

31.3.2020

CONDENSED FINANCIAL STATEMENTS

Q1
20
20

[Link to an accessible report](#)



Board of Directors and Management Report

7	Board of Directors and Management Report – List of tables
9	Chapter "A" – General overview, goals and strategy
9	Condensed financial information regarding financial position and operating results
11	Goals and business strategy
12	Chapter "B" – Explication and analysis of the financial results and business position
12	Material trends, occurrences, developments and changes
16	Material developments in income, expenses and other comprehensive income
22	Structure and developments of assets, liabilities, capital and capital adequacy
27	Capital and capital adequacy
30	Dividends distribution
31	Activity of the Group according to principal Segments of Operation – principal quantitative data and main developments
37	Main Investee Companies
41	Chapter "C" – Risks review
41	General description of the risks and manner of management thereof
41	Credit Risks
56	Market Risks
62	Liquidity and financing risks
63	Operational Risks
64	Compliance risks
64	Other risks
64	Risk Factors Table

65 Chapter "D" – Accounting policy and critical accounting estimates, controls and procedures

65	Critical Accounting Policies and Critical Accounting Estimates
66	Controls and Procedures

Internal Control over Financial Reporting

69	President & CEO's certification
70	Chief Accountant's certification

Condensed Financial Statements

73	Review Report of the independent auditors to the shareholders of Israel Discount Bank Ltd.
74	Condensed Consolidated statement of profit and loss
75	Condensed Consolidated statement of comprehensive Income
76	Condensed Consolidated Balance Sheet
77	Condensed Statement of Changes in Equity
78	Condensed Consolidated Statement of Cash Flows
81	Notes to the Condensed Financial Statements

Corporate Governance, audit, additional details regarding the business of the banking corporation and management thereof

- 173 Corporate Governance and additional details – List of tables
- 174 Corporate governance and audit**
- 174 Board of Directors and Management
- 174 The Internal Audit in the Group
- 174 Transactions with Interested and Related Parties
- 175 Additional details regarding the business of the banking corporation and management thereof
- 175 Discount Group Structure
- 175 Fixed Assets and Installations
- 176 Involvement and contribution to the community in the Corona days
- 176 The human capital
- 177 Rating of Liabilities of the Bank and some of its Subsidiaries
- 177 Activity of the Group according to regulatory operating segments – additional details
- 182 Credit Card Operations
- 182 Technological improvements and innovation
- 184 Main developments in the Israeli economy and around the world in the first three months of 2020
- 187 Legislation and Supervision
- 191 Legal Proceedings
- 192 Proceedings regarding Authorities

Appendices to the Quarterly Report

- 195 Appendices – List of tables
- 196 Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses
- 200 Appendix no. 2 – Additional details – securities portfolio
- 202 Appendix no. 3 – Additional details
- 205 Appendix no. 4 – Glossary
- 207 Appendix no. 5 – Index

Board of Directors and Management Report

7	Board of Directors and Management Report - List of tables	37	Main Investee Companies
9	Chapter "A" - General overview, goals and strategy	41	Chapter "C" - Risks review
9	Condensed financial information regarding financial position and operating results	41	General description of the risks and manner of management thereof
11	Goals and business strategy	41	Credit Risks
12	Chapter "B" - Explication and analysis of the financial results and business position	56	Market Risks
12	Material trends, occurrences, developments and changes	62	Liquidity and financing risks
16	Material developments in income, expenses and other comprehensive income	63	Operational Risks
22	Structure and developments of assets, liabilities, capital and capital adequacy	64	Compliance risks
27	Capital and capital adequacy	64	Other risks
30	Dividends distribution	64	Risk Factors Table
31	Activity of the Group according to principal Segments of Operation - principal quantitative data and main developments	65	Chapter "D" - Accounting policy and critical accounting estimates, controls and procedures
		65	Critical Accounting Policies and Critical Accounting Estimates
		66	Controls and Procedures

Board of Directors and Management Report – List of tables

	Page No.
Condensed financial information and principal performance indices over a period of time -consolidated	10
Market share	10
Development of the Discount share	10
Developments in certain income statement items in the first quarter of 2020, compared with the fourth quarter of 2019 and compared with the first quarter of 2019	17
Distribution of volume of operations according to interest bearing assets, net interest income and interest margin by linkage segments	18
Composition of the net financing income	18
Analysis of the total net financing income	18
Development of the interest income, net by regulatory operating segments	19
Details of the quarterly development in the credit loss expenses	20
Distribution of the commissions	20
Quarterly developments in salaries and related expenses, detailing the effect of certain components	21
Condensed statement of comprehensive income	21
Developments in the principal balance sheet items	22
Data on the composition of net credit to the public by linkage segments	22
Review of developments in the balance of net credit to the public, by regulatory operating segments	23
Developments of total credit to the public risk, by main economic sectors	23
Overall credit risk and the rate of problematic credit risk in principal economic sectors	24
The distribution of expenses and the rate of credit loss expenses in the different economic sectors in relation to the outstanding balance of credit to the public in those sectors	25
Composition of the securities portfolio by linkage segments	25
Composition of investments in securities according to portfolio classification in accordance with directives of the Supervisor of Banks	26
Data on the composition of deposits from the public by linkage segments	27
Review of developments in the balance of deposits from the public, by regulatory operating segments	27
Components of the regulatory capital as of March 31, 2020	29
Principal data regarding the household segment (Domestic operations)	31
Principal data regarding the Private Banking segment (Domestic operations)	32
Principal data regarding the Small and minute businesses segment (Domestic operations)	33
Principal data regarding the Medium businesses segment (Domestic operations)	33
Principal data regarding the Large businesses segment (Domestic operations)	34
Principal data regarding the Institutional bodies segment (Domestic operations)	35
Principal data regarding the Financial management segment (Domestic operations)	35
Principal data regarding the International operations segment	36
Distribution of Net profit by the Group's structure	37
Discount Bancorp, Inc. – principal data	37
Mercantile Discount Bank – principal data	38
Israel Credit Cards – principal data	39



Board of Directors and Management Report – List of tables (continued)

	Page No.
Discount Capital – principal data	40
The balance of a debt whose terms have been changed, within the framework of coping with the Corona crisis, which has not been classified as troubled debt restructuring	42
Problematic credit risk and non performing assets	42
Changes in balances of impaired debts	42
Several financial ratios used to evaluate the quality of the credit portfolio	43
Credit risk by economic sectors – consolidated	44
Exposure to Foreign Countries - consolidated	47
Details of present credit exposure to foreign financial institutions on a consolidated basis	48
Certain risk characteristics of the Group's housing loans portfolio	49
Amount of loans and average financing ratios	49
Division of housing credit balances according to size of credit to borrowers	49
Volume of problematic debts in housing credit	49
Distribution of housing credit granted, according to financing ratios and as a ratio of credit granted	50
Data regarding developments in housing credit balances according to linkage segments	50
Composition of loans granted for housing purposes, divided by the ratio of repayments to earnings	51
Distribution by customer's fixed income and by financial assets portfolio related to the account	51
Distribution by the average remaining period to maturity	52
Distribution by size of credit to the borrower	52
Distribution by exposure to changes in interest rates	52
Distribution of collateral securing the credit	52
Development of problematic credit risk in respect of private individuals	53
Total credit and percentage of problematic credit in the construction and real estate sector	55
The Bank's exposure to leveraged finance according to economic sector of the acquired corporation	55
Net adjusted fair value of financial instruments	56
The impact of scenarios of changes in interest rates on the net adjusted fair value	57
The impact of scenarios of changes in interest rates on net interest income and on non-interest financing income	57
Effect of hypothetical changes in interest rates of 100 base points on the Group's economic value	60
Details of the exposure in terms of Total VaR	60
Discount's exposure to the LIBOR interest rate in respect to exposures that will continue beyond 2021	61
The Bank's capital sensitivity of changes in exchange rates	61
Sensitivity of the capital to changes in the CPI	62
Deposits from the public	63
Deposits from Banks	63
Adjustments made to assets and liabilities in respect of derivative instruments	66

● CHAPTER "A" – GENERAL OVERVIEW, GOALS AND STRATEGY

At the meeting of the Board of Directors held on May 26, 2020, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for March 31, 2020 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information regarding financial position and operating results

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

	First Quarter		Year
	2020	2019	2019
	In %		
Principal performance indices:			
Return on equity	6.0	9.6	9.4
Return on assets	0.42	0.68	0.70
Ratio of credit to the public, net to deposits from the public	85.7	89.2	89.6
Ratio of common equity tier 1 to risk assets	9.99	10.17	10.31
Ratio of total capital to risk assets	13.09	13.13	13.86
Leverage ratio ⁽¹⁾	6.5	7.0	6.9
Liquidity coverage ratio ⁽¹⁾	128.8	133.4	121.2
Efficiency ratio	58.6	66.2	65.2
Principal credit quality indices:			
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.63	1.34	1.38
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.49	1.20	1.25
Ratio of net accounting write-offs in respect of credit to the public to the average balance of credit to the public	0.30	0.22	0.23
Ratio of credit loss expenses to the average balance of credit to the public	1.42	0.33	0.40
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	279	405	1,702
Interest income, net	1,455	1,421	5,893
Credit loss expenses	656	141	690
Non-financing income	1,156	890	3,771
Of which: commissions	739	710	2,972
Non-financing expenses	1,531	1,530	6,299
Of which: salaries and related expenses	824	847	3,343
Comprehensive income, attributed to the Bank's shareholders	304	516	1,782
Total earnings per share attributed to Bank's shareholders (in NIS)	0.24	0.35	1.46

For footnote see next page.

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

	First Quarter		Year
	2020	2019	2019
In NIS millions			
Principal balance sheet data for the end of the reporting period:			
Total assets	276,404	239,440	259,823
Of which:			
Cash and deposits with banks	29,392	18,894	26,044
Securities	42,605	35,618	37,745
Credit to the public, net	183,187	170,296	180,467
Total liabilities	256,960	221,295	240,630
Of which:			
Deposits from the public	213,667	190,839	201,450
Deposits from banks	7,339	4,970	6,419
Bonds and Subordinated debt notes	13,069	8,271	13,129
Equity capital attributed to the Bank's shareholders	18,929	17,618	18,678
Total equity	19,444	18,145	19,193
Additional data:			
Share price	1,050	1,277	1,601
Dividend per share	4.19	4.18	21.92
Ratio of commissions to total assets	1.1	1.2	1.2

Footnote:

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

For details regarding the decision of the Bank's Board of Directors dated April 7, 2020, to discontinue at this stage the distribution of dividends, on the background of the Corona crisis, see Note 18 to the condensed financial statements.

Market share

Based on data relating to the banking industry as of December 31, 2019, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows

	December 31,	December 31,
	2019	2018
In %		
Total assets	16.2	15.4
Credit to the public, net	17.2	16.4
Deposits from the public	15.9	15.5
Interest income, net	18.4	18.0
Total non-interest income	23.2	20.8

Development of the Discount share

	Closing price at end of the trading day			Change in Q1 of 2020 in %
	May 21, 2020	March 31, 2020	December 31, 2019	
Discount share	1,043	1,050	1,601	(34.4)
The TA 5 Banks index	1,928.15	1,967.68	2,606.44	(24.5)
The TA 35 index	1,424.64	1,329.58	1,683.29	(21.0)
Discount market value (in NIS billions)	12.14	12.22	18.64	(34.4)

Goals and business strategy

The Bank is engaged in realizing the vision of the Bank in accordance with its multiannual strategic plan that was approved in 2014 and updated in 2016 and in 2018, in accordance with market developments.

The meticulous implementation in recent years of the strategic plan led the Bank to consistent and continuous tracks of improved profitability and return on equity, with a significant growth in the credit portfolio and a current distribution of dividends starting with the first quarter of 2018, and everything while maintaining and even improving the capital adequacy. Concurrently, the Bank has achieved a quantum leap in the service of its customers, including in its digital capabilities, which positions it at the front of technology and user experience in the banking industry.

The strategic plan is based on a leading goal – leading in the Bank's customer satisfaction by means of customer adapted banking, and comprises three principal layers:

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

These layers are expected to continue and lead the strategic thinking at the Bank, while certain of the moves included therein are expected to be accelerated in view of the Corona crisis, as discussed more extensively below.

Invigoration of the foci in the strategic plan

In light of the significant progress over the last five years in implementing the multiyear strategic plan, and against the background of the changes that have taken place in the banking and financing world and market conditions, the Bank continues to perform a strategic freshening and to construct a multiyear financial plan. This plan will express on the one hand the challenges arising from market conditions, and on the other hand, the opportunities for continued accelerated growth, streamlining processes and improving efficiency, driving innovation and increasing synergy within the Group.

Examination of the plan, as stated, raised the need to consider challenges presented by the Corona crisis and its material implications in the coming years, on the state of the economy, in general, and on the banking sector in particular. This examination is carried out, inter alia, with the aim of forming initiatives intended to assist the Bank in improving its performance in the long run and to support its customers in this difficult period. Completion of this move has become complex and challenging in view of the uncertainty regarding the force of the crisis and the length of time in which it is expected to have an impact.

Concurrently with the updated strategic plan at the Bank, the Group's companies are also conducting these days an examination of the modifications required to their strategic plans in view of the Corona crisis, while continuing to implement the unique strategies defined for them.

Goals of the Strategic Plan

Within the framework of the strategic plan, several financial goals were set, the principal of which are achieving a return on capital of approx. 10% and an efficiency ratio approx. 60% by 2021. In view of the strategic refreshing being conducted, as well as in view of the Corona crisis, as stated, the Bank is updating the multi-annual financial plan and is examining the financial goals, and will update them upon completion of the said financial plan.

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

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

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

Material trends, occurrences, developments and changes

Management's handling of current material issues

The first quarter of 2020 was impacted by the Corona virus outbreak in Israel and throughout the world. The spread of the virus has led to a major economic crisis that has affected the economy, including the banking sector and the Discount Group. The Bank's financial base and its capital infrastructure remain stable and are being stringently managed.

The central challenges and issues in the first quarter were:

Outbreak of the Corona virus

General. A new virus of the "Corona" type broke out in the first quarter of 2020, spreading quickly to most countries around the globe, causing widespread morbidity and a significant mortality rate. In March 2020, the World Health Organization announced the Corona virus a "pandemic".

Following the outbreak of the virus, governments around the world, including Israel, have adopted preventive measures, which included restrictions on passage between countries, isolation means including lockdown, restrictions on different types of activities and businesses, etc. The said measures have led to a significant impairment of business activity, to a rise in the rates of unemployment, impairment of the economic survivability of businesses and impairment of income and consumption of households (see below "Principal economic developments").

Preparations made by the Bank. With the beginning of the crisis, the Bank's Management directed its full administrative attention to the crisis and its implications. Cross-organization work teams, headed by the Bank's President & CEO, managed the Bank's different segments of operation under the crisis, while closely following developments and adopting measures for the reduction of the different risks and the maintenance of business continuity. The business divisions increased monitoring and control operations over the condition of the credit portfolio and of the financial assets portfolio of the Bank.

Concurrently with the management of the crisis, cross-organization teams, led by the Planning, Strategy and Finance Division, have begun planning the Bank's preparations for exiting the Corona crisis and the initiation of actions in this field.

Customer support. Since the beginning of the Corona crisis and the restrictions imposed on economic activity, the Bank has prepared to support its customers in confronting the economic uncertainty and traversing the crisis. Among other measures led by the Bank in the different segments of operation, were:

- Enlarging and increasing accessibility of banking operations on the online channels and the digital, including different services for the business sector, both intended to ease customers' activities and to reduce personal presence of customers at the branches.
- Assistance loans to businesses – designated loan channels for businesses have been developed, including bridging loans for the payment of wages and current expenses, and assistance loans with a repayment deferral mechanism for up to six months. Moreover, the Bank has extended loans to business customers out of loan funds established by the Government – the Small and Medium Business Fund and the Large Business Fund.
- Deferral of repayment of existing loans – upon the request of customers, the Bank has approved deferral/freezing of loan repayments for up to three months with no need to visit the branch.
- Deferral of mortgage principal and interest payments, or of principal sums only (at the option of the borrower), for a period of up to six months with no need to visit the branch.
- Possibility of premature withdrawal of deposits without a commission.
- Initiated issuance to customers of ATM cards and debit cards helping them to cash National Insurance allowances.

(See below "Activity of the Group according to Principal Segments of Operation - Principal Quantitative Data and Main Developments").

Support for the community. On the background of the crisis, the Bank has committed to assisting various approaches. Among other things, the Bank assisted thirteen hospitals in the purchase of respiration machines and establishment of intensive care stations. At the same time, during the month of March, the Bank decided on advancing payments to suppliers in respect of services rendered to the Bank, in order to help and support the providers of services to the Bank. (See above "Involvement and contribution to the community in Corona days").

Operation and business continuity. The Bank has been defined by the Government of Israel as a provider of essential services to the economy, and as such, continued uninterrupted operation, though in an emergency format, in accordance with guidelines of the Ministry of Health and instructions of the Supervisor of Banks. As a result of the above, a gradual reduction in the scope of operations took place since the middle of March, while focusing on operations defined by the Bank as essential. Operation of the branches has been gradually reduced and a part of the branches were closed to the customer population. Since the beginning of May, the Bank is gradually returning to a full format of operation. The chain work of branches of the Bank and of MDB is operating in full since the middle of May.

In order to secure uninterrupted service, the Bank has split units defined as engaged in operations critical to business continuity and units supporting critical operations, as stated, while shift work was introduced in respect of certain operations. In addition, measures have been taken to secure regular cash operations and the increase in the quantity of cash available at the ATMs, where required.

Human resources. Following the operation of the Bank in an emergency format, in accordance with the guidelines, the workforce required to appear in person at the premises of the Bank has been reduced, while a part of the employees continuing to operate in a distant work format. The measures relating to this field had been taken in cooperation with the representative committee of employees, and recently, the Bank's Management and the representative committee of employees reached agreement regarding remuneration during the lockdown period (see below "The Human Capital").

Reduced capital requirements and discontinuation of dividend distribution. On the background of the spreading of the Corona virus and with the aim of supporting the credit requirements of its customers during this period, The Bank's Board of Directors has decided to modify the Common Equity Tier 1 ratio to 8.9% (instead of the previous 9.9%), as permitted by the provisional Directive issued by the Supervisor of Banks. At the same time, the Bank's Board of Directors decided to discontinue, at this stage, the distribution of dividends by the Bank.

A rise in the level of risk. The Corona crisis and its domestic and global implications, have led to an increase in risk in most of the managed risk areas. The Bank estimates that exposure has particularly increased with respect to credit risk and operating risk, as follows:

- Credit risk – in view of the growth in borrower quality and in credit portfolio quality risks;
- Operating risk – Due to modifications and changes made to work procedures and controls, stemming from regulatory and internal changes, and in view of the rise in fraud and embezzlement risks, stemming from the transition to digital operations, expanded authorizations, reduction in workforce and transition to distance work. These aspects also have an effect on the increase in cyber risk.

In addition, the risk environment has grown on the background of the present assessment regarding the possible implications of the crisis on the domestic and global economy.

(See below "Risk factors Table").

Growth in credit losses. The Bank estimates that the Corona crisis may continue to affect the condition of borrowers and their repayment ability, although, at this stage, significant uncertainty exists regarding the force of the crisis and the length of time in which it is anticipated to apply its impact. On the background of the above stated, the Bank has decided to increase the group allowance in the present quarter, in order to reflect the growth in the estimated credit losses for the period, in respect of borrowers affected by the crisis, which as yet have not been identified.

Expenses for credit losses in the amount of NIS 656 million were recognized in the first three months of 2020, as compared to NIS 141 million in the corresponding period last year, an increase of 365.2%. This increase stems mostly from the implications of the crisis, and in particular from the increase in the group allowance for credit losses due to the rise in uncertainty in view of the Corona crisis.

The said increase is in addition to credit loss expenses in the amount of approx. NIS 50 million, recorded in the financial statements as at December 31, 2019, in view of the implications of the Corona virus outbreak including the decline in prices in the markets.

(See below "Credit loss expenses" in the section "Developments in income and expenses"; "Credit risk"; and "Allowance for credit losses – allowances on a group basis" in the item "Critical accounting policies and critical accounting estimates").

Effect on the value of the securities portfolio. During March, steep declines took place on the capital markets in Israel and throughout the world, which were expressed in a decrease in the value of the Bank's marketable assets. The value of the available-for-sale bonds portfolio fell by approx. NIS 300 million during the first quarter, although this decrease was fully offset by a decrease in the value of the liability for employee rights.

During April, the capital markets began to recover, offsetting the decrease in the value of the securities portfolio that occurred in the first quarter.

Continuing uncertainty conditions. The economic implications of the Corona crisis depend on the time range for the curbing of the pandemic spread, the forcefulness of the steps taken in Israel and around the world for assistance to and the recovery of the economy, and in the pace of economic recovery and of the return to fulltime activity of the different economic sectors. The Bank and its principal subsidiaries continue to follow developments in this respect and are studying the possible implications on sectors and customers, which might be affected by this situation (including the effect of the decline in the markets). The Bank estimates that the Corona crisis may continue and impact the condition of borrowers and their loan repayment ability, even though, at this stage, as stated, significant uncertainty exists with respect to the force of the crisis and the length of time in which it is expected to have an effect. Accordingly, the Bank estimates that concern exists regarding the continuing impairment in the profitability of the Group, however, at this stage, it is not possible to assess its scope.

Forward looking information. The Bank estimates regarding the possible implications of the crisis, comprise forward looking information, based upon the information existing in the hands of the Bank at date of preparation of this report. Such estimates may not materialize or may materialize in a different manner than that estimated by the Bank.

Additional Issues

- **Malfunction in the PayBox Application.** For details, see below "Operational risks" in "Chapter C - Risks review".
- **Discount Campus.** Construction work on the campus continued in the reported period. For additional details, see the 2019 Annual Report (p. 307-308) and Note 10 B 6 to the condensed financial statements.
- **An early redemption in full of the subordinate capital notes (Series 1).** For details, see Note 9 1 (F) to the condensed financial statements.

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first quarter of 2020.

Growth. Contraction has been noticed in global economic activity following the spread of the coronavirus and the idling of global activity. The International Monetary Fund predicts a negative growth of 3% in global product for 2020, concurrently with a steep downturn in global trade. The data for the first quarter indicate that the economic harm was more serious and precipitous than expected. The U.S. and Eurozone economies shrunk in the first quarter by 4.8% and 14.4% respectively (in annualized terms), the most severe contraction since 2008. In Israel a downturn is expected in the product in the first quarter due to the restrictions imposed on employment and movement in the middle of March¹.

Exchange rates. During March, the foreign currency market recorded exceptional volatility against the background of the steep declines in the markets and the dollar's difficult liquidity situation, so that in conclusion for the first quarter of 2020, the dollar basket (the "dollar index") appreciated by 2.8%. In the first half of March, the shekel depreciated extremely sharply, although it subsequently stabilized following the Bank of Israel's injection of liquidity into the market. In conclusion for the first quarter, the shekel devalued by approx. 3% against the dollar. The Bank assesses that the determined action of the Bank of Israel in the foreign currency market will prevent sharp fluctuations in the exchange rate.

Inflation. The inflationary environment has continued its downward trend, which has become even steeper following the outbreak of the Corona crisis. Annual inflation and "core inflation" (excluding energy, vegetables and fruit) stood at 0% and 0.3% respectively, for March. The inflation forecast for the year were traded in negative territory during March and stood at -0.2% at the end thereof. As estimated by the Bank, during 2020 a negative inflation of 0.2% is expected.

Monetary policy. Due to the spread of the crisis, the world's central banks, led by the Fed, have taken unprecedented steps including making steep interest cuts and supplying liquidity to the markets. It should be noted that, concurrently with the measures taken by the central banks, governments throughout the world have announced far-reaching measures. The Bank of Israel is employing numerous tools in order to support the economy and the liquidity of the financial markets. In addition, it has announced a series of reliefs for the banks aimed at stimulating the grant of credit. From the messages being sent by the Bank of Israel, it can be concluded that it is fitting to bolster the support using existing tools, as well as additional tools, wherever necessary. The Bank is predicting that the Bank of Israel's interest rate at the end of 2020 will be 0.1%.

Financial markets. The world's equity markets have suffered strong jolts as the crisis has worsened though, toward the end of March, began to gradually recover against the background of the steps taken by the central banks and governments. In conclusion for the first quarter, equity indices around the world showed steep declines. Concurrently, even greater volatility was recorded in the market for government and corporate bonds. In Israel, there has been a steep rise in the yields of government bonds and in the margins of corporate bonds, which was curved following the announcement of the Bank of Israel's measures and the leveling off of the trend in mutual fund redemptions.

¹ The growth figures in Israel for the first quarter of 2020 were not available at the time the report was submitted to the printing press.

The second quarter of 2020. The macro-economic data for the month of April were especially weak, indicating the severe impairment in the global economy. However, with the relaxations made by the various nations in their lockdowns, a gradual return to activity has been evident. In light of fears regarding the severity of the economic damage, interest contracts in the United States have begun to incorporate negative interest for 2021. The Governor of the FED has expressed his opinion that the tools used by the FED are effective and emphasized that a negative interest rate is not a policy compatible with the U.S. economy. The capital markets continued the recovery trend as from the end of March, on the background of the mitigated lockdown in the developed countries. The Bank of Israel, in its meeting of April 6, lowered the interest rate to 0.1%. At the same time, the Bank of Israel announced additional tools, including loans to banks for a period of three years at an interest of 0.1%, conditioned on extending credit to small and minute businesses. With the gradual removal of restrictions (as from April 19) and the transition to the "Corona routine", a certain recovery is noticed in the economy. Notwithstanding this, the level of economic activity is significantly lower than that existing prior to the crisis.

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

For further details, see "Main developments in Israel and around the world in the first three months of 2020" in "Corporate governance, audit, additional details regarding the business of the banking corporation and management thereof".

Leading and developing risks

The Bank considers business model risks, cyber and data protection risks, model risks, privacy protection aspects as well as conduct risks, as the most significant developing leading risks. For additional details see the 2019 Annual Report (pp. 20-21).

Macro environment risk. In light of the Corona crisis, the macro environment risk worsened in the first quarter of 2020, in light of the material implications likely to arise from the crisis for the domestic and global economy, as well as for the markets. The crisis has led to increased risk in most of the managed risk sectors and, particularly, with regard to credit risk and operational risk. At this stage, considerable uncertainty exists regarding the severity of the crisis and the length of time over which it is expected to impact the global and domestic economy and the banking sector, including the Discount Group. For additional details see "Outbreak of the Coronavirus" above.

Initiatives concerning the banking sector and its operations

Increase in competition and reduction in concentration Act. The Increase in Competition and Reduction in Concentration in the Banking Market in Israel (Legislation Amendments) Act, 2017, was published in the Official Gazette on January 31, 2017. The Act constitutes the adoption of the recommendations of the Strum Committee, appointed in June 2015 by the Minister of Finance and by the Governor of the Bank of Israel, in order to recommend, inter alia, of ways for attracting new participants in the competition for the supply of prevalent financial services, including by way of separation from banks of the ownership of credit card companies.

In the first stage, within the framework of implementing the Act, the credit card companies Isracard and MAX (formally: Leumi Card) were separated from Bank Hapoalim and Bank Leumi, respectively, and the separation of ownership of the credit card companies from the banks did not apply to the owners of ICC. Only in the second stage will the issue of the separation of ownership in relation to ICC be re-examined. According to the Act, on February 1, 2021, a two-year period will commence during which the Minister of Finance may order ICC to be separated from the banks that currently own it. This and more, if in the past the large banks (Poalim, Leumi and Discount) issued to their customers credit cards of the credit card companies owned by them (Isracard, MAX and ICC), so that competition exists now between the companies. Concurrently, any bank who held means of control of the clearing agent is required to transfer a part of the new cards issued to its customers to another clearing agent, at least one, with whom it had had no business relations in the past. From the view point of ICC, although there is a reduction in the issue of credit cards to customers of the owner banks, ICC now has the opportunity to compete in the issue of new credit cards to customers of Poalim and Leumi. In the era of post-entry into effect of the new Act, the different participants in the credit card market, banks on the one part and credit card companies on the other part, find themselves in front of an array of moves and action possibilities of each of them and of each of the other participants.

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

The additional tax that may apply, if doubt is raised as to the continued holding of the Bank in ICC, computed in relation to the value of the holdings in ICC stated in the books of the Bank as of March 31, 2020, is estimated at NIS 57 million.

For details regarding the said Act and additional legislation initiatives concerning the banking sector, see the 2019 Annual Report (pp. 364-369). For details in respect of agreements between ICC and certain banks on the one hand, and between the Bank and MAX on the other hand, see the 2019 Annual Report (p. 287). For details in the matter of "Changes regarding competition in the credit card market", see the 2019 Annual Report (pp. 350-351).

Reduction of the cross-commission rate. The Banking Order (Customer service)(Supervision over cross-clearing service for transactions made by charge cards and for immediate debit transactions), 2018, was published on November 2, 2018, establishing an outline with respect to the reduction of the cross-commission in deferred charge transactions, from the rate of 0.7% at that date to a rate of 0.5%, this in five stages during the coming years, and an outline with respect to the reduction of the cross-commission regarding immediate charge transactions, from the rate of 0.3% at that date to a rate of 0.25%. The Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated. For additional details, see the 2019 Annual Report (pp. 285-286).

For details regarding the exemption terms for the agreement (a new arrangement in the industry replacing the arrangement expired on December 31, 2018), published by the Competition Commissioner, see the 2019 Annual Report (pp. 285-286).

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

Initiatives in view of the Corona crisis. For details regarding regulation in view of the Corona crisis, including regulation moves initiated by the Supervisor of Banks, intended to allow the banking system to fulfill its duty during the period of crisis and thereafter, see "Legislation and supervision" hereunder. For details regarding credit funds established by the State, operated through the banking system for the support of the economy in this period, see below "Activity of the Group according to Principal Segments of Operation - Principal Quantitative Data and Main Developments".

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three months period ended on March 31, 2020, the independent auditors drew attention to Note 10 B item 5, regarding different proceedings filed against the Bank and against investee companies.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

The business results for the first three months of 2020 have been materially affected by the Corona crisis and the reaction of the markets.

Net profit attributed to the Bank's shareholders for the first three months of 2020 totalled NIS 279 million, compared with NIS 405 million in the corresponding period last year, a decrease of 31.1%.

Return on equity net attributed to the Bank's shareholders for the first three months of 2020 reached a rate of 6.0%, on an annual basis, compared with a rate of 9.6% for the corresponding period last year, and 9.4% for all of 2019.

The following are the main factors that had an effect on the business results of the Group in the first three months of 2020, compared with the corresponding period last year:

- An increase in interest income, net, in an amount of NIS 34 million (2.4%) mainly affected by the growth in the credit portfolio.
- An increase in credit loss expenses, of NIS 515 million (365.2%). The increase stems mostly from the implications of the Corona crisis, and in particular from the increase in the group allowance for credit losses.
- An increase in the total non-interest income, of NIS 266 million (29.9%), affected mostly by an increase of NIS 245 million in non-interest financing income (142.4%), an increase of NIS 29 million in commissions (4.1%), mainly from an increase in credit card commissions and from operations involving securities and certain derivative instruments.
- No change has occurred in the operating and other expenses between the periods.
- Tax provision of NIS 151 million on earnings in the first three months of 2020, compared with NIS 224 million in the corresponding period last year.

Additional details and explanations are presented below.

Developments in Income and Expenses

Developments in certain income statement items in the first quarter of 2020, compared with the fourth quarter of 2019 and compared with the first quarter of 2019

	2020		2019		Q1 2020 compared to	
	Q1	Q4	Q1	Q4 2019	Q1 2019	
	In NIS millions				Change in %	
Interest income	1,791	1,860	1,806	(3.7)	(0.8)	
Interest expenses	336	381	385	(11.8)	(12.7)	
Interest income, net	1,455	1,479	1,421	(1.6)	2.4	
Credit loss expenses	656	261	141	151.3	365.2	
Net interest income after credit loss expenses	799	1,218	1,280	(34.4)	(37.6)	
Non-interest Income						
Non-interest financing income	417	145	172	187.6	142.4	
Commissions	739	768	710	(3.8)	4.1	
Other income	-	38	8	(100.0)	(100.0)	
Total non-interest income	1,156	951	890	21.6	29.9	
Operating and other Expenses						
Salaries and related expenses	824	815	847	1.1	(2.7)	
Maintenance and depreciation of buildings and equipment	285	294	263	(3.1)	8.4	
Other expenses	422	557	420	(24.2)	0.5	
Total operating and other expenses	1,531	1,666	1,530	(8.1)	0.1	
Profit before taxes	424	503	640	(15.7)	(33.8)	
Provision for taxes on profit	151	168	224	(10.1)	(32.6)	
Profit after taxes	273	335	416	(18.5)	(34.4)	
Bank's share in profit (loss) of affiliated companies, net of tax effect	4	5	(1)	(20.0)	-	
Net loss (profit) attributed to the non-controlling rights holders in consolidated companies	2	(15)	(10)	-	-	
Net Profit attributed to Bank's shareholders	279	325	405	(14.2)	(31.1)	
Return on equity attributed to the Bank's shareholders, in % ⁽¹⁾	6.0	7.2	9.6			
Efficiency ratio in %	58.6	68.6	66.2			

Footnote:

(1) On an annual basis.

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

Interest income, net. In the first three months of 2020, interest income, net, amounted to NIS 1,455 million compared with NIS 1,421 million in the corresponding period last year, an increase of 2.4%. The rise in the interest income, net, in the amount of NIS 34 million, is explained by a positive price impact of NIS 62 million, and a positive quantitative effect in the amount of NIS 96 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).

The interest spread, excluding derivatives, reached a rate of 2.32% in the first three months of 2020, compared with 2.46% in the corresponding period last year.

The average balance of interest bearing assets has increased by a rate of approx. 10.0%, from an amount of NIS 215,805 million to NIS 237,422 million, and the average balance of interest bearing liabilities increased by a rate of approx. 9.9%, from an amount of NIS 167,046 million to NIS 183,503 million.

Net interest income according to linkage segments

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

	For the three months ended March 31					
	2020			2019		
	Volume of activity ⁽¹⁾ in %	Interest income, net in NIS millions	Interest margin in %	Volume of activity ⁽¹⁾ in %	Interest income, net in NIS millions	Interest margin in %
Unlinked shekels	70.2	1,197	2.82	68.0	1,108	2.97
CPI-linked shekels	8.2	5	(0.37)	8.4	16	(0.80)
Foreign Currency	21.6	253	1.89	23.6	297	2.17
Interest income, net and the interest margin	100.0	1,455	2.32	100.0	1,421	2.46

Footnote:

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

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

Non-interest financing income amounted in the first three months of 2020 to NIS 417 million, compared to NIS 172 million in the corresponding period last year, a decrease of 142.4%.

The growth in noninterest financing income stemmed, mostly, from the growth in gains on realization of bonds, from the growth in income from exchange differences and from operations in derivatives (see below "Analysis of the total net financing income").

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

Composition of the net financing income

	2020		2019		
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
Interest income	1,791	1,860	1,751	2,150	1,806
Interest expenses	336	381	353	555	385
Interest income, net	1,455	1,479	1,398	1,595	1,421
Non-interest financing income	417	145	195	230	172
Total net financing income	1,872	1,624	1,593	1,825	1,593

Analysis of the total net financing income

	2020		2019		
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
Financing Income from current operations	1,617	1,586	1,528	1,556	1,529
Effect of CPI	(24)	(12)	(33)	73	(14)
Net profit from realization and adjustment to fair value of bonds*	178	23	65	66	57
Profit (loss) from investments in shares**	(8)	5	37	71	10
Adjustment to fair value of derivative instruments	6	6	(51)	44	(35)
Exchange rate differences, options and other derivatives*	103	16	47	14	40
Net profit on the sale of loans	-	-	-	1	6
Total net financing income	1,872	1,624	1,593	1,825	1,593
*Exchange rate differences in respect of trading bonds are included in the exchange rate differences line	55	6	(19)	(5)	(35)
**Of which: income from realizations in Discount Capital.	-	(1)	14	36	4

Financing income, net, amounted to NIS 1,872 million in the first three months of 2020, compared to NIS 1,593 million in the corresponding period last year, an increase of 17.5%. The increase in financing income stemmed, mostly, from an increase of NIS 88 million in profit from current operations, and from an increase of NIS 121 million in profits from the sale and adjustment to fair value of bonds, and from a growth of NIS 63 million in income from exchange differences, options and other derivatives.

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

Interest margin, including derivatives not for trading reached a rate of 1.96% in the first three months of 2020, compared with 2.09% in the corresponding period last year.

Development of the interest income, net by regulatory operating segments

	For the three months ended		Change in %
	March 31,		
	2020	2019	
	In NIS millions		
Domestic operations:			
Households	519	465	11.6
Private banking	22	24	(8.3)
Small and minute businesses	387	378	2.4
Medium businesses	86	78	10.3
Large businesses	195	186	4.8
Institutional bodies	9	10	(10.0)
Financial management	22	39	(43.6)
Total Domestic operations	1,240	1,180	5.1
Total International operations	215	241	(10.8)
Total	1,455	1,421	2.4

Credit loss expenses. In the first three months of 2020 credit loss expenses in the amount of 656 million were recorded, compared with expenses of NIS 141 million in the corresponding period last year, an increase of 365.2%. The increase stems mostly from the implications of the Corona crisis, and in particular from the increase in the group allowance for credit losses. The said growth is in addition to the credit loss expenses in the amount of approx. NIS 50 million, recorded in the Bank's financial statements as at December 31, 2019, in view of the implications of the Corona virus outbreak, including the price reduction in the market.

Credit loss expenses in the first quarter were mostly affected by the following factors:

- Recognition of expenses on a group basis in the amount of NIS 516 million, compared to NIS 131 million in the first quarter of 2019, a growth impacted, mostly, by the increase in the adjustment coefficient of the Bank due to the rise in uncertainty in view of the Corona crisis;
- Recognition of expenses on a specific basis in the amount of NIS 111 million, compared to NIS 3 million in the first quarter of 2019, a growth impacted, mostly, by the expenses of the Bank in respect of a number of borrowers affected by the crisis.
- Recognition of an expense regarding housing loans according to the extent of arrears, in the amount of NIS 29 million, impacted, mostly, by the additional allowance made on a group basis, for reasons of prudence, with respect to credit, the mortgage repayment of which had been deferred regarding the Corona crisis.

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

Details of the quarterly development in the credit loss expenses

	2020		2019			
	Q1	Total	Q4	Q3	Q2	Q1
In NIS millions						
On a specific basis						
Change in allowance	59	126	84	34	18	(10)
Gross Accounting Write-offs	108	275	78	62	70	65
Collection	(56)	(220)	(50)	(72)	(46)	(52)
Total on a specific basis	111	181	112	24	42	3
On a group basis						
Change in allowance	459	168	69	44	(2)	57
Gross Accounting Write-offs	165	602	148	146	160	148
Collection	(79)	(261)	(68)	(62)	(64)	(67)
Total on a group basis	545	509	149	128	94	138
Total	656	690	261	152	136	141
Rate of credit loss expenses to the average balance of credit to the public ⁽¹⁾ :						
The rate in the quarter:	1.42%	-	0.58%	0.35%	0.32%	0.33%
Cumulative rate since the beginning of the year:	1.42%	0.40%	0.40%	0.33%	0.32%	0.33%

Footnote:

(1) On an annual basis.

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

Commissions in the first three months of 2020 amounted to NIS 739 million, compared to NIS 710 million in the corresponding period last year, an increase of 4.1%.

Distribution of the commissions

	For the three months ended March 31,		
	2020	2019	Change in %
in NIS millions			
Account Management fees	118	119	(0.8)
Credit cards	343	325	5.5
Operations in securities and in certain derivative instruments	87	74	17.6
Commissions from the distribution of financial products	39	35	11.4
Handling credit	47	47	-
Conversion differences	36	33	9.1
Foreign trade services	12	15	(20.0)
Net income from credit portfolio services	1	1	-
Commissions on financing activities	36	40	(10)
Other commissions	20	21	(4.8)
Total commissions	739	710	4.1

Commissions from securities operations. The first quarter of 2020 was marked by vivid trading turnovers on the capital market, impacted by the outbreak of the Corona virus. The growth in trading turnovers in the first quarter is estimated at 58.4% compared with the corresponding period last year. Accordingly, a growth at a rate of 17.6% was recorded in commission income from securities operations. The growth was affected mostly from the growth in sale and purchase commissions, corresponding to the growth in trading turnovers on the capital market, mainly during March. The growth was affected also from the growth in securities deposit fees corresponding to the growth in balances of customer securities portfolios in the first two months of the year and as a result of the increased sales activity in these portfolios.

Credit card commissions. As from the middle of March 2020, the Corona crisis led to a decline in credit card activity. Notwithstanding, in total for the quarter, there was still an increase in income, stemming from the growth in activity until the outbreak of the crisis.

Salaries and related expenses amounted to NIS 824 million in the first three months of 2020, compared with NIS 847 million in the corresponding period last year, a decrease of 2.7%. Eliminating the effect of certain components as detailed below, an increase of 3.2% would have been recorded.

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

	2020		2019		
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and Related Expenses - as reported	824	815	824	857	847
Awards	(21)	(59)	(64)	(94)	(69)
Salaries and Related Expenses - Disregarding certain components	803	756	760	763	778

Other expenses amounted to NIS 422 million in the first three months of 2020, compared to NIS 420 million in the first three months of 2019, an increase of 0.5%. The increase stems mainly from an increase in commissions, affected, mostly, by the expansion in the activity of ICC (in the period through to the Corona crisis, in the middle of March), and from the increase in computer expenses, which was offset by the decline in long-term benefits.

Developments in the comprehensive income

Condensed statement of comprehensive income

	For the three months ended March 31,		Change in %
	2020	2019	
	in NIS millions		
Net Profit attributed to the Bank's shareholders	279	405	(31.1)
Changes in components of other comprehensive income, attributed to the Bank's shareholders:			
Other comprehensive income (loss), before taxes ⁽¹⁾	(22)	220	
Effect of attributed taxes	47	(109)	
Other comprehensive income, attributed to the Bank's shareholders, after taxes	25	111	
Comprehensive income, attributed to the Bank's shareholders	304	516	(41.1)

Footnote:

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

Other comprehensive income after taxes amounted to NIS 25 million in the first quarter of 2020. The main items comprising the other comprehensive income (loss) are:

- Net adjustments in respect of the presentation of available-for-sale bonds at fair value – in the first quarter of 2020, the returns on the bonds held by the Bank Group fell, which resulted in other comprehensive loss after attribution of tax in the amount of NIS 318 million. Alongside the impact of the aforesaid decline in the fair value, the other comprehensive income was also affected by the realization of bonds at a profit;
- Adjustments from the translation of the New York subsidiary's financial statements – in the first quarter of 2020, the exchange rate of the shekel against the US dollar depreciated by 3.2%. Accordingly, other comprehensive income was recorded due to an increase in the shekel value of the investments in this subsidiary, in the amount of NIS 118 million;
- Adjustments in respect of employee benefits – employee benefits in respect of their post-retirement rights and other long-term benefits for working employees are calculated, in conformance with the directives of the Supervisor of Banks, using a discount rate derived from the yield of Israeli government bonds plus an average margin of corporate bonds with an (international) rating of AA. Due to the increase in the return of bonds in the first quarter of 2020, an other comprehensive income in the first quarter of 2020 was recorded, after attribution of tax, in the amount of by NIS 226 million.

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

Development of Assets and Liabilities

Total assets as at March 31, 2020, amounted to NIS 276,404 million, compared with NIS 259,823 million at the end of 2019, an increase of 6.4%.

Developments in the principal balance sheet items

	March 31, 2020	December 31, 2019	Rate of change in %
	in NIS millions		
Assets			
Cash and deposits with banks	29,392	26,044	12.9
Securities	42,605	37,745	12.9
Credit to the public, net	183,187	180,467	1.5
Liabilities			
Deposits from the public	213,667	201,450	6.1
Deposits from banks	7,339	6,419	14.3
Securities loaned or sold under repurchase arrangements	892	346	157.8
Subordinated debt notes	13,069	13,129	(0.5)
Equity attributed to the Bank's shareholders	18,929	18,678	1.3
Total equity	19,444	19,193	1.3

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 March 31, 2020 totaled NIS 183,187 million, compared with NIS 180,467 million at the end of 2019, an increase of 1.5%.

For details regarding the credit portfolio, see the 2019 Annual Report (pp. 33-36). For details regarding credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2019 Annual Report (pp. 58-73). For details regarding the quality of credit, see Note 14 B 3 to the condensed financial statements and in the 2019 Annual Report (pp. 253).

Composition of credit to the public by linkage segments

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

	March 31, 2020		December 31, 2019		Rate of change in %
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	
Non-linked shekels	133,088	72.7	132,824	73.6	0.2
CPI-linked shekels	17,792	9.7	18,348	10.2	(3.0)
Foreign currency and foreign currency-linked shekels	32,307	17.6	29,295	16.2	10.3
Total	183,187	100.0	180,467	100.0	1.5

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 10.3% compared with December 31, 2019. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels increased by US\$586 million, an increase of 6.9% as compared to December 31, 2019. 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 1.0% as compared to December 31, 2019.

Composition of credit to the public by regulatory operating segments

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

	March 31, 2020	December 31, 2019	change
	In NIS millions		in %
Domestic operations:			
Households*	69,345	69,211	0.2
Private banking*	326	326	-
Small and minute businesses	36,214	36,837	(1.7)
Medium businesses	12,436	12,628	(1.5)
Large businesses	41,951	39,529	6.1
Institutional bodies	770	676	13.9
Total Domestic operations	161,042	159,207	1.2
Total International operations*	25,173	23,784	5.8
Total credit to the public	186,215	182,991	1.8
Credit loss expenses	(3,028)	(2,524)	20.0
Total credit to the public, net	183,187	180,467	1.5
*Of which - Mortgages	38,391	37,159	3.3

The increase in credit to the public in the first quarter of 2020 reflects growth in the focus points determined in the updated strategic plan. Credit to large business grew by NIS 2,422 million (6.1%) and housing credit grew by NIS 1,232 million (3.3%).

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

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

	March 31, 2020		December 31, 2019		
Economic Sectors	Total credit to the public risk in NIS millions	Rate from total credit risk %	Total credit to the public risk in NIS millions	Rate from total credit risk %	Rate of change in %
Industry	21,247	7.4	19,982	7.1	6.3
Construction and real estate - construction	31,894	11.1	31,382	11.2	1.6
Construction and real estate - real estate activity	23,788	8.3	22,973	8.2	3.5
Commerce	29,523	10.3	29,056	10.3	1.6
Financial services	25,521	8.9	24,224	8.6	5.4
Private individuals - housing loans	42,094	14.7	41,203	14.7	2.2
Private individuals - other	69,642	24.3	69,385	24.7	0.4
Other sectors	43,016	15.0	42,909	15.3	0.2
Total overall credit to the public risk	286,725	100.0	281,114	100.0	2.0

The data presented above indicates that in the first quarter of 2020, the overall risk regarding credit to the public increased by 2.0% compared with the end of 2019. This growth applied mostly to credit granted for financial services, industry, private individuals – housing loans and construction and real estate - real estate activity sectors.

Development of problematic credit risk

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

Impaired credit to the public. The balance sheet impaired credit to the public (accruing interest and non-accruing) amounted at March 31, 2020 to NIS 2,306 million, compared to NIS 1,814 million at December 31, 2019, an increase of 27.12%.

Impaired non-accruing credit to the public. The impaired non-accruing credit to the public which is examined on a specific basis, amounted at March 31, 2020 to NIS 1,712 million, compared to NIS 1,166 million at December 31, 2019, an increase at a rate of 46.82%.

