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CONDENSED FINANCIAL STATEMENTS

30.9.2015

ISRAEL DISCOUNT BANK

80 YEARS

REPORT OF THE BOARD OF DIRECTORS

MANAGEMENT REVIEW

CONDENSED FINANCIAL STATEMENTS – SEPTEMBER 30, 2015

THE DISCOUNT GROUP - GENERAL OVERVIEW AND PRINCIPAL DATA

At the meeting of the Board of Directors held on November 19, 2015, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for September 30, 2015 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

PRINCIPAL OPERATIONS AND CENTRAL EVENTS DURING THE REPORTED PERIOD

The Bank continued in the first nine months of 2015 the absorption and implementation of the strategic plan, which had been approved in 2014. The plan has been constructed on three central pillars: far-reaching efficiency measures, growing the retail segment and inculcating an organizational culture supporting change. Salaries and related expenses, disregarding the impact of the retirement plans in 2014 (in the Bank and in MDB; see "Developments in Income and Expenses" below) decreased by 5.0% in the first nine months of 2015 (compared with the corresponding period last year).

U.S. accounting principles as regards employee rights are being applied by the Bank as from January 1, 2015, implementation that has had an adverse effect on capital in the amount of NIS 557 million (as of January 1, 2015). In addition, the Bank has implemented in these reports, by means of retrospective restatement, the Supervisor's directives with regard to the capitalization of in-house software developed costs, implementation that had an adverse effect on capital in an amount of NIS 87 million (as of December 31, 2014).

Despite the aforesaid adverse effect on capital the Bank maintained the ratio of common equity tier 1 to risk assets of 9.5%. This, among other things, due to early preparations.

On February 19, 2015, the Bank completed a move for the sale of a parcel of shares of FIBI, following which, the Bank's rate of holdings in the shares of FIBI was reduced to below 10% (see Notes 15 C to the condensed financial statements). Completion of this move constitutes the Bank's attainment of a relevant milestone in the sale outline determined by the Antitrust Commissioner, prior to the final date that had been fixed for this sale in the outline.

In consequence of this sale and the decrease in the Bank's rate of holdings in the shares of FIBI to below 10%, the exceptional impact of the investment in these shares on capital adequacy has been removed, a fact that brought about an improvement in capital adequacy already in the first quarter of 2015.

The Bank presents the liquidity coverage ratio and the leverage ratio, in accordance with the new instructions in these matters. The said ratios maintained by the Discount Group, are even higher at present than the minimal goal determined by the Supervisor, with effect as from January 1, 2017 and January 1, 2018, respectively.

Within the framework of the implementation of the strategic plan, measures for business focus and the reduction in operations which are outside the core of banking business were implemented in 2015.

For details regarding the completion of the sale of the operations of Discount Bank Latin America ("DBLA"), a subsidiary of IDB New York, which is incorporated and operates in Uruguay, see Note 18A to the condensed financial statements. For details regarding the action taken for the sale of the operations of IDB (Swiss) Bank, see Note 18B to the condensed financial statements. For details regarding the closing down of the London Branch, see under "International operations".

For details regarding the merger of Clal Finance Underwriting Ltd. with and into Discount Underwriting and Issuing Ltd., see below "Israel Discount Capital Markets and Investments Ltd.".

In addition, for details regarding discussions concerning the acquisition of the minority's shares in Diners, see "Credit Card Operations" below.

PRINCIPAL DATA

Balance sheet[2]

	September 30, 2015	September 30, 2014	December 31, 2014	Change in % compare to September 30, 2014	Change in % compare to December 31, 2014
	In NIS millions				
Total assets	206,914	[1]200,014	[1]207,185	3.4	(0.1)
Credit to the public, net	123,592	118,974	120,123	3.9	2.9
Securities	39,251	39,477	37,353	(0.6)	5.1
Deposits from the public	152,534	145,405	152,903	4.9	(0.2)
Equity attributed to the Bank's shareholders	13,309	[1]12,577	[1]12,599	5.8	5.6
Total equity	13,747	[1]12,956	[1]12,989	6.1	5.8

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

(2) Excluding balances classified as assets and liabilities held for sale - see Note 18 to the condensed financial statements.

Profitability

	For the nine months ended September 30 2015	2014	Change in %
	In NIS millions		
Interest income, net	3,182	3,179	0.1
Credit loss expenses	89	80	11.3
Income before taxes	1,179	[2]786	50.0
Provision for taxes on income	446	[2]275	62.2
Income after taxes	733	[2]511	43.4
Net income attributed to the Bank's shareholders	690	[2]501	37.7
Net income attributed to the Bank's shareholders - disregarding the impact of the retirement plan in 2014	690	[2]712	(3.1)
Comprehensive income, attributed to the Bank's shareholders	710	[2]883	(19.6)
Net earnings per one share of NIS 0.1 par value attributed to the Bank's shareholders - in NIS	0.65	[2]0.48	
The ratio of income before taxes to total equity in %[1]	12.1	[2]9.1	
The ratio of income after taxes to total equity in %[1]	7.5	[2]5.9	
Net return on equity attributed to the Bank's shareholders, in %[1]	7.2	[2]5.6	
Net return on equity attributed to the Bank's shareholders, in %[1] - disregarding the impact of the retirement plan in 2014	7.2	[2]8.0	

Footnotes:

(1) On an annual basis.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

Ratio of capital to risk assets

Basel III	September 30, 2015	September 30, 2014	December 31, 2014
		in %	
Ratio of common equity tier 1 to risk assets	9.5	9.3	9.4
Ratio of tier 1 capital to risk assets	10.4	10.3	10.4
Ratio of total capital to risk assets	14.4	14.8	[1]14.8

Footnote:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(2) and excluding the effect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, which took effect on January 1, 2015.

Financial ratios

	September 30, 2015	September 30, 2014	December 31, 2014
		in %	
Ratio of total equity to total assets	6.6	(2)6.5	(2)6.3
Ratio of credit loss expenses to the average balance of credit to the public	0.10	0.09	0.14
Ratio of credit to the public, net to total assets	59.7	(2)59.5	(2)58.0
Ratio of credit to the public, net to deposits from the public	81.0	81.8	78.6
Ratio of deposits from the public to total assets	73.7	(2)72.7	(2)73.8
Ratio of total non-interest income to operating and other expenses	55.2	(2)50.1	(2)49.2
Ratio of total non-interest income to operating and other expenses - disregarding the impact of the retirement plan in 2014	55.2	(2)54.0	(2)(4)54.4
Ratio of operating expenses to total income	77.1	(2)84.3	(2)87.0
Ratio of operating and other expenses to total income - disregarding the impact of the retirement plan	77.1	(2)78.1	(2)(4)78.7
Risk assets adjusted return(1)	7.2	(2)5.7	(2)4.3
Risk assets adjusted return(1) - disregarding the impact of the retirement plan in 2014	7.2	(2)8.1	(2)(4)7.5
Liquidity coverage ratio(3)	131.5		
Leverage ratio(3)	6.6		

Footnotes:

(1) Return on capital computed on the average balance of risk assets in accordance with the minimum capital target determined by the Bank for the relevant period (September 30, 2015 - 9.04%, December 31, 2014 and September 30, 2014 - 8.5%).

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

(3) The data is presented according to the new instruction, in effect as from April 1, 2015, and therefore no comparative data is presented. The ratio is computed in respect of the three months ended September 30, 2015.

(4) The loss from the sale of the operations of DBLA has also been eliminated.

MARKET SHARE

Based on data relating to the banking industry as of June 30, 2015, 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, 2015	December 31, 2014
	In %	
Total assets	15.2	15.6
Credit to the public, net	13.8	14.1
Deposits from the public	15.0	15.3
Interest income, net	17.4	17.0
Total non-interest income	16.0	18.1

Development of the Discount share

	Closing price at end of the trading day			Rate of change in the first nine months of 2015 in %
	November 16, 2015	September 30, 2015	December 31, 2014	
Discount share	704	717	625	14.7
The Banks index	1,357.53	1,372.04	1,249.51	9.8
The TA 25 index	1,545.42	1,490.98	1,464.99	1.8
Discount market value (in NIS billions)	7.42	7.55	6.59	14.7

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.

EXPLANATIONS REGARDING THE BUSINESS CONDITION OF THE GROUP

INCOME AND PROFITABILITY

Net profit attributed to the Bank's shareholders for the first nine months of 2015 totalled NIS 690 million, compared with NIS 501 million in the corresponding period last year, an increase of 37.7%.

With the elimination of the impact of the retirement plan in 2014, the income for the first nine months of 2014 would have amounted to NIS 712 million, a decrease at a rate of 3.1%.

Return on equity net attributed to the Bank's shareholders for the first nine months of 2015 reached a rate of 7.2%, on an annual basis, compared with a rate of 5.6% for the corresponding period last year, and 4.2% for all of 2014.

With the elimination of the impact of the retirement plan in 2014, the return on equity in the first nine months of 2014 would have reached an annualized rate of 8.0%.

The following are the main factors that had an effect on the business results of the Group in the first nine months of 2015, compared with the corresponding period last year:

a. An increase in the total non-interest income, of NIS 37 million (1.6%), affected by a decrease of NIS 69 million in non-interest financing income (17.9%), principally, a decline in net gains on investment in shares (see Note 12), an increase of NIS 44 million in commissions (2.3%) and an increase of NIS 62 million in other income.
b. A decrease of NIS 362 million in operating and other expenses (7.8%), affected, mainly, by a decrease of NIS 472 million in payroll and related expenses (15.8%), of which, NIS 339 million being the impact of the retirement plans (in the Bank and in MDB) in the first nine months of 2014, which was partly offset by an increase of NIS 107 million in other expenses (13.9%).
c. Tax provision of NIS 446 million on earnings in the first nine months of 2015, compared with NIS 275 million in the corresponding period last year.

Following is the condensed statement of comprehensive income:

	For the nine months ended September 30,		
	2015	2014	Change in %
	in NIS millions		
Net income attributed to the Bank's shareholders	690	(2)(3)501	37.7
Changes in components of other comprehensive income (loss), attributed to the Bank's shareholders:			
Other comprehensive income, before taxes[1]	4	(2)520	
Effect of attributed taxes	16	(2)(138)	
Other comprehensive income, attributed to the Bank's shareholders, after taxes	20	382	
Comprehensive income, attributed to the Bank's shareholders	**710**	**883**	**(19.6)**

Footnotes:

(1) For details regarding changes in the components of other comprehensive income, see Note 14 to the condensed financial statements.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1) to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 E (2) to the condensed financial statements.

DEVELOPMENTS IN INCOME AND EXPENSES

Following are the developments in income statement items in the first nine months of 2015, compared to the first nine months of 2014:

	For the nine months ended September 30,		
	2015	2014	Change
	In NIS millions		in %
Interest income	4,033	4,384	(8.0)
Interest expenses	851	1,205	(29.4)
Interest income, net	3,182	3,179	0.1
Credit loss expenses	89	80	11.3
Net interest income after credit loss expenses	**3,093**	**3,099**	**(0.2)**
Non-interest Income			
Non-interest financing income	317	386	(17.9)
Commissions	1,962	1,918	2.3
Other income	78	(1)16	387.5
Total non-interest income	**2,357**	**2,320**	**1.6**
Operating and other Expenses			
Salaries and related expenses	2,523	(1)(2)2,995	(15.8)
Maintenance and depreciation of buildings and equipment	869	(2)866	0.3
Other expenses	879	(2)772	13.9
Total operating and other expenses	**4,271**	**4,633**	**(7.8)**
Income before taxes	1,179	786	50.0
Provision for taxes on income	446	(1)(2)275	62.2
Income after taxes	733	511	43.4
Bank’s share in income of affiliated companies, net of tax effect	5	23	(78.3)
Net income attributed to the non-controlling rights holders in consolidated companies	(48)	(33)	45.5
Net income attributed to Bank's shareholders	**690**	**501**	**37.7**
Net return on equity attributed to the Bank's shareholders, in %(3)	7.2	5.6	
Net income attributed to Bank's shareholders - disregarding the retirement plan in 2014	**690**	**(4)712**	**(3.1)**
Net return on equity attributed to the Bank's shareholders, %(3) - disregarding the retirement plan in 2014	7.2	(4)8.0	

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1) to the condensed financial statements.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(3) On an annual basis.

(4) For details regarding the net changes in the provision for severance pay, mainly retirement plan, see Note 16L & M to the 2014 financial statements (p. 451).

Following are the developments in certain income statement items in the third quarter of 2015, compared with the second quarter of 2015 and compared with the third quarter of 2014:

	2015	2014		Rate of Change Q3 2015 compared to	
	Q3	Q2	Q3	Q2 2015	Q3 2014
	In NIS millions			in %	
Interest income	1,401	1,550	1,479	(9.6)	(5.3)
Interest expenses	334	455	418	(26.6)	(20.1)
Interest income, net	1,067	1,095	1,061	(2.6)	0.6
Credit loss expenses (expenses reversal)	85	(28)	40	-	112.5
Net interest income after credit loss expenses	**982**	**1,123**	**1,021**	**(12.6)**	**(3.8)**
Non-interest Income					
Non-interest financing income	30	102	148	(70.6)	(79.7)
Commissions	650	655	650	(0.8)	-
Other income	42	14	(2)2	200.0	2000.0
Total non-interest income	**722**	**771**	**800**	**(6.4)**	**(9.8)**
Operating and other Expenses					
Salaries and related expenses	820	832	(2)(3)929	(1.4)	(11.7)
Maintenance and depreciation of buildings and equipment	294	291	(3)294	1.0	-
Other expenses	306	295	(3)253	3.7	20.9
Total operating and other expenses	**1,420**	**1,418**	**1,476**	**0.1**	**(3.8)**
Income before taxes	284	476	345	(40.3)	(17.7)
Provision for taxes on income	102	190	(2)(3)130	(46.3)	(21.5)
Income after taxes	182	286	215	(36.4)	(15.3)
Bank’s share in income of affiliated companies, net of tax effect	3	2	3	50.0	-
Net income attributed to the non-controlling rights holders in consolidated companies	(17)	(18)	(13)	(5.6)	30.8
Net income attributed to Bank's shareholders	**168**	**270**	**205**	**(37.8)**	**(18.0)**
Net return on equity attributed to the Bank's shareholders, in %(1)	5.2	8.7	6.9		
Net income attributed to Bank's shareholders - disregarding the retirement plan in 2014	**168**	**270**	**(4)225**	**(37.8)**	**(25.2)**
Net return on equity attributed to the Bank's shareholders, %(1) - disregarding the impact of the retirement plan in 2014	5.2	8.7	(4)7.6		

Footnotes:
(1) On an annual basis.
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1) to the condensed financial statements.
(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.
(4) For details regarding the net changes in the provision for severance pay, mainly retirement plan, see Note 16L & M to the 2014 financial statements (p. 451).

Following are details regarding material changes in statement of income items:

Interest income, net. In the first nine months of 2015, interest income, net, amounted to NIS 3,182 million compared with NIS 3,179 million in the corresponding period last year, an increase of 0.1%. The increase in the interest income, net, in the amount of NIS 3 million, is explained by a negative price impact of NIS 168 million, and a positive quantitative effect in the amount of NIS 171 million (see Schedule "A" to the Management Review, below).

The interest spread, excluding derivatives, reached a rate of 2.13% in the first nine months of 2015, compared with 2.26% in the corresponding period last year.

The average balance of interest bearing assets has increased by a rate of approx. 5.5%, from an amount of NIS 174,383 million to NIS 184,014 million, and the average balance of interest bearing liabilities has declined by a rate of approx. 1.3%, from an amount of NIS 144,542 million to NIS 142,713 million.

Non-interest financing income. In the first nine months of 2015, non-interest financing income amounted to NIS 317 million, compared to NIS 386 million in the corresponding period last year, a decrease of 17.9%.

The reduction in non-interest financing income is mainly from the net decrease in profits, from investment in shares (see Note 12 to the condensed financial statements).

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.

Following is the composition of the net financing income:

	2015			2014			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Interest income	1,401	1,550	1,082	1,352	1,479	1,581	1,324
Interest expenses	334	455	62	313	418	481	306
Interest income, net	1,067	1,095	1,020	1,039	1,061	1,100	1,018
Non-interest financing income	30	102	185	163	148	114	124
Total net financing income	**1,097**	**1,197**	**1,205**	**1,202**	**1,209**	**1,214**	**1,142**

Following is an analysis of the total net financing income:

	2015			2014			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Profit from current operations	1,075	1,083	1,034	1,059	1,047	1,072	1,017
Net profit from realization and adjustment to fair value of bonds	35	24	142	78	72	52	105
Profit (loss) from investments in shares	(38)	20	28	(29)	11	63	18
Adjustment to fair value of derivative instruments	(22)	54	(32)	20	11	(1)	(32)
Exchange rate differences, options and other derivatives	47	5	33	75	67	28	34
Net income (loss) on the sale of loans	--	11	--	(1)	1	--	--
Total net financing income	**1,097**	**1,197**	**1,205**	**1,202**	**1,209**	**1,214**	**1,142**

Financing income, net, amounted to NIS 3,499 million in the first nine months of 2015, compared to NIS 3,565 million in the corresponding period last year, a 1.9% decrease.

The decrease in the financing income is mainly due to a NIS 82 million decrease in net gains from investment in shares and from a decrease of NIS 44 million in income from exchange rate differences and options that have been offset due to an increase of NIS 56 million in earnings from current operations.

Rates of income and expenses. Interest income, net, is presented in Schedule "A" to the Management Review. In explaining the Bank's interest rate gap from current operations, one should add the effect of operations in ALM derivatives (not including exchange differences and operation in options).

Interest margin, from current operations, including ALM derivatives reached a rate of 1.09% in the first nine months of 2015, compared with 1.10% in the corresponding period last year.

The net financing income amounted to NIS 1,097 million in the third quarter of 2015, compared to NIS 1,209 million in the corresponding quarter last year, a 9.3% decrease, and compared to NIS 1,197 million in the second quarter of 2015, a 8.4% decrease.
The interest margin on current operations, including ALM derivatives, reached 1.12% in the third quarter of 2015, compared to 1.09% in the corresponding quarter last year and compared to 1.06% in the second quarter of 2015.

The following is the development of the interest income, net by segments of operations:

	For the three months ended September 30			For the nine months ended September 30		
	2015	2014		2015	2014	
	In NIS millions		Change in %	In NIS millions		Change in %
Retail - household segment	296	(1)296	-	856	(1)882	(2.9)
Retail- small business segment	212	(1)200	6.0	624	(1)588	6.1
Corporate banking segment	210	(1)229	(8.3)	647	(1)676	(4.3)
Middle market banking segment	148	(1)145	2.1	453	(1)431	5.1
Private banking segment	84	77	9.1	256	240	6.7
Financial management segment	117	(1)114	2.6	346	(1)362	(4.4)
Total	**1,067**	**1,061**	**0.6**	**3,182**	**3,179**	**0.1**

footnote:
(1) Reclassified, see Note 13 C (1) to the condensed financial statements.

Credit loss expenses. In the first nine months of 2015 credit loss expenses in the amount of NIS 89 million were recorded, compared with expenses of NIS 80 million in the corresponding period last year, an increase of 11.3%. The said increase was mainly affected by the increase in the specific allowance, which was partly offset by a reduction in the group allowance. The increase in the specific allowance was mostly affected by an allowance in respect of one borrower, in view of deterioration in the position of his debt. The reduction in the group allowance stemmed mostly from collections, from changes in the composition of the credit and from changes in the multiyear average composition of the allowance rates.
For details as to the components of the credit loss expenses, see Note 3 to the condensed financial statements.

Following are details of the quarterly development in the credit loss expenses:

	2015			2014			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
On a specific basis	(14)	31	81	20	(34)	(75)	104
On a group basis	99	(59)	(49)	64	74	40	(29)
Total	**85**	**(28)**	**32**	**84**	**40**	**(35)**	**75**
Rate of credit loss expenses to the average balance of credit to the public[1]:							
The rate in the quarter	0.27%	(0.09%)	0.10%	0.28%	0.13%	(0.12%)	0.25%
Cumulative rate since the beginning of the year	0.10%	0.01%	0.10%	0.14%	0.09%	0.07%	0.25%

Footnote:
(1) On an annual basis.

Commissions in the first nine months of 2015, amounted to NIS 1,962 million, compared to NIS 1,918 million in the corresponding period last year, an increase of 2.3%.

Following is the distribution of the commissions:

	For the nine months ended ,September 30		
	2015	2014	Change
	in NIS millions		in %
Ledger fees	394	425	(7.3)
Credit cards	737	695	6.0
Operations in securities and in certain derivative instruments	251	249	0.8
Commissions from the distribution of financial products	111	101	9.9
Management, operational and trusteeship services for institutional bodies	7	11	(36.4)
Handling credit	97	89	9.0
Conversion differences	108	102	5.9
Foreign trade services	38	38	-
Net income from credit portfolio services	11	13	(15.4)
Commissions on financing activities	130	124	4.8
Other commissions	78	71	9.9
Total commissions	**1,962**	**1,918**	**2.3**

The decline in ledger fees reflects regulatory measures, which began in 2014 and continued in 2015, according to which various limitations have been imposed on the banking industry as regards the charging of commissions (see Note 17 to the condensed financial statements).

Salaries and related expenses amounted to NIS 2,523 million in the first nine months of 2015, compared with NIS 2,995 million in the corresponding period last year, a decrease of 15.8%. Among other things, the decline stems from the impact of employee retirement within the framework of the plan encouraging early retirement, which was put into operation in 2014 (see "Human resources" in the 2014 Annual Report, pp. 225-227). When eliminating the impact of the retirement plans in 2014 (in the Bank and in MDB), which is included in the salaries for the first nine months of 2014, a reduction at a rate of 5.0% would have been recorded.

Following are details of the effects of certain components on salaries and related expenses:

	2015			2014			
Salaries and Related Expenses	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and Related Expenses - as reported	820	832	871	(1)1,091	(1)929	(1)1,115	(1)951
Awards	(4)	(39)	(40)	(23)	(22)	(16)	(18)
Impact of the retirement plan in 2014	-	-	-	(209)	(33)	(306)	-
Salaries and Related Expenses - Disregarding certain components	**816**	**793**	**831**	**859**	**874**	**793**	**933**

Footnote:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

DEVELOPMENT OF ASSETS AND LIABILITIES

Total assets as at September 30, 2015, amounted to NIS 206,914 million, compared with NIS 207,185 million at the end of 2014, a decrease of 0.1%.

Following are the developments in the principal balance sheet items[2]:

	September 30, 2015	December 31, 2014	Rate of change in %
	in NIS millions		
Assets			
Cash and deposits with banks	27,672	31,694	(12.7)
Securities	39,251	37,353	5.1
Credit to the public, net	123,592	120,123	2.9
Liabilities			
Deposits from the public	152,534	152,903	(0.2)
Deposits from banks	4,833	5,547	(12.9)
Securities loaned or sold under repurchase arrangements	3,853	3,984	(3.3)
Subordinated debt notes	9,937	10,638	(6.6)
Equity attributed to the Bank's shareholders	13,309	(1)12,599	5.6
Total equity	13,747	(1)12,989	5.8

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

(2) Excluding balances classified as assets and liabilities held for sale - see Note 18 to the condensed financial statements.

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, 2015 totaled NIS 123,592 million, compared with NIS 120,123 million at the end of 2014, an increase at a rate of 2.9%.

For details regarding the credit portfolio, see the 2014 Annual Report (pp. 26-32). For details regarding credit risk management, see "Credit risk management" under "Exposure to risks and risk management" hereunder and in the 2014 Annual Report (pp. 142-158). For details regarding the quality of credit, see Note 3 to the condensed financial statements and in the 2014 Annual Report (pp. 408-409). For details regarding the housing credit portfolio at the Discount Group, see "Mortgage Activity" under "Further details as to activity in certain products" and in the 2014 Annual Report (pp. 115-123).

COMPOSITION OF CREDIT TO THE PUBLIC BY LINKAGE SEGMENTS

Following are data on the composition of net credit to the public by linkage segments:

	September 30, 2015		December 31, 2014		
	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	79,820	64.6	74,762	62.2	6.8
CPI-linked shekels	14,929	12.1	15,314	12.8	(2.5)
Foreign currency and foreign currency-linked shekels	28,843	23.3	30,047	25.0	(4.0)
Total	**123,592**	**100.0**	**120,123**	**100.0**	**2.9**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto decreased by 4.0% compared with December 31, 2014. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels decreased by US$374 million, a decrease of 4.8% as compared to December 31, 2014. 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 2.7% as compared to December 31, 2014.

COMPOSITION OF CREDIT TO THE PUBLIC BY SEGMENTS OF OPERATIONS

The following is a review of developments in the balance of net credit to the public, by segments of operations:

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	In NIS millions				
Retail - household segment	43,214	42,140	41,254	40,889	40,577
Of which - Mortgages	21,218	20,632	20,202	20,138	20,035
Retail - small business segment	15,155	14,819	14,539	14,255	13,857
Corporate banking segment	39,419	37,784	39,581	39,105	39,409
Middle market banking segment	22,419	21,742	22,477	21,953	21,415
Private banking segment	3,385	3,794	3,867	3,921	3,716
Total	**123,592**	**120,279**	**121,718**	**120,123**	**118,974**

COMPOSITION OF THE OVERALL CREDIT TO THE PUBLIC RISK BY ECONOMIC SECTORS

Following are the developments of total credit to the public risk, by main economic sectors:

	September 30, 2015		December 31, 2014		
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 %
Agriculture	1,122	0.6	1,218	0.6	(7.9)
Mining & Quarrying	762	0.4	475	0.2	60.4
Industry	20,925	10.4	22,661	11.8	(7.7)
Construction and real estate - construction	16,135	8.0	15,137	7.8	6.6
Construction and real estate - real estate activity	20,031	10.0	19,484	10.0	2.8
Electricity and water	3,273	1.6	3,853	2.0	(15.1)
Commerce	24,126	12.0	23,027	11.9	4.8
Hotels, hotel services and food	2,559	1.3	2,778	1.4	(7.9)
Transportation and storage	5,153	2.6	4,287	2.2	20.2
Communications and computer services	3,557	1.8	2,542	1.3	39.9
Financial services	19,371	9.6	20,420	10.5	(5.1)
Other business services	8,136	4.0	7,448	3.8	9.2
Public and community services	5,839	2.9	5,381	2.8	8.5
Private individuals - housing loans	22,728	11.3	21,966	11.3	3.5
Private individuals - other	47,338	23.5	43,458	22.4	8.9
Total overall credit to the public risk	**201,055**	**100.0**	**194,135**	**100.0**	**3.6**
Banks	10,125		12,114		
Governments	25,738		23,225		
Total	**236,918**		**229,474**		

Starting with the first quarter of 2015, the data relating to the total credit to the public risk is presented in accordance with the 2011 uniform classification of economic sectors by the Central Bureau of Statistics, which replaced the 1993 uniform classification of economic sectors. This, within the framework of implementing the amendment of the Reporting to the Public Directives of the Supervisor of Banks, of 2014, which took effect on January 1, 2015. The comparative data as of December 31, 2014, are presented in accordance with the new classification.

The data presented above indicates that in the first nine months of 2015, the overall risk regarding credit to the public increased by 3.6% compared with the end of 2014. The growth was mostly focused on credit to private individuals, for housing and non-housing purposes, in accordance with the Bank's strategy. Moreover, a significant growth occurred also in the sectors of real estate, transportation and storage and communications and computer services. In the meanwhile, the total credit to the public risk mostly in the Industry, financial services, electricity and water and Hotels, hotel services and food sectors, was reduced.

DEVELOPMENT OF PROBLEMATIC CREDIT RISK

Problematic credit risk[1] and non performing assets:

	September 30, 2015			December 31, 2014		
	Credit Risk					
	Balance Sheet	Off-Balance Sheet	Total	Balance Sheet	Off-Balance Sheet	Total
	In NIS millions					
Problematic Credit Risk:						
Impaired credit risk	(3)3,045	43	3,088	(3)2,796	42	2,838
Substandard credit risk	570	3	573	922	6	928
Special mention credit risk[2]	(4)1,680	297	1,977	(4)2,370	667	3,037
Total Problematic Credit Risk	**5,295**	**343**	**5,638**	**6,088**	**715**	**6,803**
Of which: Non impaired debts, in arrears for 90 days or more[2]	404			506		
Non-performing assets:						
Impaired debts - non accruing interest income	2,580			2,487		
Assets received in respect of credit settlement	2			2		
Total Non-Performing Assets	**2,582**			**2,489**		

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 25 million (December 31, 2014- NIS 20 million).

(4) Including cumulative bank bonds in the amount of NIS 201 million, and cumulative foreign governments bonds in the amount of NIS 144 million (December 31,2014 - NIS 122 million and NIS 30 million, respectively).

Following are details on credit to the public, as specified in Note 3 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, 2015 to NIS 3,020 million, compared to NIS 2,776 million at December 31, 2014, an increase of 8.8%.

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, 2015 to NIS 2,555 million, compared to NIS 2,467 million at December 31, 2014, an increase at a rate of 3.6%.

Hereunder is the ratio of problematic debts to total debt in principal economic sectors:

	September 30, 2015			December 31, 2014		
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	20,925	570	2.7	22,661	1,269	5.6
Construction and real estate - construction	16,135	442	2.7	15,137	724	4.8
Construction and real estate - real estate activity	20,031	987	4.9	19,484	896	4.6
Commerce	24,126	891	3.7	23,027	1,102	4.8
Financial services	19,371	309	1.6	20,420	443	2.2
Private individuals - housing loans	22,728	372	1.6	21,966	464	2.1
Private individuals - other	47,338	361	0.8	43,458	345	0.8
Other Sectors	30,401	1,361	4.5	27,982	1,408	5.0
Total Public	**201,055**	**5,293**	**2.6**	**194,135**	**6,651**	**3.4**
Banks	10,125	201	2.0	12,114	122	1.0
Governments	25,738	144	0.6	23,225	30	0.1
Total	**236,918**	**5,638**	**2.4**	**229,474**	**6,803**	**3.0**

A reduction was recorded in the first nine months of 2015, in the rate of the problematic credit risk, in continuation to the trend in 2014. The reduction was focused on the industrial, construction, financial services and commerce sectors.

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 2,009 million as of September 30, 2015. The balance of this allowance constitutes 1.6% of the credit to the public, compared with a balance of the allowance in the amount of NIS 2,049 million, constituting 1.68% of the credit to the public as of December 31, 2014.

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, examined on a specific basis amounted to NIS 431 million on September 30, 2015, compared to NIS 307 million on December 31, 2014, an increase of 40.4%.

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, 2015 to NIS 1,403 million, compared to NIS 1,481 million as of December 31, 2014, comprising a decrease in the amount of NIS 78 million, a rate of 5.3%.

The decline in the balance of the group allowance stemmed, mainly, from collections, from changes in the composition of the credit and from changes in the multiyear average composition of the allowance rates.

Following are several financial ratios used to evaluate the quality of the credit portfolio:

	September 30, 2015	September 30, 2014	December 31, 2014
Ratio of balance of impaired credit to the public to balance of credit to the public	2.4%	2.6%	2.3%
Ratio of balance of non-impaired credit to the public, in arrears for 90 days or more, to balance of credit to the public	0.3%	0.4%	0.4%
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.6%	1.8%	1.7%
Ratio of balance of allowance for credit losses in respect of credit to the public to balance of impaired credit to the public	66.5%	68.6%	73.8%
Ratio of problematic credit risk in respect of the public to the total credit risk in respect of the public	2.7%	3.4%	3.4%
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.10%	0.09%	0.14%
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)	0.1%	0.1%	0.2%
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)	7.7%	4.0%	14.1%
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	58.7%	58.9%	62.5%

THE RISK CHARACTERIZATION OF THE CREDIT TO THE PUBLIC PORTFOLIO

Following is the distribution of credit loss expenses (expenses reversal) over the various economic sectors:

	Nine months ended September 30	
	2015	2014
sectors	Credit loss expenses	
	In NIS millions	
Agriculture	(4)	(6)
Mining & Quarrying	(1)	(2)
Industry	(35)	2
Construction and real estate - construction	3	93
Construction and real estate - real estate activity	(108)	(10)
Electricity and water	1	(1)
Commerce	61	(39)
Hotels, hotel services and food	9	3
Transportation and storage	(32)	8
Communications and computer services	172	(31)
Financial services	(36)	20
Other business services	15	(5)
Public and community services	4	(2)
Private Individuals - Housing Loans	4	6
Private Individuals - Other	38	42
Total Public	**91**	**78**
Total Banks	(2)	2
Total Governments	-	-
Total	**89**	**80**

The data presented above indicates that the increase in credit loss expenses in the first nine months of 2015, centered mostly in the information and communication, commercial and other business services sectors. On the other hand, credit loss expenses decreased in the construction and real estate, industrial, transportation and storage and financial services sectors.

SECURITIES

General. Securities in the Nosrto portfolio totaled NIS 39,251 million as of September 30, 2015, compared with NIS 37,353 million at the end of 2014, an increase of 5.1%. It is clarified that the "Nostro" portfolio of the Discount Group as of September 30, 2015, did not include any security the investment in which comprised 5% or over of the value of the total portfolio, except for a security of the "government variable 520" type and security of the "government variable 1121" type, which amounted to 7.1%, and 7.0% of the total portfolio, respectively.

As of September 30, 2015, some 61% of the portfolio is invested in Government bonds, and 7% 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 Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "A", items 1-3). For details regarding the segmentation of the investment in government bonds according to principal governments, see Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "C", Item 3).

For details regarding the Nostro portfolios management policy, see 2014 Annual Report (p. 78).

The First International Bank of Israel Ltd. ("FIBI"). See Note 6 D to the financial statements as of December 31, 2014 (pp. 416-418) and Note 15 to the condensed financial statements. for details regarding the following matters: the agreement with FIBI Holdings Ltd., regarding the Bank's ownership of shares in FIBI; the timeline determined by the Antitrust commissioner for the reduction in the interest held by Discount Bank in FIBI; the provision for impairment in respect of the Bank's holdings in shares of FIBI; dividend distributed on various dates, and recognized as income; sale of shares on various dates, losses on impairment of a nature other than temporary (OTTI).

COMPOSITION OF THE SECURITIES PORTFOLIO BY LINKAGE SEGMENTS

Following is the composition of the securities portfolio by linkage segments:

	September 30, 2015	December 31, 2014	Rate of change in %
	In NIS millions		
Non-linked shekels	17,887	14,782	21.0
CPI-linked shekels	4,157	4,817	(13.7)
Foreign currency and foreign currency-linked shekels	15,884	16,062	(1.1)
Shares - non-monetary items	1,323	1,692	(21.8)
Total	**39,251**	**37,353**	**5.1**

Securities in foreign currency and in Israeli currency linked to foreign currency decrease by 1.1%, compared with December 31, 2014. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency decreased by US$81 million, a decrease of 2.0% as compared with December 31, 2014. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms increased by 4.7% as compared with December 31, 2014.

COMPOSITION OF THE SECURITIES PORTFOLIO ACCORDING TO PORTFOLIO CLASSIFICATION

In accordance with directives of the Supervisor of Banks, securities have been classified into three categories: held-to-maturity bonds portfolio, available-for-sale securities portfolio, and trading securities portfolio.

Following is the composition of investments in securities according to the above categories:

	September 30 ,2015			December 31 ,2014		
	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	7,195	7,652	7,195	6,981	7,452	6,981
Available for sale	26,855	27,208	27,208	26,849	27,282	27,282
Trading	3,531	3,525	3,525	1,382	1,398	1,398
Shares						
Available for sale	1,355	1,317	1,317	1,737	1,681	1,681
Trading	8	6	6	13	11	11
Total Securities	**38,944**	**39,708**	**39,251**	**36,962**	**37,824**	**37,353**

Corporate bonds. Discount Group's available for sale securities portfolio as of September 30, 2015, includes investments in corporate bonds in the amount of NIS 3,513 million (including an amount of NIS 456 million held by IDB New York, an amount of NIS 617 million, held by Mercantile and NIS 2,440 million directly held by the Bank). For additional details, see Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "A", item 1). For details as to the balance of unrealized losses included in the balance of the said bonds, see Note 2 to the condensed financial statements.

INVESTMENTS IN MORTGAGE AND ASSET BACKED SECURITIES

Investments in mortgage and asset backed securities – general. Discount Group's securities portfolio as of September 30, 2015 includes investment in mortgage backed securities, in the amount of US$2,140 million, which are held by IDB New York, compared to an amount of US$2,330 million as at December 31, 2014. The majority of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac). The investment in the said bonds does not include exposure to the subprime market.

As of September 30, 2015, the portfolio of mortgage backed securities (MBS) and asset backed securities (ABS) included unrealized net gains of US$11 million.

For details regarding the agencies operating under the auspices of the U.S. Administration, see the 2014 Annual Report (p. 35).

Direct investments in Federal Agencies' bonds. For details regarding the direct investment, as stated, in bonds, which were redeemed during the first quarter of 2015, see Note 2F to the condensed financial statements.

CMBS. For details regarding exposure to commercial mortgage backed securities (CMBS) in immaterial amounts, see Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "A", item 4).

CLO. IDB New-York holds secured bonds of the CLO class in a total amount of US$100 million. The said securities are rated AA-AAA by at least one rating agency. For details, see Note 2 to the condensed financial statements.

DETAILS REGARDING IMPAIRMENT IN VALUE OF AVAILABLE FOR SALE SECURITIES

General. The point in time for determining the length of the period in which the investment was in a continuous unrealized loss position, is the date of the financial statements for the reporting period during which a continuous impairment first occurred. The rate of the decline in the fair value below cost is computed as of the reporting date. This is so even if during the period in which the investment was in a continuous unrealized loss position, the rate of decline in fair value below cost was significantly different from the rate applying on the reporting date.

For details regarding the review of impairment of securities, see "Critical accounting policies and critical accounting estimates" in the 2014 Annual Report (p. 253) and Note 1 to the financial statements as of December 31, 2014 (pp. 364-366).

Based on a review of the impairment of the said securities as of September 30, 2015, 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 unrealized accumulated losses in respect of available-for sale shares and regarding available-for-sale mortgage backed securities, see Note 2 E to the condensed financial statements.

For details regarding impairment of the investment in shares of FIBI, see Note 15 to the condensed financial statements.

Provision for impairment of TRUPS - 2014. The Basel III rules apply to IDB New York as from January 1, 2015, within the framework of which, the investment in TRUPS bonds is considered as "non-significant investment in the capital of financial institutions". Accordingly, that part of the investment exceeding 10% of the Common equity tier 1, shall be gradually deducted from capital, in accordance with the transitional instructions. In view of the effect on capital adequacy, IDB New York has decided to sell the said securities. In 2014 the full investments in TRUPS have been sold. In the financial statements as of December 31, 2014 a loss was recorded on the sale of bonds, as stated in an amount of approx. US$30 million (NIS 105 million). In the financial statements as of September 30, 2014, a loss was recorded on the sale of bonds, as stated, until September 30, 2014, in an amount of US$22 million (NIS 76 million). In addition, a loss was recognized in respect of impairment of the remainder of the investment in bonds of the TRUPS type, that had not been sold by September 30, 2014 (classification from other comprehensive income) in the amount of approx. US$6 million (NIS 22 million).

DEPOSITS FROM THE PUBLIC

Deposits from the public as at September 30, 2015, totalled NIS 152,534 million, compared with NIS 152,903 million at the end of 2014, a decrease of 0.2%, and compared with NIS 145,405 million as of September 30, 2014, an increase of 4.9%. The decrease in the volume of deposits compared to the end of 2014 was influenced, mainly, from a classification of deposits outside of Israel as assets held for sale (in respect of IDB (Swiss) Bank; see Note 18 to the condensed financial statements), in the amount of NIS 1,896 million. The said decrease was offset by an increase in the volume of deposits in Israel (see Note 4A to the condensed financial statements).

Following is data on the composition of deposits from the public by linkage segments:

	September 30, 2015		December 31, 2014		
	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	90,672	59.4	85,546	56.0	6.0
CPI-linked shekels	6,838	4.5	8,314	5.4	(17.8)
Foreign currency and foreign currency-linked shekels	55,024	36.1	59,043	38.6	(6.8)
Total	**152,534**	**100.0**	**152,903**	**100.0**	**(0.2)**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased at the rate of 6.8%, compared with December 31, 2014. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased by US$1,156 million, a decrease of 7.6% compared with December 31, 2014. 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, decreased at a rate of 0.6%, compared with December 2014.

The following is a review of developments in the balance of deposits from the public, by segments of operations:

	September 30, 2015		December 31, 2014		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Retail - household segment	68,152	44.7	65,683	43.0	3.8
Retail - small business segment	17,633	11.6	16,517	10.8	6.8
Corporate banking segment	20,230	13.2	21,975	14.3	(7.9)
Middle market banking segment	11,369	7.5	11,604	7.6	(2.0)
Private banking segment	35,150	23.0	37,124	24.3	(5.3)
Total	**152,534**	**100.0**	**152,903**	**100.0**	**(0.2)**

CAPITAL RESOURCES

IMPLEMENTATION OF THE INSTRUCTIONS REGARDING EMPLOYEE RIGHTS

Starting with January 1, 2015, the Bank implements the new instruction regarding employee rights. The instruction is implemented by way of retroactive implementation of the comparative data for periods beginning January 1, 2013 and thereafter. For additional details regarding the instruction and the effect of its implementation, see below and Note 1 E 1 to the condensed financial statements.

It should be noted that Proper Conduct of Banking Business Directive No. 299, regarding "The regulatory capital – Transitional instructions", states that for the purpose of computing capital adequacy, to the extent that the shareholders' equity reflected in the financial statements includes the balance of accumulated other comprehensive income or loss in respect of the remeasurement of net liabilities or net assets relating to defined employee benefit, the transitional instructions will apply to the said balance as regards regulatory adjustments and deductions from capital, according to which it will be gradually deducted from capital over a period of four years. Respectively, an amount comprising 40% was deducted on January 1, 2015, and the balance will be deducted in equal parts in the years 2016-2018.

IMPLEMENTATION OF BASEL III IN ISRAEL

The instructions. Instructions regarding "Basel III guidelines", which apply as from January 1, 2014, include a requirement for maintaining a minimal common equity tier 1 ratio of 9%, and a total capital ratio of 12.5% (from January 1, 2015), as well as detailed reference with respect to transitional instructions.

Restrictions on the granting of housing loans. For details regarding the amendment to Proper Conduct of Banking Business Directive No. 329 in the matter of "Restrictions on housing loans", in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the Total capital target, see Note 5, item 1 (b), to the condensed financial statements.

Future issues of capital instruments. The capital instruments that would be issued according to Basel III instructions, will include "loss absorption" mechanisms, whether by conversion into shares or by elimination (in full or in part) of the capital instrument. The Bank estimates that it would not be possible to issue such capital instruments to the public, in the immediate time range, in view of the required agreement between the supervisory bodies regarding the characteristics of the securities that may be offered to the public, and which, to the best of the Bank's knowledge, has not yet been formed at this stage.

Effect of the transitional instruction included in Proper Conduct of Banking Business Directive No. 299 ("the Instruction"). Among other things, the Instruction included transitional instruction, which allow, in certain of the matters, a gradual implementation over a number of years. Below are presented the short-term (one year) and the long-term (termination of the transitional instructions) effects of the adoption of the Instruction.

The effect of adoption of the Directive on the common equity tier 1 - short-term effect. The Bank estimates that had the guidelines of the Directive been implemented as of September 30, 2015, on the basis of the data for that date and the transitional instructions as would apply on September 30, 2016, including the impact of the implementation of the instruction regarding employee rights (see Note 1 E 1), including the sale of the operations of DBLA (see Note 18A to the condensed financial statements) and including the impact of a possible acquisition of minority interest in Diners (see below "Credit card operations"), if and to the extent that the negotiations in this matter would result in an agreement, without the consideration of income accumulated during the period, the ratio of common equity tier 1 would have been reduced by 0.1%.

The effect of adoption of the Directive on the common equity tier 1 - long-term effect. The Bank estimates that had the guidelines included in the Directive been implemented in full as of September 30, 2015, on the basis of the data for this date, and without taking into account the provisional instructions (excluding the assumption regarding the sale of all the shares of FIBI held by the Bank), including the sale of the operations of DBLA and including the impact of a possible acquisition of minority interest in Diners, if and to the extent that the negotiations in this matter would result in an agreement) (a situation equal to the situation that will prevail in 2018, approx. five years after the date of initial implementation of the directive, though without taking into consideration earnings that will accumulate during the period), the ratio of common equity tier 1 would have declined by 0.2%.

It should be emphasized that the data presented above, as an estimate of the short and long-term effect, forms an estimate only. Moreover, the said estimates assume a situation of static existence of the data as of September 30, 2015, throughout the period of implementation, while in practice changes will occur during the period of implementation in the capital adequacy of the Bank, both as a result of the accumulation of current earnings and of preparation measures adopted by Management of the Bank, if at all. In view of the above, the actual result will inevitably be different than from the estimates stated above.

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.

COMPONENTS OF CAPITAL

Total capital as at September 30, 2015, totalled NIS 13,747 million, compared with NIS 12,989 million at the end of 2014, an increase of 5.8%.

Equity attributed to the Bank's shareholders as at September 30, 2015, totalled NIS 13,309 million, compared with NIS 12,599 million at the end of 2014, an increase of 5.6%. The change in equity attributed to the Bank's shareholders in the first nine months of 2015 was affected, among other things, by the net earnings during the period, by a decrease of NIS 46 million in the component of net adjustment of available-for-sale securities presented at fair value, net of the tax effect and from an increase of NIS 27 million in financial statements translations adjustments, from the net actuarial gain in the amount of NIS 37 million.

The ratio of total capital to total assets, as at September 30, 2015, reached a rate of 6.6%, compared with 6.3% at the end of 2014.

COMPONENTS OF THE REGULATORY CAPITAL AS OF SEPTEMBER 30, 2015 (BASEL III)

General. As stated, starting with January 1, 2014, the new instructions in accordance with the Basel III guidelines gradually came into effect.

Implementation of the instructions regarding employee rights. It is noted that the Supervisor of Banks has stated in the transitional instructions to the said instruction, that it is not required to restate the capital adequacy data for prior periods, with respect to the adoption of U.S. GAAP in the matter of employee benefits (see note 1 E 1 to the condensed financial statements). Accordingly, the comparative data presented below has not been restated. On the other hand, the comparative data presented hereunder have been restated in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs (see Note 1E (2) to the condensed financial statements).

Ratio of common equity tier 1 as of September 30, 2015, amounted to 9.5%, compared with 9.4% on December 31, 2014.
Total capital ratio as of September 30, 2015, amounted to 14.4%, as compared with 14.8% on December 31, 2014.

	September 30		December 31,
	2015	2014	2014
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	13,660	(2)13,140	(2)13,284
Additional tier 1 capital after deductions	1,247	1,425	1,425
Tier 1 capital	14,907	14,565	14,709
Tier 2 capital	5,819	(2)6,373	(2)6,285
Total capital	**20,726**	**20,938**	**20,994**
2. Weighted risk assets balance			
Credit risk	127,497	(2)125,326	(2)125,516
Market risk	2,963	2,820	2,629
CVA risk	941	1,383	1,200
Operational risk	12,401	12,279	12,345
Total weighted risk assets balance	**143,802**	**141,808**	**141,690**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	9.5	9.3	9.4
Ratio of tier 1 capital to risk assets	10.4	10.3	10.4
Ratio of total capital to risk assets	14.4	14.8	(2)14.8
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1	(1)9.0	9.0	9.0
Total capital ratio	(1)12.5	12.5	12.5

Footnotes:
(1) With an addition of 0.04%, in accordance with the additional capital requirements with respect to housing loans - see Note 5 1 (b) to the condensed financial statements.
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2 to the condensed financial statements.

ADDITIONAL DISCLOSURE ACCORDING TO THE THIRD PILLAR OF BASEL

Within the framework of the "Additional disclosure according the third pillar of Basel" document, a description is given of the principal characteristics of the issued regulatory capital instruments (part "A" of the document) and a disclosure of the composition of the regulatory capital (part "B" of the document). The document is available for perusal on the Magna Site of the Israel Securities Authority, on the Maya Site of the Tel Aviv Stock Exchange Ltd. and on the Bank's website together with the Bank's report for the third quarter of 2015 (the present report). The information included in parts "A" and "B" of the document is presented here by way of reference.

LIQUIDITY AND THE RAISING OF RESOURCES IN THE BANK

GENERAL

A 21% increase was recorded during the first nine months of 2015 in the M1 money supply (cash held by the public and shekel current account deposits) as well as a 7% increase in the M2 money supply (M1 together with non-linked deposits of up to one year). It is noted, that in the corresponding period last year the money supply M1 and M2 increased by 15% and 4%, respectively.

The changes in the money supply reflected a rise in current account deposits and current credit deposit and on the other hand a decline in deposits of up to one year. This trend has been supported by the reduction in the Bank of Israel interest rate from 0.25% to 0.1%, which induced a transition to liquidity and the capital market.

During the reported period an increase of approx. NIS 15 billion was recorded in the monetary base, compared with an increase of NIS 10 billion in the corresponding period last year. As stated, during the period the Bank of Israel lowered the interest rate from 0.25% to 0.1%, while during 2014 the interest rate was lowered from 1% to 0.25%. The growth in the said period stems from the supply of liquidity by the Bank of Israel, which offset the absorption by the Government. The supply of liquidity by the Bank of Israel was achieved mainly by the conversion of foreign currency as well as by expansion through open market activities.

Following are the sources for the change in the monetary base in the first nine months:

	First nine months		
	2015	2014	change
	In NIS billion		in %
Operations on the Capital Market	11.1	(5.3)	-
The Shekel deposits tender	1.2	2.0	(40.0)
Foreign currency conversion	23.6	21.3	10.8
Government activity	(21.7)	(10.1)	114.9

THE BANK

During the first nine months of 2015, the Bank has maintained liquid assets in a volume larger than its total liquid liabilities and the Bank's internal liquidity model has shown significant liquidity surplus.

The following trends were noticed during the first nine months:

- As a result of the low interest environment, the shifting of liquidity from deposits to current account balances, to the tune of NIS 4.3 billion in local currency and approx. US$740 million in foreign currency;
- A decline of approx. US$600 million in the volume of foreign currency deposits, after elimination of the exchange rate effect, of which approx. US$470 million of retail deposits;
- An increase of approx. NIS 3.9 billion in the volume of Shekel deposits, of which an increase of NIS 3 billion in retail deposits;
- Decline in volume of CPI-linked liabilities in the amount of approx. NIS 2 billion (15.5%). Contributed to the decline were the redemption of CPI linked debt notes in the amount of approx. NIS 470 million and the redemption of linked deposits to the tune of NIS 1.3 billion.

For additional details, see below in the item "Liquidity risk management" and in the 2014 annual report (pp. 41-43). For details regarding the Liquidity Coverage Ratio (LCR), see "Instructions with respect to the liquidity coverage ratio and the leverage ratio" under "Exposure to Risks and Risk Management" below, Note 5 to the condensed financial statements and Table No. 16 "Liquidity coverage ratio", in the Internet document regarding Basel.

Deposits from the public

	September 30, 2015	September 30, 2014	December 31, 2014	Change compared September 30, 2014		Change compared December 31, 2014	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	74,672	67,667	70,618	7,005	10.4	4,054	5.7
CPI-linked shekels	7,741	9,585	9,415	(1,844)	(19.2)	(1,674)	(17.8)
Foreign currency and foreign currency linked shekels	28,483	29,311	30,947	(828)	(2.8)	(2,464)	(8.0)
Total	**110,896**	**106,563**	**110,980**	**4,333**	**4.1**	**(84)**	**(0.1)**
Foreign currency and foreign currency linked shekels - In US$ millions	**7,260**	**7,933**	**7,958**	**(673)**	**(8.5)**	**(698)**	**(8.8)**

Deposits from banks

	September 30, 2015	September 30, 2014	December 31, 2014	Change compared September 30, 2014		Change compared December 31, 2014	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	1,661	2,157	2,334	(496)	(23.0)	(673)	(28.8)
CPI-linked shekels	66	501	290	(435)	(86.9)	(224)	(77.4)
Foreign currency and foreign currency linked shekels	784	660	849	124	18.8	(65)	(7.7)
Total	**2,511**	**3,318**	**3,473**	**(807)**	**(24.3)**	**(962)**	**(27.7)**

DISCLOSURE REGARDING DEPOSITS

Deposits from the public of the three largest depositor groups amounted as of September 30, 2015, to NIS 6,505 million.
For additional details, see Note 4 to the condensed financial statements.

RAISING OF RESOURCES

During the first nine months of the year the Bank did not raise any funds on the capital market.
Subtraction of regulatory capital instruments in 2015. 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 would be recognized as additional Tier 1 capital and would be 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 would be recognized as Tier 2 capital and would be gradually eliminated in the years 2014-2022. Regulatory capital instruments, which are to be subtracted in the course of October-December 2015, in accordance with the transitional provisions, amount to NIS 96 million.
NIS 640 million were deducted in the first nine months of 2015 (of which an amount of NIS 462 million would have been deducted also in accordance with the Basel II instructions).
Despite the subtraction of supervisory capital instruments (tier 2 capital) as stated, according to the Bank's work plan for the year 2015, the raising of tier 2 capital in order to reach the overall capital goals for 2015, is not required.

DESCRIPTION OF THE ACTIVITY OF THE GROUP ACCORDING TO SEGMENTS OF OPERATION

ACTIVITY OF THE GROUP ACCORDING TO PRINCIPAL SEGMENTS OF OPERATIONS

GENERAL

Concise data regarding operations in the various segments is presented in Note 13 to the condensed financial statements, p. 258 below.

For details regarding the relevant public reporting instructions and the definition of the segments, and details regarding the principal assumptions, estimates and principles used in the preparation of segment information, see Note 31 to the financial statements as of December 31, 2014 (pp. 517-519).

Regulatory operating segments. For details regarding an amendment to the reporting to the public instructions and a FQA file in the matter of regulatory operating segments, see Note 1 f 1 to the condensed financial statements. According to the amendment, the disclosure requirements in the directors' report shall relate to disclosure of regulatory operating segments.

Changes in the cost allocation model. In view of the period of time that has passed since the formation of the model for the allocation of costs used in the preparation of the operating segments data, and among other within the framework of the preparations for the implementation of the instruction regarding the regulatory operating segments (see Note 1 F 1 to the condensed financial statements), the Bank has performed a comprehensive review of the cost allocation model, making therein the necessary changes. The new model was initially implemented in the first quarter of 2015. In view of the significance of the change, and respectively, in view of it's impact on the comparability between the data for the current period and the data for prior periods, it has been decided to restate the comparative data for prior periods in accordance with the new model. For additional details, see Note 13 B to the condensed financial statements.

ADMINISTRATIVE STRUCTURE

The Discount Group operates in Israel and overseas by way of the Bank, subsidiaries, branches and representative offices, in all areas of banking and financial services.

The Bank's business operations in the first nine months of 2015 were conducted by four divisions: Banking Division, Corporate Division, Financial Markets Division and the Customer Assets Division.

The Banking Division conducts business with households including VIP customers as well as small businesses and medium corporations (middle market) and customers of direct banking. The Division is responsible for the operation of the investment consultants operating in branches and investment centers, direct channels and for the mortgage activity.

The Corporate Division is responsible for operations with the large corporations through business managers, the Tel Aviv main branch and its extensions, the foreign trade department and the Diamond Exchange Branch. Likewise, the Division is responsible for operations with segments of specific customers, such as: construction (real estate project financing) and infrastructure companies and large capital market operators.

The Financial Markets Division is responsible for the financial management of the Bank and of the Group, which includes asset and liability management, dealing rooms management, market risks management, transfer prices management, capital management, "Nostro" portfolio management and management of relations with foreign financial institutions. The Division's operation is divided between several units: assets and liabilities management, dealing room, investment unit, control and operating services regarding securities and derivatives, and the Chief Economist and foreign financial institutions. In addition, the Division is responsible for the subsidiaries BLD Ltd., Discount Manpikim Ltd. and Israel Discount Capital Market and Investments Ltd..

The Customer Asset Division is responsible for the service provided by the Bank to private banking Israeli customers, as well as to foreign resident customers at the branches and at the private banking centers attached to the Division. The Division is also responsible for the advisory services at the Bank – pension and investments advisory services – and for the initiating, developing and managing of the financial products offered to all customer segments. In addition, the Division is responsible for investment portfolio management (through "Tafnit Discount Asset Management"), for trusteeship services (through "Discount Trust") and for the subsidiary IDB (Swiss) Bank.

RETAIL SEGMENT - GENERAL

The Bank presents two retail segments: "Household segment" and "Small business segment". For details regarding "Retail Segment - General", see the 2014 Annual Report (pp. 44-48).

DISCOUNT, THE BANK FOR THE FAMILY

The Bank offers its customers a unique plan in Israel, which is designed for existing and new customers who are related to one another. The idea is to connect several customers holding different accounts, who are related to each other, to the family program in the Bank's systems, thus turning the existing family cell into a financial group, enjoying the variety of services and exclusive benefits in accordance with the combined data of the participants in the program.

The program is enjoyed by the Bank's customers who join as a group to the "family program" at Discount Bank. Joining the program is simple and easy and is made possible by registering at the branch, at the TeleBank center and through the Bank's Internet site.

The connection to the family group grants the family members participating in the program, benefits of a personal value in accordance with the status of the accounts and in accordance with the type of benefits elected by the participants, and everything, of course, while strictly maintaining bank confidentiality, so that none of the parties joining the program share or are involved in the accounts of the other family members.

"go2 key" card. One of the products offered by the family plan. A rechargeable card, which family members may order for a customer who is not the account owner, including also children from the age of 14. The card may be recharged through the customer's account at the branch, by TeleBank or by the Internet. The 2go key card allows a daily cash withdrawal of up to NIS 400, and daily purchase transactions of up to NIS 400. The card provides security and control over expenditure. The possibility of recharging the card through a phone application has also been added recently.

For additional details, see the 2014 Annual Report (p. 44).

Real Families. In continuation to the concept "Discount is good for the family" the Bank introduced in June 2015 a new communication platform – "Real Families". This is a new communication concept of "Real banking" – banking business based on attentiveness, learning and the offer of services and products suitable for the real needs of families in Israel.

For the purpose of the advertising campaign, the Bank has elected not to use presenters, and for the purpose of the new communication platform, tens of families representing the Israeli pattern were elected. These families documented themselves, the Bank participating in the documentation.

"MAFTEACH DISCOUNT"

In 2015, the Bank is continuing the unique marketing effort in the area of financial consumption – the credit card "Mafteach Discount". For additional details, see the 2014 Annual Report (p. 47).

In continuation to the "Discount is good for the family" move, the Bank introduced in June 2015 the "family key". "Family key" is a benefits plan designed for customers who are attached in their current accounts to the family plan and who hold the "Discount key" credit card of the Bank. Within the framework of this plan, holders of the "Family key" enjoy double or increased discounts at a variety of trading houses.

DEVELOPMENTS IN THE SEGMENT

Branches. At the end of the third quarter, the Bank has 134 branches in operation. The Ben Yehuda Branch in Tel Aviv, Allenby Branch in Tel Aviv as well as the Shenkar Branch in Herzliyah were closed down in the third quarter.

Operational efficiency in the branches. In the third quarter of 2015, the operation to complete the removal of the basic documents from the branches and to scan them, continued, thereby enabling computerized viewing of the basic documents by the business function and head office units. For additional details, see the 2014 annual report (pp. 47-48).

Services to State employees. On June 30, 2015, the engagement between the Bank and the Office of the Accountant General at the Ministry of Finance, for the provision of services to State employees, was concluded (for additional details, see Note 19 C 17 to the 2014 Annual Report, p. 477, and Note 8 b 9 to the condensed financial statements). The Bank continues to grant beneficial terms to State employees.

DIRECT CHANNELS

The Bank acts on a current manner in order to provide its customers with an advanced experience regarding its direct channels, aspiring for a continuous improvement both as regards the type and variety of services and as regards user friendliness and customer experience. Within the framework of this activity, the Bank introduced in the third quarter of 2015 (in July) a Discount Watch Application, designed for Bank customers using the Apple smart watch. The Application presents to customers on the watch their current account balance, the last three entries (with no amounts), the amount of next credit card charge and the value of the securities portfolio – at a quick glance and with no need to enter the banking application.

RETAIL BANKING SEGMENT - HOUSEHOLD SEGMENT

GENERAL

The household segment provides services and diverse financial products to the Group's private individual customers, both at Discount Bank and at MDB. These are provided by means of a chain of some 200 branches located all over the country, in addition to a variety of direct channels. The customers are classified into a number of customer populations according to their age, financial wealth and additional parameters.

GOALS AND BUSINESS STRATEGY

The Bank approved in 2014 a new comprehensive Group strategic plan, which had defined the household segment as one of the segments in focus, on which the Group would focus in the coming years, as the central growth engine. The new strategy relies on three principal layers: focus on the intensification of relations with existing customers of the Group; focus on growth products – private credit, and growth sectors – wealthy customers (at Discount Bank), customers of the Arab and Jewish Orthodox sectors (at MDB); and improvement of the retail infrastructure, which among other things includes the improvement of the service model and customer experience.

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE SEGMENT

For details regarding private Bills tabled recently in the matters of restrictions on the charging of commissions and the payment of interest on credit current account balances, see "Legislation and supervision" below. For details regarding the recommendations of the team examining the strengthening of competition in the banking industry and measures taken by the Supervisor of Banks for their implementation and additional measures taken by the Supervisor of Banks for improving competition and increasing transparency in current account management, see Note 17 to the condensed financial statements.

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

The segment's loss in the first nine months of 2015 amounted to NIS 198 million, compared to a loss in the amount of NIS 285 million in the corresponding period last year.
The credit loss expenses in this segment in the first nine months of 2015 amounted to NIS 23 million, compared to NIS 37 million in the corresponding period last year.

Principal data relating to the operations of the household segment:

	Domestic operations					International operations	
	Banking and finance	Credit cards	Capital market	Mortgages	Total	Banking and finance	Total
	in NIS millions						
	For the three months ended September 30, 2015						
Interest income, net							
- From external sources	114	75	-	167	356	(1)-	356
- Intersegmental	82	(6)	-	(136)	(60)	(1)-	(60)
Total Interest income, net	196	69	-	31	296	(1)-	296
Non-interest financing income (expenses)	(1)	(1)	3	-	1	(1)-	1
Commissions and Other income	83	219	64	5	371	(1)-	371
Total Income	**278**	**287**	**67**	**36**	**668**	**(1)-**	**668**
Credit loss expenses	15	1	-	9	25	-	25
Net Income (loss) attributed to the Bank's shareholders	**(96)**	**22**	**18**	**(2)**	**(58)**	**-**	**(58)**
Return on equity (percentage)	(12.6)	3.1	2.5	(0.3)	(7.8)	-	(7.7)
Average Assets	13,325	9,373	-	21,116	43,814	2	43,816
Of which - Average credit to the public	13,325	9,373	-	21,116	43,814	2	43,816
Average Liabilities	66,981	3,447	-	49	70,477	-	70,477
Of which - Average deposits from the public	66,981	15	-	49	67,045	-	67,045
	For the three months ended September 30, 2014						
Interest income, net							
- From external sources	69	66	-	175	310	(1)-	310
- Intersegmental	137	(6)	-	(145)	(14)	(1)-	(14)
Total Interest income, net [6]	206	60	-	30	296	(1)-	296
Non-interest financing income	-	2	1	-	3	(1)-	3
Commissions and Other income [2]	89	210	66	7	372	(1)-	372
Total Income	**295**	**272**	**67**	**37**	**671**	**(1)-**	**671**
Credit loss expenses (expenses reversal)	12	8	-	7	27	(1)	26
Net Income (loss) Attributed to the bank's shareholders [1][2][3]	**(114)**	**11**	**5**	**15**	**(83)**	**1**	**(82)**
Return on equity (percentage)[1][2][3]	(16.9)	1.8	0.8	2.4	(12.5)	0.2	(12.2)
Average Assets [4][5]	10,936	8,643	-	20,451	40,030	26	40,056
Of which - Average credit to the public [5]	10,936	8,643	-	20,451	40,030	26	40,056
Average Liabilities	64,905	2,860	-	48	67,813	38	67,851
Of which - Average deposits from the public	64,905	39	-	48	64,992	38	65,030

Footnotes:

(1) Amounts lower than NIS 1 million.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(3) Restated, see Note 13 B to the condensed financial statements.

(4) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (2) to the condensed financial statements.

(6) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the operations of the household segment (continued):

	Domestic operations					International operations	
	Banking and finance	Credit cards	Capital market	Mortgages	Total	Banking and finance	Total
	in NIS millions						
	For the nine months ended September 30, 2015						
Interest income, net							
- From external sources	350	216	-	409	975	(1)-	975
- Intersegmental	217	(19)	-	(317)	(119)	(1)-	(119)
Total Interest income, net	567	197	-	92	856	(1)-	856
Non-interest financing income	-	4	6	-	10	(1)-	10
Commissions and Other income	249	625	199	17	1,090	(1)-	1,090
Total Income	**816**	**826**	**205**	**109**	**1,956**	**(1)-**	**1,956**
Credit loss expenses (expenses reversal)	(4)	17	-	10	23	-	23
Net Income (loss) Attributed to the Bank's shareholders	**(300)**	**52**	**40**	**10**	**(198)**	**(1)-**	**(198)**
Return on equity (percentage)	(38.1)	8.5	-	1.5	(9.3)	-	(9.2)
Average Assets	12,521	9,181	-	20,740	42,442	6	42,448
Of which - Average credit to the public	12,521	9,181	-	20,740	42,442	6	42,448
Average Liabilities	66,514	3,221	-	47	69,782	5	69,787
Of which - Average deposits from the public	66,514	15	-	47	66,576	5	66,581
	For the nine months ended September 30, 2014						
Interest income, net							
- From external sources	215	192	-	449	856	(1)-	856
- Intersegmental	417	(20)	-	(371)	26	(1)-	26
Total Interest income, net (6)	632	172	-	78	882	(1)-	882
Non-interest financing income	-	6	4	-	10	(1)-	10
Commissions and Other income (2)	277	616	188	20	1,101	(1)-	1,101
Total Income	**909**	**794**	**192**	**98**	**1,993**	**(1)-**	**1,993**
Credit loss expenses	9	22	-	6	37	-	37
Net Income (loss) attributed to the Bank's shareholders	**(378)**	**65**	**20**	**8**	**(285)**	**-**	**(285)**
Return on equity (percentage)	(52.7)	11.6	80.1	1.4	(14.8)	-	(14.8)
Average Assets (4)(5)	10,674	8,527	-	20,231	39,432	26	39,458
Of which - Average credit to the public (4)	10,674	8,527	-	20,231	39,432	26	39,458
Average Liabilities	65,179	2,704	-	44	67,927	40	67,967
Of which - Average deposits from the public	65,179	13	-	44	65,236	40	65,276

Footnotes:

(1) Amounts lower than NIS 1 million.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(3) Restated, see Note 13 B to the condensed financial statements.

(4) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (2) to the condensed financial statements.

(6) Reclassified, see Note 13 C (1) to the condensed financial statements.

For further details regarding the "Retail banking segment - household segment", see the 2014 Annual Report (pp. 48-54).

RETAIL BANKING SEGMENT - SMALL BUSINESS SEGMENT

GENERAL

The small business segment provides services and diverse financial products to small business customers, both at Discount Bank and at MDB. These are provided by means of a chain of some 200 branches located all over the country, in addition to a variety of direct channels.

GOALS AND BUSINESS STRATEGY

The Bank approved in 2014 a new comprehensive Group strategic plan, which had defined the small business segment as one of the segments in focus, on which the Group would focus in the coming years, as the central growth engine. The new strategy relies on the focusing on the intensification of relations with existing customers of the Group, alongside a growth in the market share of this segment.

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE SEGMENT

For details regarding private Bills tabled recently in the matters of restrictions on the charging of commissions and the payment of interest on credit current account balances, see "Legislation and supervision" below. For details regarding the recommendations of the team examining the increase in competition in the banking industry, measures taken by the Supervisor of Banks to implement these recommendations and additional action taken by the Supervisor to improve competition and increase transparency in the management of current accounts, including the change in the "small business" definition as regards charging commissions, see Note 17 to the condensed financial statements.

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

Net income of the segment in the first nine months of 2015 amounted to NIS 128 million, compared to NIS 89 million in the corresponding period last year, an increase of 43.8%.
The credit loss expenses in this segment in the first nine months of 2015 amounted to NIS 54 million, compared to NIS 23 million in the corresponding period last year.

Principal data relating to the operations of the small business segment:

	Domestic operations					
	Banking and finance	Credit cards	Capital market	Construction and real estate	Mortgages	Total
	in NIS millions					
	For the three months ended September 30, 2015					
Interest income, net						
- From external sources	184	7	-	4	27	222
- Intersegmental	2	(3)	-	14	(23)	(10)
Total Interest income, net	186	4	-	18	4	212
Non-interest financing income	1	1	-	-	-	2
Commissions and Other income	67	13	12	4	-	96
Total Income	**254**	**18**	**12**	**22**	**4**	**310**
Credit loss expenses (expenses reversal)	29	1	-	4	(8)	26
Net Income attributed to the Bank's shareholders	**19**	**6**	**4**	**7**	**7**	**43**
Return on equity (percentage)	6.1	1.9	1.3	2.2	2.2	13.9
Average Assets	12,554	343	-	1,593	719	15,209
Of which - Average credit to the public	12,554	343	-	1,593	719	15,209
Average Liabilities	16,759	351	-	1,480	6	18,596
Of which - Average deposits from the public	16,759	-	-	1,480	6	18,245
	For the three months ended September 30, 2014					
Interest income, net						
- From external sources	175	6	-	3	26	210
- Intersegmental	2	(2)	-	13	(23)	(10)
Total Interest income, net (5)	177	4	-	16	3	200
Non-interest financing income	1	-	-	-	-	1
Commissions and Other income (1)	68	15	11	5	-	99
Total Income	**246**	**19**	**11**	**21**	**3**	**300**
Credit loss expenses (expenses reversal)	10	-	-	6	(5)	11
Net Income Attributed to the bank's shareholders (1)(2)(3)	**15**	**3**	**5**	**1**	**6**	**30**
Return on equity (percentage)(1)(2)(3)	5.9	1.2	2.0	0.4	2.3	12.1
Average Assets (3)(4)	11,112	273	-	1,445	855	13,685
Of which - Average credit to the public (4)	11,112	273	-	1,445	855	13,685
Average Liabilities	14,317	332	-	923	3	15,575
Of which - Average deposits from the public	14,317	-	-	923	3	15,243

Footnotes:
(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.
(2) Restated, see Note 13 B to the condensed financial statements.
(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.
(4) Reclassified, see Note 13 C (2) to the condensed financial statements.
(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the operations of the small business segment (continued):

	Domestic operations					
	Banking and finance	Credit cards	Capital market	Construction and real estate	Mortgages	Total
	in NIS millions					
	For the nine months ended September 30, 2015					
Interest income, net						
- From external sources	553	19	-	9	80	661
- Intersegmental	(4)	(7)	-	41	(67)	(37)
Total Interest income, net	549	12	-	50	13	624
Non-interest financing income	4	2	1	-	-	7
Commissions and Other income	209	40	35	13	-	297
Total Income	**762**	**54**	**36**	**63**	**13**	**928**
Credit loss expenses (expenses reversal)	52	1	-	13	(12)	54
Net Income Attributed to the bank's shareholders	**72**	**15**	**11**	**18**	**12**	**128**
Return on equity (percentage)	10.1	26.0	-	20.2	27.1	14.1
Average Assets	12,182	317	-	1,489	755	14,743
Of which - Average credit to the public	12,182	317	-	1,489	755	14,743
Average Liabilities	16,123	433	-	1,272	6	17,834
Of which - Average deposits from the public	16,123	-	-	1,272	6	17,401
	For the nine months ended September 30, 2014					
Interest income, net						
- From external sources	514	17	-	1	86	618
- Intersegmental	7	(5)	-	42	(74)	(30)
Total Interest income, net [5]	521	12	-	43	12	588
Non-interest financing income	2	1	1	-	-	4
Commissions and Other income [1]	208	25	31	13	-	277
Total Income	**731**	**38**	**32**	**56**	**12**	**869**
Credit loss expenses (expenses reversal)	33	-	-	5	(15)	23
Net Income Attributed to the bank's shareholders [1][2][3]	**30**	**18**	**8**	**20**	**13**	**89**
Return on equity (percentage)[1][2][3]	5.2	40.1	-	28.2	28.6	11.6
Average Assets [3][4]	10,890	275	-	1,245	915	13,325
Of which - Average credit to the public [4]	10,890	275	-	1,245	915	13,325
Average Liabilities	14,323	564	-	867	3	15,757
Of which - Average deposits from the public	14,323	-	-	867	3	15,193

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

For further details regarding the "Retail Banking Segment - Small Business Segment", see the 2014 Annual Report (pp. 54-58).

CORPORATE BANKING SEGMENT

REACHING TARGETS AND BUSINESS STRATEGY – FIRST NINE MONTHS OF 2015

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 and adjust the credit margins to the risk level, reducing the concentration risk (to borrower groups and individual borrowers).

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE SEGMENT

As of September 30, 2015, no deviations existed to the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as September 30, 2015, there were no deviations from the limitations on "related persons". It should be noted that the holding permit states that during the cooling-off period (which terminated on September 3, 2015) the members of the Bronfman Group and Mr. Schron shall be deemed related parties and controlling shareholders for the purpose of Directive No. 312 (see the 2014 Annual Report, pp. 246-250).

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 to the Proper Conduct of Banking Business Directive No. 313 in the matter of "Restrictions on indebtedness of a single borrower and of a group of borrowers". Proper Conduct of Banking Business Directive No. 313 was amended on June 9, 2015, so that the definition of capital for the purpose of computing the limitation was restricted to the Tier 1 capital only (net of supervisory adjustments and deductions) within the meaning of Proper Conduct of Banking Business Directive No. 202. It has been prescribed as a transitional instruction, that the calculation of capital shall include the Tier 2 capital as of December 31, 2015, which shall be reduced as from January 1, 2016, by one-twelfth in each quarter, until its elimination on December 31, 2018. The limitation on indebtedness of a banking group of borrowers was reduced from 25% to 15% of the capital. The amendment takes effect as from January 1, 2016.

Amendment to the Proper Conduct of Banking Business Directive No. 312 in the matter of "A banking corporation business with related parties". The provisions of the amendment took effect as from January 2015, except for the change in the definition of capital, which will be applied gradually. For additional details regarding the amendment, see the 2014 Annual Report (p. 62).

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

Net income of the segment in the first nine months of 2015 amounted to NIS 300 million, compared with NIS 288 million in the corresponding period last year, an increase of 4.2%.

The credit loss expenses in this segment in the first nine months of 2015 amounted to NIS 12 million, compared to an expense reversal of NIS 43 million in the corresponding period last year.

