

BANK LEUMI OF ISRAEL LTD.
AND ITS INVESTEE COMPANIES

Summary of Financial Statements
As at March 31 2019
(Unaudited)

This is a translation from the Hebrew. It has been made for convenience purposes alone. In case of any discrepancy, the Hebrew version shall prevail.

BANK LEUMI OF ISRAEL LTD. AND ITS INVESTEE COMPANIES
Condensed Financial Statements as at March 31 2019

Table of Contents

	Page
Report of the Board of Directors and Management	
A. Overview, Goals and Strategy	
Condensed Financial Information and Main Performance Indicators	5
Forward-Looking Information in the Report of the Board of Directors and Management	7
B. Explanation and Analysis of the Financial Performance and Business Position	
Trends, Phenomena, Developments and Material Changes	8
Material Changes in Financial Statement Items	10
Material Developments in Income, Expenses and Other Comprehensive Income	11
Structure of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy	21
Operating Segments - Management Approach	34
Major Investees	40
C. Risk Review	
Risk Exposure and Management Thereof	41
Credit Risk	41
Market Risks	61
Liquidity Risk	66
Operational Risks	66
Other Risks	67
D. Critical Accounting Policies and Estimates, Controls and Procedures	
Critical Accounting Policies and Estimates	71
Controls and Procedures Regarding Financial Statements Disclosures	73
Board of Directors	74

Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual Financial Statements as at December 31 2018. The statements herein should be read in conjunction with the 2018 Annual Report.

Condensed Financial Information and Main Performance Indicators

Following are the main performance indicators (in %)

	As at March 31	As at December 31	
	2019	2018	2018
Main performance indicators:			
Return on capital ^(c)	12.7	9.0	9.5
Return on average assets ^{(c)(e)}	0.96	0.65	0.72
CET1 capital ratio	11.65	11.11	11.07
Leverage ratio	7.32	6.89	7.05
Liquidity coverage ratio	129	122	121
Ratio of income ^(b) to average assets ^{(c)(e)}	3.26	2.79	3.05
Efficiency ratio	53.0	63.8	60.6
Ratio of net interest income to average assets ^{(c)(e)}	1.87	1.80	1.97
Ratio of fees and commissions to average assets ^{(c)(e)}	0.71	0.92	0.91
Additional performance indicators:			
Ratio of total capital to risk-weighted components ^(a)	15.07	14.32	14.54
Capital (excluding non-controlling interests) to balance sheet ratio	7.9	7.4	7.7
Percentage of tax provision from net income, before taxes	35.5	26.4	33.0
Loan loss expenses for average outstanding loans to the public ^(f)	(0.03)	0.19	0.19
Of which: Expenses in respect of collective provision for average outstanding loans to the public ^(f)	0.15	0.29	0.26
Net interest income to average outstanding interest-bearing assets (NIM) ^(c)	2.08	2.00	2.19
Total income to total assets under management by the Group ^{(b)(c)(d)}	0.98	0.90	0.96
Total operating and other expenses for total assets under the Group's management ^{(c)(d)}	0.52	0.57	0.58
Main credit quality indicators:			
Percentage of loan loss provision in respect of loans to the public out of outstanding loans to the public ^(f)	1.33	1.39	1.41
Percentage of non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public ^(f)	1.21	1.46	1.36
Percentage of net accounting write-offs out of average loans to the public ^(f)	(0.02)	(0.01)	(0.09)

(a) Capital - including non-controlling interests and various adjustments.

(b) Total income - net interest income and noninterest income.

(c) Annualized.

(d) Including off-balance-sheet operations.

(e) Average assets are the total income-generating and other balance sheet assets.

(f) Including balances classified as held-for-sale assets and liabilities - comparative results. For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Following are the main income statement data:

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
In NIS millions			
Net income attributable to the Bank's shareholders	1,092	730	3,257
Interest income, net	2,120	2,006	8,890
Expenses (income) in respect of loan losses	(18)	130	519
Noninterest income	1,555	1,092	4,871
Of which: Fees and commissions	809	1,023	4,121
Total operating and other expenses	1,946	1,976	8,337
Of which: Salaries and related expenses	1,136	1,068	4,544
<u>Net earnings per share attributable to the Bank's shareholders (in NIS):</u>			
Basic and diluted net income	0.73	0.48	2.15

Following are the main balance sheet data:

	As at March 31		As at December 31
	2019	2018 ^(a)	2018 ^(a)
In NIS millions			
Total assets	456,198	450,568	460,657
Of which: Cash and deposits with banks	76,580	73,376	81,419
Securities	79,553	80,061	74,571
Loans to the public, net	277,057	263,331	271,173
Total liabilities	419,777	416,617	424,496
Of which: Deposits by the public	363,587	362,479	364,591
Deposits by banks	4,631	3,077	5,210
Bonds, promissory notes and subordinated bonds	20,951	15,603	17,798
Equity attributable to the Bank's shareholders	35,940	33,565	35,305

(a) Excluding balances of Leumi Card, which were classified as a held-for-sale assets and liabilities in 2018. For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Forward-looking Information in the Report of the Board of Directors and Management

The Report of the Board of Directors and Management includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968 (hereinafter: the "Law") as "forward-looking information". Forward-looking information relates to a future event or matter, the materialization of which is uncertain and not under the Bank's exclusive control.

Forward-looking information is generally worded using the following words or phrases: "the Bank believes", "the Bank foresees", "the Bank expects", "the Bank intends", "the Bank plans", "the Bank estimates", "the Bank's policy", "the Bank's plans", "the Bank's forecast", "expected", "strategy", "targets", "likely to impact", and additional phrases indicating that the matter in question is a forecast of the future rather than past facts.

Forward-looking information included in the Report of the Board of Directors and Management is based, inter alia, on forecasts of various matters related to economic developments in Israel and abroad, especially the currency markets and capital markets, legislation, regulators' directives, competitors' behavior, technological developments and human resources issues.

As a result of the inability to foresee with certainty that these forecasts will be realized, and the fact that, in reality, events may differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves risk and uncertainty and the future financial and business results of the Leumi Group may be materially different.

The Bank does not undertake to publish updates on forward-looking information included in its reports. The above does not derogate from the Bank's reporting obligations pursuant to any law.

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy¹

During the first quarter of the year, the Israeli economy grew at an annual rate of 5.2 percent in real terms, compared to the last quarter of 2018. It should be noted that the rapid growth in the first quarter of the year was largely due to tax proceeds from increased car imports (for consumption and investment purposes). The GDP less import taxes, net (i.e., net of the car imports effect) grew at a more moderate rate of 3.7 percent (annualized).

The Global Economy

In April 2019, the International Monetary Fund (IMF) revised the global growth estimates for 2019. According to the revised forecasts, the global economy - which has grown by 3.6 percent in real terms in 2018 - is expected to grow by 3.3 percent in 2019, downward revision of 0.2 percentage points. The expected growth rate for the US in 2019 is 2.3 percent compared to 2.9 percent in the reporting year. The Eurozone is expected to grow by 1.3 percent in 2019 vs. 1.8 percent in 2018. The significance of the revised forecasts is that the growth rate of the Israeli economy is expected slowdown in most trade zones.

The State Budget and its Funding

In the first three months of the year, the state budget deficit reached NIS 9.3 billion, compared with a NIS 2.1 billion deficit in the same period last year. The deficit target for the entire 2019 is NIS 40.2 billion, which is about 2.9 percent, with the accumulated deficit in the last twelve months ended March 2019 reaching approximately 3.4 percent of the GDP.

In January 2019, the Minister of Finance submitted to the government a revised forecast of the revenues and expenditures for 2019, which show a deficit forecast of 3.6 percent of GDP for the year (about NIS 50 billion). This signifies a deviation of 0.7 percent of the GDP from the maximum deficit permitted by law; if reached during the year, the deviation will require various adjustments to maintain fiscal stability.

Foreign Trade and Capital Flows

Israel's trade deficit reached \$5.2 billion in the first quarter of 2019, compared with \$4.4 billion in the corresponding period in 2018. The increase in the trade deficit stems from a significant increase in imports, especially the expansion in consumer goods and raw materials imports versus a decrease in goods exports.

In the first two months of the year, nonresidents' direct investments in Israel - through the banking system - totaled \$1.3 billion, while nonresidents' financial investments through tradable securities in Israel totaled \$3.3 billion. On the other hand, total foreign investments by Israeli residents (direct investments through banks in Israel and financial investments in tradable securities) totaled \$0.1 billion only, so that inbound investments were higher than outbound investments in foreign currency.

Exchange Rate and Foreign Exchange Reserves

In the first three months of the year, the shekel appreciated against the dollar by 3.1 percent, and 5.0 percent against the euro.

At the end of March 2019, the Bank of Israel's foreign exchange reserves stood at \$118.2 billion versus \$115.3 billion as at the end of December 2018.

During the first quarter of the year, the Bank of Israel purchased a small amount of foreign currency - \$32 million.

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) was up 0.5 percent in the first quarter of 2019 and 1.4 percent in the twelve months ending March 2019, a rate that is slightly higher than the lower band of the government's price stability target (1-3 percent).

¹ Data sources: Publications by the Central Bureau of Statistics, Bank of Israel, Ministry of Finance, Tel Aviv Stock Exchange.

The "known" CPI was down 0.3 percent in the first quarter of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which is 0.25 percent. Neither was there a change in the interest rate in the interest rate decision on April 8 2019. The forward guidance section of the announcement remained the same as in the former decision in February 2019 ("the Committee estimates that the future trajectory of raising the interest rate will be gradual and cautious, so as to support the inflation eventually stabilizing around the center of the target range and economic activity").

Israel's Capital Market

The Shares and Convertible Securities Index was up by 6.6 percent during the first quarter of 2019, following a 3.9 percent decrease in 2018, on the back of securities price increases worldwide, especially in the United States.

The average daily trade volume of shares and convertibles was down 27.9 percent in the first quarter of the year compared with the 2018 average, totaling NIS 1.149 billion.

The government bond market was characterized by price increases during the first quarter of the year. The CPI-Linked Government Bond Index was up 3.5 percent, while the Unlinked Government Bond Index was up by 2.3 percent.

The Non-Government (corporate) CPI-Linked Bond Index was up by 4.0 percent from January to March 2019, following a 0.8 percent decrease in 2018.

Financial Assets Held by the Public

The value of the public's financial assets portfolio as at the end of February 2019 was NIS 3,785 billion, a 2.4 percent increase compared to December 2018. The weight of the shares (Israeli and foreign) out of the Israeli public's financial asset portfolio was 23.1 percent at the end of February 2019, compared to 22.5 percent at the end of December 2018.

Material Changes in Financial Statement Items

The **net income** attributable to shareholders (hereinafter: the "net income") in the first quarter of 2019 (hereinafter: the "Reporting Period") amounted to NIS 1,092 million compared to NIS 730 million in the same period last year.

The return on capital in the reporting period was 12.7 percent compared to 9.0 percent in the first quarter of last year.

The return on capital in the first quarter of the year, net of the effect of the sale of Leumi Card was 10.1 percent; the return in the same quarter last year, net of the effect of Leumi Card on the quarter's earnings, was 8.6 percent. For more information, please see below, in the Report of the Board of Directors and Management, "Pro Forma Information Excluding Leumi Card").

The CET1 capital to risk components ratio as at March 31 2019 was 11.65 percent. The total capital ratio as at March 31 2019 was 15.07 percent.

On May 26 2019, the Bank's Board of Directors approved a dividend distribution of 40 percent of the net income of the first quarter of 2019. The dividend amount approved for the quarter totals approximately NIS 437 million. The Bank's Board of Directors also approved a share buyback plan totaling up to NIS 700 million, pursuant to the safe harbor mechanism published by the Israel Securities Authority and Proper Conduct of Banking Business Directive No. 332. For more information, please see the section entitled "Capital and Capital Adequacy."

The net interest income in the first quarter of 2019 based on the pro forma data excluding Leumi Card in the same period last year was up by NIS 183 million, a 9.4 percent increase over the pro forma data excluding Leumi Card in the same period last year. The increase in net interest income arises from an increase in interest rate spreads and an increase in the average outstanding balance of loans to the public and deposits with banks.

Loan loss expenses for the first quarter of 2019 reflect a negative expense rate of (0.03) percent out of the loans to the public, net vs. 0.15 percent in expenses during the same period last year, based on the pro forma data excluding Leumi Card. The low expense cost in the first quarter of the year stems mainly from collections due to debts written off in previous years.

Noninterest finance income in the first quarter of 2019 totaled NIS 665 million, compared with a total of NIS 51 million in the corresponding period last year. The income was affected by the gain on the sale of Leumi Card (before tax) in the amount of NIS 314 million, and by appreciation in the NIS-USD exchange rate, compared to a devaluation of the shekel against the USD and pound sterling in the same period last year.

Other income totaled NIS 81 million compared to NIS 18 million last year. Most of the increase stems from a gain on the sale of buildings.

The operating and other fees and commissions in the first quarter of 2019 - based on the pro forma data excluding Leumi Card in the same period last year - was down by NIS 17 million, mostly on the back of fees and commissions in respect of activity in securities and from fees and commissions on distribution of financial products.

The operating and other expenses in the first quarter of 2019 - based on the pro forma data excluding Leumi Card in the same period last year - was up by NIS 141 million, a 7.8 percent increase, mostly on the back of a provision for bonuses based on the high returns.

The corporation's share in associates, after tax in the first quarter of the year totaled losses in the amount of NIS 24 million, mostly on the back of provisions for impairment in respect of an associate.

Basic earnings per share attributable to shareholders in the Reporting Period totaled NIS 0.73 compared to NIS 0.48 per share in the corresponding period last year.

Material Developments in Income, Expenses and Other Comprehensive Income

Following is the change in net income in the first quarter of 2019 compared to the corresponding period of the previous year:

	For the three months ended			
	March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Interest income, net	2,120	2,006	114	5.7
Expenses (income) in respect of loan losses	(18)	130	(148)	-
Noninterest income	1,555	1,092	463	42.4
Operating and other expenses	1,946	1,976	(30)	(1.5)
Profit before taxes	1,747	992	755	76.1
Provision for taxes	621	262	359	+
Profit after taxes	1,126	730	396	54.2
The Bank's share in the profits (losses) of associates	(24)	10	(34)	-
Net income attributable to non-controlling interests	(10)	(10)	-	-
Net income attributable to the Bank's shareholders	1,092	730	362	49.6
Return on capital (%)	12.7	9.0		
Basic earnings per share (NIS)	0.73	0.48		

Following is the net income development by quarter:

	2019					2018
	Q1	Q4	Q3	Q2	Q1	
	In NIS millions					
Interest income, net	2,120	2,274	2,196	2,414	2,006	
Expenses (income) in respect of loan losses	(18)	205	198	(14)	130	
Noninterest income	1,555	1,147	1,483	1,149	1,092	
Operating and other expenses	1,946	2,183	2,045	2,133	1,976	
Profit before taxes	1,747	1,033	1,436	1,444	992	
Provision for taxes	621	321	515	521	262	
Profit after taxes	1,126	712	921	923	730	
The Bank's share in the profits (losses) of associates	(24)	(11)	35	2	10	
Net income attributable to non-controlling interests	(10)	(13)	(20)	(22)	(10)	
Net income attributable to the Bank's shareholders	1,092	688	936	903	730	
Return on capital (%)	12.7	8.1	11.2	11.1	9.0	
Basic earnings per share (NIS)	0.73	0.46	0.62	0.59	0.48	

Leumi Card

On July 28 2018 - in accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel and after reviewing the various alternatives, and following a procedure for the disposal of the Bank's interests in the company - an agreement was signed between the Bank and Azrieli and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus, for the sale of the Bank's entire interests in Leumi Card. On February 25 2019, the sales transaction was completed, after the conditions precedent were fulfilled.

Following is the consolidated pro forma income statement, excluding the effect of Leumi Card^(a)

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	In NIS millions		
Interest income	2,679	2,352	11,030
Interest expense	559	415	2,447
Interest income, net	2,120	1,937	8,583
Expenses (income) in respect of loan losses	(18)	101	403
Interest income, net of loan loss expenses	2,138	1,836	8,180
Noninterest income			
Noninterest Finance Income	665 ^(b)	51	684
Fees and commissions	809	826	3,304
Other income	81	18	68
Total noninterest income	1,555	895	4,056
Operating and other expenses			
Salaries and related costs	1,136	999	4,245
Buildings and equipment - maintenance and depreciation	375	373	1,495
Other expenses	435	433	1,904
Total operating and other expenses	1,946	1,805	7,644
Profit before taxes	1,747	926	4,592
Provision for income tax	(621)	239	1,504
Profit after taxes	1,126	687	3,088
The banking corporation's share in associates' profits, after tax	(24)	9	30
Leumi Card's effect on the results	-	34	158
Before attribution to non-controlling interests	1,102	730	3,276
Attributable to non-controlling interests	(10)	-	(19)
Attributable to the Bank's shareholders	1,092	730	3,257

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi Card.

(b) Including gain on the sale of Leumi Card in the amount of NIS 314 million (before tax).

For more information regarding comparative results of the held-for-sale operation, please see the section entitled "Leumi Card" under "Major Investees" and Note 36F to the Financial Statements as at December 31 2018.

Interest income, net

Net interest income of the Leumi Group in the first quarter of the year was NIS 2,120 million, compared with NIS 2,006 million in the corresponding period last year, a 5.7 percent increase. According to the pro forma data excluding Leumi Card, the net interest income in the first quarter of 2019 was up by NIS 183 million, a 9.5 percent increase over last year. The increase in net interest income arises from an increase in interest rate spreads and an increase in the average outstanding balance of loans to the public and deposits with banks. In addition, the results of the first quarter of the year were adversely affected by the CPI, for a total of NIS 49 million vs. an adverse effect of NIS 74 million in the same period last year. The CPI both for the first quarter of the year and the same quarter last year was a negative 0.3 percent.

The ratio of net interest income to the average balance of interest-bearing assets (net yield on interest-bearing assets) in the first quarter of the year is 2.08 percent, compared with 2.00 percent in the corresponding period last year. Based on the pro forma data, excluding Leumi Card, the ratio at the beginning of the corresponding period last year was 1.95 percent.

The total **interest spread** in the reporting period is 1.88 percent, compared with a 1.84 percent spread in the corresponding period last year.

The following table presents interest spread information by segment:

In the CPI segment, the total interest spread in the reporting period was 0.76 percent, compared with a 0.37 percent spread in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reporting period was 0.91 percent, compared with 0.83 percent in the corresponding period last year. In the unlinked NIS segment, the total interest spread in the reporting period was 2.21 percent, compared with 2.15 percent in the corresponding period last year.

For more information regarding income and interest expenses, please see "Appendix 1 - Income and Expense Rates and Analysis of Changes in Interest Income and Expenses".

Expenses for loan losses

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Income in respect of loan losses - specific	(124)	(64)	(60)	93.8
Expenses in respect of loan losses - collective	106	194	(88)	(45.4)
Total expense (income) for loan losses	(18)	130	(148)	-
Of which:				
Loan loss expenses (income) for credit risk in respect of commercial credit risk	(32)	63	(95)	-
Loan loss expenses for credit risk in respect of housing loans	1	6	(5)	(83.3)
Loan loss expenses for other specific credit risk	14	63	(49)	(77.8)
Loan loss expenses (income) for credit risk in respect of banks and governments	(1)	(2)	1	50.0
Total expense (income) for loan losses	(18)	130	(148)	-
Ratios (in %):^(a)				
Percentage of specific income for loan losses out of average outstanding loans to the public	(0.18)	(0.10)	(0.08)	80.0
Percentage of expenses (income) for loan losses, gross out of average outstanding loans to the public	(0.03)	0.19	(0.22)	-
Percentage of net write-offs in respect of loans to the public out of average outstanding loans to the public	(0.09)	(0.04)	(0.05)	-
Percentage of net write-offs in respect of losses for loans to the public out of the remaining balance of loan losses for loans to the public	(6.48)	(2.80)	(3.68)	-

- (a) Following are the data for the corresponding quarter last year, net of the effect of Leumi Card: The percentage of specific income for loan losses out of the average outstanding loans to the public was (0.10); the percentage of expense (income) for loan losses, gross, out of the average recorded outstanding loans to the public was 0.15; the percentage of write-offs, net, in respect of the average outstanding balance of loans to the public was (0.02); the percentage of write-offs, net, for loans to the public out of the loan loss provision for loans to the public is (1.46).

	2019		2018		
	Q1	Q4	Q3	Q2	Q1
In NIS millions					
Income in respect of loan losses - specific	(124)	(56)	-	(71)	(64)
Expenses in respect of loan losses - collective	106	261	198	57	194
Total expense for loan losses	(18)	205	198	(14)	130
Of which:					
Loan loss expenses (income) for credit risk in respect of commercial credit risk	(32)	117	126	(33)	63
Loan loss expenses for credit risk in respect of housing loans	1	6	9	11	6
Loan loss expenses for other specific credit risk	14	80	63	8	63
Loan loss expenses for credit risk in respect of banks and governments	(1)	2	-	-	(2)
Total expense (income) for loan losses	(18)	205	198	(14)	130
Ratios (in %):					
Percentage of specific income for loan losses out of average outstanding loans to the public ^(a)	(0.18)	(0.09)	-	(0.11)	(0.10)
Percentage of expenses (income) for loan losses, gross out of average outstanding loans to the public ^(a)	(0.03)	0.30	0.29	(0.02)	0.19
Percentage of net write-offs in respect of loans to the public out of average outstanding loans to the public ^(a)	(0.09)	(0.08)	(0.17)	(0.09)	(0.04)
Percentage of net write-offs in respect of loans to the public out of the outstanding loan loss provision in respect of loans to the public ^(a)	(6.48)	(5.54)	(11.94)	(6.60)	(2.80)

(a) Including balances classified as held-for-sale assets (comparative results). For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

For more information regarding loan loss expenses, please see Note 6 and Note 13.

Noninterest income

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Noninterest Finance Income	665	51	614	+
Fees and commissions ^(a)	809	1,023	(214)	(20.9)
Other income	81	18	63	+
Total	1,555	1,092	463	42.4

(a) The fees and commissions in respect of the pro forma data excluding Leumi Card were down NIS 17 million compared to the corresponding quarter last year

	2019		2018		
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Noninterest Finance Income	665	88	454	89	51
Fees and commissions	809	1,053	1,023	1,022	1,023
Other income	81	6	6	38	18
Total	1,555	1,147	1,483	1,149	1,092

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first quarter of the year was 42.3 percent, compared with 35.2 percent for the corresponding period last year and 35.4 percent for the 2018 full year.

Following is a breakdown of noninterest finance income:

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Income (expenses) in respect of derivative instruments and exchange rate differences, net	244	(43)	287	+
Gains on sale of available-for-sale bonds, net	2	25	(23)	(92.0)
Gains (losses) on sale of investees' shares ^(b)	314	(1)	315	+
Realized and unrealized gains from adjustments to fair value of held-for-trading bonds and shares, net ^(a)	45	70	(25)	(35.7)
Gains and dividend from non-trading shares ^(c)	60	-	60	+
Total	665	51	614	+

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and shares, net, mainly include the effect of exchange rate differences.

(b) In the first three months of 2019, including a NIS 314 million gain on the sale of Leumi Card (before tax).

(c) As at December 31 2018 - presented as available for sale shares.

	2019		2018		
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Income (expenses) in respect of derivative instruments and exchange rate differences, net	244	(70)	290	61	(43)
Gains (losses) on sale of available-for-sale bonds, net	2	(3)	(21)	(11)	25
Gains (losses) on sale of investees' shares ^(b)	314	96	121	7	(1)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and shares, net ^(a)	45	5	(16)	1	70
Gains and dividend from non-trading shares ^(c)	60	60	80	31	-
Total	665	88	454	89	51

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and shares, net, also include the effect of exchange rate differences.

(b) In the third quarter of 2018, including a NIS 121 million gain on the sale of Avgol Industries and a NIS 47 million gain on the sale of the Bank's Tel Aviv Stock Exchange shares.

(c) As at December 31 2018 - presented as available for sale shares.

Below is a breakdown of fees and commissions:

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Account management	175	179	(4)	(2.2)
Activity in securities and certain derivatives	160	168	(8)	(4.8)
Credit cards ^(a)	76	268	(192)	(71.6)
Handling of loans	55	46	9	19.6
Financial product distribution fees and commissions	70	80	(10)	(12.5)
Exchange differences	91	94	(3)	(3.2)
Loan fees and commissions	104	109	(5)	(4.6)
Other fees and commissions	78	79	(1)	(1.3)
Total fees and commissions^(b)	809	1,023	(214)	(20.9)

(a) The fees and commissions in respect of the pro forma data excluding Leumi Card were up NIS 5 million compared to the corresponding quarter last year.

(b) The fees and commissions in respect of the pro forma data excluding Leumi Card were down NIS 17 million compared to the corresponding quarter last year.

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Account management	175	188	174	175	179
Activity in securities and certain derivatives	160	149	155	166	168
Credit cards	76	286	299	276	268
Handling of loans	55	51	42	47	46
Financial product distribution fees and commissions	70	78	79	79	80
Exchange differences	91	91	89	87	94
Loan fees and commissions	104	128	107	110	109
Other fees and commissions	78	82	78	82	79
Total fees and commissions	809	1,053	1,023	1,022	1,023

Following is a breakdown of other income:

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Gains on reserve for severance pay	8	3	5	+
Other income, including on sale of buildings and equipment	73	15	58	+
Total	81	18	63	+

	2019		2018		
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Gains (losses) from severance pay fund	8	(7)	6	6	3
Other income, including on sale of buildings and equipment	73	13	-	32	15
Total	81	6	6	38	18

Operating and other expenses

	For the three months ended March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses ^(a)	1,136	1,068	68	6.4
Depreciation and amortization	148	160	(12)	(7.5)
Maintenance expenses for buildings and equipment	227	251	(24)	(9.6)
Other expenses	435	497	(62)	(12.5)
Total operating and other expenses	1,946	1,976	(30)	(1.5)

(a) The salaries and related expenses in respect of the pro forma data excluding Leumi Card were up NIS 137 million compared to the corresponding quarter last year.

	2019		2018		
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and related costs	1,136	1,132	1,119	1,225	1,068
Depreciation and amortization	148	146	139	126	160
Maintenance expenses for buildings and equipment	227	256	241	250	251
Other expenses	435	649	546	532	497
Total operating and other expenses	1,946	2,183	2,045	2,133	1,976

The operating expenses constitute 53.0 percent of total income, compared with 63.8 percent in the same period last year and 60.6 percent in the entire 2018. Net of the effect of the sale of Leumi Card and based on the pro forma data, the efficiency ratio is 57.9 percent compared to 63.7 percent in the first quarter of 2018 and 60.5 percent in the entire year 2018.

Total (annualized) operating and other expenses constitute 1.72 percent of total assets, compared with 1.77 percent in the same period last year and 1.81 percent in the entire 2018.

Salary expenses

	For the three months ended			
	March 31			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses	1,055	979	76	7.8
Pension, severance and retirement expenses	81	89	(8)	(9.0)
Total salary expenses	1,136	1,068	68	6.4

The increase in salary expenses in the first quarter of the year compared with the corresponding quarter during the last year was mainly on the back of provisions for a ROE bonus.

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and related expenses	1,055	1,055	1,028	1,134	979
Pension, severance and retirement expenses	81	77	91	91	89
Total salary expenses	1,136	1,132	1,119	1,225	1,068

Following is a summary of the comprehensive income statement:

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale bonds (2018 – securities) at fair value	Translation adjustments ^(a) net of the hedging effect ^(b)	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjustments in respect of employee benefits ^(c)	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
In NIS millions							
Balance as at December 31 2017	91	(170)	(26)	(2,950)	(3,055)	(4)	(3,051)
Net change during the period	(137)	17	(2)	150	28	-	28
Balance on March 31 2018	(46)	(153)	(28)	(2,800)	(3,027)	(4)	(3,023)
Balance on December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	382	(53)	3	(540)	(208)	(7)	(201)
Cumulative effect for first-time application of US GAAP ^(e)	(27)	-	-	-	(27)	-	(27)
Sale of equity in subsidiaries	-	-	-	23	23	4	19
Balance on March 31 2019	38	(126)	(6)	(2,280)	(2,374)	(33)	(2,341)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjustments ^(a) net of the hedging effect ^(b)	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjustments in respect of employee benefits ^(c)	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
In NIS millions							
Balance as at December 31 2017	91	(170)	(26)	(2,950)	(3,055)	(4)	(3,051)
Net change during the year ^(d)	(408)	110	17	1,187	906	18	888
Sale of equity in subsidiaries to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance on December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)

- (a) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
- (b) Net gains (losses) in respect of hedging of a net investment in foreign currency.
- (c) The adjustments for employee benefits include the costs of the voluntary retirement plans executed.
- (d) Including balances classified as held-for-sale assets. For more information please see Note 36F to the financial statements dated December 31 2018.
- (e) Cumulative effect in respect of first time application of US GAAP for Banks – ASU 2016-01 – Financial Instruments, including updates thereof. Please see Note 1.B.1.

Structure of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy

The total assets of the Leumi Group as at March 31 2019 amounted to NIS 456.2 billion, similarly to the NIS 460.7 billion as at the end of 2018 - a 1.0 percent decrease compared to the end of 2018 and a 1.2 percent increase compared to March 2018.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 95.9 billion, 21.0 percent of the total assets. In the first quarter of 2019, the shekel appreciated against the US dollar by 3.1 percent, appreciated 5.0 percent against the euro and appreciated 1.3 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.7 percent decrease in the Group's total assets.

Total assets under the Group's management – Total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,496 billion, compared with a total of NIS 1,434 billion as at the end of 2018.

1. Following are the changes in the main balance sheet items:

	March 31	December 31	Change	
	2019	2018 ^(a)	From December 2018	From March 2018
	In NIS millions		In %	
Total assets	456,198	460,657	(1.0)	1.2
Cash and deposits with banks	76,580	81,419	(5.9)	4.4
Securities	79,553	74,571	6.7	(0.6)
Loans to the public, net	277,057	271,173	2.2	5.2
Buildings and equipment	2,863	2,853	0.4	3.7
Deposits by the public	363,587	364,591	(0.3)	0.3
Deposits by banks	4,631	5,210	(11.1)	50.5
Bonds, promissory notes and subordinated bonds	20,951	17,798	17.7	34.3
Equity attributable to the Bank's shareholders	35,940	35,305	1.8	7.1

(a) Excluding balances of Leumi Card, which were classified as a held-for-sale assets and liabilities in 2018. For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

2. Following are the changes in the main off balance sheet items:

	March 31	December 31	Change	
	2019	2018	From December 2018	From March 2018
	In NIS millions		In %	
Documentary credit, net	1,440	1,359	6.0	(9.4)
Loan guarantees, net	5,120	5,143	(0.4)	(5.8)
Guarantees for apartment buyers, net	18,774	18,655	0.6	(2.5)
Guarantees and other commitments, net	16,139	16,231	(0.6)	5.2
Derivative instruments ^(a)	739,033	737,779	0.2	(2.1)
Options - all types	222,423	208,519	6.7	78.7

(a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives. For more information, please see Note 11.

Net Loans to the Public

Net loans to the public in the Leumi Group as of March 31 2019 totaled NIS 277.1 billion versus NIS 271.2 billion as at the end of 2018, a 2.2 percent increase. A material part of the increase stems from credit granted to Leumi Card during the first quarter of the year.

It should be noted that the change in the shekel's exchange rate against all foreign currencies contributed to a 0.5 percent decrease in the total loans to the public, so that net of the effect of the change in the exchange rates, the credit grew by 2.7 percent relative to December 31 2018.

In addition to loans to the public, the Group invests in corporate securities, which total - as at March 31 2019 - NIS 16,667 million compared to NIS 17,426 million as at the end of 2018, and which also embody credit risk.

Following are the changes in loans to the public after loan loss provision, by main economic sectors:

	March 31		December 31		Change net of exchange rate differences	
	2019	2018	Change	In %		
	In NIS millions					
Private individuals - housing loans	80,877	80,411	466	0.6	0.6	
Private individuals - other	28,593	28,736	(143)	(0.5)	(0.4)	
Construction and real estate	59,781	58,657	1,124	1.9	2.6	
Commercial	29,021	28,696	325	1.1	1.6	
Industry	19,803	19,112	691	3.6	4.7	
Other	58,982	55,561	3,421	6.2	7.0	
Total	277,057	271,173	5,884	2.2	2.7	

(a) Data as at December 31 2018 do not include the credit for Leumi Card, which was classified as a held-for-sale asset in 2018. For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

For more information regarding changes in loans and credit risk by economic sector, please see the section entitled "Credit Risk".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions:

	March 31			December 31		
	2019			2018		
	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total
In NIS millions						
Non-performing credit risk, net	1,901	88	1,989	2,181	86	2,267
Substandard credit risk, net	308	43	351	297	45	342
Credit risk under special supervision, net	3,144	658	3,802	3,137	743	3,880
Less troubled credit risk classified as held-for-sale assets ^(a)	-	-	-	(293)	(4)	(297)
Total	5,353	789	6,142	5,322	870	6,192

(a) For information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

	March 31	December 31
	2019	2018
	In NIS millions	
Troubled credit risk - commercial	6,094	6,168
Troubled credit risk - retail	1,424	1,889
Less troubled credit risk classified as held-for-sale assets ^(a)	-	(372)
Total	7,518	7,685
Balance of loan loss provision	1,376	1,568
Less outstanding loan loss provision of balances classified as held-for-sale assets ^(a)	-	(75)
Troubled debt after loan loss provision	6,142	6,192

(a) For more information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

For more information regarding troubled debt, please see the section entitled "Credit Risk" and Note 13.

Reclassification of credit risk in respect of loans to private individuals (excluding housing loans) and loans to small businesses

It should be noted that following the assimilation of a designated system for handling troubled debt, a new module was developed recently to improve automated identification of restructured debt in lieu of adequate or troubled debt. As a result, the Bank revised its restructured loans amount.

Following the above, as part of the notes to the financial statements as at March 31 2018, the outstanding balances of loans to private individuals (excluding housing loans) and loans to small businesses were reclassified from non-troubled debt to troubled debt. A total of NIS 283 million was reclassified in respect of loans to private individuals, gross (excluding housing loans) and for gross loans to small businesses - NIS 274 million.

In addition, as of March 31 2018, a total of NIS 261 million in respect of loans to private individuals was reclassified to gross non-performing loans (NIS 206 million was reclassified from non-troubled debt and NIS 55 million was reclassified from unimpaired troubled debts). Additionally, NIS 312 million for loans to small businesses was reclassified to gross non-performing loans as at March 31 2018 (NIS 210 million was reclassified from non-troubled debt and NIS 102 million - from unimpaired troubled debt). Please see also Note 6.

The effect of this revision on the financial performance for the reporting period is immaterial.

Securities

As at March 31 2019, the Group's investments in securities amounted to NIS 79.6 billion, compared to NIS 74.6 billion as at the end of 2018, a 6.7 percent increase.

The Group's securities are divided into four classes: held-for-trading securities, non-trading shares (2018 – available-for-sale shares), or held-to-maturity securities.

Securities purchased by the Bank are classified either to the held-for-trading securities, non-trading shares (2018 – available-for-sale shares) or held-to-maturity portfolio on the date of their purchase, according to the manner in which the Bank intends to use the securities. Securities purchased for trading purposes (or for the purpose of hedging other components of the trading portfolio), for market making purposes or as part of the trading room activity are classified to the held-for-trading portfolio. Securities purchased as part of managing the Bank's assets and liabilities are classified to the available-for-sale portfolio or as non-trading shares (as of January 1 2019). Securities purchased to be held to maturity are classified to the held-to-maturity portfolio.

Held-for-trading securities are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is recorded in the income statement. Available-for-sale bonds are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is stated under a separate line item entitled "Adjustments in respect of presentation of available-for-sale securities at fair value" less related tax, in Other comprehensive income. On January 1 2019, non-trading shares with an available fair value are presented in the balance

sheet at fair value and the difference between the fair value and amortized cost is stated in a separate line item entitled "Gains on investment in shares" under "Noninterest finance income" in profit and loss. In any case of an other-than-temporary impairment, the difference is charged to profit and loss. Held-to-maturity securities are stated in the balance sheet at amortized cost.

Following is the classification of the securities line item in the consolidated balance sheet:

	March 31 2019					December 31 2018				
	Held-to-maturity securities	Available-for-sale bonds ^(a)	Non-trading shares	Held-for-trading securities ^(b)	Total	Held-to-maturity securities	Available-for-sale bonds ^(a)	Available-for-sale shares	Held-for-trading securities ^(b)	Total
In NIS millions										
Bonds										
Of the Israeli government	2,813	31,098		5,626	39,537	2,334	30,573		5,677	38,584
Of foreign governments ^(c)	-	9,857		58	9,915	-	5,904		52	5,956
Of Israeli financial institutions	-	-		115	115	-	-		119	119
Of foreign financial institutions ^(d)	-	10,651		110	10,761	-	9,707		132	9,839
Asset-backed (ABS) or mortgage-backed (MBS)	1,710	9,078		249	11,037	1,596	9,433		271	11,300
Of other Israeli entities	-	172		190	362	-	242		290	532
Of other foreign entities	989	3,157		210	4,356	946	3,517		220	4,683
Shares and mutual funds			3,453	17	3,470			3,556	2	3,558
Total securities^(e)	5,512	64,013	3,453	6,575	79,553	4,876	59,376	3,556	6,763	74,571

(a) Including unrealized gains (losses) from fair value adjustments in the amount of NIS 106 million recorded in other comprehensive income (December 31 2018 - NIS (494) million).

(b) Including unrealized gains (losses) from fair value adjustments in the amount of NIS 20 million recorded in profit and loss (December 31 2018 - NIS (24) million).

(c) Of which: The US government - NIS 5,074 million (December 31 2018 – NIS 2,362 million).

(d) Most bonds of foreign financial institutions are rated Supranational or are state-backed.

(e) For more information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

As at March 31 2019, approximately 80.5 percent of the Group's nostro (own) portfolio was classified as available-for-sale, 8.3 percent as held-for-trading, 4.3 percent as non-trading shares, and 6.9 percent as held-to-maturity. Approximately 4.4 percent of the securities' value are investments in corporate shares that are not equity-accounted, but rather stated at cost or according to the share price.

For more information regarding the value of securities by type of measurement, please see Note 15A.

Available-for-sale portfolio

- In the first quarter of 2019, there was a NIS 579 million increase (before tax) in other comprehensive income in respect of available-for-sale bonds (2018 - securities), compared with a decrease of NIS 207 million (before tax) in the corresponding period last year.
- In the first quarter of 2019, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 2 million, compared with net gains of NIS 25 million in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds (2018 - securities) as at March 31 2019 totaled a positive NIS 38 million (after tax) compared with a negative NIS 317 million as at the end of 2018. These amounts represent net unrealized gains (losses) as at the reporting dates.

For information regarding fair value adjustments of available-for-sale securities recognized in equity, please see Note 5.

Held-for-trading portfolio

As at March 31 2019, the held-for-trading portfolio has NIS 6.6 billion in bonds, compared with NIS 6.8 billion as at December 31 2018. As at March 31 2019, the held-for-trading portfolio constitutes 8.3 percent of the Group's total own portfolio (nostro), compared with 9.1 percent as at December 31 2018.

Realized and unrealized losses in the first quarter of 2019 in respect of held-for-trading bonds in the amount of NIS 44 million were recorded in the income statement, compared with losses of NIS 14 million in the same period last year.

Investments in shares and funds

As at March 31 2019, investments in shares and funds totaled NIS 3,470 million, of which NIS 2,367 million was in tradable shares and NIS 1,103 million - in non-tradable shares. As of January 2019, changes in the fair value of unrealized non-trading shares and funds will be recognized directly, on a regular basis, in the income statement rather than in Other comprehensive income.

Of the total investment, NIS 3,453 million is classified to the non-trading portfolio and NIS 17 million - to the trading portfolio.

As at March 31 2019, the capital required in respect of these investments was NIS 477 million.

For more information on the portfolio's composition, please see Note 5.

Investment in foreign securities

a. Investment in foreign asset-backed bonds

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to NIS 11.0 billion (about \$3.0 billion) as at March 31 2019, compared to NIS 11.3 billion as at the end of 2018. Out of the above portfolio, as at March 31 2019, NIS 9.1 billion (about \$2.5 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of March 31 2019, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 6.9 billion. 96.4 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of March 31 2019, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was NIS 65 million.

Mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions totaled NIS 525 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 3.6 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 2.2 billion, of which CLO bonds account for NIS 1.6 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.97 years.

For more information on investment in asset-backed bonds, please see Note 5.

b. Investment in foreign non-asset-backed securities

As of March 31 2019, the Group's securities portfolio includes NIS 31.1 billion (\$8.6 billion) in foreign-issued non-asset-backed bonds. Out of the above portfolio, NIS 28.8 billion (about \$7.9 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 99.03 percent of the total securities are investment grade and include mainly securities of the US government, banks and financial institutions as well as bonds of investment grade corporations, and the remainder are mainly securities issued by the Israeli government.

For more information regarding exposure to foreign financial institutions, please see the section entitled "Credit Risk".

As of March 31 2019, the cumulative increase in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 177 million (NIS 116 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 87.03 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31 2019, the value of the non-asset-backed held-for-trading portfolio was NIS 0.4 billion (\$0.1 billion). The difference between the fair value and the amortized cost, if any, is recorded in the income statement.

Investments in bonds issued in Israel

As at March 31 2019, investments in bonds issued in Israel amounted to NIS 36.7 billion, of which NIS 36.2 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - in corporate bonds. 36.1 percent of corporate bonds investments - which are NIS 0.2 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 0.2 billion - include a positive capital reserve of NIS 7 million.

All corporate bonds in the held-for-trading portfolio are listed and traded on the stock exchange.

For more information, please see Note 5.

Deposits by the Public

Deposits by the public as at March 31 2019, the public's deposits with the Group amounted to NIS 363.6 billion, compared to NIS 364.6 billion at the end of 2018, a 0.3 percent decrease.

The change in the shekel exchange rates against all foreign currencies decreased the public's total deposits by 1.0 percent, so that net of the change, the public's deposits increased by 0.7 percent.

Following are the changes in customers' off-balance-sheet financial assets in the Leumi Group:

	March 31	December 31		Change	In %
	2019	2018			
	In NIS millions	In NIS millions	In NIS millions		
Securities portfolios ^(a)	748,278	665,268	83,010		12.5
Assets for which operating services are provided: ^{(a)(b)(c)}					
Mutual funds	45,610	47,536	(1,926)		(4.1)
Provident and pension funds	133,148	146,187	(13,039)		(8.9)
Study funds	112,478	113,864	(1,386)		(1.2)

(a) Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.

(b) The Group does not manage mutual funds, provident funds and study funds in Israel.

(c) Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.

Bonds, Capital Notes and Subordinated Bonds

As at March 31 2019, bonds, capital notes and subordinated bonds amounted to NIS 21.0 billion, compared to NIS 17.8 billion as at the end of 2018, a 17.7 percent increase and a 34.3 percent increase compared to March 2018.

Shelf prospectus and bond issue

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 1.69 billion in Bonds Series 180. The bonds are repayable in two equal installments on February 28 2023 and February 28 2025 and carry an annual interest rate of 2.02 percent, payable annually on February 28 of each year from 2020 to 2025 (inclusive).

The Series 180 bonds are not recognized for regulatory capital purposes.

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 664.2 million in Subordinated Bonds Series 403, recognized for regulatory capital purposes.

According to a shelf prospectus dated March 12 2019, the Bank issued, on March 13 2019, an extension of Series 403, under which the Bank issued a total of NIS 777 million par value in subordinated bonds in consideration of NIS 798.4 million.

The Subordinated Bonds Series 403 are repayable by a lump sum on February 28 2030, with an early repayment option for the issuer, not before January 31 2025 and no later than February 28 2025. The subordinated bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 2.42 percent until the February 28 2025. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest revision date.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the subordinated bonds shall be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 11.53 per share, subject to adjustments), the highest of the two.

These subordinated bonds Series 403 are eligible for inclusion in Tier 2 capital as of the issue date.

[Early redemption of subordinated capital notes](#)

On February 10 2019, the Bank's Board of Directors decided to redeem in April-May 2019, by full early redemption, NIS 1 billion par value in (non-tradable) subordinated capital notes linked to the Consumer Price Index and issued in 2009. Accordingly, during April and May 2019, NIS 1.2 billion in subordinated bonds were redeemed in April and May.

Capital and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 35,940 million on March 31 2019 compared with NIS 35,305 million as at the end of 2018, a 1.8 percent increase. The increase is mainly due to the net income for the period. The increase was partially offset by a dividend distribution during the period and by other comprehensive income, following an increase in the negative adjustments in respect of employee benefits as a result of a decrease in the discount rate.

This capital serves as the basis for calculating the capital adequacy ratio which, in turn, is used to calculate the Bank's capital adequacy ratio with the addition of capital instruments and regulatory adjustments as set out in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 202.

The ratio of shareholders' equity to total assets as at March 31 2019 reached 7.9 percent, compared to 7.7 percent as at December 31 2018.