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

Economic Sectors	March 31, 2020			December 31, 2019		
	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	21,247	911	4.3	19,982	856	4.3
Construction and real estate - construction	31,894	543	1.7	31,382	323	1.0
Construction and real estate - real estate activity	23,788	914	3.8	22,973	705	3.1
Commerce	29,523	855	2.9	29,056	1,048	3.6
Financial services	25,521	484	1.9	24,224	359	1.5
Private individuals - housing loans	42,094	392	0.9	41,203	378	0.9
Private individuals - other	69,642	601	0.9	69,385	566	0.8
Other Sectors	43,016	1,415	3.3	42,909	843	2.0
Total Public	286,725	6,115	2.1	281,114	5,078	1.8
Banks	6,347	36	0.6	5,188	37	0.7
Governments	34,894	-	-	29,904	-	-
Total	327,966	6,151	1.9	316,206	5,115	1.6

In the first quarter of 2020, the ratio of problematic credit risk to the total credit risk increased. The rate of problematic debts increased in the sectors of construction and real estate - construction, construction and real estate - real estate, and financial services, while on the other hand, the rate of problematic debts in the commercial sector decreased.

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 3,028 million as of March 31, 2020. The balance of this allowance constituted 1.63% of the credit to the public, compared with a balance of the allowance in the amount of NIS 2,524 million, constituting 1.38% of the credit to the public as of December 31, 2019.

The balance of the specific allowance for credit losses. The outstanding balance of the specific allowance for credit losses in respect of impaired credit to the public, computed on a specific basis, amounted to NIS 374 million on March 31, 2020, compared to NIS 307 million on December 31, 2019, an increase of 21.8%.

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 March 31, 2020 to NIS 2,417 million, compared to NIS 2,010 million as of December 31, 2019, comprising an increase in the current allowance in the amount of NIS 407 million, a rate of 20.2%.

The risk characterization of the credit to the public portfolio

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

Sectors	For the three months ended March 31			
	2020		2019	
	Credit loss expense In NIS millions	Rate of expense %	Credit loss expense (expense reversal) In NIS millions	Rate of expense (expense reversal) %
Industry	43	1.4	2	0.1
Construction and real estate - construction	47	1.2	41	1.2
Construction and real estate - real estate activity	61	1.2	(24)	(0.5)
Commerce	114	1.9	38	0.7
Hotels, hotel services and food	17	2.1	4	0.5
Transportation and storage	34	2.4	8	0.5
Financial services	8	0.3	3	0.1
Other Business Services	57	3.7	12	0.8
Public and Community Services	24	0.8	4	0.2
Other Sectors	36	2.1	(26)	0.4
Total Commercial	441	1.5	62	0.2
Private Individuals - Housing Loans	30	0.3	7	0.1
Private Individuals - Other	185	2.3	72	0.9
Total credit loss expenses	656	1.42	141	0.33

The data presented above indicates that the increase in credit loss expenses in the first quarter of 2020, focused mostly on the private individuals – other, construction and real estate – real estate activity, commerce, industry and other business services sectors.

Securities

General. Securities in the Nostro portfolio totaled NIS 42,605 million as of March 31, 2020, compared with NIS 37,745 million at the end of 2019, an increase of 12.9%. Securities included in the "nostro" portfolio of the Discount Group, the investment in which as of December 31, 2019, amounted to 5% or over of the total amount of the portfolio: "government variable 1121", "government variable 0323", the "shekel government 0324" and the "shekel government 1026" security types, which amounted to approx. 6.9%, approx. 6.5%, approx. 5.8% and approx. 5.0%, of the total portfolio, respectively.

As of March 31, 2020, approx. 68.9% of the portfolio is invested in Government bonds, and 1.6% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE). For details regarding the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, items 1-3. For details regarding the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, item 2.

For details regarding the Nostro portfolios management policy, see 2019 Annual Report (p. 36).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	March 31, December 31,		Rate of change in %
	2020	2019	
	In NIS millions		
Non-linked shekels	25,217	20,486	23.1
CPI-linked shekels	1,213	685	77.1
Foreign currency and foreign currency-linked shekels	15,082	15,594	(3.3)
Shares - non-monetary items	1,093	980	11.5
Total	42,605	37,745	12.9

Securities in foreign currency and in Israeli currency linked to foreign currency decrease by 3.3%, compared with December 31, 2019. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency decreased by US\$282 million, a decrease of 6.2% as compared with December 31, 2019. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms, increased by 11.7% as compared with December 31, 2019.

Composition of the securities portfolio according to portfolio classification

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

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

	March 31, 2020		December 31, 2019			
	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	7,674	7,883	7,674	4,753	4,998	4,753
Available for sale	31,037	31,115	31,115	29,091	29,562	29,562
Trading	2,738	2,723	2,723	2,442	2,450	2,450
Shares						
Note for trading	1,065	1,089	1,089	935	967	967
Trading	4	4	4	12	13	13
Total Securities	42,518	42,814	42,605	37,233	37,990	37,745

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of March 31, 2020, includes investments in corporate bonds in the amount of NIS 3,630 million (of which an amount of NIS 553 million is held by IDB New York), compared with NIS 3,601 million as of December 31, 2019, an increase of 0.8%. For details as to the balance of unrealized profit (losses) included in the balance of the said bonds, see Note 5 to the condensed financial statements.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of March 31, 2020 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 8,292 million, compared to an amount of NIS 7,444 million as at December 31, 2019, an increase of 11.4%. The amount includes investment in mortgage backed securities in the amount of NIS 7,741 million, which are held by IDB New York, compared to an amount of NIS 6,857 million as at December 31, 2019, an increase at a rate of 12.9%. Approx. 93.6% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.

As of March 31, 2020, the portfolio of mortgage and assets backed securities included unrealized net gains of NIS 83 million, compared with NIS 2 million as of December 31, 2019.

For details regarding the agencies operating under the auspices of the U.S. Governance, see the 2019 Annual Report (p. 38).

CLO. IDB New-York holds secured bonds of the CLO class in a total amount of NIS 493 million. The said securities are rated AA-AAA by at least one rating agency. The Bank holds secured bonds of the CLO class in a total amount of NIS 546 million. The said securities are rated AA-AAA by at least one rating agency. For details, see Note 5 to the condensed financial statements.

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

For details regarding the review of impairment of securities, see "Critical accounting policies and critical accounting estimates" in the 2019 Annual Report (pp. 93-94) and Note 1 D 5 to the financial statements as of December 31, 2019 (pp. 125-127). Based on a review of the impairment of the said securities as of March 31, 2020, 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.

As of March 31, 2020, March 31, 2019 and December 31, 2019, unrealized accumulated losses on available-for-sale mortgage and asset backed securities amounted to total amounts of NIS 113 million, NIS 100 million and NIS 28 million, respectively. For additional details, see Note 5 to the condensed financial statements.

Customer assets

Deposits from the public as of March 31, 2020, totalled NIS 213,667 million, compared with NIS 201,450 million at the end of 2019, an increase of 6.1%. In the first quarter, during which steep declines were recorded in the capital market due to the Corona crisis, deposits from the public increased considerably as a result of redemptions of retail customers' funds, which were previously invested in the capital market, being invested in deposits with the Bank.

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

	March 31, 2020		December 31, 2019		Rate of change in %
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	
Non-linked shekels	144,681	67.7	134,716	66.9	7.4
CPI-linked shekels	4,460	2.1	4,611	2.3	(3.3)
Foreign currency and foreign currency-linked shekels	64,526	30.2	62,123	30.8	3.9
Total	213,667	100.0	201,450	100.0	6.1

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased at the rate of 3.6%, compared with December 31, 2019. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased by US\$124 million, an increase of 0.7% compared with December 31, 2019. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, increased at a rate of 5.1%, compared with December 2019.

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

	March 31, 2020	December 31, 2019	Change in %
	In NIS millions		
Domestic operations:			
Households	83,630	75,312	11.0
Private banking	18,107	16,368	10.6
Small and minute businesses	39,299	37,022	6.2
Medium businesses	7,179	7,590	(5.4)
Large businesses	21,569	20,305	6.2
Institutional bodies	15,744	18,076	(12.9)
Total Domestic operations	185,528	174,673	6.2
Total International operations	28,139	26,777	5.1
Total deposits from the public	213,667	201,450	6.1

The ratio of total credit to the public, net, to deposits from the public was 85.7% as at March 31, 2020, compared with 89.6% at the end of 2019.

Deposits from the public of the three largest depositor groups amounted as of March 31, 2020, to NIS 3,948 million.

Securities held for customers. On March 31, 2020, the balance of the securities held for customers at the Bank amounted to approx. NIS 152.77 billion, including approx. NIS 1.64 billion of non-marketable securities, compared to approx. NIS 191.4 billion as at December 31, 2019, including approx. NIS 1.61 billion of non-marketable securities, a decrease of 20.2%. For details as to income from security activities, see Note 3 to the condensed financial statements. In addition, the balance of securities held on behalf of customers at the MDB as of March 31, 2020, amounted to NIS 8.58 billion, compared with NIS 11.71 million in December 31, 2019, a decrease of 20.2%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at March 31, 2020, amounting to NIS 19.5 billion, compared with NIS 19.6 as of December 31, 2019, a decrease of 0.5%.

Capital and capital adequacy

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

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

Transitional instructions. In accordance with the transitional instructions, capital instruments not recognized any longer as regulatory capital, were recognized as from January 1, 2014, in an amount of up to 80% of their outstanding balance included in the regulatory capital at December 31, 2013, and in each consecutive year this maximum balance is being reduced by an additional 10% until January 1, 2022. In accordance with the above, the maximum balance in 2020 amounts to 20%. The aforesaid instruments are recognized in the amount of the said maximum balance or in their amortized amount, whichever is lower.

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

Issuance of deferred debt notes (Series "F"). Issuance of debt notes, through Manpikim, in January 2020, increased the total capital ratio by 0.05%.

Full premature repayment of deferred capital notes (Series 1). On April 20, 2020, Manpikim redeemed the capital notes by means of an early redemption in full, in accordance with the terms of the capital notes and following the approval of the Supervisor of Banks, in a total amount of approx. NIS 1,448 million, including interest and linkage increments. All as detailed in Manpikim's immediate report of April 16, 2020 (Ref. No. 2020-01-034486). Had the premature redemption been performed on March 31, 2020 (after deducting 10% of the recognized balance in accordance with the transitional instructions determined by the Supervisor of Banks for the purpose of computing capital adequacy), the Bank's total capital ratio would have been reduced by 0.34%. It is noted that in October 2019, the Bank, through Manpikim Company, issued debt notes in the amount of NIS 1,231 million.

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.

Provisional Instruction mitigating the capital requirements in order to face the Corona crisis. The Supervisor of Banks published on March 31, 2020 a Provisional Instruction, according to which, on the background of the spreading of the Corona virus and in order to secure the ability of banks to continue the granting of credit, the regulatory capital requirements applying to banks, have been reduced so that the minimum Common Equity Tier 1 ratio (excluding the additional capital buffer in respect of residential credit) would be 8% (compared to 9% prior to the change), and the minimum total capital ratio would be 11.5% (compared to 12.5% prior to the change). The Provisional Instruction is to remain in effect for a period of six months, and if required would be extended for an additional period of six months. Following that, banks would be required to present a gradual outline for the renewal of the accumulation of the eroded capital over a period of two years.

Common Equity Tier 1 goal

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

On December 22, 2019, the Board of Directors, on the basis of ICAAP and SREP processes, adopted a minimum common equity tier 1 target level of 9.9% for 2020.

On the background of the spreading of the Corona virus and with the aim of supporting the credit needs of customers during this period, the Bank's Board of Directors decided on April 7, 2020, to adjust the goal of the Common Equity Tier 1 ratio to 8.9% (instead of the previous 9.9%), as permitted under the Provisional Instruction published by the Supervisor of Banks (see above).

For details regarding capital planning, see "Capital Adequacy" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the internet and in the 2019 Annual Report (p. 41).

Impact of the Corona virus on the Bank's capital adequacy

During March 2020, steep declines took place on the capital markets in Israel and throughout the world, which were expressed in a decrease in the value of the Bank's marketable assets. The value of the available-for-sale bonds portfolio, fell during the first quarter, although this decrease was fully offset by a decrease in the value of the liability for employee rights, resulting in no material change occurring in the capital ratio with respect to these changes during the first quarter. Nevertheless, as a result of the volatility of the markets, there has been an increase in the risk assets with respect to market risk and with respect to CVA risk, which led to approx. 0.1% reduction in the capital ratio.

Components of capital

Total capital as at March 31, 2020, totalled NIS 19,444 million, compared with NIS 19,193 million at the end of 2019, an increase of 1.3%.

Equity attributed to the Bank's shareholders as at March 31, 2020, totalled NIS 18,929 million, compared with NIS 18,678 million at the end of 2019, an increase of 1.3%. The change in equity attributed to the Bank's shareholders in the first three months of 2020 was affected, among other things, by the net earnings during the period, by a decrease of NIS 318 million in the component of net adjustment of available-for-sale bonds presented at fair value, net of the tax effect, and from an increase of NIS 118 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 226 million.

Components of the regulatory capital as of March 31, 2020

Ratio of common equity tier 1 as of March 31, 2020, amounted to 9.99%, compared with 10.31% on December 31, 2019.

Total capital ratio as of March 31, 2020, amounted to 13.09%, compared with 13.86% on December 31, 2019.

Components of the regulatory capital as of March 31, 2020

	March 31,		December 31,
	2020	2019	2019
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	19,218	17,966	19,009
Additional tier 1 capital after deductions	356	534	534
Tier 1 capital	19,574	18,500	19,543
Tier 2 capital	5,588	4,686	6,021
Total capital	25,162	23,186	25,564
2. Weighted risk assets balance			
Credit risk ⁽²⁾	171,162	158,320	165,883
Market risk	4,542	3,635	2,858
CVA risk	2,216	1,406	1,489
Operational risk	14,379	13,285	14,216
Total weighted risk assets balance	192,299	176,646	184,446
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	9.99	10.17	10.31
Ratio of total capital to risk assets	13.09	13.13	13.86
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1 ⁽¹⁾	8.20	9.19	9.20
Total capital ratio ⁽¹⁾	11.70	12.69	12.70

Footnotes:

(1) With an addition of 0.20% (March 31, 2019: 0.19%, December 31, 2019: 0.20%), in accordance with the additional capital requirements with respect to housing loans - see Note 9 (b) to the condensed financial statements.

(2) The total weighted balances of the risk assets have been reduced by NIS 10 million (March 31, 2019: NIS 20 million, December 31, 2019: NIS 10 million) due to adjustments in respect to the efficiency plan.

The rise in market risk recorded in the first quarter, stemmed mostly from exposure created to the Bank following the closure of a number of customer positions in the course of the crisis, which had been hedged economically but not in full from the standpoint of the regulatory model for the allocation of market risk as of March 31, 2020, and thus, it was required to allocate risk assets in respect thereof, in accordance with the Basel Rules. It is noted that subsequent to the end of the quarter, the said position was closed and the allocation of risk assets in respect of market risk declined accordingly.

Raising of resources

Issuances of tier 2 capital. In October 2019 the Coco bonds issue in a total amount of NIS 1,231 million was completed. On January 7, 2020, an additional Coco issuance was concluded, with an overall scope of NIS 100 million. For additional details, see the 2019 Annual Report (p. 198).

Subtraction of regulatory capital instruments in 2020. 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 on January 1, 2021, in accordance with the transitional provisions, amount to NIS 787 million. NIS 787 million were deducted in the first three months of 2020.

The Bank may raise additional regulatory capital instruments in accordance with the Bank's work plan for 2020 and market conditions, in order to maintain the total capital targets for 2020.

Additional disclosure according to the third pillar of Basel

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

Dividends distribution

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

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

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

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

On April 7, 2020, on the background of Corona virus crisis and with the aim of supporting the credit needs of its customers, the Bank's Board of Directors decided to discontinue at this stage the distribution of dividends until the expiry date of the Provisional Instruction issued by the Supervisor of Banks on March 31, 2020 (see "Capital and capital adequacy" above), and the clarification of the circumstances.

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

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

General

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

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

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

For details regarding the relevant public reporting instructions and the definition of the segments, and details regarding the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2019 (pp. 221-223).

Changes in the administrative structure. With effect as from January 1, 2020, responsibility for commercial banking was transferred from the Banking Division to the Corporate Division.

Updating of the expense allocation model. Changes were made in the first quarter of 2020, to the expense allocation model used in the preparation of operating segments data, following the process of updating and validating the model. The comparative data has been reclassified accordingly. For additional details, see Note 12 C to the condensed financial statements.

Household Segment (Domestic operations)

Household segment in the wake of the Corona crisis

Since the outbreak of the Corona crisis and the restrictions imposed on economic activity, the Bank has made arrangements to assist its customers in coping with the economic uncertainty and to beat the crisis. The following are some of the steps that the Bank has led in the Household segment:

- Enlarging and increasing accessibility of banking operations on the online channels and the digital, both intended to ease customers' activities and to reduce personal presence of customers at the branches.
- Assistance loans to households – designated loan channels have been developed in respect of private customers, including bridging loans and all-purpose loans. Moreover, the Bank offered customers the option of loans having a repayment deferral mechanism of principal and interest for a period of up to six months.
- Deferral of repayment of existing loans – upon the request of customers, the Bank has approved deferral/freezing of loan repayments for up to three months with no need to visit the branch.
- Deferral of mortgage principal and interest payments, or of principal sums only (at the option of the borrower), for a period of up to six months with no need to visit the branch. In addition, the Bank allowed extension of validity of the approval in principle for thirty days.
- Possibility of premature withdrawal of deposits without a commission.
- Initiated issuance to customers of ATM cards and debit cards helping them to cash National Insurance allowances.

Scale of Operations and Net Profit of the Segment

The segment's loss in the first three months of 2020 amounted to NIS 19 million, compared to a net gain in the amount of 6 million in the corresponding period last year. The decrease in profit, turning into a loss, has been affected by a steep rise in credit loss expenses, which was partly offset by an increase in total income.

The credit loss expenses in the first three months of 2020 amounted to NIS 210 million, compared to NIS 81 million in the corresponding period last year, an increase at a rate of 159.3%. The increase in expenses stemmed, almost completely, from the increase in the group allowance, on the background of the Corona crisis.

Principal data regarding the household segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	917	832	3,561
Credit loss expenses	210	81	339
Total Operating and other expenses	743	⁽¹⁾ 731	⁽¹⁾ 3,048
Net Profit (Loss) Attributed to the bank's shareholders	(19)	6	85

Footnote:

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

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

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2020 amounted to NIS 11 million, similar to the corresponding period last year.

Principal data regarding the Private Banking segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	41	42	152
Credit loss expenses	1	-	2
Total Operating and other expenses	23	⁽¹⁾ 26	⁽¹⁾ 101
Net Profit Attributed to the bank's shareholders	11	11	32

Footnote:

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

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

Small and minute businesses Segment (Domestic operations)

Small and minute businesses segment in the wake of the Corona crisis

Since the outbreak of the Corona crisis and the restrictions imposed on economic activity, the Bank has made arrangements to assist its customers in coping with the economic uncertainty and to beat the crisis. The following are some of the steps that the Bank has led in the small and minute businesses segment:

- Use of digital services for businesses without having to go to a branch – payment of salaries, transfers of large amounts, payment of bills, deposit of checks via the app and additional operational reliefs that have been made available to customers;
- Business assistance loans – special loan tracks have been opened for businesses that have encountered cash flow difficulties and, as part of this, bridging loans for the payment of salaries and ongoing expenses, as well as assistance loans with a mechanism for the deferral of principal payments for up to six months;
- Deferral of existing loan payments – at the customers' request, the deferral/freezing of loan payments has been confirmed for up to three months without having to go to a branch.

Small and Medium Businesses Assistance Fund guaranteed by the Government. The State of Israel by means of the Accountant General at the Ministry of Finance has established a Business Assistance Fund helping businesses to confront the spread of the Corona virus. The State guarantees 85% of each single loan granted in the framework of the Fund, provided that the total amount of the guarantees is limited to a rate of 15% of the total loans extended by a bank within this framework. The Fund grants loans under beneficial terms and in accordance with rules determined by the State.

All the banks within the banking system participate in this Fund. Discount Bank had been allocated on April 1, 2020, a primary amount of NIS 350 million within the framework of the Fund. Since the signing of the agreement with the State, the Bank and MDB have made quick preparations and formed an efficient working interface and ability for providing response to customers in accordance with the terms of the Fund. The first loans within the framework of the Fund were granted already on April 6. The Bank and MDB have received a NIS 2 billion allocation from the fund. Through May 22, 2020, the two banks approved 4,380 loans, in a total amount of NIS 1,810 million.

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2020 amounted to 18 million, compared to an amount of NIS 94 million in the corresponding period last year, a decrease at a rate of 80.9%. The reduction in profit was affected by a steep increase in credit loss expenses, which was partly offset by a slight increase in total income.

The credit loss expenses in the first three months of 2020 amounted to NIS 190 million, compared to NIS 49 million in the corresponding period last year, an increase at a rate of 287.8%. The increase in expenses stemmed, almost completely, from the increase in the group allowance, on the background of the Corona crisis.

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

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	532	521	2,153
Credit loss expenses	190	49	234
Total Operating and other expenses	312	⁽¹⁾ 324	⁽¹⁾ 1,312
Net Profit Attributed to the bank's shareholders	18	94	390

Footnote:

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

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

Medium businesses Segment (Domestic operations)

The medium business segment in view of the Corona crisis

Regarding preparations for assistance to customers belonging to this segment, see below "Large business segment". As to loans extended out of the Small Businesses Fund guaranteed by the State, see above "Small and minute businesses segment".

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2020 amounted to NIS 1 million, compared to an amount of 25 million in the corresponding period last year, a decrease at a rate of 96.0%. The reduction in profit was affected by a steep increase in credit loss expenses, which was partly offset by a slight increase in total income.

The credit loss expenses in the first three months of 2020 amounted to NIS 52 million, compared to NIS 14 million in the corresponding period last year, an increase at a rate of 271.4%. The increase in expenses stemmed, almost completely, from the increase in the group allowance, on the background of the Corona crisis.

Principal data regarding the Medium businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	115	108	451
Credit loss expenses	52	14	107
Total Operating and other expenses	61	(1)56	(1)234
Net Profit Attributed to the bank's shareholders	1	25	72

Footnote:

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

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

Large businesses Segment (Domestic operations)

The large business segment in view of the Corona crisis

Since the outbreak of the Corona crisis and the restrictions imposed on economic activity, the Bank has prepared for assisting its customers in confronting the economic uncertainty and in traversing the crisis. Among the other steps led by the Bank in the large business segment and in the middle market banking segment, are:

- Activating a service to encourage customers to use digital business services, including support in conducting transactions on the business website without having to visit a branch;
- Deferring repayments of existing loans – at the request of customers, the deferral/freezing of loan repayments has been approved for a period of up to three months;
- Business managers, business centers and business bankers have initiated activity and maintained ongoing communication with customers for the purpose of assisting them during the crisis period, providing adapted solutions.

Large businesses fund guaranteed by the State. The State of Israel, via the Accountant General at the Ministry of Finance has established a support fund for large businesses hit by the Corona crisis, and which comply with the terms determined by the State, including an annual business turnover exceeding NIS 200 million and employing over one-hundred workers in Israel. The State guarantees 75% of each individual loan extended within the framework of the fund, however, the total amount of guarantees is limited to up to 12% of the total amount of the loans granted by the Bank within this framework. The loans granted by the fund are in accordance with the rules determined by the State. Each single loan is limited in amount to 8% of the turnover of the business and to not more than NIS 100 million.

Additional banks in the banking system participate in the fund. Discount Bank was allocated an amount of NIS 450 million within the framework of the fund. On April 30, 2020, the Bank signed the agreement with the fund and began operations within the framework thereof at the beginning of May.

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2020 amounted to NIS 8 million, compared to an amount of NIS 118 million in the corresponding period last year, a decrease at a rate of 93.2%. The reduction in profit was affected by a steep increase in credit loss expenses, which was accompanied by a slight decrease in total income.

The credit loss expenses in the first three months of 2020 amounted to NIS 149 million, compared to expenses reversal of NIS 13 million in the corresponding period last year. The increase in expenses stemmed mostly from the increase in the group allowance, on the background of the Corona crisis, and partly due to the increase in the specific allowance.

Principal data regarding the Large businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	287	296	1,114
Credit loss expenses (expenses reversal)	149	(13)	(21)
Total Operating and other expenses	127	⁽¹⁾ 127	⁽¹⁾ 547
Net Profit Attributed to the bank's shareholders	8	118	386

Footnote:

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

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

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The segment's loss in the first three months of 2020 amounted to NIS 3 million, compared with a negligible amount in the corresponding period last year.

Principal data regarding the Institutional bodies segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	12	11	48
Credit loss expenses (expenses reversal)	1	(2)	(5)
Total Operating and other expenses	15	⁽¹⁾ 14	⁽¹⁾ 57
Loss Attributed to the bank's shareholders	(3)	-	(2)

Footnote:

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

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

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

Total income of the segment in the first three months of 2020 amounted to NIS 386 million, compared to NIS 206 million in the corresponding period last year. This growth stems from the increase in noninterest financing income of the Bank, resulting mostly from the rise in gains on realization of bonds and from the rise in income from exchange rate differences and from operations in derivatives.

The net profit in the first three months of 2020 amounted to NIS 191 million, compared to an amount of NIS 72 million in the corresponding period last year, an increase at a rate of 165.3%.

Principal data regarding the Financial management segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	386	206	1,041
Total Operating and other expenses	90	(1)87	(1)347
Net Profit Attributed to the bank's shareholders	191	72	435

Footnote:

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

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

International operations Segment**Scale of Operations and Net Profit of the Segment**

The net profit in the first three months of 2020 amounted to NIS 72 million, compared to NIS 79 million in the corresponding period last year, a decrease at a rate of 8.9%.

The credit loss expenses in this segment in the first three months of 2020 amounted to NIS 53 million, compared to NIS 12 million in the corresponding period last year, an increase at a rate of 341.7%. The increase in expenses stemmed mostly from the Corona crisis.

Principal data regarding the International operations segment

	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	in NIS millions		
Total income	321	295	1,144
Credit loss expenses	53	12	34
Total Operating and other expenses	160	165	653
Net Profit Attributed to the bank's shareholders	72	79	304

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

Main Investee Companies

Distribution of Net profit by the Group's structure

	Contribution to the Group's profit				
	For the three months ended March 31,				
	2020		2019		Change in %
In NIS millions	% of Net profit	In NIS millions	% of Net profit		
Banking Activity:					
Commercial banks:					
In Israel - the Bank	159	57.0	237	58.5	(32.9)
Mercantile Discount Bank	49	17.6	67	16.6	(26.9)
Overseas - Discount Bancorp	69	24.7	73	18.0	(5.5)
Other Activities:					
Israel Credit Cards	(4)	(1.4)	23	5.7	-
Discount Capital	2	0.7	1	0.2	100.0
Other financial services	4	1.4	4	1.0	-
Net profit	279	100.0	405	100.0	(31.1)

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 120 million in the first three months of 2020, compared to NIS 167 million in the corresponding period last year, and an income of NIS 796 million in all of 2019.

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

Discount Bancorp, Inc.

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

Discount Bancorp, Inc. – principal data

	First Quarter		Year
	2020	2019	2019
In US\$ millions			
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	22	24	100
Interest income, net	59	64	250
Credit loss expenses	15	3	9
Non-financing income	32	17	77
Non-financing expenses	47	47	190
Principal balance sheet data for the end of the reporting period:			
Total assets	10,998	9,459	9,777
Credit to the public, net	6,945	6,393	6,778
Securities	2,672	2,311	2,440
Deposits from the public	8,365	8,014	8,164
Total equity	1,081	983	1,078
In %			
Principal performance indices:			
Return on equity	8.1	9.9	9.8
Efficiency ratio	51.6	58.0	58.1
Ratio of total capital to risk assets	14.9	14.8	15.2
Ratio of credit loss expenses to the average balance of credit to the public	0.88	0.21	0.14
Total net return on interest bearing assets	2.51	2.90	2.74

The Corona crisis had a material impact on the business results. The main factor affecting this was the credit loss expense in an amount of US\$15 million (an increase of US\$12 million), as a result of a worsening in several economic indicators related to the Corona crisis. In addition, net interest income recorded a decrease of US\$5 million, as a result of cutting interest rates in the United States. On the other hand, a significant increase occurred in non-interest income in an amount of US\$15 million, as a result of a rise in income from derivatives, which were affected by the cut in U.S. interest and also by the recording of gains on the realization of local authority bonds.

The contribution of Bancorp to the Bank's net results reached a profit of NIS 69 million in the first quarter of 2020 (after deducting a provision for taxes of NIS 11 million), compared with NIS 73 million in the first quarter of 2019 (after deducting a provision for taxes of NIS 13 million).

Distribution of dividend. In March 2020, Bancorp distributed a dividend of US\$15 million.

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

Mercantile Discount Bank Ltd.

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

Mercantile Discount Bank – principal data

	First Quarter		Year
	2020	2019	2019
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	49	67	305
Interest income, net	317	293	1,201
Credit loss expenses	98	38	188
Non-financing income	98	77	367
Non-financing expenses	241	230	913
Principal balance sheet data for the end of the reporting period:			
Total assets	44,781	36,122	44,434
Credit to the public, net	31,792	26,405	31,967
Securities	4,715	5,291	4,806
Deposits from the public	35,844	30,353	36,232
Total equity	3,133	2,817	3,058
	In %		
Principal performance indices:			
Return on equity	6.5	10.0	10.5
Efficiency ratio	58.1	62.2	58.2
Ratio of total capital to risk assets	13.76	13.70	13.65
Ratio of credit loss expenses to the average balance of credit to the public	1.22	0.60	0.69
Total net return on interest bearing assets	2.99	3.55	3.40

The principal factors affecting the business results. The Corona crisis has materially affected the business results of MDB. The income in the first three months of 2020, compared to the corresponding period last year, was affected, inter alia, from an increase of NIS 24 million in net interest income; from an increase of NIS 19 million in non-interest financing income, from an increase of NIS 60 million in credit loss expenses.

The increase in net interest income is explained, inter alia, by the rise in the average balance of income generating assets, as a result of concluding the merger with Municipal Bank. The increase in non-interest financing income is explained, primarily, by the gains on realization of securities. The increase in credit loss expenses is explained, primarily, by the growth in the allowances for credit losses on a group basis, and derive mainly from the increase in the allowances for credit losses in respect of customers operating in economic sectors directly impacted by the downturn in Israeli economic activity due to the Corona crisis.

It should be noted that the business results for the first three months of 2020 include the operating results of Municipal Bank, which was merged with and into MDB on December 1, 2019.

For details regarding the strategic plan of MDB and the main projects to be carried out within the framework thereof, see the 2019 Annual Report (pp. 51-52).

For details regarding lawsuits and motions for approval of the lawsuits as class action suits and for details regarding additional proceedings, see Note 26 C to the financial statements as of December 31, 2019, items 12.2, 12.8 and 13.1 (pp. 206-208) and Note 10 B to the condensed financial statements, item 5.1.

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

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of March 31, 2020, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.

Israel Credit Cards – principal data

	First Quarter		Year
	2020	2019	2019
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit (loss) attributed to the shareholders	(7)	37	201
⁽¹⁾ The contribution to the Bank's business results	(4)	23	123
Income from credit card transactions	330	313	1,356
Interest income, net	134	120	505
Non-financing income	8	(1)	2
Non-financing expenses	484	382	1,587
Of which: Credit loss expenses	105	34	147
Principal balance sheet data for the end of the reporting period:			
Total assets	18,359	17,133	19,159
Interest bearing credit to the public	6,614	5,812	6,502
Total equity	1,823	1,869	1,821
	In %		
Principal performance indices:			
Return on equity	(1.5)	8.2	11.0
Efficiency ratio	80.3	80.6	77.3
Ratio of total capital to risk assets	14.0	15.4	14.0
Turnover of credit card transactions – in NIS millions	27,052	24,564	107,096
Number of active cards – in thousands	2,905	2,693	2,877

Footnote:

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

During the first quarter of 2020, ICC experienced a decline in the volume of operations in the second half of March, as well as a material decline in the volume of operations by Israelis abroad, due to the spread of the Corona virus and its implications.

The results for the quarter were mostly affected by an increase in the allowance for credit losses, in order to reflect the estimated growth in credit losses for the period with respect to borrowers hit by the crisis though not yet identified. Furthermore, the results were adversely affected in this quarter, and are expected to be adversely affected also in the second quarter of 2020 as a result of the reduction in collecting commission on foreign operations of Israelis (and respectively, the goals set by the international organizations may not be reached, being dependent on the volume of impairment), the reduction in cross-commission income stemming from the volume of operation, and the reduction in clearing commission income on transactions of tourists in Israel. At this stage, due to the uncertainty regarding the length of the recovery period of the Israeli economy, it is not possible to estimate the date on which ICC would revert to the volume of operation and profitability that had existed prior to the outbreak of the crisis.

The spreading of the virus and its implications may have a material effect on the operations of ICC in the customer club field relating to the tourism and aviation business, and in particular on the FlyCard customer club.

ICC is active in reducing nonessential expenses in order to minimize the expected impairment to the financial results of the company.

The business results of ICC for the reported period, compared to the corresponding period last year, were mainly affected by the rise in income of NIS 40 million (9.3%), and on the other hand, from an increase in expenses, affected mostly by the growth in credit loss expenses, amounting to NIS 105 million, compared to NIS 34 million in the corresponding period last year, in addition, a growth occurred in operating expenses (NIS 13 million; 8.1%) and an increase in sales and marketing expenses (NIS 15 million; 13.5%).

Strategic plan. For details, see the 2019 Annual Report (p. 53).

Outbreak of the Corona virus. The activity of ICC is directly affected by the activity on the Israeli economy, accordingly, the measures adopted by the Government following the outbreak of the virus, as well as the changes occurring in consumer behavior, have materially affected the volume of transaction turnover of the company, and are expected to continue and affect it also in the foreseeable future. ICC estimates, that due to the implications stemming from the spreading of the virus and the measures adopted in consequence thereof, material impairment may be caused to the company's income and profitability in 2020.

For details regarding activity in the credit card field in Israel, see in the 2019 Annual Report (pp. 284-289, 348-354) in the chapter "Corporate governance, audit and additional details regarding the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details regarding lawsuits and motions to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2019, items 12.1 and 12.5 (pp. 206-207) and Note 10 B items 4.1 and 4.4 to the condensed financial statements.

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

Discount Capital Ltd.

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

Discount Capital – principal data

Principal statements of profit and loss data for the first quarter:	In NIS millions		
	2020	2019	Change in %
Net profit attributed to the shareholders	3.8	6.2	(38.7)
The contribution to the Bank's business results ⁽¹⁾	2.3	0.8	187.5

Principal balance sheet data for the end of the reporting period:	March 31,	December	Change in %
	2020	31, 2019	
Total assets	1,606.7	1,621.0	(0.9)
Total equity	825.9	829.7	(0.5)

Footnote:

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

For details regarding realization of investments, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".

Realizations in 2020. As assessed by Discount Capital, due to the uncertainty and the drop in prices in the markets, realizations that were in the process of being carried out or that were planned for 2020 are being deferred, and mostly for the first half of the year.

In the first three months of 2020, Discount Capital participated, via its subsidiary, in 11 public offerings and in 6 private transactions, amounting to NIS 5 billion. This, compared with 9 public offerings and 4 private transactions, amounting to NIS 3.4 billion, in the corresponding period last year.

● CHAPTER "C" – RISKS REVIEW

General description of the risks and manner of management thereof

Risk profile of the Discount Group

For details regarding the risk profile of the Discount Group, see the 2019 Annual Report (pp. 54-55). For details regarding Risk Management Principles, see the 2019 Annual Report (pp. 55-58).

Disclosures in accordance with the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure regarding the various risks above and below in this Chapter, is presented in the 2019 Annual Report (pp. 54-91) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks". The document is available for perusal on the Bank's website together with the Bank's 2019 annual report together with the Report for the first quarter of 2020 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

Credit risks and the manner of management thereof

Preparations by the Bank in the wake of the Corona crisis – credit risk

As part of the Bank's arrangements for coping with the Corona crisis, the Bank is keeping in regular contact with borrowers for the purpose of assisting them in getting through the crisis, inter alia, by means of loan tracks that are part of the government assistance program.

This situation requires increased alertness, risk assessment and quick response ability, and therefore the Bank has put into action a business continuity plan, and reports, controls and monitors with increased frequency, exposure of borrowers in all lines of business of the Bank, while following regulatory developments. Furthermore, the Bank uses advanced analysis tools and applies stress tests as part of the strategy for the preparation and management of credit risk.

Debts whose terms have been changed within the framework of coping with the Corona virus

On April 21, 2020, the Supervisor of Banks issued a letter regarding the main supervisory emphasis with regard to the handling of debts, within the framework of the supervision policy for encouraging banking corporations to operate cautiously in order to support borrowers that are unable or that are likely to be unable to meet their contractual payment obligations due to the impact of the Corona virus outbreak.

The letter specifies the terms which, when met, a change in terms for borrowers not in arrears, due to the Corona crisis, will not be considered a troubled debt restructuring. For further details, see Note 1 E 2 to the condensed financial statements. The letter specifies, inter alia, with regard to debts that were in arrears prior to granting a deferral, that the state of the calculated arrears will be frozen for the repayments deferral period, except in the case of a debt classified as an impaired debt or a debt subject to an accounting write-off. It should be noted that it is likely that, were it not for freezing the number of days in arrears in relation to the deferred repayments, as stated above, the balance of the debts in arrears as of March 31, 2020 would be greater.

Presented below are details regarding the balance of debts for which deferral of payments has been granted, in accordance with the Supervisor of Banks' letter, until March 31, 2020 and until May 15, 2020. Deferral of repayments has been granted both for private customers (including mortgages) and also for commercial customers.

The balance of a debt whose terms have been changed, within the framework of coping with the Corona crisis, which has not been classified as troubled debt restructuring

	Private Individuals - Other	Private Individuals - Housing Loans	Commercial- Small businesses	Commercial- Corporate	Total
In NIS millions					
As of March 31, 2020					
Balance of credit in respect of which repayments in the reported period have been deferred	957	2,626	2,828	2,338	8,749
Balance of repayments actually deferred	76	56	283	356	771
As of May 22, 2020					
Balances of credit for which deferral of payments were approved during the period	1,701	7,646	4,012	4,126	17,487
Balance of repayments actually deferred	140	169	392	375	1,075

For details regarding Credit risks and the manner of management thereof, see the 2019 annual report (pp. 58-73).

The Otzar system (new credit and attachments management system). For details, see the 2019 Annual Report (p. 59).

For details regarding the Bank's preparations for the adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses, see the 2019 Annual Report (p. 59).

Credit quality and problematic credit risk

Problematic credit risk and non performing assets

	Balance as of March 31, 2020				Balance as of December 31, 2019			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
In NIS millions								
Credit risk in Credit Granting Rating⁽¹⁾								
Balance sheet credit risk	121,010	35,829	29,282	186,121	119,625	34,684	31,778	186,087
Off-balance sheet credit risk	42,112	3,185	36,435	81,732	44,021	3,344	35,466	82,831
Total credit risk in Credit Granting Rating	163,122	39,014	65,717	267,853	163,646	38,028	67,244	268,918
Credit risk not in Credit Granting Rating:								
1. Not problematic	5,740	2,167	2,971	10,878	2,178	2,097	1,450	5,725
2. Problematic								
Special Mention ⁽²⁾	1,382	158	251	1,791	1,476	153	235	1,864
Substandard	1,046	232	139	1,417	653	225	136	1,014
Impaired	⁽⁴⁾ 2,116	5	192	2,313	⁽⁴⁾ 1,635	-	189	1,824
Total problematic⁽²⁾	4,544	395	582	5,521	3,764	378	560	4,702
Total balance sheet credit risk	10,284	2,562	3,553	16,399	5,942	2,475	2,010	10,427
Off-balance sheet credit risk	1,583	518	372	2,473	938	700	131	1,769
Total credit risk not in Credit Granting Rating	11,867	3,080	3,925	18,872	6,880	3,175	2,141	12,196
Of which: non-impaired debts in arrears of 90 days or more ⁽³⁾	57	366	49	472	62	359	57	478
Total overall credit risk of the public	174,989	42,094	69,642	286,725	170,526	41,203	69,385	281,114
Additional information concerning nonperforming assets:								
Impaired debts - not accruing interest income	⁽⁴⁾ 1,606	5	108	1,719	⁽⁴⁾ 1,068	-	108	1,176

Footnotes:

(1) 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.

(2) Impaired, Substandard or Special Mention credit risk.

(3) 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.

(4) Including non-accruing corporate bonds in the amount of NIS 7 million (December 31, 2019 – non-accruing corporate bonds of NIS 10 million).

Changes in balances of impaired debts

	Three months ended March 31					Total
	2020		2019		Total	
	Commercial	Private	Total Commercial	Private		Total
In NIS millions						
Change in impaired debts (In respect of credit to the public only):						
Balance of impaired debts as of the beginning of the year	1,625	189	1,814	1,478	155	1,633
Debts classified as impaired during the period	754	89	843	171	90	261
Debts no longer classified as impaired	(10)	-	(10)	(3)	-	(3)
Impaired debts written off	(80)	(61)	(141)	(37)	(52)	(89)
Impaired debts settled	(176)	(20)	(196)	(152)	(16)	(168)
Other	(4)	-	(4)	(4)	-	(4)
Balance of impaired debts as of end of the period	2,109	197	2,306	1,453	177	1,630
Of which: movement in restructured troubled debts						
Balance of restructured troubled debts at beginning of the year	885	158	1,043	1,094	131	1,225
Debt restructurings performed during the period	149	29	178	63	43	106
Debts that have again been classified to unimpaired due to a following restructuring	(10)	-	(10)	-	-	-
Restructured troubled debt written off	(20)	(18)	(38)	(8)	(13)	(21)
Restructured troubled debt settled	(126)	(14)	(140)	(115)	(12)	(127)
Other	(4)	-	(4)	(10)	(1)	(11)
Balance of restructured troubled debts at the end of the period	874	155	1,029	1,024	148	1,172
Changes in allowances for credit losses on impaired debts:						
Balance of allowance for credit losses as of the beginning of the year	241	66	307	169	54	223
Increase in allowances	156	48	204	74	46	120
Collections and write-offs	(90)	(47)	(137)	(91)	(39)	(130)
Balance of allowance for credit losses as of end of the period	307	67	374	152	61	213

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

	March 31, 2020	March 31, 2019	December 31, 2019
Ratio of balance of impaired credit to the public to balance of credit to the public ⁽¹⁾	1.24%	0.94%	0.99%
Ratio of balance of non-impaired credit to the public, in arrears for 90 days or more, to balance of credit to the public	0.25%	0.25%	0.26%
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public ⁽²⁾	1.63%	1.34%	1.38%
The ratio of the balance of the group allowance for credit loss, to the balance of credit to the public	1.30%	1.10%	1.10%
Ratio of balance of allowance for credit losses in respect of credit to the public to balance of impaired credit to the public	131.31%	141.60%	139.14%
Ratio of problematic credit risk in respect of the public to the total credit risk in respect of the public	2.13%	⁽⁴⁾ 1.56%	1.81%
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms) ⁽³⁾	1.42%	0.33%	0.40%
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)	0.30%	0.22%	0.23%
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)	18.23%	16.29%	15.69%
The ratio of the balance of allowance for credit losses in respect of credit to the public, to the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over	109.00%	111.66%	110.12%
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.49%	1.20%	1.25%
The ratio of the outstanding balance of noninterest bearing impaired credit to the public to total credit to the public	0.92%	0.59%	0.64%

Footnotes:

- (1) The increase in the ratio of the balance of impaired credit to the public to the balance of credit to the public stems, mostly, from the increase in impaired credit.
(2) The increase in the ratio of the balance of allowance to the balance of credit to the public stems, mostly, from the increase in the allowance for credit losses.
(3) The increase in the ratio of the expense to the average balance stems, mostly, from a sharp rise in the allowance for credit loss expense.
(4) The calculation has been improved following reclassification.

In light of the impact of the Corona virus on businesses and households in Israel, it is expected that credit loss expenses will rise. The above portfolio quality indices were impacted in the present quarter by the Corona virus outbreak.

Credit risk by economic sectors

Presented below are data regarding credit risk by economic sectors. So that more of the relevant sectors can be examined, against the background of the Corona virus crisis, the format of the table has been expanded in the present quarter.

It should be noted that the increase in the amount of non-problematic credit, which is not classified as performing, is due mainly to giving expression to the higher credit risk in light of assessing the effect of the Corona crisis on economic activity in economy.

Credit risk by economic sectors – consolidated

	March 31, 2020						
	Total Credit Risk ⁽¹⁾⁽⁸⁾⁽⁹⁾	Of Which : Credit Performance Rating ⁽⁴⁾	Of Which: Problematic ⁽⁵⁾	Of Which: Credit Risk Impaired	Periodic Loss Expenses	Credit Losses ⁽³⁾	
						Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
in NIS millions							
Industry	14,486	13,347	592	167	46	2	279
Construction and Real Estate - Construction ⁽⁶⁾	31,658	30,848	543	200	47	6	307
Construction and Real Estate - Real Estate Activity	12,284	11,455	213	137	17	(7)	110
Commerce	22,060	20,443	546	208	118	19	496
Hotels, Hotel Services and Food	1,946	1,603	136	108	13	1	29
Transportation and Storage	6,173	5,396	397	144	31	8	145
Financial Services ⁽⁷⁾	14,390	13,795	484	423	3	1	93
Other Business Services	7,688	6,847	135	85	49	11	138
Public and Community Services	9,053	8,868	83	12	13	1	42
Other Business Services	8,641	7,979	471	389	36	5	168
Total Commercial	128,379	120,581	3,600	1,873	373	47	1,807
Private Individuals - Housing Loans	41,846	38,781	386	5	29	-	234
Private Individuals - Other	67,660	63,753	588	192	182	63	827
Total Public	237,885	223,115	4,574	2,070	584	110	2,868
Banks in Israel and Government of Israel	33,911	33,471	-	-	-	-	-
Total Lending Activity in Israel	271,796	256,586	4,574	2,070	584	110	2,868
Total Public - Lending Activity Outside of Israel	48,840	44,738	1,541	340	72	28	407
Banks and Governments Outside of Israel	7,330	7,294	36	36	-	-	1
Total Lending Activity Outside of Israel	56,170	52,032	1,577	376	72	28	408
Total	327,966	308,618	6,151	2,446	656	138	3,276

Footnotes:

- (1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts⁽²⁾, bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 193,427 million, NIS 41,512 million, NIS 488 million, NIS 7,757 million, NIS 84,782 million, respectively.
- (2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.
- (3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").
- (4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.
- (5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.
- (6) Includes housing loans in the amount of NIS 152 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (7) Including mortgage backed securities in the amount of NIS 6,549 million, issued by GNMA and in the amount of NIS 700 million, issued by FNMA and FHLMC.
- (8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 7,206 million.
- (9) The balance of commercial debts includes housing loans in the amount of NIS 203 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	March 31, 2019						
	Total Credit Risk ⁽¹⁾⁽⁸⁾⁽⁹⁾	Of Which : Credit Performance Rating ⁽⁴⁾	Of Which: Problematic ⁽⁵⁾	Of Which: Credit Risk Impaired	Periodic Credit Loss Expenses	Credit Losses ⁽³⁾	
						Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
in NIS millions							
Industry	14,541	13,760	421	122	(3)	6	230
Construction and Real Estate - Construction ⁽⁶⁾	29,091	28,364	328	148	46	7	230
Construction and Real Estate - Real Estate Activity	11,280	10,755	291	259	(15)	(3)	86
Commerce	21,254	20,408	368	242	29	14	351
Hotels, Hotel Services and Food	1,946	1,713	141	85	1	-	17
Transportation and Storage	6,659	6,456	70	56	6	3	69
Financial Services ⁽⁷⁾	15,161	14,698	302	300	4	-	102
Other Business Services	7,226	6,585	82	39	11	9	77
Public and Community Services	4,152	3,998	18	9	2	1	15
Other Business Services	8,170	7,930	100	70	(22)	-	142
Total Commercial	119,480	114,667	2,121	1,330	59	37	1,319
Private Individuals - Housing Loans	36,545	33,678	344	-	7	-	191
Private Individuals - Other	62,827	60,052	559	177	74	59	663
Total Public	218,852	208,397	3,024	1,507	140	96	2,173
Banks in Israel and Government of Israel	26,798	26,348	-	-	-	-	-
Total Lending Activity in Israel	245,650	234,745	3,024	1,507	140	96	2,173
Total Public - Lending Activity Outside of Israel	44,703	41,759	⁽¹⁰⁾ 1,088	177	1	(2)	316
Banks and Governments Outside of Israel	7,610	7,539	71	71	-	-	1
Total Lending Activity Outside of Israel	52,313	49,298	1,159	248	1	(2)	317
Total	297,963	284,043	4,183	1,755	141	94	2,490

Footnotes:

- (1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts⁽²⁾, bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 179,063 million, NIS 34,623 million, NIS 823 million, NIS 3,404 million, NIS 80,050 million, respectively.
- (2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.
- (3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").
- (4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.
- (5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.
- (6) Including acquisition groups in an amount of NIS 102 million.
- (7) Including mortgage backed securities in the amount of NIS 5,465 million, issued by GNMA and in the amount of NIS 973 million, issued by FNMA and FHLMC.
- (8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,673 million.
- (9) The balance of commercial debts includes housing loans in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (10) Reclassified - following improvement of data of a subsidiary.

