectations for an increase in the Bank of Israel interest). In total for the period, the yield on 10-year shekel bonds (Government-Shekel 928) fell by 138 basis points and was traded at a level of 0.91% at the end of the third quarter.

The changes recorded in selected bond indices in the first nine months of 2018 and 2019

	Change during the first nine months of the year	
Index	2019	2018
General bonds	7.7%	0.1%
General Government bonds	8.1%	(0.4%)
Shekel Government bonds	7.3%	(0.8%)
Linked Government bonds	9.3%	0.3%
General Corporate bonds	7.1%	0.9%
Linked Corporate bonds	7.5%	1.8%
Shekel Tel-Bond	7.2%	(1.3%)

In the first nine months of 2019, capital raised through the issuance of corporate bonds by Israeli companies totaled NIS 45 billion, compared with NIS 38.5 billion in the first nine months of 2018. Of this amount, NIS 14.1 billion was issued by the banks, compared with NIS 6.8 billion in the corresponding period last year.

The asset portfolio held by the public

The value of the financial assets portfolio held by the public increased in the months of January-August 2019 (the last data published), by 6.9%, amounting at the end of August to NIS 3.9 trillion. The growth stemmed from an increase in the equities component in Israel and abroad (13.0% and 5.2%, respectively), and a growth in the linked (8.9%) and non-linked (6.1%) components. On the other hand, a decline was recorded in the foreign currency linked component.

The distribution of the asset portfolio held by the public

	August 31, 2019	December 31, 2018
Shares	23.2%	22.6%
Non-linked assets	36.6%	36.9%
CPI linked assets	28.7%	28.2%
Foreign currency linked assets	11.4%	12.3%

Principal economic developments in October and November 2019[5]

At the end of October 2019, the FED lowered once more the interest rate to 17.5%-1.5%, but signaled the markets that no further reductions are required. The three reductions in the rate of interest made by the FED in 2019 were intended to ensure the continuing expansion of the U.S. economy, in view of the risks stemming from the global slowdown, the trade war and additional political risks.

Signs for stabilization in global growth, together with the progress made in the trade negotiations between the Chinese and the Americans, have supported optimism in the markets and the move to risky assets.

In Israel, the CPI for October 2019 rose by 0.4%, slightly lower than earlier estimates. The annual inflation rate remained significantly lower than the targeted rate also in October – 0.4%. In addition, the "core inflation" (the CPI with the exclusion of energy, fruit and vegetable prices) decreased to 0.5%, mainly due to moderation in the rental prices (a central item of inflation). In contrast to the global trend, returns on shekel Government bonds recorded a decline in returns (mostly in short-terms), this on the background of increased probabilities for the lowering of the interest rate in Israel in the near period, and the decline in the inherent inflationary expectations. The interest grossed-up in IRS contracts (1M forward) amounted at the end of the period to 0.12% and 0.1% for three months and for six months, respectively.

The Bank of Israel reverted in October to intervention in the foreign currency market, being almost totally absent from this market since the beginning of the year. The shekel, which weakened in the first half of October, continued to gain strength, and is found in an environment similar to that of the beginning of October (in relation to the U.S. dollar and the currency basket).

5 All data relate to the period from October 1, 2019 and until November 25, 2019.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.
It is noted that in view of the dissolution of the 20th and 21st Knessets, it is doubtful whether it is possible to apply the continuity rules to the Bills detailed in the 2018 annual report, and if possible - it cannot be assessed whether the rule of continuity will apply to the bills described in the 2018 Annual Report, and accordingly – whether the legislative process regarding them will continue.

Legislation for increasing competition in banking and financial services

Strengthening Competition and Reducing Concentration in the Israeli Banking Industry, (legislation amendments) act, 2017

Sale of holdings in Automated Banking Services Ltd. ("ABS"). In order to comply with the requirements of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act, according to which the Bank has to sell its holdings in ABS that exceed 10%, the Bank sold within the framework of a public offering of shares of ABS, completed on June 5, 2019, shares comprising approx. 9.3% in ABS. The gains on the sale are immaterial (a net amount of NIS 14 million, including the gain on revaluation of the balance of the investment). On September 4, 2019, the Bank transferred to Mizrahi Tefahot Bank Ltd. ("Mizrahi Bank") shares comprising 0.7% of ABS in consideration for an immaterial amount. The transfer was made in accordance with a compromise agreement reached between Mizrahi Bank and the Bank together with additional banks being shareholders of ABS. Following the said sale and transfer, the rate of holdings of the Bank in ABS was reduced to 10%.

Announcement by the Bank of Israel regarding permission for the establishment of a digital bank in Israel

On September 24, 2019, the Bank of Israel announced the granting of a permit for the establishment of a new bank in Israel. In accordance with the announcement, the Governor of the Bank of Israel and the Supervisor of Banks informed the promoters of the new bank that the Governor is prepared to grant them a bank license and a permit for the control of a bank, following the conclusion of the examination of the project by the Supervisor of Banks. The promoters had presented to the Supervisor of Banks a business plan, according to which, they plan to establish a digital bank with no branches, and to focus on the offer of banking services to households, including the granting of credit, receipt of deposits, conduct of current accounts and providing services for the purchase and sale of securities.
On November 18, 2019, the Supervisor of Banks published a draft Proper Conduct of Banking Business Directive regarding adjustments to the instructions of proper conduct of banking business applying to a new banking corporation. The adjustments refer to compliance requirements that would be cumbersome for a new banking corporation, entailing high costs and having no proportion to the risk to which that new banking corporation might be exposed to or to the system risk produced by it. The announcement notes that the Supervisor of Banks will examine in the future the extension of the adjustments also to a part of the consumer instructions and to the reporting to the Supervisor of Banks Directives. Also published on that date was a draft Public Reporting Directive for a new banking corporation.

Legislation and Standards in the matter of Debt Collection

Insolvency and Economic Recovery Act, 2018. The Act entered into effect on September 15, 2019, and is applicable to insolvency proceedings instituted as from that date and thereafter. The Act includes many innovations and changes to the substantive law. The Bank is preparing for the implementation of the Act and the Regulations enacted under it with respect to the relevant fields of its operation. For additional details, see the 2018 Annual Report (p.371).

Various Legislation Matters

The Reduction in use of Cash Act, 2018. The Section in the Reduction in the use of Cash Act dealing with the use of checks entered into effect on July 1, 2019. Among other things, the instructions taking effect prohibit banks to honor checks which had been endorsed more than once, unless the endorsement is in favor of a financial institution (as defined by the Act), and only if full details of the endorser and endorsee appear in respect of each endorsement. The Bank is preparing both administratively and technically for the implementation of the instructions. In the period of the first nine months since the instructions took effect, no penalties would be imposed in respect of violations, unless that bank had been warned accordingly by the Bank of Israel and has repeated the violation.