Capital adequacy structure

	March 31	December 31	
	2019	2018	2018
	In NIS millions		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	36,424	34,316	35,190
Tier 2 capital, after deductions	10,709	9,897	11,033
Total capital	47,133	44,213	46,223
Balance of risk-weighted assets^(a)			
Credit risk	284,143	282,673	288,837
Market risks	5,431	4,343	6,295
Operational risk	23,153	21,801	22,713
Total balance of risk-weighted assets	312,727	308,817	317,845
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk-weighted components	11.65%	11.11%	11.07%
Ratio of total capital to risk-weighted components	15.07%	14.32%	14.54%

(a) For more information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Regulatory capital structure

In May 2013, the Banking Supervision Department published the final directives for the implementation of Basel III in Israel, by amending Proper Conduct of Banking Business Directives Nos. 201-211 (hereinafter in this section - the "Directives"). The Directives went into effect on January 1 2014, subject to the transitional provisions included in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 299.

Pursuant to the Directives, the Group's capital components for the purpose of calculating capital adequacy are attributed to two tiers:

1. Tier 1 capital, which includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital.
2. Tier 2 Capital.

The sum of these tiers is also known as "capital basis for capital adequacy" or "regulatory capital" or "total capital."

Common Equity Tier 1 capital and Additional Tier 1 capital

Common Equity Tier 1 capital includes the banking corporation's shareholders' equity, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments and additional deductions.

Additional adjustments to Common Equity Tier 1 capital arising from the implementation of operational efficiency plans and the method of calculating the discount rate used to calculate the employee benefits liability, as detailed below.

Additional Tier 1 capital includes equity instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. The Leumi Group has no equity instruments in this tier.

Tier 2 capital mainly includes equity instruments and the balance of the collective loan loss provisions, subject to the ceiling prescribed by the Directives.

As at December 31 2013, capital instruments included in Tier 2 capital are subject to transitional provisions and a recognition ceiling, as prescribed by the Directives, such that the amount actually recognized in respect of the capital instrument is the lower of the amortized amount of the instruments and the recognition ceiling based on the balance of capital instruments included in Tier 2 capital as at December 31 2013, which is amortized at the beginning of each year by 10 percent until January 1 2022. The recognition ceiling for 2019 is 30 percent.

From the beginning of 2014, equity instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. To be included in capital, the main criteria that the instrument must include are as follows: (1) a mechanism for absorbing principal losses by way of conversion to ordinary shares or amortization of the instrument when the banking corporation's Common Equity Tier 1 capital ratio falls below 5 percent; (2) a clause determining that, on the occurrence of the trigger event for non-viability (as defined in Appendix E to Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

For more information regarding subordinated bonds issued by the Bank in 2019 which are eligible for inclusion in Tier 2 capital, please see the section entitled "Bonds, Capital Notes and Subordinated Bonds".

For a description of the main features of issued regulatory equity instruments, please see the Bank's website: www.leumi.co.il.

Capital Adequacy

Capital ratios are calculated as the ratio of capital to the risk-weighted assets. The Common Equity Tier 1 capital ratio is calculated as the ratio of Common Equity Tier 1 capital to the risk-weighted assets, and the total capital ratio is calculated as the ratio of total capital to the risk-weighted assets.

The Bank of Israel's capital adequacy targets:

Under Proper Conduct of Banking Business Directive No. 201, Capital Measurement and Adequacy - Introduction, Application and Calculation of Requirements, a large banking corporation whose consolidated total assets are at least 20 percent of the Israeli banking system's total balance sheet assets, is required to meet a Common Equity Tier 1 capital ratio of at least 10 percent and a total capital ratio of at least 13.5 percent as of January 1 2017. This requirement applies to Leumi.

Additionally, under Amendment to Proper Conduct of Banking Business Directive No. 329 - Restrictions on Granting Housing Loans, a banking corporation is required to increase its Common Equity Tier 1 capital target and total capital target by a rate which reflects 1 percent of the outstanding balance of its housing loans. The effect of this requirement on the capital ratio in the reporting period is 0.26 percent.

As a result, the minimum capital requirements applicable to the Bank as of March 31 2019 are 10.26 percent for the Common Equity Tier 1 capital ratio and 13.76 percent for the total capital ratio.

The Bank's capital planning and capital adequacy targets:

The Leumi Group's capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and capital adequacy required as a result. The capital plan is approved by the Bank's management and Board of Directors and takes into account the various P&L centers of the Group and other factors that affect the Bank's compliance with the capital requirements, such as: Profit forecasts, changes in other comprehensive income, regulatory adjustments, the effect of the transitional provisions and the rate of increase in risk-weighted assets. The capital ratios forecast is also subject to various sensitivity tests and stress scenarios.

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to

cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event.

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.5 percent, as of December 31 2017.

[Adjustments to Common Equity Tier 1 capital: Measurement of the employee benefits liability](#)

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the fact that the liability is measured in accordance with market interest rates - which are at historical lows, and also due to the considerable volatility that such measurement generates in the Bank's regulatory capital.

In July 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the employee benefits liability for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the Financial Statements as at December 31 2020 (inclusive). The method change significantly moderates the volatility of the Bank's regulatory capital resulting from changes in the discount rate.

For more information regarding the discounting methodology, please see "Critical Accounting Policies and Estimates".

[Relief for operational efficiency plans](#)

In January 2016, the Banking Supervision Department published a circular entitled "Operational Efficiency of the Banking System in Israel." Pursuant to the circular, a banking corporation which meets the prescribed conditions will be granted a relief, according to which it may spread the effect of the plan on the capital adequacy and leverage ratios on a straight-line basis, over a period of five years.

In June 2016, the Bank's Board of Directors approved an efficiency plan, for a total cost of NIS 438 million (after tax). As of March 31 2019, 55 percent of the plan's costs are attributable to regulatory capital.

In June 2017, the Banking Supervision Department published an additional circular entitled "Increasing Operational Efficiency of the Banking System in Israel - Increasing Efficiency in Real Estate." The circular extended the relief in respect of increasing manpower efficiency to the end of June 2018.

In July 2017, the Bank's Board of Directors approved an additional efficiency plan, for a total cost of NIS 204 million (after tax). As of March 31 2019, 35 percent of the plan's costs are attributable to regulatory capital.

In September 2018, the Banking Supervision Department published a circular regarding the extension of the validity of the two circulars by 18 additional months, until December 31 2019, in an effort to allow for additional efficiency plans.

[Regulatory and other changes in measuring the capital requirements](#)

[Developments in measuring capital adequacy in the rules of the Basel Committee on Banking Supervision](#)

In December 2017, the Basel Committee on Banking Supervision completed its revision of the overall capital adequacy framework. As part of the revisions, also known as Basel IV, significant revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. Inter alia, changes were made in the method of calculating capital requirements according to the standardized approach to credit risk, a uniform standardized approach was prescribed with regard to operational risk, and changes were made in market risk measurement. Under the rules of the Basel Committee, these changes are due to take effect gradually from January 1 2022 to January 1 2027. Presently, the Bank does not know how and when these rules will be adopted by Israel's Banking Supervision Department.

[Circular regarding the revision of Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk\)" and Proper Conduct of Banking Business No. 313, "Limitations on Indebtedness of a Borrower and a Group of Borrowers"](#)

On November 13 2018, the Bank of Israel published a circular revising Proper Conduct of Banking Business Directives Nos. 203 and 313. According to the circular, the conversion coefficient for loans on collateral for guaranteeing investments of apartment buyers granted pursuant to the Sale Law (Apartments), 1974, shall be 30 percent in lieu of 50

percent if the apartment has yet to be delivered to the buyer. The application of the circular resulted in a 0.1 percent improvement in the CET1 capital ratio.

[Circulars on amendment of Proper Conduct of Banking Business Directives following the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel \(the "Strum Law"\)](#)

In July 2018, the Bank of Israel published circulars on the amendment of Proper Conduct of Banking Business Directives, with the objective of granting the credit companies reliefs immediately following their split from the banks. According to one of the amendments, the banks would weight credit granted to credit card companies similarly to credit granted to banks, even after their split from the banking corporation under the Strum Law. I.e., the credit card company's risk weight will be one rank lower than the weight of the risk derived from the State of Israel's rating. In addition, a debt whose original maturity is up to three months will be weighted at a risk weight of 20 percent.

[Circular Revising Proper Conduct of Banking Business Directive No. 332, Buybacks by Banking Corporations](#)

On February 28 2019, the Bank of Israel published the Circular Revising Proper Conduct of Banking Business Directive No. 332, Buybacks by Banking Corporations. The Circular revokes the prohibition on performing buybacks and allows banking corporations to purchase their own stock subject to certain terms and conditions. The Circular also revises the restrictions on granting loans guaranteed by securities issued by the banking corporation.

[Sale of Leumi Card Ltd.](#)

In accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, the transaction for the sale of the Bank's interests in Leumi Card was completed on February 25 2019.

For more information regarding the said sale agreement, please see the section entitled "Leumi Card" under "Major Investees."

[Following is a sensitivity analysis of the main factors affecting the capital adequacy of the Leumi Group:](#)

- Change in the volume of risk-weighted assets – as at the end of March 2019, Leumi's risk-weighted assets amounted to NIS 312.7 billion. Every 1 percent increase in risk-weighted assets (about NIS 3.1 billion) will reduce the Common Equity Tier 1 capital ratio by 0.12 percent, and the total capital ratio by 0.15 percent.
- Accrued profit or a change in the capital reserve – Leumi's Common Equity Tier 1 Capital was NIS 36.4 billion at March 31 2019. Total capital amounts to NIS 47.1 billion. Accrual of net income and/or positive change in the capital reserve of each NIS 1 billion will improve the Common Equity Tier 1 capital ratio and the total capital ratio by 0.32 percent.
- Liabilities for employee benefits – The actuarial liability for employees is discounted according to an eight-quarter moving average of market yields, which are affected by the Government of Israel's bond curve and by the U.S. AA corporate bond spread. A change of 0.1 percent across the discount rate curve, under the assumption that the curve rises and falls uniformly, signifies a cumulative effect of 0.07 percent on the Common Equity Tier 1 capital ratio and total capital ratio. Of which, according to a moving average calculation for eight quarters, an effect of approx. 0.01 percent in the Common Equity Tier 1 Capital ratio and the total capital ratio for the current quarter.

The above information regarding capital adequacy and its management refers to the Bank's future activities and constitutes "forward-looking information." For the meaning of the term, please see under "Forward-Looking Information."

[Dividend distribution policy](#)

On November 20 2017, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 40 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution.

On March 6 2019, the Bank's Board of Directors approved a change in the Bank's dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific

resolutions of the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

On May 26 2019, the Board of Directors approved, in respect of Q1 2019, a dividend of 40 percent of the net income of the quarter. The dividend approved amounted to NIS 437 million, which is 29.23 agorot per share of NIS 1 par value. The Board of Directors set June 10 2019 as the record date for dividend payment purposes and June 23 2019 as the payment date. The final dividend amount per share is subject to changes due to the Bank's share buyback plan. (For more information about the plan, please see below).

[Details on paid dividend](#)

Announcement date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
May 25 2017	June 22 2017	8.17	124
August 15 2017	September 11 2017	11.50	175
November 21 2017	December 21 2017	21.51	328
March 6 2018	March 28 2018	22.41	342
May 24 2018	June 19 2018	19.18	292
August 14 2018	September 6 2018	23.96	361
November 12 2018	December 10 2018	25.08	375
March 6 2019	April 3 2019	18.40	275

[The Bank's share buyback plan](#)

On May 26 2019, the Bank's Board of Directors approved a plan to buy back the Bank's shares for a total of up to NIS 700 million, from May 28 2019 to May 27 2020. The share buyback plan will take place as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or outside the TASE, through an external, independent member of the TASE, which will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. The buyback plan will take place in two separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: "Stage A" and "Stage B"). Stage A will begin on May 28 2019 and will end on the earlier of (a) August 2 2019; or (b) Purchase of the Bank's shares in the amount of NIS 350 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the first trading day following the publication of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) May 27 2020; or (b) Purchase of the Bank's shares in the amount of NIS 700 million, less the total amount purchased as part of Stage A. If, following the end of Stage A, a decision will be made not to proceed with Stage B, the Bank will publish an immediate report to that effect.

Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 19 2019, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 Capital Ratio of at least 10.9 percent.

Leverage ratio

Leverage ratio is expressed as a percentage and defined as measured regulatory capital divided by the measured exposure. The regulatory capital for the purpose of leverage ratio measurement is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive No. 202, taking into account the transitional arrangements. A banking corporation's exposure is the sum of the balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and off-balance sheet items. The leverage ratio complements the capital ratio and constitutes yet another constraint on the banking sector's leverage level.

The leverage ratio may be affected by changes in the Bank's regulatory capital. When calculating the leverage ratio, the following were taken into account, inter alia: the effect of the implementation of the efficiency plan and adjustments in respect of the application of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities.

	March 31	
	2019	2018
In NIS millions		
Consolidated data		
Tier 1 capital	36,424	34,316
Total exposures	497,383	498,316
Leverage ratio		
Leverage ratio	7.32%	6.89%
Minimum total leverage ratio set by the Banking Supervision Department	6.00%	6.00%

For more information on capital adequacy and leverage, please see Note 9B.

Operating Segments - Management Approach

Operating segments reporting according to management's approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.

The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

For more information regarding the business lines according to management approach, please see "Operating Segments" in the 2018 Annual Financial Statements.

Following is a summary of financial performance according to management's approach:

For the three months ended March 31 2019												
In NIS millions												
Bank	Bank								Subsi-	Foreign	Total	
	Retail, premium and private banking	Small busines ses	Mort- gages	Banking - total	Corpo- rate	Busi- ness	Real estate	Capital markets	Other and adjust- ments	diaries in Israel	subsidi- diaries	
Interest income, net:												
Interest income (expenses) - From external	241	321	447	1,009	233	217	188	180	(6)	15	284	2,120
Interest income (expenses) - Inter- segmental	298	13	(206)	105	78	(56)	(38)	(77)	-	2	(14)	-
Interest income (expenses), net	539	334	241	1,114	311	161	150	103	(6)	17	270	2,120
Noninterest income	320	119	2	441	103	54	78	345	387	77	70	1,555
Total income	859	453	243	1,555	414	215	228	448	381	94	340	3,675
Expenses (income) in respect of loan losses	31	62	(9)	84	37	(102)	(18)	(19)	-	3	(3)	(18)
Total operating and other expenses	680	257	70	1,007	194	72	37	77	269	58	232	1,946
Profit before taxes	148	134	182	464	183	245	209	390	112	33	111	1,747
Tax expenses	53	48	66	167	67	89	76	145	43	10	24	621
Net income (loss) attributable to the Bank's shareholders	95	86	116	297	116	156	133	245	69	(1)	77	1,092
Balances as at March 31 2019												
Loans to the public, net	29,491	25,983	81,956	137,430	39,397	38,732	24,618	5,651	5,916	644	24,669	277,057
Deposits by the public	157,665	37,449	-	195,114	48,750	19,584	6,545	68,757	315	-	24,522	363,587
Assets under management	175,097	16,394	-	191,491	23,604	19,409	1,059	496,415	21,223	268,460	17,853	1,039,514

For the three months ended March 31 2018												
In NIS millions												
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small businesses	Mortgages	Banking - total	Corporate	Business	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	337	339	409	1,085	259	189	150	(34)	-	93	264	2,006
Interest income (expenses) - Inter-segmental	148	(7)	(190)	(49)	13	(48)	(27)	121	-	(4)	(6)	-
Interest income, net	485	332	219	1,036	272	141	123	87	-	89	258	2,006
Noninterest income	328	123	-	451	99	53	75	51	33	253	77	1,092
Total income	813	455	219	1,487	371	194	198	138	33	342	335	3,098
Expenses (income) in respect of loan losses	84	48	6	138	35	(18)	(72)	13	(1)	27	8	130
Total operating and other expenses	654	251	63	968	171	61	29	82	238	218	209	1,976
Profit (loss) before tax	75	156	150	381	165	151	241	43	(204)	97	118	992
Tax expenses (income)	26	54	52	132	57	52	83	15	(129)	25	27	262
Net income (loss) attributable to the Bank's shareholders	49	102	98	249	108	99	158	30	(75)	70	91	730
Balances as at March 31 2018												
Loans to the public, net	29,969	27,061	78,879	135,909	37,263	33,938	21,354	4,080	5,924	639 ^(a)	24,224	263,331
Deposits by the public	155,226	35,607	-	190,833	45,095	22,904	5,688	72,340	149	- ^(b)	25,470	362,479
Assets under management	173,581	19,948	-	193,529	23,641	19,990	1,177	450,769	23,310	276,305	17,706	1,006,427

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,128 million.
(b) Excluding balances classified as held for sale liabilities in the amount of NIS 89 million.

For the year ended December 31 2018												
In NIS millions												
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small businesses	Mortgages	Banking - total	Corporate	Business	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	1,012	1,335	2,441	4,788	1,039	827	748	(23)	6	390	1,115	8,890
Interest income (expenses) - Inter-segmental	1,043	9	(1,529)	(477)	122	(243)	(207)	848	(3)	(4)	(36)	-
Interest income, net	2,055	1,344	912	4,311	1,161	584	541	825	3	386	1,079	8,890
Noninterest income	1,322	487	3	1,812	408	217	315	492	147	1,180	300	4,871
Total income	3,377	1,831	915	6,123	1,569	801	856	1,317	150	1,566	1,379	13,761
Expenses (income) in respect of loan losses	213	270	30	513	28	(70)	(170)	23	(10)	113	92	519
Total operating and other expenses	2,733	1,099	274	4,106	713	276	132	363	958	896	893	8,337
Profit (loss) before tax	431	462	611	1,504	828	595	894	931	(798)	557	394	4,905
Tax expenses (income)	161	172	227	560	308	221	332	300	(351)	158	91	1,619
Net income (loss) attributable to the Bank's shareholders	270	290	384	944	520	374	562	637	(447)	383	284	3,257
Balances as at December 31 2018												
Loans to the public, net	29,594	26,478	81,524	137,596	38,490	33,533	24,462	5,251	5,860	560 ^(a)	25,421	271,173
Deposits by the public	158,593	38,046	-	196,639	49,671	19,592	6,597	65,910	274	.. ^(b)	25,908	364,591
Assets under management	167,486	18,354	-	185,840	22,137	19,122	1,008	421,022	21,085	285,016	17,625	972,855

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,042 million.

(b) Excluding balances classified as held for sale liabilities in the amount of NIS 71 million.

Regulatory Operating Segments

For more information regarding the business lines according to management's approach, please see the section entitled "Regulatory Operating Segments" in the 2018 Annual Financial Statements.

For the three months ended March 31 2019										
In NIS millions										
Activity in Israel									Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
Interest income, net	643	35	535	216	351	48	22	-	270	2,120
Noninterest income	242	39	186	76	145	42	365	390	70	1,555
Total income	885	74	721	292	496	90	387	390	340	3,675
Expenses (income) in respect of loan losses	15	-	73	-	(83)	(6)	(16)		(1)	(18)
Total operating and other expenses	741	29	389	131	102	59	91	172	232	1,946
Profit before tax	129	45	259	161	477	37	312	218	109	1,747
Tax expenses	46	17	93	59	172	13	120	79	22	621
Net income attributable to the Bank's shareholders	83	28	166	102	305	24	168	139	77	1,092
Balance on March 31 2019										
Loans to the public, gross	98,983	402	59,799	29,043	65,318	1,836	-	-	24,984	280,365
Deposits by the public	108,502	25,734	54,206	38,056	49,329	63,236	-	-	24,524	363,587
Assets under management	69,026	46,429	45,666	24,718	68,300	708,255	59,267	-	17,853	1,039,514

For the three months ended March 31 2018

In NIS millions

Activity in Israel	Activity in Israel								Foreign opera- tions	Total
	House- holds	Private banking	Small- and micro- busi- nesses	Mid- sized busi- nesses	Corpo- rations	Institu- tionals	Financial manage- ment	Other		
Interest income, net	651	25	519	180	309	33	31	-	258	2,006
Noninterest income	392	39	211	80	153	53	60	27	77	1,092
Total income	1,043	64	730	260	462	86	91	27	335	3,098
Expenses (income) in respect of loan losses	69	-	82	(34)	(3)	(2)	10	-	8	130
Total operating and other expenses	817	27	380	122	113	62	63	183	209	1,976
Profit (loss) before tax	157	37	268	172	352	26	18	(156)	118	992
Tax expenses (income)	46	13	91	60	117	9	(17)	(84)	27	262
Net income (loss) attributable to the Bank's shareholders	99	24	177	112	235	17	46	(71)	91	730
Balance on March 31 2018										
Loans to the public, gross ^(a)	103,175	382	61,844	26,113	57,989	761	-	-	24,552	274,816
Deposits by the public ^(b)	106,250	24,872	53,314	35,662	49,425	67,574	-	-	25,471	362,568
Assets under management	71,812	44,454	49,103	24,887	70,751	688,117	39,601	-	17,702	1,006,427

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,266 million.

(b) Excluding balances classified as held for sale liabilities in the amount of NIS 89 million.

For the year ended December 31 2018

In NIS millions

Activity in Israel	Activity in Israel								Foreign opera- tions	Total
	House- holds	Private banking	Small- and micro- busi- nesses	Mid- sized busi- nesses	Corpo- rations	Institu- tionals	Financial manage- ment	Other		
Interest income, net	2,744	117	2,160	786	1,330	166	507	-	1,080	8,890
Noninterest income	1,626	155	832	331	621	199	728	79	300	4,871
Total income	4,370	272	2,992	1,117	1,951	365	1,235	79	1,380	13,761
Expenses (income) in respect of loan losses	273	-	279	(156)	7	4	20	-	92	519
Total operating and other expenses	3,543	113	1,560	544	472	269	271	672	893	8,337
Profit (loss) before tax	554	159	1,153	729	1,472	92	944	(593)	395	4,905
Tax expenses (income)	161	59	422	271	537	34	264	(221)	92	1,619
Net income (loss) attributable to the Bank's shareholders	347	100	728	456	932	59	719	(368)	284	3,257
Balance on December 31 2018										
Loans to the public, gross ^(a)	106,132	396	60,578	27,290	61,899	687	-	-	25,753	282,735
Deposits by the public ^(b)	108,874	26,128	54,329	38,867	49,553	61,003	-	-	25,908	364,662
Assets under management	68,044	43,916	42,951	23,801	68,113	666,146	42,260	-	17,624	972,855

(a) Including outstanding balances classified as held-for-sale assets in the amount of NIS 8,210 million

(b) Including balances classified as held for sale liabilities in the amount of NIS 71 million.

Major Investees

Leumi Group operates both in Israel and overseas through subsidiaries, which are either banks or firms providing financing and financial services. In addition, the Group invests in corporations which do not engage in banking.

The Bank's total investments in investees (including in capital notes), as of March 31 2019, was NIS 10.2 billion, compared with NIS 11.8 billion as of December 31 2018, with the investee companies contributing NIS 41 million to the Group's net income in the first quarter of 2019, compared with NIS 228 million in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 6,025 million as of March 31 2019, compared with NIS 7,535 million as of December 31 2018. Their contribution to the Group's net income in the first quarter of 2019 was NIS (1) million, compared with NIS 70 million in the corresponding period last year.

Leumi Card Ltd.

On February 25 2019, the sale of Leumi Card Ltd. to Warburg Pincus Financial Holdings Israel LTD. was completed.

For more information regarding the sale of Leumi Card Ltd., please see the 2018 Annual Financial Statements section entitled "Leumi Card" under "Major Investees."

Leumi Partners Ltd.

Sale of interests in Super-Pharm

On May 7 2019, the transaction for the sale of Leumi Partners Ltd.'s interests in Super-Pharm Israel Ltd. (hereinafter: the "Company") to Union Investments and Development Ltd. was completed. The sold shares constitute 15 percent of the Company's issued and paid up share capital. The Bank is expected to record a NIS 75 million pre-tax gain from the transaction. For more information, please see the immediate report dated May 7 2019.

Aquisition of Shares in Taavura Holdings Ltd.

On May 20 2019, Neshar Israel Cement Enterprises Ltd. informed Leumi Partners and several other companies from the Phoenix Insurance Company Ltd. Group that they had been selected as the winning bidders to acquire Neshar's interests in Taavura. Leumi Partners and Phoenix will each acquire approximately 20 percent of Taavura's shares for NIS 250.5 million. Neshar has granted Leumi Partners and Phoenix exclusivity until May 27 2019 to complete the signing of the sales agreement.

There is no certainty that the sales agreement will be signed or as to the date on which it will be signed.

Foreign Consolidated Companies

The Bank's total investments (including in capital notes) in its foreign offices as of March 31 2019 was NIS 4,144 million, compared with NIS 4,190 million as of December 31 2018.

In the first quarter of 2019, the foreign offices' contribution to the Group's shekel net income was NIS 42 million, compared with NIS 156 million in the corresponding period last year.

For more information on lawsuits and other matters relating to the consolidated companies, please see Note 10.

Bank Leumi USA

On May 22 2019, Bank Leumi USA distributed \$60 million in dividends; Bank Leumi's pro-rata share in BLC is \$50.8 million.

Bank Leumi Romania (BLROM)

On April 16 2019, Leumi entered into an agreement with First Bank S.A., a Romania-based bank controlled by Investment Fund JC Flowers, to sell the Bank's holdings, which comprise about 99.9 percent of Leumi Romania's share capital, in Leumi Romania. The transaction's completion is subject to the fulfillment of conditions precedent stipulated in the agreement regarding obtaining the regulatory approvals required to execute the transaction.

The finalized transaction is not expected to have a material effect on the Bank's financial results. For more information, please see the immediate report dated April 16 2019.

Risk Exposure and Management Thereof

This section was written in great detail in the 2018 Annual Report of the Board of Directors and Management and in the 2018 Annual Risk Management Report. It should therefore be read in conjunction with these reports.

The Bank's business activity involves managing financial and non-financial risks. The key financial risks managed by the Bank are as follows: credit risks - which are integral to the Bank's core business, as well as market and liquidity risks. In addition to financial risk, the Bank's activity poses non-financial risks, the management of which is a necessary precondition to meeting the Group's ongoing and long-term goals. These risks include operational risks, such as technological and cyber risks, legal risks, regulatory risks, compliance risks, reputation risks, conduct risks and strategic risk.

Leumi's risk strategy management is to maintain the Group's stability and support the achievement of its business goals. These objectives are achieved while meeting the predefined risk appetite, the policy and the limitations deriving therefrom, which form the boundaries for the Bank's business activity. The risk management framework includes mechanisms for identifying and estimating risk, defining the corporate structure and areas of responsibility for managing risk as well as putting in place adequate control and reporting mechanisms.

The Bank continually upgrades its risk management infrastructure and analyzes the risk outlook, to enable informed decision-making.

During the reporting period, there have been no significant changes in the risks and their severity levels in relation to the table included in the 2018 Annual Report of the Board of Directors and Management, except for a global systemic risk, the estimate of whose effect on the CET1 capital was downgraded from "moderate to high" to "moderate".

The downgrading of the risk's severity is explained by a combination of several factors, the net effect of which is positive, inter alia: Improvement in the Bank's balance sheet components, the continued improvement in the US job market and a change of attitude by central banks toward continued quantitative easing of the monetary policy, including the discontinued interest rate hike trajectory in the US. Factors still contributing to uncertainty are mainly global geopolitical ones (level of uncertainty around a Brexit agreement and over China and the US reaching trade agreements).

For more information, please see "Other Risks" under "Risk Profile - Defining risk factors' severity" in the 2018 Annual Report of the Board of Directors and Management.

Credit Risk

Credit provision is a core activity of the Bank and the Group, which is conducted in a decentralized manner by various business lines.

Credit risk is the Bank's risk of loss as a result of the possibility that a counterparty fails to meet its agreed commitments towards the banking corporation.

Activities which increase credit risk include balance sheet credit risk and off-balance sheet credit risk, including: loans to the public, loans to banks, loans to governments, deposits with banks, investments in bonds.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, Credit Risk Management, and Proper Conduct of Banking Business Directive No. 314, Sound Credit Assessment and Valuation for Loans, including the accountability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department's directives, implementing corporate governance which includes three "lines of defense".

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including adequacy of its loan loss provision to cover losses embodied in the credit portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; housing loans; credit granted to private individuals; housing loans and leveraged credit.

For more information and details regarding developments in the credit portfolio and the qualitative indicators characterizing the portfolio, please see below in this section as well as in the Risk Management Report.

Troubled credit risk and non-performing assets

	March 31 2019		
	Balance-sheet	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:^(a)			
Non-performing credit risk	2,449	222	2,671
Substandard credit risk	429	47	476
Credit risk under special supervision ^(b)	3,671	700	4,371
Total troubled credit risk	6,549	969	7,518
Of which: Non-performing debts in arrears of 90 days or more ^(b)	962	-	962
2. Non-performing assets:			
Non-performing loans (NPL)	2,107	-	2,107
Assets received in respect of settled loans	9	-	9
Total non-performing assets	2,116	-	2,116
% of non-accrual non-performing loans to the public (NPL) out of total loans to the public			0.75%
	March 31 2018		
	Balance-sheet ^(d)	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:^(a)			
Non-performing credit risk	3,162	236	3,398
Substandard credit risk	744	43	787
Credit risk under special supervision ^(b)	3,234	1,167	4,401
Less troubled credit risk classified as held-for-sale assets ^(c)	(368)	(6)	(374)
Total troubled credit risk	6,772	1,440	8,212
Of which: Non-performing debts in arrears of 90 days or more ^(b)	862	-	862
2. Non-performing assets:			
Non-performing loans (NPL)	2,626	-	2,626
Assets received in respect of settled loans	10	-	10
Less non-performing debts of balances classified as held for sale assets ^(c)	(38)	-	(38)
Total non-performing assets	2,598	-	2,598
% of non-accrual non-performing loans to the public (NPL) out of total loans to the public ^(e)			0.96%
	As at December 31 2018		
	Balance-sheet ^(d)	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:^(a)			
Non-performing credit risk	2,804	226	3,030
Substandard credit risk	426	48	474
Credit risk under special supervision ^(b)	3,732	821	4,553
Less troubled credit risk classified as held-for-sale assets ^(c)	(368)	(4)	(372)
Total troubled credit risk	6,594	1,091	7,685
Of which: Non-performing debts in arrears of 90 days or more ^(b)	1,054	-	1,054
2. Non-performing assets:			
Non-performing loans (NPL)	2,521	-	2,521
Assets received in respect of settled loans	9	-	9
Less non-performing debts of balances classified as held for sale assets ^(c)	(45)	-	(45)
Total non-performing assets	2,485	-	2,485
Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public ^(e)			0.89%

Note: Balance-sheet and off-balance-sheet credit risk is stated before the effect of loan loss provision and the effect of collateral that is deductible for the purpose of specific and collective indebtedness.

- (a) Credit risk that is either non-performing, substandard or under special supervision.
- (b) Including for housing loans for which there is provision according to the extent of arrears and housing loans for which there is no provision based on the delinquency period and which are in arrears of 90 days or more.
- (c) For more information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.
- (d) Reclassified. For more information, please see Note 6.
- (e) Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public does not include balances classified as held for sale.

Change in Balance of Non-Performing Loans

Change in balance of non-performing loans in respect of loans to the public

March 31 2019				
In NIS millions				
	Commercial	For housing	Private individuals - other	Total
Outstanding balance of non-performing loans as at the beginning of the period	2,380	31	340	2,751
Loans classified as non-performing loans during the period	179	-	50	229
Loans reclassified into non-performing loans	(4)	-	-	(4)
Written off non-performing loans	(132)	-	(27)	(159)
Repaid non-performing loans	(311)	(1)	(45)	(357)
Other	(17)	(1)	-	(18)
Outstanding balance of non-performing loans as at the end of the period	2,095	29	318	2,442

March 31 2018				
In NIS millions				
	Commercial	For housing	Private individuals - other	Total
Outstanding balance of non-performing loans as at the beginning of the period	3,049	29	377	3,455
Loans classified as non-performing loans during the period	196	2	66	264
Loans reclassified into non-performing loans	(168)	-	-	(168)
Written off non-performing loans	(60)	-	(29)	(89)
Repaid non-performing loans	(292)	-	(32)	(324)
Other	17	-	-	17
Less balances classified as held-for-sale assets ^(a)	(1)	-	(37)	(38)
Outstanding balance of non-performing loans as at the end of the period	2,741	31	345	3,117

(a) Including balances classified as held-for-sale assets (comparative results). For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Of which: change in troubled debt under restructuring

March 31 2019				
In NIS millions				
	Commercial	For housing	Private individuals - other	Total
Balance of troubled debt under restructuring as of the beginning of the period	1,318	8	319	1,645
Restructurings carried out during the period	87	-	41	128
Loans reclassified into unimpaired loans following subsequent restructuring	-	-	-	-
Written off restructured debt	(34)	-	(13)	(47)
Repaid restructured debt	(289)	-	(43)	(332)
Adjustments from translation of financial statements	(5)	-	-	(5)
Balance of troubled debt under restructuring as of the end of the period	1,077	8	304	1,389

	March 31 2018			
	In NIS millions			
	Commer- cial	For housing	Private individuals - other	Total
Balance of troubled debt under restructuring as of the beginning of the period	1,756	10	332	2,098
Restructurings carried out during the period	78	-	43	121
Loans reclassified into non-performing loans following subsequent restructuring	(21)	-	-	(21)
Written off restructured debt	(10)	-	(13)	(23)
Repaid restructured debt	(218)	-	(29)	(247)
Adjustments from translation of financial statements	2	-	-	2
Less balances classified as held-for-sale assets ^(a)	-	-	(9)	(9)
Balance of troubled debt under restructuring as of the end of the period	1,587	10	324	1,921

(a) Including balances classified as held-for-sale assets (comparative results). For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Disclosure, Measurement, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled debt, the Bank is following the Banking Supervision Department's directives, which became effective on January 1 2011 and the revised directives published subsequent to that date. The Bank estimates, assesses and revises the loan loss provision on a regular basis, based on past experience, analysis of individual borrowers, as well as according to economic forecasts and assessments of the various markets and business sectors.

Change in the balance of loan loss provision in respect of non-performing loans:

	March 31 2019			
	In NIS millions			
	Commer- cial	For housing	Private indi- duals - other	Total
Balance of loan loss provision in respect of non-performing loans as at the beginning of the period	459	4	150	613
Loan loss income	(96)	-	(24)	(120)
Write-offs	(132)	-	(27)	(159)
Collection of debts written off in previous years	181	-	36	217
Other	(3)	-	-	(3)
Balance of loan loss provision in respect of non-performing loans as at the end of the period	409	4	135	548

	March 31 2018			
	In NIS millions			
	Commer- cial	For housing	Private indi- duals - other	Total
Balance of loan loss provision in respect of non-performing loans as at the beginning of the period	447	5	61	513
Loan loss income	(84)	-	39	(45)
Write-offs	(63)	-	(29)	(92)
Collection of debts written off in previous years	151	-	38	189
Less balances classified as held-for-sale assets ^(a)	(1)	-	(6)	(7)
Balance of loan loss provision in respect of non-performing loans as at the end of the period	450	5	103	558

(a) For more information regarding the held-for-sale operation (comparative results), please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

For more information regarding the methodology for calculating the collective provision, please see "Critical Accounting Policies and Estimates."

For more information regarding provisions, please see Note 6.

Following is a breakdown of credit risk indicators

	March 31		December 31
	2019^(a)	2018 ^(b)	2018
	In %		
Percentage of non-performing loans to the public out of outstanding loans to the public	0.87	1.15	0.99
Percentage of unimpaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	0.34	0.31	0.37
Percentage of troubled loans to the public out of the overall credit risk for the public	1.91	2.12	1.94
Percentage of expenses (income) in respect of loan losses out of the average outstanding balance of loans to the public	(0.01)	0.05	0.19
Percentage of net write-offs in respect of loans to the public out of average balance of loans to the public	(0.02)	(0.01)	(0.09)
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding loans to the public	1.33	1.39	1.41
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding non-performing loans to the public	152.66	121.36	142.95
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding non-performing loans to the public and the outstanding balance of loans to the public in arrears of 90 days or more	109.52	95.32	103.82
Percentage of net write-offs in respect of losses for loans to the public out of the remaining balance of loan loss provision for loans to the public	(1.66)	(0.68)	(6.40)

(a) Including balances classified as held-for-sale assets (comparative results). For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

(b) Reclassified. For more information, please see Note 6.

The Bank's Total Credit Risk to the Public by Economic Sector

March 31 2019							
	Total credit risk ^(a)	Of which:		Of which: non-performing credit risk	Loan losses ^(c)		
		credit performance rating ^(e)	Of which: troubled credit risk ^(d)		Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
In NIS millions							
In respect of borrower activity in Israel - Public-commercial							
Industry	24,406	23,497	909	432	25	38	(496)
Construction & real estate - construction ^(f)	48,741	48,070	671	262	(15)	(4)	(343)
Construction & real estate - real estate activity	29,385	28,845	540	426	(6)	(20)	(378)
Trade	30,367	29,360	1,007	263	54	42	(339)
Financial services	26,713	26,675	38	30	5	(1)	(192)
Other industries	44,457	43,354	1,103	356	(95)	(49)	(486)
Commercial - total^(g)	204,069	199,801	4,268	1,769	(32)	6	(2,234)
Private individuals - housing loans	83,028	82,190	838	-	1	3	(473)
Private individuals - Other	45,549	44,994	555	319	14	45	(604)
Total loans to the public - activity in Israel	332,646	326,985	5,661	2,088	(17)	54	(3,311)
Banks and governments in Israel	43,113	43,113	-	-	(1)	-	(2)
Total activity in Israel	375,759	370,098	5,661	2,088	(18)	54	(3,313)
For borrower activity outside Israel							
Total - public - foreign activity	61,409	59,552	1,857	576	-	8	(417)
Foreign banks and governments	41,589	41,589	-	-	-	-	-
Total activity outside Israel	102,998	101,141	1,857	576	-	8	(417)
Total activity in Israel and abroad	478,757	471,239	7,518	2,664	(18)	62	(3,730)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt,^(b) bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 291,622, 76,083, 946, 9,416 and 100,690 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "Other liabilities").

(d) Balance-sheet and off-balance sheet credit risk that is non-performing, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(f) Including housing loans extended to certain purchasing groups currently in the process of construction.

(g) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 808 million extended to purchasing groups currently in the process of construction.

March 31 2018							
	Total credit risk ^(a)	Of which:	Of which:	Of which:	Loan losses ^(c)		
		credit performance rating ^(e)	troubled credit risk ^(d)	non-performing credit risk	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
In NIS millions							
In respect of borrower activity in Israel - Public-commercial							
Industry	23,245	22,410	835	416	15	3	(442)
Construction & real estate - construction ^(f)	50,560	49,296	1,264	325	(7)	(14)	(353)
Construction & real estate - real estate activity	28,125	27,450	675	519	(52)	(51)	(388)
Trade	29,060	28,198	862	351	17	34	(306)
Financial services	24,938	24,924	14	4	8	(4)	(200)
Other industries	45,436	43,896	1,540	672	63	18	(509)
Commercial - total^(g)	201,364	196,174	5,190	2,287	44	(14)	(2,198)
Private individuals - housing loans	79,188	78,430	758	-	6	1	(450)
Private individuals - other	64,829	63,873	956	377	63	34	(761)
Less balance of outstanding held-for-sale loans to the public ^(h)	(19,974)	(19,600)	(374)	(38)	-	-	153
Total loans to the public - Activity in Israel⁽ⁱ⁾	325,407	318,877	6,530	2,626	113	21	(3,256)
Banks and governments in Israel	47,215	47,215	-	-	(2)	-	(1)
Less balances classified as held-for-sale ^(h)	(31)	(31)	-	-	-	-	-
Total activity in Israel	372,591	366,061	6,530	2,626	111	21	(3,257)
For borrower activity outside Israel							
Total - public - foreign activity	58,764	57,082	1,682	727	19	5	(420)
Foreign banks and governments	44,283	44,283	-	-	-	-	-
Less balance of outstanding held-for-sale loans to banks ^(h)	(1)	(1)	-	-	-	-	-
Total activity outside Israel	103,046	101,364	1,682	727	19	5	(420)
Total activity in Israel and abroad	475,637	467,425	8,212	3,353	130	26	(3,677)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt,^(b) bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 280,005, 76,804, 878, 11,812 and 106,138 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "Other liabilities").

(d) Balance-sheet and off-balance sheet credit risk that is non-performing, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(f) Including housing loans extended to certain purchasing groups currently in the process of construction.

(g) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 1,109 million extended to purchasing groups currently in the process of construction.

(h) For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

(i) The figures were reclassified following an improvement process performed in 2018.

December 31 2018							
	Total credit risk ^(a)	Of which: credit performance rating ^(e)	Of which: troubled credit risk ^(d)	Of which: non-performing credit risk	Loan losses ^(c)		
					Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
In NIS millions							
In respect of borrower activity in Israel - Public-commercial							
Industry	24,314	23,457	857	470	9	(76)	(513)
Construction & real estate - construction ^(f)	47,469	46,704	765	282	7	10	(348)
Construction & real estate - real estate activity	28,665	28,061	604	433	(107)	(80)	(372)
Trade	29,556	28,465	1,091	277	129	131	(323)
Financial services	28,076	28,054	22	8	(13)	(6)	(185)
Other industries	44,686	43,377	1,309	553	151	56	(544)
Commercial - total^(g)	202,766	198,118	4,648	2,023	176	35	(2,285)
Private individuals - housing loans	82,339	81,477	862	-	32	4	(473)
Private individuals - Other	64,930	63,951	979	383	241	165	(808)
Less balance of outstanding held-for-sale loans to the public ^(h)	(19,869)	(19,497)	(372)	(45)	-	-	184
Total loans to the public - activity in Israel	330,166	324,049	6,117	2,361	449	204	(3,382)
Banks and governments in Israel	44,203	44,203	-	-	-	-	(3)
Less balances classified as held-for-sale ^(h)	(33)	(33)	-	-	-	-	-
Total activity in Israel	374,336	368,219	6,117	2,361	449	204	(3,385)
For borrower activity outside Israel							
Total - public - foreign activity	64,845	63,277	1,568	616	70	52	(431)
Foreign banks and governments	38,689	38,689	-	-	-	-	-
Less balance of outstanding held-for-sale loans to banks ^(h)	(2)	(2)	-	-	-	-	-
Total activity outside Israel	103,532	101,964	1,568	616	70	52	(431)
Total activity in Israel and abroad	477,868	470,183	7,685	2,977	519	256	(3,816)

- (a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt,^(b) bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 290,254, 71,013, 1,257, 12,756 and 102,588 million, respectively.
- (b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
- (c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "Other liabilities").
- (d) Balance-sheet and off-balance sheet credit risk that is non-performing, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.
- (e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
- (f) Including housing loans extended to certain purchasing groups currently in the process of construction.
- (g) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 913 million extended to purchasing groups currently in the process of construction.
- (h) For more information regarding the held-for-sale operation, please see the section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Activity and risk boundaries in the construction and real estate industry

The construction and real estate industry is the area of activity to which the Bank has the greatest exposure of all the business economic sectors. As with other industries, the credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-industries.

Credit granted to the real estate sector is in line with the Bank's risk appetite due to the adequate risk level and pricing. As a result, and in an effort to continue being a dominant financing player in the real estate sector, the Bank is striving to make optimal and effective use of the internal and regulatory limits in this field.

The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the industry's risk characteristics.

The Bank also assesses the real estate industry risk under a central stress scenario, with credit losses broken down by sub-sectors and examined against the risk assessment and risk appetite.

In addition to the regulatory limit and in order to effectively manage the internal credit risk mix, the Bank is careful to apply geographical diversification to the projects, according to demand and across the different sub-sectors.

Following similar policies purchased in the past, in 2018, an insurance policy for the portfolio of guarantees was purchased pursuant to the Sales (Apartments) Law and the commitments to issue such guarantees, from international reinsurers with high global credit rating. The policy insures the Bank against payment for the forfeiture of the guarantees, according to the terms and conditions of the policy. The purchase of the insurance policy enables the Bank to reduce the capital held in respect of the credit risk arising from the issuance of the guarantees, while using the policy as a "credit risk mitigator" (the reduction is in line with the rating of the reinsurers). The insurance is for projects commencing by December 31 2019.

As at March 31 2019, the Bank complies with the regulatory and internal restrictions, which are in line with the Bank's assessment of the risk embodied in the various sub-sectors.

For more information about this segment, please see under "Credit Risk" in the 2018 Annual Report of the Board of Directors and Management.

Groups of Borrowers¹

The Group conducts orderly monitoring processes in order to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 313, Restrictions on Indebtedness of a Borrower or Group of Borrowers.

On August 1 2018, the Bank of Israel issued an amendment to Proper Conduct of Banking Business Directive No. 313. According to the amendment, a bank's exposure to a "credit card company type group of borrowers" shall not exceed 15 percent of the banking corporation's share capital, similarly to the restriction applicable to the exposure to a "banking borrower group." The Directive will become effective gradually, within 3 years of a credit company's split from the banking corporation.

As at March 31 2019, the Bank complies with the Directive's requirements.