Credit risk by economic sectors – consolidated (continued)

December 31, 2019							
	Total Credit Risk ⁽¹⁾⁽⁸⁾⁽⁹⁾	Of Which : Credit Performance Rating ⁽⁴⁾	Of Which: Problematic ⁽⁵⁾	Of Which: Credit Risk Impaired	Credit Losses ⁽³⁾		
					Periodic Credit Loss Expenses	Net Accounting Write-Offs during the Period	Balance of Allowance for Credit Losses
in NIS millions							
Industry	13,646	12,961	564	179	24	23	242
Construction and Real Estate - Construction ⁽⁶⁾	31,156	30,661	323	207	82	7	265
Construction and Real Estate - Real Estate Activity	12,254	11,907	248	192	(37)	(22)	85
Commerce	21,600	20,972	482	205	125	69	393
Hotels, Hotel Services and Food	1,868	1,691	132	108	3	3	16
Transportation and Storage	6,823	6,585	275	70	70	22	119
Financial Services ⁽⁷⁾	14,020	13,645	359	300	(4)	1	92
Other Business Services	7,553	7,242	126	46	65	40	100
Public and Community Services	9,011	8,910	50	9	11	6	29
Other Business Services	8,348	8,165	123	91	(23)	8	136
Total Commercial	126,279	122,739	2,682	1,407	316	157	1,477
Private Individuals - Housing Loans	40,964	37,809	372	-	28	7	205
Private Individuals - Other	67,335	65,196	565	189	312	252	709
Total Public	234,578	225,744	3,619	1,596	656	416	2,391
Banks in Israel and Government of Israel	27,806	27,806	-	-	-	-	-
Total Lending Activity in Israel	262,384	253,550	3,619	1,596	656	416	2,391
Total Public - Lending Activity Outside of Israel	46,536	43,174	1,459	321	34	(20)	356
Banks and Governments Outside of Israel	7,286	7,249	37	36	-	-	1
Total Lending Activity Outside of Israel	53,822	50,423	1,496	357	34	(20)	357
Total	316,206	303,973	5,115	1,953	690	396	2,748

Footnotes:

- (1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts⁽²⁾, bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 189,214 million, NIS 36,765 million, NIS 531 million, NIS 4,545 million, NIS 85,151 million, respectively.
- (2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.
- (3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").
- (4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.
- (5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.
- (6) Including acquisition groups in an amount of NIS 91 million.
- (7) Including mortgage backed securities in the amount of NIS 5,656 million, issued by GNMA and in the amount of NIS 711 million, issued by FNMA and FHLMC.
- (8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 6,845 million.
- (9) The balance of commercial debts includes housing loans in the amount of NIS 233 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.

Exposure to Foreign Countries - consolidated

The Country	As of March 31						As of December 31		
	2020			2019			2019		
	exposure		Total	exposure		Total	exposure		Total
	balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾		balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾		balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾	
In NIS millions									
United States	18,239	7,418	25,657	⁽⁸⁾ 13,679	6,974	20,653	⁽⁸⁾ 16,236	8,094	24,330
Other	7,661	⁽⁵⁾ 5,527	13,188	7,563	⁽⁷⁾ 5,418	12,981	5,966	5,451	11,417
Total exposure to foreign countries⁽⁴⁾	25,900	12,945	38,845	21,242	12,392	33,634	22,202	13,545	35,747
Of which - Total exposure to the PIGS countries ⁽⁴⁾	13	359	372	16	369	385	19	340	359
Of which - Total exposure to LDC countries ⁽⁶⁾	593	65	658	681	237	918	577	203	780

Notes:

- (1) Exposure to countries where the total amount of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is the lower. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives.
- (2) Balance sheet and off-balance sheet credit risk, Problematic credit risk and impaired debts are presented before the impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.
- (3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.
- (4) Portugal, Italy, Greece and Spain.
- (5) Including the transfer of credit risk to a consortium of international insurers in the following countries: Switzerland – an amount of NIS 2,137 million and Germany – an amount of NIS 1,935 million.
- (6) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.
- (7) Reclassified - improvement of the classification, taking into account the guarantees granted.
- (8) Reclassified – improvement of data.

Credit Exposure to Foreign Financial Institutions

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

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

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

In view of the Corona crisis, the Bank conducts a follow-up of the scope of exposure, and collects the credit exposure in banks having a high rating.

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

For details regarding the manner of managing credit risk applying to foreign financial institutions, see the 2019 Annual Report (pp. 64-65).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, c

The states in respect of which the Bank has exposure as stated above as of March 31, 2020, include, inter-alia, the United States, Great Britain and Canada.

In the first quarter of 2020, no loss on impairment of securities was recorded in respect of exposure to financial institutions.

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

	Balance sheet credit risk ⁽²⁾⁽⁴⁾⁽⁵⁾	Current off balance sheet credit risk ⁽³⁾⁽⁴⁾	Current credit exposure ⁽⁴⁾
In NIS millions			
As of March 31, 2020			
Current credit exposure to foreign financial institutions ⁽¹⁾⁽⁶⁾			
External credit rating ⁽⁷⁾			
AAA to AA-	930	96	1,026
A+ to A-	3,997	567	4,564
BBB+ to BBB-	277	7	284
BB+ to B-	3	8	11
Not rated	144	22	166
Total current credit exposure to foreign financial institutions	5,351	700	6,051
Balance of problematic bonds	36	-	36

As of December 31, 2019			
Current credit exposure to foreign financial institutions ⁽¹⁾⁽⁶⁾			
External credit rating ⁽⁷⁾			
AAA to AA-	667	102	769
A+ to A-	2,750	468	3,218
BBB+ to BBB-	401	6	407
BB+ to B-	3	8	11
Not rated	155	27	182
Total current credit exposure to foreign financial institutions	3,976	611	4,587
Balance of problematic bonds	37	-	37

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

In addition to the exposure presented in the above table, as of March 31, 2020 and December 31, 2019 a potential off-balance sheet exposure exists in respect of derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 regarding "Restrictions on indebtedness of a single borrower and of a group of borrowers"), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 131 million and NIS 94 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB New York (hereinafter will be named together as "the Group"). It is noted though, that the data relating to IDB New York are negligible (housing credit in the amount of NIS 195 million as of March 31, 2020 and NIS 184 million as of December 31, 2019).

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

The growth recorded in the volume of housing loans granted by the banking industry, which exceeds the economic growth rates and the growth rates in the standard of living and in household income, together with a scenario of a rise in unemployment and in interest rates, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. Notwithstanding the above, there are indications on the local market regarding a moderation in demand for new residential units not included in the "price for the house purchaser" program. At the same time, with the progress made by the "price for the house purchaser" program, an increase is noted in mortgage loans granted in this segment, which is reflected in the general increase in new mortgage loans in the first quarter of 2020, compared to the first quarter of 2019, at a rate of 28%. For details regarding the measures taken by the Group, see 2019 Annual Report (p. 66).

The volume of the Group's housing loan portfolio as of March 31, 2020, amounted to NIS 38,594 million (December 31, 2019 - NIS 37,392 million).

For details regarding the deferral of housing loan payments, against the background of the Corona crisis, see "Preparations by the Bank in the wake of the Corona crisis – credit risk" above.

Certain risk characteristics of the Group's housing loans portfolio

	March 31, 2020	December 31, 2019
	%	
Rate of housing loans financing over 75% of the value of the property	1.8	2.0
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	8.7	8.8
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio ⁽¹⁾	59.2	59.2

Footnote:

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

Amount of loans and average financing ratios

	For the three months ended March 31,2020	For the year ended December 31,2019
Average amount of loan (in NIS thousands)	841	800
Average financing ratio for housing loans (in %)	55.3	54.7
Average financing ratio for general purpose loans (in %)	20.6	28.2

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

	March 31, 2020		December 31, 2019	
	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Credit limit net ⁽¹⁾⁽²⁾ (in NIS thousands)				
Up to 1,200	30,138	78.6	29,342	78.9
Between 1,200 and 4,000	7,781	20.3	7,408	19.9
Over 4,000	437	1.1	434	1.2
Total	38,356	100.0	37,184	100.0

Of which:

Housing loans that were granted abroad	195	184
--	-----	-----

Footnotes:

(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 238 million (31.12.2019: NIS 208 million).

(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 203 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2019:NIS 233 million).

Volume of problematic debts in housing credit

As at	Balance of credit to the public ⁽¹⁾⁽⁵⁾	Balance of problematic credit ⁽¹⁾	Balance of allowances for credit losses ⁽²⁾⁽³⁾	Ratio of problematic debt
	In NIS millions			
March 31, 2020	38,594	⁽⁴⁾ 390	79	1.0
December 31, 2019	37,392	⁽⁴⁾ 378	78	1.0

Footnotes:

- (1) Recorded amount.
- (2) As at March 31, 2020 the balance of the allowance includes an allowance in accordance with the extent of arrears in an amount of NIS 75 million, and also an allowance over the extent of arrears in an amount of NIS 4 million (as of December 31, 2019: NIS 74 million and NIS 4 million, respectively).
- (3) Not including group allowance in a percentage of 0.41% from the credit balance, in respect of which no allowance in accordance with the extent of arrears was not made, in amount of NIS 157 million as at March 31, 2020 (as at December 31, 2019: NIS 129 million), and NIS 2 million for other group allowance.
- (4) Including an amount of NIS 20 million, defined as problematic credit, which is not in arrears (December 31, 2019: NIS 19 million).
- (5) The outstanding balance of credit to the public includes housing loans in the amount of NIS 203 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31, 2019: NIS 233 million).

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

	For the three months ended March 31,				For the year ended December 31, 2019	
	2020		2019		2019	
	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Loan to value (LTV) ratio⁽¹⁾						
Up to 45%	633	26.3	510	27.8	2,265	27.8
Between 45% and 60%	863	35.9	681	37.0	2,906	35.6
Over 60%	908	37.8	646	35.2	2,980	36.6
Total	2,404	100.0	1,837	100.0	8,151	100.0

Footnote:

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

Data regarding developments in housing credit balances according to linkage segments

	Non-linked credit		CPI linked credit		Credit linked to foreign currency			Total Housing Credit ⁽¹⁾⁽²⁾
	Fixed interest	Variable interest	Fixed interest	Variable interest	Fixed interest	Variable interest	% of total Housing Credit	
	In NIS millions		In NIS millions		In NIS millions		% of total Housing Credit	
							% of total Housing Credit	
As at March 31, 2020	10,672	15,359	4,593	7,543	46	143	38,356	
As at December 31, 2019	10,199	14,889	4,597	7,332	21	146	37,184	

Footnotes:

- (1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 203 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31, 2019: NIS 233 million).
- (2) The balance of credit is after deduction of allowance for credit losses of NIS 238 million (December 31, 2019: NIS 208 million).

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

The outstanding balance as of March 31, 2020 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 5,041 million, comprising 13.1% of the total housing loans portfolio (as of December 31, 2019, the balance amounted to NIS 4,798 million, comprising 12.9% of the total housing loans portfolio).

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

	For the three months ended March 31,				For the year ended December 31, 2019	
	2020		2019			
	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Ratio of payment to income (PTI) ⁽¹⁾						
Up to 40%	2,164	99.7	1,667	99.7	7,266	99.6
Over 40%	6	0.3	5	0.3	31	0.4
Total	2,170	100.0	1,672	100.0	7,297	100.0

Footnote:

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

Credit risk of private individuals (excluding housing credit risk)

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

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

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

Balance-Sheet credit upper limit – in accordance with the reporting to the Supervisor of Banks under Reporting to the Supervisor of Banks Directive No. 836 – current account balances, credit cards and loans. Excluding non-utilized facilities of current account and credit cards.

"Financial assets portfolio" – the financial assets portfolio related to the account of the customer: financial deposits (including current account balance), securities portfolio and other financial assets.

Development in balances

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

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	March 31, 2020				
Level of income to the account					
Excluding permanent income to the account	1,458	138	1,596	564	2,160
Less than NIS 10 thousand	5,000	949	5,949	3,449	9,398
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,239	1,524	5,763	3,400	9,163
Greater than NIS 20 thousand	3,321	2,302	5,623	4,162	9,785
Total	14,018	4,913	18,931	11,575	30,506
	December 31, 2019				
Level of income to the account					
Excluding permanent income to the account	1,507	198	1,705	541	2,246
Less than NIS 10 thousand	5,072	948	6,020	3,379	9,399
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,394	1,567	5,961	3,251	9,212
Greater than NIS 20 thousand	3,692	2,442	6,134	3,909	10,043
Total	14,665	5,155	19,820	11,080	30,900

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	March 31, 2020	December 31, 2019
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,636	1,591
Over 1 year and up to 3 years	5,077	5,210
Over 3 years and up to 5 years	4,596	4,648
Over 5 years	2,438	2,482
Total	13,747	13,931

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

Distribution by size of credit to the borrower

	March 31, 2020	December 31, 2019
	in NIS million	
Balance sheet credit upper limit (NIS thousands)		
Up to 40	3,778	3,942
Between 40 and 150	9,815	10,227
Over 150	5,338	5,651
Total	18,931	19,820

Distribution by exposure to changes in interest rates

	March 31, 2020	December 31, 2019
	in NIS million	
Fixed interest credit	5,465	6,071
Variable interest credit	13,466	13,749
Total	18,931	19,820

Distribution of collateral securing the credit

	March 31, 2020	December 31, 2019
	Total collateral in NIS millions	
Type of collateral		
Liquid financial assets	1,457	1,514
Other collateral	909	821
Total	2,366	2,335

Development of problematic credit risk in respect of private individuals

	March 31, 2020	December 31, 2019	Change in %	Rate from total balance-sheet to credit to the public	
				March 31, 2020	December 31, 2019
	in NIS million			%	
Problematic credit risk	268	262	2.1	1.4	1.3
Of which: impaired credit risk	131	133	(1.6)	0.7	0.7
Debts in arrears of 90 days or more	49	57	(14.0)	0.3	0.3
Net accounting write-offs	34	150	⁽¹⁾ (8.9)	⁽¹⁾ 0.7	0.8
Balance of allowance for credit losses	464	401	15.7	2.5	2.0

Footnote:

(1) On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank and MDB), amounted to NIS 994 million at March 31, 2020, as compared to NIS 956 million, as of December 31, 2019.

Quantitative data regarding credit granted to private individuals in ICC

A growth at the rate of 3.5% was recorded in the first quarter of 2020 in the balance of interest bearing credit granted to private individuals, in continuation of an increase of 15.1% in 2019. This credit amounted as of March 31, 2020, to NIS 5,650 million, and comprises 62.6% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 3,371 million, as compared to NIS 3,653 million as of December 31, 2019 (a decrease of approx. 7.7%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.

Credit losses in respect of private individuals amounted in the first quarter to NIS 85 million, compared to NIS 33 million in the corresponding quarter last year. The growth in credit losses in this quarter stemmed mainly from the expected implications of the spreading of the Corona virus on the quality of the credit portfolio.

Additional details

Background

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

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

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

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

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. At the beginning of 2016, credit to households comprised nearly one half of the total credit portfolio of the banking industry in Israel. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.

Confronting the Corona crisis. With the outbreak of the crisis, the Bank has made the necessary adjustments to the automated models of risk, to the credit decision supporting models and to the credit policy.

In order to assist customers, the Bank has devised processes for the deferral/freezing of loan repayments, while granting a sweeping exemption from operating commissions charged for such actions. At the same time, singular credit products have been structured, adapted to this crisis period and to the uncertainty in the market.

Risk mitigating measures

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

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

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

The fairness principle

In accordance with guidelines of the Supervisor of Banks, criteria for the initiation and marketing of credit to the private individual customer population were defined, in respect thereof the Bank is permitted to initiate offers for the granting of credit. The rules are based upon the risk level of the customer as well as on the advisability of accepting the loan on the part of the customer.

The approach to the customer is made according to conversation scenarios that include proper disclosure of the loan terms, needs of the customer and his characteristics as well as mention of the assets and liabilities stated in the customer's account.

It is noted that the fairness principle as regards the customer, has been defined both as part of the risk appetite of the Discount Group and as part of the credit underwriting policy regarding private customers.

The principle of fairness and decency as regards debtors is being applied both while they are being handled under the responsibility of the managing branch as well as after passing them on for legal proceedings by the law offices engaged by the Bank. The guideline is to try and reach an arrangement with each debtor in default, which meets his capabilities and his repayment ability.

Monitoring and control

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

Current monitoring is also performed with respect to the quality of the consumer credit portfolio at the Bank.

With the outbreak of the Corona crisis, the Bank increased the monitoring and control of the portfolio, including the ongoing monitoring of the deferral/freezing of loan repayments.

The collection centers have been guided to reduce to the extent possible debt collection operations, including the instigating of collection proceedings against new debtors, to be renewed following the return to normal.

Credit risk in relation to the construction and real estate sector

The construction and real estate sectors are a central component in the Bank's credit portfolio, and most of the credit to these sectors is managed by the Real Estate and Infrastructure wing in the Corporate Division, which possesses a high level of expertise and considerable experience in this field. In this area, the Bank operates subject to the regulatory limitation and in accordance with mitigating instructions determined by the Supervisor of Banks, within the framework of the Provisional Instruction, in order to enable confronting the Corona crisis, according to which banks may increase the volume of credit extended to the construction and real estate sector, so that the rate of credit in this sector shall not exceed 24% of total credit, and after deduction of indebtedness of national infrastructure projects, shall rise from 20% to 22%. In order to allow banks to revert to a rate of 20% upon expiry of the Provisional Instruction, the mitigation shall continue to apply for an additional period of 24 months, on condition that the rate of indebtedness shall not exceed the rate existing at date of expiry of the Instruction. The Bank conforms to the said limits and also to internal limits serving as alert levels.

Moreover, the credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see hereunder “Construction and Real Estate Activity” under “Additional Details Regarding the Business of the Banking Corporation and Management Thereof”.

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

Sector	March 31, 2020			December 31, 2019		
	Credit for the public ⁽¹⁾⁽²⁾ in NIS million	Of which: the problematic credit ⁽¹⁾⁽²⁾	Rate of problematic credit %	Credit for the public ⁽¹⁾⁽²⁾ in NIS million	Of which: the problematic credit ⁽¹⁾⁽²⁾	Rate of problematic credit %
Income generating real estate	11,306	209	1.8	11,363	244	2.1
Construction – general building contracting	1,836	114	6.2	2,186	126	5.8
Residential projects financing	25,660	197	0.8	24,294	55	0.2
Acquisition of building land	5,611	116	2.1	5,605	26	0.5
Subcontracting	2,503	127	5.1	2,615	137	5.2
Civil engineering work	2,811	25	0.9	2,858	30	1.0
Other	4,910	94	1.9	4,602	83	1.8
Total⁽²⁾	54,637	882	1.6	53,523	701	1.3

Footnotes:

(1) Balance-sheet and off-balance-sheet credit to the public, excluding financial derivatives.

(2) The data in this table are more expansive than the data reported according to economic sectors, in conformity with the Bank's internal reporting, and include additional activities correlating largely with the activities in the construction and real estate sector. The data in the table include activity in Israel only.

As shown in the table above, most of the growth is in the financing of residential projects, which is adequate with the Bank's credit policy. For details regarding the purchase of a policy to insure against credit risk related to Sale Act guarantees and performance guarantees and with respect to the purchase of credit risk insurance in the real estate field, see the 2019 Annual Report (p. 337).

Credit risk in respect of leveraged finance

Definition of leveraged finance. Defined as credit for the finance of capital transactions by corporations, granted at a high financing ratio and credit granted to borrowers typified by a high leverage finance level which significantly exceeds accepted norms in this sector of operations. According to Proper Conduct of Banking Business Directive No. 327 the definition of leveraged loans has been set, and it includes, among other things, transactions for the acquisition of another corporation, purchase of own shares and the distribution of capital.

Credit risk in respect of leveraged finance. The Bank's credit policy determines strict guidelines regarding underwriting and restrictions on the scope of exposure to leveraged finance. In addition, developments in leveraged finance and compliance with the determined limitations are reported once in each quarter to the Bank's Management and the Board of Directors, this, in order to monitor the risks inherent in such financing.

Proper Conduct of Banking Business Directives determined restrictions regarding the finance of capital transactions, which the Bank abides by. Following are data regarding credit risk pertaining to leveraged finance as of March 31, 2020. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

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

Sector	March 31, 2020				December 31, 2019			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
	In NIS millions							
Construction and real estate	-	-	-	-	78	62	140	-
Communication and Computer Services	689	1	690	-	-	-	-	-
Other Business Services	132	-	132	-	147	-	-	-
Total	821	1	822	-	225	62	140	-

Exposure to leveraged finance as of March 31, 2020 amounted to NIS 821 million, compared to NIS 225 million at December 31, 2019, an increase of 264.9%. The said increase stemmed, mainly, from changes in financial ratios causing present credit to be defined as leveraged finance.

The balance of exposure presented in the table above, is after accounting write-offs in accordance with the directive regarding impaired debts. The off-balance sheet exposure in respect of leverage finance transactions as of March 31, 2020, amounted to NIS 1 million (December 31, 2019 – NIS 62 million).

For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

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

As at March 31, 2020, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

Market Risks

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

For general details regarding market risks, see the 2019 Annual Report (pp. 73-81).

Financial crisis in the markets

A financial crisis developed in the markets in the course of March, in view of the spreading of the Corona virus around the world. Following this crisis, material long-term changes occurred in markets around the world and in Israel, which led to the disruption of the correlation between the different risk factors following unprecedented fluctuations in general, and in interest rates in particular, the opening of spreads in securities, and concurrently, liquidity pressure in foreign currency and specific lack of liquidity in the bond market.

Quantitative information regarding interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	March 31 2020			March 31 2019			December 31 2019		
	Israeli currency	Foreign currency ⁽²⁾	Total	Israeli currency	Foreign currency ⁽²⁾	Total	Israeli currency	Foreign currency ⁽²⁾	Total
	In NIS millions								
Net adjusted fair value ⁽¹⁾⁽³⁾	10,913	4,723	15,636	10,217	4,852	15,069	10,885	5,375	16,260
Of which: the banking book	11,063	6,191	17,254	8,714	5,657	14,371	11,087	5,862	16,949

Footnotes:

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

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

	March 31 2020			March 31 2019			December 31 2019		
	Israeli currency	Foreign currency ⁽⁴⁾	Total	Israeli currency	Foreign currency ⁽⁴⁾	Total	Israeli currency	Foreign currency ⁽⁴⁾	Total
In NIS millions									
Parallel changes									
A parallel increase of 1%	(77)	484	407	(89)	(196)	(285)	70	(89)	(19)
Of which: the banking book	(77)	510	433	(113)	(163)	(276)	61	(76)	(15)
A parallel decrease of 1%	162	(515)	(353)	156	68	224	99	(74)	25
Of which: the banking book	161	(546)	(385)	188	19	207	98	(93)	5
Non-parallel changes									
Curving ⁽²⁾	(327)	295	(32)	(292)	(24)	(316)	(256)	(13)	(269)
Flattening ⁽³⁾	288	(201)	87	228	(40)	188	217	(47)	170
Interest rise in the short-term	215	256	471	120	(88)	32	217	(144)	73
Interest decline in the short-term	(251)	(173)	(424)	(142)	100	(42)	(202)	25	(177)

Footnotes:

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

Following are the principal changes between exposure to interest at March 31, 2020 and the exposure at December 31, 2019:

A parallel increase of 1% in foreign currency. As of March 31, 2020, the estimated effect of an increase of 100 basis points on the capital in foreign currency amounted to a profit of approx. NIS 484 million, as compared to a loss of approx. NIS 89 million at December 31, 2019. Most of the difference stems from the change in the interest environment in the U.S. and its impact on sensitivity to a rise in the interest rate at IDB New York. In view of the steep decrease in the interest rate in the U.S., occurring in the first quarter of the year, a part of the deposits have reached the "interest floor" - the minimum rate of interest paid on certain deposits with no relation to the market rate. In view of the fact that the market rate of interest at the end of the first quarter was found below the "interest floor", the assumption is that in a scenario of a rise in interest, the interest on such deposits does not rise and does not increase the interest expense in a manner creating growth in the net interest income.

Furthermore, the exposure increased during the quarter as a result of the Group having reduced the scope of its foreign currency bonds portfolio.

A parallel decrease of 1% in foreign currency. As of March 31, 2020, the estimated effect of a decrease of 100 basis points on the capital in foreign currency amounted to a loss of approx. NIS 515 million, as compared to a loss of approx. NIS 74 million at December 31, 2019.

The change results mostly from the "interest floor" on a part of the IDB New York deposits described above. In view of the steep decrease in interest occurring in the U.S. in first quarter, in a scenario of a decrease in the interest rate, the interest on a part of the deposits remains fixed at the "interest floor" level, while the interest on loans decreases in full.

A parallel increase of 1% in Israeli currency. During the first quarter, The Group purchased bonds in the amount of approx. NIS 5 billion, most of which at a fixed rate of interest, which increased exposure to a rise in the interest rate.

A parallel decrease of 1% in Israeli currency. During the first quarter, in light of the change in the interest environment, the Bank updated the minimum interest rates used in calculating interest scenarios, whereby, starting from the calculation as of March 31, 2020, the minimum interest rate for balance-sheet items will be -1% and, for off-balance-sheet items, the minimum interest rate has been canceled in relation to a minimum interest rate of 0%, which was used in the representative calculations for the comparative data. This change, in a scenario of a decrease, reduced the sensitivity to a decline in the interest rate by an amount of approx. NIS 100 million, in relation to the sensitivity that had existed prior to the said change. Namely, the change in sensitivity to a decline in the interest rate at March 31, 2020, as compared to the sensitivity at the end of 2019, was higher by approx. NIS 100 million, and is similar in effect to the change in the scenario of an increase in the interest rate, had the said change been applied with respect to the year-end data.

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

	March 31 2020			March 31 2019			December 31 2019		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
In NIS millions									
Parallel changes									
A parallel increase of 1%	813	84	897	528	63	591	682	76	758
Of which: the banking book	806	82	888	518	60	578	662	75	737
A parallel decrease of 1%	(987)	(93)	(1,080)	(795)	(65)	(860)	(862)	(82)	(944)
Of which: the banking book	(982)	(89)	(1,171)	(785)	(62)	(847)	(851)	(81)	(932)

Sensitivity of the income is calculated on the basis of various assumptions regarding the effect of a change in interest on the return on assets and the cost of the deposits (Beta) and application of minimum interest levels for pricing.

The rise in sensitivity of the income to changes in interest in the first quarter of 2020 stemmed from an increase in the volume of current account deposits, which were used to increase credit, to acquire securities and to enlarge liquidity balances, and due to the minimum interest levels becoming effective whereby, in a rising interest scenario, the increase in expenses would have been partial.

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

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

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

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

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

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

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

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

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

For further details regarding the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2019 (pp. 268-269).

Following are certain updates as of March 31, 2020:

- The fair value of impaired debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the impaired debts by NIS 2 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the impaired debts by NIS 1 million (compared to NIS 2 million and NIS 1 million, respectively, as of December 31, 2019);
- Cash flows in respect of mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, decreased the fair value of the mortgages, particularly in the CPI linked segment, by NIS 128 million (compared to NIS 149 million as at December 31, 2019);
- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.96 years on March 31, 2020, compared to 3.32 years, taking into consideration the forecast for early redemptions (compared to 3.91 years and 3.35 years, respectively, as of December 31, 2019);
- Cash flows in respect of deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits, particularly savings deposits in the CPI linked segment, by NIS 24 million (compared to NIS 25 million at December 31, 2019);
- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.77 years on March 31, 2020, compared to 2.57 years, taking into consideration the forecast for early redemption (compared to 2.80 years and 2.64 years, respectively, as of December 31, 2019).

For details regarding the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2019 (pp. 268-269).

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

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

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

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

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

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

- (a) The computation of the accounting fair value made use of graphs that take into consideration credit margins. Computation of the economic exposure made use of graphs representing the transfer prices;
- (b) Items relating to liabilities for employee rights are included in the economic measurement in the CPI-linked segment, while in the accounting measurement they are presented in the unlinked segment;
- (c) Economic exposure takes into consideration expected future cash flows, such as deposits in savings schemes, in contrast to the calculation on the fair value basis, which does not take into account such future deposits;
- (d) An impaired non-interest bearing debt is related in economic exposure to the non-linked segment, as it does not carry interest, while in fair value calculations, it is presented in its original segment;
- (e) Optional savings schemes are presented at fair value in their principal linkage segment, while in economic exposure each component is presented in its related linkage segment.

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

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
For the quarter ended on March 31, 2020					
An increase of 100BP in interest rates	(359)	(87)	413	37	4
A decrease of 100BP in interest rates	400	72	(440)	(35)	(3)
For the year ended on December 31, 2019					
An increase of 100BP in interest rates	(263)	(107)	(136)	25	(481)
A decrease of 100BP in interest rates	441	93	(40)	(8)	485

It is noted that the VaR of the trading portfolio did not deviate from the limits set by the Board of Directors.

The changes between the effect of the changes in interest in this table and the changes presented in the table "the impact of scenarios of changes in interest rates on the net adjusted fair value" shown above are due mainly to the use of different discounting curves in the two measurements, as set forth above. This effect is expressed primarily in the non-linked segment, as there is a significant gap in the results in this segment when use is made of the cost of credit rather than using the transfer price, this is because most of the interest exposure derives from the credit portfolio. In the dollar segment (including foreign currency) there is no material gap between the two tables, since most of the interest exposure in this segment derives from the deposits, which are not affected by the gap between the transfer price and the cost of credit. In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

Value at Risk (VaR)

The VaR for the overall balance sheet. The VaR serves as one of the evaluation tools for measuring the Group's banking book exposure to market risks. The VaR for the Group's entire portfolio (the banking book and the trading portfolio) is calculated at monthly intervals. The Bank uses the historic method as a basis for measuring the Value at Risk, at a confidence level of 99% and with a horizon of one month. During the quarter, the VaR limit set by the Board of Directors (3% of capital) was exceeded due to the extreme volatility and correlation breakdown in the markets, in light of their response to the crisis that broke-out following the global spread of the Corona virus. For further details, see above "Financial crisis in the markets".

The Bank is managing the risk during this period in a focused manner.

Details of the exposure in terms of Total VaR

	For the period ended on			
	March 31, 2020		December 31, 2019	
	End of reporting quarter	Maximum exposure during the quarter	End of reporting year	Maximum exposure during the year
	In %			
Actual exposure	6.9%	6.9%	1.2%	1.6%
Limitation set by the Board of Directors	3.0%	3.0%	3.0%	3.0%

It should be that noted that no exceptions to the limits were recorded to the VaR on the trading portfolios.

For further details, see the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which was published as part of the 2019 annual report and which is available for perusal as aforesaid (pp. 61-62).

Replacement of foreign interest benchmarks (base rates) and its repercussions

General. On March 20, 2019, the Supervisor of Banks addressed a letter to the banking corporations, in which they are requested to prepare for the anticipated discontinuation of the publication of interest benchmarks existing around the world and their replacement with other benchmarks. On February 13, 2020, the Supervisor of Banks published a letter regarding disclosure of the preparations made with respect to the discontinuation of the use of the LIBOR rate, on the background of disclosure guidelines published by the SEC in the matter.

The main risks and the Bank's preparations therefor. The discontinuation of the use of LIBOR and the transition to alternative interest indices create various risks - operational, IT systems, the Bank-customer relations, financial and legal, that arise from the Bank's operations with its customers. The Bank is making preparations to identify the risks, inter alia, by means of mapping all the relevant contracts and exposures.

The Bank is continuing preparations to manage and mitigate the identified risks.

Material exposures. The Bank has various contracts that continue beyond 2021 which relate to LIBOR.

Discount's exposure to the LIBOR interest rate in respect to exposures that will continue beyond 2021

	March 31, 2020		December 31, 2019	
	Number of transactions	Book value in NIS million	Number of transactions	Book value in NIS million
Loans	1,844	3,799	1,859	3,300
Securities	16	548	16	548
Total	1,860	4,347	1,875	3,848
Derivatives (volume transactions)	1,082	65,131	926	58,892

The Table includes data of Discount Bank and MDB.

For additional details, see the 2019 Annual Report (p. 79).

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details regarding assets and liabilities according to linkage terms, see Note 32 to the financial statements.

Capital sensitivity to changes in exchange rate. The capital's sensitivity to changes in exchange rate is presented in the following table, which provides details regarding the impact of changes in exchange rates of the major currencies on the capital as of March 31, 2020.

Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank's policy is not to create an exposure to foreign currency exchange rates in its ongoing activity. Coverage of the built-in foreign currency position, which arises from the investment in IDBNY, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates.

The Bank's capital sensitivity of changes in exchange rates

Segment	For the First Quarter ended on March 31 2020			
	in NIS millions			
	10%	5%	-5%	-10%
USD	291	144	(137)	(274)
EUR	(25)	(12)	19	41
Other Foreign Currencies	13	6	(6)	(11)

This effect has been computed on the basis of the expected change in the fair value of the Group in the various currencies, given the scenario determined by the Supervisor of Banks.

Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of March 31, 2020.

Sensitivity of the capital to changes in the CPI

Scenario	For the quarter ended March 31, 2020 in NIS millions	
	Increase 3%	Decrease 3%
	76	(88)

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

For quantitative and qualitative details about share price risk, see the 2019 Annual Report (pp. 80-81) and in the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.

No deviation from the said restrictions was recorded in the first quarter of 2020.

For further details regarding the management of the Liquidity and financing risks, see the 2019 Annual Report (pp. 81-84).

Liquidity coverage ratio

As of the first quarter of 2020, the liquidity coverage ratio of the Discount Group, on the basis of 76 observations average, stood as of March 31, 2020, at 128.8%, compared with 121.2% as of December 31, 2019, higher than the minimum requirements according to the instructions.

For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

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

During the first quarter of 2020, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a significant liquidity surplus.

In March, in light of the spread of Corona virus, steep declines were seen in the Israeli and global capital markets, which led to significant percentages of capital market funds being redeemed and being transferred to customers' accounts at the Bank. This trend is reflected in an increase of approx. NIS 9 billion in retail deposits. At the same time, institutional depositors withdrew deposits held at the Bank in an amount of approx. NIS 2 billion.

An analysis of the changes during the quarter in deposits from the public according to linkage bases reveals that most of the growth during the period is due to a rise in the scope of the non-linked and CPI-linked shekel deposits.

Deposits from the public

	March 31, 2020	March 31, 2019	December 31, 2019	Change compared to		Change compared to	
				March 31, 2019		December 31, 2019	
				In NIS millions	in %	In NIS millions	in %
Non-linked shekels	117,640	102,482	107,645	15,158	14.8	9,995	9.3
CPI-linked shekels	5,433	4,823	5,446	610	12.6	(13)	(0.2)
Foreign currency and foreign currency linked shekels	34,189	30,233	33,068	3,956	13.1	1,121	3.4
Total	157,262	137,538	146,159	19,724	14.3	11,103	7.6
Foreign currency and foreign currency linked shekels - In US\$ millions	9,590	8,324	9,568	1,266	15.2	22	0.2

Deposits from Banks

	March 31, 2020	March 31, 2019	December 31, 2019	Change compared to		Change compared to	
				March 31, 2019		December 31, 2019	
				In NIS millions	in %	In NIS millions	in %
Non-linked shekels	1,813	667	1,330	1,146	171.8	483	36.3
CPI-linked shekels	35	148	36	(113)	(76.4)	(1)	(2.8)
Foreign currency and foreign currency linked shekels	642	305	396	337	110.5	246	62.1
Total	2,490	1,120	1,762	1,370	122.3	728	41.3

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

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

Operational Risks

For details regarding operational risks and the manner of management thereof, including in the matter of business continuity, see the 2019 Annual Report (pp. 84-85) and the document "Disclosure according to the third pillar of Basel and additional information regarding risks" available on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd.

Malfunction in the PayBox Application. Following a malfunction in the installation of a server for the PayBox payment application ("PayBox"), partial information regarding users of PayBox has leaked out. The malfunction was rectified within a few hours since discovery. Based on the enquiry made, the said information included a part of the items of information existing in PayBox, though it did not include items of information the use thereof might cause users direct financial damage.

PayBox is being operated separately from the Bank's computer systems and from the Bank's regular banking services. The server, in which the malfunction had been discovered, is not connected to the operation of the Bank, and the malfunction as a whole has no relation to the accounts held with the Bank and to other information existing in the hands of the Bank with respect to customers holding accounts with the Bank. The Bank estimates that no material effect on the Bank is expected as a result of the malfunction.

The Bank conducts a process of drawing and implementing conclusions with respect to PayBox in order to ensure that such malfunction does not happen again.

A notice regarding this event has been delivered to users of PayBox.

All as detailed in an immediate report dated January 29, 2020 (reference no. 2020-01-009258), the information provided in it is included herewith by way of reference.

For details regarding lawsuits filed with respect to the said event and motions for their approval as class action suits, see Note 10 B item 5.4 to the condensed financial statements.

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. In 2018, the Bank received immunity and indemnity letters signed by the State of Israel.

Following extension, the letter of indemnification shall continue in effect until February 28, 2021 (with the State being authorized to extend this date to May 31, 2021).

On May 30, 2019, the Bank received a notice from the Attorney-General regarding the extension of the immunity period, according to the current letter of immunity, through May 31, 2020. On March 2, 2020, the Bank was informed that the Attorney General had extended the validity of the letter of immunity for a further month, through June 30, 2020, so as to allow for discussion on this topic to be held at the Security Cabinet. In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.

For further details regarding compliance risks including Discount Group's activities with banks acting in the Palestinian Authority, see the 2019 Annual Report (pp. 88-89).

Other risks

For additional details regarding other risks, see 2019 Annual Report (including: Cross-border risks – pp. 85-86; Information technology risks – pp. 86; Strategic risk – p. 87; Reputation risk – p. 87; Data and cyber protection risks – p. 87; Environmental risks – p. 87; Legal risks – p. 87-88; Conduct risks – p. 89; for details regarding Risk Factors Table, see the 2019 Annual Report, pp. 89-92).

Risk Factors Table

The Corona crisis and its domestic and global implications have led to an increase in risk in most of the managed risk areas.

With respect to the credit risk and the operational risk, the evaluation of the effect of the risk has been raised from "medium" to "medium-high", mostly due to the following factors:

- Credit risk – in view of the growth in risk for borrower quality risk credit portfolio quality;
- Operational risk – in view of the modifications and changes made to processes and controls, deriving from regulatory and internal changes, and in view of the rise in fraud and embezzlement risk, deriving from the transition to digital operation, extension of authorizations, reduction in manpower and transition to distance work. These aspects affect also the growth in cyber risk (though it remained at the level of "medium-high").

In addition, the rating of the risk environment has been raised from medium-high to high, against the background of the current assessment regarding the potential implications of the crisis on the domestic and global economy.

As stated, an increase is also identified in the remaining risk areas, though no changes have been made to the evaluated risk level, which remained at the level presented in the risk factor table shown in the 2019 Annual Report (pp. 90-92).

It is noted that the Management and the Risk Management Division are conducting an ongoing and tight follow-up of developments in the crisis and the risks stemming there from, while modifying the risk appetite, operations, risk management processes and controls.

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

Critical Accounting Policies and Critical Accounting Estimates

The Bank's financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2019, pp. 117-135) 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 2019 Annual Report (pp. 92-97).

Allowance for credit losses – allowances on a group basis

As stated in the 2019 annual report (pp. 92-93), the process of assessing the loss inherent in the credit portfolio is based on significant assessments involving uncertainty and on subjective assessments. Accordingly, a change in the estimates or assessments might have a significant effect on the allowance for credit losses presented in the Bank's financial statements.

The assessment process became more complex and challenging in the reporting period, due to the uncertainty regarding the severity of the Corona crisis and the length of time over which its effects would be felt. These matters are particularly relevant in relation to the group allowance, due to the necessity to assess the inherent credit losses with respect to borrowers harmed by the crisis but not yet identified – by means of updating the adjustment coefficient, so as to reflect the damage assessment, under exceptional conditions of uncertainty.

Within the framework of the assessment, the parameters used in the calculation were made tighter, in accordance with the latest macroeconomic data evaluations (unemployment at the rate of 8% and a decline in the GDP at the rate of 5% to 5.5%²) and with deterioration coefficients that are based on an assessment of the risk of the various economic sectors.

It should be noted that the process of determining the allowances for credit losses on a group basis, particularly in the circumstances described above, is sensitive to possible changes in the subjective estimates or assessments, whereby a potential deviation in these factors might cause a significant divergence in the amount of the allowances for credit losses on a group basis.

Over time, as the level of uncertainty diminishes and as additional information regarding the chances of collecting from borrowers becomes available to the Bank, the assessments will be adjusted accordingly.

² The rates noted are the rates estimated at date of assessment of the loss inherent in the credit portfolio. It is noted that the Bank updates from time to time the assessment of the parameters in accordance with changes in circumstances (e.g., with respect to the acceleration of the process for reactivating the economy).

Measurement of financial instruments according to their fair value

The credit risk. In light of the heightened credit risk, arising primarily from the Corona crisis, the Group has recorded an expense of NIS 25 million in the first quarter of 2020, compared to a negligible expense in the corresponding period last year.

Adjustments made to assets and liabilities in respect of derivative instruments

	March 31, 2020	December 31, 2019
	in NIS millions	
Assets in respect of derivative instruments	7,766	4,558
Adjustment in respect of credit risk regarding assets relating to derivative instruments	(22)	(10)
Liabilities in respect of derivative instruments	7,894	4,866
Adjustment in respect of credit risk regarding liabilities relating to derivative instruments	19	6

For additional details regarding the measurement of financial instruments according to their fair value, see the 2019 Annual Report (pp. 93-96).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of March 31, 2020. For details regarding the computation of the actuarial provision amount that would have been required were the cap rate to be determined in accordance with the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the annual report for 2019.

Presenting the actuary's opinion for perusal. The opinion of the Actuary³ 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 2020 First Quarter Report (this Report).

The actuarial valuation as of March 31, 2020 was impacted, primarily, by the significant rise in the discount rate due to the effects of the Corona crisis on the bond markets. Most of the change is due to a significant increase in the international margin and to a rise in the yield to maturity of index-linked government bonds. It should be noted that, in the period proximate to the reporting date through a date adjacent to the Report's publication date, a downward trend has been evident in the discount rates.

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 first quarter of 2020, 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, besides the shifting of many employees to working from home, as part of the measures taken for business continuity during the Corona crisis. The said shift had an effect upon the format of conducting control and in particular on the documentation thereof, which required applying alternative means of documentation.

Shaul Kobrinsky

Chairman of the Board of Directors

Uri Levin

President & Chief Executive Officer

May 26, 2020

³ The English translation of the Opinion is available for perusal at the Bank's website.



Internal Control over Financial Reporting

- 69 President & CEO's
certifications
- 70 Chief Accountant's
certification



Certification

I, Uri Levin, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2020 (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.

May 26, 2020

Mr. Uri Levin
President & Chief Executive Officer

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2020 (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

May 26, 2020



Condensed Financial Statements

73	Review Report of the independent auditors to the shareholders of Israel Discount Bank Ltd.
74	Condensed Consolidated statement of profit and loss
74	Condensed Consolidated statement of comprehensive Income
76	Condensed Consolidated Balance Sheet
77	Condensed Statement of Changes in Equity
78	Condensed Consolidated Statement of Cash Flows
81	Notes to the Condensed Financial Statements



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 March 31, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for this interim period in accordance with Israeli GAAP regarding financial reporting for this interim period and in accordance with the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

We have conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel, and a review standard applied in the review of banking institutions according to the guidelines and directives of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of a matter

Without qualifying our above conclusion, we call attention to the Note 10 B item 5 regarding different proceedings filed against the Bank and against investee companies.

Somekh Chaikin
Certified Public Accountants (Isr.)

Ziv Haft
Certified Public Accountants (Isr.)

May 26, 2020

Condensed Consolidated statement of profit and loss

		Unaudited		Audited
		For the three months ended March 31,		For the year ended December 31,
	Notes	2020	2019	2019
in NIS millions				
Interest income		1,791	1,806	7,567
Interest expenses		336	385	1,674
Interest income, net	2	1,455	1,421	5,893
Credit loss expenses	6,14	656	141	690
Net interest income after credit loss expenses		799	1,280	5,203
Non-interest Income				
Non-interest financing income	3	417	172	742
Commissions		739	710	2,972
Other income		-	8	57
Total non-interest income		1,156	890	3,771
Operating and other Expenses				
Salaries and related expenses		824	847	3,343
Maintenance and depreciation of buildings and equipment		285	263	1,098
Other expenses		422	420	1,858
Total operating and other expenses		1,531	1,530	6,299
Profit before taxes		424	640	2,675
Provision for taxes on profit		151	224	932
Profit after taxes		273	416	1,743
Bank's share in profit (loss) of affiliated companies, net of tax effect		4	(1)	16
Net profit:				
Before attribution to non-controlling rights holders		277	415	1,759
Attributed to the non-controlling rights holders		2	(10)	(57)
Net Profit Attributed to the Bank's Shareholders		279	405	1,702
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	3A	0.24	0.35	1.46

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

Shaul Kobrinsky
Chairman of the Board of Directors

Mr. Uri Levin
President & Chief Executive Officer

Joseph Beressi
Senior Executive Vice President,
Chief Accountant

May 26, 2020

Condensed Consolidated statement of comprehensive Income

	Unaudited		Audited
	For the three months ended		For the year
	March 31,	2019	ended
	2020	2019	December 31,
	in NIS millions		
Net profit before attribution to non-controlling rights holders	277	415	1,759
Net profit attributed to non-controlling rights holders	2	(10)	(57)
Net profit attributed to the Bank's shareholders	279	405	1,702
Other comprehensive income (loss), before taxes:			
Adjustments, net, for presentation of available-for-sale bonds at fair value	(481)	373	790
Financial statements translation adjustments, net	118	(113)	(283)
Adjustments of liabilities in respect of employee benefits ⁽²⁾	343	(43)	(259)
Net income in respect of cash flows hedge	1	1	4
Other comprehensive income (loss), before taxes	(19)	218	252
Effect of attributed taxes	46	(108)	(176)
Other comprehensive income before attribution to non-controlling rights holders, after taxes	27	110	76
Other comprehensive income (loss) attributed to non-controlling rights holders	2	(1)	(4)
Other comprehensive income attributed to the Bank's shareholders, after taxes	25	111	80
Comprehensive income, before attribution to non-controlling interests holders	304	525	1,835
Comprehensive income, attributed to non-controlling interests holders	-	(9)	(53)
Comprehensive income, attributed to the Bank's shareholders⁽¹⁾	304	516	1,782

Footnotes:

(1) See Note 4.