Principal data relating to the operations of the corporate banking segment:

	Domestic operations					International operations			
	Banking and finance	Credit cards	Capital market	Construction and real estate	Total	Banking and finance	Construction and real estate	Total	Total
	in NIS millions								
	For the three months ended September 30, 2015								
Interest income, net									
- From external sources	121	3	-	109	233	64	16	80	313
- Intersegmental	(31)	-	-	(43)	(74)	(23)	(6)	(29)	(103)
Total Interest income, net	90	3	(6)-	66	159	41	10	51	210
Non-interest financing income	10	-	1	1	12	-	-	-	12
Commissions and Other income	28	8	7	30	73	6	2	8	81
Total Income	**128**	**11**	**8**	**97**	**244**	**47**	**12**	**59**	**303**
Credit loss expenses (expenses reversal)	(1)	1	-	16	16	6	(8)	(2)	14
Net Income (loss) attributed to the Bank's shareholders	**30**	**2**	**(2)**	**47**	**77**	**1**	**7**	**8**	**85**
Return on equity (percentage)	2.8	0.2	(0.2)	4.3	7.2	0.1	0.6	0.7	7.9
Average Assets	18,598	428	29	9,375	28,430	7,270	1,932	9,202	37,632
Of which - Average credit to the public	18,598	428	29	9,375	28,430	7,270	1,932	9,202	37,632
Average Liabilities	15,661	430	3	1,802	17,896	1,955	554	2,509	20,405
Of which - Average deposits from the public	15,661	-	3	1,802	17,466	1,955	554	2,509	19,975
	For the three months ended September 30, 2014								
Interest income, net									
- From external sources	149	4	-	96	249	53	11	64	313
- Intersegmental	(24)	-	-	(36)	(60)	(19)	(5)	(24)	(84)
Total Interest income, net (5)	125	4	(6)-	60	189	34	6	40	229
Non-interest financing income	7	-	1	1	9	-	-	-	9
Commissions and Other income (1)	29	11	12	22	74	9	2	11	85
Total Income	**161**	**15**	**13**	**83**	**272**	**43**	**8**	**51**	**323**
Credit loss expenses (expenses reversal)	(67)	-	-	51	(16)	2	15	17	1
Net Income Attributed to the bank's shareholders (1)(2)(3)	**77**	**(2)**	**1**	**20**	**96**	**10**	**(12)**	**(2)**	**94**
Return on equity (percentage)(1)(2)(3)	7.9	(0.2)	0.1	2.0	10.0	1.0	(1.2)	(0.2)	9.8
Average Assets (3)(4)	20,817	339	30	9,527	30,713	6,633	1,794	8,427	39,140
Of which - Average credit to the public (4)	20,817	339	30	9,527	30,713	6,633	1,794	8,427	39,140
Average Liabilities	14,738	655	6	1,834	17,233	1,898	500	2,398	19,631
Of which - Average deposits from the public	14,738	-	6	1,834	16,578	1,898	500	2,398	18,976

Footnotes:
(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.
(2) Restated, see Note 13 B to the condensed financial statements.
(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.
(4) Reclassified, see Note 13 C (2) to the condensed financial statements.
(5) Reclassified, see Note 13 C (1) to the condensed financial statements.
(6) Amounts lower than NIS 1 million.

Principal data relating to the operations of the corporate banking segment (continued):

	Domestic operations					International operations			
	Banking and finance	Credit cards	Capital market	Construction and real estate	Total	Banking and finance	Construction and real estate	Total	Total
	in NIS millions								
	For the nine months ended September 30, 2015								
Interest income, net									
- From external sources	404	11	-	208	623	181	48	229	852
- Intersegmental	(64)	-	-	(63)	(127)	(61)	(17)	(78)	(205)
Total Interest income, net	340	11	[6]-	145	496	120	31	151	647
Non-interest financing income	42	2	2	1	47	-	-	-	47
Commissions and Other income	84	28	39	80	231	20	5	25	256
Total Income	**466**	**41**	**41**	**226**	**774**	**140**	**36**	**176**	**950**
Credit loss expenses (expenses reversal)	72	1	-	(76)	(3)	11	4	15	12
Net Income attributed to the Bank's shareholders	**83**	**13**	**3**	**177**	**276**	**22**	**2**	**24**	**300**
Return on equity (percentage)	4.9	40.8	53.5	18.5	10.4	5.0	2.4	4.4	9.3
Average Assets	19,916	396	31	8,841	29,184	7,238	2,228	9,466	38,650
Of which - Average credit to the public	19,916	396	31	8,841	29,184	7,238	2,228	9,466	38,650
Average Liabilities	17,067	532	5	1,848	19,452	1,881	558	2,439	21,891
Of which - Average deposits from the public	17,067	-	-	1,848	18,915	1,881	558	2,439	21,354
	For the nine months ended September 30, 2014								
Interest income, net									
- From external sources	427	12	-	261	700	141	28	169	869
- Intersegmental	(49)	-	-	(91)	(140)	(43)	(10)	(53)	(193)
Total Interest income, net [5]	378	12	[6]-	170	560	98	18	116	676
Non-interest financing income	27	1	1	-	29	-	-	-	29
Commissions and Other income [1]	84	22	44	65	215	30	6	36	251
Total Income	**489**	**35**	**45**	**235**	**804**	**128**	**24**	**152**	**956**
Credit loss expenses (expenses reversal)	(118)	-	-	10	(108)	8	57	65	(43)
Net Income (loss) Attributed to the bank's shareholders [1][2][3]	**181**	**(8)**	**8**	**121**	**302**	**30**	**(44)**	**(14)**	**288**
Return on equity (percentage)[1][2][3]	12.1	(27.5)	95.5	13.0	12.2	7.4	(40.6)	(2.6)	9.6
Average Assets [3][4]	21,603	343	28	9,605	31,579	6,339	1,774	8,113	39,692
Of which - Average credit to the public [4]	21,603	343	28	9,605	31,579	6,339	1,774	8,113	39,692
Average Liabilities	15,926	693	6	1,998	18,623	1,866	470	2,336	20,959
Of which - Average deposits from the public	15,926	-	-	1,998	17,924	1,866	470	2,336	20,260

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

(6) Amounts lower than NIS 1 million.

DEVELOPMENTS IN THE SEGMENT

Issue of credit-linked debt notes. Towards the end of the first quarter of 2015, the Bank had issued credit-linked notes (CLN), the balance of which at September 30, 2015, amounted to approx. NIS 325 million, which is presented in the item "bonds and subordinated debt notes".

A credit-linked debt note is a financial instrument that is connected to an asset of the Bank representing a debt of a third party legal entity and which bears the credit risk inherent in that entity. The purchaser of the note accepts the risk inherent in the debt asset. The Bank commits to redeem the amount of the liability (as well as interest in accordance with the terms of the note), when the Bank's liability is contingent on the non-materialization of the risk inherent in the debt asset. The deposit shall not be refunded to the purchaser of the note if the base asset, to which it is linked, would be in an insolvency situation, and the Bank shall only pay to the holder of the note the amounts it manages to collect in respect of the debt asset.

This product is considered collateral which is deductible in calculating the indebtedness of the customer, in accordance with Proper Conduct of Banking Business Directive No.313. It is also considered a qualified financial collateral in accordance with Sections 145 to 147 of Proper Conduct of Banking Business Directive No.203.

DEVELOPMENTS IN THE BUSINESS SECTOR IN THE THIRD QUARTER OF 2015

In the third quarter of 2015 the product expanded on an annual rate of 2.5%, similarly to the first half of the year (2.4%). The business product grew in the third quarter by 2.7%, following 2.4% in the first half of the year.

Following are the factors which effected the development of the business product in the third quarter:

- A rise of 2.4% in privet consumption, compared to 5.1% in the first half in view of the steep regression in the consumption of durable goods and a slowdown in consumption excluding durable goods;
- Halting the regression in investments in fixed assets, alongside a growth of 1.7% in investment in housing construction and of 0.7% in investments in economic sectors;
- A growth of 4.4% in the export of goods and services, following a regression of 5.8% in the first half of the year. Recovery was recorded both in the export of goods and services;
- Acceleration in public consumption (excluding defense imports) to an annual rate of 3.9%, compared to 0.6% in the first half of the year. Most of the acceleration was recorded in the local defense consumption led by the purchase from the local industry component.

The import of goods and services (excluding defense imports) recorded an increase of 2.4%, with a regression in the import of goods and a steep increase in services.

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 2015[1] to NIS 824 billion, a rise of 1.3% compared with the end of December 2014. It is noted that the whole growth occurred in the first quarter of the year, so that the debt level in August is similar to that of the month of March. The growth in the debt during the period from January to August stems from an increase in the debt to banks (2.4%) and to institutional bodies (2%), alongside a decrease in the debt to foreign residents (-1%). However, while the outstanding balance of bonds held by institutional bodies has contracted, the scope of private loans increased by 15%. Consequently, the weight of the share of banks in the total debt of the business sector increased from 48.4% at the end of 2014 to 48.9% at the end of August 2015.

1 The most updated data available at the time of submitting the report to print.

According to the Bank of Israel assessments in quantitative terms (eliminating the effects of inflation and changes in exchange rates), the total debt of the business sector recorded an increase of 0.9% in the reviewed period. The aforesaid increase is due mainly to a 2.2% increase in the debt to banks most of which in the first quarter of the year, and to a 2.5% increase in the balance of nonmarketable bonds and private loans of institutional entities.

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 23 billion (via the Tel Aviv Stock Exchange and by nonmarketable bonds). This, compared with NIS 26 billion in the corresponding period last year.

The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of September 2015 was 1.85%, compared with 2.01% at the end of 2014 and 1.18% at the end of the corresponding quarter last year.

DEVELOPMENTS IN THE SEGMENT'S MARKETS

Following are development directions in the principal economic sectors:

- Industrial sector – The weakness which characterized the industrial sectors in the preceding quarter continued in this trend also in the third quarter, though moderation is noticed in the decline. This trend is reflected in a decline in industrial production continuing in the weakening in exports (though to a more moderate extent). The Purchasing Managers Index, which in June crossed the 50 points level (51.0) reverted to point out a shrinking trend in the months of July to September, standing at 47.5 points in September;
- Diamonds – The slowdown (which started in the second half of 2014) in demand for diamonds and in the activity in this sector is continuing and is reflected in the continuing decline in exports of polished diamonds;
- The agricultural sector – Agricultural exports continued to decline in the third quarter, among other things, on the background of exposure to the Ruble crisis in Russia (being the target country for approx. 20% of agricultural exports). In addition, the appreciation in the shekel exchange rate in the previous quarter also created difficulties to exporters. On the other hand, the last few months actually saw a devaluation of the shekel (as against the US dollar and the Euro), a fact expected to slightly moderate the negative effect;
- Transportation sector – In the aviation field the high competition continues in view of the implementation of the second stage of the "open skies" agreement and the increase in passenger traffic to and from Israel served by foreign airline companies.

  In the marine transportation field an improvement continued in the third quarter with the marine transportation index (Baltic Dry Index) increasing by 20% during the third quarter (following an increase of 40% in the previous quarter). However, it should be noted that the index level is still significantly lower as compared with the years 2009-2010;
- The commerce sector - A continued weakening in the sectorial indicators, reflected in a decline in the purchases of durable goods and moderation in commercial turnover. Moreover, the consumer sentiment (Consumer Confidence Index) also reflected a certain decline. In addition, the present security events have an immediate negative impact upon the commercial sectors, which will affect the data for the fourth quarter;
- Real estate sector – for details, see below under "Construction and real estate activity" under "Further details as to activity in certain products".

ANTICIPATED DEVELOPMENTS IN THE SEGMENT'S MARKETS

The economic growth forecast of the Bank of Israel for the year 2015 indicates 2.6%, following an additional downward update of 0.4%. The update stemmed mainly from the export component, which presented a surprising downward trend. The forecast for 2016 was also updated downwards (to 3.3%), among other things, in view of the reduction in the international trade forecast and the reduction in the VAT rate and in the rate of corporation tax.

According to the forecast of the Bank of Israel, the interest rate is expected to remain at its low level until the beginning of 2016, and begin rising in the second quarter of 2016. However, a rise in the FED interest rate is expected already in the fourth quarter of 2015, which may have implications also on the domestic economy. In such a case, a moderating effect on the rate of growth of private consumption and investments is expected, which will have its implications on the commerce sector.

The forecast of the IMF regarding the level of international trade was also updated downwards in October 2015 (a growth of 3.2% in 2015), following a downwards update also in last April.

For details regarding developments expected in the real estate and infrastructure sector, see below under "Construction and real estate activity" under "Further details as to activity in certain products".

EXPECTED DEVELOPMENTS IN CREDIT TO THE CORPORATE BANKING SEGMENT

Banking credit. The demand for banking credit is expected to be supported by several factors, among which are the Concentration Act, which is expected to lead to the sale of assets by centralized corporations. Another supporting factor is the attainment of capital requirement goals. On the other hand, certain obstructing factors exist, among which are the growing competition on the part of institutional bodies and the expansion in their operations, as well as Directive No. 313 regarding the restriction of capital in respect of groups of borrowers in terms of Tier 1 capital, which is expected to moderate the supply of credit to groups of borrowers.

In accordance with the above and in view of the factors having an impact, a moderate expansion of the creditis expected in the corporate banking segment.

Off-banking credit. A continuation of rapid growth is expected in the off banking credit. This, mainly due to fast growth in non-marketable private loans.

The above said in the last two items is considered a forward looking statement. The above reflects the evaluation of the Bank's management keeping in mind the information available to it at date of preparation of the financial statements, with respect to the state of the economy and of the global economy. The foregoing may not materialize in case of different changes in macro-economic conditions, which are not under the Bank's control.

For further details regarding the "Corporate Banking Segment", see the 2014 Annual Report (pp. 58-68).

MIDDLE MARKET BANKING SEGMENT

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

Net income of the segment in the first nine months of 2015 amounted to NIS 120 million, compared with NIS 58 million in the corresponding period last year, an increase of 106.9%.

The credit loss expenses in the first nine months of 2015 amounted to expenses reversal of NIS 2 million, compared with expenses of NIS 46 million in the corresponding period last year.

Principal data relating to the operations of the middle market banking segment:

	Domestic operations						International operations			
	Banking and finance	Credit cards	Capital market	Construction and real estate	Mortgages	Total	Banking and finance	Construction and real estate	Total	Total
	in NIS millions									
	For the three months ended September 30, 2015									
Interest income, net										
- From external sources	69	2	-	33	3	107	45	34	79	186
- Intersegmental	(6)	-	-	(4)	-	(10)	(16)	(12)	(28)	(38)
Total Interest income, net	63	2	-	29	3	97	29	22	51	148
Non-interest financing income	2	-	-	(1)	-	1	-	-	-	1
Commissions and Other income	14	5	1	7	-	27	4	3	7	34
Total Income	**79**	**7**	**1**	**35**	**3**	**125**	**33**	**25**	**58**	**183**
Credit loss expenses (expenses reversal)	9	1	-	-	-	10	2	(7)	(5)	5
Net Income (loss) attributed to the Bank's shareholders	**(7)**	**2**	**-**	**18**	**-**	**13**	**7**	**10**	**17**	**30**
Return on equity (percentage)	(1.2)	0.3	-	3.1	-	2.2	1.2	1.7	2.9	5.4
Average Assets	7,748	215	-	4,063	385	12,411	4,978	3,811	8,789	21,200
Of which - Average credit to the public	7,748	215	-	4,063	385	12,411	4,978	3,811	8,789	21,200
Average Liabilities	7,947	220	-	1,171	1	9,339	1,341	1,002	2,343	11,682
Of which - Average deposits from the public	7,947	-	-	1,171	1	9,119	1,341	1,002	2,343	11,462
	For the three months ended September 30, 2014									
Interest income, net										
- From external sources	72	-	-	32	3	107	69	9	78	185
- Intersegmental	(9)	-	-	(6)	-	(15)	(15)	(10)	(25)	(40)
Total Interest income, net [(5)]	63	-	-	26	3	92	54	(1)	53	145
Non-interest financing income	3	-	-	-	-	3	-	-	-	3
Commissions and Other income [(1)]	11	-	4	6	-	21	9	1	10	31
Total Income	**77**	**-**	**4**	**32**	**3**	**116**	**63**	**-**	**63**	**179**
Credit loss expenses (expenses reversal)	-	-	-	-	-	-	15	(11)	4	4
Net Income (loss) Attributed to the bank's shareholders [(1)(2)(3)]	**(14)**	**3**	**1**	**13**	**3**	**6**	**6**	**14**	**20**	**26**
Return on equity (percentage)[(1)(2)(3)]	(2.7)	0.6	0.2	2.6	0.6	1.2	1.2	2.8	4.0	5.4
Average Assets [(3)(4)]	7,445	173	-	3,941	396	11,955	4,459	3,813	8,272	20,227
Of which - Average credit to the public [(4)]	7,445	173	-	3,941	396	11,955	4,459	3,813	8,272	20,227
Average Liabilities	6,903	682	-	1,159	1	8,745	1,394	889	2,283	11,028
Of which - Average deposits from the public	6,903	-	-	1,159	1	8,063	1,394	889	2,283	10,346

Footnotes:

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(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the operations of the middle market banking segment (continued):

	Domestic operations						International operations			
	Banking and finance	Credit cards	Capital market	Construction and real estate	Mortgages	Total	Banking and finance	Construction and real estate	Total	Total
	in NIS millions									
	For the nine months ended September 30, 2015									
Interest income, net										
- From external sources	208	6	-	92	8	314	131	112	243	557
- Intersegmental	(16)	-	-	(9)	(1)	(26)	(45)	(33)	(78)	(104)
Total Interest income, net	192	6	-	83	7	288	86	79	165	453
Non-interest financing income	9	1	-	-	-	10	-	-	-	10
Commissions and Other income	42	16	7	21	-	86	13	12	25	111
Total Income	**243**	**23**	**7**	**104**	**7**	**384**	**99**	**91**	**190**	**574**
Credit loss expenses (expenses reversal)	12	1	-	(5)	-	8	2	(12)	(10)	(2)
Net Income attributed to the Bank's shareholders	**(5)**	**8**	**2**	**51**	**2**	**58**	**25**	**37**	**62**	**120**
Return on equity (percentage)	0.1	32.7	-	14.6	5.8	6.8	5.6	8.6	7.2	7.0
Average Assets	7,704	199	-	3,925	373	12,201	5,006	4,331	9,337	21,538
Of which - Average credit to the public	7,704	199	-	3,925	373	12,201	5,006	4,331	9,337	21,538
Average Liabilities	7,963	272	-	1,073	1	9,309	1,341	1,062	2,403	11,712
Of which - Average deposits from the public	7,963	-	-	1,073	1	9,037	1,341	1,062	2,403	11,440
	For the nine months ended September 30, 2014									
Interest income, net										
- From external sources	230	6	-	92	8	336	113	96	209	545
- Intersegmental	(39)	-	-	(14)	(1)	(54)	(36)	(24)	(60)	(114)
Total Interest income, net [5]	191	6	-	78	7	282	77	72	149	431
Non-interest financing income	6	1	-	-	-	7	-	-	-	7
Commissions and Other income [1]	43	11	8	17	-	79	13	15	28	107
Total Income	**240**	**18**	**8**	**95**	**7**	**368**	**90**	**87**	**177**	**545**
Credit loss expenses (expenses reversal)	30	-	-	7	-	37	10	(1)	9	46
Net Income (loss) Attributed to the bank's shareholders [1][2][3]	**(45)**	**11**	**2**	**37**	**3**	**8**	**18**	**32**	**50**	**58**
Return on equity (percentage)[1][2][3]	(8.0)	52.0	-	12.9	7.9	1.6	4.9	9.2	7.3	4.0
Average Assets [3][4]	7,463	173	-	3,773	380	11,789	4,305	3,865	8,170	19,959
Of which - Average credit to the public [4]	7,463	173	-	3,773	380	11,789	4,305	3,865	8,170	19,959
Average Liabilities	7,299	354	-	979	1	8,633	1,370	911	2,281	10,914
Of which - Average deposits from the public	7,299	-	-	979	1	8,279	1,370	911	2,281	10,560

Footnotes:

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(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

For further details regarding the "Middle Market Banking Segment", see the 2014 Annual Report (pp. 68-72).

PRIVATE BANKING SEGMENT

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

Net income of the segment in the first nine months of 2015 amounted to NIS 22 million, compared with NIS 2 million in the corresponding period last year.

The credit loss expenses in the first nine months of 2015 amounted to an expense reversal of NIS 1 million, compared with an expense of NIS 7 million in the corresponding period last year.

Principal data relating to the operations of the private banking segment:

	Domestic operations			International operations			
	Banking and finance	Capital market	Total	Banking and finance	Capital market	Total	Total
	in NIS millions						
	For the three months ended September 30, 2015						
Interest income, net							
- From external sources	(9)	-	(9)	12	-	12	3
- Intersegmental	27	-	27	54	-	54	81
Total Interest income, net	18	-	18	66	-	66	84
Non-interest financing income	-	1	1	2	-	2	3
Commissions and Other income	9	14	23	27	12	39	62
Total Income	**27**	**15**	**42**	**95**	**12**	**107**	**149**
Credit loss expenses (expenses reversal)	11	-	11	(1)	-	(1)	10
Net Income (loss) attributed to the Bank's shareholders	**(10)**	**3**	**(7)**	**(1)**	**3**	**2**	**(5)**
Return on equity (percentage)	(8.0)	2.5	(5.7)	(0.8)	2.5	1.7	(3.3)
Average Assets	1,241	-	1,241	3,958	-	3,958	5,199
Of which - Average credit to the public	1,241	-	1,241	2,425	-	2,425	3,666
Average Liabilities	16,161	-	16,161	20,313	-	20,313	36,474
Of which - Average deposits from the public	16,161	-	16,161	20,313	-	20,313	36,474
	For the three months ended September 30, 2014						
Interest income, net							
- From external sources	(147)	-	(147)	(67)	-	(67)	(214)
- Intersegmental	164	-	164	127	-	127	291
Total Interest income, net	17	-	17	60	-	60	77
Non-interest financing income	1	-	1	1	-	1	2
Commissions and Other income [(1)]	9	13	22	27	15	42	64
Total Income	**27**	**13**	**40**	**88**	**15**	**103**	**143**
Credit loss expenses	4	-	4	1	-	1	5
Net Income (loss) Attributed to the bank's shareholders [(1)(2)(3)]	**(14)**	**8**	**(6)**	**(1)**	**5**	**4**	**(2)**
Return on equity (percentage)[(1)(2)(3)]	(11.4)	7.0	(5.0)	(0.8)	-	3.5	(1.9)
Average Assets	1,183	-	1,183	3,672	-	3,672	4,855
Of which - Average credit to the public	1,183	-	1,183	2,301	-	2,301	3,484
Average Liabilities	16,544	-	16,544	18,327	-	18,327	34,871
Of which - Average deposits from the public	16,544	-	16,544	18,327	-	18,327	34,871

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

Principal data relating to the operations of the private banking segment (continued):

	Domestic operations			International operations			
	Banking and finance	Capital market	Total	Banking and finance	Capital market	Total	Total
	in NIS millions						
	For the nine months ended September 30, 2015						
Interest income, net							
- From external sources	(39)	-	(39)	63	1	64	25
- Intersegmental	86	-	86	145	-	145	231
Total Interest income, net	47	-	47	208	1	209	256
Non-interest financing income	2	1	3	(1)	-	(1)	2
Commissions and Other income	27	43	70	87	42	129	199
Total Income	**76**	**44**	**120**	**294**	**43**	**337**	**457**
Expenses reversal of credit loss expenses	(1)	-	(1)	-	-	-	(1)
Net Income (loss) attributed to the bank's shareholders	**(12)**	**12**	**-**	**9**	**13**	**22**	**22**
Return on equity (percentage)	(11.8)	98.0	-	4.3	-	9.9	6.2
Average Assets	1,233	-	1,233	3,910	-	3,910	5,143
Of which - Average credit to the public	1,233	-	1,233	2,617	-	2,617	3,850
Average Liabilities	16,401	-	16,401	20,545	-	20,545	36,946
Of which - Average deposits from the public	16,401	-	16,401	20,545	-	20,545	36,946
	For the nine months ended September 30, 2014						
Interest income, net							
- From external sources	(72)	-	(72)	79	1	80	8
- Intersegmental	131	-	131	101	-	101	232
Total Interest income, net	59	-	59	180	1	181	240
Non-interest financing income	3	1	4	6	-	6	10
Commissions and Other income [(1)]	25	40	65	78	45	123	188
Total Income	**87**	**41**	**128**	**264**	**46**	**310**	**438**
Credit loss expenses	5	-	5	2	-	2	7
Net Income (loss) Attributed to the bank's shareholders [(1)(2)(3)]	**(25)**	**9**	**(16)**	**2**	**16**	**18**	**2**
Return on equity (percentage)[(1)(2)(3)]	(22.4)	84.1	(12.7)	0.9	-	7.5	0.6
Average Assets	1,183	-	1,183	3,732	-	3,732	4,915
Of which - Average credit to the public	1,183	-	1,183	2,449	-	2,449	3,632
Average Liabilities	16,750	-	16,750	18,477	-	18,477	35,227
Of which - Average deposits from the public	16,750	-	16,750	18,477	-	18,477	35,227

Footnotes:

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DEVELOPMENTS IN THE SEGMENT

In the first half of 2015, a course of action was initiated to concentrate financially wealthy customers at the Tel Aviv International Private Banking Center. This move was intended to concentrate professional service in a single location, in order to ensure high-quality service on the one hand, and allow risks involved in providing service to foreign residents to be dealt with in an efficient manner on the other.
As part of the risk management operations conducted in international banking, the new policy adopted by the Bank regarding foreign residents was applied and the instruction of the Supervisor of Banks concerning obtaining the signatures of foreign residents is implemented. Furthermore, the Bank continues the comprehensive process of improving accounts of foreign residents, which includes the closing down of accounts and improving documentation. For details regarding the policy adopted by the Bank and regarding the circular of the Supervisor, see below "Exposure to cross-border risks in respect of the activities of foreign resident customers".

For further details regarding the "Private Banking Segment", see the 2014 Annual Report (pp. 72-76).

FINANCIAL MANAGEMENT SEGMENT

SCALE OF OPERATIONS AND NET INCOME OF THE SEGMENT

The segment's gain in the first nine months of 2015, not including the activity of the non-financial companies sub-segment, amounted to NIS 264 million, compared to a net income of NIS 286 million the corresponding period last year.
Total income in the first nine months of 2015 amounted to NIS 609 million, compared to NIS 630 million the corresponding period last year, and they include three main components:

1. Income from the Bank's "Nostro" operations in Israel in the net amount of NIS 267 million, net, including an income of NIS 156 million from the sale of securities (mostly Government bonds) and fair value adjustments of marketable securities, compared to an income of NIS 293 million from nostro activity in the corresponding period last year, including an income of NIS 299 million from the sale of securities and fair value adjustments of marketable securities.
2. Income from assets and liabilities management (from positions management and from currency and financial derivatives trading and brokerage) of NIS 342 million, compared to an income of NIS 299 million in the corresponding period last year.
3. Income from international operations in the amount of NIS 123 million, compared with income of NIS 88 million in the corresponding period last year.

Principal data relating to the operations of the financial management segment:

	2015			2014		
	Domestic Operations	International Operations	Total	Domestic Operations	International Operations	Total
	in NIS millions					
	For the three months ended September 30					
Interest income, net	88	29	117	[5]78	36	114
Non-interest financing income	(12)	13	1	96	22	118
Commissions and Other income	43	4	47	[1]-	-	
Total Income	**119**	**46**	**165**	**174**	**58**	**232**
Credit loss expenses (expenses reversal)	5	-	5	3	(10)	(7)
Net Income attributed to the Bank's shareholders	**47**	**15**	**62**	**[1][2][3]91**	**36**	**127**
Return on equity (percentage)	12.5	3.9	16.3	[1][2][3]19.0	7.2	26.5
Average Assets	63,470	16,503	79,973	[3][4]60,736	14,691	75,427
Average Liabilities	23,851	9,430	33,281	[3]25,000	8,469	33,469
	For the nine months ended September 30					
Interest income, net	264	82	346	[5]234	128	362
Non-interest financing income	159	20	179	300	(40)	260
Commissions and Other income	63	21	84	[1]8	-	8
Total Income	**486**	**123**	**609**	**542**	**88**	**630**
Credit loss expenses	2	1	3	6	4	10
Net Income attributed to the Bank's shareholders	**233**	**31**	**264**	**[1][2][3]262**	**24**	**286**
Return on equity (percentage)	22.6	27.4	23.0	[1][2][3]22.5	11.2	20.5
Average Assets	66,262	16,257	82,519	[3][4]62,308	15,549	77,857
Average Liabilities	25,311	9,800	35,111	[3]24,818	8,637	33,455

Footnotes:

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DEVELOPMENTS IN THE SEGMENT

Negative interest environment. In the second quarter, following the transition to a negative interest environment, as regards the Swiss franc and the Euro currencies, the Bank has informed its institutional customers of the charging of interest on credit current account balances in these currencies. The Bank would continue to consider the steps to be taken in accordance with development in interest rates in Israel and the world over.

For further details regarding the "Financial Management Segment", see the 2014 Annual Report (pp. 76-79).

NON-FINANCIAL COMPANIES SUB-SEGMENT

GENERAL

This sub-segment includes the Group's operations in non-financial investments. The greater part of the sub-segment's operations relate to investments made by a subsidiary, Israel Discount Capital Markets and Investments Ltd. (hereinafter: "DCMI").

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE SUB-SEGMENT

As of September 30, 2015, the amount of the Bank's investment in non-financial corporations was less than the restricted amount pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details see the 2014 Annual Report (p. 80).

SCALE OF OPERATIONS AND NET PROFIT OF THE SUB-SEGMENT

The sub-segment's net income in the first nine months of 2015 amounted to NIS 54 million, compared with NIS 63 million in the corresponding period last year, a decrease of 14.3%.

Principal data relating to the operations in the non-financial companies sub-segment:

	For the three months ended September 30		For the nine months ended September 30	
	2015	2014	2015	2014
	in NIS millions			
Interest income, net	-	-	-	-
Non-interest financing income	10	12	62	66
Commissions and Other income	1	1	3	2
Total Income	**11**	**13**	**65**	**68**
Net Income Attributed to the Bank's shareholders	**11**	**12**	**54**	**63**

INVESTMENT OF THE GROUP IN PRIVATE INVESTMENT FUNDS, VENTURE CAPITAL FUNDS AND CORPORATIONS

DCMI is a partner in a number of private and public corporations, private investment funds and venture capital funds. As of September 30, 2015, the net investments of DCMI in these corporations and funds amounted to approx. US$232 million. As of September 30, 2015, the maximum future commitment of DCMI for investment in these corporations and funds amounted to approx. US$50 million.

In addition to the investment in funds through DCMI, Mercantile Discount Bank is committed to invest in four active venture capital funds. As of September 30, 2015, the investment of Mercantile Discount Bank in these funds amounted to US$2.4 million. As of September 30, 2015, the maximum additional commitment for the future investments in these funds amounted to US$0.7 million.

DEVELOPMENTS IN THE SUB-SEGMENT

Realizations. In the first nine months of 2015, DCMI has recognized gains in the total amount of NIS 48 million in respect of withdrawals from the funds, compared with NIS 41 million in the corresponding period last year.

Investment in dividend paying shares. During the first nine months of 2015, DCMI realized all its holdings in dividend shares, at a profit of NIS 10 million.

Additional investments. DCMI is studying additional investments with a view of diversifying its sources of income.

For further details regarding the "Non-financial companies sub-segment", see the 2014 Annual Report (pp. 80-82).

FURTHER DETAILS AS TO ACTIVITY IN CERTAIN PRODUCTS

CREDIT CARD OPERATIONS

GENERAL INFORMATION ON THE OPERATIONS

Following are quantitative data regarding the activity of ICC:

	September 30, 2015		December 31, 2014	
	The total number of cards	Of which: active cards	The total number of cards	Of which: active cards
	in thousands			
Bank cards	1,449	1,246	1,422	1,212
Off-banking cards	870	615	840	592
Total	**2,319**	**1,861**	**2,262**	**1,804**

Transactions turnover

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014	For the year ended December 31, 2014
	in NIS millions		
Bank cards	38,465	35,763	48,258
Off-banking cards	10,963	9,864	13,320
Total	**49,428**	**45,627**	**61,578**

"Bank card" - A credit card issued jointly with the banks in the arrangement and under their responsibility.
"Off-banking card" - A credit card issued by ICC, separately from the banks.
"Valid card" - A valid credit card which is not blocked.
"Transactions turnover" - Includes transactions made using the credit card and debits in respect of transactions payable in installments, less the credits made to the banks or their customers in respect of the use of credit cards during the same period and commissions collected for the banks or for ICC. The transaction turnover does not include withdrawals of cash through the automatic teller machines in Israel.
"Active card" - a credit card through which at least one transaction was made in the last quarter.

SCALE OF OPERATIONS AND NET INCOME

Net income in the first nine months of 2015 amounted to NIS 88 million, compared with NIS 86 million in the corresponding period last year, an increase of 2.3%.

The credit loss expenses amounted in the first nine months of 2015 to NIS 20 million, compared with NIS 22 million in the corresponding period last year, a decrease of 9.1%.

Principal data relating to the credit cards operations:

	Households	Small Businesses	Corporate Banking	Middle Market Banking	Total
	in NIS millions				
	For the three months ended September 30, 2015				
Interest income, net					
- From external sources	75	7	3	2	87
- Intersegmental	(6)	(3)	-	-	(9)
Total Interest income, net	69	4	3	2	78
Non-interest financing income	(1)	1	-	-	-
Commissions and Other income	219	13	8	5	245
Total Income	**287**	**18**	**11**	**7**	**323**
Credit loss expenses	1	1	1	1	4
Net Income attributed to the Bank's shareholders	**22**	**6**	**2**	**2**	**32**
Return on equity (percentage)	3.1	1.9	0.2	0.3	12.6
Average Assets	9,373	343	428	215	10,359
Average Liabilities	3,447	351	430	220	4,448
	For the three months ended September 30, 2014				
Interest income, net					
- From external sources	66	6	4	-	76
- Intersegmental	(6)	(2)	-	-	(8)
Total Interest income, net (5)	60	4	4	-	68
Non-interest financing income	2	-	-	-	2
Commissions and Other income (1)	210	15	11	-	236
Total Income	**272**	**19**	**15**	**-**	**306**
Credit loss expenses	8	-	-	-	8
Net Income (loss) Attributed to the bank's shareholders (1)(2)(3)	**11**	**3**	**(2)**	**3**	**15**
Return on equity (percentage)(1)(2)(3)	1.8	1.2	(0.2)	0.6	6.9
Average Assets (3)(4)	8,643	273	339	173	9,428
Average Liabilities	2,860	332	655	682	4,529

Footnotes:
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(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.
(4) Reclassified, see Note 13 C (2) to the condensed financial statements.
(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the credit cards operations (continued):

	Households	Small Businesses	Corporate Banking	Middle Market Banking	Total
	in NIS millions				
	For the nine months ended September 30, 2015				
Interest income, net					
- From external sources	216	19	11	6	252
- Intersegmental	(19)	(7)	-	-	(26)
Total Interest income, net	197	12	11	6	226
Non-interest financing income	4	2	2	1	9
Commissions and Other income	625	40	28	16	709
Total Income	**826**	**54**	**41**	**23**	**944**
Credit loss expenses	17	1	1	1	20
Net Income attributed to the Bank's shareholders	**52**	**15**	**13**	**8**	**88**
Return on equity (percentage)	8.5	26.0	40.8	32.7	11.8
Average Assets	9,181	317	396	199	10,093
Average Liabilities	3,221	433	532	272	4,458
	For the nine months ended September 30, 2014				
Interest income, net					
- From external sources	192	17	12	6	227
- Intersegmental	(20)	(5)	-	-	(25)
Total Interest income, net [(5)]	172	12	12	6	202
Non-interest financing income	6	1	1	1	9
Commissions and Other income [(1)]	616	25	22	11	674
Total Income	**794**	**38**	**35**	**18**	**885**
Credit loss expenses	22	-	-	-	22
Net Income (loss) Attributed to the bank's shareholders [(1)(2)(3)]	**65**	**18**	**(8)**	**11**	**86**
Return on equity (percentage)[(1)(2)(3)]	11.6	40.1	(27.5)	52.0	20.5
Average Assets [(3)(4)]	8,527	275	343	173	9,318
Average Liabilities	2,704	564	693	354	4,315

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (2) to the condensed financial statements.

(5) Reclassified, see Note 13 C (1) to the condensed financial statements.

LEGISLATION AND REGULATIONS

Banking Law (Licensing) (Clearing of Charge Card Transactions). The aforesaid law entered into effect upon its publication in August 2011, apart from the provisions relating to opening the clearing market to competition which entered into effect on May 15, 2012. In January 2012, ICC, LeumiCard and IsraCard were defined as "issuer having a wide-ranging activity" (within the meaning of this term in the said legislation amendment). The Supervisor of Banks extended, from time to time, the date for ICC for obtaining a clearing license, recently until March 2016, or until the receipt of a permanent clearing license, the earliest. For further details, see the 2014 Annual Report (pp. 87-88).

Banking Order (Service to customer) (amount of maximum commission for a service granted by a clearing agent to a provider of discount services in credit cards transactions), 2015. On May 10, 2015 an Order was published in the Official Gazette, announcing a service granted by a clearing agent to a provider of discount services as a supervised service. The amount of maximum commission that may be charged for this service stands at NIS 20 per month per customer that is a "large business" and at NIS 10 per month for an "individual/small business". The Order takes effect on July 1, 2015.

On July 1, 2015, ICC published its updated commission pricelists, in accordance with the instructions of the Supervisor of Banks. The principal changes relate to the computation of commissions on the withdrawal of cash abroad and the currency conversion accompanying such transactions, as well as the publication of a pricelist for trading houses.

Letter of the Supervisor of Banks regarding "increasing the distribution of immediate debit cards". On June 29, 2015, the Supervisor of Banks published a letter in this matter. For the purpose of increasing the distribution of immediate debit cards, banking corporations are required to take active action with respect to their customers matching the definition of "household" or "small business" (as defined in Section 79A(5) to the Reporting to the Public Directive No. 664). As from the date of the letter, banking corporations are required to offer an immediate debit card to any new customer opening a current account; and until December 31, 2016, they are required to offer immediate debit cards to all existing customers having current accounts. Banking corporations are required to determine an effective policy, forming the work procedures for approaching customers and obtaining their position as regards the issue of an immediate debit card.

The letter of the Supervisor of Banks provides also for certain instructions with respect to fees of immediate debit cards. Banking corporations may not charge card fees for an immediate debit card issued as from July 1, 2015, to a customer having a valid credit card issued by that same banking corporation, and this for a period of thirty-six months from date of issue of the immediate debit card. This provision was regularized in the Banking Rules (Customer service) (Commissions) (Amendment No. 2), 2015, which took effect on July 1, 2015.

With respect to customers who do not have a valid credit card issued by that same banking corporation, it is provided that the card fees for an immediate debit card would be lower than the fees charged for a credit card.

The instruction also imposes the duty of reporting to the Supervisor of Banks the progress made in the distribution of immediate debit cards.

For additional details regarding the regulation of use of debit cards, see the 2014 Annual Report (pp. 88-89).

Amendment of Proper Conduct of Banking Business Directive No. 470 in the matter of "debit cards". On June 29, 2015, the Supervisor of Banks issued an amendment to the instruction, within the framework of the action taken by the Supervisor of Banks in order to increase competition in the field of debit cards and promote the use of immediate debit cards and of rechargeable cards. The amendment includes: addition of a definition for the terms "immediate debit card", "rechargeable card" and "immediate debit transaction"; and the regularization of the manner of charging the customer, taking effect on April 1, 2016, and of the transfer of funds to trading houses in respect of immediate debit transactions (in effect from April 1, 2016, in respect of an immediate debit card and taking effect on October 1, 2016, with respect to a rechargeable card); a visual differentiation of the immediate debit card and of the rechargeable card from all other charge cards, to take effect as from October 1, 2015; the format of presenting immediate debit card transactions in the statement of current account and in the monthly detailed statement of transactions, to take effect as from April 1, 2016. The Bank continues to prepare for the implementation of the said instructions.

In addition, the amendment to the instruction regularized an outline for the transition of the payments layout in Israel to the EMV Standard. The Standard is the accepted international standard for the protection of debit card transactions made by means of a point of sale (POS). Adoption of this Standard includes transition to the use of "smart" cards and of points of sale at trading houses, as well as ATM's that support EMV ("smart" terminals). The outline refers to the issue part (with effect as form October 1, 2015, in respect of international cards, and as from October 1, 2016, with respect to local cards) and clearing part of debit cards (with gradual effect as from October 1, 2015 and until July 1, 2017) as well as to the use of automatic machines for cash withdrawals (with effect as from January 1, 2018). Accordingly, it requires preparations for its implementation, including technological and operational preparations, as well as obtaining the relevant qualification approvals, where required.

Banking Order (Customer service) (Supervision over the service granted by an issuer to a clearing agent in respect of the cross-clearing of immediate debit transactions) (Provisional instruction), 2015. The essence of the Order: declaration of a service granted by an issuer to a clearing agent in connection with the cross-clearing of immediate debit transactions ("the service") as a controlled service for the purpose of the commission charged in respect thereof, and the determination that the cross-commission paid by the clearing agent to the issuer in respect of the service, shall not exceed 0.3% of the transaction amount. The Order was published in the Official Gazette on August 26, 2015, and shall continue in effect for one year as from April 1, 2016.

Interim report – Charge Card Transaction Chain. In August 2015, the Bank of Israel published an interim report aimed at removing the obstacles and allowing the entry of new participants into the charge card market. The report recommends, among other things, the expansion of the spheres of responsibility of the National Committee for Payments and Settlement, the establishment of a committee to regulate the activity and the transaction execution rules in the local charging system, regulating the “Ashrayit” software protocol, and so forth.

For details regarding amendments and draft amendments to the Banking Rules (Customer service) (Commissions), within the framework of which, among other things, certain restrictions have been imposed on the charging of commissions with respect to credit cards, or where such restrictions are being proposed, see Note 17 to the condensed financial statements.

For details regarding references to the credit card field made in the coalition agreement for the formation of the 34th Government of the State of Israel, see "Legislation and supervision" below.

For further details as to the legislation concerning the credit card activity, see the 2014 Annual Report (pp. 83-90).

DEVELOPMENTS IN THE OPERATIONS

Acquisition of VISA Europe. On November 2, 2015, VISA Inc. and VISA Europe Ltd. Announced entry into an agreement whereby VISA Inc. will acquire VISA Europe. The total price of the transaction is estimated at approx. €21.2 billion, made up of a cash payment of €11.5 billion and special preferred shares in the amount of €5 billion, as well as a future consideration of €4.7 billion, subject to reaching certain income goals during a period of sixteen quarters following the consummation of the transaction, payable at the end of the period.

The transaction is subject to obtaining various regulatory approvals, and according to reports it is expected to be consummated during 2016. It has been further reported, that in order to complete the transaction VISA Inc. plans to raise capital during the first quarter of 2016.

The Bank and ICC are members of VISA Europe. The manner of distribution of the consideration among the members of VISA Europe, if and when the transaction is consummated, is not yet clear. Accordingly, at this stage, it is not possible to estimate the amount of the expected consideration.

All as detailed in the immediate report dated November 3, 2015 (Ref. No. 2015-01-147192), the information presented therein is stated here by way of reference.

The said information is considered forward looking information, as defined in the Securities Act, 1969, and is based upon the report of VISA Inc. to the SEC.

A joint issuance agreement – Union Bank. On October 27, 2015, ICC and Diners signed on addendums to the agreements existing between them and Union Bank of Israel Ltd. (hereinafter: "Union Bank") dated July 1, 2010 (hereinafter: "the agreements"). For additional details see the 2014 Annual Report (pp. 527-528).

Included in the said addendums was the cancellation of the option granted to Union Bank (see the2014 Annual Report, p.528). As part of the amendments and addendums, it has been agreed that Union Bank would receive from ICC and Diners compensation and an annual award, subject to business terms relating to the joint issuance of credit cards. The validity of the updated agreements has been extended to December 31, 2021, subject to the terms therein, including terms for their cancellation.

The amendment of the agreements in accordance with the addendums, shall take effect upon receipt from the Antitrust Commissioner of an exemption from a binding agreement, as well as approvals of the Supervisor of Banks relating to ICC and Union Bank, to the extent that such approvals are required.

Negotiations **concerning the acquisition of the minority's shares in Diners.** Further to the negotiations held between ICC and Diners and Dor-Alon Finances Ltd. ("Dor-Alon") and Blue Square Israel Ltd. ("Blue Square"), on the other, in relation to a transaction, whereby ICC will acquire the shares held by Dor-Alon and Blue Square in Diners (49%), as detailed in an immediate report dated August 11, 2015 (Ref. No. 2015-01-094494), the outline of the transaction will be brought for discussion by the Bank's Board of Directors on November 19, 2015. The said immediate report is presented hereby by way of reference. Should the transaction be signed, its completion will be contingent on, among other things, receiving regulatory approvals, approval of the international organizations and approval of the authorized organs of all the parties, to the extant required.

Agreement with Bank Otsar Ha-Hayal. For details regarding this agreement, which was signed in March 2015, see Note 16A to the condensed financial statements.

The signing of an agreement with H&O. On July 16, 2015, ICC, Diners and H&O entered into an agreement for the updating of the previous club agreement signed by them on December 29, 2010. The new agreement covers the period from June 1, 2015 to May 31, 2020.

Cooperation agreement with Direct Finance Company. On October 18, 2015, ICC and Direct Finance of Direct Group (2006) Ltd. ("Direct Finance") signed a cooperation agreement, according to which, the parties would cooperate in providing loans by means of ICC to customers being offered credit by Direct Finance. The agreement shall be in effect for a period of twelve months from date of signing thereof, and it will be automatically renewed for additional periods of twelve months each, unless circumstances detailed in the agreement arise.

For further details regarding the credit card operations, see the 2014 Annual Report (pp. 83-96).

OPERATIONS IN THE CAPITAL MARKET

TREND OF EVENTS AND DEVELOPMENTS IN THE MACRO-ECONOMIC ENVIRONMENT

The mutual funds market. The net raising of deposits on the mutual funds market was negative (withdrawals exceeded deposits) and amounted since the beginning of the year to NIS 25.3 billion, compared to positive net deposits of NIS 32.6 billion raised in the corresponding period last year. An examination of the different mutual funds shows a steep increase in withdrawals from monetary funds (NIS 23.5 billion) and from the shekel funds (NIS 2.3 billion). Withdrawals were recorded also in the bond funds in Israel (NIS 3.1 billion) compared to large deposits during the corresponding period last year (NIS 31.3 billion). Deposits were also recorded in the equity funds in Israel (NIS1.1 billion) and in funds investing abroad (NIS 2.5 billion).

According to the Bank of Israel data, assets of mutual funds investing in bonds decreased in the said period by NIS 25.3 billion, comprising 9.7% of total assets of the funds. Assets of the non-linked funds decreased by NIS 19.9 billion, assets of the CPI linked funds decreased by NIS 6.1 billion, and assets of the foreign currency linked funds in Israel denominated in foreign currency, declined by NIS 1.7 billion. On the other hand, the assets of funds investing overseas increased by NIS 930 million, and assets of funds investing in equities and convertibles increased by NIS 1.7 billion.

The provident funds market. In the twelve months ended September 30, 2015, provident funds classified as "personal severance pay and provident funds" achieved a positive average return of 0.72%. These returns have been impacted by the fluctuations in the various indices of the Stock Exchange.

According to data published by the Capital Markets Division at the Ministry of Finance, provident funds classified as "personal severance pay and provident funds" showed a net positive accumulation in the amount of NIS 1,462 million, in the twelve months ended September 30, 2015, compared to a net negative accumulation of NIS 2 billion in the previous twelve months ended September 30, 2014. The positive accumulation, as stated, reflects a trend of one-off deposits of funds due to regulatory changes in the Ordinance made by the Tax Authority, which allow the withdrawal of funds by way of capitalization and under payment of capital profit tax, alongside maintaining the benefits existing in provident funds. The volume of provident fund assets as of September 30, 2015 amounted to approx. NIS 191 billion, compared to approx. NIS 189 billion as of September 30, 2014, an increase of NIS 2 billion (approx. 1%).

The new pension funds market. The new pension funds achieved in the twelve months ended September 30, 2015, an average positive return of 1.9%. According to data published by the Capital Market Division at the Ministry of Finance, all the new pension funds showed a net positive accumulation of funds in the amount of NIS 22.8 billion in the twelve months ended September 30, 2015, compared to a net positive accumulation of funds of NIS 19.9 billion in the preceding twelve months ended September 30, 2014. The volume of the new pension funds amounted to 206.3 billion as of September 30, 2015, compared to NIS 181.7 billion as of September 30, 2014, an increase of NIS 24.6 billion (approx. 13.5%).

The ETN market. According to data published by the Tel Aviv Stock Exchange, 640 ETN's were traded on the Stock Exchange at the end of the third quarter of 2015, of which 23 currency certificates ("deposit certificates"). Since the beginning of the year, the public has purchased certificates on international equities indices in the amount of approx. NIS 2.1 billion (all data in net terms). Furthermore, the public has purchased ETN's on local bond indices in the amount of NIS 0.4 billion. On the other hand currency certificates in the amount of NIS 13.4 billion have been sold and ETN's based on local share indices, by an amount of NIS 0.5 billion.

Capital Market. For details regarding developments in the capital market in the first nine months of 2015, see "Capital market" under "Main developments in Israel and around the world in the first nine months of 2015" hereunder.

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE OPERATIONS IN THE CAPITAL MARKET

Referring customers to portfolio management. The Israeli Securities Authority published on March 10, 2015, an "instruction to advisor license holders and to holders of marketing license with respect to referral of customers to providers of portfolio management services". The instruction took effect on June 8, 2015. In accordance with this instruction, an investment advisor may refer customers to a company engaged in portfolio management, only if all conditions stated in the instruction exist, including: referral of the customer to a portfolio management company is made only after the investment advisor had applied independent judgment in the matter and found that such a referral would be to the benefit of the customer; The investment advisor shall not be directly or indirectly compensated for his referral of the customer to the portfolio management company, and the volume of his activity in the field of such referrals shall not be used to measure the activity of the advisor; In the case of a referral to a related company, the investment advisor shall make the customer aware, in a language understood by him, of the nature of the connection to the related company.

Uniform interfaces. An updated version was published on May 6, 2015, of the circular regarding the uniform structure for communicating information and data on the pension savings market, within the framework of which, were amended, among other things, the rules regarding the different interfaces, including the holdings interface, and the rules regarding the submission of a request for obtaining information on a regular basis by a license holder were established. The effective date is fixed for November 1, 2015.

Pension clearinghouse. The Capital Market, Insurance and Savings Department at the Ministry of Finance continues its actions for the stability of the pension clearinghouse and enlargement of its operations. In this framework, an amendment to the circular was published on March 4, 2015, requiring the use of the central pension clearinghouse system, widening the operations a license holder has to make through of the clearinghouse system, among which is the request to obtain information on a regular basis or a one-time request (the holdings interface). The effective date is January 1, 2016. In addition, and as a supplementary action, an amendment of the circular was published on the same date, regarding the payment for use of the central pension clearinghouse system, within the framework of which it expands the types of operations that may be conducted using the clearinghouse and determine the price for each of them. It was further determined that a license holder shall be credited by all the institutional bodies for the full amount paid by him in respect of a one-time information request, this, in the cases stated in the amendment.

The Supervision over Financial Services Bill (Pension consulting, marketing and clearing system) and the Supervision over Financial Services (Provident funds) Bill. In the framework of the Bill Memorandum of the Economic Plan for the years 2015 and 2016 (Legislation amendments), 2015, the above Bills, among other things, were included. Within their framework the Bills propose to establish the right of the employee to obtain consultation as regards his pension savings from any license holder he chooses, and to forbid the subjecting by the employer of a transaction in a pension product to it being executed by a certain license holder, including a license holder who provides operating services to the employer. On November 5, 2015, the Bills were brought for discussion at the Finance Committee of the Knesset.

Additional regulations regarding pension savings. A final version was published on February 17, 2015, of the circular regarding provident funds investment channels, which determines rules for the establishment of default channels modified to the age of provident fund members. The effective date is determined for January 1, 2016. A circular was published on March 24, 2015, regarding the joining of a pension fund or of a provident fund, which provides for a standard version of the details to be provided in the form for membership of a pension fund or a provident fund, as well as in the form for changes requested by the member after joining such funds. The effective date is determined for January 1, 2016. On September 20, 2015, the Ministry of Finance announced that it intends to postpone the date of entry into effect of the circular to the beginning of 2017.

A reasoning document circular was published on June 23, 2015, within the framework of which, among other things, was included for the first time, the duty of clarifying the type of pension products held by a customer, by means of the pension clearing house, for the purpose of providing pension consulting or marketing, and this in the case of a new license holder, who has to fill in a full reasoning document. The circular is to take effect on July 1, 2016, and with regards of the duty of clarifying the type of the pension products, on November 1, 2015. An updated version of the said circular was published on November 10, 2015, in the framework of which, the duty of clarifying the identity of pension products was deferred to December 1, 2015.

An amendment to the circular regarding the power of attorney granted to a license holder was published on August 6, 2015, and took effect on November 1, 2015. For additional details regarding the amendments in the circular, see the 2014 annual report (p. 99).

Changing the structure of the Stock Exchange. A special meeting of the shareholders of the Stock Exchange, held on July 30, 2015, approved a formulation of a detailed proposal for an arrangement plan between the present Stock Exchange members, in between themselves and between them and the Stock Exchange, in order to implement the restructuring of the Stock Exchange, turning it into a profit organization through the issue of shares to the present members of the Stock Exchange on the basis of an elected economic model and according to the attached allotment Table, according to which 5.92% of the shares would be allotted to the Bank and to MDB. At the same time, the Israel Securities Authority is promoting a Bill in the matter. Following the completion of the legislation process, a detailed arrangement plan will be submitted for approval under the Companies Act.

Improving the process of investment consulting to customers. On July 7, 2015, the Israeli Securities Authority published a document containing the perceptions and position of the Authority's staff formed in the consulting field. Among other things, the staff of the Authority wishes to clarify that consulting may be carried out in different ways, including by electronic mail, SMS and by regular mail.

Furthermore, the document proposes also amending the Regulation of Engagement in Investment Consulting, Investment Marketing and Investment Portfolio Management (recording of transactions and recording of consulting operations), 2007. On July 29, 2015, the Finance Committee of the Knesset approved the amendment of the said Regulations, within the framework of which, among other things, the requirement for the customer's signature and for the delivery to the customer of the minutes of the consultation meeting at its conclusion, was abolished, and instead it was determined that the minutes be delivered to the customer no later than the end of ten days since the date of the minutes.

Regulation of securities trading services in the institutional market. The Capital Market, Insurance and Savings Department at the Ministry of Finance published on July 29, 2015, a draft amendment to the Supervision over Financial Services Regulations (Provident funds) (Purchase and sale of securities), 2009, and a draft amendment to the Supervision over Financial Services Regulations (Provident funds) (Personally managed provident funds), 2009, the principal subjects of which are the regularization of principles for the competitive process of choosing brokers by institutional bodies (managing company and an insurer). The Amendment proposes to forbid an institutional investor to buy or sell foreign currency and securities through or from the operating bank of this body or by means of or from a related party thereof. It is further proposed to require an institutional investor to maintain a competitive process, having at least five participants, also with respect to the holding and clearing of securities, on condition that it is not the operating bank of this body. Moreover, it is proposed to determine that the payment of a commission in respect of the clearing of securities shall not be computed as a percentage of the monetary volume of a single purchase/sale transaction.

Enforcement in the Securities Law. The Israel Securities Authority published on October 6, 2015, a memorandum of the Amendment of Enforcement in the Securities Law (Legislation amendments) Bill, 2015. The object of the Amendment is to prohibit front running activity by a financial broker, his employee, a license holder individual and others who may receive information from them. In addition, the Bill includes various amendments regarding enforcement relating to prohibiting the use of insider information, to the restrictions on holding of and the transacting of business in securities by different entities operating under the supervision of the Securities Authority.

Reliefs and development of the capital market. Several amendments to the Securities Regulations (Periodic and immediate reports), 1970, were published in the Official Gazette on October 18, 2015. Most of the amendments relate to reliefs in the matter of immediate reporting (see also the 2014 Annual Report, p.102).

For further details regarding legislative restrictions, regulations and special constraints applicable to the operations in the capital market, see 2014 Annual Report (pp. 97-103).

SCALE OF OPERATIONS AND NET INCOME

The net gain recorded from operations in the first nine months of 2015 amounted to NIS 85 million, compared to NIS 64 million in the corresponding period last year, an increase of 32.8%.

Principal data relating to the operations in the capital market:

	Domestic operations							International operations:	
	Households	Small Businesses	Corporate Banking	Middle Market Banking	Private Banking	Financial	Total	Private Banking	Total
	in NIS millions								
	For the three months ended September 30, 2015								
Interest income, net	-	-	(4)-	-	-	-	-	-	-
Non-interest financing income	3	-	1	-	1	-	5	-	5
Commissions and Other income	64	12	7	1	14	-	98	12	110
Total Income	**67**	**12**	**8**	**1**	**15**	**-**	**103**	**12**	**115**
Net Income (loss) attributed to the Bank's shareholders	**18**	**4**	**(2)**	**-**	**3**	**1**	**24**	**3**	**27**
	For the three months ended September 30, 2014								
Interest income, net	-	-	-	-	-	-	-	-	-
Non-interest financing income	1	-	1	-	-	-	2	-	2
Commissions and Other income (1)	66	11	12	4	13	-	106	15	121
Total Income	**67**	**11**	**13**	**4**	**13**	**-**	**108**	**15**	**123**
Net Income attributed to the Bank's shareholders (1)(2)(3)	**5**	**5**	**1**	**1**	**8**	**-**	**20**	**5**	**25**

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Amounts lower than NIS 1 million.

Principal data relating to the operations in the capital market (continued):

	Domestic operations							International operations:	
	Households	Small Businesses	Corporate Banking	Middle Market Banking	Private Banking	Financial	Total	Private Banking	Total
	in NIS millions								
	For the nine months ended September 30, 2015								
Total Interest income, net	-	-	(4)-	-	-	-	-	1	1
Non-interest financing income	6	1	2	-	1	-	10	-	10
Commissions and Other income	199	35	39	7	43	-	323	42	365
Total Income	**205**	**36**	**41**	**7**	**44**	**-**	**333**	**43**	**376**
Net Income attributed to the Bank's shareholders	**40**	**11**	**3**	**2**	**12**	**4**	**72**	**13**	**85**
	For the nine months ended September 30, 2014								
Total Interest income, net	-	-	-	-	-	-	-	1	1
Non-interest financing income	4	1	1	-	1	-	7	-	7
Commissions and Other income (1)	188	31	44	8	40	-	312	45	357
Total Income	**192**	**32**	**45**	**8**	**41**	**-**	**319**	**46**	**365**
Net Income attributed to the Bank's shareholders (1)(2)(3)	**20**	**8**	**8**	**2**	**9**	**-**	**48**	**16**	**64**

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Amounts lower than NIS 1 million.

DEVELOPMENTS IN THE OPERATIONS

Providing securities services to residents of foreign countries. The procedure regarding the prohibition on providing securities services to U.S. residents, since 2010, has been updated, among other things, in respect of exceptions to the definition of "U.S. resident", following updates received from external advisors in the U.S.. For further details, see the 2014 Annual Report (pp. 105-106). Furthermore, within the framework of management of risks stemming from cross-border transactions of customers, a restriction of securities services will be extended, also in respect of residents of other foreign countries.

Activity in the field of operating services. As from July 1, 2015, the granting of operating services to Clal Pension and Provident Ltd. was terminated, thus bringing to an end the operating agreement between the parties. The parties continue in attaining the milestones with respect to cessation of services and separation. Concurrently, the Bank stopped providing operating services to the Employees Fund and to the Central Severance Pay Fund of the Bank. Thus, the Bank ceased its activity in providing operating services to provident funds.

DATA RELATING TO THE SCALE OF OPERATIONS IN DIFFERENT AREAS

Securities. On September 30, 2015, the balance of securities held for the Bank's customers amounted to NIS 154.6 billion, including NIS 4.6 billion of non-marketable securities, compared to approx. NIS 151 billion as at December 31, 2014, including NIS 6.15 billion of non-marketable securities, an increase of approx. 2.38% (For details as to income from security activities, see Note 25 to the 2014 financial statements, p. 510).

In addition, on September 30, 2015, Mercantile Discount Bank held securities on behalf of customers in an amount of approx. NIS 10.6 billion, compared to NIS 11.8 billion on December 31, 2014, a decrease of approx. 10.2%.

Investment portfolio management. On September 30, 2015, Tafnit was managing investment portfolios, which together were valued at approx. NIS 6,651 million, as compared to approx. NIS 6,100 million as at December 31, 2014, an increase of approx. 9.0%.

Pension advisory services. The accumulation of customer assets, to whom advice has been provided, amounted as of September 30, 2015 to NIS 13.6 billion, compared with NIS 13.1 billion as of December 31, 2014, an increase of approx. 3.8%.

For further details regarding the operations in the capital market, see the 2014 Annual Report (pp. 96-107).

CONSTRUCTION AND REAL ESTATE ACTIVITY

DEVELOPMENT IN MARKETS OF THE ACTIVITY

Residential property. A rise of 4.7% in residential units prices took place in the months January to August[1] 2015, as shown by the freehold residential units price index. The number of transactions in the months January to June 2015[1] totaled 66 thousand residential units, an increase at a rate of 38% compared with the corresponding period last year.

Beginning of construction projects. The construction of 25,100 new residential units began in the first half[1] of 2015 (grossed up on an annualized basis, this represents an increase to a level of 50 thousand housing units), a 7.9% increase compared to the corresponding period last year. As of the end of June 2015, approx. 97 thousand new apartments were in stages of construction, the highest number since 1997.

The monthly average amount of mortgages granted in the first nine months of 2015, totaled NIS 5.4 billion, 26% higher than the monthly average amount of mortgages granted in 2014 (approx. NIS 4.3 billion). The balance of housing loans at the end of August 2015 was NIS 317 billion, compared with NIS 303 billion, in December 2014. The bank credit granted in this segment grew during the last three years at an average annual rate of 9%.

[1] The most updated data available at the time of submitting the report to print.

Income producing commercial real estate. Stability in the rates of occupancy was noted in the first nine months of 2015 alongside an increase in rental prices. The commercial market continues to sustain the continuous decline in private consumption, which is expected to lead to declining turnover. In addition, a large supply of approved building plans exists, the realization of which might lead to a surplus in supply, which may result in a decline in rental prices in saturated areas.

Income producing office premises. Stability in occupancy rates and in rental prices was maintained in the first nine months of 2015. A rise in rental prices was noted in the third quarter of 2015 in the towns of Herzliyah and Ramat-Gan, enhanced by the fact that these towns are not affected by the light rail transit construction work. Accordingly, specific declines accrued in Tel-Aviv since the beginning of the light rail transit construction work.

The large surplus in supply of areas intended for office building real estate and the large volume of construction beginnings, principally in the central area, may lead to surplus supply and to the continuation of the gradual trend of decline in rental prices in this sector.

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 19.1% as of September 30, 2015, compared with 18.43% at the end of 2014.

SCALE OF OPERATIONS AND NET PROFIT

Net profit from operations in the first nine months of 2015 amounted to NIS 285 million, compared with NIS 166 million in the corresponding period last year, an increase of 71.7%.

The credit loss expenses in the first nine months of 2015, amounted to expenses reversal of NIS 76 million, compared with an expense of NIS 78 million in the corresponding period last year. The reduction in credit loss expenses in this area of operations reflects the continuing improvement in the quality of the credit portfolio.

Principal data relating to the construction and real estate operations:

	Domestic operations				International operations			
	Small Businesses	Corporate Banking	Middle Market Banking	Total	Middle Market Banking	Corporate Banking	Total	Total
	in NIS millions							
	For the three months ended September 30, 2015							
Interest income, net								
- From external sources	4	109	33	146	34	16	50	196
- Intersegmental	14	(43)	(4)	(33)	(12)	(6)	(18)	(51)
Total Interest income, net	18	66	29	113	22	10	32	145
Non-interest financing income	-	1	(1)	-	-	-	-	-
Commissions and Other income	4	30	7	41	3	2	5	46
Total Income	**22**	**97**	**35**	**154**	**25**	**12**	**37**	**191**
Credit loss expenses (expenses reversal)	4	16	-	20	(7)	(8)	(15)	5
Net Income attributed to the Bank's shareholders	**7**	**47**	**18**	**72**	**10**	**7**	**17**	**89**
Return on equity (percentage)	2.2	4.3	3.1	15.9	1.7	0.6	9.5	14.1
Average Assets	1,593	9,375	4,063	15,031	3,811	1,932	5,743	20,774
Average Liabilities	1,480	1,802	1,171	4,453	1,002	554	1,556	6,009
	For the three months ended September 30, 2014							
Interest income, net								
- From external sources	3	96	32	131	9	11	20	151
- Intersegmental	13	(36)	(6)	(29)	(10)	(5)	(15)	(44)
Total Interest income, net (4)	16	60	26	102	(1)	6	5	107
Non-interest financing income	-	1	-	1	-	-	-	1
Commissions and Other income (1)	5	22	6	33	1	2	3	36
Total Income	**21**	**83**	**32**	**136**	**-**	**8**	**8**	**144**
Credit loss expenses (expenses reversal)	6	51	-	57	(11)	15	4	61
Net Income (loss) Attributed to the bank's shareholders (1)(2)(3)	**1**	**20**	**13**	**34**	**14**	**(12)**	**2**	**36**
Return on equity (percentage)(1)(2)(3)	0.4	2.0	2.6	7.9	2.8	(1.2)	1.4	6.2
Average Assets	1,445	9,527	3,941	14,913	3,813	1,794	5,607	20,520
Average Liabilities	923	1,834	1,159	3,916	889	500	1,389	5,305

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the construction and real estate operations (continued):

	Domestic operations				International operations			
	Small Businesses	Corporate Banking	Middle Market Banking	Total	Middle Market Banking	Corporate Banking	Total	Total
	in NIS millions							
	For the nine months ended September 30, 2015							
Interest income, net								
- From external sources	9	208	92	309	112	48	160	469
- Intersegmental	41	(63)	(9)	(31)	(33)	(17)	(50)	(81)
Total Interest income, net	50	145	83	278	79	31	110	388
Non-interest financing income	-	1	-	1	-	-	-	1
Commissions and Other income	13	80	21	114	12	5	17	131
Total Income	**63**	**226**	**104**	**393**	**91**	**36**	**127**	**520**
Credit loss expenses (expenses reversal)	13	(76)	(5)	(68)	(12)	4	(8)	(76)
Net Income attributed to the bank's shareholders	**18**	**177**	**51**	**246**	**37**	**2**	**39**	**285**
Return on equity (percentage)	20.2	18.5	14.6	17.7	8.6	2.4	6.8	14.5
Average Assets	1,489	8,841	3,925	14,255	4,331	2,228	6,559	20,814
Average Liabilities	1,272	1,848	1,073	4,193	1,062	558	1,620	5,813
	For the nine months ended September 30, 2014							
Interest income, net								
- From external sources	1	261	92	354	96	28	124	478
- Intersegmental	42	(91)	(14)	(63)	(24)	(10)	(34)	(97)
Total Interest income, net (4)	43	170	78	291	72	18	90	381
Non-interest financing income	-	-	-	-	-	-	-	-
Commissions and Other income (1)	13	65	17	95	15	6	21	116
Total Income	**56**	**235**	**95**	**386**	**87**	**24**	**111**	**497**
Credit loss expenses (expenses reversal)	5	10	7	22	(1)	57	56	78
Net Income (loss) Attributed to the bank's shareholders (1)(2)(3)	**20**	**121**	**37**	**178**	**32**	**(44)**	**(12)**	**166**
Return on equity (percentage)(1)(2)(3)	28.2	13.0	12.9	13.8	9.2	(40.6)	(2.7)	9.6
Average Assets	1,245	9,605	3,773	14,623	3,865	1,774	5,639	20,262
Average Liabilities	867	1,998	979	3,844	911	470	1,381	5,225

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Restated, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (1) to the condensed financial statements.

DEVELOPMENTS IN THE OPERATIONS

Purchase of a policy insuring against credit risk related to Sales Act guarantees and execution guarantees. In August 2015, the Bank completed the purchase of a policy insuring against credit risk related to Sales Act guarantees and execution guarantees issued within the framework of "closed project" financing, and which relates to a credit risk portfolio in the amount of NIS 5.8 billion. Within the framework of the insurance policy, the Bank transfers 80% of the credit risk involved in Sales Act guarantees and in commitments to issue such guarantees to an international consortium of reinsurers. According to Proper Conduct of Banking Business Directive No. 203, this transaction allows the Bank to reduce the risk assets by way of reducing the risk weight of exposure to a level of 20%, in line with the international rating of reinsurers.

For further details regarding the construction and real estate activity, see the 2014 Annual Report (pp. 108-114).

MORTGAGE ACTIVITY

DEVELOPMENTS IN THE MORTGAGE MARKET

	For the nine months ended September 30		
	2015	2014	
	in NIS millions		Change in %
Total housing loans granted by the banks, excluding internal recycling of loans	49,272	38,549	27.8
Loans from State funds	69	138	(49.9)

LEGISLATIVE RESTRICTIONS AND REGULATIONS

Recycling of mortgage loans to qualified borrowers. On March 31, 2015, the Supervisor of Banks and the Ministry of Construction announced the extension to August 31, 2015 of the process for the recycling of mortgage loans to qualified borrowers, at a low cost and accelerated process. The Supervisor of Banks announced on August 24, 2015, the continuation of this move until December 31, 2015. For additional details regarding this process, see the 2014 Annual Report (p.119).

Circular of the Ministry of Housing regarding target price bids – granting of a standing loan. On September 24, the Ministry of Finance and the Ministry of Housing issued a draft circular defining the mechanism of granting a standing loan to qualified borrowers who are entitled to purchase an apartment in housing projects under the terms of target price bids. The circular specifies the details of the mechanism for the granting of the loan and the scope of disclosure to be given to the borrower.

GUIDELINES AND DIRECTIVES OF THE SUPERVISOR OF BANKS DESIGNED TO RESTRAIN THE MORTGAGE MARKET

For details regarding guidelines and instructions of the Supervisor of Banks in this respect, see the 2014 Annual Report (pp. 119-121).

Draft circular of the Supervisor of Banks in the matter of housing loans carrying variable interest. On July 14, 2015, the Supervisor of Banks issued a draft circular, according to which a banking corporation shall have to approach all borrowers who took loans bearing variable interest rates and to direct their attention to the risk involved in rising interest rate in the loan and the effect it has on their monthly repayments. In addition, a bank has to make the borrowers aware of the possibility for the recycling of the loan and to refer them to the relevant function at the bank for additional information.

SCALE OF OPERATIONS AND NET PROFIT

Following are details regarding 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,
	2015	2014		2014
	In NIS millions		Change in %	In NIS millions
From bank funds(1)	3,323	2,259	47	2,997
From Treasury funds (2)	4	7	(43)	7
Total of new loans	3,327	2,266	47	3,004
Recycled loans	995	679	47	981
Total	**4,322**	**2,945**	**47**	**3,985**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 114 million in the first nine months of 2015, compared to NIS 144 million in the first nine months of 2014 and NIS 195 million in 2014

(2) Including standing loans in the amount of NIS 2 million in the first nine months of 2015, compared to NIS 4 million in the first nine months of 2014 and NIS 4 million in 2014.

The net gain of the segment in the first nine months of 2015 amounted to NIS 24 million, similar to the corresponding period last year.

The credit loss expenses. In the first nine months of 2015, expenses reversal in the amount of NIS 2 million were recorded, compared with an expenses reversal of NIS 9 million in the corresponding period last year.

Principal data relating to the mortgage activity:

	Domestic operations			
	Households	Small Businesses	Middle Market Banking	Total
	in NIS millions			
	For the three months ended September 30, 2015			
Interest income, net				
- From external sources	167	27	3	197
- Intersegmental	(136)	(23)	-	(159)
Total Interest income, net	31	4	3	38
Non-interest financing income	-	-	-	-
Commissions and Other income	5	-	-	5
Total Income	**36**	**4**	**3**	**43**
Credit loss expenses (expenses reversal)	9	(8)	-	1
Net Income (loss) Attributed to the Bank's shareholders	**(2)**	**7**	**-**	**5**
Return on equity (percentage)	(0.3)	2.2	-	1.9
Average Assets	21,116	719	385	22,220
Average Liabilities	49	6	1	56
	For the three months ended September 30, 2014			
Interest income, net				
- From external sources	175	26	3	204
- Intersegmental	(145)	(23)	-	(168)
Total Interest income, net (4)	30	3	3	36
Non-interest financing income	-	-	-	-
Commissions and Other income (1)	7	-	-	7
Total Income	**37**	**3**	**3**	**43**
Credit loss expenses (expenses reversal)	7	(5)	-	2
Net Income attributed to the Bank's shareholders(1)(2)(3)	**15**	**6**	**3**	**24**
Return on equity (percentage)(1)(2)(3)	2.4	2.3	0.6	10.4
Average Assets)	20,451	855	396	21,702
Average Liabilities	48	3	1	52

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Reclassified, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (1) to the condensed financial statements.

Principal data relating to the mortgage activity (continued):

	Domestic operations			
	Households	Small Businesses	Middle Market Banking	Total
	in NIS millions			
	For the nine months ended September 30, 2015			
Interest income, net				
- From external sources	409	80	8	497
- Intersegmental	(317)	(67)	(1)	(385)
Total Interest income, net	92	13	7	112
Non-interest financing income	-	-	-	-
Commissions and Other income	17	-	-	17
Total Income	**109**	**13**	**7**	**129**
Credit loss expenses (expenses reversal)	10	(12)	-	(2)
Net income attributed to the Bank's shareholders	**10**	**12**	**2**	**24**
Return on equity (percentage)	1.5	27.1	5.8	3.1
Average Assets	20,740	755	373	21,868
Average Liabilities	47	6	1	54
	For the nine months ended September 30, 2014			
Interest income, net				
- From external sources	449	86	8	543
- Intersegmental	(371)	(74)	(1)	(446)
Total Interest income, net (4)	78	12	7	97
Non-interest financing income	-	-	-	-
Commissions and Other income (1)	20	-	-	20
Total Income	**98**	**12**	**7**	**117**
Credit loss expenses (expenses reversal)	6	(15)	-	(9)
Net Income attributed to the Bank's shareholders(1)(2)(3)	**8**	**13**	**3**	**24**
Return on equity (percentage)(1)(2)(3)	1.4	28.6	7.9	3.4
Average Assets	20,231	915	380	21,526
Average Liabilities	44	3	1	48

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

(2) Reclassified, see Note 13 B to the condensed financial statements.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2) to the condensed financial statements.

(4) Reclassified, see Note 13 C (1) to the condensed financial statements.

ADDITIONAL DETAILS REGARDING THE MORTGAGE PORTFOLIO OF THE DISCOUNT GROUP AND THE RISKS INHERENT THEREIN

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB New York. It is noted though, that the data relating to IDB New York are negligible (housing credit in the amount of NIS 52 million as of September 30, 2015 and NIS 43 million as of December 31, 2014).

