FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of September 30,

2020

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF SEPTEMBER 30, 2020

The meeting of the Board of Directors held on November 25, 2020, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of September 30, 2020.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

Description of the Bank Group's activity

The Bank Group is one of the five large banking groups in Israel.

The business operations of the Bank Group focus on several principal areas:

- Financial brokerage between depositors and borrowers, which is the basis for commercial banking. Income from such operation is reflected in net interest income comprising the main source of profit of the Group.
- Financial and banking services producing commission income in a variety of operations in the foreign currency, international trade, securities, information services, credit cards, derivative financial instruments, etc.
- Investment and pension consulting.
- The "nostro" investments of the Bank and market and liquidity risk management.
- Operational banking services for the capital market.
- Trusteeship services for private and institutional customers through the Bank's trust company.

The Bank operates through three principal business divisions:

- The corporate division, which conducts all operations relating to corporate and middle-market customers, as well as business and institutional customers active on the capital market. Operating within this division is the business region, covering the operation of all business branches of the Bank.
- The banking division, which through the branches provides banking and mortgages services to all customers segments - households, private banking and small businesses. In this framework operate Ubank branches specializing in private banking and capital market operations and Otsar Hahayal branches specializing in providing services to retail and commercial customers with emphasis on the employees and retirees of the defence forces. In addition, the PAGI sub-division branches specialize in the religious and orthodox segment.
- The customer asset division centralizing the whole operation in the capital market, money market and foreign currency operation with private customers, business customers, institutional customers and capital market professionals. Within the division operating dealing rooms of securities, foreign currency and deposits as well as investment and pension advisement settings, investment center and the trust company and portfolio management company.

In addition to the Bank, the Group includes Massad Bank specializing in providing services to the teachers population in Israel.

RATING RATIFICATION OF THE BANK BY RATING AGENCIES

On April 27, 2020 S&P Maalot ratified the issuer rating of the Bank at ilAAA/Stable and its subordinate debt notes at ilAA+ and the rating of the subordinate debt notes with a loss absorption mechanism at ilAA-.

On July 23, 2020, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il/stable outlook, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook, its subordinate debt notes at the rank of Aa1.il/stable outlook, its subordinate capital notes at the rank of Aa2.il(hyb)/stable outlook, and its subordinate debt notes with a loss absorption mechanism to Aa3.il (hyb)/stable outlook rating.

FORWARD-LOOKING INFORMATION

Part of the information detailed in this report which does not refer to historical facts is forward-looking information as defined in the Securities Law, 1968. Actual results are likely to be substantially different from those included in the context of forward-looking information due to a large number of factors, including changes in legislation and supervisory directives, macroeconomic developments in Israel and abroad and their effect on the liquidity position and stability in the capital markets at business companies in Israel and abroad, exceptional economic developments such as extreme changes in interest rates, exchange rates and inflation, stock prices, bond prices, competitors' behavior and changes in the terms of competition.

As for this matter, see the reservation in the chapter of major risks which the Bank is exposued to- the effect of the spread of the Corona virus.

Forward-looking information is notable for such words or expressions as: "forecast," "expected," "in the Bank's estimation" and "the Bank intends," as well as expressions such as "will be able," "might be" and "will be." These forward-looking expressions involve risks and uncertainty because they are based on the Management's assessments regarding future events that may not occur or that may occur in a different manner than expected as the result inter alia of the aforementioned factors or as the result of the materialization of one or more of the risk factors detailed in the table of risk factors presented in this report.

The information in this report is based, among other, on the publication of the Central Bureau of Statistics, the Treasury department and the data from the Bank of Israel, as well as on public information given by different factors operating and connected with the capital and money markets.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended September 30,		For the year ended December 31,
	2020	2019	2019
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank(1)	**8.4%**	10.6%	10.5%
Return on average assets(1)	**0.48%**	0.63%	0.63%
Ratio of equity capital tier 1	**10.93%**	10.79%	10.81%
Leverage ratio	**5.39%**	5.91%	5.81%
Liquidity coverage ratio	**145%**	124%	128%
Ratio of total income to average assets(1)	**2.8%**	3.0%	3.0%
Ratio of interest income, net to average assets (1)	**1.8%**	1.9%	1.9%
Ratio of fees to average assets (1)	**0.9%**	0.9%	0.9%
Efficiency ratio	**61.0%**	64.9%	64.4%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.35%**	1.03%	1.05%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	**1.10%**	1.02%	1.08%
Ratio of provision for credit losses to total impaired credit to the public	**168%**	139%	131%
Ratio of net write-offs to average total credit to the public (1)	**0.15%**	0.09%	0.10%
Ratio of expenses for credit losses to average total credit to the public (1)	**0.62%**	0.14%	0.16%

Principal data from the statement of income	For the nine months ended September 30,	
	2020	2019
		NIS million
Net profit attributed to shareholders of the Bank	**540**	643
Interest Income, net	**1,980**	1,942
Expenses from credit losses	**413**	92
Total non-Interest income	**1,126**	1,140
Of which: Fees	**1,027**	960
Total operating and other expenses	**1,894**	2,000
Of which: Salaries and related expenses	**1,138**	1,215
Dismissals expenses	**5**	41
Primary net profit per share of NIS 0.05 par value (NIS)	**5.38**	6.41

Principal data from the balance sheet			As of
	30.9.20	30.9.19	31.12.19
			NIS million
Total assets	**159,370**	136,988	141,110
of which: Cash and deposits with banks	**52,366**	34,516	37,530
Securities	**12,174**	10,453	10,995
Credit to the public, net	**89,585**	87,310	87,899
Total liabilities	**150,042**	128,178	132,186
of which: Deposits from the public	**135,914**	116,292	120,052
Deposits from banks	**1,717**	464	1,137
Bonds and subordinated capital notes	**4,384**	3,690	3,674
Capital attributed to the shareholders of the Bank	**8,944**	8,461	8,568

Additional data	30.9.20	30.9.19	31.12.19
Share price (0.01 NIS)	**7,108**	9,257	9,989
Dividend per share (0.01 NIS)	**125**	300	410

(1) Annualized.

Principal Risks to which the Bank is exposed

The Bank group activity involves exposure to risk, the more significant of which are: Credit risk, including credit concentration (borrower and sectorial); Market risks, the principal of which is interest rate risk; Liquidity risks; Operating risks, including cyber and information security and IT risk; Compliance and Money Laundering risks; Strategic risk; Reputation risk; Legal risk.

All material risks are managed by and the responsibility of appointed members of Management. A regulatory requirement for capital adequecy exists in respect of credit, market and operating risks, according to the instructions of Pillar I of Basel. Within the framework of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Group performs an intensive process for the identification of additional risk centers and the challenging of identified risk centers, in accordance with Pillar I. Where required, a supplementory allocation of capital is made in respect of Pillar I risks, and an additional allocation of capital in respect of other risks and sub-risks.

Additional information is detailed in the financial statements for 2019.

Developing risks

Developing risks are risks which may be created in new areas, or new risk centers developing in existing risks, which stem, inter alia, from changes in the environment affecting areas of banking activity, including the regulatory, competitive, digital and additional environments.

The principal developing risks are the strategic/business model risk, regulatory risk, cyber and data protection risks, information technology risk, cross-border risks and fair banking risk. Starting with the first quarter of 2020, a macro-economic risk has been added, which includes the impact of the spreading of the Coronavirus. For additional details regarding developing risks – see the Risk Report on the Internet website of the Bank.

Impact of the spreading of the Coronavirus

The outbreak of the Coronavirus and the spreading thereof around the world has led to a global health and economic crisis, which continued to intensify in the third quarter of 2020. On background of the second wave of the outbreak of the virus, a second lockout was declared in Israel, significant restrictions on traffic and on activity were renewed, and as of the present time, it is difficult to foresee when the economy will revert to full activity. According to forecasts of international bodies, which take into account both optimistic and pessimistic scenarios, a global economic recession is expected in 2020 with a recovery in 2021. Notwithstanding the above, concern exists that the effect of the virus would be longer. The global economy has already began to show signs of recovery, though the world has experienced a large wave of employee dismissals that continues to add to the already high unemployment data.

Central banks around the world have supported the economy by introducing fiscal plans in considerable amounts; however uncertainty continues to be high.

As stated above, following the pace of contamination and the high morbidity level in Israel, a second lockout was declared towards the end of the third quarter of 2020. It was put into effect until the middle of October, following which; the gradual return of the economy to activity has begun. The lockout resulted in the deterioration in the state of the economy, and in accordance with forecasts of the Research Division of Bank of Israel, published towards the end of October, two central scenarios have been formed – a scenario characterized by control over the development of the morbidity (shrinking of the product by 5% in 2020 and growth of 6.5% in 2021) alongside a scenario characterized by a low level of control over the development of morbidity (shrinking of the product by 6.5% in 2020 and growth of 1% in 2021). In the opinion of Bank of Israel, it is to be taken into account that the Government would not be able to increase the deficit and the national debt with no limits without this having an impact on the price at which it raises debt. In order to verify that the flow of credit to all economic sectors continues, Bank of Israel became involved in the government bond market, purchased corporate bonds and provided loans to the banking system, so as to enlarge the offering of bank credit, including loans at a negative interest rate of minus 0.1%. The Government continues to take economic measures to assist the labor market, as discussed below.

The Bank continues to strictly implement the guidelines of the Ministry of Health and of Bank of Israel. Within the framework of maintaining business continuity, the Bank has taken a series of steps, inter alia, by means of splitting units, use of distant work and formation of "capsules" or team work while strictly maintaining risk management and controls. In the second quarter of the year, the Bank conducted a conclusion drawing process with respect to the effect of the first wave of morbidity caused by the virus. This process was led by the Risk Management Division in participation with all divisions and groups of the Bank. The conclusion drawing process included reference to business continuity in the shadow of the virus, discussing also items concerning improvement of the preparations made by the Bank, which were implemented in the course of the third quarter of the year, in view of additional morbidity waves, if at all.

Management of the Bank and the Board of Directors maintain an ongoing follow-up regarding all matters and risks stemming from the crisis, its implications and its financial impact on the Bank, including the impact on credit risk, liquidity, the "nostro" investment portfolio, dealing rooms, etc. The Bank continues to maintain foreign currency liquidity balances in amounts higher than those maintained in the ordinary course of business. Likewise, a liquidity coverage ratio higher than required by the regulatory and internal limits is maintained in respect of all operating segments. The liquidity coverage ratio for the three months ended September 30, 2020, amounted to 145%. Deposits from the public as of September 30, 2020, amounted to NIS 135,914 million, compared to NIS 120,052 million at the end of 2019, an increase of 13.2%. The high use of the digital channels by customers transacting business online continued in the third quarter of the year. Following the crisis and while making the necessary adjustments to monitoring and control, the Bank offered additional online services alongside the relief granted by Bank of Israel, and is continuing the expansion of the services provided by these channels.

On background of the spreading of the Coronavirus and in order to secure the ability of banks to continue and offer credit, the Supervisor of Banks reduced on March 31, 2020, the capital requirements relating to banks, as stated in the provisional instruction applying for a period of six months with option for extension. (On September 16, the period of the provisional instruction was extended to March 31, 2021). Accordingly, the minimum Tier I equity capital ratio and the minimum comprehensive capital ratio required from the Bank by the Supervisor of Banks, on a consolidated basis, as of September 30, 2020 and for the period of the provisional instructions, are 8.30% and 11.80%, respectively (instead of 9.30% and 12.80%, respectively, prior to the provisional instructions).

In an announcement with respect to the provisional instruction, issued by the Supervisor of Banks in March 2020, boards of directors of banks were, inter alia, requested to re-examine their dividend distribution policy, with the aim of directing the capital resources freed by the reduced capital requirements towards increasing credit to the public and not for the use of dividend distribution. On background of the Supervisor's announcement and in order to implement the purpose of the announcement, the Board of Directors of the Bank held a discussion on April 16, 2020, with respect to the dividend policy and decided that the Bank would avoid the distribution of dividends to its shareholders during the period of the provisional instruction (which was extended until March 31, 2021). It is clarified that no change has taken place in the Bank's dividend policy and it remains as is. The Board of Directors of the Bank will continue to discuss the implementation of the dividend distribution policy of the Bank in the light of developments in the crisis and its implications on the economy and on the Bank.

As of September 30, 2020, the Tier I equity capital ratio amounted to 10.93% as compared to 10.81% at December 31, 2019, and the leverage ratio amounted to 5.39% as compared to 5.81% at December 31, 2019.

In the course of May 2020, Bank of Israel formed a uniform outline for the deferral of loan repayments ("the outline"), which was adopted by the banking sector, applying to three business segments – mortgages, consumer credit and business credit (as defined by the outline). Within the framework of the outline, minimum requirements were determined for each of the segments, in order for a loan to be included in the outline, the scope of discretion of the Bank regarding deferral of repayments as well as the rules for the format of deferral of repayments in each segment, the essence of which is the

period of deferral of repayments, the dates for submission of deferral applications, prohibition on the charging of commission fee in respect of the deferral process, the rate of interest that may be charged on the deferred repayments, the manner of spreading the repayment of the loans, etc.
Since the application of the outline, Bank of Israel extends it in accordance with the crisis situation. On September 29, 2020, the period for submission of the deferral application was once more extended to December 31, 2020. The possible length of the deferral period regarding each deferral notice was extended with respect to part of the borrowers. The extended outline applies both to customers who had already deferred loan repayment during the Corona crisis and require now further assistance, and to customers who have not yet applied for deferral, as stated.

The Bank implements the guidelines of Bank of Israel while maintaining the principle of fairness regarding its customers, and continues to monitor the condition of borrowers and act in accordance with the outline.
Until September 30, 2020, deferred loan repayments (principal and interest) totaled NIS 144 million, comprising 0.16% of the net outstanding balance of credit to the public. For additional information, see the Chapter "Risk review" below.
In addition, the Bank has carried out a line of moves in order to assist customers, including providing finance within the framework of funds guaranteed by the State, assisting businesses that had been economically affected by the effects of the Coronavirus, or also through other means, based on a series of reliefs announced by Bank of Israel.
With the outbreak of the crisis the Bank examined the risk relating to all models regarding credit and took action to reduce the risk involved in extending new credit. As a general rule, the Bank manages the risk relating to the models, and in particular the credit risk models, in a way that reduces the level of risk.
On background of the spreading of the virus, its effect on the macro-economic environment and the considerable uncertainty created as a result, the Bank has increased the credit loss expense. Due to the crisis, the Bank decided to increase the collective provision for loan losses, by updating the qualitative adjustments in computing the collective provision, in order to reflect the possible growth in the specific provision, which might be expressed in the coming quarters. In the first nine months of the year, following the spreading of the virus, the Bank recorded expenses for credit losses in the amount of NIS 352 million. This growth stemmed from the increase in volume of the collective provision in the amount of NIS 322 million, and from an increase of NIS 30 million in the specific provision.

The Bank continues to update the infrastructure for stress tests reflecting also the effects of the crisis, this, following the tests devised, by the Bank and at the request of Bank of Israel. The capital ratios in all the stress tests are above the relevant limits. At the end of October, banks received an updated uniform regulatory stress test for use until the beginning of December 2020.
Cyber and data protection risk (being part of operating risk) – The Corona crisis has led to a rise in attempts of cyber attacks against organizations all over the world, including a rise in phishing combined with social engineering. All along the period, the Bank adopted a large number of measures in order to reduce exposure to risk, among other things, strengthening and improving the protection mechanisms operating within the systems of the Bank. In addition, following the partial transition to remote working, the monitoring of all operations has been defined and awareness of employees to the proper manner of operation, to existing controls and to new threats has been increased.
Compliance risk - the Corona crisis requires increased vigilance on the part of the Bank, in order to avoid misuse of the crisis for money laundering and terror financing purposes. The Compliance Department of the Bank has prepared for conducting more intensive controls, with an emphasis on locating, identifying and treating transactions appearing to be unusual.
Strategy risk – following the crisis and the uncertainty characterizing the present period, the Bank continues the close follow-up of changes in the financial markets as well as the examination of the effects on the strategy and the work plan of the Bank of macro-economics, conduct of the customers and the conduct of the Bank. In cases where it is found that the crisis has a material effect on operations, the required adjustments for confrontation with the new situation are being made. A renewed examination of the strategic plan was brought for discussion in October, as part of the periodic updating, and no need for a material change in the strategic outline has been found.

As stated, it is not possible, at this stage, to assess in full the impact of the event upon the Bank and its scope, this, due to the uncertainty existing with respect to the length of time the event and the spreading of the virus, the measures taken to curb the spreading thereof and their force, as well as the uncertainty regarding the derivative effects on economic activity, on capital market trends and the different financial measures that would be taken in the matter (by governments, central banks and regulators).

Assessments by the Bank regarding possible implications of the spreading of the Coronavirus and its impact upon the markets comprise forward looking information, as defined by the Securities Act, 1968, based, inter alia, on information, third party publications and estimates at the hands of the Bank at this date. Such assessments are uncertain and may materialize in a manner significantly different than that stated above, inter alia, depending on the spreading of the virus, on the reaction of governments and central banks and on the length of period of the event.

For additional details regarding the spreading of the Coronavirus, see Note 16 to the financial statements and the risks report on the Internet website of the Bank.

Objectives and Strategy

Management of the Bank is guided and directed by the Board of Directors and its committees, with respect to the strategy and business policy of the Bank. In this framework, the Board of Directors approves the quantitative and qualitative targets and goals as well as the lines of operation of the Bank.

On the basis of the multi-annual strategic plans of the Bank, Management presents to the Board of Directors annual work plans and budgets, giving quantitative and qualitative details of the income, expenses and investment mix, which Management had determined as the long-term goals and specific targets for the current year of operation.

The Board of Directors and its committees supervise and control the work of Management in everything relating to the implementation of the strategy and business policy, as approved by them. The Board of Directors approves also the comprehensive risk management policy, including the determination of different limitations to exposure regarding credit risk and market and liquidity risks. The various units of the Bank, of the branch layout and of the Head Office, operate within the framework of written procedures and circular letters, guiding them in their current operations. These procedures define, among other things, the authority of the different units of the Bank and the manner of operation which they have to adopt.

The Bank operates according to a multi-annual strategic plan, validated by the Board of Directors at half-yearly intervals. The plan is based upon appropriate conduct in all areas of operation, with aspiration for proper and stable profitability over a period of time.

In 2018, the Bank launched the digital strategy (approved at the end of 2017), the purpose of which is to support the business strategy of the Bank. As part of the digital strategy and with adequacy to the Bank's strategy "Investing in you", the Bank developes a digital answering adjusted and focuses on the customer's needs. The Bank emphasis is on solutions which can be combined in the interfaces with the customers and improving the Customer experience and providing added value in the various financial worlds, and specifically in the capital markets worlds. In addition, the Bank promote innovation through implementation of products and technologies from start-up companies, this alongside the current activity of developing products and technologies in-house by the IT division of the Bank. For that, a specific department was build for holistic treatment in innovation and digital.

On November 5, 2019 the Board of Directors of the Bank approved new entity strategy for the upcoming years in accordance with the latest changes in the Bank and its operating surroundings, and with looking forward on the banking world. The new strategy is a direct continuation to the former entity strategy and to detailed strategic processes carried out in latest years, as detailed below.

The Bank emphasises on providing added value to its customers by providing a comprehensive response modified to the needs of the customer, including in the digital area and technological answer; the Bank is to maintain the leadership of its subsidiary (Massad) and the brands UBank, PAGI and Otsar Hahayal in their unique operating niches, mostly in the retail and small business sectors. The Bank is to maintain leadership in the capital market; would conduct actions leading to efficiency in expenses, while improving its manpower position, improving procedures, continue efficiency measures in the branch layout and increase the use of online banking channels, and support performance directed culture and measurement in the Group, alongside with rational risk management.

In 2019 the Bank completed to formulate a new strategic plan in the infrastructure and computerization worlds. The goal of the plan is to improve the Bank's ability to operate in the changing banking surroundings, among other things, by shortening response times and increasing flexibilty.

Following the spread of the corona virus and its implications, theBank has recently adjusted the annual work plan according to the developments in the market, as a result of the spreading of the corona virus. The Bank continues to follow the effects of the corona crisis and its implications on the Bank's operations and strategy, and performs adjustments to the work plan of the Bank, as needed.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

PRINCIPAL ECONOMIC DEVELOPMENTS

Following are the principal economic developments, which impacted the economic environment in which the Israeli banking sector operated in the first nine months of 2020.

At the beginning of the year 2020, the Israeli economy was characterized by positive macro-economic data, good growth data, low unemployment and high financial stability, a low level of public debt and high foreign currency reserves. With the spreading of the Corona virus during the first quarter of 2020, the Government of Israel announced wide restrictions on individuals and businesses. Following this, starting with the second half of March 2020, economic activity in many economic sectors was shutdown, with only a part of which resuming partial activity in the course of the second quarter, in accordance with their level of risk. In the course of the summer months, following the first lockout and prior to the announcement of a second lockout, the Israeli economy recorded a speedy recovery in economic activity. In the wake of the growth in morbidity, a second lockout was declared in September 2020, and economic activity in a number of economic sectors was shutdown again, including the shutdown of the education system, which led to a steep decline in activity and in demand. According to estimates of Bank of Israel, the reaction to this as regards all economic sectors , was not uniform and was even moderate in comparison to the decline in activity as a result of the first lockout. Not withstanding the above, a significant slowdown is still felt in economic activity in Israel, alongside the global slowdown.

The Corona virus crisis has brought about an unprecedented shrinking in the volume of economic activity and to a steep acceleration in the number of job seekers. The gradual processes of removal of the restrictions imposed by the Government, brought about improvement in economic activity, though the general level of economic activity is still lower than that prior to the crisis. A relative stability is being maintained in the financial markets. The credit market continues to operate while maintaining stability in interest rates. Following a steep rise upon the outbreak of the crisis, a downward trend was noted in as regards the difficulty of corporations to obtain finance, though the number of corporations reporting severe difficulty is still higher than that existing before the crisis, and an additional increase was recorded in September 2020. The outline deferring repayments of bank loans was once again extended and expanded at the end of september 2020, being applied also to credit card companies.

Growth

During the first nine months of 2020, a significant deterioration took place in the real-time situation image, in relation to that of the corresponding period last year. This under the shadow of the Corona crisis and in view of the preventive measures taken by the Government, with the aim of minimizing the continuation of the spreading of the Corona virus.

The latest published nonfinancial economic activity indicators published for the third quarter of 2020, are positive, and come in the wake of the significant shrinking of the economy in the second quarter of the year. Based on data of the Central Bureau of Statistics ("CBS"), growth was recorded in the gross domestic product (hereinafter – "the GDP") in the third quarter of 2020, at a rate of 37.9% (in annualized terms), in comparison to the second quarter of the year.

Data published by the CBS shows that growth of 43.1% was recorded in the business GDP, of 42.0% in private consumption expenditure, of 7.3% in investments in fixed assts, of 44.6% in the export of goods and services, and of 5.1% in public consumption expenditure. The import of goods and services recorded a decline of 6.0%.

In the first nine months of 2020, which were only partly affected by the crisis (as from March and thereafter), the GDP was reduced by 3.0% (in annualized terms), in comparison to the corresponding period last year.

The shrinking of the economy in the first nine months of 2020, was caused by the Coronavirus crisis and by the measures adopted by the Government to curb the spreading of the virus, including inter alia, limitations of the number of workers at workplaces during April, the closing down of educational institutions as well as all entertainment and recreation locations. In May, the Government decided on a certain relief and the economy returned to partial routine. Towards the end of

September, a second lockout was declared, excluding vital workplaces. In addition, all through this period, the policy limiting entry and exit of tourists out of the country continued.
On October 22, 2020, the Research Division of Bank of Israel updated its forecasts, according to which, under a scnario in which developments in morbidity during the fourth quarter of the year would allow a relatively quick exit from the lockout (hereinafter – "the control scenario"), the GDP is expected to shrink in 2020 by 5.0% (as compared with the reduction of 5.5% in the previous forecast), while a growth of 6.5% is expected in 2021 (as compared to a growth of 6.0% in the previous forecast). Not withstanding the above, the average level of activity all through 2021 would be lower by 5% in relation to the trend prior to the crisis. In a scenario in which difficulty exists in the formation and implementation of a routine Coronavirus outline, together with an unstable level of morbidity, and economic activity that is intermittently limited (hereinafter – "low control scenario"), the GDP is expected to decline in 2020 by 6.5% (compared to 7.0% in the previous forecast), while in 2021, a growth of 1.0% is expected (compared to growth of 3.1% in the previous forecast).
Bank of Israel's Composite State-of-the-Economy Index, dropped during the first nine months of 2020 by 3.9%, in comparison to to a rise of 2.3% in the corresponding period last year, and to a rise of 3.4% in the whole of 2019.

Credit risk of the economy

The level of risk of the Israeli economy, as reflected by the ratings awarded by the rating agencies and by the capital markets, is relatively low.
The international rating agency Fitch, ratified in April 2020, the credit rating of the State of Israel at a level of "A+" remaining with a stable outlook. The rating agency stated that the part of the external debt is low and the State of Israel enjoys a high financing flexibility. The State has a deep and liquid domestic market, which is supported by a plan for the purchase of bonds by Bank of Israel, a good access to international capital markets, an active plan for the sale of bonds to Jews in the Diaspora, as well as a plan for guarantee by the US Government in the case of market unrest.
The international rating agency Moody's, reduced at the end of April 2020, the credit rating outlook of the State of Israel from a level of "A1" with a positive outlook, to a stable outlook. The reduction in the outlook came on the background of the evaluation that the credit rating is not going to rise in the coming months, and stemmed from two main factors: the leap in the budgetary deficit resulting from the Corona crisis, and the weakness of the Government's budgetary policy, in view of the increasing political polarization. Notwithstanding the above, the unchanged rating reflects a strong growth potential in the medium and long term. Towards the end of October 2020, Moody's ratified the credit rating of the State of Israel.
The international rating agency S&P ratified in May 2020, the credit rating of the State of Israel at a level of "AA-" remaining with a stable outlook. The rating agency stated that despite the fiscal challenges created as a result of the Corona crisis and the long political crisis, it is expected that the commitment to fiscal discipline will grow with the formation of a Government and will contribute to the continuation of a responsible macro-economic policy.
During November 2020, S&P ratified the credit rating of the State of Israel.

State budget

At the beginning of the first half of 2020, the deficit declined, inter alia, on background of a budgetary restraint, stemming from the continued budget. Since then, the trend has changed and the deficit increased steeply, following the fiscal measures announced by the Government, on background of the spreading of the Corona virus and the restrictions imposed on traffic and on economic activity.
In view of the serious crisis and the spreading of the Corona virus, the Government is required to expend considerable amounts in order to curb the spreading of the Corona virus and provide immediate treatment of contaminated patients, as well as for the significant assistance of the economy, in an effort to overcome the crisis.
The impact of the Corona virus crisis on the Israeli economy and on budgetary activity, became noticeable as from the month of March 2020. The Corona crisis has a considerable effect both on the expenditure side and on the revenues side. This effect is reflected in the increase in Government expenditure, and on the other hand, in the decline in tax revenues and in the fact that the National Insurance Institute no longer deposits with the Ministry of Finance, the surplus of its income over expenses from operations, in order to retain balances for consecutive months in which a cash flow deficit is expected.

A deficit of NIS 102.4 billion was measured in the period from January to September 2020, in comparison to a deficit of NIS 31.1 billion measured in the corresponding period last year. The cumulative deficit for the last twelve months amounted to 9.1% of the GDP. The original deficit target for 2020, determined prior to the crisis, was in the range of 3% to 3.3%.

As of the present date, the State budget for the years 2020 and 2021 has not been approved by the Knesset, and the Government is operating in accordance with a continual budget, the Corona expenditure having been excluded there from.

Inflation

The inflationary environment in the economy is low and even negative, inter alia, due to the effect of the Corona crisis on the part of demand in the market, which significantly declines more than the decline in supply. In the first nine months of 2020, the Consumer Price Index (CPI) "for the momth" decreased by 0.7%, in comparison with an increase of 0.6% in the corresponding period last year, while the "known" Index decreased by 0.6%, in comparison with a rise of 0.5% in the corresponding period last year.

The decline in the inflationary environment, which had begun before the outbreak of the Corona crisis, continued also during the crisis. The annual inflation rate during the period under review, remained below the lower level of Bank of Israel's targeted inflation range.

According to an update by the Research Division of Bank of Israel, dated October 22, 2020, the rate of inflation is expected to rise from its present low level, but would still remain below the lower level of the target. According to the control scenario, the rate of inflation in the coming four quarters would stand at 0.3% and in 2021 at 0.6%. According to the low control scenario rate of inflation in the coming four quarters would stand at a negative rate of 0.2% and in 2021 at a positive rate of 0.1%.

Housing market

According to the Housing Price Index published in November 2020 by the the CBS, a reduction of 0.2% was recorded in the prices of transactions effected in the months of August-September 2020, in comparison with transactions effected in the months of July-August 2020. Prices of transactions in the months of August-September 2020 rose by 2.4% in comparison with the corresponding months last year.

Labor market

The Corona crisis had a significant effect on the labor market, which until the outbreak of the crisis demonstrated strength. In accordance with preliminary data produced by a manpower survey for the second half of September 2020, published by the CBS, on background of the additional lockout of economic activity in a number of economic sectors, the unemployment rate reached 4.7%. Combining the data for the unemployed, with that of persons outside the workforce, who stopped working due to dismissal or shutdown of their employment place, in the period from March to September 2020, and employed persons who were temporarily absent from work for a whole week due to reasons connected to the Corona crisis, results in an unemployment rate of 14.2% of the total workforce, comprising 590 thousand employees, as compared to the unemployment rate of 11.3% in August 2020, the highest rate since May 2020, during which the economy started to revert to activity.

Concurrently, the rate of participation in the workforce decreased since the beginning of the crisis and until the end of April 2020 to 62%, due to the discharge of workers from the work circle. In the first half of June 2020, this rate increased to 63.1%, on background of the opening of a number of economic sectors and the opening of the education system, though in the second half of September, on background of the additional lockout, this rate declined to 61.3%.

Prior to the declaration of the second lockout, the wide rate of unemployment had been stabilized in the range of 11% to 12%, though in the second half of September it shot-up to 19%, following the declaration of the secong lockout. The number of unemployed in the first half of September totaled 470 thousand, growing by 300 thousand due to the lockout. According to an updated estimate of the Research Department of Bank of Israel, of October 2020, based on the control scenario, the rate of unemployment is expected to stand at 4.2% in 2020 and at 6.9% in 2021. According to the low control scenario, the rate of unemployment is expected to stand at 4.5% in 2020 and at 9.4% in 2021.

Exchange rate

The exchange rate of the shekel as against the US dollar declined in the first nine months of 2020 by 0.4% with considerable fluctuations between the first and the second quarters, while the exchange rate of the shekel as against the Euro rose by 3.8%. The continuing downward trend in the dollar exchange rate has led Bank of Israel to intervene in the market by way of purchasing foreign currency.

Bank of Israel interest rate

In view of the Corona crisis, which had cut off the the growth trend in the economy, Bank of Israel lowered the interest rate in April 2020 to a level of 0.1%, and also decided upon additional measures, which included the granting of loans to banks, being conditional upon the granting of credit to small and minute businesses, including extending loans to banks at a fixed interest at a negative rate of 0.1%, on condition that banks would extend loans to small businesses at an interest rate not exceeding prime+1.3%. The measures included also the expansion of the plan within the framework of which, repurchase ("Ripu") transactions are made with financial bodies, so that such transactions could also include corporate bonds as security, in addition to the plan for the purchase of government bonds announced by Bank of Israel in order to stabilize the market. In addition, Bank of Israel announced plans for the purchase of corporate bonds on the secondary market in the scope of NIS 85 billion. Furthermore, Bank of Israel has expanded the scope of SWAP transactions made with the domestic banking system in order to reduce pressure of dollar liquidity.

In accordance with an updated assessment of the Research Division of Bank of Israel of October 2020, both under the control scenario and the low control scenario, the interest rate is expected to stand in the coming year in the range of between 0% and 0.1%.

The global environment

The global economy improved during the third quarter of the year, in view of the decline in the scope of morbidity and mitigation in the lockout policies, though with considerable differentiation between the economies. In the United States, improvement was stronger than that recorded in Europe and in Japan, while the Chinese economy was favorably outstanding, in view of its success in combating the health crisis. The improvement in activity has led to the upwards updating of the forecast of the International Monetary Fund foreseeing now the shrinking by 4.4% in the global economy in 2020 (as compared to shriking of 4.9% in the forecast of June 2020). The IMF foresees growth of 5.2% in the global economy in 2021 (as compared to 5% in the forecast of June 2020). In recent weeks, the rate of spreading of the disease rose again, especially in countries that had adopted a mitigated policy regarding the lockout. The continued rise in the spread trend may lead to stricter limitations on traffic and to a halt in economic recovery that had just begun.

In reaction to the above, fluctuations were recorded on the capital markets. The monetary policies of the different countries remained very expansive and the central banks continued to signify their intention to adopt nonconventional measures to alleviate the financial conditions.

Capital market

During the first nine months of 2020, the local capital market recorded reductions in the principal share indices, mainly during the first quarter of the year, on background of reductions recorded in markets around the world and the spreading of the Corona virus. The TA-35 Index dropped in the first nine months of 2020 by 22% and the TA-125 Index dropped by 16%. The Trade and Services Index rose by 5% and the Remaining Shares and Convertibles Index rose by 4%. The General Bond Index dropped by 0.6%.

The trading turnover in equities on the local Stock Exchange, in the first nine months of 2020, recorded an upward trend, which was moderated as from the second quarter.

Capital markets around the world recorded a mixed trend following the crisis. During the first quarter of the year, a decrease in prices was recorded, while in the second and third quarters, price increases were recorded on the capital markets. During the first nine months of 2020, the S&P-500 Index rose by 4%, and the NASDAQ Index rose by 28%. In Europe, the Eurostocks-600 Index dropped by 13%, and the developing countries Index (the EM-MSCI Index) dropped by 3%.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 540 million in the first nine months of 2020, as compared to NIS 643 million in the same period last year, a decrease of 16.0%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 8.4% in the period January-September 2020, as compared to 10.6% in the same period last year and 10.5% in 2019.

Net profit attributed to the shareholders of the Bank in the third quarter of the year amounted to NIS 201 million, compared with NIS 236 million in the same period last year, a decrease of 14.8%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 9.5% in the third quarter of the year, compared with 11.7% in the same period last year.

Condensed statement of income

	For the three months ended September 30,			For the nine months ended September 30,		
	2020	**2019**	**change**	**2020**	**2019**	**change**
		NIS million	%		NIS million	%
Net financing earnings[1]	**698**	705	(1.0)	**2,077**	2,117	(1.9)
Expenses from credit losses	**91**	33	175.8	**413**	92	348.9
Net financing earnings after Expenses from credit losses	**607**	672	(9.7)	**1,664**	2,025	(17.8)
Fees	**336**	325	3.4	**1,027**	960	7.0
Other income	**-**	3		**2**	5	(60.0)
Operating and other expenses	**640**	649	(1.4)	**1,894**	2,000	(5.3)
Profit before taxes	**303**	351	(13.7)	**799**	990	(19.3)
Provision for taxes on profit	**109**	119	(8.4)	**254**	357	(28.9)
The bank's share in profit of equity-basis investee, after taxes	**19**	15	26.7	**24**	39	(38.5)
Net profit:						
Before attribution to non-controlling interests	**213**	247	(13.8)	**569**	672	(15.3)
Attributed to non-controlling interests	**(12)**	(11)	9.1	**(29)**	(29)	-
Attributed to shareholders of the Bank	**201**	236	(14.8)	**540**	643	(16.0)
Net return on equity attributed to the Bank's shareholders	**9.5%**	11.7%		**8.4%**	10.6%	

(1) The items of profit and loss above were presented in a different format then the condensed statement of income in a manner enables better analysis of the financial results. The change is expressed by sorting of non-interest income from the item non-interest income to the Net financing earnings.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

In order to analyze profit from financing activity, in addition to interest income and expenses, non-interest financing income and expenses must also be included in profit. This income includes financing income in respect of derivative instruments which serve as an integral element of the Bank's exposure management. Income from derivatives includes, among other things, the effect of the time value in the fair value of derivatives, which is integral part of interest rate risk management and the effect of the rate of raise in the known CPI on derivatives, which is an integral part of the management of the exposure to the CPI risk.

Set out below is the composition of net financing earnings:

			2020				2019	For the nine months ended September 30,	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2020	2019
							NIS million		NIS million
Interest income	**731**	**714**	**715**	748	699	911	727	**2,160**	2,337
Interest expenses	**69**	**54**	**57**	88	57	246	92	**180**	395
Net interest income	**662**	**660**	**658**	660	642	665	635	**1,980**	1,942
Non-interest financing income (expenses)	**36**	**64**	**(3)**	50	63	66	46	**97**	175
Net reported financing earnings	**698**	**724**	**655**	710	705	731	681	**2,077**	2,117
Elimination of non-current activities:									
Reconciliations to fair value of derivative instruments	**-**	**3**	**-**	1	(4)	2	(5)	**3**	(7)
Income (expenses) from realization and reconciliations to fair value of bonds	**5**	**20**	**(9)**	3	-	5	4	**16**	9
Earnings (losses) from investments in shares	**17**	**4**	**(48)**	16	33	15	7	**(27)**	55
Total non-current activities	**22**	**27**	**(57)**	20	29	22	6	**(8)**	57
Financing earnings from current activity(1)	**676**	**697**	**712**	690	676	709	675	**2,085**	2,060

(1) Of which in respect of changes in the CPI- an expense of NIS 20 million in the first nine months of 2020, in comparison with an income of NIS 7 million in the same period last year (in the third quarter of 2020 - an income of NIS 3 million, in comparison with an expense of NIS 13 million in the third quarter last year).

The financing earnings from current activity amounted to NIS 2,085 million, compared with NIS 2,060 million in the corresponding period last year, and increase of 1.2%. The increase stemmed from a rise in the volume of the business activity and from an increase in income from the dealing rooms due to an increase in the volume of transactions derived from the volatility of the markets, following the spearding of the Coronavirus. This increase was partially offset by the erosion of the spreads as a result of the decrease in the Bank of Israel interest rate and the decrease in the Dollar interest rate compared with the same period last year and from a reduction n income from linkage differences due to the changes in the known CPI rate between the periods.

Set out below are main data regarding interest income and expenses:

	For the nine months ended September 30,	
	2020	2019
		in %
Income rate on asset bearing interest	**2.18**	2.59
Expense rate on liabilities bearing interest	**0.33**	0.76
Total interest spread	**1.85**	1.83
Ratio between net interest income and assets bearing interest balance	**2.00**	2.15

For details regarding the report on rates of interest income and expenses of the Bank and of its consolidated subsidiaries and the analysis of changes in interest income and expenses, see Appendix 1 to the Chapter "Corporate governance".

Losses from investment in shares which amounted to NIS 27 million in the first nine months of the year, include unrealized losses in the amount of NIS 31 million, derived from the decrease in market value of shares traded on the capital market due to the spreading of the Corona virus crisis.

Income from realization and adjustments to fair value of bonds in the amount of NIS 16 million in the first nine months of the year, include provision for impairment in the amount of NIS 19 million, in respect of an impairment of other than temporary nature also deriving from the decreases in the securities exchange prices, as stated above.

Expenses from credit losses amounted to NIS 413 million in the first nine months of 2020 compared with NIS 92 million in the same period last year, an increase of NIS 321 million.

Expenses from credit losses amounted to NIS 91 million in the third quarter of 2020 compared with NIS 33 million in the same period last year.

The increase in expenses from credit losses derive mainly from the effect of changes in the macro-economic environment as a result from the spread of the corona virus and due to the uncertainty as to the effect of these changes on the position of the borrowers.

In view of the state of uncertainty, the Bank has decided to increase the collective loan losses provision in the first nine months of the year, by way of updating the qualitative adjustments in computing the collective provision, in order to reflect the possible growth in the specific provision, which might emerge in future quarters. For further details, see the chapter of "accounting policy and critical accounting estimates".