Banking Order (Customer Service) (Supervision Over Postdated Check Depositing Service) (Temporary Provision), 2019. The Order was published on April 3, 2019 and it declares the postdated check depositing service to be a supervised service and prescribes the amount of maximum commission that may be collected for it will amount to NIS 2. The aim of the Order is to encourage the deposit of postdated checks that were endorsed prior to the entering into effect of the Reduction in Use of Cash Act, 2018 ("the Reduction in Use of Cash Act") with this being to prevent a situation in which such checks are not honored due to the provisions of the new Act. The Order will be in effect for the period starting from April 15, 2019 through June 30, 2019. For further details regarding the Reduction in Use of Cash Act, see the 2018 Annual Report (p. 375).

Credit Data Bill, 2016. The credit data base, established under the law, began operations on April 12, 2019 (see the 2018 Annual report (p.374). The Ministry of Justice issued on April 4, 2019, a clarification regarding the possibility of a credit provider to make use of credit indications for the purpose of monitoring existing renewable credit transaction. FAQ file was published on June 25, 2019, regarding the credit data reports provided by the Bank to the data base and on July 15, 2019 an FAQ file was published for users of credit data. Also published in September 2019 was a draft of the Credit Data Regulations (Amendment No.1), 2019, intended to supplement the instructions stated in the Credit Data Act, and outline supporting instructions with respect to arrangements that are not included in the Act. On November 14, 2019, an updated FAQ file was published, which included clarifications regarding the factor reporting the transaction and regarding the transaction reporting format in respect of which the reporting entity had received an exemption.

It is noted, that providing of detailed data regarding Bank customers may expose the Bank to various claims, including customer arguments regarding the quality of the data in certain cases. The Bank is making timely preparations for the delivery of the data, in accordance with the Bank of Israel instructions, and acts to improve such data, where required.

Customer Protection Act (Amendment No. 57) (Professional human response in the call directing system), 2018. Proper Conduct of Banking Business Directive No. 426 was published on June 12, 2019, the essence of which is enabling banks to choose one of two alternatives for the measurement of the permitted deviation from the waiting time of six minutes in order to receive a telephone response to certain matters stated in the Act. The said instructions took effect on July 25, 2019. In addition, a duty has been imposed requiring the call tracker to give preference to calls from customers aged 75 years and over. This duty takes effect on January 1, 2020.

Payment Services Act, 2019. The Bank is preparing to implement the provisions of the Act in respect of its operations in the field of payment accounts and means of payments, inter alia, by way of updating agreements with customers, operational preparations, updating procedures and work processes. On September 15, 2019 the draft Payment Services Order (Deferral of the effective date of the Act), 2019, was published for public comment, in the framework of which it is proposed to defer the date of entry into effect of the Act to July 1, 2020. For additional details regarding the Act, see the 2018 Annual Report (p.375).

Banking Rules Amendment (Customer service) (Commissions), 2019. The Amendment was published on May 1, 2019, the essence of which is the definition of "communication lines" with the banking corporations, possibility of obtaining the bank's price lists and for delivering a request for the cancellation of participation in a particular commission track; imposing a duty on banks to conduct during the fiscal year a monthly examination of the accounts of customers classified as a small/authorized business, with respect to the commission charged to them in comparison to the basic and expanded commission tracks, and attaching the customers to the commission track most beneficial to them in relation to the commission charged; reduction in the commission charged in respect of the granting of a bank guarantee secured by a specific deposit; and the addition of the possibility to charge a commission in respect of the following special services: pension consulting; withdrawal of cash from an ATM by means of a rechargeable card that is not connected to a current account (a percentage of the amount withdrawn), and the withdrawal of cash from an ATM by means of a charge card issued abroad or issued by an extension of a foreign bank. As a general rule, the Amendment takes effect on date of publication, excluding certain exceptions stated therein.

Amendment of the Inheritance Regulations and of the Debt Execution Regulations. The Amendments were published on September 3, 2019. The Amendment to the Inheritance Regulations creates proceedings for the realization of debts of a deceased, through an application by means of an electronic document, as an alternative to realization by means of the appointment of an Estate Executor. The alternative proceedings apply to the realization of debts in amounts of up to NIS 20,000, under conditions stated in the Regulations. The Debt Execution Regulations were amended with respect to the collection of debts due to private creditors approved by the Court.

Economic Competition (Antitrust)

Opinions and draft opinions issued for public comment. During February until October 2019, the Competition Authority published a number of opinions and draft opinions for public comment, and this since the publication in the Official Gazette in January 2019, of the Economic Competition Act (Amendment No. 21), 2019:

- Amendment of the opinion in the matter of discretion of the Competition Commissioner in determining the amount of a monetary sanction under the Competition Act, dealing with the details regarding the discretion of the Commissioner in determining the amount of a monetary sanction to be imposed on a corporation or on a violating officer under the law;
- Opinion in the matter of the examination of a significant market power, regarding tests once existing, a body would be considered as holding of a "significant market power";

- Opinion in the matter of cooperation among institutional investors outside the competition field (for additional details in this matter, see the 2018 annual report, p.372);
- Amendment of the opinion regarding the activity of business associations from the aspect of competition laws;
- A Draft Opinion chapter regarding cooperation between institutional bodies with respect to debt arrangements, referring to situations where institutional investors, that had extended loans to business entities, are required to cooperate in order to collect the debt. The draft states that it is relevant also to additional entities competing in the granting of credit, such as banks.

The Competition Authority also published in March-April 2019, a draft recommendations document regarding competitive considerations applied in public tenders, as well as a request to the public for information regarding competition failures stemming from regulation.

The Competition Authority published in July 2019 a draft Antitrust Regulations (Registration, publication and reporting of transactions) (Amendment No. 1) (Merger announcements), 2019, in which it is proposed to modify the requirements for reporting and obtaining approval for merger of corporations to the provisions of the said Amendment 21 to the Economic Competition Act.