Following are details regarding the amount of loans and average financing ratios:

	For the nine months ended September 30,	For the year ended December 31,
	2015	2014
Average amount of loan (in NIS thousands)	691	644
Average financing ratio for housing loans (in %)	54.3	52.7
Average financing ratio for general purpose loans (in %)	38.4	36.8

Following is the division of housing credit balances according to size of credit to borrowers:

	September 30, 2015		December 31, 2014	
Credit limit (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	17,686	82.5	17,075	83.4
Between 1,200 and 4,000	3,342	15.6	3,013	14.7
Over 4,000	401	1.9	380	1.9
Total	**(1)(2)21,429**	**100.0**	**(1)(2)20,468**	**100.0**

Footnotes:

(1) As at September 30, 2015 the credit balance includes an amount of NIS 52 million in respect of Housing loans that were granted abroad (December 31,2014: NIS 43 million).

(2) The credit balance is after deduction of allowance for credit losses.

Following are data regarding the volume of problematic debts in housing credit:

As at	Balance of credit to the public[1]	Balance of problematic credit[1]	Balance of allowances for credit losses[2][3]	Ratio of problematic debt
	In NIS millions			Change in %
September 30, 2015	21,604	[4]344	[4]97	1.6
December 31, 2014	20,729	429	190	2.1

Footnotes:

(1) Recorded amount.

(2) As at September 30, 2015 the balance of the allowance includes an allowance in accordance with the extent of arrears in an amount of NIS 94 million, and also an allowance over the extent of arrears in an amount of NIS 3 million (as of December 31, 2014: NIS 164 million and NIS 26 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 77 million as at September 30, 2015.(as at December 31, 2014: NIS 73 million).

(4) In accordance with the clarification received from the Supervisor of Bank, the Bank has recorded, for the first time in the first quarter of 2015, accounting write-offs in the amount of NIS 92million, regarding housing loans in respect of which a full allowance existed.

Following is the distribution of housing credit granted, according to financing ratios and as a ratio of credit granted

	For the nine months ended September 30, 2015		For the nine months ended September 30, 2014		For the year ended December 31, 2014	
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%	848	25.5	710	31.4	933	31.1
Between 45% and 60%	1,279	38.5	859	38.0	1,146	38.2
Over 60%	1,196	36.0	690	30.6	918	30.6
Total	**3,323**	**100.0**	**2,259**	**100.0**	**2,997**	**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.

It is noted that the component of loans granted having a financing ratio of over 60% of the value of the property at the Bank is not higher than this component of operations at the banking industry in general.

Following are data regarding developments in housing credit balances according to linkage segments:

	Non-linked credit[2]			CPI linked credit[2]			Foreign currency linked credit[2]			
	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, 2015	3,298	8,347	54.3	4,342	5,051	43.8	1	390	1.9	21,429
As at December 31, 2014	1,877	7,782	47.2	4,974	5,374	50.7	3	458	2.2	20,468

Footnotes:
(1) Of which approx. NIS 327 million housing loans granted for acquisition groups which are in the process of construction.
(2) The credit balance is after deduction of allowance for credit losses.

A trend is noticeable in recent years, regarding a certain shifting from loans in the CPI-linked segment to loans in the non-linked segment.
Most of the loans are granted for an initial period of up to 25 years.
The outstanding balance as of September 30, 2015, of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 1,579 million, comprising 7.4% of the total housing loans portfolio (as of December 31, 2014, the balance amounted to NIS 1,365 million, comprising 6.7% of the total housing loans portfolio).

Following are data regarding the 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,	
	2015		2014		2014	
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%	2,925	98.3	1,847	94.1	2,464	94.7
Over 40%	52	1.7	115	5.9	139	5.3
Total	**2,977**	**100.0**	**1,962**	**100.0**	**2,603**	**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.

It should be noted that the Bank operates a rating model, which takes into account additional parameters that supplement the repayment ability profile and which does not rely exclusively on the repayment ratio.
On the background of regulatory instructions regarding restricting the refund ratio to 50% and increasing the allotment of capital with respect to loans of a refund ratio exceeding 40%, a significant decline has occurred in the rate of credit granted in the first nine months of 2015 at a refund ratio of over 40%, which comprised 1.7%, compared with 5.3% in 2014.

For further details regarding the mortgage activity - housing loan, see the 2014 Annual Report (pp. 115-123). For details regarding credit risk relating to housing loans, see below under "Exposure to risk and risk management".

INTERNATIONAL OPERATIONS

GENERAL

Discount Group's overseas operations are carried out primarily by the Bank's subsidiary in the United States and a subsidiary in Switzerland (for details regarding the closing down or sale of operations of part of the extensions, see below).

SCALE OF OPERATIONS AND NET PROFIT

Net profit of the operations in the first nine months of 2015 amounted to NIS 139 million, compared with NIS 78 million in the corresponding period last year, an increase of 78.2%.
The credit loss expenses in this segment amounted to NIS 6 million in the first nine months of 2015, compared to NIS 80 million in the corresponding period last year, a decrease of 92.5%.

Principal data relating to the international operations:

	Households	Corporate Banking	Middle Market Banking	Private Banking	Financial management	Total
			in NIS millions			
			For the three months ended September 30, 2015			
Interest income, net	(1)-	51	51	66	29	197
Non-interest financing income	(1)-	-	-	2	13	15
Commissions and Other income	(1)-	8	7	39	4	58
Total Income	**(1)-**	**59**	**58**	**107**	**46**	**270**
Expenses reversal of credit loss expenses	-	(2)	(5)	(1)	-	(8)
Net Income attributed to the Bank's shareholders	**-**	**8**	**17**	**2**	**15**	**42**
Return on equity (percentage)	-	0.7	2.9	1.7	3.9	8.0
Average Assets	2	9,202	8,789	3,958	16,503	38,454
Average Liabilities	-	2,509	2,343	20,313	9,430	34,595
			For the three months ended September 30, 2014			
Interest income, net	(1)-	40	53	60	36	189
Non-interest financing income	(1)-	-	-	1	22	23
Commissions and Other income	(1)-	11	10	42	-	63
Total Income	**(1)-**	**51**	**63**	**103**	**58**	**275**
Credit loss expenses (expenses reversal)	(1)	17	4	1	(10)	11
Net Income (loss) Attributed to the Bank's shareholders	**1**	**(2)**	**20**	**4**	**36**	**59**
Return on equity (percentage)	0.2	(0.2)	4.0	3.5	(2)7.2	12.3
Average Assets	26	8,427	8,272	3,672	14,691	35,088
Average Liabilities	38	2,398	2,283	18,327	8,469	31,515

Footnotes:
(1) Amounts lower than NIS 1 million.
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

Principal data relating to the international operations (continued):

	Households	Corporate Banking	Middle Market Banking	Private Banking	Financial management	Total
	in NIS millions					
	For the nine months ended September 30, 2015					
Interest income, net	(1)-	151	165	209	82	607
Non-interest financing income	(1)-	-	-	(1)	20	19
Commissions and Other income	(1)-	25	25	129	21	200
Total Income	**(1)-**	**176**	**190**	**337**	**123**	**826**
Credit loss expenses (expenses reversal)	-	15	(10)	-	1	6
Net Income Attributed to the Bank's shareholders	**-**	**24**	**62**	**22**	**31**	**139**
Return on equity (percentage)	-	4.4	7.2	9.9	27.4	8.0
Average Assets	6	9,466	9,337	3,910	16,257	38,976
Average Liabilities	5	2,439	2,403	20,545	9,800	35,192
	For the nine months ended September 30, 2014					
Interest income, net	(1)-	116	149	181	128	574
Non-interest financing income	(1)-	-	-	6	(40)	(34)
Commissions and Other income	(1)-	36	28	123	-	187
Total Income	**(1)-**	**152**	**177**	**310**	**88**	**727**
Credit loss expenses	-	65	9	2	4	80
Net Income (loss) Attributed to the Bank's shareholders	**-**	**(14)**	**50**	**18**	**24**	**78**
Return on equity (percentage)	-	(2.6)	7.3	(2)7.5	11.2	5.0
Average Assets	26	8,113	8,170	3,732	15,549	35,590
Average Liabilities	40	2,336	2,281	18,477	8,637	31,771

Footnotes:

(1) Amounts lower than NIS 1 million.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1) to the condensed financial statements.

DEVELOPMENTS IN THE SEGMENT

Sale of DBLA operations. For details regarding the sale of DBLA operations, see Note 18 A to the condensed financial statements.

IDB (Swiss) Bank. For details regarding the action taken for the sale of the operations of IDB (Swiss) Bank, see Note 18B to the condensed financial statements.

London Branch. In accordance with the decision of the Board of Directors, the Bank's Management is acting towards the closure of the branch in London. The closing down of most of the operations of the Branch was completed, and actions required to complete the closing down procedures continue, which are expected, subject to the approval of the local Regulator, to be completed by the end of the year.

Agreement between the Swiss Authorities and the U.S. Department of Justice. For details see "Exposure to cross-border risks in respect of the activities of foreign resident customers" below and Note 8 b 7 to the condensed financial statements.

LEGISLATIVE RESTRICTIONS, REGULATIONS AND SPECIAL CONSTRAINTS APPLICABLE TO THE OPERATIONS

Exposure restriction with regard to overseas extensions. As of September 30, 2015 the calculated rate of the Bank's exposure with respect to overseas offices was 19.22% of the total risk assets, as compared with 17.53% on December 31, 2014. 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 reviews developments in the calculated rate of exposure regarding its activity at the overseas extensions.

IDB New York - Risk Based and Leverage Capital Ratios. Beginning on January 1, 2015, IDB New York became subject to new Basle III capital rules based on the final rules published by the FRB in July 2013 (the "Basel III Capital Rules"). The new rules establish a new comprehensive capital framework for U.S. banking organizations.

The rules apply to all depository institutions and banks holding companies with total consolidated assets of $500 million or more, Among other things, the new rules establish a new common equity tier 1 ("CET1") minimum capital requirement and a higher minimum tier 1 capital requirement, and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real estate. The rules also limit dividend distributions by certain banking organizations as well as discretionary bonus payments if the banking organization does not hold a "capital conservation buffer", consisting of a specified amount of common equity tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer will come into effect only in 2016. The Basel III Capital Rules became effective on January 1, 2015, subject to a phase-in period. The minimum capital ratios as of January 1, 2015 are as follows:

- 4.5% CET1 to risk assets;
- 6.0% Tier 1 capital to risk assets;
- 8.0% Total capital to risk assets; and
- 4.0% Leverage ratio.

For further details regarding the "International Operations", see the 2014 Annual Report (pp. 124-127).

EXPOSURE TO RISKS AND RISK MANAGEMENT

RISK PROFILE OF THE DISCOUNT GROUP

For details regarding the risk profile of the Discount Group, see the 2014 Annual Report (pp. 127-131).
For details regarding Risk Management Principles and Tools, and Corporate Governance for risk management, see the 2014 Annual Report (pp. 131-137).

BASEL AND THE REGULATORY CAPITAL REQUIREMENTS

DISCLOSURE IN ACCORDANCE WITH THE THIRD PILLAR OF BASEL

It should be noted, that a part of the data, the disclosure of which is required according to the third pillar of Basel, is presented in part "C" of the "Additional disclosure according to the third pillar of Basel" document. The document is available for perusal on the Bank's website together with the Bank's report for the third quarter of 2015 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd. (hereinafter: "the Internet document in the matter of Basel"). The data presented in part "C" of the document is presented herewith and hereunder by way of reference. Furthermore, the Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "B"), includes a table relating the disclosure requirements according to the third Pillar to the data presented in the Report.

For details regarding Basel III, see the 2014 Annual Report (pp. 140-142).

REGULATORY FRAMEWORK FOR RISK MANAGEMENT

DRAFTS AND INSTRUCTIONS PUBLISHED DURING THE FIRST NINE MONTHS OF 2015

Publication of Directives and Amendments to Directives following the recommendations of the committee for examining procedures for performing debt restructurings in Israel, including Amendment of the Directive in the matter of "Credit risk management" (311); Amendment of the Directive in the matter of "restrictions on the financing of capital transactions" (323); determination of a Directive in the matter of "Management of leveraged loans" (327); determination of a Reporting to the Supervision Department Directive in the matter of "Report of Troubled debt restructurings" (811) – see below.
Instructions with respect to the "liquidity coverage ratio" and the "leverage ratio" – see below.
Amendment of Banking Business Directive No. 308 in the matter of compliance – see below.
Publication of Proper Conduct of Banking Business Directive No. 361 in the matter of cyber protection management and updates of Proper Conduct of Banking Business Directive No. 357 in the matter of Information Technology – see below "Information technology risk management".
Publication of an instruction regarding risk management in the cloud computing environment – see below "Information technology risk management".
Amendment of Proper Conduct of Banking Business Directives Nos. 203 and 204 in the matter of allocation of capital in respect of a central counterparty – see below.
For details regarding the amendment of Proper Conduct of Banking Business Directive No. 313 in the matter of "Limitations on the Indebtedness of a Borrower and a Group of Borrowers", see above under "Corporate banking segment"

CREDIT RISK MANAGEMENT

Credit risk is the risk of losses being sustained as a result of the inability of a borrower or counterparty to honor their obligations, in whole or in part. For general details and for qualitative disclosure regarding credit risk management, see the 2014 Annual Report (pp. 142-149).

CREDIT RISK MITIGATION

For details regarding qualitative disclosure regarding credit risk mitigation, see the 2014 Annual Report (pp. 149-150).
For details regarding the issuance of credit linked debt notes, see "Developments in the segment", in the Item "Corporate banking segment" above. For details regarding the purchase of an insurance policy regarding credit risk related to Sales Act guarantees and execution guarantees, see "Developments in activity", in the Item "Construction and real estate activity" above.
A quantitative disclosure in this matter is presented in the Internet document regarding Basel (as defined above), in part "C", item 4, the information included therein is presented herewith by way of reference.

ADDITIONAL DISCLOSURES

QUANTITATIVE DISCLOSURE REGARDING CREDIT RISK

Segmentation of credit risk exposure according to main credit exposure types – gross credit risk exposure

	September 30, 2015	Average for the period(1)	September 30, 2014	Average for the period(1)	December 31, 2014	Average for the period(1)
	in NIS millions					
Credit	155,350	157,460	151,720	149,864	161,935	152,877
Bonds	36,247	34,528	32,355	34,595	31,741	33,263
Others(2)	9,718	9,074	(5)9,038	(5)8,800	(5)8,632	(5)8,835
Guarantees and other liabilities on account of clients(3)	68,295	65,302	61,032	58,657	63,076	59,820
Transactions in derivative financial instruments(4)	2,669	2,806	3,070	2,218	3,018	2,412
Total	**272,279**	**269,170**	**257,215**	**254,134**	**268,402**	**257,207**

Footnotes:
(1) The average is computed on a quarterly basis.
(2) Primarily: cash, shares, fixed assets.
(3) Off balance sheet credit risk is stated prior to conversion to credit equivalent (before multiplication by the CCF coefficient).
(4) Credit risk in respect of transactions in derivative financial instruments is presented in terms of credit equivalent (after netting effect and after multiplication by the "add-on" coefficient).
(5) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2 to the condensed financial statements.

A quantitative disclosure in this matter is presented in the Internet document regarding Basel (as defined above), in part "C", items 1-3, and the information included therein is presented herewith by way of reference.

GENERAL DISCLOSURE REGARDING EXPOSURE RELATED TO CREDIT RISK OF A COUNTERPARTY

Counterparty credit risk is the risk that the counterparty to the transaction will be in default before the final settlement of the cash flows in respect of the transaction. For further details see the 2014 Annual Report (pp. 151-153). A quantitative disclosure in this matter is presented in the Internet document regarding Basel (as defined above), in part "C", item 5, and the information included therein is presented herewith by way of reference.

Amendment of Proper Conduct of Banking Business Directives Nos. 203 and 204 regarding the capital requirements in respect of exposure to central counterparties. The amendment was distributed on October 25, 2015. The object of the amendment is to adjust the capital requirements in respect of central counterparties in accordance with the Basel rules in the matter (of July 2012). Within the framework of the amendment, Appendix "C" to Proper Conduct of Banking Business Directive No. 203 – treatment of counterparty credit risk, has been updated.

The amendment includes a detailed framework with respect to capital requirements regarding exposure of banking corporations to central counterparties, which differentiates between an unqualified central counterparty and a qualified central counterparty, in respect of which reduced capital requirements were set.

Banking corporations would be required to average out their credit exposure in respect of qualified central counterparties, at the rate of 2% (in contrast to the present zero exposure value). Exposure of banking corporations to other central counterparties would be averaged out in accordance with the category of the counterparty. As a result of that stated above, an increase is expected in the scope of capital requirements in respect of exposure to central counterparties.

The amendment will take effect on July 1, 2016.

Following the change in the capital requirement regarding exposure to central counterparties, a draft amendment of the FAQ file in the matter of capital adequacy has been issued.

ACTIVITY IN DERIVATIVE 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 the 2014 Annual Report (p. 153).

Note 9 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. The Annex to the Report of the Board of Directors, forming an integral part thereof (Part C, Item 1), contains further details of the data presented in the said Part B of the Note.

SECURITIZATION EXPOSURE

IDB New York invests in several types of securitized securities, in marketable mortgage backed securities (CMBS), in residential mortgage backed securities (RMBS) and in securities of the "Trust Preferred CDO" type. For additional details, see the 2014 Annual Report (p. 153), Note 2 to the condensed financial statements and "Investment in asset backed securities" under "Developments of assets and liabilities" above. A quantitative disclosure in this matter is presented in the Internet document regarding Basel (as defined above), in part "C", item 6, and the information included therein is presented herewith by way of reference.

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.

Developments in world markets. The economic recovery in the Eurozone continues and covers most member countries. The growth in the Eurozone reached 1.6% in the third quarter following a growth in private consumption. On the other hand, concerns regarding deflation have reappeared, in view of the decline in the inflationary environment to a negative annual rate of 0.1%.

The crisis between Greece and the heads of the Eurozone ended during the quarter regarding the third bailout plan, subject to structural reforms and budget cuts being applied.

The reappearance of concerns regarding deflation as well as expectations regarding additional expansionary measures by the central bank resulted in a steep decline in returns on long-term bonds of the German government and a decline in margins on government bonds of peripheral countries over German government bonds.

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.

For details regarding the manner of managing credit risk applying to foreign financial institutions, see the 2014 Annual Report (pp. 154-155).

Credit exposure to foreign financial institutions. The Bank's exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, about 91% of the exposure as of September 30, 2015, 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, 2015, include, inter-alia, the United States, Great Britain, Germany and France.

No losses in respect of impairment of securities have been included in respect of the exposure to financial institutions in the reported period.

In 2014, an amount of NIS 105 million was included as loss on the sale of securities and a provision for a loss with respect to the impairment of securities of foreign financial institutions. The loss and provision are with respect to TRUPS bonds, and result from their sale, as part of its preparations for the implementation of the Basel III instructions in the United States, as from January 1, 2015 (see Note 3 m to the financial statements as of December 31, 2014, p. 394).

Following are details of present credit exposure to foreign financial institutions[1], 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 at September 30, 2015		
Present credit exposure to foreign financial institutions[6]			
External credit rating[7]			
AAA to AA-	4,066	434	4,500
A+ to A-	4,568	154	4,722
BBB+ to BBB-	656	8	664
BB+ to B-	38	2	40
Not rated[8]	102	93	195
Total present credit exposure to foreign financial institutions	**9,430**	**691**	**10,121**
Of which credit exposure to foreign financial institutions:			
In the United Kingdom	2,914	50	2,964
Balance of problematic bonds	201	-	201
	As at December 31, 2014		
Present credit exposure to foreign financial institutions[6]			
External credit rating[7]			
AAA to AA-	2,433	518	2,951
A+ to A-	5,511	182	5,693
BBB+ to BBB-	1,316	22	1,338
BB+ to B-	193	2	195
Not rated[8]	126	108	234
Total present credit exposure to foreign financial institutions	**9,579**	**832**	**10,411**
Of which credit exposure to foreign financial institutions:			
In the United Kingdom	2,536	22	2,558
Balance of problematic bonds	122	-	122

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 9 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 2 to the condensed financial statements).
(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.
(8) Most of the off-balance sheet credit risk which has no rating is in respect of guarantees by private Swiss banks and Swiss banks owned by banks in Western Europe that are rated A1 and above.

In addition to the exposure presented in the above table, as of September 30, 2015 and December 31, 2014 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 in 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 105 million and NIS 160 million respectively.

CREDIT RISK IN HOUSING LOANS

General. The activity of granting housing loans by the Group, is mostly done by the Bank and by Mercantile Discount Bank (hereinafter named together as "the Group").

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 demands and the negative real term interest. For details regarding measures taken by the Group, in order to tighten the control over credit in this area, see the 2014 Annual Report (p. 157).

The volume of the Group's housing loan portfolio as of September 30, 2015, amounted to NIS 21,604 million (December 31, 2014 - NIS 20,729 million).

Following are data regarding certain risk characteristics of the Group's housing loans portfolio:

	September 30, 2015	December 31, 2014
	%	%
Rate of housing loans financing over 75% of the value of the property	6.4	7.9
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	15.4	18.1
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio[1]	62.2	64.8

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

ADDITIONAL DISCLOSURE REGARDING CREDIT RISK IN RESPECT OF SIGNIFICANT EXPOSURE TO BORROWER GROUPS

The banking corporations are required to include in their reports, information regarding the existing credit risk at the reporting date with respect to groups of borrowers, the net indebtedness of whom, on a consolidated basis, after the permitted deductions according to Section 5 of Proper Conduct of Banking Business Directive No. 313, exceeds 15% of the equity of the banking corporation, as defined in the aforesaid Directive.

As of September 30, 2015, the Bank has no borrower group the indebtedness of which reaches the said level.

The Bank maintains a continuous monitoring process over the large borrowers groups, performs periodic reviews assessing the risk attributed to each group. The Bank complies with all regulatory restrictions relating to credit concentration aspects.

For details regarding the amendment to Proper Conduct of Banking Business Directive No. 313, with effect from January 1, 2016, see "Corporate banking Segment" above.

CREDIT RISK IN RESPECT OF LEVERAGED FINANCE

Definition of leveraged finance. Leveraged finance is defined as credit granted to borrowers typified by a high leverage finance level which significantly exceeds accepted norms in this sector of operations.

Credit risk in respect of leveraged finance. The Bank has set a limitation 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.

For additional details regarding credit risks in respect of leveraged finance, see the 2014 Annual Report (p. 158). For additional details in respect of this matter, see Annex to the Report of the Board of Directors, comprising an integral part thereof (Part "C", item 2).

THE COMMITTEE FOR THE EXAMINATION OF PROCEDURES FOR THE FORMATION OF DEBT ARRANGEMENTS IN ISRAEL ("THE ANDORN COMMITTEE")

The Supervisor of Banks published on April 28, 2015, instructions and amendments to instructions designed to implement the recommendations of the Andorn Committee with respect to credit risk management procedures, as detailed below:

Amendment of Proper Conduct of Banking Business Directive No. 311 in the matter of "credit risk management". The Amendment requires the establishment by banking corporations of internal limitations on leveraged loans and on credit to borrowers having a level of leverage higher than accepted in the market, as well as guidelines for the amendment of the credit policy regarding syndication transactions, the frequency of reviewing leveraged loans and the establishment in procedures of the manner in which a waiver of a debt is made.

Amendment of Proper Conduct of Banking Business Directive No. 323 in the matter of "limitations on the financing of capital transactions". The Amendment deals with limitations on capital transactions. The Directive was applied to any transaction involving the purchase of a capital right in another corporation, "treasury stock" transactions and capital distributions.

Proper Conduct of Banking Business Directive No. 327 in the matter of "management of leveraged loans" (a new Directive). The Directive deals with the management of leveraged loan risks. The Directives defines the management of credit risk relating to leveraged loans, when is a loan considered a leveraged loan, underwriting procedures, periodic discussion by the board of directors, classification of leveraged loans, credit analysis, credit control and stress tests regarding everything related to leveraged loans.

Amendments to Directive Nos. 311 and 323 and Directive No. 327 shall apply to loans granted as from January 1, 2016.

Reporting to the Supervisor of Banks instruction No. 811 in the matter of "reporting the restructuring of a troubled debt" (new instruction). Starting with the third quarter of 2015, banking corporations are required to report to the Supervisor of Banks any process involving the restructuring of a loan, the principal amount of which exceeds NIS 20 million.

The Bank is preparing for the implementation of the said instructions.

MANAGEMENT OF MARKET RISKS

Market risk is the risk of impairment of the equity and profitability stemming from changes in financial markets which have an effect on the Group's assets or liabilities: interest rates, foreign exchange rates, inflation, prices of securities, product prices, the fluctuations in these parameters and in other economic indices.

The policy document regarding the management of market risks has been updated, with approved changes both in work procedures and principal restrictions. The changes took effect since May 2015 and thereafter.

For general details, see the 2014 Annual Report (pp. 159-161).

QUANTITATIVE DISCLOSURE

(1) BASE RISK EXPOSURE

The exposure to base risk is reflected in the loss which may incur as a result of changes in exchange rates or in the consumer price index, due to the difference between the value of assets and liabilities, including the effect of forward transactions and the options embedded.

For details regarding base exposure, see the 2014 Annual Report (pp. 161-162).

Following is the distribution of the Bank's capital between the various linkage segments, compared with the restrictions (the data is presented in relation to capital):

		Third quarter 2015				2014			
		Range of exposure							
Segment	Limitation	Period end	from	to	average	Year end	from	to	average
CPI linked*	20%-(40%)	8.1%	2.2%	9.0%	6.8%	25.6%	6.8%	27.0%	18.3%
Foreign currency	15%-40%	28.3%	27.7%	29.1%	28.4%	25.6%	23.7%	29.8%	26.3%

* In the second quarter of 2015 the limits were changed.

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 Bank's equity as of September 30, 2015.

	The Bank's capital sensitivity of changes in exchange rates			
	in NIS millions			
Segment	10%	5%	-5%	-10%
USD	307	152	(164)	(333)
EUR	11	4	(2)	(4)
Other Foreign Currencies	(10)	(5)	3	8

(2) INTEREST RISK EXPOSURE

A. General

Interest risk is the risk of impairment of the Bank's capital and earnings as a result of changes in market interest rates. The risk derives from the exposure to future changes in interest rates and their possible effect on the present value of assets and liabilities including certain economic amendments. For further details, see the 2014 Annual Report (pp. 162-166).
The data presented in item "B" hereunder, 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 computation of Schedule "B" to the Management Review, hereunder.
The data presented in item "C" hereunder is used in 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 Bank's economic approach to the management of exposure of the economic value of the Bank's equity to changes in interest rates.

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

Fair value of financial instruments. For details regarding the fair value of financial instruments, see the 2014 Annual Report (pp. 163-165). For details regarding the main methods and assumptions used in assessing the fair value of financial instruments, see Note 21 to the financial statements as of December 31, 2014 (pp. 486-488).
Following are certain updates as of September 30, 2015:
- 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 27 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 20 million and NIS 1 million, respectively, as of December 31, 2014);

- Cash flows in respect of mortgages have been evaluated on the basis of an early repayment forecast based on a statistical model. Discounting the said cash flows in accordance with expected repayment dates instead of the contractual repayment dates, reduced the fair value of the mortgages, particularly in the CPI linked segment, by NIS 26 million (compared to NIS 158 million as at December 31, 2014);
- 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 3.97 years on September 30, 2015, compared to 3.56 years, taking into consideration the forecast for early redemptions (compared to 3.67 years and 3.26 years, respectively, as of December 31, 2014);
- Cash flows in respect of deposits were evaluated on the basis of an early withdrawal forecast based on a statistical model. Discounting the said cash flows in accordance with expected withdrawal dates instead of the contractual withdrawal dates, decreased the fair value of the deposits, particularly savings deposits in the CPI linked segment, by NIS 71 million (compared to NIS 52 million at December 31, 2014);
- 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 3.41 years on September 30, 2015, compared to 3.2 years, taking into consideration the forecast for early redemption (compared to 3.45 years and 3.24 years, respectively, as of December 31, 2014).

Hybrid financial instruments. For details regarding hybrid financial instruments, see the 2014 Annual Report (p. 163). As of September 30, 2015, the effect of treatment of the option and of the host instrument as two separate instruments was not material.

Following are details regarding fair value of the Bank and its subsidiaries' financial instruments, excluding non-monetary items (before the effect of hypothetical changes in interest rate):

	Israeli currency		Foreign currency[2]			
	Non linked	CPI linked	US dollar	Euro	Other	Total
	In NIS millions					
	September 30, 2015					
Financial assets[1]	121,111	19,987	51,036	3,781	2,590	198,505
Amounts receivable in respect of derivative and off balance sheet financial instruments [3]	82,492	4,485	72,524	18,611	7,388	185,500
Financial liabilities[1]	(103,886)	(16,006)	(57,299)	(7,549)	(3,697)	(188,437)
Amounts payable in respect of derivative and off balance sheet financial instruments [3]	(95,462)	(5,869)	(63,205)	(14,931)	(6,401)	(185,868)
Net fair value of financial instruments	**4,255**	**2,597**	**3,056**	**(88)**	**(120)**	**9,700**
	December 31, 2014					
Financial assets[1]	116,282	22,409	50,539	4,337	3,936	197,503
Amounts receivable in respect of derivative and off balance sheet financial instruments [3]	81,545	3,775	70,299	15,868	8,668	180,155
Financial liabilities[1]	(99,936)	(18,549)	(58,342)	(8,153)	(4,438)	(189,418)
Amounts payable in respect of derivative and off balance sheet financial instruments [3]	(95,486)	(4,545)	(59,672)	(12,048)	(8,197)	(179,948)
Net fair value of financial instruments	**2,405**	**3,090**	**2,824**	**4**	**(31)**	**8,292**

For footnotes, see next page.

Following are details regarding the effect of hypothetical changes in interest rate on the fair value of financial instruments of the Bank and its subsidiaries, excluding non-monetary items:

	Net fair value of financial instruments, after the effect of changes in interest rate(4)							Change in fair value	
	Israeli currency		Foreign currency(2)						
Change in interest rate	Non-linked	CPI linked	US dollar	Euro	Other	Offsetting effects	Total	Total	Total
	in NIS millions								in %
	September 30, 2015								
Immediate parallel increase of 1%	4,017	2,456	2,543	(88)	(120)	(10)	8,798	(902)	(9%)
Immediate parallel increase of 0.1%	4,235	2,586	2,979	(89)	(120)	-	9,591	(109)	(1%)
Immediate parallel decrease of 1%	4,702	2,774	3,357	(73)	(118)	(10)	10,632	932	10%
	December 31, 2014								
Immediate parallel increase of 1%	2,273	3,004	2,323	10	(29)	-	7,581	(711)	(9%)
Immediate parallel increase of 0.1%	2,389	3,078	2,772	5	(31)	-	8,213	(79)	(1%)
Immediate parallel decrease of 1%	2,694	3,177	3,070	5	(29)	-	8,917	625	8%

Footnotes:

(1) Not including balances of balance sheet derivative financial instruments and fair value of off-balance sheet financial instruments.

(2) Including Israeli currency linked to foreign currency.

(3) Amounts receivable (payable) in respect of derivative financial instruments, discounted at interest rates used to compute the fair value presented in Note 10 to the condensed financial statements.

(4) The net fair value of financial instruments presented in each linkage segment, is the net fair value in the segment, under the assumption that the change noted in all interest rates applying to the segment has in fact occurred. The total fair value of financial instruments is the net fair value of all financial instruments (excluding non-monetary items) under the assumption that the change noted in all interest rates applying to all segments has in fact occurred.

C. Data used for the management of interest rate risk

The data presented in item "B" 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 computation of Schedule "B" to the Management Review, hereunder.

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 (for additional details, see 2014 Annual Report, p. 165).

Following are details of the effect of hypothetical changes in interest rates of 100 basis 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, 2015				
An increase of 100BP in interest rates	(126)	103	(64)	13	(74)
A decrease of 100BP in interest rates	176	(99)	(156)	-(3)	(82)
	December 31, 2014				
An increase of 100BP in interest rates	51	(13)	23	-	61
A decrease of 100BP in interest rates	28	4	(317)	(2)	(287)

The limitations determined by the Board for interest risk exposure in the various linkage segments are expressed in terms of maximum damage to economic capital resulting from concurrent movements in the yield curve of 1% in each segment. The group restriction on the total impact in the scenario of falling interest rates is 6% of the capital, and in the scenario of rising interest rates is 4.5% of the capital. This, in addition to the limits determined by the Bank and banking subsidiaries on this risk assessor. In the third quarter of 2015, the Bank and the Group complied with the determined exposure limits.
In addition to a scenario of a parallel movement in the interest graphs, the impact of changes in a parallel movement of 2% in the yield graph and non-parallel changes in the different interest graphs is also examined. Limitations have been set also in respect of these scenarios. No deviation was recorded in the third quarter of 2015 from these limitations.

D. The characteristics of interest rate risk in the banking book

For details regarding the risks inherent in the banking book, see the 2014 Annual Report (p. 166).

Following is the effect of a hypothetical change of 100 basis points in the interest rate applying to the banking book:

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
	In NIS millions				
	September 30, 2015				
An increase of 100BP in interest rates	(125)	127	(66)	16	(48)
A decrease of 100BP in interest rates	190	(126)	(146)	(7)	(89)
	December 31, 2014				
An increase of 100BP in interest rates	49	21	26	16	112
A decrease of 100BP in interest rates	18	(31)	(318)	(14)	(345)

Significant changes occurred in the first half of 2015, in exposure to interest risk in the banking book, due to the inclusion of additional exposures (mostly with respect to employee rights exposed to CPI linkage), as well as changes in conduct models of the subsidiary IDB New York – the spreading of deposits with no due date (which had a significant impact, in particular to the exposure to the dollar interest rate).

(3) THE VALUE AT RISK (VAR)

For details regarding the VaR model, see the 2014 Annual Report (p. 167).
The Board of Directors determined a limitation according to which the VaR of the Group (at a parametric method, for a range of ten days and at a confidence level of 99%) should not exceed 3.5% of the equity. No deviations from this limitation were recorded in the third quarter of 2015. Limitations have been set also with respect to the VaR exposure of the trading activity, and no deviations have been recorded there from.

(4) LOSS ANALYSIS IN STRESS SCENARIOS (STRESS TESTS)

The analysis of stress tests regarding market risks is based on macro-economic stress tests determined by the Bank as well as scenarios defined by the Supervisor of Banks and the FED in the United States (in relation to IDB New York). With respect to such scenarios, the Board of Directors has determined restrictions on the erosion of the accounting and economic value.
In the third quarter of 2015 no deviations from these limitations were recorded.
For further details, see the 2014 Annual Report (p. 167).

(5) THE STANDARD APPROACH TO THE ALLOCATION OF CAPITAL TO MARKET RISKS

The Bank computes the capital allocation required in respect of the exposure to market risks in accordance with the standard approach, as prescribed by Proper Conduct of Banking Business Directive No. 208. For further details, see the 2014 Annual Report (p. 167).

Following are details of capital allocation to market risks according to the standard approach, in NIS millions:

	Capital allocation as of	
	September 30, 2015	December 31, 2014
	In NIS millions	
Interest rate risk*	278	280
Foreign exchange rate risk	28	35
Share risk	2	3
Option risk	64	11
Total for the Banking Group	**372**	**329**
Allocation in risk asset terms	2,963	2,629

* Including the specific risk in the amount of NIS 15.8 million and NIS 8.1 million in Third Quarter 2015 and Year 2014, respectively.

(6) OPTION RISKS

Option risks relate to the loss that might be incurred as a result of changes in base assets and the volatility thereof, which affect the value of such options, including standard deviations. The Bank is active in a variety of types of options– regular options and "exotic" options of certain types as well as on a variety of base assets (foreign currency and interest rates).

The Bank's Board of Directors has set out guidelines regarding the permitted activity in options both as regards overall volume and in terms of the maximum impairment in value under stress tests and in cases of moderate scenarios. The scenarios relate to simultaneous changes in underlying assets (exchange rates, CPI and interest rates) and in the fluctuations in these underlying assets. The boards of directors of the principal banking subsidiaries have also set limitations on the activity in options. No deviations were recorded in the third quarter of 2015 from the limitations set by the Board of Directors.

(7) ACTIVITY IN DERIVATIVE FINANCIAL INSTRUMENTS

The Bank's Board of Directors has determined the mode of operation in derivative financial instruments, maximum volume of activity and the range of financial instruments in which the Bank may engage (whether on behalf of its customers of or its own account).

The exposure created by this operation, both in respect to linkage base and to interest, is included in the framework of limitations set by the Board of Directors with respect to exposure to linkage base, the interest and the options. In addition, limitations have been set on the nominal volume and for instruments of certain types also a limitation on the number of open transactions at any given moment. No deviations from the said limitations were recorded in the third quarter of 2015.

Following are data as to the volume of operation in derivative financial instruments (par value) of the Bank and its consolidated subsidiaries, in NIS millions:

	September 30, 2015	December 31, 2014
	in NIS millions	
Hedging derivatives	2,560	2,129
ALM derivatives	199,619	191,612
Other derivatives	(1)25,329	29,942
SPOT foreign currency swap contracts	3,016	2,942
Total	**230,524**	**226,625**

Footnote:
(1) Excluding transactions of IDB (Swiss) Bank, in the par value of NIS 362 million (equity value of NIS 5 million), which were classified as "available-for-sale", see Note 18B to the condensed financial statements.

For further details regarding management and measurement of market risks, see the 2014 Annual Report (pp. 159-170).

MANAGEMENT OF THE LIQUIDITY RISK

A liquidity risk is the risk of the Bank finding it difficult to meet its liabilities due to unforeseen developments, and being forced to raise funds in a way that would cause it a material loss. Whereas this is a situation of uncertainty in which a liquidity risk always exists, the Bank has determined maximum exposure limitations as regards the 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 third quarter of 2015.

For further details regarding the management of the liquidity risk, see the 2014 Annual Report (pp. 171-172). For additional details see "Liquidity and the raising of resources in the Bank".

INSTRUCTIONS WITH RESPECT TO THE "LIQUIDITY COVERAGE RATIO" AND THE "LEVERAGE RATIO"

PROPER CONDUCT OF BANKING BUSINESS DIRECTIVE NO. 221 IN THE MATTER OF "LIQUIDITY COVERAGE RATIO"

On October 2, 2014, the Supervisor of Banks published a new Proper Conduct of Banking Business Directive No. 221 in the matter of "liquidity coverage ratio" ("LCR"), which implements the principles prescribed by the Basel Committee.

The Directive took effect on April 1, 2015, but the minimum requirement amounts to 60%, rising to 80% on January 1, 2016 and to 100% on January 1, 2017.

In the third quarter, the Bank's liquidity coverage ratio amounted to 157.1%, and the Group's to 131.5%, higher than the minimum requirements according to the new instructions (60%). In the second quarter, the Bank's liquidity coverage ratio amounted to 164.6%, and the Group's to 140.4%. The decline recorded in the liquidity coverage ratio, as compared with the second quarter, stemmed mostly from the growth in the credit portfolio in relation to the growth in resources/stable deposits.

The high liquidity ratio at the Bank and at the Group indicates the stable liquidity of the Group and its ability to withstand a thirty day liquidity scenario, as required in the Directive.

The composition of the liquidity buffer (includes mainly government bonds and deposits with central banks) and the composition of the central financing resources of the Group indicate the quality of the liquidity, which relies mostly on retail resources on the part of liabilities, and on the other hand, assets having a high liquidity level, principally, deposits with the Bank of Israel, government bonds and bonds having a very high investment rating in the U.S..

It is noted, that the instruction in question is a complex one, which as regards no few issues required interpretations as to the intention

of the instruction and the implementation derived there from. In arriving at these interpretations, the Bank has adopted a guarded approach, to the extent possible. Notwithstanding this, it is possible that in continuation, in view of the experience gained, or in view of clarifications issued by the Supervisor of Banks, it would be required to change the adopted treatment.
For additional details regarding the instruction, see the 2014 Annual Report (p. 172).

PROVISIONAL INSTRUCTION IN THE MATTER OF "IMPLEMENTATION OF THE REQUIREMENTS ACCORDING TO THE THIRD PILLAR OF BASEL– DISCLOSURE REGARDING THE LIQUIDITY COVERAGE RATIO"

In continuation of the publication of the instruction regarding: "liquidity coverage ratio" (see above), the Supervisor of Banks published on October 2, 2014, a provisional instruction enlarging the disclosure requirements stated in the third pillar, and which include new disclosure requirements as to the "liquidity coverage ratio". The provisional instruction became effective on April 1, 2015.
For additional details regarding the instruction, see the 2014 Annual Report (pp. 172-173).

For additional details, see Note 5 to the condensed financial statements. Furthermore, see Table No. 16 "Liquidity coverage ratio", in the Internet document regarding Basel.

DETERMINATION OF A "LEVERAGE RATIO"

The Basel Committee issued on January 14, 2014, guidelines determining the "leverage ratio", including reference to a future process for the monitoring of the results received in respect of this ratio, until binding restrictions are determined. Following the said publication of the Basel Committee guidelines, the Supervisor of Bank has begun preparations for the implementation of the said ratio in the banking industry in Israel.
The Supervisor of Banks issued on May 3, 2015, a new Proper Conduct of Banking Business Directive No.218, in the matter of "leverage ratio", intended to adopt the Basel III recommendations regarding the leverage ratio, determined in January 2014. The Directive was formed, among other things, following a quantitative impact Study assessing the impact on the banking industry in Israel. The Directive establishes a minimum leverage ratio for banking corporations, of not less than 5% on a consolidated basis (6% in the case of a banking corporation, the total consolidated balance sheet assets of which comprise 20% or more of the total balance sheet assets of the banking industry as a whole).
The leverage ratio, is defined in the Directive as the "capital measure" (tier 1 capital as defined in Proper Conduct of Banking Business Directive No. 202, subject to determined transitional provisions) divided by the "exposure measure" (total amount of balance sheet exposure, exposure to derivatives and to securities financing transactions and off-balance sheet items).
The Directive takes effect on January 1, 2018. Notwithstanding the above, a banking corporation, which on date of publication of the Directive matched the minimum leverage ratio, shall not fall below the minimum determined by the Directive, while a banking corporation that did not match the ratio, as stated, would be required to increase the ratio by fixed quarterly installments until the effective date of the Directive.
Concurrently, an amendment of the Reporting to the Public Directives was published on the same date, which regulates the disclosure aspect of the leverage ratio. According to this amendment, disclosure of the leverage ratio applies as from April 1, 2015 onwards, with no need for disclosure of comparative data initially required as a result of the implementation of the Directive.
For additional details, see the 2014 Annual Report (p. 173).
The leverage ratio as of September 30, 2015, computed according to the rules detailed in the instruction, was 6.6%, higher than the minimum leverage ratio required according to the new instructions. For additional details, see Note 5 to the condensed financial statements. Furthermore, see Table No. 17 "Comparison between Balance sheet assets and the measurement of exposure for the purpose of the leverage ratio" and Table No. 18 "Disclosure of the leverage ratio" in the Internet document regarding Basel.

COMPLIANCE RISKS

Audit report in the matter of money laundering prohibition. The Bank has completed dealing with most of the findings of the audit report. The Bank is requested to prepare an audit report, by means of an independent outside factor, the object of which, among other things, is to verify the appropriateness of the rectification of deficiencies indicated by the audit report of the Bank of Israel and by additional audit reports relating to the Bank. The said audit report had been completed, discussed on April 28, 2015, by the Audit Committee of the Board of Directors and submitted to the Bank of Israel. For additional details, see the 2014 Annual Report (p.185).

Amendment of Proper Conduct of Banking Business Directive No. 308 in the matter of "compliance and the compliance function at a banking corporation". The amendment was published on June 3, 2015. The changes are based on the guidelines of the Basel Committee, relevant international source and instructions stemming from the risk management and corporate governance fields. Among the material changes are: extending the definition of compliance instructions to all regulatory instructions, which apply to a banking corporation, procedures instituted for the purpose of implementing legislation and regulatory instructions and the code of ethics; emphasizing the responsibility of the board of directors for the supervision of compliance risk management and the responsibility of senior management to its effective management; establishment of the duty to carry out focused sample controls as well as controls subsequent to the rectification of deficiencies; decision that a chief compliance officer, not fulfilling any other duties at the banking corporation, would stand at the head of the compliance function.

The effective date of the amendment would be January 1, 2016. The Bank is preparing for the implementation of the amendment to the directive.

For additional details regarding compliance risks, see the 2014 Annual Report (pp. 183-185).

IT RISKS

Directive regarding "cyber protection management". On March 16, 2015, the Supervisor of Banks published Proper Conduct of Banking Business Directive No. 361 to take effect on September 1, 2015. For additional details, see the 2014 Annual Report (p.180; "Draft Proper Conduct of Banking Business Directive in the matter of management of cybernetic protection"). The Bank adopts the required measures concerning the effective management of cyber protection, which include the appointment of a cyber protection manager and the development of a cyber protection array, alongside the maintenance of information protection operations counteracting threats.

Instruction in the matter of "risk management in the cloud computing environment". On June 30, 2015, the Supervisor of Banks published a letter in the matter of "risk management in the cloud computing environment". The guidelines contained in the letter took effect upon its publication. The Bank is preparing for the formation of a policy in the matter. For additional details, see the 2014 Annual Report (p.180).

For additional details regarding IT risks see the 2014 Annual Report (pp. 178-181).

For details regarding Operational risks, including preparations by the Bank for continued business operations, see the 2014 Annual Report (p. 179).

For details regarding environmental risks, see the 2014 Annual Report (p. 173-178).

For details regarding legal risks and regulation risks, see the 2014 Annual Report (pp. 181-183).

EFFECT OF EXTERNAL FACTORS

MAIN DEVELOPMENTS IN THE ISRAELI ECONOMY AND AROUND THE WORLD IN THE FIRST NINE MONTHS OF 2015

DEVELOPMENTS IN THE GLOBAL ECONOMY

General. Stability in the global economy was noticed in the third quarter of 2015, principally on the background of the moderate economic growth in the developed countries, led by private consumption, while on the other hand, weakness in world trade affected industrial production and exports. At the same time concerns arose respecting an economic slowdown in developing countries (with a focus on China).

The economic growth in the U.S. in the third quarter amounted to 1.5% compared to 3.9% in the second quarter. The slowdown in growth stems from a one-off effect of the decline in inventories. The economy of the Eurozone grew by 1.6% led by private consumption. At the same time, the reduction in the rate of unemployment is continuing, to a level of 5.0% in the U.S. and 10.8% in the Eurozone.

Stabilization is recorded in the BRIC countries economic growth during the third quarter, led by stabilization in China (6.9%) and in India. On the other hand, Brazil and Russia are experiencing a serious economic recession.

In the meantime, stabilization in the global inflationary environment was recorded in the third quarter of the year, despite the decline in prices of oil. A low rate of inflation was recorded in the U.S. and in the Eurozone. The slow economic recovery alongside a moderate rate of inflation supported the continued expansionary monetary policy applied in most of the developed economies around the world and in part of the developing countries. Uncertainty increased in the U.S. regarding the beginning of the rise in the interest rate and its expected outline. The Governor of the FED noted that the interest rate would rise in the course of 2015 following an additional improvement in the employment market and inflationary forecasts indicating the return to a level of 2% in the medium term. In the Eurozone, the ECB continues to apply the plan for the purchase of government bonds and backed bonds to the tune of Euro 60 billion, per month. In China, the central bank has reduced the interest rate by 0.25%, the fourth reduction in the present round, and in addition has also reduced the reserve ratio.

Financial markets. Trading in equities around the world was conducted in the reviewed period, mostly on the background of the high level of liquidity (due to the expansionary policy) and assumptions as to the date of beginning of the rise in interest rates in the U.S.. In addition, trading was impacted by the macro-economic data in the leading economies, the low level of oil prices, and concerns regarding the slowdown in the developing markets, and in China in particular.

Following are the changes in selected share indices recorded during the first nine months of the years 2015 and 2014:

	Change during the first nine months of	
Index	2015	2014
500 S&P	(6.7%)	6.7%
DAX	(1.4%)	(0.8%)
MSCI Emerging Markets	(17.0%)	0.3%

In the U.S., the uncertainty regarding the date of beginning of the rise in the interest rate and the expected route, led to fluctuations in returns on government bonds. In total for the first nine months the returns on bonds for ten years decreased to a level of 2.04%. In the Eurozone, the quantitative expansionary plan had a significant impact on the markets, which was reflected in falling returns on German government bonds and in the narrowing of the spread of government bonds in peripheral countries during the first quarter. However, improved data and the expectation for higher inflation, led to a steep increase in returns all along the second quarter.

Following are the returns on government bonds:

Return on bonds for 10 years	September 30, 2015	December 31, 2014
U.S.A.	2.04%	2.48%
Germany	0.58%	0.94%

The Euro continued to lose ground in the reviewed period as against most of the currencies around the world. This, in view of the start of the monetary expansion policy of the ECB and estimates that at least until the end of 2017, a considerable interest gap will exist between the interest rate of the FED and that of the Eurozone.

Following are the changes in the U.S. dollar against selected currencies:

	Change during the first nine months of	
Exchange rate	2015	2014
EUR	(6.3%)	9.2%
JPY	0.4%	4.2%
GBP	(1.9%)	2.1%

The global commodities index, the GSCI, recorded in the first nine months of the year a decrease of 14%, mainly in view of the decline in energy prices.

Following are changes in selected commodities indexes:

	Change during the first nine months of	
	2015	2014
The commodities index - GSCI	(14.0%)	(9.2%)
The oil price (BRENT)	(15.6%)	(14.6%)
The oil price (WTI)	(15.3%)	(7.4%)
Gold	(6.0%)	-

MAIN DEVELOPMENTS IN THE ISRAELI ECONOMY

GENERAL

The economy grew in the third quarter of the year at an annual rate of 2.5%, following a 2.4% growth in the first half of the year. Moreover, the business product grew by a rate of 2.7%, compared to 2.4% in the first half. The third quarter recorded recovery in exports, the halting of the regression in investments and the continuing fair growth in private consumption, in particular consumption excluding durable goods. The employment market maintained its positive momentum, with a growth of approx. 19 thousand in the number of employed, with the unemployment rate remaining at a low level of 5.2%.

DEVELOPMENTS IN ECONOMIC SECTORS

Industrial production data indicate that, similarly to the first half of 2015, a standstill was also recorded in the months of July and August[1]. Notwithstanding, in contrast to the first half of the year, the growth has been led by industrial production excluding hi-tech, with a growth of 3%. The low interest environment and the low rate of unemployment continue to support private consumption, with a growth of 0.86% and 1.5% in the wholesale and retail commercial data, respectively, in the months of July and August and a rise of 2.1% in the acquisitions through credit cards during the third quarter.

DEVELOPMENTS IN FOREIGN ACTIVITIES OF THE ISRAELI ECONOMY

The direct investments in Israel (through banks) by foreign residents during the first nine months of the year were at an amount of approx. US$5.7 billion of which 4.5 billion was in the first half. The financial investments in the Tel Aviv Stock Exchange made by foreign residents amounted in the reviewed period to US$774 million, compared to US$3.5 billion in the corresponding period last year. The said decline stemmed from the realization of government bonds and short-term loans (MAKAM) in the amount of US$720 million, as compared with an investment of approx. US$3 billion in the corresponding period last year.
Financial investments abroad by Israeli residents amounted in the first nine months to US$8.4 billion, of which, approx. US$7.4 billion were invested in the first half of the year.

Following are the changes recorded in investments of the Israeli economy abroad:

Investments in Israel by foreign residents	September 30, 2015	September 30, 2014	Change
	US$ billion		
Total direct investments through banks	5,752	6,754	(14.8%)
Total financial investments	774	3,554	(78.2%)
Of which: Government bonds and MAKAM	(719)	2,956	
Shares	1,459	876	66.6%

Investments abroad by Israeli residents	2015	2014	Change
	US$ billion		
Total direct investments	1280	(68)	
Total financial investments	8,073	3,528	128.8%

DEVELOPMENTS IN INFLATION AND FOREIGN EXCHANGE RATES

The shekel was devalued during the third quarter by 4.1% and 4.4% as against the U.S. dollar and the Euro, respectively. However, as against the effective exchange rate, the shekel was devalued by 1.75%, in view of the considerable fluctuations in currencies of the emerging markets, leading to a significant appreciation of the shekel in relation to these currencies. The real forces continue to support the strengthening of the shekel, with a significant growth in surplus on the basic account during the first half of the year.
The inflationary environment remained negative throughout the reviewed period at a level of (0.5%) in the twelve months ended in September 2015.

[1] The most updated data available at the time of submitting the report to print.

FISCAL AND MONETARY POLICY

Fiscal policy. The budgetary operations of the Government recorded a deficit of NIS 0.6 billion in September, the deficit since the beginning of the year amounting to NIS 3.8 billion, compared to NIS 10.9 billion in the corresponding period last year. The cumulative deficit for the last twelve months (ending in September 2015) dropped to a level of 2% of the GDP, and is affected by an increase of 5.1% in Government spending, alongside a growth of 7.3% in tax revenues (since the beginning of the year, compared with the corresponding period last year). As to tax revenues, the trend data indicate acceleration in the growth rate of direct tax revenues, where a surplus of NIS 8.3 billion was recorded in the period from January to August, compared with the updated revenues forecast, and with an additional surplus of NIS 600 million being recorded in September.

Monetary policy. The monetary policy of the Bank of Israel in the reviewed period continued to be very expansionary, when the interest rate remained at a low rate of 0.1%. The Bank of Israel has noted several times that the moderate growth characterizing the domestic economy in recent years continues, and that the slowdown recorded in the second quarter stemmed mainly from nonrecurring events. Furthermore, The Bank of Israel estimates that the negative inflationary environment is affected by nonrecurring events (the lowering of electricity prices, revocation of television levy, and more) and by temporary events (decrease in commodities prices).

CAPITAL MARKET

The reviewed period was characterized by high fluctuations on the local capital market, principally in view of global developments. The steep drops during the third quarter led to the erasure of income since the beginning of the year and to the significant withdrawal of deposits in mutual funds.

Following are the changes recorded in selected share indices during the first nine months of 2014 and 2015:

	Change during the first nine months of	
Index	2015	2014
General share index	2.2%	11.8%
TA 25	1.8%	9.7%
TA 100	0.9%	8.1%
TA banks	9.8%	4.1%
TA Blutech	(0.3%)	(7.9%)
Real-estate 15	7.9%	7.4%

Trading in Israeli government bonds was characterized by reverting to the falling returns trend, which had characterized the first quarter of the year. The shekel return for ten years dropped during the period by 35 basis points, trading at the end of the quarter at a level of 2.1%. The said trend originates in the global trend and in the steep decline in inflationary expectations, leading to an increase in demand for shekel bonds.

Trading in corporate bonds was to a large extent derived from the trading trend in government bonds and is being affected by the continuing withdrawal of deposits in mutual funds. It is noted that in total for the period, stability was recorded in interest margins.

Following are the changes recorded in selected bond indices during the first nine months of the years 2014 and 2015:

	Change during the first nine months of	
Index	2015	2014
General bonds	1.5%	5.8%
General Government bonds	1.4%	6.7%
Shekel Government bonds	2.4%	6.8%
Linked Government bonds	(0.1%)	6.5%
General Corporate bonds	1.6%	4.3%
Linked Corporate bonds	0.6%	4.1%
Shekel Tel-Bond	2.8%	5.1%

The raising of capital through the issue of corporate bonds amounted in the first nine months of 2015 to NIS 41.8 billion and already now, the total amount raised is higher than the total amount raised during the whole of 2014. Of this amount, NIS 16.7 billion was issued by the banks, compared to NIS 10 billion issued during the whole of 2014

THE ASSET PORTFOLIO HELD BY THE PUBLIC

The value of the monetary assets portfolio held by the public grew by 2.7% in the first nine months of 2015 to a total of NIS 3.25 trillion at the end of September. The said growth in the assets value engulfed all classes of assets, though it mostly reflected a growth in the value of equities in Israel and abroad.

Following is the distribution of the asset portfolio held by the public:

	September 30, 2015	September 30, 2014
Shares	25.0%	45.5%
Non-linked assets	33.6%	33.3%
CPI linked assets	29.0%	30.8%
Foreign currency linked assets	12.3%	11.4%

PRINCIPAL ECONOMIC DEVELOPMENTS IN OCTOBER AND NOVEMBER 2015[1]

The global inflation environment continued to be moderate and a decline in inflation expectations was recorded, among other things, in view of the fall in commodity prices. Data in the United States continues to indicate an improvement in the employment market and provide the basis for assessments that the Fed is likely to raise interest as early as this coming December. Expectations for a further monetary expansion increased in Europe, in view of the low rate of inflation and the moderate economic growth.

In Israel, the foreign trade data for October continue to emphasis the weakness in local exports and on the other hand an intensified growth in the import of consumable durable goods. Furthermore, a growth of 3.8% was recorded in the import of inputs as well as an increase in the import of investment products.

The monetary policy continued to be expansionary, with the interest rate for November remaining unchanged at a rate of 0.1%. The CPI rose by 0.1% in October, and the cumulative inflation rate for the twelve months ended in October was negative, amounting to -0.7%. The rate of increase in residential units prices (which are not included in the CPI) has accelerated and in the twelve months ended in August, residential units prices increased by 6.6% compared to 5.8% in the twelve months ended in June.

The present fiscal state of affairs continued to be positive, the data for October indicating a deficit of NIS 3.5 billion in the monthly

[1] All data relate to the period from October 1, 2015 and until November 16, 2015.

operations and a total of NIS 7.4 billion since the beginning of the year, compared to NIS 13.1 billion in the corresponding period last year. The cumulative deficit for the twelve months ended in October amounts to 2.1% of the GDP. Tax revenue income remained high, and in October revenues increased by 5.1% in real terms (after eliminating legislation amendments) compared to October of last year.
During the reviewed period, the shekel further appreciated by 1.9% in relation to the effective currencies basket. Against the major currencies, the shekel appreciated by 0.1% and 5.2% against the Dollar and the Euro, respectively.
Equities prices on the Tel Aviv Stock Exchange recorded a steep rise, when in total for the period the TA 100 Index rose by approx. 4% each. Returns on government bonds recorded a decrease, mostly with respect to medium to long-term of the shekel graph.

LEGISLATION AND SUPERVISION

In view of the dissolution of the 19th Knesset, it is not possible to evaluate whether the continuity rule will apply to various proposed Bills as described in the 2014 Annual Report.
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 should be noted, that many private Bills have recently been tabled before the Knesset, which may have an impact on the banking industry, including the Bank. Among the issues involved are: restrictions on compensation to senior officers; the collection of debts – amendments to the Debt Execution Act; interest payment on credit balances; commissions, including the cancellation of commissions for basic current account services; unclaimed funds, including the establishment of a data base in respect of unclaimed funds; amendment of the Uniform Contract Act – enforced standing order as a discriminating condition; the issue of bonds by a non-banking corporation; postponement of a payment due to quarterly arrears in the repayment of a loan.

THE COALITION AGREEMENT FOR THE ESTABLISHMENT OF THE 34TH GOVERNMENT OF THE STATE OF ISRAEL – POSSIBLE IMPLICATIONS ON THE BANKING INDUSTRY

A coalition agreement was signed on April 29, 2015, which contains several sections relating to the banking industry and its operation, as detailed below: The Government shall act to increase competition in the financial and banking fields, reduce costs of long-term savings, increase accessibility to credit for consumers and owners of small and medium businesses; the Government shall support the establishment of a supreme council for financial stability or any other supervisory structure; the separation of credit card companies from banks shall be promoted; promote the legislation of a credit data services act and regulation of off-banking loans act; With a view of reducing "black money" the Government shall support the legislation of the following acts: reduction in the use of cash act and an amendment of the Prohibition of Money Laundering Act which would recognize a serious tax evasion as a predicate offence; The Ministry of Finance shall establish a team for the promotion of a bill memorandum increasing competition in the credit market for consumers and owners of small and medium businesses; The Government shall act to establish IT infrastructure required by new banks in order to increase competition; a team will be formed to examine the manner of implementing deposit insurance, its scope and effect; The Government shall support a reform applying to the reduction in long-term savings costs; the parties shall act to form a special committee of the Knesset for the promotion of the subject.
The Strum Committee. On June 3, 2015 the Minister of Finance and the Governor of the Bank of Israel appointed a committee to increase competition in banking and financial services ("the Strum Committee") headed by former Antitrust Commissioner, Mr. Dror Strum. The committee was asked, among other things, to recommend ways of introducing new players to compete for the supply of widespread banking services, including by separating ownership of credit card companies from the banks. In accordance with the letter of appointment, the Committee's recommendations shall be submitted within 100 days from date of appointment. The recommendations of the Committee have not yet been submitted.

The abovementioned subjects may have a material impact on the banking industry, including the Bank. Notwithstanding, at this early stage, prior to the clarification of the substance, nature, scope and timing of the intended actions, if at all, it is not possible to assess the said implications, neither in terms of substance nor in terms of quantity.

MONEY LAUNDERING AND TERROR FINANCING PROHIBITION

THE SECURITIES REGULATIONS (TRADING PLATFORM TO THEIR OWN ACCOUNT), 2014

In May 2015 the regulations came into effect, with their primary purpose being regulating the activities of foreign companies administering trading platform to their own accounts and subjecting them to the Israel Securities Authority supervision. The regulations complete Amendment No.42 to the Securities Law, 1968, which deals with trading platform to their own account, which came into effect upon the coming in to effect of the regulations.
In addition, in June 2015 the Israel Securities Authority published the Draft Money Laundering Prohibition Ordinance (Trading Platform to Their Own Account Identification, Reporting and Bookkeeping Obligations for the Prohibition of Money Laundering and Terror Financing), 2015.

INTENSIFICATION OF TAX COLLECTION AND INCREASING ENFORCEMENT BILL (MEANS FOR ENFORCEMENT OF THE PAYMENT OF TAXES AND DETERRENCE OF MONEY LAUNDERING) (LEGISLATION AMENDMENTS), 2015

On October 12, 2015, the Knesset approved in first reading, the Bill proposed by the Government. The Bill includes an amendment of the Income Tax Ordinance, the object of which is to counteract illegal capital, intensify the collection of taxes and reduce tax evasion. In this framework, it is proposed to amend the Prohibition of Money Laundering Act, 2000, so that to the list of predicate offences would be added grave tax offences according to different legislation, such as: the Income Tax Ordinance, Land Taxation Act, etc. Such tax offences are typified by a mental basis for a distinct intention to evade the payment of tax. Furthermore, the amendment grants customs officers the authority of investigation, entry, seizure and search with respect to anything relating to the above mentioned offences, as well as entitling them to obtain information from the data base of the Prohibition of Money Laundering Authority.

PROHIBITION OF MONEY LAUNDERING BILL MEMORANDUM (AMENDMENT NO. __), 2015

The Ministry of Justice published on October 29, 2015, the Bill Memorandum. A part of the proposed amendments in the Memorandum had been integrated in the past into previous Bills, which did not materialize into legislation amendments. The aim of the proposed amendments is to improve and make the combat against money laundering more efficient, as well as modify the existing legislation in accordance with international standards in this field, with which Israel has to comply, as a precondition for joining the FATF organization (Financial Action Task Force - an inter-governmental body established by the G7 states, the aim of which is to develop and advance a policy regarding the combat against money laundering and the finance of terror, both at the national and international levels).

The principal proposed amendments are: the expanding of the definition "monies" to include all means of bearer payments; change in the level of punishment in respect of money laundering offenses in a way that differentiates between an action effected in forbidden property and the avoidance of reporting; cancellation of the limitation regarding classes of property, as detailed in the second Addendum and determination of a limitation based on value; cancellation of the exception regarding the "turning of a blind eye" rule; enabling the transfer of information from the Money Laundering and Finance of Terror Authority to additional enforcement and investigation agencies; reducing the level of amounts of monies requiring reporting at border crossings (to NIS 50,000), cancellation of the exception regarding a new immigrant and applying also to him the proposed limit, applying the amount subject to reporting (NIS 12,000) to a person entering Israel from the Gaza strip or crossing from Israel into the Gaza strip, at all land crossings.

THE COMBAT OF TERROR BILL, 2015

This Bill, proposed by the Government, was published on August 31, 2015. The Bill regulates and extends the authority of State agencies as to everything relating to the combat of terror activities and to the declaration of entities as terror organizations. The principal items of the Bill are: extending the term "terror organization" to include also factions and groups as well as "cover organizations"; setting a uniform declaration arrangement, to replace the existing declaration mechanisms; determination of a new category for "terror offences", offences unique to the terror field and which relate to activities of terror organizations; new regulation for the confiscation and seizure mechanism; extending police authority with respect to the avoidance of terror activities and the closing down of locations used for the operations of a terror organization. The Combat of Terror Act would replace the Prevention of Terror Ordinance and the Prohibition of Terror Financing Act.

VARIOUS LEGISLATION MATTERS

INSOLVENCY AND ECONOMIC RECOVERY BILL MEMORANDUM, 2015

The above Memorandum was published on August 3, 2015, for public comment. The Memorandum contains a comprehensive reform in the matter of insolvency and a full and complete regularization of all laws regarding insolvency of individuals and corporations, by means of a single law that will bring together all the directives on this topic.

The principal items and innovations of the Memorandum, are: an insolvent entity is whoever is unable to pay his debts on their due dates (a test focusing on the repayment ability of the debtor and not on the value of his assets at a given point in time); The Court authorized to deal with matters of insolvency proceedings of an individual would be the Magistrate Court (at present – the District Court); Insolvency proceedings of a corporation will remain with the District Court; The memorandum emphasizes the need to rehabilitate the individual debtor. The insolvency process of an individual will be divided into two periods. During the first period, the economic position of the debtor will be examined, subsequently, a report of the examination's findings will be submitted to the court, together with a proposed plan for the debtor's rehabilitation. At the conclusion of the plan, the individual will be released from his debts. In addition, a fast-track will be provided for impecunious debtors owing small amounts, whereby their affairs will be discussed with an administrative party who will be authorized to release them from their debts without having to turn to the court. An additional track will make it possible for individuals owing small amounts to reach an out-of-court, administrative debt arrangement; a petition to instigate proceedings will be filed in a uniform manner and the court will rule whether the corporation or individual is insolvent and only subsequently will a decision be taken regarding the track for dealing with the corporation. Where creditors are involved - it is proposed that most of the preferential debts be canceled. The right of secured creditors to be paid in full from the collateral that they hold will be restricted; it is clarified that the status of the creditors is purely advisory and that control of the proceedings will be in the hands of the trustee and the courtץ The Act would take effect one year after its publication and it would apply to insolvency proceedings instituted as from that date and thereafter.

THE PLEDGE BILL

The Bill was published during the month of July 2015. The Bill has been on the agenda for several years with the intention of replacing the existing Pledge Act as well as other legislation in the matter of pledges. The main proposed changes are: the pledging of future assets – recognizing the right of an individual to pledge an asset not yet at his disposal, and even an asset not yet created; abolition of the concept of a floating pledge – the debtor company shall be entitled to create a fixed pledge on the future assets of the company; abolition of the prohibition on an additional pledge – allowing the debtor to effect transactions in the pledged asset; changes regarding the order of preference of creditors; changes regarding the registration of pledges, including: effective date of the pledge – since date of registration; the manner of "improvement" of a pledge; deposits – recognizing the right of a depositor to create a pledge in favor of a third party; acquisition of a pledged asset – negation of the "market rule".

THE REDUCTION IN THE USE OF CASH BILL, 2015

The Bill was published during the month of July 2015, following the recommendations of the Committee examining the reduced use of cash in the Israeli market (see the 2014 Annual Report, pp.203-204). For details as to the arrangement regarding immediate debit cards, see above "Legislation and Regulations" under "Credit card operations". The Bill is divided into two main levels: the first relates to prohibitions and restrictions, among other, on receipts and payment in cash regarding transactions, gifts, donations, loans or wages; prohibition on the receipt or payment of amounts by means of a check without specifying the recipient; prohibition on endorsement of a check or on the receipt of an endorsed check without having the details of the endorser stated on the check, etc. The second level relates to establishing arrangements ensuring the existence and availability of alternative means of payment, which would equal, use and price wise, to the means of payment, the restricted use of which is now being proposed. The Bill includes instructions intended to ensure the gradual application of the prohibitions and restrictions included therein, while examining the implications of the actions taken at each stage.

ELECTRONIC CLEARING OF CHECKS BILL, 2015

On July 6, 2015, the Bill passed its first reading and was passed on to the Finance Committee for preparation for the second and third readings. For the main points of the Bill, see the 2014 annual report (p.204).

DEBT EXECUTION (AMENDMENT NO. 47) (PROVISIONAL INSTRUCTION) ACT, 2015

On August 3, 2015, an amendment to the Debt Execution Law was published in the Official Gazette, which regulates the granting of an exemption from debts to debtors under debt execution proceedings, which are defined as debtors having limited resources. According to the amendment, a debtor having limited resources in the period of five years prior to the date of application for exemption, shall be entitled to submit an application for exemption from his debts, as long as his debt to a single creditor does not exceed NIS 400 thousand, and his total debts to all his creditors do not exceed NIS 800 thousand, he complies with the payments under a compulsory payments Order, he does not have any assets that may be realized and he is not under bankruptcy proceedings. The Debt Execution Registrar shall have the authority to grant an exemption to the debtor even if he did not comply with a compulsory payments Order due to a material adverse change in his economic condition or due to exceptional circumstances. The date of coming into effect has been set for September 6, 2015.

MEMORANDUM OF THE SUPERVISION OVER FINANCIAL SERVICES BILL (OFF-INSTITUTIONAL FINANCIAL SERVICES), 2015

The Memorandum was published by the Ministry of Finance in August 2015. The object of the proposed Bill is to establish a financial regulator who would regulate the providers of currency services field and the off-institutional credit field, in a manner that would create an adequate alternative to the banking system in the financial services field, and on the other hand would prevent crime organizations from using these fields for illegal purposes. Banks and institutional bodies are excluded from the Act.

DRAFT MEMORANDUM OF THE BANKING ACT (CUSTOMER SERVICE) (AMENDMENT NO. 20), 2015

The draft of the Memorandum was published in September 2015, in the framework of which amendments are proposed, intended to solve several localized points in the area of bank-customer relations, among other, facilitating the transfer of customers between banks. It is proposed to establish several amendments and enlargements with respect to the revocation of collateral/pledges regarding customers who have settled their debts. In addition, and following the recommendation of the team for enhancement of competition in the banking sector, it is proposed to apply to all businesses, including individuals who are considered a business, the criterion of business turnover applying to commissions charged to a "small business"; and to authorize the Supervisor of Banks to publish data regarding actual average income from services such as deposits.

PUBLIC COMMITTEES

REPORT OF THE COMMITTEE FOR IMPROVEMENT OF THE SYSTEM FOR PARTICIPATION IN THE CREDIT DATA BASE

The Committee for improvement of the system for participation in the credit data base ("Dorfman Committee") published the final report in August 2015. The report is intended to regularize a central credit data base in Israel, with a view of increasing competition in the retail credit market. The interim report contains recommendations for changes in the financing field due to the information revolution, this in relation to the reporting format, the sources of information, data protection, length of period for maintaining data, data gathering, providing credit reports, positive information, transparency and accessibility to information, correction of data and also credit rating. The Committee recommended two major changes to the Credit Data Act. The one, the inclusion of positive information in addition to the negative information already gathered. The other, a change in the default option regarding the transfer of information – a determination that the default option applying in connection with the participation in the credit data base, is that the information will be gathered, unless a certain person requests otherwise. The recommendations included the extension of the array of suppliers of data under obligation to communicate data to the data base to the banking and/or financial industry as a whole

CREDIT DATA BILL, 2015

The Bill was approved in its first reading in October 2015. The Bill comes to establish the recommendation of the Dorfman Committee in an Act that would regularize the formation of a new system for the participation in credit data. The Bill will replace the existing Act and according to it, the Bank of Israel is to establish and manage a central credit data base having at its center a public credit data base. The arrangement in the Bill will create a system that would include a public participant (The Bank of Israel) as well as many private participants, including also credit offices. The scope of the data to be collected shall be enlarged and the distinction between "positive" data and "negative" data would be removed. Data would be assembled from sources determined in the Bill (the Official Receiver, Debt Execution Offices, The Bank of Israel, Courts of Law, a public infrastructure corporation, banking corporations, issuers of charge cards), would be maintained and transferred to credit offices by the Bank of Israel. The credit offices would process the data and pass it on, among others, to the providers of credit. The Bill establishes an overall regulation, supervisory authorities and monetary sanctions. The Bill has been designed in a comprehensive fashion in order to ensure that privacy rights will not be impaired over the required level.

THE DIRECTIVES OF THE SUPERVISOR OF BANKS

UPDATING THE FORMAT OF THE ANNUAL REPORT TO THE PUBLIC OF A BANKING CORPORATION

The Supervisor of Banks issued on May 3, 2015, an amendment to the Reporting to the Public Directives, intended to improve the quality of reporting to the public, by making the information in the report to the public more usable and accessible to the reader of the report; increase uniformity in the manner of presentation of the annual reports by the banking industry; the formation of a format for the annual report to the public that would be based upon leading presentation practices of leading banks in Europe and the United States.

The main changes are:

- Determining a uniform structure for the order of presentation of subjects in the annual report;
- Abolishing the Management's Review integrating it with the Directors' Report and in other parts of the Annual Report. Changing the name of the Directors' Report to "Directors' and Management's Report";
- Addition of words from the Chairman of the Board of Directors prior to the Directors' and Management's Report, which will include in a summarized reference to the principal focuses in the reporting year, to the goals and strategy and to other matters, considered by the Chairman of the Board as requiring emphasis;
- Publication of a report on risks on the Internet website of the banking corporation, which is to include detailed quantitative information and qualitative information as to the risk review and manner of their management, in accordance with the disclosure requirements of Basel, the FSB and other sources;
- The Basel disclosure requirements, at instrument level, in respect of characteristics of specific capital instruments, are to be included in a separate report – Additional regulatory information – to be included on the Internet website of the banking corporation;
- A significant reduction in the disclosure requirements in the chapter on the description of the business of the banking corporation. The transfer of the information regarding corporate governance and description of the business of the corporation to a separate chapter to be included after the financial report;
- Adoption of the disclosure requirements included in the recommendations for the improvement of the disclosure regarding risks of banking corporations, published by the Enhanced Disclosure Task Force (EDTF), principally on the Internet, within the framework of a separate report to include the disclosure requirements of the third Pillar and additional information regarding risks;
- Changing the order of presentation of the financial report: the presentation of the statement of income before the balance sheet, the presentation of the notes to the statement of income before the notes to the balance sheet, splitting Note 4 regarding "Credit risk, credit to the public and allowance for credit losses" to a condensed Note and to a separate, extensive Note.

The Reporting to the Public Directives regarding the interim report of a banking corporation and Reporting to the Public Directives regarding the annual and interim report of credit cards corporation have been updated accordingly with the stated above.

The new instructions will take effect starting with the financial report for 2015. Bank is preparing for the implementation of the new instruction.

DRAFT PROPER CONDUCT OF BANKING BUSINESS DIRECTIVE NO. 450 – DEBT COLLECTION PROCEDURES

The Supervisor of Banks and the Enforcement and Collection Authority have formed principles, the aim of which is to ensure efficiency and transparency as regards debt collection procedures with respect to the household and small businesses segments. Accordingly, the Supervisor of Banks issued on May 4, 2015 a draft of Proper Conduct of Banking Business Directive No. 450.