Set out below are details of expenses in respect of credit losses in respect of debts and off-balance sheet credit instruments:

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
		NIS million		NIS million
Individual expense in respect of credit losses	**22**	59	**129**	160
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(32)**	(48)	**(82)**	(153)
Individual expense (income), net in respect of credit losses	**(10)**	11	**47**	7
Collective expense in respect of credit losses	**101**	22	**366**	85
Total expenses in respect of credit losses	**91**	33	**413**	92
Of which:				
Expenses in respect of commercial credit	**64**	23	**295**	43
Expenses in respect of housing credit	**10**	-	**38**	2
Expenses in respect of other private credit	**17**	10	**80**	47
Ratio of individual expense (income) in respect of credit losses to average total credit to the public(1)	**(0.05%)**	0.05%	**0.07%**	0.01%
Ratio of collective expense in respect of credit losses to average total credit to the public(1)	**0.46%**	0.10%	**0.55%**	0.13%
Ratio of total expenses in respect of credit losses to average total credit to the public(1)	**0.41%**	0.15%	**0.62%**	0.14%

(1) Annualized.

For additional information regarding expenses for credit losses, see Chapter "Review of Risks" below.

Fees totaled NIS 1,027 million in the first nine months of 2020, compared with NIS 960 million in the same period last year, an increase of 7.0%. Most of the increase derives from a rise in income from the activity in the capital market, explained by an increase in the volume of transactions in the stock exchange, and from an increase in income from conversion differences in the first quarter of the year, due to a rise in the volume of activity and the volatility in the currencies exchange rate, as a result of the Corona crisis. This increase was partially offset by a decrease in account management fees and fees from financing transactions, which are mainly explained by a reduction in the volume of activity as a result of the corona virus effects.

Set out below are details of fees income:

	For the nine months ended	
	September 30, 2020	**September 30, 2019**
		NIS million
Account management	**157**	171
Credit cards	**74**	76
Transactions in securities	**528**	453
Conversion differentials	**133**	111
Fees from financing transactions	**59**	65
Other Fees	**76**	84
Total Fees	**1,027**	960

Operating and other expenses totaled NIS 1,894 million in the first nine months of 2020, compared with NIS 2,000 million in the same period last year, a decrease of 5.3%.
Set out below are details of operating and other expenses:

	For the nine months ended	
	September 30, 2020	**September 30, 2019**
		NIS million
Salaries and related expenses	**1,138**	1,215
Maintenance and depreciation of premises and equipment	**261**	270
Amortization of intangible assets	**71**	68
Expenses in respect of the merger of Otsar Hahayal	**-**	6
Dismissals	**5**	40
Other expenses except dismissals and reductions	**419**	401
Total operating and other expenses	**1,894**	2,000

Salaries and related expenses totaled NIS 1,138 million in the first nine months of 2020, compared with NIS 1,215 million in the same period last year, a decrease of 6.3%, explained mainly by decrease in salaries due to reduction in the manpower position in the Group and from a decrease in bonuses, partialy offset by increase in salaries. Excluding the bonus expenses a decrease of 1.6% occurred in salaries and related expenses compared to the same period last year.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 261 million compared with NIS 270 million in the same period last year, a decrease of 3.3%, stemming from reduction in the volume of the real estate assets in the Group due to the efficiency measures.

Other expenses totaled NIS 424 million in the first nine months of 2020, compared with NIS 447 million in the same period last year, a decrease of 5.1% stemming mainly from a decrease in dismissal expenses due to early retirement of employees, in the same period last year. This reduction was partially offset by an increase in commission expenses in the capital market stemming from increase in the volume of activity.

The provision for taxes on operating earnings amounted to NIS 254 million in the first nine months of 2020, compared with NIS 357 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 31.8%, compared with the statutory rate of tax of 34.2%.
The decrease in tax expenses and in the effective tax rate derives from income from income taxes in respect of previous years, in the amount of NIS 37 million, compared to NIS 15 million in the same period last year.

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 24 million, compared with NIS 39 million in the same period last year. The decrease in the Bank's share in the perating profit of investee company derives from the decline in the earnings of Israel Credit Cards Ltd, which were affected mainly from an increase in the provision for credit losses, in light of the anticipated growth in the future of the volume of expenses for credit losses in respect of borrowers which are negatively affected from the crisis, but not yet identified and from a decrease in the volume of transactions in Isreal and abroad and from the expenses of a one-time early retirement program. On the other hand, the profit was affected from one-time income in the amount of NIS 49 million, net after tax effect, in respect of the sale of Visa Inc. shares.

The total comprehensive profit attributed to the shareholders of the Bank amounted to NIS 501 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 540 million, by other comprehensive loss in respect of adjustments of available-for-sale bonds in an amount of NIS 20 million and by other comprehensive loss in respect of employees' benefits in an amount of NIS 19 million.

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COMPOSITION AND DEVELOPMENT OF ASSETS, LIABILITIES, CAPITAL AND CAPITAL ADEQUACY

The consolidated balance sheet as of September 30, 2020 amounted to NIS 159,370 million compared with NIS 136,988 million as of September 30, 2019 and NIS 141,110 million as of December 31, 2019, an increase of 16.3% and 12.9%, respectively.

A. Set out below are developments in the principal balance sheet items:

	September 30, 2020	December 31, 2019	Change
		NIS million	%
Credit to the public, net	**89,585**	87,899	1.9
Securities	**12,174**	10,995	10.7
Cash and deposits with banks	**52,366**	37,530	39.5
Deposits from the public	**135,914**	120,052	13.2
Bonds and subordinated capital notes	**4,384**	3,674	19.3
Shareholders' equity	**8,944**	8,568	4.4

B. Set out below are developments in the principal off-balance sheet financial instruments:

	September 30, 2020	December 31, 2019	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**375**	135	177.8
Guarantees and other liabilities	**7,040**	7,551	(6.8)
Unutilized credit lines for derivatives instruments	**2,274**	2,268	0.3
Unutilized revolving credit and other on-call credit facilities	**10,409**	9,463	10.0
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	**8,952**	8,200	9.2
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**7,014**	6,708	4.6
Total	**36,064**	34,325	5.1

Derivative financial instruments:

	September 30, 2020			December 31, 2019		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**247**	**504**	**20,069**	249	384	21,290
Currency contracts	**581**	**556**	**85,191**	391	414	74,927
Contracts in respect of shares	**608**	**608**	**54,168**	450	450	44,337
Commodities and other contracts	**2**	**2**	**183**	1	1	156
Total	**1,438**	**1,670**	**159,611**	1,091	1,249	140,710

Credit to the public, net as of September 30, 2020 amounted to NIS 89,585 million compared with NIS 87,899 million as of December 31, 2019, an increase of 1.9%.

The following is information on credit to the public by linkage segment:

	As of				Segment's share of credit to the public as of	
	September 30, 2020	**December 31, 2019**		**Change**	**September 30, 2020**	**December 31, 2019**
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**73,898**	73,316	582	0.8	**82.5**	83.4
- CPI-linked	**10,641**	10,273	368	3.6	**11.9**	11.7
Foreign currency (including f-c linked)	**4,145**	3,664	481	13.1	**4.6**	4.2
Non-monetary items	**901**	646	255	39.5	**1.0**	0.7
Total	**89,585**	87,899	1,686	1.9	**100.0**	100.0

Gross Credit to the public, before provision for credit losses, by segment of activity

			As of		Change
	September 30, 2020	**September 30, 2019**	**December 31, 2019**	**September 30, 2019**	**December 31, 2019**
			NIS million		%
Large business segment	**16,511**	16,810	17,280	(1.8)	(4.5)
Medium business segment	**5,509**	5,802	5,539	(5.0)	(0.5)
Small and minute business segment	**18,330**	16,969	17,264	8.0	6.2
Household segment excluding housing loans	**21,258**	21,942	21,835	(3.1)	(2.6)
Housing loans	**27,469**	25,198	25,583	9.0	7.4
Private banking segment	**56**	60	67	(6.7)	(16.4)
Institutional entities	**1,677**	1,437	1,261	16.7	33.0
Total	**90,810**	88,218	88,829	2.9	2.2
Of which: consumer credit excluding housing loans and credit cards					
Household segment	**17,950**	18,146	18,196	(1.1)	(1.4)
Private banking segment	**27**	25	33	8.0	(18.2)
Total	**17,977**	18,171	18,229	(1.1)	(1.4)

Total credit risk to the public is comprised of balance-sheet credit risk, which includes credit to the public, investments in bonds of the public and assets deriving from financial derivative instruments purchased by the public, and from off-balance-sheet credit, which includes transactions in off-balance-sheet financial instruments, unutilized credit lines and liabilities for the granting of credit.

Total credit risk to the public amounted to NIS 127,124 million on September 30, 2020 compared with NIS 123,687 million on December 31, 2019, an increase of 2.8%.

Set out below is information on the distribution of total credit risk to the public by sectors of the economy.

Sector	As of September 30, 2020		As of December 31, 2019		
	Total credit risk	**Sector's share in total credit risk**	**Total credit risk**	**Sector's share in total credit risk**	**Change**
	NIS million	%	NIS million	%	%
Financial services (including holding companies)	**14,698**	**11.6**	14,940	12.1	(1.6%)
Construction and real estate	**16,652**	**13.1**	16,433	13.3	1.3%
Industry	**10,676**	**8.4**	10,020	8.1	6.5%
Commerce	**7,648**	**6.0**	7,854	6.3	(2.6%)
Private customer, including housing loans	**64,509**	**50.7**	61,878	50.0	4.3%
Others	**12,941**	**10.2**	12,562	10.2	3.0%
Total	**127,124**	**100.0**	123,687	100.0	2.8%

Set out below is the sector-specific distribution of the six largest borrowers at the Group (by size of gross indebtedness before deduction of collateral whose deduction is permissible for the purpose of limiting the indebtedness of a borrower and group of borrowers):

		As of September 30, 2020			
Borrower no.	**Sector of the economy**	**Balance-sheet credit risk (*)**	**Off-balance-sheet credit risk**	**Aggregate credit risk**	**Aggregate credit risk after permitted deductions**
					NIS million
1.	Industry	**355**	**684**	**1,039**	**1,039**
2.	Financial services	**416**	**480**	**896**	**678**
3.	Financial services	**701**	**-**	**701**	**701**
4.	Electricity and water supply	**380**	**199**	**579**	**579**
5.	Financial services	**501**	**6**	**507**	**507**
6.	Industry	**303**	**155**	**458**	**458**

		As of December 31, 2019			
Borrower no.	**Sector of the economy**	**Balance-sheet credit risk (*)**	**Off-balance-sheet credit risk**	**Aggregate credit risk**	**Aggregate credit risk after permitted deductions**
					NIS million
1.	Financial services	1,042	5	1,047	165
2.	Financial services	662	274	936	648
3.	Industry	404	391	795	795
4.	Financial services	651	50	701	701
5.	Electricity and water supply	402	223	625	625
6.	Financial services	601	6	607	607

* Including credit to the public after net accounting write-offs, investment in bonds and other assets in respect of derivative instruments.

The investment in securities as of September 30, 2020 totaled NIS 12,174 million compared with NIS 10,995 million at the end of 2019, an increase of 10.7%.

Set out below is the composition of the portfolio:

	As of		Share of total securities	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
		NIS million		%
Government bonds	**10,887**	8,379	**89.4**	76.2
Banks' bonds (1)	**215**	649	**1.8**	5.9
Corporate bonds	**720**	885	**5.9**	8.0
Other bonds (corporate and asset-backed) guaranteed by governments	**107**	743	**0.9**	6.8
Shares (2)	**245**	339	**2.0**	3.1
Total	**12,174**	10,995	**100.0**	100.0

(1) The balance includes bonds that were issued by banks' issuing companies.
Of which: Banks' foreign-currency bonds guaranteed by foreign governments in the amount of NIS 35 million (December 31, 2019 - NIS 615 million).

(2) Investment in shares includes inter alia investment in private equity funds in the amount of NIS 74 million, investment in foreign currency shares of NIS 19 million and investment in shares traded on the Tel Aviv Stock Exchange amounting to NIS 116 million (31.12.19 - investment in private equity funds in the amount of NIS 89 million, investment in foreign currency shares of NIS 92 million and investment in shares traded on the Tel Aviv Stock Exchange amounting to NIS 124 million).

Set out below is the distribution of the securities portfolio by linkage segments:

	As of				Segment's share of total securities	
	September 30, 2020	December 31, 2019		Change	September 30, 2020	December 31, 2019
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**5,900**	3,634	2,266	62.4	**48.5**	33.0
- CPI-linked	**293**	349	(56)	(16.0)	**2.4**	3.2
Foreign currency denominated & linked	**5,736**	6,673	(937)	(14.0)	**47.1**	60.7
Non-monetary items	**245**	339	(94)	(27.7)	**2.0**	3.1
Total	**12,174**	10,995	1,179	10.7	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on September 30, 2020:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**131**	**34**	**80**	**245**
Local currency government bonds	**5,642**	**-**	**-**	**5,642**
Local currency corporate bonds	**305**	**246**	**-**	**551**
Non-asset backed foreign-currency and f-c linked bonds	**111**	**5,625**	**-**	**5,736**
Total	**6,189**	**5,905**	**80**	**12,174**
% of portfolio	**50.8**	**48.5**	**0.7**	**100.0**

* Indicative price-An indication determined by the Bank and which is based mainly on price quotations obtained from an external entity or entities specializing in the matter, and the remainder is based on internal models determined by the Bank.

** Counter-party price-Price quotation obtained from the entity with which the transaction is conducted. With respect to private equity funds, the need for a provision for write-down is examined on the basis of their financial statements.

Below are additional details of bonds denominated in and linked to foreign currency, which are not asset-backed, by country/continent:

	As of	
	September 30, 2020	December 31, 2019
		NIS million
Israel (incl. Israel Government - NIS 4,251 million, 31.12.19 - NIS 3,092 million)	**4,365**	3,220
USA (incl. USA Government - NIS 994 million, 31.12.19 - NIS 1,957 million)	**1,102**	2,071
France	**18**	183
Canada	**30**	10
Germany (incl. Germany Government or guaranteed by it)	**60**	432
Far East, Australia and others (3 countries; 31.12.19 - 3 countries)	**67**	83
Europe (3 countries, 31.12.19 - 2 countries)	**94**	296
Total	**5,736**	6,295

It should be noted that there is no issuer (except the Israel Government and USA Government) whose bond balance exceeds 1% of the shareholders' equity of the Bank.

Set out below are additional details on local currency corporate bonds by sector:

	As of	
	September 30, 2020	December 31, 2019
		NIS million
Electricity and water	**127**	148
Construction and real estate	**185**	204
Financial services	**67**	75
Banks	**32**	9
Industry	**35**	50
Commerce	**30**	54
Transportation	**55**	97
Hotels, hospitality and food services	**16**	11
Public and community services	**4**	4
Total	**551**	652

Set out below is the composition of the foreign-currency bond portfolio at the Bank Group:

- Non-asset-backed bonds denominated in or linked to foreign currency - amounting to NIS 5,736 million (Dollar 1,667 million) (includes foreign corporations amounting to NIS 377 million, foreign currency denominated bonds of Israeli corporations, mostly traded abroad, amounting to NIS 114 million, foreign currency denominated Israel Government bonds amounting to NIS 4,251 million and foreign government bonds amounting to NIS 994 million). All of the foreign bonds are investment grade and rated A or higher; 2.6% of the exposure is to leading banking and financial institutions in OECD countries. This portfolio is diversified, in a manner whereby exposure to any single issuer does not exceed 1.1% of the total foreign currency bond portfolio (except Israel Government and USA Government). The duration (average term-to-maturity) of the foreign currency bond portfolio is 4 years. The balance of unrealized gross profits (included in shareholders' equity under reconciliations to fair value in respect of the presentation of securities available for sale) as of the report date in respect of this portfolio amounted to NIS 20 million (Dollar 6 million) compared with profits of NIS 59 million (Dollar 17 million) on December 31, 2019.

The balance of profit, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of September 30, 2020, amounted to NIS 51 million.

As of November 16, 2020, the difference between the fair value of the bonds included in the available for sale bonds portfolio, and their amortized cost amounted to a profit (before tax effect) in the amount of NIS 72 million.

Cash and deposits at banks on September 30, 2020 totaled NIS 52,366 million compared with NIS 37,530 million at the end of 2019, an increase of 39.5%.

Deposits from the public on September 30, 2020 totaled NIS 135,914 million compared with NIS 120,052 million at the end of 2019, an increase of 13.2%, derived mainly from the transfer of investment of customers from the capital market to deposits, due to the implications of the spreading of the Corona virus.

Set out below is the distribution of deposits from the public by linkage segments:

	As of				Segment's share of total deposits from the public on	
	September 30, 2020	**December 31, 2019**		**Change**	**September 30, 2019**	**December 31, 2019**
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**106,192**	94,780	11,412	12.0	**78.1**	79.0
- CPI-linked	**4,655**	5,315	(660)	(12.4)	**3.4**	4.4
Foreign currency denominated & linked	**24,165**	19,309	4,856	25.1	**17.8**	16.1
Non-monetary items	**902**	648	254	39.2	**0.7**	0.5
Total	**135,914**	120,052	15,862	13.2	**100.0**	100.0

Deposits from the public by segment of activity

			As of		Change
	September 30, 2020	**September 30, 2019**	**December 31, 2019**	**September 30, 2019**	**December 31, 2019**
			NIS million		%
Large business	**11,304**	10,254	11,018	10.2	2.6
Medium business	**5,747**	5,008	5,491	14.8	4.7
Small and minute business	**23,206**	18,894	19,157	22.8	21.1
Household	**62,574**	51,706	51,572	21.0	21.3
Private banking	**9,242**	7,526	7,734	22.8	19.5
Institutional entities	**23,841**	22,904	25,080	4.1	(4.9)
Total	**135,914**	116,292	120,052	16.9	13.2

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of September 30, 2020, amounted to NIS 344 billion, as compared to NIS 342 billion at the end of 2019, an increase of 0.6%.

Bonds and subordinated capital notes amounted at September 30, 2020 to NIS 4,384 million, as compared with NIS 3,674 million at December 31, 2019, an increase of 19.3%.

On February 10, 2020, the First International Issuance Ltd., a fully owned subsidiary of the Bank, issued on public placement bonds, at par value of NIS 800 million for proceeds of NIS 814 million. The proceeds of the placements were deposited at the Bank. The Bank commited to fullfil the terms of the issued bonds.

On June 23, 2020, the First International Issuance Ltd. issued on public placement bonds, at par value of NIS 339 million for proceeds of NIS 344 million and subordinated capital notes with loss absorbtion mechanism, at par value of NIS 300 million for proceeds of NIS 300 million. The proceeds of the placements (in respect of the bonds and the subordinated capital notes) were deposited at the Bank. The Bank commited to fullfil the terms of the issued bonds and issued subordinated capital notes.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on September 30, 2020 to NIS 8,944 million, as compared with NIS 8,568 million on December 31, 2019.
For detailes regarding the development of the other comprehensive profit, see the Chapter "Material developments in income, expenditure and in other comprehensive profit".

CAPITAL ADEQUACY

Minimum capital ratios

The Bank implement Proper Conduct of Banking Business Directives Nos. 201-211 in the metter of "Measurement and capital adequacy" as were amended in order to reconcile them with the Basel guidelines. These instruction require that the ratio of Tier I equity capital to weighted average risk assets should be no less than 9% and the ratio of comprehensive capital to average risk assets should be no less than 12.5% for all banking corporations, the total consolidated stated assets of which does not exceeds 24% of total stated assets of the banking sector (including the Bank).
To these minimal capital ratios an additional capital requirement was added at a rate reflecting 1% of the outstanding balance of housing loans at the reporting date.
On background of the spreading of the Corona virus and as part of the adjustment to Proper Banking Management directives and in order to secure the ability of Banks to continue the offer of credit, The Supervisor of Banks, in the framework of a Provisional Instruction, published on March 31, 2020, concerning the update of directive 201, which includes a reduction of 1% of the capital requirements of banks and an update to directive 329 which cancel the demand of additional 1% on housing loans that were granted during the period of the crisis, in order to secure the ability of the banks to offer credit. This requirements were valid for a period of six months with the possibility of extension for another six months. On September 16, 2020 the Supervison of Banks published a circular, according to which, the provisional instruction was extended until March 31, 2021. After these periods, if relevant, the Bank will have to present progressive delineation for the reaccumulation of the capital, as much as was eroded, over a period of two years.
In consequence thereof, the minimum Tier I equity capital ratio and the minimum comprehensive capital ratio required on a consolidated basis by the Supervisor of Banks, based on data as of the reporting date, are 8.30% and 11.80%, respectively.

The internal capital goals as were set by the Board of Directors are as follows:

- In a regular business situation - Tier I equity capital will be no less than 8.30%, and the ratio of the comprehensive capital shall not be less than 11.80%.
- In stress situations - the ratio of Tier I equity capital shall not be less than 6.50%, and the ratio of comprehensive capital shall not be less than 9.00%.

Basel 3 guidelines

According to the transitional instructions, the capital instruments no longer qualified as regulatory capital shall be recognized up to a maximum of 80% on January 1, 2014, this maximum level being reduced by an additional 10% until January 1, 2022. Accordingly, as from January 1, 2020 the maximum rate of instruments qualified as regulatory capital amounts to 20%.

Operational Efficiency

On January 12, 2016, Bank of Israel issued a letter, in the matter of "operational efficiency of the banking sector in Israel". In accordance with the letter, the board of directors of banking corporation has to outline a multi-annual program for the improvement of efficiency.

A banking corporation that conforms with the terms of the letter would be entitled to a relief, whereby it may spread, by the "straight line" method, over a period of five years, the effect of the cost of the program. On December 16, 2019 the Supervisor of Banks published a letter that extends the effectiveness of these guidelines until December 31, 2021.

- On November 17, 2016, the Board of Directors of the Bank approved the update of the strategic program of the Group concerning the efficiency measures aspect, the cost of which was estimated at NIS 207 million (before the tax effect). Were it not for the said relief, the implementation of the efficiency measures, as of September 30, 2020 would have reduced the capital adequacy ratios by 0.04%.
- In the course of 2018, the Board of Directors of the Bank resolved to introduce additional efficiency measures at Otsar Hahayal, a merger decision was taken in the third quarter of 2018, and on January 1, 2019, Otsar Hahayal was merged with and into the Bank. The said decisions as well as their expected implications have surpassed the original efficiency program of the Group from 2016. In respect of these actions the Group recorded a provision for increased severance compensation in the amount of NIS 82 million (net amount of NIS 53 million after the tax effect). Were it not for the said relief, the implementation of the efficiency measures, as of September 30, 2020 would have reduced the capital adequacy ratios by additional 0.05%.

Implementation of the instructions

Pillar I - Credit, market and operating risks - the Bank is implementing the standard approach in accordance with Bank of Israel instructions.

Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of March 31, 2019, has been dully submitted to bank of Israel, and the Bank is in the process of preparing the document relating to the data as of June 30, 2020. The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

			As of
		September 30, 2020	**December 31, 2019**
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments**		
	Tier 1 capital, after deductions and supervisory adjustments	**9,106**	8,785
	Tier 2 capital, after deductions	**2,749**	2,345
	Total capital	**11,855**	11,130
2.	**Weighted balances of risk assets**		
	Credit risk	**76,234**	73,862
	Market risk	**657**	875
	Operational risk	**6,443**	6,512
	Total weighted balances of risk assets	**83,334**	81,249
3.	**Ratio of capital to risk assets**		
	Raito of tier 1 equity capital to risk assets	**10.93%**	10.81%
	Comprehensive ratio of capital to risk assets	**14.23%**	13.70%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**8.30%**	9.31%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**11.80%**	12.81%

The Tier I equity capital ratio as of September 30, 2020, amounted to 10.93% in comparison with 10.81% on December 31, 2019. The ratio of comprehensive capital to risk components as of September 30, 2020, amounted to 14.23%, in comparison with 13.70% on December 31, 2019.

The comprehensive capital as of September 30, 2020 amounted to NIS 11,855 million, in comparison with NIS 11,130 million on December 31, 2019.

The capital base was affected from earnings of NIS 540 million, from an increase in the financial instruments issued by the Bank and are qualified for inclusion in the supervisory capital and from an increase in collective provision for credit losses.

However, this increase was offset by dividend paid in the amount of NIS 125 million, other comprehensive loss in respect of presentation of available for sale bonds at fair value in the amount of NIS 20 million and from other comprehensive loss from employees' benefits in the amount of NIS 19 million.

Risk assets as of September 30, 2020 amounted to NIS 83,334 million as compared with NIS 81,249 million on December 31, 2019, an increase in the amount of NIS 2,085 million derived from an increase in credit to the public and from the effect of implementation of new accounting standard in respect of leasing, which was implemented starting January 1, 2020. The implementation of the new directives resulted in a decline in the rates of tier 1 equity capital and comprehensive capital of 0.06% and 0.08%, respectively. This as a result of weighting the risk assets in respect right of use assets deriving from operational leasing recognized in the balance sheet at 100%.

The comprehensive capital ratios and the Tier I equity capital ratios of the significant subsidiary, in accordance with the "framework for measurement and capital adequacy" of Basel, are:

	September 30, 2020	**December 31, 2019**
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**13.98%**	13.50%
Ratio of comprehensive capital to risk assets	**15.10%**	14.52%

Leverage ratio in accordance with instructions of the Supervisor of Banks - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of Leverage ratio. The leverage ratio is expressed in percentages and is defined as the ratio between capital measurement and exposure measurement. Capital for the purpose of measuring the leverage ratio is the Tier I equity capital, as defined in Proper Conduct of Banking Business Directive No. 202. In accordance with the Directive, a banking corporation should attain a leverage ratio of no less than 5.0% on a consolidated basis, for a banking corporation, the total consolidated stated assets of which is up to 24% of total stated assets of the banking sector as a whole (including the Bank). On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 – Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction), within its framework was updated Proper Conduct of Banking Business directive No. 218 in the matter of Leverage Ratio. The update relieves the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, for a banking corporation, the total consolidated stated assets of which is up to 24% of total stated assets of the banking sector as a whole (including the Bank). The relief will be valid until March 31, 2021. After this date the relief will be valid for another 24 months, in which the leverage ratio will not be less than the leverage ratio at the date of the end of the Provisional Instruction, or the minimal leverage ratio applying to a banking corporation prior to the Provisional Instruction, whichever is lower. The leverage ratio of the Bank as of September 30, 2020, amounts to 5.39%, compared to 5.81% as of December 31, 2019.

DIVIDEND DISTRIBUTION POLICY

According to the updated dividend distribution policy as was approved by the Board of Directors of the Bank (as was updated on June 9, 2015 and August 14, 2017), the Bank will distribute annual dividends of up to 50% of its distributable annual net earnings, subject to the Bank's ratio of capital to risk elements being no less than the target specified by the Bank's Board of Directors from time to time. Such distributions will be made subject to legislative provisions and to Proper Conduct of Banking Business Regulations, providing that no adverse changes occur in the Bank's earnings and/or business and/or financial position and/or the overall state of the economy and/or the legal environment. It should be clarified, that as from the year 2017, the net annual earnings refer to the annual net earnings of the current year.

This resolution is not to be construed as detracting from the Board of Directors' authority to review policy from time to time and to resolve at any time, after taking due account of business considerations and of the legislative provisions applying to the Bank, changes in policy or the rate of dividend to be distributed for a specific period, or to resolve not to distribute any dividend at all.

It is clarified that any dividend distribution shall be subject to specific approval by the Board of Directors and to all the restrictions applying to the Bank regarding dividend distribution, and shall be made public with all required details in accordance with the law.

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2019.

Following are details regarding dividends distributed by the Bank, as from the year 2017:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
15 March 2017	2 April 2017	70	0.7
23 May 2017	14 June 2017	70	0.7
14 August 2017	31 August 2017	70	0.7
14 November 2017	3 December 2017	100	1.00
5 March 2018	21 March 2018	95	0.95
28 May 2018	5 June 2018	60	0.60
14 August 2018	2 September 2018	100	1.00
20 November 2018	9 December 2018	100	1.00
12 March 2019	20 March 2019	105	1.05
28 May 2019	17 June 2019	85	0.85
13 August 2019	29 August 2019	110	1.10
26 November 2019	12 December 2019	110	1.10
15 March 2020	31 March 2020	125	1.25

On the background of the letter of the Supervisor of Banks, dated March 29, 2020, addressed to all the commercial banks and with respect to the Provisional Instruction dated March 31, 2020, amending Proper Conduct of Banking Business directive 201, in which boards of directors of banks are requested, inter alia, to re-examine their dividend policies, on the background of the Corona virus crisis and the uncertainty deriving from it. The Board of Directors of the Bank held a discussion on April 16, 2020, regarding the dividend policy and resolved that the Bank shall refrain from the distribution of dividends to its shareholders during the period of the Provisional Instruction, which originaly was set for six months, until September 30, 2020, with an option for extension of another six months. On September 16, 2020, the provisional instruction was extended until March 31, 2020. It is clarified that the dividend distribution policy remains unchanged. The Board of Directors of the Bank shall continue to discuss (at list prior to the approval of the annual financial statements) the continued implementation of the dividend distribution policy of the Bank in light of developments in the crisis and the impact thereof on the economy and on the Bank, and would be entitled to examine the resolution regarding implementation of dividend distribution and modify it at its discretion.

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporting to the Public of the Supervisor of Banks. This reporting is materialy defferent from the segments of activity used by the Bank according to Management approach, which are detailed in Note 11A to the financial statements. The supervisory segements of activity are reported in a uniform format that was set by the Supervision of Banks to the entire banking system, and they are based on the customers characteristics, such as: the volume of assets protfolio- for private customers, or the business turnover- for business customers.
For the definitions of the supervisory segements of activity and for details regarding main instructions, estimates and principals of reporting, see Note 28 to the financial statements for the year 2019.
For details regarding segments of activity according to management's approach, see Note 28A to the financial statements for the year 2019.

The following is a summary of the results of activity by segments:

a. Total income*

	For the three months ended September 30,			Segment's share of total income	
	2020	**2019**	**Change**	**30.9.20**	**30.9.19**
		NIS million	%		%
Large business	**102**	95	7.4	**9.9**	9.2
Medium business	**56**	61	(8.2)	**5.4**	5.9
Small and minute business	**235**	243	(3.3)	**22.7**	23.5
Household	**441**	448	(1.6)	**42.7**	43.4
Private banking	**23**	27	(14.8)	**2.2**	2.6
Institutional entities	**53**	65	(18.5)	**5.1**	6.3
Financial management	**124**	94	31.9	**12.0**	9.1
Total	**1,034**	1,033	0.1	**100.0**	100.0

	For the nine months ended September 30,			Segment's share of total income	
	2020	**2019**	**Change**	**30.9.20**	**30.9.19**
		NIS million	%		%
Large business	**302**	291	3.8	**9.7**	9.4
Medium business	**175**	182	(3.8)	**5.6**	5.9
Small and minute business	**731**	726	0.7	**23.5**	23.6
Household	**1,354**	1,338	1.2	**43.6**	43.4
Private banking	**76**	80	(5.0)	**2.5**	2.6
Institutional entities	**194**	198	(2.0)	**6.3**	6.4
Financial management	**274**	267	2.6	**8.8**	8.7
Total	**3,106**	3,082	0.8	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
		NIS million		NIS million
Large business	**32**	13	**66**	99
Medium business	**11**	39	**19**	60
Small and minute business	**25**	51	**101**	135
Household	**36**	51	**114**	114
Private banking	**4**	9	**17**	21
Institutional entities	**7**	9	**44**	36
Financial management	**86**	64	**179**	178
Total	**201**	236	**540**	643

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public			% of credit to the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2020	**2019**	**Change**	**30.9.20**	**30.9.19**
		NIS million	%	%	%
Large business	**17,616**	16,773	5.0	**19.7**	19.7
Medium business	**5,620**	5,628	(0.1)	**6.3**	6.6
Small and minute business	**17,605**	16,576	6.2	**19.7**	19.4
Household	**47,185**	45,258	4.3	**52.7**	53.0
Private banking	**48**	49	(2.0)	**0.1**	0.1
Institutional entities	**1,401**	1,000	40.1	**1.5**	1.2
Total	**89,475**	85,284	4.9	**100.0**	100.0

	Deposits from the public			% of deposits from the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2020	**2019**	**Change**	**30.9.20**	**30.9.19**
		NIS million	%	%	%
Large business	**12,333**	8,618	43.1	**9.7**	7.6
Medium business	**5,379**	4,939	8.9	**4.3**	4.3
Small and minute business	**20,978**	18,395	14.0	**16.6**	16.1
Household	**57,717**	50,884	13.4	**45.6**	44.6
Private banking	**8,534**	7,648	11.6	**6.7**	6.7
Institutional entities	**21,591**	23,542	(8.3)	**17.1**	20.7
Total	**126,532**	114,026	11.0	**100.0**	100.0

* Average balances are calculated on the basis of balances at the beginning of quarter or the beginning of month.

BUSINESS SEGMENTS - SMALL AND MINUTE BUSINESS SEGMENT, MEDIUM BUSINESS SEGMENT AND LARGE BUSINESS SEGMENT

Following are main data concerning business segments - Small and minute, medium and large business - activity in Israel

	For the three months ended September 30, 2020				For the three months ended September 30, 2019			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**150**	**39**	**79**	**268**	163	41	69	273
Non-interest income	**85**	**17**	**23**	**125**	80	20	26	126
Total income	**235**	**56**	**102**	**393**	243	61	95	399
Expenses (income) from credit losses	**36**	**13**	**14**	**63**	11	(33)	43	21
Operating and other expenses	**157**	**24**	**39**	**220**	153	28	36	217
Net profit attributed to the shareholders of the Bank	**25**	**11**	**32**	**68**	46	39	13	103
Average balance of credit to the public	**17,901**	**5,544**	**16,986**	**40,431**	16,662	5,730	16,343	38,735
Balance of credit to the public at the end of the reported period	**18,330**	**5,509**	**16,511**	**40,350**	16,969	5,802	16,810	39,581
Average balance of deposits from the public	**22,076**	**5,331**	**11,247**	**38,654**	18,769	4,821	9,972	33,562
Balance of deposits from the public at the end of the reported period	**23,206**	**5,747**	**11,304**	**40,257**	18,894	5,008	10,254	34,156

	For the nine months ended September 30, 2020				For the nine months ended September 30, 2019			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**475**	**120**	**228**	**823**	491	124	209	824
Non-interest income	**256**	**55**	**74**	**385**	235	58	82	375
Total income	**731**	**175**	**302**	**1,208**	726	182	291	1,199
Expenses (income) from credit losses	**118**	**74**	**102**	**294**	38	(6)	9	41
Operating and other expenses	**462**	**74**	**113**	**649**	471	88	123	682
Net profit attributed to the shareholders of the Bank	**101**	**19**	**66**	**186**	135	60	99	294
Average balance of credit to the public	**17,605**	**5,620**	**17,616**	**40,841**	16,576	5,628	16,773	38,977
Balance of credit to the public at the end of the reported period	**18,330**	**5,509**	**16,511**	**40,350**	16,969	5,802	16,810	39,581
Average balance of deposits from the public	**20,978**	**5,379**	**12,333**	**38,690**	18,395	4,939	8,618	31,952
Balance of deposits from the public at the end of the reported period	**23,206**	**5,747**	**11,304**	**40,257**	18,894	5,008	10,254	34,156

Main changes in the results of activity in the first nine months of 2020 compered with the corresponding period last year

Total net interest income amounted to NIS 823 million, similar to the same period last year.

Non-interest income amounted to NIS 385 million, compared to NIS 375 million in the corresponding period last year, an increase of 2.7%, which derived mainly from an increase in the income from capital market activity, due to the increase in the turnover in the stock exchange and from an increase in conversion differences in the first quarter of the year due to an increase in the activity turnover and the fluctuation in the exchange rate as a result of the Coronavirus crisis.

Expenses in respect of cresit losses amounted to NIS 294 million, in comparison with NIS 41 million in the same period last year. Most of the increase is explained by the collective provision for credit losses which mainly derived from the implication of the Coronavirus crisis, which as a consequent thereof and in light of the uncertainty condition occuring, the Bank updated the qualitative adjutsments in calculating the collective provision.

The operating and other expenses amounted to NIS 649 million, compared to NIS 682 million in the corresponding period last year, a decrease of 4.8%, derived mainly from reduction in the payroll expenses due to a decrease in manpower in the Group and from a decrease in bonuses and from a decrease in dismissal expenses in respect of early retirement of employees in the corresponding period last year.

The net profit attributed to the shareholders of the Bank in respect of the small and minute, medium sized and large businesses, amounted to NIS 186 million, in comparison with NIS 294 million in the same period last year, a decrease of 36.7%, which is explained by the increase in the expenses for credit losses, as above.

Average balance of credit to the public amounted to NIS 40,841 million, in comparison with NIS 38,977 million in the same period last year, an increase of 4.8%.

Credit to the public as of September 30, 2020 amounted to NIS 40,350 million, in comparison with NIS 39,581 million on September 30, 2019, an increase of 1.9%.

Average balance of deposits from the public amounted to NIS 38,690 million, in comparison with NIS 31,952 million in the same period last year, an increase of 21.1%.

Deposits from the public as of September 30, 2020 amounted to NIS 40,257 million, in comparison with NIS 34,156 million on September 30, 2019, an increase of 17.9%.

PRIVATE INDIVIDUALS SEGMENTS - HOUSEHOLDS AND PRIVATE BANKING

Following are main data concerning Private individuals segments - household and private banking - activity in Israel

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	household	private banking	Total	household	private banking	Total
						NIS million
Net interest income	**296**	**5**	**301**	310	10	320
Non-interest income	**145**	**18**	**163**	138	17	155
Total income	**441**	**23**	**464**	448	27	475
Expenses from credit losses	**26**	**1**	**27**	10	-	10
Operating and other expenses	**347**	**16**	**363**	350	15	365
Net profit attributed to the shareholders of the Bank	**36**	**4**	**40**	51	9	60
Average balance of credit to the public	**47,717**	**48**	**47,765**	45,884	55	45,939
Balance of credit to the public at the end of the reported period	**48,727**	**56**	**48,783**	47,140	60	47,200
Average balance of deposits from the public	**60,929**	**8,904**	**69,833**	51,440	7,490	58,930
Balance of deposits from the public at the end of the reported period	**62,574**	**9,242**	**71,816**	51,706	7,526	59,232

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	household	private banking	Total	household	private banking	Total
						NIS million
Net interest income	**917**	**20**	**937**	928	30	958
Non-interest income	**437**	**56**	**493**	410	50	460
Total income	**1,354**	**76**	**1,430**	1,338	80	1,418
Expenses from credit losses	**117**	**1**	**118**	49	-	49
Operating and other expenses	**1,028**	**49**	**1,077**	1,085	48	1,133
Net profit attributed to the shareholders of the Bank	**114**	**17**	**131**	114	21	135
Average balance of credit to the public	**47,185**	**48**	**47,233**	45,258	49	45,307
Balance of credit to the public at the end of the reported period	**48,727**	**56**	**48,783**	47,140	60	47,200
Average balance of deposits from the public	**57,717**	**8,534**	**66,251**	50,884	7,648	58,532
Balance of deposits from the public at the end of the reported period	**62,574**	**9,242**	**71,816**	51,706	7,526	59,232

Main changes in the results of activity in the first nine months of 2020 compered with the coresponding period last year

Total net interest income amounted to NIS 937 million, as compared with NIS 958 million in the corresponding period last year, a decrease of 2.2%, which mainly derived from a decrease in financial spreads on deposit due to the decrease in Bank of Israel interest rate and the decrease of the Dollar interest rate. This decrease was mostly offset by an increase in interest income due to the increase in the volume of activity (including housing loans activity).

Non-interest income amounted to NIS 493 million, in comparison with NIS 460 million in the corresponding period last year, an increase of 7.2%, which mainly derived from an increase in the income from capital markets activity due to the increase in the turnovers in the stock exchange.

Operating and other expenses amounted to NIS 1,077 million, as compared to NIS 1,133 million in the corresponding period last year, a decrease of 4.9%, derived mainly from reduction in the payroll expenses due to a decrease in manpower in the Group and from a decrease in bonuses and from a decrease in dismissal expenses in respect of early retirement of employees in the corresponding period last year.

Expenses in respect of cresit losses amounted to NIS 118 million, in comparison with NIS 49 million in the same period last year. Most of the increase is explained by the collective provision for credit losses which mainly derived from the implication of the Coronavirus crisis, which as a consequent thereof and in light of the uncertainty condition occuring, the Bank updated the qualitative adjutsments in calculating the collective provision.

The net profit attributed to the shareholders of the Bank in respect of the private individuals segment, which includes households and private banking, amounted to NIS 131 million, compared with NIS 135 million in the corresponding period last year.

Average balance of credit to the public amounted to NIS 47,233 million, in comparison with NIS 45,307 million in the same period last year, an increase of 4.3%.

Credit to the public as of September 30, 2020 amounted to NIS 48,783 million, in comparison with NIS 47,200 million on September 30, 2019, an increase of 3.4%.