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

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

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	March 31, 2020	March 31, 2019	December 31, 2019
in NIS millions				
Assets				
Cash and deposits with banks		29,392	18,894	26,044
Securities (of which: 7,920 ,3,855 , 2,897 respectively, pledged to lenders)	5	42,605	35,618	37,745
Securities borrowed or purchased under resale agreements		488	823	531
Credit to the public	6,14	186,215	172,604	182,991
Allowance for credit losses	6,14	(3,028)	(2,308)	(2,524)
Credit to the public, net		183,187	170,296	180,467
Credit to Governments		4,406	3,223	3,515
Investments in affiliated companies		152	196	171
Buildings and equipment		2,641	2,443	2,577
Intangible assets and goodwill		164	160	164
Assets in respect of derivative instruments	11	7,757	3,405	4,545
Other assets		5,612	4,382	4,064
Total assets		276,404	239,440	259,823
Liabilities and Equity				
Deposits from the public	7	213,667	190,839	201,450
Deposits from banks		7,339	4,970	6,419
Deposits from the Government		235	251	181
Securities loaned or sold under repurchase agreements		892	637	346
Bonds and Subordinated debt notes		13,069	8,271	13,129
Liabilities in respect of derivative instruments	11	7,878	3,395	4,839
Other liabilities ⁽¹⁾		13,880	12,932	14,266
Total liabilities		256,960	221,295	240,630
Equity attributed to the Bank's shareholders		18,929	17,618	18,678
Non-controlling rights		515	527	515
Total equity		19,444	18,145	19,193
Total Liabilities and Equity		276,404	239,440	259,823

Footnote:

(1) Of which NIS 247 million, NIS 181 million and NIS 223 million, as of March 31, 2020, March 31, 2019 and December 31, 2019, respectively, allowance for credit losses in respect of off-balance sheet credit instruments.

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

Condensed Statement of Changes in Equity

	Capital reserves									
	Paid up Share capital	Share premium	Other reserves	Total paid up share capital and reserves	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributed to the Bank's shareholders	Non-controlling interests holders in consolidated subsidiaries	Total equity	
in NIS millions										
A. For the three months ended March 31, 2020 and 2019 (unaudited)										
Balance at December 31, 2019 (audited)	676	4,174	215	5,065	(481)	14,094	18,678	515	19,193	
Net Profit for the period	-	-	-	-	-	279	279	(2)	277	
Dividend declared	-	-	-	-	-	(49)	(49)	-	(49)	
Transactions with minority	-	-	(4)	(4)	-	-	(4)	-	(4)	
Other comprehensive income, net after tax effect	-	-	-	-	25	-	25	2	27	
Balance at March 31, 2020	676	4,174	211	5,061	(456)	14,324	18,929	515	19,444	
Balance at December 31, 2018 (audited)	676	4,174	215	5,065	(561)	12,647	17,151	518	17,669	
Net Profit for the period	-	-	-	-	-	405	405	10	415	
Dividend paid	-	-	-	-	-	(49)	(49)	-	(49)	
Other comprehensive income, net after tax effect	-	-	-	-	111	-	111	(1)	110	
Balance at March 31, 2019	676	4,174	215	5,065	(450)	13,003	17,618	527	18,145	
B. For the year of 2019 (audited)										
Balance at December 31, 2018	676	4,174	215	5,065	(561)	12,647	17,151	518	17,669	
Net Profit for the year	-	-	-	-	-	1,702	1,702	57	1,759	
Dividend paid	-	-	-	-	-	(255)	(255)	-	(255)	
Dividend to non-controlling interests holders	-	-	-	-	-	-	-	(56)	(56)	
Other comprehensive income net after tax effect	-	-	-	-	80	-	80	(4)	76	
Balance at December 31, 2019	676	4,174	215	5,065	(481)	14,094	18,678	515	19,193	

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

Condensed Consolidated Statement of Cash Flows

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	in NIS millions		
Cash Flows from Operating Activities			
Net profit before attribution to non-controlling rights holders in consolidated companies	277	415	1,759
Adjustments necessary to present cash flows from current operations:			
Bank's share in undistributed (profits) loss of affiliated companies.	(4)	1	(14)
Depreciation of buildings and equipment (including impairment in value)	117	107	466
Provision for impairment in value of securities not for trading	8	4	31
Credit loss expenses	656	141	690
Gain on sale of credit portfolio, net	-	(6)	(7)
Profit on sale of available-for-sale bonds and shares not for trading	(194)	(46)	(250)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	(44)	14	2
Non realized loss (gain) on adjustment to fair value of shares no for trading	8	(3)	(39)
Gain from realization at an investment in investee companies	-	-	(13)
Gain on realization of buildings and equipment	-	(2)	(42)
Net deferred taxes	(41)	1	(115)
Severance pay – increase (decrease) in excess of provision over the deposits	(183)	67	336
Net change in current assets:			
Assets in respect of derivative instruments	(3,211)	321	(816)
Trading securities	(184)	566	(252)
Other assets	(714)	(447)	(40)
Effect of changes in exchange rate on cash and cash equivalent balances	(81)	(81)	(145)
Accrual differences included in investment and financing activities	(413)	1,040	1,440
Net change in current liabilities:			
Liabilities in respect of derivative instruments	3,038	149	1,590
Other liabilities	(673)	212	1,049
Adjustments in respect of exchange rate differences on current assets and liabilities	134	(73)	(185)
Dividends received from affiliated companies	7	-	13
Net Cash Flows from Operating Activities	(1,497)	2,380	5,458

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

Condensed Consolidated Statement of Cash Flows (continued)

	For the three months ended March 31		Audited For the year ended December 31
	2020	2019	2019
	in NIS millions		
Cash Flows to Investing Activities			
Net change in Deposits with banks	(50)	21	42
Net change in Credit to the public, net	(5,211)	(3,559)	(8,930)
Net change in Credit to the Governments	186	249	571
Net change in Securities borrowed or purchased under resale agreements	43	(48)	243
Acquisition of held-to-maturity bonds	(3,494)	(503)	(766)
Proceeds from redemption of held-to-maturity bonds	452	941	1,715
Purchase of available-for-sale bonds and shares not for trading	(5,443)	(3,367)	(13,133)
Proceeds of sale of available-for-sale bonds and shares not for trading	4,133	2,661	10,739
Purchased credit portfolios	(1,487)	(649)	(4,162)
Gain on sale of credit portfolio	121	3	940
Proceeds of redemption of available-for-sale bonds	953	1,034	3,197
Purchase of shares in affiliated companies	-	(62)	(62)
Business combinations - see Annex A	-	-	449
Net Proceeds of the sale of investments in affiliated companies	-	-	27
Acquisition of buildings and equipment	(161)	(120)	(592)
Proceeds from sale of buildings and equipment	-	14	65
Net Cash Flows to Investing Activities	(9,958)	(3,385)	(9,657)
Cash Flows from Financing Activities			
Net change in Deposits from banks	920	(1,916)	(488)
Net change in Deposits from the public	13,217	672	7,453
Net change in Deposits from the Government	55	(6)	(76)
Net change in Securities borrowed or purchased under resale agreements	545	(488)	(780)
Issuance of subordinated debt notes	100	-	3,899
Redemption of subordinated debt notes	(147)	(195)	(1,327)
Dividend paid to the shareholders	-	(49)	(255)
Dividend to non-controlling rights holders	-	-	(56)
Net cash flows from Financing Activities	14,690	(1,982)	8,370
Increase (decrease) in cash	3,235	(2,987)	4,171
Cash balance at beginning of period	25,777	21,549	21,549
Effect of changes in exchange rate on cash and cash equivalent balances	62	44	57
Cash balance at end of period	29,074	18,606	25,777
Interest and taxes paid and/or received			
Interest received	2,119	1,965	7,576
Interest paid	(432)	(384)	(1,712)
Dividends received	10	1	26
Taxes on income paid	(201)	(252)	(1,265)
Taxes on income received	203	36	37

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

Appendix A – merger with Municipal Bank

	Audited For the year ended December 31 2019 in NIS millions
Acquired assets and liabilities and cash paid, as of merger date:	
Acquired cash	1,142
Assets (excluding cash)	5,811
Liabilities	(6,264)
Identified assets and liabilities	689
Goodwill and customer relations	4
Total cost of acquisition	693
Consideration paid in cash	693
Less Acquired cash	(1,142)
Net cash flow from the merger with Municipal Bank	(449)

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

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	in NIS millions		
Dividends that have been declared but not yet paid in the reporting period	49	-	-
Right-of-use assets and lease liabilities recognized under the new operating lease	745	-	-
Purchase of fixed assets	18	8	9
Lending of securities	(2,122)	1,560	173

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

Notes to the Condensed Financial Statements

Notes	Page No.
1. Accounting Policies	82
2. Interest Income and Expenses	84
3. Non-interest Financing Income	85
3A. Earnings Per Share	86
4. Accumulated other comprehensive income (loss)	86
5. Securities	88
6. Credit risk, credit to the public and allowance for credit losses	103
7. Deposits from the public	107
8. Employee Benefits	108
9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks	114
10. Contingent liabilities and special commitments	118
11. Derivative Instruments Activity - volume, credit risk and due dates	122
12. Regulatory Operating Segments	127
13. Managerial Operating Segments	134
14. Additional information regarding credit risk, credit to the public and allowance for credit losses	136
15. Assets and liabilities according to linkage terms - consolidated	154
16. Balances and fair value estimates of financial instruments	157
17. Credit card activity	168
18. Dividends	169
19. Transactions with interested parties	170
20. Taxation	170
21. Outbreak of the Corona virus	170

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 March 31, 2020, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in affiliated companies. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2019 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, 2019 except as detailed in item E hereunder.
- B.** The interim financial statements were approved for publication by the Bank's Board of Directors on May 26, 2020.
- C. Principles of financial reporting.** The interim financial statements are prepared in accordance with accounting principles determined in directives of the Supervisor of Banks applying to the preparation of an annual financial report of a banking corporation, with required changes in the circumstances of the matter, and in accordance with U.S. GAAP applying to financial reporting for interim periods, and the reporting principles determined in directives and guidelines of the Supervisor of Banks. In most of the subjects, the Supervisor's instructions are based on accounting principles accepted by U.S. banks. As regards other matters, of lesser materiality, the instructions are based on International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in Israel (Israeli GAAP).
- D. Use of assessments and discretion.** In preparing the interim financial statements in accordance with the rules, instructions and guidelines, as stated, the Management of the Bank and of the investee companies are required to use discretion and apply assessments, evaluations and assumptions that affect the implementation of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such assessments. Discretion of Management in applying the accounting policy and the principal assumptions used in assessments involving uncertainty, are consistent with those applied in the preparation of the annual financial statements.
- E. Initial implementation of accounting standards, updates of accounting standards and Directives of the Supervisor of Banks** Starting with the period beginning January 1, 2020, the Bank implements accounting standards and instructions as detailed hereunder:
- (1) Leasing (see item 1 below);
 - (2) The Corona virus outbreak –supervisory emphasis (see item 2 below).

Following is a description of the changes adopted in these interim financial statements and a description of the manner and effect of the initial implementation, if at all:

- 1. Leasing.** A circular was published on July 1, 2018, in the matter of the reporting of leases by banking corporations and credit card companies in accordance with U.S. GAAP. The circular adopts the U.S. GAAP on this subject, and inter alia, the relating presentation, measurement and disclosure rules determined in Topic 842 of the Codification regarding leases. The Bank decided to adopt the alternative transitional method for the adoption of the leasing Standard, determined in Amendment No. 2018-11 to the Codification, according to which, the initial implementation would be on the date of adoption and not as from the beginning of the earliest period presented, with the adjustment of the cumulative effect on the opening balance of retained earnings during the adoption period.
The initial implementation and its effect. The Standard is being applied as from January 1, 2020 and thereafter. Application of the Standard has resulted in a NIS 745 million increase in the balance of right-of-use assets and to a corresponding increase in the balance of lease liabilities at date of initial implementation. Moreover, the adoption of the Standard has resulted in a decrease in the common equity tier 1 ratio by 0.04%.
It is noted that the effective date for the United States has been deferred for non-public companies, to the annual report for 2021 and to the interim reports during 2022, accordingly, the implementation of the Standard by IDB New York is also deferred. The effect of the implementation of the Standard is not expected to be material (the growth in risk assets is estimated at approx. US\$131 million).
- 2. The Corona virus outbreak –supervisory emphasis.** On April 21, 2020, the Supervisor of Banks issued a letter regarding the main supervisory emphasis with regard to the handling of debts, within the framework of the supervision policy for encouraging banking corporations to operate cautiously so as to stabilize borrowers that are unable or that are likely to be unable to meet their contractual payment obligations due to the impact of the Corona virus outbreak.

1. Accounting Policies (continued)

Inter alia, the letter included the following guidelines:

- Classification of troubled debt restructurings due to changes in the loan terms – when a banking corporation acts to stabilize borrowers that are not in arrears on their existing loans, but are encountering financial or operational difficulties in the short term as a result of the Corona outbreak; such action will generally not be considered a restructuring of a troubled debt, particularly if all the following conditions are met: the change was made due to the Corona virus outbreak, the borrower was not in arrears on the date when the plan for changing the terms was implemented and the change is for a short time.

For this purpose, it was clarified that borrowers will be considered to be borrowers that are not in arrears if they are in arrears of less than 30 days in relation to the contractual terms at the time of implementing the plan for the changes.

- Housing loans – For housing loans for which a minimal allowance has to be calculated in accordance with the extent of arrears method, the deferral of principal or interest payments for a short time, in respect of such a loan that was not a problematic debt prior to the deferral date, in general, does not require the debt to be classified as a restructured debt.
- Determining the state of the arrears – with regard to debts that were not in arrears prior to this and for which a deferral has been granted due to the Corona virus outbreak, these will not be required to be classified as debts in arrears due to the deferral. For debts that were in arrears prior to granting the aforesaid deferral, the state of the calculated arrears will be frozen during the payment deferral period, unless the debt has been classified as an impaired debt or unless it was subject to an accounting write-off.
- Classification of problematic debts, including impaired debts not accruing interest income, and accounting write-offs – during the period of short-term arrangements, these loans will generally not be reported as non-performing impaired loans. The exception to this will be debts regarding which new information has come to hand regarding a deterioration in the chances of their settlement; with respect to these, the Bank will act in accordance with the Public Reporting Directives with regard to the classification of problematic debts and accounting write-offs.

F. New accounting standards and new Directives of the Supervisor of Banks in the period prior to their implementation

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

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

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

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

2. Interest Income and Expenses

	Unaudited	
	For the three months ended March 31,	
	2020	2019
	in NIS millions	
A. Interest Income⁽²⁾		
Credit to the public	1,601	1,598
Credit to the Governments	20	21
Deposits with the Bank of Israel and cash	14	10
Deposits with Banks	11	12
Bonds ⁽¹⁾	138	161
Other assets	7	4
Total interest income	1,791	1,806
B. Interest Expenses⁽²⁾		
Deposits from the public	(246)	(275)
Deposits from the Government	(1)	(1)
Deposits from banks	(20)	(21)
Securities loaned or sold under repurchase agreements	(3)	(5)
Bonds and subordinated debt notes	(65)	(81)
Other liabilities	(1)	(2)
Total interest expenses	(336)	(385)
Interest Income, Net	1,455	1,421
C. Details of the net effect of hedge derivative instruments on interest income and expenses:		
Interest Income ⁽³⁾	(1)	-
Interest expenses ⁽³⁾	2	-
D. Accrual basis, interest income from bonds:		
Held-to-maturity	20	36
Available-for-sale	113	115
Trading	5	10
Total included in interest income	138	161
Footnotes:		
(1) Interest Income generated by mortgage backed securities (MBS) - in US \$ millions	11	12
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	38	42
(2) Including the impact of hedge relations.		
(3) Details of the effect of hedge derivative instruments on subsection A+B.		

3. Non-interest Financing Income

	Unaudited	
	For the three months ended March 31,	
	2020	2019
	in NIS millions	
A. Non-interest financing income (expenses) from operations not for trading purposes		
From operations in derivative instruments		
Net income (expenses) in respect of derivative instruments ⁽⁴⁾	592	⁽⁸⁾ (504)
Total from operations in derivative instruments	592	(504)
From investments in bonds:		
Gains on sale of available-for-sale bonds ⁽³⁾	190	38
Provision for impairment of available-for-sale bonds	(3)	-
Total from investments in bonds	187	38
Net exchange rate differences	(477)	510
Net profit (losses) from investments in shares:		
Gains on sale from non trading shares	5	8
Losses on sale from non trading shares	(1)	-
Provision for impairment of non trading shares	(5)	(4)
Dividends from non trading shares	3	1
Unrealized profits (loss) ⁽⁷⁾	(8)	3
Total from investment in shares	(6)	8
Net profit in respect of loans sold	-	6
Total non-interest financing income from operations not for trading purposes	296	58
B. Non-interest financing income (expenses) from operations for trading purposes⁽⁵⁾:		
Net income in respect of non trading derivative instruments	77	⁽⁸⁾ 128
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value ⁽¹⁾	46	(16)
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value ⁽²⁾	(2)	2
Total from trading operations⁽⁶⁾	121	114
Details of non-interest financing income (expenses) from operations for trading purposes, according to risk exposure:		
Interest rate exposure	(21)	143
Foreign currency exposure	144	⁽⁸⁾ (31)
Share exposure	(2)	2
Total according to risk exposure	121	114
Total non-interest financing income	417	172

Footnotes:

(1) Of which, a part of the profit (loss) relating to trading bonds that are still on hand at balance sheet date	(15)	11
(2) Of which, a part of the profit (loss) relating to trading shares that are still on hand at balance sheet date	-	-
(3) Reclassified from accumulated other comprehensive income, see Note 4: Of which, profit from investments in bonds, net	187	38
(4) Excluding the impact of hedge relations.		
(5) Including exchange rate differences from trading operations.		
(6) For interest income on investments in trading bonds, see Note 2, above.		
(7) Including profits and losses on measurement at fair value of shares with readily determinable fair value, as well as upward or downward adjustments of shares without readily determinable fair value.		
(8) Reclassified – classification of exchange differences in respect of derivatives.		

3A. Earnings Per Share

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
in NIS millions			
Earnings per share			
Total net income, attributed to bank's shareholders	279	405	1,702
In Thousand			
Earnings per share:			
Weighted average of shares of NIS 0.1 par value:			
Balance at the beginning and end of the period	1,164,017	1,164,017	1,164,017
Weighted average of shares of NIS 0.1 par value, used for earnings per share	1,164,017	1,164,017	1,164,017
Earnings per share of NIS 0.1 (in NIS)	0.24	0.35	1.46

In the reported period, the Bank did not have securities having a dilutive effect.

4. Accumulated other comprehensive income (loss)

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

	Other comprehensive income (loss), before attribution to non-controlling rights holders				Other comprehensive income (loss) attributed to non-controlling rights holders	Other comprehensive income (loss) attributed to the Bank's shareholders	
	Adjustments, net, for presentation of available-for-sale bonds at fair value	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 March 31, 2020 and 2019 (unaudited)							
Balance at December 31, 2019 (audited)	374	(344)	2	(524)	(492)	(11)	(481)
Net change during the period	(318)	118	1	226	27	2	25
Balance at March 31, 2020	56	(226)	3	(298)	(465)	(9)	(456)
Balance at December 31, 2018 (audited)	(157)	(61)	(1)	(349)	(568)	(7)	(561)
Net change during the period	251	(113)	1	(29)	110	(1)	111
Balance at March 31, 2019	94	(174)	-	(378)	(458)	(8)	(450)
B. For the year of 2019 (audited)							
Balance at December 31, 2018	(157)	(61)	(1)	(349)	(568)	(7)	(561)
Net change during the year	531	(283)	3	(175)	76	(4)	80
Balance at December 31, 2019	374	(344)	2	(524)	(492)	(11)	(481)

Footnote:

(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.

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

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

	Unaudited						Audited		
	For the three months ended March 31						For the year ended December 31		
	2020		2019		2019		2019		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
in NIS millions									
Changes in components of accumulated other comprehensive income (loss), before attribution to non-controlling rights holders:									
Adjustments for presentation of available-for-sale bonds at fair value									
Net unrealized income (loss) from adjustments to fair value	(294)	100	(194)	411	(134)	277	951	(312)	639
Income on available-for-sale bonds reclassified to the statement of income ⁽²⁾	(187)	63	(124)	(38)	12	(26)	(161)	53	(108)
Net change during the period	(481)	163	(318)	373	(122)	251	790	(259)	531
Translation adjustments									
Financial statements translation adjustments ⁽¹⁾	118	-	118	(113)	-	(113)	(283)	-	(283)
Net change during the period	118	-	118	(113)	-	(113)	(283)	-	(283)
Cash flow hedging									
Net income in respect of cash flow hedging	2	-	2	1	-	1	4	(1)	3
Net income in respect of cash flow hedging reclassified to the statement of income	(1)	-	(1)	-	-	-	-	-	-
Net change during the period	1	-	1	1	-	1	4	(1)	3
Employee benefits									
Net actuarial profit (loss)	323	(111)	212	(65)	21	(44)	(362)	117	(245)
loss reclassified to the statement of income ⁽³⁾	20	(6)	14	22	(7)	15	103	(33)	70
Net change during the period	343	(117)	226	(43)	14	(29)	(259)	84	(175)
Total net change during the period	(19)	46	27	218	(108)	110	252	(176)	76
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling rights holders:									
Total net change during the period	3	(1)	2	(2)	1	(1)	(6)	2	(4)
Changes in components of accumulated other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	(22)	47	25	220	(109)	111	258	(178)	80

Footnotes:

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

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

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

5. Securities

A. Composition

	Unaudited				
	March 31, 2020				
	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	7,186	7,186	209	11	7,384
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	306	306	8	1	313
Of others abroad ⁽⁶⁾	182	182	6	2	186
Total held-to-maturity bonds	⁽²⁾ 7,674	7,674	223	14	7,883
	Unaudited				
	March 31, 2020				
	Book value	Amortized cost	Accumulated other comprehensive income		Fair value ⁽¹⁾
In NIS millions					
(2) Available- for- sale bonds					
Bonds and loans:					
Of the Israeli Government	18,864	18,778	306	220	18,864
Of foreign governments	695	660	44	9	695
Of Israeli financial institutions	186	185	4	3	186
Of foreign financial institutions	842	885	1	44	842
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	7,926	7,852	187	113	7,926
Of others in Israel	428	440	5	17	428
Of others abroad ⁽⁶⁾	2,174	2,237	28	91	2,174
Total Available- for- sale bonds	⁽²⁾ 31,115	31,037	⁽³⁾ 575	⁽³⁾ 497	31,115
	Unaudited				
	March 31, 2020				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value ⁽¹⁾⁽⁴⁾
In NIS millions					
(3) Investment in not for trading shares	1,089	1,065	⁽⁵⁾ 25	⁽⁵⁾ 1	1,089
Of which: shares, the fair value of which is not readily available	997	997	-	-	997
Total not for trading securities	39,878	39,776			40,087

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Unaudited				
	March 31, 2020				
	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					
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,593	2,601	3	11	2,593
Of Israeli financial institutions	14	15	-	1	14
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	60	58	2	-	60
Of others in Israel	56	64	-	8	56
Total bonds	2,723	2,738	5	20	2,723
Shares	4	4	1	1	4
Total trading securities	2,727	2,742	⁽⁵⁾ 6	⁽⁵⁾ 21	2,727
Total securities	42,605	42,518			42,814

Footnotes:

- (1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.
- (2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held to maturity portfolio at an amortized cost of NIS 134 million (approx. US\$ 38 million) and from the available for sale portfolio with a market value of NIS 831 million (approx. US\$ 233 million).
- (3) Included in "Accumulated other comprehensive income".
- (4) Regarding shares in this column without readily determinable fair value, are presented cost minus impairment adjusted upwards or downwards to observable prices in orderly transactions for the identical or a similar investment of the same issuer.
- (5) Recorded in the statement of profit and loss.
- (6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31, 2019				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value ⁽¹⁾
In NIS millions					
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	4,602	4,602	135	-	4,737
Of foreign governments	18	18	-	-	18
Of Israeli financial institutions	27	27	-	-	27
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	418	418	2	9	411
Of others abroad ⁽⁶⁾	232	232	4	1	235
Total held-to-maturity bonds	⁽²⁾ 5,297	5,297	141	10	5,428

	Unaudited				
	March 31, 2019				
	Book value	Amortized cost	Accumulated other comprehensive income		Fair value ⁽¹⁾
In NIS millions					
(2) Available- for- sale bonds					
Bonds and loans:					
Of the Israeli Government	17,038	16,895	145	2	17,038
Of foreign governments	488	489	1	2	488
Of Israeli financial institutions	14	14	-	-	14
Of foreign financial institutions	1,219	1,215	10	6	1,219
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,557	6,651	6	100	6,557
Of others in Israel	194	187	7	-	194
Of others abroad ⁽⁶⁾	2,197	2,174	29	6	2,197
Total Available- for- sale bonds	⁽²⁾ 27,707	27,625	⁽³⁾ 198	⁽³⁾ 116	27,707

	Unaudited				
	March 31, 2019				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value ⁽¹⁾⁽⁴⁾
In NIS millions					
(3) Investment in not for trading shares					
Of which: shares, the fair value of which is not readily available	984	979	⁽⁵⁾ 5	-	984
	907	907	-	-	907
Total not for trading securities	33,988	33,901	-	-	34,119

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31, 2019				
	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				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,449	1,437	12	-	1,449
Of Israeli financial institutions	22	22	-	-	22
Of foreign financial institutions	10	10	-	-	10
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	73	74	-	1	73
Of others in Israel	65	65	1	1	65
Total bonds	1,619	1,608	13	2	1,619
Shares	11	11	1	1	11
Total trading securities	1,630	1,619	⁽⁵⁾ 14	⁽⁵⁾ 3	1,630
Total securities	35,618	35,520			35,749

Footnotes:

- (1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.
- (2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held to maturity portfolio at an amortized cost of NIS 115 million (approx. US\$ 32 million) and from the available for sale portfolio with a market value of NIS 590 million (approx. US\$ 162 million).
- (3) Included in "Accumulated other comprehensive income".
- (4) Regarding shares in this column without readily determinable fair value, are presented cost minus impairment adjusted upwards or downwards to observable prices in orderly transactions for the identical or a similar investment of the same issuer.
- (5) Recorded in the statement of profit and loss.
- (6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

Audited					
December 31, 2019					
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value ⁽¹⁾
In NIS millions					
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	4,253	4,253	242	-	4,495
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	322	322	3	4	321
Of others abroad ⁽⁶⁾	178	178	6	2	182
Total held-to-maturity bonds	4,753	4,753	251	6	4,998

Audited					
December 31, 2019					
	Book value	Amortized cost	Accumulated other comprehensive income		Fair value ⁽¹⁾
			Profits	Losses	
In NIS millions					
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	17,232	16,856	377	1	17,232
Of foreign governments	1,667	1,655	19	7	1,667
Of Israeli financial institutions	145	144	1	-	145
Of foreign financial institutions	927	911	17	1	927
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	7,062	7,060	30	28	7,062
Of others in Israel	322	308	14	-	322
Of others abroad ⁽⁶⁾	2,207	2,157	52	2	2,207
Total Available- for- sale bonds	⁽²⁾ 29,562	29,091	⁽³⁾ 510	⁽³⁾ 39	29,562

Audited					
December 31, 2019					
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value ⁽¹⁾⁽⁴⁾
In NIS millions					
(3) Investment in not for trading shares					
Shares	967	935	⁽⁵⁾ 33	⁽⁵⁾ 1	967
Shares	839	839	-	-	839
Total shares	35,282	34,779	-	-	35,527

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

Audited					
December 31, 2019					
	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					
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,299	2,292	8	1	2,299
Of foreign governments	16	16	-	-	16
Of Israeli financial institutions	17	16	1	-	17
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	60	59	1	-	60
Of others in Israel	58	59	2	3	58
Total bonds	2,450	2,442	12	4	2,450
Shares	13	12	2	1	13
Total trading securities	2,463	2,454	⁽⁵⁾ 14	⁽⁵⁾ 5	2,463
Total securities	37,745	37,233	-	-	37,990

Footnotes:

- (1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.
- (2) Including securities sold by overseas consolidated subsidiary under repurchase terms from the available for sale portfolio with a market value of NIS 380 million (approx. US\$ 110 million).
- (3) Included in "Accumulated other comprehensive income".
- (4) Regarding shares in this column without readily determinable fair value, are presented cost minus impairment adjusted upwards or downwards to observable prices in orderly transactions for the identical or a similar investment of the same issuer.
- (5) Recorded in the statement of profit and loss.
- (6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

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								
March 31, 2020								
	Less than 12 months				More than 12 months			
	Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value			
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
In NIS millions								
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	977	11	-	11	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	-	-	-	-	50	1	-	1
Of others abroad	-	-	-	-	36	2	-	2
Total held-to-maturity bonds	977	11	-	11	86	3	-	3

Unaudited								
March 31, 2019								
	Less than 12 months				More than 12 months			
	Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value			
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
In NIS millions								
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	100	(1)	-	-	-	-	-	-
Of foreign governments	-	-	-	-	18	(1)	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	7	(1)	-	-	336	9	-	9
Of others abroad	-	-	-	-	37	1	-	1
Total held-to-maturity bonds	107	-	-	-	391	10	-	10

Audited								
December 31, 2019								
	Less than 12 months				More than 12 months			
	Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value			
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
In NIS millions								
Held-to-maturity bonds								
Bonds and loans:								
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	67	(1)	-	-	145	4	-	4
Of others abroad	-	-	-	-	35	2	-	2
Total held-to-maturity bonds	67	-	-	-	180	6	-	6

Footnote:

(1) An amount lower than NIS 1 million.

5. Securities (continued)

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

	Unaudited							
	March 31, 2020							
	Less than 12 months				More than 12 months			
	Fair value	Unrealized losses			Total Fair value	Fair value	Unrealized losses	
0-20%		20-40%	Total	0-20%			20-40%	Total
In NIS millions								
Available- for-sale bonds								
Of the Israeli Government	6,812	71	149	220	-	-	-	-
Of foreign governments	108	9	-	9	-	-	-	-
Of Israeli financial institutions	89	3	-	3	-	-	-	-
Of foreign financial institutions	665	42	-	42	40	2	-	2
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,009	92	-	92	329	21	-	21
Of others in Israel	324	15	2	17	-	-	-	-
Of others abroad	1,508	82	-	82	89	9	-	9
Total available-for-sale bonds	10,515	314	151	465	458	32	-	32

	Unaudited							
	March 31, 2019							
	Less than 12 months				More than 12 months			
	Fair value	Unrealized losses			Total Fair value	Fair value	Unrealized losses	
0-20%		20-40%	Total	0-20%			20-40%	Total
In NIS millions								
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	1,946	2	-	2	202	(1)	-	-
Of foreign governments	11	(1)	-	-	339	2	-	2
Of Israeli financial institutions	13	(1)	-	-	-	-	-	-
Of foreign financial institutions	585	5	-	5	58	1	-	1
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	396	5	-	5	4,930	95	-	95
Of others in Israel	3	(1)	-	-	-	-	-	-
Of others abroad	413	5	-	5	74	1	-	1
Total available-for-sale bonds	3,367	17	-	17	5,603	99	-	99

Footnote:

(1) An amount lower than NIS 1 million.

5. Securities (continued)

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

Audited								
December 31, 2019								
	Less than 12 months			More than 12 months				
	Unrealized losses			Unrealized losses				
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
In NIS millions								
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	956	1	-	1	-	-	-	-
Of foreign governments	1,062	7	-	7	34	(1)-	-	-
Of Israeli financial institutions	24	(1)-	-	-	-	-	-	-
Of foreign financial institutions	52	(1)-	-	-	54	1	-	1
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,095	14	-	14	1,271	14	-	14
Of others in Israel	45	(1)-	-	-	-	-	-	-
Of others abroad	73	(1)-	-	-	118	2	-	2
Total available-for-sale bonds	4,307	22	-	22	1,477	17	-	17

Footnote:

(1) An amount lower than NIS 1 million.

- D. The securities portfolio, as of March 31, 2020, 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", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2019.
- E. Most of the unrealized losses as at March 31, 2020 relate to securities rated as "investment grade" and they are attributed to certain factors, including changes in market interest rate subsequent to date of 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 its 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.
- Whereas the Bank and the relevant subsidiaries do not intend to sell securities having an unrealized loss, the Bank and the relevant subsidiaries do not view the impairment in value of these investments to be other than temporarily impaired at March 31, 2020.
- F. **Fair value presentation.** The balances of securities as of March 31, 2020, March 31, 2019, and December 31, 2019, include securities amounting to NIS 33,934 million, NIS 29,414 million and NIS 32,153 million, respectively, that are presented at fair value.

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds

	Unaudited March 31, 2020			
	Amortized cost	Unrealized gains from adjustment to fair value ⁽¹⁾	Unrealized losses from adjustment to fair value ⁽¹⁾	Fair value
	In NIS millions			
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	908	18	-	926
of which:				
Bonds guaranteed by GNMA	624	8	-	632
Bonds issued by FHLMC and FNMA	284	10	-	294
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,789	169	2	5,956
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,789	169	2	5,956
Total available-for-sale MBS bonds	6,697	187	2	6,882
Held-to-maturity bonds				
Mortgage pass-through bonds:	22	2	-	24
of which:				
Bonds guaranteed by GNMA	16	2	-	18
Bonds issued by FHLMC and FNMA	6	-	-	6
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	284	6	1	289
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	284	6	1	289
Total held-to-maturity MBS bonds	306	8	1	313
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	58	2	-	60
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	58	2	-	60
Total mortgage-backed trading bonds (MBS)	58	2	-	60
Total mortgage-backed bonds (MBS)	7,061	197	3	7,255
2. Total Asset-backed available-for-sale bonds (ABS)	1,155	-	111	1,044
Of which collateralized bonds CLO	1,150	-	111	1,039
Of which Asset-backed bond (ABS)	5	-	-	5
Total mortgage and asset-backed bonds	8,216	197	114	8,299

Footnote:

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

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds (continued)

	Unaudited March 31, 2019			
	Amortized cost	Unrealized gains from adjustment to fair value ⁽¹⁾	Unrealized losses from adjustment to fair value ⁽¹⁾	Fair value
	In NIS millions			
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	1,181	2	12	1,171
of which:				
Bonds guaranteed by GNMA	822	2	9	815
Bonds issued by FHLMC and FNMA	359	-	3	356
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,856	4	84	4,776
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,856	4	84	4,776
Total available-for-sale MBS bonds	6,037	6	96	5,947
Held-to-maturity bonds				
Mortgage pass-through bonds:	29	1	-	30
of which:				
Bonds guaranteed by GNMA	19	1	-	20
Bonds issued by FHLMC and FNMA	10	-	-	10
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	389	1	9	381
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	389	1	9	381
Total held-to-maturity MBS bonds	418	2	9	411
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	74	-	1	73
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	74	-	1	73
Total mortgage-backed trading bonds (MBS)	74	-	1	73
Total mortgage-backed bonds (MBS)	6,529	8	106	6,431
2. Total Asset-backed available-for-sale bonds (ABS)	614	-	4	610
Of which collateralized bonds CLO	596	-	4	592
Of which Asset-backed bond (ABS)	18	-	-	18
Total mortgage and asset-backed bonds	7,143	8	110	7,041

Footnote:

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

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds (continued)

	Audited			
	December 31, 2019			
	Amortized cost	Unrealized gains from adjustment to fair value ⁽¹⁾	Unrealized losses from adjustment to fair value ⁽¹⁾	Fair value
	In NIS millions			
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	945	6	1	950
of which:				
Bonds guaranteed by GNMA	655	3	1	657
Bonds issued by FHLMC and FNMA	290	3	-	293
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,030	23	18	5,035
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,030	23	18	5,035
Total available-for-sale MBS bonds	5,975	29	19	5,985
Held-to-maturity bonds				
Mortgage pass-through bonds:	24	2	-	26
of which:				
Bonds guaranteed by GNMA	17	2	-	19
Bonds issued by FHLMC and FNMA	7	-	-	7
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	298	1	4	295
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	298	1	4	295
Total held-to-maturity MBS bonds	322	3	4	321
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	59	1	-	60
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	59	1	-	60
Total mortgage-backed trading bonds (MBS)	59	1	-	60
Total mortgage-backed bonds (MBS)	6,356	33	23	6,366
2. Total Asset-backed available-for-sale bonds (ABS)	1,085	1	9	1,077
Of which collateralized bonds CLO	1,070	1	9	1,062
Of which Asset-backed bond (ABS)	15	-	-	15
Total mortgage and asset-backed bonds	7,441	34	32	7,443

Footnote:

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

5. Securities (continued)

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

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

	Unaudited			
	March 31, 2020			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
In NIS millions				
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
B. Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	214	1	100	1
Total other mortgage-backed bonds	214	1	100	1
Total available-for-sale MBS	214	1	100	1
Held-to-maturity bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	49	1
Total other mortgage-backed bonds	-	-	49	1
Total held-to-maturity MBS bonds	-	-	49	1
Total mortgage-backed bonds (MBS)	214	1	149	2
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	790	91	229	20
Of which Asset-backed bond (ABS)	5	(1)	-	-
Total asset-backed available-for-sale bonds (ABS)	795	91	229	20
Total mortgage and asset-backed bonds	1,009	92	378	22

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

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

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

	Unaudited			
	March 31, 2019			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
In NIS millions				
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass through bonds:				
Bonds guaranteed by GNMA	86	1	474	8
Bonds issued by FHLMC and FNMA	-	-	304	3
Total mortgage backed pass through bonds	86	1	778	11
B. Other Mortgage-Backed Securities (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	4,152	84
Total other mortgage backed bonds	-	-	4,152	84
Total available-for-sale MBS bonds	86	1	4,930	95
Held-to-maturity securities				
B. Other mortgage backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	7	(1)	327	9
Total other mortgage backed bonds	7	-	327	9
Total held-to-maturity MBS bonds	7	-	327	9
Trading bonds				
Other mortgage backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	50	1
Total mortgage-backed trading bonds (MBS)	-	-	50	1
Total mortgage-backed bonds (MBS)	93	1	5,307	105
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	310	4	-	-
Total asset backed available-for-sale bond (ABS)	310	4	-	-
Total mortgage and asset backed bond	403	5	5,307	105

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

H. 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, 2019			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
In NIS millions				
1. Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass through bonds:				
Bonds guaranteed by GNMA	-	-	307	1
Bonds issued by FHLMC and FNMA	-	-	99	(1)
Total mortgage backed pass through bonds	-	-	406	1
B. Other Mortgage-Backed Securities (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,502	8	656	10
Total other mortgage-backed bonds	1,502	8	656	10
Total available-for-sale MBS bonds	1,502	8	1,062	11
Held-to-maturity bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	67	(1)	141	4
Total other mortgage-backed bonds	67	-	141	4
Total held-to-maturity MBS bonds	67	-	141	4
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	13	(1)
Total mortgage-backed trading bonds (MBS)	-	-	13	-
Total mortgage-backed bonds (MBS)	1,569	8	1,216	15
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	593	6	209	3
Total asset-backed available-for-sale bonds (ABS)	593	6	209	3
Total mortgage and asset backed bonds	2,162	14	1,425	18

Footnote:

(1) Amount lower than NIS 1 million

I. Information regarding impaired bonds

	March 31,	March 31,	December
	2020	2019	31, 2019
In NIS millions			
Recorded amount of non accruing interest income impaired bonds	43	81	47

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

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

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

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

	Unaudited					
	March 31, 2020					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total Governments	Banks and	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	87,760	5	637	88,402	6,546	94,948
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽²⁾ 203	38,189	-	38,392	-	38,392
Group - other	27,029	197	32,195	59,421	666	60,087
Total debts*	114,992	38,391	32,832	186,215	7,212	193,427
* Of which:						
Restructured troubled debts	874	-	155	1,029	-	1,029
Other Impaired debts	1,235	5	37	1,277	-	1,277
Total balance of impaired debts	2,109	5	192	2,306	-	2,306
Debts in arrears of 90 days or more	57	366	49	472	-	472
Other problematic debts	2,365	24	341	2,730	-	2,730
Total Problematic debts	4,531	395	582	5,508	-	5,508
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,592	-	87	1,679	-	1,679
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽³⁾ 1	⁽³⁾ 235	-	236	-	236
Group - other	422	2	689	1,113	1	1,114
Total allowance for Credit Losses	2,015	237	776	3,028	1	3,029
Of which: in respect of impaired debts	307	-	67	374	-	374

Footnotes:

- (1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 92,642 million and the allowance in its respect in an amount of NIS 1,305 million computed on a group basis.
- (2) The balance of commercial debts includes housing loans in the amount of NIS 203 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 157 million.

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

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

	Unaudited March 31, 2019					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	80,008	-	597	80,605	6,117	86,722
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrear	⁽²⁾ 222	33,643	-	33,865	-	33,865
Group - other	⁽²⁾ 27,628	158	30,348	58,134	342	58,476
Total debts*	107,858	33,801	30,945	172,604	6,459	179,063
* Of which:						
Restructured troubled debts	1,024	-	148	1,172	-	1,172
Other Impaired debts	429	-	29	458	-	458
Total balance of impaired debts	1,453	-	177	1,630	-	1,630
Debts in arrears of 90 days or more	56	330	51	437	-	437
Other problematic debts	1,348	21	326	1,695	-	1,695
Total Problematic debts	2,857	351	554	3,762	-	3,762
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,111	-	73	1,184	-	1,184
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrear	⁽³⁾ 1	⁽³⁾ 192	-	193	-	193
Group - other	381	2	548	931	1	932
Total allowance for Credit Losses	1,493	194	621	2,308	1	2,309
Of which: in respect of impaired debts	152	-	61	213	-	213

Footnotes:

- (1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 85,092 million and the allowance in its respect in an amount of NIS 971 million computed on a group basis.
- (2) The balance of commercial debts includes housing loans in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (3) Includes the balance of allowance in excess of that required by the extent of arrear method, computed on a specific basis in amount of NIS 4 million, computed on a group basis in amount of NIS 117 million.

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

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

	Audited					
	December 31, 2019					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	85,059	-	761	85,820	5,980	91,800
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽²⁾ 233	36,974	-	37,207	-	37,207
Group - other	26,759	185	33,020	59,964	243	60,207
Total debts*	112,051	37,159	33,781	182,991	6,223	189,214
* Of which:						
Restructured troubled debts	885	-	158	1,043	-	1,043
Other Impaired debts	740	-	31	771	-	771
Total balance of impaired debts	1,625	-	189	1,814	-	1,814
Debts in arrears of 90 days or more	62	359	57	478	-	478
Other problematic debts	2,067	19	314	2,400	-	2,400
Total Problematic debts	3,754	378	560	4,692	-	4,692
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,285	-	82	1,367	-	1,367
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽³⁾ 1	⁽³⁾ 206	-	207	-	207
Group - other	367	1	582	950	1	951
Total allowance for Credit Losses	1,653	207	664	2,524	1	2,525
Of which: in respect of impaired debts	241	-	66	307	-	307

Footnotes:

- (1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 89,986 million and the allowance in its respect in an amount of NIS 1,060 million computed on a group basis.
- (2) The balance of commercial debts includes housing loans in the amount of NIS 233 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 130 million.

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

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

	Unaudited						
	Credit to the public					Banks and Governments	Total
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Total		
		In NIS millions					
Three months ended March 31, 2020							
Balance of allowance for credit losses, as at December 31, 2019 (audited)	1,823	207	717	2,747	1	2,748	
Expenses for credit loss	441	30	185	656	-	656	
Accounting write-offs	(138)	-	(135)	(273)	-	(273)	
Collection of debts written-off in previous years	63	-	72	135	-	135	
Net accounting write-offs	(75)	-	(63)	(138)	-	(138)	
Financial statements translation adjustments	10	-	-	10	-	10	
Balance of allowance for credit losses, as at March 31, 2020	2,199	237	839	3,275	1	3,276	
Of which: In respect of off-balance sheet credit instruments	184	-	63	247	-	247	
Three months ended March 31, 2019							
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451	
Expenses for credit loss	62	7	72	141	-	141	
Accounting write-offs	(96)	-	(117)	(213)	-	(213)	
Collection of debts written-off in previous years	61	-	58	119	-	119	
Net accounting write-offs	(35)	-	(59)	(94)	-	(94)	
Financial statements translation adjustments	(8)	-	-	(8)	-	(8)	
Balance of allowance for credit losses, as at March 31, 2019	1,625	194	670	2,489	1	2,490	
Of which: In respect of off-balance sheet credit instruments	132	-	49	181	-	181	

7. Deposits from the public

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

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	41,296	32,925	38,364
Interest bearing	52,422	38,522	43,493
Total demand deposits	93,718	71,447	81,857
Time deposits	91,810	92,413	92,816
Total deposits in Israel*	185,528	163,860	174,673
* Of which:			
Private individuals deposits	101,737	91,411	91,680
Institutional bodies deposits	15,744	12,724	18,076
Corporations and others deposits	68,047	59,725	64,917
Outside Israel			
Demand deposits:			
Non-interest bearing	4,936	3,868	4,391
Interest bearing	15,715	12,557	13,569
Total demand deposits	20,651	16,425	17,960
Time deposits	7,488	10,554	8,817
Total deposits outside Israel	28,139	26,979	26,777
Total deposits from the public	213,667	190,839	201,450

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

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	80,139	72,960	74,205
Over 1 up to 10	60,690	52,662	53,834
Over 10 up to 100	34,367	28,029	31,404
Over 100 up to 500	17,220	18,952	19,208
Over 500	21,251	18,236	22,799
Total	213,667	190,839	201,450

8. Employee Benefits

A. Details regarding the benefits

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	2,843	3,139	3,213
Fair value of the plan's assets	1,440	1,823	1,625
Excess liabilities over the plan's assets	1,403	1,316	1,588
Excess liabilities of the program included in the item "other liabilities"	1,403	1,337	1,588
Excess assets of the program included in the item "other assets"	-	21	-
Amounts included in the other liabilities item:			
Long-service ("jubilee") awards	248	286	338
Post retirement benefits to retirees	539	612	673
Vacation	152	148	130
Illness	7	7	8
Total Excess liabilities of the program included in the item "other liabilities"	2,349	2,390	2,737
Of which – in respect of benefits to employees abroad	28	30	28
Total Excess assets of the program included in the item "other assets"	-	21	-
Of which – in respect of benefits to employees abroad	-	21	-

B. Defined benefit plan

1. Commitment and financing status

1.1 CHANGE IN COMMITMENT IN RESPECT OF ANTICIPATED BENEFITS

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2020	2019	2020	2019	2019	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Commitment in respect of anticipated benefits at the beginning of the period	3,213	3,093	673	577	3,093	577
Cost of service	22	19	1	1	78	4
Cost of interest	18	27	4	6	92	22
Actuarial loss (profit)	(367)	94	(132)	36	384	109
Changes in foreign currency exchange rates	(1)	(5)	1	(1)	(14)	(2)
Benefits paid	(42)	(89)	(8)	(7)	(244)	(36)
Settlements	-	-	-	-	⁽²⁾ (200)	⁽²⁾ (2)
An addition stemming from the merger of Municipal Bank	-	-	-	-	24	1
Commitment at the end of the period in respect of anticipated benefits	2,843	3,139	539	612	3,213	673
Commitment at the end of the period in respect of accumulated benefits⁽¹⁾	2,487	2,810	539	612	2,806	673

Footnotes:

(1) The commitment in respect of a cumulative benefit differs from the commitment in respect of a contractual benefit in that it does not include any assumptions with regard to the future remuneration levels.