Approach to Automated Bank Services ("ABS") by the Competition Authority in the matter of the mutual affinity between ABS and Bank Clearing Center ("BCC") and the Prima Facie existence of a restrictive agreement. In accordance with an Immediate Report by ABS dated October 29, 2019, the Competition Authority approached ABS on October 28, 2019, in the matter of the mutual affinity between ABS and BCC. The Authority is of the opinion that due to the significant affinity existing between the two companies (which jointly operate a head office and office premises, as well a joint technological infrastructure and back-up facilities, and more), alongside the competition potential between ABS and BCC, there exists Prima Facie, a restrictive agreement, which had not been approved or given a temporary permit by the Competition Tribunal or given an exemption by the Competition Commissioner. The position of the Authority is that it is doubtful whether the arrangement fulfills the class exemption condition under Section 15A of the Economic Competition Act. The Authority requested ABS to take immediate action in order to stop the violation and rectify the situation. In its Immediate Report ABS clarified that in its opinion the existing relations do not constitute a restrictive agreement, and that it studies the approach and its implications. The Bank owns 25% of the equity of BCC.

Approach by the Competition Commissioner regarding exemptions from restrictive agreements. On November 10, 2019, the Bank received four letters from the Competition Authority regarding four decisions that had been made in the past by the Competition Commissioner regarding exemption from a restrictive agreement under certain conditions, with respect to the following arrangements: the credit cards cross-clearing arrangement, the arrangement between BCC and different banks, the arrangement regarding the holdings by different banks in ABS and the arrangement between different banks regarding the mutual recognition agreement for use of ATMs. The Bank is a party to each of the above arrangements. In accordance with the said letters, the Competition Commissioner had decided to use her authority under Section 15A(g) of the Economic Competition Act, and determine that with respect to each of the above arrangements and to any restrictive agreement regarding such matters, an exemption from a restrictive agreement, granted by the Act according to the class exemption rule, shall not apply. It is explained in the letters that the exemption decisions given with respect to each of the said arrangements shall remain in effect until the end of the effective period of each arrangement (December 31, 2023, March 20, 2020, September 24, 2022 and July 30, 2023, respectively), and the Bank may continue to operate in accordance with the said arrangements until the end of the effective periods without having to obtain the permit of the Competition Tribunal, on condition that no change occurs in a material item of such arrangements. To the understanding of the Bank, the meaning of the decision is that at the end of each of the said periods, the parties to the arrangements would be required to submit to the Competition Commissioner specific requests for extension of the exemption in respect of each of the said arrangements. Until November 24, 2019, the Bank has the right to argue before the Commissioner against the decision not to apply the class exemption to the said arrangements. A press release issued by the Competition Authority states that a similar decision had been made with respect to additional arrangements in the market.

Directives of the Supervisor of Banks

Draft Proper Conduct of Banking Business Directive in the matter of engagement of a banking corporation in financial instrument operations on behalf of customers. On August 25, 2019 the draft was published, intended to comprise a framework for regulating broker/dealer operations at banking corporations, namely the receipt and delivery of orders for transactions in financial instruments on behalf of customers, both as brokers and by way of trading in their own accounts. The draft is intended to replace the existing instructions of Proper Conduct of Banking Business Directives Nos. 461 and 419.

Draft Proper Conduct of Banking Business Directive in the matter of API. An updated draft Directive in the matter of the application in Israel of the open banking standard was published on August 26, 2019. The draft details the expectations of the Bank of Israel from banks in this matter. At the first stage, the expectation is for the realization of open banking in respect of information only (expected in August 2020). The second stage involves a requirement for the realization of open banking regarding operations (expected in May 2021). Management and the Board of Directors would be required to review and approve a policy for the management of open banking risks. Management would be required to integrate the policy and determine areas of responsibility and the allocation of resources, including for the purpose of risk management. The draft Directive further deals with the manner in which the customer's consent or its cancellation is to be obtained, details the list of services that a bank would be required to offer to the customer, and states that a bank may not charge customers with a fee in respect of the API infrastructure put at their disposal up to a determined maximum level of operation. For details regarding the preparations being made by the Bank in the open banking field, see the 2018 Annual Report (p.355) and the Section "Technological improvements and innovation" above.

Draft letter regarding the replacement in foreign interest rate benchmarks. On March 20, 2019, the Supervisor of Banks issued a draft letter to the banking corporations, requesting them to make preparations for the impact of the expected discontinuation of the publication of interest rate benchmarks existing in the world and their replacement by other benchmarks.

Simplifying customer agreements – Proper Conduct of Banking Business Directive No. 449. An update circular was published on March 11, 2019, according to which the effective date of the Directive, intended to simplify Bank agreements, was deferred from May 9, 2019, to the date on which the Off-Banking Loans Act (Amendment No. 5), 2017 ("the Fair Credit Act") enters into effect, namely, until August 25, 2019. For additional details regarding the Directive, see the 2018 annual report (p.376). For additional details, see the 2018 annual report (p.369).

"E-Banking" - Amendment of Proper Conduct of Banking Business Directive No. 367. An amendment to the Directive was published on May 7, 2019, in which fax services were added to the definition of "E-Banking" services. The mode of customer identification has also been facilitated.

A draft amendment to the Directive was published on October 7, 2019. The Amendment is intended to clarify that the special instructions applying to the online opening of a clearing account, apply also to the online opening of a discounting account.

Letter of the Supervisor of Banks regarding the encouragement of innovation at banks and at clearing agents. See above "Initiatives concerning the banking sector and its operations".

Draft amendment of the Banking Rules (Customer service (The transfer between banks of the financial activity of customers), 2019, and draft Proper Conduct of Banking Business Directive regarding the transfer between banks of the financial activity of customers in an online manner. The drafts were published during June 2019. The draft amendment of the Rules relates to the types of financial activity in respect of which banks would be under duty to enable their customers to transfer their financial activity from one bank to another in an online and secured manner and at no cost to the customer, and this in accordance with the Amendment to the Banking Act (Customer service). The Rules are to become effective on the date on which Section 5B1 of the Act takes effect. A draft Proper Conduct of Banking Business Directive published for public comment states general principles with respect to the mobility process, including the length of time allotted to this process, cancellation of the mobility request, transfer of information between entities during the mobility process, the possible actions which may be taken to retain the customer, situations in which a bank may refuse a mobility request, and more. For additional details, see the 2018 Report for 2018 (p. 367) and in the 2019 First Quarter Report (p. 183).

Payment at trading houses by means of payment applications

On July 9, 2019 the Governor of the Bank of Israel issued a position paper regarding activity via the banks' payments applications for payment at trading houses. The main provisions of the position paper are as follows:

- a turnover limit of NIS 2, 2.5 and 3 billion has been stipulated for each application for the years 2019, 2020 and 2021, respectively;
- the bank applications will not operate on an immediate payment service basis unless the immediate payment switch service is also accessible to non-banking entities;
- with effect from 2021, the applications' turnover limit will not apply to merchants that execute transactions on the basis of the international EMV Standard for the performance of smart transactions;
- it has been clarified that credit card companies would be able to operate by means of applications for payment to trading houses with no restrictions.