As at March 31 2019, the Group has no credit exposure to a group of borrowers the indebtedness of which exceeds 15 percent of the Bank's capital (as defined in Proper Conduct of Banking Business Directive No. 313).

¹ A group of borrowers is all of the following together: The borrower, a person controlling it and all those controlled by them, excluding banks. If a corporation is controlled by more than one person, it is necessary to include in the same group of borrowers the controlling parties for which the controlled corporation is material (such as from a capital standpoint), including the corporation or any other entity under their control. If a corporation is held by more than one person, the owners should include a non-controlling party, for whom the banking corporation is material (e.g. from a capital standpoint), with the owned corporation and any other entity controlled by the owners in a single group of borrowers. Borrowers that are associated with the investee in such a manner that harming the financial stability of any one of them could affect the financial stability of the other or that the same factors could affect the financial stability of both.

Exposure to Foreign Countries

Part A - Information regarding total exposure to foreign countries and to countries where the total exposure to each country is the lower of the following: more than 1 percent of total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio:

March 31 2019			
Exposure ^{(a)(b)}			
	Balance sheet	Off balance- sheet ^(c)	Total
In NIS millions			
United States	31,649	6,297	37,946
United Kingdom	11,359	6,668	18,027
France	3,522	1,725	5,247
Switzerland	2,034	1,074	3,108
Germany	6,299	1,141	7,440
Other	16,051	2,301	18,352
Total exposure to foreign countries	70,914	19,206	90,120
Of which: total exposure to GIPS countries ^(d)	893	238	1,131
Of which: total exposure to LDC countries ^(e)	3,412	1,175	4,587
Of which: total exposure to countries with liquidity issues ^(f)	473	45	518

March 31 2018			
Exposure ^{(a)(b)}			
	Balance sheet	Off balance- sheet ^(c)	Total
In NIS millions			
United States	24,926	7,281	32,207
United Kingdom	13,437	7,031	20,468
France	6,283	1,989	8,272
Switzerland	1,340	1,878	3,218
Germany	4,417	2,085	6,502
Other	15,204	2,697	17,901
Total exposure to foreign countries^(g)	65,607	22,961	88,568
Of which: total exposure to GIPS countries ^(d)	726	224	950
Of which: total exposure to LDC countries ^(e)	3,223	1,747	4,970
Of which: total exposure to countries with liquidity issues ^(f)	367	200	567

See comments below.

	December 31 2018		
	Exposure ^{(a)(b)}		
	Balance sheet	Off balance-sheet ^(c)	Total
In NIS millions			
United States	34,204	6,704	40,908
United Kingdom	10,895	6,983	17,878
France	2,794	1,654	4,448
Switzerland	1,227	1,064	2,291
Germany	4,451	1,086	5,537
Other	15,656	2,646	18,302
Total exposure to foreign countries ^(g)	69,227	20,137	89,364
Of which: total exposure to GIPS countries ^(d)	455	221	676
Of which: total exposure to LDC countries ^(e)	3,892	1,418	5,310
Of which: total exposure to countries with liquidity issues ^(f)	675	56	731

(a) Exposure to foreign countries is presented based on the final risk.

(b) Balance-sheet and off-balance-sheet credit risk, troubled commercial credit risk and impaired debts are stated before the effect of the loan loss provision and the effect of collateral that is deductible for the purpose of specific and collective indebtedness and before the effect of netting for derivatives.

(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, before the effect of netting for derivatives.

(d) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.

(e) The exposure to LDCs line item includes total exposure to countries defined as "Less Developed Countries" (LDCs), which are classified by the World Bank as low or mid-income countries.

(f) Exposure to foreign countries with liquidity issues as defined by the Bank of Israel (a country receiving financial support from the IMF or whose obligations are rated CCC or lower). The amount covers 11 countries (as of March 31 2018 - 8 countries, as of December 31 2018 - 12 countries).

(g) In 2018, including balances of held-for-sale assets in the amount of NIS 1.0 million as of March 31 2018 and NIS 1.3 million as of December 31 2018.

Part B - As at March 31 2019 and March 31 2018, there is no aggregate balance sheet exposure to foreign countries, the total exposure to each of which ranges between 0.75 percent and 1 percent of total consolidated assets or between 15 percent and 20 percent of equity, whichever the lower.

Credit Exposure to Foreign Financial Institutions

Credit exposure to foreign financial institutions refers to commercial banks, banking holding entities, investment banks, insurers and institutional entities.

The exposure mainly includes short-term deposits with foreign banks for up to one week and bonds of up to 5 years. The Bank closely monitors the position of banks worldwide and analyzes their robustness on a regular basis. The Bank maintains a small list of high-quality banks with which it and its foreign offices make deposits.

Following is the credit exposure to foreign financial institutions^(a):

	As at March 31 2019		
	Balance-sheet credit risk ^(b)	Current off-balance-sheet credit risk ^(c)	Current credit exposure
In NIS millions			
Total current credit exposure to foreign financial institutions^(d)			
AA- to AAA	17,715	870	18,585
A- to A+	4,226	570	4,796
BBB- to BBB+	333	198	531
B- to BB+	35	9	44
Less than: B-	-	-	-
No credit rating	138	-	138
Total current credit exposure to foreign financial institutions	22,447	1,647	24,094
Troubled Credit Risk	-	-	-
	As at March 31 2018		
	Balance-sheet credit risk ^(b)	Current off-balance-sheet credit risk ^(c)	Current credit exposure
In NIS millions			
Total current credit exposure to foreign financial institutions^(d)			
AA- to AAA	16,210	859	17,069
A- to A+	4,981	587	5,568
BBB- to BBB+	320	211	531
B- to BB+	32	19	51
Less than: B-	1	-	1
No credit rating	352	-	352
Total current credit exposure to foreign financial institutions ^(e)	21,896	1,676	23,572
Troubled Credit Risk	-	-	-

Please see comments below.

	As at December 31 2018		
	Balance-sheet credit risk ^(b)	Current off-balance-sheet credit risk ^(c)	Current credit exposure
In NIS millions			
Total current credit exposure to foreign financial institutions^(d)			
AA- to AAA	19,229	967	20,196
A- to A+	3,253	476	3,729
BBB- to BBB+	397	188	585
B- to BB+	26	8	34
Less than: B-	1	-	1
No credit rating	225	-	225
Total current credit exposure to foreign financial institutions^(e)	23,131	1,639	24,770
Troubled Credit Risk	-	-	-

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.

(b) Deposits with banks, credit to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including subordinated bonds of banks, totaled NIS 507 million as at March 31 2019 (on March 31 2018 - NIS 322 million and on December 31 2018 - NIS 345 million).

(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).

(d) To rate the foreign financial institutions to which it has credit exposure, the Bank relies solely on the ratings of Moody's and S&P.

(e) In 2018, including balances of held-for-sale assets in the amount of NIS 1.0 million as of March 31 2018 and NIS 1.3 million as of December 31 2018.

Comments:

1. The credit exposures do not include investment in asset-backed securities (for more information, please see Note 5).
2. Some of the banks received various forms of government support, including by way of direct investment in the bank's capital, government guarantees for certain asset portfolios, guarantees for raising funding for the banks, etc.
3. For more information regarding the composition of credit exposures for derivatives with banks and brokers/dealers (local and foreign), please see Note 11.

Housing Loan Portfolio Risks

Credit risk developments

During the reporting period, new loan performance improved on the back of demand for housing loans in Israel both by homeowners and investors.

Following trends in recent years, and to ensure effective risk management, the Bank monitors its housing loan portfolio on a regular basis, while analyzing trends in risk characteristics and concentrations, placing main emphasis on the following: loan-to-value (LTV) ratios, monthly repayment capacity, credit ratings under the Bank's internal statistical model.

The Bank adheres to a balanced underwriting policy that takes into account the borrower's repayment capacity, linkage base and interest, loan-to-value ratio, etc., while complying with all of the requirements of the Banking Supervision Department.

The Bank also extends specific housing loans to members of housing purchase groups. Extending loans to members of housing purchase groups meets market demand by private organizations, historical landowners, etc. From a risk standpoint, the loans are extended to various, geographically diversified populations, following close scrutiny of each borrower's repayment capacity.

Following are data on the performance of new loans and refinancing loans for the purchase of residential apartments with mortgaging of residential apartments in Israel

	For the three months ended		Rate of change
	March 31		
	2019	2018	In %
	In NIS millions		
By the Bank	3,024	2,641	14.5
By the government of Israel	42	23	82.6
Total new loans	3,066	2,664	15.1
Recycled loans	571	437	30.7
Total performance	3,637	3,101	17.3

Disclosure on housing loans

Following are data regarding the development of the housing loans portfolio:

Development of total outstanding housing loans in Israel, net

	Outstanding	Rate of change
	loans portfolio In NIS millions	In %
December 31 2017	77,005	(1.5)
December 31 2018	79,944	3.8
March 31 2019	80,447	0.6

2018 saw an increase in the volume of housing loans, due to an increase in the number of loans granted and the end of the joint venture for extending loans with an institutional entity. The trend continued in the first quarter of 2019, with a slight increase in the amount of credit granted.

Development of the outstanding balance of the housing loans, net, according to linkage bases and as a percentage of the outstanding balance of the Bank's loans portfolio

	Unlinked segment				CPI-linked segment				Foreign currency segment		Total loans portfolio, in NIS millions
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	
December 31 2017	13,858	18.0	31,730	41.2	12,002	15.6	18,405	23.9	1,010	1.3	77,005
December 31 2018	14,848	18.6	33,038	41.3	12,596	15.8	18,503	23.1	959	1.2	79,944
March 31 2019	15,012	18.6	33,302	41.3	12,722	15.9	18,547	23.1	864	1.1	80,447

Development of new housing loans by interest track, in Israel

The following table outlines the development of the new credit performance by variable and fixed interest tracks (a variable-interest loan's interest rate may change over the loan term):

	2019		2018			2017	
	Q1	Q4	Q3	Q2	Q1	Annual average	
	Rate of performance						
	In %						
Fixed - linked	19.7	19.4	17.7	15.8	15.0	15.3	
Variable every 5 years or more - linked	20.4	18.9	17.5	16.6	15.6	16.4	
Variable up to 5 years - linked	-	-	-	0.1	-	0.1	
Fixed - unlinked	23.3	25.8	26.1	28.8	31.3	29.6	
Variable every 5 years or more - unlinked	3.7	4.0	5.2	5.9	6.3	6.9	
Variable up to 5 years - unlinked	33.0	31.6	33.1	32.7	31.2	31.3	
Variable - foreign currency	-	0.3	0.4	0.1	0.6	0.4	

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 57.1 percent, compared with 55.0 percent in 2018. The data refer to all variable interest tracks and the various linkage segments, including loans in which the interest rate changes every five years or more. Excluding loans in which the variable interest rate changes every 5 years or more - which do not qualify as a variable interest loan under the Banking Supervision Department's directive - the percentage of variable-rate housing loans extended during the reporting period was 33.0 percent, compared to 32.4 percent in 2018.

Data on new housing loans in Israel

During the reporting period, the Bank granted new housing loans in the amount of NIS 3.1 billion.

The average loan extended by the Bank during the reporting period was NIS 725 thousand, compared with NIS 732 thousand in 2018 and NIS 529 thousand in 2017.

It should be noted that on December 31 2017, the Bank's joint loan venture with an institutional partner came to an end. The data for 2017 relate to the Bank's exposure during the joint venture period and do not take into account the customers' exposure, which was higher (in 2017, the customer's exposure was NIS 708 thousand). Following the end of the Joint Venture, the customer's exposure is identical to the Bank's.

Following is the balance of outstanding housing loans and the outstanding loans in arrears of over 90 days, in Israel

	Recorded	Delinquent	Percentage of
	outstanding debt	amount	delinquent amount
	In NIS millions		In %
December 31 2017	77,448	722	0.93
December 31 2018	80,417	862	1.07
March 31 2019	80,920	838	1.04

As of March 31 2019, the loan loss provision, which includes the collective provision for housing loans, is NIS 473 million, constituting 0.6 percent of the housing loans' outstanding balance, similarly to December 31 2018.

Development of new outstanding credit granted in Israel at a loan-to-value (LTV) ratio of over 60 percent

Following is the development in new credit granted by the Bank at a loan-to-value ratio of over 60 percent, (LTV ratio is the ratio of the total loan granted to the borrower - even if it has not yet been actually granted either in full or in part - out of the value of the mortgaged property during the approval of the credit line).

	2019		2018			2017	
	Q1	In % ^(a)	Q4	Q3	Q2	Q1	Annual average
LTV ratio							
Over 60 to 70, inclusive	16.9		17.2	16.7	18.0	18.0	18.0
Over 70 to 80, inclusive	16.5		16.1	16.6	16.3	13.0	16.0
Over 80	0.20		0.20	0.07	0.05	0.20	0.09

(a) Out of the total new credit granted by the Bank.

Development of the loan-to-value (LTV) ratio, outstanding loans portfolio in Israel

The average LTV of the outstanding loan portfolio as at December 31 2019 stands at 45.4 percent, compared with 45.6 percent in 2018.

Development of new loans, in which the repayment ratio is lower than 2.5, in Israel

The percentage of loans with a repayment ratio of less than 2.5 on the loan approval date in the reporting period was 0.5 percent of the total number of new loans granted, similarly to 2018.

The calculation is in accordance with the Bank of Israel's Reporting Directive No. 876.

Development of new loans, for which the repayment dates are longer than 25 years, in Israel

The percentage of new housing loans in which the repayment dates under the loan agreements are longer than 25 years, stood at an average of 36.6 percent of the total new loans granted during the reporting period, compared with an average of 36 percent in 2018 and 35 percent in 2017.

Credit Risk in respect of Loans to Private Individuals (Excluding Housing Loans)

Credit granted to individuals whose repayment capacity is largely based on their household's earning capacity is characterized by a very significant diversification of borrowers and a variety of credit products (various types of loans, current accounts, credit cards) and to a lesser extent (on average) - credit per individual customer.

Individual customers' activity is almost entirely concentrated in the Banking Division.

To address the increase in credit granted to individuals and given the wide span of control required to manage it, and with the aim of implementing adequate corporate governance, several functions have been extended and enhanced, both in the Banking Division - which constitutes the first line of defense, and in the Risk Management Division - which constitutes the second line of defense.

The retail credit policy, formulated by the Risk Management Division in collaboration with the Banking Division, constitutes an important element in outlining the risk appetite and ongoing management of this domain.

Due to the increased debt levels of Israeli households in recent years, the Bank extended and boosted its ongoing monitoring of its entire consumer credit portfolio, in addition to its adherence to strict underwriting processes and management and control at the individual borrower level.

In recent years, the Bank has been preparing for the Credit Information Service Law. On April 12 2019, the Central Credit Register (CCR) was launched. For more information, please see the section entitled "Strategic Risk" in the Risk Management Report.

Following are developments in outstanding credit risk (excluding derivatives) in respect of loans granted to private individuals (in Israel, excluding housing loans)

	Balance of credit risk In NIS millions
December 31 2017	46,325
December 31 2018	45,806
March 31 2019	45,538

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans to private individuals, by remaining loan period (in Israel, excluding housing loans)

	March 31 2019		December 31 2018	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Up to one year	5,459	19.1	5,564	19.3
Over one year to 3 years	5,074	17.7	5,101	17.7
Over 3 years to 5 years	10,578	36.9	10,046	34.9
Over 5 years to 7 years	4,592	16.0	5,046	17.6
Over 7 years	399	1.4	419	1.5
No repayment term ^(a)	2,535	8.9	2,589	9.0
Total	28,637	100.0	28,765	100.0

(a) The amount includes overdrawn balances in current accounts and loans in arrears.

Following is a distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by individual borrower's indebtedness (in Israel, excluding housing loans)

Credit risk amount in NIS thousands		March 31 2019		December 31 2018	
From	To	In NIS millions	% of portfolio	In NIS millions	% of portfolio
-	25	5,137	11.2	5,143	11.2
25	50	6,766	14.9	6,879	15.0
50	75	6,209	13.6	6,324	13.8
75	100	5,515	12.1	5,598	12.2
100	150	8,000	17.6	8,093	17.7
150	200	5,308	11.7	5,201	11.4
200	300	4,909	10.8	4,930	10.8
Over 300		3,694	8.1	3,638	7.9
Total credit risk		45,538	100.0	45,806	100.0

Following is a distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by main credit products (in Israel, excluding housing loans)

	March 31 2019		December 31 2018	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Current balances and utilized credit card balances	6,899	15.2	6,710	14.7
Car purchase loans (secured)	1,657	3.6	1,731	3.8
Other loans	20,081	44.1	20,324	44.4
Total balance-sheet credit risk	28,637	62.9	28,765	62.9
Unutilized current account credit facilities	6,660	14.6	6,659	14.5
Unutilized credit card facilities	9,949	21.9	10,103	22.0
Other off balance sheet credit risk	292	0.6	279	0.6
Total off balance-sheet credit risk	16,901	37.1	17,041	37.1
Total credit risk	45,538	100.0	45,806	100.0

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by linkage segment and interest tracks (in Israel, excluding housing loans)

March 31 2019					
	Unlinked	Linked	Foreign currency	Total balance- sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	27,514	41	69	27,624	96.4
Fixed interest loans	956	35	22	1,013	3.6
Total balance-sheet credit risk	28,470	76	91	28,637	100.0

December 31 2018					
	Unlinked	Linked	Foreign currency	Total balance- sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	27,336	42	70	27,448	95.4
Fixed interest loans	1,252	39	26	1,317	4.6
Total balance-sheet credit risk	28,588	81	96	28,765	100.0

Following are the outstanding balances of the financial assets portfolio of private individuals with the Bank, with an overall credit risk (in Israel, excluding housing loans)

	March 31 2019	December 31 2018
	In NIS millions	
Deposits by the public	89,580	90,500
Securities portfolios	57,894	56,094
Total financial asset portfolio	147,474	146,594
Total indebtedness to customers with financial asset portfolios	36,010	35,569

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by fixed income amount^(a) (in Israel, excluding housing loans)

	March 31 2019		December 31 2018	
	In NIS millions	In %	In NIS millions	In %
Income				
Accounts without fixed income	1,873	6.6	2,095	7.3
Of which: Loan accounts ^(b)	1,290	4.5	1,413	4.9
Less than NIS 10 thousand	9,136	31.9	9,035	31.4
More than NIS 10 thousand and less than NIS 20 thousand	9,890	34.5	9,831	34.2
NIS 20 thousand or more	7,738	27.0	7,804	27.1
Total	28,637	100.0	28,765	100.0

(a) The fixed income amount deposited in a customer's current account (by ID number) includes the fixed credits to the customer's account, such as salary, transfers from other banks or bank accounts, cash deposits, checks, etc. The fixed monthly income is calculated according to the average income on several consecutive months, net of exceptional credits.

(b) A loan repayment account is an account whose only purpose is to repay a loan, while most of the customer's current account activity takes place in another bank.

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 90 percent of the balance-sheet credit is from fixed-income earners.

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals (in Israel, excluding housing loans)

	March 31	December 31
	2019	2018
	In NIS millions	
Performing loans	28,094	28,168
Troubled unimpaired loans	225	258
Troubled non-performing loans	318	339
Total balance-sheet credit risk	28,637	28,765
Percentage of problem debt risk out of total balance sheet credit risk to private individuals	1.9%	2.1%

For more information, including regarding troubled debt and loan loss expenses, please see Note 6, Note 13, and the section entitled "Risk Exposure", Credit Risk, the Bank's overall credit risk to the public by economic sector.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business Directive No. 311, the Bank's credit policy should also address leveraged loans. The Bank's credit policy for this segment is subject to unique principles, including with respect to financial parameters, credit authorizations, etc.

For more information, please see the 2018 Annual Report of the Board of Directors and Management.

The aggregate outstanding balances of loans for leveraged borrowers, each of which has a credit balance of at least 0.5 percent of the Bank's Tier 1 capital

	March 31			December 31					
	2019	2018		2018					
	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total
Economic sector	In NIS millions								
Mining and quarrying	-	-	-	283	51	334	80	251	331
Industry and manufacturing	438	225	663	693	16	709	458	145	603
Provision of power, gas, steam and air conditioning	-	-	-	304	418	722	211	76	287
Trade	496	43	539	374	33	407	335	61	396
Transportation and storage	743	2	745	199	15	214	171	15	186
Hotels, hospitality and food services	267	-	267	293	-	293	274	-	274
Construction and real estate	86	-	86	-	-	-	27	160	187
Public and community services	-	-	-	-	-	-	212	31	243
Total	2,030	270	2,300	2,146	533	2,679	1,768	739	2,507

Market risks

Market risk is defined the risk of a loss arising from a change in the value of assets and liabilities due to changes in the price level in markets, interest rates, exchange rates, inflation rate and stock prices. Market risk exposure is reflected in the financial performance, in the fair value of the assets and liabilities, in shareholders' equity and in cash flows.

The Bank complies with the Banking Supervision Department's directives regarding the management of the Group's market risks, including Proper Conduct of Banking Business Directive No. 333, Interest Rate Risk Management, and No. 339, Market Risk Management. To implement these directives, the Bank established basic principles and control mechanisms for these risks, including defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control and oversight of these risks, while implementing corporate governance with three lines of defense.

Market Risk Management Policy

The Market risk management policy is an expression of the Group's market risk management strategy, alongside existing procedures for identifying, measuring, monitoring, developing and controlling market risk. The policy is designed, on the one hand, to support the achievement of business targets while assessing the risks and rewards that may arise from exposure to the risks compared with the expected gains therefrom and, on the other hand, to mitigate the risk level arising from the Bank's ongoing activities, including by maintaining a high level of liquidity.

The policy constitutes an important tool for defining the Bank's risk appetite for its own account, trading rooms and market exposure across the entire Leumi Group. The policy outlines the corporate governance, division of organizational responsibility and escalation mechanisms. The risk appetite is reflected in the established restrictions.

As part of the policy to manage market risk, various risk indices were set, and according to the materiality of the risk factor, restrictions were set at various hierarchical levels: At the level of the Board of Directors, Head of the Risk Management Division and Head of the Capital Markets Division. This purpose of the restrictions is to limit the damage that can be caused as a result of unexpected changes in various market risk factors, such as interest rates, inflation, exchange rates, tradable credit spreads and share prices.

The market risks are routinely managed at the Group level. The foreign subsidiaries determine their own market risk management policies in line with the Group's policies and its approved risk frameworks as well as in line with the local regulation and business environment in which they operate. Information on the actual exposure status according to the established frameworks is reported by the subsidiaries and taken into account in the overall management of the Group's exposures.

Market risk management is performed in two risk centers – the banking portfolio and the held-for-trading portfolio. The definition of the held-for-trading portfolio is derived from the Basel rules and includes the Bank's tradable securities portfolio and derivative transactions as part of its trading activity which are not necessarily for hedging purposes. The held-for-trading activity is conducted in designated units. The banking portfolio includes those trading transactions which are not included in the held-for-trading portfolio.

In order to oversee and monitor the implementation of the market risk management policy, the Board of Directors receives, at least each quarter, a report on the main market risk exposures according to the Group's business lines, products and risk centers, as well as reports on unusual incidents.

Exposure to market risks arising from the employee pension liabilities

The Bank applies the US GAAP for employee benefits, as prescribed by the Bank of Israel. Managing the market risks in respect of the obligations for employees is partly performed as part of the banking portfolio and partly in an independent and separate manner against "plan assets", which are designed to yield long term returns to serve the liability's value. The long-duration actuarial obligation to employees is significantly impacted by changes in the discount rate. The capitalization rate used for calculating the actuarial liabilities for employee benefits, is based - according to the directives of the Bank of Israel - on the Government of Israel's bond yield curve plus the fixed spread curve of internally AA-graded corporate bonds which match the durations of the liabilities for employee benefits.

In 2016, the Bank received individual approval from the Bank of Israel, for capital adequacy measurement purposes, to capitalize the employee benefit liabilities according to an eight-quarter moving average of market yields, which are

affected by the Government of Israel's bond curve and by the U.S. AA corporate bond spread. The approval significantly moderated the volatility of the regulatory capital resulting from changes in the discount rate. The approval is valid until December 31 2020.

Against part of the actuarial liability, there is an investment in "plan assets", which is designed to service that obligation, through investment in diversified assets such as shares and bonds. The investment is subject to regulatory restrictions and restrictions prescribed by the funds managing the plan assets.

For quantitative information regarding market risks, please see the section entitled "Market Risks" in the Risk Management Report.

Interest Rate Risk

Interest rate risk is the risk of gains or capital arising from interest rate fluctuations and stems from several sources, as follows: repricing risk (timing differences in repayment terms and repricing dates of assets, off-balance sheet liabilities and positions); yield curve risk (unexpected fluctuations in the yield curve); basis risk (less than perfect correlation between interest rate changes in various financial markets or in various instruments with similar repricing characteristics); and optionality risk (change in the timing or scope of cash flows from a financial instrument due to changes in market interest rates).

The Bank manages the sensitivity of the economic value of its capital to possible interest rate changes and examines the effect of changes in interest rate curves on the economic value, under various assumptions of interest rate changes, including interest rate stress scenarios based on historic scenarios and hypothetical simulations. The Bank also uses a model which estimates the change in the expected finance income as a result of changes in the interest rate and future interest rate spread as well as the sensitivity of the regulatory capital, which includes the effects on capital and capital reserve as a result of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels.

In reality, the interest rate risk is measured and managed on the basis of various behavioral assumptions as to the repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as long-term liabilities. In addition, there are assumptions referring to prepayments of mortgages, on the basis of a statistical model that attempts to forecast prepayments based on interest rates. These estimates are of great importance in managing interest rate risks, inter alia due to the significant increase in these balances in recent years.

Exposure to interest rate changes is measured both for an increase and decrease of interest in each linkage segment. The measurement is designed to test the sensitivity of the current structure of the value of assets and liabilities to a change in interest rates, and therefore the calculation is performed without changing the asset and liability structure.

Quantitative information about interest rate risk - sensitivity analysis

Net adjusted fair value^(a) of financial instruments of the Bank and its consolidated companies

	March 31 2019		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted fair value, net ^(a)	22,690	(1,026)	21,664
Of which: banking portfolio	16,871	(989)	15,882

	March 31 2018		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted fair value, net ^(a)	18,342	(1,552)	16,790
Of which: banking portfolio	15,532	(1,613)	13,919

	December 31 2018		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted fair value, net ^(a)	21,720	(773)	20,947
Of which: banking portfolio	15,378	(901)	14,477

For more information regarding the assumptions used to calculate the adjusted fair value of the financial instruments, please see Note 15A.

The effect of scenarios of interest rate changes on the net adjusted fair value^(a) of Bank and its consolidated companies

	March 31 2019		
	NIS	Foreign currency	Total*
	In NIS millions		
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	1,379	271	1,650
Of which: banking portfolio	1,481	239	1,720
Simultaneous decrease of 1 percent	(1,809)	(409)	(2,218)
Of which: banking portfolio	(1,901)	(377)	(2,278)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	1,573	59	1,632
Flattening ^(c)	(1,368)	(152)	(1,520)
Short-term interest rate increase	(552)	(54)	(606)
Short-term interest rate decrease	610	42	652
<hr/>			
	March 31 2018		
	NIS	Foreign currency	Total*
	In NIS millions		
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	1,642	172	1,814
Of which: banking portfolio	1,676	220	1,896
Simultaneous decrease of 1 percent	(2,010)	(220)	(2,229)
Of which: banking portfolio	(2,027)	(221)	(2,248)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	1,795	(127)	1,668
Flattening ^(c)	(1,520)	156	(1,364)
Short-term interest rate increase	(588)	223	(365)
Short-term interest rate decrease	655	(230)	426
<hr/>			
	December 31 2018		
	NIS	Foreign currency	Total*
	In NIS millions		
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	1,019	235	1,254
Of which: banking portfolio	1,082	212	1,294
Simultaneous decrease of 1 percent	(1,398)	(389)	(1,787)
Of which: banking portfolio	(1,461)	(368)	(1,829)
<u>Non-simultaneous changes</u>			
Steepening ^(b)	1,443	66	1,509
Flattening ^(c)	(1,310)	(14)	(1,324)
Short-term interest rate increase	(663)	130	(533)
Short-term interest rate decrease	723	(123)	600

Comment: the table presents the change in the net adjusted fair value of all the financial instruments, under the assumption that the noted change occurred for all interest rates in all linkage segments.

Effect of scenarios of interest rate changes on net interest income and on noninterest finance income^(d)

March 31 2019			
In NIS millions			
	Interest income	Noninterest finance income	Total*
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	619	129	748
Of which: banking portfolio	619	212	831
Simultaneous decrease of 1 percent	(619)	(138)	(757)
Of which: banking portfolio	(619)	(212)	(831)
<hr/>			
March 31 2018			
In NIS millions			
	Interest income	Noninterest finance income	Total*
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	552	267	819
Of which: banking portfolio	552	317	869
Simultaneous decrease of 1 percent	(552)	(332)	(884)
Of which: banking portfolio	(552)	(317)	(869)
<hr/>			
December 31 2018			
In NIS millions			
	Interest income	Noninterest finance income	Total*
<u>Simultaneous changes</u>			
Simultaneous increase of 1 percent	591	226	817
Of which: banking portfolio	591	281	872
Simultaneous decrease of 1 percent	(591)	(223)	(814)
Of which: banking portfolio	(591)	(281)	(872)

- (a) Fair value, net of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability and attribution of demand deposits to the periods.
- (b) Steepening - a short-term decrease in the interest rate and long-term increase in the interest rate.
- (c) Flattening - increase in short-term interest rate and decrease in long-term interest rate.
- (d) The exposure to a 1 percent interest rate decrease is based on the interest rate on credit and deposits being reduced by the same rate. Since currently, the interest rate on most deposits is less than 1 percent, and there is a low probability that the interest on deposits will fall below 0 percent, the above exposure calculation should be considered a measure in line with the accepted standards.

* After netting effects.

Liquidity Risk

Liquidity risk is the risk arising from uncertainty regarding the possibility of raising sources and/or disposal of assets, unexpectedly and within a very short time, without incurring substantial loss. The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management, and the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, which adopts the recommendations of the Basel III Committee for calculating the liquidity coverage ratio (LCR), with adjustments for the Israeli economy. As of January 1 2017, the minimum liquidity coverage ratio for the Bank and the Group is 100 percent.

Leumi maintains a proper liquidity level by investing its own portfolio in high-quality and diversified assets in NIS and foreign currencies, to enable it to meet all liquidity needs under a variety of stress scenarios, as well as through a policy of raising diversified and solid sources with different time ranges and emphasis on raising deposits from retailers and issuing long duration bonds.

Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by way of a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel directives and accepted international standards.

The banking corporation's liquidity coverage ratio (regulatory model) is based on an average of daily observations.

	For the three months ended		
	March 31	December 31	
	2019	2018	2018
	In %		
A. Consolidated data			
Liquidity coverage ratio	129	122	121
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100	100
B. Banking corporation's data			
Liquidity coverage ratio	127	122	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100	100

For more information regarding liquidity risk, please see the Risk Management Report and Note 9B.

Operational Risks

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.

The Leumi Group engages in a wide range of financial activities and is therefore exposed to operational risks which include, inter alia: information security and cyber risks, technological risk, business continuity risk as well as embezzlement and fraud risks.

The risk management approach is consistent with the Leumi Group's strategy, constitutes a basis for defining its risk tolerance, the manner of managing risk and corporate governance and determining the focus and emphases in operational risk management processes, allowing for informed and well-focused risk management as well as prioritizing tasks and resources.

For more information about the main risk centers in operational risks, please see the "Operational Risks" section in the 2018 Annual Risk Management Report.

Other Risks

Regulation and Compliance Risks

Regulation Risk

Regulation risk is the risk of legislative and regulatory changes affecting the income and expenses of the Group, its capital, areas of activity or the business environment in which it operates.

The Leumi Group operates in a complex and multi-dimensional environment. Continuous material changes in a variety of regulation fields require adequate, ongoing preparations by the Bank.

Lately, there is significant emphasis on provisions intended to encourage the entry of new competitors to traditional banking domains, while removing barriers and restrictions and giving preference to those competitors who can become well-established, as well as provisions intended to promote innovation in the financial system. There is also emphasis on increasing competition among incumbents, such as specific drafts and directives to encourage the continued implementation of the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel (the "Strum Law"), the Bank of Israel's new policy for founding a banking corporation; promoting the adoption and implementation of the OpenAPI standard, which aims to enable sharing customers' financial information with third parties; the Bank Transfer Reform aimed at making it easier for customers to transfer from bank to another; the launch of the Central Credit Register, as well as new advanced payments legislation.

In addition, the consumer regulation trend continues, including legislation aiming to reduce costs for customers. At the same time, emphasis is made on adapting the various financing products to customers' needs, while providing maximum disclosure and stressing transparent and fair conduct.

Additional trends are manifested in handling the transition to e-banking, outsourcing and use of cloud computing in the financial system, as well as privacy protection and cyber defense. These topics are on the agenda both in Israel and globally, and are reflected in the GDPR requirements, which deal with privacy protection as well as specific cybersecurity and outsourcing directives.

In addition, the bank continues to be regarded as a factor in fighting financial crime. In this framework, banks are required to monitor suspicious activity and submit reports to the authorities.

The abovementioned trends and changes affect and are expected to continue to affect the banking industry in the coming years. The Bank monitors and identifies relevant regulatory provisions, and examines its preparedness to the following: changing market conditions; the increased competition and transparency; entry of new players into traditional banking domains; the Bank's costs compared to those of other entities; use of data bases and information of the Bank's customers by non-banking entities, and providing customers which tailored value propositions. At the same time, the regulation erodes income, increases compliance costs and requires constant improvement of the service and innovation levels.

Compliance Risk

Compliance risk is the risk of a legal or regulatory sanction being imposed, or a material financial loss or a reputational damage incurred, by the banking corporation as a result of failing to comply with the provisions of the law or regulations.

a. **Compliance risk, prohibition on money laundering and financing of terrorism**

To effectively manage compliance risk, Leumi has in place a compliance and enforcement array, headed by the Chief Compliance Officer. The latter is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and financing of terrorism. The Chief Compliance Officer also serves as the securities law enforcement officer and the responsible officer for FATCA.

The Compliance and Enforcement Department reports to the Chief Legal Counsel.

The Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole and implementation of the Group's compliance policy.

Pursuant to the developing trends around the world, the Bank handles a range of compliance issues, including the prohibition on money laundering and on the financing of terrorism and taxation aspects, including FATCA and CRS.

Among other things, the Bank focuses on risk areas in financial technology domains (such as FinTech, P2P, hedge funds, virtual currencies, etc.) – managing compliance risk and prohibition on money laundering risk in a developing financial technology environment characterized by a lack of well-defined regulation on the one hand, and on the other hand – by professional complexity and the lack of practices incorporated into the control processes due to the novelty of the issues at hand.

b. Administrative enforcement

The Law of Efficiency of Enforcement Procedures in the Israel Securities Authority (Legislative Amendments), 2011 was designed to streamline the enforcement of legislative provisions in the securities domain. The law allows to impose various sanctions on a corporation, its officeholders and employees if they have violated the relevant provisions.

Pursuant to the law, the Israel Securities Authority published a list of criteria for recognition of an internal securities and investment management enforcement program (hereinafter: the "Criteria Document").

The Criteria Document instructs corporations, inter alia, to appoint an enforcement officer. His/her function, according to the Criteria Document, is to be responsible for implementing the enforcement program.

c. FATCA - Foreign Account Tax Compliance Act

According to Amendment 227 to the Income Tax Ordinance and Income Tax Regulations (Implementation of the FATCA Agreement), 2016 - the Bank is required to identify customers and forward information on accounts held by U.S. customers to the Israel Tax Authority, to be forwarded to the US's Internal Revenue Service.

The Bank implements a declared money policy while ensuring that no funds managed by the Bank go undeclared to the relevant tax authorities. In this context, various measures were taken to locate and identify the relevant target audiences, and reports were made to the tax authorities in accordance with the FATCA rules, as agreed between Israel and the US tax agencies.

The Bank acts on several levels to ensure the compliance of Leumi Group and individuals therein with the provisions of the law, including: Appointment of a compliance officer as the responsible party; adoption of appropriate policy and work procedures; development of automated tools supporting the working processes; formulation of training and assimilation, testing, control and operation mechanisms required for complying with the directives and instructing the Group's subsidiaries on adequate preparations.

d. CRS - Common Reporting Standard

The OECD published a uniform standard for implementing the Automatic Exchange of Information regarding Intergovernmental Financial Accounts (hereinafter: the "Standard"). The Standard is formulated in the spirit of the US FATCA and is intended to increase transparency and supervision over tax reporting by residents of the countries holding financial accounts outside their countries of residence. In July 2016, Amendment 227 to the Income Tax Ordinance was published, regarding the implementation of the FATCA and the Standard. In early January 2019, the regulations were approved, and the final version was published on February 7 2019.

Leumi is preparing for complying with the legislative requirements by adoption of appropriate policy and work procedures; development of automated tools supporting the working processes; formulation of training and assimilation, testing, control and operation mechanisms required for complying with the directives and instructing the Group's subsidiaries on adequate preparations. The branches of Bank Leumi in the UK and Romania have begun to implement the Standard on January 1 2016, in accordance with the local applicable regulatory directives.

Legal Risk

Legal risk is defined as the risk of loss as a result of inability to legally enforce an agreement or contingent liabilities, including in respect of claims against, and demands from, the Bank. The definition includes risks arising from legislation, regulations, court rulings and directives issued by authorities, risk emanating from activity that is not covered by adequate agreements, without legal advice or under faulty legal advice, as well as a result of interpretation of the rights of parties to agreements between the Bank and its customers.

There is a general exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services provided by the Bank and the consolidated companies to their customers. The complexity of these services embodies, inter alia, a potential for claims, interpretations and others, relating to several commercial and regulatory terms and conditions. It is impossible to foresee all of the types of claims which may be raised in this area and the exposure deriving from these and other claims in connection with the services provided by the Bank and the consolidated companies, which are filed, inter alia, via the procedural mechanism provided in the Class Action Law.

There is also exposure due to regulatory changes and directives issued by the Banking Supervision Department, the Israel Securities Authority and other regulators to which the Bank is subjected. Some engagements with customers last many years, in the course of which policies, regulations and legal trends, as well as court rulings, may change. The Bank and the consolidated companies use complex automated systems, which are adjusted on a regular basis in light of the changes as aforesaid. All these create an increased operating and legal exposure.

There is also a general exposure arising from complaints filed from time to time with the Banking Supervision Department against the Bank and the consolidated companies, which may, under certain circumstances, result in legal proceedings against the Bank. It is currently impossible to assess whether there is exposure in respect of such complaints and whether the Banking Supervision Department will issue an industry-wide decision about the complaints and/or whether class actions or other type of lawsuits will be brought as a result of such proceedings. It is therefore impossible to assess the potential exposure for the such complaints. As a result, no provision was made in respect of the said exposure.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2018 Annual Report of the Board of Directors and Management.

Reputational Risk

Reputational risk is the risk of compromising shareholders' and various stakeholders' trust in the Leumi Group, as a result of conduct, action, or omission by the Group, its employees or other involved parties.

Reputational risk refers to the perceptions of the shareholders, stakeholders, the public, influencers and the media, whether they are based on facts or otherwise. Reputational risk is dynamic and changes depending on various topics and populations.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2018 Annual Report of the Board of Directors and Management.

Strategic Risk

Strategic risk is a business risk the damage of which is material and touches upon the Bank's business model or upon one of its business lines. In fact, this type of risk may have an effect on profit that is insignificant in the immediate term, but which may become significant in the long term. Strategic risks include threats which may arise from erroneous business decisions, inappropriate implementation of decisions or lack of response to industry-specific, economic, regulatory and consumer or technological changes.

The main strategic risk stems from the fact that the financial service industry is undergoing significant digitalization changes. The opening of the banking industry to competition and the entry of new players - such as BigTech (Google, Amazon, Facebook and Apple), FinTech companies, insurers and non-banking credit companies - requires adjustment of the business model. In addition, the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (the "Strum Law") includes components which could strategically impact the competitive map in Israel. One of its direct consequences for Bank Leumi is the sale of Leumi Card. Another strategic topic is open banking.

On April 12 2019, the Central Credit Register (CCR) was launched. The CCR, which was built by the Bank of Israel - with the support of the Ministry of Finance and Ministry of Justice with the aim of increasing competitiveness in the field of retail credit, both inside the banking system and by external players. Specifically, the CCR was designed to help customers receive credit in the best possible terms. The system may impact competition in the retail credit market.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2018 Annual Report of the Board of Directors and Management.

Conduct Risk

Conduct risk is the risk that the Bank's conduct vis-à-vis its customers will lead, by act or omission, to an unwanted outcome for them, without the customer being able to take that outcome into account. As a result, the Bank may incur losses from legal claims, fines or reputational damage.

The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative banking for its customers. In addition, the proactive and sale processes are subject to procedures and controls which ensure proper conduct. These processes are assessed on a regular basis, with the aim of continuously upgrading them.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on global trade – such as the US's economic policy, social and political processes in Europe and geopolitical instability in conflict zones around the world, inter alia on the back of the increased threat of terrorism. Lately, some risks have risen from possible international trade developments, especially the trade relations between the US and China. If the situation escalates to an ongoing "trade war", it may have an adverse effect on global growth. As a result, the Israeli economy may be indirectly affected as well. The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

Critical Accounting Policies and Estimates

Overview

The financial statements are prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department regarding the preparation of annual and quarterly financial statements of a banking corporation as detailed in Note 1 to the Annual Financial Statements as at December 31 2018.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and directives of the Banking Supervision Department requires Management to use of estimates and assessments which affect the reported amounts of assets and liabilities as well as income and expense amounts.

The actual results of these estimates may differ from the estimates and/or assessments. In most cases, the estimates and assessments are based on economic forecasts, assessments regarding different markets and past experience, while exercising discretion, and which Management believes to be reasonable at the time of signing the financial statements.

The main critical accounting issues in the December 31 2018 Annual Report are as follows: Loan loss provision and classification of troubled debt, derivatives, securities, liabilities for employee benefits, liabilities for legal claims and income tax.

Liabilities for Employee Benefits

Retirement and pension benefits are determined according to a classification of employment periods at the Bank: Employees who began working at the Bank from January 1 1999 have ongoing pension and provident fund contributions, for which the Bank has no pension liability, except for supplementary severance pay. Employees who began working at the Bank prior to January 1 1999 may choose, on reaching retirement age, to either receive severance pay and compensation or a pension annuity from the Bank, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees. For these employees, the Bank deposits contributions in the employees' provident and severance pay fund, which is managed by a management company held by the fund's members (hereinafter: the "Fund").

In recent years, the Bank took several measures to mitigate the effect of these liabilities on the financial statements. Following these measures, the Bank began assessing alternatives to the current situation according to which all the funds are deposited in said Fund. At this stage, it is impossible to determine whether this will lead to forming a plan which will be approved and implemented and it is impossible to determine whether the required agreements will be reached in order to implement the above.

The calculation of pension liability amounts is based on actuarial models. The capitalization rate used to calculate the actuarial liabilities for employee benefits is based on market yields according to the alternative chosen by the Bank from among those prescribed by the Bank of Israel, according to which the yield curve is composed of yields of Israeli government bonds plus a fixed-spread curve of AA-graded corporate bonds which match the average durations of the liabilities for employee benefits.

Based on past experience, the actuarial calculations also take into account the forecasted real pay raises that change according to the employee's age.

The actuarial models include assumptions about: life expectancy, disability rates, departure rates, exit rates with preferential terms and conditions, percentage of utilizing pension benefits and percentage of withdrawal of severance pay and benefits, etc. Although the criteria have been set with adequate caution and professionalism, a change in any or several of the actuarial criteria and/or discount rate and/or pay raise rates will alter the Bank's liabilities amount.

The actuarial assessment of the employees' benefits is on the Israel Securities Authority's website, on the following address www.magna.isa.gov.il.

As at March 31 2019, the balance of accumulated other comprehensive income for employee benefits amounted to a negative balance of NIS 2,280 million, after the tax effect, a NIS 517 million increase after taxes in the fund's negative balance, compared with December 31 2018.

The outstanding balance of the liability for employee benefits as at March 31 2019, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 210 million more than the actual outstanding balance of the liability.

Controls and Procedures Regarding Financial Statements Disclosures

The Banking Supervision Department's directives impose the requirements of Sections 302 and 404 of the SOX Act on banking corporations. The SEC and the Public Company Accounting Oversight Board have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal controls over financial reporting.

The Banking Supervision Department's directives require the following:

- Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.
- Adequate internal control requires an auditing system that follows a predefined, recognized framework. The 1992 COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2019, the Bank will validate and update material control processes and conduct effective evaluations of its entire internal system of control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and Chief Executive Officer and Head of the Finance Division and Chief Accountant, has evaluated the effectiveness of the Bank's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, the Bank's President and Chief Executive Officer and the Head of the Finance Division and Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal control changes

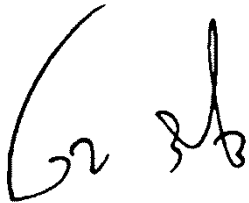
In the quarter ended March 31 2019, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

Board of Directors

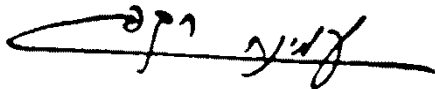
From January to March 2019, Leumi's Board of Directors held 9 plenum meetings and its committees held 18 meetings.