According to the draft, banking corporations would be required to: establish a designated function for coordination the handling of debt collection; determine a policy and procedures for the handling of debt collection, with the involvement of the board of directors and management; determine a maximum rate for arrears interest in a loan and include in the loan agreement disclosure as to the calculation thereof. In addition, the draft contains instructions regarding disclosure and information to the customer by electronic means also after the creation of the debt, and the mailing of warning letters proximate to the date of default. As regards referring the case to the Debt Execution Office – a uniform format has been established, according to which banking corporations shall deliver to the Debt Execution Office tables showing interest on arrears; payments reducing/settling the debt shall be made directly to the debtor's account at the Debt Execution Office. A payment made as above, shall have the date value of the payment to the Debt Execution Office, and shall be recognized accordingly in the books of the lending banking corporation.

The draft includes also instructions relating to supervision and control by the banking corporation over outside lawyers appointed with respect to debt collection; According to the draft, the Directive shall apply also to loans granted prior to the effective date of the Directive. As regards the item dealing with the maximum rate of interest on arrears – the Directive would apply subject to the maximum rate of interest on arrears according to the Directive, not exceeding the contractual rate of interest on arrears.

LETTER OF THE DEPUTY SUPERVISOR OF BANKS – INITIATED APPROACH FOR THE GRANTING OF CREDIT TO RETAIL CUSTOMERS

The letter was distributed on June 23, 2015, according to which, in view of the considerable growth in the volume of retail credit, and in order to verify that the credit offered agrees with the needs of the customer, the banking corporations and credit card companies are required to adopt a number of actions, among other, to determine a policy, procedures and processes relating to an initiated approach; to define specific target populations; to determine conversation scenarios; to determine the manner of approach to the customer in line with the characteristics of the target population; to document the approach to the customer; to verify the implementation of the provisions contained in the letter, among other things, by integrating this subject into the work plans of the compliance officer, the legal advisory group and the internal audit. The policy and procedures were submitted to the Supervisor of Banks on the due date as required in the letter. The letter clarifies that an offer for the granting of credit made while dealing with other matters of the customer, is regarded as an initiated approach for the granting of credit. In continuation to the letter, the Deputy Supervisor of Banks clarified, among other things, that the term "credit" refers only to loans and not to credit facilities, and that the provisions of the letter apply at this stage to loans granted to private individuals. In addition, a preparation period has been granted for the recording of telephonic marketing conversations at banks' branches, until December 1, 2015, subject to maintaining in writing documentation of the essence of the conversation.

The Bank has completed the installation of the system for recording conversations, as stated, at all the Bank's branches, however at this stage, the system has not been installed in respect of all the relevant employees at each branch and accordingly, as from December 1, 2015, only a part of the employees in each branch would be able to conduct telephonic marketing conversations.

On November 9, 2015, the Union of Banks approached the Supervisor of Banks with a request to defer the date on which the duty to record telephone conversations by the branches takes effect to April 1, 2016. This, in order to enable the banks to make the necessary preparations.

LETTER OF THE DEPUTY SUPERVISOR OF BANKS – REMOVAL OF PLEDGES SECURING CREDIT THAT HAD BEEN REPAID

The letter was published on August 31, 2015, requiring banking corporations to improve the data existing at banks and at the respective Registrars, and act towards the removal of pledges registered to secure charges that had been repaid, from the year 1994. It is required to complete the process by December 31, 2016. The Bank is preparing for the implementation of that stated in the letter.

Details regarding Bills and additional new Proper Conduct of Banking Business Directives (or draft Directives) were also provided in the chapters "Description of the Activity of the Group According to Segments of Operation", "Exposure to Risks and Risk Management" above, and "Exposure to cross-border risks in respect of the activities of foreign resident customers" and Note 1 to the condensed financial statements.

For further details regarding "Legislation and Supervision", see the 2014 Annual Report (pp. 193-208).

ADDITIONAL ISSUES IN THE DESCRIPTION OF THE GROUP

MAIN INVESTEE COMPANIES

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 469 million in the first nine months of 2015, compared to NIS 374 million in the corresponding period last year, and an income of NIS 451 million in all of 2014.
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.

	In US$ millions		
Balance sheet items	September 30, 2015	December 31, 2014	Change in %
Total assets	9,867	9,783	0.9
Total credit	5,279	4,924	7.2
Total deposits	6,658	6,595	1.0
Total equity	835	784	6.5
Ratio of total capital to risk assets	13.1%	12.9%	
Income statement items for the nine months ended September 30	2015	2014	
Net income attributed to the shareholders	42	28	50.0
Return on equity	7.0%	4.8%	

The increase in profits for the first nine months of 2015, stemmed mostly from a rise in non-interest financing income, resulting mainly from the fact that other than temporary impairment losses (OTTI) were recorded in the corresponding period in 2014.

The **contribution of the Bank's investment in Bancorp to the Bank's net results** reached a profit of NIS 141 million the first nine months of 2015 (after deducting a provision for taxes of NIS 25 million), compared with a profit of NIS 79 million in the corresponding period last year (after deducting a provision for taxes of NIS 14 million).

For details regarding investments by IDB New York in mortgage backed securities, see "Development of assets and liabilities" above and Note 2 to the condensed financial statements hereunder.

The sale of DBLA operations. For details, see Note 18 A to the condensed financial statements.

MERCANTILE DISCOUNT BANK LTD.

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

	In NIS millions		
Balance sheet items	September 30, 2015	December 31, 2014	Change in %
Total assets	29,112	(1)28,570	1.9
Total credit to the public, net	20,268	18,915	7.2
Total deposits from the public	24,081	24,060	0.1
Total equity	2,091	(1)1,916	9.1
Ratio of total capital to risk assets	14.0%	(1)14.5%	
Income statement items for the nine months ended September 30	2015	2014	
Net income attributed to the shareholders	189	(1)115	64.3
Return on equity	12.8%	(1)8.3%	

Footnote:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E(1) and (2) to the condensed financial statements, respectively.

The increase in income in the first nine months of 2015 was affected, inter alia, from an increase of NIS 51 million in interest income; from an increase of NIS 28 million in credit loss expenses; from an increase of NIS 33 million in other income, in respect of capital gains recognized during the reported period (see below "Fixed assets and installations"); and from a decrease of NIS 48 million in operating and other expenses which resulted, mainly, from a decrease in expenses for Salaries and related expenses, at a rate of 12.6%, stemmed mostly from an exceptional expense for severance pay in the amount of NIS 33 million, recognized in the corresponding period last year in respect of an early retirement plan for employees and from adjustments to the agreement signed by Bank Leumi (see "Human resources" below).

Replacement of the CEO. Mr. Uri Baruch terminated his service as CEO of MDB on August 16, 2015. Mr. Shuki Borstein took office as General Manager on August 17, 2015.

For details regarding the decision of the Supreme Court in the matter of the submitted appeal against the decision in the motion for a declaratory judgment in the matter of charging the debtor's account with default interest, see Note 19 C item 12.6 to the financial statements as of December 31, 2014 (p. 469) and Note 8 B, item 4.5 to the condensed financial statements. For details regarding lawsuits and motions for approval of the lawsuits as class action suits, in the matter of: the format for granting loans guaranteed by the State (a proceeding in respect of which a removal arrangement was approved in February 2015), commission regarding the handling of credit and collateral, the charging of a commission with respect to operations of conversion and transfer of foreign currency, a unilateral increase in the interest rate on credit taken within an approved credit facility, the charging of commission with respect to the transfer and handling of foreign currency, see Note 19 C, items 12.11, 12.12, 12.14, 12.16, 13.2 and 13.4, to the financial statements as of December 31, 2014 (pp. 471-475) and Note 8 B to the condensed financial statements, items 4.8, 4.9, 4.10 and 4.14.

ISRAEL CREDIT CARDS LTD.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of September 30, 2015, 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.

	In NIS millions		
Balance sheet items	September 30, 2015	December 31, 2014	Change in %
Total assets	10,587	(1)10,234	3.4
Total equity	1,324	(1)1,192	11.1
Ratio of total capital to risk assets	16.6%	(1)16.0%	
Income statement items for the nine months ended September 30	2015	2014	
Total Income	926	853	8.6
Net income attributed to the shareholders	116	(1)116	-
The contribution to the Bank's business results	74	(1)79	(6.3)
Return on equity	13.5%	(1)14.6%	

Footnote:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1E(2) to the condensed financial statements.

The business results of ICC for the reported period were mostly affected from an increase in income from credit card transactions (NIS 43 million) and from an increase in interest income (NIS 27 million), while on the other hand, by an increase in sales and marketing expenses (NIS 32 million), which mostly stemmed from an increase in benefits to Flycard card holders.

For details regarding the police investigation and the seizure of documents and computer material of ICC, the transfer of the investigation file to the State Attorney Office and the notice by the State Attorney that it considers to indict ICC, subject to a prior hearing, see Note 16 b (2) to the condensed financial statements (the hearing was held in October 2015, though the decision of the State Attorney in the matter has not yet been announced).

For details regarding the negotiations for the acquisition of the minority interest in Diners, see above in "Credit card operations".

For details regarding lawsuits and motions to approve them as class action suits filed against ICC, with respect of the following matters: the marketing of gift cards and the charging of excess amounts in respect of refueling of vehicles (a proceeding in respect of which a removal arrangement was approved in February 2015), the granting of credit by means of the "Active" credit card, allegation of two binding arrangements in the field of immediate debit cards ("debit") and pre paid cards ("pre-paid"), see Note 19 C to the financial statements as of December 31, 2014, items 12.9, 12.13, 12.15, 13.5 and 12.17 respectively (pp. 470-473) and Note 8 B to the condensed financial statements, items 4.11 and 4.13.

For details regarding activity in the credit card field in Israel, see "Credit card operations" under "Further details as to activity in certain products" above, Note 34 to the financial statements as of December 31, 2014 (pp. 525-528) and Note 16 to the condensed financial statements.

ISRAEL DISCOUNT CAPITAL MARKETS AND INVESTMENTS LTD.

Israel Discount Capital Market and Investments Ltd. ("DCMI"), 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).

	In NIS millions		
Balance sheet items	September 30, 2015	December 31, 2014	Change in %
Total assets	1116.5	1076.9	3.7
Total equity	389.1	345.0	12.8
Income statement items for the nine months ended September 30	2015	2014	
Net income attributed to the shareholders	44.6	84.0	(46.9)
The contribution to the Bank's business results[(1)]	58.4	75.4	(22.5)

Footnote:
(1) Differences between net income and the contribution to the Bank's results is derived from differences in the implementation of generally accepted accounting principles

In the first nine months of 2015, DCMI participated, via its subsidiary, Discount Underwriting and Issuing Ltd., in 26 public offerings and 3 private offerings (of which one private placement on behalf of the Bank), amounting in total to NIS 15 billion and in 3 brokerage transactions. This, compared with 43 public offerings and 6 private offering, amounting to NIS 13.3 billion and 9 brokerage transactions, in the corresponding period last year.

The merger of Discount Underwriting and Issuing Ltd. On November 15, 2015, Discount Underwriting and Issuing Ltd. ("Discount Underwriting") entered into a merger agreement with Clal Finance Underwriting Ltd. ("the merger agreement"), within the framework of which, subject to obtaining all required approvals and to executing the preliminary actions as detailed in the merger agreement, Clal Underwriting would merge with and into Discount Underwriting, a subsidiary company of DCMI. Following the merger, the rate of holdings of DCMI in the merged company is expected to decline to approx. 55%. Consummation of the merger transaction is subject to the fulfillment of several conditions precedent, including, among other things, the carrying out of certain preliminary capital actions by the merging companies, as stated in the agreement, and obtaining regulatory approvals, where required. At this stage, there is no certainty that the conditions precedent would in fact be fulfilled and that the merger transaction would be concluded. The merger agreement may be revoked if, among other things, the conditions precedent to the conclusion of the merger are not fulfilled within a period of six months from date of signature, and such date has not been extended with the consent of the parties.

FIXED ASSETS AND INSTALLATIONS

BUILDINGS AND EQUIPMENT

As of September 30, 2015, the investment in buildings and equipment amounted to NIS 2,177 million, compared with NIS 2,354 million at the end of 2014, a decrease of 7.5%.

Focus points for 2015. Within the strategic program of the Discount Group, it has been decided to reduce real estate areas held by the Bank and the Group, among other things, in view of the reduction of the labor force. An extensive project was put into operation in the last quarter of 2014, which continued in 2015, within the framework of which, examinations are being performed, intended to ensure the efficient and effective utilization of the real estate assets. The lines of action being examined are the reduction in the number of branches, reduction in the floor area of branches, merger of branches, improvement in terms of rental agreements or the exchange of rented locations, etc.

Since approval of the strategic plan, the Bank closed down seven "Discount your way" branches (one of them in 2015), 5 other branches (of which 4 in 2015), a Regional Administration (the Dan Region, in October 2014) and a business center (the Dan business center, in December 2014).
As revealed by the data presented below, a downward trend is evident in the amount of real estate space used by the Bank.

Following are details regarding the distribution of all floor area at the disposal of the Bank:

	As of September 30	As of December 31	
	2015	2014	2013
	In Sq. meters		
Freehold	111.5	112.4	115.7
Leasehold	53.0	54.2	56.6
Total	**164.5**	**166.6**	**172.3**

Mercantile Discount Bank – Sale of buildings. As part of the efficiency measures adopted by MDB, it has been decided to relocate certain of its Head Office units, from the building that serves the Management offices in Tel Aviv to the office compound in Holon, which serves, among other things, the back office units. An agreement for the sale of that part of the office building that served the said units was signed on July 16, 2015. In addition, during the reported period, the operations of two branches operating in the Tel Aviv area were merged and relocated to a more central venue, the office premises of one of these branches being sold during the reported period. Gains of NIS 25 million, net of the tax effect, were recognized in the reported period in respect of the said sale of the property.
Gain on sale of assets. In respect of one of the assets sold in the third quarter of 2015, the Bank is expected to recognize in the first quarter of 2016, a gain of approx. NIS 35 million, net of the tax effect.

ACCESSIBILITY

The Bank has completed the accessibility to 40% of its properties in accordance with the determining date according to the Regulations (June 22, 2015). At the present time, the Bank is preparing for the continuation of accessibility modifications to its properties (both from the aspect of accessibility to services and from the aspect of accessibility to buildings, infrastructure and the environment), towards the third stage of accessibility, the due date of which is June 22, 2016. At the end of this stage, accessibility would be completed at 65% of the Bank's properties, as required by law.
Moreover, the Bank has completed accessibility modifications to service information, and is in the advanced stages of completing the accessibility modifications to the Internet website.
For additional details, see the 2014 Annual Report (pp. 215-216).

GLOBAL LEGISLATION REGARDING THE PREVENTION OF TAX OFFENCES

CHANGES IN THE U.S. TAX LEGISLATION

Following the publication in March 2010, of the FATCA legislation (Foreign Account Tax Compliance Act) in the United States, the Bank, with the assistance of a U.S. law firm, has formed a policy and procedures required in this matter. Furthermore, the Bank and the relevant subsidiaries in the Group, with the assistance of external consultants, have begun extensive preparations and implementation activity of the instructions of FATCA. This work is in advanced stages towards its completion, in accordance with milestones defined by

FATCA. In accordance with the above, as from February 2012, new U.S. customers (U.S. persons) are required to sign a W-9 Form as well as sign a declaration of compliance with reporting requirements and a letter waiving confidentiality in this respect. At the same time, the process of identifying and obtaining the signature of existing U.S. customers on the said documents continues.

The registration of the Bank and of the relevant companies in the Discount Group in the designated on-line portal of the U.S. Internal Revenue Services was completed in March 2014.

On April 6, 2014, towards the entry into effect of the FATCA instructions, the Supervisor of Banks issued a letter in the matter of the preparations for the implementation of the FATCA instructions, which required the banking corporations to continue and prepare for the implementation of the instructions, including the appointment of an officer in charge, the establishment of a designated work team coordinating the implementation of the instructions, directly responsible to a member of Management, and the determination of policy, including procedures, regarding the manner of implementation of the FATCA instructions, which should be approved by the Board of Directors, while taking into consideration the Bank's duties towards its customers and following a careful examination of the circumstances. It was further noted that the refusal to open a new account and/or provide banking services in the case of an existing account, which expose the banking corporation to the risk of being considered a collaborator of the customer for the purpose of evading the FATCA instructions, shall be considered a reasonable refusal for the purpose of the instructions of the Banking Act (Customer service). It was also recommended to adopt measures that increase awareness to the FATCA instructions and their possible implications on customers, in particular customers being financial institutions to which the FATCA instructions apply.

An interstate agreement was signed on June 30, 2014, between the Government of Israel and the Government of the United States, regarding the implementation of the FATCA instructions. On that date, the Supervisor of Banks issued a guideline in the matter of the opening of new accounts in view of the FATCA instructions, according to which, bank accounts that would be opened as from July 1, 2014, would be prima facie subject to the account opening procedures stated in the instructions, subject to the implementation of alternative procedures as detailed in the interstate agreement.

Preparations of the Group for implementation of the instructions. As stated, the Bank and the relevant subsidiaries in the Group are acting according to the FATCA instructions, in line with the time schedule detailed in the inter-state agreement, including the determination of policy and procedures, preparation of computer systems and devising guidelines for activity with customers.

EXCHANGE OF INFORMATION BETWEEN COUNTRIES

On January 29, 2014, the Official Gazette published a Government Income Tax Ordinance Amendment Bill, proposing the addition of a fourth Chapter in the matter of exchange of information according to an international agreement, authorizing the State to forward information to the tax authorities of another country, whether at the request of that tax authority or at the initiative of the Israel Tax Authority. On November 2, 2015, the Finance Committee of the Knesset approved the Bill for its second and third reading. The Bill proposes to enable the Tax Authorities to provide foreign tax authorities with information regarding Israeli citizens. According to a publication by the committee, the version approved by the Committee included an additional instruction according to which an advance notice of fourteen working days should be given to an Israeli citizen before providing information in his respect as requested by a foreign tax authority. This, in order to allow him to act in the matter, or alternatively to discuss the matter with the foreign tax authority or settle the matter under clarification.

The Ministry of Finance published on April 13, 2014, a Memorandum for the Income Tax Ordinance Amendment Bill (which was amended on May 19, 2014), which proposes that financial institution will have the duty to obtain details of entities holding the rights to accounts opened with them, and as regards U.S. entities, the fact of them being a "U.S. person" in accordance with the FATCA agreement. It is also proposed, that the Regulations will include the requirement of identifying details of whoever holds rights to an account with a financial institution, as well as the manner of forwarding information from the financial institutions to the Israel Tax Authority. The Memorandum proposes to impose monetary sanctions in respect of the non-identification of details of account holders and/or failure to forward the information to the Commissioner, in accordance with the instruction of the Act. It is also proposed in the Memorandum to authorize the inclusion in Regulations to be enacted under the Act, reference to the clarification of the tax liability country of customers of the financial institution and the forwarding of such information to the Tax Authority.

On May 6, 2014, a multilateral declaration regarding tax evasion was published, including the bilateral exchange of information between OECD countries. According to an announcement of the Ministry of Finance, Israel is expected to sign agreements with respect to the automatic exchange of information with OECD countries and other countries, and everything subject to the Act that will be passed in the matter.

The Ministry of Finance announced on October 27, 2014, the adoption of the OECD procedure for the automatic exchange of information regarding financial accounts, until the end of 2018.

An updated version of the Bill memorandum for the amendment of the Income Tax Ordinance was published on November 15, 2015. The Bill lays out the legal infrastructure in Israel for the implementation of the FATCA provisions and the Inter-State Treaty between Israel and the U.S. and for the implementation of the CRS requirements of the OECD in the matter of automatic exchange of information. The aim of the Bill Memorandum is to regularize, through Regulations to be enacted further on, the operations required from Israeli financial institutions for the purpose of the said implementation, as well as allow for monetary sanctions and criminal responsibility in respect of the violation of different provisions. The Bill Memorandum contains amendments to the Prohibition of Money Laundering Act, the aim of which, among other things, is to form a uniform definition of the term "control" of a corporation, for the purpose of the gathering of information arrangement, both as regards the exchange of information and as regards the prevention of money laundering, as well as allowing the use of identity details obtained under the Prohibition of Money Laundering Act, also for the purpose of maintaining the Inter-State Treaty between Israel and the U.S., or for the purpose of maintaining an international agreement for the exchange of information.

EXPOSURE TO CROSS-BORDER RISKS IN RESPECT OF THE ACTIVITIES OF FOREIGN RESIDENT CUSTOMERS

GENERAL

The Bank operates in an environment of changing global regulation. As part of these changes, and among other things, an increase occurred in the exterritorial enforcement operations with respect to reporting duties and the payment of taxes of taxable persons who manage their accounts outside their country of residence.

In view of this global trend, the Bank is preparing for the management of the risks involved in maintaining accounts of foreign residents, generally, with a focus on the risk involved in tax evasion, in particular.

As of the present time, the principal enforcement actions are conducted by the U.S. authorities, however, the possibility exists that tax authorities and regulators in additional countries will take action of a similar nature.

THE BANK'S POLICY WITH RESPECT TO ACCOUNTS OF FOREIGN RESIDENTS

With the aim of managing the said risk, and in accordance with that stated above, and among other things, in continuation of the Bank's actions regarding the implementation of the FATCA instructions, the Bank`s Board of Directors has adopted a policy with respect to compliance of foreign residents with the provisions of foreign legislation regarding the payment of taxes and the reporting of accounts. Further to the adoption of the policy, rules have been determined for the opening of bank accounts of foreign residents and for the acceptance of monies and securities in favor of foreign resident accounts, in a manner that would satisfy the Bank as regards fulfillment of the duties applying to the relevant foreign resident customers with respect to the payment of taxes and reporting their accounts, as required by the provisions of foreign legislation applying to them. The policy also states that, to the extent that the regulation in Israel and abroad with respect to foreign residents and their accounts would be updated, the Bank shall act accordingly.

The said policy document is under an updating process, in order to adjust it to the circular of the Supervisor of Banks dated March 16, 2015, mentioned above. In July 2014, the Board of Directors of MDB adopted a policy based on the Bank's policy.

AUDIT IN THE MATTER OF EXPOSURE TO RISKS INVOLVED IN THE ACTIVITY OF FOREIGN RESIDENTS

On September 28, 2014, the Supervisor of Banks approached the Bank with a demand that the Bank will perform an audit that would evaluate the level of exposure of the Bank and the Bank Group to cross-border risks relating to activities of foreign resident customers, and would examine the manner in which these are being managed. The audit was required to include the gathering of quantitative data regarding foreign resident customers as well as an examination of the risk management appropriateness, the procedures, the policy, the controls and the performance of the corporate governance in everything relating to the activities of foreign resident customers. The principle findings were presented on May 4, 2015, for discussion by the Audit Committee. On May 17, 2015, the Bank submitted to the Supervisor of Banks the audit report and the Bank's response to the report. Subsequently to the said date, certain supplementary material has been submitted to the Supervisor of Banks. The Bank has prepared a plan for the treatment of the findings of the report and is acting towards its implementation.

CIRCULAR OF THE SUPERVISOR OF BANKS IN THE MATTER OF "MANAGEMENT OF RISKS ARISING FROM CROSS-BORDER OPERATIONS OF CUSTOMERS"

The Supervisor of Bank issued on March 16, 2015, a circular in the matter of "management of risks arising from cross-border operations of customers". The circular contains various guidelines to banking corporations with respect to the handling of foreign residents and details of actions that banks have to take in order to reduce exposure to compliance risks stemming from cross-border transactions. In accordance with the circular, it is among other things, required to obtain a declaration as to the lawfully payment of taxes in respect of funds held in the account and as to the countries in which the declarer is a resident for tax purposes, as well as obtaining a waiver of confidentiality with respect to the foreign authorities. According to the circular, the actions required by it have to be completed by the end of 2015, with respect to customers classified as constituting high risk, and until the end of 2016 in respect of the remaining accounts. The Bank is acting for the implementation of the guidelines of the circular within the time schedules contained therein.

DRAFT CIRCULAR OF THE SUPERVISOR OF BANKS IN THE MATTER OF THE ACTIVITY OF ISRAELI RESIDENTS IN BANKING CORPORATIONS AND OVERSEAS EXTENSIONS

On August 30, 2015, the Supervisor of Banks published a draft letter in the circular of activities of Israeli residents in banking corporations and overseas extensions – compliance with Israeli tax laws. According to the draft circular, banking corporations are required to take measures in order to minimize risks stemming from the opening or managing accounts, the funds deposited therein may have originated in tax evasion by the customer or in income not reported to the Tax Authorities, as required. Such measures should be integrated into the risk management framework of the banking corporation.

EXPOSURE TO CROSS-BORDER RISKS RELATING TO ACTIVITIES OF U.S. CUSTOMERS

Changes in enforcement actions of the U.S. authorities have taken place in recent years with respect to enforcement of tax liabilities of U.S. customers maintaining accounts with foreign banks outside the U.S.. Such changes are, among other things, expressed in the publication of several programs for voluntary disclosure by taxable U.S. citizens, in intensified enforcement actions against foreign banks conducting accounts for U.S. customers, which are suspected of collaboration with such customers in hiding their assets from the U.S. tax authorities, and in the imposition of different sanctions, including fines in high amounts imposed on such banks. These changes have an effect on the operating environment of the Bank, being a provider of services, among others, also to U.S. customers.
According to publications and reports, certain Israeli banks are under different stages of examination and investigation on the part of the U.S. authorities.

It was published on December 22, 2014, that the Bank Leumi Group had reached an arrangement of the "Deferred Prosecution Agreement" type with the U.S. Department of Justice, and also reached an additional arrangement with the Financial Services Authority of the State of New York (hereinafter – "the Leumi arrangement"). According to the arrangement, Bank Leumi admitted conducting a series of operations, the aim of which, according to the publication, was assisting tax evasion by its U.S. customers. According to the arrangement, the U.S. Department of Justice agreed to defer the filing of an indictment against the Bank Leumi Group for a period of twenty-four months, during which Bank Leumi is required to abide by the commitments detailed in the agreement. Moreover, various sanctions have been imposed on the Bank Leumi Group, including the payment of a fine in the amount of US$400 million.

The Bank Leumi arrangement has been presented and discussed at the Bank following its publication. This arrangement is based on specific facts dealing with many and continuous operations attributed to different companies in the Leumi Group and as far as can be discerned from the publications, the agreement had been prepared and formed over a long period of time, and involving a considerable investment of consultation hours and the gathering of information, when the data itself is not exposed. The agreement does not detail the formula for the fine, which determines the amounts that the Leumi Group has agreed to pay, except with respect to the operations of Leumi in Switzerland. It would seem that in part, the amount of the fine had been based on agreements as to the amounts of tax evasion by customers, deriving from and in respect of activities attributed to the Bank Leumi Group.

On August 27, 2015, Bank Leumi published in an immediate report, a summary report of the audit performed by the Supervisor of Banks at Bank Leumi in the matter of "management of exposure to risks involved in cross-border operations of US customers". Inter alia, the audit pointed out that violation of foreign laws relevant to banking operation may be considered a violation of the duty to ensure that the business of the banking corporation is being properly conducted and that the proper conduct of banking business requires the banking corporation to identify, prepare, manage, reduce and monitor the overall risks, this on a group basis, and that this duty relates also to the cross-border operations of the banking corporation.

On October 12, 2015, Bank Leumi published in an immediate report, the conclusions of the independent committee appointed by the board of directors of Bank Leumi. At the end of its examination, the committee recommended, among other things, to refrain from submission of claims against officers, but to arrive at a settlement with the insurance company and the reimbursement of awards by several senior officers who had officiated at the bank during the relevant periods.

The Bank has no knowledge of investigative actions taken against the Bank or against any of its extensions by the U.S. authorities, as regards U.S. customers who had not complied with their obligations according to U.S. tax laws. Furthermore, as published, IDB (Swiss) Bank is not one of the corporations included in the category No. 1 of the Swiss program (namely – banks under investigation, which, therefore, may not participate in the Swiss program).

As detailed below, the Bank is adopting a series of measures for the management of the risk involved in its operations with its U.S. customers. However, in view of the said enforcement actions and due to the uncertainty existing in this matter, it is not possible to assess to assess the risk involved in these operations.

ACTION TAKEN BY THE BANK IN RESPECT OF OPERATIONS BY U.S. CUSTOMERS

In the ordinary course of business, the Bank is involved with many customers, including customers who are U.S. citizens and/or U.S. residents. As part of its activity, the Bank manages the risks and exposure deriving from operations of the Bank's foreign customers, including customers who are U.S. citizens and U.S. residents, as well as risks deriving from the application of foreign legislation to the Bank's operations. Management of the exposures and risks is conducted by means of policy, procedures and controls.

The Bank's policy and procedures prohibit Bank employees to conduct transactions with respect to accounts of U.S. customers, which might expose the Bank to regulatory risks. In this respect, the Bank does not permit its employees to hold meetings with customers in the U.S., prohibits the providing of tax advisory services to U.S. customers and advising customers on how to evade the payment of taxes, prohibits referring customers for the purpose of obtaining advice the aim of which is tax evasion and does not permit any assistance leading to the violation of any law.

As detailed in the Item "Operations in the capital market", the Bank adopted in March 2010, a policy terminating the provision of securities services to customers (whether new or existing) having affinity to the U.S., and which also forbids use of U.S. communication means for the purpose of providing securities services to persons staying in the U.S..

As discussed above, the Bank implements the FATCA legislation in accordance with the milestones stated therein. In consequence of the implementation of the FATCA legislation, new U.S. customers (U.S. persons) are required, as from February 2012, to sign a W-9 Form as well as a declaration of their compliance with reporting requirements and also a waiver of confidentiality letter in respect thereof. At the same time, the Bank is in the midst of a process of identification of existing U.S. customers and obtaining their signature on the said documents.

The full implementation of these procedures will lead to a situation whereby U.S. customers, as defined by the FATCA provisions, would be identified and reported as required by this legislation. According to the requirements, all details of U.S. customers would be reported periodically to the Ministry of Finance in accordance with FATCA.

On August 31, 2015, the Government of Israel announced in consent with the U.S. Department of the Treasury, that the date for the first reporting under the FATCA agreement shall be deferred to September 30, 2016. On this date, the data that should have been reported on September 30, 2015, shall be reported in addition to the data required to be reported according to the agreement, on September 30, 2016.

It is further noted that, as stated in the financial statements for the relevant years, IDB New York reached an agreement on December 15, 2005, with the prosecution authorities in the U.S., terminating the investigation proceedings conducted against it in matters relating to money laundering prohibition. According to the arrangement, IDB New York paid a fine. Furthermore, instruction briefs have been issued, in which IDB New York was required to rectify the deficiencies that had been found, strengthen control and supervision procedures, determine enforcement plans and improve the procedures relating to these matters, and everything in the manner and according to dates determined by the U.S. authorities. IDB New York had operated under instruction briefs for a period of about three and a half years, until June 2009.

Operations under these instruction briefs and the process rectifying the deficiencies have resulted in the improvement of work procedures at IDB New York, including work with additional factors in the Group, and in the investment of considerable resources in the compliance field.

Concurrently, as detailed above, and in accordance with the requirements of the Supervisor of Banks, an audit was performed at the Bank aimed at assessing the level of exposure of the Bank and the Bank Group to cross-border risks relating to the activity of foreign resident customers, and to examine the manner in which such activity is being conducted.

On April 20, 2015, the Supervisor of Banks approached the Bank with a demand to perform an audit, in the matter of its U.S. customers, that would evaluate the level of exposure of the Bank to "cross-border" compliance and reputation risks in everything relating to U.S. customers for the period since 2011, as well as evaluate the Bank's preparations for the implementation of the FATCA provisions. The Bank is required to submit the audit report to the Supervisor of Banks by October 20, 2015. The findings of the report were tabled on October 20, 2015, for discussion by the Audit Committee and on October 22, were delivered to the Supervisor of Banks.

IDB (SWISS) BANK

As stated in Note 19 C (15) to the financial statements as of December 31, 2014 (pp. 475-476), IDB (Swiss) Bank has elected not to participate in the Swiss program. Notwithstanding the above, the bank reviewed in the first quarter of 2014, towards the publication of its financial statements for the year 2013, the above mentioned theoretical exposure in accordance with Category No. 2 of the Swiss program. The review was performed with the assistance of an external consultant. During March 2015 IDB (Swiss) Bank completed an additional comprehensive review verifying the completeness of the identification of accounts of U.S. persons, and the collection and safe keeping of the data.

Had IDB (Swiss) Bank joined the program under Category No. 2, than the maximum fine computed in accordance with the approach detailed in the Swiss program with respect to all accounts of U.S. persons held by it, would have been reduced in relation to accounts that would have been recognized under the program as tax compliant, or as such which joined the voluntary disclosure program with the encouragement of IDB (Swiss) Bank, or as such that are out of scope of the program.

In accordance with an examination made by IDB (Swiss), with the assistance of external consultants, and considering the deductions detailed above, the worst case scenario does not amount to a material sum to the Bank, this according to the Bank's disclosure policy with respect to contingent liabilities (less than 1% of the Bank's equity capital; see Note 1 D 17 to the financial statements as of December 31, 2014, p.373).

It is emphasized that in any event, the result of the said review is considered a crude assessment only, due to the fact that the formula in question is not a simple one but a formula requiring specific and complex discussions with the U.S. Justice Department, mostly due to the fact that different reliefs exist under the program, the effect of which is difficult to assess beforehand.

HUMAN RESOURCES

LABOR RELATIONS

Labor dispute. On July 23, 2015 a notice was delivered to the Bank from the Union of Clerks, Administrative Public Service Employees ("Histadrut HAMAOF") on the deceleration of a labor dispute at Discount Bank, in accordance with Section 5a and 5b of the Settlement of Labor Disputes Law, 1957 and resulting regulations. In accordance with the notice, a strike in the Bank could have been called as from August 9, 2015, and thereafter.

Signing a wage agreement at MDB. Following the signing of the agreement in Bank Leumi, and were as in the wage agreements in MDB a linkage of the labor terms of employees of MDB to those of employees of Bank Leumi has been determined, a wage agreement has been signed on April 28, 2015 between MDB and the employee representative, which constitutes an update to the former agreement with effect for four years starting January 1, 2015. The updated wage agreement adopts relevant understandings for MDB determined in the wage agreements of Bank Leumi, and adjusts other components to the labor charter prevailing in MDB.

The financial statement of MDB included appropriate provisions derived from the updating of the wage agreement, as stated. Accordingly, the Bank recorded in the first nine months of 2015, a nonrecurring decrease in payroll expenses, in the amount of NIS 30 million (stemming from the expected decrease in liabilities for the payment of jubilee awards on the one hand, and the recording of provisions for non-utilized sick leave and the payment of a one-off award on the other hand). Notwithstanding the above, the application of all components included in the new wage agreement, is expected to increase the current payroll expenses of MDB in the future, by an amount of approx. NIS 5 million per annum.

The signing of a collective labor agreement at ICC. On March 23, 2015, ICC signed a collective labor agreement with the new Federation of Labor and the national representative committee of ICC employees ("the agreement"). The agreement extends by one additional year the validity of the previous agreement signed by the parties. According to the agreement, the parties shall continue negotiations, starting August 2015, in respect of a collective agreement for the years 2015-2017.

The agreement establishes the rate for the wage addition in respect of the year 2015, determines the rate of "seniority increment" payable to permanent status employees of ICC, and establishes amounts and rates of additional benefits to which ICC employees are entitled.

In terms of the agreement, the parties are bound to maintain industrial peace at ICC until February 29, 2016, with respect to the understandings to which the agreement relates, except for certain matters as defined in the agreement.

Minimum wage (Increasing the minimum wage amounts – provisional instruction), 2015. Three stages have been determined in the provisional instruction: in April 2015, in June 2016 and in January 2017. With respect to its temporary employees, the Bank has advanced the third stage to the date of the first stage. For further details regarding the provisional instruction, see the 2014 annual report (p. 236).

IMPROVEMENT OF SERVICE

Quality of service index. In 2015 the multichannel customer experience is measured through a recommendation of the unit index (NPS - Net Promoter Score). This index represents the level of "Promotion" or "Detractors" of the customers with respect to the service they received, and found to be the best predictor of customer loyalty. The measurement data are conveyed on a current basis to managers of the business units at the branches, the investment centers and at TeleBank, and comprise an infrastructure for drawing of conclusions and analyzing the strengths and weakness of providing the service.
With the aim of providing managers with the tools to improve, new analysis reports have been developed, which provide for a view of the branch's status in the service field and of subject for improvement in which efforts need to be focused.
Internal services survey – The survey was published in March 2015, for the first time at Discount Bank, in a cross-organization format. The results of the survey constitute a "base line" for a continuous process of measurement and improvement. The survey had measured 333 services provided by the various divisions. The rate of respondents reached 85%.
The following measures have been adopted within the framework of feedback and improvement procedures: The findings and results had been presented to all heads of divisions and departments at designated meetings; Each service manager received a detailed report of the findings and an analysis of the results; improvement targets have been defined for each head of department at a KPI level; Units requesting assistance in structuring their improvement plans and establishing a dialogue with users of the service, have been provided with professional assistance. In addition, a convention has been held in honor of outstanding service managers and managers of outstanding units with the participation of the President & CEO as well as members of Management.
A date for the next survey was fixed for the first quarter of 2016. The mapping and improvement of services and respondents is due to begin at the end of the year, as well as the structuring of the methodology for the next survey.

TREATING COMPLAINTS

In July 2015 the Bank-Customer Relations Department at the Supervision of Banks at the Bank of Israel published data on complaints filed against Israeli banks in 2014. The number of complaints received by the Bank via the Bank of Israel increased from 278 complaints in 2013 to 346 complaints in 2014, a 24% increase. The number of complaints found to be justified in 2014 decreased compared to 2013 – 26 justified complaints compared to 27 in 2013. The rate of complaints found to be justified was identical to its rate in 2013 – 15.1%. The grade the Bank received from the Supervisor of Banks on the quality of its treatment of complaints was 98.7% in 2014, compared to 99.3% in 2013.
Annual report to the public regarding the handling of complaints. In accordance with Proper Conduct of Banking Business Directive No. 308A in the matter of "Handling of Public Complaints", a banking corporation is required to publish an annual report to the public regarding the handling of public complaints. On August 6, 2015, the Supervisor of Banks issued a circular regarding an "Annual report to the public regarding the handling of complaints", which states the reporting format regarding the manner of handling by banking corporations of public complaints.
This report is to be published on the Internet website of the banking corporation within ninety days from the end of the reporting year. The Directive takes effect as from the report for 2015 and thereafter. The transitional instruction states that the report for 2015 shall relate to a period of at least six months ending on December 31, 2015.

REMUNERATION POLICY IN A BANKING CORPORATION

Amendment to Proper Conduct of Banking Business Directive No. 301A in the matter of the Remuneration Policy. On August 13, 2015 the Supervisor of Banks published a circular for the amendment of Proper Conduct of Banking Business Directive No. 301A regarding "Remuneration Policy in a Banking Corporation" ("the amendment to the directive"), in the framework of which the following Directives were established:

- Recovery of variable remunerations paid to a key employee – a repayment obligation applicable to variable remuneration paid to a key employee was established, under circumstances in which the key employee was an accomplice in behavior that caused unusual damage to the corporation, including: illegal activity, breach of confidence, intentional violation or severe neglect disregard of the banking corporation's policies and procedures. Furthermore, it has been determined that the obligation to repay variable remuneration will apply in circumstances of fraud or deliberate, inappropriate conduct, the data with respect to which have been revealed as being erroneous and have been restated in the financial statements. The repayment period is within 5 years of granting the remuneration, and regarding officers it may be extended by 2 additional years in the event of an internal investigation or in the event of notice from a regulatory authority that an investigation has been opened, which may lead to the activation of the recovery mechanism. It has been decided that a banking corporation shall determine criteria for the operation of a mechanism for reimbursement under most exceptional circumstances, and shall take all reasonable measures, including legal proceedings, for the implementation of the reimbursement mechanism, where the criteria for reimbursement exist;

- Fixed remuneration for directors and for the chairman of the board of directors – it has been prescribed that the members of the board of directors including the chairman, are to receive only fixed remuneration. The remuneration of the chairman of the board of directors will be set relative to the manner of remuneration of the Board members, taking the size of the banking corporation, the complexity of its activity and the scope of the Chairman’s employment into consideration;
- The remuneration of all the directors, except for the chairman, will be determined identically and in accordance with the way that the remuneration of an external director is determined pursuant to the Companies Regulations regarding the remuneration of an external director;
- Additional instructions pertaining to remuneration – It has been prescribed that every corporation in the banking group will bear the employment costs of its senior officer or its employee, in accordance with the scope of their position, their authority and their responsibilities in this position. In addition, key employees are forbidden from accepting any form of remuneration directly from the holders of the control permit or of a material holder in the banking corporation, including their relatives or corporations under these people’s control. This prohibition shall not apply to non-external directors, but shall apply to the Chairman of the Board of Directors.
- Transitional instructions - according to the transitional instructions, these requirements will apply to remuneration agreements approved subsequent to the publication of the amendment to the directive (including the extension or alteration of an existing agreement). Regarding a remuneration agreement approved before the publishing of the amendment, it was decided that the requirements shall apply no later than December 31, 2017.

Senior Executives Salary Cap Bill. On July 19, 2015 the Ministerial Committee on Legislative Affairs decided to apply continuity to the Bill submitted by the Minister of Finance to the previous Knesset, on the subject of Remuneration of Officers of Financial Corporations (Special approval and the non-deductibility tax wise of exceptional remuneration), 2014. For details regarding the Bill, see the 2014 Annual Report (p. 203). Following the decision of the Ministerial Committee on the application of continuity, the Bill shall be prepared for its second and third Knesset readings.

Proposed amendments to the First Addendum "A" to the Companies Act and to the Companies Regulations (Relief regarding transactions with interested parties), 2000. The proposed amendments were published on September 9, 2015, within the framework of which it is proposed to grant relief with respect to the implementation of the instructions relating to the remuneration of senior employees, as follows: it is proposed to determine the possibility of granting a discretionary award in an amount of up to three monthly salaries per year, as well as allow the granting under full discretion of awards to Vice Presidents. Furthermore, it is proposed to allow the CEO to approve immaterial changes in the employment terms of a Vice President, subject to determining an appropriate instruction in the remuneration policy. The said amendments do not require an amendment of the principal legislation, as they fall under the authority of the Minister of Justice, following consultation with the Securities Authority and approval of the Constitution, Law and Justice Committee of the Knesset. Nevertheless, a question exists regarding the relation between these amendments, if passed, and the requirements according to Proper Conduct of Banking Business Directive No. 301A, regarding the remuneration policy of a banking corporation.

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, 2014, pp. 353-381) 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 2014 Annual Report (pp. 250-259).

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 led, in the first nine months of 2015, to a gain of NIS 1 million, compared with a loss of NIS 5 million in 2014.

Following are details regarding the adjustments made to assets and liabilities in respect of derivative instruments, as stated above:

	September 30, 2015	December 31, 2014
	in NIS millions	
Assets in respect of derivative instruments	3,785	4,623
Adjustment in respect of credit risk regarding assets relating to derivative instruments	(12)	(11)
Liabilities in respect of derivative instruments	4,126	4,510
Adjustment in respect of credit risk regarding liabilities relating to derivative instruments	(8)	(6)

For additional details regarding the measurement of financial instruments according to their fair value, see the 2014 Annual Report (pp. 253-256).

EMPLOYEE RIGHTS

As from January 1, 2015, the Bank implements the U.S. GAAP in the matter of employee rights. For additional details, see the 2014 Annual Report (pp. 257-259) and Note 1 E 1 to the condensed financial statements.

Updated actuarial opinion. Due to control considerations, in view of the fact that this is the first year of implementation, the Bank has ordered an updated actuarial assessment as of September 30, 2015.

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 2015 Third Quarter Report (This Report).

RATING THE LIABILITIES OF THE BANK AND SOME OF ITS SUBSIDIARIES

On May 8, 2015, the international rating agency S&P ratified the existing rating of DBLA.

Moody's international rating agency ratified on June 30, 2015, the rating of deposits of the Bank, and increased the rating outlook from "negative" to "stable". In addition, Moodt's determined for the Bank for the first time, a "Counterparties Risk Assessments" rating at a level of A3.

Midroog rating agency ratified on October 12, 2015, the rating of the Bank's financial stability, deposits, debt notes and capital notes and raised the rating outlook from "stable" to "positive".

For additional details regarding the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2014 Annual Report (p. 260).

DIVIDENDS

For details as to limitations on the distribution of dividends, see Note 13 E to the financial statements as of December 31, 2014 (p. 429). The Bank's Management believes that it would not be possible to distribute a dividend in 2015. For further details see the 2014 Annual Report (p. 214).

LEGAL PROCEEDINGS

As for details regarding "Outstanding claims against the Bank" and "Debt recoveries procedures" see the 2014 Annual Report (p. 261), Note 19 C, items 12-14, to the financial statements as of December 31, 2014 (pp. 467-475) and Note 8 to the condensed financial statements.

ADDITIONAL LEGAL PROCEEDINGS

Approaches according to Section 194 of the Companies Law. Two approaches were received at the Bank on April 26, 2015, under Section 194 of the Companies Act. The one was directed at the Chairman of the Board of the Bank and at the Chairman of the Board of ICC, while the other was directed only at the Chairman of the Board of the Bank. According to these approaches, the Bank and ICC are required to submit a claim against different entities, including Officers, Directors and others at ICC and at the Bank, in the relevant period, arguing that due to their negligence and/or violation of their duties towards ICC, enabled, as alleged by the Appellants, the existence of illegal activity, in which ICC was prima facie engaged, causing direct or indirect damage to ICC and the Bank as a result thereof. The Bank and ICC refuted the demands.

For details of an approach received in June 2014, according to which, the Bank and ICC were required to file a claim against Officers and employees in respect of the damage caused to ICC as a result of the operations of ICC International, and the Bank's response to the approach, see the 2014 Annual Report (p.262).

Motion for approval of a derivative claim. For details regarding a claim together with a motion for approval of the claim as a derivative action (numerous), which was filed on May 7, 2015, see Note 16 B (3) to the condensed financial statements.

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

Proceedings against IDB (Swiss) Bank. The 2014 annual report (p. 261) contains a description of the proceedings instituted against IDB (Swiss) Bank and the Bank by a former Vice President and Risk Manager of IDB (Swiss) Bank. On July 2, 2015, the said Plaintiff filed a claim against the Bank in which he argues that the above mentioned publications by the Bank in its annual financial statements constitute slanderous material against him. The Plaintiff sued for compensation in the amount of NIS 360 thousand in respect of the damage allegedly caused to him as a result of the publications.

SIGNIFICANT LEGAL PROCEEDINGS SETTLED IN THE THIRD QUARTER OF 2015

1. Note 19 C 13.4 to the financial statements as of December 31, 2014, described a claim together with a motion for its approval as a class-action suit, filed on August 5, 2014, against the Bank, against MDB and against other banks.
   The Appellant is alleging that the respondent banks charge foreign currency transfer and handling commissions contrary to the Banking Rules and contrary to the Antitrust Law. The banks, it is alleged, charge the aforesaid commissions on a graded scale, with the grade being determined according to the size of the amount transferred. The Appellant alleges that this is a binding agreement "tacitly" agreed to by the banks; in addition, it is alleged that some of the respondent banks do not disclose the amount of the commission and/or the way it is calculated. The Appellant has set the aggregate amount of the claim against all respondent banks at NIS 3 billion or, alternatively, at an amount of at least NIS 1.5 billion.
   The Court ruled on June 23, 2015, that the Appellant has to deposit until July 23, 2015, a monetary guarantee in an amount of NIS 25 thousand for each respondent, by July 23, 2015. It was also provided that, in the event of the guarantee not being deposited, the motion for approval of the action would be revoked.
   On August 25, 2015, the Court dismissed the motion for approval of the lawsuit as a class action suit.
2. On October 29, 2009, two companies submitted a lawsuit against the Bank, MDB and five additional banks, requesting a declarative ruling according to which the defendant banks are not entitled to charge the Claimants with default interest in the amount of NIS 840 million, but only with an amount of NIS 37 million. Alternatively, the banks are entitled to charge the Claimants only with interest and linkage increments.
   A partial ruling was given on July 25, 2013, according to which, the default interest comprises an agreed compensation. On November 3, 2013, a supplementary ruling was given within the framework of which, among other things, it approved the amount of recovery.
   Appeals against the verdict were filed with the Supreme Court in December 2013 by the Plaintiffs and the Respondents. On August 23, 2015, the Supreme Court ruled for the dismissal of the appeal by the banks and for the partial admittance of the appeal by the Plaintiffs. According to this ruling, the banks have to reimburse a total amount of NIS 286 million (adjusted as of August 2015, including the reimbursement of a part of the Court fees and legal fees accorded to the Plaintiffs). The share of the Discount Group in the said amount totals NIS 42 million.
   The plea by the defendant banks for an additional Court hearing was dismissed on October 12, 2015.

PROCEEDINGS REGARDING AUTHORITIES

1. For details regarding various proceedings conducted by the Antitrust Commissioner and the Antitrust Tribunal concerning the Group's activities in the credit card field, see Note 34 B 1 and 2, to the financial statements as of December 31, 2014 (pp. 525-527).
2. For details regarding the decision of the Antitrust Commissioner, given under Section 43(a)(1) of the Antitrust Law, 1988, according to which the Commissioner states that binding arrangements had existed between the Bank, Bank Hapoalim, Bank Leumi, Mizrahi-Tefahot Bank and the First International Bank ("FIBI") regarding the communication of information, and for details regarding an agreed Order, for the conclusion of the process, that had been approved by the Antitrust Tribunal, see Note 19 C 14 to the financial statements as of December 31, 2014 (p. 475), and Note 8 B item 6 to the condensed financial statements.

3. For details regarding the terms determined by the Supervisor of Banks and the Antitrust Commissioner in their approval granted to the agreement between the Bank and FIBI Holdings in the matter of the Bank's holdings in FIBI, see Note 6 D (1) to the financial statements as of December 31, 2014 (pp. 416-417).
4. For details regarding the transfer of the investigation file to the State Attorney Office and the notice by the State Attorney according to which it is considering the filing of an indictment against ICC, subject to a prior hearing (the hearing was held in October 2015, though the decision of the State Attorney in the matter has not yet been announced), see Note 34 C to the financial statements as of December 31, 2014 (p. 528) and Note 16 B (2) to the condensed financial statements.
5. For details regarding the agreement between the Government of Switzerland and the U.S. Department of Justice and its possible implications on IDB (Swiss) Bank, see Note 8 b to the condensed financial statements, item 7.
6. For details regarding the audit in the matter of exposure to risks involved in the activity of foreign residents, and in the matter of the audit in respect of U.S. customers in accordance with the requirements of the Supervisor of Banks, see "Exposure to cross-border risks in respect of the activities of foreign resident costumers".
7. For details regarding an audit by the Bank of Israel in Discount Bank in the matter of prohibition of money laundering, see "Compliance risks" under "Exposure to risks and risk management", above.

For additional details, see the 2014 Annual Report (p. 265).

ISSUES REGARDING CORPORATE GOVERNANCE

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 audit work programs and the considerations at its basis were included in the 2014 Annual Report (pp. 269-272).

Updates. During the third quarter of 2015 the following periodic reports were submitted and discussed:

- The report on the activities of the internal audit in the first half of 2015 was submitted on August 5, 2015 and discussed by the Audit Committee on September 8, 2015;
- The quarterly report on the activities of the internal audit in the third quarter of 2015 was submitted on October 14, 2015, and not yet discussed by the Audit Committee.

INVOLVEMENT WITH AND CONTRIBUTION TO THE COMMUNITY

Since its formation, Israel Discount Bank has been active in community affairs, having an overall management philosophy, according to which activities beneficial to the community form part of a business, social and cultural obligation. The social work and involvement in the community was carried out by the Bank through "Lema'an" Project, donations and sponsorships.

"LEMA'AN" PROJECT – DISCOUNT EMPLOYEES FOR THE COMMUNITY

The varied activity continued in the third quarter of 2015, while focusing on voluntary activities within the framework of various associations active among a wide range of populations in risk and distress situations. The following projects conducted in the third quarter of 2015 deserve special mention:

"Our Children's Horizon" Project. During the summer months (July-August) the Bank employed 17 teenagers with eye defects, who are active at the "Our Children's Horizon" Association. For a decade the Bank is also an active member in the training provided for such youth as preparation for work at the Bank. The participants together with their coordinators from the Association came to the Discount College, where they were given instruction on the subject of work qualification and skills.

Summer Bazaar for children of "A Place in the Heart". As usual in each year, employees of the Technologies and Operations Division held a Bazaar towards the coming academic year for children of "A Place in the Heart" Association (children at risk of Ethiopian origin). Various activities were held at the Bazaar and first and second grade school children were given schoolbags and study equipment for the new school year.

Happening for children of the "Hayim" Association. A huge happening was held in August in Givataim for children of the "Hayim" Association (cancer patients). Some forty Discount employees took part in the event operating stands, offering refreshments, etc.

Taglit Project. This is a Project of the Government of Israel in participation with Jewish donors and Jewish communities all over the world, the object of which is establishing a link between young Jewish persons in the Diaspora and the State of Israel. Young persons from different countries around the world arrive in Israel for a "roots visit". Employees of the Bank were approached in the third quarter, interviewed, classified and assigned to groups. The elected employees will be invited by the Bank's Human Resources Group to partake in the said Project during the winter months (December to March) and join the delegations of Taglit.

Summer activity. Activity taking place in the various volunteer centers served by volunteer Bank employees, including year-end happenings in certain of the centers.

Sale of products towards the Jewish New Year. Also this year, a bazaar was held for the sale of products nade by persons with special needs. The following Associations participated in the bazaar: "Beit Miriam" (ILAN Haifa), "Ohel Sarah", Meitarim School for Special Education and "Hayim" Association (children with cancer).

ARTS

Guided tours. Guided tours of the Bank's art collection, are conducted on Friday mornings at the Discount Tower. Some 6 guided tours of the Bank's art collection were conducted in the third quarter, in which some 110 visitors participated, guests of Private banking, branch customers and art-lover groups.

SPONSORSHIPS

Sponsorships were granted during the third quarter of 2015 to activities in various fields. Especially noted are the following sponsorships:

Klezmer Festival. Sponsorship for the Festival held in Park Ra'anana on August 6, 2015.

Exhibition of the works of the artist Eliahou Bokobza. Sponsorship for the opening event of the exhibition, held on July 17, 2015 at Beit Hatfutsot (the Diaspora House).

Convention of the Building Contractors Union. Sponsorship for the Haifa region Building Contractors Union, held on September 2, 2015, at the Dan-Carmel Hotel in Haifa.

"Festival of Theatre". Sponsorship granted to the Festival held at the "Habima" Theatre, between August 9 and 22, 2015.

"HERZELILINBLUM" - BANKING AND TEL AVIV NOSTALGIA MUSEUM

Tours. About 3,920 visitors toured the Museum during the third quarter, within the framework of some 193 tours and seminars conducted in the Museum for children, students, servicemen and adults. Out of the total tours, 90 tours were conducted for 1,683 students.

Various events at the Museum. During the third quarter, events for commercial companies and for the Bank's customers were held at the museum as well as organized tours for groups from business entities and work places. The following events may be mentioned, among others: The Photography Festival event (in two sessions of about fifty participants in each); The IBI Ladies Forum and an event for moderators.

"Heroics – Breaking through for 80 years" Exhibition. The exhibition presents the activity of Discount Bank since its establishment in 1935, a period during which the Bank was a central partner in the development of the economy and contributed a great deal to its shaping. Over an axis of eight decades, the exhibition presents break through events in many fields, in which the Bank left its marking on the national economy and on Israeli society. The contribution of Discount Bank to society and the country was reflected in events, such as: the establishment of settlements in Galilee, the transportation of food and arms during the War of Independence through ships, bringing new immigrants from Egypt (among whom was Eli Cohen – our man in Damascus), realization of the Israeli hi-tech vision and unique technological developments.

By means of photographs, rare documents and unique artifacts, some of which have never been exposed until now, the exhibition presents to the visitor a succession of events as individuals and as a society.

The opening event of the exhibition was held at the Museum on July 2, 2015, with the participation of over 200 guests. Honoring the event were the founding family, Recanati, the Bank's Management, the President & CEO and the Chairman of the Bank, former members of Management and senior retirees, Mrs. Nadia Cohen, widow of Eli Cohen, and many others.

TRANSACTIONS WITH INTERESTED PARTIES

The general meeting of shareholders held on March 31, 2015, approved the engagement of the Bank for the purchase of an insurance policy covering Directors' and other Officers' liability, including the President & CEO and the Internal Auditor, all as detailed in the immediate reports dated February 23, and March 31, 2015 (Ref Nos. 2015-01-036967 and 2015-01-070051, respectively) the information included therein regarding this matter is presented herein by way of reference. See also Note 19C (6) (k) to the financial statements as of December 31, 2014, (p. 464) and Note 19 to the condensed financial statements.

The Agenda for the General Meeting of Shareholders convened for December 2, 2015, includes a motion for the approval in advance of the purchase of an insurance policy in respect of the liability of directors and officers, as officiated or would officiate from time to time, at the Bank and at the Bank Group, arising from their office at the Bank, including office on behalf of the Bank as officers of whatever other company held by the Bank, whether directly or indirectly, and accordingly amend the remuneration policy. Also included in the Agenda of the said General Meeting is a motion to approve an update of the decision regarding granting exemption and commitment to indemnify directors and officers officiating at the Bank, including those who would officiate at the Bank from time to time, and to accordingly amend the Bank's articles and remuneration policy. All as detailed in an immediate report dated October 27, 2015 (Ref. No. 2015-01-142593), the information included therein regarding the above matters is presented hereby by way of reference.

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 2015, 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

MISCALENIOUS

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, 2015, the independent auditors drew attention to Note 8 B items 4.11 and 5 regarding requests to approve certain actions and with regard to other claims as a class action suits against the Bank and investee companies and to that stated in Note 16 b (2) with respect to the notice given by the State Attorney Office, according to which the State Attorney is considering the filing of an indictment against ICC. The said Note stated, inter alia, that at this stage it is not possible to assess the results of the proceedings that would be instituted, if at all, and their consequences on ICC.

BOARD OF DIRECTORS AND MANAGEMENT

MOTION FOR THE APPOINTMENT OF DIRECTORS

The Agenda of the General Meeting of Shareholders convened for December 2, 2015, includes a motion for the election of four Directors out of five candidates proposed by the Committee for Appointment of Directors in Banking Corporations (for details regarding this Committee, see the 2014 Annual Report, pp. 298-299), as detailed in an immediate report dated October 27, 2015 (Ref. No. 2015-01-142593), the information included therein regarding the above matter is presented hereby by way of reference. Following the appointment of Directors, as mentioned above, the number of members of the Bank's Board of Directors shall reach 14. For details regarding the approval of the Supervisor of Banks for the gradual rise in the number of Directors to the number required by Proper Conduct of Banking Business Directive No.301, see the 2014 Annual Report (p.206).

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In the first nine months of 2015, the Board of Directors held 18 meetings. In addition, 65 meetings of committees of the Board of Directors were held.

November 19, 2015	Dr. Yossi Bachar Chairman of the Board of Directors	Lilach Asher-Topilsky President & Chief Executive Officer

ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS

PART "A": ADDITIONAL DETAILS - SECURITIES PORTFOLIO

1. AVAILABLE FOR SALE BONDS - DATA ACCORDING TO ECONOMIC SECTORS

Following are details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors:

	September 30, 2015			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors	1,151	1,158	21	14
Financial services[1]	9,564	9,595	80	49
Total non government bonds	**10,715**	**10,753**	**101**	**63**
Government bonds				
U.S. government	400	400	-	-
Israel Government	15,529	15,853	328	4
Other Governments	211	202	-	9
Total government bonds	**16,140**	**16,455**	**328**	**13**
Total bond in the available-for-sale portfolio	**26,855**	**27,208**	**429**	**76**

Footnote:
(1) See next page.

1. AVAILABLE FOR SALE BONDS - DATA ACCORDING TO ECONOMIC SECTORS (CONTINUED)

(1) Following are details regarding bonds in the financial services sector in the available-for-sale portfolio:

	September 30, 2015			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[(2)]	2,255	2,254	21	22
Insurance and provident funds	100	102	4	2
Ginnie Mae	4,873	4,896	37	14
Freddie Mac	712	714	6	4
Fannie Mae	1,211	1,219	12	4
Other	413	410	-	3
Total financial services	**9,564**	**9,595**	**80**	**49**

(2) Following are details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio:

	September 30, 2015			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
North America	54	55	1	-
Western Europe[(3)]	1,569	1,563	14	20
Israel	312	312	2	2
Australia	318	322	4	-
Other	2	2	-	-
Total banks and banking holding companies	**2,255**	**2,254**	**21**	**22**

(3) Following are details by countries of investment in bonds of banks and bank holding companies in the available-for-sale portfolio in Western Europe:

Britain	520	515	6	11
Switzerland	310	310	2	2
Sweden	88	88	-	-
France	294	296	3	1
Netherlands	179	182	3	-
Germany	105	99	-	6
Other	73	73	-	-
Total	**1,569**	**1,563**	**14**	**20**

2. HELD-TO-MATURITY BONDS - DATA ACCORDING TO ECONOMIC SECTORS

Following are details regarding the distribution of bonds in the held-to-maturity bonds portfolio according to economic sectors:

	September 30, 2015			
	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	68	68	-	-
Public and community services	(1)1,854	1,943	91	2
Financial services*	1,244	1,263	25	6
Total non government bonds	**3,166**	**3,274**	**116**	**8**
Total Government bonds	**4,029**	**4,378**	**349**	**-**
Total bonds in the held-to-maturity portfolio	**7,195**	**7,652**	**465**	**8**
*Following are details of Held-to-maturity bonds in the financial services sector:				
Ginnie Mae	356	360	6	2
Freddie Mac	520	522	4	2
Fannie Mae	173	173	1	1
Other	195	208	14	1
Total financial services	**1,244**	**1,263**	**25**	**6**

Footnote:

(1) 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 226-172 million, each, in municipal bonds of New York City, in bonds of the water corporation of New York city and in bonds of the state of New York.

3. TRADING BONDS - DATA ACCORDING TO ECONOMIC SECTORS

Following are details regarding the distribution of bonds in the trading portfolio according to economic sectors:

	September 30, 2015			
	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	69	67	-	2
Financial services	77	78	1	-
Total non government bonds	**146**	**145**	**1**	**2**
Total government bonds	**2,461**	**2,456**	**2**	**7**
U.S. government	**924**	**924**	**-**	**-**
Total bonds in the trading portfolio	**3,531**	**3,525**	**3**	**9**

4. EXPOSURE TO COMMERCIAL MORTGAGE BACKED SECURITIES (CMBS)

IDB New York holds commercial mortgage backed securities (CMBS) with a total balance sheet exposure of NIS 59 million as of September 30, 2015, compared with NIS 64 million as of December 31, 2014, a decrease of 7.8%. These securities are classified to the financial services economic sector. The collateral pertaining to these securities is all located in the United States (for further details see the 2014 Annual Report, p. 305).

As of September 30, 2015, there was no impairment as regards the said securities.

PART "B": TABLE RELATING THE DISCLOSURE REQUIREMENTS ACCORDING TO THE THIRD PILLAR TO THE DATA PRESENTED IN THE REPORT

With a view of grouping together the information required by the provisional instruction, banking corporations are required to include in the report a table relating the disclosure requirements stated in the instruction to the sections in the Directors' report or to the Notes to the financial statements in which the information required to be presented is included. The required information as above is reflected in the following table.

Table No.	Topic	Location*	Page No. in 2014 Annual Report	Page No. in this Report
Table 1	Scope of implementation	Basel II - The implementation in Israel of the Basel committee recommendations	138-142	71
Table 2	Capital structure – qualitative and quantitative disclosure	Capital resources Note 14(4) to the financial statements Internet document – parts "A" and "B"	 41 423	
Table 3a	Capital adequacy - qualitative disclosure	Capital resources	37-41	21-23
Table 3b,d,e,f	Capital adequacy - quantitative disclosure	Capital resources Note 14(2) to the financial statements Interim report – Note 5 Internet document – part "C"	41 430	 212
Table 3g,h,i	Capital adequacy - quantitative disclosure	Capital resources Note 14(1), 14(3) to the financial statements Interim report – Note 5	41 430-431	 212-213
Section 824	General qualitative disclosure	Risk management policy and objectives, The structure and organization of the risk management function, factors involved in risk management	127-142	71
Table 4a	Credit risk - qualitative disclosure	Credit risk management	142-158	72-77
Table 4b	Credit risk - exposure according to main exposure types	Credit risk management - Quantitative disclosure regarding credit risk	151	72
Table 4c	Credit risk - main geographic distribution of exposures	Management review - Schedule "F", Interim report – Schedule "C"	328-331	140-144
Table 4d	Credit risk - Counterparty type distribution of exposures	Internet document – part "C"		
Table 4e	Credit risk - Residual contractual maturity breakdown of the whole portfolio	Internet document – part "C"		
Table 4f	Credit risk - problematic debts	Management review - Schedule "E", Interim report – Schedule "D"	326-327	145-150

* Unless stated otherwise, the location is under "Exposure to Risks and Risks management" or as a Note to the Financial Statements.

PART "B": TABLE RELATING THE DISCLOSURE REQUIREMENTS ACCORDING TO THE THIRD PILLAR TO THE DATA PRESENTED IN THE REPORT (CONTINUED)

Table No.	Topic	Location*	Page No. in 2014 Annual Report	Page No. in this Report
Table 4g	Credit risk - problematic debts classified according to main geographical areas	Management review - Schedule "F", Interim report – Schedule "C"	328-331	140-144
Table 4h	Credit risk – change in the balance of allowance for credit losses	Note 4 A to the financial statements, Interim report – Note 3 A	395-398	189-192
Table 5	Credit risk - disclosure as to credit files managed according to the standard approach	Internet document – part "C"		
Table 7	Credit risk mitigation	Internet document – part "C"		
Table 8	General disclosure for exposure related to counterparty credit risk	Credit risk management - General disclosure regarding exposure related to credit risk of a counterparty Internet document – part "C"	151-153	73
Table 9	Securitization exposure	Credit risk management – Securitization exposure Internet document – part "C"	153	73
Table 10	Market risk	Management of market and liquidity risks	159-173	77-83
Table 12	Operational risks	Operational risks	173-178	85
Table 13	Share positions in the banking book	Internet document – part "C"		
Table 14	Interest rate risk in the banking book	Management of market and liquidity risks	159-173	77-83
Table 15	Remuneration – disclosure in respect of remuneration at the Bank	Internet document – part "C"		
Table 16	Liquidity coverage ratio	Internet document – part "C"		
Table 17	Comparison between Balance sheet assets and the measurement of exposure for the purpose of the leverage ratio	Internet document – part "C"		
Table 18	Disclosure of the leverage ratio	Internet document – part "C"		

* Unless stated otherwise, the location is under "Exposure to Risks and Risks management" or as a Note to the Financial Statements.

PART "C": ADDITIONAL DETAILS

1. ACTIVITY IN DERIVATIVE FINANCIAL INSTRUMENTS

(1) Following are details according to rating of balances of assets derived from transactions in derivative instruments where the counterparty is a bank:

	As of September 30, 2015	As of December 31, 2014
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA rating	345	-
With an AA- rating	66	407
With an A+ rating	687	193
With an A rating	350	817
With an A- rating	257	466
With a BBB+ rating	127	243
With a BBB- rating	29	32
Not rated	29	18
Total against foreign banks	**1,890**	**2,176**
Total against Israeli banks	**698**	**1,232**
Total Balance-sheet balances of assets deriving from derivative instruments	**2,588**	**3,408**

(2) Following are 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, 2015	As of December 31, 2014
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	4	-
With an AA+ rating	2	-
With an AA rating	6	-
With an AA- rating	33	19
With an A+ rating	28	18
With an A rating	31	90
With an A- rating	1	11
With an BBB+ rating	-	16
With an BBB rating	-	6
Total against foreign banks	**105**	**160**
Total against Israeli banks	**103**	**79**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**208**	**239**

1. ACTIVITY IN DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(3) Following are details of the column "Other" in Note 9 B to the condensed financial statements according to the total credit to the public risk per economic sectors:

	As of September 30, 2015	As of September 30, 2014	As of December 31, 2014
		in NIS million	
Agriculture	2	1	2
Industry:			
Machines, electrical and electronic equipment	89	122	200
Mining, chemical industry and oil products	29	55	67
Other	34	34	26
Total industry	152	211	293
Construction and real estate:			
Acquisition of real estate for construction	13	13	72
Real estate holdings	92	12	6
Other	11	7	9
Total Construction and real estate	116	32	87
Electricity and water	138	250	143
Commerce	72	32	45
Hotels, hotel services and food	-	1	2
Transportation and storage	85	50	55
Communications and computer services	88	62	55
Financial services:			
Financial institution (excluding banks)	446	121	193
Private customers active on the capital market	289	358	105
Financial holding institutions	68	238	220
Insurance and provident fund services	-	302	201
Total financial services	803	1,019	719
Business and other services	15	4	33
Public and community services	43	27	20
Private individuals - housing loans	-	6	-
Private individuals - other	39	115	66
Total	**1,553**	**1,810**	**1,520**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received	(324)	(543)	(458)
Total credit risk in respect of derivative instruments	**1,229**	**1,267**	**1,062**

2. CREDIT RISK IN RESPECT OF LEVERAGED FINANCE

Following are data regarding credit risk in respect of leveraged finance. The disclosure is focused on exposures, each of which exceeds NIS 50 million.

The Bank's exposure to leveraged finance according to the economic sector:

	Balance sheet credit as of	
	September 30, 2015	December 31, 2014
Sector	In NIS millions	
Industry	439	919
Construction and real estate	997	806
Commerce	262	349
Transportation and storage	74	134
Communications and computer services	-	282
Financial services	153	137
Total	**1,925**	**2,627**

Exposure to leveraged finance as of September 30, 2015 amounted to NIS 1,925 million, compared to NIS 2,627 million for December 31, 2014, a decrease of 26.7%. The said reduction stemmed, mostly, from the repayment of credit and from the exclusion of credit from the definition of leverage finance.

The balance of exposure presented in the table above, is net of 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, 2015, amounted to NIS 473 million (December 31, 2014 – NIS 499 million).

3. DETAILS OF THE INVESTMENT IN GOVERNMENT BONDS

Note 2 A to the condensed 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.

Following are details divided by governments with respect to the total securities portfolio:

	September 30, 2015		December 31, 2014	
	Book value	Fair value(1)	Book value	Fair value(1)
	In NIS millions			
Of the Israeli Government	22,318	22,667	19,391	19,755
U.S. government	1,344	1,344	1,166	1,166
Other governments	202	202	391	391
Total	**23,864**	**24,213**	**20,948**	**21,312**

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.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED(1)

Part "A" - Average balances and interest rates - assets

	For the three months ended September 30					
	2015			2014		
	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	96,823	1,033	4.34	93,199	1,064	4.65
Outside Israel	20,550	186	3.67	18,777	164	3.54
Total credit to the public	**117,373**	***1,219**	**4.22**	**111,976**	***1,228**	**4.46**
Credit to the Government:						
In Israel	385	5	5.30	1,592	8	2.03
Outside Israel	39	1	10.66	42	1	9.87
Total credit to the Government	**424**	**6**	**5.78**	**1,634**	**9**	**2.22**
Deposits with banks:						
In Israel	3,342	2	0.24	2,598	3	0.46
Outside Israel	1,957	4	0.82	2,475	6	0.97
Total deposits with banks	**5,299**	**6**	**0.45**	**5,073**	**9**	**0.71**
Deposits with central banks:						
In Israel	18,568	4	0.09	11,271	14	0.50
Outside Israel	1,735	2	0.46	1,395	1	0.29
Total deposits with central banks	**20,303**	**6**	**0.12**	**12,666**	**15**	**0.47**
Securities borrowed or purchased under resale agreements:						
In Israel	385	(11)-	-	728	1	0.55
Total securities borrowed or purchased under resale agreements	**385**	**-**	**-**	**728**	**1**	**0.55**
Bonds held for redemption and available for sale:(4)						
In Israel	23,194	78	1.35	23,554	119	2.04
Outside Israel	13,000	78	2.42	13,577	86	2.56
Total bonds held for redemption and available for sale	**36,194**	**156**	**1.74**	**37,131**	**205**	**2.23**
Trading bonds:(4)						
In Israel	1,920	2	0.42	2,648	7	1.06
Outside Israel	916	1	0.44	45	1	9.19
Total trading bonds	**2,836**	**3**	**0.42**	**2,693**	**8**	**1.19**
Other assets:						
Outside Israel	684	5	2.96	610	4	2.65
Total other assets	**684**	**5**	**2.96**	**610**	**4**	**2.65**
Total interest bearing assets	**183,498**	**1,401**	**3.09**	**172,511**	**1,479**	**3.47**
Debtors in respect of credit card operations	5,949			5,640		
Other non-interest bearing assets(5)	14,674			(10)16,265		
Total assets	**204,121**			**194,416**		
Of which: Total interest bearing assets attributable to operations outside Israel	38,881	277	2.88	36,921	263	2.88
* Commissions included in interest income from credit to the public		80			76	

For footnotes see page 131.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (CONTINUED)

Part "B" - Average balances and interest rates - liabilities and equity

	For the three months ended September 30					
	2015			2014		
	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	24,360	1	0.02	17,135	3	0.07
In Israel - Time deposits	72,721	107	0.59	82,726	170	0.82
Total deposits from the public in Israel	**97,081**	**108**	**0.45**	**99,861**	**173**	**0.69**
Outside Israel - On call	13,718	15	0.44	12,143	14	0.46
Outside Israel - Time deposits	9,728	17	0.70	9,309	17	0.73
Total deposits from the public outside Israel	**23,446**	**32**	**0.55**	**21,452**	**31**	**0.58**
Total deposits from the public	**120,527**	**140**	**0.47**	**121,313**	**204**	**0.67**
Deposits from the Government:						
In Israel	262	2	3.09	365	1	1.10
Outside Israel	596	1	0.67	592	1	0.68
Total deposits from the Government	**858**	**3**	**1.41**	**957**	**2**	**0.84**
Deposits from banks:						
In Israel	3,315	2	0.24	3,117	11	1.42
Outside Israel	855	5	2.36	1,038	5	1.94
Total deposits from banks	**4,170**	**7**	**0.67**	**4,155**	**16**	**1.55**
Securities loaned or sold under repurchase agreements:						
Outside Israel	3,768	37	3.99	3,571	35	3.98
Total securities loaned or sold under repurchase agreements	**3,768**	**37**	**3.99**	**3,571**	**35**	**3.98**
Bonds and subordinated debt notes:						
In Israel	9,901	146	6.03	10,863	164	6.18
Total bonds and subordinated debt notes	**9,901**	**146**	**6.03**	**10,863**	**164**	**6.18**
Other liabilities:						
In Israel	67	[9]1	6.11	153	[9](3)	(7.62)
Total other liabilities	**67**	**1**	**6.11**	**153**	**(3)**	**(7.62)**
Total interest bearing liabilities	**139,291**	**334**	**0.96**	**141,012**	**418**	**1.19**
Non-interest bearing deposits from the public	36,560			25,886		
Creditors in respect of credit card operations	6,583			6,229		
Other non-interest bearing liabilities[6]	8,481			[10]9,298		
Total liabilities	**190,915**			**182,425**		
Total capital resources	**13,206**			**11,991**		
Total liabilities and capital resources	**204,121**			**194,416**		
Interest margin		**1,067**	**2.13**		**1,061**	**2.28**
Net return on interest bearing assets:[7]						
In Israel	144,617	865	2.41	135,590	870	2.59
Outside Israel	38,881	202	2.09	36,921	191	2.09
Total net return on interest bearing assets	**183,498**	**1,067**	**2.35**	**172,511**	**1,061**	**2.48**
Of which: Total interest bearing liabilities attributable to operations outside Israel	28,665	75	1.05	26,653	72	1.08

For footnotes see page 131.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (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					
	2015			2014		
	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	109,902	840	3.09	98,285	883	3.64
Total interest bearing liabilities	(80,222)	(72)	(0.36)	(78,153)	(128)	(0.66)
Interest margin		**768**	**2.73**		**755**	**2.98**
CPI-linked shekels:						
Total interest bearing assets	19,180	207	4.39	22,666	231	4.14
Total interest bearing liabilities	(14,747)	(169)	(4.66)	(17,324)	(194)	(4.56)
Interest margin		**38**	**(0.27)**		**37**	**(0.42)**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	15,535	77	2.00	14,639	102	2.82
Total interest bearing liabilities	(15,657)	(18)	(0.46)	(18,882)	(24)	(0.51)
Interest margin		**59**	**1.54**		**78**	**2.31**
Total operations in Israel:						
Total interest bearing assets	144,617	1,124	3.15	135,590	1,216	3.64
Total interest bearing liabilities	(110,626)	(259)	(0.94)	(114,359)	(346)	(1.22)
Interest margin		**865**	**2.21**		**870**	**2.42**

For footnotes see next page.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (CONTINUED)

Part "D" - Analysis of changes in interest income and expenses

	For the three months ended September 30		
	2015 Compared to 2014		
	Increase (decrease) due to change[8]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	39	(70)	(31)
Outside Israel	16	6	22
Total credit to the public	**55**	**(64)**	**(9)**
Other interest bearing assets:			
In Israel	10	(71)	(61)
Outside Israel	1	(9)	(8)
Total other interest bearing assets	**11**	**(80)**	**(69)**
Total interest income	**66**	**(144)**	**(78)**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	(3)	(62)	(65)
Outside Israel	3	(2)	1
Total deposits from the public	**-**	**(64)**	**(64)**
Other interest bearing liabilities:			
In Israel	(11)	(11)	(22)
Outside Israel	-	2	2
Total other interest bearing liabilities	**(11)**	**(9)**	**(20)**
Total interest expenses	**(11)**	**(73)**	**(84)**
Interest income, net	**77**	**(71)**	**6**

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 (1) million and NIS 333 million, respectively; 2014 – NIS 13 million and NIS 534 million respectively.