Average balance of deposits from the public amounted to NIS 66,251 million, in comparison with NIS 58,532 million in the same period last year, an increase of 13.2%.

Deposits from the public as of September 30, 2020 amounted to NIS 71,816 million, in comparison with NIS 59,232 million on September 30, 2019, an increase of 21.2%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment amounted to NIS 274 million compared with NIS 267 million in the corresponding period last year.

The net earnings of the Financial Management Segment amounted to NIS 179 million compared with NIS 178 million in the corresponding period last year.

PRINCIPAL INVESTEE COMPANIES

Bank Massad Ltd. (hereinafter - "Massad") - in which the Bank owns 51.0% of the share capital and voting rights, is a commercial bank which operates a network of 23 branches and sub-branches.

The Bank's investment in Massad amounted to NIS 399 million on September 30, 2020.

Total assets of Massad on September 30, 2020 amounted to NIS 9,989 million compared with NIS 8,694 million on December 31, 2019, an increase of 14.9%.

Shareholders' equity of Massad on September 30, 2020, totaled NIS 783 million compared with NIS 726 million on December 31, 2019, an increase of 7.9%.

Net earnings of Massad for the first nine months of 2020 totaled NIS 58.6 million compared with NIS 59.2 million in the same period last year, a decrease of 1.0%.

The Bank's share in Massad's operating results for the first nine months of 2020 amounted to NIS 30.0 million compared with NIS 30.2 million in the same period last year.

Net return on equity (annualized) amounted to 10.5% compared with 11.8% in the same period last year. The ratio of comprehensive capital to risk assets amounted to 15.10%, compare with 14.52% at the end of 2019. The Tier 1 equity capital ratio amounted to 13.98% compare with 13.50% at the end of 2019.

In the framework of the ICAAP process for the data of December 31, 2018 the minimal capital targets were set: tier 1 equity capital ratio will not be less than 10.5% until December 31, 2021 and the comprehensive capital ratio will be no less than 12.65% until December 31, 2021.

Israel Credit Cards Ltd. ("ICC") - The Bank holds 28.2% of equity and 21.0% of voting rights in ICC.

ICC markets and issues credit cards and settles credit card transactions of the international Visa and MasterCard brand, markets and operates Diners credit cards on an exclusive basis in Israel, and also settles credit cards of Isracard brand.

The Bank's investment in ICC amounted to NIS 629 million on September 30, 2020.

The ratio of comprehensive capital to risk assets amounted to 14.7%, compare with 14.0% at the end of 2019.

The Bank's share in the net earnings of ICC before the tax effect amounted in the first nine months of 2020 to NIS 27.0 million compared with NIS 44.5 million in the same period last year, a decrease of 39.3%.

The decrease in profit is mainly explained by an increase in the provision for credit losses, in light of the anticipated increase in the volume of expenses for credit losses in respect of borrowers which were negatively affected from the crisis but not yet identified, from a decrease in the volume of transactions in Israel and abroad and from expenses in respect of a one-time early retirement plan. On the other hand, the profit was affected by a one-time income in the amount of NIS 49 million, net after tax effect, in respect of the sale of Visa Inc shares.

See Note 9. regarding motions for approval of class actions against ICC and regarding assessments issued to ICC by the Director of Value Added Tax.

REVIEW OF RISKS

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2019. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2019. Additional information about the risks can be found on the report on risks and additional supervisory reporting in the Bank's internet website.

General

a. The Group's activity is accompanied by exposure to risks, the most significant of which are: credit risk (including concentration of economy segments and borrowers), market risk, for which the main risk is the interest risk (cross system risk), liquidity risk, operational risk including cyber and information security risk and information technology risk, compliance risk and AML risk, strategy risk, legal risk and reputation risk. Members of the Board of Management are responsible for management of these risks. With respect to credit risk, market risk and operational risk, a regulatory requirement for capital adequacy in accordance with the Pillar 1 Basel directives exists. Within the ICAAP process, the Group performs an in-depth process of identifying additional risks focal and challenging the risks focal identified in the first pillar. If needed the Group makes an additional capital allocation in respect of Pillar 1 risks and other risks.
b. The Group's risk management policy is directed at achieving the strategic and business objectives defined by the Group and at increasing its earnings expectancy by developing areas of specialization at the Group, exploiting economies of diversity and scale, keeping to the levels of risk which have been approved, and by operating suitable management, control and reporting mechanisms.
c. The overall risk perceptive of the Group is in line with the regulatory framework set by the Supervisor of Banks and in line with the Sound Practices of the Basel Committee, based on the principal that every banking activity involving risk, the following will be defined and characterized: risk policy and appetite, limitations for bordering and defining the volume of exposure, control and auditing circles, reporting arrangement and earnings estimation mechanism, its measurement and reporting according to acceptable standard.
d. Risk management and control at the Group are implemented by means of a suitable infrastructure of control, supervision, review and auditing mechanisms, and are applied via three lines of defense: The first line of defense consists of those responsible for the creation and management of risk. The second line is maintained by units of the Risk Management Division and Chief Accountant by means of independent control. The third line consists of the internal and external auditing functions.
e. Chief Risk Manager, Mr. Eli Cohen, CPA, member of Management in charge of the risk management division and across the organization risk management infrastructure.
f. Those responsible for risk management at the Group are:
   Mr. Eli Cohen, CPA - serves as the Head of risk management division, CRO, operational risk manager, supervisor of the internal enforcement and manager of business continuity (in addition, the cyber risks manager is subordinated to him).
   The Strategic risk and financial risks are managed by Mr. Bentzi Adiri CPA, head of resources division.
   Mr. Ilan Batzri CPA, Head of the Business Division-serves as Credit Risk Manager;
   Mr. Amir Birenboim - compliance manager, including, among other things Money Laundering risk, Finance of Terror risks and internal enforcement and cross border risks. Also appointed as Responsible Officer in-charge of implementation of the FATCA and CRS directives and QI agreement.
   Mr. Ron Grisaro - the CEO of MATAF -IT risk manager.
   Mr. Yehoshua Peleg, manager of cyber defense and information security- cyber risks manager;
   Adv. Haviva Dahan, head of the legal sub-division -Legal Risk Manager;
   Mr. Nachman Nitzan, CPA- head of the chief accounting division- reputation risk manager;

In respect of changes expected in the Bank's Management see "appointments and retirements" in the chapter of corporate governance.

g. Additional risks to which the Bank is exposed- regulatory and legislative risks - are managed and supervised as part of overall business management by members of the Board of Management and department heads in the areas for which they are responsible.

h. Risk management is carried out at each banking subsidiary in the Group separately, in accordance with the policy determined by the subsidiary's board of directors on the basis of Group policy, and on the basis of Group risk management methodology with an emphasis on the special nature of the subsidiary's activity. A Chief Risk Manager was appointed at the banking subsidiary, subordinate to the subsidiary's CEO and guided professionally by the Bank's Chief Risk Manager.

i. Every quarter, the Risk Management Division, which is independent of the risk-taking units, compiles a risks document which is presented to the Management of the Bank, the Risk Management Committee and the Board of Directors of the Bank.

j. The risks document contains an examination of all the risks to which the Bank Group is exposed in the course of its activity, with details of the findings at the specific risk level as well as the results of stress scenarios that were conducted.

   Presented in the document is the Chief Risk Manager's review of the risk management situation at the group and of the effectiveness and the quality of the risk management. Also reviewed in the document are developments in the business environment and in the financial markets, and the measures taken by the division with respect to the main process involved with the different types of risks and special action which the division took during the relevant quarter.

k. The Bank applies stress scenarios for reviewing capital adequacy. In this respect, the Bank examines the effect of the materialization of risk on the capital base and the ratio of capital to risk assets. The scenarios which the Bank operates are forward looking and are used as an additional tool for risk management and for indication for the capital required for loss absorbent in case of major crisis. The importance of the stress scenarios come into effect in the planning of capital.

   The Bank continues to update the stress test scenarios infrastructure, expressing the effects of the crisis, this in continuation of the scenarios developed by the Bank and to the request of the Bank of Israel. The capital ratios in all scenarios are above the relevant limitations. At the end of October, banks received an updated uniform regulatory stress test for use until the beginning of December 2020.

For discussion of the risk appetite and risk management principles, see reference in the description of principal risks, presented in the financial statements for the year 2019.

For detailed information regarding risk, provided in accordance with the disclosure requirements of Pillar III of Basel, and addtional information regarding risks - see additional supervisory disclosure and report on risks on the Internet website of the Bank.

CREDIT RISK

Credit risk is the risk borrowers' inability or counterparty's inability to fulfill their obligations to the Bank.
The Group implements the standard approach, within the implementation of the Basel Directives, with respect to the exposure to credit risk. Within Pillar 2 the capital allocation of Pillar 1 is challenged, and if required, a complementary capital allocation is carried in respect of the credit risks.

Effect of the spreading of the Corona virus

In light of the continued coping with the coronavirus crisis, and as part of the outline presented by the Bank of Israel, the Bank continues to support the needs of its customers in this period, and allows, among other things, to defer the repayment of loans, as well as, grants loans in respect of different credit funds, partially garuanteed by the government.
Also, the Bank assumed deterioration in respect of the economic data, due to the ubcertainty as to the effect of the corona virus event and increased its qualitative adjustments received in the quantitive model, used for claculating the collective provision in significant rates. During the third quarter of the year, a reavaluation process was carried out in respect of the classification and credit rating of borrowers. The classifications were adjusted to the financial position of the borrower, its repayment ability, collateral and more.
For details regarding the collective provision, see chapter of accounting policy and critical accounting estimates.

Significant exposures to borrower groups

As of September 30, 2020 there is no borrower group which its indebtness on consolidated basis, after deductions of permissible deduction according to section 5 of directive 313, exceeds 15% of the bank's capital, calculated according to directive of Proper Conduct of Banking Business regulation concerning measurement and capital adequacy.

Changes in terms of debts within the framework of confrontation with the Corona virus

In view of the spread of the Corona virus and its possible implications on the condition of the economy and of borrowers, and with the aim of encouraging banking corporations to act towards the stabilization of borrowers who are not able, or who may not be able to honor their contractual repayment commitments due to the Corona crisis, Bank of Israel has published focal points for the treatment of debts the terms of which had been changed. The letter states that changes in terms of loans do not automatically lead to the classification of such loans as restructured troubled debts. Bank of Israel encourages the banks to perform carefull changes in the terms of loans, which are based on the understanding of the credit risk of the borrower and which are consistant with laws, regulations and relevant directives and can assist to the repayment of the debt.
For details regarding the guidelines of the Supervisor of Banks within the framework of the confrontation with the effects of the Coronavirus event, see Note 1C (2) to the condensed financial statements.

Additional information regarding debts, the terms of which had been changed within the framework of facing the Corona virus events, and which are not classified as a restructure of a troubled debt:

	September 30, 2020											
	Debts, repayment of which is deferred as of the reporting date [1]			Additional details of the stated debt balance repayment of which is deferred					Additional details of debts, repayment of which is deferred, according to length of the deferment period [3]		Debts, the deferred period of repayment of which expired as of the reporting date	
					Performing debts				Debts, repayment thereof was deferred			
	Stated debt balance	Number of loans	Amount of deferred payments	Troubled debts	Debts not having a credit granting rating	Debts having a credit granting rating in arrears for 30 days or more	Debts not in arrears having a credit granting rating	Total performing debts	more than 3 and up to 6 months	for over 6 months	Stated balance of debt	Of which: in arrears for 30 days or more
Borrowers activity in Israel												NIS million
Large business	145	6	11	4	25	-	116	141	116	23	43	-
Medium business	31	12	4	3	5	-	23	28	14	14	90	-
Small and minute business	501	1,258	36	75	59	-	367	426	236	102	1,079	34
Private individuals - housing loans	1,970	2,629	76	100	235	1	1,634	1,870	1,180	589	3,350	39
Private individuals - others	211	3,352	17	53	19	-	139	158	94	46	291	4
Total as of 30.9.2020	2,858	7,257	144	[2]235	343	1	2,279	2,623	1,640	774	4,853	77
Total as of 30.6.2020	6,880	14,951	235									
Total as of 31.3.2020	3,889	10,047	86									

(1) Of which: Deferrals granted outside the wide range framework totaling NIS 245 million.
(2) Of which: Classified as impaired debts not accumulating interest income in the amount of NIS 13 million.
(3) The repayment deferral period is the cumulative periods of deferral granted to a debt since the beginning of confrontation with the Corona virus, and does not include deferral to which the debtor is entitled under any law

	October 30, 2020		
	Debts, repayment of which is deferred as of the reporting date		
	Stated debt balance	Number of loans	Amount of deferred payments
Borrowers activity in Israel			NIS million
Large business	151	7	9
Medium business	20	7	7
Small and minute business	568	1,612	50
Private individuals - housing loans	1,577	2,096	65
Private individuals - others	274	4,346	28
Total	2,590	8,068	159

In the wake of the corona crisis, the Bank adopted the regulatory reliefs and allowed its customers to defer repayments of loans for a period of three months to nine months.

Most of the request were received in the beginning of the crisis, in the months of March- April and mainly in residential loans. In September, the Bank of Israel announced the expension of the outline and requested that the banks will allow further deferral until the end of the year (request can be submitted until December 31, 2020). At the end of the first deferral period, June 30, 2020, a significant decline occurred, both in the volume of the residential loans and non-residential loans, which were deferred.

The Bank monitors on a current basis the actual collection of the credit and its custormers needs and allows further defer of repayments, in accordance to the outline published by the Bank of Israel.

In addition, the Bank allowed business customers, which were interested, to defer loan payments. Most of the request were received at the beginning of the crisis. Concurrently, the Bank grants its business customaers loans in the framework of the credit fund guaranteed by the State, enabaling them to cope with the continuance of the crisis and its implications.

Credit granted guaranteed by the State in the outline of coping with the corona crisis

	September 30, 2020
Borrowers activity in Israel	NIS million
Small and minute business	**1,178**
Medium business	**342**
Large business	**65**
Total	**1,585**

In the wake of the crisis, the Bank signed an agreement with the general controller together with other banks in the banking system, to extend loans guaranteed by the State the purpose of which is to assist businesses in Israel to cope with cash flows difficulties ocurred as a result of the spreading of the corona virus. For this purpose special credit funds were formed in the name of "The small and medium size businesses fund affected by the corona" and "The large business fund for the confronting the spread of the corona virus".

According to the agreements it is possible to extend credit to borrowers that meet all the conditions:

- The borrower is a business corporated in Israel.
- The borrower submitted a request for a loan in order to cope with the cash flows needs of the business deriving from the spread of the corona virus.

The loans were guaranteed by the State. The rate of the State's guarantee amount to 85% (75% in the fund for large businesses) for a single loan and up to 15% (12% in the fund for large businesses) of the total amount of the loans. The maximum rate of colateral from the borrower is not to exceed 5%.

In July the Finance Committee aproved a new course of loans framework- assistance for small and medium businesses which encountered cash flow difficulties and were defined at high risk. The rate of the State's guarantee is up to 95% for single loan and up to 60% of the total amount of the loans. In these businesses a significant decline of 40% and above in their turnover was recorded in one of the months April- September, compared with the same period last year.

Credit quality and problematic credit risk

Problematic credit risk, including off-balance-sheet components, totaled NIS 2,339 million as of September 30, 2020, compared with NIS 1,859 million at the end of 2019, an increase of 25.8%

The ratio of problematic credit risk to total credit risk at the group amounted to 1.8% at the end of September 2020, compared to 1.5% at the end of 2019. 20.9% of problematic credit risk at the group are attributed to the manufacturing sector, 13.8% to the real estate sector, 8.9% to the commerce sector, and 28.3% to the private customers including housing loans. The ratio of problematic credit risk to total credit to the public amounted to 2.3%, compared to 1.9% at the end of 2019.

For additional information in respect of credit quality see note 12B(1) to the financial statements.

Problematic credit risk, non-performing assets and credit quality analysis

			September 30, 2020				September 30, 2019	
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating(1)								
Balance sheet credit risk	**40,851**	**26,877**	**20,342**	**88,070**	40,738	24,659	20,440	85,837
Off-balance sheet credit risk	**18,103**	**2,524**	**13,213**	**33,840**	16,900	1,689	12,069	30,658
Total credit risk in credit granting rating	**58,954**	**29,401**	**33,555**	**121,910**	57,638	26,348	32,509	116,495
credit risk not in credit granting rating:								
Non problematic	**1,687**	**273**	**540**	**2,500**	1,691	325	967	2,983
Problematic(2)	**1,427**	**320**	**329**	**2,076**	1,090	214	345	1,649
-Special supervision(3)	**742**	**314**	**113**	**1,169**	474	207	163	844
-Inferior	**58**	**-**	**58**	**116**	76	-	70	146
-Impaired	**627**	**6**	**158**	**791**	540	7	112	659
Total balance sheet credit risk	**3,114**	**593**	**869**	**4,576**	2,781	539	1,312	4,632
Off-balance sheet credit risk	**547**	**4**	**87**	**638**	531	-	158	689
Total credit risk not in credit granting rating	**3,661**	**597**	**956**	**5,214**	3,312	539	1,470	5,321
Of which: non-impaired debts in arrears of 90 days or more	**50**	**203**	**17**	**270**	36	190	24	250
Total overall credit risk of the public	**62,615**	**29,998**	**34,511**	**127,124**	60,950	26,887	33,979	121,816
Non-performing assets								
Impaired debts - not accruing interest income	**544**	**6**	**125**	**675**	505	7	84	596

			December 31, 2019	
	Commercial	Housing	Private	Total
				NIS million
Credit risk in credit granting rating(1)				
Balance sheet credit risk	41,405	25,037	20,411	86,853
Off-balance sheet credit risk	17,476	2,217	12,277	31,970
Total credit risk in credit granting rating	58,881	27,254	32,688	118,823
credit risk not in credit granting rating:				
Non problematic	1,330	321	942	2,593
Problematic(2)	1,112	225	318	1,655
-Special supervision(3)	476	215	99	790
-Inferior	79	-	73	152
-Impaired	557	10	146	713
Total balance sheet credit risk	2,442	546	1,260	4,248
Off-balance sheet credit risk	486	3	127	616
Total credit risk not in credit granting rating	2,928	549	1,387	4,864
Of which: non-impaired debts in arrears of 90 days or more	37	186	26	249
Total overall credit risk of the public	61,809	27,803	34,075	123,687
Non-performing assets				
Impaired debts - not accruing interest income	523	10	117	650

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy.
(2) Impaired, inferior or special supervision credit risk.
(3) Including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears and are in arrears of 90 days of more.

Changes in impaired debts in respect of credit to the public

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Commercial	Private	Total	Commercial	Private	Total
						NIS million
Balance of impaired debts at beginning of period	**592**	**172**	**764**	411	118	529
Classified as impaired during the period	**21**	**12**	**33**	176	11	187
Removed from impaired classification	**(1)**	**(1)**	**(2)**	-	-	-
Accounting write-offs	**(8)**	**(7)**	**(15)**	(42)	(1)	(43)
Collection of debts	**(39)**	**(12)**	**(51)**	(10)	(9)	(19)
Balance of impaired debts at end of period	**565**	**164**	**729**	535	119	654
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	**158**	**117**	**275**	154	94	248
Debts restructured during the period	**22**	**14**	**36**	17	17	34
Accounting write-offs of restructured debts	**(5)**	**(7)**	**(12)**	(11)	(1)	(12)
Collection of restructured debts	**(28)**	**(7)**	**(35)**	(20)	(11)	(31)
Balance of problematic restructured debts at end of period	**147**	**117**	**264**	140	99	239
Changes in provision for credit losses in respect of impaired debts						
Balance of provision for credit losses at the beginning of the period	**186**	**40**	**226**	133	26	159
Increase in provisions	**8**	**3**	**11**	50	4	54
Collection and write-offs	**(18)**	**(4)**	**(22)**	(28)	(3)	(31)
Balance of provision for credit losses at the end of the period	**176**	**39**	**215**	155	27	182

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019			For the year ended December 31, 2019		
	Commercial	Private	Total	Commercial	Private	Total	Commercial	Private	Total
						NIS million			NIS million
Balance of impaired debts at beginning of period	**553**	**156**	**709**	367	100	467	367	100	467
Classified as impaired during the period	**176**	**60**	**236**	352	54	406	369	104	473
Removed from impaired classification	**(1)**	**(1)**	**(2)**	(4)	-	(4)	(3)	-	(3)
Accounting write-offs	**(61)**	**(18)**	**(79)**	(81)	(9)	(90)	(77)	(14)	(91)
Collection of debts	**(102)**	**(33)**	**(135)**	(99)	(26)	(125)	(103)	(34)	(137)
Balance of impaired debts at end of period	**565**	**164**	**729**	535	119	654	553	156	709
Of which: movement in problematic restructured debts									
Balance of restructured debts at beginning of the year	**140**	**108**	**248**	150	83	233	150	83	233
Debts restructured during the period	**86**	**48**	**134**	58	50	108	85	71	156
Accounting write-offs of restructured debts	**(24)**	**(17)**	**(41)**	(21)	(9)	(30)	(39)	(14)	(53)
Collection of restructured debts	**(55)**	**(22)**	**(77)**	(47)	(25)	(72)	(56)	(32)	(88)
Balance of problematic restructured debts at end of period	**147**	**117**	**264**	140	99	239	140	108	248
Changes in provision for credit losses in respect of impaired debts									
Balance of provision for credit losses at the beginning of the year	**169**	**35**	**204**	121	23	144	121	23	144
Increase in provisions	**85**	**20**	**105**	108	16	124	146	27	173
Collection and write-offs	**(78)**	**(16)**	**(94)**	(74)	(12)	(86)	(98)	(15)	(113)
Balance of provision for credit losses at the end of the period	**176**	**39**	**215**	155	27	182	169	35	204

	For the nine months ended September 30		For the year ended December 31
	2020	**2019**	**2019**
Risk Indices			
Ratio of impaired credit to the public or in arrears of 90 days + to total credit to the public	**1.10%**	1.02%	1.08%
Of which:			
Ratio of impaired credit to the public to total credit to the public	**0.80%**	0.74%	0.80%
Ratio of non-impaired credit to the public in arrears of 90 days+ to total credit to the public	**0.30%**	0.28%	0.28%
Ratio of problematic credit risk in respect of the public to overall credit risk in respect of the public	**1.84%**	1.53%	1.50%
Ratio of expenses for credit losses to average total credit to the public*	**0.62%**	0.14%	0.16%
Ratio of net write-offs in respect of credit to the public to average total credit to the public*	**0.15%**	0.09%	0.10%
Ratio of provision for credit losses in respect of credit to the public to credit to the public	**1.35%**	1.03%	1.05%
Ratio of provision for credit losses in respect of credit to the public to total impaired credit to the public	**168.0%**	138.8%	131.2%
Ratio of provision for credit losses in respect of credit to the public to impaired credit to the public plus credit to the public in arrears of 90 days or more	**122.6%**	100.4%	97.1%
Ratio of net write-offs in respect of credit to the public to provision for credit losses in respect of credit to the public*	**10.8%**	8.3%	8.9%

* Annualized.

Additional information regarding credit risk

The Bank continues to locate risk centers in its credit portfolio and monitor customers which might be affected by the crisis. This in order to determine ways of operation and adopt measures to minimize credit risk.

The analysis of credit by segments of operation and by economic sectors indicates that the sectors identified as those which might be significantly affected by the crisis are business services (including, inter alia, travel agencies), hotels, catering and food services and trading. Households may also be hit by the crisis, mainly in view of the steep growth in the rate of employment seekers and the economic and employment uncertainty.

A rate of 79% of the credit risk to private individuals is from monthly income of more than NIS 10 thousand. At the end of the first deferral, on June 30, 2020 a significant decline occurred n the volume of the deferred credit. As of September 30, 2020 the rate of deferred credit amounts to 3% of the total credit to the public and the rate of deferred housing loans comprise of 7% of the balance of the housing loans. Concurrently, the Bank monitors on a current basis the actual collection of debts and the customers' needs, allowing further deferral of loan repayments, according to the regulation reliefs and the position of the borrower.

Total credit risk according to economic sectors
(NIS million)

	as at September 30, 2020						
					Credit losses [2]		
	Total credit risk[1]	Of which: Credit execution rating [3]	Of which: Problematic credit risk [4]	Of which: Impaired credit risk	Expenses for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	**10,676**	**9,948**	**489**	**179**	**84**	**27**	**247**
Construction and Real estate - construction [5]	**10,238**	**9,907**	**136**	**37**	**20**	**5**	**84**
Construction and Real estate - real estate activities	**6,391**	**6,001**	**178**	**118**	**13**	**(2)**	**37**
Commerce	**7,633**	**6,860**	**208**	**75**	**38**	**20**	**172**
Financial services	**13,970**	**13,924**	**12**	**7**	**5**	**-**	**28**
Other business services	**12,814**	**11,429**	**647**	**339**	**134**	**18**	**249**
Total commercial [6]	**61,722**	**58,069**	**1,670**	**755**	**294**	**68**	**817**
Private individuals - housing loans	**29,998**	**29,401**	**320**	**6**	**38**	**(2)**	**161**
Private individuals - others	**34,511**	**33,555**	**341**	**160**	**80**	**32**	**323**
Total public - activity in Israel	**126,231**	**121,025**	**2,331**	**921**	**412**	**98**	**1,301**
Banks and Israeli government in Israel	**11,739**	**11,739**	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**137,970**	**132,764**	**2,331**	**921**	**412**	**98**	**1,301**
In respect of borrowers abroad							
Total public - activity abroad	**893**	**885**	**8**	**8**	**1**	**-**	**1**
Banks and foreign governments abroad	**3,620**	**3,620**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**4,513**	**4,505**	**8**	**8**	**1**	**-**	**1**
Total	**142,483**	**137,269**	**2,339**	**929**	**413**	**98**	**1,302**

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts (credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities which were borrowed or purchased in the framework of repurchase agreements), bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 94,169, 11,929, 14, 1,438 and 34,933 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(5) Including balance sheet credit risk amounting to NIS 104 million and non-utilized credit facilities amounting to NIS 99 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 3,135 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

Total credit risk according to economic sectors

(NIS million)

	as at September 30, 2019						
					Credit losses [2]		
	Total credit risk[1]	Of which: Credit execution rating [3]	Of which: Problematic credit risk [4]	Of which: Impaired credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	9,944	9,141	375	174	(23)	(12)	167
Construction and Real estate - construction [5]	9,746	9,137	103	56	(13)	(6)	69
Construction and Real estate - real estate activities	5,932	5,678	80	69	(1)	(1)	21
Commerce	7,902	7,382	289	103	55	40	175
Financial services	13,666	13,611	18	2	(3)	(4)	26
Other business services	12,455	11,393	418	238	51	18	114
Total commercial [6]	59,645	56,342	1,283	642	66	35	572
Private individuals - housing loans	26,887	26,348	213	7	2	1	120
Private individuals - others	33,979	32,509	361	113	47	43	275
Total public - activity in Israel	120,511	115,199	1,857	762	115	79	967
Banks and Israeli government in Israel	7,514	7,514	-	-	-	-	-
Total activity in Israel	128,025	122,713	1,857	762	115	79	967
In respect of borrowers abroad							
Total public - activity abroad	1,305	1,296	8	8	(23)	(23)	1
Banks and foreign governments abroad	4,092	4,092	-	-	-	-	-
Total activity abroad	5,397	5,388	8	8	(23)	(23)	1
Total	133,422	128,101	1,865	770	92	56	968

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts (credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities which were borrowed or purchased in the framework of repurchase agreements), bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 90,408, 10,143, 126, 1,078 and 31,667 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(5) Including balance sheet credit risk amounting to NIS 252 million and non-utilized credit facilities amounting to NIS 96 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 2,806 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

Total credit risk according to economic sectors

(NIS million)

	as at December 31, 2019						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Impaired credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	9,959	9,227	402	197	(8)	(8)	191
Construction and Real estate - construction (5)	10,266	9,838	97	61	(24)	(19)	71
Construction and Real estate - real estate activities	6,143	5,905	84	71	(3)	(3)	22
Commerce	7,837	7,366	259	92	62	49	159
Financial services	13,936	13,903	12	3	(7)	(4)	21
Other business services	12,342	11,324	441	247	69	25	126
Total commercial (6)	60,483	57,563	1,295	671	89	40	590
Private individuals - housing loans	27,803	27,254	228	10	3	1	121
Private individuals - others	34,075	32,688	328	148	69	65	275
Total public - activity in Israel	122,361	117,505	1,851	829	161	106	986
Banks and Israeli government in Israel	8,643	8,643	-	-	-	-	-
Total activity in Israel	131,004	126,148	1,851	829	161	106	986
In respect of borrowers abroad							
Total public - activity abroad	1,326	1,318	8	8	(23)	(23)	1
Banks and foreign governments abroad	4,419	4,419	-	-	-	-	-
Total activity abroad	5,745	5,737	8	8	(23)	(23)	1
Total	136,749	131,885	1,859	837	138	83	987

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 92,002, 10,656, 9, 1,091 and 32,991 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(5) Including balance sheet credit risk amounting to NIS 233 million and non-utilized credit facilities amounting to NIS 91 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 2,718 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

Counter-party credit risk management

Present credit exposure to counter-parties that are foreign financial institutions

Most of the Bank Group's credit exposure to foreign financial institutions is to banks, mainly the banking systems in Western Europe and North America. The exposure to other financial institution is negligible.

Present credit exposure to foreign financial institutions,(1) consolidated

External credit rating	As of September 30, 2020			As of December 31, 2019		
	Balance-sheet credit risk(2)	**Current Off-balance-sheet credit risk(3)**	**Aggregate credit risk**	**Balance-sheet credit risk(2)**	**Current Off-balance-sheet credit risk(3)**	**Aggregate credit risk**
			NIS million			NIS million
AAA to AA-	**95**	**2**	**97**	528	2	530
A+ to A-	**2,736**	**35**	**2,771**	1,403	47	1,450
BBB+ to BBB-	**82**	**9**	**91**	76	16	92
BB+ to B-	**32**	**-**	**32**	41	-	41
Total credit exposure to foreign financial institutions	**2,945**	**46**	**2,991**	2,048	65	2,113
Of which: Balance of problem loans (4)	**-**	**-**	**-**	-	-	-

NOTES:

(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional investors and entities under their control.

(2) Deposits at banks, credit to the public, investments in bonds, securities that have been lent and other assets in respect of derivative instruments.

(3) Mainly guarantees and liabilities for the granting of credit, including guarantees for securing third-party indebtedness.

(4) Credit risk that is impaired, inferior or under special supervision.

(5) For the purpose of rating the financial institutions, the Bank used the ratings that were determined for the purpose of applying the Basel standardized approach. The Bank uses the rating of S&P for rating the foreign financial institutions to which credit exposure exists. When no S&P rating is available, the Bank uses the ratings of other rating agencies.

GENERAL NOTES:

a. Credit positions and problematic loans balances are presented after deduction of the provision for credit losses.

b. The credit positions do not include exposures to financial institutions that have an explicit and full government guarantee, and do not include investments in asset-backed securities.

c. For further information regarding the composition of credit positions in respect of derivative instruments against banks and (local and foreign) dealers/brokers, see Note 10 to the financial statements. Off-balance-sheet credit risk in respect of transactions in derivative financial instruments which were conducted with foreign financial institutions as calculated for the purpose of borrower indebtedness restrictions totaled NIS 321 million on September 30, 2020 (December 31, 2019 - NIS 304 million).

Following the Corona virus crisis an increase in the Bank's credit exposures was observed, mainly due to an increase in the collateral demand and clearing balances, due to an increase in the securities turnover of the Bank's customers. Most of the exposure is to foreign financial institutions with high financial resilience, which most of them are included in investment grade A- and above. During the first nine months of the year these financial institutions did not lose their external grading.

In the third quarter of the year, the credit spreads in respect of these financial institutions, to which the Bank has material credit exposures, decreased compared to the first quarter of 2020, but they are still higher than those at the end of 2019.

The credit spreads increased from a level of 0.30%-0.55% before the crisis to a level of 0.50%-1.50% at the peak of the crisis. During the third quarter a trend of improvement in the spreads occurred and as of September 30, 2020, the credit spreads reduced to a level of 0.4%-0.7%.

The conservative risk appetite defined by the Board of Directors of the Bank is reflected by the distribution of the exposure of credit to financial institutions that are almost entirely graded at high ratings.

Most of the Group’s present credit exposure (96%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 3% of the total exposure is rated in the range between AAA to AA-.

The Group’s balance-sheet credit exposure to foreign financial institutions includes an NIS 149 million investment in foreign currency bonds.

The bonds portfolio, included in the foreign financial institutions exposure, is deversified and all these bonds are investment grade bonds, of which 72% are rated A- or higher.

The average duration of the portfolio is 3 years.

In addition, balance-sheet credit risk includes NIS 2.3 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of September 30, 2020 there is no country in which the credit exposure to sovereigns of the Bank group exceeding 15% of the Bank’s equity capital, which amounted to NIS 1,778 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital components).

Exposure to foreign countries

Balance-sheet exposure to foreign countries consists of deposits, bonds, credit to the public and the fair value of financial instruments.

Off-balance-sheet exposure consists of guarantees, off-balance-sheet credit risk with respect to financial derivatives and unutilized facilities.

Main exposures to foreign countries*(1) (NIS million)

	As at September 30, 2020		
	Balance sheet exposure(2)	Off Balance sheet exposure(2)(3)	Total
United States	**2,593**	**54**	**2,647**
Other	**2,372**	**425**	**2,797**
Total exposure to foreign countries	**4,965**	**479**	**5,444**
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**14**	**4**	**18**
Off which: Total exposure to LDC countries	**188**	**43**	**231**
Off which: Total exposure to countries with liquidity problems	**5**	**2**	**7**

	As at December 31, 2019		
	Balance sheet exposure(2)	Off Balance sheet exposure(2)(3)	Total
United States	3,601	68	3,669
Other	2,711	408	3,119
Total exposure to foreign countries	6,312	476	6,788
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	18	4	22
Off which: Total exposure to LDC countries	140	47	187
Off which: Total exposure to countries with liquidity problems	4	2	6

* Including countries, the exposure to which exceeds 1% of total assets of the Bank on consolidated basis or 20% of capital, the lower of them.

(1) On the basis of final risk, after effect of guarantees, liquid collateral and credit derivatives.
(2) Balance sheet and off-balance sheet credit risk are presented before the effect of provision for credit losses and before the effect of deductible collateral for the purpose of indebtedness of borrower and group of borrowers.
(3) Off-balance sheet credit risk as calculated for the purpose of the limits on indebtedness of borrower.

Risks in the Housing loans portfolio

The Group's credit policy in the area of mortgage activity

The Bank adopts a conservative credit policy that is approved by the Board of Directors of the Bank and that is examined yearly, and is updated in accordance with changes and transformations taking place in Israel, changes in regulation, etc. As part of this policy, the Bank currently follows developments in the mortgages portfolio and adopts different measures for the management of the risk inherent therein.

Risks are examined in accordance with the policy adopted in respect of risk appetite in the mortgage field, both at the level of the single transactions and at the level of the whole mortgage portfolio of the Group. The Bank manages the risks, inter alia, by imposing restrictions regarding certain parameters, such as the financing ratio (LTV), ratio of repayment to income, the rate of loans carrying variable interest, the rate of loans for long periods (exceeding 25 years), and more. Upon the granting of a mortgage loan, the Bank examines the probability of default by using a statistical model, modified to customers of the Group, as well as examines the repayment ability of the borrower in possible scenarios of changes in interest rates. The Bank takes extra care in cases of assets the registration position of which is complex, while giving greater consideration to the quality of the borrower and to the financing ratio.

The Bank performs monthly control on the development of risk characteristic of the mortgage portfolio, in accordance with restrictions according to parameters of the credit policy. In addition, the Bank monitors changes in the volume of troubled debts in the mortgage portfolio, as well as the rate of arrears thereof, comparing the data with that of the whole banking sector.

Volume of housing loans

	For the nine months ended September 30		
	2020	**2019**	**Change**
		NIS million	%
Housing loans extensions			
Loans from bank funds	**4,185**	3,222	29.9
Loans from treasury funds	**20**	17	17.6
Grants from treasury funds	**11**	8	37.5
Total new loans	**4,216**	3,247	29.8
Refinanced loans from bank funds	**575**	280	105.4
Total extensions	**4,791**	3,527	35.8

	As at September 30,		
	2020	**2019**	**Change**
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**27,410**	25,327	8.2
Loans from treasury funds*	**291**	333	(12.6)
Grants from treasury funds*	**41**	29	41.4
Total balance of housing loans	**27,742**	25,689	8.0

* The amounts are not included in the balance sheet balances

Loan to value

One of the main parameters used by the Bank in examining the risk in the housing loan portfolio is the loan to value ratio (LTV). The LTV is calculated in accordance with the Banking Supervision Division's Directive No. 876 - "Report on housing loans," and is the ratio between the amount of credit and the value of the assets serving as collateral on the date at the time the loan is approved. It should be noted that in itself, a rise in the value of the property does not constitute an event for the purpose of re-calculating the LTV. However, when additional credit secured by the same property is granted, the LTV can be calculated on the basis of a revised value appraisal.

The portfolio of housing loans extended from the Bank's sources on September 30, 2020 included 71% of credit granted at an LTV of up to 60% compared with 70% on September 30, 2019.

97% of total loans were granted at an LTV of up to 75%, compared with 94% on September 30, 2019.

Housing loan extensions from the Bank's sources in the first nine months of 2020 included 68% of credit granted at an LTV of up to 60%, compared with 72% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.

The calculation of the LTV does not include loans which are not secured by an asset.

Debt-income ratio

Another key parameter used by the Bank in examining the risk in the housing loan portfolio is the debt-income ratio. This ratio enables the Bank to assess a borrower's ability to maintain current loan repayments in an orderly manner from the borrower's regular income at the date of the extension of the loan.

The portfolio of housing loans extended from the Bank's sources as of September 30, 2020 included 89% of credit granted at a debt-income ratio of up to 35% compared with 88% on September 30, 2019. 98% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, compared with 97% on September 30, 2019.

Housing loan extensions from the Bank's sources in the first nine months of 2020 included 93% of credit granted at a debt-income ratio of up to 35% compared to 92% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.

The calculation of the ratio does not include loans which are bullet and balloon.

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of September 30, 2020 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 16,616 million.

Housing loan extensions from the Bank's sources in the first nine months of 2020 include NIS 1,407 million of credit granted at floating-rate interest of up to five years constituting 34% of extentions. An amount of NIS 887 million is floating-rate credit for five years and above, constituting 21% of extentions .

Long-term loans

The portfolio of housing loans from the Bank's sources as of September 30, 2020 includes 83% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 22,812 million.

Housing loan extensions from the Bank's sources in the first nine months of 2020 include 71% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 2,961 million.

Set out below are data on the development of the housing loan portfolio at the Bank alone by linkage segments (excluding credit from Treasury funds and after deduction of the allowance for credit losses)

	For residential purposes											Secured by a residential apartment	Total
	Unlinked segment				CPI-linked segment				Foreign-currency linked segment		Total		
	Fixed-rate		Floating rate		Fixed-rate		Floating rate		Floating rate				
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Balance	Balance
	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	NIS million
30.9.20	**7,291**	**27.5**	**11,510**	**43.3**	**3,317**	**12.5**	**4,421**	**16.6**	**16**	**0.1**	**26,555**	**855**	**27,410**
31.12.19	6,489	26.1	10,869	43.7	3,246	13.1	4,215	17.0	20	0.1	24,839	853	25,692

Set out below are data on the development of housing loan extensions at the Bank alone (excluding credit from Treasury funds)

	nine months 2020	nine months 2019	2019	2018	2017	2016
Total housing loan extensions (NIS million)	**4,185**	3,222	4,374	4,149	3,756	4,337
Rate of change in housing loan extensions compared with previous year	**29.9%**	3.1%	5.4%	10.5%	(13.4%)	(9.6%)
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**0.18%**	0.01%	0.01%	-	(0.01%)	0.01%
Cumulative rate of allowance for credit losses relative to mortgages at the Bank's risk	**0.59%**	0.49%	0.49%	0.50%	0.51%	0.55%

Effect of the spreading of the Corona virus on residential credit

In March 2020, the bank started the treatment of borrowers, who had encountered difficulties following the Coronavirus crisis, to defer the monthly payment of the housing loans. The treatment included deferral of repayment of residential loans for a period of up to nine months to the tune of NIS 76 million, as of September 30, 2020, this in accordance with that stated in Note 1C (2) to the financial statements. In accordance with the expended outline formed in conjunction with Bank of Israel, the deferral period for housing loans will be as follows: borrowers which deferred the reapyment of the loans of up to six months, will be able to get a further deferral until December 31, 2020. Borrowers which did not deferred their repayment before and want to do so, will be able to get a deferral of up to six months. The requests for deferral should be submitted until December 31, 2020.