(2) In 2019 the Bank settled completely the liability – reduction in liability for defined benefits against a reduction in the assets of the plan, as detailed in Note 23 item A (15) to the financial statements as of December 31, 2019.

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	Severance pay, retirement and pension payments		
	in NIS millions		
Fair value of the plan's assets at the beginning of the period	1,626	1,815	1,815
Actual return on the plan's assets	(157)	76	178
Changes in foreign currency exchange rates	-	(6)	(16)
Deposits by the Bank to the plan	6	6	35
Benefits paid	(35)	(68)	(194)
Settlements	-	-	(200)
An addition stemming from the merger of Municipal Bank	-	-	7
Fair value of the program's assets at the end of the period	1,440	1,823	1,625
Financing status - liability, net, recognized at the end of the period	(1,403)	(1,316)	(1,588)

1.3 AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Unaudited		Unaudited		Audited	
	March 31		March 31		December 31	
	2020	2019	2020	2019	2019	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other assets"	-	21	-	-	-	-
Amounts recognized in the item "other liabilities"	(1,403)	(1,337)	(539)	(612)	(1,588)	(673)
Net liability recognized at the end of the period	(1,403)	(1,316)	(539)	(612)	(1,588)	(673)

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

	Unaudited		Unaudited		Audited	
	March 31		March 31		December 31	
	2020	2019	2020	2019	2019	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Actuarial profit (loss), net	(515)	(588)	78	21	(734)	(54)
Net cost in respect of prior service	-	-	3	4	-	3
Closing balances of accumulated other comprehensive income	(515)	(588)	81	25	(734)	(51)

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment in respect of anticipated benefits	2,651	2,787	3,014
Commitment in respect of cumulative benefits	2,356	2,511	2,671
Fair value of the plan's assets	1,267	1,463	1,457

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

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment in respect of anticipated benefits	2,843	2,961	3,213
Fair value of the plan's assets	1,440	1,623	1,625

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period

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

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December,
	2020	2019	2019
	in NIS millions		
Severance pay, retirement and pension payments			
Cost of service	22	19	78
Cost of interest	18	27	92
Anticipated return on assets of the plan	(11)	(14)	(53)
Amortization of unrecognized amounts:			
Net actuarial loss	14	11	49
Total amortization of unrecognized amounts	14	11	49
Other, including loss from reduction or settlement	6	13	58
Total net cost of benefits	49	56	224
Total expense regarding defined deposits pension plans	49	47	201
Total expenses included in respect Severance pay, retirement and pension payments	98	103	425
Of which: expenses included in salaries and related expenses	71	66	279
Of which: expenses included in other expenses	27	37	146
Post retirement retiree benefits			
Cost of service	1	1	4
Cost of interest	4	6	22
Amortization of unrecognized amounts:			
Net actuarial income	-	(2)	(4)
Cost of prior service	-	-	(1)
Total amortization of unrecognized amounts	-	(2)	(5)
Total net cost of benefits	5	5	21
Of which: expenses included in salaries and related expenses	1	1	4
Of which: expenses included in other expenses	4	4	17

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

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

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2020	2019	2020	2019	2019	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post and retirement retiree benefits
in NIS millions						
Net actuarial loss (income) for the period	(199)	32	(132)	36	259	109
Amortization of actuarial (loss) income	(14)	(11)	-	2	(49)	4
Amortization of credit in respect of prior service	-	-	-	-	-	1
Changes in foreign currency exchange rates	-	-	-	-	2	-
Other, including profit from reduction or settlement	(6)	(13)	-	-	(58)	-
Total recognized in other comprehensive loss (income)	(219)	8	(132)	38	154	114
Total net cost of benefits⁽¹⁾	49	56	5	5	224	21
Total amount recognized in net cost of benefits and in other comprehensive income	(170)	64	(127)	43	378	135

Footnote:

(1) See item 2.1 above.

2.3 ESTIMATE OF AMOUNTS INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME EXPECTED TO BE AMORTIZED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME TO THE STATEMENT OF PROFIT AND LOSS DURING THE REMAINDER OF 2020 AS AN EXPENSE (INCOME), BEFORE TAX EFFECT

	Unaudited	
	April - December 2020	
	Severance pay, retirement and pension payments	Post retirement retiree benefits
in NIS millions		
Net actuarial (income) loss	30	(5)
Settlements	19	-
Total amount expected to be amortized from other comprehensive income	49	(5)

3. Assumptions

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

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

	Unaudited		Audited		Unaudited		Audited	
	March 31		December 31		March 31		December 31	
	2020	2019	2019	2020	2019	2019	2019	
	Severance pay, retirement and pension payments				Post retirement retiree benefits			
Discount rate	1.81%-2.34%	1.09%-2.03%	0.11%-0.93%	1.80%-2.51%	0.47%-2.25%	-0.13%-1.15%		

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions (continued)

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

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

	Unaudited		Audited		Unaudited		Audited	
	March 31		December 31		March 31		December 31	
	2020	2019	2019	2019	2020	2019	2019	
	Severance pay, retirement and pension payments				Post retirement retiree benefits			
Discount rate	0.11%-0.93%	1.83%-2.54%	0.21%-2.54%	-0.13%-1.15%	1.32%-2.70%	-0.04%-2.70%		

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

	Unaudited		Audited		Unaudited		Audited		Unaudited		Audited					
	Increase of one percentage point				Decrease of one percentage point											
	Severance pay, retirement and pension payments				Post retirement retiree benefits				Severance pay, retirement and pension payments				Post retirement retiree benefits			
	March 31		December 31		March 31		December 31		March 31		December 31		March 31		December 31	
	2020	2019	2019	2019	2020	2019	2019	2019	2020	2019	2019	2020	2019	2020	2019	
	in NIS millions															
Discount rate	(242)	(242)	(297)	(23)	(31)	(44)	251	245	315	23	31	45				

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

4. Cash flow

4.1 DEPOSITS

	Unaudited		Audited	
	Forecast ⁽¹⁾		Actual deposits	
	For the three months ended March 31,		For the year ended December 31,	
	2020	2020	2019	2019
	Severance pay, retirement and pension payments			
	in NIS millions			
Deposits	20	6	6	35

Footnote:

(1) Assessment of expected deposits with defined benefit pension plans during the remainder of 2020.

C. A new remuneration policy for Officers of the Bank

The Bank's special general meeting of shareholders held on March 18, 2020, approved the remuneration policy for Officers of the Bank for the years 2020-2022.

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

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

- (a) **Adoption of Basel III instructions.** Details in this matter were brought in Note 25, item 1, in the 2019 Annual Report.
- (b) **Additional capital requirements in respect of housing loans.** On September 28, 2014 the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329, in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the total capital target by a rate which expresses 1% of the outstanding housing loans. The said requirement increased the total minimum equity capital requirement and the total capital by approx. 0.20%. It is noted that in accordance to the Provisional Instruction from April 27, 2020, the said requirement shall not apply to housing loans approved as from March 19, 2020 and until date of expiry of the Provisional Instruction.
- (c) **Relief regarding the efficiency plan 2016.** The Supervisor of Banks granted the Bank relief regarding its 2016 efficiency plan. Costs in a total amount of NIS 372 million (before taxes; on a consolidated basis; an amount of NIS 245 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2016, and are gradually amortized, as from the fourth quarter of 2016, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 171 million have been amortized to March 31, 2020. Additional details regarding this matter are given in Note 25 item 1 c to the 2019 annual report.
- (d) **Relief regarding the efficiency plan 2018.** The Supervisor of Banks granted the Bank a relief regarding its 2018 efficiency plan. Costs in a total amount of approx. NIS 145 million (before taxes; an amount of NIS 95 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2018, and are gradually amortized, as from the third quarter of 2018, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 33 million have been amortized to March 31, 2020. Additional details regarding this matter are given in Note 25 item 1 d to the 2019 annual report.
- (e) **Provisional Instruction mitigating the capital requirements in order to face the Corona crisis.** The Supervisor of Banks published on March 31, 2020 a Provisional Instruction, according to which, on the background of the spreading of the Corona virus and in order to secure the ability of banks to continue the granting of credit, the regulatory capital requirements applying to banks, have been reduced so that the minimum Common Equity Tier 1 ratio (excluding the additional capital buffer in respect of residential credit) would be 8% (compared to 9% prior to the change), and the minimum total capital ratio would be 11.5% (compared to 12.5% prior to the change). The Provisional Instruction is to remain in effect for a period of six months, and if required would be extended for an additional period of six months. Following that, banks would be required to present a gradual outline for the renewal of the accumulation of the eroded capital over a period of two years.
- (f) **An early redemption in full of the subordinate capital notes (Series 1).** On April 20, 2020, Manpikim redeemed the capital notes by means of an early redemption in full, in accordance with the terms of the capital notes and following the approval of the Supervisor of Banks, in a total amount of approx. NIS 1,448 million, including interest and linkage increments.

G. Capital for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
	in NIS millions		
Common equity tier 1 after deductions	⁽¹⁾ 19,218	⁽¹⁾ 17,966	⁽¹⁾ 19,009
Additional tier 1 capital after deductions	356	534	534
Tier 1 capital	19,574	18,500	19,543
Tier 2 capital after deductions	5,588	4,686	6,021
Total capital	25,162	23,186	25,564

Footnote:

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

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

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

H. Weighted risk assets balance

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
in NIS millions			
Credit risk ⁽¹⁾	171,162	158,320	165,883
Market Risk	4,542	3,635	2,858
CVA risk	2,216	1,406	1,489
Operational risk	14,379	13,285	14,216
Total weighted risk assets balance	192,299	176,646	184,446

Footnote:

(1) The total weighted balances of the risk assets have been reduced by NIS 10 million (March 31, 2019: NIS 20 million, December 31, 2019: NIS 10 million) due to adjustments in respect to the efficiency plan.

I. Ratio of capital risk assets

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
In %			
A. Consolidated			
Ratio of common equity tier 1 to risk assets	9.99	10.17	10.31
Ratio of total capital to risk assets	13.09	13.13	13.86
Ratio of minimum common equity tier 1 required by the Supervisor of Banks ⁽⁴⁾⁽⁶⁾	8.20	9.19	9.20
Minimum total capital adequacy ratio required by the Supervisor of Banks ⁽⁴⁾⁽⁶⁾	11.70	12.69	12.70
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	11.2	11.4	11.0
Ratio of total capital to risk assets	13.8	13.7	13.7
Ratio of minimum common equity tier 1 required by the Supervisor of Banks ⁽⁵⁾⁽⁶⁾	8.2	9.2	9.2
Minimum total capital adequacy ratio required by the Supervisor of Banks ⁽⁵⁾⁽⁶⁾	11.7	12.7	12.7
2. Discount Bancorp Inc. ⁽¹⁾			
Ratio of common equity tier 1 to risk assets	13.7	13.8	14.1
Ratio of total capital to risk assets	14.9	14.8	15.2
Ratio of minimum common equity tier 1 required in accordance with local regulation ⁽²⁾	4.5	4.5	4.5
Minimum total capital adequacy ratio required in accordance with local regulation ⁽²⁾	8.0	8.0	8.0
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	13.0	14.4	12.9
Ratio of total capital to risk assets	14.1	15.5	14.0
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.0	8.0	8.0
Minimum total capital adequacy ratio required by the Supervisor of Banks ⁽³⁾	11.5	11.5	11.5

Footnotes:

- (1) The data in this item was computed in accordance with the rules mandatory in the U.S.A.
- (2) IDB New York is subject to the new Basel III capital rules based on the final rules published by the FRB. Capital ratios are as follows: 4.5% CET1 to risk-weighted assets; 6.0% Tier 1 capital to risk-weighted assets; and 8.0% Total capital to risk-weighted assets.
- (3) In accordance with of the approach by the Supervisor of Banks, ICC was required to maintain a total capital ratio of not less than 15%, starting from December 31, 2010. The Supervisor of banks announced the cancellation of the restriction on February 4, 2018.
- (4) With an addition of 0.20% (March 31, 2019: 0.19%, December 31, 2019: 0.20%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.
- (5) With an addition of 0.21% (March 31, 2019: 0.19%, December 31, 2019: 0.20%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.
- (6) For details regarding a temporary order of relief with capital requirements for coping with the Corona crisis, see item E above.

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

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

J. Capital components for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
	in NIS millions		
A. Common Equity Tier 1			
Common equity	19,444	18,145	19,193
Difference between common equity and common equity tier 1	(216)	(219)	(178)
Total common equity tier 1 before supervisory adjustments and deductions	19,228	17,926	19,015
Supervisory adjustments and deductions			
Goodwill and other intangible assets	164	160	164
Supervisory adjustments and other deductions	(19)	3	(6)
Total supervisory adjustments and deductions before adjustments in respect to the efficiency plan	145	163	158
Total adjustments in respect to the efficiency plan	135	203	152
Total common equity tier 1 after supervisory adjustments and deductions	19,218	17,966	19,009
B. Additional tier 1 capital			
Additional tier 1 capital before deductions	356	534	534
Total additional tier 1 capital after deductions	356	534	534
C. Tier 2 capital			
Instruments before deductions	3,334	2,612	3,844
Allowance for credit losses before deductions	2,167	1,997	2,092
Minority interests in a subsidiary	87	77	85
Total tier 2 capital before deductions	5,588	4,686	6,021
Deductions	-	-	-
Total tier 2 capital	5,588	4,686	6,021

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

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
	In %		
Ratio of common equity tier 1 to risk assets before the effect of the adjustments in respect to the efficiency plan	9.92	10.05	10.22
Effect of the adjustments in respect to the efficiency plan	0.07	0.12	0.09
Ratio of common equity tier 1 to risk assets after the effect of the adjustments in respect to the efficiency plan	9.99	10.17	10.31

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

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

Computed according to Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio.

	Unaudited		Audited
	March 31,		December 31,
	2020	2019	2019
	in NIS millions		
A. Consolidated			
Tier 1 capital ⁽¹⁾	19,574	18,500	19,543
Total exposures	299,425	264,166	284,621
	In %		
Leverage ratio	6.5	7.0	6.9
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	6.6	7.3	6.5
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
2. Discount Bakcorp Inc.			
Leverage ratio	10.7	10.6	10.9
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	8.3	9.1	8.0
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0

Footnote:

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

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

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

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

	Unaudited		Audited
	For the three months ended		
	March 31,	December 31,	
	2020	2019	2019
	In %		
A. Consolidated			
Liquidity coverage ratio	128.8	133.4	121.2
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	148.2	154.2	129.6
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries⁽¹⁾			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	134.9	144.3	136.5
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

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

10. Contingent liabilities and special commitments

A. Contingent liabilities and other special commitments

	Unaudited		Audited
	March 31		December 31
	2020	2019	2019
	in NIS millions		
1. Commitment to acquire buildings and equipment ⁽¹⁾	658	130	151
2. Commitment to invest in private investment funds and in venture capital funds	566	598	488

Footnote:

(1) Mainly due to the Discount campus establishment, see item 6 (b),

B. Contingent liabilities and other special commitments

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

As detailed in Note 26 C 12 to the financial statements as at December 31, 2019, 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 991 million as of March 31, 2020.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 12-13 to the financial statements as at December 31, 2019. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 16 to the financial statements as at December 31, 2019.

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

4.1 Note 26 C 12.1 to the financial statements as of December 31, 2019, described a lawsuit together with a motion for its approval as a class action suit against ICC and other credit card companies, filed on April 28, 2014 with the District Court Central Region. The motion raises the allegation for two binding arrangements in the field of immediate debit cards ("debit") and pre-paid cards ("pre-paid").

A new motion was filed on June 8, 2016, which assessed the damage in respect of all defendants at approx. NIS 7 billion.

On December 23, 2018, the Appellants submitted a motion to the Supreme Court, sitting as a High Court of Justice, against the Competition Commissioner. It is requested in the motion that the Court instructs the Competition Commissioner to act in order to clarify, or annul, or change the verdict of the Competition Court, which approved the cross-commission arrangement. The hearing of the Plea, which was scheduled for March 19, 2020, has been deferred to July 16, 2020 due to the Corona crisis.

4.2 Different legal proceedings have been and are conducted in Australia and in Israel against the Bank and against MDB, relating to accounts held with these two banks by certain Australian family members and by companies related to them. The essence of the said proceedings is civil lawsuits (fiscal) filed in Australia by Liquidators of the related companies, claiming damage caused to these companies due to amended tax assessments issued by the Australian Tax Authorities. The claims are based on the argument (refuted) that the said banks had provided banking services to customers, assisting them in evading the payment of taxes in Australia. The possibility exists that additional claims would be submitted in the same matter by additional related companies (additional details are presented in Item (c) and in Item 5.1 hereunder).

(a) A legal action filed against the Bank and against MDB in September 2017. The action was filed with a Federal Court in Australia by two Australian companies (through their Liquidator), which had held accounts with the two banks, and based on amended tax assessments issued to these companies by the Australian Tax Authorities. The action relates to different transactions recorded in the accounts of the companies in the years 1997 to 2005. The original amount of the action was approx. AUD 11 million, claimed from MDB and an amount of approx. AUD 9.3 million claimed from the Bank.

An amended action brief was filed on September 2, 2019, according to which, the Liquidator of the companies and the Tax Authorities were attached as additional Plaintiffs in respect of one of the causes of action. In addition, the amount of the claim was reduced to approx. AUD 16 million in respect of both banks.

On January 31, 2020, the parties signed a compromise agreement and the claim against the banks was deleted. The amount payable under this agreement is not material to the Bank.

10. Contingent liabilities and special commitments (continued)

- (b) On December 4, 2016, the Bank received notice of a legal action against the Bank and against additional Defendants, which had been filed with the Federal Court in Australia. The action was served by the Liquidators of three Australian companies, which had held accounts with the Bank. The action relates to different transactions recorded in the said accounts in the years 1992 to 2009. At date of service of the action, the amount claimed was AUD 100 million. According to the Plaintiffs, the amount claimed includes interest in accordance with Australian law of an annual rate of 8%. The Bank has filed motions for the cancellation of the permit for serving outside the jurisdiction and for the stay of proceedings, inter alia, on grounds of arguments claiming lack of authority and an improper forum. Hearing of the preliminary arguments of the Bank was held on November 12, 2019. A decision in the matter is still pending. An amended action brief was filed on November 14, 2019, according to which, the Liquidators and the Tax Authorities were attached as additional Plaintiffs in respect of one of the causes of action.
- (c) On October 3, 2019, the Liquidators of the three Plaintiff companies in the proceedings discussed in subsection (b) above, and of four additional companies that had held accounts with the Bank ("the additional companies") filed motions for the recognition in Israel of the liquidation proceedings of these companies conducted in Australia, as well as of additional companies (which had no accounts with the Bank). These motions, which were filed with the Tel Aviv District Court, are argued to be based on the Insolvency and Economic Recovery Act, 2018. The Bank was not a party to the motions for recognition. On October 3, 2019, the Court admitted the said motions. On November 14, 2019, the Liquidators motioned the Court for an order instructing the Bank to deliver to them documents and information in the hands of the Bank relating to all the accounts that are conducted or which had been conducted at the Bank in the name of the companies in question or to accounts related to them. The Bank opposed the motion for delivery of documents and information and filed a motion for the cancellation of the said recognition proceedings. The Court stayed the decision regarding the motion for delivery of documents and information until after a decision is handed in the matter of the recognition proceedings. On March 3, 2020, a hearing on the motion took place. On March 10, 2020, the motion for the cancellation of the recognition proceedings was withdrawn by mutual consent.

The motion for the delivery of documents is still pending.

The Bank assess that it is very likely that the Australian Tax Authorities would issue amended tax assessments to the additional companies, following which, additional actions would be lodged against the Bank. It is estimated by the Bank that if such additional actions would in fact be lodged, as stated, then together with the proceedings described in Item (b) above and the proceedings described in Item 5.1 hereunder, the total amount of such actions may reach approx. AUD 190 million. An examination performed at the banks did not identify additional related accounts, in respect of which additional actions, as stated above, might be lodged.

It is emphasized that no monetary demand or monetary claim have as yet been submitted to the banks with respect to the additional companies, or with respect to the related company mentioned in Item 5.1 hereunder, and that to the best knowledge of the Bank, no amended tax assessment have as yet been issued to them. The estimate made by the Bank of the total amount of the claims, as stated above, is based on data contained in the legal briefs of the Liquidators being part of the proceedings already in progress, on data existing in the hands of the Bank and on the basis of the principles for computation of the damage, as detailed by the Liquidators in the proceedings discussed in Item (a) above. In view of the above, difficulty exists in assessing the amounts of the actions that might be lodged, if at all, in respect of the said companies, and the amounts of the actions served, if at all, might be significantly higher or lower than the amounts estimated.

For details pertaining to an additional proceeding conducted in a similar matter, see Item 5.1 hereunder.

- 4.3 Note 26 C 12.6 to the financial statements as of December 31, 2019, described an action together with a motion for approval of the action as a class action suit filed against the Bank on June 21, 2018, with the Central District Court in Lod. As alleged by the Appellant, the Bank violates the provisions of the Custodian General Act, 1978, and the provisions of the Protection of Deposited Assets Act, 1964, in that it does not report to the Custodian General its holding of an "abandoned asset". It is claimed that the Bank does not make reasonable efforts to locate the owners of the "abandoned asset", and causes damage to members of the class in that the Custodian General would have invested these funds in a most beneficial fashion suitable to the type of the abandoned asset, and would have made real efforts to locate the owners. The Appellant stated the amount of the claim for all class members at NIS 300 million.

On December 25, 2019, a petition to amend the approval motion was filed. On March 17, 2020, the Bank submitted its response, according to which it opposes the motion for the amendment of the motion for approval, which comprises an attempt to broadening the scope claim. The case is fixed for a preliminary hearing on October 14, 2020.

10. Contingent liabilities and special commitments (continued)

4.4 Note 26 C 12.7 to the financial statements as of December 31, 2019, described a claim and a petition for the claim's approval as a class action against ICC and two other credit card companies, filed on July 22, 2018 in the Tel Aviv District Court. The subject of the petition is paperless transactions (mainly telephone transactions) with companies engaged in direct marketing. It is alleged in the petition that the credit card companies have not prevented the companies engaged in direct marketing from exploiting the elderly and stealing their money in respect to illegal transactions, with this being done by charging their credit cards. The petitioners have assessed the amount of their claim in the sum of NIS 900 million for all the members of the group.

A preliminary hearing was held on January 7, 2020. At the end of the hearing, the Court ordered the representative of the Plaintiffs to edit, while reducing, the list of documents requested for disclosure and perusal thereof, as well as the questionnaire. On January 26, 2020, the Appellants filed an amended motion for the disclosure of documents. On March 8, 2020, the Defendants filed a response brief to the motion. The Court stated that the Plaintiff has to submit its response to the response to the amended motion for disclosure, until June 10, 2020.

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 The Bank has been informed, that on June 15, 2017, following a motion filed with an Australian Court, in proceedings being conducted regarding the Australian Tax Authorities and a company related to the companies mentioned in subsection 4.2 above, the Magistrate Court in Tel Aviv issued an order permitting an Israeli lawyer to collect testimonies and evidence from three employees of MDB (some of them already retired), and this in accordance with a motion for obtaining legal assistance between States.

On January 30, 2020, the motion that had been filed by MDB for permission to appeal the decision of the District Court ordering MDB to deliver documents to an Israeli lawyer, was rejected, and accordingly, the documents have been delivered. The judicial inquiry proceedings have not yet been concluded.

For details regarding additional proceedings in a similar matter, see Section 4.2 above.

5.2 Note 26 C 13.2 to the financial statements as of December 31, 2019, described a legal action against the Bank and against five additional banks, together with a motion for approval of the action as a class action suit filed with the Tel Aviv District Court on June 5, 2019.

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

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

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

On October 10, 2019, the Bank submitted a motion for the in limine dismissal of the motion, as well as a motion for extension of the date for submission of its response. On October 27, 2019, the Appellant submitted his response brief to the motions.

On January 16, 2020, the Court decided that the date for submission of the response to the motion for approval is deferred until after a decision is given regarding the motion for the in limine dismissal. A hearing was held on March 9, 2020. A judgment was given whereby the petitioner must give notice, by March 25, 2020, of whether he wishes to continue with the proceedings. On March 17, 2020, the Plaintiff informed his insistence on the hearing of the motion for approval.

5.3 Note 26 C 13.3 to the financial statements as of December 31, 2019, described a claim brief together with a plea for deferment of the payment of Court fees, filed with the Tel Aviv-Yaffo District Court against the Bank and against five additional defendants on December 19, 2019.

The claim had been filed by a commercial bank in the Ukraine, the Joint Stock Company Commercial Bank, Private Bank, and the cause of action being fraud, embezzlement and deceit perpetrated by former controlling stockholders of the Plaintiff who are being sued in the claim brief.

10. Contingent liabilities and special commitments (continued)

As argued in the claim brief, the controlling stockholders of the Plaintiff had acted for the granting of loans by the Plaintiff to entities under their control, such loan monies being later transferred through bank accounts in order to hide their source, and finally usurped for the personal benefit of the controlling stockholders. It is further argued that as part of the fraud and embezzlement perpetrated in accordance with the instructions of the controlling stockholders, an amount of US\$1.2 billion was smuggled to Israel by way of monetary transfers from a bank account in Cyprus belonging to a company owned by the controlling stockholders to its account with the Bank. As described in the claim brief, the said monetary transfers were made in the years from 2007 to 2011. According to the arguments of the Plaintiff by allowing these monetary transfers to and from the Bank, the Bank has caused damage to the Plaintiff, and this, as argued by the Plaintiff, is in contradiction to the duties applying to him under the Prohibition of Money Laundering Act in Israel.

The amount of the claim against all defendants is stated at NIS 2.1 billion.

The Court fee was paid on January 30, 2020. On March 18, 2020, the Court accepted the plaintiff's motion and granted an order permitting the service of the statement of claim outside its jurisdiction.

On February 17, 2020, the Bank filed a motion for the dismissal in limine of the claim or, alternately, for a stay of proceedings therein due to the parallel proceedings being conducted overseas. A motion was also filed to extend the date for submitting a defense brief until a ruling is given on the motion for dismissal in limine. On March 8, the Plaintiff filed his response brief, according to which he opposes the motion for extension of the date for submission of a defense brief. On May 17, 2020, the Court ruled to accept the Bank's motion for an extension to the date for filing a statement of defense. The Bank has to file a statement of defense within 60 days of the motion for dismissal being decided. The response of the Plaintiff to the motion for the in limine dismissal is to be filed by May 28, 2020.

The hearing on the motion for dismissal has been scheduled for July 1, 2020.

- 5.4 Note 26 C 13.4 to the financial statements as of December 31, 2019, described four lawsuits against the Bank together with motions for their approval as class action suits filed with the Tel Aviv District Court on January 30, 2020. The lawsuits refer to a failure in the installation of a server regarding the PayBox payment application, a failure, which, as argued by the plaintiffs, caused them damage.

The amounts of the claims in respect of all members of the class amount in the four motions to NIS 850 million, NIS 500 million, NIS 25 million and NIS 2.5 million, respectively.

On March 4, 2020, the Bank filed motions in all the cases of motions for approval, whereby the Court was asked to use its authority to order the dismissal of three of the four motions for approval. In addition, the Court was asked to instruct that the Bank's response to the remaining motion for approval be submitted within 90 days from the date of the decision on the motions. On March 5, 2020, the Court granted to the petitioners in each of the motions for approval a right to respond. As of May 24, 2020, only one of the Appellants had submitted a response brief.

- 5.5 On May 11, 2020, a statement of claim and a petition for its approval as a class action were filed against the Bank and against two other banks, at the Tel Aviv District Court.

The petitioner alleges that the Bank has breached its duty of banking confidentiality in that it has granted international corporations, such as Facebook and Google, access to its digital platforms and is allowing them to gather private information regarding customers. It is alleged that the banks have made a bargain with these international data corporations whereby they have received cheap and effective tools in return to causing damage to customer privacy. As alleged by the petitioner, the Bank's different documents have been drafted in an all-embracing and sweeping fashion without providing any explanation to customers regarding the nature of the data that is transferred and the customers' signature on these agreements should not be considered as consent to the transfer of information.

The petitioner has stated that the amount of the damage caused to all the class action members cannot be assessed. The amount of the personal damage caused to the petitioner is assessed at NIS 1,000.

6. **Discount Campus.** Details regarding the project are presented in Note 26 C 17 to the annual financial statements as of December 31, 2019. The investment in the project amounted at March 31, 2020, to NIS 230 million. The balance of the commitment in respect of this project amounted at that date to NIS 513 million. Additional liabilities in the amount of approx. NIS 119 million were added subsequent to balance sheet date.
7. **Directors and officers liability insurance.** The Bank's special general meeting held on March 18, 2020, resolved to approve in advance the engagement of the Bank in an insurance policy covering the liability of Directors and officers, whether by way of purchasing a new policy or by way of extending the validity of the existing policy, within the power of the remuneration policy that was approved by the same meeting, under the terms and limitations stated in the said remuneration plan.

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

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	March 31, 2020			March 31, 2019			December 31, 2019		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
In NIS millions									
Interest rate contracts									
Forward and Futures contracts	7,332	11,351	18,683	7,849	12,998	20,847	6,888	7,283	14,171
Options written	393	5,312	5,705	382	24,836	25,218	381	5,514	5,895
Options purchased	453	2,732	3,185	408	23,233	23,641	405	3,124	3,529
Swaps ⁽¹⁾	15,759	125,687	141,446	10,892	112,207	123,099	12,111	131,026	143,137
Total⁽²⁾	23,937	145,082	169,019	19,531	173,274	192,805	19,785	146,947	166,732
Of which: Hedging derivatives ⁽⁵⁾	5,244	-	5,244	3,171	-	3,171	3,838	-	3,838
Foreign currency contracts									
Forward and Futures contracts ⁽³⁾	3,984	30,092	34,076	786	22,667	23,453	1,529	19,731	21,260
Options written	-	17,325	17,325	-	17,913	17,913	-	13,067	13,067
Options purchased	-	16,115	16,115	-	15,024	15,024	-	12,235	12,235
Swaps	43,321	41,351	84,672	28,952	44,888	73,840	33,634	37,708	71,342
Total	47,305	104,883	152,188	29,738	100,492	130,230	35,163	82,741	117,904
Contracts on shares									
Forward and Futures contracts	-	-	-	-	44	44	-	45	45
Options written	159	4,540	4,699	209	5,017	5,226	163	8,773	8,936
Options purchased ⁽⁴⁾	165	4,540	4,705	223	5,017	5,240	168	8,773	8,941
Swaps	-	549	549	-	1,163	1,163	-	656	656
Total	324	9,629	9,953	432	11,241	11,673	331	18,247	18,578
Commodities and other contracts									
Forward and Futures contracts	-	1,686	1,686	-	1,294	1,294	-	849	849
Options written	21	4	25	22	4	26	21	3	24
Options purchased	21	4	25	22	4	26	21	3	24
Total	42	1,694	1,736	44	1,302	1,346	42	855	897
Total stated amount	71,608	261,288	332,896	49,745	286,309	336,054	55,321	248,790	304,111

Footnotes:

(1) Of which: swaps on which the Bank pays a fixed interest	43,613	39,551	45,991
(2) Of which: shekel/CPI swaps	12,517	13,323	11,701
(3) Of which: spot foreign currency swap contracts	2,764	2,879	1,778
(4) Of which: traded on the Stock Exchange	5,794	5,255	9,116
(5) The Bank conducts accounting hedge by way of IRS transactions.			

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

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

2. Gross fair value of derivative instruments

	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
In NIS millions						
Unaudited						
March 31, 2020						
Interest rate contracts	308	3,929	4,237	579	4,368	4,947
Of which: Hedging	52	-	52	328	-	328
Foreign currency contracts	778	2,174	2,952	668	1,704	2,372
Contracts on shares	6	530	536	6	530	536
Commodities and other contracts	1	40	41	1	38	39
Total assets/liabilities in respect of derivatives gross⁽¹⁾	1,093	6,673	7,766	1,254	6,640	7,894
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	1,093	6,673	7,766	1,254	6,640	7,894
Of which: not subject to net settlement arrangement or similar arrangements	-	866	866	23	509	532
Unaudited						
March 31, 2019						
Interest rate contracts	125	1,756	1,881	361	1,591	1,952
Of which: Hedging	8	-	8	75	-	75
Foreign currency contracts	337	713	1,050	287	701	988
Contracts on shares	14	454	468	12	454	466
Commodities and other contracts	1	18	19	1	18	19
Total assets/liabilities in respect of derivatives gross⁽¹⁾	477	2,941	3,418	661	2,764	3,425
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	477	2,941	3,418	661	2,764	3,425
Of which: not subject to net settlement arrangement or similar arrangements	-	400	400	38	390	428
Audited						
December 31, 2019						
Interest rate contracts	187	2,733	2,920	321	2,728	3,049
Of which: Hedging	34	-	34	99	-	99
Foreign currency contracts	343	852	1,195	546	829	1,375
Contracts on shares	8	380	388	8	380	388
Commodities and other contracts	1	54	55	1	53	54
Total assets/liabilities in respect of derivatives gross⁽¹⁾	539	4,019	4,558	876	3,990	4,866
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	539	4,019	4,558	876	3,990	4,866
Of which: not subject to net settlement arrangement or similar arrangements	-	358	358	41	359	400

Footnote:

(1) Of which: NIS 9 million (March 31, 2019: NIS 13 million; December 31, 2019: NIS 13 million) positive gross fair value of assets stemming from embedded derivative instruments.

Of which: NIS 16 million (March 31, 2019: NIS 30 million; December 31, 2019: NIS 27 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

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

B. Accounting hedge

1. Effect of fair value hedge

	Unaudited	
	For the three months ended	
	March 31,	
	2020	2019
	Interest income (expenses)	
	In NIS millions	
Profit (loss) on fair value hedge		
Interest rate contracts		
Hedged items	185	53
Hedging derivatives	(187)	(53)

2. Items hedged by fair value hedge

	Unaudited					
	March 31, 2020			March 31, 2019		
	Cumulative fair value adjustments increasing the book value			Cumulative fair value adjustments increasing the book value		
	Book value	Existing hedge relations	Discontinued hedge relations	Book value	Existing hedge relations	Discontinued hedge relations
	In NIS millions					
Securities	3,385	258	-	3,018	60	-
Credit to the public	357	-	-	-	-	-
Deposits from the public	1,306	(44)	-	350	-	-

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

	Unaudited	
	For the three months ended	
	March 31	
	2020	2019
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
	In NIS millions	
Interest rate contracts	12	-
Foreign currency contracts	656	(376)
Contracts on shares	1	-
Commodities and other contracts	-	-
Total	669	(376)

Footnote:

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

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

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

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
In NIS millions						
Unaudited						
March 31, 2020						
Balance sheet balance of assets in respect of derivative instruments ⁽²⁾	85	2,456	23	377	4,825	7,766
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments ⁽⁵⁾	-	(2,007)	(14)	-	(3,013)	(5,034)
Credit risk mitigation in respect of cash collateral received	-	(423)	-	-	(55)	(478)
Net amount of assets in respect of derivative instruments	85	26	9	377	1,757	2,254
Off-balance sheet credit risk in respect of derivative instruments ⁽¹⁾	139	141	94	38	536	948
Total credit risk in respect of derivative instruments⁽⁴⁾	224	2,597	117	415	5,361	8,714
Balance sheet balance of liabilities in respect of derivative instruments ⁽³⁾	389	3,048	91	4	4,362	7,894
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(2,007)	(14)	-	(3,013)	(5,034)
Pledged cash collateral	-	(994)	-	(4)	(758)	(1,756)
Net amount of liabilities in respect of derivative instruments	389	47	77	-	591	1,104
Unaudited						
March 31, 2019						
Balance sheet balance of assets in respect of derivative instruments ⁽²⁾	23	1,230	21	12	2,132	3,418
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments ⁽⁵⁾	-	(1,080)	(6)	(1)	(1,186)	(2,273)
Credit risk mitigation in respect of cash collateral received	-	(68)	(6)	(4)	(60)	(138)
Net amount of assets in respect of derivative instruments	23	82	9	7	886	1,007
Off-balance sheet credit risk in respect of derivative instruments ⁽¹⁾	138	152	45	13	599	947
Total credit risk in respect of derivative instruments⁽⁴⁾	161	1,382	66	25	2,731	4,365
Balance sheet balance of liabilities in respect of derivative instruments ⁽³⁾	352	1,430	10	1	1,632	3,425
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,080)	(6)	(1)	(1,186)	(2,273)
Pledged cash collateral	-	(255)	-	-	-	(255)
Net amount of liabilities in respect of derivative instruments	352	95	4	-	446	897
Audited						
December 31, 2019						
Balance sheet balance of assets in respect of derivative instruments ⁽²⁾	38	1,379	27	88	3,026	4,558
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments ⁽⁵⁾	-	(1,241)	(16)	-	(1,931)	(3,188)
Credit risk mitigation in respect of cash collateral received	-	(117)	(1)	(88)	(40)	(246)
Net amount of assets in respect of derivative instruments	38	21	10	-	1,055	1,124
Off-balance sheet credit risk in respect of derivative instruments ⁽¹⁾	249	103	44	18	577	991
Total credit risk in respect of derivative instruments⁽⁴⁾	287	1,482	71	106	3,603	5,549
Balance sheet balance of liabilities in respect of derivative instruments ⁽³⁾	302	2,015	18	-	2,531	4,866
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,241)	(16)	-	(1,931)	(3,188)
Pledged cash collateral	-	(690)	-	-	(110)	(800)
Net amount of liabilities in respect of derivative instruments	302	84	2	-	490	878

Footnotes:

- (1) The difference, if positive, between the total amount in respect of derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, before credit risk mitigation, and between the balance sheet amount of assets in respect of derivative instruments of the borrower.
- (2) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 7,757 million included in the item assets in respect of derivative instruments (March 31, 2019: NIS 3,405 million; December 31, 2019: NIS 4,545 million).
- (3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 7,878 million included in the item liabilities in respect of derivative instruments (March 31, 2019: NIS 3,395 million; December 31, 2019: NIS 4,839 million).
- (4) The amount does not include the above deductions. The comparative data has been restated accordingly.
- (5) The fair value of derivative instruments subject to netting agreements is in the amount of NIS 4,958 million (as of March 31, 2019: NIS 2,234 million; December 31, 2019: NIS 3,164 million).

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

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

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
In NIS millions					
Unaudited					
March 31, 2020					
Interest rate contracts					
Shekel/CPI	1,907	3,099	4,993	2,518	12,517
Other	12,169	35,108	49,246	59,979	156,502
Foreign currency contracts	80,543	50,281	16,011	5,353	152,188
Contracts on shares	8,830	564	559	-	9,953
Commodities and other contracts	557	1,165	14	-	1,736
Total	104,006	90,217	70,823	67,850	332,896
Unaudited					
March 31, 2019					
Total	112,716	98,288	65,140	59,910	336,054
Audited					
December 31, 2019					
Total	101,580	71,686	61,665	69,180	304,111

12. Regulatory Operating Segments

A. Details regarding the regulatory segments were brought in Note 29 a to the financial statements as of December 31, 2019. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2019.

For details regarding administrative segments recognized by the Bank were brought in Note 30a to the financial statements as of December 31, 2019.

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

B. Reclassification - Some of the data as of March 31, 2019, and for the period ended therein, were reclassified in this report, following the classifications made in the financial statements as of December 31, 2019.

C. Reclassified – Updating of the expense allocation model. Changes were made in the first quarter of 2020, to the expense allocation model used in the preparation of operating segments data, following the process of updating and validating the model. The comparative data has been reclassified accordingly.

12. Regulatory Operating Segments (continued)

D. Information regarding regulatory operating segments, consolidated

Unaudited					
For the three months ended March 31, 2020					
Domestic operations					
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
in NIS millions					
Interest income from external sources	569	210	139	1	409
Interest expenses To external sources	37	-	-	28	30
Interest income, net from external sources	532	210	139	(27)	379
Interest income, net Intersegmental	(13)	(103)	(7)	49	8
Total Interest income, net	519	107	132	22	387
Non-interest financing income from external sources	226	4	268	(157)	(31)
Non-interest financing income Intersegmental	172	-	-	176	176
Total Non-interest financing income	398	4	268	19	145
Total income	917	111	400	41	532
Credit loss expenses (expenses reversal)	210	29	101	1	190
Operating and other expenses	743	35	296	23	312
Profit (loss) before taxes	(36)	47	3	17	30
Provision for taxes (tax savings) on profit	(15)	17	-	6	12
Profit (loss) after taxes	(21)	30	3	11	18
Bank's share in operating income of affiliated companies after tax	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	(21)	30	3	11	18
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	2	-	2	-	-
Net Profit (loss) Attributed to the bank's shareholders	(19)	30	5	11	18
Average Assets	70,770	37,209	16,837	375	36,351
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public ⁽³⁾	69,841	37,289	16,595	311	35,846
Balance of credit to the public at the period end ⁽³⁾	69,345	37,981	15,834	326	36,214
Balance of impaired debts	197	5	61	-	594
Balance of debts (not impaired) in arrear for over ninety days	415	366	-	-	57
Average Liabilities	81,396	99	2,736	16,302	43,887
Of which - Average Deposits from the public	77,270	-	17	16,192	38,119
Balance of deposits from the public at the period end	83,630	-	15	18,107	39,299
Average Risk-assets ⁽¹⁾	51,402	21,156	13,554	495	35,225
Balance of Risk-assets at the period end ⁽¹⁾	51,616	21,530	13,564	502	34,689
Average assets under management ⁽²⁾	36,236	369	-	20,368	29,112
Interest income, net:					
Margin from credit activity to the public	428	107	132	1	345
Margin from deposits activity from the public	91	-	-	21	42
Other	-	-	-	-	-
Total Interest income, net	519	107	132	22	387

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

	Medium businesses	Large Institutional businesses	Financial bodies management	Total Domestic operations	International operations	Total	
	97	275	6	115	1,472	319	1,791
	9	29	32	67	232	104	336
	88	246	(26)	48	1,240	215	1,455
	(2)	(51)	35	(26)	-	-	-
	86	195	9	22	1,240	215	1,455
	(34)	38	(101)	1,109	1,050	106	1,156
	63	54	104	(745)	-	-	-
	29	92	3	364	1,050	106	1,156
	115	287	12	386	2,290	321	2,611
	52	149	1	-	603	53	656
	61	127	15	90	1,371	160	1,531
	2	11	(4)	296	316	108	424
	1	3	(1)	109	115	36	151
	1	8	(3)	187	201	72	273
	-	-	-	4	4	-	4
	1	8	(3)	191	205	72	277
	-	-	-	-	2	-	2
	1	8	(3)	191	207	72	279
	12,088	39,720	825	72,187	232,316	33,326	265,642
	-	-	-	170	170	-	170
	12,029	39,534	709	-	158,270	23,590	181,860
	12,436	41,951	770	-	161,042	25,173	186,215
	240	845	274	-	2,150	156	2,306
	-	-	-	-	472	-	472
	8,156	25,745	18,790	22,845	217,121	29,603	246,724
	7,014	21,867	18,757	-	179,219	26,196	205,415
	7,179	21,569	15,744	-	185,528	28,139	213,667
	13,177	42,944	1,320	14,765	159,328	29,045	188,373
	12,747	44,378	1,381	16,717	162,030	30,269	192,299
	10,986	34,245	75,897	1,882	208,726	12,237	220,963
	81	185	4	-	1,044	158	1,202
	5	10	5	-	174	41	215
	-	-	-	22	22	16	38
	86	195	9	22	1,240	215	1,455

12. Regulatory Operating Segments (continued)

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

Unaudited					
For the three months ended March 31, 2019					
Domestic operations					
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
in NIS millions					
Interest income from external sources	536	195	125	1	402
Interest expenses To external sources	47	-	1	34	34
Interest income, net from external sources	489	195	124	(33)	368
Interest income, net Intersegmental	(24)	(106)	(15)	57	10
Total Interest income, net	465	89	109	24	378
Non-interest financing income from external sources ⁽⁶⁾	671	3	256	282	327
Non-interest financing income Intersegmental	(304)	-	-	(264)	(184)
Total Non-interest financing income	367	3	256	18	143
Total income	832	92	365	42	521
Credit loss expenses (expenses reversal)	81	7	34	-	49
Operating and other expenses	⁽⁵⁾ 731	⁽⁵⁾ 37	⁽⁵⁾ 279	⁽⁵⁾ 26	⁽⁵⁾ 324
Profit (loss) before taxes	20	48	52	16	148
Provision for taxes (tax savings) on profit	⁽⁵⁾ 5	⁽⁵⁾ 17	⁽⁵⁾ 17	⁽⁵⁾ 5	⁽⁵⁾ 52
Profit (loss) after taxes	15	31	35	11	96
Bank's share in operating loss of affiliated companies	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	15	31	35	11	96
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(9)	-	(9)	-	(2)
Net Profit (loss) Attributed to the bank's shareholders	6	31	26	11	94
Average Assets	62,946	32,499	14,197	257	34,378
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public ⁽³⁾	62,073	32,632	14,053	180	33,878
Balance of credit to the public at the period end ⁽³⁾	63,394	33,550	14,492	199	34,356
Balance of impaired debts	177	-	51	-	555
Balance of debts (not impaired) in arrear for over ninety days	381	323	-	-	52
Average Liabilities	77,935	39	2,572	16,484	38,678
Of which - Average Deposits from the public	74,220	-	23	16,374	33,954
Balance of deposits from the public at the period end	74,751	-	20	16,660	33,923
Average Risk-assets ⁽¹⁾	⁽⁴⁾ 47,314	⁽⁴⁾ 18,849	⁽⁴⁾ 12,051	⁽⁴⁾ 443	⁽⁴⁾ 32,824
Balance of Risk-assets at the period end ⁽¹⁾	⁽⁴⁾ 47,763	⁽⁴⁾ 19,129	⁽⁴⁾ 12,077	⁽⁴⁾ 462	⁽⁴⁾ 33,251
Average assets under management ⁽²⁾	32,901	385	-	19,414	23,319
Interest income, net:					
Margin from credit activity to the public	387	89	109	-	338
Margin from deposits activity from the public	78	-	-	24	40
Other	-	-	-	-	-
Total Interest income, net	465	89	109	24	378

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Reclassified - see B above.

(5) Reclassified - see C above.