Concurrently, the Bank of Israel Issued a permit for the expansion of the use of the "Paybox" application for trading houses subject to the turnover limit detailed above, subject to certain conditions, among which, are: (1) Determination of limits with respect to the transfer of payments from customers to trading houses based on risk evaluation; it has been determined in this respect that no transfer of payments to trading houses (including individuals) would be made in an amount exceeding an annual volume of NIS 50,000, without conducting a process of identification and verification of the entity receiving the payments; (2) Approval of the Board of Directors in accordance with the procedure regarding a new product; (3) Informing the Supervisor of Banks of any change in the payment system (by means of a credit card or accumulated balance).

For further details regarding "Legislation and Supervision", see the 2018 Annual Report (pp. 363-377) and the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Corporate governance

A call for public reference to the need for adjustment of the corporate governance rules regarding corporations having no core controlling interest. On September 23, 2019, the Ministry of Justice and the Israeli Securities Authority issued a call to the public requesting reference regarding legislation amendments for the adjustment of the corporate governance rules applying to corporations having no core controlling interest. The request referred to different issues, including the definition of "control", the composition of the board of directors, the process of appointment of directors, transactions with interested parties, remuneration, etc.

Different instructions

Guidance by the Attorney General to the Government regarding the guidelines for the formation of digital arrangements. Guidance by the Attorney General to the Government was published on October 10, 2019, determining the principle of "no-preference", according to which a physical arrangement has in principle no preference over a digital arrangement. In accordance with this principle, the legal validity of a document or its admissibility shall not be denied due only to its being electronic, and in many cases, the maintenance of an original document has no preference over the maintenance of its copy. It has been determined that with respect to the interpretation of an existing statute, so long as there is nothing in the legislation which denies the possibility of performing an operation by electronic means, it is possible to perform such operation electronically (e.g., with respect to the supply of a document). As to the matter of signature, the legal requirement for a signature does not mean that the original document has to be maintained, and the purpose of the requirement for a signature may be maintained by use of other tools.

Securitization – public issues of assets backed bonds. In September 2019, the Securities Authority published for public comment, a document regarding its preparations for the opening of the market in Israel to public securitization. The document is intended to increase the awareness and understanding of capital market players regarding the principal characteristics of securitization transactions, which raise questions on the part of Investors.

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2018 Annual Report (pp. 206-210) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

1. **Petition for the grant of a decree nisi.** On November 7, 2018, a petition was filed with the Supreme Court sitting as the High Court of Justice for the grant of a decree nisi against the Governor of the Bank of Israel, the Monetary Committee, the Supervisor of Banks and 10 commercial banks in Israel, including the Bank and MDB. Within the framework of the petition, an order was sought to instruct the respondents to determine that a detrimental change in the position of a debt holder in respect of a loan received in good faith is a condition requiring the write-off of a bank loan; to instruct respondents 1-3 to determine that a business that encounters economic difficulties and therefore finds it difficult to repay a bank loan received in good faith, is not required to repay the loan in an amount that exceeds the percentage of the overall loan multiplied by the capital adequacy ratio that respondents 1-3 prescribed for banking corporations; to instruct the Governor of the Bank of Israel to prescribe proper disclosure rules for a commercial bank as prescribed in the Banking Act (Customer Service). The first three respondents (the Governor of the Bank of Israel, the Monetary Committee of the Bank of Israel and the Supervisor of Banks) filed a response on February 19, 2019. The Supreme Court (sitting as a High Court of Justice) rejected on July 18, 2019, the motion by the Plaintiff to attach the Minister of Finance, the Capital Market, Insurance and Savings Authority and the Attorney General for the Government as Respondent to the Plea. On October 7, 2019, the banks submitted their reply to the Plea. A hearing of the case was held on November 6, 2019. A verdict has been given rejecting the Plea.
2. **Plea regarding the application of the Income Tax Regulations.** On July 10, 2019, notice was received of an administrative plea that had been submitted to the Jerusalem District Court (sitting as an Administrative court) against the Bank of Israel, the Bank and against fifteen additional banks (including MDB). Attached to the plea was a motion for an urgent hearing of the case as well as a motion for the issue of an interim injunction.
   The subject matter of the plea is the manner of application of the Income Tax Regulations (Application of a uniform standard for reporting fair information regarding financial accounts) (hereinafter: "the reporting regulations"). The reporting regulations impose a duty on financial institutions to report to the relevant foreign tax authorities any foreign resident owning an account with the financial institution. It is alleged that in the absence of clear and written rules, the Respondents are applying the reporting regulations without uniformity.
   The Plaintiff is a corporation engaged in providing consulting services on tax and money laundering matters. Most of the customers of the Plaintiff are immigrants from France. The Plaintiff requested the Court to instruct the Bank of Israel to require the banks to determine

orderly, clear and uniform rules and proceedings as regards the application of the reporting regulations, and to instruct the banks to apply the reporting regulations in accordance with the law. The District Court rejected the motion in limine, due to lack of subject-matter jurisdiction.

The motion was filed on July 28, 2019, in a form nearly identical to the Supreme Court sitting as a High Court of Justice. The Supreme Court decided to reject the motion in limine, due to the non-utilization of legal proceedings.

On August 12, 2018, following the submission to the Appellant of the response of the Bank of Israel (Respondent No. 1), the Plea was resubmitted to the Supreme Court sitting as a High Court of Justice, against the Bank of Israel, the Bank and against seven additional banks (including MDB). On November 7, 2019, the Bank's and the seven additional banks, response to the appeal was submitted through the Union of Banks. The response of the Bank of Israel has not yet been submitted.

3. **Plea under the Freedom of Information Act.** A Plea against the Bank of Israel, the Bank and four other banks was filed with the Jerusalem Court of Administrative Matters on August 12, 2019. It is requested in the Plea that the Bank of Israel would deliver to the Appellant, the Israeli Bitcoin Union (RA), the business policy documents submitted to the Supervisor of Banks by the Respondent banks within the framework of supervisory procedures. This, following the refusal by the Bank of Israel to deliver the required documents to the Appellant. The Court agreed to the request of the Union of Banks to join the proceedings as a respondent to the Plea and its response to the Plea was presented also on behalf of the other Respondents banks. The hearing of the Plea is fixed for December 15, 2019.
4. **Legal proceeding in Belgium.** Within the framework of proceedings for the enforcement of a Court verdict given in Belgium, conducted by the Bank for some time against a Belgian corporation, which is not a customer of the Bank, the said corporation filed on May 13, 2019, a criminal action with a Court of first instance in Antwerp, Belgium, against the Bank and against its former employee, claiming that the Bank had forged and acts on the basis of forged documents. The Counsel representing the Bank in the proceedings for enforcement of the verdict in Belgium is of the opinion that the aim of the action filed by that corporation is to delay the enforcement proceedings in Belgium. In accordance with Belgian law, the action is being investigated by an Investigating Magistrate appointed for this matter. No time limit exists with respect to the criminal investigation, and the investigation process is not open to the Bank. At the end of the investigation the case passes for a "pre trial", in which another Judge decides as to whether sufficient evidential matter exists for the case to be tried by a Central Court. The Bank has the right of appeal against such a decision. A hearing of the preliminary arguments of the parties, fixed for October 24, 2019, has been deferred at the request of the Belgian company, which had requested supplements to the investigation.