At a Board meeting held on May 26 2019, the Board resolved to approve and publish the Group's condensed consolidated unaudited Financial Statements as at March 31 2019 and for the period then ended.

The Bank's Board would like to express its appreciation and gratitude to the employees and managers of the Bank and the Group's subsidiaries - both in Israel and overseas - for their dedicated work and contribution to the Group's business.



David Brodet
Chairman of the Board



Rakefet Russak-Aminoach
President and CEO

May 26 2019

Certification

I, Rakefet Russak-Aminoach, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the "Bank") for the quarter ended March 31 2019 (hereinafter: the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.
4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding "Report of the Board of Directors and Management"). In addition:
 - a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;
 - b. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;
 - c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and
 - d. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' committees, based on our most recent evaluation of the internal control over financial reporting, the following:
 - a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 26 2019

Rakefet Russak-Aminoach
President and CEO

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the "Bank") for the quarter ended March 31 2019 (hereinafter: the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.
4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding "Report of the Board of Directors and Management"). In addition:
 - a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;
 - b. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;
 - c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and
 - d. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' committees, based on our most recent evaluation of the internal control over financial reporting, the following:
 - a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 26 2019

Omer Ziv
First Executive Vice President
Head of Finance Division

Certification

I, Shlomo Goldfarb, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the "Bank") for the quarter ended March 31 2019 (hereinafter: the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.
4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding "Report of the Board of Directors and Management"). In addition:
 - a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;
 - b. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;
 - c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and
 - d. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' committees, based on our most recent evaluation of the internal control over financial reporting, the following:
 - a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 26 2019

Shlomo Goldfarb
First Executive Vice President
Chief Accounting Officer
Head of Accounting Division

Report of the Joint Independent Auditors to the Shareholders of Bank Leumi of Israel Ltd.

Introduction

We have reviewed the accompanying financial information of Bank Leumi of Israel Ltd. and its subsidiaries, which includes the condensed consolidated interim balance sheet as at March 31 2019 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and instructions. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

We performed our review pursuant to Review Standard 1 of the Institute of Certified Public Accountants in Israel, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and a review standard applied in the review of banking corporations pursuant to the Banking Supervision Department's directives and instructions. A review of interim financial information consists of inquiries, mostly of persons responsible for financial and accounting issues, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

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

Somekh Chaikin
CPAs

Kost Forer Gabay Kasierer
CPAs

Joint Independent Auditors

May 26 2019

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES


Condensed Consolidated Income Statement

For the period ended March 31 2019

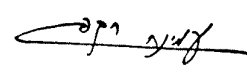
	Note	For the three months ended		For the year
		March 31		ended
		2019	2018	December 31
		Unaudited		Audited
Interest income	2	2,679	2,421	11,346
Interest expense	2	559	415	2,456
Interest income, net	2	2,120	2,006	8,890
Expenses (income) in respect of loan losses	13,6	(18)	130	519
Interest income, net of loan loss expenses		2,138	1,876	8,371
Noninterest income				
Noninterest finance income	3A	665	51	682
Fees and commissions		809	1,023	4,121
Other income		81	18	68
Total noninterest income		1,555	1,092	4,871
Operating and other expenses				
Salaries and related costs		1,136	1,068	4,544
Buildings and equipment - maintenance and depreciation		375	411	1,569
Other expenses		435	497	2,224
Total operating and other expenses		1,946	1,976	8,337
Profit before taxes		1,747	992	4,905
Provision for income tax		621	262	1,619
Profit after taxes		1,126	730	3,286
The Bank's share in profits (losses) of associates, after tax		(24)	10	36
Net income				
Before attribution to non-controlling interests		1,102	740	3,322
Attributable to non-controlling interests		(10)	(10)	(65)
Attributable to the Bank's shareholders		1,092	730	3,257
Basic and diluted earnings per share (in NIS)				
Basic net income attributable to the Bank's shareholders	3B	0.73	0.48	2.15
Diluted earnings per share attributed to the Bank's shareholders	3B	0.73	0.48	2.15

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

David Brodet
Chairman of the Board



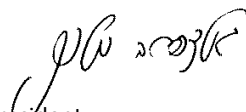
Rakefet Russak-Aminoach
President and CEO



Omer Ziv
First Executive Vice President
Head of Finance Division



Shlomo Goldfarb
First Executive Vice President
Chief Accounting Officer
Head of Accounting Division



Date of approval of the financial statements: May 26 2019

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
 Condensed Consolidated Statement of Comprehensive Income
 For the period ended March 31 2019

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Net income before attribution to non-controlling interests	1,102	740	3,322
Net income attributable to non-controlling interests	10	10	65
Net income attributable to the Bank's shareholders	1,092	730	3,257
Other comprehensive income (loss), before taxes			
Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value, net	579	(207)	(620)
Adjustments from translation of financial statements, net ^(a) , after the effect of hedges ^(b)	(30)	4	27
Adjustments of liabilities for employee benefits ^(c)	(787)	225	1,796
The Bank's share in other comprehensive income (loss) of associates	5	(3)	21
Other comprehensive income (loss), before taxes	(233)	19	1,224
Related tax effect	48	9	(331)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	(185)	28	893
Other comprehensive (loss) attributable to non-controlling interests	(3)	-	(26)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	(182)	28	919
Comprehensive income before attribution to non-controlling interests	917	768	4,215
Comprehensive income attributable to non-controlling interests	7	10	39
Comprehensive income attributable to the Bank's shareholders	910	758	4,176

(a) Adjustments from translation of the financial statements of a foreign operation whose functional currency is different than the Bank's functional currency.

(b) Hedges - net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the period, of defined benefit plans and a deduction of amounts previously recorded in Other comprehensive income.

See also Note 4, "Accumulated Other Comprehensive Income (Loss)"

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

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES

Condensed Consolidated Balance Sheet as at March 31 2019

	Note	March 31		December 31
		2019	2018	2018
		Unaudited		Audited
In NIS millions				
Assets				
Cash and deposits with banks		76,580	73,376	81,419
Securities ^{(a)(b)}	5	79,553	80,061	74,571
Securities borrowed or purchased under reverse repurchase agreements		946	878	1,257
Loans to the public	6, 13	280,365	266,550	274,525
Loan loss provision	6, 13	(3,308)	(3,219) ^(e)	(3,352)
Loans to the public, net		277,057	263,331	271,173
Loans to governments		723	723	782
Investments in associates		601	831	623
Buildings and equipment		2,863	2,762	2,853
Intangible assets and goodwill		17	16	17
Assets in respect of derivatives	11	9,408	11,803	12,750
Other assets ^(a)		8,450	8,274	6,642
Held-for-sale assets ^(d)		-	8,513	8,570
Total assets		456,198	450,568	460,657
Liabilities and capital				
Deposits by the public	7	363,587	362,479 ^(e)	364,591
Deposits by banks		4,631	3,077	5,210
Deposits from governments		424	515 ^(e)	709
Securities loaned or sold under repurchase agreements		664	495	541
Bonds, promissory notes and subordinated bonds		20,951	15,603	17,798
Liabilities for derivative instruments	11	9,519	11,417	12,089
Other liabilities ^{(a)(c)}		20,001	16,561	14,780
Held for sale liabilities ^(d)		-	6,470	8,778
Total liabilities		419,777	416,617	424,496
Equity attributable to the Bank's shareholders	9	35,940	33,565 ^(e)	35,305
Non-controlling interests		481	386	856
Total capital		36,421	33,951 ^(e)	36,161
Total liabilities and capital		456,198	450,568	460,657

(a) For more information regarding amounts measured at fair value, please see Note 15A.

(b) For more information on securities pledged to lenders, please see Note 5.

(c) Of which: a provision for loan losses for off-balance-sheet credit instruments, NIS 420 million (as at March 31 2018 - NIS 457 million; as at December 31 2018 - NIS 461 million).

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified.

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

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity
For the period ended March 31 2019

	For the three months ended March 31 2019 (unaudited)		
	Share capital	Capital reserves	
		From premiums	From share-based payment and other benefits ^(a)
In NIS millions			
Balance as at December 31 2018 (audited)	7,081	1,087	58
Cumulative effect for first-time application of US GAAP ^(b)	-	-	-
Net income for the period	-	-	-
Other comprehensive loss, net of tax	-	-	-
Announced dividend	-	-	-
Issue of shares	1	6	(7)
Gain on sale of subsidiaries' shares	-	-	-
Balance on March 31 2019	7,082	1,093	51

	For the three months ended March 31 2018 (unaudited)		
	Share capital	Capital reserves	
		From premiums	From share-based payment and other benefits ^(a)
In NIS millions			
Balance as at December 31 2017 (audited)	7,110	1,729	38
Effect of first-time application of IFRS 9 on foreign subsidiaries	-	-	-
Net income for the period	-	-	-
Other comprehensive income, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Balance on March 31 2018	7,111	1,736	30

	For the year ended December 31 2018 (audited)		
	Share capital	Capital reserves	
		From premiums	From share-based payment and other benefits ^(a)
In NIS millions			
Balance as at December 31 2017	7,110	1,729	38
Effect of first-time application of IFRS 9 on foreign subsidiaries	-	-	-
Net income	-	-	-
Other comprehensive income, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Share buyback	(30)	(670)	-
Employee benefit in respect of stock compensation transactions	-	-	28
Sale of equity in subsidiaries to non-controlling interests	-	21	-
Balance on December 31 2018	7,081	1,087	58

(a) Including NIS 10 million in other capital reserves.

(b) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - Financial Instruments, including updates thereof. Please see Note 1.B.1.

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

Total share capital and capital reserves	Accumulated other comprehensive profit (loss)	Retained earnings	Total		Non-controlling interests	Total capital
8,226	(2,132)	29,211	35,305		856	36,161
-	(27)	27	-		-	-
-	-	1,092	1,092		10	1,102
-	(182)	-	(182)		(7)	(189)
-	-	(275)	(275)		-	(275)
-	-	-	-		-	-
-	-	-	-		(378)	(378)
8,226	(2,341)	30,055	35,940		481	36,421

Total share capital and capital reserves	Accumulated other comprehensive profit (loss)	Retained earnings	Total		Non-controlling interests	Total capital
8,877	(3,051)	27,341	33,167		386	33,553
-	-	(18)	(18)		-	(18)
-	-	730	730		10	740
-	28	-	28		-	28
-	-	-	-		(10)	(10)
-	-	(342)	(342)		-	(342)
-	-	-	-		-	-
8,877	(3,023)	27,711	33,565		386	33,951

Total share capital and capital reserves	Accumulated other comprehensive profit (loss)	Retained earnings	Total		Non-controlling interests	Total capital
8,877	(3,051)	27,341	33,167		386	33,553
-	-	(18)	(18)		-	(18)
-	-	3,257	3,257		65	3,322
-	888	-	888		18	906
-	-	-	-		(42)	(42)
-	-	(1,369)	(1,369)		-	(1,369)
-	-	-	-		-	-
(700)	-	-	(700)		-	(700)
28	-	-	28		1	29
21	31	-	52		428	480
8,226	(2,132)	29,211	35,305		856	36,161

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Cash Flow Statement
For the period ended March 31 2019

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
In NIS millions			
Cash flows from operating activities			
Net income for the period	1,102	740	3,322
Adjustments:			
Group's share in undistributed profits of associates ^(a)	27	82	77
Depreciation of buildings and equipment (including impairment)	148	161	572
Expenses (income) in respect of loan losses	(18)	130	519
Gains on sale of available-for-sale bonds and non-trading shares (2018 - available for-sale shares)	(32)	(21)	(248)
Realized and unrealized gains from fair value adjustments of held-for-trading securities	(45)	(70)	(60)
Gain on sale of investees' shares	(314)	-	(224)
Gains on disposal of buildings and equipment	(63)	(11)	(33)
Provision for impairment of non-trading shares (2018 - available for-sale shares)	19	-	84
Provision for impairment of available-for-sale bonds	-	-	19
Unrealized gain from fair value adjustments of non-trading shares	(42)	-	-
Expenses for share-based payment transactions	-	-	28
Deferred taxes - net	(215)	12	199
Severance pay and pension – increase (decrease) in excess of provision over fund	(749)	223	134
Excess of interest received (receivable) for available-for-sale bonds over interest accrued during the period	(37)	59	(177)
Payable interest in respect of bonds and subordinated bonds	10	92	144
Effect of exchange rate differences on cash and cash equivalent balances	281	(169)	(467)
Other, net	(16)	-	4
Net change in current assets:			
Assets in respect of derivatives	3,340	(2,230)	(3,172)
Held-for-trading securities	233	(224)	(1,197)
Other assets	437	(299)	592
Net change in current liabilities:			
Liabilities for derivative instruments	(2,632)	1,711	2,355
Other liabilities	4,996	(298)	(595)
Net cash provided from (for) current activities	6,430	(112)	1,876

(a) Net of dividend received.

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

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Cash Flow Statement (cont.)
For the period ended March 31 2019

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Cash flow from investing activities			
Net change in deposits with banks with original maturities of more than three months	4,138	(3,449)	(3,866)
Net change in loans to the public	(3,921)	(3,390)	(10,720)
Net change in loans to governments	59	(8)	(67)
Net change in securities borrowed or purchased under reverse repurchase agreements	311	283	(96)
Purchase of held-to-maturity bonds	(679)	(401)	(3,997)
Proceeds from redemption of held-to-maturity bonds	4	19	72
Sale of available-for-sale securities and non-trading shares (2018 - available for-sale securities)	(22,595)	(27,539)	(86,905)
Proceeds from the sale of available-for-sale securities and non-trading shares (2018 - available for-sale securities)	10,532	13,686	54,122
Proceeds on redemption of available-for-sale securities and non-trading shares (2018 - available for-sale securities)	8,129	11,520	40,945
Purchase of associates' equity	-	(117)	(123)
Proceeds from disposal of investment in associates	-	-	260
Proceeds from disposal of an investment in a previously-consolidated subsidiary (Appendix B)	671	-	11
Proceeds from sale of loan portfolios	178	-	503
Purchase of buildings and equipment	(187)	(178)	(716)
Proceeds from disposal of buildings and equipment	84	22	80
Central severance pay fund	46	123	251
Other	-	(20)	(16)
Net cash for investing activities	(3,230)	(9,449)	(10,262)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	(533)	(2,095)	1,113
Net change in deposits by the public	(6,063)	(216) ^(b)	275
Net change in deposits by governments	(270)	59 ^(b)	229
Net change in securities loaned or sold under reverse repurchase agreements	123	(63)	(17)
Issue of bonds and subordinated bonds	3,152	-	3,378
Redemption of bonds and subordinated bonds	(9)	(66)	(32)
Dividend paid to shareholders	-	(342)	(1,369)
Dividend paid to external shareholders in consolidated companies	-	(10)	(42)
Proceeds on disposal of investments in investees	-	-	512
Share buyback	-	-	(700)
Net cash from (for) financing activities	(3,600)	(2,733)	3,347
Decrease in cash and cash equivalents, including cash and cash equivalents classified as held-for-sale assets and liabilities^(a)	(400)	(12,294)	(5,039)
Net of increase (decrease) in cash and cash equivalents classified as held-for-sale assets and liabilities^(a)	(3)	2	3
Decrease in cash and cash equivalents	(397)	(12,296)	(5,042)
Balance of cash and cash equivalents at beginning of period	74,265	78,840	78,840
Effect of exchange rate fluctuations on cash and cash equivalent balances	(281)	169	467
Balance of cash and cash equivalents at end of period	73,587	66,713	74,265

(a) For more information, please see Note 36F to the financial statements as at December 31 2018.

(b) Reclassified.

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

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
 Condensed Consolidated Cash Flow Statement (cont.)
 For the period ended March 31 2019

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Interest received	2,862	2,547	10,631
Interest paid	(663)	(568)	(2,696)
Dividends received	10	96	129
Income tax paid	(453)	(514)	(1,093)

Appendix A - Non-Cash Investments and Financing Activities in the Reporting Period:

For the year ended December 31 2018

On December 17 2018, an investment in Direct Finance of the Direct Finance (2006) Ltd. Group was sold in consideration of available-for sale-shares totaling NIS 167 million.

During the year, shares were issued against conversion of benefits accrued for employees in the amount of NIS 18 million.

Appendix B - Proceeds from Disposal of Investments in a Previously-Consolidated Subsidiary^(a):

Assets and liabilities of the previously consolidated subsidiary and cash flow from disposal of investments in a previously consolidated subsidiary as of the sale date:

	For the three months ended March 31 2019	For the year ended December 31 2018
	Unaudited	Audited
	In NIS millions	
Derecognized cash	3	-
Assets (excluding cash)	14,322	8
Liabilities	12,434	4
Identified assets and liabilities	1,891	4
Assets and liabilities attributable to non-controlling interests	378	-
Derecognized assets and liabilities	1,513	4
Capital gain on disposal of investment in previously-consolidated investees	314	7
Total proceeds on disposal of previously-consolidated subsidiaries	1,827	11
Less non-cash proceeds from disposal of investments in previously-consolidated investees	1,153	-
Cash proceeds	674	11
Less derecognized cash	3	-
Proceeds on disposal of investments in previously consolidated investees	671	11

(a) For more information, please see Note 36C to the financial statements as at December 31 2018 and Note 36F to the Financial Statements dated December 31 2018.

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

List of Notes		Page
1	Significant Accounting Policies	88
2	Interest Income and Expenses	95
3A	Noninterest Finance Income	96
3B	Earnings per Ordinary Share	97
4	Accumulated Other Comprehensive Income (Loss)	98
5	Securities	102
6	Credit Risk, Loans to the Public and Loan Loss Provision	117
7	Deposits by the Public	122
8	Employee Benefits	123
9A	Capital	129
9B	Capital Adequacy, Leverage and Liquidity	134
10	Contingent Liabilities and Special Commitments	140
11	Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates	142
12A	Regulatory Operating Segments	152
12B	Regulatory Operating Segments - Management Approach	159
13	Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision	162
14	Assets and Liabilities by Linkage Basis	179
15A	Balances and Fair Value Estimates of Financial Instruments	182
15B	Items Measured at Fair Value	185
15C	Items Measured at Fair Value on a Recurring Basis Included in Level 3	192
15D	Quantitative Information on Items Measured at Fair Value which Were Included in Level 3	195
16	Miscellaneous Topics	201

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed interim financial statements as at March 31 2019 have been prepared in accordance with the Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department regarding the preparation of quarterly financial statements of a banking corporation. In most areas, the directives are based on US GAAP for Banks. In other, less material, topics, the directives are based on certain IFRSs, interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Israeli GAAP.

When IFRSs allow for several alternatives, or do not include a specific reference to a particular situation, the Banking Supervision Department's directives provide specific application guidelines that are usually based on US GAAP for Banks.

The accounting principles applied to the preparation of the interim financial statements are consistent with those applied to the audited Annual Financial Statements as at December 31 2018, except as outlined in Section B below. The financial statements should be read in conjunction with the Annual Financial Statements as at December 31 2018 and their accompanying notes. On May 26 2019, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

Preparing the condensed consolidated interim financial statements in accordance with the Israeli GAAP and directives and guidance of the Banking Supervision Department requires management to use estimates, assessments and judgment, which affect the reported amounts of assets and liabilities as well as income and expense amounts during the reporting period. It is clarified that the actual results may differ from such estimates.

When developing accounting estimates used in the preparation of the Bank's financial statements, the Bank's management is required to make assumptions regarding circumstances and events involving significant uncertainty. In exercising its judgment to determine the accounting estimates, the Bank's management relies on past experience, various facts, external factors and reasonable assumptions, in accordance with each estimate's particular circumstances.

Changes in estimates

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were adjusted and for any future affected periods.

B. First-time application of new accounting standards, accounting standard revisions, and new directives issued by the Banking Supervision Department

As of the reporting periods commencing on January 1 2019, the Bank applies the following accounting standards and directives:

1. Reporting by banking corporations in Israel pursuant to US GAAP on derivative instruments and hedging, classification and measurement of financial instruments, cash flow statement and additional topics

On August 30 2018 a circular regarding derivative instruments and hedging, classification and measurement of financial instruments, cash flow statement and additional topics was published.

Derivative instruments and hedging

In August 2017, the Financial Accounting Standards Board (FASB) published ASU 2017-12, which revises Topic 815, Derivatives and Hedging. The objective of the new ASU is to simplify the application of hedge accounting and improve financial reporting on hedge ratios so as to better reflect the financial results of the banking corporation's risk management.

Note 1 - Significant Accounting Policies (cont.)

The main highlights of the changes are as follows:

- a. Easement in applying the accounting guidelines, especially with regard to examining the hedge effectiveness and documenting hedges.
- b. The ASU extends the ability to hedge certain risk components, thereby matching the recognition and presentation of hedging instruments and hedged items in the financial statements.
- c. According to the ASU, entities are no longer required to treat "ineffective parts" of hedge ratios separately.

The amendments to the Reporting to the Public Directives adopt the requirements of the US GAAP for Banks set in the ASU. The disclosure format was also adapted to the financial statements of US banks.

The circular's guidelines were implemented prospectively from January 1 2019.

The application of the circular had no material effect on the financial statements.

Classification and measurement of fair value of financial instruments

Most of the changes in the Reporting to the Public Directives regarding classification and measurement of financial instruments are as follows: Changes in fair value to unrealized available-for-sale investments in shares with an available fair value shall be recognized directly in the income statement rather than in other comprehensive income, on a regular basis. Share investments with no available fair value, which are currently presented at cost (less impairment) shall be presented at cost (less impairment) adjusted for observable changes in the share price of the same issuer.

The new provisions were applied from January 1 2019 by way of retroactive adjustment, while charging a cumulative effect of NIS 27 million (after tax) to the opening balance of the retained earnings on the first-time application date. The provisions regarding investments in equity instruments with no available fair value were applied prospectively.

2. ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-02 — Income Statement - Reporting Comprehensive Income, which addresses the effects of the U.S. Tax Reform. According to the ASU, a banking corporation may reclassify from accumulated other comprehensive income to retained earnings stranded tax effects resulting from the change in tax rates in respect of the Tax Cuts and Jobs Act.

The change is to be applied from January 1 2019.

The application of the ASU had no material effect on the financial statements.

Note 1 - Significant Accounting Policies (cont.)

C. New accounting standards and new directives issued by the Banking Supervision Department in the period preceding their application

Publication topic	Publication's requirements	Effective date and transitional provisions	Effect on the financial statements
ASU 2017-04 — Intangibles — Goodwill and Other	In January 2017, the FASB issued ASU 2017-04, which amends ASC 350, Intangibles - Goodwill and Other. According to the ASU, entities are no longer required to calculate the fair value of goodwill and recognize an impairment in respect of the difference between the fair value and carrying amount. Goodwill impairment should be recognized as the difference between the fair value of the reported unit and its carrying amount. However, the impairment loss may exceed the goodwill amount attributed to the reporting unit.	The change is to be applied prospectively from January 1 2020.	The implementation of the circular is not expected to have a material effect on the financial statements.
Adoption of updates to US GAAP for Banks - provisions for expected loan losses and other directives	<p>On March 28 2018, the Banking Supervision Department published a letter entitled "Adoption of Updates to US GAAP for Banks - Provisions for Expected Loan Losses and other Directives."</p> <p>Revised accounting treatment of loan loss provisions - CECL</p> <p>The letter adopts the US GAAP's ASU 2016-13, Financial Instruments - Credit Losses. The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording of the provisions for loan losses so as to reinforce the anti-cyclical behavior of the loan loss provisions in order to support a swifter response by banks to a deterioration in borrowers' credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements.</p> <p>The main highlights of the expected changes are as follows:</p> <ol style="list-style-type: none"> The loan loss provision will be calculated according to the expected loss over the life of a loan rather than the estimated loss that has been incurred but not yet identified. When estimating the loan loss provision, significant use will be made 	The effective date of the change is January 1 2022, which is to be applied by recording retained earnings on the first-time application date of the cumulative effect of the rules' application.	The Bank is examining the circular's effect on its financial statements and is preparing for its application by: on the one hand, mapping the new provisions and on the other hand - mapping the accepted practices for managing credit risk and for estimating the loan loss provision, in order to identify any gaps and make the required adjustments.

Note 1 - Significant Accounting Policies (cont.)

Publication topic	Publication's requirements	Effective date and transitional provisions	Effect on the financial statements
	<p>of forward-looking information which shall reflect reasonable forecasts regarding future economic events.</p> <p>c. Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio will be expanded.</p> <p>d. A change will be made in the manner in which impairment of bonds in the available-for-sale portfolio is recorded.</p> <p>e. The new rules for calculating the loan loss provision will apply to loans, held-to-maturity bonds and certain off-balance sheet credit exposures.</p>		
Reporting by banking corporations and credit card companies pursuant to US GAAP on leases	<p>Revised treatment of leases</p> <p>On July 1 2018, the Banking Supervision Department published a circular entitled "Reporting by Banking Corporations and Credit Card Companies Pursuant to US GAAP on Leases", which adopts ASU 2016-02, Leases, and inter alia, the rules of presentation, measurement and disclosure according to ASC Topic 842.</p> <p>The main highlights of the expected changes are as follows:</p> <p>a. Leases longer than 12 months will be recognized in the balance sheet even if the lease is classified as an operating lease.</p> <p>b. Where operating leases are concerned, an asset shall be recorded in the balance sheet which reflects the corporation's right to use the leased asset against an obligation to pay the lease.</p> <p>c. Leasing transactions in which a banking corporation sells an asset and leases it back may be considered, under certain circumstances, as accounting sales transactions subject to meeting certain conditions specified in Topic 842.</p> <p>d. Risk-weighted assets in respect of right of use assets for operating leases recognized in the balance sheet will be fully weighted for minimum capital ratio purposes.</p>	The change is to be applied as of January 1 2020.	The Bank is assessing the effect of the circular on its financial statements and is preparing for its application.

Note 1 - Significant Accounting Policies (cont.)

Publication topic	Publication's requirements	Effective date and transitional provisions	Effect on the financial statements
	<p>A quantitative disclosure regarding the expected effect of the revised accounting treatment of leases should be included in the financial statements no later than those of the second quarter of 2019.</p> <p>The transitional provision, according to which exchange rate differences in respect of available-for-sale bonds should not be included as part of the fair value adjustments of such bonds, has been extended until January 1 2021.</p>		
Standard update ASU 2018-13 Changes to the Disclosure Requirements for Fair Value Measurement	<p>On August 28 2018, the FASB issued ASU 2018-13, which updates Topic 820. The objective of the revision is to improve the effectiveness of disclosures in the notes to the financial statements.</p> <p>The main amendments, among others, are as follows:</p> <ol style="list-style-type: none"> The requirement to present the amounts and reasons for transfers between Levels 1 and 2 in the fair value hierarchy was revoked. The requirement to present a description of the fair value measurement process in Level 3 was revoked. As part of the requirement to provide a narrative description of the sensitivity to changes in unobservable inputs for recurring fair value measurements classified into Level 3 of the fair value hierarchy, the term "sensitivity" was changed to "uncertainty", in order to highlight that the required information pertains to uncertainties. A requirement was added whereby changes in unrealized other comprehensive income during the period, in respect of Level 3 fair value measurements, should be presented in assets held as at the end of the period. 	The change is to be applied from January 1 2020. Early adoption is permitted.	The adoption of the standard is not expected to have a material effect on the financial statements.
ASU 2018-14 Subtopic 715-20 - Disclosure Framework - Changes to the Disclosure	<p>Disclosure requirements for defined benefit plans</p> <p>The objective of the revision is to improve the effectiveness of disclosures in the notes to the financial statements.</p> <p>The main amendments are as follows:</p>	The change is to be applied retroactively from January 1 2021.	The adoption of the standard is not expected to have a material effect on

Note 1 - Significant Accounting Policies (cont.)

Publication topic	Publication's requirements	Effective date and transitional provisions	Effect on the financial statements
Requirements for Defined Benefit Plans	<p>a. The requirement to present an estimate of the amounts included in other comprehensive income that are expected to be deducted as an expense from accumulated other comprehensive income to the income statement in the following year was revoked.</p> <p>b. A requirement was added according to which details should be provided regarding the reasons for material profits or losses related to a change in the defined benefit obligation during the period and other material changes.</p>		the financial statements.
ASU 2018-15 Accounting treatment of integration costs of cloud computing arrangements	<p>Customer's Accounting for Implementation Costs of a Cloud Computing Arrangement that is a Service Contract</p> <p>Costs incurred for the purpose of integrating cloud computing service arrangements shall be deferred or charged to profit or loss in the same manner they would have been treated in accordance with the provisions regarding internal use software, despite being service contracts. In addition, the ASU determined that the deferred integration costs shall be amortized to profit and loss according to the contractual term of the arrangement, which includes extension periods the realization of which is reasonably certain or the realization of which is under the supplier's control. The deferred integration costs shall be subject to provisions regarding impairment in the same way as internal use software.</p>	The change is to be applied from January 1 2020. It may be applied by way of prospective or retroactive application.	The Bank is assessing the effect of the ASU on its financial statements

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2019	2018
	Unaudited	
	In NIS millions	
A. Interest income^(a)		
From loans to the public	2,286	2,197
From loans to the Israeli government	8	7
From deposits with the Bank of Israel and from cash	36	19
From deposits with banks	46	27
From securities borrowed or purchased under reverse repurchase agreements	1	-(d)
From bonds ^(b)	302	171
Total interest income	2,679	2,421
B. Interest expenses^(a)		
For deposits by the public	(464)	(315)
For deposits by the government	(1)	(1)
For deposits by banks	(3)	(6)
For securities loaned or sold under repurchase agreements	(1)	-(d)
For bonds, promissory notes and subordinated bonds	(90)	(93)
Total interest expense	(559)	(415)
Total interest income, net	2,120	2,006
C. Details of the net effect of hedging derivative instruments on interest income and expenses^(c)		
From interest income	(1)	(2)
D. Details on interest income from bonds, on accrual basis		
Held to maturity	37	1
Available for sale	257	166
Held for trading	8	4
Total included in interest income	302	171

(a) Including the effect of hedge ratios (2018 - including effective component in hedge ratios).

(b) Including interest in respect of mortgage-backed bonds in the amount of NIS 54 million for the three-month period ended March 31 2019 (NIS 55 million for the three-month period ended March 31 2018).

(c) More information about the effect of hedging derivatives on Subsections a. and b.

(d) Income lower than NIS 1 million.

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2019	2018
	Unaudited	
	In NIS millions	
A. Noninterest finance income (expenses) for non-trading activities		
A.1. From activity in derivatives^(a)		
Net income (expenses) in respect of derivatives ^(b)	(688)	(329) ^(k)
Total from activity in derivatives	(688)	329
A.2. From investment in bonds		
Gains on sale of available-for-sale bonds ^(b)	7	37
Losses on sale of available-for-sale bonds ^{(f)(g)}	(5)	(12)
Total from investment in bonds	2	25
A.3. Exchange rate differences, net	907	(384)
A.4. Gains (losses) on investment in shares		
Gains on sale of non-trading shares (2018 - available for-sale shares)	33	4
Provision for impairment of non-trading shares (2018 - available for-sale shares)	(19)	-
Losses on sale of non-trading shares (2018 - available-for-sale shares)	(3)	(8)
Dividend from non-trading shares (2018 - available-for-sale shares)	7	4
Unrealized gains ⁽ⁱ⁾	42	-
Gain on sale of investees' equity ^(c)	314	-
Loss from investees	-	(1)
Total from investment in shares	374	(1)
Total noninterest finance income (expenses) for non-trading activities	595	(31)
B. Noninterest finance income (expenses) for trading activities⁽ⁱ⁾		
Income in respect of held-for-trading derivative instruments, net	25	12 ^(k)
Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds, net ^(d)	44	(14)
Realized and unrealized gains from fair value adjustments of held-for-trading shares, net ^(e)	1	84
Total from trading activities^(h)	70	82
Breakdown of noninterest finance income for trading activities, by risk exposure		
Interest rate exposure	(87)	47
Foreign exchange exposure	70	65
Exposure to shares	42	(100)
Total	25	12
Total noninterest finance income	665	51

- (a) Excluding the effect of hedge ratios (2018 - excluding effective component in hedge ratios).
- (b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
- (c) Gains on sale of Leumi Card shares in the three months ended March 31 2019. For more information, please see Note 36F to the financial statements as at December 31 2018 (there were no gains on the sale of shares in the three months ended March 31 2018).
- (d) Of which: NIS 27 million in gains on the three-month period ended March 31 2019 in respect of held-for-trading bonds held as at the balance sheet date (losses of NIS 1 for the three-month period ended March 31 2018).
- (e) There were no losses in respect of held-for-trading bonds held as at the balance sheet date in the three-month period ended March 31 2019 (there were no losses related to held-for-trading in the three months ended March 31 2018).
- (f) There were no material provisions for impairment in the three-months ended March 31 2019 and the 3 months ended March 31 2018).
- (g) Reclassified from Accumulated other comprehensive income.
- (h) For interest income from investments in held-for-trading bonds, please see Note 2.
- (i) Including exchange rate differences from trading activities.
- (j) Including gains and losses from fair value measurement of shares for which there is available fair value as well as upward or downward adjustments of shares for which there is no available fair value.
- (k) Reclassified following first-time application of the Banking Supervision Department's circular on derivatives and hedging. Please see Note 1.B.1.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

Note 3B - Earnings per Ordinary Share

A. Basic earnings per share

The Bank's diluted earnings per share is calculated by dividing the gain attributed to the Bank's ordinary shareholders divided by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended March 31	
	2019	2018
	Unaudited	
Basic earnings		
Net income attributable to the Bank's shareholders (in NIS millions)	1,092	730
Weighted average of the number of shares (in thousands of shares)		
Balance as at the beginning of period less share buyback	1,493,609	1,523,516
Weighted effect of exercised PSUs and RSUs and a share issue	135	146
Weighted average of the number of shares	1,493,744	1,523,662
Basic earnings per share (in NIS)	0.73	0.48

B. Diluted earnings per share

The calculated diluted earnings per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, after adjustment for all the potentially dilutive ordinary shares, as follows:

	For the three months ended March 31	
	2019	2018
	Unaudited	
Diluted earnings		
Net income attributable to the Bank's shareholders (in NIS millions)	1,092	730
Weighted average of the number of shares (in thousands of shares)		
Weighted average of the number of ordinary shares used to calculate basic earnings per share	1,493,744	1,523,662
Weighted effect of yet unexercised PSUs and RSUs	564	1,059
Weighted average of the number of shares, fully diluted	1,494,308	1,524,721
Diluted earnings per share (in NIS)	0.73	0.48

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

- Changes in accumulated other comprehensive income (loss) for the three-month period ended March 31 2019 and 2018 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						Other comprehensive income (loss) attributable to the Bank's share-holders
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Net translation adjustments, ^(a) after the effect of hedges ^(b)	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjustments in respect of employee benefits ^(c)	Total	Other comprehensive income (loss) attributable to non-controlling interests	
In NIS millions							
Balance as at December 31 2017 (audited)	91 ^(e)	(170) ^(e)	(26) ^(e)	(2,950)	(3,055)	(4)	(3,051)
Net change during the period	(137)	17	(2)	150	28	-	28
Balance on March 31 2018	(46)	(153)	(28)	(2,800)	(3,027)	(4)	(3,023)
Balance as at December 31 2018 (audited)	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	382	(53)	3	(540)	(208)	(7)	(201)
Cumulative effect for first-time application of US GAAP ^(d)	(27)	-	-	-	(27)	-	(27)
Gain on sale of subsidiaries' equity	-	-	-	23	23	4	19
Balance on March 31 2019	38	(126)	(6)	(2,280)	(2,374)	(33)	(2,341)

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31 2018 (audited)

Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale securities at fair value	Net translation adjustments, ^(a) after the effect of hedges ^(b)	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
In NIS millions							
Balance as at December 31 2017	91 ^(e)	(170) ^(e)	(26) ^(e)	(2,950)	(3,055)	(4)	(3,051)
Net change during the year ^(c)	(408)	110	17	1,187	906	18	888
Sale of equity in subsidiaries to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance as at December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)

(a) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(b) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) The adjustments for employee benefits include the costs of executed voluntary retirement plans.

(d) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - Financial Instruments, including updates thereof. Please see Note 1.B.1.

(f) Reclassified.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

A. Changes in accumulated other comprehensive income (loss) components, before and after tax effect

	For the three months ended March 31 (unaudited)					
	2019			2018		
	Pretax	Tax effect	After tax	Pretax	Tax effect	After tax
In NIS millions						
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of available-for-sale bonds (2018 - securities) at fair value:						
Net realized and unrealized gains (losses) from fair value adjustments	581	(198)	383	(186)	63	(123)
Gains (losses) in respect of available-for-sale bonds (2018 - securities) reclassified to the income statement ^(a)	(2)	1	(1)	(21)	7	(14)
Net change during the period	579	(197)	382	(207)	70	(137)
Translation adjustments^(b):						
Adjustments from translation of financial statements	(98)	-	(98)	37	-	37
Hedges ^(c)	68	(23)	45	(33)	13	(20)
Net change during the period	(30)	(23)	(53)	4	13	17
The Bank's share in other comprehensive income (loss) of associates accounted for using the equity method	5	(2)	3	(3)	1	(2)
Net change during the period	5	(2)	3	(3)	1	(2)
Employee benefits:						
Net actuarial gain (loss)	(852)	291	(561)	124	(40)	84
Net gains reclassified to the income statement ^(d)	96	(29)	67	101	(35)	66
Gain on sale of subsidiaries' equity	(31)	8	(23)	-	-	-
Net change during the period	(787)	270	(517)	225	(75)	150
Total net change during the period	(233)	48	(185)	19	9	28
Changes in other comprehensive (loss) components attributable to non-controlling interests						
Total net change during the period	1	(4)	(3)	-	-	-
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total net change during the period	(234)	52	(182)	19	9	28

(a) The pre-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3A.

(b) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(c) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(d) The pre-tax amount is reported in the income statement under "salaries and related expenses". For more information, please see Note 8.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in accumulated other comprehensive income (loss) components, before and after tax effect (cont.)

	For the year ended December 31 2018 (audited)		
	Pre-tax	Tax effect	After tax
	In NIS millions		
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:			
Adjustments in respect of presentation of available-for-sale securities at fair value:			
Net realized and unrealized gains (losses) from fair value adjustments	(475)	162	(313)
Gains (losses) in respect of available-for-sale securities reclassified to the income statement ^(a)	(145)	50	(95)
Net change during the year	(620)	212	(408)
Translation adjustments^(b):			
Adjustments from translation of financial statements	229	-	229
Hedges ^(c)	(182)	63	(119)
Sale of equity in subsidiaries to non-controlling interests	(20)	7	(13)
Net change during the year	27	70	97
The Bank's share in other comprehensive loss of associates accounted for using the equity method	21	(4)	17
Net change during the year	21	(4)	17
Employee benefits:			
Net actuarial gain	1,434	(485)	949
Net gains reclassified to the income statement ^(d)	362	(124)	238
Net change during the year	1,796	(609)	1,187
Total net change during the year	1,224	(331)	893
Changes in other comprehensive loss (income) components attributable to non-controlling interests			
Total net change during the year	(24)	(2)	(26)
Changes in other comprehensive income attributable to the Bank's shareholders			
Total net change during the year	1,248	(329)	919

(a) The pre-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3A.

(b) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(c) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(d) The pre-tax amount is reported in the income statement under "salaries and related expenses". For more information, please see Note 8.

Note 5 - Securities

As at March 31 2019 (unaudited)					
Balance sheet value	Amortized cost	Unrealized gains from fair value	Unrealized losses from fair value	Fair value ^(a)	
		adjustments	adjustments		
In NIS millions					
1. Held-to-maturity bonds:					
Of the Israeli government	2,813	2,813	111	-	2,924
Mortgage-backed (MBSs)	1,710	1,710	9	(10)	1,709
Of other foreign entities	989	989	2	(2)	989
Total held-to-maturity bonds	5,512	5,512	122	(12)	5,622

As at March 31 2019 (unaudited)					
Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)	
		Gains	Losses		
In NIS millions					
2. Available-for-sale bonds:					
Of the Israeli government	31,098	31,027	133	(62)	31,098
Of foreign governments	9,857	9,822	37	(2)	9,857
Of foreign financial institutions	10,651	10,628	46	(23)	10,651
Asset-backed (ABS) or mortgage-backed (MBS)	9,078	9,151	26	(99)	9,078
Of other Israeli entities	172	165	7	-	172
Of other foreign entities	3,157	3,114	60	(17)	3,157
Total available-for-sale bonds^(f)	64,013	63,907	309^(c)	203^(c)	64,013

Please see comments below.

Note 5 - Securities (cont.)

As at March 31 2019 (unaudited)					
Balance sheet value	Cost ^(e)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value	
In NIS millions					
3. Investment in non-trading shares and funds:					
Shares and mutual funds	3,453	3,412	57	(16)	3,453
Of which: Shares and funds for which there is no available fair value ^(b)	1,103	1,103	-	-	1,103
Total non-trading securities	3,453	3,412	57^(d)	(16)^(d)	3,453
As at March 31 2019 (unaudited)					
Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)	
In NIS millions					
4. Held-for-trading securities: Bonds -					
Of the Israeli government	5,626	5,611	17	(2)	5,626
Of foreign governments	58	58	-	-	58
Of Israeli financial institutions	115	114	1	-	115
Of foreign financial institutions	110	111	1	(2)	110
Asset-backed (ABS) or mortgage-backed (MBS)	249	248	2	(1)	249
Of other Israeli entities	190	188	4	(2)	190
Of other foreign entities	210	209	2	(1)	210
Total bonds	6,558	6,539	27	(8)	6,558
Shares and mutual funds	17	16	1	-	17
Total held-for-trading securities	6,575	6,555	28^(d)	(8)^(d)	6,575
Total securities^(e)	79,553	79,386	516	(239)	79,663

Please see comments below.

Note 5 - Securities (cont.)

As at March 31 2018 (unaudited)					
Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)	
In NIS millions					
1. Held-to-maturity bonds:					
Of the Israeli government	436	436	-	-	436
Mortgage-backed (MBSs)	345	345	-	(16)	329
Of other foreign entities	479	479	-	(9)	470
Total held-to-maturity bonds	1,260	1,260	-	(25)	1,235
As at March 31 2018 (unaudited)					
Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)	
In NIS millions					
2. Available-for-sale bonds:					
Of the Israeli government	38,509	38,444	98	(33)	38,509
Of foreign governments	10,769	10,800	1	(32)	10,769
Of Israeli financial institutions	11	11	-	-	11
Of foreign financial institutions	9,338	9,367	19	(48)	9,338
Asset-backed (ABS) or mortgage-backed (MBS)	8,268	8,424	11	(167)	8,268
Of other Israeli entities	162	157	5	-	162
Of other foreign entities	2,758	2,821	1	(64)	2,758
Total available-for-sale bonds^(f)	69,815	70,024	135^(c)	344^(c)	69,815

Please see comments below.

Note 5 - Securities (cont.)

As at March 31 2018 (unaudited)					
Balance sheet value	Cost ^(e)	Accumulated other comprehensive income (loss)		Fair value	In NIS millions
		Gains	Losses		
3. Investment in available-for-sale shares and funds:					
Shares and mutual funds	3,188	3,072	136	(20)	3,188
Of which: Shares and funds for which there is no available fair value ^(b)	992	992	-	-	992
Total available-for-sale shares and funds	3,188	3,072	136^(c)	20^(c)	3,188
As at March 31 2018 (unaudited)					
Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)	In NIS millions
4. Held-for-trading securities: Bonds -					
Of the Israeli government	4,501	4,493	8	-	4,501
Of foreign governments	78	79	-	(1)	78
Of Israeli financial institutions	172	171	1	-	172
Of foreign financial institutions	256	259	-	(3)	256
Asset-backed (ABS) or mortgage-backed (MBS)	293	294	1	(2)	293
Of other Israeli entities	178	176	2	-	178
Of other foreign entities	251	254	-	(3)	251
Total - bonds	5,729	5,726	12	(9)	5,729
Shares and mutual funds	69	73	-	(4)	69
Total held-for-trading securities	5,798	5,799	12^(d)	(13)^(d)	5,798
Total bonds^(e)	80,061	80,155	283	(402)	80,036

Please see comments below.

Note 5 - Securities (cont.)

As at December 31 2018 (audited)					
Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(a)	
In NIS millions					
1. Held-to-maturity bonds:					
Bonds -					
Of the Israeli government	2,334	2,334	14	(3)	2,345
Mortgage-backed (MBSs)	1,596	1,596	4	(17)	1,583
Of other foreign entities	946	946	-	(15)	931
Total held-to-maturity bonds	4,876	4,876	18	(35)	4,859
As at December 31 2018 (audited)					
Balance sheet value	Amortized cost	Accumulated other comprehensive income (loss)		Fair value ^(a)	
In NIS millions					
2. Available-for-sale bonds:					
Of the Israeli government	30,573	30,783	40	(250)	30,573
Of foreign governments	5,904	5,898	13	(7)	5,904
Of foreign financial institutions	9,707	9,803	13	(109)	9,707
Asset-backed (ABS) or mortgage-backed (MBS)	9,433	9,608	15	(190)	9,433
Of other Israeli entities	242	241	3	(2)	242
Of other foreign entities	3,517	3,580	12	(75)	3,517
Total available-for-sale bonds^(f)	59,376	59,913	96^(c)	633^(c)	59,376

Please see comments below.