Furthermore, Bank of Israel has published regulatory relief related to Proper Conduct of Banking Business Directive No. 329 in the matter of "restrictions on the granting of residential loans". In accordance with the said relief, the Bank may approve a residential loan that is not intended to finance the purchase of a right in real estate, up to a financing level of 70%, in contrast to the present limit of 50%, subject to the declaration of the borrower that the loan is not intended for the purpose of purchasing an apartment as an investment. Moreover, under certain circumstances, the Bank may rely on the income of the borrower for the three months preceding his being suspended on unpaid leave or downgraded to a part-time position due to the Coronavirus crisis.

Private individuals credit risk (excluding housing loans and derivatives)

General

The private consumption was in growth trend during the last years until the outbrake of the corona crisis, and as a result also the volume of credit to private individuals.

The banks in the Group grant consumer credit to a variety of households, made up mainly of individuals in employee positions, part of whom in the education system and part in the defense system.

The credit policy for private individuals reflects the risk apetite of the Bank and its intensions as to the risk levels it wants to take as well as the wanted profile for the private individuals credit portfolio and its volume in respect to the overall credit portfolio.

The granting of credit is based on statistical models for the rating of credit risk, which take into account the personal parameters of each customer, including: his income and stability of income, financial wealth, his repayment ability and past experience of the Bank with the customer.

This perception is well reflected in the credit policy of the Bank through quantitative and qualitative restrictions for the granting of credit in the level of the single customer and in the level of the Bank, as well as in control procedures and structured work procedures, in the different control lines.

Models of credit rating used by the banks both for the direct granting of credit via the Internet, the cellular application and via "International Bank Call", and in the underwriting process of credit at the branches. The credit recommendations derived from the statistical models together with procedures of the Bank based on the credit policy of the Bank and the qualitative and quantitative limitations included therein - shape the proportional risk appetite of the Group as regards the consumer credit field.

The Bank focuses on retail credit, typified by a high level of distribution and a low level of risk, taking into account the fact that the subsidiary Massad Bank is engaged in the credit field, the Bank operates from a Group viewpoint and acts for the implementation of an orderly work format of the Group, which defines, inter alia, a business focused format for each population in the Group. The targeted population is mostly a population having stable sources of income, which requires finance in the consumer field and has credit repayment ability, inter alia, salaried persons and those having a fixed income, designated populations having a joint connection on a country-wide level (such as: teaching personel, Ministry of Defense personnel, etc.) having repayment ability or realizable collateral.

Teaching personnel loan tender are loans repaid by the direct withholding from salary. Most of the customers in the households segments and Otsar Hahayal branches are salaried employees, large part of them are former employees of the defense forces. Loans to Ministry of Defense personnel are granted within the framework of different tender, reflect the capitalization of rights for interim periods and are characterized by large amounts and long periods. Moreover, within the framework of the terms of the tender, the responsibility of the Ministry of Defense for the repayment of the credit in default cases is determined, thus reducing to a minimum the risk of credit granted to Ministry of Defense personnel within this framework.

These loan repayments and additional loans to the defense personnel population as well as loans granted in the framework of collective agreements, deducted directly from salaries.

79% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to the account in an amount exceeding NIS 10 thousands.

Effect of the spreading of the Corona virus on credit to private individuals

The event of the corona virus and its implications on the economy globaly and in Israel brought an economic crisis exceptional in size, which is reflected, inter alia, in sharp increase in the rate of unemployement including employees placed on unpaid leave. As a result, a rise in the credit risk to private individuals is expected. As part of the Bank's efforts to be sensitive and to consider the customer's needs in this period, the Bank embraced the outline suggested by the Bank of Israel and performed deferral of loans repayments to private individuals. The adoption of the said outlines, delayed the realization of the exsisting risks of the customers and a difficulty in assessing the full impact on credit to private individuals. However, the Bank examined the risks, as known so far, classified additional debts of private individuals as problematic debts and increased the collective provision accordingly.

Set out below is the distribution of Private individuals credit risk (excluding housing loans) in Israel:

	As of			Change	
	30.9.20	**30.9.19**	**31.12.19**	**30.9.19**	**31.12.19**
			NIS million		%
Current account and utilized balances of credit cards	**4,700**	5,499	5,448	(14.5)	(13.7)
Other loans	**16,510**	16,251	16,221	1.6	1.8
Total balance credit risk	**21,210**	21,750	21,669	(2.5)	(2.1)
Unutilized current account credit lines	**4,685**	4,323	4,273	8.4	9.6
Unutilized credit lines in credit cards	**7,378**	6,616	6,851	11.5	7.7
Other off-balance credit risks	**1,222**	1,272	1,265	(3.9)	(3.4)
Total off-balance credit risk	**13,285**	12,211	12,389	8.8	7.2
Total credit risk	**34,495**	33,961	34,058	1.6	1.3
Average volume of credit, including overdrafts, credit cards and loans	**20,602**	20,578	20,655	0.1	(0.3)

Set out below is the distribution of problematic private individuals credit risk (excluding housing loans) in Israel:

	As of			Change	
	30.9.20	**30.9.19**	**31.12.19**	**30.9.19**	**31.12.19**
			NIS million		%
Impaired credit risks	**160**	113	148	41.6	8.1
Unimpaired problematic credit risk	**181**	248	180	(27.0)	0.6
Non-problematic credit risk	**34,154**	33,600	33,730	1.6	1.3
Total credit risk	**34,495**	33,961	34,058	1.6	1.3
Of which: unimpaired debts in arrears of 90 days or more	**17**	24	26	(29.2)	(34.6)
Balance of restructured debts out of the problematic credit	**117**	99	108	18.2	8.3
Expense rate of credit losses out of total credit to the public*	**0.50%**	0.35%	0.32%		

*annualized

Following is the distribution of credit risk relating to private individuals in Israel by fixed income credited to the account

				September 30, 2020
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	**391**	**36**	**427**	**190**
Up to 10	**3,699**	**473**	**4,172**	**2,439**
From 10 to 20	**4,941**	**1,457**	**6,398**	**3,771**
Over 20	**5,455**	**4,758**	**10,213**	**6,885**
Total	**14,486**	**6,724**	**21,210**	**13,285**

				September 30, 2019
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	376	31	407	198
Up to 10	4,085	490	4,575	2,333
From 10 to 20	5,047	1,334	6,381	3,366
Over 20	6,114	4,273	10,387	6,314
Total	15,622	6,128	21,750	12,211

				December 31, 2019
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	393	35	428	206
Up to 10	3,964	456	4,420	2,333
From 10 to 20	5,112	1,296	6,408	3,404
Over 20	6,260	4,153	10,413	6,446
Total	15,729	5,940	21,669	12,389

* Fixed income credited to the account as defined in the reporting instruction to the Supervisor of Banks No.836 (which includes actual salary in average calculation of the last 12 months, total annuities, cash deposits and check deposits).

** The financial assets portfolio related to the account, such as: monetary deposits (including current account balances), securities portfolios and other financial assets.

Distribution by average period to redemption (according to the last repayment date of the loan)

			Balance sheet credit risk
	September 30, 2020	**September 30, 2019**	**December 31, 2019**
Period to redemption			NIS million
Up to one year	**5,224**	6,056	6,012
From one to three years	**2,994**	3,036	3,019
From three to five years	**4,822**	4,855	4,822
From five to seven years	**2,772**	2,766	2,730
Over seven years	**5,398**	5,037	5,086
Total	**21,210**	21,750	21,669

Distribution by size of credit to the borrower*

Credit range to the borrower	September 30, 2020 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	September 30, 2019 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	December 31, 2019 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**
NIS thousands			NIS million			NIS million			NIS million
Up to 10	**257**	**654**	**911**	282	635	917	277	631	908
From 10 to 20	**373**	**862**	**1,235**	408	800	1,208	403	816	1,219
From 20 to 40	**1,063**	**2,019**	**3,082**	1,147	1,839	2,986	1,136	1,874	3,010
From 40 to 80	**2,824**	**3,398**	**6,222**	3,076	3,097	6,173	3,054	3,150	6,204
From 80 to 150	**5,627**	**3,369**	**8,996**	5,872	3,087	8,959	5,873	3,125	8,998
From 150 to 300	**6,603**	**2,271**	**8,874**	6,760	2,119	8,879	6,728	2,141	8,869
Over 300	**4,463**	**712**	**5,175**	4,205	634	4,839	4,198	652	4,850
Total	**21,210**	**13,285**	**34,495**	21,750	12,211	33,961	21,669	12,389	34,058

* Definition of borrower - in accordance with the definition included in Proper Conduct of Banking Business Directive No. 313.

** Total credit risk - excluding indebtedness in respect of derivatives and excluding residential loans.

Distribution by type and extent of exposure to a significant growth in payments

Type of credit	September 30, 2020 Balance sheet credit risk	September 30, 2019 Balance sheet credit risk	December 31, 2019 Balance sheet credit risk
	NIS million	NIS million	NIS million
Current account	**1,363**	1,668	1,775
Credit card	**3,337**	3,831	3,673
Credit carrying variable interest	**15,890**	15,616	15,581
Credit carrying fixed interest	**620**	635	640
Total	**21,210**	21,750	21,669

* Reclassified.

Collateral

	September 30, 2020 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	September 30, 2019 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	December 31, 2019 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
			NIS million			NIS million			NIS million
Total credit secured by collateral*	**3,991**	**896**	**4,887**	4,214	1,106	5,320	4,107	1,125	5,232
* Of which:									
Non-liquid collateral	**3,589**	**869**	**4,458**	3,504	878	4,382	3,434	877	4,311
Liquid collateral	**402**	**27**	**429**	710	228	938	673	248	921

Description of operations

A. The underwriting of credit to private individuals

The underwriting of consumer credit is conducted taking into consideration of personal parameters of the customer and reflects readiness for proportional acceptance of credit risk. This concept is well reflected in quantitative and qualitative limitations, as well as by means of a wide array of structured work procedures and close control processes in the different control lines.

The banks in the Group offer credit to their customers in an initiated fashion on the basis of monitoring the risk characteristics of the borrower and identifying his needs. As part of the underwriting process, several criteria that form a decision supporting tool are examined, inter alia, general information regarding the customer (his identity, financial stability, conduct of his account and any additional information which might assist in the underwriting process), the object of the credit, the volume of activity of the customer with the Bank in relation to the pricing of the transaction, repayment ability, the total credit mix in the account and the modification thereof to the customer's needs. This process is based upon values of fairness and transparency towards the customer.

B. The manner of supervising and monitoring risk characteristics

The banks in the Group have a high level of skill and expertise in the field of retail credit due to many years of experience in household credit.

The Group trains its employees at a high level of professional skill in the credit field, having decision supporting computer systems and control and monitoring systems for the early discovery of borrowers in default or of negative symptoms.

The Group hedges acceptance of credit risks, inter alia, by means of the distribution of risk among customers.

Risk management and the control thereof are conducted at the Bank by means of an appropriate infrastructure of restraint, supervision, control and audit mechanisms. Control in the matter of consumer credit is conducted by means of three defense lines.

Controls conducted within the framework of the first line of defense include: the monitoring of deviation from current account and revolving debit account credit facilities, examination of troubled credit in arrears and follow-up of developments in the troubled consumer credit at the branches.

The second line of defense includes different controls, the essence of which are intended to test the financial management of accounts and to identify signs for deterioration in the debt situation. Deterioration signs may stem from a decline in the volume of operations, deviation from approved credit facilities, etc. In addition, the Bank uses supporting computer systems, such as a system for the identification and treatment of debts showing trouble symptoms and a statistical system forecasting credit default.

The third line of defense is the internal audit group, which is responsible for performing independent audits of risk management, work framework and controls over consumer credit risks, including the work of the first and second lines of defense in respect of this risk.

Construction and real estate sector risks

On background of the risk under which the Israeli banking sector is operating in the construction and real estate credit field, as well as on background of changes and developments in the housing credit market, directives of the Supervisor of Banks and Government regulations, the Bank adopts a proportional and careful credit policy, approved by the Board of Directors of the Bank, which is examined every year and is revised in accordance with changes in conditions in the country, changes in regulation, etc. The said proportionality and care are reflected in the examination of the financing ratio, the careful examination of failures in the financing of construction projects and examination of the ratio of the borrower's equity and early sales, this in order to reduce the risk to the extent possible.

Moreover, The Bank has adopted a specific policy in respect of the different lines of operation in the real estate and construction field, including the financing of housing construction, financing of income producing property construction, as well as financing of construction of income producing offices, commercial and industrial properties. The Bank grants credit to "purchase groups" and focuses on groups having projects in demand areas and on groups the organizer thereof has proven experience in this field.

Over and above examination performed on a current basis, the Bank conducts monthly discussions with respect of all credit portfolios and examines the condition of the projects as well as the level of risk inherent in each, and reduces exposure accordingly.

The pricing of each transaction is strictly calculated in accordance with the risk involved and the required capital allocation.

The parameters used by the Bank for the examination of risk relating to the real estate credit portfolio are mostly "loan to value", the ratio of the credit amount to the value of assets used as collateral at date of approval of the loan, based on an updated value assessment and the existence of stable sources for the repayment of the credit.

Examination of the risk relating to the construction credit portfolio is performed on a monthly basis, based on construction progress reports by the supervisor of the project, where the examined risks are both at the level of market risk and at the level of execution risk.

As a result of the effect of the corona virus, there is a concern that demand for yielding real estate, specially offices and trade, will decline. The Bank adopts a proportional and careful credit policy and most of the credit is secured by properties.

Following are data of credit to the public risk in the construction and real estate field:

		September 30,	December 31,
	2020	**2019**	**2019**
			NIS million
Overall credit risk(1)			
Projects not yet completed			
Of which: Open land	**2,307**	1,965	2,123
Property under construction	**4,382**	4,286	4,467
Completed building projects	**4,696**	4,163	4,255
Other(2)	**5,244**	5,264	5,564
Total	**16,629**	15,678	16,409

(1) Of which: credit secured by housing property in the amount of NIS 5,359 million, Credit secured by industrial property in the amount of NIS 739 million and credit secured by commercial property in the amount of 5,287 million (30.9.19 - NIS 4,932 million, NIS 574 million and NIS 4,908 million, respectively, 31.12.19 - NIS 5,107 million, NIS 634 million and NIS 5,104 million).

(2) Includes credit to borrowers in the construction and real estate field in Israel, the collateral provided by them does not include real estate, or borrowers where the value of their property for prompt realization purposes secures less than 50% of the credit risk of the borrower.

Leveraged Finance

Leveraged finance is defined as credit granted for financing capital transaction in corporation (as defined in the Bank of Israel directive 323) that meets certain criteria, and credit granted to debtors characterized with high finance leverage.

The criteria according to which the Bank defines credit as leveraged finance were set in a conservative manner.

Additional information can be found in the financial statements for 2019.

As of September 30, 2020 total aggregate balances (balance sheet credit and off-balance sheet credit net of provisions for credit losses and deductible collateral) considered as leveraged finance, amounted to NIS 581 million, compared to NIS 619 million on September 30, 2019 and NIS 587 million at the end of 2019.

MARKET RISK

Market risk (financial risk) is the actual or future existence of a risk to a loss or impairment derived from a change in the economic value of financial instrument, certain portfolio or a group of portfolios and on an aggregate level, due to changes in prices, rates, margins and other parameters in the financial markets. Including: interest risk, currency risk, inflation risk, securities prices risk and volatility risk.

Methodology for the estimation of exposure to market risk

The Bank manages and controls exposure to market risks by means of a number of generally accepted models and tools which include VaR calculations and the operation of stress tests and management and exposure control tools such as: duration, fair value and sensitivity tests for changes in the interest curve.

The effect of the spreading of the corona virus

The outbrake of the corona virus brought extensive volatility in the risk factors in the financial markets, including in the quatations of shares traded on stock exchanges around the world, the prices of bonds, spreads of interest base and exchange rates. The volatility of the risk factors in the third quarter of the year, brought about an increase in the value of traded assets of the Bank, similar to the second quarter of the year, compared with a decrease in the first quarter of the year.

Interest exposure

Interest risk is the actual or future existence of a risk to the Group's income or capital deriving from movement in interest rates, effecting the Bank's earnings by changes in net income, and the value of the Bank's assets, liabilities and off-balance-sheet instruments, since the fair value of future cash-flows (and in certain cases the cash-flows themselves) changes when the interest rates are changing. The main shapes of the interest risk to which the Bank is exposued to are: risk of repricing, yield curve risk, basis risk and option risk. Interest risks in respect of the entire portfolio are the dominant risks to which the Bank is exposed in all matters relating to their effect on the fair value of assets and liabilities and its effect on earnings. The Bank manages the interest risks in accordance with the Bank of Israel directive 333, a specific directive in the area of interest risk management with emphasis on the banking portfolio. The Bank implemented policy for the management of interest risk, in accordance with the regulations.

Analysis of sensitivity to the effect of exposure to interest rate adjustments based on the fair value of financial instruments

Set out below is information on assets and liabilities that are exposed to changes in interest rates on the basis of their fair value, including a sensitivity analysis of the effect of theoretical changes in the interest rate on the fair value of financial instruments, excluding non monetary items, according to accounting rules:

Following are the details of the effect of changes in the interest rate on the fair value of the asset surplus in the segment:

1. Fair value of financial instruments of the Bank and consolidated subsidiaries, excluding non-financial items (before the effect of potential changes in the interest rates):

	September 30, 2020			September 30, 2019			December 31, 2019		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net [1]	**7,809**	**(135)**	**7,674**	7,705	(10)	7,695	7,580	84	7,664
Of which: banking portfolio	**7,824**	**(441)**	**7,383**	7,326	362	7,688	7,748	(122)	7,626

2. Effect of scenarios of changes in interest rate on the adjusted fair value[1] of the Bank and its consolidated subsidiaries:

	September 30, 2020			September 30, 2019			December 31, 2019		
	NIS[5]	Foreign currency	Total	NIS[5]	Foreign currency	Total	NIS[5]	Foreign currency	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**(17)**	**(13)**	**(30)**	(29)	(25)	(54)	(67)	(35)	(102)
Of which: banking portfolio	**(14)**	**(7)**	**(21)**	(28)	(18)	(46)	(58)	(20)	(78)
Parallel decrease of 1%	**107**	**3**	**110**	100	21	121	146	26	172
Of which: banking portfolio	**107**	**(2)**	**105**	100	12	112	138	14	152
Non-parallel changes									
Steeping[2]	**(144)**	**(10)**	**(154)**	(180)	2	(178)	(187)	(2)	(189)
Flattening[3]	**186**	**(5)**	**181**	194	(14)	180	194	(16)	178
Interest increase in short term	**157**	**(9)**	**148**	158	(16)	142	142	(30)	112
Interest decrease in short term	**(49)**	**(3)**	**(52)**	(71)	12	(59)	(41)	14	(27)

The table presents the adjusted net fair value of all financial instruments, with the assumption that the change in interest occurred in all interest rate and in all linkage segments

3. Effect of scenarios of changes in interest rate on interest income, net and non-interest income: [6]

	September 30, 2020			September 30, 2019			December 31, 2019		
	Interest income	Non-interest income	Total[4]	Interest income	Non-interest income	Total[4]	Interest income	Non-interest income	Total[4]
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**405**	**3**	**408**	305	9	314	304	6	310
Of which: banking portfolio	**404**	**-**	**404**	305	-	305	304	-	304
Parallel decrease of 1%	**(713)**	**(3)**	**(716)**	(574)	(9)	(583)	(583)	(6)	(589)
Of which: banking portfolio	**(712)**	**-**	**(712)**	(574)	-	(574)	(583)	-	(583)

(1) Fair value of financial instruments, excluding non-financial items and after the effect of liability in respect to employees' rights and attribution of demand deposits to periods. Additional detail as to the assumptions used in the calculation of the adjusted fair value of financial instruments, see note 14A to the financial statements.
(2) Steeping- decline of interest in the short term and increase in interest in the long term.
(3) Flattening- Increase in interest in short term and decline in interest in the long term.
(4) After offsetting effects.
(5) In the interest decline scenario in the CPI linked segment the calculation is performed with a negative interest environment.
(6) In interest decline scenarios reflecting negative interest, the effect of the scenario on interest income, net was calculated according to deferent assumptions.
(7) The update of the statistical model for the forecast of balances in respect of demand deposits, early repayment of housing loans model and early repayment of deposits from the public, increased the fair value in the amount of NIS 35 million. Corresponding data were not restated.

Disclosure regarding preparations for the discontinuation of use of the LIBOR

On February 13, 2020, the Supervisor of Banks published a circular letter in the matter of "disclosure regarding preparations for the discontinuation of use of the LIBOR", this on background of the disclosure guidelines of the SEC regarding the discontinued use of the LIBOR, clarifying, inter alia, the required disclosure in the matter. The said disclosure guidelines had been published on background of the risk of lack of certainty regarding the way in which contracts linked to the LIBOR would be interpreted, in a situation in which, as from the year 2021, a LIBOR rate would no longer be published, or it is determined that the LIBOR no longer represents the relevant interest rates.

In accordance with a publication of the British Financial Conduct Authority (FCA) of July 2017, the global financial system is expected to gradually discontinue use of the LIBOR until the end of 2021. Following this decision, work teams have been formed worldwide for the purpose of determining alternative interest indices to the LIBOR rate for each of the following currencies: US dollar, Pound Sterling, Euro, Swiss Franc and the Japanese Yen. The alternatives being studied by the work teams include, inter alia, the interest rates of the SOFR (Secured Overnight Financing Rate); the SONIA (Sterling Overnight Index Average); the ESTER (Euro Short-Term Rate); the SARON (Swiss Average Rate Overnight); TONA (Tokyo Overnight Average Rate).

The discontinued use of the LIBOR and transition to alternative interest indices are expected to have wide implications upon the Bank, such as: economic, operational and accounting implications.
In this respect, guidelines of the Supervisor of Banks clarify that, on background of the uncertainty risk regarding the interpretation of contracts linked to the LIBOR, banks are required to include in their reports to the public as from December 31, 2019, disclosure regarding their preparations for the discontinued use of the LIBOR.
The Bank is continuing the process of studying the expected impact of the discontinuation of the publication of the LIBOR rate, including examination of the possible alternatives in each of the currencies mentioned above, the financial implications that might arise from the transition to the use of such currencies, and the required preparations regarding both the business aspect and the risk management aspect of the new exposure.
At the same time, in view of the uncertainty of the alternative interest indices , which are affected by international decisions, it is not possible as yet to assess quantitative assessments of the impact of interest change.

As of date of this Report, and in accordance with assessments made by the Bank, it does not have material balance sheet exposure regarding contracts that relate to the LIBOR, for periods exceeding the year 2021.
Exposure to the LIBOR rate within the framework of derivative operations established under ISDA arrangements and under other arrangements is not material.

Principal risks and preparations made by the Bank in respect thereof

The discontinuation of use of the LIBOR and transition to alternative interest indices, create different risks for the Bank, such as: financial risk, model risk, legal risk, regulation and supervision risk, technological risk and business risk. The Bank has identified these risks, inter alia, by means of mapping all relevant contracts and exposure.
As of date of this Report, the Bank has started preparations for the management and reduction of identified risks related to the discontinuation of use of the LIBOR. As part of these preparations, the Bank has formed a designated team, aimed, inter alia, at developing working procedures for the identification of risk, assessment of the scope of the risk, examination of the impact of each risk, offering alternatives for means of risk reduction, the monitoring of risk and related implications, as well as submission of current reports to Management and the Board of Directors. Furthermore, the Bank sends massages to its customers in respect of the changes anticipated by the publication of the LIBOR, and the possible significances of these changes, everything according to the information existing with the Bank at this stage.

The following risks had been mapped at this stage:

- **Financial risk** - decline in profitability and/or increase in costs stemming, inter alia, from: recognition of loss on financial instruments held by the bank, due to cancellation of contracts; customer objection to their interest charges; decline in the number and turnover of customer transactions; opening of positions exposed to interest and modification of the Bank's asset and liability management process.
- **Model risk** - structuring a transfer price methodology modified to the transition to alternative interest indices; determining new pricing for products.
- **Legal risk** - studying the need and way of making changes to existing contracts and the drafting of new contracts agreeing with the discontinuation of use of the LIBOR and the new economic environment.
- **Regulation and supervision risk** - absorption of policy, procedures and allocation of responsibility.

- **Technological risk** - updating of the data bases and information systems, including their modification for use of the old and new products.
- **Business risk** - includes mostly the basis risk created as a result of the fallback mechanisms between the different products (such as: deposits as against derivatives).

Accounting implications

The discontinuation of use of the LIBOR and transition to alternative interest indices, are expected to have different accounting implications in a number of areas, including discounting rates - transition to alternative interest indices might lead to changes in discounting rates used as input in different models for the purpose of valuation of different assets and liabilities, such as: financial instruments, leasing, derivatives and impairment of nonfinancial assets.

The Bank continues to follow the international publications and will inspire to reduce the risks deriving from the change of the interest indices.

Basis exposure

Actual basis exposure

Set out below is a description of the actual exposure of active capital, at the Group level (NIS millions):

	Exposure of Active Capital		% of active capital	
	As of September 30,	As of December 31,	As of September 30,	As of December 31,
	2020	2019	2020	2019
Non-linked local currency	**4,678**	3,959	**50**	44
CPI-linked local currency	**2,358**	2,780	**25**	31
Foreign currency and f-C linked	**(153)**	38	**(2)**	-

Sensitivity of capital to changes in the exchange rate

The Bank operates in the currency markets by means of spot transactions, forward transactions and options on its own behalf and on behalf of its customers. The Bank operates using global negotiable currencies, and the total net currency exposure for the Group is low.

Most of the activity in derivative financial instruments is carried in the currency derivatives Shekel/Dollar for the Bank's customers. The Bank is not exposued in its derivative activity to material currency risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of September 30, 2020 (NIS millions).

The measurement refers to the effect of changes on capital and includes activity in balance-sheet and off-balance-sheet instruments:

Percentage change in exchange rate	Dollar	Euro
5% decrease	**8**	**(2)**
10% decrease	**14**	**(7)**
5% increase	**(3)**	**4**
10% increase	**(2)**	**10**

NOTES:

(1) This effect is calculated in accordance with the expected change in the economic positions managed in different currencies, given the scenarios that were determined by the Supervisor of Banks.

(2) An increase implies a strengthening of the currency in question against the shekel.

(3) The data express the effects of changes in exchange rates on fair value after the tax effect.

(4) Changes in the exchange rates of other currencies have a negligible effect on the Bank's earnings.

Sensitivity of capital to changes in the CPI

The Bank operates in the CPI market by extending uses such as loans, mortgages and the purchase of bonds and by raising CPI linked funds. In addition, the Bank performs CPI forward transactions on behalf of its customers and itself.
The Bank is not exposed in its forward activity to material CPI risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of September 30, 2020 (NIS millions).
The measurement refers to the effect of changes on capital and includes activity in balance-sheet and off-balance-sheet instruments:

Percentage change in CPI	
3% decrease	**(89)**
3% increase	**83**

Management of risks in derivative financial instruments

Set out below is the volume of activity in derivative financial instruments (nominal value NIS millions):

	As of September 30,			As of December 31,		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	**3,704**	**-**	**3,704**	2,911	-	2,911
Other transactions:						
Interest rate contracts	**1,372**	**14,993**	**16,365**	969	17,410	18,379
Foreign currency contracts	**18,014**	**67,177**	**85,191**	12,882	62,045	74,927
Contracts on shares, share indexes, commodities and other contracts	**-**	**54,351**	**54,351**	-	44,493	44,493
Total derivative financial instruments	**23,090**	**136,521**	**159,611**	16,762	123,948	140,710

LIQUIDITY RISK

Liquidity risk is the actual or future risk that the Bank will have difficulty in supplying liquidity requirements in exceptional demand and supply situations, including unexpected liabilities, unexpected withdrawals of deposits from the public, unexpected demand for credit, uncertainty regarding the availability of sources, including sharp decline in the value of liquid assets available to the Bank. Materialization of the risk might cause the Bank shortage in liquid means, that will force the Bank to realize assets in prices lower than the market prices and/or raise funds in a price higher than market prices and in crisis situations might endanger the stability of the Bank.

Effect of the spreading of the Corona virus

The spreading of the Corona virus has led in reaction, to the short-term lowering of interest rates by central banks and to the adoption of different monetary expansion measures and the provision of liquidity to the markets.

Starting with the identification stage of the Coronavirus crisis, the Bank has maintained high liquidity balances, both in foregn and local currencies, in comparison with balances maintained in the ordinary course of business. Furthermore, a high liquidity coverage ratio has been maintained, exceeding the regulatory and internal levels in respect of all segments.

The Bank continues to maintain a high liquidity coverage ratio. In the third quarter of 2020, the liquidity coverage ratio was higher than the regulatory restrictions.

The liquidity coverage ratio of the Bank group for the three months ended September 30, 2020, amounted to 145%, in comparison to 128% in the three months period ended on December 31, 2019. The minimum liquidity coverage ratio required by the Supervisor of Banks amounts to 100%.

For additional information regarding the liquidity coverage ratio, see Note 8 to the financial statements.

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 63.5 billion on September 30, 2020, compared with NIS 47.3 billion at the end of 2019. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks accounted for NIS 52.4 billion, and NIS 11.1 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on September 30, 2020 amounted to 151.7% compared with 136.6% on December 31, 2019.

At the end of September 2020, deposits from the public, bonds and subordinated notes totaled NIS 140.3 billion compared with NIS 123.7 billion at the end of 2019.

The composition of the assets and liabilities of the Bank shows high liquidity. This, as a result of the policy to raise deversified and stable funds, while emphsizing on raising sources for medium and long periods from deversified customers sectors and in different currencies.

The Bank has sources in a short-medium contructual duration, which the Bank anticipates that they will be held for a long time.The uses are both for short term and medium- long term.

Balance of deposits from the public of the three largest depositors in the Group:

	As of September 30, 2020	**As of December 31, 2019**
		NIS million
1	**5,036**	2,721
2	**1,804**	2,439
3	**1,090**	2,089

OTHER RISKS

For information regarding other risks, among others, the operational risks and the way they are managed (including business continuity, data security and cyber events), compliance risk, anti money laundering and terror finance risk (including cross border risks), finance risk, legal risk, reputation risk and strategy risk- see the chapter on risk review in the annual financial statements of the Bank for 2019 and the risk report on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion in risk factors see the chapter of risk review in the annual financial statements of the Bank for 2019.
No change occurred in the level of risk factors during the first nine months of 2020 compared with the table published in the annual financial statements for 2019, except for the change below which occurred in the first quarter of the year:

- Borrower and collateral quality risk and the total credit risk – the risk estimate has been temporarily raised to the "Medium" level in view of the continuing Coronavirus crisis, concerns regarding recession and slowdown and the steep rise in unemployment, which may lead to difficulties in the repayment ability and cash flows of customers in the different operating segments, in particular in those economic sectors that were significantly hit by the crisis. All this may adversely affect the quality of borrowers, and accordingly, the credit loss expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

General

The estimates and assessments regarding critical accounting policy matters were made in accordance with the best knowledge and judgment of the professional entities engaged in their preparation, and that they were applied in an appropriate manner in the financial statements of the Bank.

A review of the significant areas, which in the opinion of the Bank Management consist critical accounting policies, are detailed in the Director's report for the annaual financial statements for 2019 and no change has occurred.

Provision for credit losses - Collective provision

As noted in the report for the year 2019, the process of evaluating the loss inherent in the credit portfolio, is based on significant assessments involving uncertainty and on subjective assumptions. Accordingly, changes in assessments or in assumptions may have a material effect on the provision for credit losses presented in the financial statements of the Bank.

The collective provision for credit losses is computed in order to reflect provisions for impairment in respect of unidentified specific credit losses inherent in large groups of small debts having similar risk characteristics, as well as in respect of debts specifically examined and found unimpaired.

The collective provision is computed in accordance with directives of the Supervisor of Banks, by multiplying the determined rate of the provision by the balance of debts, including off-balance sheet financial instruments, which are multiplied by conversion coefficients into relevant credit.

The rates for the collective provision are determined at the level of the economic sector, differentiating between the provision coefficient relating to performing credit and the provision coefficient relating to troubled credit, classified as "under special supervision" or as "substandard".

The rates of the collective provision include the totals of two components:

The first component is computed on the basis of the average rates of the net historical accounting write-offs, over the period beginning on January 1, 2011 and ending on the date of reporting, or an average providing excess weight to the rate of the net accounting write-offs in the last year, the higher of the two.

The second component is a "qualitative adjustment", the purpose of which is to adjust the rates of the collective provision, in a conservative and careful manner, to environmental factors, which have an effect on the risk inherent in the credit portfolio of the Bank. In order to determine the "qualitative adjustment", the Bank bases itself on designated models developed by it. These models assess the risk at the economic sector level, based on environmental factors, part of which is relevant to the specific credit portfolio of the Bank and to the quality of its management, and part is relevant to the condition of the economy in general. The environmental factors contained in the models include, inter alia, reference to changes in the volume of debts, to the quality of the underwriting process and its management, to the quality of controls, to the concentration of credit, to regional, countrywide and sector trends and economic conditions, as well as to the volume and trend of balances in default and of troubled debts and to the volume and trend of accounting write-offs and debt collection.

Each environmental factor contains indicators relevant to the quantifying of the risk belonging to it, and based on a consistent system in which it is determined whether each indicator is expected to increase or reduce the required adjustment, whether it is relevant to the total credit portfolio or to a certain group of debts and the weight given to each indicator. Based on the above, the level of risk inherent in the credit portfolio is assessed as well as its effect on the rate of the collective provision.

In addition to the quantitative measurement according to the models, as stated, the Bank examines in each quarter, in a subjective manner, the need for a further increase in the collective provision coefficients, taking into consideration developments in the business environment and additional indicators relevant to the level of risk inherent in the credit portfolio, and to the extent required increases the collective provision coefficients.

Starting with the first quarter of 2020, in view of the uncertainty prevailing in respect of the implications of the Corona event, the Bank increased by significant rates the qualitative adjustment produced by the quantitative models. Within the framework of the considerations regarding the increase in the collective provision to its level as of September 30, 2020, the Bank assumed deterioration in economic data, including, inter alia, deterioration in the macro-economic data, such as the level of unemployment expected in the short and medium terms and impairment in the gross domestic product. Furthermore, the bank estimated that the level of impairment would not be the same in all economic sectors, and that certain sectors would be more heavily affected than other sectors. Economic sectors assessed as more vulnerable to the Corona event, than other sectors, and in respect of which, a higher increase of the quantitative adjustment had been made in relation to other sectors, are, inter alia, business services (which include also travel agencies) hotels, food and catering services and trade. Moreover, the bank increased the qualitative adjustment with respect to the private individuals and housing loans segment, which might also be affected by the crisis, mostly in view of the steep growth in the rate of unemployment and the economic and employment uncertainty.

The central macro-economic parameters used by the Bank in computing the collective provision as of September 30, 2020, are the negative growth of 6% during 2020 and the unemployment rate of 19% in the last quarter of 2020, a positive growth of 3% in 2021 and wide unemployment rate of 14%, based on data which are in the range of the two assessments forecast published on October 22, 2020, by the Research Division of Bank of Israel (control over morbidity forecast and low control over morbidity forecast) and even closer to the low control over morbidity forecast. It should be remembered that these values form a part of the wide set of parameters, assessments and subjective estimates.

It is noted that high uncertainty exists in respect of the implications of the Corona event, and considerable difficulty exists in assessing its implications in full, due to the fact that the implications of the Corona derive from many material variables, such as the length of the spreading period of the virus, the force of the morbidity, scope of restrictions that would be adopted by the Government in order to curb the spreading of the virus and their effect upon economic activity, the financial measures which governments, central banks and Regulators might adopt and their power, effect of changes in foreign exchange rates, the economic condition in countries with which Israel transacts export business, the pace at which air traffic would be resumed, the date of return to normal activity in the tourism sector, and more.

In view of the high uncertainty prevailing in the economy, the bank has examined additional and more severe scenarios. It is emphasized that due to the uncertainty and the different assumptions, no uniformity exists in the different scenarios of all the banks, which are being affected by the different work systems existing at each bank, by the assumptions made by each bank, and by the different estimates and assessments of each bank as to the effect of such assumptions. Therefore, differentiation may exist between estimates of the different banks, which might be significant. Within the framework of the more severe scenarios which were examined, the Bank has assumed a higher levels of unemployment and lower growth rates of GDP than those used in the calculation of the collective provision as of September 30, 2020. From the more severe scenarios, examined by the Bank, which are highly based on subjective assessments, reflecting that the credit loss expense recorded by the Bank might have grown by up to an amount of NIS 50 million, as of September 30, 2020. It is emphasized that the credit loss expense depends on a wide range of affecting factors, as stated, where on the one hand, a considerable and more extreme deterioration in economic conditions may result in a higher provision for losses, while on the other hand, existence of moderating factors, such as intervention and support by the Government, as well as the quality of credit underwriting and security, may result in a reduction in the level of expense.

Assessment of the provision for credit losses requires Management to use assessments and estimates, which are generally based upon economic forecasts, estimates regarding the markets and assessment of their effect of credit risk and on the future realization of credit losses. Use of assessments and estimates requires the use of discretion, which Management believes to be reasonable at date of signing the financial statements. Notwithstanding that, and in the nature of things, there is no certainty that the credit losses that might arise in the future with respect to the existing credit portfolio, would be identical to the assessments and estimates made.

Estimates made by the Bank are considered forward-looking information, as defined by the Securities Act, 1968, which is based, inter alia, on information, publications by third parties and assessments existing in the hands of the Bank at this date. Such assessments are uncertain and might be realized in a materially different form than that described above, inter alia, depending on the scope of the spread of the virus, the reaction of governments and central banks, the length of period of the event, and on additional vast information, as stated above.

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

In accordance with the Supervisor of Banks' directives for reporting to the public and the guidelines of Proper Conduct of Banking Business Regulation 309 that was issued in September 2008, the Bank has maintained controls and procedures regarding disclosure, and has deployed an internal control network for financial reporting.

The directives, which concern Management's responsibility on the internal control of financial reporting and the external auditor's statement of opinion regarding the audit of the internal control of financial reporting, were compiled in accordance with the provisions of Sections 302 and 404 of the law known as the Sarbanes-Oxley Act of 2002 that was enacted in the USA, and directives and guidelines that were determined in the USA, including those determined by the PCAOB.

Enclosed with the financial statements are declarations by the CEO of the Bank and the Chief Accountant, each one separately, concerning the assessment of controls and procedures in the matter of disclosure.

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed for September 30, 2020 the effectiveness of the controls and procedures in the matter of disclosure by the Bank. On the basis of this assessment, the CEO of the Bank and the Chief Accountant concluded that as at the end of this report period, the controls and procedures in the matter of disclosure by the Bank were effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the report in accordance with the Supervisor of Banks' directives for reporting to the public, and at the time determined in those directives.

During the third quarter ending on September 30, 2020, no change occurred in the Bank's internal control over financial reporting which exerted a material effect, or which can reasonably be expected to exert a material effect on the Bank's internal control over financial reporting.

Tel Aviv, November 25, 2020	**Ron Levkovich** Chairman of the Board	**Smadar Barber-Tsadik** Chief Executive Officer

CERTIFICATION

I, Smadar Barber-Tsadik, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended September 30, 2020 (hereinafter: “the Report”).
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition, results of operations (including statement of comprehensive income), changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure (1) and internal control of financial reporting (1). furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

(1) As defined in the public reporting directives concerning the "board of Directors' report".

Tel-Aviv, November 25, 2020

Smadar Barber-Tsadik
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended September 30, 2020 (hereinafter: "the Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition, results of operations (including statement of comprehensive income), changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure (1) and internal control of financial reporting (1). furthermore:
   - A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   - B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   - C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   - D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   - A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   - B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

(1) As defined in the public reporting directives concerning the "board of Directors' report".

Tel-Aviv, November 25, 2020

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

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AUDITORS' REVIEW TO THE SHAREHOLDERS' OF THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of September 30, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respect, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks.

As explained in Note 1A, the accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

Somekh Chaikin
Certified Public Accountants (Isr.)