For additional details, see the 2018 Annual Report (pp. 377-378).

Material Legal Proceedings settled in the third quarter of 2019

1. For details regarding a motion for approval of an action as a class action suit, which was rejected by verdicts given on September 23, 2019, see Note 10 B to the condensed financial statements, item 4.1.

For details regarding the motion for approval of an action as a class action suit, in respect of which, a request for withdrawal from the motion was filed on November 24, 2019, see Note 10 B to the condensed financial statements, Section 4.11.

Proceedings regarding Authorities

1. **Demand for data from the Competition Authority regarding fintech companies.** On May 7, 2019, the Competition Authority approached the Bank with a demand for information regarding the policy and procedures of the Bank with respect to fintech companies, as defined by the demand. The Bank has responded to the request. In continuation thereof, the Bank had received a request for complementary data, which was also provided to the Authority.
2. **Request by the Tax Authority for information regarding the "Paybox" payment application.** On June 6, 2019, the Bank received a request by the Tax Authority, under Section 135A of the Tax Ordinance, for information regarding users of the "Paybox" application of the Bank, in accordance with the criteria stated in the request. The Bank has responded to the request.
3. **Demand of data by the Competition Authority in the matter of banking services in the Arab sector.** On September 19, 2019, the Bank received a demand from the Competition Authority for data regarding banking services in the Arab sector (a similar demand was also sent to MDB). The required data focuses on the small business segment, as detailed in the demand. The Bank has filed an interim response to the claim, and is preparing for the completion of the response.

For additional details, see the 2018 Annual Report (p. 379).

Appendices to the Quarterly Report

Appendices – List of tables

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "A" - Average balances and interest rates – assets

	For the three months ended September 30					
	2019			2018		
	Average balance[(2)]	Interest income	Rate of income	Average balance[(2)]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[(3)]						
In Israel	140,699	1,273	3.67	130,408	1,323	4.12
Abroad	23,261	291	5.10	21,556	266	5.03
Total credit to the public	**163,960**	***1,564**	**3.87**	**151,964**	***1,589**	**4.25**
Credit to the Government:						
In Israel	3,452	21	2.46	2,587	18	2.81
Abroad	-	-	-	-	-	-
Total credit to the Government	**3,452**	**21**	**2.46**	**2,587**	**18**	**2.81**
Deposits with banks:						
In Israel	4,000	13	1.31	2,919	7	0.96
Abroad	145	-	-	279	1	1.44
Total deposits with banks	**4,145**	**13**	**1.26**	**3,198**	**8**	**1.00**
Deposits with central banks:						
In Israel	11,794	6	0.20	12,876	3	0.09
Abroad	1,149	4	1.40	625	2	1.29
Total deposits with central banks	**12,943**	**10**	**0.31**	**13,501**	**5**	**0.15**
Securities borrowed or purchased under resale agreements:						
In Israel	686	-	-	634	-	-
Total securities borrowed or purchased under resale agreements	**686**	**-**	**-**	**634**	**-**	**-**
Bonds held for redemption and available for sale:[(4)]						
In Israel	24,632	84	1.37	24,302	92	1.52
Abroad	8,294	51	2.48	9,392	57	2.45
Total bonds held for redemption and available for sale	**32,926**	**135**	**1.65**	**33,694**	**149**	**1.78**
Trading bonds:[(4)]						
In Israel	2,284	3	0.53	2,249	9	1.61
Abroad	66	-	-	68	-	-
Total trading bonds	**2,350**	**3**	**0.51**	**2,317**	**9**	**1.56**
Other assets:						
Abroad	675	5	3.00	687	4	2.35
Total other assets	**675**	**5**	**3.00**	**687**	**4**	**2.35**
Total interest bearing assets	**221,137**	**1,751**	**3.21**	**208,582**	**1,782**	**3.46**
Debtors in respect of credit card operations	9,654			8,105		
Other non-interest bearing assets[(5)]	16,792			15,260		
Total assets	**247,583**			**231,947**		
Of which: Total interest bearing assets attributable to operations abroad	33,590	351	4.25	32,607	330	4.11
* Commissions included in interest income from credit to the public		84			81	

For footnotes see page 217.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "B" – Average balances and interest rates – liabilities and equity

	For the three months ended September 30					
	2019			2018		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	41,818	4	0.04	35,191	1	0.01
In Israel - Time deposits	91,047	153	0.67	88,661	154	0.70
Total deposits from the public in Israel	**132,865**	**157**	**0.47**	**123,852**	**155**	**0.50**
Abroad - On call	12,832	56	1.76	11,395	32	1.13
Abroad - Time deposits	9,783	59	2.43	9,212	45	1.97
Total deposits from the public outside Israel	**22,615**	**115**	**2.05**	**20,607**	**77**	**1.50**
Total deposits from the public	**155,480**	**272**	**0.70**	**144,459**	**232**	**0.64**
Deposits from the Government:						
In Israel	161	1	2.51	182	1	2.22
Abroad	27	-	-	81	-	-
Total deposits from the Government	**188**	**1**	**2.14**	**263**	**1**	**1.53**
Deposits from banks:						
In Israel	4,291	6	0.56	4,597	5	0.44
Abroad	2,296	10	1.75	2,138	10	1.88
Total deposits from banks	**6,587**	**16**	**0.98**	**6,735**	**15**	**0.89**
Securities loaned or sold under repurchase agreements:						
Abroad	989	6	2.45	1,397	17	4.96
Total securities loaned or sold under repurchase agreements	**989**	**6**	**2.45**	**1,397**	**17**	**4.96**
Bonds and subordinated debt notes:						
In Israel	8,126	57	2.84	7,338	105	5.85
Total bonds and subordinated debt notes	**8,126**	**57**	**2.84**	**7,338**	**105**	**5.85**
Other liabilities:						
In Israel	49	1	8.42	37	-	-
Total other liabilities	**49**	**1**	**8.42**	**37**	**-**	**-**
Total interest bearing liabilities	**171,419**	**353**	**0.83**	**160,229**	**370**	**0.93**
Non-interest bearing deposits from the public	38,485			38,072		
Creditors in respect of credit card operations	9,654			8,650		
Other non-interest bearing liabilities[6]	9,599			7,833		
Total liabilities	**229,157**			**214,784**		
Total capital resources	**18,426**			**17,163**		
Total liabilities and capital resources	**247,583**			**231,947**		
Interest margin		**1,398**	**2.38**		**1,412**	**2.53**
Net return on interest bearing assets:[7]						
In Israel	187,547	1,178	2.54	175,975	1,186	2.72
Abroad	33,590	220	2.65	32,607	226	2.80
Total net return on interest bearing assets	**221,137**	**1,398**	**2.55**	**208,582**	**1,412**	**2.74**
Of which: Total interest bearing liabilities attributable to operations abroad	25,927	131	2.04	24,223	104	1.73