Note 5 - Securities (cont.)

As at December 31 2018 (audited)					
Balance sheet value	Cost ^(g)	Accumulated other comprehensive income (loss)		Fair value	
		Gains	Losses		
In NIS millions					
3. Investment in available-for-sale shares and funds:					
Shares and mutual funds	3,556	3,513	100	(57)	3,556
Of which: Shares and funds for which there is no available fair value ^(b)	1,079	1,079	-	-	1,079
Total available-for-sale shares and funds	3,556	3,513	100^(c)	57^(c)	3,556

As at December 31 2018 (audited)					
Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value ^(e)	
In NIS millions					
4. Held-for-trading securities:					
Bonds -					
Of the Israeli government	5,677	5,680	4	(7)	5,677
Of foreign governments	52	53	-	(1)	52
Of Israeli financial institutions	119	120	-	(1)	119
Of foreign financial institutions	132	137	-	(5)	132
Asset-backed (ABS) or mortgage-backed (MBS)	271	272	1	(2)	271
Of other Israeli entities	290	298	-	(8)	290
Of other foreign entities	220	225	-	(5)	220
Total bonds	6,761	6,785	5	(29)	6,761
Shares and mutual funds	2	2	-	-	2
Total held-for-trading securities	6,763	6,787	5^(d)	(29)^(d)	6,763
Total securities^(e)	74,571	75,089	219	(754)	74,554

Comments:

- In most cases, fair value inputs are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling blocks of securities.
- Shares for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer (2018 - presented at cost less impairment).
- "Adjustments in respect of the presentation of available-for-sale securities at fair value, net" are included in equity under other comprehensive income, except for securities designated to be hedged at fair value.
- Charged to the income statement but yet unrealized.
- Including interest-bearing non-performing bonds totaling NIS 7 million (as at March 31 2018 - NIS 7 million; as at December 31 2018 - NIS 8 million).
- Total of NIS 10.1 billion out of total foreign currency securities are rated SSA (Supranational, Sovereign and Agencies) (March 31 2018 - NIS 8.4 billion, December 31 2018 - NIS 9.7 billion).
- Reclassified, including in respect of retroactive application of the presentation rules of ASC 321, Investments - Equity Securities. The cost includes the effect of the ASUs on the presentation rules.

General comments:

Loaned securities in the amount of NIS 339 million (as at March 31 2018 - NIS 336 million; as at December 31 2018 - NIS 109 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 2,880 million (as at March 31 2018 - NIS 6,873 million; as at December 31 2018 - NIS 2,989 million). For more information on the financial performance of investments in bonds, shares and mutual funds, please see Note 2 and Note 3A.

The distinction between Israeli and foreign bonds was made according to the issuer's country of residence.

Note 5 - Securities (cont.)

More information on amortized cost and unrealized losses, by duration and impairment percentage, of held-to-maturity bonds in an unrealized loss position

As at March 31 2019 (unaudited)										
Less than 12 months ^(a)					12 months and more ^(b)					
Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments					
Amor- tized cost	More			Total	Amor- tized cost	More			Total	
	0- ^(c) 20%	20%- ^(d) 35%	than 35% ^(e)			0- ^(c) 20%	20%- ^(d) 35%	than 35% ^(e)		
In NIS millions										
Bonds										
Of the Israeli government	37	-(f)	-	-	-	-	-	-	-	-
Mortgage-backed (MBSs)	404	2	-	-	2	263	8	-	-	8
Of other foreign entities	-	-	-	-	-	83	2	-	-	2
Total held-to-maturity bonds	441	2	-	-	2	346	10	-	-	10

As at March 31 2018 (unaudited)										
Less than 12 months ^(a)					12 months and more ^(b)					
Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments					
Amor- tized cost	More			Total	Amor- tized cost	More			Total	
	0- ^(c) 20%	20%- ^(d) 35%	than 35% ^(e)			0- ^(c) 20%	20%- ^(d) 35%	than 35% ^(e)		
In NIS millions										
Bonds										
Of the Israeli government	35	-(f)	-	-	-	-	-	-	-	-
Mortgage-backed (MBSs)	144	3	-	-	3	202	13	-	-	13
Of other foreign entities	266	5	-	-	5	213	4	-	-	4
Total held-to-maturity bonds	445	8	-	-	8	415	17	-	-	17

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.

(b) Investments in a continuous unrealized loss position for a period of 12 months or more.

(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.

(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.

(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.

(f) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More information on amortized cost and unrealized losses, by duration and impairment percentage, of held-to-maturity bonds in an unrealized loss position(cont.)

	December 31 2018 (audited)									
	Less than 12 months ^(a)					12 months and more ^(b)				
	Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments				
	Amor- tized cost	0-(c)20%	20%-(d)35%	More than 35%(e)	Total	Amor- tized cost	0-(c)20%	20%-(d)35%	More than 35%(e)	Total
In NIS millions										
Bonds										
Of the Israeli government	694	3	-	-	3	-	-	-	-	-
Mortgage-backed (MBSs)	465	4	-	-	4	285	13	-	-	13
Of other foreign entities	179	2	-	-	2	293	13	-	-	13
Total held-to-maturity bonds	1,338	9	-	-	9	578	26	-	-	26

More information on fair value and unrealized losses, by duration and impairment percentage, of bonds (2018 - available-for-sale securities) in an unrealized loss position

	As at March 31 2019 (unaudited)									
	Less than 12 months ^(a)					12 months and more ^(b)				
	Unrealized losses ^(f)					Unrealized losses ^(f)				
	Fair value	0-(c)20%	20%-(d)35%	More than 35%(e)	Total	Fair value	0-(c)20%	20%-(d)35%	More than 35%(e)	Total
In NIS millions										
Bonds										
Of the Israeli government	10,624	60	-	-	60	234	2	-	-	2
Of foreign governments	2,752	2	-	-	2	123	-(g)	-	-	-
Of foreign financial institutions	1,106	7	-	-	7	1,651	16	-	-	16
Asset-backed (ABS) or mortgage-backed (MBS)	1,588	13	-	-	13	5,125	86	-	-	86
Of other foreign entities	76	3	-	-	3	762	14	-	-	14
Total available-for-sale bonds	16,146	85	-	-	85	7,895	118	-	-	118

- (a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.
(f) Amounts charged to the capital reserve as part of other comprehensive income, net, after tax effect.
(g) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More information on fair value and unrealized losses, by duration and impairment percentage, of bonds (2018 - available-for-sale securities) in an unrealized loss position (cont.)

	As at March 31 2018 (unaudited)									
	Less than 12 months ^(a)					12 months and more ^(b)				
	Fair value	Unrealized losses ^(f)			Total	Fair value	Unrealized losses ^(f)			Total
		0- ^(c) 20%	20%- ^(d) 35%	More than 35% ^(e)			0- ^(c) 20%	20%- ^(d) 35%	More than 35% ^(e)	
In NIS millions										
Bonds										
Of the Israeli government	10,942	33	-	-	33	-	-	-	-	-
Of foreign governments	8,849	17	-	-	17	528	15	-	-	15
Of foreign financial institutions	3,182	39	-	-	39	2,225	9	-	-	9
Asset-backed (ABS) or mortgage-backed (MBS)	3,466	38	-	-	38	3,267	129	-	-	129
Of other Israeli entities	56	- ^(g)	-	-	-	-	-	-	-	-
Of other foreign entities	1,818	46	-	-	46	789	18	-	-	18
Shares and mutual funds	417	16	-	-	16	156	4	-	-	4
Total available-for-sale securities	28,730	189	-	-	189	6,965	175	-	-	175
	December 31 2018 (audited)									
	Less than 12 months ^(a)					12 months and more ^(b)				
	Fair value	Unrealized losses ^(f)			Total	Fair value	Unrealized losses ^(f)			Total
		0- ^(c) 20%	20%- ^(d) 35%	More than 35% ^(e)			0- ^(c) 20%	20%- ^(d) 35%	More than 35% ^(e)	
	In NIS millions									
Bonds										
Of the Israeli government	23,891	231	-	-	231	818	19	-	-	19
Of foreign governments	2,679	5	-	-	5	153	2	-	-	2
Of foreign financial institutions	3,641	80	-	-	80	1,275	29	-	-	29
Asset-backed (ABS) or mortgage-backed (MBS)	2,378	30	-	-	30	5,293	160	-	-	160
Of other Israeli entities	103	2	-	-	2	-	-	-	-	-
Of other foreign entities	1,516	46	-	-	46	896	29	-	-	29
Shares and mutual funds	680	43	2	-	45	35	12	-	-	12
Total available-for-sale securities	34,888	437	2	-	439	8,470	251	-	-	251

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.

(b) Investments in a continuous unrealized loss position for a period of 12 months or more.

(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.

(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.

(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.

(f) Amounts charged to the capital reserve as part of other comprehensive income, net, after tax effect.

(g) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More information on mortgage-backed and asset-backed available-for-sale bonds (2018 - securities) in an unrealized loss position

	As at March 31 2019 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value
	In NIS millions					
Mortgage-backed bonds (MBSs)	-	-	1,860	(33)	1,860	(33)
Other mortgage-backed bonds (including REMICS, CMOs and stripped MBSs)	935	(8)	2,393	(45)	3,328	(53)
Asset-backed bonds	653	(5)	872	(8)	1,525	(13)
Total	1,588	(13)	5,125	(86)	6,713	(99)

	As at March 31 2018 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value
	In NIS millions					
Mortgage-backed securities (MBSs)	993	(1)	1,286	(64)	2,279	(65)
Other mortgage-backed securities (including REMICS, CMOs and stripped MBSs)	1,178	(34)	1,704	(63)	2,882	(97)
Asset-backed securities (ABSs)	1,295	(3)	277	(2)	1,572	(5)
Total	3,466	(38)	3,267	(129)	6,733	(167)

	December 31 2018 (audited)					
	Up to 12 months		More than 12 months		Total	
	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value	Unrealized losses from fair value adjustments ^(a)	Fair value
	In NIS millions					
Mortgage-backed securities (MBSs)	209	(4)	1,899	(54)	2,108	(58)
Other mortgage-backed securities (including REMICS, CMOs and stripped MBSs)	1,017	(10)	2,454	(87)	3,471	(97)
Asset-backed securities (ABSs)	1,152	(16)	940	(19)	2,092	(35)
Total	2,378	(30)	5,293	(160)	7,671	(190)

(a) Amounts charged to the capital reserve as part of other comprehensive income, net, after tax effect.

Note 5 - Securities (cont.)

More Information on held-to-maturity mortgage-backed securities

	As at March 31 2019 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	1,409	9	(1)	1,417
Of which: GNMA-backed securities	1,021	6	(1)	1,026
Securities issued by FNMA or FHLMC	388	3	-	391
Other mortgage-backed securities (including CMOs and stripped MBSs)	301	-	(9)	292
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	129	-	(6)	123
Total mortgage-backed securities (MBSs)	1,710	9	(10)	1,709
Total mortgage-backed held-to-maturity securities	1,710	9	(10)	1,709
	As at March 31 2018 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	-	-	-	-
Of which: GNMA-backed securities	-	-	-	-
Securities issued by FNMA or FHLMC	-	-	-	-
Other mortgage-backed securities (including CMOs and stripped MBSs)	345	-	(16)	329
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	162	-	(13)	149
Total mortgage-backed securities (MBSs)	345	-	(16)	329
Total mortgage-backed held-to-maturity securities	345	-	(16)	329

Note 5 - Securities (cont.)

More information on held-to-maturity mortgage-backed securities (cont.)

December 31 2018 (audited)				
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	1,280	4	(4)	1,280
Of which: GNMA-backed securities	1,100	4	(3)	1,101
Securities issued by FNMA or FHLMC	180	-	(1)	179
Other mortgage-backed securities (including CMOs and stripped MBSs)				
	316	-	(13)	303
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	134	-	(8)	126
Total mortgage-backed securities (MBSs)	1,596	4	(17)	1,583
Total mortgage-backed held-to-maturity securities	1,596	4	(17)	1,583

More information on mortgage-backed and asset-backed available-for-sale bonds (2018 - securities)

As at March 31 2019 (unaudited)				
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
	In NIS millions			
		Gains	Losses	
Mortgage-backed bonds (MBSs)				
Pass-through bonds	2,543	9	(33)	2,519
Of which: GNMA-backed securities bonds	373	2	(2)	373
Bonds issued by FNMA or FHLMC	2,170	7	(31)	2,146
Other mortgage-backed bonds (including CMOs and stripped MBSs)				
	4,398	12	(53)	4,357
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	4,093	11	(53)	4,051
Total mortgage-backed bonds	6,941	21	(86)	6,876
Asset-backed bonds				
	2,210	5	(13)	2,202
Of which: Loans to non-individuals - CLO-type bonds	1,555	5	(7)	1,553
Loans to non-individuals - SBA-guaranteed securities	591	-	(6)	585
Total available-for-sale mortgage-backed bonds	9,151	26	(99)	9,078

(a) Amounts charged to the capital reserve as part of other comprehensive income, net, after tax effect.

Note 5 - Securities (cont.)

More information on mortgage-backed and asset-backed available-for-sale bonds (2018 - securities) (cont.)

	As at March 31 2018 (unaudited)			
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
		Gains	Losses	
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through securities	2,415	-	(65)	2,350
Of which: GNMA-guaranteed securities	276	-	(14)	262
Securities issued by FNMA or FHLMC	2,139	-	(51)	2,088
Other mortgage-backed securities (including CMOs and stripped MBSs)	3,969	5	(97)	3,877
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	3,819	4	(97)	3,726
Total mortgage-backed securities (MBSs)	6,384	5	(162)	6,227
Asset-backed securities (ABSs)	2,040	6	(5)	2,041
Of which: Loans to non-individuals - CLO-type bonds	1,318	5	(1)	1,322
Loans to non-individuals - SBA-guaranteed securities	722	1	(4)	719
Total mortgage-backed and asset-backed available-for-sale securities	8,424	11	(167)	8,268
<hr/>				
	December 31 2018 (audited)			
	Amortized cost	Accumulated other comprehensive income (loss) ^(a)		Fair value
		Gains	Losses	
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through securities	2,956	5	(58)	2,903
Of which: GNMA-guaranteed securities	460	-	(1)	459
Securities issued by FNMA or FHLMC	2,496	5	(57)	2,444
Other mortgage-backed securities (including CMOs and stripped MBSs)	4,398	10	(97)	4,311
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	4,156	9	(97)	4,068
Total mortgage-backed securities (MBSs)	7,354	15	(155)	7,214
Asset-backed securities (ABSs)	2,254	-	(35)	2,219
Of which: Loans to non-individuals - CLO-type bonds	1,547	-	(21)	1,526
Loans to non-individuals - SBA-guaranteed securities	648	-	(14)	634
Total mortgage-backed and asset-backed available-for-sale securities	9,608	15	(190)	9,433

(a) Amounts charged to the capital reserve as part of other comprehensive income, net, after tax effect.

Note 5 - Securities (cont.)

More information on mortgage-backed and asset-backed held-for-trading securities

As at March 31 2019 (unaudited)				
	Amortized cost	Unrealized gains from fair value adjustments ^(a)	Unrealized losses from fair value adjustments ^(a)	Fair value
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through securities	3	-	-	3
Of which: Securities issued by FNMA or FHLMC	3	-	-	3
Other mortgage-backed securities (including CMOs and stripped MBSs)	47	-	-	47
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	50	-	-	50
Total asset-backed securities (ABSs)	198	2	(1)	199
Total mortgage-backed and asset-backed held-for-trading securities	248	2	(1)	249
As at March 31 2018 (unaudited)				
	Amortized cost	Unrealized gains from fair value adjustments ^(a)	Unrealized losses from fair value adjustments ^(a)	Fair value
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through securities	4	-	-	4
Of which: Securities issued by FNMA or FHLMC	4	-	-	4
Other mortgage-backed securities (including CMOs and stripped MBSs)	54	-	-	54
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	58	-	-	58
Total asset-backed securities (ABSs)	236	1	(2)	235
Total mortgage-backed and asset-backed held-for-trading securities	294	1	(2)	293

(a) Gains (losses) carried to the income statement.

Note 5 - Securities (cont.)

More information on mortgage-backed and asset-backed held-for-trading securities (cont.)

	December 31 2018 (audited)			Fair value
	Amortized cost	Unrealized gains from fair value adjustments ^(a)	Unrealized losses from fair value adjustments ^(a)	
In NIS millions				
Mortgage-backed securities (MBSs)				
Pass-through securities	4	-	-	4
Of which: Securities issued by FNMA or FHLMC	4	-	-	4
Other mortgage-backed securities (including CMOs and stripped MBSs)	49	-	(1)	48
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	53	-	(1)	52
Total asset-backed securities (ABSs)	219	1	(1)	219
Total mortgage-backed and asset-backed held-for-trading securities	272	1	(2)	271

(a) Gains (losses) carried to the income statement.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision

Reclassification of credit risk in respect of loans to private individuals (excluding housing loans) and loans to small businesses

It should be noted that following the assimilation of a designated system for handling troubled debt, a new module was developed recently to improve automated identification of restructured debt in lieu of adequate or troubled debt. As a result, the Bank revised its restructured loans amount.

Following the above, as part of the notes to the financial statements as at March 31 2018, the outstanding balances of loans to private individuals (excluding housing loans) and loans to small businesses were reclassified from non-troubled debt to troubled debt. A total of NIS 283 million was reclassified in respect of loans to private individuals, gross (excluding housing loans) and for gross loans to small businesses - NIS 274 million.

In addition, as of March 31 2018, a total of NIS 261 million in respect of loans to private individuals was reclassified to gross non-performing loans (NIS 206 million was reclassified from non-troubled debt and NIS 55 million was reclassified from unimpaired troubled debts). Additionally, NIS 312 million for loans to small businesses was reclassified to gross non-performing loans as at March 31 2018 (NIS 210 million was reclassified from non-troubled debt and NIS 102 million - from unimpaired troubled debt).

The effect of this revision on the financial performance for the year is immaterial.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts^(a), loans to the public and balance of provision for loan losses

	As at March 31 2019 (unaudited)					Total
	Loans to the public			Total loans to the public	Banks and governments	
	Commer- cial	Housing	Private individuals - Other			
	In NIS millions					
Recorded outstanding debt balance^(a):						
Examined on a specific basis	126,224	29	840	127,093	10,905	137,998
Examined on a collective basis ¹	43,607	81,326	28,339	153,272	352	153,624
¹ Of which: By extent of arrears	808 ^(c)	80,928	-	81,736	-	81,736
Total debts^{(a)2}	169,831	81,355	29,179	280,365	11,257	291,622
² Of which:						
Restructured debt	1,077	8	304	1,389	-	1,389
Other non-performing loans	1,018	21	14	1,053	-	1,053
Total non-performing loans	2,095	29	318	2,442	-	2,442
Debts in arrears of 90 days or more	82	838	42	962	-	962
Other troubled debt	2,955	-	183	3,138	-	3,138
Total troubled debt	5,132	867	543	6,542	-	6,542
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,758	4	150	1,912	2	1,914
Examined on collective basis ³	486	474	436	1,396	-	1,396
³ Of which: By extent of arrears	-	473 ^(b)	-	473	-	473
Total loan loss provision⁴	2,244	478	586	3,308	2	3,310
⁴ Of which: For non-performing loans	409	4	135	548	-	548

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 297 million.

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts^(a), credit to the public and outstanding provision for loan losses (cont.)

As at March 31 2018 (unaudited)						
Loans to the public						
	Commer- cial ^(e)	Housing	Private individuals - Other ^(e)	Total loans to the public	Banks and govern- ments	Total
In NIS millions						
Recorded outstanding debt balance^(a):						
Examined on a specific basis	116,166	31	860	117,057	12,134	129,191
Examined on a collective basis ¹	43,970	78,152	35,637	157,759	1,353	159,112
¹ Of which: By extent of arrears	1,109 ^(c)	77,680	-	78,789	-	78,789
Less balances classified as held-for-sale assets ^(d)	(604)	-	(7,662)	(8,266)	(32)	(8,298)
Total debts^{(a)2}	159,532	78,183	28,835	266,550	13,455	280,005
² Of which:						
Restructured debt	1,587	10 ^(e)	333	1,930	-	1,930
Other non-performing loans	1,155	21 ^(e)	49	1,225	-	1,225
Total non-performing loans	2,742	31	382	3,155	-	3,155
Debts in arrears of 90 days or more	58	758	46	862	-	862
Other troubled debt	2,585	-	521	3,106	-	3,106
Less balances classified as held-for-sale assets ^(d)	(2)	-	(366)	(368)	-	(368)
Total troubled debt	5,383	789	583	6,755	-	6,755
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,692	7	121	1,820	1	1,821
Examined on a collective basis ³	479	449	609	1,537	-	1,537
³ Of which: By extent of arrears	-	448 ^(b)	-	448	-	448
Less balances classified as held-for-sale assets ^(d)	(6)	-	(132)	(138)	-	(138)
Total loan loss provision⁴	2,165	456	598	3,219	1	3,220
⁴ Of which: For non-performing loans	450	5 ^(e)	103	558	-	558

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 334 million.

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts^(a), credit to the public and outstanding provision for loan losses (cont.)

	December 31 2018 (audited)					
	Loans to the public					
	Commer- cial	Housing	Private individuals - Other	Total loans to the public	Banks and govern- ments	Total
In NIS millions						
Recorded outstanding debt balance^(a):						
Examined on a specific basis	120,192	31	901	121,124	15,091	136,215
Examined on a collective basis ¹	44,746	80,859	36,006	161,611	673	162,284
¹ Of which: By extent of arrears	913 ^(c)	80,432	-	81,345	-	81,345
Less balances classified as held-for-sale assets ^(d)	(655)	-	(7,555)	(8,210)	(35)	(8,245)
Total debts^{(a)2}	164,283	80,890	29,352	274,525	15,729	290,254
² Of which:						
Restructured debt	1,318	8 ^(e)	337 ^(e)	1,663	-	1,663
Other non-performing loans	1,063	23 ^(e)	47 ^(e)	1,133	-	1,133
Total non-performing loans	2,381	31	384	2,796	-	2,796
Debts in arrears of 90 days or more	120	862	72	1,054	-	1,054
Other troubled debt	2,585	-	519	3,104	-	3,104
Less balances classified as held-for-sale assets ^(d)	(7)	-	(361)	(368)	-	(368)
Total troubled debt	5,079	893	614	6,586	-	6,586
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,792 ^(e)	5	165 ^(e)	1,962	3	1,965
Examined on a collective basis ³	475 ^(e)	474	609 ^(e)	1,558	-	1,558
³ Of which: By extent of arrears	-	473 ^(b)	-	473	-	473
Less balances classified as held-for-sale assets ^(d)	(11)	-	(157)	(168)	-	(168)
Total loan loss provision⁴	2,256	479	617	3,352	3	3,355
⁴ Of which: For non-performing loans	459	4	150	613	-	613

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 295 million.

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in balance of provision for loan losses

For the three months ended March 31 2019 (unaudited)						
Loan loss provision						
Loans to the public						
	Commercial	Housing	Private individuals - Other	Total loans to the public	Banks and govern-ments	Total
In NIS millions						
Balance of loan loss provision as at the beginning of the reporting period	2,697	479	637	3,813	3	3,816
Expenses (income) in respect of loan losses	(32)	1	14	(17)	(1)	(18)
Write-offs	(218)	(3)	(122)	(343)	-	(343)
Collection of debts written off in previous years	204	-	77	281	-	281
Net write-offs	(14)	(3)	(45)	(62)	-	(62)
Adjustments from translation of financial statements	(7)	1	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period ¹	2,644	478	606	3,728	2	3,730
¹ Of which: For off-balance sheet credit instruments	400	-	20	420	-	420
For the three months ended March 31 2018 (unaudited)						
Loan loss provision						
Loans to the public						
	Commer- cial ^(c)	Housing	Private individuals - Other ^(c)	Total - Public	Banks and govern-ments	Total
In NIS millions						
Balance of loan loss provision as at the beginning of the reporting period	2,510	450	737	3,697	3	3,700
Changes recognized in equity ^(a)	21	-	-	21	-	21
Balance as at January 1 2018	2,531	450	737	3,718	3	3,721
Expenses (income) in respect of loan losses	63	6	63	132	(2)	130
Write-offs	(167)	(1)	(119)	(287)	-	(287)
Collection of debts written off in previous years	176	-	85	261	-	261
Net write-offs	9	(1)	(34)	(26)	-	(26)
Adjustments from translation of financial statements	4	1	-	5	-	5
Less balances classified as held-for-sale assets ^(b)	(6)	-	(147)	(153)	-	(153)
Balance of loan loss provision as at the end of the reporting period ¹	2,601	456	619	3,676	1	3,677
¹ Of which: For off-balance sheet credit instruments	436	-	21	457	-	457

(a) Effect of first-time application of IFRS 9 on foreign subsidiaries.

(b) Comparative results of: Balance of loan loss provision as at the beginning of the period is presented net of assets classified as held for sale. For more information regarding comparative results of balances and changes classified as held for sale, please see Note 36F to the financial statements as at December 31 2018.

(c) Reclassified.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
In Israel			
Demand deposits			
Non-interest bearing deposits	79,677	88,193	88,151
Interest-bearing deposits	121,568	111,588	121,269
Total demand deposits	201,245	199,781	209,420
Fixed deposits	137,818	137,316 ^(c)	129,334
Less balances classified as held for sale liabilities ^(a)	-	(89)	(71)
Total deposits in Israel ¹	339,063	337,008	338,683
Outside Israel			
Demand deposits			
Non-interest bearing deposits	9,139	9,741	9,646
Interest-bearing deposits	5,209	5,356	5,507
Total demand deposits	14,348	15,097	15,153
Fixed deposits ²	10,176	10,374	10,755
² Of which: Nonaccrual	17	13	19
Total deposits outside Israel	24,524	25,471	25,908
Total deposits by the public	363,587	362,479	364,591
¹ Of which:			
Deposits by private individuals	134,235	131,034 ^{(b)(c)}	134,931 ^(b)
Deposits by institutional entities	63,236	67,574	61,003
Deposits by corporations and others	141,592	138,400 ^(c)	142,749

B. Deposits by the public by amount

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Maximum deposit is NIS millions			
Up to 1	101,778	99,110 ^(b)	101,053 ^(b)
From 1 to 10	93,438	91,170	95,364
From 10 to 100	63,308	62,516	64,272
From 100 to 500	36,517	36,340 ^(c)	37,944
Over 500	68,546	73,343	65,958
Total	363,587	362,479	364,591

(a) For more information, please see Note 36F to the financial statements as at December 31 2018.

(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 89 million as at March 31 2018 and NIS 71 million as at December 31 2018.

(c) Reclassified in respect of the improvement effort carried out in 2018.

Note 8 - Employee Benefits

A. Composition of benefits

1. Employee benefits

	As at March 31		As at
	2019	2018	December 31
	Unaudited		Audited
In NIS millions			
Retirement benefits - pension and severance pay			
Liability amount	16,921	17,443	15,867
Fair value of plan assets	6,502	6,377	6,235
Excess liability over plan assets (included in "Other liabilities")	10,419	11,066	9,632
Accrued jubilee vacation leave			
Liability amount	43	46	41
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in "Other liabilities")	43	46	41
Other benefits			
Liability amount	557	575	533
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in "Other liabilities")	557	575	533
Total¹			
Amount by which the liability for employee benefits exceeds the plan assets included in "Other liabilities"	11,019	11,687	10,206
¹ Of which: In respect of benefits to employees abroad	61	74	64

2. Defined benefit plan

A. Obligation and funding status

1. Change in the obligation in respect of an expected benefit

	For the three months ended March 31		For the year ended
	2019	2018	December 31
	Unaudited		Audited
In NIS millions			
Obligation in respect of expected benefit as at the beginning of the period	15,867	17,995	17,995
Cost of service	30	40	145
Cost of interest	170	160	653
Contributions by planholders	10	10	39
Actuarial loss (gain)	1,063	(198)	(1,801)
Changes in foreign exchange rates	(6)	13	20
Paid benefits ^(a)	(182)	(577)	(1,184)
Other	(31)	-	-
Obligation in respect of expected benefit as at the end of the reporting period	16,921	17,443	15,867
Obligation in respect of cumulative benefit as at the end of the reporting period	16,119	16,577	15,063

(a) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

A. Composition of benefits (cont.)

2. Defined benefit plan (cont.)

A. Obligation and funding status (cont.)

2. Change in the fair value of plan assets and plan's funding status

	For the three months ended		For the
	March 31		year ended
	2019	2018	December 31
	Unaudited		Audited
In NIS millions			
Fair value of plan assets as at the beginning of the period	6,235	6,708	6,708
Actual return on plan assets	282	(9)	(60)
Plan contributions by the Bank	23	25	110
Contributions by planholders	10	10	39
Changes in foreign exchange rates	(7)	11	3
Paid benefits ^(a)	(41)	(379)	(572)
Other	-	11	7
Fair value of plan assets as at the end of the reporting period	6,502	6,377	6,235
Funding status - Net liability recognized at the end of the reporting period	10,419	11,066	9,632

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at
	2019		December 31
	2018		2018
	Unaudited		Audited
In NIS millions			
Amounts recognized in the "Other liabilities" line item	10,419	11,066	9,632
Net liability recognized at the end of the reporting period	10,419	11,066	9,632

4. Amounts recognized in Accumulated other comprehensive income before tax effect

	As at March 31		As at
	2019		December 31
	2018		2018
	Unaudited		Audited
In NIS millions			
Net actuarial loss	3,448	4,194	2,668
Closing balance of accumulated other comprehensive income	3,448	4,194	2,668

(a) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditure for the period

1. Components of the net benefit cost recognized in the income statement

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Cost of service	30	40	145
Cost of interest	170	160	653
Expected return on plan assets	(84)	(86)	(356)
Amortization of unrecognized amounts - net actuarial loss	61	100	356
Other incl. restructuring	31	-	-
Total benefit cost, net	208	214	798
Total expense for defined contribution pension plan	40	47	200
Total expenses included in the income statement	248	261	998

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Net actuarial loss (gain) for the period	865	(103)	(1,385)
Amortization of unrecognized amounts - net actuarial loss	(61)	(100)	(356)
Changes in foreign exchange rates	7	-	8
Other	(31)	(11)	(7)
Total recognized in other comprehensive income	780	(214)	(1,740)
Total benefit cost, net	208	214	798
Total recognized in net benefit cost for the period and in other comprehensive income	988	-	(942)

3. Estimate of the amounts included in accumulated other comprehensive income that are expected to be deducted as an expense to the income statement in 2019, before the tax effect

	For the nine months ended December 31 2019
	Unaudited
	In NIS millions
Net actuarial loss	246
Total expected amortized amount out of accumulated other comprehensive income	246

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

3. Assumptions^(a)

A. The assumptions, based on the weighted average, used for calculating the obligation for the benefit and for measuring the benefit's net cost

1. The main assumptions used for calculating the obligation for the benefit

	As at March 31		As at December 31	
	2019	2018	2018	
	Unaudited		Audited	
	In %			
Discount rate	2.25	2.09	2.74	
Rate of increase in the CPI	1.55	1.55	1.59	
Departure rate	0.1-3.7	0.1-3.7	0.1-3.7	
Rate of compensation increase	0-6.3	0-6.3	0-6.3	

2. The main assumptions used for calculating the cost of the net benefit for the period

	As at March 31		As at December 31	
	2019	2018	2018	
	Unaudited		Audited	
	In %			
Discount rate	2.74	2.06	2.22	
Expected long-term return on plan assets	5.50	5.50	5.50	
Rate of compensation increase	0-6.3	0-6.3	0-6.3	

B. The effect of a 1 percentage point change on the expected benefit obligation before the tax effect

	Increase by 1 percentage point			Decrease by 1 percentage point		
	March 31		December 31	March 31		December 31
	2019	2018	2018	2019	2018	2018
	Unaudited		Audited	Unaudited		Audited
In NIS millions						
Discount rate	(2,168)	(2,327)	(1,993)	2,678	2,902	2,457
Departure rate	209	155	200	(186)	(151)	(179)
Rate of compensation increase	637	633	571	(541)	(553)	(499)

(a) The assumptions are only in respect of the Bank's data.

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

The employee benefit liability amount is affected by several key variables, which include market variables (interest capitalization rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being employees' behavioral variables. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables. For example, in case of a sharp interest rate hike in the Israeli economy, government bond yields may rise (lowering the pension liability amounts and causing the number of employees opting for the pension fund track to decrease (a decision which will also decrease the Bank's pension liability amounts).

4. Plan assets

A. Composition of the fair value of plan assets

	As at March 31		As at December 31	
	2019	2018	2018	
	Unaudited		Audited	
	In NIS millions			
Cash and deposits with banks	243	113	160	
Shares	2,441	2,498	2,326	
Government bonds	1,048	1,053	1,040	
Corporate bonds	1,851	1,996	1,714	
Other	919	717	995	
Total	6,502	6,377	6,235	

B. Fair value of plan assets by type of asset and allocation target for 2019

	Allocation target		Percentage of plan assets	
	March 31	March 31	December 31	
	2019	2019	2018	2018
	Unaudited		Audited	
In %				
Cash and deposits with banks	2	4	2	3
Shares	38	38	39	37
Government bonds	16	16	17	17
Corporate bonds	32	28	31	27
Other	12	14	11	16
Total	100	100	100	100

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

5. Cash flows

A. Contributions

	Forecast ^(a)	For the three months ended March 31		For the year ended December 31
	2019	2019	2018	2018
	Unaudited			Audited
	In NIS millions			
Contributions	99	33	35	149

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2019.

B. Benefits the Bank expects to pay in the future^(a)

Year	In NIS millions
2019	510
2020	767
2021	697
2022	738
2023	755
2024-2028	4,412
From 2029	10,611
Total	18,490

(a) In discounted values.

Note 9A - Capital

Changes in the Bank's Capital

Under the Bank's compensation plan, the precondition for the vesting the third and last of the PSUs (which were allotted to the Chairman of the Board, to the President and CEO and to other officeholders of the Bank (hereinafter: the "**Bank's Officeholders**") as part of the approval of the performance-based annual bonus for half of the 2016 annual bonus) (hereinafter: the "**2016 PSUs**") as well as for the vesting of the second of the PSUs allotted to the Bank's Officeholders as part of the approval of the performance-based annual bonus for half of the 2017 annual bonus) (hereinafter: the "**2017 PSUs**") has been met; therefore, the third and last of the 2016 PSUs and the second third of the 2017 PSUs have vested. As a result, on March 6 2019, the Bank's officeholders were allotted shares, according to the number of 2016 PSUs and 2017 PSUs vested as of that date.

For more information, please see Note 25A to the 2018 Annual Financial Statements.

Under the compensation policy, the shares allotted following the vesting of the said 2016 PSUs, 2017 PSUs and RSUs, were deposited with the trustee of the compensation plan, ESOP Management and Trust Services Ltd. (hereinafter: the "**Plan Trustee**").

The shares allotted in respect of the 2017 PSUs, as detailed above, were restricted until two years from the date of allotment of the 2017 PSUs, i.e. - until April 5 2019.

The vesting of the 2016 PSUs and 2017 PSUs at each of the vesting dates will be conditioned on the Bank having the required capital adequacy ratio pursuant to the Banking Supervision Department's directives, in accordance with the most recent financial statements published by the Bank immediately prior to each vesting date. If the Bank does not comply with the aforesaid ratio, the tranche's vesting will be postponed to the next date on which the Bank meets the required capital adequacy ratio, as stated, in accordance with the published financial statements.

For more information, please see Note 25A to the 2018 Annual Financial Statements.

Note 9A - Capital (cont.)

The Bank's share buyback plan

On May 26 2019, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 700 million, from May 28 2019 to May 27 2020. The share buyback plan will take place as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or outside the TASE, through an external, independent member of the TASE, which will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. The buyback plan will take place in two separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: "Stage A" and "Stage B"). Stage A will begin on May 28 2019 and will end on the earlier of (a) August 2 2019; or (b) Purchase of the Bank's shares in the amount of NIS 350 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the first trading day following the publication of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) May 27 2020; or (b) Purchase of the Bank's shares in the amount of NIS 700 million, less the total amount purchased as part of Stage A. If, following the end of Stage A, a decision will be made not to proceed with Stage B, the Bank will publish an immediate report to that effect.

Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 19 2019, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 Capital Ratio of at least 10.9 percent.

Shelf prospectus and bond issue

On May 25 2018, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority.

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 1.69 billion in Bonds Series 180. The bonds are repayable in two equal installments on February 28 2023 and February 28 2025 and carry an annual interest rate of 2.02 percent, payable annually on February 28 of each year from 2020 to 2025 (inclusive). The Series 180 bonds are not recognized for regulatory capital purposes.

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 664.2 million in Subordinated Bonds Series 403.

According to a shelf prospectus dated March 12 2019, the Bank issued, on March 13 2019, an extension of Series 403, under which the Bank issued a total of NIS 777 million par value in subordinated bonds in consideration of NIS 798.4 million.

The Subordinated Bonds Series 403 are repayable by a lump sum on February 28 2030, with an early repayment option for the issuer exercisable not before January 31 2025 and no later than February 28 2025. The Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 2.42 percent until February 28 2025. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest revision date.

If circumstances of a trigger event (a point of non-viability event for non-occurrence or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the subordinated bonds shall be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (after adjustments), the highest of the two. These Subordinated Bonds Series 403 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information regarding the issue of the Subordinated Bonds Series 401 and 402 during 2018, please see Note 25A to the 2018 Annual Financial Statements.

Note 9A - Capital (cont.)

Early redemption of subordinated capital notes

On February 10 2019, the Bank's Board of Directors decided to redeem in April-May 2019, by full early redemption, NIS 1 billion par value in (non-tradable) subordinated capital notes linked to the Consumer Price Index and issued in 2009. Accordingly, during April and May 2019, NIS 1.2 billion in subordinated bonds were redeemed in April and May.

Dividend Distribution Policy

On November 20 2017, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 40 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution.

Note 9A - Capital (cont.)

On March 6 2019, the Bank's Board of Directors approved a change in the Bank's dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions of the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

On May 26 2019, the Board of Directors approved, in respect of Q1 2019, a dividend of 40 percent of the net income of the quarter. The dividend approved amounted to NIS 437 million, which is 29.23 agorot per share of NIS 1 par value. The Board of Directors set June 10 2019 as the record date for dividend payment purposes and June 23 2019 as the payment date. The final dividend per share amount is subject to changes due to the Bank's share buyback plan (for more information about the plan, please see the beginning of this note).

[Details on paid dividend](#)

Announcement date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
May 25 2017	June 22 2017	8.17	124
August 15 2017	September 11 2017	11.50	175
November 21 2017	December 21 2017	21.51	328
March 6 2018	March 28 2018	22.41	342
May 24 2018	June 19 2018	19.18	292
August 14 2018	September 6 2018	23.96	361
November 12 2018	December 10 2018	25.08	375
March 6 2019	April 3 2019	18.40	275

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on Capital Measurement and Adequacy, in order to adapt them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

1. Regulatory capital components
2. Capital deductions and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for non-performing debts
5. Capital allocation for CVA risk

The abovementioned amendments became effective on January 1 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions.

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - are to be gradually deducted from the capital at a rate of 20 percent per year, from January 1 2014 to January 1 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1 2014 and in each subsequent year, the maximum is lowered by an additional 10 percent, until January 1 2022. As of 2019, the maximum instrument amount qualifying as regulatory capital is 30 percent.

In addition, on August 29 2013, the Banking Supervision Department published a circular on Basel disclosure requirements, addressing the composition of capital and setting forth revised disclosure requirements for banks as part of the adoption of the Basel III rules.

Volatile Capital Components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates, which are at historical lows, and also due to the considerable volatility such measurement has brought to the Bank's regulatory capital.

In this context, on July 12 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the financial statements as at December 31 2020 (inclusive). The new method significantly moderates the volatility resulting from changes in the capitalized interest rate.

On November 15 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to a fixed spread of AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 16,810 million and the Common Equity Tier 1 Capital - to NIS 36,424 million, compared with a book value of NIS 17,289 million for the pension liability and Common Equity Tier 1 capital of NIS 34,519 million.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
A. Data			
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital adjustments and deductions ^(b)	36,424	34,316	35,190
Tier 2 capital, after deductions	10,709	9,897	11,033
Total capital	47,133	44,213	46,223
Balance of risk-weighted assets			
Credit risk ^(b)	284,143	282,673	288,837
Market risks	5,431	4,343	6,295
Operational risk	23,153	21,801	22,713
Total balance of risk-weighted assets	312,727	308,817	317,845
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk-weighted components	11.65%	11.11%	11.07%
Ratio of total capital to risk-weighted components	15.07%	14.32%	14.54%
Minimum CET 1 capital ratio set by the Banking Supervision Department ^(a)	10.26%	10.25%	10.25%
Minimum total capital ratio set by the Banking Supervision Department ^(a)	13.76%	13.75%	13.75%
B. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted components	14.19%	13.34%	14.06%
Ratio of total capital to risk-weighted components	15.09%	14.15%	14.97%
Minimum CET1 capital ratio set by the local authorities ^(c)	7.00%	6.38%	6.38%
Minimum total capital ratio set by the local authorities ^(c)	10.50%	9.88%	9.88%

- (a) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required from January 2015 to December 31 2016 are 9 percent and 12.5 percent, respectively, and from January 1 2017 - 10 percent and 13.5 percent, respectively. As of January 2015, a capital requirement is added to these ratios, representing 1 percent of the housing loans' outstanding balance as of the reporting date. Thus, the minimum Tier 1 capital ratio and the minimum total capital ratio required by the Banking Supervision Department as of March 31 2019, according to the data as at the reporting date, are 10.26 percent and 13.76 percent, respectively.
- (b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter dated January 12 2016, entitled Operational Efficiency of the Banking System in Israel (hereinafter: the "Adjustments for the Efficiency Plan"). The adjustments are deducted gradually until June 30 2021 and June 30 2022, respectively. For more information regarding the effect of the transitional provisions and adjustments for the efficiency plan, please see Section D below. NIS 21 million - in respect of Adjustments for the Efficiency Plan - was added to the total balance of risk-weighted assets (NIS 157 million as at December 31 2018, NIS 192 million as at March 31 2018).
- (c) The minimum Common Equity Tier 1 capital ratio and the minimum total capital ratio are 4.5 percent and 8 percent, respectively. As of March 31 2019, a 2.5 percent capital conservation buffer is added to these ratios.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

C. Capital components for the calculation of capital ratios

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
1. CET1 capital			
Equity attributable to the Bank's shareholders	35,940	33,564	35,305
Differences between the equity attributable to the Bank's shareholders and Common Equity Tier 1 capital - non-controlling interests	230	190	399
Adjustments in respect of the transition between the accounting yield curve and the 8-quarter average yield curve ^(a)	141	507	(577)
Total CET1 capital before regulatory adjustments and deductions	36,311	34,261	35,127
Regulatory adjustments and deductions:			
Goodwill and intangible assets	(212)	(203)	(178)
Deferred taxes receivable	(3)	(363)	(251)
Regulatory adjustments and other deductions - CET1 capital	(17)	(18)	(17)
Total regulatory adjustments and deductions - CET1 capital	(232)	(584)	(446)
Total adjustments in respect of the efficiency plan	345	639	509
Total CET1 capital, after regulatory adjustments and deductions	36,424	34,316	35,190
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	7,661	6,778	7,790
Tier 2 capital: Provisions before deductions	3,048	3,119	3,243
Total Tier 2 capital before deductions	10,709	9,897	11,033
Deductions:			
Total deductions - Tier 2 capital	-	-	-
Total Tier 2 capital	10,709	9,897	11,033
Total capital	47,133	44,213	46,223

(a) Pursuant to specific approval by the Banking Supervision Department.

Note: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding capital measurement and capital adequacy, which became effective on January 1 2014.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

D. Effect of the transitional provisions and adjustments for the efficiency plan on the CET 1 capital ratio

	March 31 2019	2018	December 31 2018
	Unaudited		Audited
	In %		
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk components before the implementation of the transitional provisions and before the effect of Adjustments for the Efficiency Plan ^(a)	11.53%	10.91%	10.92%
Adjustments for the Efficiency Plan ^(b)	0.12%	0.20%	0.15%
Ratio of CET1 capital to risk-weighted components	11.65%	11.11%	11.07%

(a) Including the effect of adopting the US GAAP for employee benefits.

(b) These data include Adjustments for the Efficiency Plan prescribed in the Supervisor of Banks' letter dated January 12 2016, "Operational Efficiency of the Banking System in Israel." According to the said letter, the reliefs granted in respect of capital adequacy ratios and leverage ratio for the efficiency plans, which were approved by the Board of Directors in June 2016 and in July 2017, are being gradually withdrawn until June 30 2021 and June 30 2022, respectively.