(5) Including derivative instruments and other assets that do not carry interest 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.

(9) Interest income on other assets and interest expenses on other liabilities include income tax interest income and expenses, respectively.

(10) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(11) An amount lower than NIS 1 million.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (CONTINUED)

Part "E" - Average balances and interest rates - assets

	For the nine months ended September 30					
	2015			2014		
	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	94,955	2,925	4.13	92,667	3,102	4.49
Outside Israel	21,468	571	3.56	18,661	494	3.55
Total credit to the public	**116,423**	***3,496**	**4.02**	**111,328**	***3,596**	**4.33**
Credit to the Government:						
In Israel	525	13	3.32	1,754	11	0.84
Outside Israel	43	2	6.25	48	2	5.59
Total credit to the Government	**568**	**15**	**3.54**	**1,802**	**13**	**0.96**
Deposits with banks:						
In Israel	3,558	7	0.26	2,744	9	0.44
Outside Israel	2,235	14	0.84	2,467	19	1.03
Total deposits with banks	**5,793**	**21**	**0.48**	**5,211**	**28**	**0.72**
Deposits with central banks:						
In Israel	20,736	21	0.14	13,441	74	0.73
Outside Israel	1,803	4	0.30	1,297	3	0.31
Total deposits with central banks	**22,539**	**25**	**0.15**	**14,738**	**77**	**0.70**
Securities borrowed or purchased under resale agreements:						
In Israel	529	[11]-	-	592	2	0.45
Total securities borrowed or purchased under resale agreements	**529**	**-**	**-**	**592**	**2**	**0.45**
Bonds held for redemption and available for sale:[4]						
In Israel	21,800	213	1.30	23,914	363	2.03
Outside Israel	13,370	236	2.36	13,979	265	2.54
Total bonds held for redemption and available for sale	**35,170**	**449**	**1.71**	**37,893**	**628**	**2.22**
Trading bonds:[4]						
In Israel	1,828	4	0.29	2,164	19	1.17
Outside Israel	474	1	0.28	49	1	2.73
Total trading bonds	**2,302**	**5**	**0.29**	**2,213**	**20**	**1.21**
Other assets:						
In Israel	-	[9]8	-	-	[9]6	-
Outside Israel	690	14	2.71	606	14	3.09
Total other assets	**690**	**22**	**4.27**	**606**	**20**	**4.42**
Total interest bearing assets	**184,014**	**4,033**	**2.93**	**174,383**	**4,384**	**3.37**
Debtors in respect of credit card operations	5,793			5,568		
Other non-interest bearing assets[5]	16,310			[10]16,275		
Total assets	**206,117**			**196,226**		
Of which: Total interest bearing assets attributable to operations outside Israel	40,083	842	2.81	37,107	798	2.88
* Commissions included in interest income from credit to the public		252			216	

For footnotes see page 135.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (CONTINUED)

Part "F" - Average balances and interest rates - liabilities and equity

	For the nine months ended September 30					
	2015			2014		
	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	22,358	3	0.02	16,875	14	0.11
In Israel - Time deposits	76,609	252	0.44	86,296	518	0.80
Total deposits from the public in Israel	**98,967**	**255**	**0.34**	**103,171**	**532**	**0.69**
Outside Israel - On call	14,302	49	0.46	12,183	42	0.46
Outside Israel - Time deposits	9,638	49	0.68	9,451	48	0.68
Total deposits from the public outside Israel	**23,940**	**98**	**0.55**	**21,634**	**90**	**0.56**
Total deposits from the public	**122,907**	**353**	**0.38**	**124,805**	**622**	**0.67**
Deposits from the Government:						
In Israel	276	3	1.45	381	3	1.05
Outside Israel	608	3	0.66	590	3	0.68
Total deposits from the Government	**884**	**6**	**0.91**	**971**	**6**	**0.82**
Deposits from banks:						
In Israel	3,671	9	0.33	2,557	22	1.15
Outside Israel	1,221	15	1.64	1,282	14	1.46
Total deposits from banks	**4,892**	**24**	**0.65**	**3,839**	**36**	**1.25**
Securities loaned or sold under repurchase agreements:						
Outside Israel	3,848	111	3.86	3,689	104	3.78
Total securities loaned or sold under repurchase agreements	**3,848**	**111**	**3.86**	**3,689**	**104**	**3.78**
Bonds and subordinated debt notes:						
In Israel	10,117	354	4.69	11,083	433	5.24
Total bonds and subordinated debt notes	**10,117**	**354**	**4.69**	**11,083**	**433**	**5.24**
Other liabilities:						
In Israel	65	[9]3	6.20	155	[9]4	3.46
Total other liabilities	**65**	**3**	**6.20**	**155**	**4**	**3.46**
Total interest bearing liabilities	**142,713**	**851**	**0.80**	**144,542**	**1,205**	**1.11**
Non-interest bearing deposits from the public	34,802			24,516		
Creditors in respect of credit card operations	6,393			6,123		
Other non-interest bearing liabilities[6]	9,373			[10]9,098		
Total liabilities	**193,281**			**184,279**		
Total capital resources	**12,836**			**11,947**		
Total liabilities and capital resources	**206,117**			**196,226**		
Interest margin		**3,182**	**2.13**		**3,179**	**2.26**
Net return on interest bearing assets:[7]						
In Israel	143,931	2,567	2.39	137,276	2,592	2.53
Outside Israel	40,083	615	2.05	37,107	587	2.11
Total net return on interest bearing assets	**184,014**	**3,182**	**2.31**	**174,383**	**3,179**	**2.44**
Of which: Total interest bearing liabilities attributable to operations outside Israel	29,617	227	1.02	27,195	211	1.04

For footnotes see page 135.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (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					
	2015			2014		
	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	108,508	2,487	3.07	98,645	2,715	3.69
Total interest bearing liabilities	(80,050)	(234)	(0.39)	(79,731)	(477)	(0.80)
Interest margin		**2,253**	**2.68**		**2,238**	**2.89**
CPI-linked shekels:						
Total interest bearing assets	19,894	453	3.05	23,590	542	3.08
Total interest bearing liabilities	(15,487)	(337)	(2.91)	(18,424)	(449)	(3.26)
Interest margin		**116**	**0.14**		**93**	**(0.18)**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	15,529	251	2.16	15,041	329	2.93
Total interest bearing liabilities	(17,559)	(53)	(0.40)	(19,192)	(68)	(0.47)
Interest margin		**198**	**1.76**		**261**	**2.46**
Total operations in Israel:						
Total interest bearing assets	143,931	3,191	2.97	137,276	3,586	3.50
Total interest bearing liabilities	(113,096)	(624)	(0.74)	(117,347)	(994)	(1.13)
Interest margin		**2,567**	**2.23**		**2,592**	**2.37**

For footnotes see next page.

SCHEDULE "A" - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES - CONSOLIDATED[1] (CONTINUED)

Part "H" - Analysis of changes in interest income and expenses

	For the nine months ended September 30		
	2015 Compared to 2014		
	Increase (decrease) due to change[8]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	70	(247)	(177)
Outside Israel	75	2	77
Total credit to the public	**145**	**(245)**	**(100)**
Other interest bearing assets:			
In Israel	24	(242)	(218)
Outside Israel	2	(35)	(33)
Total other interest bearing assets	**26**	**(277)**	**(251)**
Total interest income	**171**	**(522)**	**(351)**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	(11)	(266)	(277)
Outside Israel	9	(1)	8
Total deposits from the public	**(2)**	**(267)**	**(269)**
Other interest bearing liabilities:			
In Israel	(1)	(92)	(93)
Outside Israel	3	5	8
Total other interest bearing liabilities	**2**	**(87)**	**(85)**
Total interest expenses	**-**	**(354)**	**(354)**
Interest income, net	**171**	**(168)**	**3**

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 5 million and NIS 474 million, respectively; 2014 – NIS 7 million and NIS 371 million respectively.
(5) Including derivative instruments and other assets that do not carry interest 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.
(9) Interest income on other assets and interest expenses on other liabilities include income tax interest income and expenses, respectively.
(10) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1) and (2) to the condensed financial statements, respectively.
(11) An amount lower than NIS 1 million.

SCHEDULE "B" - EXPOSURE TO CHANGES IN INTEREST RATES - CONSOLIDATED

	As at September 30, 2015				
	On demand or within 1 month	Over 1 month and up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years
	in NIS millions				
Non linked Israeli currency					
Financial assets and amounts receivable in respect of derivative instruments					
Financial assets(1)	90,286	8,619	9,051	4,815	4,314
Derivative financial instruments (except for options)	15,090	27,369	13,945	14,114	4,901
Options (in terms of base assets)	552	496	460	186	64
Total fair value	**105,928**	**36,484**	**23,456**	**19,115**	**9,279**
Financial liabilities and amounts payable in respect of derivative instruments					
Financial liabilities(1)	80,242	8,020	9,125	4,791	1,142
Derivative financial instruments (except for options)	21,186	29,245	17,548	13,588	5,864
Options (in terms of base assets)	695	636	397	90	3
Off-balance sheet financial instruments	-	2	6	1	1
Total fair value	**102,123**	**37,903**	**27,076**	**18,470**	**7,010**
Financial instruments, net					
Exposure to changes in interest rates in the segment	3,805	(1,419)	(3,620)	645	2,269
Cumulative exposure in the segment	**3,805**	**2,386**	**(1,234)**	**(589)**	**1,680**
CPI linked Israeli currency					
Financial assets and amounts receivable in respect of derivative instruments					
Financial assets(1)	526	694	2,576	7,172	4,797
Derivative financial instruments (except for options)	-	405	920	1,259	641
Options (in terms of base assets)	-	11	29	63	3
Total fair value	**526**	**1,110**	**3,525**	**8,494**	**5,441**
Financial liabilities and amounts payable in respect of derivative instruments					
Financial liabilities(1)	345	811	2,722	4,224	3,516
Derivative financial instruments (except for options)	5	50	1,909	1,532	1,157
Options (in terms of base assets)	-	19	64	134	39
Off-balance sheet financial instruments	-	1	5	1	-
Total fair value	**350**	**881**	**4,700**	**5,891**	**4,712**
Financial instruments, net					
Exposure to changes in interest rates in the segment	176	229	(1,175)	2,603	729
Cumulative exposure in the segment	**176**	**405**	**(770)**	**1,833**	**2,562**

Notes:

(1) Not including balances of derivative financial instruments and fair value of off-balance sheet financial instruments.

(2) Weighted average by fair value of average effective duration.

(3) Including shares listed under "No fixed maturity".

(4) Including Israeli currency linked to foreign currency.

As at September 30, 2015							As at September 30, 2014			As at December 31, 2014		
Over 5 years and up to 10 years	Over 10 years and up to 20 years	Over 20 years	No fixed maturity date	Total fair value	Internal rate of return In %	Effective average duration In years	Total fair value	Internal rate of return In %	Effective average duration In years	Total fair value	Internal rate of return In %	Effective average duration In years
in NIS millions												
2,720	867	41	398	121,111	2.58%	0.58	109,455	2.81%	0.50	116,282	2.65%	0.45
5,187	101	-	-	80,707		1.27	92,248		1.21	79,415		1.12
26	1	-	-	1,785		0.01	1,668		0.01	2,130		0.01
7,933	**969**	**41**	**398**	**203,603**		**(2)0.85**	**203,371**		**(2)0.82**	**197,827**		**(2)0.72**
379	187	-	-	103,886	0.18%	0.25	96,254	0.53%	0.29	99,936	0.31%	0.26
6,121	79	-	-	93,631		1.21	102,332		1.19	93,527		1.05
-	-	-	-	1,821		0.01	1,845		0.01	1,951		0.01
-	-	-	-	10		0.01	9		0.01	8		0.01
6,500	**266**	**-**	**-**	**199,348**		**(2)0.76**	**200,440**		**(2)0.76**	**195,422**		**(2)0.76**
1,433	703	41	398	4,255			2,931			2,405		
3,113	**3,816**	**3,857**	**4,255**									
3,216	898	77	31	19,987	1.98%	3.58	23,483	1.56%	3.48	22,409	1.61%	3.39
1,134	20	-	-	4,379		3.55	3,447		2.72	3,732		2.57
-	-	-	-	106		0.01	24		0.01	43		0.01
4,350	**918**	**77**	**31**	**24,472**		**(2)3.56**	**26,954**		**(2)3.38**	**26,184**		**(2)3.26**
3,978	410	-	-	16,006	1.22%	3.44	18,896	0.88%	3.71	18,549	0.82%	3.53
945	-	-	-	5,598		2.68	5,535		1.97	4,524		2.05
8	-	-	-	264		0.01	14		0.01	15		0.01
-	-	-	-	7		0.72	6		0.73	6		0.73
4,931	**410**	**-**	**-**	**21,875**		**(2)3.20**	**24,451**		**(2)3.32**	**23,094**		**(2)3.24**
(581)	508	77	31	2,597			2,503			3,090		
1,981	**2,489**	**2,566**	**2,597**									

General notes:

(a) Data by period in this table represent the present value of future cash flows for each financial instrument, discounted at such interest rate as to discount them to the fair value included in the financial instrument, in a manner consistent with assumptions used in calculation of the fair value of said financial instrument. For details regarding the assumptions used in calculating the fair value of financial instruments, see “Management and measurement of market risks" under "Exposure to risks and risk management".

(b) The internal rate of return is the interest rate used to discount the expected cash flows from a financial instrument to its fair value, as included in Note 10 a.

(c) The average effective duration of a group of financial instruments is an approximation of the change, in percentage, in fair value of said group of financial instruments resulting from a small change (0.1% increase) in the internal rate of return of each of the financial instruments.

(d) Full data as the exposure to changes in interest rates in each segment according to the various balance sheet items, is available on request.

SCHEDULE "B" - EXPOSURE TO CHANGES IN INTEREST RATES - CONSOLIDATED (CONTINUED)

	As at September 30, 2015				
	On demand or within 1 month	Over 1 month and up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years
	in NIS millions				
Foreign currency[4]					
Financial assets and amounts receivable in respect of derivative instruments					
Financial assets[1]	29,929	7,913	3,910	5,092	3,334
Derivative financial instruments (except for options)	23,694	31,673	19,896	9,278	2,702
Options (in terms of base assets)	2,789	3,136	1,121	46	-
Total fair value	**56,412**	**42,722**	**24,927**	**14,416**	**6,036**
Financial liabilities and amounts payable in respect of derivative instruments					
Financial liabilities[1]	47,697	4,737	8,985	5,093	1,934
Derivative financial instruments (except for options)	16,590	31,675	14,997	4,777	3,593
Options (in terms of base assets)	2,641	2,991	1,147	66	22
Off-balance sheet financial instruments	-	-	1	-	-
Total fair value	**66,928**	**39,403**	**25,130**	**9,936**	**5,549**
Financial instruments, net					
Exposure to changes in interest rates in the segment	(10,516)	3,319	(203)	4,480	487
Cumulative exposure in the segment	**(10,516)**	**(7,197)**	**(7,400)**	**(2,920)**	**(2,433)**
Total exposure to changes in interest rates					
Financial assets and amounts receivable in respect of derivative instruments					
Financial assets[1],[3]	120,802	17,226	15,537	17,079	12,445
Derivative financial instruments (except for options)	38,784	59,447	34,761	24,651	8,244
Options (in terms of base assets)	3,341	3,643	1,610	295	67
Total fair value	**162,927**	**80,316**	**51,908**	**42,025**	**20,756**
Financial liabilities and amounts payable in respect of derivative instruments					
Financial liabilities[1]	128,345	13,568	20,832	14,108	6,592
Derivative financial instruments (except for options)	37,781	60,970	34,454	19,897	10,614
Options (in terms of base assets)	3,336	3,646	1,608	290	64
Off-balance sheet financial instruments	-	3	63	2	1
Total fair value	**169,462**	**78,187**	**56,957**	**34,297**	**17,271**
Financial instruments, net					
Exposure to changes in interest rates in the segment	(6,535)	2,129	(5,049)	7,728	3,485
Cumulative exposure in the segment	**(6,535)**	**(4,406)**	**(9,455)**	**(1,727)**	**1,758**

Notes:
(1) Not including balances of derivative financial instruments and fair value of off-balance sheet financial instruments.
(2) Weighted average by fair value of average effective duration.
(3) Including shares listed under "No fixed maturity".
(4) Including Israeli currency linked to foreign currency.

				As at September 30, 2015			As at September 30, 2014			As at December 31, 2014		
Over 5 years and up to 10 years	Over 10 years and up to 20 years	Over 20 years	No fixed maturity date	Total fair value	Internal rate of return In %	Effective average duration In years	Total fair value	Internal rate of return In %	Effective average duration In years	Total fair value	Internal rate of return In %	Effective average duration In years
						in NIS millions						
4,887	2,036	-	306	57,407	2.13%	1.42	56,528	2.50%	1.53	58,812	2.25%	1.43
4,123	65	-	-	91,431		0.82	90,084		0.66	87,259		0.70
-	-	-	-	7,092		0.01	10,898		0.01	7,576		0.01
9,010	**2,101**	**-**	**306**	**155,930**		**(2)1.01**	**157,510**		**(2)0.93**	**153,647**		**(2)0.94**
34	65	-	-	68,545	0.46%	0.40	66,118	0.65%	0.45	70,933	0.56%	0.44
5,960	59	-	-	77,651		1.08	78,064		0.89	72,215		0.94
16	1	-	1	6,885		0.01	10,678		0.01	7,701		0.01
-	-	-	-	1		0.67	1		0.67	1		0.67
6,010	**125**	**-**	**1**	**153,082**		**(2)0.73**	**154,861**		**(2)0.64**	**150,850**		**(2)0.66**
3,000	1,976	-	305	2,848			2,649			2,797		
567	**2,543**	**2,543**	**2,848**									
10,823	3,801	118	2,058	199,889	2.39%	1.13	191,369	2.56%	1.18	199,204	2.41%	1.08
10,444	186	-	-	176,517		1.09	185,779		0.97	170,406		0.94
26	1	-	-	8,983		0.01	12,590		0.01	9,749		0.01
21,293	**3,988**	**118**	**2,058**	**385,389**		**(2)1.08**	**389,738**		**(2)1.04**	**379,359**		**(2)0.99**
4,391	662	-	-	188,498	0.37%	0.58	181,277	0.61%	0.70	189,427	0.45%	0.65
13,026	138	-	-	176,880		1.20	185,931		1.09	170,266		1.03
24	1	-	1	8,970		0.01	12,537		0.01	9,667		0.01
-	-	-	-	69		0.08	63		0.08	62		0.08
17,441	**801**	**-**	**1**	**374,417**		**(2)0.86**	**379,808**		**(2)0.87**	**369,422**		**(2)0.81**
3,852	3,187	118	2,057	10,972			9,930			9,937		
5,610	**8,797**	**8,915**	**10,972**									

General notes:

(a) Data by period in this table represent the present value of future cash flows for each financial instrument, discounted at such interest rate as to discount them to the fair value included in the financial instrument, in a manner consistent with assumptions used in calculation of the fair value of said financial instrument. For details regarding the assumptions used in calculating the fair value of financial instruments, see "Management and measurement of market risks" under "Exposure to risks and risk management".

(b) The internal rate of return is the interest rate used to discount the expected cash flows from a financial instrument to its fair value, as included in Note 10 a.

(c) The average effective duration of a group of financial instruments is an approximation of the change, in percentage, in fair value of said group of financial instruments resulting from a small change (0.1% increase) in the internal rate of return of each of the financial instruments.

(d) Full data as the exposure to changes in interest rates in each segment according to the various balance sheet items, is available on request.

SCHEDULE "C" - EXPOSURE TO FOREIGN COUNTRIES - CONSOLIDATED[1]

A. Information regarding the total exposure to foreign countries and to countries where the total exposure to each country amounts to over 1% of total consolidated assets or over 20% of the Bank's equity, the lower of the two

	September 30, 2015		
	Balance sheet exposure[2]		
	Across the border balance sheet exposure		
The Country	To governments[4]	To banks	To others
	In NIS millions		
United States	2,336	2,839	696
United Kingdom	-	2,542	417
PIIGS[5]	-	3	13
Other	579	4,475	2,188
Total exposure to foreign countries	**2,915**	**9,859**	**3,314**
Of which - Total exposure to LDC countries	207	483	637

Notes:

(1) 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) Governments, official institutions and central banks.

(5) Portugal, Ireland, Italy, Greece and Spain.

B. Information regarding countries the amount of exposure in respect of each amounts to between 0.75% and 1% of total consolidated assets or between 15% and 20% the equity, whichever is lower.

As of September 30, 2015, the Bank had no such exposure.

C. Information regarding balance sheet exposure to foreign countries having liquidity problems, for the period of nine months ended September 30, 2015

1. Information regarding balance-sheet exposure to foreign countries

As of September 30, 2015 the Bank had no such exposure.

2. Information regarding balance-sheet exposures that have undergone restructuring

As of September 30, 2015 the Bank had no such exposure.

September 30, 2015									
Balance sheet exposure(2)						Off-balance sheet exposure(2)(3)			
Balance sheet exposure to local resident customers of extensions of the banking corporation in a foreign country								Across the border balance sheet exposure(2)	
Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities	Total balance sheet exposure	Balance sheet problematic credit risk	Impaired debts	Total off-balance sheet exposure	Of which off-balance sheet problematic credit risk	Due up to one year	Due over one year
In NIS millions									
31,334	20,105	11,229	17,100	385	125	8,156	-	5,372	499
39	-	39	2,998	133	133	31	-	2,140	819
-	-	-	16	1	-	8	-	6	10
2,955	2,912	43	7,285	69	68	558	3	3,853	3,389
34,328	**23,017**	**11,311**	**27,399**	**588**	**326**	**8,753**	**3**	**11,371**	**4,717**
-	-	-	1,327	4	4	137	-	726	601

The item "Total LDC countries" includes the total exposure to countries defined as less developed countries (LDC) in Proper Banking Management Directive No. 315 regarding "Supplementary provision for doubtful debts".

Balance sheet exposure to a foreign country includes across the border balance sheet exposure and balance sheet exposure of overseas extensions of the banking corporation to local resident customers; across the border balance sheet exposure includes balance sheet exposure of the banking corporation offices in Israel to residents of a foreign country and the balance sheet exposure of the overseas extensions of the banking corporation to customers who are not residents of the country in which the extension is located.

Balance sheet exposure of extensions of the banking corporations in a foreign country to local resident customers includes the balance sheet exposure of extensions of the banking corporation in that foreign country to residents of that country, net of the extensions liabilities (the deduction is performed up to the exposure amount).

SCHEDULE "C" - EXPOSURE TO FOREIGN COUNTRIES - CONSOLIDATED[1] (CONTINUED)

A. Information regarding the total exposure to foreign countries and to countries where the total exposure to each country amounts to over 1% of total consolidated assets or over 20% of the Bank's equity, the lower of the two

	September 30, 2014		
	Balance sheet exposure[2]		
	Across the border balance sheet exposure		
The Country	To governments[4]	To banks	To others
	In NIS millions		
United States	1,260	[6]2,658	614
United Kingdom	-	2,631	133
Switzerland	-	818	472
PIIGS[5]	-	7	6
Other	[7]414	3,877	3,096
Total exposure to foreign countries	**1,674**	**9,991**	**4,321**
Of which - Total exposure to LDC countries	[7]113	791	631

	December 31, 2014		
	Balance sheet exposure[2]		
	Across the border balance sheet exposure		
The Country	To governments[4]	To banks	To others
	In NIS millions		
United States	[7]2,566	2,878	523
United Kingdom	-	2,596	133
Switzerland	-	795	525
PIIGS[5]	-	6	13
Other	[7]414	4,079	2,953
Total exposure to foreign countries	**2,980**	**10,354**	**4,147**
Of which - Total exposure to LDC countries	[7]135	863	634

Notes:

(1) 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, commercial criticized exposure and impaired debts are presented before the impact of the allowance for credit losses and before the impact of collaterals 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) Governments, official institutions and central banks.

(5) Portugal, Ireland, Italy, Greece and Spain.

(6) Reclassified – classification of balance to "local residents", following classification in a subsidiary.

(7) Reclassified – addition of foreign governments bonds, primarily U.S. government bonds.

September 30, 2014									
Balance sheet exposure[2]						Off-balance sheet exposure[2][3]			
Balance sheet exposure to local resident customers of extensions of a banking corporation in a foreign country								Across the border balance sheet exposure[2]	
Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities	Total balance sheet exposure	Balance sheet commercial criticized exposure	Impaired debts	Total off-balance sheet exposure	Of which off-balance sheet commercial criticized exposure	Due up to one year	Due over one year
In NIS millions									
[6]28,662	18,426	10,236	14,768	556	286	7,213	3	4,279	[6]253
1,035	79	956	3,720	374	370	102	-	2,071	693
1,115	246	869	2,159	16	5	138	-	783	507
-	-	-	13	2	-	7	-	5	8
2,020	2,020	-	7,387	110	179	631	3	4,378	[7]3,009
32,832	**20,771**	**12,061**	**28,047**	**1,058**	**840**	**8,091**	**6**	**11,516**	**4,470**
-	-	-	1,535	6	1	159	3	1,026	[7]509

December 31, 2014									
Balance sheet exposure[2]						Off-balance sheet exposure[2][3]			
Balance sheet exposure to local resident customers of extensions of the banking corporation in a foreign country								Across the border balance sheet exposure[2]	
Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities	Total balance sheet exposure	Balance sheet problematic credit risk	Impaired debts	Total off-balance sheet exposure	Of which off-balance sheet problematic credit risk	Due up to one year	Due over one year
In NIS millions									
30,050	19,945	10,105	16,072	428	131	8,044	1	[7]5,800	167
812	49	763	3,492	269	191	31	-	2,064	665
1,308	277	1,031	2,351	17	17	72	-	1,092	228
-	-	-	19	2	2	9	-	6	13
2,315	2,314	1	7,447	55	52	622	1	4,906	[7]2,540
34,485	**22,585**	**11,900**	**29,381**	**771**	**393**	**8,778**	**2**	**13,868**	**3,613**
-	-	-	1,632	2	-	162	-	1,023	[7]609

The item "Total LDC countries" includes the total exposure to countries defined as less developed countries (LDC) in Proper Banking Management Directive No. 315 regarding "Supplementary provision for doubtful debts".

Balance sheet exposure to a foreign country includes across the border balance sheet exposure and balance sheet exposure of overseas extensions of the banking corporation to local resident customers; across the border balance sheet exposure includes balance sheet exposure of the banking corporation offices in Israel to residents of a foreign country and the balance sheet exposure of the overseas extensions of the banking corporation to customers who are not residents of the country in which the extension is located.

Balance sheet exposure of extensions of the banking corporations in a foreign country to local resident customers includes the balance sheet exposure of extensions of the banking corporation in that foreign country to residents of that country, net of the extensions liabilities (the deduction is performed up to the exposure amount)

SCHEDULE "C" – EXPOSURE TO FOREIGN COUNTRIES – CONSOLIDATED[1] (CONTINUED)

B. Information regarding countries the overall exposure in respect of each amounts to between 0.75% and 1% of total consolidated assets or between 15% and 20% of shareholders' equity, whichever is lower.

As of September 30, 2014, and December 31, 2014, the Bank had no such exposure.

C. Information regarding exposure to foreign countries having liquidity problems for the period of nine months ended September 30, 2014 and for the year ended December 31, 2014

1. Information regarding balance-sheet exposure to foreign countries

As of September 30, 2014 and December 31, 2014, the Bank had no such exposure.

2. Information regarding balance-sheet exposures that have undergone restructuring

As of September 30, 2014 and December 31, 2014, the Bank had no such exposure.

SCHEDULE "D" - OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS - CONSOLIDATED

General. Starting with January 1, 2015, the Bank implements the amendments to the Reporting to the Public Directives in the matter of "credit risk by economic sectors". The comparative data as of December 31, 2014 and as of September 30, 2014, have been reclassified in accordance with the new instructions.

	September 30, 2015									
	Total Credit Risk[1]			Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
								Credit Losses[4]		
	Total[9]	Credit Performance Rating[10]	Problematic[5]	Total	Of which: Debts[2][11]	Problematic[5]	Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions									
Lending Activity in Israel										
Agriculture	1,089	1,048	21	1,087	849	21	10	(3)	-	17
Mining & Quarrying	522	521	1	522	329	1	1	(1)	-	-
Industry	14,844	14,140	409	14,685	9,624	409	302	(56)	7	258
Construction and Real Estate - Construction	[6]15,991	15,283	442	[6]15,969	6,165	442	181	8	18	131
Construction and Real Estate - Real Estate Activity	11,003	10,392	658	10,868	8,754	644	336	(48)	(62)	156
Electricity and Water	2,907	2,864	9	2,552	1,874	10	9	1	-	4
Commerce	17,065	16,154	722	16,935	13,894	721	542	27	20	323
Hotels, Hotel Services and Food	1,833	1,493	223	1,819	1,514	223	210	10	16	10
Transportation and Storage	4,232	3,850	179	4,150	3,240	173	129	(31)	(32)	53
Communication and Computer Services	3,050	2,204	785	2,893	1,565	786	715	170	32	174
Financial Services	8,503	8,277	219	7,032	5,356	220	89	(26)	(17)	113
Other Business Services	5,950	5,758	82	5,936	4,125	82	44	8	5	64
Public and Community Services	2,452	2,384	14	2,452	1,791	14	6	-	-	9
Total Commercial	**89,441**	**84,368**	**3,764**	**86,900**	**59,080**	**3,746**	**2,574**	**59**	**(13)**	**1,312**
Private Individuals - Housing Loans	22,613	21,986	368	22,613	21,279	368	-	3	92	174
Private Individuals - Other	45,133	44,527	356	45,110	22,061	356	69	41	49	385
Total Public	**157,187**	**150,881**	**4,488**	**154,623**	**102,420**	**4,470**	**2,643**	**103**	**128**	**1,871**
Banks in Israel	1,866	1,661	-	938	624	-	-	-	-	1
Israeli Government	24,000	24,000	-	1,662	472	-	-	-	-	-
Total Lending Activity in Israel	**183,053**	**176,542**	**4,488**	**157,223**	**103,516**	**4,470**	**2,643**	**103**	**128**	**1,872**

For footnotes see next page.

SCHEDULE "D" – OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS – CONSOLIDATED (CONTINUED)

	September 30, 2015									
	Total Credit Risk(1)			Debts(2) and off-balance sheet Credit Risk (excluding Derivatives)(3)						
								Credit Losses(4)		
	Total(9)	Credit Performance Rating(10)	Problematic(5)	Total	Of which: Debts(2)(11)	Problematic(5)	Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions									
Lending Activity Outside of Israel										
Agriculture	33	33	-	33	33	-	-	(1)	-	-
Mining & Quarrying	240	204	-	121	6	-	-	-	-	-
Industry	6,081	5,620	161	5,816	3,774	125	-	21	7	53
Construction and Real Estate - Construction	144	144	-	144	112		-	(5)	3	2
Construction and Real Estate - Real Estate Activity	9,028	8,624	329	8,934	6,914	329	258	(60)	(21)	57
Electricity and Water	366	366	-	348	31	-	-	-	-	-
Commerce	7,061	6,890	169	7,043	4,699	169	34	34	4	87
Hotels, Hotel Services and Food	726	725	-	726	670	-	-	(1)	-	6
Transportation and Storage	921	903	19	908	636	6	6	(1)	-	9
Communication and Computer Services	507	466	27	312	237	27	26	2	-	25
Financial Services	10,868	10,738	90	2,412	1,490	90	90	(10)	(3)	26
Of which: Federal agencies in the U.S. (7)	7,944	7,944	-	-	-	-	-	-	-	-
Other Business Services	2,186	1,885	1	2,157	1,651	1	1	7	-	26
Public and Community Services	(8)3,387	3,344	-	1,443	1,387	-	-	4	-	16
Total Commercial	**41,548**	**39,942**	**796**	**30,397**	**21,640**	**747**	**415**	**(10)**	**(10)**	**307**
Private Individuals - Housing Loans	115	101	4	115	113	4	-	1	-	1
Private Individuals - Other	2,205	2,195	5	2,200	1,428	5	5	(3)	(2)	17
Total Public	**43,868**	**42,238**	**805**	**32,712**	**23,181**	**756**	**420**	**(12)**	**(12)**	**325**
Banks Outside of Israel	8,259	8,252	201	4,380	4,233	-	-	(2)	-	2
Governments Outside of Israel	1,738	1,738	144	19	19	-	-	-	-	-
Total Lending Activity Outside of Israel	**53,865**	**52,228**	**1,150**	**37,111**	**27,433**	**756**	**420**	**(14)**	**(12)**	**327**
TOTAL	**236,918**	**228,770**	**5,638**	**194,334**	**130,949**	**5,226**	**3,063**	**89**	**116**	**2,199**
Excluding balances classified as assets and liabilities held for sale – see Note 18	5,403	5,401	2	3,619	3,498	2	2	-	-	3

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts, 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 130,949, 37,928, 173, 3,761, 64,107 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 agreements.

(3) Credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, excluding in respect of derivative instruments.

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

(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 327 millions.

(7) Including mortgage backed securities in the amount of NIS 5,293 million, issued by GNMA and in the amount of NIS 2,651 million, issued by FNMA and FHLMC.

(8) Including mainly municipal bonds and bonds of states in the U.S.

(9) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,107 million.

(10) 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.

(11) The balance of commercial debts includes housing loans in the amount of NIS 212 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.

SCHEDULE "D" - OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS - CONSOLIDATED (CONTINUED)

	September 30, 2014								
	Total Credit Risk[1]		Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
							Credit Losses[4]		
	Total[10]	Problematic[5]	Total	Of which: Debts[2][12]	Problematic[5]	Impaired	Periodic Credit Loss Expenses[9]	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions								
Lending Activity in Israel									
Agriculture	1,064	21	1,064	822	21	17	(5)	-	17
Mining & Quarrying	263	4	262	172	4	4	(2)	1	-
Industry	15,051	1,241	14,795	10,515	1,232	493	4	86	324
Construction and Real Estate - Construction	[7]14,452	554	14,431	5,838	553	253	26	(31)	219
Construction and Real Estate - Real Estate Activity	11,253	631	11,178	9,250	630	520	(6)	28	112
Electricity and Water	3,364	20	2,739	1,782	20	9	-	1	4
Commerce	16,279	954	16,132	13,202	954	335	65	10	360
Hotels, Hotel Services and Food	1,982	242	1,966	1,580	242	229	5	2	21
Transportation and Storage	2,878	126	2,823	2,256	122	70	11	(2)	43
Communication and Computer Services	2,289	268	2,068	1,471	268	126	(31)	(22)	29
Financial Services	10,250	323	8,335	6,765	324	183	11	(1)	144
Other Business Services	5,141	105	5,110	3,364	105	63	6	10	59
Public and Community Services	2,233	20	2,226	1,601	20	15	(4)	(1)	9
Total Commercial	**86,499**	**4,509**	**83,129**	**58,618**	**4,495**	**2,317**	**80**	**81**	**1,341**
Private Individuals - Housing Loans	21,487	467	21,487	20,223	467	-	6	6	254
Private Individuals - Other	40,720	317	40,689	19,906	317	85	34	39	336
Total Public	**148,706**	**5,293**	**145,305**	**98,747**	**5,279**	**2,402**	**120**	**126**	**1,931**
Banks in Israel	2,305	-	714	501	-	-	-	-	1
Israeli Government	[11]23,985	-	1,769	1,468	-	-	-	-	-
Total Lending Activity in Israel	**174,996**	**5,293**	**147,788**	**100,716**	**5,279**	**2,402**	**120**	**126**	**1,932**

For footnotes see next page.

SCHEDULE "D" - OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS - CONSOLIDATED (CONTINUED)

	September 30, 2014								
	Total Credit Risk[1]		Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
							Credit Losses[4]		
	Total[10]	Problematic[5]	Total	Of which: Debts[2][12]	Problematic[5]	Impaired	Periodic Credit Loss Expenses[9]	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions								
Lending Activity Outside of Israel									
Agriculture	131	-	131	126	-	-	(1)	-	2
Mining & Quarrying	179	-	175	23	-	-	-	-	-
Industry	7,205	73	7,092	4,635	74	5	(2)	(2)	52
Construction and Real Estate - Construction	854	371	854	809	371	371	67	18	105
Construction and Real Estate - Real Estate Activity	7,328	438	7,278	5,581	438	283	(4)	(27)	95
Electricity and Water	371	-	365	148	-	-	(1)	-	1
Commerce	5,986	25	5,978	4,072	25	-	(104)	(106)	54
Hotels, Hotel Services and Food	663	-	663	660	-	-	(2)	(2)	5
Transportation and Storage	1,033	18	1,009	791	7	7	(3)	29	8
Communication and Computer Services	272	28	251	172	28	26	-	(1)	14
Financial Services	11,717	[6]294	2,601	1,791	124	112	9	23	35
Of which: Federal agencies in the U.S. [8]	8,254	-	-	-	-	-	-	-	-
Other Business Services	2,118	16	2,103	1,422	16	3	(11)	-	19
Public and Community Services	[9]2,829	-	818	786	-	-	2	-	9
Total Commercial	**40,686**	**1,263**	**29,318**	**21,016**	**1,082**	**807**	**(50)**	**(68)**	**399**
Private Individuals - Housing Loans	72	4	72	66	4	-	-	-	1
Private Individuals - Other	1,922	-	1,913	1,319	-	-	8	8	13
Total Public	**42,680**	**1,267**	**31,303**	**22,401**	**1,086**	**807**	**(42)**	**(60)**	**413**
Banks Outside of Israel	10,293	-	5,981	5,459	-	-	2	-	4
Governments Outside of Israel	1,460	-	27	27	-	-	-	-	-
Total Lending Activity Outside of Israel	**54,433**	**1,267**	**37,311**	**27,887**	**1,086**	**807**	**(40)**	**(60)**	**417**
TOTAL	**229,429**	**6,560**	**185,099**	**128,603**	**6,365**	**3,209**	**80**	**66**	**2,349**
Excluding balances classified as assets and liabilities held for sale – see Note 18	4,527	5	2,518	2,398	5	5			5

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts, bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, and guarantees and liabilities on account of clients in an amount of NIS 128,603, 37,583, 953, 5,081, 57,209 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 agreements.

(3) Credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, excluding in respect of derivative instruments.

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

(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 problematic credit risk due to certain bonds issued by banking holding corporations (TRUPS), held by a subsidiary in an amount of NIS 170 million.

(7) Including acquisition groups in an amount of NIS 700 millions.

(8) Including mortgage backed securities in the amount of NIS 3,715 million, issued by GNMA and in the amount of NIS 4,539 million, issued by FNMA and FHLMC.

(9) Including mainly municipal bonds and bonds of states in the U.S.

(10) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 4,643 million.

(11) Reclassified – stating a part of the bonds, previously stated at fair value, at their equity value.

(12) The balance of commercial debts includes housing loans in the amount of NIS 371 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.

SCHEDULE "D" - OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS - CONSOLIDATED (CONTINUED)

	December 31, 2014									
	Total Credit Risk[1]			Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
								Credit Losses[4]		
	Total[9]	Credit Performance Rating[10]	Problematic[5]	Total	Of which: Debts[2][11]	Problematic[5]	Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs for the year	Balance of allowance for credit loss
	in NIS millions									
Lending Activity in Israel										
Agriculture	1,125	1,084	27	1,123	884	27	15	(3)	(1)	20
Mining & Quarrying	420	421	1	415	319	1	1	(6)	(4)	1
Industry	15,511	14,249	1,178	15,185	9,884	1,177	463	1	97	311
Construction and Real Estate - Construction	[6]14,443	13,908	460	[6]14,424	5,608	459	125	(56)	(38)	143
Construction and Real Estate - Real Estate Activity	11,064	10,468	578	11,007	9,310	570	471	24	30	141
Electricity and Water	3,725	3,682	11	3,181	2,092	11	9	1	1	6
Commerce	16,579	15,436	1,075	16,458	13,381	1,075	298	30	12	317
Hotels, Hotel Services and Food	1,902	1,547	241	1,886	1,594	240	231	2	3	16
Transportation and Storage	3,072	2,858	180	3,017	2,382	174	126	29	10	52
Communication and Computer Services	2,242	1,529	708	2,058	1,490	707	117	(20)	(18)	36
Financial Services	8,435	8,114	314	7,062	5,666	313	169	(7)	1	124
Other Business Services	5,229	5,032	107	5,194	3,474	107	63	5	11	60
Public and Community Services	2,268	2,236	16	2,262	1,610	17	8	(3)	-	9
Total Commercial	**86,015**	**80,564**	**4,896**	**83,272**	**57,694**	**4,878**	**2,096**	**(3)**	**104**	**1,236**
Private Individuals - Housing Loans	21,873	21,281	458	21,873	20,308	458	-	19	11	262
Private Individuals - Other	41,202	40,443	344	41,141	20,350	344	82	102	49	394
Total Public	**149,090**	**142,288**	**5,698**	**146,286**	**98,352**	**5,680**	**2,178**	**118**	**164**	**1,892**
Banks in Israel	2,067	2,067	-	648	604	-	-	1	-	2
Israeli Government	21,179	21,179	-	1,770	1,510	-	-	-	-	-
Total Lending Activity in Israel	**172,336**	**165,534**	**5,698**	**148,704**	**100,466**	**5,680**	**2,178**	**119**	**164**	**1,894**

For footnotes see next page.

SCHEDULE "D" - OVERALL CREDIT RISK IN RESPECT OF THE PUBLIC CLASSIFIED BY ECONOMIC SECTORS - CONSOLIDATED (CONTINUED)

	December 31, 2014									
	Total Credit Risk[1]			Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
								Credit Losses[4]		
	Total[9]	Credit Performance Rating[10]	Problematic[5]	Total	Of which: Debts[2][11]	Problematic[5]	Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs for the year	Balance of allowance for credit loss
	in NIS millions									
Lending Activity Outside of Israel										
Agriculture	93	93	-	93	93	-	-	(2)	-	1
Mining & Quarrying	55	55	-	51	9	-	-	(1)	-	-
Industry	7,150	7,059	91	7,044	4,142	91	-	(11)	-	44
Construction and Real Estate - Construction	694	429	264	693	644	264	264	54	94	11
Construction and Real Estate - Real Estate Activity	8,420	7,988	318	8,356	6,508	318	152	(12)	(31)	97
Electricity and Water	128	128	-	116	115	-	-	(1)	-	1
Commerce	6,448	6,424	27	6,442	4,422	26	-	(106)	(110)	57
Hotels, Hotel Services and Food	876	876	-	876	820	-	-	(3)	(1)	5
Transportation and Storage	1,215	1,200	15	1,193	928	7	7	(3)	29	10
Communication and Computer Services	300	209	89	275	203	90	87	133	123	23
Financial Services	11,985	11,821	129	2,852	1,927	129	128	(5)	16	29
Of which: Federal agencies in the U.S.[7]	8,612	8,612	-	-	-	-	-	-	-	-
Other Business Services	2,219	2,204	13	2,193	1,507	14	-	(15)	(3)	19
Public and Community Services	[8]3,113	3,112	-	1,098	1,024	-	-	5	-	12
Total Commercial	**42,696**	**41,598**	**946**	**31,282**	**22,342**	**939**	**638**	**33**	**117**	**309**
Private Individuals - Housing Loans	93	87	6	93	90	6	-	-	-	1
Private Individuals - Other	2,256	2,253	1	2,248	1,388	1	1	11	7	17
Total Public	**45,045**	**43,938**	**953**	**33,623**	**23,820**	**946**	**639**	**44**	**124**	**327**
Banks Outside of Israel	10,047	10,047	122	5,752	5,359	-	-	1	-	3
Governments Outside of Israel	2,046	2,046	30	23	23	-	-	-	-	-
Total Lending Activity Outside of Israel	**57,138**	**56,031**	**1,105**	**39,398**	**29,202**	**946**	**639**	**45**	**124**	**330**
TOTAL	**229,474**	**221,565**	**6,803**	**188,102**	**129,668**	**6,626**	**2,817**	**164**	**288**	**2,224**
Excluding balances classified as assets and liabilities held for sale – see Note 18	4,879	4,876	3	2,815	2,690	3	3	-	-	7

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts, bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, and guarantees and liabilities on account of clients in an amount of NIS 129,668, 35,661, 466, 4,596, 59,083 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 agreements.

(3) Credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, excluding in respect of derivative instruments.

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

(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 480 millions.

(7) Including mortgage backed securities in the amount of NIS 3,976 million, issued by GNMA and in the amount of NIS 4,636 million, issued by FNMA and FHLMC.

(8) Including mainly municipal bonds and bonds of states in the U.S.

(9) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 4,798 million.

(10) 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.

(11) The balance of commercial debts includes housing loans in the amount of NIS 331 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.

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, 2015 (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.

Ms. Lilach Asher-Topilsky
President & Chief Executive Officer

November 19, 2015

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, 2015 (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.

Joseph Beressi
Senior Executive Vice President
Chief Accountant

November 19, 2015

KPMG

Somekh Chaikin

BDO Ziv Haft

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, 2015 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 these interim periods 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 8 B items 4.11 and 5 concerning motion to approve certain lawsuits as class action suits and with regard to other claims against the Bank and investee companies and to that stated in Note 16 b (2) with respect to the notice given by the State Attorney Office, according to which the State Attorney is considering the filing of an indictment against ICC. The said Note stated, inter alia, that at this stage it is not possible to assess the results of the proceedings that would be instituted, if at all, and their consequences on ICC.

Somekh Chaikin	Ziv Haft
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)
November 19, 2015	

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited		Audited
	Note	September 30, 2015	September 30, 2014	December 31, 2014
		in NIS millions		
Assets				
Cash and deposits with banks		27,672	23,149	31,694
Securities (of which: 5,021, 5,222, 5,099 respectively, pledged to lenders)	2	39,251	39,477	37,353
Securities borrowed or purchased under resale agreements		173	953	466
Credit to the public	3	125,601	121,148	122,172
Allowance for credit losses	3	(2,009)	(2,174)	(2,049)
Credit to the public, net		123,592	118,974	120,123
Credit to Governments		491	1,495	1,533
Investments in affiliated companies		142	141	142
Buildings and equipment		2,177	(3)2,401	(3)2,354
Intangible assets and goodwill		142	142	142
Assets in respect of derivative instruments	9	3,762	5,080	4,596
Other assets		4,117	(2)(3)3,606	(2)(3)3,890
Noncurrent assets held for sale	18	5,395	4,596	4,892
Total assets		**206,914**	**200,014**	**207,185**

For footnotes, see next page.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited		Audited
	Note	September 30, 2015	September 30, 2014	December 31, 2014
		in NIS millions		
Liabilities and Equity				
Deposits from the public	4	152,534	145,405	152,903
Deposits from banks		4,833	5,313	5,547
Deposits from the Government		854	969	872
Securities loaned or sold under repurchase agreements		3,853	3,785	3,984
Subordinated capital notes		9,937	10,839	10,638
Liabilities in respect of derivative instruments	9	4,099	5,218	4,475
Other liabilities (1)		10,415	(2)(3)11,234	(2)(3)11,126
Liabilities held for sale	18	6,642	4,295	4,651
Total liabilities		193,167	187,058	194,196
Equity attributed to the Bank's shareholders		13,309	(2)(3)12,577	(2)(3)12,599
Non-controlling rights in consolidated companies		438	(3)379	(3)390
Total equity		13,747	12,956	12,989
Total Liabilities and Equity		**206,914**	**200,014**	**207,185**

Footnotes:

(1) Of which NIS 187 million, NIS 170 million and NIS 170 million, as of September 30, 2015, September 30, 2014 and December 31, 2014, respectively, allowance for credit losses in respect of off-balance sheet credit instruments.

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 E (2).

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

November 19, 2015	Joseph Beressi Senior Executive Vice President, Chief Accountant	Ms. Lilach Asher-Topilsky President & Chief Executive Officer	Dr. Yossi Bachar Chairman of the Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Unaudited				Audited
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Notes	2015	2014	2015	2014	2014
		in NIS millions				
Interest income		1,401	1,479	4,033	4,384	5,736
Interest expenses		334	418	851	1,205	1,518
Interest income, net	11	1,067	1,061	3,182	3,179	4,218
Credit loss expenses	3a	85	40	89	80	164
Net interest income after credit loss expenses		**982**	**1,021**	**3,093**	**3,099**	**4,054**
Non-interest Income						
Non-interest financing income	12	30	148	317	386	549
Commissions		650	650	1,962	1,918	2,586
Other income		42	(1)2	78	(1)16	(1)18
Total non-interest income		**722**	**800**	**2,357**	**2,320**	**3,153**
Operating and other Expenses						
Salaries and related expenses		820	(1)(2)929	2,523	(1)(2)2,995	(1)(2)4,086
Maintenance and depreciation of buildings and equipment		294	(2)294	869	(2)866	(2)1,161
Other expenses		306	(2)253	879	(2)772	(2)1,167
Total operating and other expenses		**1,420**	**1,476**	**4,271**	**4,633**	**6,414**
Income before taxes		284	345	1,179	786	793
Provision for taxes on income		102	(1)(2)130	446	(1)(2)275	(1)(2)271
Income after taxes		182	215	733	511	522
Bank's share in income of affiliated companies, net of tax effect		3	3	5	23	27
Net income:						
Before attribution to non-controlling rights holders in consolidated companies		185	218	738	534	549
Attributed to the non-controlling rights holders in consolidated companies		(17)	(13)	(48)	(33)	(44)
Net income attributed to the Bank's shareholders		**168**	**205**	**690**	**501**	**505**
Earnings per share of NIS 0.1 par value (in NIS)						
Total earnings per share attributed to the Bank's shareholders		**0.16**	**(1)(2)0.19**	**0.65**	**(1)(2)0.48**	**(1)(2)0.48**

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2).

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME[1]

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	in NIS millions				
Net income before attribution to non-controlling rights holders in consolidated companies	185	(3)(4)218	738	(3)(4)534	(3)(4)549
Net income attributed to non-controlling rights holders in consolidated companies	(17)	(13)	(48)	(33)	(44)
Net income attributed to the Bank's shareholders	**168**	**205**	**690**	**501**	**505**
Other comprehensive income (loss), before taxes:					
Adjustments, net, for presentation of available-for- sale securities at fair value	3	87	(85)	358	190
Financial statements translation adjustments, net	124	204	27	182	336
Adjustments of liabilities in respect of employee benefits[2]	(25)	(3)(1)	59	(3)(24)	(3)(37)
Net income in respect of cash flows hedge	-	2	3	4	5
Other comprehensive income, before taxes	**102**	**292**	**4**	**520**	**494**
Effect of attributed taxes	-	(3)(21)	16	(3)(138)	(3)(94)
Other comprehensive income, before attribution to non-controlling rights holders in consolidated companies, after taxes	102	271	20	382	400
Other comprehensive income attributed to non-controlling rights holders in consolidated companies	(5)-	-	(5)-	-	-
Other comprehensive income attributed to the Bank's shareholders, after taxes	**102**	**271**	**20**	**382**	**400**
Comprehensive income, before attribution to non-controlling interests holders in consolidated companies	287	489	758	916	949
Comprehensive income, attributed to non-controlling interests holders in consolidated companies	(17)	(13)	(48)	(33)	(44)
Comprehensive income, attributed to the Bank's shareholders	**270**	**476**	**710**	**883**	**905**

Footnotes:

(1) See Note 14.

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

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(4) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 E (2).

(5) An amount lower than NIS 1 million.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY

A. For the three months ended September 30, 2015 and 2014 (unaudited)
Balance at June 30, 2015
Net income for the period
Other comprehensive income, net after tax effect
Balance at September 30, 2015
Balance at June 30, 2014
Net Income for the period
Dividend to non-controlling interests holders in consolidated companies
Sale of shares in subsidiary companies to non-controlling interests holders
Other comprehensive income, net after tax effect
Balance at September 30, 2014
B. For the nine months ended September 30, 2015 and 2014 (unaudited)
Balance at December 31, 2014 (audited)
Net income for the period
Other comprehensive income, net after tax effect
Balance at September 30, 2015
Balance at December 31, 2013 (audited)
Net income for the period
Dividend to non-controlling interests holders in consolidated companies
Sale of shares in subsidiary companies to non-controlling interests holders
Other comprehensive income, net after tax effect
Balance at September 30, 2014
C. For the year of 2014 (audited)
Balance at December 31, 2013
Net income for the year
Sale of shares in subsidiary companies to non-controlling interests holders
Dividend to non-controlling interests holders in consolidated companies
Other comprehensive income, net after tax effect
Balance at December 31, 2014

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software .development costs, See Note 1 E (2).

(3) An amount lower than NIS 1 million.

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

	Capital reserves							
Paid up Share capital	Share premium	Other	Total paid up share capital and capital 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								
665	3,434	212	4,311	(156)	8,884	13,039	421	13,460
-	-	-	-	-	168	168	17	185
-	-	-	-	102	-	102	(3)-	102
665	**3,434**	**212**	**4,311**	**(54)**	**9,052**	**13,309**	**438**	**13,747**
665	3,434	212	4,311	(1)(363)	(1)(2)8,161	12,109	(2)306	12,415
-	-	-	-	-	(1)(2)205	205	13	218
-	-	-	-	-	-	-	(31)	(31)
-	-	-	-	-	(8)	(8)	91	83
-	-	-	-	(1)271	-	271	-	271
665	**3,434**	**212**	**4,311**	**(92)**	**8,358**	**12,577**	**379**	**12,956**
665	3,434	212	4,311	(1)(74)	(1)(2)8,362	12,599	(2)390	12,989
-	-	-	-	-	690	690	48	738
-	-	-	-	20	-	20	(3)-	20
665	**3,434**	**212**	**4,311**	**(54)**	**9,052**	**13,309**	**438**	**13,747**
665	3,434	212	4,311	(1)(474)	(1)(2)7,865	11,702	(2)297	11,999
-	-	-	-	-	(1)(2)501	501	33	534
-	-	-	-	-	-	-	(42)	(42)
-	-	-	-	-	(8)	(8)	91	83
-	-	-	-	(1)382	-	382	-	382
665	**3,434**	**212**	**4,311**	**(92)**	**8,358**	**12,577**	**379**	**12,956**
665	3,434	212	4,311	(1)(474)	(1)(2)7,865	11,702	(2)297	11,999
-	-	-	-	-	(1)(2)505	505	44	549
-	-	-	-	-	(8)	(8)	91	83
-	-	-	-	-	-	-	(42)	(42)
-	-	-	-	(1)400	-	400	-	400
665	**3,434**	**212**	**4,311**	**(74)**	**8,362**	**12,599**	**390**	**12,989**

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 31,2014
	2015	2014	2015	2014	
	in NIS millions				
Cash Flows from Operating Activities					
Net profit before attribution to non-controlling rights holders in consolidated companies	185	(1)(2)218	738	(1)(2)534	(1)(2)549
Adjustments necessary to present cash flows from current operations:					
Bank's share in undistributed income of affiliated companies	(3)	(3)	(5)	(23)	(27)
Depreciation of buildings and equipment (including impairment in value)	129	(2)148	368	(2)397	(2)527
Provision for impairment of securities	27	(3)	43	40	122
Credit loss expenses	200	166	548	615	807
Gain on sale of credit portfolio	()	(1)	(11)	(1)	-
Gain on sale of available-for-sale and held to maturity securities	(25)	(55)	(214)	(274)	(388)
Realized and non realized loss (gain) from adjustment to fair value of trading securities	1	(17)	(16)	(37)	(37)
Gain on realization of buildings and equipment	(37)	-	(51)	(5)	(5)
Net deferred taxes	6	(1)(2)(29)	180	(1)(2)(15)	(1)(2)(28)
Severance pay – increase in excess of provision over the deposits	45	(1)38	()	(1)287	(1)144
Net change in current assets:					
Deposits with banks	151	132	2,010	(718)	(1,127)
Credit to the public, net	(4,467)	(3,596)	(6,527)	(3,169)	(5,314)
Credit to the Government	(46)	375	1,042	340	302
Securities borrowed or purchased under resale agreements	434	(295)	292	(851)	(364)
Assets in respect of derivative instruments	(238)	(1,426)	834	(1,000)	(516)
Trading securities	(1,155)	(454)	(2,093)	(661)	804
Other assets	(662)	37	(490)	(562)	(1,094)
Effect of changes in exchange rate on cash and cash equivalent balances	112	134	(62)	135	262
Accrual differences included in investment and financing activities	(556)	(1,324)	108	(704)	(1,218)
Net change in current liabilities:					
Deposits from banks	288	1,518	(714)	1,100	1,332
Deposits from the public	3,084	(91)	2,281	(3,737)	3,990
Deposits from the Government	(16)	16	(17)	(3)	(100)
Securities borrowed or purchased under resale agreements	151	264	(131)	141	340
Liabilities in respect of derivative instruments	26	967	(380)	320	(420)
Other liabilities	(280)	(1)498	(552)	(1)968	(1)1,339
Adjustments in respect of exchange rate differences on current assets and liabilities	23	40	(12)	32	67
Net Cash Flows to Operating Activities	**(2,623)**	**(2,743)**	**(2,831)**	**(6,851)**	**(53)**

Footnotes:
(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 E (2).

The notes to the condensed financial statements are 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
	2015	2014	2015	2014	December 31,2014
	in NIS millions				
Cash Flows from Investing Activities					
Acquisition of held-to-maturity bonds	(240)	-	(738)	(73)	(102)
Proceeds from redemption of held-to-maturity bonds	84	61	477	444	579
Acquisition of available-for-sale securities	(5,199)	(3,558)	(13,399)	(10,040)	(12,697)
Proceeds from sale of available-for-sale securities	2,739	2,949	8,997	8,689	11,627
Gain on sale of credit portfolio	40	5	923	5	123
Proceeds from redemption of available-for-sale securities	1,880	2,074	5,335	6,083	7,157
Proceeds of the sale of investments in investee companies and dividend	2	-	4	37	40
Acquisition of buildings and equipment	(87)	(1)(106)	(256)	(1)(268)	(1)(329)
Proceeds from sale of buildings and equipment	83	-	99	11	11
Net Cash Flows from (to) Investing Activities	**(698)**	**1,425**	**1,442**	**4,888**	**6,409**
Cash Flows from Financing Activities					
Issuance of subordinated debt notes	()	-	344	-	-
Redemption of subordinated debt notes	(40)	(164)	(1,065)	(896)	(1,066)
Dividend to non-controlling rights holders in consolidated companies	-	(31)	-	(42)	(42)
Net cash flows from Financing Activities	**(40)**	**(195)**	**(721)**	**(938)**	**(1,108)**
Increase (decrease) in cash	(3,361)	(1,513)	(2,110)	(2,901)	5,248
Cash balance at beginning of period	30,379	22,364	29,013	23,765	23,765
Effect of changes in exchange rate on cash and cash equivalent balances	(15)	25	100	12	-
Cash balance at end of period	**27,003**	**20,876**	**27,003**	**20,876**	**29,013**
Interest and taxes paid and/or received					
Interest received	1,287	1,506	4,292	4,874	6,372
Interest paid	(315)	(512)	(1,144)	(1,671)	(2,191)
Dividends received	5	8	21	87	107
Taxes on income paid	(111)	(118)	(318)	(351)	(440)

Footnote:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 E (2).

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

ANNEX - INVESTING AND FINANCIAL ACTIVITIES NOT IN CASH IN THE REVIEWED PERIOD

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended
	2015	2014	2015	2014	December 31,2014
	in NIS millions				
Purchase of fixed assets	5	(2)	6	-	15
Lending of securities	(527)	387	(1,212)	564	(121)

The notes to the condensed financial statements are 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, 2015, 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 are prepared in accordance with Israeli GAAP regarding financial reporting for interim periods and in accordance with directives and guidelines of the Supervisor of Banks with respect to the "quarterly report of a banking corporation", and they 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, 2014 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, 2014 except as detailed in item E hereunder.

B. APPROVAL OF THE FINANCIAL STATEMENTS

The interim financial statements were approved for publication by the Bank's Board of Directors on November 19, 2015.

C. PRINCIPLES OF FINANCIAL REPORTING

The interim financial statements have been prepared according to the following principles:

- Issues within the core banking business - in accordance with the directives and guidelines of the Supervisor of Banks and in accordance with generally accepted accounting principles applying to banks in the United States that had been adopted within the framework of the public reporting directives of the Supervisor of Banks;
- Issues outside the core banking business - in accordance with generally accepted accounting principles in Israel and in accordance with certain International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) relating thereto, all according to the directives and guidelines of the Supervisor of Banks on such matters.

The international standards are being applied in accordance with the principles detailed in the financial statements as of December 31, 2014.

D. USE OF ASSESSMENTS AND DISCRETION

In preparing the interim financial statements in accordance with Israeli GAAP and in accordance with directives and guidelines of the Supervisor of Banks, 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.

E. INITIAL IMPLEMENTATION OF ACCOUNTING STANDARDS, UPDATES OF ACCOUNTING STANDARDS AND DIRECTIVES OF THE SUPERVISOR OF BANKS

As from January 1, 2015, the Bank implements accounting standards and instructions as detailed hereunder:

(1) Reporting according to U.S. generally accepted accounting principles as regards employee rights (see item 1 below);

(2) Guidelines in the matter of capitalization of in-house software development costs (see item 2 below);

(3) Reporting according to U.S. generally accepted accounting principles in the matter of Distinguishing Liabilities from Equity (see item 4 below).

Starting with the period beginning July 1, 2015, the Bank implements the FAQ file in the matter of impaired debts (see item 5 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. Adoption of U.S. accounting principles as regards employee rights

(a) Essence of the new instructions. The Supervisor of Banks issued on April 10, 2014, a circular in this matter. The circular updates the recognition, measurement and disclosure requirements in the matter of employee benefits, included in the reporting to public instructions, in accordance with accounting principles accepted by U.S. banks. The circular states that the amendments to the reporting to public instructions shall apply as from January 1, 2015, whereupon its initial implementation, a bank shall retroactively restate the comparative data for periods beginning on January 1, 2013 and thereafter, in order to comply with the provisions of the said principles.

1. ACCOUNTING POLICIES (CONTINUED)

A Q&A file on the subject was published on January 12, 2015, which, among other things, includes examples for the manner treatment of benefits prevalent in the banking industry, in accordance with generally accepted accounting principles in the U.S..

Furthermore, an amendment to the Reporting to the Public Directives was published on January 11, 2015, regarding "Employee rights – discount rate, disclosure format and transitional instructions for the initial implementation" ("the circular"). The circular updates the disclosure requirements in respect of employee rights and in respect of share based payments in accordance with Generally Accepted Accounting Principles at U.S. banks.

The circular notes that the Supervisor of Banks has reached the conclusion that a deep market for high quality corporate bonds does not exist in Israel. Accordingly, the discount rate in respect of employee benefits shall be computed on the basis of the return on Israeli government bonds with the addition of an average spread on AA and above (international) rating of corporate bonds at date of reporting. For practical reasons, it has been determined that the spread shall be fixed according to the average difference between the rates of return to maturity, according to periods to maturity, on corporate bonds in the U.S. with an AA and above (international) rating, and the rates of return to maturity, for the same periods to maturity, on U.S. government bonds, and all at date of reporting. A bank, which is of the opinion that changes in the spread computed as above in a certain period, derive from exceptional fluctuations in the market, in a manner that the resulting spreads based upon them are no longer suitable for use as the discount rate, as above, shall refer to the Supervisor of Banks for preliminary guidance. In accordance with the circular, examples of such situations may include, among other things, changes in respect of which, the resulting spread shall be higher than the spread on AA (local) rating of corporate bonds in Israel.

As stated, a banking corporation is required to restate retroactively the comparative data for periods beginning on January 1, 2013 onwards. As to the accounting treatment of actuarial profits/losses recognized in other comprehensive income due to changes in the discount rates, it is determined that:

- The actuarial loss as of January 1, 2013, deriving from the difference between the discount rate used to compute the CPI-linked provisions for employee rights, determined in accordance with the provisional instruction of the Reporting to the Public Directives (4%), and the discount rates as of that date for CPI-linked liabilities to employees, as determined according to the new rules, as stated above (hereinafter: "the loss"), shall be included in accumulated other comprehensive income;
- Actuarial profits recognized as from January 1, 2013, and thereafter, derived from current changes in the discount rates during the reported year, shall be recognized in accumulated other comprehensive income, and shall reduce the above stated recorded balance of loss until its nullification;
- Actuarial losses derived from current changes in the discount rates during the reported year, and actuarial profits derived from current changes in the discount rates during the reported year, recognized after nullification of the recorded balance of loss, as above, shall be amortized by the "straight line" method over the remaining average period of service of the employees expected to enjoy benefits under the plan, except in certain exceptional cases;
- Other actuarial profits and losses (which are not the result of changes in the rate of discount) as at January 1, 2013, and for periods thereafter, shall be included in accumulated other comprehensive income and amortized by the "straight line" method over the remaining average period of service of the employees expected to enjoy benefits under the plan, except in certain exceptional cases;
- The effect of the initial implementation on other employee benefits, where all changes therein are recognized in the statement of income on a current basis (such as jubilee awards), shall be recognized in retained earnings.

(b) Transitional instructions in the matter of the effect on capital adequacy. Despite the material adverse effect on the Bank's equity capital, for the purpose of computing the equity requirements in accordance with the Basel III rules, in accordance with the transitional instructions determined in Proper Conduct of Banking Directive No. 299, the balance of accumulated other comprehensive income or loss stemming from adjustments in respect of employee benefits (including losses recognized directly in the balance of retained earnings as of January 1, 2013), is not taken immediately into account but is subject to the transitional instructions, so that its effect is spread by rates of 40% as from January 1, 2015, and by equal rates of 20% per year as from January 1, 2016 and until the implementation in full of the instruction as from January 1, 2018.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Implementation of the new policy at the Bank. The following principal subjects were included in the said framework:

1. A process was defined for the determination of the discount rate on the basis of Israeli CPI linked government bonds, in accordance with the average period to maturity of the estimated indebtedness, with the addition of an average spread of U.S. corporate bonds having a rating of AA and above. The process includes aspects of control of the appropriateness of choosing the bonds, validation of the resultant discount rate and examination of the reasonableness of changes in the discount rate.
2. A mechanism was determined for defining the forecasted return on assets of the plan. The parameters used in determining the forecasted return are mostly the actual and past composition of the plan's assets, possible changes in the composition of the assets in accordance with the investment policy, as defined, past yields of the fund, the yield of the assets and its weight in the total portfolio, after deduction of operating expenses and commissions. The mechanism also includes examination of the need for the updating of the forecasted return during the reported period.
3. A change was made in the method of measurement of the Bank's liability in respect of benefits to retirees in relation to the population of active employees, and the transition to computing the liability at the earliest possible date on which an obligation for severance pay to employees exists. This, instead of a computation assuming retirement rates prior to the age of 67 and a pro-rata charge in accordance therewith.
4. A work process was defined for the treatment of actuarial profits and losses, differentiating in the framework thereof between:
   - The actuarial loss arising from the change in the discount rate as of January 1, 2013;
   - Actuarial profits from changes in the discount rate subsequent to the date of initial implementation;
   - Actuarial losses arising from changes in the discount rate and from other components subsequent to the date of initial implementation;
   - Actuarial profits/losses arising from the difference between the forecasted return on the plan's assets and the return actually earned.

   The process includes reference to reasonableness of the resultant actuarial profit/loss, the accounting records, the mechanism for the amortization of the profits/losses and the determination of the amortization period.

(d) The Bank's updated accounting policy

- Post retirement benefits – pension, severance pay and other benefits – defined benefits plans
  - The Bank recognizes amounts relating to pension and severance plans and other post retirement plans on the basis of computations that include actuarial and other assumptions, including: discount rates, mortality rates, early retirement rates, forecasted long-term return rates on assets of the plan, remuneration increases and employee turnover;
  - The Bank reviews its assumptions on a periodic basis and updates these assumptions where required. As a general rule, the actuarial estimates are made once a year, unless material changes occur in the actuarial assumptions in the interim period, which materially impact the actuarial liabilities or the assets of the plan;
  - Changes in assumptions are in general recognized, subject to the instructions stated above, firstly in accumulated other comprehensive income, and are amortized to the statement of income in following periods;
  - The liability is accumulated over the relevant period determined in accordance with the rules detailed in item 715 of the codification;
  - The Bank implements the guidelines issued by the Supervisor of Banks with respect to internal control over the financial reporting process in the matter of employee rights, including with respect to examining the "liability in substance" of the Bank to grant its employees benefits comprising increased severance pay and/or early pension.
- Post retirement benefits – defined deposits plans
  - A defined deposit plan is a plan according to which the Bank deposits fixed amounts with a third party, thereby avoiding any legal or inferred liability for additional payments. The Bank's commitment to deposit in the defined deposit plan, are recognized as an expense in the statement of income in the periods during which the employees have provided the relevant services.

1. ACCOUNTING POLICIES (CONTINUED)

- Other long-term benefits to active employees: long-service (jubilee) awards
  - The liability accrues over the period entitling to the benefit;
  - For the purpose of computing the liability, the rates of discount and actuarial assumptions are taken into consideration;
  - The whole cost component of the benefit for the period, including actuarial profits and losses, are recognized immediately in the statement of income.
- Absence from work entitling compensation – vacation and sick leave
  - The liability in respect of vacation pay is measured on a current basis, without the use of discount rates and actuarial assumptions;
  - The Bank does not accrue a liability for sick-leave that may materialize during the employee's current service.
- Retirement plan 2014. Within the Bank's strategic plan for the years 2015-2019, approved in August 2014, employees have been offered early retirement plan which, in view of its characteristics and circumstances, comprised a structural change. The costs that have been involved in its implementation were handled accordingly.

(e) The accounting policy applied in the past

- In accordance with instructions of the Supervisor of Banks, the rate of discount used in the actuarial computations was 4%;
- Actuarial profits and losses were immediately recognized in the statement of income;
- In accordance with guidelines of the Supervisor of Banks regarding internal control over financial reporting in the matter of employee rights, the liability for severance pay had been presented either in the amount of the liability as computed on an actuarial basis, taking into account the additional cost that might arise in respect of these benefits, as stated, or in the amount of the liability computed as a multiplication of the monthly salary of the employee by the number of years of service, in accordance with Opinion No. 20 of the Institute of Certified Public Accountants in Israel, which ever was the higher amount;
- Additional information regarding the accounting policy to be applied by the Bank in the matter of employee rights is presented in Notes 1 and 16 to the financial statements as of December 31, 2014.

(f) Disclosure requirements in interim financial statements in the year 2015

It is required to include in the report for the first quarter of 2015, extensive disclosure, in the format of the annual report, in addition to the disclosure required in a regular quarterly report, in respect of restated prior periods' data, mainly:

- Income statement amounts in respect of the years 2013 and 2014;
- Outstanding balance sheet amounts and assumptions used as of December 31, 2013 and December 31, 2014.

Notwithstanding the above, a bank is permitted not to include the required disclosure regarding the assets of a plan in accordance with the Reporting to the Public Directives as of December 31, 2013, and the required disclosure as to the "movement in fair value of assets of the plan, which are measured on the basis of significant unobservable inputs (level 3)" for the years 2013 and 2014.

Furthermore, for the purpose of presentation of the comparative data for the years 2013 and 2014, a bank is permitted, for practical reasons, to use the actual rates of return in those years instead of determining forecasted rates of return (the Bank has elected to apply the said relief).

In accordance with the transitional provisions included in the circular, the said disclosure would not be updated in the reports for the second and third quarters of 2015. The disclosure required in these quarters is in accordance with the disclosure format of the quarterly report, together with a concise disclosure in the Note on accounting policy regarding the impact of the initial implementation of the new rules with reference to the first quarter report.

In this respect, the Supervisor of Banks clarified that where a remeasurement is performed in the quarter (see below), it is required to present a disclosure in accordance with the annual format, mutatis mutandis.

Details regarding the effect of the initial implementation of the new rules are presented in item 3 below.

1. ACCOUNTING POLICIES (CONTINUED)

(g) Remeasurement and actuarial report for interim periods

The Supervisor of Banks issued in January 2015, an FAQ file, according to which, among other things, in a quarter in which changes have occurred that materially affected the assets of the plan or the liability in respect of the benefit, it is required to remeasure the assets of the plan and/or the liability in respect of the benefit. Accordingly, in view of the material changes taking place in the discounting rates, the Bank performed in the second quarter such a remeasurement of the liability in respect of the benefit.

Even though no material changes have occurred in the discount rates during the third quarter of 2015, the Bank, for control reasons, has remeasured, as stated, the liability in respect of the benefit, in view of the fact that this being the first year of implementation.

2. Guidelines in the matter of capitalization of in-house software development costs. The Bank implements International Accounting Standard No. 38 "Intangible assets" and the guidelines determined by "SOP 98-1 - Accounting for the cost of Computer Software Developed or Obtained for Internal Use".