November 25, 2020

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

		For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	NOTE	2020	2019	2020	2019	2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	**731**	699	**2,160**	2,337	3,085
Interest Expenses	2	**69**	57	**180**	395	483
Interest Income, net		**662**	642	**1,980**	1,942	2,602
Expenses from credit losses	6,12	**91**	33	**413**	92	138
Net Interest Income after expenses from credit losses		**571**	609	**1,567**	1,850	2,464
Non- Interest Income						
Non-Interest Financing income	3	**36**	63	**97**	175	225
Fees		**336**	325	**1,027**	960	1,286
Other income		**-**	3	**2**	5	9
Total non- Interest income		**372**	391	**1,126**	1,140	1,520
Operating and other expenses						
Salaries and related expenses		**386**	394	**1,138**	1,215	1,601
Maintenance and depreciation of premises and equipment		**89**	90	**261**	270	353
Amortizations and impairment of intangible assets		**24**	22	**71**	68	92
Other expenses		**141**	143	**424**	447	608
Total operating and other expenses		**640**	649	**1,894**	2,000	2,654
Profit before taxes		**303**	351	**799**	990	1,330
Provision for taxes on profit		**109**	119	**254**	357	478
Profit after taxes		**194**	232	**545**	633	852
The bank's share in profit of equity-basis investee, after taxes		**19**	15	**24**	39	51
Net profit:						
Before attribution to non-controlling interests		**213**	247	**569**	672	903
Attributed to non-controlling interests		**(12)**	(11)	**(29)**	(29)	(38)
Attributed to shareholders of the Bank		**201**	236	**540**	643	865

					NIS
Primary profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	**2.00**	2.35	**5.38**	6.41	8.62

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

Ron Levkovich
Chairman of the Board

Smadar Barber-Tsadik
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, November 25, 2020

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2020	2019	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**213**	247	**569**	672	903
Net profit attributed to non-controlling interests	**(12)**	(11)	**(29)**	(29)	(38)
Net profit attributed to the shareholders of the Bank	**201**	236	**540**	643	865
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	**60**	8	**(30)**	84	101
Adjustments of liabilities in respect of employee benefits[2]	**(16)**	(57)	**(31)**	(45)	(74)
Other comprehensive income (loss) before taxes	**44**	(49)	**(61)**	39	27
Related tax effect	**(14)**	17	**21**	(14)	(9)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**30**	(32)	**(40)**	25	18
Less other comprehensive loss attributed to non-controlling interests	**(1)**	(1)	**(1)**	-	(2)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**31**	(31)	**(39)**	25	20
Comprehensive income before attribution to non-controlling interests	**243**	215	**529**	697	921
Comprehensive income attributed to non-controlling interests	**(11)**	(10)	**(28)**	(29)	(36)
Comprehensive income attributed to the shareholders of the Bank	**232**	205	**501**	668	885

(1) See note 4.

(2) Mostly reflects adjustments in respect of actuarial assessments as of the end of the period regarding defined benefits pension plans, of amounts recorded in the past in other comprehensive profit.

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

CONSOLIDATED BALANCE SHEET
(NIS million)

		September 30,		December 31,
		2020	**2019**	**2019**
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**52,366**	34,516	37,530
Securities[4]	5	**12,174**	10,453	10,995
Securities which were borrowed		**14**	126	9
Credit to the public	6,12	**90,810**	88,218	88,829
Provision for Credit losses	6,12	**(1,225)**	(908)	(930)
Credit to the public, net		**89,585**	87,310	87,899
Credit to the government		**651**	680	1,039
Investments in investee company		**629**	607	605
Premises and equipment		**970**	988	996
Intangible assets		**249**	227	248
Assets in respect of derivative instruments	10	**1,438**	1,078	1,091
Other assets[2]		**1,294**	1,003	698
Total assets		**159,370**	136,988	141,110
Liabilities and Shareholders' Equity				
Deposits from the public	7	**135,914**	116,292	120,052
Deposits from banks		**1,717**	464	1,137
Deposits from the Government		**426**	368	353
Bonds and subordinated capital notes		**4,384**	3,690	3,674
Liabilities in respect of derivative instruments	10	**1,669**	1,298	1,247
Other liabilities[1][3]		**5,932**	6,066	5,723
Total liabilities		**150,042**	128,178	132,186
Capital attributed to the shareholders of the Bank		**8,944**	8,461	8,568
Non-controlling interests		**384**	349	356
Total equity		**9,328**	8,810	8,924
Total liabilities and shareholders' equity		**159,370**	136,988	141,110

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 77 million and NIS 60 million and NIS 57 million at 30.9.20, 30.9.19 and 31.12.19, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 90 million and NIS 49 million and NIS 42 million at 30.9.20, 30.9.19 and 31.12.19, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 100 million and NIS 170 million and NIS 47 million at 30.9.20, 30.9.19 and 31.12.19, respectively.
(4) Regarding amounts measured at fair value, see note 14B.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended September 30, 2020 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2020	**927**	**(201)**	**7,986**	**8,712**	**373**	**9,085**
Net profit for the period	**-**	**-**	**201**	**201**	**12**	**213**
Other comprehensive income (loss), after tax effect	**-**	**31**	**-**	**31**	**(1)**	**30**
Balance as at September 30, 2020	**927**	**(170)**	**8,187**	**8,944**	**384**	**9,328**

	For the three months ended September 30, 2019 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2019	927	(95)	7,534	8,366	339	8,705
Net profit for the period	-	-	236	236	11	247
Dividend	-	-	(110)	(110)	-	(110)
Other comprehensive loss, after tax effect	-	(31)	-	(31)	(1)	(32)
Balance as at September 30, 2019	927	(126)	7,660	8,461	349	8,810

	For the nine months ended September 30, 2020 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2019 (audited)	**927**	**(131)**	**7,772**	**8,568**	**356**	**8,924**
Net profit for the period	**-**	**-**	**540**	**540**	**29**	**569**
Dividend	**-**	**-**	**(125)**	**(125)**	**-**	**(125)**
Other comprehensive loss, after tax effect	**-**	**(39)**	**-**	**(39)**	**(1)**	**(40)**
Balance as at September 30, 2020	**927**	**(170)**	**8,187**	**8,944**	**384**	**9,328**

	For the nine months ended September 30, 2019 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2018 (audited)	927	(159)	7,325	8,093	320	8,413
Cumulative effect of the initial implementation of US accepted accounting principals[3]	-	8	(8)	-	-	-
Adjusted balance as at January 1, 2019 after the initial implementation	927	(151)	7,317	8,093	320	8,413
Net profit for the period	-	-	643	643	29	672
Dividend	-	-	(300)	(300)	-	(300)
Other comprehensive income, after tax effect	-	25	-	25	-	25
Balance as at September 30, 2019	927	(126)	7,660	8,461	349	8,810

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2019 (audited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total	Non-controlling interests	Total equity
Balance as at December 31, 2018	927	(159)	7,325	8,093	320	8,413
Cumulative effect of the initial implementation of US accepted accounting principals(3)	-	8	(8)	-	-	-
Adjusted balance as at January 1, 2019 after the initial implementation	927	(151)	7,317	8,093	320	8,413
Net profit for the year	-	-	865	865	38	903
Dividend	-	-	(410)	(410)	-	(410)
Other comprehensive income (loss), after tax effect	-	20	-	20	(2)	18
Balance as at December 31, 2019	927	(131)	7,772	8,568	356	8,924

(1) Including share premium of NIS 313 million (as from 1992 onwards).

(2) Including an amount of NIS 2,391 million which cannot be distributed as dividend.

(3) Cumulative effect of the initial implementation regarding financial instruments of US accepted accounting standards at banks in respect of financial instruments (ASU 2016-01).

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

STATEMENT OF CASH FLOWS

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2020	**2019**	**2020**	**2019**	**2019**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from operating activities:					
Net profit for the period	**213**	247	**569**	672	903
Adjustments to reconcile cash provided by operating activities:					
The Bank's share in profit of equity-basis investee	**(19)**	(15)	**(24)**	(39)	(51)
Depreciation of premises and equipment	**18**	17	**52**	53	69
Amortization of intangible assets	**24**	22	**71**	68	92
Gain on sale of premises and equipment	**-**	(2)	**-**	(2)	(3)
Expenses from credit losses	**91**	33	**413**	92	138
Gain from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds	**(10)**	(8)	**(7)**	(24)	(28)
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**-**	9	**(1)**	15	14
Realized and non-realized loss (gain) from adjustment to fair value of not for trading shares	**(10)**	(26)	**31**	(45)	(59)
Deferred taxes, net	**(30)**	(5)	**(94)**	(23)	(25)
Defined benefit of pension and severance pay plans	**12**	19	**36**	78	91
Adjustments of exchange rate differences	**(15)**	(229)	**(111)**	(560)	(561)
Dividend received from an affiliated company	**-**	-	**-**	42	56
Net change in current assets:					
Trading securities	**(178)**	127	**(206)**	448	418
Other assets	**(22)**	162	**(88)**	129	446
Assets in respect of derivative instruments	**246**	(175)	**(485)**	164	198
Net change in current liabilities:					
Other liabilities	**(88)**	187	**285**	1,517	(861)
Liabilities in respect of derivative instruments	**(271)**	194	**422**	4	(47)
Accumulation differences included in investing and financing activities	**(10)**	10	**(36)**	(5)	(18)
Net cash from operating activity	**(49)**	567	**827**	2,584	772
Cash flows for investing activity					
Change in Deposits in banks	**4**	(336)	**(117)**	(78)	(78)
Change in Securities borrowed	**31**	290	**(5)**	737	854
Change in Credit to the public	**(102)**	(1,769)	**(2,235)**	(4,314)	(5,001)
Change in Credit to the government	**201**	4	**383**	20	(339)
Purchase of available for sale bonds and not for trading shares	**(853)**	(1,916)	**(5,628)**	(4,317)	(6,380)
Proceeds from redemption of bonds held to maturity	**37**	16	**184**	151	193
Proceeds from sale of available for sale bonds and not for trading shares	**596**	1,048	**2,953**	2,450	2,678
Redemption of available for sale bonds	**243**	832	**1,694**	3,346	4,526
Acquisition of premises and equipment	**(9)**	(6)	**(25)**	(20)	(49)
Proceeds of sale of premises, equipment and other assets	**-**	5	**-**	5	9
Investment in intangible assets	**(29)**	(22)	**(72)**	(56)	(101)
Net cash for investing activity	**119**	(1,854)	**(2,868)**	(2,076)	(3,688)

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

STATEMENT OF CASH FLOWS (CONT'D)
(NIS million)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31
	2020	2019	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from (for) financing activity					
Change in Deposits from the public	**6,399**	2,520	**16,112**	5,784	10,251
Change in Deposits from banks	**(160)**	(471)	**572**	(625)	39
Change in Deposits from the government	**(70)**	122	**(578)**	(735)	696
Issue of bonds and subordinate debt notes	**-**	711	**1,458**	711	711
Redemption of bonds and subordinate debt notes	**-**	(1,105)	**(718)**	(2,032)	(2,053)
Dividend paid to shareholders	**-**	(110)	**(125)**	(300)	(410)
Net cash from financing activity	**6,169**	1,667	**16,721**	2,803	9,234
Increase in cash	**6,239**	380	**14,680**	3,311	6,318
Cash balances at beginning of period	**45,768**	33,981	**37,275**	31,126	31,126
Effect of changes in exchange rates on cash balances	**(13)**	(100)	**39**	(176)	(169)
Cash balances at end of period	**51,994**	34,261	**51,994**	34,261	37,275
Interest and taxes paid and/or received:					
Interest received	**835**	789	**2,386**	2,405	3,185
Interest paid	**(63)**	(235)	**(438)**	(604)	(781)
Dividends received	**5**	2	**10**	8	15
Income tax paid	**(236)**	(167)	**(422)**	(466)	(547)
Income tax received	**-**	2	**57**	56	56

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. General

The first International bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of September 30, 2020, include those of the Bank and of its consolidated companies and an affiliated company (hereinafter - "the Group"). The condensed consolidated interim financial statements are prepared in accordance with generaly accepted accounting principles in Israel (Israeli GAAP) as well as in accordance with directives and guidelines of the Supervisor of Banks, and do not include all the information required in full annual financial statements. The condensed statements should be read together with the financial statements as of and for the year ended December 31, 2019, and the related notes thereto (hereinafter - "the Annual Report").

The accounting policy of the Group applied in these condensed consolidated interim financial statements, is the same policy applied in the Annual Report, with the exception of that stated in subsection "C" below.

In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on November 25, 2020.

The accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

B. Use of estimates

Preparation of the condensed interim consolidared financial statements requires Management to use judgment in making estimates and assumptions which affect the implementation of the accounting policy and the reported amounts of assets and liabilities and the amounts of income and expenses. It should be noted that actual results may differ from these estimates.

Upon the formation of accounting estimates used in the preparation of the financial statements of the Bank, Management is required to make assumptions as to circumstances and events which involve uncertainty. The assessments as well as the assumptions supporting them are consistent with those used in the formation of the annual financial statements.

The assessments as well as the assumptions supporting them are being reviewed on a current basis. Changes in accounting assessments are recognized in the period in which these changes occur as well as in all future periods affected by them.

C. Initial implementation of accounting standards, updates of accounting standards and instructions of the Supervisor of Banks

Starting with the periods beginning on January 1, 2020, the Bank implements new accounting standards and instructions regarding the matters detailed below:

1. Reporting by banks and credit card companies in Israel in accordance with US accepted accounting principles in the matter of leasing;
2. Regulatory emphasis on the accounting treatment of debts and on reporting to the public in view of the Coronavirus crisis.

Following is a description of the substance of the changes made to the accounting policy applied in these condensed consolidated interim financial statements, and a description of the manner and effect of the initial implementation, if at all:

(1) Reporting by banking corporations and credit card companies in Israel in accordance with US accepted accounting principles in the matter of leasing

The Supervisor of Banks issued a letter on July 1, 2018, in the matter of reporting by banking corporations and credit card companies in Israel in accordance with US accepted accounting principles with respect to leasing, which adopts the accounting principles accepted by US banks in the matter of leasing, and inter alia, the presentation, measurement and disclosure rules determined by Item 842 of the Codification with respect to "leasing".

A summary of the principal changes expected in the accounting treatment in financial statements of banking corporations following the application of Item 842 of the Codification, as stated in the letter, determines, inter alia, as follows: banking corporations that lease assets for periods exceeding twelve months shall recognize them in the balance sheet, even where the lease is classified as an operating lease; in the case of an operating lease, a "right of use asset" shall be recorded in the balance sheet reflecting the right of a bank to use the leased asset, while on the other hand a liability in respect of an operating lease will be recorded; moreover, a sale and lease-back transaction of an asset made by a bank may in certain cases be considered as an accounting sale transaction, subject to the existence of certain terms detailed in Item 842 of the Codification.

The Bank has adopted the new instructions as from January 1, 2020, by way of adjusted retroactive application, recognizing the cumulative effect thereof in retained earning at date of initial application, with no restatement of the comparative data.

As permitted by the transitional instructions of the Standard, the Bank has chosen the following mitigating instructions:

- maintaining the assumptions regarding the existence of a lease and its classification as an operating or a financial lease with respect to all agreements in effect at date of initial application as well as maintaining the assumptions regarding qualification for the capitalization of primary direct expenses, which had been determined in the period prior to the date of initial application, in accordance with the provisions of the present standards.
- Using the possibility of hindsight for the purpose of determining the period of the lease, where the lease agreement contains the option of extension or cancellation and assessment of impairment in value of the right of use assets.

In accordance with the new instructions, in respect of agreements in which the Bank is the lessee, at date of initial recognition, the Bank has recognized a liability in the amount equal to the present value of the future lease fees during the lease period (such payments do not include variable lease fees that do not depend on the CPI or on the rate of interest), and correspondingly recognized a right of use asset in the amount of the liability in respect of the lease, adjusted for lease fees paid in advance or which have accrued, net of lease incentives, and with the addition of direct expenses incurred on the lease.

Furthermore, as made possible by the provisions of the Standard, the Bank has chosen to apply the following mitigating instructions:

- Use of the practical relief of not separating non-lease components, such as services or maintenance, from the lease components, treating them as a single lease component.
- Use of the practical relief, according to which, short-term leases of up to one year are treated so that the lease fees are recognized in profit and loss by the straight-line method over the lease period, with no recognition of a right of use asset and/or a liability for lease in the financial condition report.

Application of the new instruction has led to an increase of NIS 425 million in the balance of right of use assets and to a corresponding increase of NIS 425 million in the balance of liabilities for leases as of January 1, 2020. Notwithstanding the above, the application of the new instructions had no material effect on profit and loss.

In accordance with the reporting format, as determined in the public reporting instructions, the Bank has recognized right of use assets in respect of operating leases in the item "Other assets", and liabilities for leases (both financial and operating) in the item "Other liabilities". Furthermore, application of the new instructions has led to a decline in the Tier I equity capital ratio and in the comprehensive capital ratio at rates of 0.06% and 0.08%, respectively, as of January 1, 2020, being the result of weighting the risk assets in respect of the right of use stemming from operating leases, which were recognized in the balance sheet at the rate of 100%. In addition, application of the new instructions has led to a decline in the leverage ratio of the Bank as of January 1, 2020, at the rate of 0.02%.

(2) Regulatory emphasis on the accounting treatment of debts and on reporting to the public in view of the Coronavirus crisis

On April 21, 2020, Bank of Israel issued a letter in the matter of "the Coronavirus event – regulatory emphasis regarding the treatment of debts and reporting to the public", on June 16, 2020, guidelines were issued also with respect to the quarterly and annual financial statements for 2020, and on October 11, 2020, the Supervisor of Banks issued a draft letter to banks and to credit dard companies in the matter of "the Coronavirus event – regulatory focal points regarding additional changes in the terms of a loan".

In view of the outbreak of the Coronavirus, the Supervisor of Banks has adopted guidelines and mitigating measures prescribed by the supervisory authorities in the US, including a number of guidelines regarding accounting treatment, among which are:

Changes in loan terms

- Where a banking corporation takes action in order to stabilize borrowers, who are not in default with respect to their existing loans, whether the action relates to a single borrower or is taken within the framework of a plan for performing borrowers facing short-term financial or operating problems due to the Coronavirus event, as a general rule, such an action shall not be considered as a restructure of a troubled debt. In view of this, debts, the terms of which had been modified, such as: Deferrals of repayment dates, waiver of interest in arrears and extension of repayment periods, have not been classified as a restructure of a troubled debt, where the following conditions exist:
  - The modification was made due to the Coronavirus event;
  - The borrower was not in default on date of application of the modification plan;
  - The modification applies for a short period (up to six months).

  In this respect, it is clarified that borrowers are considered to be not in default if they are in default of less than thirty days in relation to their contractual terms at date of application of the modification plan. Moreover, where the modification of the terms of the debt led to a delay in repayment that is not short-term, the debt is not classified as a restructured troubled debt, if it had been renewed at an interest rate identical to the interest rate determined for a new debt of similar risk.
- With respect to residential loans treated by the length of default method, where the short-term deferral of repayment was granted in respect of a debt that was not a troubled debt prior to the deferral date, as a general rule, the deferral does not require classification of the debt as a restructured debt.

Determination of a default situation

In respect of debts, which prior to the Coronavirus event had not been in default, and have been granted a deferral following this event, the Bank is not required to classify such debts as debts in default due to this deferral. Moreover, where repayment has been deferred due to the Coronavirus event, in the case of debts that had been in default prior to the deferral, an adjustment was made to the default status in existence prior to the deferral, so that in fact the debt status remained at a standstill for the period of the repayment deferral.

Classification of troubled debts, including impaired debts not accruing interest income and accounting write-offs

In accordance with the said letter of Bank of Israel, during the period of short-term arrangements, these loans, as a general rule, were not reported as not accruing interest income. This, with the exception of debts in respect of which new information had been gathered regarding deterioration in their repayment prospects, where the Bank acted in accordance with the public reporting instructions in the matter of classification of troubled debts and accounting write-offs.

Furthermore, contained in the letter dated October 11, 2020, as stated abobe, are guidelined of the Supervisor of Banks for the careful management of risk in everything related to arrangements adopted by banking corporations with the aim of assisting different borrowers in their confrontation with the implications of the Coronavirus crisis.

In particular, Bank of Israel added guidelines as detailed below:

Reference to two classes of changes: changes in terms of loans, which the bank agrees to apply at the request of the borrowers, and changes applied within the framework of transverse programs for the deferral of repayments.

Practices used for the careful management of risk – as a general rule, following changes made to the terms of a loan, the banking corporation has to perform a renewed evaluation of the classification and of the credit rating of the loan, based on the present level of indebtedness of the borrower, his present financial condition, repayment ability and his collateral. It is clarified in this respect, that a reasonable change in terms does not necessarily require the classification of the loan as involving a negative risk, only because of a decline in the value of the collateral, on condition that the borrower has the ability to repay the loan according to the amended terms. Accordingly, the Bank has defined signs identifying deterioration in the quality of credit, which might indicate the need for a change in the rating of the borrower and/or lead to the negative classification of his debts (in whole or in part).

Calculation of the provision for credit losses – in order to assess credit losses, banking corporations are required to:

- Assemble loans in a separate credit portfolio, when they have similar risk characteristics, unless they are being assessed on a specific basis.
- Take into consideration the uncertainty and limits of the existing data regarding the condition of the borrowers at the time of recording the provision. In this respect, the banking corporation has to increase the qualitative adjustments contained in its provisions for credit losses with respect to information not yet included in the process of the loss assessment, inter alia, in order to take into account, the uncertainty in measurement and the limits concerning the supporting documentation, and the existing information regarding the condition of its borrowers. With the passing of time and with additional information becoming available, the banking corporation has to integrate the said additional information in the rating and in the credit classification processes as well as in the process of determining the provisions for credit losses and the documentation of which.
- With respect to the relief concerning the restructured debts classification, the implementation of the instructions that applied to the previous quarter is still in effect (see letter dated April 21, 2020). It is reasonable to assume that a borrower is not found in financial difficulties for the purpose of restructuring of a troubled debt, and the following change shall not be considered as a restructure, if the following conditions exist:
  - The changes in the terms of the loan are related to the Coronavirus event and the changes in total apply for a short period of up to six months and the borrower is not in default concerning the contractual terms (default of less than thirty days) at date of the following change.
  - Changes in terms of the loans made as part of Bank of Israel outline – deferral of repayments until December 31, 2020, when no default existed at date of deferral (or default not exceeding thirty days).

However, as stated above, also in such circumstances the banking corporation has to verify that it identifies and classifies the loans in a proper manner, in its reports to the public, in accordance with the risk inherent therein.

As part of the confrontation with the Coronavirus situation, and in continuation of the regulatory emphasis as to the accounting treatment of debts, the Bank has made in the course of recent months, changes to the terms of debts, including deferral of repayment dates, waiver of interest in arrears and extension of repayment periods, which were not classified as restructure of a troubled debt. Furthermore, see Note 16 regarding the impact of the spread of the Coronavirus.

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

(1) Adoption of updates to accounting principles accepted by US banks – provisions for expected credit losses (CECL)

The Supervisor of Banks issued a letter on March 28, 2018, which adopts the accounting principles accepted by US banks – "provisions for credit losses as published in the update to Standard ASU 2016-13". The aim of the new rules is to improve the quality of reporting by means of the early recognition of provisions for credit losses, in a manner that strengthens the counter-recurrence in the conduct of the provisions for credit losses, and reinforces the bond between credit risk management and the way in which such risks are being reflected in financial statements, while basing it on existing methods and processes.

The principal changes are, inter alia, as follows: the provision for credit losses shall be calculated according to the loss expected over the life of the credit, instead of the method based on incurred losses; in assessing the provision for credit losses, significant use should be made of forward -looking information reflecting reasonable forecasts as to future economic events; providing wider disclosure of the impact of the date of extending the credit on the quality of credit of the credit portfolio; changes in the manner of recording impairment of bonds classified as available-for-sale; also, the new rules for the calculation of the provision for credit loss shall apply to credit (including residential loans), bonds held to redemption and to exposure to certain off-balance sheet credit.

On July 4, 2019, the Supervisor of Banks issued a draft letter regarding the "application of US accepted accounting principals in the matter of anticipated credit losses", which includes deferral of the initial application date of the new rules to January 1, 2022, and a parallel run as from January 1, 2021. The new rules are to be applied by recording in retained earnings the cumulative effect at date of initial application. Moreover, on October 15, 2020, Bank of Israel clarified that a banking corporation has to start a parallel run as early as possible, and in any case not later than July 1, 2021.

On October 15, 2020, the Supervisor of Banks published an updated set of instructions with respect to the update of the public reporting instructions and banking procedure instructions regarding everything relating to the manner of adoption and initial implementation of US accepted accounting principles in the matter of expected credit losses, which, inter alia, included a proposed update of Proper Conduct of Banking Business Directive No. 299, in the matter of "regulatory capital – effect of implementation of accounting principles regarding the subject of expected credit losses". In accordance with the update of Directive 299, transitional instructions have been promulgated in order to reduce the effect of the implementation of the new rules on the regulatory capital, this in accordance with the guidelines of the Basel Committee on Banking Supervision and the bank regulatory authorities in the US and in other countries around the world. In particular, it has been determined that to the extent that on the date of the initial implementation of these rules and as a result thereof, the Tier I equity capital of a bankig corporation, net after the tax effect, has declined, then the banking corporation may include in part, in the Tier I equity capital (namely, add back to the Tier I equity capital) the amount of reduction in the Tier I equity capital recorded on the initial implementation date, spread over a period of three years (hereinafter – "the transitional period"). Such spreading may reduce the effect of the initial implementation of the rules on everything related to its impact on the Tier I equity capital ratio, and to spread it over the transitional period, though at this stage, it does not relate to the treatment of the growth in risk assets, which might be caused by the initial implementation of the rules.

The Bank continues to prepare for the application of the Standard, including the mapping of the requirements and practices being applied and the choice of a model for the assessment of credit losses.

(2) Amendment of Standard ASU 2018-14 in the matter of changes in disclosure requirements regarding defined benefit plans

On August 28, 2018, the US Financial Accounting Standard Board ("FASB") published Amendment ASU 2018-14 regarding the disclosure framework - changes in disclosure requirements regarding defined benefit plans, comprising an update of Item 715-20 of the Codification in the matter of compensation-retirement benefits-defined benefits plans-general

(hereinafter - "the Amendment"). The aim of the Amendment is to improve the effectiveness of disclosure provided in notes to financial statements, as well as reduce the costs involved in the preparation of the required notes.
The changes contained in the Amendment abolish disclosures that are useless, clarify specific disclosure requirements, as well as add disclosure requirements identified as relevant.
The provisions of the Amendment apply to public entities in the United States starting with annual periods beginning after December 15, 2020. Earlier adoption of the rules is permitted also for interim periods. Upon initial application it is required to implement the changes by way of retroactive application.
The Bank is studying the effect of the new rules upon its financial statements.

(3) Update ASU 2018-13 of the standard in the matter of changes in the disclosure requirements regarding the measurement of fair value

The US Financial Accounting Standard Board ("FASB") published on August 28, 2018, ASU 2018-13 in the matter of disclosure framework - changes in the disclosure requirements regarding the measurement of fair value, comprising an update of Item 820 of the Codification regarding measurement of fair value (hereinafter - "the update"). The purpose of the update is to improve the effectiveness of disclosure in notes to financial statements as well as reduce the cost involved in the preparation of the required notes.
The amendments included in the update, eliminate disclosure that is useless, clarify specific disclosure requirements and add disclosure requirements found as relevant.
The instructions contained in the update apply to US public entities beginning with annual periods beginning after December 15, 2019. In accordance with a circular letter of the Supervisor of Banks in the matter of "improving the usefulness of reports to the public by banking corporations for the years 2019 and 2020", which had been formed on the basis of the updated Standard 2018-13 of the Codification, the initial application date was deferred to January 1, 2021. Prior adoption is permissible also for interim periods.
Upon initial application it is required to apply the instructions by way of retroactive application, with the exception of the additional disclosure requirements and the updated disclosure requirement regarding uncertainty in the measurement of fair value at level 3, the application thereof would be from now onwards.
The Bank is studying the effect of the new instructions upon its financial statements.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

	For the three months ended September 30		For the nine months ended September 30	
	2020	**2019**	**2020**	**2019**
		(unaudited)		(unaudited)
A. Interest income (expenses) (1)				
From credit to the public	**692**	635	**2,020**	2,113
From credit to the Government	**-**	(4)	**(4)**	3
From deposits with banks	**1**	6	**5**	19
From deposits with Bank of Israel and from cash	**10**	18	**38**	50
From securities borrowed	**-**	-	**-**	1
From bonds	**28**	44	**101**	151
Total interest income	**731**	699	**2,160**	2,337
B. Interest expenses				
On deposits from the public	**50**	53	**158**	289
On deposits from the Government	**-**	1	**2**	3
On deposits from banks	**-**	1	**1**	3
On bonds and subordinated capital notes	**19**	2	**19**	96
On other liabilities	**-**	-	**-**	4
Total interest expenses	**69**	57	**180**	395
Total interest income, net	**662**	642	**1,980**	1,942
C. Details on net effect of hedging derivative instruments on interest income and expenses				
Interest expenses(2)	**(11)**	(2)	**(24)**	(5)
D. Details of interest income from bonds on cumulative basis				
Held to maturity	**9**	6	**23**	26
Available for sale	**19**	38	**78**	124
Held for trading	**-**	-	**-**	1
Total included in interest income	**28**	44	**101**	151

(1) Including effective component in hedging relations.
(2) Details of effect of hedging derivative instruments on subsection A.

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30	
	2020	**2019**	**2020**	**2019**
		(unaudited)		(unaudited)
A. Non-interest financing income (expenses) in respect of non-trading activities				
1. From activity in derivative instruments[1]				
Total from activity in derivative instruments	**(4)**	(186)	**(12)**	(445)
2. From investments in bonds				
Profits from sale of bonds available for sale[2]	**6**	8	**34**	23
Losses from sale of bonds available for sale[2]	**-**	-	**(2)**	-
Provision for impairment of available-for-sale bonds[2]	**(2)**	-	**(19)**	-
Total from investment in bonds	**4**	8	**13**	23
3. Net exchange differences	**15**	229	**111**	560
4. From investment in shares				
Gains from sale of shares not for trading	**8**	-	**9**	1
Losses from sale of shares not for trading	**(2)**	-	**(15)**	-
Dividend from shares not for trading	**2**	8	**12**	10
Unrealized gains (losses)[3]	**10**	26	**(31)**	45
Total from investment in shares	**18**	34	**(25)**	56
Total non-interest financing income in respect of non-trading activities	**33**	85	**87**	194

(1) Excluding effect of hedging relation.
(2) Reclassified from cumulative other comprehensive income.
(3) Including profits and losses from measurement according to fair value of shares in respect of which fair value exist and adjustment of shares in respect of which fair value does not exist.

	For the three months ended September 30		For the nine months ended September 30	
	2020	**2019**	**2020**	**2019**
		(unaudited)		(unaudited)
B. Net income (expenses) in respect of non-interest financing activity for trading[3]				
Net income (expenses) in respect of other derivative instruments	**3**	(13)	**9**	(4)
Net realized and unrealized gains (losses) from adjustments to fair value of bonds held for trading[1]	**1**	(8)	**3**	(14)
Net realized and unrealized losses from adjustments to fair value of shares held for trading[2]	**(1)**	(1)	**(2)**	(1)
Total non-interest financing income (expenses) from trading activities[4]	**3**	(22)	**10**	(19)
Total non-interest financing income	**36**	63	**97**	175
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure				
Interest rate exposure	**(2)**	(5)	**5**	-
Exposure to shares	**2**	2	**4**	5
Foreign currency exposure	**3**	(19)	**1**	(24)
Total	**3**	(22)	**10**	(19)

(1) Of which losses in respect of trading bonds held at balance sheet date in the amount of NIS 1 million for the nine months ended September 30, 2020 (three months and nine months ended September 30, 2019 - losses of NIS 3 million and NIS 4 million, respectively).
(2) No gains/losses exist in respect of trading shares on hand at balance sheet date.
(3) Including exchange differences arising from trading activity.
(4) See Note 2 for details on income from investment in trading bonds.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)

(NIS million)

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

	Other comprehensive income (loss) before attribution to non-controlling interests				
	Adjustment in respect of reporting available for sale bonds in fair value	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
					For the three months ended September 30, 2020
Balance as of June 30, 2020 (unaudited)	**(7)**	**(209)**	**(216)**	**(15)**	**(201)**
Net change during the period	**40**	**(10)**	**30**	**(1)**	**31**
Balance as of September 30, 2020 (unaudited)	**33**	**(219)**	**(186)**	**(16)**	**(170)**
					For the three months ended September 30, 2019
Balance as of June 30, 2019 (unaudited)	36	(143)	(107)	(12)	(95)
Net change during the period	5	(37)	(32)	(1)	(31)
Balance as of September 30, 2019 (unaudited)	41	(180)	(139)	(13)	(126)
					For the nine months ended September 30, 2020
Balance as of December 31, 2019 (audited)	**53**	**(199)**	**(146)**	**(15)**	**(131)**
Net change during the period	**(20)**	**(20)**	**(40)**	**(1)**	**(39)**
Balance as of September 30, 2020 (unaudited)	**33**	**(219)**	**(186)**	**(16)**	**(170)**
					For the nine months ended September 30, 2019
Balance as of December 31, 2018 (audited)	(22)	(150)	(172)	(13)	(159)
Cumulative effect in respect of initial application of US accepted accounting standards*	8	-	8	-	8
Adjusted balance as of January 1, 2019 after initial application	(14)	(150)	(164)	(13)	(151)
Net change during the period	55	(30)	25	-	25
Balance as of September 30, 2019 (unaudited)	41	(180)	(139)	(13)	(126)
					For the year ended December 31, 2019
Balance as of December 31, 2018 (audited)	(22)	(150)	(172)	(13)	(159)
Cumulative effect in respect of initial application of US accepted accounting standards*	8	-	8	-	8
Adjusted balance as of January 1, 2019 after initial application	(14)	(150)	(164)	(13)	(151)
Net change during 2019	67	(49)	18	(2)	20
Balance as of December 31, 2019 (audited)	53	(199)	(146)	(15)	(131)

* Cumulative effect in respect of initial application of US accepted accounting standards for banks in respect of financial instruments (ASU 2016-01).

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS) (CONT'D)

(NIS million)

B. Changes in the components of cumulative other comprehensive income (loss) before and after tax effect

	For the three months ended September 30 (unaudited)					
			2020			2019
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to minority interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains from adjustments to fair value	**50**	**(17)**	**33**	51	(17)	34
Losses(gains) in respect of available for sale bonds reclassified to income statement (1)	**10**	**(3)**	**7**	(43)	14	(29)
Net change during the period	**60**	**(20)**	**40**	8	(3)	5
Employee benefits:						
Net actuarial loss for the period	**(22)**	**8**	**(14)**	(69)	25	(44)
Net losses reclassified to the statement of profit and loss (2)	**6**	**(2)**	**4**	12	(5)	7
Net change during the period	**(16)**	**6**	**(10)**	(57)	20	(37)
Changes in the components of cumulative other comprehensive income (loss) attributed to minority interests						
Total change during the period	**(2)**	**1**	**(1)**	(2)	1	(1)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**46**	**(15)**	**31**	(47)	16	(31)

	For the nine months ended September 30 (unaudited)					
			2020			2019
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to minority interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains from adjustments to fair value	**120**	**(41)**	**79**	264	(90)	174
Gains in respect of available for sale bonds reclassified to income statement (1)	**(150)**	**51**	**(99)**	(180)	61	(119)
Net change during the period	**(30)**	**10**	**(20)**	84	(29)	55
Employee benefits:						
Net actuarial loss for the period	**(49)**	**17**	**(32)**	(97)	33	(64)
Net losses reclassified to the statement of profit and loss (2)	**18**	**(6)**	**12**	52	(18)	34
Net change during the period	**(31)**	**11**	**(20)**	(45)	15	(30)
Changes in the components of cumulative other comprehensive income (loss) attributed to minority interests						
Total change during the period	**(2)**	**1**	**(1)**	-	-	-
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**(59)**	**20**	**(39)**	39	(14)	25

(1) The amount before tax is reported in the statement of income in the item non-interest financing income. For additional details see note 3.

(2) The amount before tax is reported in the statement of income in the item employee benefits, see note 7A.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS) (CONT'D)

(NIS million)

B. Changes in the components of cumulative other comprehensive income (loss) before and after tax effect (cont'd)

	For the year ended December 31, 2019 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to minority interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net gains from adjustments to fair value	238	(81)	157
Gains in respect of available for sale bonds reclassified to income statement (1)	(137)	47	(90)
Net change during the period	101	(34)	67
Employee benefits:			
Net actuarial loss for the period	(139)	47	(92)
Net losses reclassified to the statement of profit and loss (2)	65	(22)	43
Net change during the period	(74)	25	(49)
Changes in the components of cumulative other comprehensive income (loss) attributed to minority interests			
Total change during the period	(4)	2	(2)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	31	(11)	20

(1) The amount before tax is reported in the statement of income in the item non-interest financing income. For additional details see note 3.
(2) The amount before tax is reported in the statement of income in the item employee benefits, see note 7A.

NOTE 5 - SECURITIES

(NIS million)

					September 30, 2020 (unaudited)
A. Debentures held to maturity	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Of Israeli government	**2,188**	**2,188**	**103**	**-**	**2,291**
Of financial institutions in Israel	**82**	**82**	**1**	**-**	**83**
Of others in Israel	**208**	**208**	**19**	**-**	**227**
Total debentures held to maturity	**2,478**	**2,478**	**123**	**-**	**2,601**

			Cumulative other comprehensive income		
B. Bonds available for sale	Book value	Amortized cost	Profits	Losses	Fair value (1)
Of Israeli government	**7,394**	**7,351**	**54**	**11**	**7,394**
Of foreign governments	**994**	**992**	**2**	**-**	**994**
Of financial institutions in Israel	**36**	**37**	**-**	**1**	**36**
Of foreign financial institutions	(5)(7)**183**	**182**	**1**	**-**	**183**
Of others in Israel	(6)**339**	**334**	**10**	**5**	**339**
Of foreign others	**194**	**193**	**1**	**-**	**194**
Total bonds available for sale	**9,140**	**9,089**	(2)**68**	(2)**17**	**9,140**

C. Investment in not for trading shares	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	**244**	**257**	(3)**6**	(3)**19**	**244**
Of which: shares, the fair value of which is not ready determinable	**114**	**114**	**-**	**-**	**114**
Total not for trading securities	**11,862**	**11,824**	**197**	**36**	**11,985**

D. Securities held for trading	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Bonds of Israeli government	**311**	**311**	**-**	**-**	**311**
Shares	**1**	**1**	**-**	**-**	**1**
Total trading securities	**312**	**312**	(3)**-**	(3)**-**	**312**
Total securities	**12,174**	**12,136**	**197**	**36**	**12,297**

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.

(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale bonds at fair value".

(3) Recorded in the Statement of Income.

(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issuer.

(5) Including securities owned by a government in the amount of NIS 35 million.

(6) Including impaired bonds accruing interest income in amount of NIS 62 million.

(7) Including securities with embedded derivative measured at fair value while changes in fair value were recognized in the statement of income amounting to NIS 19 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

					September 30, 2019 (unaudited)
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Of Israeli government	1,563	1,563	94	-	1,657
Of financial institutions in Israel	61	61	1	-	62
Of others in Israel	244	244	33	-	277
Total debentures held to maturity	1,868	1,868	128	-	1,996

B. Bonds available for sale	**Book value**	**Amortized cost**	**Cumulative other comprehensive income**		**Fair value (1)**
			Profits	**Losses**	
Of Israeli government	4,547	4,494	53	-	4,547
Of foreign governments	2,085	2,084	1	-	2,085
Of financial institutions in Israel	45	45	1	1	45
Of foreign financial institutions	(6)285	284	1	-	285
Mortgage backed (MBS) securities	(5)411	408	4	1	411
Of others in Israel	(7)412	407	10	5	412
Of foreign others	416	416	-	-	416
Total bonds available for sale	8,201	8,138	(2)70	(2)7	8,201

C. Investment in not for trading shares	**Book value**	**cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1) (4)**
Not for trading shares	308	269	(3)45	(3)6	308
Of which: shares, the fair value of which is not ready determinable	132	132	-	-	132
Total not for trading securities	10,377	10,275	243	13	10,505

D. Securities held for trading	**Book value**	**Amortized cost (in shares cost)**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Bonds -					
Of Israeli government	62	62	-	-	62
Of financial institutions in Israel	7	7	-	-	7
Of others in Israel	5	5	-	-	5
Total trading debentures and bonds	74	74	-	-	74
Shares -	2	2	-	-	2
Total trading securities	76	76	(3)-	(3)-	76
Total securities	10,453	10,351	243	13	10,581

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.