A. Leverage ratio pursuant to the Banking Supervision Department's directives

On April 28 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Liquidity Coverage Ratio". The directive sets a simple, transparent and non-risk based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between the capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Directive No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A bank's total exposure is the sum of its balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to Appendix C of Proper Conduct of Banking Business Directive No. 203, and exposures for off-balance sheet items - by converting the items' notional value by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, banking corporations shall have a consolidated leverage ratio of no less than 5 percent. A banking corporation whose consolidated balance-sheet assets constitute at least 20 percent of the Israeli banking system's total balance-sheet assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

Banking corporations are required to comply with the minimum leverage ratio as of January 1 2018. A banking corporation meeting its applicable minimum leverage ratio on the date of the Directive's publication shall not fall below the threshold prescribed by the Directive. A banking corporation which fails to meet its applicable minimum leverage ratio on the date of the Directive's publication shall be required to increase its leverage ratio by regular quarterly rates until January 1 2018.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	As at March 31		As at
	2019	2018	December 31
	Unaudited		2018
	In NIS millions		Audited
A. Consolidated data^(a)			
Tier 1 capital	36,424	34,316	35,190
Total exposures	497,383	498,316	499,289
Leverage ratio			
Leverage ratio	7.32%	6.89%	7.05%
Minimum total leverage ratio set by the Banking Supervision Department	6.00%	6.00%	6.00%
B. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage ratio	12.21%	11.17%	11.72%
Minimum total leverage ratio set by the Banking Supervision Department	5.00%	5.00%	5.00%

(a) These data include adjustments for the efficiency plans prescribed in the Banking Supervision Department's letter dated January 12 2016, "Operational Efficiency of the Banking System in Israel." According to the said letter, the reliefs granted in respect of capital adequacy ratios and leverage ratio for the efficiency plans, which were approved by the Board of Directors in June 2016 and in July 2017, are being gradually withdrawn until June 30 2021 and June 30 2022, respectively. The effect on the leverage ratio of the relief for the efficiency plans was approximately 0.07 percent as at March 31 2019 (0.1 percent and 0.13 percent as at December 31 2018 and March 31 2018, respectively). For more information regarding the effect of the transitional provisions and Adjustments for the Efficiency Plan, please see Section D above.

In addition, when calculating the leverage ratio, adjustments in respect of the implementation of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities, as outlined above, were taken into account.

I. Liquidity coverage ratio pursuant to the Banking Supervision Department's directives

On September 28 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221, "Liquidity Coverage Ratio", which applies the recommendations of the Basel Committee regarding liquidity coverage ratio to the banking system in Israel. The liquidity coverage ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a banking corporation has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon. The Directive prescribes the manner of calculating the liquidity coverage ratio, including the characteristics and operational requirements for an "inventory of high-quality liquid assets" (the numerator) and sufficient buffers for them; it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for 30 calendar days (the denominator).

The stress scenario set forth in the directive includes a shock scenario combining a corporation-specific shock and a systemic shock; in this context, standard withdrawal and deposit rates were defined for outflows and inflows, respectively, according to the various balance categories.

The liquidity coverage ratio became effective on April 1 2015.

Pursuant to the transitional provisions, as of April 1 2015, the minimum requirement was set at 60 percent, increasing to 80 percent on January 1 2016, and to 100 percent on January 1 2017 and thereafter. However, in a period of financial pressure, a banking corporation may fall below these minimum requirements.

In addition, on September 28 2014, a circular was published concerning a temporary order - implementation of disclosure requirements under the Basel Committee's Pillar 3 - disclosure of the liquidity coverage ratio

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

(hereinafter: the "Circular"). The circular amended the Reporting to the Public Directives to incorporate the disclosure requirements banks are required meet in adopting the liquidity coverage ratio.

As a result, inter alia, beginning on April 1 2015, the disclosure requirements for the liquidity coverage ratio - both for consolidated and standalone financial statements (as applicable) - were added to the notes to the financial statements, with the amended title "Capital Adequacy and Liquidity under the Banking Supervision Department's Directives."

The Bank's liquidity coverage ratio is based on an average of daily observations and the consolidated liquidity coverage ratio is based on an average of monthly observations during the period.

	March 31		December 31	
	2019	2018	2018	
	Unaudited		Audited	
	In %			
A. Consolidated data				
Liquidity coverage ratio	129	122		121
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100		100
b. The Bank's data				
Liquidity coverage ratio	127	122		122
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100		100

Comment: Bank Leumi USA is not subject to the liquidity coverage ratio.

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent liabilities and other special commitments

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
(1) Long-term leases - Rent for buildings, equipment and vehicles, and maintenance fees due to commitments to pay over the coming years			
In first year	193	221	259
In second year	178	203	199
In third year	122	146	141
In fourth year	109	131	130
In fifth year	97	116	116
In more than 5 years	714	1,094	1,078
Total long-term leases	1,413	1,911 ^(a)	1,923 ^(b)
(2) Commitments to purchase securities	784	703	674
(3) Commitments to invest in, and purchase of, buildings and equipment	139	49 ^(a)	38 ^(b)

(a) Including outstanding lease balances of NIS 451 million and commitments to invest in buildings and equipment in the amount of NIS 33 million for held-for-sale assets.

(b) Including outstanding lease balances of NIS 441 million and commitments to invest in buildings and equipment in the amount of NIS 24 million for held-for-sale assets.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

	March 31		December 31	
	2019	2018	2018	
	Unaudited		Audited	
	In NIS millions			
(4) Loan sale activity				
Carrying amount of sold loans	178	-	503	
Cash proceeds	178	-	503	
Net income on sale of loans	-	-	-	

B. Legal claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions certification motions.

Note 26 to the Bank's Annual Financial Statements as at December 31 2018 included information regarding all pending material legal claims as of the reporting date. The following note contains information regarding material legal claims filed during the reporting period and thereafter, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding lawsuits reported in Note 26 to the Annual Financial Statements in which no change has occurred.

In the opinion of the management of the Bank and the managements of the consolidated companies - which are based on legal opinions regarding the expected results of such claims, including class actions certification motions - the financial statements reflect adequate provisions, where needed, to cover any damages resulting from such claims.

In the opinion of the management of the Bank and the managements of the consolidated companies, the total amount of additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, is NIS 30 million.

1. As at the publication date of the financial statements, there have been no material changes with respect to the details of Note 26 to the Annual Financial Statements, except as detailed below:
 - 1.1. On August 28 2013, a motion for class certification was filed against the Bank and other banks. The Banking Supervision Department, Bank of Israel Governor and Antitrust Commissioner were included as formal respondents. The subject of the motion is the allegedly unlawful charging of fees and commissions for conversion and transfer of foreign currency, without providing fair disclosure thereof. The applicants claim that the damage caused to customers (according to an "abbreviated" motion filed by the applicants) is about NIS 2.6 billion (the applicants claim additional damages which have not been quantified).
On January 20 2015, a court hearing the proceedings of another motion for class certification concerning a similar matter - in the amount of NIS 200 million, also against the credit card companies (including against Leumi Card) - decided to transfer the case to the court hearing the abovementioned motion.
On April 1 2019, the Supreme Court dismissed the appeal, which was filed by the claimants on March 18 2018.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

- 1.2. On June 21 2015, a motion for class certification against the Bank was filed. The applicant claims that the Bank allegedly charges currency conversion fees in respect of foreign currency transfers from a foreign currency account with the Bank to a foreign currency account in the name of that same customer with another bank, despite the fact that the funds were not converted into another currency. The applicant also claims that the Bank allegedly charges correspondent bank fees which are denominated in euro, at an exchange rate higher than the representative exchange rate; furthermore, the applicant claims that when a customer closes a bank account, the Bank allegedly charges fees and commissions in amounts that exceed the maximum amount collectible by law upon closing a bank account. The applicant estimates the total amount of the class action at NIS 1 million. On January 7 2019, the court approved a settlement agreement in this procedure, and the lawsuit was concluded.
 - 1.3. On March 7 2016, a legal claim was filed with a US court by a large number of plaintiffs, against dozens of defendants, including the Bank, Bank Leumi USA, and Bank Hapoalim. The plaintiffs claimed that by making, among other things, funds transfers, the defendants support settlements in the West Bank in a manner that harms Palestinian residents, their property and rights. The original amount claimed from all the defendants was \$34.5 billion. This amount was later reduced to \$1 billion. On August 29 2017, the US Court approved a motion to dismiss the legal claim in limine. On September 8 2017, the plaintiffs appealed the dismissal of the legal claim and on February 19 2019, the court accepted the appeal filed by the plaintiffs and reversed the decision approving in limine dismissal.
 - 1.4. On May 15 2017, a motion for class certification was filed against the Bank (similar claims have been filed against other banks, including the Bank, on February 12 2017, which are still pending). The petitioners claim that the Bank does not classify businesses as "small businesses" and, as a result, unlawfully charges them fees which are inapplicable to small businesses. The petitioner estimates the damage amount for all respondents to be NIS 462 million. On April 17 2018, the Tel Aviv District court decided to reject the petition for a class action suit filed on May 15 2017. The court ruled that the motion to approve a class action, filed against the Bank on February 12 2017, will remain pending. The amount of damage claimed in this motion is NIS 100 million. On May 21 2019, the Supreme Court dismissed the appeal filed by the applicants on May 31 2018 regarding the Tel Aviv District Court's ruling from April 17 2018.
2. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries. On February 25 2019, the sale of Leumi Card was completed.

C. Credit cards

Pursuant to the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017, as of February 2019, the Bank is required to operate the issuance of new credit cards for the Bank's customers through at least two issuance operators, with any issuance operator's share reaching a maximum of 52 percent of the new cards issued by the Bank.

In 2018, to implement the above, the Bank signed issuance and issuance operation agreements of debit cards with the following credit card companies: Isracard Ltd. and Europay (Eurocard) Israel Ltd. (of the Isracard group); Israel Credit Cards Ltd. and Diners Club Israel Ltd. (of the CAL group); and Leumi Card Ltd. (which changed its name after the signing of the agreement to Max It Finances Ltd.). During the reporting period, the Bank issued debit cards through the said credit card companies - CAL and Leumi Card.

For more information regarding credit cards and the said agreements, please see Note 26G to the 2018 Annual Financial Statements.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates

A. Volume of consolidated activity

	As at March 31 2019 (unaudited)		
	Non-trading derivatives	Held-for- trading derivatives	Total
In NIS millions			
(1) Notional amount of derivatives			
a) Interest rate contracts			
Futures and forwards	2,593	76,437	79,030
Written options	-	50,011	50,011
Call options	-	47,818	47,818
Swaps ^(a)	24,315	252,606	276,921
Total ^(b)	26,908	426,872	453,780
Of which: Hedging derivatives ^(c)	3,528	-	3,528
b) Foreign exchange rate contracts			
Futures and forwards ^(d)	34,589	166,177	200,766
Written options	1,394	46,201	47,595
Call options	1,394	48,374	49,768
Swaps ^(a)	740	22,008	22,748
Total	38,117	282,760	320,877
Of which: Hedging derivatives ^(c)	-	-	-
c) Stock contracts			
Futures and forwards	416	110,077	110,493
Written options	2,130	10,851	12,981
Call options ^(e)	1,809	11,097	12,906
Swaps	182	47,958	48,140
Total	4,537	179,983	184,520
d) Commodity and other contracts			
Futures and forwards	-	776	776
Written options	-	673	673
Call options	-	671	671
Swaps	-	159	159
Total	-	2,279	2,279
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total notional amount	69,562	891,894	961,456

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 143,057 million.

(b) Of which: NIS-CPI swaps totaling NIS 18,161 million.

(c) The Bank makes the hedging through interest rate swaps (IRSs).

(d) Of which: Foreign exchange spots totaling NIS 7,663 million.

(e) Of which NIS 10,764 million are traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	As at March 31 2018 ^(f) (unaudited)		
	Non-trading derivatives	Held-for- trading derivatives	Total
In NIS millions			
(1) Notional amount of derivatives			
a) Interest rate contracts			
Futures and forwards	4,079	82,055	86,134
Written options	-	6,364	6,364
Call options	-	1,053	1,053
Swaps ^(a)	36,123	219,224	255,347
Total^(b)	40,202	308,696	348,898
Of which: Hedging derivatives ^(c)	1,992	-	1,992
b) Foreign exchange rate contracts			
Futures and forwards ^(d)	40,587	183,705	224,292
Written options	771	40,305	41,076
Call options	771	39,086	39,857
Swaps ^(a)	772	24,059	24,831
Total	42,901	287,155	330,056
Of which: Hedging derivatives ^(c)	-	-	-
c) Stock contracts			
Futures and forwards	179	119,138	119,317
Written options	3,327	14,433	17,760
Call options ^(e)	2,817	14,433	17,250
Swaps	220	44,416	44,636
Total	6,543	192,420	198,963
d) Commodity and other contracts			
Futures and forwards	-	245	245
Written options	-	556	556
Call options	-	556	556
Swaps	-	167	167
Total	-	1,524	1,524
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	5	5
Total	-	5	5
Total notional amount	89,646	789,800	879,446

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 130,175 million.

(b) Of which: NIS-CPI swaps totaling NIS 16,839 million.

(c) The Bank makes the hedging through interest rate swaps (IRSs).

(d) Of which: Foreign exchange spots totaling NIS 12,659 million.

(e) Of which NIS 14,228 million are traded on the Tel Aviv Stock Exchange.

(f) Reclassified in respect of first-time application of the Bank of Israel's circular on derivatives and hedging. Please see Note 1.B.1.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2018 (audited)		
	Non-trading derivatives	Held-for-trading derivatives	Total
In NIS millions			
(1) Notional amount of derivatives			
a) Interest rate contracts			
Futures and forwards	4,651	69,935	74,586
Written options	-	39,682	39,682
Call options	-	37,097	37,097
Swaps ^(a)	25,319	233,740	259,059
Total^(b)	29,970	380,454	410,424
Of which: Hedging derivatives ^(c)	2,246	-	2,246
b) Foreign exchange rate contracts			
Futures and forwards ^(d)	35,792	179,038	214,830
Written options	1,181	41,180	42,361
Call options	1,181	41,545	42,726
Swaps ^(a)	812	23,363	24,175
Total	38,966	285,126	324,092
Of which: Hedging derivatives ^(c)	-	-	-
c) Stock contracts			
Futures and forwards	849	115,095	115,944
Written options	1,762	20,726	22,488
Call options ^(e)	1,902	20,929	22,831
Swaps	181	47,787	47,968
Total	4,694	204,537	209,231
d) Commodity and other contracts			
Futures and forwards	-	1,006	1,006
Written options	-	667	667
Call options	-	667	667
Swaps	-	211	211
Total	-	2,551	2,551
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total notional amount	73,630	872,668	946,298

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 130,341 million.

(b) Of which: NIS-CPI swaps totaling NIS 18,744 million.

(c) The Bank makes the hedging through interest rate swaps (IRSs).

(d) Of which: Foreign exchange spots totaling NIS 13,967 million.

(e) Of which NIS 20,869 million are traded on the Tel Aviv Stock Exchange.

(f) Reclassified in respect of first-time application of the Bank of Israel's circular on derivatives and hedging. Please see Note 1.B.1.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	As at March 31 2019 (unaudited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Non-trading derivatives	Held-for-trading derivatives	Total	Non-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	105	4,122	4,227	250	3,886	4,136
Of which: Hedging derivatives	26	-	26	61	-	61
b) Foreign exchange rate contracts	159	2,433	2,592	79	2,768	2,847
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	63	2,491	2,554	39	2,479	2,518
d) Commodity and other contracts	-	43	43	-	42	42
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross ^(a)	327	9,089	9,416	368	9,175	9,543
Amounts not netted on the balance sheet	-	-	-	-	-	-
Carrying amount	327	9,089	9,416	368	9,175	9,543
Of which: Derivatives not subject to a master netting- or similar arrangement	6	306	312	1	751	752

(a) Of which: NIS 8 million in gross fair value of assets in respect of embedded derivatives, NIS 24 million in gross fair value of liabilities in respect of embedded derivatives.

	As at March 31 2018 (unaudited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Non-trading derivatives	Held-for-trading derivatives	Total	Non-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	183	4,529	4,712	195	4,400	4,595
Of which: Hedging derivatives	61	-	61	5	-	5
b) Foreign exchange rate contracts	167	3,298	3,465	219	3,025	3,244
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	56	3,531	3,587	57	3,503	3,560
d) Commodity and other contracts	-	48	48	-	50	50
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross ^(a)	406	11,406	11,812	471	10,978	11,449
Amounts not netted on the balance sheet	-	-	-	-	-	-
Carrying amount	406	11,406	11,812	471	10,978	11,449
Of which: Derivatives not subject to a master netting- or similar arrangement, net	-	403	403	12	1,229	1,241

(a) Of which: NIS 9 million in gross fair value of assets in respect of embedded derivatives, NIS 32 million in gross fair value of liabilities in respect of embedded derivatives.

(b) Reclassified in respect of first-time application of the Bank of Israel's circular on derivatives and hedging. Please see Note 1.B.1.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2018 (audited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Non-trading derivatives	Held-for-trading derivatives	Total	Non-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	133	3,592	3,725	284	3,345	3,629
Of which: Hedging derivatives	48	-	48	17	-	17
b) Foreign exchange rate contracts	98	4,345	4,443	119	3,767	3,886
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	16	4,491	4,507	34	4,475	4,509
d) Commodity and other contracts	-	81	81	-	81	81
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross ^(a)	247	12,509	12,756	437	11,668	12,105
Amounts not netted on the balance sheet	-	-	-	-	-	-
Carrying amount	247	12,509	12,756	437	11,668	12,105
Of which: Derivatives not subject to a master netting- or similar arrangement	2	352	354	-	920	920

(a) Of which: NIS 6 million in gross fair value of assets in respect of embedded derivatives, NIS 16 million in gross fair value of liabilities in respect of embedded derivatives.

(b) Reclassified in respect of first-time application of the Bank of Israel's circular on derivatives and hedging. Please see Note 1.B.1.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges

1. Effect of hedge accounting of cash flows and of fair value on the profit (loss)

	For the three months ended March 31 2019 (unaudited)
	Interest income (expenses)
	In NIS millions
Total income (expenses) recognized in the income statement^(a)	(1)
Effect of fair value hedges and cash flow hedges:	
A. Profit (loss) from fair value hedges	
Interest rate contracts	
Hedged items	68
Hedging items	(69)
	For the three months ended March 31 2018 (unaudited)
	Interest income (expenses)
	In NIS millions
Total income (expenses) recognized in the income statement^(a)	(2)
Effect of fair value hedges and cash flow hedges:	
A. Profit (loss) from fair value hedges	
Interest rate contracts	
Hedged items	(35)
Hedging items	33
	For the year ended December 31 2018 (audited)
	Interest income (expenses)
	In NIS millions
Total interest income (expenses) recognized in the income statement^(a)	7
Effect of fair value hedges and cash flow hedges:	
A. Profit (loss) from fair value hedges	
Interest rate contracts	
Hedged items	(10)
Hedging items	17

(a) Until January 1 2019, profit (loss) amounts reclassified from Accumulated other comprehensive income (loss) were included in the interest income (expenses) or in the noninterest finance income (expenses), subject to the hedge effectiveness. As of January 1 2019, these amounts are included in the interest income (expenses) line item.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

2. The effect of hedging a net investment in a foreign operation on Accumulated other comprehensive income (loss) and on the income statement

	For the three months ended March 31 2019 (unaudited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss) ^(a)
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	68	-
	For the three months ended March 31 2018 (unaudited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss) ^(a)
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	(33)	-
	For the year ended December 31 2018 (audited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss) ^(a)
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	(182)	-

- (a) Until January 1 2019, profit (loss) amounts reclassified from Accumulated other comprehensive income (loss) were included in the interest income (expenses) line item or in the noninterest finance income (expenses) line item according to the hedge effectiveness. As of January 1 2019, all of these amounts are included in the interest income (expenses) line item.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

3. The effect of derivatives not designated as hedging instruments on the income statement

	For the three months ended March 31 2019 (unaudited)
	Profit (loss) recognized in income (expenses) from derivatives activity ^(a)
	In NIS millions
Derivatives not designated as hedging instruments	
Interest rate contracts	(135)
Foreign exchange rate contracts	(642)
Stock contracts	114
Commodity and other contracts	-
Total	(663)
	For the three months ended March 31 2018 (unaudited)
	Profit (loss) recognized in income (expenses) from derivatives activity ^(a)
	In NIS millions
Derivatives not designated as hedging instruments	
Interest rate contracts	70
Foreign exchange rate contracts	385
Stock contracts	(114)
Commodity and other contracts	-
Total	341
	For the year ended December 31 2018 (audited)
	Profit (loss) recognized in income (expenses) from derivatives activity ^(a)
	In NIS millions
Derivatives not designated as hedging instruments	
Interest rate contracts	(100)
Foreign exchange rate contracts	2,730
Stock contracts	(147)
Commodity and other contracts	1
Total	2,484

(a) Included in the noninterest finance income (expenses) line item.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit risk for derivatives by contract counterparty

As at March 31 2019 (unaudited)						
	Stock exchanges	Banks	Dealers/ brokers	Govern- ments and central banks	Other	Total
In NIS millions						
Carrying amount of assets in respect of derivatives ^{(a)(b)}	114	5,692	1,633	18	1,959	9,416
Gross amounts not netted on the balance sheet:						
Credit risk mitigation for financial instruments	-	3,862	837	18	1,274	5,991
Credit risk mitigation in respect of cash collateral received	-	1,312	590	-	121	2,023
Net amount of assets in respect of derivatives	114	518	206	-	564	1,402
Off-balance-sheet credit risk for derivatives ^{(d)(e)}	279	6,382	2,431	83	6,603	15,778
Mitigation of off balance-sheet credit risk	-	2,419	555	50	3,224	6,248
Off balance-sheet credit risk for derivatives, net	279	3,963	1,876	33	3,379	9,530
Total credit risk for derivatives	393	4,481	2,082	33	3,943	10,932
Carrying amount of liabilities in respect of derivatives ^{(a)(c)}	119	4,097	930	31	4,366	9,543
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,862	837	17	1,274	5,990
Pledged cash collateral	-	74	77	13	1,420	1,584
Net amount of liabilities in respect of derivatives	119	161	16	1	1,672	1,969
As at March 31 2018 (unaudited)						
	Stock exchanges	Banks	Dealers/ brokers	Govern- ments and central banks	Other	Total
In NIS millions						
Carrying amount of assets in respect of derivatives ^{(a)(b)}	177	4,835	1,645	69	5,086	11,812
Gross amounts not netted on the balance sheet:						
Credit risk mitigation for financial instruments	-	3,901	1,595	11	651	6,158
Credit risk mitigation in respect of cash collateral received	-	754	15	56	3,090	3,915
Net amount of assets in respect of derivatives	177	180	35	2	1,345	1,739
Off-balance-sheet credit risk for derivatives ^{(d)(e)}	362	7,686	1,860	36	6,742	16,686
Mitigation of off balance-sheet credit risk	-	3,309	1,074	4	1,000	5,387
Off balance-sheet credit risk for derivatives, net	362	4,377	786	32	5,742	11,299
Total credit risk for derivatives	539	4,557	821	34	7,087	13,038
Carrying amount of liabilities in respect of derivatives ^{(a)(c)}	152	7,162	1,855	11	2,269	11,449
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,901	1,595	10	651	6,157
Pledged cash collateral	-	640	239	-	452	1,331
Net amount of liabilities in respect of derivatives	152	2,621	21	1	1,166	3,961

Please see comments below.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit risk and for derivatives by contract counterparty (cont.)

	December 31 2018 (audited)					
	Stock exchan- ges	Banks	Dealers/ brokers	Govern- ments and central banks	Other	Total
	In NIS millions					
Carrying amount of assets in respect of derivatives ^{(a)(b)}	204	4,631	1,162	19	6,740	12,756
Gross amounts not netted on the balance sheet:						
Credit risk mitigation for financial instruments	-	3,716	1,076	19	1,214	6,025
Credit risk mitigation in respect of cash collateral received	-	706	68	-	4,125	4,899
Net amount of assets in respect of derivatives	204	209	18	-	1,401	1,832
Off-balance-sheet credit risk for derivatives ^{(d)(e)}	446	6,415	2,817	73	6,998	16,749
Mitigation of off balance-sheet credit risk	-	2,841	1,663	44	1,010	5,558
Off balance-sheet credit risk for derivatives, net	446	3,574	1,154	29	5,988	11,191
Total credit risk for derivatives	650	3,783	1,172	29	7,389	13,023
Carrying amount of liabilities in respect of derivatives ^{(a)(c)}	254	7,113	2,279	101	2,358	12,105
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,716	1,076	18	1,214	6,024
Pledged cash collateral	-	2,549	1,197	83	93	3,922
Net amount of liabilities in respect of derivatives	254	848	6	-	1,051	2,159

(a) The Bank did not offset netting agreements, net.

(b) Of which outstanding balance-sheet standalone assets in respect of derivatives totaling NIS 9,408 million (as at March 31 2018 - NIS 11,803 million; as at December 31 2018 - NIS 12,750 million).

(c) Of which outstanding balance-sheet standalone liabilities in respect of derivatives totaling NIS 9,519 million (as at March 31 2018 - NIS 11,417 million; as at December 31 2018 - NIS 12,089 million).

(d) Off-balance sheet credit risk for derivative instruments (including derivatives with negative fair value) before credit risk mitigation, as calculated for the purpose of limitations on borrower indebtedness.

(e) The difference, if positive, between all total amounts for derivative instruments (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before credit risk mitigation, and the carrying amount of assets for the borrower's derivatives.

Comment:

No credit losses were recognized in respect of derivative instruments in the three-month period ended March 31 2019, in the corresponding period last year and in December 2018.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of settlement dates - par value: outstanding

	As at March 31 2019 (unaudited)				Total
	Up to three months	More than three months to a year	More than one year to 5 years	Over five years	
In NIS millions					
Interest rate contracts:					
NIS-CPI	1,875	4,269	8,989	3,028	18,161
Other	111,003	83,786	169,177	71,653	435,619
Foreign exchange rate contracts	161,963	139,667	14,883	4,364	320,877
Stock contracts	142,840	39,578	2,102	-	184,520
Commodity and other contracts	1,250	999	30	-	2,279
Total	418,931	268,299	195,181	79,045	961,456
Total as at March 31 2018 (unaudited)	379,642	233,528	180,683	85,593	879,446
Total as at December 31 2018 (audited)	462,933	214,764	188,305	80,296	946,298

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2018.

Customer classification

According to the Operating Segments Circular, customers should be classified by operating segment according to their turnovers or characteristics (private individuals and private individuals - other). When a banking corporation has no information regarding the total income of a business customer who has no indebtedness towards the bank (including credit lines, etc.), the bank may classify them into the relevant regulatory operating segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total balance-sheet assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 million - shall be classified to the corporations segment.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information.

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated

	For the three months ended March 31 2019 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
In NIS millions				
Interest income from external	743	376	18	1
Interest expense from external	59	-	-	45
Interest income, net:				
From external	684	376	18	(44)
Inter-segmental	(41)	(169)	-	79
Total interest income, net	643	207	18	35
Total noninterest income	242	12	49	39
Total income	885	219	67	74
Expenses (income) in respect of loan losses	15	1	(2)	-
Operating and other expenses:				
For external	741	62	59	29
Inter-segmental	-	-	-	-
Total operating and other expenses	741	62	59	29
Profit (loss) before taxes	129	156	10	45
Provision for income taxes (benefit)	46	56	4	17
Profit after taxes	83	100	6	28
The Bank's share in associates' profits (losses)	-	-	-	-
Net income before attribution to non-controlling interests	83	100	6	28
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	83	100	6	28
Average balance of assets ^(a)	97,056	68,104	4,561	393
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^(a)	97,940	68,598	4,602	389
Outstanding balance of loans to the public as at the end of the reporting period	98,983	70,642	4,449	402
Outstanding balance of non-performing loans	316	-	1	-
Outstanding balance of debts in arrears for over 90 days	880	838	-	-
Average balance of liabilities ^(a)	109,911	22	8	25,692
Of which: Average balance of deposits by the public ^(a)	108,925	-	-	25,670
Balance of deposits from the public as at the end of the reporting period	108,502	-	-	25,734
Average balance of risk-weighted assets ^{(a)(b)}	69,783	44,899	4,319	768
Balance of risk-weighted assets as at the end of the reporting period ^(b)	69,652	44,812	4,241	770
Average balance of assets under management ^{(a)(c)}	68,594	-	-	45,549
Breakdown of interest income, net:				
Margin from credit granting activities	538	207	18	-
Margin from deposit taking activities	105	-	-	35
Other	-	-	-	-
Total interest income, net	643	207	18	35

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(b) Risk-weighted assets - as calculated for capital adequacy purposes.

(c) Assets under management - including customers' provident fund assets, study funds, mutual funds and securities.

(d) Including outstanding housing loans to corporate customers in the amount of NIS 11,001 million as at the end of the period.

Small- and micro-businesses ^(d)	Mid-market businesses ^(d)	Corporations ^(d)	Institutionals	Financial management	Other segment	Total activity in Israel	Foreign operations		Total
							Total activity in Israel	Total activity outside Israel	
557	204	463	7	342	-	2,317	362	2,679	
44	63	82	120	65	-	478	81	559	
513	141	381	(113)	277	-	1,839	281	2,120	
22	75	(30)	161	(255)	-	11	(11)	-	
535	216	351	48	22	-	1,850	270	2,120	
186	76	145	42	365	390	1,485	70	1,555	
721	292	496	90	387	390	3,335	340	3,675	
73	-	(83)	(6)	(16)	-	(17)	(1)	(18)	
389	131	102	59	100	164	1,715	231	1,946	
-	-	-	-	(9)	8	(1)	1	-	
389	131	102	59	91	172	1,714	232	1,946	
259	161	477	37	312	218	1,638	109	1,747	
93	59	172	13	120	79	599	22	621	
166	102	305	24	192	139	1,039	87	1,126	
-	-	-	-	(24)	-	(24)	-	(24)	
166	102	305	24	168	139	1,015	87	1,102	
-	-	-	-	-	-	-	10	10	
166	102	305	24	168	139	1,015	77	1,092	
59,367	27,664	63,352	1,849	162,714	9,057	421,452	35,053	456,505	
-	-	-	-	623	-	623	-	623	
59,983	28,046	64,003	1,860	-	-	252,221	25,616	277,837	
59,799	29,043	65,318	1,836	-	-	255,381	24,984	280,365	
740	349	468	-	-	-	1,873	569	2,442	
49	-	33	-	-	-	962	-	962	
56,440	37,859	52,418	63,348	36,877	10,635	393,180	27,212	420,392	
55,983	37,735	49,417	61,581	-	-	339,311	25,908	365,219	
54,206	38,056	49,329	63,236	-	-	339,063	24,524	363,587	
53,539	28,966	78,441	1,122	23,832	19,555	276,006	34,157	310,163	
53,284	30,852	80,494	1,452	22,925	19,941	279,370	33,357	312,727	
47,188	24,362	68,229	694,267	47,910	-	996,099	17,624	1,013,723	
471	160	314	2	490	-	1,975	311	2,286	
64	56	37	46	(733)	-	(390)	(74)	(464)	
-	-	-	-	265	-	265	33	298	
535	216	351	48	22	-	1,850	270	2,120	

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the three months ended March 31 2018 ^(e) (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
In NIS millions				
Interest income from external	769	343	82	1
Interest expense from external	64	-	-	30
Interest income, net:				
From external	705	343	82	(29)
Inter-segmental	(54)	(157)	-	54
Total interest income, net	651	186	82	25
Total noninterest income	392	11	200	39
Total income	1,043	197	282	64
Expenses (income) in respect of loan losses	69	6	25	-
Operating and other expenses:				
For external	816	57	182	27
Inter-segmental	1	-	1	-
Total operating and other expenses	817	57	183	27
Profit (loss) before taxes	157	134	74	37
Provision for income taxes (benefit)	46	45	18	13
Profit (loss) after taxes	111	89	56	24
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	111	89	56	24
Net income (loss) attributable to non-controlling interests	12	-	12	-
Net income (loss) attributable to the Bank's shareholders	99	89	44	24
Average balance of assets ^(a)	100,942	65,421	11,983	374
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^{(a)(f)}	101,789	65,881	12,015	370
Outstanding balance of loans to the public as at the end of the reporting period	103,175	67,480	12,174	382
Outstanding balance of non-performing loans	377	-	37	-
Outstanding balance of debts in arrears for over 90 days	804	758	-	-
Average balance of liabilities ^(a)	102,543	24	107	24,187
Of which: Average balance of deposits from the public ^{(a)(g)}	102,461	-	68	24,177
Balance of deposits from the public as at the end of the reporting period	106,250	-	89	24,872
Average balance of risk-weighted assets ^{(a)(b)}	78,661	45,308	11,357	861
Balance of risk-weighted assets as at the end of the reporting period ^(b)	75,517	43,782	11,523	761
Average balance of assets under management ^{(a)(c)}	73,216	-	-	44,931
Breakdown of interest income, net:				
Margin from credit granting activities	573	186	82	1
Margin from deposit taking activities	78	-	-	24
Other	-	-	-	-
Total interest income, net	651	186	82	25

(a) Average balance calculations will be based on daily balances, as at the beginning of the quarter or the beginning of each month.

(b) Risk-weighted assets - as calculated for capital adequacy purposes.

(c) Assets under management - including customers' provident fund assets, study funds, mutual funds and securities.

(d) Including outstanding housing loans to corporate customers in the amount of NIS 11,198 million as at the end of the period.

(e) Reclassified, including as described in Note 6 and in respect of the improvement effort carried out in 2018.

(f) Including an average balance of assets classified as held for sale in the amount of NIS 7,985 million.

(g) Including an average balance of liabilities classified as held for sale in the amount of NIS 68 million.

Small- and micro-businesses ^(d)	Mid-market businesses ^(d)	Corporations ^(d)	Institutionals	Financial management	Other segment	Total activity in Israel	Foreign operations		Total
							Total activity in Israel	Total activity outside Israel	
562	189	395	8	184	-	2,108	313	2,421	
23	29	54	86	78	-	364	51	415	
539	160	341	(78)	106	-	1,744	262	2,006	
(20)	20	(32)	111	(75)	-	4	(4)	-	
519	180	309	33	31	-	1,748	258	2,006	
211	80	153	53	60	27	1,015	77	1,092	
730	260	462	86	91	27	2,763	335	3,098	
82	(34)	(3)	(2)	10	-	122	8	130	
380	122	113	62	69	179	1,768	208	1,976	
-	-	-	-	(6)	4	(1)	1	-	
380	122	113	62	63	183	1,767	209	1,976	
268	172	352	26	18	(156)	874	118	992	
91	60	117	9	(17)	(84)	235	27	262	
177	112	235	17	35	(72)	639	91	730	
-	-	-	-	10	-	10	-	10	
177	112	235	17	45	(72)	649	91	740	
-	-	-	-	(1)	(1)	10	-	10	
177	112	235	17	46	(71)	639	91	730	
60,007	24,876	55,463	2,669	161,170	9,818	415,319	32,768	448,087	
-	-	-	-	808	-	808	-	808	
60,673	25,123	57,236	2,678	-	-	247,869	23,504	271,373	
61,844	26,113	57,989	761	-	-	250,264	24,552	274,816	
817	192	1,067	-	-	-	2,453	702	3,155	
30	-	28	-	-	-	862	-	862	
55,339	35,688	47,420	73,885	37,649	11,551	388,262	26,300	414,562	
53,375	34,939	46,331	72,104	-	-	333,387	25,299	358,686	
53,314	35,662	49,425	67,574	-	-	337,097	25,471	362,568	
49,410	28,730	75,125	1,185	21,417	16,825	272,214	31,078	303,292	
54,333	28,475	77,404	826	20,442	18,361	276,119	32,698	308,817	
50,251	24,536	70,783	668,169	39,567	-	971,453	19,282	990,735	
482	150	284	4	433	-	1,927	270	2,197	
37	30	25	29	(487)	-	(264)	(51)	(315)	
-	-	-	-	85	-	85	39	124	
519	180	309	33	31	-	1,748	258	2,006	

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the year ended December 31 2018 (audited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
In NIS millions				
Interest income from external	3,826	2,067	362	6
Interest expense from external	392	-	-	181
Interest income, net:				
From external	3,434	2,067	362	(175)
Inter-segmental	(690)	(1,282)	(2)	292
Total interest income, net	2,744	785	360	117
Total noninterest income	1,626	46	856	155
Total income	4,370	831	1,216	272
Expenses (income) in respect of loan losses	273	32	106	-
Operating and other expenses:				
For external	3,540	255	755	113
Inter-segmental	3	1	2	-
Total operating and other expenses	3,543	256	757	113
Profit (loss) before taxes	554	543	353	159
Provision for income taxes (benefit)	161	196	90	59
Profit (loss) after taxes	393	347	263	100
The Bank's share in associates' profits, after tax	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	393	347	263	100
Net income (loss) attributable to non-controlling interests	46	-	46	-
Net income (loss) attributable to the Bank's shareholders	347	347	217	100
Average balance of assets ^(a)	101,780	66,040	12,161	384
Of which: Investments in associates ^(a)	-	-	-	-
Average outstanding balance of loans to the public ^{(a)(e)}	102,288	66,656	12,170	379
Outstanding balance of loans to the public as at the end of the reporting period	106,132	70,080	12,051	396
Outstanding balance of non-performing loans	382	-	44	-
Outstanding balance of debts in arrears for over 90 days	934	862	-	-
Average balance of liabilities ^(a)	105,438	20	220	24,710
Of which: Average balance of deposits from the public ^{(a)(f)}	105,274	-	77	24,709
Balance of deposits from the public as at the end of the reporting period	108,874	-	71	26,128
Average balance of risk-weighted assets ^{(a)(b)}	76,029	44,236	11,220	799
Balance of risk-weighted assets as at the end of the reporting period ^(b)	76,689	44,899	11,225	768
Average balance of assets under management ^{(a)(c)}	71,657	-	-	45,626
Breakdown of interest income, net:				
Margin from credit granting activities	2,384	785	360	3
Margin from deposit taking activities	360	-	-	114
Other	-	-	-	-
Total interest income, net	2,744	785	360	117

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(b) Risk-weighted assets - as calculated for capital adequacy purposes.

(c) Assets under management - including customers' provident fund assets, study funds, mutual funds and securities.

(d) Including housing loans to business customers with an outstanding balance of NIS 11,156 million as at the end of the period.

(e) Including an average balance of assets classified as held for sale in the amount of NIS 8,461 million.

(f) Including an average balance of liabilities classified as held for sale in the amount of NIS 77 million.

Small- and micro-businesses ^(d)	Mid-market businesses ^(d)	Corporations ^(d)	Institutionals	Financial management	Other segment	Total activity in Israel	Foreign operations		Total
							Total activity in Israel	Total activity outside Israel	
2,390	808	1,829	27	1,080	-	9,966	1,380	11,346	
134	164	313	523	486	-	2,193	263	2,456	
2,256	644	1,516	(496)	594	-	7,773	1,117	8,890	
(96)	142	(186)	662	(87)	-	37	(37)	-	
2,160	786	1,330	166	507	-	7,810	1,080	8,890	
832	331	621	199	728	79	4,571	300	4,871	
2,992	1,117	1,951	365	1,235	79	12,381	1,380	13,761	
279	(156)	7	4	20	-	427	92	519	
1,560	544	472	268	286	664	7,447	890	8,337	
-	-	-	1	(15)	8	(3)	3	-	
1,560	544	472	269	271	672	7,444	893	8,337	
1,153	729	1,472	92	944	(593)	4,510	395	4,905	
422	271	537	34	264	(221)	1,527	92	1,619	
731	458	935	58	680	(372)	2,983	303	3,286	
-	-	-	-	36	-	36	-	36	
731	458	935	58	716	(372)	3,019	303	3,322	
3	2	3	(1)	(3)	(4)	46	19	65	
728	456	932	59	719	(368)	2,973	284	3,257	
59,698	25,563	59,576	1,296	160,808	9,359	418,464	33,234	451,698	
-	-	-	-	758	-	758	-	758	
60,696	25,879	60,285	1,272	-	-	250,799	24,530	275,329	
60,578	27,290	61,899	687	-	-	256,982	25,753	282,735	
771	116	917	-	-	-	2,186	610	2,796	
90	-	3	-	-	-	1,027	27	1,054	
57,132	35,925	51,893	68,205	35,814	11,780	390,897	26,505	417,402	
54,106	34,597	48,540	66,444	-	-	333,670	25,477	359,147	
54,329	38,867	49,553	61,003	-	-	338,754	25,908	364,662	
53,839	28,563	81,229	776	18,635	17,690	277,560	32,587	310,147	
54,640	29,218	78,982	1,122	23,999	18,270	283,688	34,157	317,845	
49,201	24,414	70,805	693,109	43,394	-	998,206	18,220	1,016,426	
1,959	622	1,209	13	2,697	-	8,887	1,198	10,085	
201	164	121	152	(2,700)	-	(1,588)	(259)	(1,847)	
-	-	-	1	510	-	511	141	652	
2,160	786	1,330	166	507	-	7,810	1,080	8,890	

Note 12B - Operating Segments, Management's Approach

Overview

Operating segments reporting according to management's approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.

The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

Information regarding operating segments - management's approach was included in Note 29B to the financial statements as at December 31 2018.

Following is a summary of financial performance according to management's approach:

For the three months ended March 31 2019 (unaudited)												
In NIS millions												
	Bank									Subsidiaries in Israel	Fo- reign subsidiaries	Total
	Retail, premium and private banking	Small busi- nesses	Mort- gages	Banking - total	Corpo- rate	Busi- ness	Real estate	Capital markets	Other and adjust- ments			
Interest income, net:												
Interest income (expenses) - From external	241	321	447	1,009	233	217	188	180	(6)	15	284	2,120
Interest income (expenses) - Inter-segmental	298	13	(206)	105	78	(56)	(38)	(77)	-	2	(14)	-
Interest income (expense), net	539	334	241	1,114	311	161	150	103	(6)	17	270	2,120
Noninterest income	320	119	2	441	103	54	78	345	387	77	70	1,555
Total income	859	453	243	1,555	414	215	228	448	381	94	340	3,675
Expenses (income) in respect of loan losses	31	62	(9)	84	37	(102)	(18)	(19)	-	3	(3)	(18)
Total operating and other expenses	680	257	70	1,007	194	72	37	77	269	58	232	1,946
Profit before taxes	148	134	182	464	183	245	209	390	112	33	111	1,747
Tax expenses	53	48	66	167	67	89	76	145	43	10	24	621
Net income (loss) attributable to the Bank's shareholders	95	86	116	297	116	156	133	245	69	(1)	77	1,092
Balances as at March 31 2019												
Loans to the public, net	29,491	25,983	81,956	137,430	39,397	38,732	24,618	5,651	5,916	644	24,669	277,057
Deposits by the public	157,665	37,449	-	195,114	48,750	19,584	6,545	68,757	315	-	24,522	363,587
Assets under management	175,097	16,394	-	191,491	23,604	19,409	1,059	496,415	21,223	268,460	17,853	1,039,514

Note 12B - Operating Segments, Management's Approach (cont.)

Summary of financial performance according to management's approach (cont.)

For the three months ended March 31 2018 ^(a) (unaudited)												
In NIS millions												
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small businesses	Mortgages	Banking - total	Corporate	Business	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	337	339	409	1,085	259	189	150	(34)	-	93	264	2,006
Interest income (expenses) - Inter-segmental	148	(7)	(190)	(49)	13	(48)	(27)	121	-	(4)	(6)	-
Interest income, net	485	332	219	1,036	272	141	123	87	-	89	258	2,006
Noninterest income	328	123	-	451	99	53	75	51	33	253	77	1,092
Total income	813	455	219	1,487	371	194	198	138	33	342	335	3,098
Expenses (income) in respect of loan losses	84	48	6	138	35	(18)	(72)	13	(1)	27	8	130
Total operating and other expenses	654	251	63	968	171	61	29	82	238	218	209	1,976
Profit (loss) before tax	75	156	150	381	165	151	241	43	(204)	97	118	992
Tax expenses (income)	26	54	52	132	57	52	83	15	(129)	25	27	262
Net income (loss) attributable to the Bank's shareholders	49	102	98	249	108	99	158	30	(75)	70	91	730
Balances as at March 31 2018												
Loans to the public, net	29,969	27,061	78,879	135,909	37,263	33,938	21,354	4,080	5,924	639 ^(a)	24,224	263,331
Deposits by the public	155,226	35,607	-	190,833	45,095	22,904	5,688	72,340	149	^(b) -	25,470	362,479
Assets under management	173,581	19,948	-	193,529	23,641	19,990	1,177	450,769	23,310	276,305	17,706	1,006,427

(a) Excluding balances classified as held-for-sale assets in the amount of NIS 8,042 million.

(b) Excluding balances classified as held for sale liabilities in the amount of NIS 71 million.

(c) Reclassified.

Note 12B - Operating Segments, Management's Approach (cont.)

Summary of financial performance according to management's approach (cont.)