Due to the accounting complexity involved in the process of capitalizing in-house software development costs, and in view of the materiality of the amounts of software costs capitalized, the Supervisor of Banks has determined guidelines for the Bank in the matter of capitalization of software costs, as follows:

- A minimum materiality level of between NIS 450 thousand and NIS 600 thousand, shall be determined for each software development project, in respect of which software development costs are capitalized. Any software development project, the total cost of which is lower than the determined materiality level, shall be recognized as an expense in the statement of income (the materiality thresholds determined by the Bank: minimum costs per project – NIS 600 thousand, minimum improvements and upgrading costs – NIS 450 thousand);
- The period of amortization of software development costs shall not exceed five years;
- Capitalization coefficients of lower that 1, shall be determined for hours worked, taking into consideration the potential for deviation in computing the hours worked and the lack of economic efficiency;
- The grade of employees whose employment costs are capitalized to assets shall be restricted, so that the uppermost grade would be that of a manager, demonstrably occupied for most of his time in actual development, is responsible for a small number of employees, and it is possible to accurately measure the number of hours actually invested by him in each development project;
- Costs, which are not attributed to a project according to specific reported hours, where the employee declares, on the basis of a daily report, that the costs were specifically invested in the project, shall be recognized as an expense.

In addition, the Supervisor has determined that a comprehensive examination shall be made regarding a possible impairment of each of the assets, the development of which had been completed, as well as each of the assets under development, indicating any possible sign of the signs for impairment as stated in the instructions and whether a provision for impairment should be recorded.

The change in the accounting policy in accordance with the said guidelines was implemented starting with the interim financial statements as of June 30, 2015, by way of retroactive implementation, with a restatement of the comparative data.

It is noted, that to the Bank's best knowledge, similar guidelines have been determined for other banking corporations in Israel.

Implementation of the requirements included in the guidelines, affected in the amount of NIS 87 million after the tax effect, reduction of the equity (as of December 31, 2014).

It is noted that as from January 1, 2015, the Bank implemented the contents of the guidelines with respect to current projects – as regards the materiality threshold with respect to capitalization coefficients and with respect to the level of employees whose costs are capitalized.

Details regarding the effect of the initial implementation of the new rules are presented in item 3 below.

1. ACCOUNTING POLICIES (CONTINUED)

3. Effect of the initial Implementation of new rules as of September 30, 2014 and December 31, 2014 and for periods ended thereof

Following are details regarding the effect of the retroactive implementation of the instruction in the matter of employee rights and the instruction in the matter of capitalization of software development costs:

					Unaudited			
	December 31,2014				September 30,2014			
	Before the retroactive implementation (audited)	Effect of retroactive implementation in respect of employee rights	Effect of retroactive implementation in respect of capitalization of software development costs	After the retroactive implementation	Before the retroactive implementation	Effect of retroactive implementation in respect of employee rights	Effect of retroactive implementation in respect of capitalization of software development costs	After the retroactive implementation
	in NIS millions							
Balance sheet								
Buildings and equipment	2,500	-	(146)	2,354	2,546	-	(145)	2,401
Other assets	3,505	336	49	3,890	3,227	331	48	3,606
Other liabilities	10,235	893	(2)	11,126	10,355	881	(2)	11,234
Retained earnings	8,642	(193)	(87)	8,362	8,637	(192)	(87)	8,358
Accumulative other comprehensive income	290	(364)	-	(74)	266	(358)	-	(92)
Equity capital attributed to the Bank's shareholders	13,243	(557)	(87)	12,599	13,214	(550)	(87)	12,577
Non-controlling rights in consolidated companies	398	-	(8)	390	387	-	(8)	379

1. ACCOUNTING POLICIES (CONTINUED)

	Unaudited							
	For the three months ended September 30, 2014				For the nine months ended September 30, 2014			
	Before the retroactive implementation	Effect of retroactive implementation in respect of employee rights	Effect of retroactive implementation in respect of capitalization of software development costs	After the retroactive implementation	Before the retroactive implementation	Effect of retroactive implementation in respect of employee rights	Effect of retroactive implementation in respect of capitalization of software development costs	After the retroactive implementation
	in NIS millions							
Statement of Income								
Other income	48	(46)	-	2	127	(111)	-	16
Salaries and related expenses	914	8	7	929	2,922	56	17	2,995
Maintenance and depreciation of buildings and equipment	306	-	(12)	294	903	-	(37)	866
Other expenses	254	-	(1)	253	775	-	(3)	772
Provision for taxes on income	149	(21)	2	130	329	(63)	9	275
Net income Before attribution to non-controlling rights holders in consolidated companies	247	(33)	4	218	624	(104)	14	534
Net income Attributed to the non-controlling rights holders in consolidated companies	(13)	-	(1)-	(13)	(33)	-	(1)-	(33)
Net income attributed to the Bank's shareholders	**234**	**(33)**	**4**	**205**	**591**	**(104)**	**14**	**501**
Total earnings per share NIS 0.1 par value (in NIS) attributed to the Bank's shareholders	**0.22**	**(0.03)**	**-**	**0.19**	**0.56**	**(0.09)**	**0.01**	**0.48**
Other comprehensive income								
Adjustments of liabilities in respect of employee benefits	-	(1)	-	(1)	-	(24)	-	(24)
Effect of attributed taxes	(21)	-	-	(21)	(146)	8	-	(138)
Other comprehensive income (loss) attributed to the Bank's shareholders, after taxes	272	(1)	-	271	398	(16)	-	382
Comprehensive income (loss), attributed to the Bank's shareholders	**506**	**(34)**	**4**	**476**	**989**	**(120)**	**14**	**883**

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

1. ACCOUNTING POLICIES (CONTINUED)

	December 31, 2014			
	Before the retroactive implementation(audited)	Effect of retroactive implementation in respect of employee rights	Effect of retroactive implementation in respect of capitalization of software development costs	After the retroactive implementation
	in NIS millions			
Statement of Income				
Other income	119	(101)	-	18
Salaries and related expenses	3,988	65	33	4,086
Maintenance and depreciation of buildings and equipment	1,212	-	(51)	1,161
Other expenses	1,171	-	(4)	1,167
Provision for taxes on income	324	(61)	8	271
Net income Before attribution to non-controlling rights holders in consolidated companies	640	(105)	14	549
Net income Attributed to the non-controlling rights holders in consolidated companies	(44)	-	(1)-	(44)
Net income attributed to the Bank's shareholders	**596**	**(105)**	**14**	**505**
Total earnings per share NIS 0.1 par value (in NIS) attributed to the Bank's shareholders	**0.57**	**(0.10)**	**0.01**	**0.48**
Other comprehensive income				
Adjustments of liabilities in respect of employee benefits	-	(37)	-	(37)
Effect of attributed taxes	(109)	15	-	(94)
Other comprehensive income (loss) attributed to the Bank's shareholders, after taxes	422	(22)	-	400
Comprehensive income (loss), attributed to the Bank's shareholders	**1,018**	**(127)**	**14**	**905**

Footnote:

(1) An amount lower than NIS 1 million.

Note 1 G and Note 6 to the financial statements as of March 31, 2015, include additional details pertaining to the effect of the implementation of the new Directive in the matter of Employee rights.

4. Reporting according to U.S. generally accepted accounting principles in the matter of Distinguishing Liabilities from Equity. On October 6, 2014 the Supervisor of Banks published an instruction in the matter of reporting according to U.S. generally accepted accounting principles regarding distinguishing liabilities from equity. This, in continuation to the policy of the Supervisor of Banks adopting, in cases of material issues, the financial reporting layout applying to banks in the United States. According to the instruction, it is required to apply the U.S. generally accepted accounting principles in the matter of classification of financial instruments as equity or liabilities, including hybrid instruments. For this purpose, it would be required to apply, among other things the presentation, measurement and disclosure principles determined within the framework of the following topics in the codification:

- Topic 480 regarding "Distinguishing Liabilities From Equity";
- Topic 470-20 regarding "Debt with Conversion and Other Options"; and
- Topic 505-30 regarding "Treasury stock".

In addition, in applying the differentiation between liabilities and capital, it is required to refer to the reporting to the public instructions as regards embedded derivatives.

1. ACCOUNTING POLICIES (CONTINUED)

Concurrently, the Supervisor of Banks published an FAQ file in this matter, within the framework of which, it has been clarified that existing debt instruments having a conditional conversion component into shares (which under the Basel II instructions is included in Common equity tier I, and according to the transitional instructions agrees with the definition of a hybrid capital instrument, or which is included as a regulatory capital component under the Basel III Instructions) are to be classified as a liability measured according to amortized cost, without separating the embedded derivative.

The Bank implements the said rules as from January 1, 2015.

The implementation of the instruction did not have material effect.

5. FAQ file in the matter of impaired debts. An updated FAQ file was published on September 16, 2015, in the matter of the implementation of the Reporting to the Public Directives regarding impaired debts, credit risk and allowance for credit losses. The file clarifies the requirements for determining the minimum level requiring a specific examination of the impairment. It is also clarified that the manner of examining the allowance for credit losses in respect of a particular debt may not be changed, excluding cases of troubled debt restructurings. Furthermore, rules were established for the accounting write-off in case of failure of a restructured troubled debt. The changes included in the file take effect as from July 1, 2015, and thereafter.

   The implementation of the changes included in the file 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. Regulatory operating segments. An amendment to the reporting to the public instructions in the matter of regulatory operating segments was published on November 6, 2014.

   The circular is intended to allow a banking corporation to report operating segment data in accordance with a uniform and comparable format, as determined by the Supervisor of Banks.

   The main changes are:

   - Additional requirement for disclosure of "regulatory operating segments" was added, in accordance with the definition of the Supervisor of Banks. The format of disclosure regarding regulatory operating segments refers to the following segments: private banking, households, one-man and small businesses, medium businesses, large businesses, institutional bodies and financial management;
   - New definitions were added clarifying which customers are to be included in each segment;
   - A new requirement was added for a separate disclosure of the "financial management" segment.

   In addition, a FAQ file in the matter was distributed November 6, 2014. An update to the said file was published on September 16, 2015.

   The circular determines that the disclosure in the matter of "operating segments according to Management's approach" shall be provided in accordance with Generally Accepted Accounting Principles at U.S. banks in the matter of operating segments (included in ASC 280), to the extent that a difference exists between Management's approach and operating segments according to guidelines of the Supervisor of Banks.

   The new rules apply as from the 2015 financial statements and thereafter, as follows:

   - The disclosure requirement in the 2015 statements shall apply to balance sheet data regarding supervisory operating segments, as defined in the new instructions. According to the new instructions, it is permitted not to provide disclosure of balance sheet comparative data for the supervisory operating segments, but to include comparative data in accordance with the Reporting to the Public Directives in effect prior to the letter taking effect. Furthermore, no disclosure is required for the financial management segment;
   - Full disclosure according to the new rules is required as from the financial report for the first quarter of 2016, excluding disclosure of the financial management segment. The comparative data are to be adjusted retroactively. It is permitted to present in the financial statements for 2016 comparative data for one year only in respect of the Note regarding the supervisory operating segments. For the purpose of presentation of the comparative data it would be possible to rely on the classification of customers to supervisory operating segments as of January 1, 2016;
   - Implementation in full of the guidelines of the circular is required as from the financial statements for the first quarter of 2017.

   The Bank is of the opinion that the new instructions are not expected to have a material effect, save for the manner of presentation and disclosure.

1. ACCOUNTING POLICIES (CONTINUED)

2. Recognition of income from contracts with customers. A circular was published on January 14, 2015, in the matter of adoption of the update for accounting principles regarding income from contracts with customers. The circular updates the Reporting to the Public Directives in view of the publication of ASU 2014-09, which adopts in U.S. GAAP a new standard in the matter of income recognition. The Standard states that income shall be recognized by the implementation of a five stage model, which, among other things, include rules for the identification of the contract with the customer and for the determination of the transaction price, rules defining how the different components of the contract should be separated and the manner by which the total transaction price should be attributed to each separate and identified component.

   Furthermore, in accordance with the provisions of the Standard, income is to be recognized in respect of each identified component separately, and this in accordance with rules stated by the Standard with respect to the timing of recognition of the income – at a specific date or over a period of time.

   According to the circular, the amendments in the Directives will apply as from January 1, 2017. In accordance with the transitional instructions of the circular, upon initial implementation it would be possible to elect the retroactive application alternative by way of a restatement of the comparative data, or using the alternative of from now onwards implementation by way of recording the cumulative effect of the initial implementation of the Standard, while attributing the cumulative effect, to be recognized at date of the initial implementation, to the equity. The FASB decided on July 9, 2015, to postpone the effective date of the Standard to January 1, 2018.

   The new standard does not apply, among other things, to financial instruments and to contractual rights or liabilities under Chapter 310 of the Codification.

   The Bank has not yet examined the effect of the standard on its financial statements, and has not yet elected the alternative manner of implementation of the transitional instructions.

3. Business combinations, consolidation of financial statements and investments in investee companies. The Supervisor of Banks published a circular on June 14, 2015, in the matter of "reporting by banking corporations and credit card companies in Israel in accordance with U.S. GAAP as regards business combinations, consolidation of financial statements and investments in investee companies". According to the circular, it is required to implement the U.S. GAAP in these matters in terms of the codification: Topic 805 regarding "business combinations"; Topic 810 regarding "consolidation"; Topic 350-20 regarding "intangibles – goodwill and other" as regards the accounting treatment of impairment of goodwill acquired in business combinations; and Topic 323 regarding "investments – equity method and joint ventures".

   The circular withdraws the transitional instruction that permitted not to make adjustments to the accounting policy relating to matters of core banking business, implemented by a non-financial affiliated company, these adjustments being required in order to adjust the accounting policy of such affiliated company to that of the banking corporation. Instead, the circular introduced a new transitional instruction which permits a banking corporation, in the years 2016-2017, to make no adjustments to the accounting policy implemented by a non-financial affiliated company, which prepares its financial statements in accordance with IFRS.

   The circular takes effect as from January 1, 2016. Upon its initial implementation, it is required to follow the transitional instructions determined with respect to the same matters by U.S. GAAP, mutatis mutandis, including the retroactive restatement of the comparative data, where required in accordance with these matters. The instruction with respect to "pushdown accounting" shall apply to business combinations effected as from January 1, 2016.

   At present, the Bank implements the international financial reporting standards (IFRS) as regards the said matters, subject to the instructions and guidelines of the Supervisor of Banks.

   The Bank is studying the instruction, and it estimates that the implementation of the instruction shall not have a material effect.

4. Disclosure regarding interested parties and related parties. The Supervisor of Banks issued on June 14, 2015, a circular in the matter of "disclosure regarding interested parties and related parties". The circular updates the public reporting instructions dealing with the disclosure in this matter, to the changes included in Proper Conduct of Banking Business Directive No. 312 in the matter of "A banking corporation's business with related parties". Furthermore, in view of the importance of the disclosure regarding interested parties and related parties, it has been decided to adjust the disclosure in this matter to the U.S. GAAP, detailed in Topic 850 of the codification.

1. ACCOUNTING POLICIES (CONTINUED)

Following the amendment, the information regarding this matter contained in a report to the public, shall be presented in respect of all interested party in accordance with the Israeli Securities Regulations, a related party according to Directive No. 312, and any other related party according to accounting principles accepted by U.S. banks.

The data according to the new instruction shall be presented starting with the 2015 annual report. It is not required to present retroactive comparative data, if the banking corporation does not possess the relevant information.

Disclosure regarding related parties has hitherto been presented according to IAS 24.

The Bank is preparing for the implementation of the instruction. Implementation of the instruction will have a presentation effect, among other things, in view of the expected changes in the population defined as interested and related parties.

5. Intangible assets. The Supervisor of Banks issued on October 25, 2015, a circular in the matter of "reporting by banking corporations and credit card companies in Israel according to U.S. GAAP in the matter of intangible assets". According to the circular, a banking corporation shall apply the accounting principles accepted by U.S. banks in the matter of intangible assets, including in-house development costs of computer software, and among other things, the presentation, measurement and disclosure rules determined in Topic 350 of the codification. In this respect, the accounting treatment of goodwill, including examination of impairment thereof, has been updated in accordance with the circular described in Item 3 above.

   The instruction will take effect as from January 1, 2016 and thereafter. Upon its initial implementation, a banking corporation shall act in accordance with the transitional instructions determined in these matters, mutatis mutandis, including the retroactive restatement of the comparative data, where required in respect to these matters.

   At present, the Bank is implementing the international financial reporting standards (IFRS) as regards the said matter, combined with instructions taken from U.S. GAAP, subject to the instructions and guidelines of the Supervisor of Banks..

   As estimated by the Bank, the adoption of the Amendment as stated will not have a material impact.

6. Income Taxes. The Supervisor of Banks issued on October 25, 2015, a circular in the matter of "reporting by banking corporations and credit card companies according to U.S. GAAP in the matter of Income Taxes". According to the circular, a banking corporation shall apply the accounting principles accepted by U.S. banks in the matter of income taxes, and, among other things, the principles of presentation, measurement and disclosure stated in Topic 740 of the codification regarding "Income Taxes" and in Item 740-830 of the codification regarding "Foreign Currency Matters – Income Taxes".

   The instruction will take effect as from January 1, 2017, and thereafter. Upon its initial implementation, a banking corporation shall act in accordance with the transitional instructions determined with respect to such matters, *mutatis mutandis,* including the retroactive restatements of the comparative data, where required with respect to these matters.

   At present, the Bank applies in these matters the international financial reporting standards (IFRS), subject to the instructions and guidelines of the Supervisor of Banks.

   The Bank is studying the instructions of the circular and their possible implications on the Bank.

7. Draft document in the matter of repurchase transactions for redemption and financing repurchase transactions. On July 23, 2015, a draft document regarding the adoption of Amendment No. 2014-11 of the Codification, published by the FASB on June 12, 2014, was tabled for discussion by the Advisory Committee at the Bank of Israel. The Amendment clarifies, among other things, that repurchase transactions for redemption shall be treated accounting wise as a secured debt, this being consistent with the accounting treatment of other repurchase transactions. Furthermore, the Amendment clarifies the accounting treatment of financing repurchase transactions, in which one party transfers to the counterparty a financial asset, and at the same time engages with the counterparty in an agreement for the repurchase or resale of the financial asset, and also includes certain disclosure requirements.

   According to the draft document, the instruction will take effect as from January 1, 2016 and thereafter. Upon the initial implementation, a banking corporation shall act in accordance with the transitional instructions determined in the United States, mutatis mutandis.

   As estimated by the Bank, the adoption of the Amendment as stated will not have a material impact.

2. SECURITIES - CONSOLIDATED

A. Composition

	Unaudited				
	September 30, 2015				
	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	4,009	4,009	349	-	4,358
Of foreign governments	20	20	-	-	20
Of Israeli financial institutions	85	85	7	-	92
Of foreign financial institutions	70	70	[9]-	1	69
○Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,089	1,089	18	5	1,102
Of others abroad[6]	1,922	1,922	91	2	2,011
Total held-to-maturity bonds	**7,195**	**[2]7,195**	**465**	**8**	**7,652**

	Unaudited				
	September 30, 2015				
			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	15,853	15,529	328	4	15,853
Of foreign governments	602	611	-	9	602
Of Israeli financial institutions	411	409	6	4	411
Of foreign financial institutions	1,944	1,946	19	21	1,944
○Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	7,240	7,209	55	24	7,240
Of others in Israel*	605	588	21	4	605
Of others abroad[7]	553	563	-	10	553
Total bonds	27,208	26,855	429	76	[2]27,208
Shares	1,317	1,355	2	40	[4]1,317
Total available-for-sale securities	**28,525**	**28,210**	**[3]431**	**[3]116**	**28,525**
* Of which: Bonds backed by State guarantees	120	119	1	[9]-	120

For footnotes see next page.

2. SECURITIES - CONSOLIDATED (CONTINUED)

A. Composition (Continued)

	Unaudited				
	September 30, 2015				
	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	2,456	2,461	2	7	2,456
Of foreign governments	924	924	-	-	924
Of Israeli financial institutions	10	10	-	[9]-	10
Of foreign financial institutions	1	1	-	-	1
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	67	66	1	-	67
Of others in Israel	65	67	[9]-	2	65
Of others abroad	2	2	-	-	2
Total bonds	3,525	3,531	3	9	3,525
Shares	6	8	[9]-	2	6
Total trading securities	**3,531**	**3,539**	**[5]3**	**[5]11**	**3,531**
Total securities[8]	**39,251**	**38,944**	**899**	**135**	**39,708**

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 buy-back terms from held to maturity portfolio at a reduced cost of NIS 768 million (approx. US$ 196 million) and from the available for sale portfolio with a market value of NIS 3,724 million (approx. US$ 949 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 798 million.

(5) Recorded in the statement of income.

(6) Including U.S. Government agencies and municipal bonds and bonds of states in the U.S.A, in an amount of NIS 1,856 million (book value).

(7) Including U.S. Government agencies, in an amount of NIS 67 million (Book value).

(8) Excluding balances classified as assets and liabilities held for sale - see Note 18.

(9) An amount lower than NIS 1 million.

2. SECURITIES – CONSOLIDATED (CONTINUED)

A. Composition (Continued)

	Unaudited				
	September 30, 2014				
	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	3,469	3,469	411	-	3,880
Of Israeli financial institutions	86	86	8	-	94
Of foreign financial institutions	89	89	[(9)]-	1	88
ֹMortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,209	1,209	18	25	1,202
Of others abroad[(6)]	2,108	2,108	102	10	2,200
Total held-to-maturity bonds	**6,961**	**[(2)]6,961**	**539**	**36**	**7,464**

	Unaudited				
	September 30, 2014				
			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	16,010	15,499	512	1	16,010
Of foreign governments	479	484	3	8	479
Of Israeli financial institutions	722	709	13	-	722
Of foreign financial institutions	2,219	2,170	55	6	2,219
ֹMortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	7,427	7,516	31	120	7,427
Of others in Israel*	809	782	28	1	809
Of others abroad[(7)]	85	86	-	1	85
Total bonds	27,751	27,246	642	137	[(2)]27,751
Shares	1,882	1,875	12	5	[(4)]1,882
Total available-for-sale securities	**29,633**	**29,121**	**[(3)]654**	**[(3)]142**	**29,633**
* Of which: Bonds backed by State guarantees	304	299	5	[(9)]-	304

For footnotes see next page.

2. SECURITIES - CONSOLIDATED (CONTINUED)

A. Composition (Continued)

	Unaudited				
	September 30, 2014				
	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	2,712	2,696	17	1	2,712
Of Israeli financial institutions	2	2	-	-	2
Of foreign financial institutions	12	12	-	-	12
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	46	46	(9)-	(9)-	46
Of others in Israel	85	84	1	(9)-	85
Of others abroad	14	15	-	1	14
Total bonds	2,871	2,855	18	2	2,871
Shares	12	14	-	2	12
Total trading securities	**2,883**	**2,869**	**(5)18**	**(5)4**	**2,883**
Total securities[(8)]	**39,477**	**38,951**	**1,211**	**182**	**39,980**

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 buy-back terms from held to maturity portfolio at a reduced cost of NIS 824 million (approx. US$ 223 million) and from the available for sale portfolio with a market value of NIS 3,607 million (approx. US$ 976 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 774 million.

(5) Recorded in the statement of income.

(6) Including U.S. Government agencies and municipal bonds and bonds of states in the U.S.A, in amount of NIS 2,041 million (book value).

(7) Including U.S. Government agencies, in amount of NIS 64 million (book value).

(8) Excluding balances classified as assets and liabilities held for sale - see Note 18.

(9) An amount lower than NIS 1 million.

2. SECURITIES – CONSOLIDATED (CONTINUED)

A. Composition (Continued)

	Audited				
	December 31, 2014				
	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	3,476	3,476	364	-	3,840
Of foreign governments	19	19	-	-	19
Of Israeli financial institutions	85	85	8	-	93
Of foreign financial institutions	81	81	(9)-	1	80
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,225	1,225	17	18	1,224
Of others abroad(6)	2,095	2,095	105	4	2,196
Total held-to-maturity bonds	**6,981**	**(2)6,981**	**494**	**23**	**7,452**

	Audited				
	December 31, 2014				
			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	14,637	14,223	420	6	14,637
Of foreign governments	1,538	1,536	3	1	1,538
Of Israeli financial institutions	546	537	9	(9)-	546
Of foreign financial institutions	1,919	1,886	39	6	1,919
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	7,774	7,810	46	82	7,774
Of others in Israel*	759	747	18	6	759
Of others abroad(7)	109	110	(9)-	1	109
Total bonds	27,282	26,849	535	102	(2)27,282
Shares	1,681	1,737	8	64	(4)1,681
Total available-for-sale securities	**28,963**	**28,586**	**(3)543**	**(3)166**	**28,963**
* Of which: Bonds backed by State guarantees	308	307	2	1	308

For footnotes see next page.

2. SECURITIES – CONSOLIDATED (CONTINUED)

A. Composition (Continued)

	Audited				
	December 31, 2014				
	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	1,278	1,262	19	3	1,278
Of Israeli financial institutions	3	3	-	-	3
Of foreign financial institutions	5	5	-	-	5
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	60	60	(9)-	(9)-	60
Of others in Israel	50	50	(9)-	(9)-	50
Of others abroad	2	2	-	-	2
Total bonds	1,398	1,382	19	3	1,398
Shares	11	13	-	2	11
Total trading securities	**1,409**	**1,395**	**(5)19**	**(5)5**	**1,409**
Total securities(8)	**37,353**	**36,962**	**1,056**	**194**	**37,824**

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 buy-back terms from held to maturity portfolio at a reduced cost of NIS 848 million (approx. US$ 218 million) and from the available for sale portfolio with a market value of NIS 3,810 million (approx. US$ 980 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 765 million.

(5) Recorded in the statement of income.

(6) Including U.S. Government agencies and municipal bonds and bonds of states in the U.S.A, in an amount of NIS 2,026 million (book value).

(7) Including U.S. Government agencies, in an amount of NIS 67 million (book value).

(8) Excluding balances classified as assets and liabilities held for sale - see Note 18.

(9) An amount lower than NIS 1 million.

2. SECURITIES - CONSOLIDATED (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, 2015							
	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
Held-to-maturity bonds								
Bonds and loans:								
Of foreign financial institutions	-	-	-	-	35	1	-	1
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	453	5	-	5
Of others abroad	167	1	-	1	42	1	-	1
Total held-to-maturity bonds	**167**	**1**	**-**	**1**	**530**	**7**	**-**	**7**

	Unaudited							
	September 30, 2014							
	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
Held-to-maturity bonds								
Bonds and loans:								
Of foreign financial institutions	-	-	-	-	33	1	-	1
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	130	2	-	2	781	23	-	23
Of others abroad	16	(1)-	-	(1)-	509	10	-	10
Total held-to-maturity bonds	**146**	**2**	**-**	**2**	**1,323**	**34**	**-**	**34**

	Audited							
	December 31, 2014							
	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
Held-to-maturity bonds								
Bonds and loans:								
Of foreign financial institutions	-	-	-	-	35	1	-	1
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	129	1	-	1	803	17	-	17
Of others abroad	-	-	-	-	351	4	-	4
Total held-to-maturity bonds	**129**	**1**	**-**	**1**	**1,189**	**22**	**-**	**22**

Footnote:

(1) An amount lower than NIS 1 million.

2. SECURITIES - CONSOLIDATED (CONTINUED)

C. 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

	Unaudited							
	September 30, 2015							
	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	857	4	-	4	-	-	-	-
Of foreign governments	174	8	-	8	27	1	-	1
Of Israeli financial institutions	389	4	-	4	-	-	-	-
Of foreign financial institutions	527	12	-	12	145	9	-	9
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,555	6	-	6	1,054	18	-	18
Of others in Israel	160	4	-	4	-	-	-	-
Of others abroad	454	9	-	9	69	1	-	1
Total bonds	4,116	47	-	47	1,295	29	-	29
Shares	42	1	-	1	471	39	-	39
Total available-for-sale securities	**4,158**	**48**	**-**	**48**	**1,766**	**68**	**-**	**68**

	Unaudited							
	September 30, 2014							
	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	503	1	-	1	-	-	-	-
Of foreign governments	103	(1)-	-	(1)-	177	8	-	8
Of foreign financial institutions	288	2	-	2	233	4	-	4
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,577	8	-	8	3,239	112	-	112
Of others in Israel	108	1	-	1	-	-	-	-
Of others abroad	-	-	-	-	64	1	-	1
Total bonds	2,579	12	-	12	3,713	125	-	125
Shares	1,031	5	-	5	16	(1)-	-	(1)-
Total available-for-sale securities	**3,610**	**17**	**-**	**17**	**3,729**	**125**	**-**	**125**

For footnote see next page.

2. SECURITIES - CONSOLIDATED (CONTINUED)

C. 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, 2014							
	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	1,003	6	-	6	-	-	-	-
Of foreign governments	214	1	-	1	-	-	-	-
Of foreign financial institutions	228	2	-	2	171	4	-	4
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	757	5	-	5	3,165	77	-	77
Of others in Israel	300	6	-	6	-	-	-	-
Of others abroad	20	(1)-	-	(1)-	67	1	-	1
Total bonds	2,522	20	-	20	3,403	82	-	82
Shares	843	64	-	64	17	(1)-	-	(1)-
Total available-for-sale securities	**3,365**	**84**	**-**	**84**	**3,420**	**82**	**-**	**82**

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

D. The securities portfolio, as of September 30, 2015, includes investments in asset backed securities, primarily investment in mortgage - backed securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details regarding the terms "Mortgage-backed Securities - MBS", "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 3 to the financial statements as of December 31, 2014.

E. Most of the unrealized losses at September 30, 2015 are attributed to certain factors, including changes in market interest rate subsequent to acquisition, an increase in margins occurring in the credit market 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 consolidated companies estimates that it is not probable that they will be able to collect all the amounts owed to them, pursuant to the investment contracts. Since the Bank and the relevant consolidated subsidiaries have the ability and intent to hold on to securities with unrealized losses until a market price recovery (which for debt securities, might not be until maturity), the Bank and the relevant consolidated subsidiaries do not view the impairment in value of these investments to be other than temporarily impaired at September 30, 2015.

F. The securities portfolio of the Discount Group as at December 31, 2014, included a direct investment in bonds of the Federal Home Loan Bank (FHLB), Fannie Mae and Freddie Mac (hereinafter: "the Federal Agencies"), which were held by IDB New York, in an amount of US$25 million (NIS 97 million). The said bonds were redeemed in the course of the first quarter of 2015.

G. Fair value presentation. The balances of securities as of September 30, 2015, September 30, 2014 and December 31, 2014, include securities amounting to NIS 31,258 million, NIS 31,742 million and NIS 29,597 million, respectively, that are presented at fair value.

2. SECURITIES - CONSOLIDATED (CONTINUED)

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

	Unaudited			
	September 30, 2015			
	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				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	1,881	11	2	1,890
Securities issued by FHLMC and FNMA	814	11	(2)-	825
Total mortgage-backed pass-through securities	**2,695**	**22**	**2**	**2,715**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	4,101	33	19	4,115
Other mortgage-backed securities	20	-	2	18
Total available-for-sale other mortgage-backed securities	**4,121**	**33**	**21**	**4,133**
Total available-for-sale MBS securities	**6,816**	**55**	**23**	**6,848**
Held-to-maturity securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	38	3	-	41
Securities issued by FHLMC and FNMA	28	2	-	30
Total mortgage-backed pass-through securities	**66**	**5**	**-**	**71**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	982	7	5	984
Other mortgage-backed securities	41	6	-	47
Total held-to-maturity other mortgage-backed securities	**1,023**	**13**	**5**	**1,031**
Total held-to-maturity MBS securities	**1,089**	**18**	**5**	**1,102**
Trading securities				
A. Mortgage pass-through securities:				
Securities issued by FHLMC and FNMA	1	(2)-	-	1
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	65	1	(2)-	66
Total mortgage-backed trading securities (MBS)	**66**	**1**	**-**	**67**
Total mortgage-backed securities (MBS)	**7,971**	**74**	**28**	**8,017**
2. Asset-backed available-for-sale securities (ABS)				
Collaterized bonds CLO	393	-	1	392
Total asset-backed available-for-sale securities (ABS)	**393**	**-**	**1**	**392**
Total mortgage and asset-backed securities	**8,364**	**74**	**29**	**8,409**

Footnotes:

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

(2) Amount lower than NIS 1 million.

2. SECURITIES - CONSOLIDATED (CONTINUED)

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

	Unaudited			
	September 30, 2014			
	Amortized cost	Unrecognized gains from adjustment to fair value[1]	Unrecognized losses from adjustment to fair value[1]	Fair value
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	1,475	6	3	1,478
Securities issued by FHLMC and FNMA	1,912	15	29	1,898
Total mortgage-backed pass-through securities	**3,387**	**21**	**32**	**3,376**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	3,740	9	87	3,662
Other mortgage-backed securities	20	-	1	19
Total available-for-sale other mortgage-backed securities	**3,760**	**9**	**88**	**3,681**
Total available-for-sale MBS securities	**7,147**	**30**	**120**	**7,057**
Held-to-maturity securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	46	3	-	49
Securities issued by FHLMC and FNMA	35	3	-	38
Total mortgage-backed pass-through securities	**81**	**6**	**-**	**87**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	1,090	4	25	1,069
Other mortgage-backed securities	38	8	-	46
Total held-to-maturity other mortgage-backed securities	**1,128**	**12**	**25**	**1,115**
Total held-to-maturity MBS securities	**1,209**	**18**	**25**	**1,202**
Trading securities				
A. Mortgage pass-through securities:				
Securities issued by FHLMC and FNMA	1	[2]-	-	1
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	45	-	[2]-	45
Total mortgage-backed trading securities (MBS)	**46**	**-**	**-**	**46**
Total mortgage-backed securities (MBS)	**8,402**	**48**	**145**	**8,305**
2. Asset-backed available-for-sale securities (ABS)				
Collaterized bonds CLO	369	1	[2]-	370
Total asset-backed available-for-sale securities (ABS)	**369**	**1**	**[2]-**	**370**
Total mortgage and asset-backed securities	**8,771**	**49**	**145**	**8,675**

Footnotes:

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

(2) Amount lower than NIS 1 million.

2. SECURITIES – CONSOLIDATED (CONTINUED)

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

	Audited			
	December 31, 2014			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
Mortgage-backed securities (MBS):				
Available-for-sale securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	1,690	15	1	1,704
Securities issued by FHLMC and FNMA	1,950	22	13	1,959
Total mortgage-backed pass-through securities	**3,640**	**37**	**14**	**3,663**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	3,760	9	65	3,704
Other mortgage-backed securities	20	-	1	19
Total available-for-sale other mortgage-backed securities	**3,780**	**9**	**66**	**3,723**
Total available-for-sale MBS securities	**7,420**	**46**	**80**	**7,386**
Held-to-maturity securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	47	3	-	50
Securities issued by FHLMC and FNMA	35	3	-	38
Total mortgage-backed pass-through securities	**82**	**6**	**-**	**88**
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	1,103	3	18	1,088
Other mortgage-backed securities	40	8	-	48
Total held-to-maturity other mortgage-backed securities	**1,143**	**11**	**18**	**1,136**
Total held-to-maturity MBS securities	**1,225**	**17**	**18**	**1,224**
Trading securities				
A. Mortgage pass-through securities:				
Securities issued by FHLMC and FNMA	1	(2)-	-	1
B. Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	59	-	(2)-	59
Total mortgage-backed trading securities (MBS)	**60**	**-**	**(2)-**	**60**
Total mortgage-backed securities (MBS)	**8,705**	**63**	**98**	**8,670**
2. Asset-backed available-for-sale securities (ABS) and structured financial products:				
Bonds of the CLO type	390	-	2	388
Total asset-backed available-for-sale securities (ABS) and structured financial products	**390**	**-**	**2**	**388**
Total mortgage and asset-backed securities and structured financial products	**9,095**	**63**	**100**	**9,058**

Footnotes:

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

(2) Amount lower than NIS 1 million.

2. SECURITIES – CONSOLIDATED (CONTINUED)

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

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

	Unaudited			
	September 30, 2015			
	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	827	2	-	-
Securities issued by FHLMC and FNMA	86	(1)-	-	-
Total mortgage-backed pass-through securities	**913**	**2**	**-**	**-**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	349	2	1,035	17
Other MBS securities	-	-	19	2
Total other mortgage-backed securities	**349**	**2**	**1,054**	**19**
Total available-for-sale MBS securities	**1,262**	**4**	**1,054**	**19**
Held-to-maturity securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	-	-	447	5
Total other mortgage-backed securities	**-**	**-**	**447**	**5**
Total held-to-maturity MBS securities	**-**	**-**	**447**	**5**
Trading securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	17	(1)-	-	-
Total mortgage-backed trading securities (MBS)	**17**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**1,279**	**4**	**1,501**	**24**
2. Asset-backed available-for-sale securities (ABS)				
Collaterized bonds CLO	293	1	-	-
Total asset-backed available-for-sale securities (ABS)	**293**	**1**	**-**	**-**
Total mortgage and asset-backed securities	**1,572**	**5**	**1,501**	**24**

Footnote:

(1) Amount lower than NIS 1 million.

2. SECURITIES – CONSOLIDATED (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, 2014			
	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	709	3	53	(1)-
Securities issued by FHLMC and FNMA	190	1	809	28
Total mortgage backed pass through securities	**899**	**4**	**862**	**28**
B. Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	567	4	2,358	83
Other MBS securities	-	--	19	1
Total other mortgage backed securities	**567**	**4**	**2,377**	**84**
Total available-for-sale MBS securities	**1,466**	**8**	**3,239**	**112**
Held-to-maturity securities				
Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	127	2	758	23
Total other mortgage backed securities	**127**	**2**	**758**	**23**
Total held-to-maturity MBS securities	**127**	**2**	**758**	**23**
Trading securities				
Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	1	(1)-	24	(1)-
Total mortgage-backed trading securities (MBS)	**1**	**(1)-**	**24**	**(1)-**
Total mortgage-backed securities (MBS)	**1,594**	**10**	**4,021**	**135**
2. Asset-backed available-for-sale securities (ABS)				
Collaterized bonds CLO	111	(1)-	-	-
Total asset backed available-for-sale securities (ABS)	**111**	**(1)-**	**-**	**-**
Total mortgage and asset backed securities	**1,705**	**10**	**4,021**	**135**

Footnote:
(1) Amount lower than NIS 1 million.

2. SECURITIES - CONSOLIDATED (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, 2014			
	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	87	1	55	(1)-
Securities issued by FHLMC and FNMA	-	-	758	13
Total mortgage-backed pass through securities	**87**	**1**	**813**	**13**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	497	2	2,332	63
Other MBS securities	-	-	20	1
Total other mortgage-backed securities	**497**	**2**	**2,352**	**64**
Total available-for-sale MBS securities	**584**	**3**	**3,165**	**77**
Held-to-maturity securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	127	1	786	17
Total other mortgage-backed securities	**127**	**1**	**786**	**17**
Total held-to-maturity MBS securities	**127**	**1**	**786**	**17**
Trading securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	28	(1)-	14	(1)-
Total mortgage-backed trading securities (MBS)	**28**	**(1)-**	**14**	**(1)-**
Total mortgage-backed securities (MBS)	**739**	**4**	**3,965**	**94**
2.Asset-backed available-for-sale Securities (ABS)				
Collaterized bonds CLO	173	2	-	-
Total asset-backed available-for-sale securities (ABS)	**173**	**2**	**-**	**-**
Total mortgage and asset backed securities	**912**	**6**	**3,965**	**94**

Footnote:
(1) Amount lower than NIS 1 million

J. Information regarding impaired bonds - consolidated

	Unaudited		Audited
	September 30, 2015	September 30, 2014	December 31, 2014
	In NIS millions		
Recorded amount of non accruing interest income impaired bonds	25	186	20

3. 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 and securities borrowed or purchased under resale agreements.

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, 2015					
Balance of allowance for credit losses, as at June 30, 2015 (1)	1,588	172	403	2,163	3	2,166
Expenses (expenses reversal) for credit loss	63	3	19	85	(2)-	85
Accounting write-offs	(115)	-	(64)	(179)	-	(179)
Collection of debts written-off in previous years	73	(2)-	44	117	-	117
Net accounting write-offs	(42)	-	(20)	(62)	-	(62)
Financial statements translation adjustments	10	-	-	10	-	10
Balance of allowance for credit losses, as at September 30, 2015(1)	**1,619**	**175**	**402**	**2,196**	**3**	**2,199**
Of which: In respect of off-balance sheet credit instruments	152	1	34	187	-	187
	Three months ended September 30, 2014					
Balance of allowance for credit losses, as at June 30 2014 (1)	1,699	254	338	2,291	4	2,295
Expenses (expenses reversal) for credit loss	9	5	25	39	1	40
Accounting write-offs	(64)	(4)	(60)	(128)	-	(128)
Collection of debts written-off in previous years	80	-	46	126	-	126
Net accounting write-offs	16	(4)	(14)	(2)	-	(2)
Financial statements translation adjustments	16	-	-	16	-	16
Balance of allowance for credit losses, as at September 30, 2014(1)	**1,740**	**255**	**349**	**2,344**	**5**	**2,349**
Of which: In respect of off-balance sheet credit instruments	136	1	33	170	-	170

Footnotes:

(1) Excluding balance classified as assets and liabilities held for sale - see Note 18.

(2) An amount lower than NIS 1 million.

3. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

A. Debts and off-balance sheet credit instruments (continued)

1. Change in the balance of the allowance for credit losses – Consolidated (continued)

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	Nine months ended September 30, 2015					
Balance of allowance for credit losses, as at December 31, 2014 [(1)] (audited)	1,545	263	411	2,219	5	2,224
Expenses (expenses reversal) for credit loss	49	4	38	91	(2)	89
Accounting write-offs	(289)	(92)	(194)	(575)	-	(575)
Collection of debts written-off in previous years	312	-	147	459	-	459
Net accounting write-offs	23	(92)	(47)	(116)	-	(116)
Financial statements translation adjustments	2	-	-	2	-	2
Balance of allowance for credit losses, as at September 30, 2015[(1)]	**1,619**	**175**	**402**	**2,196**	**3**	**2,199**
Of which: In respect of off-balance sheet credit instruments	152	1	34	187	-	187
	Nine months ended September 30, 2014					
Balance of allowance for credit losses, as at December 31, 2013 [(1)] (audited)	1,709	255	354	2,318	3	2,321
Expenses (expenses reversal) for credit loss	30	6	42	78	2	80
Accounting write-offs	(400)	(6)	(195)	(601)	-	(601)
Collection of debts written-off in previous years	387	-	148	535	-	535
Net accounting write-offs	(13)	(6)	(47)	(66)	-	(66)
Financial statements translation adjustments	14	-	-	14	-	14
Balance of allowance for credit losses, as at September 30, 2014[(1)]	**1,740**	**255**	**349**	**2,344**	**5**	**2,349**
Of which: In respect of off-balance sheet credit instruments	136	1	33	170	-	170

Footnote:

(1) Excluding balance classified as assets and liabilities held for sale - see Note 18.

3. 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 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 30,2015					
Recorded amount of debts:						
Examined on a specific basis(2)	58,182	-	2,894	61,076	4,281	65,357
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	(3)212	21,340	-	21,552	-	21,552
Group - other	22,326	52	20,595	42,973	1,067	44,040
Total debts	**80,720**	**21,392**	**23,489**	**125,601**	**5,348**	**130,949**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis(2)	1,186	-	41	1,227	1	1,228
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	1	(1)174	-	175	-	175
Group - other	280	-	327	607	2	609
Total allowance for Credit Losses	**1,467**	**174**	**368**	**2,009**	**3**	**2,012**
	September 30,2014					
Recorded amount of debts:						
Examined on a specific basis(2)	60,269	-	4,561	64,830	5,692	70,522
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	(3)371	20,278	-	20,649	-	20,649
Group - other	18,994	11	16,664	35,669	1,763	37,432
Total debts	**79,634**	**20,289**	**21,225**	**121,148**	**7,455**	**128,603**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis(2)	1,346	-	62	1,408	1	1,409
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	2	(1)254	-	256	-	256
Group - other	256	-	254	510	4	514
Total allowance for Credit Losses	**1,604**	**254**	**316**	**2,174**	**5**	**2,179**

Footnotes:

(1) 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 (September 30, 2014 - NIS 21 million), and computed on a group basis in an amount of NIS 77 million (September 30, 2014 - NIS 73 million).

(2) Including credit examined on a specific basis and found un-impaired and the allowance in respect of which was calculated on a group basis.

(3) The balance of commercial debts includes housing loans in the amount of NIS 212 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, 2014 – an amount of NIS 371 million).

3. 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 debts and regarding the debts for which the allowance is computed – consolidated (continued)

	Audited					
	December 31,2014					
	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[2]	59,467	-	[3]3,057	62,524	5,849	68,373
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[4]331	20,361	-	20,692	-	20,692
Group - other	20,238	37	[3]18,681	38,956	1,647	40,603
Total debts	**80,036**	**20,398**	**21,738**	**122,172**	**7,496**	**129,668**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[2]	1,111	-	73	1,184	2	1,186
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	1	[1]260	-	261	-	261
Group - other	299	-	305	604	3	607
Total allowance for Credit Losses	**1,411**	**260**	**378**	**2,049**	**5**	**2,054**

Footnotes:

(1) 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 26 million, and computed on a group basis in an amount of NIS 73 million.

(2) Including credit examined on a specific basis and found un-impaired and the allowance in respect of which was calculated on a group basis.

(3) Reclassified - improvement of the classification to examine routs.

(4) The balance of commercial debts includes housing loans in the amount of NIS 331 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. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

B. Debts

1. Credit quality and arrears – consolidated

	Unaudited					
	September 30,2015					
		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	5,901	96	168	6,165	2	10
Construction and Real Estate - Real Estate Activity	8,152	271	331	8,754	2	8
Financial Services	5,138	129	89	5,356	1	-
Commercial - Other	36,480	382	1,943	38,805	20	47
Total Commercial	**55,671**	**878**	**2,531**	**59,080**	**25**	**65**
Private Individuals - Housing Loans	20,911	[5]368	-	21,279	328	78
Private Individuals - Other Loans	21,710	283	68	22,061	46	65
Total Public - Lending Activity in Israel	**98,292**	**1,529**	**2,599**	**102,420**	**399**	**208**
Banks in Israel	624	-	-	624	-	-
Government of Israel	472	-	-	472	-	-
Total Lending Activity in Israel	**99,388**	**1,529**	**2,599**	**103,516**	**399**	**208**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	6,697	70	259	7,026	-	-
Commercial - Other	14,197	260	157	14,614	-	7
Total Commercial	**20,894**	**330**	**416**	**21,640**	**-**	**7**
Private Individuals	1,531	5	5	1,541	5	3
Total Public - Lending Activity Outside of Israel	**22,425**	**335**	**421**	**23,181**	**5**	**10**
Foreign banks	4,233	-	-	4,233	-	-
Foreign governments	19	-	-	19	-	-
Total Lending Activity Outside of Israel	**26,677**	**335**	**421**	**27,433**	**5**	**10**
Total public	**120,717**	**1,864**	**3,020**	**125,601**	**404**	**218**
Total banks	**4,857**	**-**	**-**	**4,857**	**-**	**-**
Total governments	**491**	**-**	**-**	**491**	**-**	**-**
Total	**126,065**	**1,864**	**3,020**	**130,949**	**404**	**218**

For footnotes see page 195.

3. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

B. Debts (continued)

1. Credit quality and arrears – consolidated (continued)

	Unaudited					
	September 30,2014					
		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	5,511	87	240	5,838	6	8
Construction and Real Estate - Real Estate Activity	8,667	72	511	9,250	2	9
Financial Services	6,444	138	183	6,765	1	-
Commercial - Other	34,218	1,198	1,349	36,765	33	34
Total Commercial	**54,840**	**1,495**	**2,283**	**58,618**	**42**	**51**
Private Individuals - Housing Loans	19,756	[5]467	-	20,223	434	79
Private Individuals - Other Loans	19,594	227	85	19,906	45	59
Total Public - Lending Activity in Israel	**94,190**	**2,189**	**2,368**	**98,747**	**521**	**189**
Banks in Israel	501	-	-	501	-	-
Government of Israel	1,468	-	-	1,468	-	-
Total Lending Activity in Israel	**96,159**	**2,189**	**2,368**	**100,716**	**521**	**189**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	5,586	156	648	6,390	-	-
Commercial - Other	14,355	118	153	14,626	-	1
Total Commercial	**19,941**	**274**	**801**	**21,016**	**-**	**1**
Private Individuals	1,381	4	-	1,385	4	3
Total Public - Lending Activity Outside of Israel	**21,322**	**278**	**801**	**22,401**	**4**	**4**
Foreign banks	5,459	-	-	5,459	-	-
Foreign governments	27	-	-	27	-	-
Total Lending Activity Outside of Israel	**26,808**	**278**	**801**	**27,887**	**4**	**4**
Total public	**115,512**	**2,467**	**3,169**	**121,148**	**525**	**193**
Total banks	**5,960**	**-**	**-**	**5,960**	**-**	**-**
Total governments	**1,495**	**-**	**-**	**1,495**	**-**	**-**
Total	**122,967**	**2,467**	**3,169**	**128,603**	**525**	**193**

For footnotes see next page.

3. 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, 2014					
		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	5,404	95	109	5,608	7	8
Construction and Real Estate - Real Estate Activity	8,780	68	462	9,310	1	2
Financial Services	5,352	144	170	5,666	2	3
Commercial - Other	33,981	1,812	1,317	37,110	21	58
Total Commercial	**53,517**	**2,119**	**2,058**	**57,694**	**31**	**71**
Private Individuals - Housing Loans	19,850	[5]458	-	20,308	421	79
Private Individuals - Other Loans	20,009	258	83	20,350	47	75
Total Public - Lending Activity in Israel	**93,376**	**2,835**	**2,141**	**98,352**	**499**	**225**
Banks in Israel	604	-	-	604	-	-
Government of Israel	1,510	-	-	1,510	-	-
Total Lending Activity in Israel	**95,490**	**2,835**	**2,141**	**100,466**	**499**	**225**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	6,573	167	412	7,152	-	-
Commercial - Other	14,836	132	222	15,190	1	-
Total Commercial	**21,409**	**299**	**634**	**22,342**	**1**	**-**
Private Individuals	1,471	6	1	1,478	6	2
Total Public - Lending Activity Outside of Israel	**22,880**	**305**	**635**	**23,820**	**7**	**2**
Foreign banks	5,359	-	-	5,359	-	-
Foreign governments	23	-	-	23	-	-
Total Lending Activity Outside of Israel	**28,262**	**305**	**635**	**29,202**	**7**	**2**
Total public	**116,256**	**3,140**	**2,776**	**122,172**	**506**	**227**
Total banks	**5,963**	**-**	**-**	**5,963**	**-**	**-**
Total governments	**1,533**	**-**	**-**	**1,533**	**-**	**-**
Total	**123,752**	**3,140**	**2,776**	**129,668**	**506**	**227**

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 96 million are classified as unimpaired problematic debts (September 30, 2014 - NIS 94 million, December 31, 2014 - NIS 119 million).

(5) Including housing loans in amount of NIS 10 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, 2014 - NIS 10 million, December 31, 2014 - NIS 10 million).

3. 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, 2015				
	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	46	8	122	168	3,394
Construction and Real Estate - Real Estate Activity	124	14	207	331	1,560
Financial Services	79	11	10	89	429
Commercial - Other	1,285	372	658	1,943	5,455
Total Commercial	**1,534**	**405**	**997**	**2,531**	**10,838**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	21	8	47	68	451
Total Public - Lending Activity in Israel	**1,555**	**413**	**1,044**	**2,599**	**11,289**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**1,555**	**413**	**1,044**	**2,599**	**11,289**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	60	1	199	259	975
Commercial - Other	60	17	97	157	256
Total Commercial	**120**	**18**	**296**	**416**	**1,231**
Private Individuals			5	5	7
Total Public - Lending Activity Outside of Israel	**120**	**18**	**301**	**421**	**1,238**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**120**	**18**	**301**	**421**	**1,238**
Total public	**1,675**	**431**	**1,345**	**3,020**	**12,527**
Total banks	**-**	**-**	**-**	**-**	**-**
Total governments	**-**	**-**	**-**	**-**	**-**
Total	**1,675**	**431**	**1,345**	**3,020**	**12,527**
Of which:					
Measured according to present value of cash flows	714	243	270	984	
Debts under troubled debt restructurings	993	238	591	1,584	

For footnotes see page 198.

3. 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, 2014				
	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	163	80	77	240	3,463
Construction and Real Estate - Real Estate Activity	143	14	368	511	1,798
Financial Services	146	36	37	183	530
Commercial - Other	708	221	641	1,349	5,053
Total Commercial	**1,160**	**351**	**1,123**	**2,283**	**10,844**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	37	11	48	85	446
Total Public - Lending Activity in Israel	**1,197**	**362**	**1,171**	**2,368**	**11,290**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**1,197**	**362**	**1,171**	**2,368**	**11,290**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	532	105	116	648	1,134
Commercial - Other	63	25	90	153	303
Total Commercial	**595**	**130**	**206**	**801**	**1,437**
Private Individuals			-		
Total Public - Lending Activity Outside of Israel	**595**	**130**	**206**	**801**	**1,437**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**595**	**130**	**206**	**801**	**1,437**
Total public	**1,792**	**492**	**1,377**	**3,169**	**12,727**
Total banks	**-**	**-**	**-**	**-**	**-**
Total governments	**-**	**-**	**-**	**-**	**-**
Total	**1,792**	**492**	**1,377**	**3,169**	**12,727**
Of which:					
Measured according to present value of cash flows	799	243	561	1,360	
Debts under troubled debt restructurings	922	263	685	1,607	

For footnotes see next page.

3. 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, 2014				
	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	32	11	77	109	3,290
Construction and Real Estate - Real Estate Activity	144	21	318	462	1,752
Financial Services	116	26	54	170	516
Commercial - Other	609	215	708	1,317	4,932
Total Commercial	**901**	**273**	**1,157**	**2,058**	**10,490**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	28	7	[4]55	83	451
Total Public - Lending Activity in Israel	**929**	**280**	**1,212**	**2,141**	**10,941**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**929**	**280**	**1,212**	**2,141**	**10,941**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	30	3	382	412	959
Commercial - Other	130	24	92	222	487
Total Commercial	**160**	**27**	**474**	**634**	**1,446**
Private Individuals	1	[5]-	-	1	-
Total Public - Lending Activity Outside of Israel	**161**	**27**	**474**	**635**	**1,446**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**161**	**27**	**474**	**635**	**1,446**
Total public	**1,090**	**307**	**1,686**	**2,776**	**12,387**
Total banks	**-**	**-**	**-**	**-**	**-**
Total governments	**-**	**-**	**-**	**-**	**-**
Total	**1,090**	**307**	**1,686**	**2,776**	**12,387**
Of which:					
Measured according to present value of cash flows	719	257	[4]575	[4]1,294	
Debts under troubled debt restructurings	609	111	[4]699	[4]1,308	

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.

(4) Reclassified due to changes in the data of a subsidiary company.

(5) An amount lower than NIS 1 million.

3. 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, 2015			Nine months ended September 30, 2015		
	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	178	-	-	190	3	2
Construction and Real Estate - Real Estate Activity	346	6	2	422	6	6
Financial Services	89	-	-	116	3	3
Commercial - Other	2,006	3	3	2,110	16	8
Total Commercial	**2,619**	**9**	**5**	**2,838**	**28**	**19**
Private Individuals - Housing Loans	-	-	-	-	-	-
Private Individuals - Other Loans	81	-	-	92	1	1
Total Public - Lending Activity in Israel	**2,700**	**9**	**5**	**2,930**	**29**	**20**
Banks in Israel	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total Lending Activity in Israel	**2,700**	**9**	**5**	**2,930**	**29**	**20**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	265	-	-	436	2	1
Commercial - Other	147	-	-	171	1	-
Total Commercial	**412**	**-**	**-**	**607**	**3**	**1**
Private Individuals	9	-	-	9	-	-
Total Public - Lending Activity Outside of Israel	**421**	**-**	**-**	**616**	**3**	**1**
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total Lending Activity Outside of Israel	**421**	**-**	**-**	**616**	**3**	**1**
Total	**3,121**	**(3)9**	**5**	**3,546**	**(3)32**	**21**

For footnotes see next page.

3. 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					
	Three months ended September 30, 2014			Nine months ended September 30, 2014		
	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	239	1	1	288	3	2
Construction and Real Estate - Real Estate Activity	533	7	6	586	15	13
Financial Services	200	-	-	231	1	-
Commercial - Other	1,392	11	9	1,523	27	21
Total Commercial	**2,364**	**19**	**16**	**2,628**	**46**	**36**
Private Individuals - Housing Loans	-	-	-	-	-	-
Private Individuals - Other Loans	90	1	1	97	4	2
Total Public - Lending Activity in Israel	**2,454**	**20**	**17**	**2,725**	**50**	**38**
Banks in Israel	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total Lending Activity in Israel	**2,454**	**20**	**17**	**2,725**	**50**	**38**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	677	1	-	606	4	1
Commercial - Other	176	1	1	252	4	3
Total Commercial	**853**	**2**	**1**	**858**	**8**	**4**
Private Individuals	1	-	-	4	-	-
Total Public - Lending Activity Outside of Israel	**854**	**2**	**1**	**862**	**8**	**4**
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total Lending Activity Outside of Israel	**854**	**2**	**1**	**862**	**8**	**4**
Total	**3,308**	**(3)22**	**18**	**3,587**	**(3)58**	**42**

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 amount of NIS 44 million and NIS 117 million for the three and Nine months ended September 30, 2015 (NIS 45 million and NIS 128 million for the three and Nine months ended September 30, 2014), respectively.

3. 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, 2015				
	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	9	-	-	85	94
Construction and Real Estate - Real Estate Activity	114	-	-	74	188
Financial Services	8	-	-	2	10
Commercial - Other	963	-	2	225	1,190
Total Commercial	**1,094**	**-**	**2**	**386**	**1,482**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	18	-	-	32	50
Total Public - Lending Activity in Israel	**1,112**	**-**	**2**	**418**	**1,532**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**1,112**	**-**	**2**	**418**	**1,532**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	-	-	-	12	12
Commercial - Other	7	-	25	8	40
Total Commercial	**7**	**-**	**25**	**20**	**52**
Private Individuals	-	-	-	-	-
Total Public - Lending Activity Outside of Israel	**7**	**-**	**25**	**20**	**52**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**7**	**-**	**25**	**20**	**52**
Total	**1,119**	**-**	**27**	**438**	**1,584**

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, 2015, to NIS 44 million (September 30, 2014 – NIS 73 million; December 31, 2014 – NIS 67 million).

3. 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, 2014				
	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	142	-	-	16	158
Construction and Real Estate - Real Estate Activity	295	-	-	19	314
Financial Services	39	-	-	20	59
Commercial - Other	529	3	1	112	645
Total Commercial	**1,005**	**3**	**1**	**167**	**1,176**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	29	-	-	35	64
Total Public - Lending Activity in Israel	**1,034**	**3**	**1**	**202**	**1,240**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**1,034**	**3**	**1**	**202**	**1,240**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	292	-	12	34	338
Commercial - Other	8	20	-	1	29
Total Commercial	**300**	**20**	**12**	**35**	**367**
Private Individuals	-	-	-	-	-
Total Public - Lending Activity Outside of Israel	**300**	**20**	**12**	**35**	**367**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**300**	**20**	**12**	**35**	**367**
Total	**1,334**	**23**	**13**	**237**	**1,607**

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

3. 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, 2014				
	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	-	-	15	36
Construction and Real Estate - Real Estate Activity	228	-	-	27	255
Financial Services	29	-	-	21	50
Commercial - Other	524	-	1	140	665
Total Commercial	**802**	**-**	**1**	**203**	**1,006**
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	29	-	-	34	63
Total Public - Lending Activity in Israel	**831**	**-**	**1**	**237**	**1,069**
Banks in Israel	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total Lending Activity in Israel	**831**	**-**	**1**	**237**	**1,069**
Lending Activity Outside of Israel					
Public - Commercial					
Construction and Real Estate	95	-	-	41	136
Commercial - Other	69	21	-	9	99
Total Commercial	**164**	**21**	**-**	**50**	**235**
Private Individuals	-	-	-	-	-
Total Public - Lending Activity Outside of Israel	**164**	**21**	**-**	**50**	**235**
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total Lending Activity Outside of Israel	**164**	**21**	**-**	**50**	**235**
Total	**995**	**21**	**1**	**287**	**1,304**

Footnotes:
(1) Accruing interest income.
(2) Included in impaired debts.

3. 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, 2015			Nine months ended September 30, 2015		
	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	15	1	1	54	7	3
Construction and Real Estate - Real Estate Activity	2	8	8	6	15	15
Financial Services	-	-	-	1	(1)-	(1)-
Commercial - Other	76	81	80	279	619	617
Total Commercial	**93**	**90**	**89**	**340**	**641**	**635**
Private Individuals - Housing Loans	-	-	-	-	-	-
Private Individuals - Other Loans	585	10	10	1,813	30	29
Total Public - Lending Activity in Israel	**678**	**100**	**99**	**2,153**	**671**	**664**
Banks in Israel	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total Lending Activity in Israel	**678**	**100**	**99**	**2,153**	**671**	**664**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	-	-	-	-	-	-
Commercial - Other	1	25	25	1	25	25
Total Commercial	**1**	**25**	**25**	**1**	**25**	**25**
Private Individuals	-	-	-	2	(1)-	(1)-
Total Public - Lending Activity Outside of Israel	**1**	**25**	**25**	**3**	**25**	**25**
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total Lending Activity Outside of Israel	**1**	**25**	**25**	**3**	**25**	**25**
Total	**679**	**125**	**124**	**2,156**	**696**	**689**

Footnote:

(1) An amount lower than NIS 1 million.

3. 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, 2014			Nine months ended September 30, 2014		
	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	14	1	1	70	7	4
Construction and Real Estate - Real Estate Activity	-	-	-	9	86	86
Financial Services	3	(1)-	(1)-	10	1	1
Commercial - Other	105	19	18	365	110	107
Total Commercial	**122**	**20**	**19**	**454**	**204**	**198**
Private Individuals - Housing Loans	-	-	-	-	-	-
Private Individuals - Other Loans	649	10	10	2,028	33	32
Total Public - Lending Activity in Israel	**771**	**30**	**29**	**2,482**	**237**	**230**
Banks in Israel	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total Lending Activity in Israel	**771**	**30**	**29**	**2,482**	**237**	**230**
Lending Activity Outside of Israel						
Public - Commercial						
Construction and Real Estate	-	-	-	2	293	293
Commercial - Other	2	7	7	4	8	8
Total Commercial	**2**	**7**	**7**	**6**	**301**	**301**
Private Individuals	1	(1)-	(1)-	1	(1)-	(1)-
Total Public - Lending Activity Outside of Israel	**3**	**7**	**7**	**7**	**301**	**301**
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total Lending Activity Outside of Israel	**3**	**7**	**7**	**7**	**301**	**301**
Total	**774**	**37**	**36**	**2,489**	**538**	**531**

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

3. 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, 2015		Nine months ended September 30, 2015	
	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	4	[2]-	9	[2]-
Construction and Real Estate - Real Estate Activity	-	-	-	-
Financial Services	1	[2]-	1	[2]-
Commercial - Other	32	4	80	17
Total Commercial	**37**	**4**	**90**	**17**
Private Individuals - Housing Loans	-	-	-	-
Private Individuals - Other	351	2	987	7
Total Public - Activity in Israel	**388**	**6**	**1,077**	**24**
Banks in Israel	-	-	-	-
Government of Israel	-	-	-	-
Total Activity in Israel	**388**	**6**	**1,077**	**24**
Lending Activity Outside of Israel				
Public - Commercial				
Construction and Real Estate	-	-	-	-
Commercial - Other	-	-	-	-
Total Commercial	**-**	**-**	**-**	**-**
Private Individuals	-	-	-	-
Total Public - Activity Outside of Israel	**-**	**-**	**-**	**-**
Foreign banks	-	-	-	-
Foreign governments	-	-	-	-
Total Activity Outside of Israel	**-**	**-**	**-**	**-**
Total	**388**	**6**	**1,077**	**24**

Footnotes:

(1) Debts, which in the reported period 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 arrears.

(2) An amount lower than NIS 1 million.

3. 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, 2014		Nine months ended September 30, 2014	
	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	3	[2]-	9	[2]-
Construction and Real Estate - Real Estate Activity	-	-	1	[2]-
Financial Services	1	[2]-	1	[2]-
Commercial - Other	29	5	82	8
Total Commercial	**33**	**5**	**93**	**8**
Private Individuals - Housing Loans	-	-	-	-
Private Individuals - Other	319	2	1,253	7
Total Public - Activity in Israel	**352**	**7**	**1,346**	**15**
Banks in Israel	-	-	-	-
Government of Israel	-	-	-	-
Total Activity in Israel	**352**	**7**	**1,346**	**15**
Lending Activity Outside of Israel				
Construction and Real Estate	1	138	1	138
Commercial - Other	-	-	-	-
Total Commercial	**1**	**138**	**1**	**138**
Private Individuals	-	-	-	-
Total Public - Activity Outside of Israel	**1**	**138**	**1**	**138**
Foreign banks	-	-	-	-
Foreign governments	**-**	**-**	**-**	**-**
Total Activity Outside of Israel	**1**	**138**	**1**	**138**
Total	**353**	**145**	**1,347**	**153**

Footnotes:

(1) Debts, which in the reported period 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 arrears.

(2) An amount lower than NIS 1 million.

3. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

B. Debts (continued)

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.

(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.

(B) Indication of credit quality

	September 30, 2015				December 31, 2014			
		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	94.8%	98.3%	98.5%	96.1%	93.6%	97.7%	98.4%	95.1%
Ratio of the balance of problematic unimpaired credit to the public to the balance of credit to the public	1.5%	1.7%	1.2%	1.5%	3.0%	2.3%	1.2%	2.6%
Ratio of the balance of impaired credit to the public to the balance of credit to the public	3.7%	-	0.3%	2.4%	3.4%	-	0.4%	2.3%
Ratio of the balance of allowance to credit losses in respect of credit to the public to the balance of credit to the public	1.8%	0.8%	1.6%	1.6%	1.8%	1.3%	1.7%	1.7%
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)	32.6%	46.8%	101.9%	38.5%	24.3%	56.0%	109.5%	30.9%

3. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

B. Debts (continued)

3. Additional disclosure regarding the quality of credit (continued)

The period in arrears of debt 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 examined on a specific basis is classified as impaired when payments of principal or interest in respect thereof are in arrears of ninety days or over, except where the debt is well secured and is in the process of collection.

A principal indication for the quality of the Bank's credit portfolio is the ratio of problematic debts at the Bank. During the first nine months of 2015, the rate of performing credit to the public increased, stemming mainly from the commercial sector. This increase was accompanied by a decline in unimpaired problematic credit.

4. Additional information regarding housing loans - consolidated

Balances for the period 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, 2015			
First degree pledge: financing ratio	Up to 60%	13,295	277	8,478	95
	Over 60%	7,256	64	4,872	44
Second degree pledge or without pledge		841	26	387	1,262
Total		**(3)21,392**	**367**	**13,737**	**1,401**
		Unaudited			
		September 30, 2014			
First degree pledge: financing ratio	Up to 60%	12,024	288	8,164	313
	Over 60%	7,627	77	5,337	40
Second degree pledge or without pledge		638	20	340	1,191
Total		**(3)(4)20,289**	**385**	**13,841**	**1,544**
		Audited			
		December 31,2014			
First degree pledge: financing ratio	Up to 60%	12,192	(2)288	8,198	331
	Over 60%	7,545	(2)71	5,251	49
Second degree pledge or without pledge		661	22	342	1,425
Total		**(3)(4)20,398**	**381**	**13,791**	**1,805**

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) Reclassified due to changes in the data of a subsidiary company.

(3) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 212 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, 2014 - NIS 371 million, December 31, 2014 - NIS 331 million).

(4) Reclassified – eliminating the balance of commercial debts, as detailed in footnote 3 above.

3. CREDIT RISK, CREDIT TO THE PUBLIC AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

C. Information regarding the purchase and sale of debts - consolidated

Following are details regarding the consideration paid or received for the purchase or sale of loans:

	Unaudited					
	Credit to the public			Credit to the public		
	Commercial	Credit to banks and governments	Total	Commercial	Credit to banks and governments	Total
	In NIS millions					
	For the three months ended September 30, 2015			For the three months ended September 30, 2014		
Loans acquired	333	130	463	114	42	156
Loans sold	40	-	40	5	-	5
	For the nine months ended September 30, 2015			For the nine months ended September 30, 2014		
Loans acquired	584	174	758	296	80	376
Loans sold	742	181	923	5	-	5

For details regarding net profits (losses) on the sale of loans, see Note 12 below.

4. DEPOSITS FROM THE PUBLIC

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

	Unaudited		Audited
	Consolidated		
	September 30		December 31
	2015	2014	2014
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	30,400	19,692	22,552
Interest bearing	25,035	19,075	21,772
Total demand deposits	**55,435**	**38,767**	**44,324**
Time deposits	73,424	82,704	83,153
Total deposits in Israel*	**128,859**	**121,471**	**127,477**
* Of which:			
Private individuals deposits	80,031	75,447	76,948
Institutional bodies deposits	4,371	5,536	7,122
Corporations and others deposits	44,457	40,488	43,407
Outside Israel (1)			
Demand deposits:			
Non-interest bearing	3,954	4,697	4,993
Interest bearing	12,902	12,473	13,572
Total demand deposits	**16,856**	**17,170**	**18,565**
Time deposits	6,819	6,764	6,861
Total deposits outside Israel	**23,675**	**23,934**	**25,426**
Total deposits from the public	**152,534**	**145,405**	**152,903**

Note:
(1) Not including balances classified as assets and liabilities held for sale, see Note 18.

4. DEPOSITS FROM THE PUBLIC (CONTINUED)

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

	Unaudited		Audited
	September 30		December 31
	2015	2014[1]	2014
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	60,223	57,018	58,183
Over 1 up to 10	45,842	43,367	44,764
Over 10 up to 100	22,060	22,253	23,299
Over 100 up to 500	16,643	14,796	15,390
Over 500	7,766	7,971	11,267
Total	**152,534**	**145,405**	**152,903**

Note:
(1) Reclassified, due to changes in the data of a subsidiary company.

5. CAPITAL ADEQUACY, LIQUIDITY AND LEVERAGE IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS

1. Capital adequacy according to Directives of the Supervisor of Banks - Computed according to Proper Conduct of Banking Business Directives Nos. 201-211 in the matter of "measurement and capital adequacy".

a. Adoption of Basel III instructions. On June 3, 2013, the Supervisor of Banks issued amendments to Proper Conduct of Banking Business Directives, in order to modify them to the Basel III guidelines. The said amendments gradually entered into effect beginning with January 1, 2014, in accordance with the transitional instructions determined in Proper Conduct of Banking Business Directive No. 299 regarding "measurement and capital adequacy – the regulatory capital – transitional instructions". The data presented below reflects deductions, in accordance with the transitional instructions. Among other things, the Directives state more stringent requirements with respect to the components qualified for inclusion in regulatory capital and regulatory adjustments (deductions from capital).

According to the instructions, starting with January 1, 2015, the minimum total capital ratio, which the Bank is required to attain, is 12.5% (for details regarding the required addition in respect of housing loans, see below).

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

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 by a rate which expresses 1% of the outstanding housing loans. This requirement is to be applied gradually in equal quarterly installments, over eight consecutive quarters, starting on April 1, 2015 and until January 1, 2017.

The said requirement will increase the total minimum equity capital requirement and the total capital by approx. 0.15% (for the whole period).

c. Implementation of the instructions regarding employee rights. It is noted that the Supervisor of Banks has stated in the transitional instructions that it is not required to restate the capital adequacy data for prior periods, with respect to the adoption of U.S. GAAP in the matter of employee benefits (see note 1 E 1 above). Accordingly, the comparative data presented below has not been restated.

5. CAPITAL ADEQUACY, LIQUIDITY AND LEVERAGE IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS (CONTINUED)

d. Capital for calculating ratio of capital - consolidated

	Unaudited		Audited
	September 30,		December 31,
	2015	2014	2014
	in NIS millions		
Common equity tier 1 after deductions	13,660	(5)13,140	(5)13,284
Additional tier 1 capital after deductions	1,247	1,425	1,425
Tier 1 capital	14,907	14,565	14,709
Tier 2 capital	5,819	(5)6,373	(5)6,285
Total capital	**20,726**	**20,938**	**20,994**

e. Weighted risk assets balance - consolidated

	Unaudited		Audited
	September 30,		December 31,
	2015	2014	2014
	in NIS millions		
Credit risk	127,497	(5)125,326	(5)125,516
Market Risk	2,963	2,820	2,629
CVA risk	941	1,383	1,200
Operational risk	12,401	12,279	12,345
Total weighted risk assets balance	**143,802**	**141,808**	**141,690**

For footnotes to the table, see next page.

5. CAPITAL ADEQUACY, LIQUIDITY AND LEVERAGE IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS (CONTINUED)

f. Ratio of capital to risk assets

	Unaudited		Audited
	September 30,		December 31,
	2015	2014	2014
	In %		
A. The Bank			
Ratio of common equity tier 1 to risk assets	9.5	9.3	9.4
Ratio of tier 1 capital to risk assets	10.4	10.3	10.4
Ratio of total capital to risk assets	14.4	14.8	(5)14.8
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	(4)9.0	9.0	9.0
Minimum total capital adequacy ratio required by the Supervisor of Banks	(4)12.5	12.5	12.5
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	10.6	(5)10.8	(5)10.6
Ratio of tier 1 capital to risk assets	10.6	(5)10.8	(5)10.6
Ratio of total capital to risk assets	14.0	(5)14.7	(5)14.5
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	(4)9.0	9.0	9.0
Minimum total capital adequacy ratio required by the Supervisor of Banks	(4)12.5	12.5	12.5
2. Discount Bakcorp Inc. (1)			
Ratio of common equity tier 1 to risk assets	12.1	--	--
Ratio of tier 1 capital to risk assets	12.1	12.5	11.9
Ratio of total capital to risk assets	13.1	13.5	12.9
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	(2)4.5	-	-
Minimum total capital adequacy ratio required by the Supervisor of Banks	(2)8.0	(2)8.0	(2)8.0
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	14.7	(5)14.0	(5)13.9
Ratio of tier 1 capital to risk assets	14.7	(5)14.0	(5)13.9
Ratio of total capital to risk assets	16.6	(5)16.1	(5)16.0
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	9.0	9.0	9.0
Minimum total capital adequacy ratio required by the Supervisor of Banks	(3)12.5	(3)12.5	(3)12.5

Footnotes:

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

(2) Beginning on January 1, 2015, IDB Bank became subject to new Basle III capital rules based on the final rules published by the FRB. Capital ratios as of January 1, 2015 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 view of the approach by the Supervisor of Banks, ICC is required to maintain a total capital ratio of not less than 15%, starting from December 31, 2010.

(4) With an addition of 0.04%, in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.

(5) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2.

5. CAPITAL ADEQUACY, LIQUIDITY AND LEVERAGE IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS (CONTINUED)

g. The effect of the transitional instructions on the ratio of common equity tier 1

	Unaudited		Audited
	September 30,		December 31,
	2015	2014	2014
		In %	
Ratio of common equity tier 1 to risk assets before implementation of the effect of the provisional instructions in directive No.299.	9.2	(1)(3)8.1	(1)(3)8.4
Effect of the provisional instructions	0.3	(2)1.2	(2)1.0
Ratio of common equity tier 1 to risk assets after implementation of the effect of the provisional instructions in directive No.299.	**9.5**	**(3)9.3**	**(3)9.4**

Footnotes:

(1) Including the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights. The comparative data have been restated in order to reflect these guidelines.