(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale bonds at fair value".

(3) Recorded in the Statement of Income.

(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issue.

(5) Securities issued by GNMA and guaranteed by US government in the amount of NIS 410 million and securities issued by FNMA & FHLMC in amount of NIS 1 million.

(6) Including securities owned by a government in the amount of NIS 122 million securities owned by a government and have specified government guarantee in the amount of NIS 137 million.

(7) Including impaired bonds accruing interest income in amount of NIS 5 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

					December 31, 2019 (audited)
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	1,751	1,751	93	-	1,844
Of financial institutions in Israel	56	56	1	-	57
Of others in Israel	241	241	30	-	271
Total debentures held to maturity	2,048	2,048	124	-	2,172

			Cumulative other comprehensive income		
B. Bonds available for sale	**Book value**	**Amortized cost (in shares cost)**	**Profits**	**Losses**	**Fair value** (1)
Of Israeli government	4,577	4,508	69	-	4,577
Of foreign governments	1,956	1,955	1	-	1,956
Of financial institutions in Israel	43	42	1	-	43
Of foreign financial institutions	(6)640	639	1	-	640
Mortgage backed (MBS) securities	(5)378	377	2	1	378
Of others in Israel	(7)431	424	10	3	431
Of foreign others	478	477	1	-	478
Total bonds available for sale	8,503	8,422	(2)85	(2)4	8,503

C. Investment in not for trading shares	**Book value**	**cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1) (4)
Not for trading shares	339	288	(3)52	(3)1	339
Of which: shares, the fair value of which is not ready determinable	129	129	-	-	129
Total not for trading securities	10,890	10,758	261	5	11,014

D. Securities held for trading	**Book value**	**Amortized cost (in shares cost)**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	95	95	-	-	95
Of financial institutions in Israel	4	4	-	-	4
Of others in Israel	6	6	-	-	6
Total trading securities	105	105	(3)-	(3)-	105
Total securities	10,995	10,863	261	5	11,119

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.

(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale securities at fair value".

(3) Recorded in the Statement of Income.

(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issue.

(5) Securities issued by GNMA and guaranteed by US government in the amount of NIS 377 million and securities issued by FNMA & FHLMC in amount of NIS 1 million.

(6) Including securities owned by a government in the amount of NIS 453 million securities owned by a government and have specified government guarantee in the amount of NIS 162 million.

(7) Including impaired bonds accruing interest income in amount of NIS 4 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

E. Fair value and unrealized losses, according to period and rate of impairment of bonds held to maturity and of available-for-sale securities being in an unrealized loss position

	September 30, 2020 (unaudited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total
Available for-sale bonds								
Of Israeli government	**1,315**	**11**	**-**	**11**	**-**	**-**	**-**	**-**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**19**	**1**	**-**	**1**
Of others in Israel	**96**	**5**	**-**	**5**	**-**	**-**	**-**	**-**
Total bonds available for sale	**1,411**	**16**	**-**	**16**	**19**	**1**	**-**	**1**

	September 30, 2019 (unaudited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses [3]0-20%	Unrealized losses [4]20-40%	Unrealized losses Total	Fair Value	Unrealized losses [3]0-20%	Unrealized losses [4]20-40%	Unrealized losses Total
Available for-sale Bonds								
Of Israeli financial institutions	-	-	-	-	20	1	-	1
Mortgage backed (MBS) securities	-	-	-	-	84	1	-	1
Of others in Israel	36	2	-	2	32	3	-	3
Total bonds available for sale	36	2	-	2	136	5	-	5

	December 31, 2019 (audited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Total	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Total
Available for-sale bonds								
Mortgage backed (MBS) securities	-	-	-	-	77	1	-	1
Of others in Israel	-	-	-	-	42	3	-	3
Total bonds available for sale	-	-	-	-	119	4	-	4

(1) Investments in an unrealized loss position less than 12 months.
(2) Investments in an unrealized loss position more than 12 months.
(3) Investments which their unrealized loss constitutes up to 20% of their amortized cost.
(4) Investments which their unrealized loss constitutes between 20% to 40% of their amortized cost.

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS million)

1. Debts(1), credit to the public and provision for credit losses

	September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial (3)	Housing	Other private	Total	Banks and Governments	Total
Recorded balance:						
Debts examined on an individual basis	**36,209**	**-**	**384**	**36,593**	**3,359**	**39,952**
Debts examined on a collective basis	**5,922**	**27,469**	**20,826**	**54,217**	**-**	**54,217**
Of which: according to the extent of arrears	**104**	**27,451**	**-**	**27,555**	**-**	**27,555**
Total	**42,131**	**27,469**	**21,210**	**90,810**	**3,359**	**94,169**
Of which:						
Debts restructuring	**147**	**-**	**117**	**264**	**-**	**264**
Other impaired debts	**418**	**6**	**41**	**465**	**-**	**465**
Total impaired debts	**565**	**6**	**158**	**729**	**-**	**729**
Debts in arrears of 90 days or more	**50**	**203**	**17**	**270**	**-**	**270**
Other problematic debts	**750**	**111**	**154**	**1,015**	**-**	**1,015**
Total problematic debts	**1,365**	**320**	**329**	**2,014**	**-**	**2,014**
Provision for credit losses:						
In respect of debts examined on an individual basis	**668**	**-**	**48**	**716**	**-**	**716**
In respect of debts examined on a collective basis	**85**	**161**	**263**	**509**	**-**	**509**
Of which: according to the extent of arrears	**1**	(2)**161**	**-**	**162**	**-**	**162**
Total	**753**	**161**	**311**	**1,225**	**-**	**1,225**
Of which: in respect of impaired debts	**176**	**-**	**39**	**215**	**-**	**215**

	September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial (3)	Housing	Other private	Total	Banks and Governments	Total
Recorded balance:						
Debts examined on an individual basis	35,691	-	320	36,011	2,190	38,201
Debts examined on a collective basis	5,579	25,198	21,430	52,207	-	52,207
Of which: according to the extent of arrears	252	25,184	-	25,436	-	25,436
Total	41,270	25,198	21,750	88,218	2,190	90,408
Of which:						
Debts restructuring	140	-	99	239	-	239
Other impaired debts	395	7	13	415	-	415
Total impaired debts	535	7	112	654	-	654
Debts in arrears of 90 days or more	36	190	24	250	-	250
Other problematic debts	515	16	209	740	-	740
Total problematic debts	1,086	213	345	1,644	-	1,644
Provision for credit losses:						
In respect of debts examined on an individual basis	462	-	34	496	-	496
In respect of debts examined on a collective basis	62	120	230	412	-	412
Of which: according to the extent of arrears	2	(2)120	-	122	-	122
Total	524	120	264	908	-	908
Of which: in respect of impaired debts	155	-	27	182	-	182

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

(2) Includes the provision exceeding the amount required according to the method of the extent of arrears, calculated on a collective basis in the amount of approximately NIS 121 million (30.9.19 - NIS 88 million, 31.12.19 - NIS 89 million).

(3) The balance of commercial debts includes housing loans in the amount of NIS 3,135 million, combined in the framework of transaction and collateral of the commercial borrowers or that have been granted to purchase groups at construction stages (30.9.19 - NIS 2,806 million, 31.12.19 - NIS 2,718 million).

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

	December 31, 2019 (audited)					
	Credit to the public					
	Commercial (3)	Housing	Other private	Total	Banks and Governments	Total
Recorded balance:						
Debts examined on an individual basis	36,094	-	340	36,434	3,173	39,607
Debts examined on a collective basis	5,483	25,583	21,329	52,395	-	52,395
Of which: according to the extent of arrears	233	25,566	-	25,799	-	25,799
Total	41,577	25,583	21,669	88,829	3,173	92,002
Of which:						
Debts restructuring	140	-	108	248	-	248
Other impaired debts	413	10	38	461	-	461
Total impaired debts	553	10	146	709	-	709
Debts in arrears of 90 days or more	37	186	26	249	-	249
Other problematic debts	518	32	143	693	-	693
Total problematic debts	1,108	228	315	1,651	-	1,651
Provision for credit losses:						
In respect of debts examined on an individual basis	485	-	38	523	-	523
In respect of debts examined on a collective basis	60	121	226	407	-	407
Of which: according to the extent of arrears	2	(2)121	-	123	-	123
Total	545	121	264	930	-	930
Of which: in respect of impaired debts	169	-	35	204	-	204

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

2. Change in provision for credit losses

	For the three months ended September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	**706**	**150**	**300**	**1,156**	**-**	**1,156**
Expenses in respect of credit losses	**60**	**10**	**17**	**87**	**-**	**87**
Accounting write-offs	**(32)**	**-**	**(28)**	**(60)**	**-**	**(60)**
Collection of debts written off in accounting in previous years	**19**	**1**	**22**	**42**	**-**	**42**
Net accounting write-offs	**(13)**	**1**	**(6)**	**(18)**	**-**	**(18)**
Provision for credit losses at end of the period	**753**	**161**	**311**	**1,225**	**-**	**1,225**
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	**61**	**-**	**12**	**73**	**-**	**73**
Increase in the provision	**4**	**-**	**-**	**4**	**-**	**4**
Provision in respect of off-balance sheet credit instruments at end of the period	**65**	**-**	**12**	**77**	**-**	**77**
Total provision for credit losses - debts and off-balance sheet credit instruments	**818**	**161**	**323**	**1,302**	**-**	**1,302**

	For the three months ended September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	501	121	265	887	-	887
Expenses in respect of credit losses	28	-	10	38	-	38
Accounting write-offs	(45)	(1)	(27)	(73)	-	(73)
Collection of debts written off in accounting in previous years	40	-	16	56	-	56
Net accounting write-offs	(5)	(1)	(11)	(17)	-	(17)
Provision for credit losses at end of the period	524	120	264	908	-	908
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	54	-	11	65	-	65
Decrease in the provision	(5)	-	-	(5)	-	(5)
Provision in respect of off-balance sheet credit instruments at end of the period	49	-	11	60	-	60
Total provision for credit losses - debts and off-balance sheet credit instruments	573	120	275	968	-	968

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

2. Change in provision for credit losses

	For the nine months ended September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)	**545**	**121**	**264**	**930**	**-**	**930**
Expenses in respect of credit losses	**276**	**38**	**79**	**393**	**-**	**393**
Accounting write-offs	**(117)**	**-**	**(98)**	**(215)**	**-**	**(215)**
Collection of debts written off in accounting in previous years	**49**	**2**	**66**	**117**	**-**	**117**
Net accounting write-offs	**(68)**	**2**	**(32)**	**(98)**	**-**	**(98)**
Provision for credit losses at end of the period	**753**	**161**	**311**	**1,225**	**-**	**1,225**
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year (audited)	**46**	**-**	**11**	**57**	**-**	**57**
Increase in the provision	**19**	**-**	**1**	**20**	**-**	**20**
Provision in respect of off-balance sheet credit instruments at end of the period	**65**	**-**	**12**	**77**	**-**	**77**
Total provision for credit losses - debts and off-balance sheet credit instruments	**818**	**161**	**323**	**1,302**	**-**	**1,302**

	For the nine months ended September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)	489	119	260	868	-	868
Expenses in respect of credit losses	47	2	47	96	-	96
Accounting write-offs	(146)	(2)	(96)	(244)	-	(244)
Collection of debts written off in accounting in previous years	134	1	53	188	-	188
Net accounting write-offs	(12)	(1)	(43)	(56)	-	(56)
Provision for credit losses at end of the period	524	120	264	908	-	908
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year (audited)	53	-	11	64	-	64
Decrease in the provision	(4)	-	-	(4)	-	(4)
Provision in respect of off-balance sheet credit instruments at end of the period	49	-	11	60	-	60
Total provision for credit losses - debts and off-balance sheet credit instruments	573	120	275	968	-	968

NOTE 7 - DEPOSITS FROM THE PUBLIC

(NIS million)

A. Classes of deposits by place of origin and type of depositor In Israel

	September 30, 2020	September 30, 2019	December 31, 2019
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**58,808**	46,125	47,692
- Bearing interest	**23,480**	17,436	17,765
Total demand	**82,288**	63,561	65,457
Fixed-term	**53,626**	52,731	54,595
Total deposits in Israel*	**135,914**	116,292	120,052
* Of which:			
Deposits of private individuals	**71,816**	59,232	59,306
Deposits of institutional entities	**23,841**	22,904	25,080
Deposits of corporates and others	**40,257**	34,156	35,666

B. Deposits of the public by size

	September 30, 2020	September 30, 2019	December 31, 2019
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**54,434**	46,263	46,064
From 1 to 10	**34,962**	27,777	27,842
From 10 to 100	**17,045**	14,744	14,703
From 100 to 500	**5,321**	5,951	6,146
Over 500	**24,152**	21,557	25,297
Total	**135,914**	116,292	120,052

NOTE 7A - EMPLOTYEE RIGHTS
(NIS million)

A. Composition of benefits:

		September 30,	December 31,
	2020	**2019**	**2019**
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**944**	923	927
Fair value of assets of the scheme	**(378)**	(418)	(415)
Excess liabilities over assets of the scheme	**566**	505	512
Excess liabilities of the scheme included in the item "other liabilities"	**566**	505	512
Long-service awards - amount of liability	**18**	18	18
Benefit regarding unused sick leave - amount of liability	**34**	34	35
Other post-employment benefits	**9**	10	11
Other post-retirement benefits	**207**	192	207
Vacation pay	**75**	66	65
Other	**95**	192	203
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,004**	1,017	1,051

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)
(NIS million)

B. Defined benefits severance pay and pension schemes

(1) Commitment and financing situation

	Severance pay, and pension schemes					Other post-retirement benefits				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2020	**2019**	**2020**	**2019**	**2019**	**2020**	**2019**	**2020**	**2019**	**2019**
	(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
										(NIS million)
A. Change in liability regarding anticipated benefits										
Liability regarding anticipated benefit at beginning of period	**920**	936	**927**	1,109	1,109	**207**	170	**207**	152	152
Cost of service	**6**	5	**16**	15	20	**2**	1	**4**	3	4
Cost of interest	**5**	6	**15**	20	24	**1**	1	**4**	4	6
Actuarial loss (profit)	**23**	54	**35**	90	125	**(1)**	22	**(4)**	37	50
Update of liability**	**-**	-	**-**	-	17	**-**	-	**-**	-	-
Benefits paid	**(10)**	(78)	**(49)**	(316)	(370)	**(2)**	(2)	**(4)**	(4)	(5)
Other, including loss from reduction and structural changes	**-**	-	**-**	5	2	**-**	-	**-**	-	-
Liability regarding anticipated benefit at end of period	**944**	923	**944**	923	927	**207**	192	**207**	192	207
Liability regarding cumulative benefit at end of period(1)	**829**	833	**829**	833	855	**205**	190	**205**	190	205
B. Change in fair value of assets of the scheme and the financing situation of the scheme										
Fair value of assets of the scheme at beginning of period	**377**	452	**415**	655	655	**-**	-	**-**	-	-
Actual return on assets of the scheme	**8**	8	**(5)**	41	54	**-**	-	**-**	-	-
Update of assets of the scheme**	**-**	-	**-**	-	17	**-**	-	**-**	-	-
Deposits in the scheme by the Bank	**2**	2	**7**	7	9	**-**	-	**-**	-	-
Benefits paid	**(9)**	(44)	**(39)**	(285)	(320)	**-**	-	**-**	-	-
Fair value of assets of the scheme at end of period	**378**	418	**378**	418	415	**-**	-	**-**	-	-
Financing situation- net liability recognized at the end of period	**566**	505	**566**	505	512	**207**	192	**207**	192	207

* Included in the item "other liabilities".

** Derives from actuary addition in respect of assets exceeding 100% of severance provisions.

(1) The liability in respect of cumulative benefit defers from the liability in respect of anticipated benefit because it does not include assumptions regarding future growth in the reward.

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

	Severance pay, and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2020	2019	2019	2020	2019	2019
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**566**	505	512	**207**	192	207
Net liability recognized at end of period	**566**	505	512	**207**	192	207
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**237**	190	204	**68**	63	75
Closing balance in other cumulative comprehensive profit	**237**	190	204	**68**	63	75

(2) Expense for the period

	Severance pay, and pension schemes					Other post-retirement benefits				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2020	2019	2020	2019	2019	2020	2019	2020	2019	2019
		(unaudited)		(unaudited)	(audited)		(unaudited)		(unaudited)	(audited)
										(NIS million)
A. Cost components of net benefit recognized in profit and loss										
Cost of service	**6**	5	**16**	15	20	**2**	1	**4**	3	4
Cost of interest	**5**	6	**15**	20	24	**1**	1	**4**	4	6
Anticipated return on assets of the scheme	**(3)**	(3)	**(8)**	(11)	(14)	**-**	-	**-**	-	-
Amortization of non-recognized amounts:										
Net actuarial loss	**4**	2	**10**	10	14	**1**	1	**3**	2	3
Other, including loss from reduction or dismissal and structural changes	**1**	10	**5**	46	50	**-**	-	**-**	-	-
Capitalization of software costs	**(1)**	(1)	**(2)**	(2)	(3)	**-**	-	**-**	-	-
Total cost of benefits, net	**12**	19	**36**	78	91	**4**	3	**11**	9	13
B. Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (profit) loss, before the tax effect										
Net actuarial loss (profit) for the period	**18**	49	**48**	60	85	**(1)**	22	**(4)**	37	50
Amortization of actuarial loss	**(4)**	(2)	**(10)**	(10)	(14)	**(1)**	(1)	**(3)**	(2)	(3)
Dismissal	**(1)**	(10)	**(5)**	(41)	(48)	**-**	-	**-**	-	-
Total recognized in other comprehensive profit (loss)	**13**	37	**33**	9	23	**(2)**	21	**(7)**	35	47
Total net cost of benefit	**12**	19	**36**	78	91	**4**	3	**11**	9	13
Total net cost of benefit for the period recognized in other comprehensive profit	**25**	56	**69**	87	114	**2**	24	**4**	44	60

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)
(NIS million)

	Severance pay, and pension schemes	Other post-retirement benefits
		(NIS million)
C. **Assessment of amounts included in other cumulative comprehensive profit expected to be amortized from other cumulative comprehensive profit to the statement of profit and loss as an expense in 2020, before the tax effect**		
Net actuarial loss	**32**	**4**
Total amount expected to be amortized from other cumulative comprehensive profit	**32**	**4**

(3) Assumptions

A. **Assumptions on the basis of weighted average used to determine the liability in respect of the benefits and for the measurement of the net cost of benefits**

	Severance pay, and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2020	2019	2019	2020	2019	2019
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Discounting rate	**0.7**	0.6	0.4	**1.1**	1.3	1.0

	Severance pay, and pension schemes			Other post-retirement benefits		
	For the nine months ended September 30,		For the year ended December 31,	For the nine months ended September 30,		For the year ended December 31,
	2020	2019	2019	2020	2019	2019
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Discounting rate	**0.4-2.0**	1.2-1.9	0.6-1.9	**1.0-2.3**	1.8-2.4	1.3-2.4

B. **Effect of a one percentage point change on the liability in respect of the anticipated benefit, before the tax effect**

						One percentage point growth
	Severance pay, and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2020	2019	2019	2020	2019	2019
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(70)**	(67)	(71)	**(35)**	(31)	(34)

						One percentage point decline
	Severance pay, and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2020	2019	2019	2020	2019	2019
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**87**	81	88	**46**	41	46

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)
(NIS million)

C. Cash flows
(1) Deposits

						Severance pay, and pension schemes
	Forecast					**Actual deposits**
		For the three months ended September 30,		**For the nine months ended September 30,**		**For the year ended December 31,**
	***2020**	**2020**	**2019**	**2020**	**2019**	**2019**
	(unaudited)		(unaudited)		(unaudited)	(audited)
						(NIS million)
Deposits	10	**2**	2	**7**	7	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2020.

C. Efficiency measures

On July 28, 2020 and on November 5, 2020 the Board of Directors of the Bank approved an efficiency plan, according to which, 60 permanent employees, which belong to the defined target population, to retire in early retirement and with preferred terms.

The plan increased the severence pay liability and other post-retirement benefits in the Bank's book by n amount of NIS 48 million. The increase in the liability was recognized in other comprehensive loss.

The management of the Bank estimate that the majority of the retiree will retire by the end of 2020 and the rest at the beginning of 2021.

NOTE 8 - CAPITAL ADEQUACY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS

A. Basel 3 guidelines

The bank implements Proper Banking Management Directives Nos. 201-211 in the matter of measurement and capital adequacy, as reported by the Supervision of Banks and within the framework of the file of questions and answers.

Basel 3 instructions were implemented from January 1, 2014, in a gradual manner, in accordance with the transitional instructions stated in Proper Banking Management Directive No, 299 in the matter of measurement and capital adequacy - regulatory capital - transitional instructions. According to the transitional instructions, the capital instruments no longer qualified as regulatory capital shall be recognized up to a maximum of 80% (from their balance in the supervisory capital as of December 31, 2013) on January 1, 2014, this maximum level being reduced by an additional 10% until January 1, 2022. Accordingly, as of January 1, 2020 the maximum rate of instruments qualified as regulatory capital amounts to 20%.

(1) Capital adequacy goals

In accordance with Proper Banking Management Directives of the Supervision of Banks regarding the minimum capital ratios, the Bank, the total assets of which on a consolidated basis is up to 24% of total assets of the banking sector in Israel, is required to attain a minimum Tier I equity capital ratio of 9%, and a minimum comprehensive capital ratio of 12.5%. In addition, as from January 1, 2015, a new capital demand was added to the minimum capital ratios, at a rate reflecting 1% of the outstanding balance of residential loans at date of reporting.

On background of the spreading of the Corona virus and as part of the adjustment to Proper Banking Management directives and in order to secure the ability of Banks to continue the offer of credit, The Supervisor of Banks, published on March 31, 2020, a provisional instruction , concerning the update of directive 201, which includes a reduction of 1% of the capital requirements of banks and an update to directive 329 which cancel the demand of additional 1% on housing loans that were granted during the period of the crisis. These capital requirements were valid for a period of six months with an option for extension of another six months. On September 16, 2020 the Supervision of Banks published a circular which extends the provisional instruction until March 31, 2021. After these periods, if relevant, the Bank will have to present progressive delineation for the reaccumulation of the capital, as much as was eroded, over a period of two years.

In light of the abovementioned, the capital requirements applicable to the Bank as from the financial statements for March 31, 2020 are:

	Minimum capital ratio required		
Minimum capital ratios	**As of September 30, 2019**	**From 31.3.20 until 31.3.21**	**From 1.4.21 until 31.3.23**
Teir 1 equity capital ratio	9%	8%	The lower of: - The Bank's capital ratio as of 31.3.21. - The Bank's minimal capital ratio before the period of the provisional instruction
Compehensive capital ratio	12.5%	11.5%	
Addition in respect of residential loans	1% of the outstanding balance of residential loans at date of the reporting	1% of the outstanding balance of residential loans at date of the reporting except for loans extended during the period of the provisional instruction	

For the outstanding balance of the residential loans see note 12.B.3.

The Group has capital targets approved by the Board of Director and reflect suitable capital level when taking into consideration the risk profile and risk apetite.

The internal capital goals, as determined by the Board of Directors, and which are not lower than the regulatory requirements, are as follows:

- In the ordinary course of business - Tier I equity capital ratio of not lower than 8.30% and comprehensive capital ratio of not lower than 11.80%.
- In stress situations - Tier I equity capital ratio of not lower than 6.50% and comprehensive capital ratio of not lower than 9.00%.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(NIS million)

(2) Following are details regarding risk assets, the regulatory capital and capital ratios calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, regarding "measurement and capital adequacy", and in accordance with Directive 299 regarding the "regulatory capital - transitional instructions":

	September 30, 2020	**September 30, 2019**	**December 31, 2019**
	(unaudited)	(unaudited)	(audited)
a. Consolidated			
1. Capital for calculation of capital ratio			
Tier 1 capital, after supervisory adjustments and deductions	**9,106**	8,683	8,785
Tier 2 capital after deductions	**2,749**	2,350	2,345
Total comprehensive capital	**11,855**	11,033	11,130
2. Weighted balances of risk assets			
Credit risk	(2)**76,234**	(2)73,438	(2)73,862
Market risk	**657**	640	875
Operational risk	**6,443**	6,399	6,512
Total weighted balances of risk assets	**83,334**	80,477	81,249
			percent
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	**10.93%**	10.79%	10.81%
Comprehensive ratio of capital to risk assets	**14.23%**	13.71%	13.70%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**8.30%**	(1)9.31%	(1)9.31%
Minimal ratio of capital required by the Supervisor of Banks	(1)**11.80%**	(1)12.81%	(1)12.81%

			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**13.98%**	13.43%	13.50%
Comprehensive ratio of capital to risk assets	**15.10%**	14.47%	14.52%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**8.00%**	9.00%	9.00%
Minimal ratio of capital required by the Supervisor of Banks	**11.50%**	12.50%	12.50%

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(NIS million)

(3) Capital components for computation of capital ratio (consolidated)

	September 30, 2020	September 30, 2019	December 31, 2019
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**8,944**	8,461	8,568
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**204**	230	233
Total equity capital tier 1 before regulatory adjustments and deductions	**9,148**	8,691	8,801
Regulatory adjustments and deductions:			
Intangible assets	**(98)**	(101)	(100)
Regulatory adjustments and other deductions- equity capital tier 1	**(5)**	(5)	(5)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures - equity capital tier 1	**(103)**	(106)	(105)
Total adjustments in respect of efficiency measures- Tier 1 equity capital	**61**	98	89
Total equity capital tier 1 after regulatory adjustments and deductions	**9,106**	8,683	8,785
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**1,796**	1,567	1,564
Tier 2 capital: provisions before deductions	**953**	783	781
Total tier 2 capital before deductions	**2,749**	2,350	2,345
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**2,749**	2,350	2,345

	September 30, 2020	September 30, 2019	December 31, 2019
	(unaudited)	(unaudited)	(audited)
(4) Effect of transitional instructions on equity capital tier 1			
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments in respect of efficiency measures	**10.84%**	10.65%	10.68%
Effect of adjustments in respect of efficiency measures	**0.09%**	0.14%	0.13%
Ratio of tier 1 equity capital to risk assets	**10.93%**	10.79%	10.81%

(1) Minimal capital ratio required until March 31, 2020 are 9.0% and 12.5%, respectively. Starting from that date and during the period of the provisional instruction (see section A.1. above) are 8.0% and 11.5% respectively. To these relations was added capital requirement of 1% of housing loans balance for the reporting date, except for housing loans granted in the period from 19.3.20 until 30.9.20, the balance of which amount to NIS 2,064 million.

(2) An amount of NIS 83 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (30.9.19 - NIS 147 million, 31.12.19 - NIS 121 million).

* The data in this Note are presented in accordance with Proper Conduct of Banking Business Directives No. 202 regarding "measurement and capital adequacy- regulatory capital". In addition, the said data include adjustments in respect of efficiency measures, as stated in the letter of the Supervisor of Banks dated January 12, 2016, in the matter of "operational efficiency of the banking sector in Israel" (hereinafter - "adjustments in respect of efficiency measures"), which are being reduced gradually over 5 years period.
For additional details in respect of the effect of the transitional directives and the adjustment regarding efficiency measures see 4 above.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(5) Factors that might materially affect the capital adequacy of the Bank and of its significant subsidiary

(5a.) Capital components subject to fluctuations

The Bank manages the capital adequacy ratio with the aim of adhering to the minimal capital requirements of the Supervisor of Banks. The capital of the Bank is subject to changes, inter alia, in respect of the factors detailed below:

- Actuarial changes due to changes in the interest rate used to compute the liabilities of the Bank or in other actuarial assumptions, such as: mortality rates, retirement etc.
- The effect of changes in interest rate and interest spread on the adjustments to fair value of available for sale bonds.
- Effect of changes in the CPI and exchange rate on the balances of the assets.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of September 30, 2020:

	Effect of a change of NIS 100 million in Tier I equity capital	Effect of a change of NIS 1 billion in total risk assets
		percent
The Bank (consolidated data)	**0.12**	**0.13**
Massad Bank	**1.80**	**2.13**

(6) Efficiency

The Supervisor of Banks published a letter on January 12, 2016, in the matter of "operational efficiency of the banking sector in Israel". In accordance with the letter, the Board of Directors of the Bank has to outline a multiannual program for the increase in efficiency. A banking corporation that complies with the provisions of the letter shall be entitled to a relief, whereby, for the purpose of calculating the capital adequacy, the effect of the cost of this program may be spread by the "straight line" method over five years. On December 16, 2019 the Supervisor of Banks published a letter that extends the effectiveness of these guidelines until December 31, 2021.

(1) On November 17, 2016, the Board of Directors of the Bank approved the update of the strategic program of the Group concerning the efficiency measures aspect. These efficiency measures include, inter alia, the continuation of expanding operations by digital means; the reduction in the number of branches and improvements in work processes at the branches and at head office. The efficiency measures include a reduction in the floor area used by the Bank as well as a gradual reduction in the workforce position of the Bank's group of an average of approximately 130 employees per year, in total, a reduction of approximately 650 employees until the end of 2020.

The Bank has received from the Supervisor of Banks an approval in principle for the spreading of the cost of these measures over five years by the "straight line" method, for the purpose of computing the capital adequacy.

The cost of benefits to employees within the framework of the efficiency measures implemented in the years 2016 and until 2020, is estimated at NIS 207 million, before the tax effect. The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at September 30, 2020, to be lower by 0.04%.

(2) In the course of 2018, the Board of Directors of the Bank resolved to introduce additional efficiency measures at Otsar Hahayal, a merger decision was taken in the third quarter of the year, and on January 1, 2019, Otsar Hahayal was merged with and into the Bank. The said decisions as well as their expected implications have surpassed the original efficiency program of the Group from 2016. In respect of these actions the Group recorded a provision for increased severance compensation in the amount of NIS 82 million (net amount of NIS 53 million after the tax effect).

The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at September 30, 2020, to be lower by 0.05%.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(7) Application of accounring standard in respect of leasing

On January 1, 2020 the Bank started to implement the new instruction concerning leasing. The implementation of the new instructions decreased the teir 1 equity capital ratio and comprehensive capital ratio in rate of 0.06% and 0.08% respectively, this as a result of weighing the risk assets in respect of right of use assets derived from operating leases which were recognized in the balance sheet in a rate of 100%.

B. Leverage ratio in accordance with instructions of the Supervisor of Banks

The Bank implements Proper Banking Management Directive No. 218 in the matter of leverage ratio. The Directive states a simple and transparent leverage ratio that is not risk based, which would serve as a supplementary and reliable measurement of the risk based capital requirements, and which is intended to restrict the accumulation of leverage at a banking corporation.

The leverage ratio is expressed in percentages, and is defined as the ratio between the measurement of capital and the measurement of exposure. Capital for the purpose of measuring leverage is the Tier I capital as defined in Proper Banking Management Directive No. 202, taking into consideration the determined transitional arrangements. The total measurement of exposure of the Bank is the total of the balance sheet exposures, exposure to derivatives and to transactions financing the purchase of securities and off-balance sheet items.

In accordance with the Directive, a banking corporation shall maintain a leverage ratio of not less than 5% on a consolidated basis, for a banking corporation, the total stated consolidated assets of which comprises up to 24% of the total stated assets of the banking industry, including the Bank.

On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 – Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction), within its framework was updated Proper Conduct of Banking Business directive No. 218 in the matter of Leverage Ratio. The update relieves the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, for a banking corporation, the total consolidated stated assets of which is up to 24% of total stated assets of the banking sector as a whole (including the Bank). The relief will be valid until March 31, 2021. After this date the relief will be valid for another 24 months, in which the leverage ratio will not be less than the leverage ratio at the date of the end of the Provisional Instruction, or the minimal leverage ratio applying to a banking corporation prior to the Provisional Instruction, whichever is lower.

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	December 31, 2019 (audited)
	NIS million		
A. Consolidated			
Tier 1 capital*	**9,106**	8,683	8,785
Total exposures	**169,062**	146,882	151,120
			percent
Leverage ratio	**5.39%**	5.91%	5.81%
B. Significant Subsidiary			
Bank Massad Ltd.			
Leverage ratio	**7.27%**	7.65%	7.68%
Minimal Leverage ratio required by the Supervisor of banks	**5.00%**	5.00%	5.00%

* For the effect in respect of the efficiency program, see note A(4) above.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(3) Application of accounring standard in respect of leasing

On January 1, 2020 the Bank started to implement the new instruction concerning leasing. The implementation of the new instructions decreased the leverage ratio in a rate of 0.02% as a result of weighting the risk assets in respect of right of use assets derived from operating leases which were recognized in the balance sheet in a rate of 100%.

C. Reporting the liquidity coverage ratio in accordance with instructions of the Supervisor of Banks

The Bank implements Proper Conduct of Banking Business Directive No. 221 in the matter of "liquidity coverage ratio". The Directive adopts the recommendations of the Basel Committee in the matter of liquidity coverage ratio as regards the banking industry in Israel. The liquidity coverage ratio examines a range of thirty days in a stress test, and is intended to ensure that a banking corporation shall have an inventory of high quality liquid assets serving the liquidity needs of the corporation within that period of time, as well as the anticipated cash outflows in the stress test, as defined in the Directive for the thirty calendar days.

		For the three months ended		
		September 30,	**September 30,**	**December 31**
		2020	**2019**	**2019**
		(unaudited)	(unaudited)	(audited)
				percent
A.	**Consolidated***			
	Liquidity coverage ratio	**145%**	124%	128%
B.	**The bank***			
	Liquidity coverage ratio	**145%**	123%	127%
C.	**Significant Subsidiary***			
	Bank Massad Ltd.			
	Liquidity coverage ratio	**192%**	204%	213%
	Minimal liquidity coverage ratio required by the Supervisor of banks***	**100%**	100%	100%

* In terms of simple averages of daily observations during the reported quarter.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

D. Dividends

On March 15, 2020, the Board of Directors of the Bank resolved on a cash dividend distribution to the shareholders of the Bank in a total amount of NIS 125 million. The determining date for the payment of the dividend was March 24, 2020, and the payment date was March 31, 2020.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2020	2019	2020	2019	2019
		(unaudited)		(unaudited)	(audited)
		NIS million		NIS million	NIS million
Dividend declared and paid by the Bank	**-**	110	**125**	300	410

On the background of the letter of the Supervisor of Banks, dated March 29, 2020, addressed to all the commercial banks and with respect to the Provisional Instruction dated March 31, 2020, amending Proper Conduct of Banking Business directive 201, in which boards of directors of banks are requested, inter alia, to re-examine their dividend policies, on the background of the Corona virus crisis and the uncertainty deriving from it. The Board of Directors of the Bank held a discussion on April 16, 2020, regarding the dividend policy and resolved that the Bank shall refrain from the distribution of dividends to its shareholders during the period of the Provisional Instruction, which was originaly set for six months, until September 30, 2020, with an option for an extension of another six months. On September 16, 2020 the provisional instruction was extended until March 31, 2021. It is clarified that the dividend distribution policy remains unchanged. The Board of Directors of the Bank shall continue to discuss (at list prior to the approval of the annual financial statements) the continued implementation of the dividend distribution policy of the Bank in light of developments in the crisis and the impact thereof on the economy and on the Bank, and would be entitled to examine the resolution regarding implementation of dividend distribution and modify it at its discretion.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES
(NIS million)

Other contingent liabilities and special commitments

		September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	December 31 2019 (audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**6**	8	10
	Commitments to invest in private investment funds	**41**	53	46

B. The Bank and its subsidiary have leased premises and equipment on a long-term basis. The rentals payable in the future subject to linkage terms (partly to the CPI and partly to foreign currency), are as follows:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	December 31 2019 (audited)
First year	***17**	*18	73
Second year	**70**	72	67
Third year	**62**	65	59
Fourth year	**55**	57	52
Fifth year	**50**	50	47
Sixth year and thereafter	**220**	250	211
Total	**474**	512	509

* For the period until the end of the calendar year

C. The Bank Group (the Bank and its subsidiary companies) is a party to legal proceedings, including motions for approval of class actions. In the opinion of Management of the Bank and Managements of the consolidated companies, based on legal opinions regarding the prospects of the actions, including the motions for approval of class actions, as detailed in this section, adequate provisions have been included in the financial statements, where required, to cover losses which might be sustained as a result of these actions.

For details of legal actions, including motions for approval of class action suits, see Note 25G to the financial statements for 2019.

Following is a motion for approval of a class action suit brought against the Bank, the amount claimed therein is material.

On May 7, 2020, the Bank received notice of a motion for approval of a class action suit against the Bank in the matter of the charging of agent commission in respect of transactions in securities. The Plaintiff claims that with respect to each transaction of the purchase/sale of securities, the Bank charges a commission named by it "agent commission", despite the fact that such a commission does not appear in the pricelist of the Bank, and therefore is being charged illegally. It is further argued by the Plaintiff that, to the extent that the matter involves a third party expense (which the Bank is entitled to collect in accordance with the pricelist), the Bank must present the rate of the commission and the manner of its computation, which it refrains from doing so. The Plaintiff notes that it is unable to estimate the total amount of the claim; however, it alleges that the personal damage caused to it in respect of each transaction amounts to NIS 2. Accordingly, as alleged by it, the total damage caused to the class during the seven years prior to the date of the action, amounts to tens of millions of NIS, if not more. As argued in the action, similar actions had been served against other banks.

The additional amount of exposure of the Bank and of the Bank's subsidiary companies as of September 30, 2020, in respect of pending legal actions, which according to estimates of the Bank, the possibility of their materialization, in whole or in part, is not remote, and in respect of which no provision has been recorded, totals NIS 60 million.

D. 1. Following are details of claims against an affiliated company, Israel Credit Cards Ltd. ("ICC"), including motions for approval of class actions, the amount claimed therein is material. In the opinion of the Management of ICC, based inter alia on legal opinions, adequate provisions in respect of such claims are included in the financial statements, where required.

(a) On June 8, 2016, an amended motion for approval of an action as a class action was filed with the Central District Court against three clearing agents, among which is ICC (hereinafter - "the amended motion"). The amended motion replaces a previous motion submitted on April 28, 2014.

The motion refers to two alleged binding arrangements with respect to immediate debit cards ("debit cards") and to "prepaid" cards. The first binding arrangement, as argued by the Plaintiffs, is the rate of the cross commission charged in respect of transactions made by debit cards and prepaid cards. The second binding arrangement, as argued by the Plaintiffs, is the unlawful withholding of funds due to trading houses for periods of approximately twenty days after the clearing agents had received the money.

A review of the economic opinion, to which the amended motion refers, shows that the amount of the claim is composed of the following main types of damage: an amount of NIS 13.5 million per year for the years 2007-2015 in respect of the damage stemming from the existence of an alleged binding arrangement regarding the amount of the cross commission payable in immediate debit card transactions; an amount of NIS 5.3 million per year, for the years 2007-2015, in respect of the damage stemming from the existence of an alleged binding arrangement regarding the date for the transfer of funds to trading houses in respect of immediate debit card transactions; an amount of between NIS 418 million and NIS 683 million per year for the years 2007-2015, in respect of the damage stemming from underuse of immediate debit cards due to the alleged two binding arrangements, as above.

On March 12, 2017, a preliminary hearing of the motion was held. In its decision, the Court stated that the matter of the cross-commission in respect of the "debit" and the "pre-paid" cards, is apparently included in a verdict given by the Competition Tribunal (formerly "Anti-Trust Tribunal"), and therefore any claim raised against the determination of the cross-commission, should be raised using procedures relating to the said verdict. In view of this, the Court deferred the hearing of the motion for a class action until after the matter is settled by the Competition Tribunal.

On October 16, 2017, an action requesting declaratory relief was filed with the Competition Tribunal. Within the framework of this action, the Tribunal is requested to state that when giving the verdict which approved the cross-commission arrangement, such arrangement did not include immediate debit cards and prepaid cards. The clearing agents, including ICC, have filed a motion for the in limine dismissal of the action, and on October 16, 2018, the Competition Tribunal ruled that the motion for in limine dismissal of the action requesting declaratory relief Order is admitted.

On November 29, 2018, an appeal was filed with the Supreme Court against the verdict of the Competition Tribunal, and on June 18, 2019, the Supreme Court ruled for the rejection of the Appeal.