For the year ended December 31 2018 ^(a) (audited)												
In NIS millions												
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small businesses	Mortgages	Banking - total	Corporate	Business	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	1,012	1,335	2,441	4,788	1,039	827	748	(23) ^(b)	6	390	1,115	8,890
Interest income (expenses) - Inter-segmental	1,043	9	(1,529)	(477)	122	(243)	(207)	848 ^(c)	(3)	(4)	(36)	-
Interest income, net	2,055	1,344	912	4,311	1,161	584	541	825	3	386	1,079	8,890
Noninterest income (expenses)	1,322	487	3	1,812	408	217	315	492	147	1,180	300	4,871
Total income (expenses)	3,377	1,831	915	6,123	1,569	801	856	1,317	150	1,566	1,379	13,761
Expenses (income) in respect of loan losses	213	270	30	513	28	(70)	(170)	23	(10)	113	92	519
Total operating and other expenses	2,733	1,099	274	4,106	713	276	132	363	958	896	893	8,337
Profit (loss) before tax	431	462	611	1,504	828	595	894	931	(798)	557	394	4,905
Tax expenses (income)	161	172	227	560	308	221	332	300	(351)	158	91	1,619
Net income (loss) attributable to the Bank's shareholders	270	290	384	944	520	374	562	637	(447)	383	284	3,257
Balances as at December 31 2018												
Loans to the public, net	29,594	26,478	81,524	137,596	38,490	33,533	24,462	5,251	5,860	560 ^(a)	25,421	271,173
Deposits by the public	158,593	38,046	-	196,639	49,671	19,592	6,597	65,910	274	-(b)	25,908	364,591
Assets under management	167,486	18,354	-	185,840	22,137	19,122	1,008	421,022	21,085	285,016	17,625	972,855

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,042 million.

(b) Excluding balances classified as held for sale liabilities in the amount of NIS 71 million.

(c) Reclassified.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts^(a) and off-balance sheet credit instruments

1. Change in loan loss provision

	For the three months ended March 31 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total loans to the public	Banks and governments	Total
In NIS millions						
Balance of loan loss provision as at the beginning of the reporting period	2,697	479	637	3,813	3	3,816
Expenses (income) in respect of loan losses	(32)	1	14	(17)	(1)	(18)
Write-offs	(218)	(3)	(122)	(343)	-	(343)
Collection of debts written off in previous years	204	-	77	281	-	281
Net write-offs	(14)	(3)	(45)	(62)	-	(62)
Adjustments from translation of financial statements	(7)	1	-	(6)	-	(6)
Balance of loan loss provision as at the end of the reporting period ¹	2,644	478	606	3,728	2	3,730
¹ Of which: For off-balance sheet credit instruments	400	-	20	420	-	420

	For the three months ended March 31 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer- cial ^(d)	Housing	Private individuals - Other ^(d)	Total loans to the public	Banks and governments	Total
In NIS millions						
Balance of loan loss provision as at the beginning of the reporting period	2,510	450	737	3,697	3	3,700
Changes recognized in equity ^(b)	21	-	-	21	-	21
Balance as at January 1 2018	2,531	450	737	3,718	3	3,721
Expenses (income) in respect of loan losses	63	6	63	132	(2)	130
Write-offs	(167)	(1)	(119)	(287)	-	(287)
Collection of debts written off in previous years	176	-	85	261	-	261
Net write-offs	9	(1)	(34)	(26)	-	(26)
Adjustments from translation of financial statements	4	1	-	5	-	5
Less balances classified as held-for-sale assets ^(c)	(6)	-	(147)	(153)	-	(153)
Balance of loan loss provision as at the end of the reporting period ¹	2,601	456	619	3,676	1	3,677
¹ Of which: For off-balance sheet credit instruments	436	-	21	457	-	457

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Effect of first-time application of IFRS 9 on foreign subsidiaries.

(c) For more information, please see Note 36F to the financial statements as at December 31 2018.

(d) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

A. Debts^(a) and off-balance sheet credit instruments (cont.)

2. Additional information on calculating the loan loss provision for debts^(a) and for the debts^(a) for which it was calculated

As at March 31 2019 (unaudited)						
Loans to the public						
	Commer- cial	Housing	Private individuals - Other	Total loans to the public	Banks and govern- ments	Total
In NIS millions						
Recorded outstanding debt balance^(a):						
Examined on a specific basis	126,224	29	840	127,093	10,905	137,998
Examined on a collective basis ¹	43,607	81,326	28,339	153,272	352	153,624
¹ Of which: The provision for which was calculated by the extent of arrears	808 ^(c)	80,928	-	81,736	-	81,736
Total debts^(a)	169,831	81,355	29,179	280,365	11,257	291,622
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,758	4	150	1,912	2	1,914
Examined on a collective basis ²	486	474	436	1,396	-	1,396
² Of which: The provision for which was calculated by the extent of arrears	-	473 ^(b)	-	473	-	473
Total loan loss provision³	2,244	478	586	3,308	2	3,310
³ Of which: For non-performing debts	409	4	135	548	-	548
As at March 31 2018 (unaudited)						
Loans to the public						
	Commer- cial ^(e)	Housing	Private individuals - Other ^(e)	Total loans to the public	Banks and govern- ments	Total
In NIS millions						
Recorded outstanding debt balance^(a):						
Examined on a specific basis	116,166	31	860	117,057	12,134	129,191
Examined on a collective basis ¹	43,970	78,152	35,637	157,759	1,353	159,112
¹ Of which: The provision for which was calculated by the extent of arrears	1,109 ^(c)	77,680	-	78,789	-	78,789
Less balances classified as held-for-sale assets ^(d)	(604)	-	(7,662)	(8,266)	(32)	(8,298)
Total debts^(a)	159,532	78,183	28,835	266,550	13,455	280,005
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,692	7	121	1,820	1	1,821
Examined on a collective basis ²	479	449	609	1,537	-	1,537
² Of which: The provision for which was calculated by the extent of arrears	-	448 ^(b)	-	448	-	448
Less balances classified as held-for-sale assets ^(d)	(6)	-	(132)	(138)	-	(138)
Total loan loss provision³	2,165	456	598	3,219	1	3,220
³ Of which: For non-performing debts	450	5 ^(e)	103	558	-	558

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 297 million as of March 31 2019 (March 31 2018 - NIS 334 million).

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts^(a) and off-balance sheet credit instruments (cont.)

2. Additional information on calculating the loan loss provision for debts^(a) and for the debts for which it was calculated^(a) (cont.)

December 31 2018 (audited)						
Loans to the public						
Commer- cial	Housing	Private individuals - Other	Total loans to the public	Banks and govern- ments	Total	
In NIS millions						
Recorded outstanding debt balance^(a):						
Examined on a specific basis	120,192	31	901	121,124	15,091	136,215
Examined on a collective basis ¹	44,746	80,859	36,006	161,611	673	162,284
¹ Of which: The provision for which was calculated by the extent of arrears	913 ^(c)	80,432	-	81,345	-	81,345
Less balances classified as held-for-sale assets ^(d)	(655)	-	(7,555)	(8,210)	(35)	(8,245)
Total debts^(a)	164,283	80,890	29,352	274,525	15,729	290,254
Balance of loan loss provision for debts^(a):						
Examined on a specific basis	1,792 ^(e)	5	165 ^(e)	1,962	3	1,965
Examined on a collective basis ²	475 ^(e)	474	609 ^(e)	1,558	-	1,558
² Of which: The provision for which was calculated by the extent of arrears	-	473 ^(b)	-	473	-	473
Less balances classified as held-for-sale assets ^(d)	(11)	-	(157)	(168)	-	(168)
Total loan loss provision³	2,256	479	617	3,352	3	3,355
³ Of which: For non-performing debts	459	4	150	613	-	613

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 295 million.

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a)

1. Credit quality and delinquency

As at March 31 2019 (unaudited)						
	<u>Troubled debts^(b)</u>			Total	Unimpaired debts - Additional information	
	Non- troubled	Unim- paired	Non- perfor- ming ^(c)		In arrears of 90 days or more ^{(d)(h)}	In arrears of 30 days to 89 days ^(e)
In NIS millions						
<u>Borrower activity in Israel</u>						
<u>Public - Commercial</u>						
Construction & real estate - Construction ^(g)	22,115	144	216	22,475	12	93
Construction & real estate – Real estate activities ^(g)	25,830	103	308	26,241	15	58
Financial services	15,475	6	11	15,492	2	137
Commercial - Other	72,179	1,820	1,015	75,014	53	171
Commercial - Total	135,599	2,073	1,550	139,222	82	459
Private individuals - housing loans	80,082	838 ^(f)	-	80,920	838	682
Private individuals - other	28,096	225	316	28,637	42	165
Total loans to the public - activity in Israel	243,777	3,136	1,866	248,779	962	1,306
Banks in Israel	940	-	-	940	-	-
Government of Israel	14	-	-	14	-	-
Total activity in Israel	244,731	3,136	1,866	249,733	962	1,306
<u>Borrower activity outside Israel</u>						
<u>Public - Commercial</u>						
Construction and real estate	11,366	257	108	11,731	-	36
Commercial - Other	17,734	707	437	18,878	-	256
Commercial - Total	29,100	964	545	30,609	-	292
Private individuals	946	-	31	977	-	12
Total - public - foreign activity	30,046	964	576	31,586	-	304
Foreign banks	9,594	-	-	9,594	-	-
Foreign governments	709	-	-	709	-	-
Total activity outside Israel	40,349	964	576	41,889	-	304
Total - Public	273,823	4,100	2,442	280,365	962	1,610
Total - Banks	10,534	-	-	10,534	-	-
Total - governments	723	-	-	723	-	-
Total	285,080	4,100	2,442	291,622	962	1,610

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

1. Credit quality and delinquency (cont.)

	As at March 31 2018 (unaudited)				Unimpaired debts - Additional information	
	Troubled debts ^(b)			Total	In arrears of 90 days or more ^(d)	In arrears of 30 days to 89 days ^(e)
	Non- troubled	Unim- paired	Non- perfor- ming ^(c)			
In NIS millions						
Borrower activity in Israel						
Public-commercial^(k)						
Construction & real estate - construction	19,427	195	273	19,895	8	35
Construction & real estate - real estate activities	24,241	142	397	24,780	11	19
Financial services	11,023	7	4	11,034	1	20
Commercial - Other	71,313	1,520	1,377	74,210	38	190
Commercial - Total	126,004	1,864	2,051	129,919	58	264
Private individuals - housing loans	76,906	758 ^(f)	-	77,664	758	549
Private individuals - Other ^(k)	35,008	567	377	35,952	46	220
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(7,898)	(330)	(38)	(8,266)	-	(6)
Total loans to the public - Activity in Israel	230,020	2,859	2,390	235,269	862	1,027
Banks in Israel	873	-	-	873	-	-
Government of Israel	76	-	-	76	-	-
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(31)	-	-	(31)	-	-
Total activity in Israel	230,938	2,859	2,390	236,187	862	1,027
Borrower activity outside Israel						
Public - Commercial						
Construction and real estate	10,069	14	161	10,244	-	13
Commercial - Other	18,678	765	530	19,973	-	71
Commercial - Total	28,747	779	691	30,217	-	84
Private individuals	1,028	-	36	1,064	-	13
Total - public - foreign activity	29,775	779	727	31,281	-	97
Foreign banks	11,891	-	-	11,891	-	-
Foreign governments	647	-	-	647	-	-
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(1)	-	-	(1)	-	-
Total activity outside Israel	42,312	779	727	43,818	-	97
Total - Public	259,795	3,638	3,117	266,550	862	1,124
Total - Banks^(j)	12,732	-	-	12,732	-	-
Total - governments	723	-	-	723	-	-
Total	273,250	3,638	3,117	280,005	862	1,124

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

1. Credit quality and delinquency (cont.)

	December 31 2018 (audited)				Unimpaired debts - Additional information	
	Troubled debts ^(b)			Total	In arrears of 90 days or more ^(d)	In arrears of 30 days to 89 days ^(e)
	Non- troubled	Unim- paired	Non- performing ^(c)			
	In NIS millions					
Borrower activity in Israel						
Public - Commercial						
Construction & real estate - construction	21,511	162	233	21,906	11	220
Construction & real estate - real estate activities	24,939	159	315	25,413	16	21
Financial services	10,834	7	8	10,849	2	4
Commercial - Other	70,892	1,718	1,242	73,852	64	169
Commercial - Total	128,176	2,046	1,798	132,020	93	414
Private individuals - Housing loans	79,555	862 ^(f)	-	80,417	862	694
Private individuals - Other	35,362	576	382	36,320	72	183
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(7,842)	(323)	(45)	(8,210)	-	(10)
Total loans to the public - activity in Israel	235,251	3,161	2,135	240,547	1,027	1,281
Banks in Israel	2,703	-	-	2,703	-	-
Government of Israel	74	-	-	74	-	-
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(33)	-	-	(33)	-	-
Total activity in Israel	237,995	3,161	2,135	243,291	1,027	1,281
Borrower activity outside Israel						
Public - Commercial						
Construction and real estate	11,882	12	109	12,003	-	4
Commercial - Other	19,794	647	474	20,915	27	330
Commercial - Total	31,676	659	583	32,918	27	334
Private individuals	1,012	15	33	1,060	-	3
Total - public - foreign activity	32,688	674	616	33,978	27	337
Foreign banks	12,279	-	-	12,279	-	-
Foreign governments	708	-	-	708	-	-
Less balances classified as held-for-sale assets ⁽ⁱ⁾	(2)	-	-	(2)	-	-
Total activity outside Israel	45,673	674	616	46,963	27	337
Total - Public	267,939	3,835	2,751	274,525	1,054	1,618
Total - Banks^(j)	14,947	-	-	14,947	-	-
Total - governments	782	-	-	782	-	-
Total	283,668	3,835	2,751	290,254	1,054	1,618

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

1. Credit quality and delinquency (cont.)

Comments:

- (a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
- (b) Credit risk that is non-performing, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans in arrears of 90 days or more for which there is no provision based on the extent of arrears.
- (c) As a rule, non-performing non-accrual loans. For information regarding certain non-performing loans restructured as part of troubled debt restructuring, please see Note 13B.2.C. below.
- (d) Classified as unimpaired troubled debt. Accrual loans.
- (e) Accrual loans. Debts in arrears of 30 to 89 days totaling NIS 925 million (as at March 31 2018 - NIS 718 million; as at December 31 2018 - NIS 1,103 million) were classified as unimpaired troubled debt.
- (f) Including outstanding housing loans in the amount of NIS 87 million (March 31 2018 - NIS 93 million, December 31 2018 - NIS 87 million) with a provision for the extent of arrears, for which an agreement was signed for the borrower to repay the overdue balance, which involves changes in the repayment schedule of outstanding future payments.
- (g) 2.7 percent of the credit granted to rental properties through the Bank's Construction and Real Estate Department features LTV rates in excess of 85 percent.
- (h) Outstanding unimpaired debts in arrears of at least 90 days as at March 31 2019, in the amount of NIS 962 million constitutes credit granted by the Bank, of which NIS 124 million is for non-housing loans and NIS 838 million - for housing loans, of which a total of NIS 198 million is in arrears of up to 149 days, NIS 154 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.
- (i) For more information, please see Note 36F to the financial statements as at December 31 2018.
- (j) Less balances in respect of banks classified as held-for-sale assets.
- (k) Reclassified, including as detailed on Note 6.

Credit quality - Debt delinquency status

Regularly monitored, the extent of arrears constitutes one of the main indications for credit quality. The extent of arrears is determined according to the actual days of arrears when a debt is handled as non-performing (non-accrual) after 90 days of arrears; or in case of any debt restructured as troubled debt and which is once again accruing interest but is in arrears of one day under the new repayment terms. For collectively-assessed debts, the extent of arrears affects the debt classification (the greater the extent of arrears - the more severe the debt classification); usually, after 150 days of arrears, the Bank writes off the debt. For housing loans, except loans without quarterly or monthly repayments, the Bank sets a provision using the extent of arrears method.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt

A. Non-performing debts and specific provision

	As at March 31 2019 (unaudited)				
	Outstanding balance ^(b) of non-performing loans for which there is a specific provision ^(c)	Outstanding balance of specific provision ^(c)	Outstanding balance ^(b) of non-performing debts for which there is no specific provision ^(c)	Total outstanding balance ^(b) of non-performing debts	Outstanding balance of contractual principal in respect of non-performing debt
	In NIS millions				
Borrower activity in Israel					
Public - Commercial					
Construction & real estate - construction	54	9	162	216	677
Construction & real estate - real estate activities	110	27	198	308	1,178
Financial services	2	1	9	11	439
Commercial - Other	761	274	254	1,015	4,085
Commercial - Total	927	311	623	1,550	6,379
Private individuals - Housing loans	-	-	-	-	-
Private individuals - Other	310	133	6	316	2,546
Total loans to the public - activity in Israel	1,237	444	629	1,866	8,925
Borrower activity outside Israel					
Public - Commercial					
Construction and real estate	101	48	7	108	252
Commercial - Other	180	50	257	437	815
Commercial - Total	281	98	264	545	1,067
Private individuals	13	6	18	31	84
Total - public - foreign activity	294	104	282	576	1,151
Total - Public	1,531	548	911	2,442	10,076
Of which:					
Measured according to the present value of cash flows	1,348	481	772	2,120	
Troubled debt under restructuring	776	199	613	1,389	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Recorded outstanding debt.

(c) Specific loan loss provision.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

A. Non-performing debts and specific provision (cont.)

	As at March 31 2018 (unaudited)				
	Outstanding balance ^(b) of non-performing debts for which there is a specific provision ^(c)	Outstanding balance of specific provision ^(c)	Outstanding balance ^(b) of non-performing debts for which there is no specific provision ^(c)	Total outstanding balance ^(b) of non-performing debts	Outstanding balance of contractual principal in respect of non-performing debt
	In NIS millions				
Borrower activity in Israel					
<u>Public-commercial^(d)</u>					
Construction & real estate - construction	83	17	190	273	765
Construction & real estate - real estate activities	137	49	260	397	1,322
Financial services	2	1	2	4	464
Commercial - Other	826	268	551	1,377	4,378
Commercial - Total	1,048	335	1,003	2,051	6,929
Private individuals - Housing loans	-	-	-	-	-
Private individuals - Other ^(d)	330	101	47	377	2,567
Less balances classified as held-for-sale assets ^(e)	(10)	(2)	(28)	(38)	(38)
Total loans to the public - activity in Israel	1,368	434	1,022	2,390	9,458
<u>Borrower activity outside Israel</u>					
<u>Public - Commercial</u>					
Construction and real estate	138	66	23	161	308
Commercial - Other	172	49	358	530	958
Commercial - Total	310	115	381	691	1,266
Private individuals	15	9	21	36	87
Total - public - foreign activity	325	124	402	727	1,353
Total - Public	1,693	558	1,424	3,117	10,811
Of which:					
Measured according to the present value of cash flows^(d)	1,512	494	948	2,460	
Troubled debt under restructuring^(d)	969	225	952	1,921	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Recorded outstanding debt.

(c) Specific loan loss provision.

(d) Reclassified. For more information, please see Note 6.

(e) For more information, please see Note 36F to the financial statements as at December 31 2018.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

A. Non-performing debts and specific provision (cont.)

	December 31 2018 (audited)				
	Outstanding balance ^(b) of non-performing debts for which there is a specific provision ^(c)	Outstanding balance of specific provision ^(c)	Outstanding balance ^(b) of non-performing debts for which there is no specific provision ^(c)	Total outstanding balance ^(b) of non-performing debts	Outstanding balance of contractual principal in respect of non-performing debt
In NIS millions					
Borrower activity in Israel					
Public - commercial					
Construction & real estate - construction	69	14	164	233	713
Construction & real estate - real estate activities	121	27	194	315	1,196
Financial services	3	1	5	8	437
Commercial - Other	873	311	369	1,242	4,271
Commercial - Total	1,066	353	732	1,798	6,617
Private individuals - Housing loans	-	-	-	-	-
Private individuals - Other	355	152	27	382	2,593
Less balances classified as held-for-sale assets ^(d)	(19)	(4)	(26)	(45)	(45)
Total loans to the public - activity in Israel	1,402	501	733	2,135	9,165
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	104	50	5	109	253
Commercial - Other	197	56	277	474	844
Commercial - Total	301	106	282	583	1,097
Private individuals	14	6	19	33	85
Total - public - foreign activity	315	112	301	616	1,182
Total - Public	1,717	613	1,034	2,751	10,347
Of which:					
Measured according to the present value of cash flows	1,520	550	697	2,217	
Troubled debt under restructuring	914	165	731	1,645	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Recorded outstanding debt.

(c) Specific loan loss provision.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

B. Average balance and interest income

	For the three months ended March 31					
	2019			2018 ^(f)		
	Average balance ^(b) of non-performing debts	Recorded interest income ^(c)	Of which: Recorded on a cash basis	Average balance ^(b) of non-performing debts	Recorded interest income ^(c)	Of which: Recorded on a cash basis
Unaudited						
In NIS millions						
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	224	-	-	237	-	-
Construction & real estate - real estate activities	311	-	-	403	-	-
Financial services	10	-	-	3	-	-
Commercial - Other	1,128	4	3	1,272	4	1
Commercial - Total	1,673	4	3	1,915	4	1
Private individuals - Housing loans	-	-	-	-	-	-
Private individuals - Other	328	1	-	442	1	-
Less balances classified as held-for-sale assets ^(e)	-	-	-	(34)	-	-
Total loans to the public - activity in Israel	2,001	5	3	2,323	5	1
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	109	1	-	170	1	1
Commercial - Other	439	1	1	530	1	1
Commercial - Total	548	2	1	700	2	2
Private individuals	18	-	-	21	-	-
Total - public - foreign activity	566	2	1	721	2	2
Total - Public	2,567	7^(d)	4	3,044	7^(d)	3

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Recorded average outstanding balance of non-performing loans in the reporting period.

(c) Interest income recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

(d) Were the non-performing debts to accrue interest according to the original terms, interest income in the amount of NIS 65 million would be recorded for the three months ended March 31 2019 (March 31 2018 - NIS 61 million).

(e) For more information, please see Note 36F to the financial statements as at December 31 2018.

(f) Reclassified. For more information, please see Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

C. Restructured troubled debt

	As at March 31 2019				As at March 31 2018 ^(e)			
	Non-accrual loans	Accrual loans, in arrears of 30 days ^(b)	Accrual loans ^(b) , non delinquent	Total ^(c)	Non-accrual loans	Accrual loans, in arrears of 30 days ^(b)	Accrual loans ^(b) , non delinquent	Total ^(c)
Unaudited								
In NIS millions								
<u>Borrower activity in Israel</u>								
<u>Public - commercial</u>								
Construction & real estate - construction	181	1	10	192	201	2	7	210
Construction & real estate - real estate activities	212	-	17	229	239	-	16	255
Financial services	1	-	1	2	1	-	-	1
Commercial - Other	314	4	86	404	584	1	217	802
Commercial - Total	708	5	114	827	1,025	3	240	1,268
Private individuals - Housing loans	-	-	-	-	-	-	-	-
Private individuals - Other	240	3	60	303	277	3	53	333
Less balances classified as held-for-sale assets ^(e)	-	-	-	-	(9)	-	-	(9)
Total loans to the public - activity in Israel	948	8	174	1,130	1,293	6	293	1,592
<u>Borrower activity outside Israel</u>								
<u>Public - commercial</u>								
Construction and real estate	43	-	2	45	61	-	44	105
Commercial - Other	58	-	147	205	27	-	187	214
Commercial - Total	101	-	149	250	88	-	231	319
Private individuals	5	-	4	9	5	-	5	10
Total - public - foreign activity	106	-	153	259	93	-	236	329
Total - Public	1,054	8	327	1,389	1,386	6	529	1,921

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Accrual loans.

(c) Included in non-performing loans.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified. For more information, please see Note 6.

Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 1 million as at March 31 2019 (as at March 31 2018 - NIS 18 million).

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

C. Restructured troubled debt (cont.)

	December 31 2018			Total ^(c)
	Non-accrual loans	Accrual loans, in arrears of 30 days to 89 days ^(b)	Accrual loans ^(b) , non-delinquent	
Audited				
In NIS millions				
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	196	-	5	201
Construction & real estate - real estate activities	211	1	21	233
Financial services	1	-	-	1
Commercial - Other	564	2	47	613
Commercial - Total	972	3	73	1,048
Private individuals - Housing loans	-	-	-	-
Private individuals - Other	297	2	36	335
Less balances classified as held-for-sale assets ^(f)	(18)	-	-	(18)
Total loans to the public - activity in Israel	1,251	5	109	1,365
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	46	-	-	46
Commercial - Other	67	-	157	224
Commercial - Total	113	-	157	270
Private individuals	6	-	4	10
Total - public - foreign activity	119	-	161	280
Total - Public	1,370	5	270	1,645

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Accrual loans.

(c) Included in non-performing loans.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 1 million as at December 31 2018.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

C. Restructured troubled debt (cont.)

1. Debt restructurings

	For the three months ended March 31					
	2019			2018 ^(c)		
	No. of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	No. of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
	Unaudited			Unaudited		
	In NIS millions			In NIS millions		
<u>Borrower activity in Israel</u>						
<u>Public - commercial</u>						
Construction & real estate - construction	86	6	6	104	12	11
Construction & real estate - real estate activities	34	9	9	74	16	15
Financial services	6	-	-	4	1	1
Commercial - Other	457	72	69	361	53	49
Commercial - Total	583	87	84	543	82	76
Private individuals - Housing loans	-	-	-	-	-	-
Private individuals - Other	1,566	43	41	2,023	53	50
Less balances classified as held-for-sale assets ^(b)	-	-	-	(690)	(7)	(7)
Total loans to the public - activity in Israel	2,149	130	125	1,876	128	119
<u>Borrower activity outside Israel</u>						
<u>Public - commercial</u>						
Construction and real estate	1	3	3	1	-	-
Commercial - Other	-	-	-	1	2	2
Commercial - Total	1	3	3	2	2	2
Private individuals	-	-	-	-	-	-
Total - public - foreign activity	1	3	3	2	2	2
Total - Public	2,150	133	128	1,878	130	121

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) For more information, please see Note 36F to the financial statements as at December 31 2018.

(c) Reclassified. For more information, please see Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

2. Additional information on non-performing debt (cont.)

C. Restructured troubled debt (cont.)

2. Failed debt restructurings^(b)

	For the three months ended March 31 (unaudited)			
	2019		2018 ^(e)	
	No. of contracts	Recorded outstanding debt ^(c) In NIS millions	No. of contracts	Recorded outstanding debt ^(c) In NIS millions
Borrower activity in Israel				
Public - commercial				
Construction & real estate - construction	124	8	100	6
Construction & real estate - real estate activities	29	2	34	3
Financial services	10	-	5	-
Commercial - Other	553	36	415	23
Commercial - Total	716	46	554	32
Private individuals - Housing loans	-	-	-	-
Private individuals - Other	1,578	21	1,849	15
Less balances classified as held-for-sale assets ^(d)	-	-	(289)	(2)
Total loans to the public - activity in Israel	2,294	67	2,114	45
Borrower activity outside Israel				
Public - commercial				
Commercial - Other	1	-	1	1
Commercial - Total	1	-	1	1
Total, public - Foreign offices	1	-	1	1
Total - Public	2,295	67	2,115	46

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) Debts which were in arrears of at least 30 days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.

(c) The outstanding debt recorded as at the end of the quarter in which the failure occurred.

(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

(e) Reclassified. For more information, please see Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts^(a) (cont.)

3. Additional information on housing loans

Outstanding end of period balances by loan-to-value (LTV)^(b), type of repayment and interest

		As at March 31 2019 (unaudited)			
		Outstanding balance of housing loans			
		Total ¹	¹ Of which: Bullet and balloon loans	¹ Of which: Variable interest loans	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	52,645	1,868	34,302	1,889
	More than 60%	28,676	719	19,549	218
Unpledged secondary lien		34	1	31	-
Total		81,355	2,588	53,882	2,107
		As at March 31 2018 (unaudited)			
		Outstanding balance of housing loans			
		Total ¹	¹ Of which: Bullet and balloon loans	¹ Of which: Variable interest loans	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	50,193	2,272	33,048	1,229
	More than 60%	27,953	837	19,440	295
Unpledged secondary lien		37	2	34	-
Total		78,183	3,111	52,522	1,524
		December 31 2018 (audited)			
		Outstanding balance of housing loans			
		Total ¹	¹ Of which: Bullet and balloon loans	¹ Of which: Variable interest loans	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	52,259	2,002	34,151	1,720
	More than 60%	28,595	748	19,594	203
Unpledged secondary lien		36	1	33	-
Total		80,890	2,751	53,778	1,923

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(b) The ratio between the approved credit line on the date granted and the value of the asset, as approved by the Bank when granting the credit line.

The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit line. Each quarter, as required under the Bank of Israel's directives, the minimum 0.35 percent collective provision is examined against the 0.75 percent provision required for loans with an LTV ratio of more than 60 percent. Note that the collective provision is higher than the one required for the LTV ratio.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Off balance sheet financial instruments

	March 31				December 31	
	2019	2018	2018	2018	2018	2018
	Outstan- ding loan contracts ^(a)	Balance of loan loss provision	Outstan- ding loan contracts ^(a)	Balance of loan loss provision	Outstan- ding loan contracts ^(a)	Balance of loan loss provision
	Unaudited				Audited	
	In NIS millions					
Off balance-sheet financial instruments						
The balance of the loan contracts or their notional value as at the end of the period - transactions in which the outstanding balance embodies credit risk:						
Documentary credit	1,442	2	1,594	4	1,362	3
Loan guarantees	5,178	58	5,519	83	5,231	88
Guarantees for apartment buyers	18,787	13	19,261	15	18,667	12
Guarantees and other commitments ^(b)	16,365	226	15,586	242	16,471	240
Unutilized credit card credit facilities	14,228	12	25,802 ^(c)	27 ^(c)	26,050 ^(c)	29 ^(c)
Unutilized overdraft facilities and other credit facilities in demand accounts	11,915	26	12,166	24	12,431	25
Irrevocable loan commitments approved but not yet granted ¹	23,924	68	23,144	60	24,291	63
Commitments to issue guarantees	17,040	15	15,979	17	16,372	17
Unutilized credit facilities for derivatives activity	2,780	-	2,108	-	2,748	-
Approval in principle to maintain interest rate	4,901	-	3,751	-	4,045	-

1. Of which: Credit exposures in respect of an unutilized obligation to provide liquidity to securitization entities under the auspices of others in the amount of NIS 218 million (March 31 2018 - NIS 211 million, December 31 2018 - NIS 225 million); the obligations constitute a relatively small portion of the securitization entities' obligations.

(a) The balance of the contracts or their notional amounts as at the end of the period, before the effect of the loan loss provision.

(b) Including the Bank's liabilities for its share in the risk reserve of the MAOF Clearing House in the amount of NIS 155 million (as at March 31 2018 and December 31 2018 - NIS 93 million and NIS 124 million, respectively).

(c) Including outstanding contracts and an outstanding loan loss provision for held-for-sale assets (on March 31 2018 - a total of NIS 11,708 million and NIS 15 million, respectively and on December 31 2018 - a total of NIS 11,659 million and NIS 16 million, respectively).

Note 14 - Assets and Liabilities by Linkage Basis

	As at March 31 2019 (unaudited)						
	NIS		Foreign currency ^(a)			Non-monetary items ^(b)	Total
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies		
In NIS millions							
Assets							
Cash and deposits with banks	66,210	-	7,944	1,485	910	31	76,580
Securities	32,421	3,755	32,953	4,610	2,344	3,470	79,553
Securities borrowed or purchased under reverse repurchase agreements	643	-	220	60	23	-	946
Loans to the public, net ^(c)	194,137	42,310	30,272	4,136	5,947	255	277,057
Loans to governments	14	-	683	26	-	-	723
Investments in associates	-	-	-	-	-	601	601
Buildings and equipment	-	-	-	-	-	2,863	2,863
Assets in respect of derivatives	3,464	126	3,066	127	118	2,507	9,408
Intangible assets and goodwill	-	-	-	-	-	17	17
Other assets	6,565	4	985	3	32	861	8,450
Assets held for sale	-	-	-	-	-	-	-
Total assets	303,454	46,195	76,123	10,447	9,374	10,605	456,198
Liabilities							
Deposits by the public	233,766	15,963	97,670	10,452	5,454	282	363,587
Deposits by banks	1,849	-	2,099	586	97	-	4,631
Deposits from governments	110	-	308	6	-	-	424
Securities loaned or sold under repurchase agreements	363	-	192	49	23	37	664
Bonds, promissory notes and subordinated bonds	5,727	15,224	-	-	-	-	20,951
Liabilities for derivative instruments	4,166	313	2,366	112	118	2,444	9,519
Other liabilities	7,747	10,916	410	28	128	772	20,001
Held for sale liabilities	-	-	-	-	-	-	-
Total liabilities	253,728	42,416	103,045	11,233	5,820	3,535	419,777
Difference ^(d)	49,726	3,779	(26,922)	(786)	3,554	7,070	36,421
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(14,370)	(4,077)	22,533	(306)	(4,249)	469	-
In the money options, net (according to underlying asset)	183	-	(335)	(1)	(27)	180	-
Out of the money options, net (according to underlying asset)	(3,377)	-	2,580	839	41	(83)	-
Grand total	32,162	(298)	(2,144)	(254)	(681)	7,636	36,421
In the money options, net (discounted nominal value)	367	-	(541)	(43)	(37)	254	-
Out of the money options, net (discounted nominal value)	(6,742)	-	5,723	956	114	(51)	-

(a) Including those linked to foreign currency.

(b) Including derivatives whose underlying asset relates to a non-monetary item.

(c) After deducting loan loss provisions attributed to a linkage basis, according to the credit linkage, in the amount of NIS 3,308 million.

(d) Shareholders' equity includes non-controlling interests.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	As at March 31 2018 (unaudited)							
	NIS		Foreign currency ^(a)				Non-monetary items ^(b)	Total
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies			
In NIS millions								
Assets								
Cash and deposits with banks	60,398	-	10,137	895	1,734	212	73,376	
Securities	37,479	3,503	26,461	6,714	2,647	3,257	80,061	
Securities borrowed or purchased under reverse repurchase agreements	776	-	35	47	20	-	878	
Loans to the public, net ^(c)	183,535 ^(f)	41,239	28,410	4,650	5,339	158	263,331	
Loans to governments	25	50	609	39	-	-	723	
Investments in associates	-	-	-	-	-	831	831	
Buildings and equipment	-	-	-	-	-	2,762	2,762	
Assets in respect of derivatives	4,530	108	2,372	800	454	3,539	11,803	
Intangible assets and goodwill	-	-	-	-	-	16	16	
Other assets	5,955	4	696	3	30	1,586	8,274	
Held-for-sale assets ^(e)	8,210	12	55	-	1	235	8,513	
Total assets	300,908	44,916	68,775	13,148	10,225	12,596	450,568	
Liabilities								
Deposits by the public	229,636 ^(f)	18,698	95,272	12,075	6,354	444	362,479	
Deposits by banks	697	10	1,807	385	178	-	3,077	
Deposits from governments	250 ^(f)	-	258	7	-	-	515	
Securities loaned or sold under repurchase agreements	396	-	38	5	24	32	495	
Bonds, promissory notes and subordinated bonds	4,056	11,547	-	-	-	-	15,603	
Liabilities in respect of derivative instruments	4,663	177	1,999	620	482	3,476	11,417	
Other liabilities	2,869	11,595	415	21	139	1,522	16,561	
Held-for-sale liabilities ^(e)	6,343	11	98	4	-	14	6,470	
Total liabilities	248,910	42,038	99,887	13,117	7,177	5,488	416,617	
Difference ^(d)	51,998	2,878	(31,112)	31	3,048	7,108	33,951	
Effect of non-hedging derivative instruments:								
Derivative instruments (excluding options)	(19,128)	(4,741)	29,094	(1,593)	(3,862)	230	-	
In the money options, net (according to underlying asset)	(1,326)	-	332	812	62	120	-	
Out of the money options, net (according to underlying asset)	(337)	-	(332)	454	26	189	-	
Grand total	31,207	(1,863)	(2,018)	(296)	(726)	7,647	33,951	
In the money options, net (discounted nominal value)	(2,774)	-	1,325	1,196	29	224	-	
Out of the money options, net (discounted nominal value)	1,151	-	(2,339)	894	69	225	-	

(a) Including those linked to foreign currency.

(b) Including derivatives whose underlying asset relates to a non-monetary item.

(c) After deducting loan loss provisions attributed to a linkage basis, according to the credit linkage, in the amount of NIS 3,219 million.

(d) Shareholders' equity includes non-controlling interests.

(e) For more information, please see Note 36F to the financial statements as at December 31 2018.

(f) Reclassified.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	December 31 2018 (audited)						
	NIS		Foreign currency ^(a)			Non-monetary items ^(b)	Total
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies		
In NIS millions							
Assets							
Cash and deposits with banks	67,759	-	9,300	2,032	2,263	65	81,419
Securities	32,887	2,832	30,894	2,523	1,877	3,558	74,571
Securities borrowed or purchased under reverse repurchase agreements	999	-	189	47	22	-	1,257
Loans to the public, net ^(c)	186,829	42,113	31,395	4,522	6,007	307	271,173
Loans to governments	21	53	675	33	-	-	782
Investments in associates	-	-	-	-	-	623	623
Buildings and equipment	-	-	-	-	-	2,853	2,853
Assets in respect of derivatives	2,524	95	5,390	262	229	4,250	12,750
Intangible assets and goodwill	-	-	-	-	-	17	17
Other assets	5,154	4	758	3	32	691	6,642
Held-for-sale assets ^(e)	8,149	(15)	89	2	1	344	8,570
Total assets	304,322	45,082	78,690	9,424	10,431	12,708	460,657
Liabilities							
Deposits by the public	229,043	16,696	101,874	10,690	5,885	403	364,591
Deposits by banks	1,820	-	2,334	452	604	-	5,210
Deposits from governments	115	-	585	9	-	-	709
Securities loaned or sold under repurchase agreements	310	-	154	43	23	11	541
Bonds, promissory notes and subordinated bonds	4,040	13,758	-	-	-	-	17,798
Liabilities for derivative instruments	2,991	222	4,316	133	204	4,223	12,089
Other liabilities	3,339	9,970	551	19	144	757	14,780
Held-for-sale liabilities ^(e)	8,652	11	101	-	1	13	8,778
Total liabilities	250,310	40,657	109,915	11,346	6,861	5,407	424,496
Difference ^(d)	54,012	4,425	(31,225)	(1,922)	3,570	7,301	36,161
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(19,318)	(4,233)	26,209	820	(4,351)	873	-
In the money options, net (according to underlying asset)	(2,204)	-	1,809	388	7	-	-
Out of the money options, net (according to underlying asset)	(1,549)	-	1,196	307	42	4	-
Grand total	30,941	192	(2,011)	(407)	(732)	8,178	36,161
In the money options, net (discounted nominal value)	(3,410)	-	2,886	517	7	-	-
Out of the money options, net (discounted nominal value)	(7,018)	-	5,901	871	44	202	-

(a) Including those linked to foreign currency.

(b) Including derivatives whose underlying asset relates to a non-monetary item.

(c) After deducting loan loss provisions attributed to a linkage basis, according to the credit linkage, in the amount of NIS 3,352 million.

(d) Shareholders' equity includes non-controlling interests.

(e) For more information, please see Note 36F to the financial statements as at December 31 2018.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	As at March 31 2019 (unaudited)				
	Carrying amount	Fair value			Total
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)	
In NIS millions					
Financial assets					
Cash and deposits with banks	76,580	66,593	8,317	1,649	76,559
Securities ^(b)	79,553	43,871	32,816	2,976	79,663
Securities borrowed or purchased under reverse repurchase agreements	946	946	-	-	946
Loans to the public, net	277,057	1,931	87,669	186,123	275,723
Loans to governments	723	-	10	745	755
Assets in respect of derivatives	9,408	2,193	6,073	1,142	9,408
Other financial assets	2,738	506	-	2,233	2,739
Total financial assets	447,005^(c)	116,040	134,885	194,868	445,793
Financial liabilities					
Deposits by the public	363,587	1,622	251,947	107,281	360,850
Deposits by banks	4,631	-	4,469	157	4,626
Deposits from governments	424	-	356	80	436
Securities loaned or sold under repurchase agreements	664	664	-	-	664
Bonds, promissory notes and subordinated bonds	20,951	19,853	-	2,011	21,864
Liabilities for derivative instruments	9,519	2,188	7,038	293	9,519
Other financial liabilities	5,993	755	4,274	965	5,994
Total financial liabilities	405,769^(c)	25,082	268,084	110,787	403,953
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	335	-	-	335	335
In addition, liabilities in respect of employee benefits, gross - pension and severance pay ^(d)	16,921	-	171	16,750	16,921

(a) Level 1 - Fair value measurements using prices quoted in an active market.
 Level 2 - fair value measurements using other significant observable inputs.
 Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the carrying amount and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 116,858 million and NIS 219,189 million, respectively, the carrying amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	As at March 31 2018 (unaudited)				
	Carrying amount	Fair value			Total
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)	
In NIS millions					
Financial assets					
Cash and deposits with banks	73,376	61,919	9,822	1,580	73,321
Securities ^(b)	80,061	46,795	30,618	2,623	80,036
Securities borrowed or purchased under reverse repurchase agreements	878	878	-	-	878
Loans to the public, net	263,331	2,632	79,893	179,977	262,502
Loans to governments	723	-	10	749	759
Assets in respect of derivatives	11,803	2,827	7,561	1,415	11,803
Other financial assets, including balances classified as held-for-sale assets	10,185	1,210	32	8,937	10,179
Total financial assets	440,357^(c)	116,261	127,936	195,281	439,478
Financial liabilities					
Deposits by the public	362,479 ^(e)	2,287	257,326 ^(f)	100,877 ^(e)	360,490
Deposits by banks	3,077	-	3,063	17	3,080
Deposits from governments	515 ^(e)	-	248	269 ^(e)	517
Securities loaned or sold under repurchase agreements	495	495	-	-	495
Bonds, promissory notes and subordinated bonds	15,603	14,541 ^(g)	-	2,085 ^(g)	16,626
Liabilities for derivative instruments	11,417	2,808	8,190	419	11,417
Other financial liabilities, including balances classified as held for sale liabilities	8,627	1,584	5,725	1,318	8,627
Total financial liabilities	402,213^(c)	21,715	274,552	104,985	401,252
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	360	-	-	360	360
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay ^(d)	17,443	-	191	17,252	17,443

(a) Level 1 - Fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the carrying amount and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 121,892 million and NIS 179,172 million, respectively, the carrying amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) Reclassified.

(f) With the addition of the current account rescheduling model.

(g) Restated.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2018 (audited)				
	Carrying amount	Fair value			Total
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)	
In NIS millions					
Financial assets					
Cash and deposits with banks	81,419	67,943	11,615	1,776	81,334
Securities ^(b)	74,571	40,720	29,934	3,900	74,554
Securities borrowed or purchased under reverse repurchase agreements	1,257	1,257	-	-	1,257
Loans to the public, net	271,173	2,663	84,608	182,432	269,703
Loans to governments	782	-	15	793	808
Assets in respect of derivatives	12,750	3,142	7,390	2,218	12,750
Other financial assets, including balances classified as held-for-sale assets	9,355	478	35	8,835	9,348
Total financial assets	451,307^(c)	116,203	133,597	199,954	449,754
Financial liabilities					
Deposits by the public	364,591	2,608	255,543 ^(e)	102,730	360,881
Deposits by banks	5,210	-	4,729	472	5,201
Deposits from governments	709	-	629	90	719
Securities loaned or sold under repurchase agreements	541	541	-	-	541
Bonds, promissory notes and subordinated notes	17,798	16,461 ^(e)	-	1,973 ^(e)	18,434
Liabilities for derivative instruments	12,089	3,146	8,706	237	12,089
Other financial liabilities, including balances classified as held for sale liabilities	10,445	3,561	5,666	1,213	10,440
Total financial liabilities	411,383^(c)	26,317	275,273	106,715	408,305
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	363	-	-	363	363
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay ^(d)	15,867	-	173	15,694	15,867

(a) Level 1 - Fair value measurements using prices quoted in an active market.
 Level 2 - fair value measurements using other significant observable inputs.
 Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the carrying amount and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 116,216 million and NIS 220,199 million, respectively, the carrying amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) Restated.