					International operations		
	Medium businesses	Large Institutional businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	88	275	7	133	1,442	364	1,806
	9	28	27	83	262	123	385
	79	247	(20)	50	1,180	241	1,421
	(1)	(61)	30	(11)	-	-	-
	78	186	10	39	1,180	241	1,421
	71	52	69	(636)	836	54	890
	(41)	58	(68)	803	-	-	-
	30	110	1	167	836	54	890
	108	296	11	206	2,016	295	2,311
	14	(13)	(2)	-	129	12	141
	⁽⁵⁾ 56	⁽⁵⁾ 127	⁽⁵⁾ 14	⁽⁵⁾ 87	1,365	165	1,530
	38	182	(1)	119	522	118	640
	⁽⁵⁾ 12	⁽⁵⁾ 62	⁽⁵⁾ (1)	⁽⁵⁾ 50	185	39	224
	26	120	-	69	337	79	416
	-	-	-	(1)	(1)	-	(1)
	26	120	-	68	336	79	415
	(1)	(2)	-	4	(10)	-	(10)
	25	118	-	72	326	79	405
	10,171	37,282	864	60,437	206,335	32,196	238,531
	-	-	-	154	154	-	154
	10,083	37,247	716	-	144,177	23,248	167,425
	10,130	40,068	703	-	148,850	23,754	172,604
	162	309	297	-	1,500	130	1,630
	4	-	-	-	437	-	437
	7,259	22,289	13,554	15,668	191,867	28,678	220,545
	6,251	19,211	13,521	-	163,531	25,186	188,717
	5,745	20,057	12,724	-	163,860	26,979	190,839
	⁽⁴⁾ 12,056	⁽⁴⁾ 39,910	⁽⁴⁾ 1,596	⁽⁴⁾ 12,947	147,090	26,694	173,784
	⁽⁴⁾ 12,162	⁽⁴⁾ 41,255	⁽⁴⁾ 1,417	⁽⁴⁾ 13,287	149,597	27,049	176,646
	9,420	41,091	70,359	2,110	198,614	13,751	212,365
	72	175	4	-	976	132	1,108
	6	11	6	-	165	85	250
	-	-	-	39	39	24	63
	78	186	10	39	1,180	241	1,421

12. Regulatory Operating Segments (continued)

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

Audited					
For the year ended December 31, 2019					
Domestic operations					
	Households		Private Banking		Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
in NIS millions					
Interest income from external sources	2,374	969	525	4	1,674
Interest expenses To external sources	217	-	2	124	141
Interest income, net from external sources	2,157	969	523	(120)	1,533
Interest income, net Intersegmental	(198)	(592)	(29)	204	30
Total Interest income, net	1,959	377	494	84	1,563
Non-interest financing income from external sources	2,321	13	1,108	657	1,083
Non-interest financing income Intersegmental	(719)	-	-	(589)	(493)
Total Non-interest financing income	1,602	13	1,108	68	590
Total income	3,561	390	1,602	152	2,153
Credit loss expenses (expenses reversal)	339	27	139	2	234
Operating and other expenses	(4) 3,048	(4) 161	(4) 1,154	(4) 101	(4) 1,312
Profit (loss) before taxes	174	202	309	49	607
Provision for taxes (tax savings) on profit	(4) 45	(4) 68	(4) 103	(4) 17	(4) 207
Profit (loss) after taxes	129	134	206	32	400
Bank's share in operating income of affiliated companies	-	-	-	-	-
Net Profit (loss) from ordinary operations before Attributed to the non-controlling rights holders	129	134	206	32	400
Net Profit (loss) from ordinary operations Attributed to the non-controlling rights holders	(44)	-	(44)	-	(10)
Net Profit (loss) Attributed to the bank's shareholders	85	134	162	32	390
Average Assets	66,660	34,423	15,468	277	35,852
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public ⁽³⁾	65,682	34,543	15,253	209	35,274
Balance of credit to the public at the period end ⁽³⁾	69,211	36,798	16,421	326	36,837
Balance of impaired debts	189	-	55	-	624
Balance of debts (not impaired) in arrear for over ninety days	416	353	-	-	60
Average Liabilities	79,656	43	2,738	15,477	40,297
Of which - Average Deposits from the public	75,463	-	20	15,342	35,131
Balance of deposits from the public at the period end	75,312	-	18	16,368	37,022
Average Risk-assets ⁽¹⁾	50,600	20,345	13,311	443	35,170
Balance of Risk-assets at the period end ⁽¹⁾	51,186	20,781	13,544	489	35,758
Average assets under management ⁽²⁾	33,401	382	-	19,927	27,430
Interest income, net:					
Margin from credit activity to the public	1,632	377	494	2	1,401
Margin from deposits activity from the public	327	-	-	82	162
Other	-	-	-	-	-
Total Interest income, net	1,959	377	494	84	1,563

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Reclassified - see C above.

						International operations	
	Medium businesses	Large Institutional businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	371	1,139	26	560	6,148	1,419	7,567
	37	100	129	424	1,172	502	1,674
	334	1,039	(103)	136	4,976	917	5,893
	(10)	(295)	145	124	-	-	-
	324	744	42	260	4,976	917	5,893
	221	296	211	(1,245)	3,544	227	3,771
	(94)	74	(205)	2,026	-	-	-
	127	370	6	781	3,544	227	3,771
	451	1,114	48	1,041	8,520	1,144	9,664
	107	(21)	(5)	-	656	34	690
	⁽⁴⁾ 234	⁽⁴⁾ 547	⁽⁴⁾ 57	⁽⁴⁾ 347	5,646	653	6,299
	110	588	(4)	694	2,218	457	2,675
	⁽⁴⁾ 36	⁽⁴⁾ 195	⁽⁴⁾ (2)	⁽⁴⁾ 281	779	153	932
	74	393	(2)	413	1,439	304	1,743
	-	-	-	16	16	-	16
	74	393	(2)	429	1,455	304	1,759
	(2)	(7)	-	6	(57)	-	(57)
	72	386	(2)	435	1,398	304	1,702
	10,553	36,867	836	61,393	212,438	33,250	245,688
	-	-	-	172	172	-	172
	10,443	36,759	689	-	149,056	23,524	172,580
	12,628	39,529	676	-	159,207	23,784	182,991
	231	342	295	-	1,681	133	1,814
	1	1	-	-	478	-	478
	7,323	22,789	15,665	16,576	197,783	29,602	227,385
	6,243	19,584	15,610	-	167,373	26,124	193,497
	7,590	20,305	18,076	-	174,673	26,777	201,450
	12,803	39,820	1,420	13,538	153,794	27,482	181,276
	13,608	41,511	1,259	12,813	156,624	27,822	184,446
	9,857	38,146	73,682	2,376	204,819	13,767	218,586
	295	702	21	-	4,053	581	4,634
	29	42	21	-	663	251	914
	-	-	-	260	260	85	345
	324	744	42	260	4,976	917	5,893

13. Managerial Operating Segments

	Unaudited									Total
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital ⁽¹⁾	Discount Bancorp ⁽¹⁾	Israel Credit Cards ⁽¹⁾	other	Adjustments	
	In NIS millions									
For the three months ended March 31, 2020										
Interest income, net	691	169	216	28	3	212	134	1	1	1,455
Non-interest income	282	35	98	320	4	104	338	13	(38)	1,156
Total income	973	204	314	348	7	316	472	14	(37)	2,611
Credit loss expenses	253	81	165	-	-	53	104	-	-	656
Operating and other expenses	705	107	118	85	8	159	380	7	(38)	1,531
Income (loss) before taxes	15	16	31	263	(1)	104	(12)	7	1	424
Provision for taxes (tax saving) on income	8	6	12	92	1	35	(6)	3	-	151
Income (loss) after taxes	7	10	19	171	(2)	69	(6)	4	1	273
Bank's share in income of affiliated companies, net of tax effect	1	-	-	1	4	-	-	-	(2)	4
Net income before attributed to the non-controlling rights holders	8	10	19	172	2	69	(6)	4	(1)	277
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	2	(1)	1	2
Net Income (loss) attributed to the bank's shareholders	8	10	19	172	2	69	(4)	3	-	279
Balance of Assets	83,340	25,922	54,001	78,792	1,588	39,200	18,359	7,794	(32,592)	276,404
Balance of credit to the public	78,722	26,147	48,406	-	40	25,173	17,761	-	(10,034)	186,215
Balance of deposits from the public	136,382	19,150	30,729	7,112	-	28,139	15	-	(7,860)	213,667
For the three months ended March 31, 2019										
Interest income, net	662	146	212	43	1	235	120	1	1	1,421
Non-interest income	270	33	104	133	11	55	312	15	(43)	890
Total income	932	179	316	176	12	290	432	16	(42)	2,311
Credit loss expenses (expenses reversal)	104	10	(19)	-	-	12	34	-	-	141
Operating and other expenses	⁽²⁾ 733	⁽²⁾ 96	⁽²⁾ 131	⁽²⁾ 83	7	167	348	7	(42)	1,530
Income before taxes	95	73	204	93	5	111	50	9	-	640
Provision for taxes (tax saving) on income	⁽²⁾ 33	⁽²⁾ 24	⁽²⁾ 71	⁽²⁾ 35	3	38	17	3	-	224
Income after taxes	62	49	133	58	2	73	33	6	-	416
Bank's share in income of affiliated companies, net of tax effect	1	-	-	1	(1)	-	-	-	(2)	(1)
Net income (loss) before attributed to the non-controlling rights holders	63	49	133	59	1	73	33	6	(2)	415
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(10)	(1)	1	(10)
Net Income (loss) Attributed to the bank's shareholders	63	49	133	59	1	73	23	5	(1)	405
Balance of Assets	75,995	19,986	51,501	59,992	1,525	34,328	17,133	4,167	(25,187)	239,440
Balance of credit to the public	74,231	20,149	47,130	-	85	23,754	16,557	-	(9,302)	172,604
Balance of deposits from the public	122,282	14,260	27,740	3,862	-	26,979	20	-	(4,304)	190,839

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified, see Note 12 C.

13. Managerial Operating Segments (continued)

	Audited									
	For the year ended December 31, 2019									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital ⁽¹⁾	Discount Bancorp ⁽¹⁾	Israel Credit Cards ⁽¹⁾	other	Adjustments	Total
	In NIS millions									
Interest income, net	2,722	603	869	278	9	900	505	2	5	5,893
Non-interest income	1,106	136	391	559	107	229	1,358	68	(183)	3,771
Total income	3,828	739	1,260	837	116	1,129	1,863	70	(178)	9,664
Credit loss expenses (expenses reversal)	393	95	22	-	(1)	34	147	-	-	690
Operating and other expenses	⁽²⁾ 3,042	⁽²⁾ 399	⁽²⁾ 548	⁽²⁾ 324	42	654	1,440	28	(178)	6,299
Income before taxes	393	245	690	513	75	441	276	42	-	2,675
Provision for taxes (tax saving) on income	⁽²⁾ 118	⁽²⁾ 83	⁽²⁾ 234	⁽²⁾ 216	19	153	97	13	(1)	932
Income after taxes	275	162	456	297	56	288	179	29	1	1,743
Bank's share in income of affiliated companies, net of tax effect	1	-	-	10	7	-	-	-	(2)	16
Net income (loss) before attributed to the non-controlling rights holders	276	162	456	307	63	288	179	29	(1)	1,759
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(56)	(2)	1	(57)
Net Income Attributed to the bank's shareholders	276	162	456	307	63	288	123	27	-	1,702
Balance of Assets	81,167	25,475	50,530	70,249	1,607	33,773	19,158	7,696	(29,832)	259,823
Balance of credit to the public	78,677	25,814	46,000	-	30	23,784	18,561	-	(9,875)	182,991
Balance of deposits from the public	124,673	20,539	30,430	7,027	-	26,776	18	-	(8,013)	201,450

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified, see Note 12 C.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses

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

A. Debts and off-balance sheet credit instruments

1. Change in the balance of the allowance for credit losses - Consolidated

	Unaudited					
	Credit to the public			Total	Banks and Governments	Total
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans			
		In NIS millions				
Three months ended March 31, 2020						
Balance of allowance for credit losses, as at December 31, 2019 (audited)	1,823	207	717	2,747	1	2,748
Expenses for credit loss	441	30	185	656	-	656
Accounting write-offs	(138)	-	(135)	(273)	-	(273)
Collection of debts written-off in previous years	63	-	72	135	-	135
Net accounting write-offs	(75)	-	(63)	(138)	-	(138)
Financial statements translation adjustments	10	-	-	10	-	10
Balance of allowance for credit losses, as at March 31, 2020	2,199	237	839	3,275	1	3,276
Of which: In respect of off-balance sheet credit instruments	184	-	63	247	-	247
Three months ended March 31, 2019						
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451
Expenses for credit loss	62	7	72	141	-	141
Accounting write-offs	(96)	-	(117)	(213)	-	(213)
Collection of debts written-off in previous years	61	-	58	119	-	119
Net accounting write-offs	(35)	-	(59)	(94)	-	(94)
Financial statements translation adjustments	(8)	-	-	(8)	-	(8)
Balance of allowance for credit losses, as at March 31, 2019	1,625	194	670	2,489	1	2,490
Of which: In respect of off-balance sheet credit instruments	132	-	49	181	-	181

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated

	Unaudited					
	Credit to the public			Total	Banks and Governments	Total
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans			
In NIS millions						
March 31, 2020						
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	87,760	5	637	88,402	6,546	94,948
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽²⁾ 203	38,189	-	38,392	-	38,392
Group - other	27,029	197	32,195	59,421	666	60,087
Total debts	114,992	38,391	32,832	186,215	7,212	193,427
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,592	-	87	1,679	-	1,679
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽³⁾ 1	⁽³⁾ 235	-	236	-	236
Group - other	422	2	689	1,113	1	1,114
Total allowance for Credit Losses	2,015	237	776	3,028	1	3,029
March 31, 2019						
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	80,008	-	597	80,605	6,117	86,722
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽²⁾ 222	33,643	-	33,865	-	33,865
Group - other	⁽²⁾ 27,628	158	30,348	58,134	342	58,476
Total debts	107,858	33,801	30,945	172,604	6,459	179,063
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,111	-	73	1,184	-	1,184
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽³⁾ 1	⁽³⁾ 192	-	193	-	193
Group - other	381	2	548	931	1	932
Total allowance for Credit Losses	1,493	194	621	2,308	1	2,309

Footnotes:

- (1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 92,642 million (March 31, 2019 - NIS 85,092 million) and the allowance in its respect in an amount of NIS 1,305 million computed on a group basis (March 31, 2019 - NIS 971 million).
- (2) The balance of commercial debts includes housing loans in the amount of NIS 203 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 March 31, 2019 – an amount of NIS 226 million).
- (3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million (March 31, 2019 - NIS 4 million), and computed on a group basis, in an amount of NIS 157 million (March 31, 2019 - NIS 117 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated (continued)

Audited						
December 31, 2019						
	Credit to the public			Total	Banks and Governments	Total
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans			
In NIS millions						
Recorded amount of debts:						
Examined on a specific basis ⁽¹⁾	85,059	-	761	85,820	5,980	91,800
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽²⁾ 233	36,974	-	37,207	-	37,207
Group - other	26,759	185	33,020	59,964	243	60,207
Total debts	112,051	37,159	33,781	182,991	6,223	189,214
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis ⁽¹⁾	1,285	-	82	1,367	-	1,367
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	⁽³⁾ 1	⁽³⁾ 206	-	207	-	207
Group - other	367	1	582	950	1	951
Total allowance for Credit Losses	1,653	207	664	2,524	1	2,525

Footnotes:

- (1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 89,986 million and the allowance in its respect in an amount of NIS 1,060 million computed on a group basis.
- (2) The balance of commercial debts includes housing loans in the amount of NIS 233 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
- (3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, and computed on a group basis, in an amount of NIS 130 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts

1. Credit quality and arrears - consolidated

	Unaudited					
	March 31, 2020					
	Problematic ⁽¹⁾			Unimpaired debts – additional information		
	Non-problematic	Unimpaired	Impaired ⁽²⁾	Total	In Arrears of 90 Days or More ⁽³⁾	In Arrears of 30 to 89 Days ⁽⁴⁾
In NIS millions						
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	14,875	164	119	15,158	8	33
Construction and Real Estate - Real Estate Activity	10,663	60	136	10,859	2	22
Financial Services	7,546	57	424	8,027	-	2
Commercial - Other	51,575	1,141	1,099	53,815	47	152
Total Commercial	84,659	1,422	1,778	87,859	57	209
Private Individuals - Housing Loans	37,759	⁽⁵⁾ 380	5	38,144	360	117
Private Individuals - Other Loans	30,888	390	192	31,470	49	185
Total Public - Activity in Israel	153,306	2,192	1,975	157,473	466	511
Banks in Israel	656	-	-	656	-	-
Government of Israel	2,853	-	-	2,853	-	-
Total Activity in Israel	156,815	2,192	1,975	160,982	466	511
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,484	451	224	10,159	-	-
Commercial - Other	16,318	549	107	16,974	-	8
Total Commercial	25,802	1,000	331	27,133	-	8
Private Individuals	1,599	10	-	1,609	6	2
Total Public - Activity Abroad	27,401	1,010	331	28,742	6	10
Foreign banks	2,150	-	-	2,150	-	-
Foreign governments	1,553	-	-	1,553	-	-
Total Activity Abroad	31,104	1,010	331	32,445	6	10
Total public	180,707	3,202	2,306	186,215	472	521
Total banks	2,806	-	-	2,806	-	-
Total governments	4,406	-	-	4,406	-	-
Total	187,919	3,202	2,306	193,427	472	521

For footnotes see page 141.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears – consolidated (continued)

	Unaudited					
	March 31, 2019					
	Problematic ⁽¹⁾			Total	Unimpaired debts – additional information	
Non-problematic	Unimpaired	Impaired ⁽²⁾	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	13,683	55	113	13,851	12	26
Construction and Real Estate - Real Estate Activity	9,716	16	258	9,990	2	10
Financial Services	10,594	1	300	10,895	1	1
Commercial - Other	46,071	543	607	47,221	41	173
Total Commercial	80,064	615	1,278	81,957	56	210
Private Individuals - Housing Loans	33,239	⁽⁵⁾ 344	-	33,583	323	100
Private Individuals - Other Loans	29,396	377	177	29,950	51	170
Total Public - Activity in Israel	142,699	1,336	1,455	145,490	430	480
Banks in Israel	238	-	-	238	-	-
Government of Israel	2,023	-	-	2,023	-	-
Total Activity in Israel	144,960	1,336	1,455	147,751	430	480
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,016	183	135	9,334	-	20
Commercial - Other	15,921	606	40	16,567	-	53
Total Commercial	24,937	789	175	25,901	-	73
Private Individuals	1,206	7	-	1,213	7	1
Total Public - Activity Abroad	26,143	796	175	27,114	7	74
Foreign banks	2,998	-	-	2,998	-	-
Foreign governments	1,200	-	-	1,200	-	-
Total Activity Abroad	30,341	796	175	31,312	7	74
Total public	168,842	2,132	1,630	172,604	437	554
Total banks	3,236	-	-	3,236	-	-
Total governments	3,223	-	-	3,223	-	-
Total	175,301	2,132	1,630	179,063	437	554

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears – consolidated (continued)

	Audited					
	December 31, 2019					
	Problematic ⁽¹⁾			Unimpaired debts – additional information		
	Non-problematic	Unimpaired	Impaired ⁽²⁾	Total	In Arrears of 90 Days or More ⁽³⁾	In Arrears of 30 to 89 Days ⁽⁴⁾
In NIS millions						
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	14,367	49	123	14,539	8	72
Construction and Real Estate - Real Estate Activity	10,480	39	190	10,709	2	12
Financial Services	8,241	59	300	8,600	1	2
Commercial - Other	51,283	967	691	52,941	51	203
Total Commercial	84,371	1,114	1,304	86,789	62	289
Private Individuals - Housing Loans	36,551	⁽⁵⁾ 372	-	36,923	353	119
Private Individuals - Other Loans	31,999	371	189	32,559	57	157
Total Public - Activity in Israel	152,921	1,857	1,493	156,271	472	565
Banks in Israel	743	-	-	743	-	-
Government of Israel	2,063	-	-	2,063	-	-
Total Activity in Israel	155,727	1,857	1,493	159,077	472	565
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	8,767	212	245	9,224	-	98
Commercial - Other	15,159	803	76	16,038	-	1
Total Commercial	23,926	1,015	321	25,262	-	99
Private Individuals	1,452	6	-	1,458	6	-
Total Public - Activity Abroad	25,378	1,021	321	26,720	6	99
Foreign banks	1,965	-	-	1,965	-	-
Foreign governments	1,452	-	-	1,452	-	-
Total Activity Abroad	28,795	1,021	321	30,137	6	99
Total public	178,299	2,878	1,814	182,991	478	664
Total banks	2,708	-	-	2,708	-	-
Total governments	3,515	-	-	3,515	-	-
Total	184,522	2,878	1,814	189,214	478	664

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 198 million are classified as unimpaired problematic debts (March 31, 2019 - NIS 193 million, December 31, 2019 - NIS 196 million).
- (5) Including housing loans in amount of NIS 9 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 (March 31, 2019 - NIS 11 million, December 31, 2019 - NIS 9 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE

	Unaudited				
	March 31, 2020				
	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	79	24	40	119	1,023
Construction and Real Estate - Real Estate Activity	59	3	77	136	876
Financial Services	424	33	-	424	526
Commercial - Other	908	212	191	1,099	3,276
Total Commercial	1,470	272	308	1,778	5,701
Private Individuals - Housing Loans	5	⁽⁴⁾ -	-	5	5
Private Individuals - Other Loans	148	67	44	192	550
Total Public - Activity in Israel	1,623	339	352	1,975	6,256
Total Activity in Israel	1,623	339	352	1,975	6,256
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	141	35	83	224	595
Commercial - Other	-	-	107	107	173
Total Commercial	141	35	190	331	768
Private Individuals	-	-	-	-	-
Total Public - Activity Abroad	141	35	190	331	768
Total Activity Abroad	141	35	190	331	768
Total public	1,764	374	542	2,306	7,024
Total	1,764	374	542	2,306	7,024
Of which:					
Measured according to present value of cash flows	1,571	337	103	1,674	
Debts under troubled debt restructurings	721	159	308	1,029	

For footnotes see page 144.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Unaudited				
	March 31, 2019				
	Balance ⁽¹⁾ of impaired debts in respect of which specific allowance exist ⁽²⁾	Balance of specific allowance ⁽²⁾	Balance ⁽¹⁾ of impaired debts for which specific allowance do not exist ⁽²⁾	Total balance ⁽¹⁾ of Impaired Debts	Contractual principal amount of impaired debts ⁽³⁾
In NIS millions					
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	83	22	30	113	1,514
Construction and Real Estate - Real Estate Activity	139	7	119	258	1,051
Financial Services	300	22	-	300	405
Commercial - Other	428	101	179	607	3,360
Total Commercial	950	152	328	1,278	6,330
Private Individuals - Other Loans	142	61	35	177	556
Total Public - Activity in Israel	1,092	213	363	1,455	6,886
Total Activity in Israel	1,092	213	363	1,455	6,886
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	135	135	487
Commercial - Other	-	-	40	40	120
Total Commercial	-	-	175	175	607
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	-	-	175	175	608
Total Activity Abroad	-	-	175	175	608
Total public	1,092	213	538	1,630	7,494
Total	1,092	213	538	1,630	7,494
Of which:					
Measured according to present value of cash flows	919	195	104	1,023	
Debts under troubled debt restructurings	1,011	141	161	1,172	

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Audited				
	December 31, 2019				
	Balance ⁽¹⁾ of impaired debts in respect of which specific allowance exist ⁽²⁾	Balance of specific allowance ⁽²⁾	Balance ⁽¹⁾ of impaired debts for which specific allowance do not exist ⁽²⁾	Total balance ⁽¹⁾ of Impaired Debts	Contractual principal amount of impaired debts ⁽³⁾
In NIS millions					
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	97	26	26	123	1,061
Construction and Real Estate - Real Estate Activity	120	6	70	190	935
Financial Services	300	22	-	300	402
Commercial - Other	516	152	175	691	2,977
Total Commercial	1,033	206	271	1,304	5,375
Private Individuals - Other Loans	152	66	37	189	553
Total Public - Activity in Israel	1,185	272	308	1,493	5,928
Total Activity in Israel	1,185	272	308	1,493	5,928
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	144	35	101	245	602
Commercial - Other	-	-	76	76	131
Total Commercial	144	35	177	321	733
Private Individuals	-	-	-	-	-
Total Public - Activity Abroad	144	35	177	321	733
Total Activity Abroad	144	35	177	321	733
Total public	1,329	307	485	1,814	6,661
Total	1,329	307	485	1,814	6,661
Of which:					
Measured according to present value of cash flows	1,125	285	109	1,234	
Debts under troubled debt restructurings	715	137	328	1,043	

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) An amount lower than NIS 1 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

B. AVERAGE BALANCE AND INTEREST INCOME

	Unaudited					
	Three months ended March 31					
	2020		2019			
Average balance of Impaired Debts ⁽¹⁾	Recorded Interest Income ⁽²⁾	Of which: recorded on cash basis	Average balance of Impaired Debts ⁽¹⁾	Recorded Interest Income ⁽²⁾	Of which: recorded on cash basis	
In NIS millions						
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	127	-	-	119	-	-
Construction and Real Estate - Real Estate Activity	165	-	-	274	1	1
Financial Services	436	2	-	299	3	1
Commercial - Other	1,137	4	2	666	2	2
Total Commercial	1,865	6	2	1,358	6	4
Private Individuals - Housing Loans	5	-	-	-	-	-
Private Individuals - Other Loans	202	2	1	183	2	1
Total Public - Activity in Israel	2,072	8	3	1,541	8	5
Total Activity in Israel	2,072	8	3	1,541	8	5
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	235	1	-	135	2	-
Commercial - Other	93	1	-	44	1	-
Total Commercial	328	2	-	179	3	-
Total Public - Activity Abroad	328	2	-	179	3	-
Total Activity Abroad	328	2	-	179	3	-
Total	2,400	(3)10	3	1,720	(3)11	5

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 25 millions and NIS 16 millions for the three months ended March 31, 2020 and March 31, 2019, respectively.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED

	Unaudited				
	March 31, 2020				
	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	26	-	-	10	36
Construction and Real Estate - Real Estate Activity	32	-	-	21	53
Financial Services	-	-	-	273	273
Commercial - Other	249	-	2	108	359
Total Commercial	307	-	2	412	721
Private Individuals - Other Loans	71	-	1	83	155
Total Public - Activity in Israel	378	-	3	495	876
Total Activity in Israel	378	-	3	495	876
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	32	23	55
Commercial - Other	57	-	-	41	98
Total Commercial	57	-	32	64	153
Total Public - Activity Abroad	57	-	32	64	153
Total Activity Abroad	57	-	32	64	153
Total	435	-	35	559	1,029

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 March 31, 2020, to NIS 15 million (March 31, 2019 - NIS 13 million; December 31, 2019 – NIS 17 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

Unaudited					
March 31, 2019					
Recorded amount					
	Not accruing interest income	Accruing debts ⁽¹⁾ , in arrears for 90 days or more	Accruing debts ⁽¹⁾ , in Arrears for 30 to 89 Days	Accruing debts ⁽¹⁾ not in arrears	Total ⁽²⁾
In NIS millions					
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	33	-	-	8	41
Construction and Real Estate - Real Estate Activity	90	-	-	34	124
Financial Services	-	-	-	297	297
Commercial - Other	346	-	1	75	422
Total Commercial	469	-	1	414	884
Private Individuals - Other Loans	85	-	1	62	148
Total Public - Activity in Israel	554	-	2	476	1,032
Total Activity in Israel	554	-	2	476	1,032
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	9	-	-	96	105
Commercial - Other	-	-	-	35	35
Total Commercial	9	-	-	131	140
Total Public - Activity Abroad	9	-	-	131	140
Total Activity Abroad	9	-	-	131	140
Total	563	-	2	607	1,172

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

	Audited				
	December 31, 2019				
	Recorded amount				
	Not accruing interest income	Accruing debts ⁽¹⁾ , in arrears for 90 days or more	Accruing debts ⁽¹⁾ , in Arrears for 30 to 89 Days	Accruing debts ⁽¹⁾ not in arrears	Total ⁽²⁾
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	32	-	-	11	43
Construction and Real Estate - Real Estate Activity	44	-	1	31	76
Financial Services	-	-	-	296	296
Commercial - Other	215	-	3	117	335
Total Commercial	291	-	4	455	750
Private Individuals - Other Loans	77	-	1	80	158
Total Public - Activity in Israel	368	-	5	535	908
Total Activity in Israel	368	-	5	535	908
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	26	-	-	47	73
Commercial - Other	1	-	-	61	62
Total Commercial	27	-	-	108	135
Total Public - Activity Abroad	27	-	-	108	135
Total Activity Abroad	27	-	-	108	135
Total	395	-	5	643	1,043

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited					
	Three months ended March 31					
	2020		2019			
	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	58	11	11	66	9	9
Construction and Real Estate - Real Estate Activity	3	(1)	(1)	4	4	4
Financial Services	-	-	-	3	(1)	(1)
Commercial - Other	284	56	56	296	43	43
Total Commercial	345	67	67	369	56	56
Private Individuals - Other Loans	1,447	30	29	1,806	45	44
Total Public - Activity in Israel	1,792	97	96	2,175	101	100
Total Activity in Israel	1,792	97	96	2,175	101	100
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	-	-	-	-	-	-
Commercial - Other	1	65	65	1	(1)	(1)
Total Commercial	1	65	65	1	(1)	(1)
Private Individuals	1	(1)	(1)	1	(1)	(1)
Total Public - Activity Abroad	2	65	65	2	(1)	(1)
Total Activity Abroad	2	65	65	2	(1)	(1)
Total	1,794	162	161	2,177	101	100

Footnote:

(1) An amount lower than NIS 1 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited			
	Three months ended March 31			
	2020		2019	
	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	35	2	17	⁽²⁾ -
Construction and Real Estate - Real Estate Activity	1	⁽²⁾ -	4	3
Financial Services	-	-	-	-
Commercial - Other	146	10	106	5
Total Commercial	182	12	127	8
Private Individuals - Other	992	7	982	8
Total Public - Activity in Israel	1,174	19	1,109	16
Total Activity in Israel	1,174	19	1,109	16
Lending Activity Abroad				
Public - Commercial				
Construction and Real Estate	-	-	-	-
Commercial - Other	1	57	-	-
Total Commercial	1	57	-	-
Private Individuals	-	-	-	-
Total Public - Activity Abroad	1	57	-	-
Total Activity Abroad	1	57	-	-
Total	1,175	76	1,109	16

Footnotes:

(1) Debts, which in the reported year turned into debts in arrears for 30 days or over, which had been restructured under troubled debt restructurings during the period of twelve months prior to their having become debts in arrear.

(2) An amount lower than NIS 1 million.

3. 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 light of concentration within the ownership structure and control of companies in the economy, the phenomenon of concentration exists at the level of large borrower groups, which has led to a rise in the credit risk, particularly in cases where credit has been granted at several levels of the holding companies;
- The Corona pandemic, which broke out in the first quarter, has a significant impact upon the global economy in general, and upon economic activity in Israel in particular, including on the actual ability of businesses to operate and on the demand for their products. In consequence thereof, the business-commercial credit risk has grown, which would be particularly affected by the length of time and the type of restrictions on economic activity that would remain, and the pace of recovery in exiting the crisis.

(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.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

3. Additional disclosure regarding the quality of credit (continued)

(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.

(4) Implications of the Corona crisis on credit to private individual (mortgages and others)

- The severe effects of the Corona crisis upon unemployment in the market and on the free income of households, may implicate the quality of credit in this segment. The pace of recovery of the economy, scope of State assistance and the reduction in unemployment will have a decisive impact upon the repayment ability of borrowers. The Bank follows and conducts the monitoring of sectors and customers, the vulnerability of which has grown as a result of the crisis, and is assisting customers in economic distress having a potential for recovery.

(B) INDICATION OF CREDIT QUALITY

	Unaudited				Audited			
	March 31, 2020				December 31, 2019			
	Commercial	Private Individuals		Total	Commercial	Private Individuals		Total
Housing Loans		Other Loans	Housing Loans			Other Loans		
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	96.1%	99.0%	98.2%	97.0%	96.6%	99.0%	98.3%	97.4%
Ratio of the balance of problematic unimpaired credit to the public to the balance of credit to the public	2.1%	1.0%	1.2%	1.7%	1.9%	1.0%	1.1%	1.6%
Ratio of the balance of impaired credit to the public to the balance of credit to the public	1.8%	-	0.6%	1.3%	1.5%	-	0.6%	1.0%
Ratio of the balance of allowance to credit losses in respect of credit to the public to the balance of credit to the public	1.8%	0.6%	2.3%	1.6%	1.5%	0.6%	2.0%	1.4%
Ratio of the balance of allowance to credit losses in respect of credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	39.7%	60.6%	128.9%	49.9%	40.1%	54.8%	117.3%	49.8%

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs. A debt that is examined on a specific basis, is classified as an impaired debt when the repayment of capital or interest thereon is in arrears for 90 days or more, except where the debt is well secured and in the process of collection.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

4. Additional information regarding housing loans

BALANCES FOR THE YEAR END, ACCORDING TO LOAN-TO-VALUE (LTV)⁽¹⁾ RATIO, MANNER OF REPAYMENT AND TYPE OF INTEREST

		Balance of housing loans			Total Off-Balance Sheet Credit Risk
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	
In NIS millions					
Unaudited					
March 31, 2020					
First degree pledge: financing ratio	Up to 60%	24,848	398	14,879	329
	Over 60%	12,471	129	7,627	167
Second degree pledge or without pledge		1,072	119	433	3,208
Total		⁽²⁾38,391	646	22,939	3,704
Unaudited					
March 31, 2019					
First degree pledge: financing ratio	Up to 60%	21,905	380	13,152	290
	Over 60%	10,970	105	6,803	115
Second degree pledge or without pledge		926	71	433	2,557
Total		⁽²⁾33,801	556	20,388	2,962
Audited					
December 31, 2019					
First degree pledge: financing ratio	Up to 60%	24,096	406	14,440	369
	Over 60%	12,046	113	7,392	161
Second degree pledge or without pledge		1,017	141	432	3,514
Total		⁽²⁾37,159	660	22,264	4,044

Footnotes:

- (1) The ratio between the authorized credit line at the time the credit line was granted and the value of the asset, as confirmed by the Bank at the time the credit line was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.
- (2) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 203 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 (March 31, 2019 - NIS 226 million, December 31, 2019 - NIS 233 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

C. Information regarding the purchase and sale of debts

During the reported period, no transactions for the purchase or sale of loans were made, the amount of which reached the materiality threshold determined by the Bank, which requires a disclosure on this matter in the interim financial statements (0.5% of the balance of credit).

D. Off balance Sheet Financial Instruments⁽³⁾

	Unaudited		Unaudited		Audited	
	Balance ⁽¹⁾	Provision ⁽²⁾	Balance ⁽¹⁾	Provision ⁽²⁾	Balance ⁽¹⁾	Provision ⁽²⁾
	March 31, 2020		March 31, 2019		December 31, 2019	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	1,092	6	942	6	904	5
Credit guarantees	2,303	32	2,301	27	2,426	28
Guarantees for home purchasers	11,546	3	10,026	3	11,183	3
Other guarantees and obligations	9,588	77	9,176	41	9,835	81
Unutilized facilities for transactions in derivative instruments	1,872	-	2,135	-	1,724	-
Unutilized facilities credit line for credit cards	32,573	54	29,181	40	31,052	44
Unutilized current loan account facilities and other credit facilities in on-call accounts	9,496	30	8,835	23	9,402	24
Irrevocable commitments to extend credit approved but not yet granted ⁽³⁾	20,377	40	20,305	37	22,619	34
Commitment to issue guarantees	7,257	5	6,642	4	6,425	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".

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	March 31, 2020						
	Israeli currency		Foreign currency ⁽¹⁾			Non monetary items	Total
Non-linked	Linked to the CPI	In US\$	In Euro	In other currencies			
in NIS millions							
Assets							
Cash and deposits with banks	24,599	28	3,825	551	389	-	29,392
Securities	25,217	1,213	14,408	673	1	1,093	42,605
Securities borrowed or purchased under resale agreements	488	-	-	-	-	-	488
Credit to the public, net	133,088	17,792	30,027	1,644	636	-	183,187
Credit to Governments	1,631	286	1,522	967	-	-	4,406
Investments in affiliated companies	-	-	-	-	-	152	152
Buildings and equipment	-	-	-	-	-	2,641	2,641
Intangible assets and goodwill	-	-	-	-	-	164	164
Assets in respect of derivative instruments	1,809	61	5,052	130	191	514	7,757
Other assets	2,147	20	1,634	41	545	1,225	5,612
Total assets	188,979	19,400	56,468	4,006	1,762	5,789	276,404
Liabilities							
Deposits from the public	144,681	4,460	56,610	5,697	2,219	-	213,667
Deposits from banks	3,668	1	3,548	68	54	-	7,339
Deposits from Governments	126	10	99	-	-	-	235
Securities loaned or sold under repurchase agreements	-	-	892	-	-	-	892
Bonds and Subordinated debt notes	5,626	7,413	-	30	-	-	13,069
Liabilities in respect of derivative instruments	1,574	129	5,288	194	177	516	7,878
Other liabilities	12,161	819	563	9	150	178	13,880
Total liabilities	167,836	12,832	67,000	5,998	2,600	694	256,960
Difference	21,143	6,568	(10,532)	(1,992)	(838)	5,095	19,444
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(14,316)	(3,797)	15,048	2,367	698	-	-
Options in the money, net (in terms of underlying asset)	1,336	-	(1,075)	(357)	96	-	-
Options out of the money, net (in terms of underlying asset)	12	-	155	(122)	(45)	-	-
Total	8,175	2,771	3,596	(104)	(89)	5,095	19,444
Options in the money, net (discounted par value)	1,721	-	(1,449)	(435)	163	-	-
Options out of the money, net (discounted par value)	296	-	637	(772)	(161)	-	-

Footnote:

(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Unaudited						
	March 31, 2019						
	Israeli currency		Foreign currency ⁽¹⁾			Non monetary items	Total
	Non-linked	Linked to the CPI	In US\$	In Euro	In other currencies		
in NIS millions							
Assets							
Cash and deposits with banks	14,793	34	2,964	680	423	-	18,894
Securities	19,636	1,459	12,574	944	10	995	35,618
Securities borrowed or purchased under resale agreements	823	-	-	-	-	-	823
Credit to the public, net	123,900	16,753	27,680	1,343	620	-	170,296
Credit to Governments	863	314	1,178	868	-	-	3,223
Investments in affiliated companies	-	2	-	-	-	194	196
Buildings and equipment	-	-	-	-	-	2,443	2,443
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	841	125	1,834	65	92	448	3,405
Other assets	1,840	15	1,321	25	423	758	4,382
Total assets	162,696	18,702	47,551	3,925	1,568	4,998	239,440
Liabilities							
Deposits from the public	126,657	4,981	51,027	5,925	2,249	-	190,839
Deposits from banks	3,040	2	1,840	83	5	-	4,970
Deposits from Governments	132	16	103	-	-	-	251
Securities loaned or sold under repurchase agreements	-	-	637	-	-	-	637
Bonds and Subordinated debt notes	2,995	5,231	-	45	-	-	8,271
Liabilities in respect of derivative instruments	866	176	1,682	135	84	452	3,395
Other liabilities	11,607	168	555	30	89	483	12,932
Total liabilities	145,297	10,574	55,844	6,218	2,427	935	221,295
Difference	17,399	8,128	(8,293)	(2,293)	(859)	4,063	18,145
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(12,041)	(3,827)	12,137	2,729	1,002	-	-
Options in the money, net (in terms of underlying asset)	695	-	(163)	(424)	(108)	-	-
Options out of the money, net (in terms of underlying asset)	50	-	108	(72)	(86)	-	-
Total	6,103	4,301	3,789	(60)	(51)	4,063	18,145
Options in the money, net (discounted par value)	942	-	(264)	(567)	(111)	-	-
Options out of the money, net (discounted par value)	1,925	-	(532)	(1,064)	(329)	-	-

Footnote:

(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

Audited							
December 31, 2019							
Israeli currency			Foreign currency ⁽¹⁾				
Non-linked	Linked to the CPI	In US\$	In Euro	In other currencies	Non monetary items	Total	
in NIS millions							
Assets							
Cash and deposits with banks	22,992	29	2,346	310	367	-	26,044
Securities	20,486	685	14,176	1,408	10	980	37,745
Securities borrowed or purchased under resale agreements	531	-	-	-	-	-	531
Credit to the public, net	132,824	18,348	27,334	1,491	470	-	180,467
Credit to Governments	849	297	1,412	957	-	-	3,515
Investments in affiliated companies	-	-	-	-	-	171	171
Buildings and equipment	-	-	-	-	-	2,577	2,577
Intangible assets and goodwill	-	-	-	-	-	164	164
Assets in respect of derivative instruments	1,587	117	2,090	130	248	373	4,545
Other assets	2,191	28	968	-	470	407	4,064
Total assets	181,460	19,504	48,326	4,296	1,565	4,672	259,823
Liabilities							
Deposits from the public	134,716	4,611	54,021	5,853	2,249	-	201,450
Deposits from banks	4,248	2	2,061	102	6	-	6,419
Deposits from Governments	125	12	44	-	-	-	181
Securities loaned or sold under repurchase agreements	-	-	346	-	-	-	346
Bonds and Subordinated debt notes	5,699	7,389	-	41	-	-	13,129
Liabilities in respect of derivative instruments	1,769	199	2,113	171	219	368	4,839
Other liabilities	13,125	183	604	10	165	179	14,266
Total liabilities	159,682	12,396	59,189	6,177	2,639	547	240,630
Difference	21,778	7,108	(10,863)	(1,881)	(1,074)	4,125	19,193
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(15,754)	(2,814)	15,647	1,990	931	-	-
Options in the money, net (in terms of underlying asset)	1,219	-	(968)	(299)	48	-	-
Options out of the money, net (in terms of underlying asset)	(47)	-	(65)	109	3	-	-
Total	7,196	4,294	3,751	(81)	(92)	4,125	19,193
Options in the money, net (discounted par value)	1,148	-	(878)	(336)	66	-	-
Options out of the money, net (discounted par value)	(308)	-	(119)	520	(93)	-	-

Footnote:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	March 31, 2020				
	Book value	Fair value			Total
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾		
in NIS millions					
Financial assets					
Cash and deposits with banks	29,392	14,624	-	14,749	29,373
Securities ⁽²⁾	42,605	26,810	15,007	997	42,814
Securities borrowed or purchased under resale agreements	488	-	-	488	488
Credit to the public, net	183,187	1,800	-	181,230	183,030
Credit to Governments	4,406	-	-	4,400	4,400
Assets in respect of derivative instruments	7,757	479	5,361	1,917	7,757
Other financial assets	2,499	11	9	2,479	2,499
Total financial assets	⁽³⁾270,334	43,724	20,377	206,260	270,361
Financial liabilities					
Deposits from the public	213,667	21,820	150,321	42,041	214,182
Deposits from banks	7,339	398	5,166	1,785	7,349
Deposits from Governments	235	-	126	113	239
Securities loaned or sold under repurchase agreements	892	-	-	891	891
Bonds and Subordinated debt notes	13,069	11,511	264	1,365	13,140
Liabilities in respect of derivative instruments	7,878	480	7,087	311	7,878
Other financial liabilities ⁽⁴⁾	9,789	407	16	9,366	9,789
Total financial liabilities	⁽³⁾252,869	34,616	162,980	55,872	253,468
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	117	-	-	117	117

Footnotes:

- (1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.
- (2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.
- (3) Of which: assets and liabilities in the amount of NIS 62,102 million and NIS 124,321 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.
- (4) Not including liabilities in respect of leasing.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

	Unaudited				
	March 31, 2019				
	Book value	Fair value			Total
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾		
in NIS millions					
Financial assets					
Cash and deposits with banks	18,894	9,093	-	9,912	19,005
Securities ⁽²⁾	35,618	21,114	13,728	907	35,749
Securities borrowed or purchased under resale agreements	823	-	-	823	823
Credit to the public, net	170,296	4,923	-	165,746	170,669
Credit to Governments	3,223	-	-	3,220	3,220
Assets in respect of derivative instruments	3,405	389	1,987	1,029	3,405
Other financial assets	2,197	330	13	1,854	2,197
Total financial assets	⁽³⁾234,456	35,849	15,728	183,491	235,068
Financial liabilities					
Deposits from the public	190,839	18,741	130,196	42,266	191,203
Deposits from banks	4,970	195	3,608	1,164	4,967
Deposits from Governments	251	-	182	73	255
Securities loaned or sold under repurchase agreements	637	-	-	641	641
Bonds and Subordinated debt notes	8,271	7,158	183	1,654	8,995
Liabilities in respect of derivative instruments	3,395	389	2,768	238	3,395
Other financial liabilities	9,704	794	30	8,880	9,704
Total financial liabilities	⁽³⁾218,067	27,277	136,967	54,916	219,160
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	113	-	-	113	113

Footnotes:

- (1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.
- (2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.
- (3) Of which: assets and liabilities in the amount of NIS 49,774 million and NIS 95,712 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

Audited					
December 31, 2019					
	Book value	Fair value			Total
		Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	
in NIS millions					
Financial assets					
Cash and deposits with banks	26,044	11,578	-	14,470	26,048
Securities ⁽²⁾	37,745	22,929	14,222	839	37,990
Securities borrowed or purchased under resale agreements	531	-	-	531	531
Credit to the public, net	180,467	3,451	-	177,772	181,223
Credit to Governments	3,515	-	-	3,543	3,543
Assets in respect of derivative instruments	4,545	346	3,356	843	4,545
Other financial assets	1,840	14	13	1,813	1,840
Total financial assets	⁽³⁾254,687	38,318	17,591	199,811	255,720
Financial liabilities					
Deposits from the public	201,450	19,823	140,936	41,143	201,902
Deposits from banks	6,419	19	5,285	1,141	6,445
Deposits from Governments	181	-	122	62	184
Securities loaned or sold under repurchase agreements	346	-	-	347	347
Bonds and Subordinated debt notes	13,129	11,903	166	1,602	13,671
Liabilities in respect of derivative instruments	4,839	345	4,202	292	4,839
Other financial liabilities	10,630	469	27	10,134	10,630
Total financial liabilities	⁽³⁾236,994	32,559	150,738	54,721	238,018
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	116	-	-	116	116

Footnotes:

- (1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.
- (2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.
- (3) Of which: assets and liabilities in the amount of NIS 54,496 million and NIS 108,470 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Unaudited March 31, 2020				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	15,938	2,926	-	-	18,864
Foreign Governments bonds	502	193	-	-	695
Israeli financial institutions bonds	148	38	-	-	186
Foreign financial institutions bonds	-	842	-	-	842
Bonds backed by assets (ABS) or by mortgage (MBS)	-	7,926	-	-	7,926
Bonds of others in Israel	253	175	-	-	428
Bonds of others abroad	-	2,174	-	-	2,174
Shares not for trading	80	12	-	-	92
Total available-for-sale bonds and shares not for trading	16,921	14,286	-	-	31,207
Trading Securities					
Israeli Government bonds	2,431	162	-	-	2,593
Foreign Governments bonds	-	-	-	-	-
Israeli financial institutions bonds	14	-	-	-	14
Foreign financial institutions bonds	-	-	-	-	-
Bonds backed by assets (ABS) or by mortgage (MBS)	-	60	-	-	60
Bonds of others in Israel	56	-	-	-	56
Bonds of others abroad	-	-	-	-	-
Trading Shares	4	-	-	-	4
Total trading securities	2,505	222	-	-	2,727
Credit to the public in respect of securities loaned	1,800	-	-	-	1,800
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	274	-	274
Other Interest Rate Contracts	-	3,537	426	-	3,963
Foreign Currency Contracts	26	1,715	1,202	-	2,943
Shares Contracts	449	87	-	-	536
Commodity and other Contracts	4	22	15	-	41
Total assets in respect of derivative instruments	479	5,361	1,917	-	7,757
Other	-	9	-	-	9
Assets in respect of the "Maof" market operations	11	-	-	-	11
Total assets	21,716	19,878	1,917	-	43,511
Liabilities					
Deposits from the public in respect of securities borrowed					
CLN deposits	-	-	68	-	68
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	171	-	171
Other Interest Rate Contracts	-	4,772	-	-	4,772
Foreign Currency Contracts	27	2,203	140	-	2,370
Shares Contracts	449	78	-	-	527
Commodity and other Contracts	4	34	-	-	38
Total liabilities in respect of derivative instruments	480	7,087	311	-	7,878
Other	-	16	-	-	16
Commitments in respect of the "Maof" market operations	11	-	-	-	11
Short sales of securities	396	-	-	-	396
Total liabilities	2,056	7,103	379	-	9,538