On December 23, 2018, the Plaintiffs filed a plea with the Supreme Court sitting as a high Court of Justice, against the Competition Commissioner (formerly "Anti-Trust commissioner"), in which the Court is requested to instruct the Commissioner to act in order to clarify, cancel or change the verdict of the Competition Tribunal. The State filed its response on May 22, 2019. A hearing of the plea was held on July 16, 2020, in which the arguments of the parties were presented at length. On the same day, the Court ordered the rejection of the plea with no order for expenses. The decision of the Court stated that the Court does not express any opinion regarding the question lying at the heart of the motion for approval of the action as a class action. Accordingly, the proceedings of the class action at the District Court shall continue. A pretrial is fixed for January 24, 2021.

(b) On May 2, 2018, ICC received notice of an action and a motion for its approval as a class action suit, filed with the Tel Aviv-Yafo District Court.

It is alleged in the action that ICC had unlawfully increased the amounts of clearing commission charged to trading houses. The motion for approval relies, inter alia, on the decision of the Tel Aviv-Yafo District Court in a similar case, wherein a motion for approval of an action as a class action, filed against another company, had been approved.

The Plaintiffs assess their personal damage at NIS 4,036. They did not state an amount regarding the damage to the group, but assessed it at "tens of millions of NIS". ICC had responded to the motion for approval, and the Plaintiffs responded to ICC's response. A pretrial of the case was held on January 15, 2020, and in the meantime the parties accepted the recommendation of the Court to conduct mediation proceedings between them. On October 28, 2020, the Plaintiffs informed that the mediation proceedings had failed, and that they request the continuation of the hearing of the motion by the Court. A pretrial is fixed for December 17, 2020.

(c) On May 6, 2018, ICC received notice of an action together with a motion for approval of the action as a class action suit, filed with the Tel Aviv-Yafo District Court. As argued in the action, which was served against ICC and against an additional company and its former holding bank, ICC did not provide proper disclosure regarding everything relating to the manner of charging interest by it. The plaintiff assesses his personal damage at NIS 38.54 and the total damage for the group at NIS 181 million. On March 5, 2019, ICC responded to the motion for approval. On June 7, 2020, The Court approved the request for withdrawal in the matter of the defendant Bank. A pretrial of the case is fixed for December 13, 2020.

(d) On July 22, 2018, an action was filed with the Tel Aviv-Yafo District Court together with a motion for approval of the action as a class action, against ICC and against additional clearing agents. The subject matter of the action is transactions considered "no document transactions" (mainly transactions effected by telephone) made by members of the class with trading houses operating in the "direct marketing" field. It is claimed in the action that such trading houses utilized the weakness of the senior citizen population, unlawfully charging their credit cards in respect of many transactions, as well as charging them with additional amounts that had not been approved by them. The Plaintiff argues that the clearing agents are engaged in clearing agreements with the "direct marketing" trading houses, thus enabling them to operate. The Plaintiff states the amount of the damage for the whole class, which he purports to represent, at NIS 900 million. On March 25, 2019, ICC filed its response to the motion. A preliminary hearing of the case was held on January 7, 2020, at the conclusion of which, the Court instructed the representative of the Plaintiffs to prepare a short list of the documents required for disclosure and review. The short list was submitted by the Plaintiff on January 26, 2020, and on March 8, 2020, ICC filed its response to the short list. The Plaintiff filed on October 16, 2020 its reaction to the response to the amended disclosure request.

(e) A Plea was filed on December 9, 2018, with the Supreme Court sitting as a High Court of Justice, against Bank of Israel, the Competition Commissioner and three clearing agents, including ICC, in which the Appellants seeks relief through the cancellation of the Banking Order (Customer service)(Supervision over cross-clearing service for transactions made by use of a charge card and of an immediate debit card), 2018. The Appellants argue that the Order should be abolished and that it should be determined that the clearing agents may not earn profits from the cross-commission, which, as argued, is intended to cover only the costs of the issuer. ICC filed its response to the Plea on August 19, 2019. On July 27, 2020, the Court ordered the rejection of the plea.

2. The amount of exposure in respect of legal actions filed against ICC, the possibility of their materialization, in whole or in part, is reasonably possible, totals NIS 130 million.

3. A motion for approval of a class action suit is pending against ICC, as discussed below. ICC states in its report that in the opinion of the Management of ICC, based on its Counsel's opinion, it is not possible, at this stage, to assess the prospects of the case, and accordingly no provision has been recorded in respect thereof.

   On May 14, 2020, an action was filed against ICC with the District Court – Central Region, together with a motion for approval of the action as a class action suit. It is argued in the action, that the notice that had been sent to the Plaintiff regarding the future charge of card fees was defective in a way that requires decision that the notice was not in compliance with the disclosure required by Law. The Plaintiffs states its personal monetary damage at NIS 13.5 and the nonmonetary damage at NIS 100, but does not state the amount of the damage to the whole class.

4. On December 14, 2016, the Director of Value Added Tax (hereinafter - "the VAT Director") issued to ICC VAT assessments for charge periods from January 2012 to August 2016. The sum charged in the assessments, including interest and linkage increments, amounts to NIS 48 million. ICC disputes the position of the VAT Director, and is of the opinion that it has good arguments supporting its position. On March 9, 2017, ICC filed an appeal against these assessments. To the best knowledge of ICC, assessments in this matter have also been received by its competitors.

   On March 8, 2018, ICC received the decision of the VAT Director rejecting the appeal and also increasing the amount charged in the assessments to NIS 75 million (including interest and linkage increments). If the position of ICC would be rejected by the Court, it may be liable in respect of the issues raised in the VAT assessment, also for periods following the period of the assessment. On January 31, 2019, ICC filed an appeal against the said decision with the Lod District Court. On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC. A pretrial was held on March 5, 2020. The hearing of proof is fixed for May 2021. ICC estimates the amount of exposure in respect of which no provision is included in its financial statements regarding this matter, at NIS 153 million.

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES

(NIS million)

A. Volume of activity on a consolidated basis

1. Face value of derivatives

	September 30, 2020 (unaudited)			September 30, 2019 (unaudited)			December 31, 2019 (audited)		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts									
Forward and Futures Contracts	**450**	**2,022**	**2,472**	-	3,073	3,073	21	3,162	3,183
Options written	**-**	**102**	**102**	-	-	-	-	552	552
Options purchased	**-**	**102**	**102**	-	-	-	-	552	552
SWAPS(1)	**4,626**	**12,767**	**17,393**	3,788	13,510	17,298	3,859	13,144	17,003
Total(2)	**5,076**	**14,993**	**20,069**	3,788	16,583	20,371	3,880	17,410	21,290
Of which: Hedging derivatives(3)	**3,704**	**-**	**3,704**	2,859	-	2,859	2,911	-	2,911
Foreign currency contracts									
Forward and Futures Contracts(4)	**17,825**	**41,310**	**59,135**	12,670	29,198	41,868	12,605	35,127	47,732
Options written	**-**	**12,946**	**12,946**	118	14,991	15,109	31	13,215	13,246
Options purchased	**-**	**12,921**	**12,921**	118	15,737	15,855	31	13,703	13,734
SWAPS	**189**	**-**	**189**	224	-	224	215	-	215
Total	**18,014**	**67,177**	**85,191**	13,130	59,926	73,056	12,882	62,045	74,927
Contracts on shares									
Forward and Futures Contracts	**-**	**25,103**	**25,103**	-	10,029	10,029	-	12,347	12,347
Options written	**-**	**14,536**	**14,536**	-	14,170	14,170	-	16,030	16,030
Options purchased(5)	**-**	**14,529**	**14,529**	-	14,076	14,076	-	15,960	15,960
Total	**-**	**54,168**	**54,168**	-	38,275	38,275	-	44,337	44,337
Commodities and other contracts									
Forward and Futures Contracts	**-**	**183**	**183**	-	66	66	-	72	72
Options written	**-**	**-**	**-**	-	-	-	-	42	42
Options purchased	**-**	**-**	**-**	-	-	-	-	42	42
Total	**-**	**183**	**183**	-	66	66	-	156	156
Total face value	**23,090**	**136,521**	**159,611**	16,918	114,850	131,768	16,762	123,948	140,710

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 11,241 million (30.9.19 - NIS 10,374 million, 31.12.19 - NIS 10,338 million).

(2) Of which: NIS-CPI swap contracts in an amount of NIS 1,123 million (30.9.19 - NIS 686 million, 31.12.19 - NIS 686 million).

(3) The Bank performs protection transactions by IRS derivatives in order to hedge the accounting fair value of bonds. These transactions hedge the interest risk imbedded in foreign currency bonds having fixed interest and long duration.

(4) Of which: foreign currency swap spot contracts in an amount of NIS 2,109 million (30.9.19 - NIS 1,054 million, 31.12.19 - NIS 2,677 million).

(5) Of which: Traded on the Stock Exchange in an amount of NIS 14,504 million (30.9.19 - NIS 13,988 million, 31.12.19 - NIS 15,878 million).

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

A. Volume of activity on a consolidated basis (CONT'D)

2. Gross fair value of derivative instruments

	September 30, 2020 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	**4**	**243**	**247**	**276**	**228**	**504**
Of which: Hedging derivatives	**1**	**-**	**1**	**259**	**-**	**259**
Foreign currency contracts	**102**	**479**	**581**	**41**	**515**	**556**
Contracts on shares	**-**	**608**	**608**	**-**	**608**	**608**
Commodities and other contracts	**-**	**2**	**2**	**-**	**2**	**2**
Total assets/liabilities in respect of derivatives gross[(1)]	**106**	**1,332**	**1,438**	**317**	**1,353**	**1,670**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**106**	**1,332**	**1,438**	**317**	**1,352**	**1,669**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	September 30, 2019 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	2	267	269	184	256	440
Of which: Hedging derivatives	-	-	-	162	-	162
Foreign currency contracts	65	463	528	39	540	579
Contracts on shares	-	280	280	-	280	280
Commodities and other contracts	-	1	1	-	1	1
Total assets/liabilities in respect of derivatives gross[(1)]	67	1,011	1,078	223	1,077	1,300
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	67	1,011	1,078	223	1,075	1,298
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2019 (audited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	3	246	249	146	238	384
Of which: Hedging	1	-	1	122	-	122
Foreign currency contracts	77	314	391	22	392	414
Contracts on shares	-	450	450	-	450	450
Commodities and other contracts	-	1	1	-	1	1
Total assets/liabilities in respect of derivatives gross[(1)]	80	1,011	1,091	168	1,081	1,249
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	80	1,011	1,091	168	1,079	1,247
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

(1) Of which: Gross fair value of liabilities in respect of embedded derivatives in an amount of NIS 1 million (30.9.19 - NIS 2 million, 31.12.19 - NIS 2 million).

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

B. Accounting Hedge

General

The Bank is exposued to market risks, including basis risks and interest risks. Basis risk is the exsisting or future risk to the income or capital of the Group which can materialize as a result from changes in the CPI or the exchange rates of foreign currency due to the difference between the value of the assets to the value of the liabilities. Interest risk is the risk to the earnings or capital deriving from flactuations in the interest rates. Changes in the interest rates affect the Bank's earnings by change in net earnings, and the value of the Bank's assets, its liabilities and off balance sheet instruments, since the present value of future cash flows (and even the cash flows themselves) changes when a change occur in the interest rates. As part of the overall strategy of the Bank to manage the level of exposure to basis and interest risks, the Bank uses derivative instruments such as foreign currency and CPI forwards, foreign currency options and interest rate swaps (swaping fixed interest rate with variable interest rate). The Bank have derivativies designated and qualified as fair value hedges.

If a derivative is not designated as qualified hedging, the derivative is stated according to fair value and changes in the fair value are stated on a current basis in the profit and loss statement.

Fair value hedges

The Bank designates certain derivatives as fair value hedges. The change in the fair value of the derivatives, hedging the exposure to changes in the fair value of the underlying of the asset, is recognized on a currect basis in the profit and loss statement, as well as the change in the fair value of the hedged instrument, which can be attributed to the hedged risk.

	For the three months ended September 30,	For the three months ended September 30,	For the nine months ended September 30,	For the nine months ended September 30,	For the year ended December 31,
	2020	2019	2020	2019	2019
		(unaudited)		(unaudited)	(audited)
					Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)					
Profit from fair value Hedge					
Interest contracts					
- Hedged items	**(10)**	35	**144**	153	105
- Hedging derivatives	**(1)**	(37)	**(168)**	(158)	(115)

	September 30, 2020 (unaudited)		September 30, 2019 (unaudited)		December 31, 2019 (audited)	
		Cumulative fair value adjustments increasing the book value		Cumulative fair value adjustments increasing the book value		Cumulative fair value adjustments increasing the book value
	Book value	Existing hedge relation	Book value	Existing hedge relation	Book value	Existing hedge relation
2. Items Hedged by fair value Hedge						
Securities- debt instruments classified as available for sale	**4,359**	**246**	3,149	154	3,185	105

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

	For the three months ended September 30, 2020 (unaudited)	For the three months ended September 30, 2019 (unaudited)	For the year ended December 31, 2019 (audited)
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)		
3. Effect of derivatives which were not designated as hedging instruments on statement of income			
Derivatives which were not designated as hedging instruments			
Interest contracts	**-**	(2)	(15)
Foreign currency contracts	**(3)**	(199)	(410)
Contracts on shares	**2**	2	6

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

	For the nine months ended September 30, 2020 (unaudited)	For the nine months ended September 30, 2019 (unaudited)
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
3. Effect of derivatives which were not designated as hedging instruments on statement of income		
Derivatives which were not designated as hedging instruments		
Interest contracts	**3**	(14)
Foreign currency contracts	**(12)**	(440)
Contracts on shares	**6**	5

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

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

D. Credit risk in respect of derivatives instruments, according to transaction counterparty

	September 30, 2020 (unaudited)					
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	**162**	**419**	**164**	**9**	**684**	**1,438**
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments[1]	**-**	**(317)**	**(35)**	**-**	**(237)**	**(589)**
Credit risk mitigation in respect of cash collateral received	**-**	**(38)**	**-**	**-**	**(262)**	**(300)**
Net amount of assets in respect of derivative instruments	**162**	**64**	**129**	**9**	**185**	**549**
Off balance sheet credit risk in respect of derivative instruments[2]	**-**	**385**	**52**	**15**	**1,404**	**1,856**
Off balance sheet credit risk mitigation	**-**	**(225)**	**(31)**	**-**	**(848)**	**(1,104)**
Net off balance sheet credit risk in respect of derivative instruments	**-**	**160**	**21**	**15**	**556**	**752**
Total credit risk in respect of derivative instruments	**162**	**224**	**150**	**24**	**741**	**1,301**
Balance sheet balance of liabilities in respect of derivative instruments	**117**	**557**	**500**	**11**	**485**	**1,670**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**(318)**	**(35)**	**-**	**(123)**	**(476)**
Cash collateral which was attached by a lien	**-**	**(162)**	**(19)**	**-**	**(16)**	**(197)**
Net amount of liabilities in respect of derivative instruments	**117**	**77**	**446**	**11**	**346**	**997**

	September 30, 2019 (unaudited)					
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	112	417	86	-	463	1,078
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments[1]	-	(330)	(20)	-	(133)	(483)
Credit risk mitigation in respect of cash collateral received	-	(28)	(2)	-	(94)	(124)
Net amount of assets in respect of derivative instruments	112	59	64	-	236	471
Off balance sheet credit risk in respect of derivative instruments[2]	-	306	37	-	950	1,293
Off balance sheet credit risk mitigation	-	(156)	(6)	-	(573)	(735)
Net off balance sheet credit risk in respect of derivative instruments	-	150	31	-	377	558
Total credit risk in respect of derivative instruments	112	209	95	-	613	1,029
Balance sheet balance of liabilities in respect of derivative instruments	85	504	225	-	486	1,300
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(330)	(20)	-	(52)	(402)
Cash collateral which was attached by a lien	-	(70)	(2)	-	-	(72)
Net amount of liabilities in respect of derivative instruments	85	104	203	-	434	826

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

C. Credit risk in respect of derivatives instruments, according to transaction counterparty (cont'd)

	December 31, 2019 (audited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	120	446	141	1	383	1,091
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(269)	(17)	-	(142)	(428)
Credit risk mitigation in respect of cash collateral received	-	(25)	(4)	-	(115)	(144)
Net amount of assets in respect of derivative instruments	120	152	120	1	126	519
Off balance sheet credit risk in respect of derivative instruments [2]	-	315	39	-	1,040	1,394
Off balance sheet credit risk mitigation	-	(152)	(6)	-	(704)	(862)
Net off balance sheet credit risk in respect of derivative instruments	-	163	33	-	336	532
Total credit risk in respect of derivative instruments	120	315	153	1	462	1,051
Balance sheet balance of liabilities in respect of derivative instruments [1]	97	390	203	-	559	1,249
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(269)	(17)	-	(85)	(371)
Cash collateral which was attached by a lien	-	(64)	-	-	-	(64)
Net amount of liabilities in respect of derivative instruments	97	57	186	-	474	814

(1) The fair value of derivative instruments subject to netting agreements NIS 475 million, government bonds received as collateral NIS 58 million, shares received as collateral NIS 55 million and corporate bonds received as collateral NIS 1 million, (30.9.19 - derivative instruments subject to netting agreements NIS 402 million, government bonds received as collateral NIS 79 million shares received as collateral NIS 2 million, 31.12.19 - derivative instruments subject to netting agreements NIS 371 million, government bonds received as collateral NIS 54 million and shares received as collateral NIS 3 million).

(2) The difference, if positive, between total amounts in respect of derivative instruments (including in respect of derivative instruments having a negative fair value) as computed for the purpose of limitations on indebtedness of a single borrower, according to credit risk mitigation, to the total balance of assets in respect of derivative instrument of the borrower.

D. Maturity dates (stated value amounts): Balance on consolidated basis

	September 30, 2020 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts -					
- NIS - CPI	**557**	**400**	**166**	**-**	**1,123**
- Other	**2,710**	**2,629**	**9,877**	**3,730**	**18,946**
Foreign currency contracts	**68,696**	**16,101**	**394**	**-**	**85,191**
Contracts of shares	**51,653**	**2,302**	**213**	**-**	**54,168**
Commodities and other contracts	**121**	**-**	**62**	**-**	**183**
Total	**123,737**	**21,432**	**10,712**	**3,730**	**159,611**

	September 30, 2019 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	94,301	20,851	13,268	3,348	131,768

	December 31, 2019 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	99,157	26,585	11,679	3,289	140,710

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

A. **Assignment of customers to the supervisory activity segments** - The reporting is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed in the Annual Financial Statements for 2019.

B. **Classification changes -** In previous periods, in business accounts operating in the capital market the classification to customers segments is in accordance to the value of the assets in the balance sheet or average value of the assets in the Bank and in business account in the real estate area the classification was in accordance to the value of the assets in the balance sheet or the volume of the credit lines. Starting with the first quarter of 2020, business customer operating in the capital market or in the real estate segment, which indebtedness is less than NIS 100 million, the classification to customers' segments is made in accordance to the value of assets in the balance sheet. Comparative data were reclassified.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

C. Operational supervision segment information

For the three months ended September 30, 2020 (Unaudited)

Activity in Israel

	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	**363**	**179**	**4**	**(1)**	**169**	**43**	**116**	**2**	**39**	**731**
Interest expense from external	**27**	**-**	**-**	**7**	**8**	**6**	**13**	**4**	**4**	**69**
Net interest income										
- From external	**336**	**179**	**4**	**(8)**	**161**	**37**	**103**	**(2)**	**35**	**662**
- Inter - segment	**(40)**	**(85)**	**(1)**	**13**	**(11)**	**2**	**(24)**	**9**	**51**	**-**
Total net interest income	**296**	**94**	**3**	**5**	**150**	**39**	**79**	**7**	**86**	**662**
Non-interest income	**145**	**4**	**22**	**18**	**85**	**17**	**23**	**46**	**38**	**372**
Total income	**441**	**98**	**25**	**23**	**235**	**56**	**102**	**53**	**124**	**1,034**
Expenses from credit losses	**26**	**10**	**-**	**1**	**36**	**13**	**14**	**1**	**-**	**91**
Operating and other expenses	**347**	**44**	**21**	**16**	**157**	**24**	**39**	**40**	**17**	**640**
Operating profit before taxes	**68**	**44**	**4**	**6**	**42**	**19**	**49**	**12**	**107**	**303**
Provision for taxes on operating profit	**25**	**16**	**1**	**2**	**15**	**7**	**17**	**5**	**38**	**109**
Operating profit after taxes	**43**	**28**	**3**	**4**	**27**	**12**	**32**	**7**	**69**	**194**
Bank's share in operating profit of investee company after tax effect	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**19**
Net profit:										
Before attribution to non-controlling interests	**43**	**28**	**3**	**4**	**27**	**12**	**32**	**7**	**88**	**213**
Attributed to non-controlling interests	**(7)**	**-**	**-**	**-**	**(2)**	**(1)**	**-**	**-**	**(2)**	**(12)**
Net profit attributed to shareholders of the Bank	**36**	**28**	**3**	**4**	**25**	**11**	**32**	**7**	**86**	**201**
Average balance of assets(1)	**47,717**	**27,247**	**2,684**	**48**	**17,901**	**5,544**	**16,986**	**1,299**	**65,131**	**154,626**
of which: Investee Company(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**624**	**624**
of which: Average balance of credit to the public(1)	**47,717**	**27,247**	**2,684**	**48**	**17,901**	**5,544**	**16,986**	**1,299**	**-**	**89,495**
Balance of credit to the public	**48,727**	**27,469**	**3,308**	**56**	(4)**18,330**	**5,509**	**16,511**	**1,677**	**-**	**90,810**
Balance of impaired debts	**164**	**6**	**-**	**-**	**238**	**70**	**257**	**-**	**-**	**729**
Balance in arrears over 90 days	**220**	**203**	**-**	**-**	**23**	**-**	**27**	**-**	**-**	**270**
Average balance of liabilities(1)	**62,023**	**370**	**72**	**8,961**	**22,634**	**5,522**	**12,137**	**22,860**	**11,423**	**145,560**
of which: Average balance of deposits from the public(1)	**60,929**	**-**	**-**	**8,904**	**22,076**	**5,331**	**11,247**	**22,685**	**-**	**131,172**
Balance of deposits from the public	**62,574**	**-**	**-**	**9,242**	**23,206**	**5,747**	**11,304**	**23,841**	**-**	**135,914**
Average balance of risk assets(1)(2)	**32,485**	**14,178**	**3,131**	**196**	**16,989**	**6,437**	**18,077**	**1,738**	**7,355**	**83,277**
Balance of risk assets(2)	**32,277**	**14,766**	**3,634**	**205**	**17,591**	**6,287**	**17,546**	**1,954**	**7,474**	**83,334**
Average balance of assets under management(1)(3)	**32,183**	**-**	**-**	**17,050**	**15,973**	**3,438**	**12,439**	**247,399**	**-**	**328,482**
Segmentation of net interest income:										
- Earnings from credit - granting activity	**266**	**95**	**3**	**-**	**144**	**38**	**78**	**2**	**-**	**528**
- Earnings from deposits - taking activity	**34**	**-**	**-**	**5**	**8**	**2**	**3**	**5**	**-**	**57**
- Other	**(4)**	**(1)**	**-**	**-**	**(2)**	**(1)**	**(2)**	**-**	**86**	**77**
Total net interest income	**296**	**94**	**3**	**5**	**150**	**39**	**79**	**7**	**86**	**662**

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Of which: housing loans amounting to NIS 1,188 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

C. Operational supervision segment information (CON'T)

	For the three months ended September 30, 2019 (Unaudited)*									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	314	110	4	-	175	47	99	5	59	699
Interest expense from external	10	-	-	9	14	4	11	12	(3)	57
Net interest income										
- From external	304	110	4	(9)	161	43	88	(7)	62	642
- Inter - segment	6	(29)	(1)	19	2	(2)	(19)	24	(30)	-
Total net interest income	310	81	3	10	163	41	69	17	32	642
Non-interest income	138	3	21	17	80	20	26	48	62	391
Total income	448	84	24	27	243	61	95	65	94	1,033
Expenses (income) from credit losses	10	-	-	-	11	(33)	43	2	-	33
Operating and other expenses	350	40	14	15	153	28	36	49	18	649
Operating profit before taxes	88	44	10	12	79	66	16	14	76	351
Provision for taxes on operating profit	30	16	3	3	26	27	3	5	25	119
Operating profit after taxes	58	28	7	9	53	39	13	9	51	232
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	15	15
Net profit:										
Before attribution to non-controlling interests	58	28	7	9	53	39	13	9	66	247
Attributed to non-controlling interests	(7)	-	-	-	(2)	-	-	-	(2)	(11)
Net profit attributed to shareholders of the Bank	51	28	7	9	51	39	13	9	64	236
Average balance of assets(1)	45,884	25,085	2,966	55	16,662	5,730	16,343	1,042	49,205	134,921
of which: Investee Company(1)	-	-	-	-	-	-	-	-	607	607
of which: Average balance of credit to the public(1)	45,884	25,085	2,966	55	16,662	5,730	16,343	1,042	-	85,716
Balance of credit to the public	47,140	25,198	3,796	60	(4)16,969	5,802	16,810	1,437	-	88,218
Balance of impaired debts	119	7	-	-	193	32	310	-	-	654
Balance in arrears over 90 days	214	190	-	-	36	-	-	-	-	250
Average balance of liabilities(1)	52,368	486	120	7,499	19,279	5,047	10,555	23,599	7,848	126,195
of which: Average balance of deposits from the public(1)	51,440	-	-	7,490	18,769	4,821	9,972	23,166	-	115,658
Balance of deposits from the public	51,706	-	-	7,526	18,894	5,008	10,254	22,904	-	116,292
Average balance of risk assets(1)(2)	31,720	14,122	3,190	210	16,425	6,600	16,196	1,082	7,988	80,221
Balance of risk assets(2)	31,572	13,642	3,893	220	16,578	6,559	16,188	1,405	7,955	80,477
Average balance of assets under management(1)(3)	35,708	-	-	18,083	16,182	4,164	13,182	237,960	-	325,279
Segmentation of net interest income:										
- Earnings from credit - granting activity	262	83	3	-	145	37	66	3	-	513
- Earnings from deposits - taking activity	53	-	-	10	21	5	6	15	-	110
- Other	(5)	(2)	-	-	(3)	(1)	(3)	(1)	32	19
Total net interest income	310	81	3	10	163	41	69	17	32	642

* Reclassified. See B on page 128.
(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Of which: housing loans amounting to NIS 1,101 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

C. Operational supervision segment information

	For the nine months ended September 30, 2020 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,090	457	11	-	503	132	286	10	139	2,160
Interest expense from external	77	-	-	23	36	8	27	12	(3)	180
Net interest income										
- From external	1,013	457	11	(23)	467	124	259	(2)	142	1,980
- Inter - segment	(96)	(185)	(2)	43	8	(4)	(31)	34	46	-
Total net interest income	917	272	9	20	475	120	228	32	188	1,980
Non-interest income	437	10	60	56	256	55	74	162	86	1,126
Total income	1,354	282	69	76	731	175	302	194	274	3,106
Expenses from credit losses	117	38	-	1	118	74	102	1	-	413
Operating and other expenses	1,028	124	46	49	462	74	113	126	42	1,894
Operating profit before taxes	209	120	23	26	151	27	87	67	232	799
Provision for taxes on operating profit	76	43	8	9	46	6	21	23	73	254
Operating profit after taxes	133	77	15	17	105	21	66	44	159	545
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	24	24
Net profit:										
Before attribution to non-controlling interests	133	77	15	17	105	21	66	44	183	569
Attributed to non-controlling interests	(19)	-	(1)	-	(4)	(2)	-	-	(4)	(29)
Net profit attributed to shareholders of the Bank	114	77	14	17	101	19	66	44	179	540
Average balance of assets(1)	47,185	26,631	2,628	48	17,605	5,620	17,616	1,401	59,121	148,596
of which: Investee Company(1)	-	-	-	-	-	-	-	-	612	612
of which: Average balance of credit to the public(1)	47,185	26,631	2,628	48	17,605	5,620	17,616	1,401	-	89,475
Balance of credit to the public	48,727	27,469	3,308	56	(4)18,330	5,509	16,511	1,677	-	90,810
Balance of impaired debts	164	6	-	-	238	70	257	-	-	729
Balance in arrears over 90 days	220	203	-	-	23	-	27	-	-	270
Average balance of liabilities(1)	58,809	354	64	8,597	21,538	5,572	13,215	21,774	10,117	139,622
of which: Average balance of deposits from the public(1)	57,717	-	-	8,534	20,978	5,379	12,333	21,591	-	126,532
Balance of deposits from the public	62,574	-	-	9,242	23,206	5,747	11,304	23,841	-	135,914
Average balance of risk assets(1)(2)	32,293	14,336	3,083	206	17,383	6,585	17,825	1,490	7,381	83,163
Balance of risk assets(2)	32,277	14,766	3,634	205	17,591	6,287	17,546	1,954	7,474	83,334
Average balance of assets under management(1)(3)	32,563	-	-	16,896	16,169	3,512	11,725	235,829	-	316,694
Segmentation of net interest income:										
- Earnings from credit - granting activity	802	275	9	-	440	114	221	10	-	1,587
- Earnings from deposits - taking activity	122	-	-	20	39	8	11	22	-	222
- Other	(7)	(3)	-	-	(4)	(2)	(4)	-	188	171
Total net interest income	917	272	9	20	475	120	228	32	188	1,980

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Of which: housing loans amounting to NIS 1,188 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)
(NIS million)

C. Operational supervision segment information (CON'T)

	For the nine months ended September 30, 2019 (Unaudited)*									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,129	518	11	-	513	142	317	12	224	2,337
Interest expense from external	143	-	-	41	68	15	53	65	10	395
Net interest income										
- From external	986	518	11	(41)	445	127	264	(53)	214	1,942
- Inter - segment	(58)	(281)	(2)	71	46	(3)	(55)	112	(113)	-
Total net interest income	928	237	9	30	491	124	209	59	101	1,942
Non-interest income	410	10	62	50	235	58	82	139	166	1,140
Total income	1,338	247	71	80	726	182	291	198	267	3,082
Expenses (income) from credit losses	49	2	-	-	38	(6)	9	2	-	92
Operating and other expenses	1,085	116	41	48	471	88	123	140	45	2,000
Operating profit before taxes	204	129	30	32	217	100	159	56	222	990
Provision for taxes on operating profit	72	46	10	11	77	39	60	20	78	357
Operating profit after taxes	132	83	20	21	140	61	99	36	144	633
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	39	39
Net profit:										
Before attribution to non-controlling interests	132	83	20	21	140	61	99	36	183	672
Attributed to non-controlling interests	(18)	-	(1)	-	(5)	(1)	-	-	(5)	(29)
Net profit attributed to shareholders of the Bank	114	83	19	21	135	60	99	36	178	643
Average balance of assets(1)	45,258	24,729	2,766	49	16,576	5,628	16,773	1,000	50,225	135,509
of which: Investee Company(1)	-	-	-	-	-	-	-	-	605	605
of which: Average balance of credit to the public(1)	45,258	24,729	2,766	49	16,576	5,628	16,773	1,000	-	85,284
Balance of credit to the public	47,140	25,198	3,796	60	(4)16,969	5,802	16,810	1,437	-	88,218
Balance of impaired debts	119	7	-	-	193	32	310	-	-	654
Balance in arrears over 90 days	214	190	-	-	36	-	-	-	-	250
Average balance of liabilities(1)	52,042	574	120	7,657	19,017	5,219	9,339	23,737	9,900	126,911
of which: Average balance of deposits from the public(1)	50,884	-	-	7,648	18,395	4,939	8,618	23,542	-	114,026
Balance of deposits from the public	51,706	-	-	7,526	18,894	5,008	10,254	22,904	-	116,292
Average balance of risk assets(1)(2)	31,490	13,694	3,136	208	16,411	6,680	16,408	1,066	7,444	79,707
Balance of risk assets(2)	31,572	13,642	3,893	220	16,578	6,559	16,188	1,405	7,955	80,477
Average balance of assets under management(1)(3)	35,310	-	-	16,813	15,894	3,980	13,000	232,048	-	317,045
Segmentation of net interest income:										
- Earnings from credit - granting activity	778	243	9	-	431	111	200	8	-	1,528
- Earnings from deposits - taking activity	163	-	-	30	67	16	17	52	-	345
- Other	(13)	(6)	-	-	(7)	(3)	(8)	(1)	101	69
Total net interest income	928	237	9	30	491	124	209	59	101	1,942

* Reclassified. See B on page 128.
(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Of which: housing loans amounting to NIS 1,101 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

C. Operational supervision segment information (CON'T)

	For the year ended December 31, 2019 (audited)*									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,669	670	15	14	670	164	265	16	287	3,085
Interest expense from external	172	-	-	52	87	17	67	77	11	483
Net interest income										
- From external	1,497	670	15	(38)	583	147	198	(61)	276	2,602
- Inter - segment	(253)	(349)	(2)	76	58	26	82	136	(125)	-
Total net interest income	1,244	321	13	38	641	173	280	75	151	2,602
Non-interest income	549	14	84	68	304	77	118	190	214	1,520
Total income	1,793	335	97	106	945	250	398	265	365	4,122
Expenses from credit losses	72	3	-	-	35	12	18	1	-	138
Operating and other expenses	1,443	156	57	65	622	114	167	184	59	2,654
Operating profit before taxes	278	176	40	41	288	124	213	80	306	1,330
Provision for taxes on operating profit	95	60	14	14	98	46	93	27	105	478
Operating profit after taxes	183	116	26	27	190	78	120	53	201	852
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	51	51
Net profit:										
Before attribution to non-controlling interests	183	116	26	27	190	78	120	53	252	903
Attributed to non-controlling interests	(24)	-	(1)	-	(5)	(3)	-	-	(6)	(38)
Net profit attributed to shareholders of the Bank	159	116	25	27	185	75	120	53	246	865
Average balance of assets(1)	45,476	24,871	2,798	50	16,653	5,623	16,599	1,039	50,865	136,305
of which: Investee Company(1)	-	-	-	-	-	-	-	-	605	605
of which: Average balance of credit to the public(1)	45,476	24,871	2,798	50	16,653	5,623	16,599	1,039	-	85,440
Balance of credit to the public	47,418	25,583	3,639	67	(4)17,264	5,539	17,280	1,261	-	88,829
Balance of impaired debts	156	10	-	-	220	35	298	-	-	709
Balance in arrears over 90 days	212	186	-	-	20	4	13	-	-	249
Average balance of liabilities(1)	52,093	525	106	7,619	19,232	5,225	10,527	23,365	9,516	127,577
of which: Average balance of deposits from the public(1)	50,896	-	-	7,611	18,660	4,968	9,861	22,825	-	114,821
Balance of deposits from the public	51,572	-	-	7,734	19,157	5,491	11,018	25,080	-	120,052
Average balance of risk assets(1)(2)	31,559	13,620	3,151	213	16,470	6,649	16,406	1,070	7,652	80,019
Balance of risk assets(2)	31,758	14,056	3,805	218	16,844	6,448	16,880	1,159	7,942	81,249
Average balance of assets under management(1)(3)	35,493	-	-	17,337	16,139	3,993	13,001	236,423	-	322,386
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,046	330	13	-	562	157	270	10	-	2,045
- Earnings from deposits - taking activity	215	-	-	38	88	20	21	66	-	448
- Other	(17)	(9)	-	-	(9)	(4)	(11)	(1)	151	109
Total net interest income	1,244	321	13	38	641	173	280	75	151	2,602

* Reclassified. See B on page 128.
(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Of which: housing loans amounting to NIS 1,038 million.

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH

The division into segments of activity according to the management approach is based on types of products and services or on types of customers. The chief operating decision maker of the Bank uses this division to make decisions and to analyze the Group's business results. For details regarding the assignment of customers to segments based on the management approach and rules for the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2019.

Beginning with the year 2020, the private customer segment of the Banking Division was divided into two operating segments:

- Households – which includes all operations of private customers, most of whom have financial assets portfolios with the Bank (including deposits, securities portfolios and other financial assets) in an amount under NIS 400 thousand.
- Private banking - which includes all operations of private customers having a medium to high financial wealth, most of whom having a financial assets portfolio of NIS 400 thousand and above.

The comparative data has been reclassified in accordance with the above.