Note 15B - Items Measured at Fair Value

A. Items measured at fair value on a recurring basis

	As at March 31 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	28,375	2,723	-	31,098
Foreign governments' bonds	5,107	4,750	-	9,857
Bonds of foreign financial institutions	43	10,608	-	10,651
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	7,205	1,873	9,078
Other Israeli bonds	97	75	-	172
Other foreign bonds	-	3,157	-	3,157
Total available-for-sale bonds	33,622	28,518	1,873	64,013
Non-trading shares and mutual funds:				
Non-trading shares and mutual funds	2,350	-	-	2,350
Held-for-trading securities:				
Government of Israel bonds	5,626	-	-	5,626
Foreign governments' bonds	58	-	-	58
Bonds of Israeli financial institutions	115	-	-	115
Bonds of foreign financial institutions	-	110	-	110
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	249	-	249
Other Israeli bonds	190	-	-	190
Other foreign bonds	-	210	-	210
Shares and mutual funds	17	-	-	17
Total held-for-trading securities	6,006	569	-	6,575
Assets in respect of derivative instruments:				
NIS-CPI contracts	-	84	123	207
Interest rate contracts	436	3,186	390	4,012
Foreign exchange rate contracts	-	1,882	588	2,470
Stock contracts	1,513	902	33	2,448
Commodity and other contracts	16	19	8	43
MAOF (Israeli financial instruments and futures) market activity	228	-	-	228
Total assets in respect of derivatives	2,193	6,073	1,142	9,408
Other:				
Credit and deposits for loaned securities	1,961	8	-	1,969
Securities borrowed or purchased under reverse repurchase agreements	946	-	-	946
Other	506	-	-	506
Total - Other	3,413	8	-	3,421
Total assets	47,584	35,168	3,015	85,767

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	As at March 31 2019 (unaudited)			
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	232	97	329
Interest rate contracts	435	3,372	-	3,807
Foreign exchange rate contracts	-	2,523	196	2,719
Stock contracts	1,506	885	-	2,391
Commodity and other contracts	16	26	-	42
MAOF (Israeli financial instruments and futures) market activity	231	-	-	231
Total liabilities in respect of derivative instruments	2,188	7,038	293	9,519
Other:				
Deposits in respect of loaned securities	1,623	15	9	1,647
Securities loaned or sold under repurchase agreements	664	-	-	664
Other	517	-	-	517
Total - Other	2,804	15	9	2,828
Total liabilities	4,992	7,053	302	12,347

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	As at March 31 2018 (unaudited)			
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	35,870	2,639	-	38,509
Foreign governments' bonds	3,412	7,357	-	10,769
Bonds of Israeli financial institutions	-	11	-	11
Bonds of foreign financial institutions	25	9,313	-	9,338
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	6,637	1,631	8,268
Other Israeli bonds	92	70	-	162
Other foreign bonds	-	2,758	-	2,758
Total available-for-sale bonds	39,399	28,785	1,631	69,815
Non-trading shares and mutual funds:				
Non-trading shares and mutual funds	2,196	-	-	2,196
Held-for-trading securities:				
Government of Israel bonds	4,501	-	-	4,501
Foreign governments' bonds	78	-	-	78
Bonds of Israeli financial institutions	172	-	-	172
Bonds of foreign financial institutions	-	256	-	256
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	293	-	293
Other Israeli bonds	178	-	-	178
Other foreign bonds	-	251	-	251
Shares and mutual funds	69	-	-	69
Total held-for-trading securities	4,998	800	-	5,798
Assets in respect of derivative instruments:				
NIS-CPI contacts	-	132	152	284
Interest rate contracts	130	4,021	268	4,419
Foreign exchange rate contracts	1	2,492	820	3,313
Stock contracts	2,359	881	166	3,406
Commodity and other contracts	4	35	9	48
MAOF (Israeli financial instruments and futures) market activity	333	-	-	333
Total assets in respect of derivatives	2,827	7,561	1,415	11,803
Other:				
Credit and deposits for loaned securities	2,781	9	-	2,790
Securities borrowed or purchased under reverse repurchase agreements	878	-	-	878
Other	1,210	-	-	1,210
Total - Other	4,869	9	-	4,878
Total assets	54,289	37,155	3,046	94,490

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	As at March 31 2018 (unaudited)			
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	182	253	435
Interest rate contracts	130	4,030	-	4,160
Foreign exchange rate contracts	1	2,887	166	3,054
Stock contracts	2,359	1,045	-	3,404
Commodity and other contracts	4	46	-	50
MAOF (Israeli financial instruments and futures) market activity	314	-	-	314
Total liabilities in respect of derivative instruments	2,808	8,190	419	11,417
Other:				
Deposits in respect of loaned securities	2,364	31	2	2,397
Securities loaned or sold under repurchase agreements	495	-	-	495
Other	1,584	-	-	1,584
Total - Other	4,443	31	2	4,476
Total liabilities	7,251	8,221	421	15,893

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2018 (audited)			Total fair value
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	27,952	2,621	-	30,573
Foreign governments' bonds	2,417	3,487	-	5,904
Bonds of foreign financial institutions	43	9,664	-	9,707
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	6,612	2,821	9,433
Other Israeli bonds	81	161	-	242
Other foreign bonds	-	3,517	-	3,517
Total available-for-sale bonds	30,493	26,062	2,821	59,376
Non-trading shares and mutual funds:				
Non-trading shares and mutual funds	2,477	-	-	2,477
Held-for-trading securities:				
Government of Israel bonds	5,677	-	-	5,677
Foreign governments' bonds	52	-	-	52
Bonds of Israeli financial institutions	119	-	-	119
Bonds of foreign financial institutions	-	132	-	132
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	271	-	271
Other Israeli bonds	290	-	-	290
Other foreign bonds	-	220	-	220
Shares and mutual funds	2	-	-	2
Total held-for-trading securities	6,140	623	-	6,763
Assets in respect of derivative instruments:				
NIS-CPI contacts	-	86	149	235
Interest rate contracts	509	2,833	142	3,484
Foreign exchange rate contracts	-	3,264	971	4,235
Stock contracts	2,132	1,195	937	4,264
Commodity and other contracts	50	12	19	81
MAOF (Israeli financial instruments and futures) market activity	451	-	-	451
Total assets in respect of derivatives	3,142	7,390	2,218	12,750
Other:				
Credit and deposits for loaned securities	2,728	6	-	2,734
Securities borrowed or purchased under reverse repurchase agreements	1,257	-	-	1,257
Other	478	-	-	478
Total - Other	4,463	6	-	4,469
Total assets	46,715	34,081	5,039	85,835

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2018 (audited)			
	Fair value measurements using			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	236	109	345
Interest rate contracts	508	2,776	-	3,284
Foreign exchange rate contracts	-	3,499	128	3,627
Stock contracts	2,132	2,165	-	4,297
Commodity and other contracts	51	30	-	81
MAOF (Israeli financial instruments and futures) market activity	455	-	-	455
Total liabilities in respect of derivative instruments	3,146	8,706	237	12,089
Other:				
Deposits in respect of loaned securities	2,608	13	3	2,624
Securities loaned or sold under repurchase agreements	541	-	-	541
Other	1,145	-	-	1,145
Total - Other	4,294	13	3	4,310
Total liabilities	7,440	8,719	240	16,399

Note 15B - Items Measured at Fair Value (cont.)

B. Items measured at fair value on a non-recurring basis

As at March 31 2019 (unaudited)					
Fair value measurements using					
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
In NIS millions					
Non-performing credit whose collection is collateral-dependent	-	-	432	432	140
Held-to-maturity bonds	1,893	3,729	-	5,622	110
Total	1,893	3,729	432	6,054	250

As at March 31 2018 (unaudited)					
Fair value measurements using					
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
In NIS millions					
Non-performing credit whose collection is collateral-dependent	-	-	589	589	85
Held-to-maturity bonds	202	1,033	-	1,235	(25)
Total	202	1,033	589	1,824	60

December 31 2018 (audited)					
Fair value measurements using					
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
In NIS millions					
Non-performing credit whose collection is collateral-dependent	-	-	464	464	228
Held-to-maturity bonds	1,610	3,249	-	4,859	(17)
Total	1,610	3,249	464	5,323	211

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3

For the three months ended March 31 2019 (unaudited)												
	Fair value as at the beginning of the year	Net realized/unrealized gains (losses) including:	In the income statement ^(a)	In other comprehensive income ^(b)	Purchases and issues	Sales	Discharges	Adjustments from trans-lation of financial state-ments	Transfers to Level 3 ^(c)	Transfers from level 3 ^(c)	Fair value as at March 31 2019	Unrealized gains (losses) in respect of instruments held as at March 31 2019
In NIS millions												
Assets												
Available-for-sale securities:												
MBS/ABS	2,821	(56)	28	236	-	(132)	-	-	-	(1,024)	1,873	(6)
Assets in respect of derivative instruments:												
NIS-CPI contacts	149	(25)	-	-	-	-	-	-	1	(2)	123	(33)
Interest rate contracts	142	265	-	-	-	(17)	-	-	-	-	390	249
Foreign exchange rate contracts	971	(558)	-	175	-	-	-	-	-	-	588	(87)
Stock contracts	937	(904)	-	-	-	-	-	-	-	-	33	(607)
Commodity and other contracts	19	(11)	-	-	-	-	-	-	-	-	8	(7)
Total assets in respect of derivatives	2,218	(1,233)	-	175	-	(17)	-	-	1	(2)	1,142	(485)
Total assets	5,039	(1,289)	28	411	-	(149)	-	-	1	(1,026)	3,015	(491)
Liabilities												
Liabilities in respect of derivative instruments:												
NIS-CPI contacts	109	(24)	-	-	-	-	-	-	12	-	97	41
Foreign exchange rate contracts	128	68	-	-	-	-	-	-	-	-	196	(16)
Total liabilities in respect of derivative instruments	237	44	-	-	-	-	-	-	12	-	293	25
Total - Other	3	6	-	-	-	-	-	-	-	-	9	5
Total liabilities	240	50	-	-	-	-	-	-	12	-	302	30

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.

(b) Unrealized losses included in the statement of changes in equity under accumulated other comprehensive income (loss).

(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.

Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

For the three months ended March 31 2018 (unaudited)											
Fair value as at the beginning of year	Net realized/unrealized gains (losses) including:			Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3 ^(c)	Transfers from Level 3 ^(c)	Fair value as at March 31 2018	Unrealized gain (losses) in respect of instruments held as at March 31 2018
	In the income statement ^(a)	In other comprehensive income ^(b)									
In NIS millions											
Assets											
Available-for-sale securities:											
MBS/ABS	1,369	22	(1)	-	-	(85)	-	326	-	1,631	-
Assets in respect of derivative instruments:											
NIS-CPI contacts	166	(25)	-	-	-	-	-	11	-	152	(61)
Interest rate contracts	266	41	-	-	-	(39)	-	-	-	268	13
Foreign exchange rate contracts	616	121	-	83	-	-	-	-	-	820	313
Stock contracts	63	103	-	-	-	-	-	-	-	166	155
Commodity and other contracts	3	6	-	-	-	-	-	-	-	9	7
Total assets in respect of derivatives	1,114	246	-	83	-	(39)	-	11	-	1,415	427
Total assets	2,483	268	(1)	83	-	(124)	-	337	-	3,046	427
Liabilities											
Liabilities in respect of derivative instruments:											
NIS-CPI contacts	255	2	-	-	-	-	-	25	(29)	253	29
Foreign exchange rate contracts	184	(18)	-	-	-	-	-	-	-	166	(56)
Total liabilities in respect of derivative instruments	439	(16)	-	-	-	-	-	25	(29)	419	(27)
Total - Other	47	(45)	-	-	-	-	-	-	-	2	-
Total liabilities	486	(61)	-	-	-	-	-	25	(29)	421	(27)

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss).

(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year. In addition, SBA transactions were transferred following reallocation of the outstanding principal.

Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

For the year ended December 31 2018 (audited)											
Fair value as at the beginning of year	Net realized/unrealized gains (losses) including:			Purchases and issues	Sales	Discharges	Adjustments from trans-lation of financial state-ments	Transfers to Level 3 ^(c)	Transfers from level 3 ^(c)	Fair value as at December 31 2018	Unrealized gain (losses) in respect of instruments held as at December 31 2018
	In the income state-ment ^(a)	In other compre-hensive income ^(b)									
In NIS millions											
Assets											
Available-for-sale securities:											
MBS/ABS	1,369	377	(27)	286	-	(458)	-	1,274	-	2,821	(27)
Assets in respect of derivative instruments:											
NIS-CPI contacts	166	(44)	-	-	-	-	-	29	(2)	149	(22)
Interest rate contracts	266	34	-	-	-	(158)	-	-	-	142	(109)
Foreign exchange rate contracts	616	(78)	-	433	-	-	-	-	-	971	290
Stock contracts	63	874	-	-	-	-	-	-	-	937	935
Commodity and other contracts	3	16	-	-	-	-	-	-	-	19	19
Total assets in respect of derivatives	1,114	802	-	433	-	(158)	-	29	(2)	2,218	1,113
Total assets	2,483	1,179	(27)	719	-	(616)	-	1,303	(2)	5,039	1,086
Liabilities											
Liabilities in respect of derivative instruments:											
NIS-CPI contacts	255	(125)	-	-	-	-	-	57	(78)	109	41
Foreign exchange rate contracts	184	(56)	-	-	-	-	-	-	-	128	(16)
Total liabilities in respect of derivative instruments	439	(181)	-	-	-	-	-	57	(78)	237	25
Total - Other	47	(44)	-	-	-	-	-	-	-	3	1
Total liabilities	486	(225)	-	-	-	-	-	57	(78)	240	26

- (a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.
- (b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss).
- (c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

As at March 31 2019 (unaudited)					
	Fair value	Evaluation technique	Unobservable inputs	Range	Average ⁽³⁾
In NIS millions					
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities:⁽¹⁾					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,873	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of failure	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			Percentage of loss	30%	30%
Assets in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	106	Discounted cash flows	Expected inflation	0%-1.38%	0.83%
	17	Discounted cash flows	Counterparty risk	0.61%-100% ^(*)	1.71%
Interest rate contracts	390	Discounted cash flows	Counterparty risk	0.61%-100% ^(*)	1.71%
Foreign exchange rate contracts	72	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
	516	Discounted cash flows	Counterparty risk	0.61%-100% ^(*)	1.71%
Stock contracts	33	Discounted cash flows	Counterparty risk	0.61%-100% ^(*)	1.71%
Commodity contracts	8	Discounted cash flows	Counterparty risk	0.61%-100% ^(*)	1.71%
Liabilities					
Liabilities in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	97	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
Foreign exchange rate contracts	196	Discounted cash flows	Expected inflation	0.4%-1.26%	0.83%
B. Items measured at fair value on a non-recurring basis					
Non-performing loans whose collection is collateral-dependent	432	Collateral's fair value			

* In respect of a defaulted counterparty.

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default. A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.
3. The average figure for the unobservable input "Counterparty risk" reflects a weighted average.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Quantitative information on fair value measurement in Level 3 (cont.)

	As at March 31 2018 (unaudited)				
	Fair value	Evaluation technique	Unobservable inputs	Range	Average ⁽³⁾
In NIS millions					
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities:⁽¹⁾					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,631	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of failure	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			Percentage of loss	30%	30%
Assets in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	116	Discounted cash flows	Expected inflation	0.27%-0.5%	0.39%
	36	Discounted cash flows	Counterparty risk	0.49%-100% ^(*)	0.90%
Interest rate contracts	268	Discounted cash flows	Counterparty risk	0.49%-100% ^(*)	0.90%
Foreign exchange rate contracts	88	Discounted cash flows	Expected inflation	0.27%-0.5%	0.39%
	732	Discounted cash flows	Counterparty risk	0.49%-100% ^(*)	0.90%
Stock contracts	166	Discounted cash flows	Counterparty risk	0.49%-100% ^(*)	0.90%
Commodity contracts	9	Discounted cash flows	Counterparty risk	0.49%-100% ^(*)	0.90%
Liabilities					
Liabilities in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	253	Discounted cash flows	Expected inflation	0.27%-0.5%	0.39%
Foreign exchange rate contracts	166	Discounted cash flows	Expected inflation	0.27%-0.5%	0.39%
B. Items measured at fair value on a non-recurring basis					
Non-performing loans whose collection is collateral-dependent	589	Collateral's fair value			

* In respect of a defaulted counterparty.

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default. A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.
3. The average figure for the unobservable input "Counterparty risk" reflects a weighted average.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Quantitative information on fair value measurement in Level 3 (cont.)

	December 31 2018 (audited)				
	Fair value	Evaluation technique	Unobservable inputs	Range	Average ⁽³⁾
In NIS millions					
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities:⁽¹⁾					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,821	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of failure	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			Percentage of loss	30%	30%
Assets in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	130	Discounted cash flows	Expected inflation	0%-1.38%	0.46%
	19	Discounted cash flows	Counterparty risk	1.14%-100% ^(*)	2.54%
Interest rate contracts	142	Discounted cash flows	Counterparty risk	1.14%-100% ^(*)	2.54%
Foreign exchange rate contracts	57	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
	914	Discounted cash flows	Counterparty risk	1.14%-100% ^(*)	2.54%
Stock contracts	937	Discounted cash flows	Counterparty risk	1.14%-100% ^(*)	2.54%
Commodity contracts	19	Discounted cash flows	Counterparty risk	1.14%-100% ^(*)	2.54%
Liabilities					
Liabilities in respect of derivative instruments⁽²⁾					
NIS-CPI interest contracts	109	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
Foreign exchange rate contracts	128	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
B. Items measured at fair value on a non-recurring basis					
Non-performing loans whose collection is collateral-dependent	464	Collateral's fair value			

* In respect of a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default. A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.
3. The average figure for the unobservable input "Counterparty risk" reflects a weighted average.

Note 16 - Miscellaneous Topics

a. [Leumi Card Ltd.](#)

On February 25 2019, the sale of Leumi Card Ltd. to Warburg Pincus Financial Holdings Israel LTD. was completed. The Bank recorded a NIS 314 million profit (before tax) on the said sale of the shares.

For more information, please see Note 36F to the financial statements as at December 31 2018.

b. [Bank Leumi Romania \(BLROM\)](#)

On April 16 2019, Leumi entered into an agreement with First Bank S.A., a Romania-based bank controlled by Investment Fund JC Flowers, to sell the Bank's holdings, which comprise about 99.9 percent of Leumi Romania's share capital, in Leumi Romania.

The transaction's completion is subject to the fulfilment of conditions precedent stipulated in the agreement regarding obtaining the regulatory approvals required to execute the transaction.

The finalized transaction is not expected to have a material effect on the Bank's financial results.

c. [Leumi Partners Ltd.](#)

[Sale of interests in Super-Pharm](#)

On May 7 2019, the transaction for the sale of Leumi Partners Ltd.'s interests in Super-Pharm Israel Ltd. (hereinafter: the "Company") to Union Investments and Development Ltd. was completed. The Sold Shares constitute 15 percent of the Company's issued and paid up share capital. The Bank is expected to record a NIS 75 million pre-tax gain from the transaction. For more information, please see the immediate report dated May 7 2019.

[Acquisition of Shares in Taavura Holdings Ltd.](#)

On May 20 2019, Neshet Israel Cement Enterprises Ltd. informed Leumi Partners and several other companies from the Phoenix Insurance Company Ltd. Group that they had been selected as the winning bidders to acquire Neshet's interests in Taavura. Leumi Partners and Phoenix will each acquire approximately 20 percent of Taavura's shares for NIS 250.5 million.

Neshet has granted Leumi Partners and Phoenix exclusivity until May 27 2019 to complete the signing of the sales agreement.

There is no certainty that the sales agreement will be signed or as to the date on which it will be signed.

d. [Bank Leumi USA](#)

On May 22 2019, Bank Leumi USA distributed \$60 million in dividends; Bank Leumi's pro-rata share in BLC is \$50.8 million.

e. [The Bank sells ABS shares](#)

Pursuant to the provisions of the Law for Increasing Competition and Reducing Concentration in the Israeli Banking Industry (Legislative Amendments), 2017 (hereinafter: the "Law"), the Bank is required to reduce its holdings in Automated Banking Services Ltd. ("ABS" or the "Company"), such that by January 30 2021, the Bank's holdings in ABS will not exceed 10 percent of the Company's issued capital.

Accordingly, on November 20 2018, the Bank signed an agreement with a corporation from the Visa International Group (hereinafter: "Visa") for the sale of 10 percent of the Company's shares for NIS 37 million. The said transaction was completed on December 13 2018. The Bank recorded a NIS 24.6 million profit (before tax) on the said sale of the shares.

Under the said agreement and subject to its terms and conditions, Visa will also be granted a right of first offer if the Bank wishes to sell additional shares in the Company (other than by an offer to sell under a prospectus), and subject to the applicable holding restrictions under law. Such right of first offer shall apply to the shares which the Bank is obligated to sell under law until June 30 2019; regarding the shares the Bank is not obligated to sell, the right of first offer will be valid until three years from the date of completion of the agreement. Visa was also granted certain rights of first offer or refusal in connection with the sale (if any) of the Bank's holdings in Bank Clearing Center Ltd.

Note 16 - Miscellaneous Topics (cont.)

Following the said sale to Visa, the Bank's remaining stake in the company is 30 percent.

The Bank is examining additional ways to sell its holdings in accordance with the provisions of the law, including by means of an offer to sell shares to the public through a prospectus published by the Company. Thus, on May 2 2019, the Company published a draft prospectus which includes an offer to sell the shares of the Bank (and additional banks) in the Company. A publication of a final prospectus is subject, inter alia, to a permit by the Israel Securities Authority and approval by the Tel Aviv Stock Exchange.

BANK LEUMI OF ISRAEL LTD. AND ITS INVESTEE COMPANIES

Corporate Governance, Additional Details and Appendices

Table of Contents

	Page
A. Corporate Governance	
Changes in the Board of Directors	203
The Internal Auditor	203
B. Additional Information	
Control of the Bank	203
Appointments, Retirements and Corporate Structure	205
Corporate Structure	205
Material Agreements	205
Laws and Regulations Governing the Banking System	206
Credit Rating	209
C. Appendices	
Income and Expenditure Rates	210

Changes in the Board of Directors

As of the date of this report and its publication date, the Board of Directors has 12 members. During the first quarter of 2019, there were no changes in the composition of the Board of Directors.

Under the amendment to Proper Conduct of Banking Business Directive No. 301, published on July 5 2017 (hereinafter - "Directive 301"), the maximum number of members on the Board of Directors of banking corporations is to be reduced to 10 by July 1 2020.

On November 6 2018, the Bank received guidance from the Banking Supervision Department, whereby in order to comply with the provisions of Directive 301 as well as with guidance issued in previous years to reduce the number of directors, in 2019 the number of directors will be reduced to 10 through the directors ending their third and last term. Accordingly, it should be noted that Mr. David Brodet (Chairman of the Board) and Yoav Nardi (member of the Board under the status of "Other Director") are expected to end their third and last term with the Bank on July 21 2019.

On September 6 2019, Ms. Esther Levanon is expected to end her first term as director with the Bank.

On April 8 2019, the Bank published a preliminary notice regarding a plan to convene a special annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of one director with the status of "Other Director" - a director who is not an external director pursuant to Section 11D(2) to the Banking Ordinance) - to the Bank's Board of Directors.

On May 6 2019, pursuant to the preliminary notice and its revision dated April 18 2019, which the Bank issued as aforesaid and in accordance with subsections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941, a notice from the Committee for Appointment of Directors in Banking Corporations in accordance with Section 36A of the Banking (Licensing) Law, 1981 (hereinafter: the "Committee for Appointment of Directors"), which includes a list of candidates to serve as the Bank's directors for election in the Bank's May 6 2019 annual general meetings (for more information please see the immediate report issued by the Bank on May 6 2019 (Ref. No. 2019-01-043441) (hereinafter: the "**Notice Issued by the Committee for the Appointment of Directors**"), as follows:

More information about the candidates for directors in the Bank will be provided in the summons to the annual meetings to be published by the Bank according to law. A preliminary notice to the second meeting expected to take place during the fourth quarter of 2019 shall be published separately, in accordance with the law.

For more information, please see the section entitled "Annual General Meeting" below.

During January to February 2020, the following directors are expected to end their first tenure as directors with the Bank: Mr. Yitzhak Sharir (in the status of "Other Director"), Ms. Esther Dominissini (in the status of "Other Director") and Yitzhak Edelman (in the status of ED), who are candidates for re-election according to the Notice Issued by the Committee for the Appointment of Directors, as detailed above. The Bank intends to convene an additional general meeting during the last quarter of 2019, which will discuss, inter alia, the election of 3 members for the Bank's Board of Directors (2 directors in the status of "Other Director" and one ED) out of the candidates chosen by the Committee for the Appointment of Directors as aforesaid and any additional candidates proposed by those eligible to propose candidates to the Bank's Board of Directors pursuant to the law.

The Internal Auditor

Details regarding the Group's internal auditing function, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and considerations in formulating the work plans were included in the 2018 Annual Financial Statements.

Leumi Group's Internal Auditor's Report for 2018 was submitted to the Audit Committee on March 13 2019, discussed by the Committee on March 17 2019, submitted to the Board of Directors on March 19 2019 and discussed by the Board on March 24 2019.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For information regarding the sale of Bank shares held by the State of Israel to the Bank's employees, including an offering of 12,364 shares to the Chairman of the Board, subject to the approval by the general meeting, please see the section entitled "Control of the Bank" in the Bank's 2018 Annual Financial Statements.

For updated information regarding interested parties' holdings in the Bank as at March 31 2019, please see the immediate report on the status of holdings of interested parties and senior officers dated April 7, 2019 (Ref. No.: 2019-01-034138). See also the immediate report on the list of holders of significant means of control in the Bank as at March 31 2019, dated April 7 2019 (Ref. No. 2019-01-033928).

Annual general meeting and election of directors

Following the decision of the Bank's Board of Directors on April 7 2019, the Bank published an immediate report on April 8 2019 regarding a preliminary notice of the Bank's intention to convene a special annual general shareholders' meeting of the Bank (hereinafter: the "Preliminary Notice"), the agenda of which is expected to include the following: (1) Discussion of the annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of a director in the status of "Other Director" - who is not an external director in accordance with Section 11d(2) to the Banking Ordinance) to the Bank's Board of Directors; and (4) Approval of the participation of the Chairman of the Board in the State's offering to the Bank's employees as detailed in the Share Offering Outline by the State to the Bank's employees published on November 20 2018 (Ref. No.: 2018-01-111390).

For more information regarding the Preliminary Notice, please see the immediate report dated April 8 2019 (Ref. No. 2019-01-034438).

Following the request of the Committee for the Appointment of Directors in Banking Corporations appointed under Section 36A to the Banking (Licensing) Law, 1981 (hereinafter: the Committee for the Appointment of Directors"), the Bank published an update of the Preliminary Notice dated April 18 2019 regarding the postponement of the deadline for the submission of proposals for candidates for election as directors.

For more information regarding the revised Preliminary Notice, please see the immediate report dated April 18 2019 (Ref. No. 2019-01-036060).

On May 5 2019 - pursuant to the preliminary notice which the Bank issued as aforesaid and in accordance with subsections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941 - the Bank received a notice from the Committee for Appointment of Directors, which includes a list of candidates to serve as the Bank's directors for election in the Bank's annual general meeting for 2019 (for more information, please see the immediate report published by the Bank on May 5 2019 - Ref. No. 2019-01-043441).

Appointments and Retirements

Appointments

Mr. **Hanan Friedman**, Head of Strategy and Regulation and member of the Bank's management, was appointed Head of the Strategy, Innovation and Transformation Division as of April 1 2019.

Mr. **Ilan Buganim**, Head of CTO/CDO and Infrastructure function and member of the Bank's management, was appointed Head of the Data Division as of April 1 2019.

Mr. **Eyal Ben Haim** was appointed Head of the Operations Division and member of the Bank's management in the rank of First Executive Vice President as of April 1 2019.

Mr. **Eilon Dachbash** will be appointed Head of the Banking Division and member of the Bank's management in the rank of First Executive Vice President as of April 11 2019.

Termination of Tenure

Ms. **Tamar Yassur**, Head of the Digital Banking Division and member of the Bank's management, ended her tenure on March 31 2019, after 12 years of work at Leumi.

Mr. **Dani Cohen**, Head of the Digital Banking Division and member of the Bank's management, ended his tenure on March 31 2019, after 28 years of work at Leumi.

Corporate Structure

The Strategy, Innovation and Transformation Division

On April 1 2019, the Strategy and Innovation Division was also tasked - in addition to its current purviews - with promoting and implementing digital innovation and leading Leumi's transformation into tomorrow's banking - heading strategic projects while coordinating Leumi's business, technology, regulation and strategic aspects.

The Data Division

On April 1 2019, the Data Division was established with the aim of leveraging Leumi's data asset, including offering Leumi's customers quality value propositions at the right place and at the right time. In addition to marketing, the Division will be responsible for the Pepper platform.

The Bank's Secretariat

On April 1 2019, the Bank's Secretariat began reporting to the Legal Counsel Division.

Material Agreements

In December 2018, the collective agreement expired. Negotiations are now being held with the employees' representatives to sign a new collective agreement.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

For more information, please see the 2018 Annual Financial Statements.

During the reporting period, several proposals for regulatory amendments and changes in various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Most of the proposals are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding directives and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the impact of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force which are expected to have a significant effect on the Bank.

Directives Issued by the Banking Supervision Department

[Banking Ordinance \(Customer Service\) \(Supervision over Service of Depositing a Post-Dated Check\) \(Temporary Order\), 2019](#)

On March 31 2019, the Bank of Israel's Governor signed the said ordinance, which defined the "Service of Depositing a Post-Dated Check" as a regulated service, whose maximum fee for a check reassigned and deposited through a clerk or digitally shall be NIS 2 per check. The transfer of a check to a bank for depositing purpose shall not be considered reassignment of the check.

The said ordinance follows the enactment of the Law for Reducing the Use of Cash, 2018, whose provisions regarding checks are expected to take effect on July 1 2019, with the aim of encouraging retail customers to deposit reassigned post-dated checks even before the law enters into effect, in order to prevent a situation where the checks are not honored do to the provisions of the new law.

The ordinance will be in effect from April 15 2019 to June 30 2019 only for individuals and small businesses.

The ordinance is expected to affect the Bank's income from the said fee during this period.

[Amendment to Banking Rules \(Customer Service\) \(Fees and Commissions\), 2019](#)

On May 1 2019, Amendment to Banking Rules (Customer Service) (Fees and Commissions), 2019 was published.

Following are the main points of the amendments:

- The determination that small businesses and authorized dealers shall be automatically added to these service tracks in case they were charged fees and commissions exceeding the amounts they would have paid had they joined the said service tracks. The feasibility of the above shall be examined according to the rules prescribed by the directive:
- New fees and commissions shall be charged for the following services: Pension consulting, cash withdrawal from an ATM using prepaid cards which are not linked to the current account and cash withdrawal from an ATM using a card issued overseas.

The amendment shall enter into force gradually.

The amendment to the ordinance is expected to affect the Bank's income from the said fees.

[Amendments to Proper Conduct of Banking Business Directive Provisions regarding digital services and e-Banking](#)

On May 20 2019, the Banking Supervision Department issued a draft amendment to Directive 367, E-banking. The amendment includes, inter alia, various easements in the following topics: Simplification of the identification and validation of customers wishing to make e-banking transactions, easements when opening an online account for minors and revoking restrictions and controls previously set regarding check depositing forms for online accounts.

On May 20 2019, the Banking Supervision Department issued an amendment to Directive 353, Control over Issuing of Guarantees by a Banking Corporation. The amendment will allow the Bank to issue bank guarantees digitally.

The various easements provided in the directives will enable the Bank to advance and expand the use of digital banking to further boost customer experience, maximize the management of operational risks, streamline its activity, and reduce costs.

[Providing professional human response by telephone](#)

On July 25 2018, an amendment to the Banking Ordinance (Customer Service), 1981 was published, mandating Banking corporations providing telephone services with an automatic call routing system to offer customers professional human response for several types of services (handling technical problems, making billing inquiries and termination of contract) within six minutes from the beginning of the call. The law will come into effect 12 months after its publication.

On May 5 2019, the Banking Supervision Department published a draft Proper Conduct of Banking Business Directive regulating the implementation of the said revision and adding guidance regarding telephone response.

The draft requires the following, inter alia: Requirement that banking corporations provide professional human response through call centers, including for the types of services outlined in the amendment to the law, at least during "core hours" (as defined by the directive); determining the exception to the waiting time requirement provided by the amendment; prioritizing people older than 75 in terms of waiting time, etc.

Effective date - most of the Directive's sections will become effective at the same date as the Law, except the requirement to provide professional human response through a call center during core hours and the requirement to prioritize the elderly in call routing, which will become effective on January 1 2020.

The Bank is preparing to implement the law and directive.

Additional Topics

[Various legislative initiatives for increasing competition in the retail credit market](#)

Recently, special emphasis has been placed on legislation to encourage competition, mainly in the retail credit market. This trend is reflected in various legislative provisions and initiatives which aim to ease the entry of new players into the market, inter alia, by increasing the resources available to them, providing regulatory easements, and granting reliefs for connecting to the payment and clearing systems.

These amendments - along with initiatives led by the Bank of Israel, such as building a central credit register, which was launched in April 2019 and will enable various entities to obtain credit statements and reports for their current and potential customers - will encourage the banking system to improve efficiency and support the transition to e-banking; they are expected to affect the Israeli banking market in the coming years.

For more information on this topic, please see the 2018 Annual Financial Statements.

In this framework, and following rules published by the Ministry of Finance on providing a government grant for establishing a banking computerized services bureau following the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel (Legislative Amendments), 2017, the Ministry of Finance chose TCS, a subsidiary of Indian conglomerate Tata, to establish the bureau. The bureau is intended as infrastructure which will serve new players in the banking industry.

[The Parliamentary Committee of Inquiry into the Financial System's Conduct regarding Credit Agreements with Large Business Borrowers](#)

On July 5 2017, the Knesset approved the Knesset Committee's proposal regarding the establishment of a parliamentary committee headed by the Chairman of the Economic Affairs Committee, MK Eitan Cabel, to discuss the conduct of the institutional entities and regulators regarding granting credit to large business borrowers since 2003. Upon concluding its deliberations, the Parliamentary Committee will submit to the Knesset a report outlining its actions and conclusions. The Committee is currently holding its deliberations.

On October 28 2018, the Chairman of the Bank's Board of Directors, the President and CEO and the Head of Strategy and Regulatory Affairs Division appeared before the Committee and answered its members' questions.

On April 16, 2019 the Committee published its recommendations. The recommendations focus mainly on a series of changes which are needed, according to the Committee, in the financial regulators' conduct. These changes may be relevant to the Banking System and to additional institutional entities in the Israeli economy, directly and indirectly.

The Bank sells ABS shares

Pursuant to the provisions of the Law for Increasing Competition and Reducing Concentration in the Israeli Banking Industry (Legislative Amendments), 2017 (hereinafter: the "Law"), the Bank is required to reduce its holdings in Automated Banking Services Ltd. ("ABS" or the "Company"), such that by January 30 2021, the Bank's holdings in ABS will not exceed 10 percent of the Company's issued capital.

Accordingly, on November 20 2018, the Bank signed an agreement with a corporation from the Visa International Group (hereinafter: "Visa") for the sale of 10 percent of the Company's shares for NIS 37 million. The said transaction was completed on December 13 2018. The Bank recorded a NIS 24.6 million profit (before tax) on the said sale of the shares.

Under the said agreement and subject to its terms and conditions, Visa will also be granted a right of first offer if the Bank wishes to sell additional shares in the Company (other than by an offer to sell under a prospectus), and subject to the applicable holding restrictions under law. Such right of first offer shall apply to the shares which the Bank is obligated to sell under law until June 30 2019; regarding the shares the Bank is not obligated to sell, the right of first offer will be valid until three years from the date of completion of the agreement. Visa was also granted certain rights of first offer or refusal in connection with the sale (if any) of the Bank's holdings in Bank Clearing Center Ltd.

Following the said sale to Visa, the Bank's remaining stake in the company is 30 percent.

The Bank is examining additional ways to sell its holdings in accordance with the provisions of the law, including by means of an offer to sell shares to the public through a prospectus published by the Company. Thus, on May 2 2019, the Company published a prospectus which includes an offer to sell the shares of the Bank (and additional banks) in the Company. A publication of a final prospectus is subject, inter alia, to a permit by the Israel Securities Authority and approval by the Tel Aviv Stock Exchange.

International Regulation

General Data Protection Regulation

Following the description in the 2018 Annual Financial Statements of the European privacy protection directive General Data Protection Regulation (GDPR), the Bank is reviewing similar regulation, at various legislative stages, in other countries, and will prepare for them as needed.

Credit Rating

Following are the credit ratings of Israel and the Bank as at May 26 2019:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	Positive	P-1
	S&P	AA-	Positive	A-1+
	Fitch	A+	Stable	F1+
Bank Leumi: Foreign exchange	Moody's	A2	Stable	P-1
	S&P	A-	Positive	A-2
	Fitch	A	Stable	UOC
Local rating (in Israel)	S&P	AAA	Stable	-
	Midroog	Aaa	Stable	P-1

On January 9 2019, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On March 24 2019, credit rating agency Fitch reiterated the State of Israel's rating and rating outlook.

On April 5 2019, credit rating agency Moody's reiterated the State of Israel's rating and rating outlook.

On May 1 2019, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On May 7 2019, credit rating agency Fitch issued an update whereby the Bank's short-term rating was included in a positive observation list, as part of the updating of short term rating scales. The final rating will be determined within six months from the update's publication date. Until then, the Bank's short-term rating will be "Under Observation Criteria" (UOC). The Bank's long-term rating or outlook have not been changed.

Appendix 1 - Income and Expenditure Rates^(a) and Analysis of Changes in Interest Income and Expenses

Part A - Average balances and interest rates – assets

	For the three months ended March 31					
	2019			2018		
	Average outstanding balance ^(b) In NIS millions	Interest income	% of income In %	Average outstanding balance ^(b) In NIS millions	Interest income	% of income In %
Interest-bearing assets						
Loans to the public ^(c)						
In Israel	245,884	1,976	3.25	241,180	1,925	3.23
Outside Israel	25,692	310	4.91	23,440	272	4.72
Total ⁽ⁱ⁾	271,576	2,286	3.41	264,620	2,197	3.36
Loans to governments						
In Israel	731	8	4.45	722	7	3.93
Outside Israel	-	-	-	-	-	-
Total	731	8	4.45	722	7	3.93
Deposits with banks						
In Israel	10,403	44	1.70	7,250	26	1.44
Outside Israel	372	2	2.17	295	1	1.36
Total	10,775	46	1.72	7,545	27	1.44
Deposits with central banks						
In Israel	50,675	32	0.25	52,298	13	0.10
Outside Israel	1,767	4	0.91	2,875	6	0.84
Total	52,442	36	0.27	55,173	19	0.14
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	697	1	0.58	1,220	-	-
Outside Israel	-	-	-	-	-	-
Total	697	1	0.58	1,220	-	-
Bonds - held-to-redemption and available-for-sale ^(d)						
In Israel	62,029	249	1.62	63,855	132	0.83
Outside Israel	6,095	45	2.99	5,164	35	2.74
Total	68,124	294	1.74	69,019	167	0.97
Bonds - held-for-trading ^(d)						
In Israel	6,133	8	0.52	4,984	3	0.24
Outside Israel	-	-	-	80	1	5.09
Total	6,133	8	0.52	5,064	4	0.32
Total interest-bearing assets	410,478	2,679	2.64	403,363	2,421	2.42
Non-interest bearing receivables in respect of credit cards	5,832			6,401		
Other non-interest bearing assets ^(e)	40,195			38,323		
Total assets	456,505	2,679		448,087	2,421	
Total interest-bearing assets attributed to foreign operations	33,926	361	4.32	31,854	315	4.01

Please see comments below.

Part B - Average outstanding balances and interest rates - liabilities and capital

	For the three months ended March 31					
	2019			2018		
	Average outstanding balance ^(b) In NIS millions	Interest expense	% of expense In %	Average outstanding balance ^(b) In NIS millions	Interest expense	% of expense In %
Interest bearing liabilities						
Deposits by the public						
In Israel	255,259	(385)	(0.60)	249,006	(265)	(0.43)
Demand deposits	121,811	(34)	(0.11)	112,645	(14)	(0.05)
Fixed deposits	133,448	(351)	(1.06)	136,361	(251)	(0.74)
Outside Israel	16,187	(79)	(1.97)	15,863	(50)	(1.27)
Demand deposits	5,432	(28)	(2.08)	4,670	(10)	(0.86)
Fixed deposits	10,755	(51)	(1.91)	11,193	(40)	(1.44)
Total	271,446	(464)	(0.69)	264,869	(315)	(0.48)
Deposits from the Israeli government						
In Israel	199	(1)	(2.03)	166	(1)	(2.43)
Outside Israel	502	-	-	305	-	-
Total	701	(1)	(0.57)	471	(1)	(0.85)
Deposits by central banks						
In Israel	-	-	-	61	-	-
Outside Israel	-	-	-	-	-	-
Total	-	-	-	61	-	-
Deposits by banks						
In Israel	4,665	(3)	(0.26)	5,305	(6)	(0.45)
Outside Israel	27	-	-	37	-	-
Total	4,692	(3)	(0.26)	5,342	(6)	(0.45)
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	357	(1)	(1.13)	539	-	-
Outside Israel	-	-	-	-	-	-
Total	357	(1)	(1.13)	539	-	-
Bonds						
In Israel	19,357	(90)	(1.87)	15,580	(93)	(2.41)
Outside Israel	-	-	-	-	-	-
Total	19,357	(90)	(1.87)	15,580	(93)	(2.41)
Total interest-bearing liabilities	296,553	(559)	(0.76)	286,862	(415)	(0.58)
Non-interest bearing deposits from the public						
Non-interest bearing payables in respect of credit cards	3,488			6,079		
Other non-interest bearing liabilities ^(f)	26,578			27,804		
Total liabilities	420,392	(559)		414,562	(415)	
Total capital sources	36,113			33,525		
Total capital commitments and sources	456,505	(559)		448,087	(415)	
Interest rate spread		2,120	1.88		2,006	1.84
Net return^(g) on interest-bearing assets						
In Israel	376,552	1,838	1.97	371,509	1,741	1.89
Outside Israel	33,926	282	3.37	31,854	265	3.37
Total	410,478	2,120	2.08	403,363	2,006	2.00
Total interest-bearing liabilities attributed to foreign operations						
	16,716	(79)	(1.90)	16,205	(50)	(1.24)

Please see comments below.

Part C - Average balances and interest rates - Additional information on interest-bearing assets and liabilities attributed to activities in Israel

	For the three months ended March 31						
	2019			2018			
	Average	Interest	% of	Average	Interest	% of	
	outstan- ding balance ^(b)	income (expenses)	income (expense)	outstan- ding balance ^(b)	income (expenses)	income (expense)	
In NIS millions		In %		In NIS millions		In %	
CPI-linked NIS							
Total interest-bearing assets	45,415	218	1.93	45,463	224	1.99	
Total interest-bearing liabilities	30,554	(89)	(1.17)	30,818	(124)	(1.62)	
Interest rate spread			0.76			0.37	
Unlinked NIS							
Total interest-bearing assets	272,295	1,677	2.49	273,654	1,604	2.37	
Total interest-bearing liabilities	198,950	(141)	(0.28)	199,136	(108)	(0.22)	
Interest rate spread			2.21			2.15	
Foreign currency							
Total interest-bearing assets	58,842	423	2.91	52,392	278	2.14	
Total interest-bearing liabilities	50,333	(250)	(2.00)	40,703	(133)	(1.31)	
Interest rate spread			0.91			0.83	
Total activity in Israel							
Total interest-bearing assets	376,552	2,318	2.49	371,509	2,106	2.29	
Total interest-bearing liabilities	279,837	(480)	(0.69)	270,657	(365)	(0.54)	
Interest rate spread			1.80			1.75	

Please see comments below.

Part D - Analysis of changes in interest income and interest expenses

	2019 vs. 2018		
	For the three months ended March 31		
	Increase (decrease) due to change ^(h)		Net change
	Quantity	Price	
Interest-bearing assets			
Loans to the public			
In Israel	38	13	51
Outside Israel	27	11	38
Total	65	24	89
Other interest-bearing assets			
In Israel	1	160	161
Outside Israel	(1)	9	8
Total	-	169	169
Total interest income	65	193	258
Interest bearing liabilities			
Deposits by the public			
In Israel	9	111	120
Outside Israel	2	27	29
Total	11	138	149
Other interest bearing liabilities			
In Israel	11	(16)	(5)
Outside Israel	-	-	-
Total	11	(16)	(5)
Total interest expenses	22	122	144
Total, net	43	71	114

Comments:

- (a) The data in the above tables are stated after the effect of hedging derivative instruments.
- (b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average book balance of loan loss provisions; foreign subsidiaries - based on quarterly opening balances.
- (c) Before deducting the average balance of loan loss provisions. Including nonaccrual non-performing loans.
- (d) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds was deducted/added to/from the average balance of held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-sale bonds included in shareholder's equity under accumulated other comprehensive income, in the "Adjustments in respect of presentation of available-for-sale securities at fair value" line item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS (332) million (March 31 2018 – NIS 120 million).
- (e) Including book balances of derivative instruments, other nonaccrual assets, non-monetary assets, less loan loss provision.
- (f) Including book balances of derivative instruments and non-monetary liabilities.
- (g) Net return – net interest income divided by total interest-bearing assets. The net return net of Leumi Card was 1.95 percent as at March 31 2018.
- (h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the price change.
- (i) Fees and commissions for the three-month period in the amount of NIS 107 million were included in interest income from loans to the public (March 31 2018 - NIS 93 million).