(2) Reclassified in order to include the effect of the transitional instructions regarding employees rights

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2.

2. Liquidity coverage ratio according to Directives of the Supervisor of Banks[1] - Computed according to Proper Conduct of Banking Business Directive No. 221 in the matter of liquidity coverage ratio.

General. Commencing from the report for the second quarter of 2015, banking corporations in Israel are required to include in their reports a disclosure regarding the liquidity coverage ratio. Concurrently, Proper Conduct of Banking Business Directive No. 221, regarding "Liquidity Coverage Ratio", entered into effect on April 1, 2015. in accordance with the directive, the minimum requirement stands at 60%, and will increase to 80% on January 1, 2016 and to 100% on January 1, 2017. The Supervisor of Banks states in the transitional instructions that it is expected that a banking corporation, which has attained a liquidity coverage ratio of 100% already at date of the implementation of the instruction, shall not fall from that ratio during the transition period.

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 IDB (Swiss) Bank and ICC, where the computation is based on the average of monthly observations).

	Unaudited
	For the three months ended September 30,
	2015
	In %
A. Consolidated[3]	
Liquidity coverage ratio	131.5
Liquidity coverage ratio required by the Supervisor of Banks	60.0
B. The Bank	
Liquidity coverage ratio	157.1
Liquidity coverage ratio required by the Supervisor of Banks	60.0
C. Significant subsidiaries[2]	
1. Mercantile Discount Bank LTD. and its consolidated companies	
Liquidity coverage ratio	120.0
Liquidity coverage ratio required by the Supervisor of Banks	60.0

Footnotes:

(1) The data is presented according to the new instruction, in effect as from April 1, 2015, and therefore no comparative data is presented.

(2) The new directive does not apply to credit card companies and thus data relating to ICC are not presented.

(3) The data do not include data relating to DBLA in light of the agreement for the sale of its activity, see Note 18.

5. CAPITAL ADEQUACY, LIQUIDITY AND LEVERAGE IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS (CONTINUED)

3. Leverage ratio according to Directives of the Supervisor of Banks[1] - Computed according to Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio.

General. In accordance with an amendment to the Reporting to the Public Directives, commencing from the report for the second quarter of 2015, banking corporations and credit card companies in Israel are required to include in their reports a disclosure regarding the leverage ratio. Concurrently, Proper Conduct of Banking Business Directive No. 218, regarding "Leverage Ratio", entered into effect on April 1, 2015. The Directive takes effect on January 1, 2018. Notwithstanding the above, a banking corporation, which on date of publication of the Directive matched the minimum leverage ratio, shall not fall below the minimum determined by the Directive.

	Unaudited
	September 30, 2015
	in NIS millions
A. Consolidated	
Tier 1 capital	14,907
Total exposures	226,843
	In %
Leverage ratio	6.6
Leverage ratio required by the Supervisor of Banks	5.0
B. Significant subsidiaries	
1. Mercantile Discount Bank LTD. and its consolidated companies	
Leverage ratio	6.7
Leverage ratio required by the Supervisor of Banks	5.0
2. Discount Bakcorp Inc.	
Leverage ratio	8.6
Leverage ratio required by the Supervisor of Banks[2]	4.0
3. Israel Credit Cards LTD.	
Leverage ratio	10.0
Leverage ratio required by the Supervisor of Banks	5.0

Footnote:
(1) The data is presented according to the new instruction, in effect as from April 1, 2015, and therefore no comparative data is presented.

6. EMPLOYEE BENEFITS - CONSOLIDATED

A. General

The data for December 31, 2014 that are presented in this Note have been restated in respect of retroactive implementation of the Supervisor of Banks' guidelines regarding employee rights (see Note 1 E (1) above).

Following is a description of the main benefits granted to employees of the group:

(1) The liability of the Bank and its subsidiaries for severance pay to their employees, based on the customary one month's salary for each year of employment, is fully covered by deposits with severance pay funds, by insurance policies and pension funds and by a provision recorded in the Bank`s books.

(2) Members of the Bank's Management are entitled to the customary severance payments, while several of whom are entitled also to an "adjustment" bonus of between 4 to 8 months' salary upon retirement, pursuant to individual agreements signed with them, and in respect of which adequate provisions have been included. The pension liability of foreign subsidiaries, based on actuarial computations, is covered by current deposits into a recognized foreign pension fund.

6. EMPLOYEE BENEFITS - CONSOLIDATED (CONTINUED)

(3) In certain consolidated banking subsidiaries, several officers are entitled to "adjustment" bonus" equal to 6 to 9 months' salaries, and in respect of which adequate provisions have been included.

(4) The Bank and its subsidiaries are not permitted to withdraw these deposits except for the purpose of making severance payments.

(5) A number of the Bank's employees and those of its consolidated banking subsidiaries in Israel are entitled to long-service bonuses equal to a certain number of monthly salaries, and to a certain number of additional vacation days, upon completing 20, 30 and 40 years of employment in the Bank. In accordance with instructions of the Supervisor of Banks the provision in respect of this liability is computed on an actuarial basis and stated at its present value. The future payroll increase used to compute the amount of the liabilities for employee rights, in respect of the Bank's employees, is 1.8% per year.

An agreement with the representatives of the employees was signed in 2007, regarding the "Jubilee vacation" days, according to which, among other things, the entitlement of new employees to "Jubilee vacation" was abolished. In 2011, the Bank signed with the representative committee of the employees a "grades and stages" agreement, according to which, among other things, new employees engaged or moved to the position of regular employees as from January 1, 2012, shall not be entitled to a "jubilee award".

(6) Employees of the Bank and its consolidated subsidiaries in Israel are entitled to annual vacation as provided by labor agreements in force, and subject to the guidelines of the Annual Vacation Law - 1951. The liability for vacation pay is recognized over the period of employment in which the right to paid vacation accumulates. The liability is determined on the basis of the most recent salary in the reporting period with the addition of related payments.

(7) Employees of the Bank and its subsidiaries are entitled to certain benefits after retirement. The said liability is computed on an actuarial basis and is recognized over the period of employment of the employee. In addition, some of the employees who accepted early retirement exchanged their retirement award with a pension for a determined period. This liability is presented at its discounted value.

It should be noted that the agreement "Grades and stages" signed in 2011, reduced the benefits granted to retirees of the Bank who were engaged as or converted to the status of regular employees, subsequently to January 1, 2012. These benefits match now the terms applying to employees under this agreement, and consist of presents for the holidays and medical expenses.

(8) Several of the subsidiaries have adopted employee remuneration plans, according to which the General Managers and/or other employees of these subsidiaries are entitled to a bonus, the amount of which is based upon their business results. The necessary provisions in respect of these bonuses are included in the financial statements.

(9) 2011 retirement plan. 124 employees from among the retirees within the framework of the 2011 retirement plan, have elected the monthly pension option.

The terms of the monthly pension are as follows:

- A CPI-linked monthly pension for the entire lifetime of the retiree, from the date of his/her retirement;
- The monthly pension amounts are determined on the retirement date in accordance with an economic computation performed by the Bank, which derives from the amount of the balance in the severance pay fund that was converted to the pension;
- The employee can opt for a pension track with or without next of kin.
- The employee is given the option of choosing a guaranteed number of pension payments, based on his/her age.

In respect of pension payable to the retiree and/or his/her spouse upon reaching the age of 85 years (all according to the route chosen by the retiree), the Bank has purchased insurance coverage that would secure the payment of the said pension and which will be paid directly by the insurance company.

(10) 2014 retirement plan. A part of the retirees under the 2014 retirement plan, have elected the monthly pension option covering the life of the retiree and/or his/her spouse, or the option combining a monthly pension with a one-off capital payment.

With respect to pension payments due to a retiree who was sixty years of age or over at retirement date, or upon reaching the age of sixty, the Bank had purchased (or will purchase when the employee reaches the age of sixty) an insurance coverage that ensures the payment of the said pension, which would be payable directly by the insurance company. Pension payments due until the retiree reaches the age of sixty, are payable directly by the Bank.

6. EMPLOYEE BENEFITS – CONSOLIDATED (CONTINUED)

The terms of the monthly pension are as follows:

- A monthly pension for the life of the retiree since date of retirement, linked to the CPI until the employee reaches sixty years of age, and linked to the terms of the policy after the age of sixty;
- The employee may elect a pension option with or without payment to kinsmen;
- The employee may elect a pension option with or without ensuring a minimum pension payment for 240 months, with the addition of the number of months up to the age of sixty (for employees who have not yet reached the age of sixty at retirement date).

The capital payment, the pension payments by the Bank and the cost of the purchased insurance policy, are limited to the amount that would have been paid to the retiree had he elected the full capital payment option.

(11) IDB New York has a liability for the payment of pensions to its employees, in respect of which it has established a pension fund, in which contributions by the employer and by the employees are deposited. The annual deposits with the fund are based on calculations made by an independent actuary.

Note 16 to the financial statements as of December 31, 2014, contained details regarding remuneration plans for officers at the Bank. Note 22 F-H to the financial statements as of December 31, 2014, presented details regarding remuneration plans for the Chairman of the Board and for the President & CEO.

B. Details regarding the benefits

	Unaudited	
	September 30	December 31
	2015	2014
	in NIS millions	
Amount that included in the other liabilities item:		
Severance pay		
The liability amount	3,424	3,464
Fair value of the program's assets	2,349	2,393
Excess liabilities	**1,075**	**1,071**
Long-service ("jubilee") awards	444	487
Post retirement benefits to retirees	771	808
Vacation	154	163
Illness	7	-
Total Excess liabilities included in the other liabilities item	**2,451**	**2,529**
Of which – in respect of benefits to employees abroad	145	125

6. EMPLOYEE BENEFITS – CONSOLIDATED (CONTINUED)

C. Defined benefit plan

1. Commitment and financing status

1.1 Change in commitment in respect of anticipated benefits

	Unaudited			
	For the period ended on			
	September 30 2015	December 31 2014	September 30 2015	December 31 2014
	Severance pay, retirement and pension		Post retirement retiree benefits	
	in NIS millions			
Commitment in respect of anticipated benefits at the beginning of the period	3,464	3,422	808	750
Cost of service	105	162	2	29
Cost of interest	92	134	24	35
Actuarial loss (income)	(96)	9	(38)	24
Changes in foreign currency exchange rates	2	19	-	4
Benefits paid	(143)	(700)	(25)	(33)
Reductions, settlements, special and contractual benefits in respect of dismissals including structural changes	-	418	-	(1)
Commitment at the end of the year in respect of anticipated benefits	**3,424**	**3,464**	**771**	**808**
Commitment at the end of the year in respect of accumulated benefits(1)	**2,786**	**2,846**	**767**	**805**

Footnote:

(1) The obligation in respect of a cumulative benefit differs from the obligation in respect of a contractual benefit in that it does not include any assumptions with regard to the future remuneration levels.

1.2 Fair value of the plan's assets and financing status of the plan (continued)

	Unaudited	
	September 30 2015	December 31 2014
	Severance pay, retirement and pension	
	in NIS millions	
Fair value of the program's assets at the end of the year (2)	**2,349**	**2,393**
Financing status - liability, net, recognized at the end of the period(1)	**1,075**	**1,071**

Footnotes:

(1) Included in the item "other liabilities"

(2) The actual return on the program's assets amounted to NIS 4 million (in 2014: NIS 116 million).

1.3 Amounts recognized in accumulated other comprehensive income, before tax effect

	Unaudited			
	September 30 2015	December 31 2014	September 30 2015	December 31 2014
	Severance pay, retirement and pension		Post retirement retiree benefits	
	in NIS millions			
Actuarial income (loss), net	(272)	5	(120)	(31)
Net liability in respect of the transition(1)	(125)	(420)	(10)	(141)
Net cost (credit) in respect of prior service	(2)	(3)	7	8
Closing balances of accumulated other comprehensive income	**(399)**	**(418)**	**(123)**	**(164)**

Footnote:

(1) Stems from the change in the discount rate in calculating the provisions in respect of employee rights, See Note 1 E (1).

6. EMPLOYEE BENEFITS - CONSOLIDATED (CONTINUED)

C. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.4 Plans in which the commitment in respect of cumulative benefits and anticipated benefits exceeds the plan's assets

	Unaudited	
	September 30	December 31
	2015	2014
	Severance pay, retirement and pension	
	in NIS millions	
Commitment in respect of anticipated benefits	3,424	3,464
Commitment in respect of cumulative benefits	2,786	2,846
Fair value of the program's assets	2,349	2,393

2. Expense for the period

2.1 Components of net benefit costs recognized in the statement of income in respect of defined benefits pension plans and defined deposits

	Unaudited				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December, 31
	2015	2014	2015	2014	2014
	in NIS millions				
Severance pay, retirement and pension payments					
Cost of service	38	42	105	122	162
Cost of interest	30	55	92	101	134
Anticipated return on assets of the plan	(36)	(49)	(88)	(121)	(116)
Amortization of unrecognized amounts:					
Net actuarial (income) loss	4	3	6	2	(3)
Cost of prior service	1	1	1	1	1
Total amortization of unrecognized amounts	**5**	**4**	**7**	**3**	**(2)**
Other, including loss from reduction or settlement including structural changes including structural changes	-	33	-	339	418
Total net cost of benefits	**37**	**85**	**116**	**444**	**596**
Total expense regarding defined deposits pension plans	**33**	**38**	**96**	**104**	**122**
Total expenses included in respect Severance pay, retirement and pension payments	**70**	**123**	**212**	**548**	**718**
Severance pay, retirement and pension payments					
Cost of service	(1)-	10	2	31	29
Cost of interest	8	9	24	26	35
Amortization of unrecognized amounts:					
Net actuarial loss	1	1	4	1	-
Cost of prior service	(1)-	(1)-	(1)	(1)	(2)
Total amortization of unrecognized amounts	**1**	**1**	**3**	**-**	**(2)**
Other, including loss from reduction or settlement including structural changes including structural changes	-	(1)	-	(1)	(1)
Total net cost of benefits	**9**	**19**	**29**	**56**	**61**
Total expenses included in respect Severance pay, retirement and pension payments	**79**	**142**	**241**	**604**	**779**

Footnote:
(1) Amount lower than NIS 1 million.

6. EMPLOYEE BENEFITS - CONSOLIDATED (CONTINUED)

C. 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 loss (income), before tax effect

	Unaudited			
	For the nine months ended September 30,	For the year ended December 31,	For the nine months ended September 30,	For the year ended December 31,
	2015	2014	2015	2014
	Severance pay, retirement and pension payments		Post retirement retiree benefits	
	in NIS millions			
Net actuarial loss for the period	283	26	93	24
Amortization of actuarial income (loss)	(6)	3	(4)	(1)-
Amortization of credit (cost) in respect of prior service	(1)	(1)	1	2
Amortization of net liability in respect of the transition	(295)	(17)	(131)	-
Changes in foreign currency exchange rates	(1)-	(1)-	(1)-	(1)-
Other	-	-	-	(1)-
Total recognized in other comprehensive income	**(19)**	**11**	**(41)**	**26**
Total net cost of benefits(2)	**116**	**596**	**29**	**61**
Total amount recognized in net cost of benefits and in other comprehensive income	**97**	**607**	**(12)**	**87**

Footnotes:
(1) Amount lower than NIS 1 million
(2) 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 income in the last quarter of 2015 as an expense, before tax effect

	Unaudited	
	Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions	
Net actuarial loss	5	2
Net cost in respect of prior service	1	(1)-
Total amount expected to be amortized from other comprehensive income	**6**	**2**

Footnote:
(1) Amount lower than NIS 1 million

6. EMPLOYEE BENEFITS – CONSOLIDATED (CONTINUED)

C. Defined benefit plan (continued)

3. Assumptions

3.1 Discount rate 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 Discount rate used in determining the commitment in respect of the benefit

	Unaudited			
	Severance pay, retirement and pension		Post retirement retiree benefits	
	September 30 2015	December 31 2014	September 30 2015	December 31 2014
Discount rate	2.65% - 1.96%	2.34% - 1.80%	2.76% - 1.64%	2.43% - 1.46%

3.1.2 Discount rate used in measuring the net cost of benefit for the period

	For the three months ended September 30, 2015		For the six months ended June 30, 2015	
	Severance pay, retirement and pension	Post retirement retiree benefits	Severance pay, retirement and pension	Post retirement retiree benefits
Discount rate	2.51% - 1.99%	2.43% - 1.46%	2.34% - 1.80%	2.43% - 1.46%

3.2 Effect of a one percentage point change on the commitment for anticipated benefits, before the tax effect

	Unaudited							
	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 2015	December 31 2014	September 30 2015	December 31 2014	September 30 2015	December 31 2014	September 30 2015	December 31 2014
	in NIS millions							
Discount rate	(286)	(289)	(85)	(71)	289	293	85	71

The said sensitivity test relates to the Bank, MDB and to ICC, which comprise over 90% of the liability in respect of an anticipated benefit.

4. Cash flow

4.1 Deposits

	Unaudited					
	Forecast*	Actual deposits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December, 31
	2015	2015	2014	2015	2014	2014
	Severance pay, retirement and pension payments					
	in NIS millions					
deposits	18	14	12	32	40	46

*Assessment of expected deposits with defined benefit pension plans during the remainder of 2015.

7. ASSETS AND LIABILITIES ACCORDING TO LINKAGE TERMS – CONSOLIDATED

	Unaudited						
	September 30, 2015						
	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	22,236	67	3,712	816	841	-	27,672
Securities	17,887	4,157	15,058	786	40	1,323	39,251
Securities borrowed or purchased under resale agreements	173	-	-	-	-	-	173
Credit to the public, net	79,820	14,929	26,271	1,837	735	-	123,592
Credit to the Government	185	180	19	107	-	-	491
Investments in affiliated companies	-	2	-	-	-	140	142
Buildings and equipment	-	-	-	-	-	2,177	2,177
Intangible assets and goodwill	-	-	-	-	-	142	142
Assets in respect of derivative instruments	1,877	74	1,257	232	100	222	3,762
Other assets	1,932	20	1,434	1	477	253	4,117
Assets held for sale	25	-	4,613	229	506	22	5,395
Total assets	**124,135**	**19,429**	**52,364**	**4,008**	**2,699**	**4,279**	**206,914**
Liabilities							
Deposits from the public	90,672	6,838	44,822	7,163	3,039	-	152,534
Deposits from banks	3,078	15	1,678	33	29	-	4,833
Deposits from the Government	148	83	623	-	-	-	854
Securities loaned or sold under repurchase agreements	-	-	3,853	-	-	-	3,853
Subordinated debt notes	2,417	7,520	-	-	-	-	9,937
Liabilities in respect of derivative instruments	2,185	157	1,096	328	109	224	4,099
Other liabilities	9,461	144	555	17	46	192	10,415
Liabilities held for sale	28	-	5,648	347	619	-	6,642
Total liabilities	**107,989**	**14,757**	**58,275**	**7,888**	**3,842**	**416**	**193,167**
Difference	16,146	4,672	(5,911)	(3,880)	(1,143)	3,863	13,747
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(12,854)	(899)	9,001	3,712	1,040	-	-
Options in the money, net (in terms of underlying asset)	59	-	(42)	(3)	(14)	-	-
Options out of the money, net (in terms of underlying asset)	(166)	-	77	79	10	-	-
Total	**3,185**	**3,773**	**3,125**	**(92)**	**(107)**	**3,863**	**13,747**
Options in the money, net (discounted par value)	155	-	(135)	8	(28)	-	-
Options out of the money, net (discounted par value)	(929)	-	552	242	135	-	-

Footnote:

(1) Includes those linked to foreign currency.

7. ASSETS AND LIABILITIES ACCORDING TO LINKAGE TERMS - CONSOLIDATED (CONTINUED)

	Unaudited						
	September 30, 2014						
	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	16,698	124	4,111	576	1,640	-	23,149
Securities	17,266	5,062	14,259	885	111	1,894	39,477
Securities borrowed or purchased under resale agreements	953	-	-	-	-	-	953
Credit to the public, net	73,992	15,887	25,133	2,819	1,143	-	118,974
Credit to the Government	125	1,343	27	-	-	-	1,495
Investments in affiliated companies	2	2	-	-	-	137	141
Buildings and equipment	-	-	-	-	-	[3]2,401	2,401
Intangible assets and goodwill	-	-	-	-	-	142	142
Assets in respect of derivative instruments	2,472	177	2,147	106	85	93	5,080
Other assets	[2][3]1,963	51	975	17	457	143	3,606
Assets held for sale	-	-	3,860	114	568	54	4,596
Total assets	**113,471**	**22,646**	**50,512**	**4,517**	**4,004**	**4,864**	**200,014**
Liabilities							
Deposits from the public	81,959	8,299	43,299	7,846	4,002	-	145,405
Deposits from banks	3,596	172	1,476	56	13	-	5,313
Deposits from the Government	188	105	676	-	-	-	969
Securities loaned or sold under repurchase agreements	-	-	3,785	-	-	-	3,785
Subordinated debt notes	2,620	8,219	-	-	-	-	10,839
Liabilities in respect of derivative instruments	2,723	335	1,774	246	51	89	5,218
Other liabilities	[2][3]10,406	143	472	16	46	151	11,234
Liabilities held for sale	-	-	3,597	114	584	-	4,295
Total liabilities	**101,492**	**17,273**	**55,079**	**8,278**	**4,696**	**240**	**187,058**
Difference	11,979	5,373	(4,567)	(3,761)	(692)	4,624	12,956
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(9,854)	(1,932)	7,677	3,582	527	-	-
Options in the money, net (in terms of underlying asset)	(106)	-	35	26	45	-	-
Options out of the money, net (in terms of underlying asset)	(73)	-	59	22	(8)	-	-
Total	**1,946**	**3,441**	**3,204**	**(131)**	**(128)**	**4,624**	**12,956**
Options in the money, net (discounted par value)	(105)	-	56	(19)	68	-	-
Options out of the money, net (discounted par value)	(710)	-	728	(59)	41	-	-

Footnotes:
(1) Includes those linked to foreign currency.
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 (E) 1.
(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2.

7. ASSETS AND LIABILITIES ACCORDING TO LINKAGE TERMS – CONSOLIDATED (CONTINUED)

	Audited						
	December 31, 2014						
	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	25,230	105	4,169	590	1,600	-	31,694
Securities	14,782	4,817	14,942	944	176	1,692	37,353
Securities borrowed or purchased under resale agreements	466	-	-	-	-	-	466
Credit to the public, net	74,762	15,314	26,368	2,664	1,015	-	120,123
Credit to the Government	149	1,361	23	-	-	-	1,533
Investments in affiliated companies	-	2	-	-	-	140	142
Buildings and equipment	-	-	-	-	-	(3)2,354	2,354
Intangible assets and goodwill	-	-	-	-	-	142	142
Assets in respect of derivative instruments	1,933	113	2,273	109	81	87	4,596
Other assets	(2)(3)2,160	60	1,005	6	509	150	3,890
Assets held for sale	-	-	4,147	118	625	2	4,892
Total assets	**119,482**	**21,772**	**52,927**	**4,431**	**4,006**	**4,567**	**207,185**
Liabilities							
Deposits from the public	85,546	8,314	47,313	7,977	3,753	-	152,903
Deposits from banks	3,570	158	1,749	38	32	-	5,547
Deposits from the Government	153	104	615	-	-	-	872
Securities loaned or sold under repurchase agreements	-	-	3,984	-	-	-	3,984
Subordinated debt notes	2,639	7,999	-	-	-	-	10,638
Liabilities in respect of derivative instruments	2,236	193	1,678	258	27	83	4,475
Other liabilities	(2)(3)10,098	151	637	26	64	150	11,126
Liabilities held for sale	-	-	3,905	118	628	-	4,651
Total liabilities	**104,242**	**16,919**	**59,881**	**8,417**	**4,504**	**233**	**194,196**
Difference	15,240	4,853	(6,954)	(3,986)	(498)	4,334	12,989
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(13,826)	(759)	10,252	3,965	368	-	-
Options in the money, net (in terms of underlying asset)	94	-	(153)	14	45	-	-
Options out of the money, net (in terms of underlying asset)	54	-	(38)	(17)	1	-	-
Total	**1,562**	**4,094**	**3,107**	**(24)**	**(84)**	**4,334**	**12,989**
Options in the money, net (discounted par value)	137	-	(226)	26	63	-	-
Options out of the money, net (discounted par value)	(310)	-	329	(24)	5	-	-

Footnotes:
(1) Includes those linked to foreign currency.
(2) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 (E) 1.
(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, See Note 1 (E) 2.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS

A. Off balance Sheet Financial Instruments[4]

	Unaudited		Unaudited		Audited	
	Balance[1]	Provision[2]	Balance[1]	Provision[2]	Balance[1]	Provision[2]
	September 30, 2015[4]		September 30, 2014[4]		December 31, 2014[4]	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	1,262	5	1,201	5	1,242	10
Credit guarantees	2,053	28	2,596	35	2,324	29
Guarantees for home purchasers	5,683	6	4,816	7	4,918	7
Other guarantees and obligations	5,005	30	4,523	29	4,639	29
Unutilized facilities for transactions in derivative instruments	1,529	-	1,398	-	1,164	-
Unutilized facilities credit line for credit cards	19,685	24	17,459	25	17,436	22
Unutilized current loan account facilities and other credit facilities in on-call accounts	8,386	26	8,093	22	7,919	26
Irrevocable commitments to extend credit approved but not yet granted[3]	20,901	63	17,008	42	19,728	43
Commitment to issue guarantees	3,605	5	3,527	5	3,248	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) Excluding balances classified as assets held for sale - see note 18.

B. Contingent liabilities and other special commitments

	Unaudited		Audited
	September 30		December 31
	2015	2014	2014
	in NIS millions		
1. Long-term lease contracts - rent payable in future years:			
First year	111	139	119
Second year	105	127	105
Third year	89	100	95
Fourth year	69	78	84
Fifth year	58	61	57
Sixth year and thereafter	292	311	297
Total	**724**	**816**	**757**
2. Commitment to acquire buildings and equipment	98	81	106
3. Commitment to invest in private investment funds and in venture capital funds	237	278	293

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

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

As detailed in Note 19 C 12 to the financial statements as at December 31, 2014, 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 2,017 million as of September 30, 2015.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 19 C sections 12 through 14 to the financial statements as at December 31, 2014. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 17 to the financial statements as at December 31, 2014.

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

4.1 Note 19 C 12.2 to the financial statements as of December 31, 2014, described a lawsuit filed on September 12, 2006, against the Bank, Bank Leumi and Bank Hapoalim, as well as a motion for approval of the lawsuit as a class action suit. The Plaintiff argued that most of the credit to the public is concentrated in the hands of the defendant banks, and that they coordinated among themselves the prices applying to five parameters in everything relating to credit. The Plaintiff assessed the amount claimed at NIS 7 billion in respect of all the defendant banks, reserving the right to amend this amount in accordance with developments during the course of the litigation.

A motion for approval of a compromise arrangement between the parties was filed with the Court on December 11, 2014. The Court instructed, among other things, on January 4, 2015, that an announcement regarding the motion for approval of a compromise arrangement be published in the press. The Plaintiff in the action described in item 4.2 below, filed on January 6, 2015, a motion with the Court requesting the cancellation or delay of the decision of January 4, 2015.

The Court held a hearing of the case on March 25, 2015, and decided as follows: the decision regarding the publication of the motion for approval of a compromise arrangement was revoked and it was decided that nothing is to prevent the banks and the Plaintiff in these proceedings to reach a compromise agreement as long as this agreement does not hinder the motion of the Plaintiff in the proceedings described in item 4.2 below.

On October 8, 2015, an additional extension was given for filing the notice on behalf of the banks until November 11, 2015 regarding the submittal of a revised motion to approve a settlement arrangement, and alternatively their position with regard to the unification of the hearing with the proceeding described in item 4.2 below. The petition for the extension stated that the parties are having advanced negotiations in trying to arrive at a compromise arrangement in this case and in the case described in item 4.2 below. The case is fixed for a preliminary hearing on January 5, 2016.

The payment to be made in accordance with the compromise arrangement, if and when approved, shall be made out of funds transferred in accordance with the agreed Order, see item 6 hereunder.

4.2 Note 19 C 12.3 to the financial statements as of December 31, 2014, described a lawsuit filed on November 23, 2006, to the Jerusalem District Court together with a motion for its approval as a class action suit against the Bank, Bank Hapoalim and Bank Leumi. In the claim brief the claimants argue that the defendant banks charge the private household sector interest at an exorbitant rate, which is much higher than the interest rate charged to the commercial and business sectors, this without any economic and commercial justification, with an ostensible existence of a binding arrangement between the banks. The claimants assess the amount of the claim at between NIS 5.2 and NIS 5.6 billion for all the defendants, while they reserve the right to amend the claim brief.

For details regarding the opposition by the Plaintiffs in this proceeding to the compromise arrangement discussed in item 4.1 above, see item 4.1 above.

The decision of the Court was given on March 25, 2015, as detailed in item 4.1 above.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

On October 8, 2015, an additional extension was given for filing the notice on behalf of the banks until November 11, 2015 regarding the submittal of a revised motion to approve a settlement agreement and alternately their position on the unification of the hearing with the proceeding described in item 4.1. The petition for the extension stated that the parties are having advanced negotiations in trying to arrive at a compromise arrangement in this case and in the case described in item 4.1 above. The case is fixed for a preliminary hearing on January 5, 2016.

4.3 Note 19 C 12.4 to the financial statements as of December 31, 2014, described an action together with a motion to approve the action as a class action suit, filed on April 27, 2009, against the Bank, Bank Leumi, Bank Hapoalim, Mizrahi-Tefahot Bank and the First International Bank.

The Claimants argue that a binding arrangement had existed between the said banks with respect to commission rates charged by these banks and that the banks established a coordinated policy, which, as alleged by the claimants, was typified by prohibited cooperation and exchange of information. The total damage for all the defendant banks is assessed for the purpose of the action at approx. NIS 1 billion, with no allocation between them.

On October 7, 2009, the District Court instructed that the hearing of this claim should be incorporated with the claim discussed in item 4.4 below.

The District Court approved the compromise agreement on May 31, 2015.

The payment to be made in accordance with the compromise arrangement shall be made out of funds transferred in accordance with the agreed Order, see item 6 hereunder.

4.4 Note 19 C 12.5 to the financial statements as of December 31, 2014, described an action together with a motion for the approval of the action as a class action suit, filed on June 30, 2008, against the Bank, Bank Hapoalim and Bank Leumi, submitted to the Tel Aviv District Court. The core issue of the suit rests on the Plaintiffs' claim that, since the end of the 1990's and possibly even earlier, the three defendant banks created a cartel coordinating the prices of commissions charged to their customers. The Plaintiffs further claim that the banks have created an unlawful restrictive business practice regarding the rates of the various commissions charged to customers. As alleged by the Plaintiffs, as a result of the cartel, the price paid by the public is higher than the price that would have been paid had competition not been prevented by the cartel.

The overall damage for all member of the group was estimated at NIS 3.5 billion. The Bank's share in the claimed amount is 22% (namely an amount of approx. NIS 770 million).

According to the decision of the District Court of October 7, 2009, the claim will be heard together with the claim described in item 4.3 above.

The District Court approved the compromise agreement on May 31, 2015. For details, see item 4.3 above.

The payment to be made in accordance with the compromise arrangement shall be made out of funds deposited in accordance with the agreed Order (see item 6 hereunder).

4.5 Note 19 C 12.6 to the financial statements as of December 31, 2014, described a lawsuit submitted by two companies, filed on October 29, 2009, against the Bank, MDB and five additional banks, requesting a declarative ruling according to which the defendant banks are not entitled to charge the Claimants with default interest in the amount of NIS 840 million, but only with an amount of NIS 37 million. Alternatively, the banks are entitled to charge the Claimants only with interest and linkage increments, and accordingly, the accounts of the Claimants should be credited with the difference in the amount of NIS 521 million.

A partial ruling was given on July 25, 2013, according to which, the default interest comprises an agreed compensation. On November 3, 2013, a supplementary ruling was given within the framework of which, among other things, it approved the amount of recovery.

Appeals against the verdict were filed with the Supreme Court in December 2013 by the Plaintiffs and the Respondents.

On August 23, 2015, the Supreme Court ruled for the dismissal of the appeal by the banks and for the partial admittance of the appeal by the Plaintiffs. According to this ruling, the banks have to reimburse a total amount of NIS 286 million (adjusted as of August 2015, including the reimbursement of a part of the Court fees and legal fees accorded to the Plaintiffs). The share of the Bank and of MDB in the amount awarded by the Court to the Plaintiff, amounts to NIS 42 million. In consequence of the verdict, the Bank and MDB recognized during the reported period, an additional expense in the amount of NIS 34 million.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

On September 7, 2015, the defendant banks submitted a plea for the holding of an additional hearing in the case. On October 12, 2015, the Court dismissed the plea for an additional hearing.

4.6 Note 19 C 12.7 to the financial statements as of December 31, 2014, described a lawsuit submitted on October 11, 2012, to the Tel Aviv District Court, against the Bank, FIBI, Leumi Bank and Mizrahi Bank together with a motion for approval of the suit as a class action suit.

The matter of the lawsuit is the value date attributed by the banks to payments made by debtors directly to their account at the Debt Execution Office. As alleged by the Claimants, the practice of the banks is to determine the date on which payments have been received as the value date for these payments from the Debt Execution Office. In respect of the said time difference, the banks charge the debtors with interest in arrears. The Claimants argue that at this stage it is not possible to assess the amount of the claim, since in order to do so, specific examinations would have to be made at the banks.

The Attorney General for the Government submitted his position on February 2, 2015, according to which a winning bank may not charge the account of a customer with interest in respect of the period from date of deposit of a payment with the Execution Office and until it is transferred over to the bank.

At a preliminary hearing held on April 19, 2015, the Court proposed to the banks to appoint a neutral public accountant, who would make a sample test of closed files of the Debt Execution Office, in order to determine whether any damage had been caused. The Court further proposed to the banks to consider submission of a third party notice against the Enforcement and Collection Authority.

An amended response by the Attorney General to the Government was submitted on October 8, 2015.

In accordance with the decision dated October 26, 2015, the banks shall file until November 30, 2015, their response to the position of the Attorney General to the Government and to the suggestion of the Court regarding the appointment of a neutral accountant and the filing of a third party notice against the Enforcement and Collection Authority. A further preliminary hearing was fixed for December 30, 2015.

4.7 Note 19 C 12.10 to the financial statements as of December 31, 2014, described a lawsuit filed against the Bank on July 31, 2013, at the Central-Lod District Court, together with a motion for approval of the suit as a class action suit. The Claimant allege that the practice of the Bank is to open foreign currency accounts supplemental to the principal current account without informing the customers and without bringing to their notice the engagement terms including the related cost of managing these accounts. The amount of the claim in respect of all class members is stated by the Claimants at NIS 170 million.

On January 1, 2015, the Judge referred to the Supervisor of Banks the question as to whether the receipt of an amount in foreign currency, with the purpose of keeping it in foreign currency, requires the opening of an additional current account in foreign currency. The Supervisor of Banks submitted his position on June 15, 2015, according to which, the manner of accepting funds depends on the type of transaction that the customer intends to make.

The Parties informed on October 26, 2015, of their intention to refer the case to mediation. The hearing of evidence was deferred to September 20, 2016.

4.8 Note 19 C 12.12 to the financial statements as of December 31, 2014, described a lawsuit filed on August 28, 2013, with the Tel Aviv District Court, against the Bank, Bank Hapoalim, Bank Leumi, Mizrahi-Tefahot Bank, the First International Bank and MDB, as well as a motion for the approval of the lawsuit as a class action suit.

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. They claim that a customer who wishes to convert foreign currency is being charged an additional commission to that listed on the transaction price list, which, as alleged, is the difference between the rate at which the respondents buy foreign currency on the inter-bank market and the rate at which they sell the foreign currency to the customer.

On May 4, 2014, the Court decided that this motion will be heard together with the motion described in item 12.16 in the financial statements as of December 31, 2014.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

At a preliminary hearing of the case, held on March 8, 2015, the Court ruled that the Appellants shall submit within sixty days new summary motions for approval. Within sixty days following the submission of the new motions, the Respondents have to file a response. On April 23, 2015, the Appellant submitted 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 Bank's portion amounts to NIS 929 million. The response of the banks to the shortened motion was filed on October 18, 2015.

In a preliminary hearing held on October 25, 2015, the Court ruled that the hearing of this case would be combined with the hearing of similar motions filed against credit card companies and the Post Office Bank, and dates for the hearing of evidence were fixed for March 2016.

4.9 Note 19 C 12.14 to the financial statements as of December 31, 2014, described a lawsuit lodged on October 30, 2013, with the Jerusalem District Court together with a motion for its approval as a class action suit, against the Bank, Mercantile Discount Bank, Bank Hapoalim, Union Bank and FIBI. The Plaintiffs argue that the respondent banks charge their customers upon renewal of credit facilities, with a commission in respect of credit and collateral handling, despite the fact that the collateral in respect of the credit facility remains unchanged. The Plaintiffs assess the amount of the claim at NIS 2 billion, and estimated the Bank's share at NIS 498 million and share of MDB at NIS 195 million.

On March 5, 2015, a verdict was given according to which the motion for approval of the suit as a class action suit was dismissed.

On May 3, 2015 the plaintiff filed an appeal against this verdict. On June 24, 2015, the Supreme Court gave a verdict, with the consent of the parties, dismissing the appeal.

4.10 Note 19 C 13.2 to the financial statements as of December 31, 2014, described a lawsuit against Mercantile Discount Bank together with a motion for its approval as a class action suit which were filed with the Tel Aviv District Court on January 5, 2014.

The Appellant claims that following the entry into effect of Proper Conduct of Banking Business Directive No. 325, MDB has unilaterally raised the interest rate on credit granted to its customers within the approved credit facility that had been agreed with the customers, and this after the customer had already borrowed funds from MDB within the framework of the credit facility allotted to him and on its basis. The Appellant states the amount of the claim in respect of all group members at NIS 139 million.

The Appellant filed a response to the Bank's response, which may be seen as expanding the case matter. MDB has filed a motion for the dismissal of this response.

On February 22, 2015, the Court decided that in view of the position of the Appellant, that there is no need for an amendment of the claims briefs, the contents of the claims briefs shall remain as-is. MDB is entitled to file a response to the counter response and all the arguments of the parties shall remain intact and shall be heard within the framework of the hearing of the motion for approval of the suit as a class action suit.

Mediation proceedings conducted by the parties have not been successful, and the hearing of evidence was fixed for January 10, 2016.

4.11 Note 19 C 12.15 to the financial statements as of December 31, 2014, described a lawsuit filed with the Tel Aviv-Jaffa District Court on January 30, 2014, against the Bank and against ICC together with a motion for approval of the lawsuit as a class action suit.

The Appellant claims that ICC charges on a monthly basis the accounts of holders of "Active" credit cards, in respect of charge amounts accumulated through use of the card, with a minimum amount only determined by ICC. The remainder of the said charge amounts turns into a loan carrying especially high interest rates. It is further alleged that upon the marketing of the plan, ICC refrained from emphasizing to the customers that cancellation of the credit requires an explicit request by the customer as well as from stating the cost of the credit granted. The Appellant claims that operating a revolving credit mechanism with respect to the customers and charging them with interest, has been made with no effective contractual basis and with the impairment of the customers' autonomy. The Appellant stated the amount of the claim in respect of all group members at NIS 2,225 million.

A decision dismissing the claim against the Bank was given on August 19, 2014. The case against ICC continues. On October 21, 2014, an appeal was filed with the Supreme Court against the decision of the District Court to dismiss in limine the motion for approval against the Bank. The appeal has been fixed for oral complementary arguments on January 20, 2016, following the submission of summing-up briefs by the parties.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

On October 29, 2014, ICC motioned for the stay of proceedings at the District Court until a ruling is given by the Supreme Court in an appeal filed by the Appellant. In the hearing held on June 28, 2015, the Court ruled that the motion for approval shall be heard only after the hearing of the appeal.

4.12 Note 19 C 13.3 to the financial statements as of December 31, 2014, described a lawsuit filed on March 4, 2014, against the Bank with the Central-Lod District Court, together with a motion for its approval as a class action suit.

According to the Appellant, the Bank allows customers to deviate from their approved credit facility in contradiction of Proper Conduct of Banking Business Directive No. 325, thus causing them to pay high and the maximum interest rates in respect of the deviation from their approved credit facility. It is further claimed that the Bank charges the customers account with a commission in respect of notice as to the deviation and/or a warning letter regarding such deviation. The Appellant notes that he is unable to quote an exact amount in respect of the damage caused, but in his opinion this amounts to hundreds of millions of NIS.

The Appellant has filed additional class actions on similar grounds and, in accordance with the Court's ruling from June 12, 2014, the additional lawsuits will be heard together with the claim described in this item.

On October 7, 2015, the Court approved a procedural agreement, according to which, the respondent's motions relating to the widening of the subject matter shall be filed by November 1, 2015, and the Appellant's responses to these motions by December 1, 2015. The case is fixed for a preliminary hearing on March 28, 2016.

4.13 Note 19 C 12.17 to the financial statements as of December 31, 2014, described a lawsuit filed on April 28, 2014, with the District Court Central Region against ICC and others, together with a motion for its approval as a class action suit.

The above motion raises the allegation for two binding arrangements in the field of immediate debit cards ("debit") and pre paid cards ("pre-paid"), which, as alleged by the Plaintiffs, constitute "a systematic and continuous deceit" of customers of the credit card companies. The Plaintiffs claim that the first binding arrangement is an arrangement for the charging of a cross commission in respect of transactions made through the use of debit or pre paid cards. As regards the second binding arrangement, the Plaintiffs claim that it involves the unlawful withholding of monies due to trading houses, in respect of transactions made by debit cards and pre-paid cards, for a period of twenty days, following the date of collection of the money by the credit card companies. The Plaintiffs assess the amount of the claim against all defendants and in respect of all class members at NIS 1,736 million.

On February 24, 2015, a motion for withdrawal from the claim was filed. A motion was filed with the Court on April 19, 2015, requesting the replacement of the parties applying for a withdrawal and their representatives by the Appellant and his representatives and to instruct the continuation of the proceedings by the Appellant and his representatives. On July 1, 2015, the Court approved the motion for withdrawal. Concurrently the Court approved the locating of alternative Claimant and his representative, who would undertake the conduct of the proceedings on behalf of the class.

In the course of September 2015, two motions were filed with the Court for the appointment of Appellants and their representatives to represent the class action. In a hearing held on October 20, 2015, each of the groups was asked to submit by November 17, 2015, notices, which would include additional details in accordance with the request of the Court. Following the submission of the said notices, a ruling would be given regarding the identity of the Appellants, and a date would be fixed for the submission of an amended motion for approval.

4.14 Note 19 C 13.4 to the financial statements as of December 31, 2014, described a claim together with a motion for its approval as a class-action suit, filed on August 5, 2014, with the Tel Aviv-Jaffa District Court, against the Bank, against MDB and against other banks.

The Appellant is alleging that the respondent banks charge foreign currency transfer and handling commissions contrary to the Banking Rules and contrary to the Antitrust Law. The banks, it is alleged, charge the aforesaid commissions on a graded scale, with the grade being determined according to the size of the amount transferred. The Appellant alleges that this is a binding agreement "tacitly" agreed to by the banks; in addition, it is alleged that some of the respondent banks do not disclose the amount of the commission and/or the way it is calculated. The Appellant has set the aggregate amount of the claim against all respondent banks at NIS 3 billion or, alternatively, at an amount of at least NIS 1.5 billion.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

The Court ruled on June 23, 2015, that the Appellant has to deposit until July 23, 2015, a monetary guarantee in an amount of NIS 25 thousand for each respondent, by July 23, 2015. It was also provided that, in the event of the guarantee not being deposited, the motion for approval of the action would be revoked.

On August 25, 2015, the Court dismissed the motion for approval of the lawsuit as a class action suit.

4.15 A lawsuit was filed against the Bank on May 4, 2015, 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 alleged charging of excess interest on housing loans.

The Claimant argues that the Bank computes the monthly interest by dividing the agreed annual interest by twelve. According to the Claimant, this method of computation leads to the charging of higher interest than the interest that would have been charged had the Bank made a correct calculation. The interest charged by the Bank, as argued by the Claimant, reflects compound interest in contradiction to the law and to agreements signed with customers.

The Claimant assesses the amount of the claim for all class members at NIS 80 million.

On September 20, 2015, the Court admitted the motion filed with the consent of the parties. In accordance with this decision, the Bank has been granted a deferment for the submission of its response, of sixty days from the date of the verdict regarding an appeal filed with the Supreme Court against a decision of the District Court, which had dismissed motions for approval of class actions filed against other banks in the matter of computation of interest on housing loans.

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.

5.1 Note 19 C 13.1 to the financial statements as of December 31, 2014, described a petition for approval of an action as a class action suit filed with the Tel Aviv District Court On June 19, 2000 by two borrowers of DMB against DMB and against the Israel Phoenix Insurance Co. Ltd., where the properties of the borrowers are insured. The action is for the amount of NIS 105 million (on June 28, 2012, Discount Mortgage Bank was merged with and into the Bank). The borrowers claim, inter alia, that DMB has insured their properties for amounts which exceed their reinstatement value, and that the sum insured was increased in excess of the increase in the Consumer Price Index.

On December 25, 2000, the Court decided that whereas the arguments in this case are similar to those argued in another class action suit, as described in item 12.1 to Note 19 C to the financial statements as of December 31, 2014, the hearing of the said case will be postponed until a decision is given in the other case. On December 5, 2011, the Court that hears the other motion, gave the compromise agreement the validity of a Court verdict between the parties.

5.2 Note 19 C 13.5 to the financial statements as of December 31, 2014, described a lawsuit filed against the Bank on October 19, 2014, with the Central-Lod District Court, together with a motion for its approval as a class action suit.

The Claimant argues that in violation of the law, the Bank charges its customers an excessive early repayment commission in respect of loans which are not housing loans. It is being argued that the Bank acts in contravention of Proper Conduct of Banking Business Directive No. 454. It was also argued that despite the fact that the Bank is permitted to charge customers with an early repayment commission in an amount reflecting only the damage caused to the Bank, it is the Bank's practice to charge commission fees reflecting considerable profit. The Claimant stated that it is unable to estimate the amount of the damage caused.

A motion for the amendment of the motion for approval of the suit as a class action suit was filed on June 1, 2015, within the framework of which, it had been noted that it is not possible to assess the amount of the claim with respect to all members of the class. On June 30, 2015, the Bank submitted its response to the motion for amendment. A hearing was held on November 5, 2015, and an amended version of the motion for approval was admitted with the consent of the parties. The parties have to inform the Court as to their position regarding the combining of the hearing of this motion with a similar motion being conducted against another bank.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

5.3 A lawsuit against the Bank was filed on June 14, 2015, with the Tel Aviv District Court, together with a motion for its approval as a class action suit. The motion raises an argument with respect to the charging of excessive interest on arrears relating to CPI linked loans. The Claimant argues that the Bank charges interest on arrears at rates exceeding the contractual rate, and in contravention of the provisions of the Interest Order (Determination of the maximum interest rate), 1970. The grounds of action are violation of an agreement, violation of a legal duty, undue creation of wealth and negligence.

The class, which the Claimant wishes to represent, has been defined as a group of Bank customers, who were granted linked loans, and who were charged with interest on arrears in excess of the contractual interest on arrears (this being determined according to publications in respect of changes in the cost of credit) and/or in excess of the Interest Order during the past seven years.

The Claimant assesses the total amount of the claim for all class members at NIS 155 million.

The Bank's response will be submitted by November 24, 2015.

5.4 A lawsuit against Discount Bank and Hapoalim Bank was filed with the Tel Aviv District Court on August 23, 2015, together with a motion for approval of the action as a class action suit.

According to the Plaintiff, the said banks had provided investment consulting services to their customers regarding the purchase and/or sale of ETN`s without having proper computerized systems and professional tools supporting such services. The Plaintiff argues that the granting of the said service constitutes a flagrant breach of the duties applying to investment consultants.

The Plaintiff stated the amount of the claim for all members of the class at NIS 160 million, or alternatively at NIS 368 million. The share applying to the Bank is NIS 49 million or alternatively NIS 73 million.

The Bank has to file its response by December 13, 2015.

The case is fixed for a preliminary hearing on March 22, 2016.

6. Note 19 C 14 to the financial statements as of December 31, 2013, described the decision of the Antitrust Commissioner regarding binding arrangements between banks, following an investigation conducted since 2004 by the Antitrust Authority.

On April 26, 2009, the Antitrust Commissioner ("the Commissioner") issued a statement under Section 43(a)(1) of the Antitrust Act, 1988, according to which binding arrangements existed between Bank Hapoalim B.M., Bank Leumi Le-Israel B.M., Mizrahi-Tefahot Bank, the First International bank of Israel Ltd. and the Bank (hereinafter: "the banks"), in the matter of communication of information regarding commissions ("the Commissioner's Statement"). Under Section 43(e) of the Antitrust Law, the Commissioner's statement serves as prima facie evidence for its contents in any legal proceedings.

In the wake of the publication of the Statement, the Bank and the other banks submitted appeals against the Commissioner's statement.

On June 16, 2014 the Antitrust Tribunal approved the agreed order signed between the banks and the Commissioner ("the agreed order"), whereby it is determined that the banks would pay an amount of NIS 70 million, of which an amount of NIS 14 million to be paid by Discount Bank ("the payment"), and this without the banks admitting their liability under the provisions of the law or admitting a violation on their part of the provisions of the law. In view of the approval of the agreed order by the Antitrust Tribunal and to the deposit of the payment by the banks, the Commissioner's statement was cancelled and no enforcement measures would be taken against the banks in connection with the investigation that had led to the publication of the decision.

It has been determined, within the framework of the agreed order, that the payment may be used for compromise arrangements that might be reached by the banks as regards class actions that are pending against them, and which are detailed in the agreed order. The balance of the payment, which would remain at the end of twenty-four months from date of approval of the agreed order, shall be assigned to the State's Treasury.

7. Agreement between the Swiss Authorities and the U.S. Department of Justice. On August 29, 2013, an agreement between the Swiss Authorities and the U.S. Department of Justice regarding the program for the settlement of disputes was published regarding deposits of U.S. citizens with Swiss banks (Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks).

The program differentiated between a number of categories. Category No. 1 included banks being under investigation or proceedings with the U.S. Department of Justice. According to publications, this category included fourteen banks and such banks were not permitted to participate in the program. It should be noted that IDB (Swiss) is not under investigation or other proceedings by the U.S. Department of Justice.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

Category No. 2 was designed for banks that assume the existence of a possibility of effecting violations as detailed in the program. According to the program, banks wishing to be included in this category, could have applied to the U.S. Department of Justice until December 31, 2013, for an agreement for avoiding criminal charges against the bank (Non–Prosecution Agreement), and this only after the Justice Department receives and studies a report of an independent examiner submitted by the applying bank, and subject to the consent of the applying bank to pay a fine in an amount derived from the amount of funds deposited with it by its U.S. customers during the period relevant to the program.

Category No. 3 was designed for banks that declare and commit that they had not effected violations as detailed in the program. Banks that wished to be included in this category had to apply to the U.S. Department of Justice from July 1, 2014 to December 31, 2014, for conformation that they are not targeted for enforcement actions by it (Non-Target letter). As stated in the program, if it is found retroactively that the examination report does not support the original declaration, the case would be handled at the discretion of the U.S. Department of Justice.

The said alternatives of the program required the delivery to the U.S. Department of Justice of information of various scopes, where in the case of Category No. 2 (non-prosecution agreement) detailed information regarding the said accounts was required.

Following an examination of the plan and relying, among other things, on outside legal advice rendered to IDB (Swiss) Bank, IDB (Swiss) Bank decided not to join the plan.

To the extent that IDB (Swiss) Bank would have elected to participate in the program under category No. 2, than the maximum fine computed in accordance with the approach detailed in the Swiss program with respect to all accounts of U.S. persons held by it, would have been reduced in relation to accounts that would have been recognized under the program as tax compliant, or as such which joined the voluntary disclosure program with the encouragement of IDB (Swiss) Bank, or as such that are out of scope of the program.

According to the examination of IDB (Swiss), with the assistance of an external consultant, and considering the deductions detailed above, the worst case scenario does not amount to a material sum to the Bank.

It is emphasized that in any event, the result of the said review is considered a crude assessment only, due to the fact that the formula in question is not a simple one but a formula requiring specific and complex discussions with the U.S. Justice Department, mostly due to the fact that different reliefs exist under the program, the effect of which is difficult to assess beforehand.

The Bank informed IDB (Swiss) Bank that as long as it maintains the control thereof, it is the Bank`s intension to secure the financial ability of IDB (Swiss) Bank to comply with the regulatory requirements in Switzerland, as required for its business activity.

Examination and investigation actions by the U.S. Authorities. According to publications and reports, certain Israeli banks are under different stages of examination and investigation on the part of the U.S. authorities.

It was published on December 22, 2014, that the Bank Leumi Group had reached an arrangement of the "Deferred Prosecution Agreement" type with the U.S. Department of Justice, and also reached an additional arrangement with the Financial Services Authority of the State of New York (hereinafter – "the Leumi arrangement"). According to the arrangement, Bank Leumi admitted conducting a series of operations, the aim of which, according to the publication, was assisting tax evasion by its U.S. customers. According to the arrangement, the U.S. Department of Justice agreed to defer the filing of an indictment against the Bank Leumi Group for a period of twenty-four months, during which Bank Leumi is required to abide by the commitments detailed in the agreement. Moreover, various sanctions have been imposed on the Bank Leumi Group, including the payment of a fine in the amount of US$400 million.

The Bank Leumi arrangement has been presented and discussed at the Bank following its publication. This arrangement is based on specific facts dealing with many and continuous operations attributed to different companies in the Bank Leumi Group and as far as can be discerned from the publications, the agreement had been prepared and formed over a long period of time, and involving a considerable investment of consultation hours and the gathering of information, when the data itself is not exposed. The agreement does not detail the formula for the fine, which determines the amounts that the Bank Leumi Group has agreed to pay, except with respect to the operations of Leumi in Switzerland. It would seem that in part, the amount of the fine had been based on agreements as to the amounts of tax evasion by customers, deriving from and in respect of activities attributed to the Bank Leumi Group. According to the published arrangement, the fine paid by Bank Leumi in respect of its operations in Switzerland, is derived from the formula detailed in the program with respect to category No.2.

8. CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (CONTINUED)

B. Contingent liabilities and other special commitments (continued)

The Bank has no knowledge of investigative actions taken against the Bank or against any of its extensions by the U.S. authorities, as regards U.S. customers who had not complied with their obligations according to U.S. tax laws. Furthermore, as published, IDB (Swiss) Bank is not one of the corporations included in the category No. 1 of the Swiss program (namely, banks under investigation, which, therefore, may not participate in the Swiss program).

The Bank is adopting a series of measures for the management of the risk involved in its operations with its U.S. customers. However, in view of the said enforcement actions and due to the uncertainty existing in this matter, it is not possible to assess the risk involved in these operations.

8. On April 29, 2015, a member of a provident fund, which in the past had been managed by MDB, approached the present managing body of that provident fund, raising various arguments in the matter of life assurance in his respect being a member of the provident fund. The member informed of his intention to file for approval of a class action in this matter. The present managing body of the provident fund informed MDB of the said approach, in view of the agreement for the sale of the provident fund signed in the past by MDB. MDB has no knowledge as to which years does that member refer to in his arguments and as to the scope of the financial damage alleged by him.

9. An agreement for provision of services to government employees. Note 19 C 17 to the financial statements as at December 31, 2014 described the agreement in question. On June 30, 2015 the engagement with the Accountant General was concluded, and the Bank was refunded on July 31, 2015, an additional sum from the special deposit deposited at the time (NIS 86 million). At the end of each calendar year, the Bank will be required to provide an unconditional self-obligation to the sum of 10% of the balance of the loans or NIS 20 million, whichever is lower, until the full settlement of the loans provided within the framework of this engagement.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited					
	September 30, 2015					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives(1)						
Swaps	-	2,560	-	-	-	2,560
Total	**-**	**2,560**	**-**	**-**	**-**	**2,560**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	2,560				
B. ALM derivatives(1)(2)						
Futures contracts	-	3,923	-	-	-	3,923
Forward contracts	7,355	600	20,443	-	-	28,398
Marketable option contracts						
Options written	-	-	4,783	-	-	4,783
Options purchased	-	-	4,783	-	-	4,783
Other option contracts						
Options written	-	910	10,544	-	-	11,454
Options purchased	-	-	10,072	(3)-	-	10,072
Swaps	191	79,191	56,824	-	-	136,206
Total	**7,546**	**84,624**	**107,449**	**-**	**-**	**199,619**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	191	38,713				
C. Other derivatives(1)						
Futures contracts	-	-	-	-	35	35
Forward contracts	-	-	3,005	-	-	3,005
Marketable option contracts						
Options written	-	-	6	7,322	7	7,335
Options purchased	-	-	6	7,322	7	7,335
Other option contracts						
Options written	-	125	374	419	31	949
Options purchased	-	135	371	426	32	964
Swaps	-	5,706	-	-	-	5,706
Total	**-**	**5,966**	**(4)3,762**	**15,489**	**112**	**25,329**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	3,282				
D. Credit derivatives and SPOT foreign currency swap contracts						
SPOT foreign currency swap contracts			3,016			

Footnotes:
(1) Excluding credit derivatives and SPOT foreign currency swap contracts.
(2) Derivatives comprising a part of the Bank's asset and liability management system, which were not designated for hedging relations.
(3) An amount lower than NIS 1 million.
(4) Excluding transactions of IDB (Swiss) Bank, in the par value of NIS 362 million (equity value of NIS 5 million), which were classified as "available-for-sale", see Note 18B.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES (CONTINUED)

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

1. Par value of derivative instruments (continued)

	Unaudited					
	September 30, 2014					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives[1]						
Swaps	-	2,347	-	-	-	2,347
Total	**-**	**2,347**	**-**	**-**	**-**	**2,347**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	2,347				
B. ALM derivatives[1][2]						
Futures contracts	-	2,956	-	-	-	2,956
Forward contracts	5,809	2,250	20,269	-	-	28,328
Marketable option contracts						
Options written	-	-	1,361	-	-	1,361
Options purchased	-	-	1,402	-	-	1,402
Other option contracts						
Options written	-	2,900	10,502	-	-	13,402
Options purchased	-	500	10,302	[3]-	-	10,802
Swaps	30	81,549	62,121	-	-	143,700
Total	**5,839**	**90,155**	**105,957**	**-**	**-**	**201,951**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	30	42,865				
C. Other derivatives[1]						
Futures contracts	-	-	-	-	18	18
Forward contracts	-	-	4,170	-	4	4,174
Marketable option contracts						
Options written	-	-	9	7,198	-	7,207
Options purchased	-	-	9	7,198	-	7,207
Other option contracts						
Options written	-	149	289	383	110	931
Options purchased	-	153	285	393	111	942
Swaps	-	5,197	654	-	-	5,851
Total	**-**	**5,499**	**5,416**	**15,172**	**243**	**26,330**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	2,599				
D. Credit derivatives and SPOT foreign currency swap contracts						
SPOT foreign currency swap contracts			2,660			

Footnotes:

(1) Excluding credit derivatives and SPOT foreign currency swap contracts.

(2) Derivatives comprising a part of the Bank's asset and liability management system, which were not designated for hedging relations.

(3) An amount lower than NIS 1 million.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES (CONTINUED)

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

1. Par value of derivative instruments (continued)

	Audited					
	December 31, 2014					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives[1]						
Swaps	-	2,129	-	-	-	2,129
Total	**-**	**2,129**	**-**	**-**	**-**	**2,129**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	2,129				
B. ALM derivatives[1][2]						
Futures contracts	-	7,452	-	-	-	7,452
Forward contracts	5,315	200	13,563	-	-	19,078
Marketable option contracts						
Options written	-	-	2,155	-	-	2,155
Options purchased	-	68	2,150	-	-	2,218
Other option contracts						
Options written	-	2,850	10,997	-	-	13,847
Options purchased	-	600	10,102	[3]-	-	10,702
Swaps	30	75,051	61,079	-	-	136,160
Total	**5,345**	**86,221**	**100,046**	**-**	**-**	**191,612**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	30	43,208				
C. Other derivatives[1]						
Futures contracts	-	-	-	-	25	25
Forward contracts	-	-	6,143	-	-	6,143
Marketable option contracts						
Options written	-	-	18	7,324	5	7,347
Options purchased	-	-	18	7,324	5	7,347
Other option contracts						
Options written	-	157	760	406	86	1,409
Options purchased	-	161	755	415	88	1,419
Swaps	-	5,737	515	-	-	6,252
Total	**-**	**6,055**	**8,209**	**15,469**	**209**	**29,942**
Of which: interest rate swap contracts, where the banking corporation agreed to pay a fixed interest rate	-	2,869				
D. Credit derivatives and SPOT foreign currency swap contracts						
SPOT foreign currency swap contracts			2,942			

Footnotes:

(1) Excluding credit derivatives and SPOT foreign currency swap contracts.

(2) Derivatives comprising a part of the Bank's asset and liability management system, which were not designated for hedging relations.

(3) An amount lower than NIS 1 million.

9. 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

	Unaudited					
	September 30, 2015					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives						
Positive gross fair value	-	-	-	-	-	-
Negative gross fair value	-	78	-	-	-	78
B. ALM derivatives[1]						
Positive gross fair value	113	2,032	1,237	[4]-	-	3,382
Negative gross fair value	126	2,312	1,217	-	-	3,655
C. Other derivatives						
Positive gross fair value	-	85	69	248	1	403
Negative gross fair value	-	86	59	247	1	393
D. Total						
Positive gross fair value[2]	113	2,117	1,306	248	1	3,785
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of assets stemming from derivative instruments[2]	**113**	**2,117**	**1,306**	**248**	**1**	**3,785**
Of which: Balance sheet balance of assets in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	[4]-	78	221	1	300
Negative gross fair value [3]	126	2,476	1,276	247	1	4,126
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of liabilities stemming from derivative instruments[3]	**126**	**2,476**	**1,276**	**247**	**1**	**4,126**
Of which: Balance sheet balance of liabilities in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	-	113	221	[4]-	334

For footnotes see page 240.

9. 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 (continued)

	Unaudited					
	September 30, 2014					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives						
Positive gross fair value	-	29	-	-	-	29
Negative gross fair value	-	46	-	-	-	46
B. ALM derivatives[1]						
Positive gross fair value	78	2,562	2,227	[4]-	-	4,867
Negative gross fair value	98	2,946	1,956	-	-	5,000
C. Other derivatives						
Positive gross fair value	-	36	80	107	[4]-	223
Negative gross fair value	-	36	52	106	[4]-	194
D. Total						
Positive gross fair value[2]	78	2,627	2,307	107	-	5,119
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of assets stemming from derivative instruments[2]	**78**	**2,627**	**2,307**	**107**	**-**	**5,119**
Of which: Balance sheet balance of assets in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	-	51	85	[4]-	136
Negative gross fair value [3]	98	3,028	2,008	106	-	5,240
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of liabilities stemming from derivative instruments[3]	**98**	**3,028**	**2,008**	**106**	**-**	**5,240**
Of which: Balance sheet balance of liabilities in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	-	119	85	[4]-	204

For footnotes see next page.

9. 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 (continued)

	Audited					
	December 31, 2014					
	Interest rate contracts					
	Shekel/CPI	Other	Foreign currency contracts	Contracts on shares	Commodities and other contracts	Total
	in NIS millions					
A. Hedging derivatives						
Positive gross fair value	-	11	-	-	-	11
Negative gross fair value	-	67	-	-	-	67
B. ALM derivatives[1]						
Positive gross fair value	94	1,972	2,218	[4]-	-	4,284
Negative gross fair value	113	2,309	1,729	-	-	4,151
C. Other derivatives						
Positive gross fair value	-	48	167	113	[4]-	328
Negative gross fair value	-	48	133	111	[4]-	292
D. Total						
Positive gross fair value[2]	94	2,031	2,385	113	-	4,623
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of assets stemming from derivative instruments[2]	**94**	**2,031**	**2,385**	**113**	**-**	**4,623**
Of which: Balance sheet balance of assets in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	[4]-	43	83	[4]-	126
Negative gross fair value [3]	113	2,424	1,862	111	-	4,510
Amounts of fair value offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance of liabilities stemming from derivative instruments[3]	**113**	**2,424**	**1,862**	**111**	**-**	**4,510**
Of which: Balance sheet balance of liabilities in respect of derivative instruments not subject to net settlement arrangement or similar arrangements	-	[4]-	77	82	[4]-	159

Footnotes:

(1) Derivatives comprising a part of the Bank's asset and liability management system, which were not designated for hedging relations.

(2) Of which: NIS 23 million (September 30, 2014: NIS 39 million; December 31, 2014: NIS 27 million) positive gross fair value of assets stemming from embedded derivative instruments.

(3) Of which: NIS 27 million (September 30, 2014: NIS 22 million; December 31, 2014: NIS 35 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

(4) An amount lower than NIS 1 million.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES (CONTINUED)

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

	Unaudited					
	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	September 30, 2015					
Balance sheet balance of assets in respect of derivative instruments[2]	81	2,588	24	-	1,092	3,785
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	(1)	(2,133)	(9)	-	(290)	(2,433)
Credit risk mitigation in respect of cash collateral received	-	(303)	-	-	(34)	(337)
Net amount of assets in respect of derivative instruments	**80**	**152**	**15**	**-**	**768**	**1,015**
Off-balance sheet credit risk in respect of derivative instruments[1]	-	208	31	20	461	720
Total credit risk in respect of derivative instruments	**80**	**360**	**46**	**20**	**1,229**	**1,735**
Balance sheet balance of liabilities in respect of derivative instruments[3]	79	3,174	134	12	727	4,126
Gross amounts not offset in the balance sheet:						
Financial instruments	(1)	(2,133)	(9)	-	(290)	(2,433)
Pledged cash collateral	-	(814)	(8)	-	-	(822)
Net amount of liabilities in respect of derivative instruments	**78**	**227**	**117**	**12**	**437**	**871**
	September 30, 2014					
Balance sheet balance of assets in respect of derivative instruments[2]	33	3,714	29	27	1,316	5,119
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	(2)	(3,125)	(4)	(19)	(543)	(3,693)
Credit risk mitigation in respect of cash collateral received	-	(291)	-	[4]-	-	(291)
Net amount of assets in respect of derivative instruments	**31**	**298**	**25**	**8**	**773**	**1,135**
Off-balance sheet credit risk in respect of derivative instruments[1]	-	189	30	-	494	713
Total credit risk in respect of derivative instruments	**31**	**487**	**55**	**8**	**1,267**	**1,848**
Balance sheet balance of liabilities in respect of derivative instruments[3]	27	4,194	44	19	956	5,240
Gross amounts not offset in the balance sheet:						
Financial instruments	(2)	(3,125)	(4)	(19)	(543)	(3,693)
Pledged cash collateral	-	(818)	(7)	-	-	(825)
Net amount of liabilities in respect of derivative instruments	**25**	**251**	**33**	**-**	**413**	**722**

For footnotes see next page.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES (CONTINUED)

B. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis (continued)

	Audited					
	December 31, 2014					
	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivative instruments[2]	26	3,408	34	-	1,155	4,623
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	(1)	(2,562)	(12)	-	(430)	(3,005)
Credit risk mitigation in respect of cash collateral received	-	(650)	-	-	(28)	(678)
Net amount of assets in respect of derivative instruments	**25**	**196**	**22**	**-**	**697**	**940**
Off-balance sheet credit risk in respect of derivative instruments[1]	-	239	24	18	365	646
Total credit risk in respect of derivative instruments	**25**	**435**	**46**	**18**	**1,062**	**1,586**
Balance sheet balance of liabilities in respect of derivative instruments[3]	32	3,562	57	2	857	4,510
Gross amounts not offset in the balance sheet:						
Financial instruments	(1)	(2,562)	(12)	-	(430)	(3,005)
Pledged cash collateral	-	(826)	(8)	(2)	-	(836)
Net amount of liabilities in respect of derivative instruments	**31**	**174**	**37**	**-**	**427**	**669**

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 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 3,762 million included in the item assets in respect of derivative instruments (September 30, 2014: NIS 5,080 million; December 31, 2014: NIS 4,596 million).

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 4,099 million included in the item liabilities in respect of derivative instruments (September 30, 2014: NIS 5,218 million; December 31, 2014: NIS 4,475 million).

(4) An amount lower than NIS 1 million.

9. DERIVATIVE INSTRUMENTS ACTIVITY - VOLUME, CREDIT RISK AND DUE DATES (CONTINUED)

C. 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, 2015				
Interest rate contracts					
Shekel/CPI	449	2,350	3,045	1,702	7,546
Other	6,326	19,443	46,244	21,137	93,150
Foreign currency contracts	74,777	27,762	9,142	2,546	(1)114,227
Contracts on shares	13,597	1,240	652	-	15,489
Commodities and other contracts	4	44	64	-	112
Total	**95,153**	**50,839**	**59,147**	**25,385**	**230,524**
	Unaudited				
	September 30, 2014				
Total	**94,382**	**59,329**	**54,461**	**25,116**	**233,288**
	Audited				
	December 31, 2014				
Total	**86,526**	**62,441**	**54,817**	**22,841**	**226,625**

Footnote:

(1) Excluding transactions of IDB (Swiss) Bank, in the par value of NIS 362 million (equity value of NIS 5 million), which were classified as "available-for-sale", see Note 18B.

10. BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

A. Composition - consolidated

	Unaudited				
	September 30, 2015				
	Book	Fair value			
	value	Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	27,672	10,336	-	17,362	27,698
Securities[2]	39,251	24,115	14,795	798	39,708
Securities borrowed or purchased under resale agreements	173	-	-	173	173
Credit to the public, net	123,592	1,002	2	123,090	124,094
Credit to Governments	491	-	-	546	546
Assets in respect of derivative instruments	3,762	285	2,624	853	3,762
Other financial assets	2,298	61	23	2,214	2,298
Financial assets held for sale[4]	5,371	2,611	1,769	991	5,371
Total financial assets	**[3]202,610**	**38,410**	**19,213**	**146,027**	**203,650**
Financial liabilities					
Deposits from the public	152,534	17,555	104,269	31,230	153,054
Deposits from banks	4,833	256	4,421	165	4,842
Deposits from the Government	854	-	726	144	870
Securities loaned or sold under repurchase agreements	3,853	-	-	4,191	4,191
Bonds and Subordinated debt notes	9,937	8,805	88	2,325	11,218
Liabilities in respect of derivative instruments	4,099	285	3,524	290	4,099
Other financial liabilities	7,732	179	27	7,526	7,732
Financial liabilities held for sale[4]	6,591	1,179	1,900	3,512	6,591
Total financial liabilities	**[3]190,433**	**28,259**	**114,955**	**49,383**	**192,597**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	66	-	-	66	66

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 2.

(3) Of which: assets and liabilities in the amount of NIS 55,168 million and NIS 85,024 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 Notes 10 B - 101 C.

(4) See Note 18.

10. BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Composition - consolidated (continued)

	Unaudited				
	September 30, 2014				
	Book value	Fair value			
		Level 1(1)	Level 2(1)	Level 3(1)	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	23,149	8,298	-	14,710	23,008
Securities(2)	39,477	23,884	15,322	774	39,980
Securities borrowed or purchased under resale agreements	953	-	-	953	953
Credit to the public, net	118,974	2,307	3	117,402	119,712
Credit to Governments	1,495	-	-	1,547	1,547
Assets in respect of derivative instruments	5,080	109	3,774	1,197	5,080
Other financial assets	1,650	9	39	1,602	1,650
Financial assets held for sale(4)	4,518	1,721	1,987	810	4,518
Total financial assets	**(3)195,296**	**36,328**	**21,125**	**138,995**	**196,448**
Financial liabilities					
Deposits from the public	145,405	16,368	95,552	33,789	145,709
Deposits from banks	5,313	1	4,922	488	5,411
Deposits from the Government	969	-	791	199	990
Securities loaned or sold under repurchase agreements	3,785	-	-	4,119	4,119
Subordinated debt notes	10,839	10,297	94	2,253	12,644
Liabilities in respect of derivative instruments	5,218	109	4,711	398	5,218
Other financial liabilities	8,150	896	22	7,232	8,150
Financial liabilities held for sale(4)	4,254	1,132	-	3,122	4,254
Total financial liabilities	**(3)183,933**	**28,803**	**106,092**	**51,600**	**186,495**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	47	-	-	47	47

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 2.

(3) Of which: assets and liabilities in the amount of NIS 54,652 million and NIS 68,274 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 Notes 10 B -10 C.

(4) See Note 18.

10. BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Composition - consolidated (continued)

	Audited				
	December 31, 2014				
	Book	Fair value			
	value	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	31,694	10,074	-	21,617	31,691
Securities[(2)]	37,353	22,134	[(5)]14,915	775	37,824
Securities borrowed or purchased under resale agreements	466	-	-	466	466
Credit to the public, net	120,123	1,888	3	118,921	120,812
Credit to Governments	1,533	-	-	1,582	1,582
Assets in respect of derivative instruments	4,596	104	3,519	973	4,596
Other financial assets	1,952	9	27	1,916	1,952
Financial assets held for sale[(4)]	4,876	1,977	2,042	857	4,876
Total financial assets	**[(3)]202,593**	**36,186**	**20,506**	**147,107**	**203,799**
Financial liabilities					
Deposits from the public	152,903	17,822	101,669	33,887	153,378
Deposits from banks	5,547	11	5,239	307	5,557
Deposits from the Government	872	-	703	185	888
Securities loaned or sold under repurchase agreements	3,984	-	-	4,332	4,332
Subordinated capital notes	10,638	[(5)]10,043	44	[(5)]2,215	12,302
Liabilities in respect of derivative instruments	4,475	104	4,075	296	4,475
Other financial liabilities	8,366	233	35	8,098	8,366
Financial liabilities held for sale[(4)]	4,602	1,238	-	3,366	4,604
Total financial liabilities	**[(3)]191,387**	**29,451**	**111,765**	**52,686**	**193,902**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	61	-	-	61	61

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 2.

(3) Of which: assets and liabilities in the amount of NIS 53,728 million and NIS 73,731 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 Notes 10 B - 10 C.

(4) See Note 18.

(5) Reclassified- classification between levels.