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Unaudited				
	March 31, 2019				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available for sale securities					
Of the Israeli Government	14,938	2,100	-	-	17,038
Of foreign governments	37	451	-	-	488
Of Israeli financial institutions	-	14	-	-	14
Of foreign financial institutions	-	1,219	-	-	1,219
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	10	6,547	-	-	6,557
Of others in Israel	88	106	-	-	194
Of others abroad	-	2,197	-	-	2,197
Shares	67	10	-	-	77
Total available-for-sale securities	15,140	12,644	-	-	27,784
Trading Securities					
Of the Israeli Government	1,112	337	-	-	1,449
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	22	-	-	-	22
Of foreign financial institutions	-	10	-	-	10
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	73	-	-	73
Of others in Israel	65	-	-	-	65
Of others abroad	-	-	-	-	-
Shares	11	-	-	-	11
Total trading securities	1,210	420	-	-	1,630
Credit to the public in respect of securities loaned	4,923	-	-	-	4,923
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	124	-	124
Other Interest Rate Contracts	-	1,316	441	-	1,757
Foreign Currency Contracts	12	569	456	-	1,037
Shares Contracts	376	92	-	-	468
Commodity and other Contracts	1	10	8	-	19
Total assets in respect of derivative instruments	389	1,987	1,029	-	3,405
Other	-	13	-	-	13
Assets in respect of the "Maof" market operations	330	-	-	-	330
Total assets	21,992	15,064	1,029	-	38,085
Liabilities					
Deposits from the public in respect of securities borrowed					
CLN deposits	-	-	162	-	162
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	92	-	92
Other Interest Rate Contracts	-	1,848	-	-	1,848
Foreign Currency Contracts	12	828	146	-	986
Shares Contracts	376	76	-	-	452
Commodity and other Contracts	1	16	-	-	17
Total liabilities in respect of derivative instruments	389	2,768	238	-	3,395
Other	-	30	-	-	30
Commitments in respect of the "Maof" market operations	330	-	-	-	330
Short sales of securities	464	-	-	-	464
Total liabilities	3,499	2,798	400	-	6,697

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Audited				
	December 31, 2019				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available for sale securities					
Of the Israeli Government	14,824	2,408	-	-	17,232
Of foreign governments	1,494	173	-	-	1,667
Of Israeli financial institutions	103	42	-	-	145
Of foreign financial institutions	-	927	-	-	927
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	9	7,053	-	-	7,062
Of others in Israel	156	166	-	-	322
Of others abroad	-	2,207	-	-	2,207
Shares	116	12	-	-	128
Total available-for-sale securities	16,702	12,988	-	-	29,690
Trading Securities					
Of the Israeli Government	1,628	671	-	-	2,299
Of foreign governments	16	-	-	-	16
Of Israeli financial institutions	17	-	-	-	17
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	60	-	-	60
Of others in Israel	58	-	-	-	58
Of others abroad	-	-	-	-	-
Shares	13	-	-	-	13
Total trading securities	1,732	731	-	-	2,463
Credit to the public in respect of securities loaned	3,451	-	-	-	3,451
Assets in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	172	-	172
Other Interest Rate Contracts	-	2,548	200	-	2,748
Foreign Currency Contracts	3	731	448	-	1,182
Shares Contracts	341	47	-	-	388
Commodity and other Contracts	2	30	23	-	55
Total assets in respect of derivative instruments	346	3,356	843	-	4,545
Other	-	13	-	-	13
Assets in respect of the "Maof" market operations	14	-	-	-	14
Total assets	22,245	17,088	843	-	40,176
Liabilities					
Deposits from the public in respect of securities borrowed					
CLN deposits	-	-	144	-	144
Liabilities in respect of derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	97	-	97
Other Interest Rate Contracts	-	2,946	-	-	2,946
Foreign Currency Contracts	2	1,177	195	-	1,374
Shares Contracts	341	29	-	-	370
Commodity and other Contracts	2	50	-	-	52
Total liabilities in respect of derivative instruments	345	4,202	292	-	4,839
Other	-	27	-	-	27
Commitments in respect of the "Maof" market operations	14	-	-	-	14
Short sales of securities	455	-	-	-	455
Total liabilities	2,677	4,229	436	-	7,342

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

2. Items measured according to fair value not on a recurring basis

Unaudited					
March 31, 2020					
	Level 1	Level 2	Level 3	Total fair value	Loss for the three months ended March 31, 2020
In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	632	632	(25)
Not for trading shares	-	-	6	6	(5)

Unaudited					
March 31, 2019					
	Level 1	Level 2	Level 3	Total fair value	Loss for the three months ended March 31, 2019
In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	607	607	(11)
Not for trading shares	-	-	32	32	(4)

Audited					
December 31, 2019					
	Level 1	Level 2	Level 3	Total fair value	Loss for the year ended December 31, 2019
In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	580	580	(82)
Not for trading shares	-	-	14	14	(31)

16. Balances and fair value estimates of financial instruments (continued)

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated

	Fair value as at beginning of the year	Total realized and unrealized gains (losses) included in the statement of profit and loss	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of the year	Unrealized gains (losses) in respect of held instruments as at end of the year
in NIS millions								
Unaudited								
For the three months ended March 31, 2020								
Net Assets (Liabilities) in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	75	⁽¹⁾ 33	-	(5)	-	-	103	⁽¹⁾ 33
Other Interest Rate Contracts	200	⁽¹⁾ 183	-	44	(6)	5	426	⁽¹⁾ 200
Foreign Currency Contracts	253	⁽¹⁾ 1,048	(57)	(155)	3	(30)	1,062	⁽¹⁾ 1,124
Commodity and other Contracts	23	⁽¹⁾ (7)	-	(1)	-	-	15	⁽¹⁾ (7)
Total	551	1,257	(57)	(117)	(3)	(25)	1,606	1,350
Liabilities								
CLN Deposits	(144)	⁽²⁾ -	-	76	-	-	(68)	⁽²⁾ -
Unaudited								
For the three months ended March 31, 2019								
Net Assets (Liabilities) in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	31	⁽¹⁾ 11	-	(10)	-	-	32	⁽¹⁾ 7
Other Interest Rate Contracts	293	⁽¹⁾ 148	-	(6)	(2)	8	441	⁽¹⁾ 154
Foreign Currency Contracts	224	⁽¹⁾ (63)	(95)	284	(5)	(35)	310	⁽¹⁾ (19)
Commodity and other Contracts	13	⁽¹⁾ (2)	-	(3)	-	-	8	⁽¹⁾ (5)
Total	561	94	(95)	265	(7)	(27)	791	137
Liabilities								
CLN Deposits	(193)	⁽²⁾ (2)	-	33	-	-	(162)	⁽²⁾ (2)
Audited								
For the year ended December 31, 2019								
Net Assets (Liabilities) in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	31	⁽¹⁾ 38	-	6	-	-	75	⁽¹⁾ 31
Other Interest Rate Contracts	293	⁽¹⁾ 410	-	(435)	(113)	45	200	⁽¹⁾ 233
Foreign Currency Contracts	224	⁽¹⁾ 63	(111)	78	9	(10)	253	⁽¹⁾ 131
Commodity and other Contracts	13	⁽¹⁾ 24	-	(14)	-	-	23	⁽¹⁾ 23
Total	561	535	(111)	(365)	(104)	35	551	418
Liabilities								
CLN Deposits	(193)	⁽²⁾ (4)	-	53	-	-	(144)	⁽²⁾ (3)

Footnotes:

(1) Included in the statement of profit and loss in the item "Non-interest financing income".

(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first quarter of 2020, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information regarding the measurement of fair value at level 3

		Unaudited		
	Fair value as at March 31, 2020	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	632	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Not for trading shares	6	Evaluation	Company value	
B. Items measured at fair value on a recurring basis				
Net Assets in respect of derivative instruments				
Shekel/CPI Interest Rate Contracts	103	Discounted cash flow	Inflationary expectations	From -1.2% to 1.15% (0.41%)
			Counterparty credit risk (CVA)	From 0.00% to 3.11% (0.81%)
Other Interest Rate Contracts	426	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 0.56% (0.01%)
Foreign Currency Contracts	1,062	Discounted cash flow	Inflationary expectations	From -1.2% to 1.15% (0.81%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 16.98% (0.41%)
Commodities and other contracts	15	Rating model	Counterparty credit risk (CVA)	From 0.00% to 0.00% (0.00%)
Liabilities				
CLN Deposits	68	Discounted cash flow	Credit risk of the underlying asset	

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

	Unaudited		
	Fair value as at	Valuation Techniques	Unobservable inputs
	December 31, 2019		
	In NIS millions	Range (Weighted Average)	In %
A. Items measured at fair value not on a recurring basis			
Impaired credit the collection of which is collateral dependent	607	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs
Others, include available-for-sale shares	32	Evaluation	Company value
B. Items measured at fair value on a recurring basis			
Net Assets in respect of derivative instruments			
Shekel/CPI Interest Rate Contracts	32	Discounted cash flow	The interest curve in the CPI linked segment From 1.54% to 2.32% (1.92%)
			Counterparty credit risk (CVA) From 0.00% to 4.10% (0.35%)
Other Interest Rate Contracts	441	Discounted cash flow	Counterparty credit risk (CVA) From 0.00% to 3.95% (0.03%)
Foreign Currency Contracts	310	Discounted cash flow	The interest curve in the CPI linked segment From 1.54% to 2.32% (1.84%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA) From 0.00% to 35.53% (0.59%)
Commodities and other contracts	8	Rating model	Counterparty credit risk (CVA) From 0.00% to 0.04% (0.01%)
Liabilities			
CLN Deposits	162	Discounted cash flow	Credit risk of the underlying asset

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

		Audited		
	Fair value as at December 31, 2019	Valuation Techniques	Unobservable inputs	Range (Weighted Average)
In NIS millions		In %		
A. Items measured at fair value not on a recurring basis				
Impaired credit the collection of which is collateral dependent	580	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Available-for-sale shares	14	Evaluation	Company value	
B. Items measured at fair value on a recurring basis				
Net Assets in respect of derivative instruments				
Shekel/CPI Interest Rate Contracts	75	Discounted cash flow	The interest curve in the CPI linked segment	From -2.98% to 2.16% (0.92%)
			Counterparty credit risk (CVA)	From 0.00% to 4.14% (0.41%)
Other Interest Rate Contracts	200	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 4.98% (0.02%)
Foreign Currency Contracts	253	Discounted cash flow	The interest curve in the CPI linked segment	From -2.98% to 2.16% (1.25%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 3.26% (0.25%)
Commodities and other contracts	23	Rating model	Counterparty credit risk (CVA)	From 0.00% to 0.00% (0.00%)
Liabilities				
CLN Deposits	144	Discounted cash flow	Credit risk of the underlying asset	

2. Qualitative information regarding the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). As much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). As much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. Existing arrangements between credit card companies and between such companies and the banks. The arrangements were described in Note 36 A to the financial statements as of December 31, 2019.

Reduction of the cross-commission rate. The Governor of the Bank of Israel announced on February 25, 2018 a new outline with respect to the reduction of the cross-commission in deferred charge transactions, from the present rate of 0.7% to a rate of 0.5%, this in five stages during the coming years.

The cross commission level under the new outline has been calculated based on the methodology that was approved in 2006 by the Competition Court, as referred to above.

The reduction in the issuer's fee to a level of 0.5% will be implemented in stages, as follows:

- from January 1, 2019, the end of the current arrangement period, through December 31, 2019, the issuer's fee will stand at an average rate that shall not exceed 0.6%;
- from January 1, 2020, through December 31, 2020, the issuer's fee will stand at an average rate that shall not exceed 0.575%;
- from January 1, 2021, through December 31, 2021, the issuer's fee will stand at an average rate that shall not exceed 0.55%;
- from January 1, 2022, through December 31, 2022, the issuer's fee will stand at an average rate that shall not exceed 0.525%;
- from January 1, 2023, the issuer's fee will stand at an average rate that shall not exceed 0.5%.

In addition, an outline was established with respect to the reduction of the cross-commission regarding immediate charge transactions, from the current rate of 0.3%, to a rate of 0.25%, in two phases, during the coming years. The aforementioned reduction will be carried out in stages, as follows:

- from January 1, 2021 through December 31, 2022, the commission will be at an average rate of not more than 0.275%;
- from January 1, 2023, the commission will be at an average rate of not more than 0.25%.

On November 25, 2018, these rates were recognized in the Banking Order (Customer service) (Supervision over cross-clearing service for charge card transactions and for immediate debit transactions), 2018.

It should be noted that the reducing the rate of the cross commission effects various parameters, including: the scope of the fees collected from trading houses, the scope of the royalties paid to the banks with which the company has entered into a joint-issuing agreement, various operational fees, the scope of the clearing activity, the effects of the changes in the credit card sector as a result of the "Strum Law" etc. Difficulties exist in assessing each of these parameters on its own and in assessing their aggregate impact, particularly in light of the fact that their impact is felt gradually over time. Consequently, ICC is of the opinion that it is not possible to assess the scope of the impact of the reduction in the cross commission rate on its business results. Nevertheless, the Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated.

Petition regarding the rate of the cross commission. On December 9, 2018, a petition was filed with the Supreme Court sitting as the High Court of Justice, in which relief was sought through the revocation of the Banking Order (Customer Service) (Supervision of Cross Clearing Service of Debit Card Transactions and of Immediate Charge Transactions), 2018. According to the petitioners, the Order should be revoked, and it should be prescribed that the credit card companies be forbidden from generating profit from the cross commission, which is meant to cover only the issuer's costs. ICC submitted its response on August 19, 2019. Hearing of the Plea was fixed for July 13, 2020.

B. Arrangements following the Strum Act. The arrangements were described in Note 36 B to the financial statements as of December 31, 2019.

C. Joint distribution agreement with El-AI Company. Note 36 C to the financial statements as of December 31, 2019 described an agreement in respect of an engagement of ICC with EL AL, regarding the issuance and operation of brand name credit cards, within the framework of which the FlyCard club is being operated.

In accordance with the plan of operation of the agreement, ICC's profitability is expected to be impaired due to expenses relating to operating the club in the first two years of its operation.

The Corona crisis and following restrictions imposed on international travel by many governments around the world and in Israel, resulted in economic impairment to many airline companies, including El Al airlines.

On May 14, 2020, El Al published its financial statements for 2019, in which it reported that the company conducts negotiations for a loan, mostly guaranteed by the State of Israel, that discussions with the Government and the lending bodies are still in progress, and that no certainty exists that the negotiations would be concluded in a binding agreement. It was further noted that whereas the said negotiated loan is essential to confront the implications of the crisis, at this stage, significant doubt exists as to the ability of the company to continue as a going concern.

17. Credit card activity (continued)

ICC has studied this development, and according to assessments made, based, inter alia, on the performance of the operation of the Club and the anticipated income there from, ICC has reached the conclusion that, at this stage, no reason exists for a provision for impairment to be recognized in respect of material amounts paid to El Al within the framework of the agreement. This conclusion is based on information existing in the hands of ICC at the reporting date, and on the estimates made by ICC, as stated. It is possible that actual developments would be different than those estimated by ICC.

- D. Acquisition of the minority interest in Diners.** In December 2015 ICC acquired all the holdings of Dor-Alon and Blue Square in Diners (49%), so that upon conclusion of the transaction ICC holds all the rights (100%) in Diners. A dispute arose between the parties regarding the entitlement of the sellers to additional consideration, conditional upon fulfillment of conditions precedent. The parties referred to mediation proceeding in the matter, but the mediation proceedings were not successfully concluded. A monetary action was filed on September 24, 2019 with the Tel Aviv District Court against ICC, in which the Court is requested to order ICC to pay to Dor-Alon and Blue Square an amount of approx. NIS 21 million. On February 9, 2020, ICC submitted a defense brief in respect of this action. Concurrently with the submission of the defense brief, ICC submitted a counterclaim, in which the Court is requested to order the opposite parties to pay ICC an amount of approx. NIS 33 million.

18. Dividends

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

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

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

B. Details regarding the dividend paid

Declaration date	Payment date	Total dividend paid	Rate from the profit	Dividend per share In agorot (100 agorot = NIS 1)
		In NIS million	In percentage	
May 17, 2018	June 6, 2018	32.0	10	2.75
August 15, 2018	September 2, 2018	42.0	10	3.61
November 15, 2018	December 4, 2018	43.9	10	3.77
March 11, 2019	March 28, 2019	48.6	15	4.18
May 16, 2019	June 3, 2019	60.8	15	5.22
August 14, 2019	September 1, 2019	81.8	15	7.02
November 27, 2019	December 16, 2019	64.0	15	5.50
March 15, 2020	April 5, 2020	48.8	15	4.19

- c.** On April 7, 2020, on the background of Corona virus crisis and with the aim of supporting the credit needs of its customers, the Bank's Board of Directors decided to discontinue at this stage the distribution of dividends until the expiry date of the Provisional Instruction issued by the Supervisor of Banks on March 31, 2020 (see Note 9 1 (E) above), and the clarification of the circumstances.

19. Transactions with interested parties

Terms of office of the Chairman of the Board and of the President & CEO of the Bank. The Bank's special general meeting of shareholders held on March 18, 2020, approved the update of the terms of office of the Chairman of the Board. The said meeting also approved the terms of office and employment of the Bank's President & CEO.

20. Taxation

- a. On March 15, 2020, a tax ruling was received from the Tax Authority, whereby two shares (out of 5000 shares) of Israel Discount Bank Nominee Company Ltd., held by Discount Trust Ltd. (both companies are subsidiaries of the Bank), would be assigned to the Bank under exemption from income tax and land betterment tax, in accordance with Section 104C of the Income Tax Ordinance, so that following the assignment of the shares, as stated, the Bank would be the sole owner of the share capital of the Nominee Company. In accordance with the terms of the arrangement, the Bank has committed to disclose the said arrangement in a note to its financial statements.
- b. On December 14, 2016, the Director of Value Added Tax ("the Director") issued to ICC assessments for periods from January 2012 to August 2016. The amount charged in these assessments, including interest and linkage, totaled NIS 48 million. ICC disputed the position of the Director, and is of the opinion that it has good arguments in support of its position. Accordingly, ICC filed on March 9, 2017, an appeal. On March 8, 2018, ICC received the decision of the VAT Director rejecting the appeal submitted, as stated, as well as increasing the charge of the tax assessment to NIS 75 million (including interest and linkage increments). To the extent that the position of ICC would not be admitted by the Court, it might be liable with respect to the issues contained in the assessment, also for periods following the date of the assessment. On January 31, 2019, ICC filed an appeal against the said decision with the Central Region District Court. On November 3, 2019, the Supreme Court approved an agreed plea for the consolidation of the hearing of the appeal with the hearing of the appeals filed by competitors of ICC. A preliminary hearing was held on March 5, 2020.

ICC assesses the exposure amount in respect of which the allowance was not included in the financial statements, as a total amount of approx. NIS 146 million.

21. Outbreak of the Corona virus

A new virus of the "Corona" type broke out in the first quarter of 2020, spreading quickly to most countries around the globe, causing widespread morbidity and a significant mortality rate. In March 2020, the World Health Organization announced the Corona virus a "pandemic". Following the outbreak of the virus, governments around the world, including Israel, have adopted preventive measures, which included restrictions on passage between countries, isolation means including lockdown, restrictions on different types of activities and businesses, etc. The said measures have led to a significant impairment of business activity, to a rise in the rates of unemployment, impairment of the economic survivability of businesses and impairment of income and consumption of households.

The Corona crisis and its domestic and global implications, have led to an increase in risk in most of the managed risk areas. The Bank estimates that exposure has particularly increased with respect to credit risk and operating risk.

The Bank estimates that the Corona crisis may continue to affect the condition of borrowers and their repayment ability, although, at this stage, significant uncertainty exists regarding the force of the crisis and the length of time in which it is anticipated to apply its impact. On the background of the above stated, the Bank has decided to increase the group allowance in the present quarter, in order to reflect the growth in the estimated credit losses for the period, in respect of borrowers affected by the crisis, which as yet have not been identified.

The economic implications of the Corona crisis depend on the time range for the curbing of the pandemic spread, the forcefulness of the steps taken in Israel and around the world for assistance to and the recovery of the economy, and in the pace of economic recovery and of the return to fulltime activity of the different economic sectors. The Bank and its principal subsidiaries continue to follow developments in this respect and are studying the possible implications on sectors and customers, which might be affected by this situation (including the effect of the decline in the markets). The Bank estimates that the Corona crisis may continue and impact the condition of borrowers and their loan repayment ability, even though, at this stage, as stated, significant uncertainty exists with respect to the force of the crisis and the length of time in which it is expected to have an effect. Accordingly, the Bank estimates that concern exists regarding the continuing impairment in the profitability of the Group, however, at this stage, it is not possible to assess its scope.

Corporate Governance, Audit, Additional Details Regarding the Business of the Banking Corporation and Management Thereof

173	Corporate Governance and additional details - List of tables	177	Rating of Liabilities of the Bank and some of its Subsidiaries
174	Corporate governance and audit	177	Activity of the Group according to regulatory operating segments - additional details
174	Board of Directors and Management	182	Credit Card Operations
174	The Internal Audit in the Group	182	Technological improvements and innovation
174	Transactions with Interested and Related Parties	184	Main developments in the Israeli economy and around the world in the first three months of 2020
175	Additional details regarding the business of the banking corporation and management thereof	187	Legislation and Supervision
175	Discount Group Structure	191	Legal Proceedings
175	Fixed Assets and Installations	192	Proceedings regarding Authorities
176	Involvement and contribution to the community in the Corona days		
176	The human capital		

Corporate Governance and additional details – List of tables

	Page No.
Developments in the mortgage market	178
New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit	178
The changes in selected share indices recorded in the first three months of the years 2019 and 2020	184
The returns on government bonds	184
Changes in the U.S. dollar against selected currencies in the first three months of the years 2019 and 2020	184
Changes in selected commodities indexes in the first three months of the years 2019 and 2020	185
The changes recorded in selected share indices in the first three months of 2019 and 2020	186
The changes recorded in selected bond indices in the first three months of 2019 and 2020	187

● CORPORATE GOVERNANCE AND AUDIT

Board of Directors and Management

Meetings of the Board of Directors and its committees

In the first three months of 2020, the Board of Directors held 9 meetings. In addition, 20 meetings of committees of the Board of Directors were held.

The Internal Audit in the Group

Details regarding the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2019 Annual Report (pp. 297-299).

Updates. During the first quarter of 2020 the following periodic reports were submitted and discussed:

- The report on the activities of the internal audit in the fourth quarter of 2019 was submitted on January 20, 2020 and discussed in the Audit Committee on March 31, 2020;
- The annual report on the activities of the internal audit in 2019 was submitted on March 15, 2020, discussed by the Audit Committee on March 31, 2020 and discussed by the Board of Directors on April 19, 2020;
- The quarterly report on the activities of the internal audit in the first quarter of 2020 was submitted on May 5, 2020, and discussed by the Audit Committee on May 25, 2020.

Transactions with Interested and Related Parties

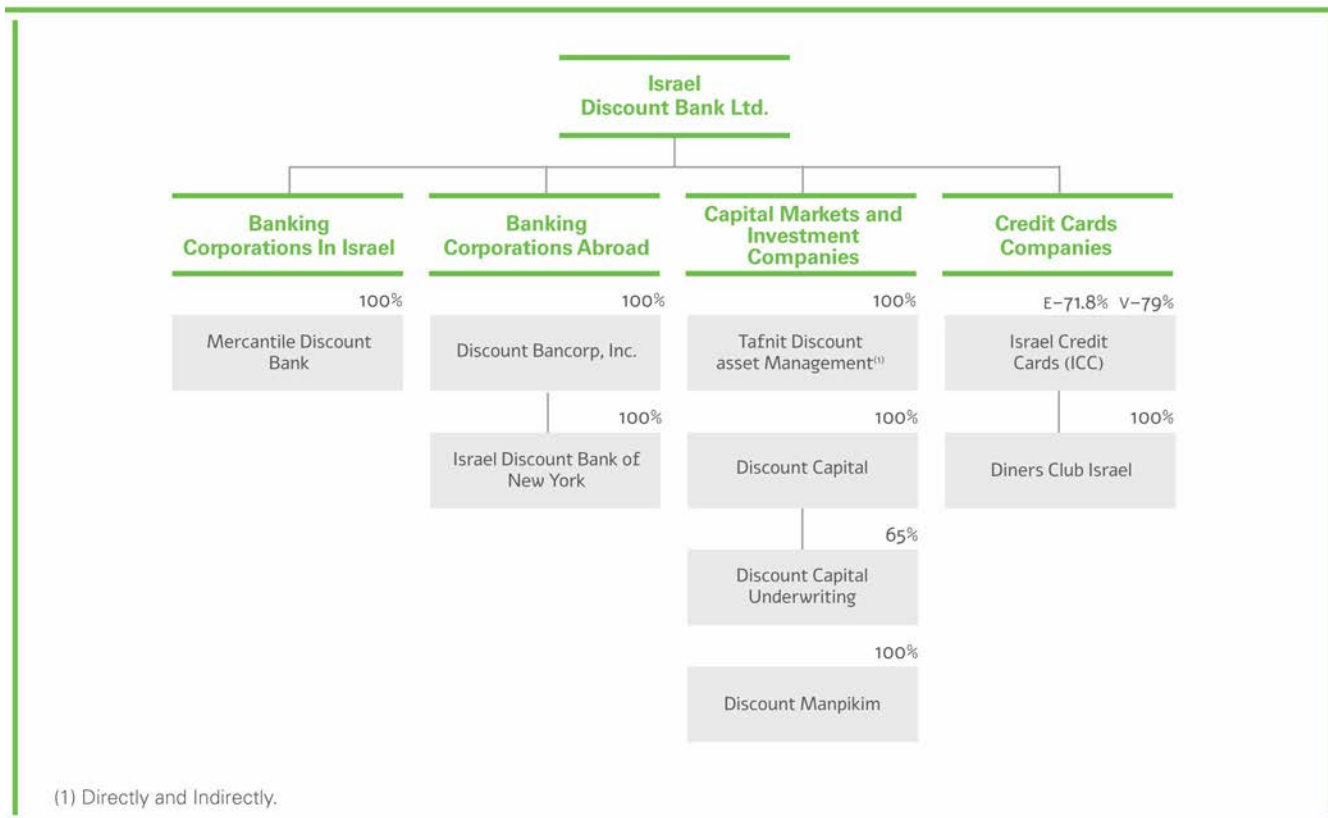
Terms of office of the Chairman of the Board and of the President & CEO of the Bank. The Bank's special general meeting of shareholders held on March 18, 2020, approved the update of the terms of office of the Chairman of the Board. The said meeting also approved the terms of office and employment of the Bank's President & CEO.

Directors and officers liability insurance. The Bank's special general meeting held on March 18, 2020, resolved to approve in advance the engagement of the Bank in an insurance policy covering the liability of Directors and officers, whether by way of purchasing a new policy or by way of extending the validity of the existing policy, within the power of the remuneration policy that was approved by the same meeting, under the terms and limitations stated in the said remuneration policy.

All as detailed in the immediate reports dated February 11, February 24 and March 18, 2020 (Ref. Nos. 2020-01-012694, 2020-01-015952 and 2020-01-022936, respectively), the information detailed therein regarding the above matters, is presented herewith by way of reference.

Additional details regarding the business of the banking corporation and management thereof

Discount Group Structure



Fixed Assets and Installations

Buildings and Equipment

Establishment of the Discount Campus. For details, see the 2019 Annual Report (p. 307-308) and Note 10 B 6 to the condensed financial statements.

Information and Computer Systems

Activity in light of the coronavirus. The Bank has taken various actions intended to ensure its operational and technological stability, with the aim of enabling essential critical processes to function in all areas, including customer service, support processes, technology, business continuity, cyber and data protection.

During this period, the following measures, among others, have been taken:

- Making remote working possible for the business divisions, both for the units that serve customers (e.g., TeleBank, dealing room, banking service center) and also head office units, thereby enabling "business continuity" and full availability for the Bank's essential financial activity;
- Providing the necessary infrastructures to implement the capability of remote working, while meeting the shortest SLA requirements and full availability, without the occurrence of material irregular or disabling events and while coping with the pressure on the Bank's infrastructures, due to the state of emergency;
- Continuing to execute development projects in response to business demands, while integrating unplanned developments the need for which arose due to the state of emergency.

Involvement and contribution to the community in the Corona days

On the background of the crisis, the Bank applied itself to respond to the different calls for help. Inter alia, the Bank assisted thirteen hospitals in the purchase of respiratory machines and intensive care stations. Also, the Bank joined El Al Airlines in repatriating Israeli tourists from South America. At the same time, the Bank donated to Associations assisting Holocaust survivors, senior citizens and needy families: "Latet", "Lasova" and "Yad Ezer La-Haver", for the purchase of food parcels; to the "Israeli Spirit" in aid of boardinghouse children; to "WIZO" in aid of families leaving shelters; and to "Magen David Adom" for the purchase of equipment kits for the on-duty staff.

Also in this challenging period, Bank employees enrolled for different voluntary initiatives, the outstanding of which was where over one hundred Bank employees volunteered to provide online support to Holocaust survivors and old persons.

The human capital

Human resources management during the period of the Corona crisis

Following the operation of the Bank in an emergency format, in accordance with the guidelines, the workforce required to appear in person at the premises of the Bank has been reduced, while a part of the employees continuing to operate in a distant work format.

Operating in the aforesaid format necessitates taking the following measures in the field of human resources management:

- Translating the government guidelines and emergency regulations, which have been updated and altered from time to time, into a planned and operable format from the aspect of the Bank's human resources, including reducing the number of employees coming to Bank premises, massive shift to work from home and making nonessential employees take vacation;
- Ahead of time and real-time organizing – number of employees, risk management, movement restrictions, etc.;
- Splitting crucial units over several sites so as to minimize risks;
- Instructing employees regarding behavior during this period;
- Daily workforce planning and listing the employees required to work at the Bank and those that should work from home, including the necessary organization from the technical and logistical aspects (workstations, means of getting to work, meals, hygiene, etc.);
- Daily monitoring of the interfaces with sick employees and defining the impact thereof with regard to isolating employees and entire units and their return to normal activity;
- Due to the public transport cutbacks, mapping the population of essential employees for the purpose of them getting to the Bank's premises. This population was facilitated with respect to parking requests and taxi use.

Concurrently, measures have been taken in relation to communicating with employees and supporting them:

- A hotline for employees' queries;
- Support for employees and managers and assisting them throughout this period and answering their needs;
- Supporting employees that were sick with the Corona virus and employees required to self-isolate, as well as employees suffering from emotional distress due to the situation;
- Support for employees who are not required in the current emergency situation and are taking vacation as ordered by the Bank;
- Maintaining daily contact and sending messages to all the Bank's employees.

Remuneration during the Corona crisis

On May 12, 2020, the Bank's management reached accords with the employees' representative committee with regard to remuneration during the Corona crisis period. Within this framework, an agreement was signed with the employees' committee regarding the Bank's participation in financing half of the vacation days that employees were obliged to spend at home and not come to work due to the Corona virus, with this being effective from March 17, 2020 and continuing through June 30, 2020 at the latest. It was also agreed that the Bank would allow the balance on employees' vacation days account to go into minus on expense of future vacation and would not offset this against salary in respect of this period.

This arrangement will also apply to temporary employees and, as the Bank shall decide, also to staff employed under personal contracts.

In addition, on the same date, a collective agreement was signed with the employees' representative committee, which made changes to the wage agreement from February 21, 2019, whereby the salary increase due to be paid in July 2020 and the salary increase due to be paid in July 2021, would be consolidated into one increase, which would be paid in May 2021.

Organizational culture

Work in an emergency format has set the challenge of maintaining organizational communication, particularly in the days of the Corona crisis, during which, many employees were prevented from reaching the Bank offices. A "FaceBank reaching you" website has been introduced – being the employees' "FaceBank" website in a version adapted to the mobile phone, enabling Bank employees to obtain diverse information and upload contents from anywhere and at any time. Immediately upon the outbreak of the crisis, the Bank's Management took strict action to update employees with the developing situation and to distribute, nearly daily, updating announcements to employees through diversified communication channels. The Bank's President & CEO held a weekly updating conversation with the Bank's managerial echelon, from the branch manager level and above, within the framework of which, it was also possible to present questions and subjects for discussion.

Improvement of Service

The handling of complaints. The annual report to the public regarding the handling of complaints in 2019, is available on the Bank's Internet website.

Rating of Liabilities of the Bank and some of its Subsidiaries

Rating of Liabilities of the Bank and some of its Subsidiaries. On May 7, 2020, Ma'alot announced the ratification of the Bank's rating and of MDB's rating at a level of AAA, with a stable outlook. On the same date, S&P ratified the international rating of the Bank and that of IDB New York at a level of BBB+ and revised the outlook to stable, all as stated in the immediate reports dated May 7, 2020 (reference nos. 2020-15-045030 and 2020-01-044977, respectively), the information provided therein being included herewith by way of reference.

Credit rating of the State of Israel. On April 23, 2020, the Fitch rating agency ratified the credit rating of the State of Israel at a level of A+, with a stable outlook. On April 24, 2020, the rating agency Moody's reduced the credit rating outlook of the State of Israel from "positive" to "stable", leaving the rating itself at the level of A1.

For details regarding the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2019 Annual Report (p. 322-323).

Activity of the Group according to regulatory operating segments – additional details

Household Segment (Domestic operations) - additional details

Developments in the segment

In the first quarter of 2020 (until the middle of March, date on which the Corona crisis broke out) the Bank continued implementing measures to achieve the multi-year targets:

- Further improving the customer experience with the human and the digital channels, including deploying a customer experience approach drawn up in light of the findings from a comprehensive customer survey;
- Giving accessibility to a broad range of services and providing an advanced experience, 24/7 availability in the digital platforms (including being able to open make an account via the app and so forth) and educating customers to adopt the advanced services;
- Broadening the use of the "meeting with a banker" invitation service and the cashier and consultant services;
- Further regulating branch workloads for all contact channels: face-to-face, telephone and digital, by means of a control and command center at the Banking Division;
- Further improving and expanding the telephone call center with the aim of enhancing the availability of the telephone service;
- Upgrading the sales effectiveness by means of customized value offers on all channels;
- Continuing the development and use of analytical models as a tool in support of credit-granting decisions.

Branches. At the end of the first quarter, the Discount Group has 178 branches in operation in Israel (103 branches of the Bank and 75 branches of MDB).

For additional details, see the 2019 Annual Report (pp. 324-327).

Mortgage Activity

At the present time, the Bank operates 66 branches, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	March 31,		Change in %
	2020	2019	
	in NIS millions		
Total housing loans granted by the banks, excluding internal recycling of loans	20,868	15,394	35.6
Loans from State funds	200	198	1.0

New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit

	For the three months ended March 31,		Change in %	For the year ended December 31,
	2020	2019		2019
	In NIS millions			In NIS millions
From bank funds ⁽¹⁾	2,404	1,837	30.9	8,151
From Treasury funds ⁽²⁾	14	19	(26.3)	59
Total of new loans	2,418	1,856	30.3	8,210
Recycled loans	448	130	244.6	650
Total granted⁽³⁾	2,866	1,986	44.3	8,860

Footnotes:

- (1) Including new loans granted, secured by housing mortgages, in the amount of NIS 41 million in the first three months of 2020, compared to NIS 28 million as at March 31, 2019 and NIS 130 million in 2019.
- (2) Including standing loans in the amount of NIS 5 million in the first three months of 2020, as at March 31, 2019 and NIS 12 million in 2019.
- (3) At the Bank and M.D.B.

Legislative restrictions, regulations and special constraints applicable to the operations

Adjustments to Proper Conduct of Banking Business Directives for confronting the Corona virus crisis (Provisional Instruction).

The circular of the Supervisor of Banks dated March 19, 2020, states that it is permitted to approve a mortgage loan of up to a financing level of 70% of the value of the property, on condition that the loan is not granted for the purchase of an additional apartment. The circular dated May 5, 2020, permitted to approve a mortgage loan the ratio of the repayment installment thereof to free income shall not exceed 70% of the remaining income of the borrower after impairment to income caused by the Corona crisis.

The Bank has to determine an overall limit to the volume of credit extended in terms of this relief.

For details regarding guidelines and instructions of the Supervisor of Banks designed to restrain the mortgage market, see the 2015 Annual Report (pp. 469-471). For additional details, see the 2019 Annual Report (pp. 327-328).

Private Banking Segment (Domestic operations) - additional details

Together with the spreading of the Corona virus in Israel and around the world, a crisis started towards the end of February in the capital market, continuing until the end of the quarter. Investment consultants in the private banking segment provided full support and were available to customers, while strictly complying with Government guidelines.

For additional details, see the 2019 Annual Report (pp. 329-331).

Large businesses Segment (Domestic operations) - additional details

Reaching targets and business strategy – first three months of 2020

The Bank has acted in accordance with the work plan from the corporate banking segment, while focusing on increasing risk adjusted return on risk assets and a customer-focused view. Among other things, the Bank acted to adjust its exposure in accordance with sectorial risk level evaluations, adjust the credit spreads to the risk level and to the reduction in exposure to activities involving a high level of risk.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of March 31, 2020, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as March 31, 2020, there were no deviations from the limitations on "related persons". In accordance with a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of February 2020⁴ to NIS 963 billion, an increase of 0.2% compared with the end of December 2019 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

The increase in total debt is due to a 1.1% rise in the debt to households and to a more moderate rise in debt to banks and foreign residents (0.2% and 0.1%, respectively). The debt to institutional bodies recorded stability. It should be noted that, while private loans granted to institutional bodies fell at a rate of 0.8%, the balance of bonds held by institutions showed a rise of 0.6%. As a result of the above trends, the banks' share in the total amount of the business sector remains stable and, at the end of February 2020, amounted to 48.0%.

During the months January-March, the business segment, excluding banks and insurance companies, raised bonds in an amount of NIS 10.2 billion (on the Tel-Aviv Stock Exchange and by means of non-listed bonds), compared to NIS 8.7 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 March 2020 was 2.36 %, compared with 1.03% at the end of 2019 and 1.15% at the end of the corresponding quarter last year.

Developments in the Segments' Markets

On the background of the spreading of Corona virus and the shutdown of economic activity around the world generally, and in Israel in particular, the study of developments in the economic sectors based on the current indices, updated retroactively, does not provide a full picture. We are in the midst of a vigorous and rolling event, within the framework of which, an across-the-board impairment of economic activity is expected, which will have an impact on activity in many sectors. Following is an estimate of the more vulnerable economic sectors.

Following are development directions in the principal economic sectors:

- The hotel, aviation and tourism sector – following a record high economic activity seen in this sector in 2019, activity was brought to a halt since the outbreak of the Corona crisis;
- The industrial sector – in the course of 2019 and even in January 2020, this sector continued the trend of long-term expansion, as reflected in the sector's production and export data. Since the outbreak of the Corona crisis, the sector's activity has started to contract, as shown by the purchase managers' index for the month of March 2020, which dropped to below the level (50 points) between contraction and expansion, to its lowest level (34.6 points) since February 2009. A breakdown to segments of operation shows that most of the damage was sustained by the wood and furniture, textiles and apparel, metal and electrical equipment sectors, which, following the publication of the Emergency Regulations, their volume of activity has been limited to up to 50% concurrently with a reduction of approx. 40% in the volume of orders;
- The commercial sectors (including diamonds) - Until the outbreak of the Corona crisis this sector enjoyed the continued growth in the purchase power of the Israeli consumer, however, faced the growing competition and increase in volume of the online trading. The Corona crisis, leading, inter alia, to the shutting down of commercial centers and to deterioration in employment data, is expected to impair performance of this sector
- Real estate sector – for details, see below under "Construction and real estate activity".

⁴ The most updated data available at the time of submitting the report to print.

Anticipated Developments in the Segments' Markets

In accordance with the growth forecast of the Bank of Israel of April 2020, formed in the midst of the Corona crisis, the GDP is expected to contract by 5.3% in 2020, while inflation is expected to continue staying in a negative territory (0.8%) and the Bank of Israel interest rate is expected to decline even to a rate of 0%. In addition, the expansionary fiscal policy alongside the expected reduction in tax revenues is expected to result in an exceptional deficit of approx. 11% of the GDP. On the applications level, except for public consumption, which is expected to grow by approx. 5% on the background of Government support, all other GDP components are expected to contract at a sharp rate – private consumption, which served as the main growth generator in recent years, is expected to contract by approx. 5%, investment in fixed assets by over 10%, and exports by approx. 15%.

For details regarding the "Large businesses Segment", see the 2019 Annual Report (pp. 335-339).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. During the past twelve months ended in February 2020, the trends marking this segment, continued with a rise of 3.9% in the general residential units price index and the continuation in the reduction in the new residential units price index, due to acceleration in sales under the "Price to the Purchaser" program for tenders closed in prior periods. This, concurrently to the continuing contraction of the supply side with construction beginnings for 2019 dropping by approx. 2% as compared to the previous year, to a level of approx. fifty thousand apartments. Notwithstanding the above, with the outbreak of the Corona crisis, sales of apartments have stopped nearly to a complete standstill, inter alia, due to Government ban on gatherings.

Income producing commercial real estate. The commercial property market has maintained stability in occupancy rates alongside the beginning of a minor reduction in rental prices, principally in the circle of cities around Tel Aviv. This concurrently with the continuation of the negative sentiment on the background of changes in consumption habits, and in particular due to the transition to online trading. Upon the outbreak of the Corona crisis and Government restrictions of gathering in crowded areas, activity in the commercial centers is being sharply slowed down, with a halt in payment of rentals by a part of the tenants.

Income producing office premises. The office premises market has maintained stability, both in occupancy rates and in rental prices, backed-up by a growth in economic activity. However, in view of the correlation between the office premises sector and economic activity in general, the negative economic developments are expected to lead to impairment in activity of 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 sector, 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 was 18.49% as of March 31, 2020, compared with 18.85% at the end of 2019.

Proper conduct of Banking Business Directive No. 315 in the matter of "limitation on sectorial indebtedness" was updated on January 12, 2020. The update allows a banking corporation to maintain the total indebtedness in respect of "real estate construction and manufacturing and trading in construction products" at 24% of total indebtedness of the public to the banking corporation, and this by a condition that the said total indebtedness, net of indebtedness in respect of the financing of projects jointly executed by the public and private segments, shall not exceed 20%. The amendment to the Directive takes effect on date of publication.

Relief in light of the Corona crisis. Proper Conduct of Banking Business Directive No. 250 was published on April 27, 2020, in which the rate of centralization in the real estate and construction sector was updated, net of indebtedness financing joint projects of the public sector with the private sector, to a rate of 22%. The Directive is to be in effect for a period of 24 months from date of expiry of the power of the Directive (namely, until the end of 24 months from September 30, 2020, or from a later date, if at all extended, in a period not exceeding 6 months).

For additional details, see the 2019 Annual Report (pp. 339-341).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

As of March 31, 2020, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2019 Annual Report (p. 346).

Investment of the Group in private investment funds, venture capital funds and corporations

Discount Capital is a partner in a number of private and public corporations, private investment funds and venture capital funds. As of March 31, 2020, the net investments of Discount Capital in these corporations and funds amounted to approx. US\$289.5 million. As of March 31, 2020, the maximum future commitment of Discount Capital for investment in these corporations and funds amounted to approx. US\$158.9 million.

Developments in the activity

Realizations. In the first three months of 2020, Discount Capital has recognized income in the total amount of approx. NIS 4.8 million in respect of realizations of investments, compared with NIS 7.5 million in the corresponding period last year.

For additional details, see the 2019 Annual Report (pp. 343-345).

International Operations Segment - Additional Details

Activity in view of the Corona crisis

IDB New York has implemented several measures intended to maintain business continuity and respond, to the extent possible, to the needs of its customers and employees, and support them in dealing with the crisis. IDB New York has granted customers mitigating possibilities, including deferral of loan principal and interest payments, and extended loans fully guaranteed by the Government, within the framework of the plan of the Small Businesses Agency for the protection of wages. This plan offers loans to businesses undertaking to continue and engage their employees, and which under certain circumstances would turn into grants. In addition, in view of existing circumstances, IDB New York has modified its operating model, so that its services to customers continue undisturbed.

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. In accordance with guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel.

On March 31, 2020, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 15.77% of total risk assets, as compared with 15.09% on December 31, 2019. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group.

The Bank monitors the development of the risks assets in respect of its operations in overseas extensions.

U.S. legislation. During the first quarter of 2020, the total assets of IDB New York exceeded the US\$10 billion. Subsequently, different regulatory requirements are expected to apply in continuation, to IDB New York, to which IDB New York is preparing accordingly. The application of the regulations, their scope and content, would, inter alia, be affected by the amount of total assets continuing to stay over a period over and above the said threshold. Inter alia, different regulations are expected to apply with respect to activity in derivatives and to the methodology of computing deposit insurance. Furthermore, and in accordance with the above stated, the activity of IDB New York would be subject to the supervision of the Consumer Financial Protection Bureau, the authority of which relates to compliance with different regulations intended for the protection of customers.

For additional details, see the 2019 Annual Report (pp. 346-348).

Additional Segments

For additional details regarding the Small and minute businesses segment (Domestic operations), see the 2019 Annual Report (pp. 331-333). For additional details regarding the Medium businesses segment (Domestic operations), see the 2019 Annual Report (pp. 334-335). For additional details regarding the Institutional bodies segment (Domestic operations), see the 2019 Annual Report (pp. 341).

Credit Card Operations

Developments in operations

The activity of ICC in view of the Corona crisis. The Board of Directors of ICC and its committees held frequent meetings in recent months dealing with the spreading of the Corona virus and its implications on ICC as regards different aspects, including the business continuity of the activity of the company, its preparation for different scenarios as well as preparation for "the day after". Furthermore, With the outbreak of the crisis, Management of the company directed its full administrative attention to the crisis and its implications. Cross-organization work teams, headed by the company's President & CEO, managed the different segments of the company's operations under the crisis, following developments closely and adopting measures to reduce the different risks and maintaining business continuity. The business divisions increased their monitoring and control operations over the condition of the credit portfolio of the company.

Joint distribution agreement with El-Al Company. For details, see Note 17 c to the condensed financial statements.

Support agreements with Visa Europe Limited. In February 2020, ICC and Visa Europe Limited signed a support agreement. The scope of the support funds depends on different stipulations stated in the agreement, and mainly on the volume of operation of ICC. This agreement has been signed following the announcement of VISA Europe regarding the increase in commission tariffs payable to it. ICC estimates that, the anticipated effect of the support agreement, on the one hand, and the raising of the VISA rates, on the other hand, is not expected to be material. This estimate may change in case the volume of operation under the "VISA" brand would be materially different from its volume at date of signing the agreement.

For additional details see the 2019 Annual Report (pp. 348-354).

Technological improvements and innovation

General. The Bank acts constantly over the years to provide its customers with a selection of transactions and information on the digital channels while maintaining an optimal customer experience.

The Corona crisis, that erupted at the end of the first quarter, increased the importance of the activity on the digital channels, that allow receiving extensive information and transacting a wide selection of banking operations in an independent, simple, convenient and also secured way, which may be conducted by the customer from his home.

The need to bring to the attention of the customer the changes in the preparation of the Bank, while maintaining business continuity and compliance with instructions of the Ministry of Health, is presented in current updates on the marketing website, such as: business hours of branches and units of the Bank, designated products and services provided in response to customer needs in this period, and more.