For footnotes see page 217.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "C" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the three months ended September 30					
	2019			2018		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	151,987	1,265	3.37	139,763	1,143	3.31
Total interest bearing liabilities	(114,331)	(104)	(0.36)	(106,251)	(82)	(0.31)
Interest margin		**1,161**	**3.01**		**1,061**	**3.00**
CPI-linked shekels:						
Total interest bearing assets	18,978	4	0.08	18,151	163	3.64
Total interest bearing liabilities	(10,152)	(19)	(0.75)	(10,637)	(111)	(4.24)
Interest margin		**(15)**	**(0.67)**		**52**	**(0.60)**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	16,582	131	3.20	18,061	146	3.27
Total interest bearing liabilities	(21,009)	(99)	(1.90)	(19,118)	(73)	(1.54)
Interest margin		**32**	**1.30**		**73**	**1.73**
Total operations in Israel:						
Total interest bearing assets	187,547	1,400	3.02	175,975	1,452	3.34
Total interest bearing liabilities	(145,492)	(222)	(0.61)	(136,006)	(266)	(0.78)
Interest margin		**1,178**	**2.41**		**1,186**	**2.56**

For footnotes see next page.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "D" – Analysis of changes in interest income and expenses

	For the three months ended September 30		
	2019 Compared to 2018		
	Increase (decrease) due to change[8]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	93	(143)	(50)
Abroad	21	4	25
Total credit to the public	**114**	**(139)**	**(25)**
Other interest bearing assets:			
In Israel	3	(5)	(2)
Abroad	(4)	-	(4)
Total other interest bearing assets	**(1)**	**(5)**	**(6)**
Total interest income	**113**	**(144)**	**(31)**
Interest bearing liabilities:			
Credit to the Government:			
In Israel	11	(9)	2
Abroad	10	28	38
Total deposits from the public	**21**	**19**	**40**
Other interest bearing liabilities:			
In Israel	2	(48)	(46)
Abroad	(1)	(10)	(11)
Total other interest bearing liabilities	**1**	**(58)**	**(57)**
Total interest expenses	**22**	**(39)**	**(17)**
Interest income, net	**91**	**(105)**	**(14)**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment in respect of which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) in respect of available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments in respect of available-for-sale securities according to fair value" in the amount of NIS 14 million and NIS 413 million, respectively; 2018 – NIS (16) million and NIS (209) million respectively.

(5) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.

(6) Including derivative instruments.

(7) Net return – net interest income divided by total interest bearing assets.

(8) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "E" - Average balances and interest rates – assets

	For the nine months ended September 30					
	2019			2018		
	Average balance[(2)]	Interest income	Rate of income	Average balance[(2)]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[(3)]						
In Israel	138,607	4,182	4.04	126,404	3,925	4.16
Abroad	23,377	900	5.17	21,060	739	4.71
Total credit to the public	**161,984**	***5,082**	**4.20**	**147,464**	***4,664**	**4.24**
Credit to the Government:						
In Israel	3,342	69	2.76	1,915	44	3.08
Abroad	-	-	-	-	-	-
Total credit to the Government	**3,342**	**69**	**2.76**	**1,915**	**44**	**3.08**
Deposits with banks:						
In Israel	3,036	37	1.63	2,949	24	1.09
Abroad	205	1	0.65	231	1	0.58
Total deposits with banks	**3,241**	**38**	**1.57**	**3,180**	**25**	**1.05**
Deposits with central banks:						
In Israel	11,648	21	0.24	16,802	13	0.10
Abroad	727	10	1.84	557	5	1.20
Total deposits with central banks	**12,375**	**31**	**0.33**	**17,359**	**18**	**0.14**
Securities borrowed or purchased under resale agreements:						
In Israel	722	-	-	686	-	-
Total securities borrowed or purchased under resale agreements	**722**	**-**	**-**	**686**	**-**	**-**
Bonds held for redemption and available for sale:[(4)]						
In Israel	25,222	293	1.55	22,316	236	1.41
Abroad	8,502	160	2.52	9,332	173	2.48
Total bonds held for redemption and available for sale	**33,724**	**453**	**1.80**	**31,648**	**409**	**1.73**
Trading bonds:[(4)]						
In Israel	2,136	20	1.25	1,897	25	1.76
Abroad	72	1	1.86	66	1	2.03
Total trading bonds	**2,208**	**21**	**1.27**	**1,963**	**26**	**1.77**
Other assets:						
Abroad	687	13	2.53	671	15	2.99
Total other assets	**687**	**13**	**2.53**	**671**	**15**	**2.99**
Total interest bearing assets	**218,283**	**5,707**	**3.50**	**204,886**	**5,201**	**3.40**
Debtors in respect of credit card operations	8,976			7,595		
Other non-interest bearing assets[(5)]	15,584			14,870		
Total assets	**242,843**			**227,351**		
Of which: Total interest bearing assets attributable to operations abroad	33,570	1,085	4.33	31,917	934	3.92
* Commissions included in interest income from credit to the public		247			241	

For footnotes see page 221.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "F" – Average balances and interest rates – liabilities and equity