10. 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, 2015					
	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	Balance sheet balance
	In NIS millions					
Assets						
Available for sale securities						
Of the Israeli Government	14,529	1,324	-	-	15,853	15,853
Of foreign governments	392	210	-	-	602	602
Of Israeli financial institutions	361	50	-	-	411	411
Of foreign financial institutions	-	1,944	-	-	1,944	1,944
Mortgage-backed-securities or Assets -backed-securities	-	7,240	-	-	7,240	7,240
Of others in Israel	354	251	-	-	605	605
Of others abroad	-	553	-	-	553	553
Shares	519	-	-	-	519	519
Total available-for-sale securities	**16,155**	**11,572**	**-**	**-**	**27,727**	**27,727**
Trading Securities						
Of the Israeli Government	2,407	49	-	-	2,456	2,456
Of foreign governments	924	-	-	-	924	924
Of Israeli financial institutions	10	-	-	-	10	10
Of foreign financial institutions	-	1	-	-	1	1
Mortgage-backed-securities or Assets -backed-securities	-	67	-	-	67	67
Of others in Israel	61	4	-	-	65	65
Of others abroad	-	2	-	-	2	2
Shares	6	-	-	-	6	6
Total trading securities	**3,408**	**123**	**-**	**-**	**3,531**	**3,531**
Credit to the public in respect of securities loaned	1,002	2	-	-	1,004	1,004
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	113	-	113	113
Other Interest Rate Contracts	-	1,924	193	-	2,117	2,117
Foreign Exchange Contracts	60	676	547	-	1,283	1,283
Shares Contracts	224	24	-	-	248	248
Commodity and other Contracts	1	-	-	-	1	1
Total assets in respect of derivative instruments	285	2,624	853	-	3,762	3,762
Other	-	23	-	-	23	23
Assets in respect of the "Maof" market operations	61	-	-	-	61	61
Total assets	**20,911**	**14,344**	**853**	**-**	**36,108**	**36,108**
Liabilities						
Deposits from the public in respect of securities borrowed	699	21	-	-	720	720
CLN deposits	-	-	325	-	325	325
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	126	-	126	126
Other Interest Rate Contracts	-	2,475	-	-	2,475	2,475
Foreign Exchange Contracts	60	1,049	164	-	1,273	1,273
Shares Contracts	224	-	-	-	224	224
Commodity and other Contracts	1	-	-	-	1	1
Total liabilities in respect of derivative instruments	285	3,524	290	-	4,099	4,099
Other	-	27	-	-	27	27
Commitments in respect of the "Maof" market operations	61	-	-	-	61	61
Short sales of securities	118	-	-	-	118	118
Total liabilities	**1,163**	**3,572**	**615**	**-**	**5,350**	**5,350**

10. 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, 2014					
	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	Balance sheet balance
	In NIS millions					
Assets						
Available for sale securities						
Of the Israeli Government	14,700	1,310	-	-	16,010	16,010
Of foreign governments	169	310	-	-	479	479
Of Israeli financial institutions	667	55	-	-	722	722
Of foreign financial institutions	-	2,219	-	-	2,219	2,219
Mortgage-backed-securities or Assets -backed-securities○	-	7,427	-	-	7,427	7,427
Of others in Israel	637	172	-	-	809	809
Of others abroad	-	85	-	-	85	85
Shares	1,108	-	-	-	1,108	1,108
Total available-for-sale securities	**17,281**	**11,578**	**-**	**-**	**28,859**	**28,859**
Trading Securities						
Of the Israeli Government	2,527	185	-	-	2,712	2,712
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	2	-	-	-	2	2
Of foreign financial institutions	4	8	-	-	12	12
Mortgage-backed-securities or Assets -backed-securities○	-	46	-	-	46	46
Of others in Israel	85	-	-	-	85	85
Of others abroad	-	14	-	-	14	14
Shares	11	1	-	-	12	12
Total trading securities	**2,629**	**254**	**-**	**-**	**2,883**	**2,883**
Credit to the public in respect of securities loaned	2,307	3	-	-	2,310	2,310
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	78	-	78	78
Other Interest Rate Contracts	-	2,486	141	-	2,627	2,627
Foreign Exchange Contracts	19	1,271	978	-	2,268	2,268
Shares Contracts	90	17	-	-	107	107
Commodity and other Contracts	-	-	-	-	-	-
Total assets in respect of derivative instruments	109	3,774	1,197	-	5,080	5,080
Other	-	39	-	-	39	39
Assets in respect of the "Maof" market operations	9	-	-	-	9	9
Total assets	**22,335**	**15,648**	**1,197**	**-**	**39,180**	**39,180**
Liabilities						
Deposits from the public in respect of securities borrowed	1,107	13	-	-	1,120	1,120
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	98	-	98	98
Other Interest Rate Contracts	-	3,025	-	-	3,025	3,025
Foreign Exchange Contracts	19	1,686	300	-	2,005	2,005
Shares Contracts	90	-	-	-	90	90
Commodity and other Contracts	-	-	-	-	-	-
Total liabilities in respect of derivative instruments	109	4,711	398	-	5,218	5,218
Other	-	22	-	-	22	22
Commitments in respect of the "Maof" market operations	9	-	-	-	9	9
Short sales of securities	887	-	-	-	887	887
Total liabilities	**2,112**	**4,746**	**398**	**-**	**7,256**	**7,256**

10. 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, 2014					
	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	Balance sheet balance
	In NIS millions					
Assets						
Available for sale securities						
Of the Israeli Government	13,678	959	-	-	14,637	14,637
Of foreign governments	(1)1,400	(1)138	-	-	1,538	1,538
Of Israeli financial institutions	483	63	-	-	546	546
Of foreign financial institutions	-	1,919	-	-	1,919	1,919
Mortgage-backed-securities or Assets -backed-securities	-	7,774	-	-	7,774	7,774
Of others in Israel	594	165	-	-	759	759
Of others abroad	-	109	-	-	109	109
Shares	906	-	-	-	906	906
Total available-for-sale securities	**17,061**	**11,127**	**-**	**-**	**28,188**	**28,188**
Trading Securities						
Of the Israeli Government	1,057	221	-	-	1,278	1,278
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	2	-	-	-	2	2
Of foreign financial institutions	-	5	-	-	5	5
Mortgage-backed-securities or Assets -backed-securities	-	60	-	-	60	60
Of others in Israel	51	-	-	-	51	51
Of others abroad	-	2	-	-	2	2
Shares	11	-	-	-	11	11
Total trading securities	**1,121**	**288**	**-**	**-**	**1,409**	**1,409**
Credit to the public in respect of securities loaned	1,888	3	-	-	1,891	1,891
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	94	-	94	94
Other Interest Rate Contracts	-	1,886	145	-	2,031	2,031
Foreign Exchange Contracts	21	1,603	734	-	2,358	2,358
Shares Contracts	83	30	-	-	113	113
Commodity and other Contracts	-	-	-	-	-	-
Total assets in respect of derivative instruments	104	3,519	973	-	4,596	4,596
Other	-	27	-	-	27	27
Assets in respect of the "Maof" market operations	9	-	-	-	9	9
Total assets	**20,183**	**14,964**	**973**	**-**	**36,120**	**36,120**
Liabilities						
Deposits from the public in respect of securities borrowed	1,137	25	-	-	1,162	1,162
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	113	-	113	113
Other Interest Rate Contracts	-	2,421	-	-	2,421	2,421
Foreign Exchange Contracts	21	1,654	183	-	1,858	1,858
Shares Contracts	83	-	-	-	83	83
Commodity and other Contracts	-	-	-	-	-	-
Total liabilities in respect of derivative instruments	104	4,075	296	-	4,475	4,475
Other	-	35	-	-	35	35
Commitments in respect of the "Maof" market operations	9	-	-	-	9	9
Short sales of securities	224	-	-	-	224	224
Total liabilities	**1,474**	**4,135**	**296**	**-**	**5,905**	**5,905**

Notes:
(1) Reclassified - classification between levels.

10. 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, 2015					
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended September 30, 2015	Profit (Loss) for the nine months ended September 30, 2015
	In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	2,036	2,036	(116)	(129)
Other	-	-	15	15	-	-

	Unaudited					
	September 30, 2014					
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended September 30, 2014	Profit (Loss) for the nine months ended September 30, 2014
	In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	1,809	1,809	28	(7)
Other	-	-	16	16	(1)	1

	Audited				
	December 31, 2014				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended December 31, 2014
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	1,482	1,482	(116)
Other	-	-	13	13	2

10. 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

1. For a period of three months ended September 30, 2015:

	Unaudited								
	Fair value as at June 30, 2015	Total realized and unrealized gains (losses) included in the statement of income	Issuances	Acquisitions	Clearings	Transfers from level 3	Transfers to level 3	Fair value as at September 30, 2015	Unrealized gains (losses) in respect of held instruments as at September 30, 2015
	in NIS millions								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(1)	[(1)]11	-	-	(23)	-	-	(13)	[(1)](11)
Other Interest Rate Contracts	123	[(1)]110	-	-	(14)	(8)	(18)	193	[(1)]114
Foreign Exchange Contracts	422	[(1)]44	[(2)]-	(7)	(79)	3	-	383	[(1)]38
Liabilities									
CLN Deposits	(333)	(2)	-	-	10	-	-	(325)	(2)
Total	**211**	**163**	**-**	**(7)**	**(106)**	**(5)**	**(18)**	**238**	**139**

2. For a period of three months ended September 30, 2014:

	Unaudited								
	Fair value as at June 30, 2014	Total realized and unrealized gains (losses) included in the statement of income	Issuances	Acquisitions	Clearings	Transfers from level 3	Transfers to level 3	Fair value as at September 30, 2014	Unrealized gains (losses) in respect of held instruments as at September 30, 2014
	in NIS millions								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(21)	[(1)]4	-	-	(3)	-	-	(20)	[(1)](2)
Other Interest Rate Contracts	133	[(1)]31	-	-	(50)	27	[(2)]-	141	[(1)]34
Foreign Exchange Contracts	164	[(1)]483	(4)	(10)	54	(4)	(5)	678	[(1)]499
Total	**276**	**518**	**(4)**	**(10)**	**1**	**23**	**(5)**	**799**	**531**

Footnotes:

(1) Included in the statement of income in the item "Non-interest financing income"

(2) An amount lower than NIS 1 million

10. 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)

3. For a period of nine months ended September 30, 2015:

	Unaudited								
	Fair value as at December 31, 2014	Total realized and unrealized gains (losses) included in the statement of income	Issuances	Acquisitions	Clearings	Transfers from level 3	Transfers to level 3	Fair value as at September 30, 2015	Unrealized gains (losses) in respect of held instruments as at September 30, 2015
	in NIS millions								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(19)	(1)14	-	-	(8)	-	-	(13)	(1)7
Other Interest Rate Contracts	145	(1)145	-	-	(57)	(21)	(19)	193	(1)144
Foreign Exchange Contracts	551	(1)431	(2)-	(78)	(518)	(1)	(2)	383	(1)311
Liabilities									
CLN Deposits	-	(2)	(344)	-	21	-	-	(325)	(2)
Total	**677**	**588**	**(344)**	**(78)**	**(562)**	**(22)**	**(21)**	**238**	**460**

4. For a period of nine months ended September 30, 2014:

	Unaudited								
	Fair value as at December 31, 2013	Total realized and unrealized gains (losses) included in the statement of income	Issuances	Acquisitions	Clearings	Transfers from level 3	Transfers to level 3	Fair value as at September 30, 2014	Unrealized gains (losses) in respect of held instruments as at September 30, 2014
	in NIS millions								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(52)	(1)39	-	-	(7)	-	-	(20)	(1)29
Other Interest Rate Contracts	111	(1)106	-	-	(75)	(1)	(2)-	141	(1)106
Foreign Exchange Contracts	279	(1)522	1	(120)	16	(13)	(7)	678	(1)667
Total	**338**	**667**	**1**	**(120)**	**(66)**	**(14)**	**(7)**	**799**	**802**

Footnotes:
(1) Included in the statement of income in the item "Non-interest financing income"
(2) An amount lower than NIS 1 million

10. 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)

5. For the year ended December 31, 2014:

	Audited								
	Fair value as at December 31, 2013	Total realized and unrealized gains (losses) included in the statement of income	Issuances	Acquisitions	Clearings	Transfers from level 3	Transfers to level 3	Fair value as at December 31, 2014	Unrealized gains (losses) in respect of held instruments as at December 31, 2014
	in NIS millions								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(52)	(1)50	-	-	(17)	-	-	(19)	(1)29
Other Interest Rate Contracts	111	(1)134	-	-	(99)	(1)	(2)-	145	(1)134
Foreign Exchange Contracts	279	(1)358	2	(121)	42	(7)	(2)	551	(1)484
Total	**338**	**542**	**2**	**(121)**	**(74)**	**(8)**	**(2)**	**677**	**647**

Footnotes:
(1) Included in the statement of income in the item "Non-interest financing income"
(2) An amount lower than NIS 1 million

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first nine months of 2015, 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.

10. 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, 2015	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	2,036	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Other	15	Assessments and evaluation, valuation by an expert assessor	Company value, real estate market inputs	
B. Items measured at fair value on a recurring basis				
Net Assets in respect of derivative instruments				
Other Interest Rate Contracts	193	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 3.32% (0.19%)
Foreign Exchange Contracts	383	Discounted cash flow	One year period inflation expectations	From -3.73% to 0.06% (-0.89%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 3.72% (0.15%)
Liabilities				
CLN Deposits	325	Discounted cash flow	Credit risk of the underlying asset	
Net Liabilities in respect of derivative instruments				
Shekel/CPI Interest Rate Contracts	13	Discounted cash flow	One year period inflation expectations	From -3.73% to 0.05% (-0.85%)
			Counterparty credit risk (CVA)	From 0.00% to 6.39% (0.68%)

	Unaudited			
	Fair value as at September 30, 2014	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	1,809	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Other	16	Assessments and evaluation, valuation by an expert assessor	Company value, real estate market inputs	
B. Items measured at fair value on a recurring basis				
Net Assets in respect of derivative instruments				
Other Interest Rate Contracts	141	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 10.55% (0.33%)
Foreign Exchange Contracts	678	Discounted cash flow	One year period inflation expectations	From -0.06% to 1.26% (0.54%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 7.88% (1.01%)
Net Liabilities in respect of derivative instruments				
Shekel/CPI Interest Rate Contracts	20	Discounted cash flow	One year period inflation expectations	From -0.06% to 1.25% (0.6%)
			Counterparty credit risk (CVA)	From 0.00% to 8.62% (2.17%)

10. 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, 2014	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	1,482	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Other	13	Valuation by an expert assessor	Company value	
B. Items measured at fair value on a recurring basis				
Net Assets in respect of derivative instruments				
Other Interest Rate Contracts	145	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 9.52% (0.30%)
Foreign Exchange Contracts	551	Discounted cash flow	One year period inflation expectations	From -1.59% to 3.00% (0.24%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00 to 17.40% (1.46%)
Net Liabilities in respect of derivative instruments				
Shekel/CPI Interest Rate Contracts	19	Discounted cash flow	One year period inflation expectations	From -1.75% to 3.00% (0.27%)
			Counterparty credit risk (CVA)	From 0.00% to 7.90% (2.12%)

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 expectations of inflation up to one year, and adjustments regarding counterparty credit risk (CVA).

As the inflation forecasts rise (fall) and the Bank commits to pay the index-linked amount, so the fair value falls (rises). As the inflation forecasts rise (fall) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value rises (falls).

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.

11. INTEREST INCOME AND EXPENSES - CONSOLIDATED

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	in NIS millions			
A. Interest Income[(2)]				
Credit to the public	1,219	1,228	3,496	3,596
Credit to the Governments	6	9	15	13
Deposits with the Bank of Israel and cash	6	15	25	77
Deposits with Banks	6	9	21	28
Securities borrowed or purchased under resale agreements	-	1	-	2
Bonds[(1)]	159	213	454	648
Other assets	5	4	22	20
Total interest income	**1,401**	**1,479**	**4,033**	**4,384**
B. Interest Expenses				
Deposits from the public	(140)	(204)	(353)	(622)
Deposits from the Government	(3)	(2)	(6)	(6)
Deposits from banks	(7)	(16)	(24)	(36)
Securities loaned or sold under repurchase agreements	(37)	(35)	(111)	(104)
Bonds and subordinated debt notes	(146)	(164)	(354)	(433)
Other liabilities	(1)	3	(3)	(4)
Total interest expenses	**(334)**	**(418)**	**(851)**	**(1,205)**
Interest Income, Net	**1,067**	**1,061**	**3,182**	**3,179**
C. Details of the net effect of hedge derivative instruments on interest income and expenses:				
Interest expenses[(3)]	(58)	(11)	(47)	(56)
D. Accrual basis, interest income from bonds:				
Held-to-maturity	60	63	168	177
Available-for-sale	96	142	281	451
Trading	3	8	5	20
Total included in interest income	159	213	454	648

Footnotes:

(1) Financing income generated by mortgage backed securities (MBS) - in US $ millions	10	13	30	40
Financing income generated by mortgage backed securities (MBS) - in NIS millions	40	45	117	140

(2) Including the effective component of hedging relationships.

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

12. NON-INTEREST FINANCING INCOME - CONSOLIDATED

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	in NIS millions			
A. Non-interest financing income from operations not for trading purposes				
1. From operations in derivative instruments				
Net income (expenses) in respect of ALM derivative instruments[4]	475	486	(202)	301
Total from operations in derivative instruments	**475**	**486**	**(202)**	**301**
2. From investments in bonds[3]:				
Gains on sale of available-for-sale bonds	38	55	190	286
Losses on sale of available-for-sale bonds	(1)	[7]-	(9)	(56)
Provision for impairment of available-for-sale bonds	-	-	(3)	(45)
Total from investments in bonds	**37**	**55**	**178**	**185**
3. Net exchange rate differences	**(452)**	**(429)**	**282**	**(257)**
4. Net profit (losses) from investments in shares:				
Gains on sale of available-for-sale shares[3]	22	2	71	50
Losses on sale of available-for-sale shares[3][8]	(34)	(2)	(37)	(6)
Reversal of provision (provision) for impairment of available-for-sale shares[9]	(27)	3	(40)	5
Dividends from available-for-sale shares	2	8	16	50
Total from investment in shares	**(37)**	**11**	**10**	**99**
5. Net income in respect of loans sold	**[7]-**	**1**	**11**	**1**
Total non-interest financing income from operations not for trading purposes	**23**	**124**	**279**	**329**
B. Non-interest financing income from operations for trading purposes[5]:				
Net income in respect of other derivative instruments	8	7	22	20
Net realized and non-realized income on adjustment of trading bonds to fair value[1]	[7]-	17	16	44
Net realized and non-realized losses on adjustment of trading shares to fair value[2]	(1)	[7]-	[7]-	(7)
Total from trading operations[6]	**7**	**24**	**38**	**57**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:				
Interest rate exposure	2	18	20	51
Foreign currency exposure	3	3	10	6
Share exposure	2	3	8	-
Total according to risk exposure	**7**	**24**	**38**	**57**
Total non-interest financing income	**30**	**148**	**317**	**386**

Footnotes:

(1) Of which, a part of the income (losses) relating to trading bonds that are still on hand at balance sheet date	(3)	9	(6)	16
(2) Of which, a part of the losses relating to trading shares that are still on hand at balance sheet date	(1)	[7]-	(2)	(2)
(3) Reclassified from accumulated other comprehensive income, see Note14:				
Of which income, from investments in bonds, net	37	55	178	185
Of which, from investment in shares	(22)	(1)	(32)	1

(4) Derivative instruments comprising a part of the Bank's asset and liability management layout, not designated for hedge relations.
(5) Including exchange rate differences from trading operations.
(6) For interest income on investments in trading bonds, see Note 11, above.
(7) An amount lower than NIS 1 million.
(8) Including an amount of NIS 34 million being the reimbursement to a borrower made by the Bank and MDB in 2015, of default interest (see Note 8B Item 4.5 above), which had been classified to this item in accordance with a guideline of the Supervisor of Banks. This in line with a guideline of the Supervisor of Banks issued in 2003, according to which, the Bank and MDB were required to classify the outstanding balance of the borrower's debt as "security" being part of the available-for-sale security portfolio, based on the market value of their share in the collateral (being shares of a certain corporation).
(9) Principally in respect of the shares in FIBI, see Note 15D below.

13. BUSINESS SEGMENTS – CONSOLIDATED

A. General. Equity is being allocated to each segment according to risk assets of the particular segment, in respect of which the segment is credited with theoretical interest. The return of each segment is computed according to the amount of equity allocated to the segment. As detailed in Note 31 B 3 to the financial statements as of December 31, 2014, in 2014 the equity allocated to the various segments was at the rate of 8.5%. Beginning with January 1, 2015, equity is allocated to the different segments at the rate of 9.0%, in accordance with goals determined by the Board of Directors (with an addition of 0.012% per quarter, in accordance with the additional capital requirements with respect to housing loans – see Note 5 1 (b) above).

B. Changes in the cost allocation model

In view of the period of time that has passed since the formation of the model for the allocation of costs used in the preparation of the operating segments data, and among other within the framework of the preparations for the implementation of the instruction regarding the regulatory operating segments (see Note 1 F 1 to the condensed financial statements), the Bank has performed a comprehensive review of the cost allocation model, making therein the necessary changes. The new model was initially implemented in the first quarter of 2015.

In view of the significance of the change, and respectively, in view of it's impact on the comparability between the data for the current period and the data for prior periods, it has been decided to restate the comparative data for prior periods in accordance with the new model.

The material change in the new model refers to the manner of analyzing and treating indirect expenses. The model deals in a more detailed manner with indirect expenses, therefore it reflects in a more precise manner the allocation of operating expenses at the level of the measurement units.

The method for the implementation of cost allocation is based on an allocation costing, in a manner in which all operating expenses are attributed to profit centers and cost centers, both as direct expenses of the centers and as expenses allocated to the centers by means of allocation mechanisms based on the cost generators of the various costs.

The new allocation method for operating expenses creates a better measurement of the results of the measuring units as well as a better distribution of operating expenses among the different segments (management segments and in the future also regulatory segments) measured by the Bank's Management.

The methodologies of the model are based on several principles, as follows:

- Mapping of the profit centers and of the cost centers, based on the organizational structure of human resources;
- Determination of the type of measurement units;
- Determination of the relations between the analytical units and the measured units;
- Designing the organizational structure for the purpose of measurement;
- Mapping and examination of the flow of expenses relevant to the model;
- Mapping the expense items and determination of criteria for the classification of an expense as a direct/indirect expense;
- Determination of the principles and criteria for attributing the budget items to the consuming units;
- Determination of the process for attributing, moving and allocating expenses at several stages based upon allocation processes in accordance to the nature and substance of the unit/expense.

C. Changes in classification

(1) The improvement of the computation formula used to allocate the cost of capital to the various segments, which caused a reclassification of net interest income between the financial management segment and the other segments;

(2) Improvement in the format of allocating the average balance of assets among the different operating segments and the financial management segment, considering the data of a subsidiary company.

13. BUSINESS SEGMENTS - CONSOLIDATED (CONTINUED)

	Unaudited							
						Financial		
	Households	Small Businesses	Corporate Banking	Middle Market Banking	Private Banking	Non-Financial Companies	Financial management	Total Consolidated
	in NIS millions							
	For the three months ended September 30, 2015							
Interest income, net								
- From external sources	356	222	313	186	3	-	(13)	1,067
- Intersegmental	(60)	(10)	(103)	(38)	81	-	130	-
Total Interest income, net	296	212	210	148	84	-	117	1,067
Non-interest financing income	1	2	12	1	3	10	1	30
Commissions and Other income	371	96	81	34	62	1	47	692
Total income	**668**	**310**	**303**	**183**	**149**	**11**	**165**	**1,789**
Credit loss expenses	25	26	14	5	10	-	5	85
Net Income (loss) Attributed to the bank's shareholders	**(58)**	**43**	**85**	**30**	**(5)**	**11**	**62**	**168**
Return on equity (percentage)	**(7.7)**	**13.9**	**7.9**	**5.4**	**(3.3)**	**37.9**	**16.3**	**5.2**
Average Assets	43,816	15,209	37,632	21,200	5,199	1,092	79,973	204,121
Average Liabilities	70,477	18,596	20,405	11,682	36,474	-	33,281	190,915
	For the three months ended September 30, 2014							
Interest income, net								
- From external sources	310	210	313	185	(214)	-	257	1,061
- Intersegmental	(14)	(10)	(84)	(40)	291	-	(143)	-
Total Interest income, net [5]	296	200	229	145	77	-	114	1,061
Non-interest financing income	3	1	9	3	2	12	118	148
Commissions and Other income [1]	372	99	85	31	64	1	-	652
Total income	**671**	**300**	**323**	**179**	**143**	**13**	**232**	**1,861**
Credit loss expenses (expenses reversal)	26	11	1	4	5	-	(7)	40
Net Income (loss) Attributed to the bank's shareholders [1][2][3]	**(82)**	**30**	**94**	**26**	**(2)**	**12**	**127**	**205**
Return on equity (percentage)[1][2][3]	**(12.2)**	**12.1**	**9.8**	**5.4**	**(1.9)**	**45.4**	**26.5**	**6.9**
Average Assets	[3][4]40,056	[3][4]13,685	[3][4]39,140	[3][4]20,227	4,855	1,026	[1][3]75,427	194,416
Average Liabilities	67,851	15,575	19,631	11,028	34,871	-	[3]33,469	182,425

footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1).

(2) Restated, see B above.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2).

(4) Reclassified, improvement in the format of allocating the average balance of assets among the different operating segments and the financial management segment, considering the data of one of the subsidiary, see C (2).

(5) Reclassified, improvement of the computation formula used to allocate the cost of capital to the various segments, which caused a reclassification of net interest income between the financial management segment and the other segments, see C(1)

13. BUSINESS SEGMENTS - CONSOLIDATED (CONTINUED)

	Unaudited							
					Financial			
	Households	Small Businesses	Corporate Banking	Middle Market Banking	Private Banking	Non-Financial Companies	Financial management	Total Consolidated
	in NIS millions							
	For the nine months ended September 30, 2015							
Interest income, net								
- From external sources	975	661	852	557	25	-	112	3,182
- Intersegmental	(119)	(37)	(205)	(104)	231	-	234	-
Total Interest income, net	856	624	647	453	256	-	346	3,182
Non-interest financing income	10	7	47	10	2	62	179	317
Commissions and Other income	1,090	297	256	111	199	3	84	2,040
Total income	**1,956**	**928**	**950**	**574**	**457**	**65**	**609**	**5,539**
Credit loss expenses (expenses reversal)	23	54	12	(2)	(1)	-	3	89
Net Income (loss) Attributed to the bank's shareholders	**(198)**	**128**	**300**	**120**	**22**	**54**	**264**	**690**
Return on equity (percentage)	**(9.2)**	**14.1**	**9.3**	**7.0**	**6.2**	**57.0**	**23.0**	**7.2**
Average Assets	42,448	14,743	38,650	21,538	5,143	1,076	82,519	206,117
Average Liabilities	69,787	17,834	21,891	11,712	36,946	-	35,111	193,281
	For the nine months ended September 30, 2014							
Interest income, net								
- From external sources	856	618	869	545	8	-	283	3,179
- Intersegmental	26	(30)	(193)	(114)	232	-	79	-
Total Interest income, net (5)	882	588	676	431	240	-	362	3,179
Non-interest financing income	10	4	29	7	10	66	260	386
Commissions and Other income (1)	1,101	277	251	107	188	2	8	1,934
Total income	**1,993**	**869**	**956**	**545**	**438**	**68**	**630**	**5,499**
Credit loss expenses (expenses reversal)	37	23	(43)	46	7	-	10	80
Net Income (loss) Attributed to the bank's shareholders (1)(2)(3)	**(285)**	**89**	**288**	**58**	**2**	**63**	**286**	**501**
Return on equity (percentage)(1)(2)(3)	**(14.8)**	**11.6**	**9.6**	**4.0**	**0.6**	**74.6**	**20.5**	**5.6**
Average Assets	(3)(4)39,458	(3)(4)13,325	(3)(4)39,692	(3)(4)19,959	4,915	1,020	(1)(3)77,857	196,226
Average Liabilities	67,967	15,757	20,959	10,914	35,227	-	(3)33,455	184,279

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1).

(2) Restated, see B above.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2).

(4) Reclassified, improvement in the format of allocating the average balance of assets among the different operating segments and the financial management segment, considering the data of one of the subsidiary, see C (2).

(5) Reclassified, improvement of the computation formula used to allocate the cost of capital to the various segments, which caused a reclassification of net interest income between the financial management segment and the other segments, see C(1)

13. BUSINESS SEGMENTS - CONSOLIDATED (CONTINUED)

	Audited							
						Financial		
	Households	Small Businesses	Corporate Banking	Middle Market Banking	Private Banking	Non-Financial Companies	Financial management	Total Consolidated
	in NIS millions							
	For the year ended December 31, 2014							
Interest income, net								
- From external sources	1,162	834	1,139	727	32	1	323	4,218
- Intersegmental	16	(37)	(246)	(148)	296	-	119	-
Total Interest income, net	1,178	797	893	579	328	1	442	4,218
Non-interest financing income	15	6	38	8	9	82	391	549
Commissions and Other income [(1)]	1,480	378	343	150	278	2	(27)	2,604
Total income	**2,673**	**1,181**	**1,274**	**737**	**615**	**85**	**806**	**7,371**
Credit loss expenses (expenses reversal)	128	39	(60)	63	16	-	(22)	164
Net Income (loss) Attributed to the bank's shareholders	**(391)**	**114**	**415**	**84**	**(1)**	**78**	**206**	**505**
Return on equity (percentage)	**(15.5)**	**11.0**	**10.2**	**4.2**	**(0.2)**	**63.4**	**10.7**	**4.2**
Average Assets	39,823	13,624	39,528	20,214	5,019	1,023	[(1)(3)]78,382	197,613
Average Liabilities	68,058	16,088	20,792	11,281	35,211	-	[(1)(3)]34,114	185,544

Footnotes:

(1) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E(1).

(2) Restated, see B above.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of capitalization of software development costs, see Note 1 E (2).

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

A. Changes in other comprehensive income (loss)

	Other comprehensive income, before attribution to non-controlling rights holders					Other comprehensive income attributed to non-controlling rights holders	Other comprehensive income attributed to the Bank's shareholders
	Adjustments, net, for presentation of available-for- sale securities at fair value	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, 2015 and 2014 (unaudited)							
Balance at June 30, 2015	222	(67)	(1)	(310)	(156)	[3]-	(156)
Net change during the period	(7)	124	-	(15)	102	[3]-	102
Balance at September 30, 2015	**215**	**57**	**(1)**	**(325)**	**(54)**	**[3]-**	**(54)**
Balance at June 30, 2014	325	(328)	(5)	[2](355)	(363)	-	(363)
Net change during the period	67	204	1	(1)	271	-	271
Balance at September 30, 2014	**392**	**(124)**	**(4)**	**(356)**	**(92)**	**-**	**(92)**
B. For the nine months ended September 30, 2015 and 2014 (unaudited)							
Balance at December 31, 2014 (audited)	261	[2]30	(3)	[2](362)	(74)	-	(74)
Net change during the period	(46)	27	2	37	20	[3]-	20
Balance at September 30, 2015	**215**	**57**	**(1)**	**(325)**	**(54)**	**[3]-**	**(54)**
Balance at December 31, 2013 (audited)	179	[2](307)	(6)	[2](340)	(474)	-	(474)
Net change during the period	213	183	2	(16)	382	-	382
Balance at September 30, 2014	**392**	**(124)**	**(4)**	**(356)**	**(92)**	**-**	**(92)**
C. For the year of 2014 (audited)							
Balance at December 31, 2013	**179**	**[2](307)**	**(6)**	**[2](340)**	**(474)**	**-**	**(474)**
Net change during the year	82	337	3	(22)	400	-	400
Balance at December 31, 2014	**261**	**30**	**(3)**	**(362)**	**(74)**	**-**	**(74)**

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) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(3) An amount lower than NIS 1 million.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)

B. Changes in other comprehensive income (loss)

	Unaudited					
	For the three months ended					
	September 30, 2015			September 30, 2014		
	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 securities at fair value						
Net unrealized income (loss) from adjustments to fair value	18	(26)	(8)	141	(38)	103
Loss (income) on available-for-sale securities reclassified to the statement of income[2]	(15)	16	1	(54)	18	(36)
Net change during the period	**3**	**(10)**	**(7)**	**87**	**(20)**	**67**
Translation adjustments						
Financial statements translation adjustments[1]	124	-	124	204	-	204
Net change during the period	**124**	**-**	**124**	**204**	**-**	**204**
Cash flow hedging						
Net income (loss) in respect of cash flow hedging	2	(1)	1	2	(1)	1
Net loss (income) in respect of cash flow hedging reclassified to the statement of income	(2)	1	(1)	-	-	-
Net change during the period	**-**	**-**	**-**	**2**	**(1)**	**1**
Employee benefits[3]						
Net actuarial income (loss)	(31)	13	(18)	(1)	[5]-	(1)
Loss (income) reclassified to the statement of income[4]	6	(3)	3	-	-	-
Net change during the period	**(25)**	**10**	**(15)**	**(1)**	**-**	**(1)**
Total net changes during the period	**102**	**-**	**102**	**292**	**(21)**	**271**
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling rights holders:						
Total net changes during the period	**[5]-**	**[5]-**	**-**	**-**	**-**	**-**
Changes in components of accumulated other comprehensive income (loss) attributed to the Bank's shareholders:						
Total net changes during the period	**102**	**-**	**102**	**292**	**(21)**	**271**

For footnotes see next page.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)

B. Changes in other comprehensive income (loss) (continued)

	Unaudited						Audited		
	For the nine months ended						For the year ended		
	September 30, 2015			September 30, 2014			2014		
	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 securities at fair value									
Net unrealized income (loss) from adjustments to fair value	61	(30)	31	582	(232)	350	436	(222)	214
Loss (income) on available-for-sale securities reclassified to the statement of income[2]	(146)	69	(77)	(224)	87	(137)	(246)	114	(132)
Net change during the period	**(85)**	**39**	**(46)**	**358**	**(145)**	**213**	**190**	**(108)**	**82**
Translation adjustments									
Financial statements translation adjustments[1]	27	-	27	182	1	183	336	1	337
Net change during the period	**27**	**-**	**27**	**182**	**1**	**183**	**336**	**1**	**337**
Cash flow hedging									
Net income (loss) in respect of cash flow hedging	8	(3)	5	7	(3)	4	12	(5)	7
Net (income) loss in respect of cash flow hedging reclassified to the statement of income	(5)	2	(3)	(3)	1	(2)	(7)	3	(4)
Net change during the period	**3**	**(1)**	**2**	**4**	**(2)**	**2**	**5**	**(2)**	**3**
Employee benefits[3]									
Net actuarial income (loss)	49	(18)	31	(22)	7	(15)	(33)	14	(19)
Loss (income) reclassified to the statement of income[4]	10	(4)	6	(2)	1	(1)	(4)	1	(3)
Net change during the period	**59**	**(22)**	**37**	**(24)**	**8**	**(16)**	**(37)**	**15**	**(22)**
Total net change during the period	**4**	**16**	**20**	**520**	**(138)**	**382**	**494**	**(94)**	**400**
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling rights holders:									
Total net change during the period	[5]-	[5]-	-	-	-	-	-	-	-
Changes in components of accumulated other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**4**	**16**	**20**	**520**	**(138)**	**382**	**494**	**(94)**	**400**

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 statement of income in the item "non-interest financing income". For further details see the note on non-interest financing income.

(3) Restated, in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights, See Note 1 E (1).

(4) The pre-tax amount is reported in the statement of income in the item "Salaries and related expenses".

(5) An amount lower than NIS 1 million.

15. THE INVESTMENT IN THE FIRST INTERNATIONAL BANK ("FIBI")

A. Data regarding the investment in FIBI

On September 30, 2015 the Bank's holdings in FIBI were 9.28% in the equity and in the voting rights. The cost of the shares in the Bank's books amounted to NIS 493 million as of September 30, 2015. The market value of the Bank's holdings in FIBI totaled on September 30, 2015: NIS 454 million. The market value of this investment at November 16, 2015: NIS 449 million.

B. An agreement with FIBI Holdings - 2010

The Bank and FIBI Holdings signed an agreement on March 28, 2010, which, among other things, limited the period in which Discount Bank shall have the right by which FIBI Holdings shall continue to support the appointment of one quarter of the directions of FIBI from among candidates recommended by Discount Bank. Details regarding the highlights of the agreement and regarding the approvals of the Supervisor of Banks and the Antitrust Commissioner with respect to the agreement, including the timetable determined by the Antitrust Commissioner for the reduction in the interest held by Discount Bank in FIBI, were brought in Note 6 D (1) to the financial statements as of December 31, 2014.

C. Sale of shares in February 2015. On February 19, 2015, the Bank sold 7,054,625 shares of FIBI, comprising approx. 7% of the share capital of FIBI. The balance of the shares in the First International Bank held by the Bank comprises 9.28% of the share capital of FIBI. The sale was made in an off-market transaction, at a price of NIS 0.4951 per share, reflecting a discount of 2.5% on the base price for the February 19 trading day. The total consideration amounted to NIS 349 million.

In consequence of this sale and the decrease in the Bank's rate of holdings in the shares of FIBI to below 10%, the exceptional impact of the investment in these shares on capital adequacy has been removed, a fact that brought about an improvement in capital adequacy already in the first quarter of 2015. Completion of this move constitutes the Bank's attainment of a relevant milestone in the sale outline determined by the Antitrust Commissioner, prior to the final date that had been fixed for this sale.

In respect of the above, a loss on impairment of a nature other than temporary (OTTI) in the amount of NIS 47 million, net, was recorded in the financial statements as of December 31, 2014.

D. Additional losses on impairment. During the first nine months of 2015, the Bank recognized losses on other than temporary impairment (OTTI), in the amount of NIS 34 million (before the tax effect), in respect of impairment in the value of shares in FIBI, and which the Bank is required to sell in accordance with an outline determined by the Antitrust Commissioner ("the shares subject to the outline"), bringing its holdings to a rate of less than 5% of the share capital of FIBI, no later than September 19, 2017.

16. CREDIT CARD ACTIVITY

A. Arrangements between the credit card companies and between such companies and the banks

Agreement with Bank Otsar Ha-Hayal. An agreement was signed on March 31, 2015, between ICC and Diners and Bank Otsar Ha-Hayal Ltd. (hereinafter: "Otsar Ha-Hayal"; "the agreement"). The agreement is for a period of five years since date of signature, and would be extended for further periods of five years each, unless one of the parties informed the other party, six months prior to the end of the agreement period, of his wish not to extend the agreement for an additional period.

Within the framework of the agreement, ICC and Diners would issue credit cards to Otsar Ha-Hayal customers and would provide them with the services involved in the issue of the cards to customers and inherent in the use thereof. The agreement establishes the rights of the parties as well as the operating arrangements and the provision of services by ICC and/or Diners in respect of the charge cards issued in terms of the agreement and the remaining terms relating thereto.

B. (1) Events regarding the clearing of international electronic trade transactions and other matters. In the second half of 2009 and in the beginning of 2010, ICC faced allegations made by VISA Europe and the Global MasterCard Organization (hereinafter: "the international organizations") with respect to prima facie violations of the rules of these organizations pertaining to the clearing of international electronic trade, in transactions effected by a subsidiary of ICC, ICC International (which had in the meantime been merged with and into ICC). In this framework, fines have been imposed on ICC and its activity in this field of operations has been restricted for a period of several months.

16. CREDIT CARD ACTIVITY (CONTINUED)

ICC has immediately implemented a reduction plan in order to comply with the requirements of the international organizations, in the framework of which it applied various measures, including changes in the company's management.

A number of trading houses and clusterers had raised demands regarding the burden of monetary sanctions applying to them and the reduction in electronic trade clearing operations conducted with them, which as alleged by them, resulted in heavy damage.

(2) Notices by the State Attorney. In continuation of the investigation conducted by the police, ICC received on December 3, 2014, a notice from the economic department of the State Attorney Office, according to which a file with regards to an investigation of suspicions against ICC, had been delivered for perusal of the State Attorney.

On April 20, 2015, ICC received a notice from the State Attorney Office, to which was appended a "suspicion letter", according to which the State Attorney is considering the filing of an indictment against the company, in respect of perpetrating offences of fraudulent conversion under aggravating circumstances and money laundering.

The suspicion brief describes two cases in which, according to the Prosecution, ICC was involved together with others.

In the first affair it has been alleged that during 2006 through 2009 (hereinafter: "the relevant period"), ICC, through who has officiated as CEO of ICC in the relevant period and the CEO of ICC International in the relevant period (jointly and severally: "the Officers"), together or with others, acted fraudulently regarding false coding of transactions cleared by ICC, and also acted in contradiction with the Prohibition of Money Laundering Act. In the second affair it has been alleged that ICC, through the Officers and together or with others, has presented false display with regards the splitting of trading houses records who has cleared through ICC, thus receiving funds and producing gains fraudulently, as well as acting in contradiction with the Prohibition of Money Laundering Act. The transactions turnover that as alleged is attributed to ICC in relation with the alleged offences is NIS billions.

As stated, in the announcement of the State Attorney ICC has the right to submit a motion to refrain from filing an indictment, whether in writing or by way of an oral plea.

In May 2015, the representative of ICC received a copy of the core of the investigation material in this case In continuation thereof, a hearing was held in October 2015. In the opinion of its legal consultants, ICC has good arguments against being indicted and it raised them in the hearing held.

The decision as to serving an indictment against ICC, if at all, as well as a decision as to which offences and on the basis of what facts an indictment will be filed, shall be made following the formation of the position of the State Attorney with respect to all those involved in the case.

According to the law, the Court is authorized to impose fines on ICC in respect of the alleged offences, as well as instructs the forfeiture of funds, if such funds are proved to be offence monies.

ICC and the Bank, based on the opinion of their legal consultants, are of the opining that, at this stage, prior to taking the decision whether to indict ICC, it is not possible to assess whether an indictment will be filed, and if so, than on what charges and against whom it will be filed. Furthermore, it is not possible to assess what the results of the procedure to be taken will be, if at all taken, and its impact on ICC.

In the event that the claims raised in the letter of suspicions are admitted, they might expose ICC to various additional risks, the chances of the realization of which cannot be assessed. ICC has strong arguments against them.

The Supervisor of Banks informed ICC on April 20, 2015, that in view of the notice of the State Attorney as stated and the "suspicions letter" attached to it, he instructs ICC not to distribute a dividend until the termination of the proceedings, clarification of the consequences thereof and its impact on the financial position of ICC.

(3) Motion for approval of a derivative claim. On May 7, 2015, the Bank received a claim together with a motion for approval of the claim as a derivative action (numerous), that had been filed with the Tel Aviv-Yafo District Court. The Court is requested to approve submission of a derivative action against sixteen officers and other executives officiating during the relevant period and by a subsidiary of the subsidiary "ICC International Ltd.", which on December 31, 2009, merged into ICC and was struck off ("the granddaughter company"), in respect of the alleged damage caused to ICC and the granddaughter company and further damage expected to be caused to it, as alleged, with respect to their international clearing operations in the years 2006-2009.

16. CREDIT CARD ACTIVITY (CONTINUED)

The Appellant claims that the respondent Officers and other responsible employees, had, among other things, violated their duties causing, as claimed by him, the alleged damage, which is assessed by him at NIS 100 million. The Appellant further argues the potential risk of forfeiture of funds to the tune of NIS billions, as part of the criminal proceedings, if instituted, and of reputation and other damages that are not being assessed, all as claimed by the Appellant.

With the consent of the Appellant, several extensions of the date for submission of a response were given. According to the decision of the Court, the date for submission of responses by the Responders was fixed for March 15, 2016.

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY

On March 19, 2013, the team examining the increase of competition in the banking industry submitted its final report, the team, headed by the Supervisor of Banks ("Zaken Committee"), who was appointed in December 2011, by the Governor of the Bank of Israel and the Minister of Finance, following the recommendation of the Committee for Social-Economic Change ("Trachtenberg Committee").

The team has examined ways and means for increasing competition in the banking industry, focusing on services provided to households and small businesses. The final report includes recommendations regarding various issues, intended to increase competition in the banking industry, among which were increasing the number of market participants, improving the credit data area, increasing the power of the customer and simplification of the banking product.

The final report includes recommendations made in the interim report as well as reference to matters relating to the implementation of the recommendations, including:

1) Simplifying the closing of a bank account and the transfer to another bank, by means of improving and facilitating the process of transferring the authorizations to charge the account;
2) The establishment of an interoffice team headed by the Capital Market, Savings and Insurance department at the Ministry of Finance, for the formation of measures for the granting of retail credit from pension savings sources and the removal of regulatory barriers existing at the present time;
3) Recommendation for changing the definition of the small business population to which the retail tariff will apply.

Since publication of the interim report, the team is acting towards the implementation of the recommendations, which involves amendment of instructions that are the authority of the Supervisor of Banks and the Governor of the Bank of Israel. Concurrently, the team is furthering the implementation of the recommendations, the implementation of which require amendments of principal legislation. Furthermore, the Supervisor of Banks is taking further action intended to improve competition and increase transparency in the management of current accounts.

Draft Memorandum of the Banking Act (Customer service) (Amendment No. 20), 2015. A draft of the said Memorandum was published in September 2015. It is proposed in the draft to apply to any business the criterion of business turnover with respect to commissions charged to a "small business", including individuals considered a business.

Amendment to the Banking Rules (Customer service) (Commissions), 2008. The Amendment was published in the Official Gazette on November 28, 2013. The Amendment will take effect on April 1, 2014. However, effect of the Section dealing with the change in the definition of "small business", was delayed until the date on which the relevant section in the amendment to the Banking Act (Service to customer), 1981, will take effect (see above).

The principal provisions of the Amendment are:

- Change in the definition of the term "small business" – in accordance with the Amendment, also individual customers, being a business, are to be classified as a "small business" on condition that the banking corporation did not find out that their business turnover exceeds NIS 5 million. For this purpose, in the circumstances detailed in the amendment, the banking corporation may require such an individual to provide an annual report, as defined in the rules and if it's demand has not been answered, the banking corporation would be entitled to classify it as a business that is not a small business;
- Reduced minimum commission relating to a direct lane transaction and teller operation;

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

- Commission tracks:
  - Banking corporations will be required to offer customers (individuals/small businesses) two commission tracks (uniform services assortments for the management of current accounts): the basic track (includes teller transaction and ten direct track transactions) and an extended lane (includes up to ten teller transactions and up to fifty direct track transactions);
  - In addition, a banking corporation may offer a third track: an extended-plus track (includes the services provided by the extended track as well as additional services, as determined by the banking corporation).

Banking Order (Service to customer) (Supervision over basic track service), 2014. This Order, which was published on the Official Gazette on March 26, 2014, imposes supervision over the basic service track and determines that its maximum cost would be NIS 10. The Order is effective as from April 1, 2014.

The Bank is preparing for the implementation of the amendment to the commission rules and the said Order, and accordingly the commission tracks at the Bank became effective on April 1, 2014.

Amendment to the Banking Rules (Customer service) (Commissions), 2008. The Amendment was published in the Official Gazette on January 29, 2015, and took effect on February 1, 2015 (excluding certain instructions, which took effect on July 1, 2015). An amendment of the amendment was published on June 28, 2015.

The main provisions of the Amendment are as follows (following its amendment):

- Commission tracks: A banking corporation has to allow any customer to join a commission track by informing the bank at the branch or via fax or by the customer's account on the Internet or by a recorded telephone message. The customer will be entitled to cancel his joining by giving notice by the same aforesaid means; bank transactions exceeding the number of transactions determined for the commission tracks, are subject to the notes stated in the full pricelist relating to transactions effected at the counter at a price of a direct channel transaction; total commissions which a bank may charge in respect of account closing operations as detailed in the full price list does not include commissions in respect of tracks; the full price list has to add that the basic track is under supervision;
- Change in the "small business" definition – the classification of a corporation as a "small business" will not be limited to a year and the corporation will not be required to furnish the bank with an additional annual report in order for the classification to continue (except in the circumstances specified below); if the banking corporation has reasonable grounds for assuming that the business turnover of that corporation exceeded NIS 5 million in the last year, it will be entitled to send a written demand to the corporation that it provide the bank with an annual report. If the corporation fails to respond to the bank's demand, the bank will be entitled to classify the corporation as a business that is not a "small business";
- Change in the "small business" definition for the purpose of the application of those parts of the pricelist applying to the clearing of transactions made by debit cards and discounting services for trading houses. For this purpose, a business of a private individual or of a corporation during the first year since the beginning of its operations or its incorporation, respectively, or which the annual clearing turnover of transactions by debit cards made on its behalf by the banking corporation does not exceed NIS 3 million, shall be considered a small business. Examination of the clearing turnover shall be performed in accordance with the data existing in the hands of the banking corporation (this change is in effect as from July 1, 2015 and thereafter);
- In respect of a transfer by the RTGS system of an amount of up to NIS 1 million, a teller operation commission will be charged, while the commission stated in the full pricelist in respect of a transfer by the RTGS system would apply to a transfer of amounts of over NIS 1 million;
- No commission may be charged in respect of a direct channel operation in respect of charge transaction using an immediate debit card;
- Commission regarding the handling of cash by a teller – in the case of providing service which includes a combination of two or more of the transactions included in the service, the Bank would be entitled to charge one commission only, the higher of the commissions in respect of these transactions;
- A commission may be charged for the issue of an ownership confirmation starting with the second confirmation in a calendar year;
- Housing loan ledger fees and collection fees in respect of non-housing loans granted immediately prior to the application of the new rules, were abolished;

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

- A definition of "change" has been added – the handing of a note or coins or a combination of the two in exchange for receiving a note or coins or a combination of the two in a value equal to the amount denominated therein, excluding the exchange of an old legal tender for a new legal tender;
- An addendum to the definition of "the start of obtaining the service" as regards the clearing of debit cards – upon the signing by the customer of the clearing agreement;
- Excluding the commission in respect of clearing services for debit transactions from the rule, according to which, a commission which a banking corporation is entitled to charge for a service included in the pricelist for small businesses shall not exceed that determined in the pricelist for a large business. This instruction took effect on July 1, 2015;
- The duty has been set for the presentation of a summarized pricelist also to customers obtaining from the corporation clearing services for debit card transactions, and also an addendum to the rules regarding the format of the summarized pricelist has been added;
- In Part 6, the part of credit cards in the full pricelist: the deferred payment commission shall be abolished; changes were made with respect to the commission in respect of foreign currency transactions and in respect of the withdrawal of foreign currency abroad. On March 23, 2015, an update was published in respect of the effective date of these changes. The changes took effect on July 1, 2015 (instead of April 1, 2015);
- A commission in respect of the handling of endorsement of a right was added to Part 9 (special services);
- A commission in respect of the use of debit card reading instruments was added to Part 11 (third party expenses);
- Section 12 of the full list price includes a list of services regarding the clearing of debit card transactions field, in respect of which commissions are chargeable in accordance with the price list;
- Section 13 of the pricelist has been added – "discounting services for trading houses";
- A summary price list was added for customers receiving from the bank clearing services for debit card transactions;
- Entering into effect of Sections 12 and 13 of the pricelist, presentation of the summarized pricelist to customers receiving clearing services, and the change in the definition of a "small business" as regards Sections 12 and 13 of the pricelist, took effect on July 1, 2015.

Banking Rules (Customer service)(Commissions)(Amendment No.2), 2015. The amendment was published on June 28, 2015, within the framework of which:

- The commission charged to the depositor in respect of a dishonored check was abolished;
- Control to "notices" commission was applied, the intention of the Supervisor of Banks being to determine a maximum price for such a commission, in accordance with the direct cost involved therein;
- The possibility of charging a commission in respect of delivery of follow-up letters was eliminated;
- It was determined that "card fees" shall not be charged in respect of an immediate debit card issued to a customer who has already a valid credit card Issued by that same banking corporation and this for a period of 36 months from date of issue of the immediate debit card;
- The definition of "credit card" to "debit card" was changed;
- Amendments have, respectively, been made in Part 6 ("debit cards") to the full pricelist and to the debit card pricelist.

The amendment took effect on July 1, 2015.

Banking Order (Customer service) (Supervision over notices or warning service), 2015. The Order was published on May 26, 2015, and declares the "notices or warning service" as a service under supervision. The maximum commission amount that may be charged for such service would be NIS 5. The Order will take effect on July 1, 2015.

Letter by the Deputy Supervisor of Banks in the matter of tracks service. In a letter dated June 21, 2015, the Deputy Supervisor of Banks instructed banking corporations to carry out several actions, as detailed in the letter, in order to verify that the tracks service is presented to the relevant customer public in the best possible manner. The Bank is preparing for the implementation of the requirements included in the letter (it is required to prepare until October 1, 2015).

Proper Conduct of Banking Business Directive No. 423 in the matter of "tracks service". The Directive was issued on June 21, 2015. With the aim of enhancing customer awareness of the tracks service and their characteristics, banking corporations are required by this Directive as follows:

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

- To provide new customers upon the opening of an account, with the reduced pricelist, an explanatory leaflet regarding "tracks service", which, among other things, presents the prices in each track as compared with the price of services included therein, according to the reduced pricelist outside the framework of the service, as well as information regarding the manner of joining the "tracks service" option;
- To obtain, upon the opening of a current account, a clear indication from the customer in writing as to the option elected by him for the charging of fees to his account (whether by way of a track service and which one of them, or by charging fees per transaction);
- With respect to existing customers – in order to enable them to make an informed decision as to the fee charging method most suitable to the nature of their operations, a banking corporation has to provide a customer wishing to join a track service, prior to his doing so, with information in writing regarding the amounts of commission charged to his account during the quarter preceding the quarter prior to the date of his application to join a track service, or in the quarter preceding the date of such application, in respect of services included in the track, including the commission supplementing the minimum charge, divided by type and number of transactions made by the customer and by months;
- Advertise in a prominent place on the main page of the Internet website of the bank, a link under the name of "Commissions – tracks service" to the explanatory page regarding tracks service.

  The Directive takes effect on January 1, 2016, except for the instruction to advertise the link on the Internet website, which takes effect on August 1, 2015.

  The Bank is preparing for the implementation of the Directive.

Banking Rules (Customer service) (Proper disclosure and delivery of documents) (Amendment), 2014. The Amendment to the Rules was published on October 7, 2014. The principal elements of the Amendment are:

- A banking corporation has to publish also on its Internet website, various data that under these rules have to be published on a notice board in the bank's branches;
- Requiring a banking corporation to provide to anyone wishing to open an account for business purposes, an explanatory paper, in a separate paper, that includes, among other things, clarifications regarding the practical meaning of the classification of an account as a "small business" account with respect to the services price list;
- Requiring the banking corporation to provide to each customer wishing to join this lane, prior to his joining, information in writing regarding commission amounts charged to him during the quarter before the quarter preceding the date of submission of the joining application, in respect of services included in this lane, in the manner detailed in the Amendment;
- Authorization of The Supervisor of Banks to determine various instructions as regards the information to be provided to a customer, as above.

The Amendment entered into effect in full on November 7, 2014.

Amendment of Banking Rules (Customer service) (Proper disclosure and submission of documents), 1992. The Amendment was published in the Official Gazette on December 30, 2014.

The principal provisions of the Amendment are:

- Granting the Commissioner the power to determine types of account and terms, which, if in existence, the signature of the customer on certain types of agreements stated in the rules, would not be required;
- Requiring the banking corporation to publish on its Internet website agreements of the certain types stated in the rules, and which are considered uniform contracts, as defined in the law;
- Requiring the banking corporation to deliver to the customer or to present in the account of the customer on the website of the banking corporation a copy of an agreement or a document of the types detailed in the rules, which did not required the customers signature, proximately after obtaining his approval to their contents or alternatively present it in the account of the customer on the bank's website or their delivery by Email, subject to allowing him the possibility of printing and keeping the agreement/document, as stated. With respect to an agreement or document prepared in the presence of the customer, the possibility has been added of presenting it in the account of the customer on the bank's website or of delivery thereof by Email, subject to obtaining in writing the specific agreement of the customer to the delivery in the said manner.
- Determining various changes relating to the notices which a banking corporation has to deliver to customers regarding changes in the terms of managing their accounts;

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

- Determining an additional exception to the instruction with respect to the non-delivery of notices under the rules to a customer residing abroad, and who has not provided an address in Israel for delivery of notices, and this in case where the customer has asked to receive notices via the Internet website of the banking corporation;
- Determination that a banking corporation is required to inform the data that has to be delivered under the rules, in respect of a loan for a period exceeding one year, which is repayable in installments, once in each year and no later than February 28.

The rules enter into effect of January 1, 2015, except for the sections dealing with types of accounts and terms under which certain agreements with the customer shall not require his signature and by presenting agreements or documents in the customer's account on the bank's website or delivering them by Email (which would become effective as detailed below).

The amendment regarding notices to certain customers pertaining to changes in the terms of management of their accounts will enter into effect on April 1, 2015.

Proper Conduct of Banking Business Directive No. 414 in the matter of disclosure of services in securities costs. The instruction was published by the Supervisor of Banks on April 3, 2014. The principal items of the directive are: the duty to present to a customer who was charged with Israeli and/or foreign securities commission, within the framework of the semi-annual statement of commissions. Comparative data regarding commissions paid by customers holding deposits of similar value to that of the deposit held by the customer, this in the manner as detailed in the instruction; the duty to present on the Internet website of the Bank the said comparative data relating to the data for a period of six months; the duty to present to the customer, within the framework of the semiannual statement of commissions, detailed data relating to securities commission charged to him during a period of six months in the manner detailed in the directive. The directive became effective on January 1, 2015. The Bank is implementing the requirements in accordance with the directive.

Proper Conduct of Banking Business Directive No. 425 in the matter of "Annual reports to customers of banking corporations". The Supervisor of Banks published on November 19, 2014, a Proper Conduct of Banking Business Directive in the matter of "annual reports to customers of banking corporations", comprising the implementation of the Zaken Committee recommendations in the matter of "bank identity card".

The directive is designed to regularize the annual reporting duty of the corporation for customers matching the definition of "individual" and "small business", as regards all assets and liabilities of the customer with the banking corporation, including his total income and expenses during the year regarding assets, liabilities and current operation in his account.

The annual report is intended to assist customers in making educated consumer decisions, to improve the ability of customers to follow their activity in the account and to increase their ability to compare various banking products and services.

The Supervisor of Banks stated that the directive requires indirect amendments and certain adjustments of the proper disclosure rules, which shall be made further on.

It should be noted that the implementation of the various procedures as described above, requires the Bank to make wide range computerized preparations, training of staff and determination and absorption of work procedures, at a financial cost that cannot be assessed at this stage, and all this within a relatively short period of time.

The Directive takes effect on February 28, 2016, with respect to the 2015 annual report. However, it is further stated in the directive that the data regarding the credit rating will not be presented until an explicit instruction is issued by the Supervisor of Banks, though the banks must be ready to present this data starting with the said date.

Amendment of Proper Conduct of Banking Business Directive No. 439 in the matter of account charging authorization. On September 1, 2014, the Supervisor of Banks published the amendment to the Directive. The object of the amendment is to face the difficulties involved in the process of transferring a charge authorization relating to an existing account with one bank to a new account with another bank, a matter identified as a central barrier facing customers wishing to change banks. The principal items of the amendment are: a new chapter "Submitting an application for establishment of an authorization to charge an account" has been included, which regularizes the process of submitting an application for authorization to charge an account, directly by the customer or by the beneficiary (subject to obtaining a written consent of the customer).

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

Among other things, this chapter determines a mechanism for the transfer of a list of items from the customer or from the beneficiary to the bank, using each one of the communication means defined in the amendment; instructions have been determined regularizing the response to the customer and to the beneficiary within five business days, and stating that where the response is positive, the bank has to establish the authorization within the said time period; the chapter "Application for a change of account charged by authorization" has been updated and a new process has been determined, within the framework of which, for the transfer of authorization to charge an account from one bank to another, which includes several stages: submission of an application by the customer for the transfer of charges by authorization, examination of the authorization data and the establishment and transfer of information to the beneficiary.

The effective date for the amendment has been fixed for October 11, 2015 (excluding the implementation of certain guidelines, a deferment was obtained in respect of which).

Proper Conduct of Banking Business Directive No. 418 in the matter of the opening of accounts via the Internet. On July 15, 2014, the Supervisor of Banks published the Directive, constituting an additional layer in the adoption of the Zaken Committee recommendations. The Directive details the matters required from banking corporations, which are interested in allowing the opening online of bank accounts for customers, and determines limitations on operations in such accounts, designed to reduce the risks involved in conducting an online account. According to the Directive, an account may be opened on the basis of a copy of an identity card, a copy of an additional identification document, and an online signature on a declaration under the Prohibition of Money Laundering Order. In addition, identification of the customer shall be made by a visual meeting as part of performing a broader "know your customer" process.

Accounts of this type would be limited in scope of their monetary operations. In addition, it would not be possible to appoint an "authorized signatory" for such an account, and checks issued to the owner of such an account shall be limited in endorsement. These limitations would be withdrawn only after a full face to face identification of the customer is made at the branch, in accordance with the provisions of the Prohibition of Money Laundering Order (Duties of identification, reporting and maintenance of records by banking corporations for the prevention of money laundering and terror financing), 2001.

Implementation of the Directive has been postponed until the amendment to the proper disclosure rules of December 30, 2014 takes effect (see above), and to the publication of the circular of the Supervisor of Banks dated January 4, 2015, in the matter of types of accounts and terms under which an agreement with the customer shall not require his signature.

Circular of the Supervisor of Banks in the matter of types of accounts and terms under which an agreement with the customer shall not require his signature. Further to the amendment of proper disclosure rules (see above), the circular was published on January 4, 2015, taking effect on date of publication, and stated that with respect to agreements as detailed below, the customer's signature would not be required, on condition that the customer would be able to confirm on the website of the banking corporation that he had been given the possibility of reviewing the agreements:

Agreements regarding general business terms or the opening and managing of a current account, including an agreement which includes general terms for the provision of various banking services as detailed in the proper disclosure rules, to be opened online as prescribed in Proper Conduct of Banking Business Directive No. 418; an agreement for the deposit of funds for a specified period exceeding one year; agreement in the matter of telephonic instructions.

Amendment of Proper Conduct of Banking Business Directive No. 432 in the matter of "transfer of activity and closing down a customer's account". The Amendment was published by the Supervisor of Banks on December 15, 2014, with the aim of simplifying the process of transferring the activity or the closing of an account of a customer.

The essence of the Amendment is as follows:

- The bank shall provide to a customer considering the feasibility of transferring to another bank or the closing of his account, a detailed annual report ("banking identity card") in a uniform format and easy to understand, updated to the month preceding the date of application, as well as a manual assisting the customer in understanding the actions involved in transferring the operations or in closing the account;
- A customer may apply for the closing of his account or for the transfer of activity from his account, not only by visiting the bank branch but also by the bank's Internet website, by e-mail, by telephone and by any additional means of communication in accordance with the bank's decision;

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

- The process of transferring operations shall be concluded within five business days since the date on which the customer submitted the application. The process of closing an account shall be concluded within five business days from the date on which the customer completed the actions which he had to execute in order to close the account. The process of transferring an Israeli securities portfolio shall be concluded within five business days from date of the instruction given by the customer, and the transfer of a foreign securities portfolio – within fourteen business days from date of the instruction. The Directive states that on date of closing the account, the account management agreement shall expire and it would be classified as a "closed account";
- A banking corporation shall not cancel benefits and rebates granted to the customer, only on grounds of his request for the transfer of activity or for the closing of an account;
- Guidelines has been determined in respect of cases where the customer applies for the transfer of current operations to another bank, though remaining in the account are rights or liabilities which are not yet due;
- Emphasis has been given to the possibility given to the new bank to act on behalf of the customer in all actions required to transfer the customer's operations from his old account to his account with the new bank and to close the account with the old bank.

The Directive partly took effect on January 1, 2015. Most of the material amendments in the Directive took effect on July 1, 2015. The amendments relating to the summarized and detailed information to be provided to the customer with respect to the operations in his account ("banking identity card") shall take effect on the date the Proper Conduct of Banking Business Directive No. 425 ("annual statements to customers of banking corporations") takes effect, namely, on February 28, 2016.

Amendment of Proper Conduct of Banking Business Directive No. 435 in the matter of telephonic instructions. The amendment to the Directive was published on January 4, 2015, and took effect upon the publication thereof. In accordance with the amendment, it is possible to present to a customer on the Internet website an agreement for the giving of telephonic instructions, and the confirmation by the customer on the said website, that he had been given the possibility of reviewing the agreement and that this will serve instead of his signature on the agreement.

Amendment of Proper Conduct of Banking Business Directive No. 454 - "early repayment of a non-housing loan". The amendment to the instruction was published on June 21, 2015. The amendment makes all individuals/small businesses (as defined in the Reporting to the Public Directives) subject to the formula prescribed in the directive for calculating the payment with respect to early repayment. As the basis for calculating the payment, the interest to be published from time to time by the Bank of Israel has been prescribed as the proposed value. The amendment makes non-housing loans subject to the rules prescribed in Proper Conduct of Banking Business Directive No. 451 (Housing Loans) with regard to the early repayment process, the extent of disclosure to the borrower and the ways for the borrower to notify the bank of his desire to make an early repayment. The instruction will take effect on April 1, 2016.

Licensing and the establishment of banking associations in Israel. The Supervisor of Banks published on May 5, 2015, an outline for the establishment of banking associations in Israel. The outline details the threshold terms for the establishment of banking associations in Israel, and the stages required for their establishment. The outline comprises an infrastructure for increasing the number of players within and outside the banking industry and forms an additional step towards the adoption of the recommendation of the team examining the intensification of competition in the banking sector.

The Regularizing of Off-banking Loans (Amendment No. 3), Bill, 2015. The Bill was published on July 20, 2015, towards its first reading by the Knesset. Within the framework of the Bill, it is proposed to change the name of the Act to "Fair Credit Act" and to apply it to banks and additional lenders. The principal points of the Act are: applying the duty of disclosure to all lenders, requiring lenders to prepare loan agreements in writing, determining interest limitations on all loans granted by the lenders and criminal and civil sanctions in respect of violations of the Act.

Details regarding Banking Rules (Customer service)(Commissions)(Amendment), 2012, and the Letter of the Supervisor of Banks regarding the re-pricing of commissions in respect of securities operations, were brought in the 2013 Annual Report. Details regarding the Banking Rules (Customer service) (Commissions) (Amendment No. 2), 2012; letter of the Deputy Supervisor of Banks dated May 7, 2014, in the matter of tracks service; Proper Conduct of Banking Business Directive No. 421 in the matter of reduction or addition to interest rates, were presented in the 2014 annual report.

17. REPORT OF THE TEAM FOR EXAMINING THE INCREASE IN COMPETITION IN THE BANKING INDUSTRY (CONTINUED)

The Bank estimates that the income of the Group will be adversely affected by an amount assessed at approx. NIS 180 million per year. It is noted that a considerable part of the said amount was already reflected in the business results reported by the Bank in the years 2014-2015.

18. ASSETS HELD FOR SALE - CONSOLIDATED

A. Discount Bank Latin America. During 2013, the possibility of sale of the holdings of the Group in Discount Bank Latin America (hereinafter: "DBLA"), a wholly owned and controlled subsidiary of IDB New York was studied. Several potential buyers, noncommittally provided indications as to the consideration they might be ready to pay and have performed due diligence reviews, under limitations prescribed by the Bank. In January 2014, the Bank decided to continue examining the possibility of the sale of DBLA. The Bank`s Board of Directors approved its intention to sell the holdings in DBLA and instructed the Management to continue negotiations in this respect. In view of the above, and noting that DBLA is not material at the Group's level, the assets and liabilities of DBLA as of December 31, 2013 (and since then), have been classified as held for sale.

As part of that stated above, a provision was included for impairment of available-for-sale securities of DBLA, the balance of which at September 30, 2015, amounted to US$6.0 million, net (NIS 23.5 million; December 31, 2014: US$ 5.8 million, NIS 22.6 million).

An agreement for the sale of the operations of DBLA was signed on December 18, 2014. The transaction was consummated on November 1, 2015, following the fulfillment of the conditions precedent, including obtaining the various regulatory approvals.

Within the framework of the agreement, a mechanism for the adjustment of the transaction price has, among other things, been defined, in effect within and up to 105 days from date of consummation. As part of the adjustment mechanism, the actions to be taken in order to reach an agreement, during a defined additional period, have also been defined, including the referring of the case to arbitration.

In accordance with the agreement, the legal entity remaining in the wake of the transaction will be liquidated following the consummation of the transaction. Following the consummation of the transaction, the legal entity remained with assets and liabilities of negligible amounts. The assets are in an advanced process of sale and the liabilities shall be settled by the end of November 2015.

A loss in the amount of US$17 million (NIS 66 million) has been recorded in the financial statements as of December 31, 2014, as a result of this agreement, an amount of NIS 50 million after the tax effect. An additional loss of US$ 0.8 (approx. NIS 3.1 million) was recorded in the first nine months of 2015, an amount of NIS 2.3 million, after tax effect.

B. IDB (Swiss) Bank. As part of the measures to implement the decisions of the Board of Directors to examine various alternatives to continuing to operate in Switzerland, the Bank has engaged the services of a consulting firm that has approached various potential buyers with regard to selling the subsidiary's activity in Switzerland. At the end of July 2015, several non-binding, initial bids had been submitted. Several binding bids were submitted in October 2015, and which, at this stage, are under advanced examination. Completion of this move and its materialization into a transaction are, among other things, subject to the conduct of negotiations and concluding the details of the transaction. Furthermore, at this stage, there is uncertainty whether in the framework of the transaction the whole operation would be sold, or parts thereof, and under what terms.

In view of that stated above, the assets and liabilities of IDB (Swiss) Bank as of September 30, 2015, which are related to activity with customers, are classified as held for sale.

18. ASSETS HELD FOR SALE – CONSOLIDATED (CONTINUED)

Following are data regarding assets and liabilities classified as held for sale (which also include assets of the Bank in a negligible amount):

	Unaudited		Audited
	September 30		December 31
	2015	2014	2014
	in NIS millions		
Assets classified as held for sale			
Cash and deposits with banks	2,751	1,968	2,152
Securities	1,779	2,009	2,064
Credit to the public, Net	812	522	638
Credit to Governments	22	19	22
Buildings and equipment	22	54	2
Assets in respect of derivative instruments	5	-	-
Other assets	4	24	14
Total	**5,395**	**4,596**	**4,892**
Liabilities classified as held for sale			
Deposits from the public	6,566	4,238	4,586
Deposits from banks	21	15	16
Liabilities in respect of derivative instruments	5	-	-
Other liabilities	50	42	49
Total	**6,642**	**4,295**	**4,651**
Guarantees and Unutilized credit facilities	**120**	**118**	**123**

19. APPROVAL OF TRANSACTIONS

The general meeting of shareholders held on March 31, 2015, approved the commitment of the Bank to purchase an insurance policy covering Directors and other officers liability, including the Bank's President & CEO and the Internal Auditor, acting at the present time and who had acted in the past and/or would act at the Bank, at companies in which the Bank holds directly or indirectly, an interest of 50% or over, in the equity or in voting rights, as well as other officers appointed or who would be appointed by the Bank to act in a company in which the Bank holds an interest of less than 50% in the equity or in the voting rights, and this for a period of eighteen months beginning on October 1, 2014.

20. TAX LEGISLATION CHANGES

On September 24, 2015, a Value Added Tax Order (Rate of tax on transactions and the import of goods) (Amendment), 2015, was published, according to which the VAT rate will be 17% as from October 1, 2015.

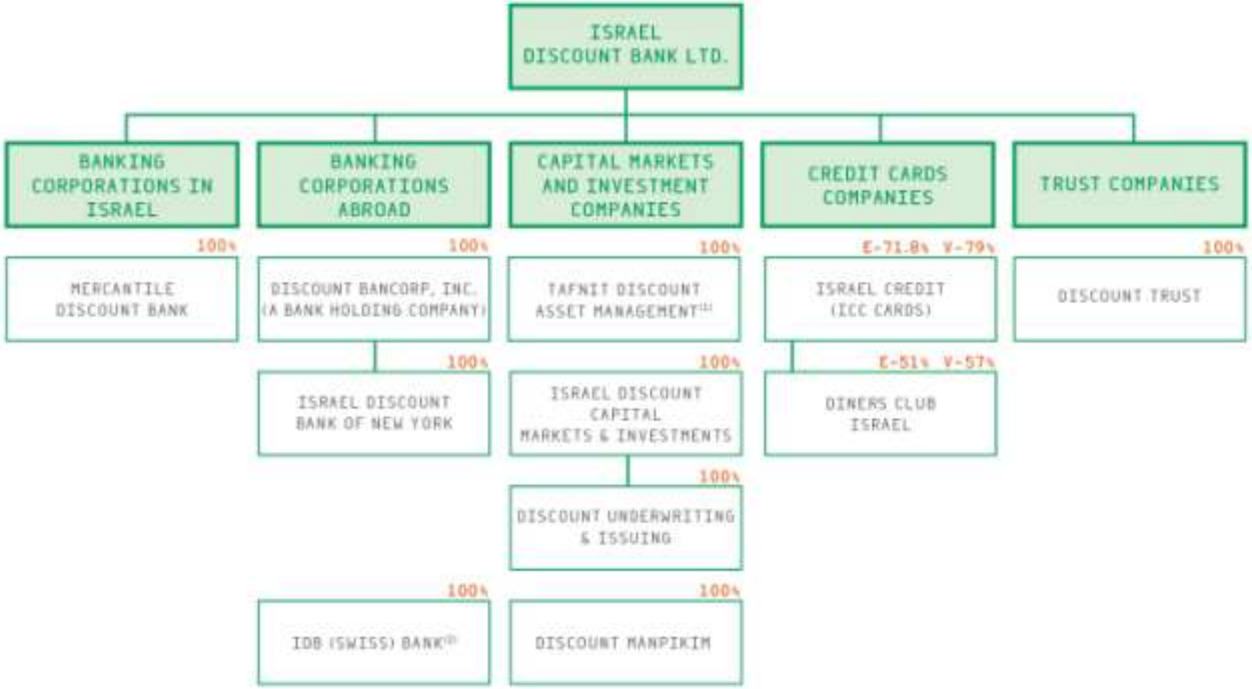
On October 12, 2015, the Knesset approved the Value Added Tax Order (Rate of Tax applying to Non-profit Organizations and Financial Institutions) (Amendment), 2015. According to the Order the payroll tax is to be decreased to 17%, and it will be applied to the payment of payroll in respect of October 2015 and thereafter. In addition profit tax will also be decreased to 17%, applying to a proportionate part of the profit for 2015.

The legislation amendments are expected to decrease the current tax payments of the Bank and of the Israeli subsidiaries, immediately (payroll tax, profit tax and VAT on acquiring services and products).

Following the aforesaid decrease in tax rates, the statutory tax rate in 2015 decreased from 37.71% to 37.58%. From the beginning of 2016, the statutory tax rate will decrease to 37.18%.

The reduction in the rate of payroll tax is expected to reduce the liabilities of the Bank and of MDB for the payment of certain employee benefits. Furthermore, the reduction in the rate of profit tax is expected to reduce the balance of deferred taxes of the Bank and of MDB. The impact of the said changes, based on balances as of September 30, 2015, is estimated at NIS 10 million (reduction in profit). The said changes will be recorded in the financial statements as of December 31, 2015, in accordance with the relevant balances as of that date.

Discount Group Structure



(1) Directly and Indirectly

(2) For details regarding a process for the sale of the operations of the company see note 18B to the condensed financial statments

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.com

Subsidiaries In Israel

BANKING
Mercantile Discount Bank

CAPITAL MARKETS
Tafnit Discount Asset Management
Israel Discount Capital Markets & Investments
Discount Underwriting & Issuing
Discount Manpikim

CREDIT CARDS COMPANIES
Israel Credit Cards
Diners Club

TRUST SERVICES
Discount Trust

Subsidiary Banks 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
Grand Cayman, B.W.I. Branch:
P.O.Box 694GT, George Town

Representative Offices: Israel / Chile / Peru / Mexico / Uruguay

IDB (Swiss) Bank Ltd., Switzerland
Head Office: 100 Rue du Rhone, Geneva

Representative Office: Israel