Direct channels

The following innovations and updates took place during the current activity in the first quarter of 2020:

Credit cards

In response to regulatory requirements, support has been added to the presentation of off-banking credit cards. Within this framework, the whole credit card activity presentation has been redesigned: information regarding transactions and trading houses (including a map) has been enlarged. In addition, presenting data regarding transactions that the customer conducted online is in pilot stage.

This innovation is available on the application for private individuals and business+ and on the websites for private individuals and business+.

Deposits

Withdrawals/deposit breakup. The possibility has been added for the immediate withdrawal of funds from the deposit (and not only at exit stations or at redemption date).

The service is available on the application for private individuals and on the websites for private individuals and business+.

Deposit of funds to a deposit account by standing order. The possibility has been added for the very easy opening of a deposit account by means of a standing order through the Internet, while having a choice of a wider selection of products. In certain of the deposits opened by a standing order, the possibility for a one-time deposit of funds was added.

This development appears on the private individual website.

Current accounts

The threshold for the deposit of checks by means of the application has been raised.

The update is available on the application for private individuals and business+.

Foreign currency

Opening of a foreign currency account through a foreign currency conversion process. From now on, during the foreign currency conversion process, if the customer chooses a currency in which he does not have an account, he switches to a short account opening process for that specific currency.

The service is available on the websites for private individuals and business+.

Password

Improvement of customer experience in the matter of passwords. A significant improvement has been made with respect to the process of "forgot password" on the application. The process has been structured into the application with an easy and intuitive interface with "Didi", the digital representative, without having to revert to the website.

This feature is available on the application for private individuals.

Extending the validity of the password for the digital. The validity of the password for the digital has been extended from 180 days to 270 days.

The service is available on all platforms.

Cancellation of the Discode. Within the framework of the Payment Services Act, which took effect in January, business customers were given the possibility of cancelling their Discode through the website, thus blocking the possibility of transacting business in channels.

This service is available on the business+ website.

Digital for business

Concurrent approval of several transactions. Business customers have now the possibility of the concurrent approval of additional transactions: to a single transfer transactions and to a transaction for the transfer between accounts, have been added a transfer transaction to several beneficiaries, the transfer of wages, transfer of RTGS and the payment of a bill.

This service is available on the business+ website.

Remote approval for a single transfer/transfer between accounts. Where a customer does not have sufficient funds in his account (for different reasons) to cover the required transaction, the transaction would be referred to a remote approval by a bank officer, without the customer having to visit the Bank branch to complete the transaction.

This service is available on the business+ application.

Email service for business. The possibility is now available for joining, updating and cancelling the "email service" also on the business+ website. (This service is blocked for corporations).

This service is available on the business+ website.

Customer experience

Combining the communication channels and the new correspondence on the application. Within the framework of combining the digital communication channels, the Bank has improved the efficiency of the existing process to one upgraded conversation interface on the application for private individuals. "Didi", the digital representative serves as the first line of response to the customer by means of built-in questions, directing the customer to information or to the required transaction. Where required, and according to the subject matter of the approach, "Didi" navigates the customer to correspondence with a human Bank representative. In such a case, the response time is presented to the customer in order to reduce uncertainty.

Main developments in the Israeli economy and around the world in the first three months of 2020

Developments in the Global economy

General. Contraction has been noticed in global economic activity following the spread of the coronavirus and the idling of global activity. Published data indicate that the economic harm was more serious and precipitous than expected in the first quarter. International research bodies predict a contraction in global product and global trade in 2020. It should be noted that the range of the forecasts is broad and reflects the high level of uncertainty and lack of clarity with regard to the crisis's length of time and its severity.

The U.S. and Eurozone economies contracted in the first quarter by 4.8% and 14.4% respectively (in annualized terms), the most severe contraction since 2008, which indicates the dramatic damage experienced by the economy in the last two weeks of March, and particularly in the Eurozone. The weakness encompasses every segment of the product and includes a contraction in private consumption and investments.

The spread of the crisis has led to a concerted response by the world's central banks, led by the Fed, which have taken unprecedented steps, including making steep interest cuts and supplying liquidity to the markets. The Fed, which as stated has taken the policy lead, has cut interest by 150 basis points to 0%-0.25% and has begun taking additional steps, including purchasing government and mortgage-backed bonds, purchasing corporate bonds, injecting credit into the private segment, and so forth. Concurrently the world's governments have taken wide-ranging steps, including increasing public expenditure, compensating victims of the crisis and giving loans and guarantees to companies.

Financial markets. The world's equity markets have suffered strong jolts although, toward the end of March, there was a gradual recovery against the background of the steps taken by the central banks and governments. In conclusion for the quarter, the world's leading indices showed steep declines.

The changes in selected share indices recorded in the first three months of the years 2019 and 2020

Index	2020	2019
S&P 500	(20.0%)	13.1%
DAX	(25.0%)	9.2%
MSCI Emerging Markets	(23.9%)	9.6%

Trade in government bonds was extremely volatile. Returns on U.S. 10-year bonds were traded at the end of the quarter at 0.67%, compared to 1.92% at the end of 2019. In Germany, the return on 10-year bonds fell by 28 basis points and traded at a negative level of -0.47% at the end of the quarter.

The returns on government bonds

Return on bonds for 10 years	March 31, 2020	December 31, 2019
U.S.A.	0.67%	1.92%
Germany	(0.47%)	(0.19%)

During March, against the background of the steep declines in the markets and the dollar's difficult liquidity situation, the foreign currency market saw exceptional volatility. In conclusion for the first quarter the dollar basket (the "dollar index") appreciated by 2.8%.

Changes in the U.S. dollar against selected currencies in the first three months of the years 2019 and 2020

Exchange rate	2020	2019
EUR	1.60%	2.20%
JPY	(1.00%)	1.10%
GBP	6.8%	(2.1%)

As a result of the crisis, world commodity prices have fallen sharply. The price of oil, which led the negative trend with a drop of tens of percentage points, was also impacted by major oil producers failing to reach an accord with regard to cutting back oil production.

Changes in selected commodities indexes in the first three months of the years 2019 and 2020

	2020	2019
The commodities index - GSCI	(41.4%)	16.0%
The oil price (BRENT)	(65.5%)	27.1%
The oil price (WTI)	(66.5%)	32.4%
Gold	3.9%	0.8%

Main Developments in the Israeli Economy⁵

General⁶

March saw a considerable worsening of the Corona crisis, a substantial part of the economy activity was shut down and the economy started to contract. Following restrictions imposed on employment and movement, GDP is expected to record a sharp setback in the first quarter.

The broad scope of the shutdown has led to an unprecedented blow to the labor market, following hundreds of thousands of employees being put on unpaid leave during March and hundreds of thousands of the self-employed being forced to shutter their businesses. This being in accordance with government guidelines. It should be noted that a manpower study conducted by Israel's Central Bureau of Statistics (CBS) did not reflect the full extent of the harm caused to the labor market by the Corona crisis, as reflected in the data of the Israeli Employment Service (under the CBS methodology, employees as described above are counted as being on temporary leave from work and are not considered part of the unemployed population). Hence the official unemployment rate in March stood at 3.4% and at 3.5% in the first quarter, on average (a rate that is lower even than the rate for the last quarter last year). The Bank assesses that the effective unemployment rate is significantly higher.

Developments in economic sectors

As stated above, the data dramatically worsened in March. The Bank of Israel's companies survey and the CBS's business trends survey showed a sharp fall in the business segment, that characterized almost every sector.

According to the Bank of Israel's survey, transactions using credit cards also fell sharply during said month and the volume of transactions in the restaurant, leisure and fuel and transport sectors fell by tens of percentage points. On the other hand, the retail food chains showed a steep rise.

Developments in inflation and foreign exchange rates

The inflationary environment has continued its downward trend, which has become even steeper following the outbreak of the Corona crisis. Annual inflation and "core inflation" (excluding energy, vegetables and fruit) stood at 0% and 0.3% respectively, for March. One-year inflation contracts were being traded in negative territory during March, against the background of the steep falls in prices of oil and other commodities around the world, and stood at -0.2% at the end thereof.

From the beginning of March through 17th of the month, the shekel depreciated extremely sharply (devaluation by 11% against the dollar and by 9% in terms of the effective exchange rate), against the background of the steep declines in the markets and the dollar's difficult liquidity situation. Subsequently, the Bank of Israel began ejecting liquidity into the market and the exchange rate volatility lessened. In conclusion for the first quarter, the shekel devalued by approx. 3% and 1% against the dollar and the euro, respectively.

Fiscal and monetary policy

Fiscal policy. A deficit of NIS 13.3 billion was measured in the first quarter of the year in the budgetary activity of the Government, compared to a deficit of NIS 9.3 billion in the corresponding period last year. The cumulative deficit for the twelve months ended in March 2020, amounted to 4.0% of the GDP, compared to the annual target of 2.9%.

During the said month the effects of the Corona crisis began to be felt on the economy and on budgetary activity. According to various assessments, the budgetary deficit for this year is expected to amount to approx. 11% of GDP, following the economic plan announced by the government and the expected impact on tax revenues.

⁵ "Developments in foreign activities of the Israeli economy" figures and the "asset portfolio held by the public" figures for the first quarter of 2020, were not available at the time the report was submitted to the printing press.

⁶ The growth figures in Israel for the first quarter of 2020 were not available at the time the report was submitted to the printing press.

Monetary policy. Since the middle of March, the Bank of Israel has been employing numerous tools in order to support the economy and the liquidity of the financial markets, and additionally, it has announced a series of reliefs for the banks aimed at stimulating the grant of credit. On April 6, the central bank cut interest to 0.1% and announced that it was extending the use of existing tools, including the interest tools, as well as additional tools wherever necessary, in order to achieve its monetary policy goals and to moderate the economic impact resulting from the crisis.

Change in the monetary base. A steep increase was recorded in March 2020 in the M1 money supply (cash held by the public and shekel current account deposits), so that in total for the first quarter of 2020, this money supply increased at a rate of 9.7%. Of which, current account deposits increased by 10.9%, and cash grew by 2.9%. In the corresponding period last year, the M1 money supply increased by 1.1%⁷.

A growth of NIS 10.9 billion was recorded in the monetary base in the first quarter of 2020, compared to a growth of NIS 3.3 billion in the corresponding period last year. In the reviewed period, the money supply by the Bank of Israel increased by an amount of approx. NIS 16 billion, and on the other hand cash absorption by the Government amounted to approx. NIS 4 billion. The cash supply by the Bank of Israel was made through open market operations, and on the other hand absorption of cash by means of conversion of foreign currency (the latter by means of conducting dollar-shekel swap transactions during March).

Sources for the change in the monetary base

	First three months of		change in %
	2020	2019	
	In NIS billion		
Operations on the Capital Market	16.5	(5.9)	
The Shekel deposits tender	-	17.0	
Foreign currency conversion	(6.7)	0.1	
Government activity	(4.4)	(8.3)	(46.5)

Capital market

In line with the global trend, steep falls have been recorded in the local capital market. In conclusion for the first quarter, the TA-125 Index fell by 21%.

The changes recorded in selected share indices in the first three months of 2019 and 2020

Index	First quarter	
	2020	2019
TA 35	(21.0%)	5.4%
TA 125	(21.0%)	6.4%
TA banks	(24.0%)	7.8%
TA Global-Blutech	(14.4%)	16.1%
Real-estate	(25.6%)	18.0%

At the beginning of the year, trading in government bonds in Israel was marked by a decline in returns, however, with the intensification of the crisis, the trend has turned around and returns on bonds increased sharply, opening, for the first time since 2016, a significant positive gap between the 10-year shekel bonds and the corresponding U.S. bonds. The sharp rise in returns led the Bank of Israel to introduce a plan for the purchase on the secondary market of government bonds in the volume of NIS 50 billion (well higher than the amount of purchases made in 2009, of NIS 18 billion). Concurrently with the announcement of the interest rate on April 6, the Bank of Israel informed that the plan would be expanded, if required. In total for the first quarter, the return on a 10-year shekel bond (Government-shekel Series 0330) was 1.07% as compared to 0.96% at the end of 2019.

⁷ The M2 money supply data (M1 with the addition of non-linked deposits for up to one year) for the month of March 2020 were not available at the time the report was submitted to the printing press.

The changes recorded in selected bond indices in the first three months of 2019 and 2020

Index	First quarter	
	2020	2019
General bonds	(4.5%)	3.2%
General Government bonds	(1.9%)	2.8%
Shekel Government bonds	(1.1%)	2.3%
Linked Government bonds	(3.0%)	3.5%
General Corporate bonds	(8.2%)	3.8%
Linked Corporate bonds	(7.8%)	4.0%
Shekel Tel-Bond	(8.1%)	3.7%

The corporate bonds market recorded a sharp increase in the spread, which stopped following the announcement of the Bank of Israel measures taken in the bond market and the curbing of the trend of withdrawals from mutual trust funds. The stimulate raising of funds on the corporate bond market in the first two months of 2020, was stopped nearly completely in March, amounting to NIS 1.1 billion. In total for the first quarter of 2020, an amount of NIS 12.2 billion was raised in Tel Aviv through public issues and private placements of bonds to the public and to institutional bodies, a volume lower by approx. 15% compared to the raising of funds in the corresponding quarter last year.

Principal economic developments in April and May 2020⁸

The macro data for April were especially weak and indicate severe damage to the global economy. However, with the relaxations made by the various nations in their lockdowns, a gradual return to activity has been evident. In light of fears regarding the severity of the economic damage, interest contracts in the United States have begun to incorporate negative interest for 2021. The Governor of the Fed stated that the tools that the Fed uses (the purchase of government bonds, mortgage-backed bonds, corporate bonds, and so forth) are effective; he emphasized that negative interest is not a policy that is suitable for the U.S. economy. Furthermore, he added that, at its last meeting in April, all the members of the monetary committee were opposed to negative interest. The equity market has continued its recovery trend (which began, as stated, toward the end of March) against the background of relaxations made by the developed nations to their lockdowns. The S&P 500 Index is approx. 13% off its record.

In Israel, the Bank of Israel cut interest to 0.1% at its meeting on April 6. At the same time, it announced additional tools, including the grant of three-year loans to banks at interest of 0.1%, conditional on them giving credit to small and minute businesses. With the gradual removal of the restrictions (with effect from April 19) and transition to a "Corona routine", the economy has begun to recover to a certain extent. Nevertheless, the level of activity is significantly lower than immediately prior to the crisis. In April, the rate of annual inflation fell to -0.6% and "core inflation" slowed to 0.2%. In the government bonds market, returns fell against the background of the recovery in the markets and the Bank of Israel's purchases program. The Shekel return on 10-year bonds fell 30 basis points and, at the end of the period, was traded at 0.77%.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.

Regulation in the wake of the Corona crisis

Against the background of the spread of the Corona virus, various measures have been taken by the government and by the various supervisory authorities to cope with its implications and to support economic activity.

Emergency Regulations (Novel Corona virus – Restriction of Activity), 2020 and Public Health Order (Novel Corona virus) (Home Isolation and Various Directives) (Temporary Provision), 2020. Various aspects regarding the business conduct in the special situation were regulated, including how to employ employees at the bank and receiving a crowd.

Online registration of pledges. On April 13, 2020, a procedure was implemented for the registration/change of pledge details with the Registrar of Companies via email. This arranges for the registration of pledges and their updating in light of the difficulties created in obtaining original documents during this period. In addition, the Real Estate Regulations (Administration and Registration) (Temporary Provision), 2020 were published on April 2, 2020; these regulations prescribe different ways for the online registration of a mortgage.

⁸ All data relate to the period from April 1, 2018 and until May 20, 2020.

Remote payments for a new apartment. On April 23, 2020, the position of the Sale Law Commissioner was published, which sets out the various terms and conditions regarding the remote payments for a new apartment, which would remain in effect until July 1, 2020

Emergency Regulations (Novel Corona virus) (Accessibility of Financial Services), 2020. Within the framework of the regulations promulgated on April 7, 2020, which took effect retroactively from March 15, 2020, the Executions Law was amended, whereby the restrictions imposed on a debtor in relation to use of a charge card will not be imposed on an immediate debit card, even in the case of an account not having a credit balance. Additionally, the Charge Cards Law was amended, in the framework of which, the section dealing with criminal liability was amended, whereby it will be applied with regard to charging a customer with a payment for a transaction that was performed using a charge card without the customer's consent, and additionally the arrangement prescribed in relation to signing a charge card contract was also amended.

Directives of the Supervisor of Banks in the wake of the Corona crisis

Since the outbreak of the crisis, the Supervisor of Banks has initiated various regulatory measures aimed at enabling the banking system to fulfill its role during the period of the crisis and thereafter. These measures have been accompanied by additional government steps taken to support economic activity during this period.

Inter alia, the following measures should be mentioned:

Temporary directives dealing with the limitation of face-to-face services during the crisis, while providing banking services in a way not requiring having to be physical present at the branch. These include, the Supervisor of Banks having ordered to reduce temporarily the number of branches open to business and the services available therein, as well as the easing of various requirements, such as the requirements that need to be fulfilled when providing telephone service, when performing transactions by telephone or by digital means, and when joining channels by telephone.

Temporary directives intended to enable the banking system to support the credit needs of the economy and to assist households and businesses to cope with the effects of the crisis. These include, the easing of the capital adequacy requirements (see above "Capital and the Capital Adequacy"), relieving various restrictions applying to the grant of housing loans (see above "Mortgage Activity") and to the way that customers' credit irregularities are handled. Additionally, various reliefs were provided, such as in relation to the possibility of the Bank increasing credit facilities on the current accounts of its customers, and the provisions of Proper Conduct of Banking Business Directive No. 329, which deals with "any purpose" loans secured by a pledge on housing, have been amended (see above "Mortgage Activity") and a voluntary outline for the deferral of repayments of mortgages and loans, in order to support the credit needs of households and of small and medium businesses. In addition, on March 22, 2020, the Emergency Regulations (Checks Without Cover), 2020 were promulgated and, on March 23, 2020, the guidelines of the Supervisor of Banks were published under the powers granted to her by these regulations, which in accordance therewith postpone placing a restriction on an account and its owner due to checks being refused as a result of an account having insufficient funds, for a limited period, taking effect from March 4, 2020.

Directives dealing with supporting the ongoing operations of the banking system during the crisis. Proper Conduct of Banking Business Directive No. 301, which deals with the board of directors, has been amended, so inter alia, it has been prescribed that meetings of the board of directors that are held via means of communication are to be considered as meetings held with the physical presence of the directors for the purpose of compliance with the participation obligation prescribed by law. In addition, the discretion of the chairman of the board of directors has been extended with regard to the date and frequency of discussions conducted by the board of directors and its committees on the topics specified in this and other directives. Additionally, extensions of been granted in relation to various dates for executing obligations pursuant to supervisory directives (such as, in responding to public complaints, in closing accounts, etc.).

Reliefs in the duty to report to the Banking Supervision Department that are intended to enable the banking system to function at a lower manpower level, alongside specific reporting requirements aimed at providing the Banking Supervision Department with the tools needed to monitor the state of the economy. On March 31, 2020, a temporary directive was issued on the subject of various temporary reliefs in reporting to the Banking Supervision Department (by freezing the reporting, deferral of reporting dates, etc.).

Deferring the dates on which various directives are to take effect so as to allow the financial system to focus on handling the crisis. The dates on which the various stages of the Proper Conduct of Banking Business Directive, dealing with API open banking (see the 2019 annual report; p. 375), are to take effect have been deferred for three months. The date on which the Proper Conduct of Banking Business Directive dealing with outsourcing is to take effect has been deferred for six months until September 30, 2020, subject to the implementation of the requirements in relation to new outsourcing agreements being signed during this period.

Strengthening Competition and Reducing Concentration in the Israeli Banking Industry, (legislation amendments) act, 2017

The second half yearly report of the Committee for the Examination of Competition in the Credit Market. On April 7, 2020, the report, which was prepared prior to the implications of the Corona crisis being known, was published. According to the report, significant progress has been made in removing the barriers to competition and in recent years certain pro-competition indicators have been noted in the consumer credit market. The report contains reference to a test in respect of Discount Bank and ICC. The test will finally be carried out only in 2020 and, in any case, it will only serve as an indication for the Committee, which can exercise its judgment in reaching its decision on this topic.

The Economic Plan Act (Legislative Amendments to Implement the Economic Policy for the 2019 Budget Year), 2018. Indirect amendment of the Banking Act (Customer Service). As a result of the Corona crisis, on April 2, 2020, a draft of the Economic Plan Regulations (Legislative Amendments to Implement the Economic Policy for the 2019 Budget Year) (Deferral of the Date for Chapter 2 to Take Effect), 2020 was published, within the framework of which, it was proposed to defer the date on which the Act will take effect by six months (until September 22, 2021).

Establishment of a digital bank in Israel

On March 8, 2020, Proper Conduct of Banking Business Directive No. 480, which deals with adjustments to the Proper Conduct of Banking Business Directives applicable to a new bank and to a banking corporation in the process of being established, was published. The Directive prescribes the adjustments and exemptions from existing Proper Conduct of Banking Business Directives with the aim of aligning regulation with the level of risk to which a new banking corporation or a banking corporation in the process of being established, which meets the terms and conditions specified in the directive, is exposed.

Legislation and Standards in the matter of Debt Collection

Draft of the Debt Execution Regulations (Amendment No. ____), 2020. The draft was distributed in February 2020 and relates to the disposal of assets, the rights in which are registered with the Land Registry Office and have been pledged by their owner in favor of the bank. According to the draft, an execution case can be opened only if the asset is registered in the name of the pledger. Additionally, disposal proceedings can be opened only if the details of the registered owner of the property are complete. Where identification details are missing, the Registrar of Executions is required to apply to the Land Registrar to ensure that full identification has been arranged. These amendments are expected to have an effect on the Bank's disposal proceedings.

Operation of the debt execution system during the special state of emergency. In accordance with the guidelines of the Execution Office, cases can be opened and various applications submitted online at the Execution Office, until the end of the special state of emergency or until further notice.

Economic Competition

Exemption from approval of a restrictive arrangement in connection with a holding and joint activity within the framework of BCC. The draft terms for exemption from approval of a restrictive arrangement applying to the joint holdings of the banks in BCC were received on March 11, 2020, for comment by the Bank. The Authority has stated that, subject to the BCC consenting to a deferral of the date for giving a decision on the exemption motion that was filed and to the parties continuing to act in accordance with the conditions of the previous exemption, the Competition Authority and the Commissioner will not take enforcement measures against the parties to the arrangements or against anyone acting on their behalf, in relation to the arrangement, with effect from the date of the exemption's expiry through May 27, 2020.

Signing of the mutual recognition agreement. On March 25, 2020, an amendment was signed to the mutual recognition agreement between the banks in Israel, which will go into effect with the signing of the appendices to the agreement which have not yet been signed. The agreement was amended in light of the Competition Commissioner's exemption dated July 30, 2018 (see the 2019 annual report, p. 371) and allows every supervised issuer and operator of ATMs to join the agreement. The First Digital Bank (in formation) Ltd. signed in May 2020, the Addendum for joining the agreement.

Legislation and Regulation Amendments relating to the Capital Market

Permit to make a proposal to provide trading services via overseas stock exchanges. On April 1, 2020, the Bank received such a permit from the Israel Securities Authority, in accordance with the terms and conditions of a general permit pursuant to Section 49A of the Securities Act.

U.S. legislation

The amendments to the Volcker Rule, which took effect on January 1, 2020, are expected to be applied as from January 1, 2021. The purpose of these amendments is to simplify, clarify and modify the provisions of the law, on the basis of experience gathered since its enactment, while maintaining the purpose of this legislation. The Bank is studying the said amendments and their implications on the activity of the Discount Group, if at all.

Various Legislation Matters

Payment Services Act, 2019. On February 17, 2020, the Knesset passed the Payment Services Act (Amendment No. 1) (Deferral of application date), 2019, whereby Section 77 of the Act was amended to defer its application date by 9 months to October 14, 2020.

Directives of the Supervisor of Banks

Proper Conduct of Banking Business Directive in the matter of API. A Directive regarding the implementation in Israel of the open banking standard (Directive No. 368) was published on February 25, 2020. The Directive details the requirements of the Bank of Israel from the banks and credit card companies regarding this field, with the aim of defining the infrastructure for open banking in Israel.

The dates for the entry into effect of the Directive are as follows: Implementation of open banking for information viewing purposes only – December 31, 2020; Conducting a single payment operation and information regarding credit cards – July 1, 2020; Information regarding savings deposits, deposits, credit and securities – December 31, 2021. Among other things, the Directive regulates the open banking duties applying to banking corporations and credit card companies. In accordance with the Directive, the Boards of Directors and Managements are required to review and approve the policy for the management of open banking risks, and the Management is required to implement such policy and determine areas of responsibility and allocation of resources, including for the purpose of risk management. The Directive further deals with the manner in which consent of the customer and its cancellation is obtained, with the list of services that a bank would be obliged to provide to the customer and with data protection. The Directive entitles banks to act as consumers of data on condition that no conflict of interests with other activities of the bank, of corporations controlled by it or of corporations in the group to which it relates exists, as the case may be. The Directive also states in detail the manner in which customer inquiries are to be dealt with, and regulates who is required to respond and/or compensate the customer in case of flawed information.

For details regarding the preparations made by the Bank in the field of open banking, see the 2019 Annual Report (p. 322) and "Technological improvements and innovation" above.

"E-Banking" - Amendment of Proper Conduct of Banking Business Directive No. 367. An amendment to the Directive was published on May 7, 2019, in which fax services were added to the definition of "E-Banking" services. The mode of customer identification has also been facilitated.

An amendment to the Directive was published on January 20, 2020. The Amendment is intended to clarify that the special instructions applying to the online opening of a clearing account, apply also to the online opening of a discounting account.

Draft Proper Conduct of Banking Business Directive in the matter of retail credit management. An additional draft of Proper Conduct of Banking Business Directive was published on February 19, 2020, in the matter of "management of consumer credit", which is proposed to take effect on September 30, 2020. The draft puts together the expectations regarding the activity of the banking system with respect to households, which must be responsible, appropriate and fair. On April 1, 2020, the Capital Market Commissioner issued a draft circular regarding consumer credit management instructions, which regulates similar principles to those for the granting of consumer credit by entities supervised by the Capital Market Authority, with the aim of creating a comprehensive arrangement and secure proper and responsible conduct of all factors granting credit.

For further details regarding "Legislation and Supervision", see the 2019 Annual Report (pp. 364-377).

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2019 Annual Report (pp. 205-209) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

- Approach in accordance with Section 198 of the Companies Act.** On December 14, 2016, the Bank received an approach headed "approach in accordance with Section 198A of the Companies Act, 1999 – request for clarifications and documents regarding the conduct of the Bank and of MDB regarding Australian customers, prior to the filing of a derivative action". The Bank responded to the approach on December 26, rejecting the request and the arguments raised therein (see Note 26 C to the financial statements, item 13.2).
On June 6, 2017, a motion was filed with the Tel Aviv District Court for the disclosure of documents under Section 198A of the Companies Act, in which the Court was asked to instruct Discount Bank and MDB to deliver to the petitioner the documents named in the motion, required by him in order to decide whether to file a motion for approval of a derivative action or a derivative defense in the name of Discount Bank and/or MDB.
On June 24, 2018, the power of a Court verdict was awarded to the agreement by the parties, according to which the motion shall be struck off with no order for expenses, while securing an exclusive right for the Appellant to file a new disclosure motion under Section 198A of the Companies Act, and/or a motion for approval of a derivative action, this within ninety days from date of the verdict and/or approval of a compromise arrangement within the framework of one or more of the proceedings being conducted against the Respondents in Australia.
On February 6, 2020, a motion for the disclosure of documents under Section 198A of the Companies Act was resubmitted to the Tel Aviv District Court. The motion requests the Court to instruct Discount Bank and MDB to deliver documents listed in the motion for perusal by the Plaintiff, in order to study the possibility of filing a request for approval of a derivative action or derivative defense on behalf of Discount Bank and/or MDB.
The Bank has to respond to the motion by November 1, 2020. The hearing of the motion is fixed for November 29, 2020.
- Legal proceeding in Belgium.** Within the framework of proceedings for the enforcement of a Court verdict given in Belgium, conducted by the Bank for some time against a Belgian corporation, which is not a customer of the Bank, the said corporation filed on May 13, 2019, a criminal action with a Court of first instance in Antwerp, Belgium, against the Bank and against its former employee, claiming that the Bank had forged and acts on the basis of forged documents. On December 24, 2019, the Attorney representing the Bank in the proceedings informed that the motions that had been submitted by the representative of the Belgian company were dismissed, and a hearing was fixed for March 26, 2020, in order to reach conclusion of the proceedings and the closing of the case (following rejection of the motions of the Belgian company, as stated above). Due to the "Corona crisis" the said discussion was deferred to June 14, 2020.
- Merger of Municipal Bank.** On April 16, 2019, Jerusalem Bank filed an appeal with the Supreme Court against the decision of the Competition Tribunal to reject in limine the appeal that had been filed by Jerusalem Bank against the decision of the Competition Commissioner to approve the merger with Municipal Bank. For further details, see the 2019 Annual Report (pp. 210-211; subsection 18).
- On March 27, 2017, ICC received notice of a lawsuit filed against it with the Lod-Central District Court, together with a motion for approval of the action as a class action suit. The Plaintiff claims that in accordance with the letter of the agreement between it and ICC, where a transaction had been cancelled prior to the crediting of the trading house, ICC is not entitled to charge the trading house with the full amount of the clearing commission, unless in cases where the transaction had been effected manually and not by use of the electronic POS instrument. Alternatively, the Plaintiff argues that a contractual instruction permitting ICC to charge in full the clearing commission also where the clearing service had not been rendered in full (due to cancellation of the transaction), comprises a "discriminating term in a uniform contract", that has to be abolished or changed. The Plaintiff estimates the damage caused to all class members at NIS 45 million.
A preliminary hearing of the case was held on March 28, 2019. The parties had conducted mediation proceedings, in which they were not successful in concluding the dispute by agreement. Therefore, summing-up briefs have been filed with the Court.
On May 25, 2020, the Court admitted the motion for the conduct of the case as a class action suit.

For additional details, see the 2019 Annual Report (pp. 378-379).

Material Legal Proceedings settled in the first quarter of 2020

- For details regarding the motion for approval of an action as a class action suit, in respect of which, a request for withdrawal from the motion was filed on January 2, 2020, see the 2019 Annual Report (p. 208).



Proceedings regarding Authorities


1. **Privacy Protection Authority.** The Authority announced on February 16, 2020, the starting of a regulatory administrative process under the Privacy Protection Act, for the examination of circumstances of the PayBox event, and demanded information and documents relating to the event.
2. **Requirement made by the Public Inquiries Unit at Bank of Israel.** A letter was received on February 9, 2020, from the Public Inquiries Unit of the Bank of Israel, the headline thereof being a demand for the rectification of faulty disclosure to customers of ICC, within the framework of which, ICC is, inter alia, required to examine the disclosure provided in notices sent by the company to its customers. ICC responded to the letter on February 20, 2020.

For additional details, see the 2019 Annual Report (p. 380).



Appendices to the Quarterly Report

195	Appendices – List of tables
196	Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses
200	Appendix no. 2 – Additional details – securities portfolio
202	Appendix no. 3 – Additional details
205	Appendix no. 4 – Glossary
207	Appendix no. 5 – Index



Appendices – List of tables

	Page No.
Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses	196
Details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors	200
(1) Details regarding bonds in the financial services sector in the available-for-sale portfolio	200
(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio	201
(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe	201
Details regarding the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors	201
Details regarding the distribution of bonds in the trading securities portfolio according to economic sectors	202
(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank	202
(2) Details according to rating of off balance sheet credit risk in respect of transactions in derivative instruments where the counterparty is a bank	203
(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors	204
Details divided by governments with respect to the total securities portfolio	204

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "A" - Average balances and interest rates - assets

	For the three months ended March 31					
	2020			2019		
	Average balance ⁽²⁾ In NIS millions	Interest income	Rate of income In %	Average balance ⁽²⁾ In NIS millions	Interest income	Rate of income In %
Interest bearing assets:						
Credit to the public: ⁽³⁾						
In Israel	147,958	1,342	3.68	135,996	1,298	3.87
Abroad	23,590	259	4.46	23,153	300	5.28
Total credit to the public	171,548	*1,601	3.79	159,149	*1,598	4.08
Credit to the Government:						
In Israel	3,598	20	2.24	3,267	21	2.60
Abroad	-	-	-	-	-	-
Total credit to the Government	3,598	20	2.24	3,267	21	2.60
Deposits with banks:						
In Israel	3,473	11	1.27	2,363	12	2.05
Abroad	146	-	-	220	-	-
Total deposits with banks	3,619	11	1.22	2,583	12	1.87
Deposits with central banks:						
In Israel	20,730	13	0.25	11,543	7	0.24
Abroad	246	1	1.64	567	3	2.13
Total deposits with central banks	20,976	14	0.27	12,110	10	0.33
Securities borrowed or purchased under resale agreements:						
In Israel	663	-	-	749	-	-
Total securities borrowed or purchased under resale agreements	663	-	-	749	-	-
Bonds held for redemption and available for sale: ⁽⁴⁾						
In Israel	25,415	81	1.28	25,974	95	1.47
Abroad	8,522	52	2.46	8,794	56	2.57
Total bonds held for redemption and available for sale	33,937	133	1.58	34,768	151	1.75
Trading bonds: ⁽⁴⁾						
In Israel	2,337	5	0.86	2,407	9	1.50
Abroad	74	-	-	76	1	5.37
Total trading bonds	2,411	5	0.83	2,483	10	1.62
Other assets:						
Abroad	670	7	4.25	696	4	2.32
Total other assets	670	7	4.25	696	4	2.32
Total interest bearing assets	237,422	1,791	3.05	215,805	1,806	3.39
Debtors in respect of credit card operations	10,200			8,182		
Other non-interest bearing assets ⁽⁵⁾	18,020			14,544		
Total assets	265,642			238,531		
Of which: Total interest bearing assets attributable to operations abroad	33,248	319	3.89	33,506	364	4.42
* Commissions included in interest income from credit to the public		82			82	

For footnotes see page 199.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "B" – Average balances and interest rates – liabilities and equity

	For the three months ended March 31					
	2020			2019		
	Average balance ⁽²⁾ In NIS millions	Interest expenses	Rate of expense In %	Average balance ⁽²⁾ In NIS millions	Interest expenses	Rate of expense In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	46,536	5	0.04	38,362	3	0.03
In Israel - Time deposits	94,082	151	0.64	91,711	169	0.74
Total deposits from the public in Israel	140,618	156	0.44	130,073	172	0.53
Abroad - On call	13,772	50	1.46	11,380	43	1.52
Abroad - Time deposits	8,284	40	1.95	9,519	60	2.55
Total deposits from the public outside Israel	22,056	90	1.64	20,899	103	1.99
Total deposits from the public	162,674	246	0.61	150,972	275	0.73
Deposits from the Government:						
In Israel	156	-	-	172	-	-
Abroad	59	1	6.95	82	1	4.97
Total deposits from the Government	215	1	1.87	254	1	1.58
Deposits from banks:						
In Israel	4,660	8	0.69	4,102	7	0.68
Abroad	2,100	12	2.31	2,411	14	2.34
Total deposits from banks	6,760	20	1.19	6,513	21	1.30
Securities loaned or sold under repurchase agreements:						
Abroad	728	3	1.66	831	5	2.43
Total securities loaned or sold under repurchase agreements	728	3	1.66	831	5	2.43
Bonds and subordinated debt notes:						
In Israel	13,069	65	2.00	8,436	81	3.90
Total bonds and subordinated debt notes	13,069	65	2.00	8,436	81	3.90
Other liabilities:						
In Israel	57	1	7.20	40	2	21.55
Total other liabilities	57	1	7.20	40	2	21.55
Total interest bearing liabilities	183,503	336	0.73	167,046	385	0.93
Non-interest bearing deposits from the public	42,741			37,744		
Creditors in respect of credit card operations	10,152			8,806		
Other non-interest bearing liabilities ⁽⁶⁾	10,328			6,949		
Total liabilities	246,724			220,545		
Total capital resources	18,918			17,986		
Total liabilities and capital resources	265,642			238,531		
Interest margin		1,455	2.32		1,421	2.46
Net return on interest bearing assets: ⁽⁷⁾						
In Israel	204,174	1,242	2.46	182,299	1,180	2.61
Abroad	33,248	213	2.59	33,506	241	2.91
Total net return on interest bearing assets	237,422	1,455	2.47	215,805	1,421	2.66
Of which: Total interest bearing liabilities attributable to operations abroad	24,943	106	1.71	24,223	123	2.05

For footnotes see page 199.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "C" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the three months ended March 31					
	2020			2019		
	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	166,650	1,307	3.17	146,738	1,210	3.34
Total interest bearing liabilities	(124,116)	(110)	(0.35)	(111,641)	(102)	(0.37)
Interest margin		1,197	2.82		1,108	2.97
CPI-linked shekels:						
Total interest bearing assets	19,469	42	0.87	18,181	80	1.77
Total interest bearing liabilities	(12,029)	(37)	(1.24)	(10,058)	(64)	(2.57)
Interest margin		5	(0.37)		16	(0.80)
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	18,055	123	2.75	17,380	152	3.54
Total interest bearing liabilities	(22,415)	(83)	(1.49)	(21,124)	(96)	(1.83)
Interest margin		40	1.26		56	1.71
Total operations in Israel:						
Total interest bearing assets	204,174	1,472	2.92	182,299	1,442	3.20
Total interest bearing liabilities	(158,560)	(230)	(0.58)	(142,823)	(262)	(0.74)
Interest margin		1,242	2.34		1,180	2.46

For footnotes see next page.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "D" – Analysis of changes in interest income and expenses

	2020 Compared to 2019		
	Increase (decrease) due to change ⁽⁸⁾		
	Quantity	Price	Net change
In NIS millions			
Interest bearing assets:			
Credit to the public:			
In Israel	108	(64)	44
Abroad	5	(46)	(41)
Total credit to the public	113	(110)	3
Other interest bearing assets:			
In Israel	23	(37)	(14)
Abroad	(4)	-	(4)
Total other interest bearing assets	19	(37)	(18)
Total interest income	132	(147)	(15)
Interest bearing liabilities:			
Deposits from the public:			
In Israel	12	(28)	(16)
Abroad	5	(18)	(13)
Total deposits from the public	17	(46)	(29)
Other interest bearing liabilities:			
In Israel	21	(37)	(16)
Abroad	(2)	(2)	(4)
Total other interest bearing liabilities	19	(39)	(20)
Total interest expenses	36	(85)	(49)
Interest income, net	96	(62)	34

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 13 million and NIS 462 million, respectively; 2019 – NIS 1 million and NIS (96) million respectively.
- (5) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.
- (6) Including derivative instruments.
- (7) Net return – net interest income divided by total interest bearing assets.
- (8) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.

Appendix no. 2 – Additional details – securities portfolio

1. Available-for-sale bonds - data according to economic sectors

Details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	March 31, 2020			
	Amortized cost	Fair value	Accumulated other comprehensive income	
			Gains	Losses
In NIS millions				
Non government bonds				
Various sectors*	2,677	2,602	33	108
Financial services ⁽¹⁾	8,922	8,954	192	160
Total non government bonds	11,599	11,556	225	268
Government bonds				
U.S. government	484	528	44	-
Israel Government	18,778	18,864	306	220
Other Governments	176	167	-	9
Total government bonds	19,438	19,559	350	229
Total bond in the available-for-sale portfolio	31,037	31,115	575	497

* 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 66-218 million, each, in municipal bonds of Washington state, in bonds of the Texas state and in bonds of the New York City.

(1) Details regarding bonds in the financial services sector in the available-for-sale portfolio

	March 31, 2020			
	Amortized cost	Fair value	Accumulated other comprehensive income	
			Gains	Losses
In NIS millions				
Banks and banking holding companies ⁽²⁾	863	826	1	38
Ginnie Mae	6,221	6,390	171	2
Freddie Mac	205	212	7	-
Fannie Mae	270	279	9	-
Other	1,363	1,247	4	120
Total financial services	8,922	8,954	192	160

Appendix no. 2 – Additional details – securities portfolio (continued)

1. Available-for-sale bonds - data according to economic sectors (continued)

(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio

	March 31, 2020			
	Amortized cost	Fair value	Accumulated other comprehensive income	
			Gains	Losses
In NIS millions				
North America	79	79	1	1
Western Europe ⁽³⁾	352	335	-	17
Israel	113	111	-	2
Australia	319	301	-	18
Total banks and banking holding companies	863	826	1	38

(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe

Britain	63	57	-	6
Sweden	36	36	-	-
France	172	161	-	11
Netherlands	45	45	-	-
Denmark	36	36	-	-
Total	352	335	-	17

2. Held-to-maturity securities - data according to economic sectors

Details regarding the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	March 31, 2020			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
In NIS millions				
Non government bonds				
Public and community services	182	186	6	2
Financial services*	306	313	8	1
Total non government bonds	488	499	14	3
Total Government bonds	7,186	7,384	209	11
Total bonds in the held-to-maturity portfolio	7,674	7,883	223	14

*Following are details of Held-to-maturity bonds in the financial services sector:

Ginnie Mae	106	110	4	-
Freddie Mac	138	140	3	1
Fannie Mae	62	63	1	-
Total financial services	306	313	8	1

Appendix no. 2 – Additional details – securities portfolio (continued)

3. Trading Bonds - data according to economic sectors

Details regarding the distribution of bonds in the trading securities portfolio according to economic sectors

	March 31, 2020			
	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	64	56	-	8
Financial services	73	74	2	1
Total non government bonds	137	130	2	9
Total government bonds	2,601	2,593	3	11
Total bonds in the trading portfolio	2,738	2,723	5	20

Appendix no. 3 – Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative financial instruments involves special risk factors including credit risks.

The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure regarding exposure related to credit risk of a counterparty" under "Credit risk management".

Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details regarding data presented in part B of the aforementioned Note.

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of	
	March 31	December 31
2020		
In NIS million		
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	4	-
With an AA- rating	193	125
With an A+ rating	1,108	657
With an A rating	68	59
With an A- rating	20	5
With a BBB+ rating	100	43
With a B rating	2	-
Not rated	101	108
Total against foreign banks	1,596	997
Total against Israeli banks	862	382
Total Balance-sheet balances of assets deriving from derivative instruments	2,458	1,379

Appendix no. 3 – Additional details (continued)

1. Activity in derivative financial instruments (continued)

(2) Details according to rating of off balance sheet credit risk in respect of transactions in derivative instruments where the counterparty is a bank

	As of	
	March 31	December 31
	2020	2019
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	2	4
With an AA- rating	-	2
With an A+ rating	114	75
With an A rating	13	7
With an A- rating	-	3
With an BBB+ rating	2	3
Total against foreign banks	131	94
Total against Israeli banks	10	9
Total Off Balance-sheet balances of assets deriving from derivative instruments	141	103

Appendix no. 3 – Additional details (continued)

1. Activity in derivative financial instruments (continued)

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of March 31, 2020	As of March 31, 2019	As of December 31, 2019	
	in NIS million			
Agriculture	1	-	-	
Industry:				
Machines, electrical and electronic equipment	29	40	25	
Mining, chemical industry and oil products	307	76	75	
Other	55	25	30	
Total industry	391	141	130	
Construction and real estate:				
Acquisition of real estate for construction	146	59	79	
Real estate holdings	476	86	154	
Other	14	14	11	
Total Construction and real estate	636	159	244	
Electricity and water	203	341	356	
Commerce	250	149	215	
Hotels, hotel services and food	44	44	30	
Transportation and storage	83	18	33	
Communications and computer services	65	24	34	
Financial services:				
Financial institution (excluding banks)	2,082	650	1,106	
Private customers active on the capital market	628	276	270	
Financial holding institutions	809	840	1,083	
Insurance and provident fund services	-	-	-	
Total financial services	3,519	1,766	2,459	
Business and other services	23	19	31	
Public and community services	139	34	62	
Private individuals - housing loans	-	-	-	
Private individuals - other	7	36	9	
Total credit risk in respect of derivative instruments	5,361	2,731	3,603	
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	(3,068)	(1,246)	(1,971)	
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	2,293	1,485	1,632	

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details regarding investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	March 31, 2020		December 31, 2019	
	Book value	Fair value ⁽¹⁾	Book value	Fair value ⁽¹⁾
	In NIS millions			
Of the Israeli Government	28,643	28,841	23,784	24,026
U.S. government	528	528	1,591	1,591
Other governments	167	167	92	92
Total	29,338	29,536	25,467	25,709

Footnote:

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

Appendix no. 4 – Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (in accordance with the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses for which Management's special attention is required, and which, if not attended to, might adversely affect the repayment of the credit or the position of the Bank as a creditor.
Problematic debt	A debt that is classified as "impaired", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and in respect of which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Impaired debt	A debt in respect of which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	An impaired debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.

Appendix no. 4 – Glossary (continued)

Forward looking information	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Financial instrument	<p>Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions:</p> <ol style="list-style-type: none"> A. The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. B. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	<p>A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.</p>
Over-the-counter (OTC) derivative	<p>Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.</p>
Counterparty credit risk - CVA (Credit Valuation Adjustment)	<p>The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.</p>
Active market	<p>A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.</p>
Financing rate - LTV (Loan To Value Ratio)	<p>The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".</p>
ICAAP (Internal Capital Adequacy Assessment Process)	<p>The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.</p>

Appendix no. 5 - Index

Page	Term	Page	Term
65-66	Critical accounting estimates	122-126, 202-203	Derivative instruments
		12-15, 19, 31-34, 64, 170	The Corona crisis
22-25	Credit to the public	25-26, 88-102, 200-201, 204	Securities
21	Other expenses	27	Customer assets
28-30, 114-117	Capital and capital adequacy	41-64	Risk management
20-21	Salary expenses	41-54, 103, 136- 153	Credit risk
176-177	The Human Capital	49-51	Credit risk in housing loans
66, 108-113	Employee benefits	51-53	Credit risk for private individuals
17, 84, 196-199	Interest income	54-56	Credit risk in relation to the construction and real estate sector
15-16	Increase in competition and reduction in concentration Act	62-63	Liquidity and financing risks
118-121, 191- 192	Legal proceedings	64 56-62	Compliance risks Market risk
19-20, 65, 136- 153	Allowance for credit loss expenses	15 20	Leading and developing risks Commissions
37-40	Main investee companies	63	Operational risk
24, 42-43, 136- 153	Debts under problematic classification	107 169, 182	Deposits from the public Credit card activity
63-64	Risk Factors table	121, 175	Discount Campus
30, 169	Dividend distribution	66, 157-167	Fair value
15-16	Initiatives concerning the Banking Sector and its Operations	182-183	Fintech and innovation
117	Leverage ratio		
117	Liquidity coverage ratio		
11	Goals and business strategy		
31-36, 127-135, 177-182	Segments of operation		
65-66, 82-83	Accounting policy		
47-48	Foreign financial institutions		
55-56	Leveraged finance		

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking

Mercantile Discount Bank

Capital Market And Investments

Tafnit Discount Asset Management

Discount Capital

Discount Capital Underwriting

Discount Manpikim

Credit Cards Companies

Israel Credit Cards

Diners Club

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA

website: www.idbbank.com

Head Office: 511 Fifth Avenue, New York

Staten Island, NY Branch:

201 Edward Curry Avenue, Suite 204

Brooklyn, NY Branch:

705 Avenue U

Short Hills, NJ Branch:

150 JFK Parkway

Beverly Hills, CA Branch:

9401 Wilshire Boulevard, Suite 600

Downtown Los Angeles, CA Branch:

888 South Figueroa Street, Suite 550

Aventura, FL Branch:

Harbour Centre, 18851 NE 29th Avenue,

Suite 600

Representative Offices: Israel /

Chile / Uruguay / Local representative office

in Long Island