	For the nine months ended September 30					
	2019			2018		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	39,730	9	0.03	33,919	4	0.02
In Israel - Time deposits	92,003	568	0.82	87,125	468	0.72
Total deposits from the public in Israel	**131,733**	**577**	**0.58**	**121,044**	**472**	**0.52**
Abroad - On call	12,260	152	1.66	11,485	80	0.93
Abroad - Time deposits	9,873	183	2.48	8,568	108	1.68
Total deposits from the public outside Israel	**22,133**	**335**	**2.02**	**20,053**	**188**	**1.25**
Total deposits from the public	**153,866**	**912**	**0.79**	**141,097**	**660**	**0.62**
Deposits from the Government:						
In Israel	167	1	0.80	194	2	1.38
Abroad	57	1	2.35	79	1	1.69
Total deposits from the Government	**224**	**2**	**1.19**	**273**	**3**	**1.47**
Deposits from banks:						
In Israel	4,057	18	0.59	4,015	13	0.43
Abroad	2,114	34	2.15	1,654	25	2.02
Total deposits from banks	**6,171**	**52**	**1.13**	**5,669**	**38**	**0.89**
Securities loaned or sold under repurchase agreements:						
Abroad	809	16	2.65	1,781	55	4.14
Total securities loaned or sold under repurchase agreements	**809**	**16**	**2.65**	**1,781**	**55**	**4.14**
Bonds and subordinated debt notes:						
In Israel	8,276	308	4.99	7,430	338	6.11
Total bonds and subordinated debt notes	**8,276**	**308**	**4.99**	**7,430**	**338**	**6.11**
Other liabilities:						
In Israel	45	3	8.99	49	1	2.73
Total other liabilities	**45**	**3**	**8.99**	**49**	**1**	**2.73**
Total interest bearing liabilities	**169,391**	**1,293**	**1.02**	**156,299**	**1,095**	**0.94**
Non-interest bearing deposits from the public	37,921			38,538		
Creditors in respect of credit card operations	9,262			8,076		
Other non-interest bearing liabilities[6]	8,071			7,803		
Total liabilities	**224,645**			**210,716**		
Total capital resources	**18,198**			**16,635**		
Total liabilities and capital resources	**242,843**			**227,351**		
Interest margin		**4,414**	**2.48**		**4,106**	**2.46**
Net return on interest bearing assets:[7]						
In Israel	184,713	3,715	2.69	172,969	3,441	2.66
Abroad	33,570	699	2.79	31,917	665	2.79
Total net return on interest bearing assets	**218,283**	**4,414**	**2.71**	**204,886**	**4,106**	**2.68**
Of which: Total interest bearing liabilities attributable to operations abroad	25,113	386	2.05	23,567	269	1.52

For footnotes see page 221.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "G" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the nine months ended September 30					
	2019			2018		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	149,427	3,718	3.33	138,905	3,315	3.19
Total interest bearing liabilities	(113,193)	(311)	(0.37)	(103,857)	(244)	(0.31)
Interest margin		**3,407**	**2.96**		**3,071**	**2.88**
CPI-linked shekels:						
Total interest bearing assets	18,616	485	3.49	18,133	578	4.27
Total interest bearing liabilities	(10,154)	(307)	(4.05)	(10,753)	(401)	(5.00)
Interest margin		**178**	**(0.56)**		**177**	**(0.73)**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	16,670	419	3.37	15,931	374	3.14
Total interest bearing liabilities	(20,931)	(289)	(1.85)	(18,122)	(181)	(1.33)
Interest margin		**130**	**1.52**		**193**	**1.81**
Total operations in Israel:						
Total interest bearing assets	184,713	4,622	3.35	172,969	4,267	3.30
Total interest bearing liabilities	(144,278)	(907)	(0.84)	(132,732)	(826)	(0.83)
Interest margin		**3,715**	**2.51**		**3,441**	**2.47**

For footnotes see next page.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "H" – Analysis of changes in interest income and expenses

	For the nine months ended September 30		
	2019 Compared to 2018		
	Increase (decrease) due to change[8]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	368	(111)	257
Abroad	89	72	161
Total credit to the public	**457**	**(39)**	**418**
Other interest bearing assets:			
In Israel	(4)	102	98
Abroad	(12)	2	(10)
Total other interest bearing assets	**(16)**	**104**	**88**
Total interest income	**441**	**65**	**506**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	47	58	105
Abroad	31	116	147
Total deposits from the public	**78**	**174**	**252**
Other interest bearing liabilities:			
In Israel	23	(47)	(24)
Abroad	(9)	(21)	(30)
Total other interest bearing liabilities	**14**	**(68)**	**(54)**
Total interest expenses	**92**	**106**	**198**
Interest income, net	**349**	**(41)**	**308**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment in respect of which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) in respect of available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments in respect of available-for-sale securities according to fair value" in the amount of NIS 8 million and NIS 149 million, respectively; 2018 – NIS (12) million and NIS (89) million respectively.

(5) Including derivative instruments and other assets that are not interest brearing and net of allowance for credit losses.

(6) Including derivative instruments.

(7) Net return – net interest income divided by total interest bearing assets.

(8) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.

Appendix no. 2 – Additional details – securities portfolio

1. Available-for-sale bonds - data according to economic sectors

Details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	September 30, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,294	2,343	57	8
Financial services[1]	7,880	7,921	65	24
Total non government bonds	**10,174**	**10,264**	**122**	**32**
Government bonds				
U.S. government	886	913	28	1
Israel Government	17,131	17,493	371	9
Other Governments	92	93	1	-
Total government bonds	**18,109**	**18,499**	**400**	**10**
Total bond in the available-for-sale portfolio	**28,283**	**28,763**	**522**	**42**

* Most of this amount represents the investment of IDB New York in the U.S.A. municipal bonds. Of which, the three largest investments are in the amount of NIS 106-201 million, each, in municipal bonds of Washington state, in bonds of New York City transitional authority ("TFA") and in bonds of the Texas state.

(1) Details regarding bonds in the financial services sector in the available-for-sale portfolio

	September 30, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	864	875	15	4
Ginnie Mae	5,355	5,388	44	11
Freddie Mac	227	227	1	1
Fannie Mae	298	301	3	-
Other	1,136	1,130	2	8
Total financial services	**7,880**	**7,921**	**65**	**24**

Appendix no. 2 – Additional details – securities portfolio (continued)

1. Available-for-sale bonds - data according to economic sectors (continued)

(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio

	September 30, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
North America	77	77	-	-
Western Europe[3]	482	490	12	4
Israel	13	13	-	-
Australia	292	295	3	-
Total banks and banking holding companies	**864**	**875**	**15**	**4**

(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe

Britain	175	181	8	2
Sweden	69	69	-	-
France	160	158	-	2
Netherlands	43	44	1	-
Denmark	35	38	3	-
Total	**482**	**490**	**12**	**4**

2. Held-to-maturity securities - data according to economic sectors

Details regarding the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	September 30, 2019			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Public and community services	186	191	7	2
Financial services*	352	352	4	4
Total non government bonds	**538**	**543**	**11**	**6**
Total Government bonds	**4,762**	**5,008**	**246**	**-**
Total bonds in the held-to-maturity portfolio	**5,300**	**5,551**	**257**	**6**
*Following are details of Held-to-maturity bonds in the financial services sector:				
Ginnie Mae	117	118	2	1
Freddie Mac	167	166	2	3
Fannie Mae	68	68	-	-
Total financial services	**352**	**352**	**4**	**4**

Appendix no. 2 – Additional details – securities portfolio (continued)

3. Trading Bonds - data according to economic sectors

Details regarding the distribution of bonds in the trading securities portfolio according to economic sectors

	September 30, 2019			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Various sectors	38	38	2	2
Financial services	79	81	2	-
Total non government bonds	**117**	**119**	**4**	**2**
Total government bonds	**2,085**	**2,099**	**15**	**1**
Total bonds in the trading portfolio	**2,202**	**2,218**	**19**	**3**

Appendix no. 3 – Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative financial instruments involves special risk factors including credit risks.

The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure regarding exposure related to credit risk of a counterparty" under "Credit risk management".

Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details regarding data presented in part B of the aforementioned Note.

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of September 30	As of December 31
	2019	2018
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	-	3
With an AA- rating	157	179
With an A+ rating	720	390
With an A rating	68	99
With an A- rating	10	3
With a BBB+ rating	47	49
Not rated	130	27
Total against foreign banks	**1,132**	**750**
Total against Israeli banks	**478**	**770**
Total Balance-sheet balances of assets deriving from derivative instruments	**1,610**	**1,520**

Appendix no. 3 – Additional details (continued)

1. Activity in derivative financial instruments (continued)

(2) Details according to rating of off balance sheet credit risk in respect of transactions in derivative instruments where the counterparty is a bank

	As of September 30	As of December 31
	2019	2018
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	8	-
With an AA- rating	1	1
With an A+ rating	62	126
With an A rating	13	31
With an A- rating	1	3
With an BBB+ rating	2	6
Total against foreign banks	**87**	**167**
Total against Israeli banks	**8**	**38**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**95**	**205**

Appendix no. 3 – Additional details (continued)

1. Activity in derivative financial instruments (continued)

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of September 30, 2019	As of September 30, 2018	As of December 31, 2018
		in NIS million	
Agriculture	1	-	1
Industry:			
Machines, electrical and electronic equipment	20	38	97
Mining, chemical industry and oil products	59	60	133
Other	37	22	23
Total industry	116	120	253
Construction and real estate:			
Acquisition of real estate for construction	82	52	60
Real estate holdings	188	46	66
Other	14	17	19
Total Construction and real estate	284	115	145
Electricity and water	368	367	291
Commerce	371	64	61
Hotels, hotel services and food	35	22	29
Transportation and storage	22	30	36
Communications and computer services	36	24	23
Financial services:			
Financial institution (excluding banks)	1,547	471	370
Private customers active on the capital market	328	476	567
Financial holding institutions	1,273	772	793
Insurance and provident fund services	-	-	-
Total financial services	3,148	1,719	1,730
Business and other services	33	24	22
Public and community services	63	19	30
Private individuals - housing loans	-	-	-
Private individuals - other	10	16	12
Total credit risk in respect of derivative instruments	**4,487**	**2,520**	**2,633**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	(2,653)	(902)	(747)
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**1,834**	**1,618**	**1,886**

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details regarding investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	September 30, 2019		December 31, 2018	
	Book value	Fair value[1]	Book value	Fair value[1]
		In NIS millions		
Of the Israeli Government	24,320	24,566	23,989	24,058
U.S. government	947	947	475	475
Other governments	93	93	293	293
Total	**25,360**	**25,606**	**24,757**	**24,826**

Footnote:
(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

Appendix no. 4 – Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (in accordance with the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses for which Management's special attention is required, and which, if not attended to, might adversely affect the repayment of the credit or the position of the Bank as a creditor.
Problematic debt	A debt that is classified as "impaired", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and in respect of which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Impaired debt	A debt in respect of which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	An impaired debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.

Appendix no. 4 – Glossary (continued)

Forward looking information	Some of the information detailed in the directors' report, which does not relate to historical facts, comprises forward-looking information, as defined in the Securities Law, 1968. The Bank's actual results might differ materially from those indicated in the forward-looking information, due to a large number of factors, including, among other things, macro-economic changes, changes in the geo-political situation, regulatory changes and other changes not under the Bank's control, and which may result in the non-realization of the estimates and/or in changes in the Bank's business plans. Forward-looking information is typified by terms and words like: "believe", "anticipate", "estimate", "intends", "prepares to…", "might" and similar expressions, in addition to nouns such as: "desire", "anticipation", "intention", "expectation", "assessment", "forecast", etc. Such forward-looking expressions involve risks and uncertainties as they are based on evaluations by Management as to future events, which include, among other things, evaluations as to the state of the economy, public preferences, domestic and foreign interest rates, inflation rates, etc. as well as regarding the effects of new legislative and regulatory provisions relating to the banking industry and the capital market and to other fields that have an impact on the Bank's activity and on the environment in which it operates, and that by the nature of things, their realization is uncertain. The information presented below relies, among other things, on information in the Bank's hands, inter-alia, publications by other entities such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Housing and other entities that publish data and assessments as to the Israeli and global financial and capital markets. The above reflects the Bank's and its subsidiaries point of view at the time of preparation of the financial statements as to future events, based on evaluations that are uncertain. The evaluations and business plans of the Bank and its subsidiaries are derived from such data and assessments. As stated above, actual results might differ materially and impact the realization of the business plans or bring about changes in these plans.
Financial instrument	Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions: The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.
Over-the-counter (OTC) derivative	Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.
Counterparty credit risk - CVA (Credit Valuation Adjustment)	The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.
Active market	A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.
Financing rate - LTV (Loan To Value Ratio)	The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".
ICAAP (Internal Capital Adequacy Assessment Process)	The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.

Appendix no. 5 - Index

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking
Mercantile Discount Bank

Capital Market And Investments
Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards Companies
Israel Credit Cards
Diners Club

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA
website: www.idbbank.com
Head Office: 511 Fifth Avenue, New York
Staten Island, NY Branch:
201 Edward Curry Avenue, Suite 204
Brooklyn, NY Branch:
705 Avenue U
Short Hills, NJ Branch:
150 JFK Parkway
Beverly Hills, CA Branch:
9401 Wilshire Boulevard, Suite 600
Downtown Los Angeles, CA Branch:
888 South Figueroa Street, Suite 550
Aventura, FL Branch:
Harbour Centre, 18851 NE 29th Avenue,
Suite 600

Representative Offices: Israel /
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