	Banking Division				Corporate Division		
	Housing loans	**Households**	**Private banking**	**Other**	**Corporate customers**	**Commercial customers**	**Other**
Net interest income	**95**	**134**	**41**	**101**	**109**	**62**	**6**
Non-interest income	**4**	**54**	**108**	**52**	**56**	**19**	**5**
Total income	**99**	**188**	**149**	**153**	**165**	**81**	**11**
Expenses in respect of credit losses	**9**	**29**	**5**	**24**	**22**	**6**	**1**
Operating and other expenses	**46**	**171**	**130**	**113**	**84**	**45**	**7**
Operating profit (loss) before taxes	**44**	**(12)**	**14**	**16**	**59**	**30**	**3**
Provision for taxes (tax saving) on operating profit (loss)	**16**	**(4)**	**5**	**6**	**22**	**11**	**1**
Operating profit (loss) after taxes	**28**	**(8)**	**9**	**10**	**37**	**19**	**2**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss)							
Before attribution to non-controlling interests	**28**	**(8)**	**9**	**10**	**37**	**19**	**2**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**28**	**(8)**	**9**	**10**	**37**	**19**	**2**
Average balance of assets(1)	**27,033**	**14,674**	**3,946**	**10,024**	**23,510**	**9,308**	**880**
Balance of credit to the public at the end of the reported period	**27,728**	**14,924**	**4,146**	**10,983**	**23,713**	**9,347**	**771**
Balance of deposits from the public at the end of the reported period	**-**	**27,126**	**41,727**	**18,409**	**27,101**	**6,385**	**15,845**

(1) Average balance computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

For the three months ended September 30, 2020 (unaudited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
51	102	60	(99)	(51)	662
207	37	21	(191)	(170)	372
258	139	81	(290)	(221)	1,034
3	-	3	(11)	(3)	91
196	17	42	(211)	(166)	640
59	122	36	(68)	(52)	303
22	43	13	(26)	(21)	109
37	79	23	(42)	(31)	194
-	19	-	-	-	19
37	98	23	(42)	(31)	213
-	-	(12)	-	-	(12)
37	98	11	(42)	(31)	201
4,817	63,373	7,750	(10,689)	(4,817)	154,626
5,029	-	5,079	(10,910)	(5,029)	90,810
130,371	-	8,297	(139,347)	(130,371)	135,914

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CONT'D)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	85	145	54	118	106	73	13
Non-interest income	4	53	89	56	71	23	2
Total income	89	198	143	174	177	96	15
Expenses (income) in respect of credit losses	-	9	(1)	19	20	6	-
Operating and other expenses	43	200	119	114	76	44	8
Operating profit (loss) before taxes	46	(11)	25	41	81	46	7
Provision for taxes (tax saving) on operating profit (loss)	15	(4)	9	13	31	15	2
Operating profit (loss) after taxes	31	(7)	16	28	50	31	5
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	31	(7)	16	28	50	31	5
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	31	(7)	16	28	50	31	5
Average balance of assets[1]	24,971	14,358	3,953	10,019	21,874	9,287	1,208
Balance of credit to the public at the end of the reported period	25,499	15,060	4,351	9,976	22,521	9,455	1,487
Balance of deposits from the public at the end of the reported period	-	23,473	33,416	15,603	20,255	5,008	17,944

(1) Average balance computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

For the three months ended September 30, 2019 (unaudited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
113	24	62	(151)	(113)	642
191	63	22	(183)	(154)	391
304	87	84	(334)	(267)	1,033
2	-	1	(23)	(2)	33
169	17	49	(190)	(158)	649
133	70	34	(121)	(107)	351
43	20	12	(37)	(34)	119
90	50	22	(84)	(73)	232
-	15	-	-	-	15
90	65	22	(84)	(73)	247
-	-	(11)	-	-	(11)
90	65	11	(84)	(73)	236
5,434	46,054	6,731	(8,968)	(5,434)	134,921
5,954	-	5,064	(11,149)	(5,954)	88,218
110,379	-	6,874	(116,660)	(110,379)	116,292

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CONT'D)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	277	419	142	318	347	199	33
Non-interest income	10	155	329	157	179	60	15
Total income	287	574	471	475	526	259	48
Expenses in respect of credit losses	36	83	17	101	132	63	5
Operating and other expenses	129	505	401	331	230	127	21
Operating profit (loss) before taxes	122	(14)	53	43	164	69	22
Provision for taxes (tax saving) on operating profit (loss)	36	(5)	13	9	57	19	5
Operating profit (loss) after taxes	86	(9)	40	34	107	50	17
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	86	(9)	40	34	107	50	17
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	86	(9)	40	34	107	50	17
Average balance of assets(1)	26,431	14,720	3,936	9,798	24,326	9,264	1,080
Balance of credit to the public at the end of the reported period	27,728	14,924	4,146	10,983	23,713	9,347	771
Balance of deposits from the public at the end of the reported period	-	27,126	41,727	18,409	27,101	6,385	15,845

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	245	433	177	338	336	215	56
Non-interest income	11	153	289	156	167	62	15
Total income	256	586	466	494	503	277	71
Expenses (income) in respect of credit losses	1	45	4	49	(9)	33	5
Operating and other expenses	122	572	397	349	226	137	23
Operating profit (loss) before taxes	133	(31)	65	96	286	107	43
Provision for taxes (tax saving) on operating profit (loss)	46	(11)	23	33	111	37	15
Operating profit (loss) after taxes	87	(20)	42	63	175	70	28
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	87	(20)	42	63	175	70	28
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	87	(20)	42	63	175	70	28
Average balance of assets(1)	24,627	14,284	3,913	9,799	22,374	9,213	1,144
Balance of credit to the public at the end of the reported period	25,499	15,060	4,351	9,976	22,521	9,455	1,487
Balance of deposits from the public at the end of the reported period	-	23,473	33,416	15,603	20,255	5,008	17,944

(1) Average balance computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

	For the nine months ended September 30, 2020 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	226	**194**	**182**	**(357)**	**(226)**	**1,980**
	660	**91**	**62**	**(592)**	**(529)**	**1,126**
	886	**285**	**244**	**(949)**	**(755)**	**3,106**
	5	**-**	**18**	**(47)**	**(5)**	**413**
	606	**41**	**133**	**(630)**	**(509)**	**1,894**
	275	**244**	**93**	**(272)**	**(241)**	**799**
	77	**83**	**34**	**(74)**	**(66)**	**254**
	198	**161**	**59**	**(198)**	**(175)**	**545**
	-	**24**	**-**	**-**	**-**	**24**
	198	**185**	**59**	**(198)**	**(175)**	**569**
	-	**-**	**(29)**	**-**	**-**	**(29)**
	198	**185**	**30**	**(198)**	**(175)**	**540**
	5,247	**57,125**	**7,822**	**(11,153)**	**(5,247)**	**148,596**
	5,029	**-**	**5,079**	**(10,910)**	**(5,029)**	**90,810**
	130,371	**-**	**8,297**	**(139,347)**	**(130,371)**	**135,914**

	For the nine months ended September 30, 2019 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	351	86	183	(478)	(351)	1,942
	563	168	67	(511)	(453)	1,140
	914	254	250	(989)	(804)	3,082
	-	-	6	(42)	-	92
	568	43	148	(585)	(491)	2,000
	346	211	96	(362)	(313)	990
	120	73	34	(124)	(109)	357
	226	138	62	(238)	(204)	633
	-	39	-	-	-	39
	226	177	62	(238)	(204)	672
	-	-	(29)	-	-	(29)
	226	177	33	(238)	(204)	643
	5,812	48,112	6,861	(10,630)	(5,812)	135,509
	5,954	-	5,064	(11,149)	(5,954)	88,218
	110,379	-	6,874	(116,660)	(110,379)	116,292

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

(NIS million)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	331	577	233	446	421	283	95
Non-interest income	14	204	387	210	194	80	35
Total income	345	781	620	656	615	363	130
Expenses (income) in respect of credit losses	1	65	6	71	(42)	42	10
Operating and other expenses	163	747	544	459	263	182	50
Operating profit (loss) before taxes	181	(31)	70	126	394	139	70
Provision for taxes (tax saving) on operating profit (loss)	61	(11)	24	43	157	47	24
Operating profit (loss) after taxes	120	(20)	46	83	237	92	46
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	120	(20)	46	83	237	92	46
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	120	(20)	46	83	237	92	46
Average balance of assets(1)	25,255	14,347	3,950	9,806	21,952	9,242	1,415
Balance of credit to the public at the end of the reported period	25,872	15,022	4,304	9,875	23,006	9,352	1,383
Balance of deposits from the public at the end of the reported period	-	23,667	32,480	16,559	22,349	5,852	20,024

(1) Average balance calculated on the basis of balances at the beginning of the quarter or the beginning of the month.

For the year ended December 31, 2019 (audited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
457	132	246	(619)	(457)	2,602
755	214	90	(663)	(620)	1,520
1,212	346	336	(1,282)	(1,077)	4,122
(1)	-	11	(25)	1	138
791	58	200	(803)	(634)	2,654
422	288	125	(454)	(444)	1,330
143	98	46	(154)	(150)	478
279	190	79	(300)	(294)	852
-	51	-	-	-	51
279	241	79	(300)	(294)	903
-	-	(38)	-	-	(38)
279	241	41	(300)	(294)	865
5,753	48,206	6,952	(10,573)	(5,753)	136,305
6,221	-	5,116	(11,322)	(6,221)	88,829
115,128	-	6,962	(122,969)	(115,128)	120,052

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS million)

A. Debts(1) and off-balance sheet credit instruments

Provision for credit losses

1. Change in provision for credit losses

	For the three months ended September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	**706**	**150**	**300**	**1,156**	**-**	**1,156**
Expenses in respect of credit losses	**60**	**10**	**17**	**87**	**-**	**87**
- Accounting write-offs	**(32)**	**-**	**(28)**	**(60)**	**-**	**(60)**
- Collection of debts written off in accounting in previous years	**19**	**1**	**22**	**42**	**-**	**42**
Net accounting write-offs	**(13)**	**1**	**(6)**	**(18)**	**-**	**(18)**
Provision for credit losses at end of the period	**753**	**161**	**311**	**1,225**	**-**	**1,225**
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	**61**	**-**	**12**	**73**	**-**	**73**
increase in the provision	**4**	**-**	**-**	**4**	**-**	**4**
Provision in respect of off-balance sheet credit instruments at end of the period	**65**	**-**	**12**	**77**	**-**	**77**
Total provision for credit losses - debts and off-balance sheet credit instruments	**818**	**161**	**323**	**1,302**	**-**	**1,302**

	For the three months ended September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	501	121	265	887	-	887
Expenses in respect of credit losses	28	-	10	38	-	38
- Accounting write-offs	(45)	(1)	(27)	(73)	-	(73)
- Collection of debts written off in accounting in previous years	40	-	16	56	-	56
Net accounting write-offs	(5)	(1)	(11)	(17)	-	(17)
Provision for credit losses at end of the period	524	120	264	908	-	908
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	54	-	11	65	-	65
Decrease in the provision	(5)	-	-	(5)	-	(5)
Provision in respect of off-balance sheet credit instruments at end of the period	49	-	11	60	-	60
Total provision for credit losses - debts and off-balance sheet credit instruments	573	120	275	968	-	968

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

A. Debts[(1)] and off-balance sheet credit instruments (Cont'd)

Provision for credit losses (Cont'd)

1. Change in provision for credit losses (Cont'd)

	For the nine months ended September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year	**545**	**121**	**264**	**930**	**-**	**930**
Expenses in respect of credit losses	**276**	**38**	**79**	**393**	**-**	**393**
Accounting write-offs	**(117)**	**-**	**(98)**	**(215)**	**-**	**(215)**
Collection of debts written off in accounting in previous years	**49**	**2**	**66**	**117**	**-**	**117**
Net accounting write-offs	**(68)**	**2**	**(32)**	**(98)**	**-**	**(98)**
Provision for credit losses at end of the period	**753**	**161**	**311**	**1,225**	**-**	**1,225**
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year	**46**	**-**	**11**	**57**	**-**	**57**
Increase in the provision	**19**	**-**	**1**	**20**	**-**	**20**
Provision in respect of off-balance sheet credit instruments at end of the period	**65**	**-**	**12**	**77**	**-**	**77**
Total provision for credit losses - debts and off-balance sheet credit instruments	**818**	**161**	**323**	**1,302**	**-**	**1,302**

	For the nine months ended September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year	489	119	260	868	-	868
Expenses in respect of credit losses	47	2	47	96	-	96
Accounting write-offs	(146)	(2)	(96)	(244)	-	(244)
Collection of debts written off in accounting in previous years	134	1	53	188	-	188
Net accounting write-offs	(12)	(1)	(43)	(56)	-	(56)
Provision for credit losses at end of the period	524	120	264	908	-	908
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year	53	-	11	64	-	64
Decrease in the provision	(4)	-	-	(4)	-	(4)
Provision in respect of off-balance sheet credit instruments at end of the period	49	-	11	60	-	60
Total provision for credit losses - debts and off-balance sheet credit instruments	573	120	275	968	-	968

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

A. Debts* and off-balance sheet credit instruments (Cont'd)

2. Additional information regarding the method of calculating the provision for credit losses in respect of debts[(1)] and the underlying debts[(1)]

	September 30, 2020 (unaudited)					
	Credit to the public					
	Commercial [(3)]	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts[(1)]						
Examined on an individual basis	**36,209**	**-**	**384**	**36,593**	**3,359**	**39,952**
Examined on a collective basis	**5,922**	**27,469**	**20,826**	**54,217**	**-**	**54,217**
Of which: provision for which was calculated according to the extent of arrears	**104**	**27,451**	**-**	**27,555**	**-**	**27,555**
Total debts	**42,131**	**27,469**	**21,210**	**90,810**	**3,359**	**94,169**
Provision for credit losses in respect of debts[(1)]						
Examined on an individual basis	**668**	**-**	**48**	**716**	**-**	**716**
Examined on a collective basis	**85**	**161**	**263**	**509**	**-**	**509**
Of which: provision for which was calculated according to the extent of arrears	**1**	[(2)]**161**	**-**	**162**	**-**	**162**
Total provision for credit losses	**753**	**161**	**311**	**1,225**	**-**	**1,225**

	September 30, 2019 (unaudited)					
	Credit to the public					
	Commercial [(3)]	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts[(1)]						
Examined on an individual basis	35,691	-	320	36,011	2,190	38,201
Examined on a collective basis	5,579	25,198	21,430	52,207	-	52,207
Of which: provision for which was calculated according to the extent of arrears	252	25,184	-	25,436	-	25,436
Total debts	41,270	25,198	21,750	88,218	2,190	90,408
Provision for credit losses in respect of debts[(1)]						
Examined on an individual basis	462	-	34	496	-	496
Examined on a collective basis	62	120	230	412	-	412
Of which: provision for which was calculated according to the extent of arrears	2	[(2)]120	-	122	-	122
Total provision for credit losses	524	120	264	908	-	908

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

A. Debts* and off-balance sheet credit instruments (Cont'd)

2. Additional information regarding the method of calculating the provision for credit losses in respect of debts(1) and the underlying debts(1) (Cont'd)

	December 31, 2019 (audited)					
	Credit to the public					
	Commercial (3)	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts(1)						
Examined on an individual basis	36,094	-	340	36,434	3,173	39,607
Examined on a collective basis	5,483	25,583	21,329	52,395	-	52,395
Of which: provision for which was calculated according to the extent of arrears	233	25,566	-	25,799	-	25,799
Total debts	41,577	25,583	21,669	88,829	3,173	92,002
Provision for credit losses in respect of debts(1)						
Examined on an individual basis	485	-	38	523	-	523
Examined on a collective basis	60	121	226	407	-	407
Of which: provision for which was calculated according to the extent of arrears	2	(2)121	-	123	-	123
Total provision for credit losses	545	121	264	930	-	930

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Includes the provision exceeding the amount required according to the method of the extent of arrears, calculated on a collective basis in the amount of approximately NIS 121 million (30.9.19 - NIS 88 million, 31.12.19 - NIS 89 million).
(3) The balance of commercial debts includes housing loans in the amount of NIS 3,135 million, combined in the framework of transaction and collateral of the commercial borrowers or that have been granted to purchase groups at construction stages (30.9.19 - NIS 2,806 million, 31.12.19 - NIS 2,718 million).

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1]

1. Credit quality and arrears

	September 30, 2020 (unaudited)					
		Problematic[2]			Unimpaired debts - additional information	
	Non-problematic	Unimpaired	Impaired [3]	Total	In arrears of 90 days or more[4]	In arrears of 30 to 89 days[5]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**5,524**	**57**	**23**	**5,604**	**9**	**3**
Construction and real estate - real estate activities	**5,606**	**60**	**41**	**5,707**	**7**	**30**
Financial services	**6,837**	**3**	**7**	**6,847**	**-**	**2**
Commercial - other	**22,328**	**680**	**486**	**23,494**	**34**	**42**
Total commercial	**40,295**	**800**	**557**	**41,652**	**50**	**77**
Private individuals - housing loans	**27,149**	[6]**314**	**6**	**27,469**	**203**	**171**
Private individuals - others	**20,881**	**171**	**158**	**21,210**	**17**	**36**
Total public - activity in Israel	**88,325**	**1,285**	**721**	**90,331**	**270**	**284**
Banks in Israel	**883**	**-**	**-**	**883**	**-**	**-**
Israeli government	**651**	**-**	**-**	**651**	**-**	**-**
Total activity in Israel	**89,859**	**1,285**	**721**	**91,865**	**270**	**284**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**12**	**-**	**8**	**20**	**-**	**-**
Other commercial	**459**	**-**	**-**	**459**	**-**	**-**
Total commercial	**471**	**-**	**8**	**479**	**-**	**-**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total public - activity abroad	**471**	**-**	**8**	**479**	**-**	**-**
Banks abroad	**1,825**	**-**	**-**	**1,825**	**-**	**-**
Governments abroad	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**2,296**	**-**	**8**	**2,304**	**-**	**-**
Total public	**88,796**	**1,285**	**729**	**90,810**	**270**	**284**
Total banks	**2,708**	**-**	**-**	**2,708**	**-**	**-**
Total governments	**651**	**-**	**-**	**651**	**-**	**-**
Total	**92,155**	**1,285**	**729**	**94,169**	**270**	**284**

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.
(3) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 12.B.2.c. below.
(4) Classified as unimpaired problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 107 million (30.9.19 - NIS 108 million) were classified as unimpaired problematic debts.
(6) Includes a balance of housing loans, in the amount of approximately NIS 18 million (30.9.19 - NIS 20 million) with provision based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment, schedule with regard to the balance of the loan not yet due for repayment.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

1. Credit quality and arrears (Cont'd)

	September 30, 2019 (unaudited)					
		Problematic[2]			Unimpaired debts - additional information	
	Non-problematic	Unimpaired	Impaired [3]	Total	In arrears of 90 days or more[4]	In arrears of 30 to 89 days[5]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	4,983	37	37	5,057	14	9
Construction and real estate - real estate activities	5,130	10	19	5,159	1	1
Financial services	7,959	16	2	7,977	-	6
Commercial - other	21,776	488	469	22,733	21	45
Total commercial	39,848	551	527	40,926	36	61
Private individuals - housing loans	24,985	[6]206	7	25,198	190	209
Private individuals - others	21,405	233	112	21,750	24	57
Total public - activity in Israel	86,238	990	646	87,874	250	327
Banks in Israel	343	-	-	343	-	-
Israeli government	680	-	-	680	-	-
Total activity in Israel	87,261	990	646	88,897	250	327
Borrower activity abroad						
Public - commercial						
Construction and real estate	14	-	8	22	-	-
Other commercial	322	-	-	322	-	-
Total commercial	336	-	8	344	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	336	-	8	344	-	-
Banks abroad	1,167	-	-	1,167	-	-
Governments abroad	-	-	-	-	-	-
Total activity abroad	1,503	-	8	1,511	-	-
Total public	86,574	990	654	88,218	250	327
Total banks	1,510	-	-	1,510	-	-
Total governments	680	-	-	680	-	-
Total	88,764	990	654	90,408	250	327

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B.Debts(1) (Cont'd)

1. Credit quality and arrears (Cont'd)

	December 31, 2019 (audited)					
		Problematic(2)			Unimpaired debts - additional information	
	Non-problematic	Unimpaired	Impaired (3)	Total	In arrears of 90 days or more(4)	In arrears of 30 to 89 days(5)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	5,240	29	41	5,310	14	15
Construction and real estate - real estate activities	5,273	14	21	5,308	1	4
Financial services	7,985	6	3	7,994	-	25
Commercial - other	21,692	506	480	22,678	22	34
Total commercial	40,190	555	545	41,290	37	78
Private individuals - housing loans	25,355	(6)218	10	25,583	186	218
Private individuals - others	21,354	169	146	21,669	26	57
Total public - activity in Israel	86,899	942	701	88,542	249	353
Banks in Israel	964	-	-	964	-	-
Israeli government	1,039	-	-	1,039	-	-
Total activity in Israel	88,902	942	701	90,545	249	353
Borrower activity abroad						
Public - commercial						
Construction and real estate	14	-	8	22	-	-
Other commercial	265	-	-	265	-	-
Total commercial	279	-	8	287	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	279	-	8	287	-	-
Banks abroad	1,170	-	-	1,170	-	-
Governments abroad	-	-	-	-	-	-
Total activity abroad	1,449	-	8	1,457	-	-
Total public	87,178	942	709	88,829	249	353
Total banks	2,134	-	-	2,134	-	-
Total governments	1,039	-	-	1,039	-	-
Total	90,351	942	709	92,002	249	353

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(3) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 12.B.2.c. below.

(4) Classified as unimpaired problematic debts, accruing interest income.

(5) Accruing interest income Debts in arrears of 30 to 89 days, in the amount of approximately NIS 135 million were classified as unimpaired problematic debts.

(6) Includes a balance of housing loans, in the amount of approximately NIS 12 million with provision based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment, schedule with regard to the balance of the loan not yet due for repayment.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B.Debts[1] (Cont'd)

1. Credit quality and arrears (Cont'd)

Credit quailty - the status of debts in arrears

The credit risk policy of the Bank defines principal indicators for the examination of credit quality, among which are the default situation, rating of the customer, status of the collateral etc. The status of debts in arrears is monitored routinely, and serves as one of the key indicators of credit quality. The status of debts in arrears is determined based on actual days of arrears. Debts which are evaluated on an individual basis, are treated as nonperforming debts (debts not accruing interest income) after 90 days of arrears. In addition, debts restructuring of problematic debts, are treated as impaired debts. With regard to debts evaluated on a collective basis, the status of arrears effects the classification of the debt (the classification is more severe for more extensive arrears) and mostly after 150 days of arrears, the Bank performs an accounting write-off of the debt up to the extent of the collateral. With regard to housing loans, with the exception of loans without quarterly or monthly payments, the Bank establishes an allowance according to the method of the extent of arrears. It is noted, that in light of Bank of Israel instructions dated April 21, 2020 and as part of the efforts to assist borrowers in difficulties, debt arrangements which were made as a result of the Corona event and in order to stabilize borrowers which are not in arrears, in which the terms of the debt were changed, specifically the original repayment dates were postponed, were not taken into account when determining the default status or the classification of the debts.

For additional information regarding the balance of the actual postponed repayments, see note 16 in respect of the effects of the spreading of the Corona virus.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts (1)(Cont'd)

2. Additional information regarding impaired debts

	September 30, 2020 (unaudited)				
A. Impaired debts and the individual provision	Balance(2) of impaired debts for which an individual provision exists(3)	Individual provision(3)	Balance(2) of impaired debts for which no individual provision exists(3)	Total Balance(2) of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	**16**	**7**	**7**	**23**	**850**
Construction and real estate - real estate activities	**25**	**3**	**16**	**41**	**933**
Financial services	**7**	**2**	**-**	**7**	**1,157**
Commercial - other	**464**	**164**	**22**	**486**	**2,192**
Total commercial	**512**	**176**	**45**	**557**	**5,132**
Private individuals - housing loans	**-**	**-**	**6**	**6**	**8**
Private individuals - others	**144**	**39**	**14**	**158**	**278**
Total public - activity in Israel	**656**	**215**	**65**	**721**	**5,418**
Banks in Israel	**-**	**-**	**-**	**-**	**-**
Israeli government	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**656**	**215**	**65**	**721**	**5,418**
Borrower activity abroad					
Public - commercial					
Construction and real estate	**-**	**-**	**8**	**8**	**8**
Other commercial	**-**	**-**	**-**	**-**	**14**
Total commercial	**-**	**-**	**8**	**8**	**22**
Private individuals	**-**	**-**	**-**	**-**	**-**
Total public - activity abroad	**-**	**-**	**8**	**8**	**22**
Banks abroad	**-**	**-**	**-**	**-**	**-**
Government abroad	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**-**	**-**	**8**	**8**	**22**
Total public	**656**	**215**	**73**	**729**	**5,440**
Total banks	**-**	**-**	**-**	**-**	**-**
Total governments	**-**	**-**	**-**	**-**	**-**
Total(*)	**656**	**215**	**73**	**729**	**5,440**
(*) Of which:					
Measured at the present value of cash flows	**650**	**214**	**36**	**686**	
Debts in troubled debt restructuring	**222**	**60**	**42**	**264**	

(1) Credit to the public, credit to governments, deposits with banks, and other debts, excluding bonds and securities borrowed.
(2) Recorded debt balance.
(3) Individual provision for credit losses.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	September 30, 2019 (unaudited)				
A. Impaired debts and the individual provision	Balance(2) of impaired debts for which an individual provision exists(3)	Individual provision(3)	Balance(2) of impaired debts for which no individual provision exists(3)	Total Balance(2) of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	26	8	11	37	867
Construction and real estate - real estate activities	6	1	13	19	780
Financial services	2	1	-	2	998
Commercial - other	435	145	34	469	2,052
Total commercial	469	155	58	527	4,697
Private individuals - housing loans	-	-	7	7	8
Private individuals - others	100	27	12	112	214
Total public - activity in Israel	569	182	77	646	4,919
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	569	182	77	646	4,919
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	8	8	8
Other commercial	-	-	-	-	15
Total commercial	-	-	8	8	23
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	8	8	23
Banks abroad	-	-	-	-	-
Government abroad	-	-	-	-	-
Total activity abroad	-	-	8	8	23
Total public	569	182	85	654	4,942
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total(*)	569	182	85	654	4,942
(*) Of which:					
Measured at the present value of cash flows	569	182	42	611	
Debts in troubled debt restructuring	214	68	25	239	

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	December 31, 2019 (audited)				
A. Impaired debts and the individual provision	Balance[2] of impaired debts for which an individual provision exists[3]	Individual provision[3]	Balance[2] of impaired debts for which no individual provision exists[3]	Total Balance[2] of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	30	10	11	41	901
Construction and real estate - real estate activities	8	2	13	21	809
Financial services	3	1	-	3	1,023
Commercial - other	449	156	31	480	2,108
Total commercial	490	169	55	545	4,841
Private individuals - housing loans	-	-	10	10	11
Private individuals - others	132	35	14	146	252
Total public - activity in Israel	622	204	79	701	5,104
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	622	204	79	701	5,104
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	8	8	8
Other commercial	-	-	-	-	15
Total commercial	-	-	8	8	23
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	8	8	23
Banks abroad	-	-	-	-	-
Government abroad	-	-	-	-	-
Total activity abroad	-	-	8	8	23
Total public	622	204	87	709	5,127
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total(*)	622	204	87	709	5,127
(*) Of which:					
Measured at the present value of cash flows	614	204	40	654	
Debts in troubled debt restructuring	217	68	31	248	

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	For the three months ended September 30					
	2020			2019		
	(unaudited)			(unaudited)		
B. Average balance and interest income	Average balance of impaired debts[2]	Interest income recorded[3]	Of which: recorded on a cash basis	Average balance of impaired debts[2]	Interest income recorded[3]	Of which: recorded on a cash basis
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**26**	**-**	**-**	34	-	-
Construction and real estate - real estate activities	**38**	**-**	**-**	20	-	-
Financial services	**8**	**-**	**-**	4	-	-
Commercial - other	**485**	**1**	**-**	434	-	-
Total commercial	**557**	**1**	**-**	492	-	-
Private individuals - housing loans	**8**	**-**	**-**	6	-	-
Private individuals - others	**161**	**1**	**-**	110	-	-
Total public - activity in Israel	**726**	**2**	**-**	608	-	-
Banks in Israel	**-**	**-**	**-**	-	-	-
Israeli government	**-**	**-**	**-**	-	-	-
Total activity in Israel	**726**	**2**	**-**	608	-	-
Borrower activity abroad						
Public - commercial						
Construction and real estate	**8**	**-**	**-**	8	-	-
Other commercial	**-**	**-**	**-**	-	-	-
Total commercial	**8**	**-**	**-**	8	-	-
Private individuals	**-**	**-**	**-**	-	-	-
Total public - activity abroad	**8**	**-**	**-**	8	-	-
Banks abroad	**-**	**-**	**-**	-	-	-
Government abroad	**-**	**-**	**-**	-	-	-
Total activity abroad	**8**	**-**	**-**	8	-	-
Total public	**734**	**2**	**-**	616	-	-
Total banks	**-**	**-**	**-**	-	-	-
Total governments	**-**	**-**	**-**	-	-	-
Total	**734**	[4]**2**	**-**	616	[4]-	-

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

(2) Average recorded debt balance of impaired debts to the public in the reported period

(3) Interest income recognized in the reported period in respect of the average balance of impaired debts, during the period of time in which the debts have been classified as impaired.

(4) If the impaired debts were accruing interest in respect of the original terms, an interest income in the amount of NIS 8 million was recorded in three months ended September 30, 2020 (for three months ended September 30, 2019 - NIS 8 million).

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	For the nine months ended September 30					
			2020			2019
			(unaudited)			(unaudited)
B. Average balance and interest income	Average balance of impaired debts(2)	Interest income recorded(3)	Of which: recorded on a cash basis	Average balance of impaired debts(2)	Interest income recorded(3)	Of which: recorded on a cash basis
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**32**	**-**	**-**	36	-	-
Construction and real estate - real estate activities	**34**	**-**	**-**	22	-	-
Financial services	**6**	**-**	**-**	2	-	-
Commercial - other	**487**	**1**	**-**	374	1	-
Total commercial	**559**	**1**	**-**	434	1	-
Private individuals - housing loans	**8**	**-**	**-**	8	-	-
Private individuals - others	**157**	**1**	**-**	104	1	-
Total public - activity in Israel	**724**	**2**	**-**	546	2	-
Banks in Israel	**-**	**-**	**-**	-	-	-
Israeli government	**-**	**-**	**-**	-	-	-
Total activity in Israel	**724**	**2**	**-**	546	2	-
Borrower activity abroad						
Public - commercial						
Construction and real estate	**8**	**-**	**-**	8	-	-
Other commercial	**-**	**-**	**-**	-	-	-
Total commercial	**8**	**-**	**-**	8	-	-
Private individuals	**-**	**-**	**-**	-	-	-
Total public - activity abroad	**8**	**-**	**-**	8	-	-
Banks abroad	**-**	**-**	**-**	-	-	-
Government abroad	**-**	**-**	**-**	-	-	-
Total activity abroad	**8**	**-**	**-**	8	-	-
Total public	**732**	**2**	**-**	554	2	-
Total banks	**-**	**-**	**-**	-	-	-
Total governments	**-**	**-**	**-**	-	-	-
Total	**732**	(4)**2**	**-**	554	(4)2	-

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

(2) Average recorded debt balance of impaired debts to the public in the reported period

(3) Interest income recognized in the reported period in respect of the average balance of impaired debts, during the period of time in which the debts have been classified as impaired.

(4) If the impaired debts were accruing interest in respect of the original terms, an interest income in the amount of NIS 26 million was recorded in nine months ended September 30, 2020 (for nine months ended September 30, 2019 - NIS 21 million).

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	September 30, 2020 (unaudited)				
	Recorded debt balance				
C. Troubled debt restructuring	Not accruing interest income	accruing(2) in arrears of 90 days or more	accruing (2) in arrears of 30 to 89 days	Accruing(2), not in arrears	Total(3)
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	9	-	-	1	10
Construction and real estate - real estate activities	11	-	-	3	14
Financial services	1	-	-	-	1
Commercial - other	97	-	-	17	114
Total commercial	118	-	-	21	139
Private individuals - housing loans	-	-	-	-	-
Private individuals - others	84	-	-	33	117
Total public - activity in Israel	202	-	-	54	256
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	202	-	-	54	256
Borrower activity abroad					
Public - commercial					
Construction and real estate	8	-	-	-	8
Other commercial	-	-	-	-	-
Total commercial	8	-	-	-	8
Private individuals	-	-	-	-	-
Total public - activity abroad	8	-	-	-	8
Banks abroad	-	-	-	-	-
Governments abroad	-	-	-	-	-
Total activity abroad	8	-	-	-	8
Total public	210	-	-	54	264
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	210	-	-	54	264

(1) Credit to the public, credit to governments, deposits with banks, and other debts, excluding bonds and securities borrowed.
(2) Accruing interest income.
(3) Included in impaired debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	September 30, 2019 (unaudited)				
	Recorded debt balance				
C. Troubled debt restructuring	Not accruing interest income	accruing (2) in arrears of 90 days or more	accruing (2) in arrears of 30 to 89 days	Accruing(2), not in arrears	Total(3)
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	4	-	-	5	9
Construction and real estate - real estate activities	1	-	-	4	5
Financial services	2	-	-	-	2
Commercial - other	95	-	-	21	116
Total commercial	102	-	-	30	132
Private individuals - housing loans	-	-	-	-	-
Private individuals - others	71	-	-	28	99
Total public - activity in Israel	173	-	-	58	231
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	173	-	-	58	231
Borrower activity abroad					
Public - commercial					
Construction and real estate	8	-	-	-	8
Other commercial	-	-	-	-	-
Total commercial	8	-	-	-	8
Private individuals	-	-	-	-	-
Total public - activity abroad	8	-	-	-	8
Banks abroad	-	-	-	-	-
Governments abroad	-	-	-	-	-
Total activity abroad	8	-	-	-	8
Total public	181	-	-	58	239
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	181	-	-	58	239

(1) Credit to the public, credit to governments, deposits with banks, and other debts, excluding bonds and securities borrowed.
(2) Accruing interest income.
(3) Included in impaired debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	December 31, 2019 (audited)				
	Recorded debt balance				
C. Troubled debt restructuring (Cont'd)	Not accruing interest income	accruing (2) in arrears of 90 days or more	accruing (2) in arrears of 30 to 89 days	Accruing(2), not in arrears	Total(3)
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	8	-	-	4	12
Construction and real estate - real estate activities	3	-	-	4	7
Financial services	2	-	-	-	2
Commercial - other	89	-	-	22	111
Total commercial	102	-	-	30	132
Private individuals - housing loans	-	-	-	-	-
Private individuals - others	79	-	-	29	108
Total public - activity in Israel	181	-	-	59	240
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	181	-	-	59	240
Borrower activity abroad					
Public - commercial					
Construction and real estate	8	-	-	-	8
Other commercial	-	-	-	-	-
Total commercial	8	-	-	-	8
Private individuals	-	-	-	-	-
Total public - activity abroad	8	-	-	-	8
Banks abroad	-	-	-	-	-
Governments abroad	-	-	-	-	-
Total activity abroad	8	-	-	-	8
Total public	189	-	-	59	248
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	189	-	-	59	248

(1) Credit to the public, credit to governments, deposits with banks, and other debts, excluding bonds and securities borrowed.
(2) Accruing interest income.
(3) Included in impaired debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

C. Troubled debt restructuring (Cont'd)	Restructuring made - For the three months ended September 30 - 2020 - Number of contracts	Debt balance before restructuring	Debt balance after restructuring	2019 (unaudited) - Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**10**	**4**	**4**	9	2	2
Construction and real estate - real estate activities	**5**	**3**	**3**	-	-	-
Financial services	**1**	**-**	**-**	2	-	-
Commercial - other	**110**	**15**	**15**	76	14	14
Total commercial	**126**	**22**	**22**	87	16	16
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - others	**352**	**15**	**14**	363	17	17
Total public - activity in Israel	**478**	**37**	**36**	450	33	33
Banks in Israel	**-**	**-**	**-**	-	-	-
Israeli government	**-**	**-**	**-**	-	-	-
Total activity in Israel	**478**	**37**	**36**	450	33	33
Borrower activity abroad						
Public - commercial						
Construction and real estate	**-**	**-**	**-**	**-**	**-**	**-**
Other commercial	**-**	**-**	**-**	-	-	-
Total commercial	**-**	**-**	**-**	-	-	-
Private individuals	**-**	**-**	**-**	-	-	-
Total public - activity abroad	**-**	**-**	**-**	-	-	-
Banks abroad	**-**	**-**	**-**	-	-	-
Governments abroad	**-**	**-**	**-**	-	-	-
Total activity abroad	**-**	**-**	**-**	-	-	-
Total public	**478**	**37**	**36**	450	33	33
Total banks	**-**	**-**	**-**	-	-	-
Total governments	**-**	**-**	**-**	-	-	-
Total	**478**	**37**	**36**	450	33	33

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities that were borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	Restructuring made					
	For the nine months ended September 30					
	2020			2019		
				(unaudited)		
C. Troubled debt restructuring (Cont'd)	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**25**	**6**	**6**	24	4	4
Construction and real estate - real estate activities	**10**	**10**	**10**	3	1	1
Financial services	**4**	**2**	**2**	-	-	-
Commercial - other	**269**	**68**	**68**	258	53	53
Total commercial	**308**	**86**	**86**	285	58	58
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - others	**1,102**	**50**	**48**	1,075	51	51
Total public - activity in Israel	**1,410**	**136**	**134**	1,360	109	109
Banks in Israel	**-**	**-**	**-**	-	-	-
Israeli government	**-**	**-**	**-**	-	-	-
Total activity in Israel	**1,410**	**136**	**134**	1,360	109	109
Borrower activity abroad						
Public - commercial						
Construction and real estate	**-**	**-**	**-**	**-**	**-**	**-**
Other commercial	**-**	**-**	**-**	-	-	-
Total commercial	**-**	**-**	**-**	-	-	-
Private individuals	**-**	**-**	**-**	-	-	-
Total public - activity abroad	**-**	**-**	**-**	-	-	-
Banks abroad	**-**	**-**	**-**	-	-	-
Governments abroad	**-**	**-**	**-**	-	-	-
Total activity abroad	**-**	**-**	**-**	-	-	-
Total public	**1,410**	**136**	**134**	1,360	109	109
Total banks	**-**	**-**	**-**	-	-	-
Total governments	**-**	**-**	**-**	-	-	-
Total	**1,410**	**136**	**134**	1,360	109	109

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities that were borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	Restructuring made and failed (2)			
	For the three months ended September 30			
	2020		2019	
			(unaudited)	
c. **Troubled debt restructuring** (Cont'd)	**Number of contracts**	**Balance of debt recorded**	**Number of contracts**	**Balance of debt recorded**
Borrower activity in Israel				
Public - commercial				
Construction and real estate - construction	**6**	**1**	4	-
Construction and real estate - real estate activities	**-**	**-**	-	-
Financial services	**2**	**-**	-	-
Commercial - other	**38**	**3**	57	9
Total commercial	**46**	**4**	61	9
Private individuals - housing loans	**-**	**-**	-	-
Private individuals - others	**155**	**4**	190	6
Total public - activity in Israel	**201**	**8**	251	15
Banks in Israel	**-**	**-**	-	-
Israeli government	**-**	**-**	-	-
Total activity in Israel	**201**	**8**	251	15
Borrower activity abroad				
Public - commercial				
Construction and real estate	**-**	**-**	-	-
Other commercial	**-**	**-**	-	-
Total commercial	**-**	**-**	-	-
Private individuals	**-**	**-**	-	-
Total public - activity abroad	**-**	**-**	-	-
Banks abroad	**-**	**-**	-	-
Governments abroad	**-**	**-**	-	-
Total activity abroad	**-**	**-**	-	-
Total public	**201**	**8**	251	15
Total banks	**-**	**-**	-	-
Total governments	**-**	**-**	-	-
Total	**201**	**8**	251	15

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities that were borrowed.
(2) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as problematic debts during the 12 months that preceded the date in which they became debts in arrears.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts[1] (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	Restructuring made and failed [2]			
	For the nine months ended September 30			
	2020		2019	
			(unaudited)	
c. **Troubled debt restructuring** (Cont'd)	**Number of contracts**	**Balance of debt recorded**	**Number of contracts**	**Balance of debt recorded**
Borrower activity in Israel				
Public - commercial				
Construction and real estate - construction	**16**	**3**	13	2
Construction and real estate - real estate activities	**1**	**-**	-	-
Financial services	**3**	**-**	2	-
Commercial - other	**122**	**8**	125	17
Total commercial	**142**	**11**	140	19
Private individuals - housing loans	**-**	**-**	-	-
Private individuals - others	**473**	**11**	411	12
Total public - activity in Israel	**615**	**22**	551	31
Banks in Israel	**-**	**-**	-	-
Israeli government	**-**	**-**	-	-
Total activity in Israel	**615**	**22**	551	31
Borrower activity abroad				
Public - commercial				
Construction and real estate	**-**	**-**	-	-
Other commercial	**-**	**-**	-	-
Total commercial	**-**	**-**	-	-
Private individuals	**-**	**-**	-	-
Total public - activity abroad	**-**	**-**	-	-
Banks abroad	**-**	**-**	-	-
Governments abroad	**-**	**-**	-	-
Total activity abroad	**-**	**-**	-	-
Total public	**615**	**22**	551	31
Total banks	**-**	**-**	-	-
Total governments	**-**	**-**	-	-
Total	**615**	**22**	551	31

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities that were borrowed.

(2) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as problematic debts during the 12 months that preceded the date in which they became debts in arrears.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. Debts(1) (Cont'd)

3. Additional information regarding housing loans

Year-end balances by financing ratio (LTV) *, repayment type, and interest type

	September 30, 2020 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	**19,076**	**217**	**11,279**	**1,535**
- Over 60%	**7,907**	**80**	**4,869**	**994**
Secondary lien or no lien	**486**	**126**	**402**	**-**
Total	**27,469**	**423**	**16,550**	**2,529**

	September 30, 2019 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	17,365	259	10,441	1,123
- Over 60%	7,382	60	4,620	566
Secondary lien or no lien	451	122	349	-
Total	25,198	441	15,410	1,689

	December 31, 2019 (audited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	17,495	235	10,516	1,481
- Over 60%	7,625	71	4,705	738
Secondary lien or no lien	463	127	368	1
Total	25,583	433	15,589	2,220

* Ratio of the approved credit facility, when the facility was provided, to the value of the asset, as approved by the Bank when the facility was provided. The LTV is another indication of the Bank to assess the risk of the customer when approving the credit facility.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

C. Off-balance sheet financial instruments

	Balance of contracts[1]			Balance of provision for credit losses		
	30.9.20	**30.9.19**	**31.12.19**	**30.9.20**	**30.9.19**	**31.12.19**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**375**	290	135	**1**	-	-
Guarantees securing credit	**873**	878	914	**8**	9	6
Guarantees to home purchasers	**2,100**	2,547	2,325	**4**	5	5
Guarantees and other liabilities	**3,836**	4,178	4,140	**27**	21	20
Unutilized credit lines for derivatives instruments	**2,274**	2,303	2,268	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**10,409**	9,100	9,463	**20**	13	13
Irrevocable commitments to grant credit, not yet executed	**5,323**	4,571	5,197	**5**	4	4
Unutilized credit lines for credit card facilities	**8,569**	7,639	7,923	**6**	4	4
Facilities for the lending of securities	**383**	270	277	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**231**	162	172	**-**	-	-
Commitments to issue guarantees	**1,691**	1,148	1,511	**6**	4	5

(1) Balance of contracts or their stated amounts at the end of the period, before provision for credit losses.

(2) In addition, the Bank provided the courts with letters of self-undertaking unlimited in amounts, given in connection with legal proceedings, in order to secure compensation for the damage to the defendants in the event that the action against them is dismissed or the legal proceedings terminated because of any other reason.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

	September 30, 2020 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	**48,836**	**-**	**3,206**	**185**	**139**	**-**	**52,366**
Securities	**5,900**	**293**	**4,097**	**1,639**	**-**	**245**	**12,174**
Securities which were borrowed	**14**	**-**	**-**	**-**	**-**	**-**	**14**
Credit to the public, net[3]	**73,898**	**10,641**	**3,210**	**865**	**70**	**901**	**89,585**
Credit to the government	**30**	**621**	**-**	**-**	**-**	**-**	**651**
Investee company	**-**	**-**	**-**	**-**	**-**	**629**	**629**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**970**	**970**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**249**	**249**
Assets in respect of derivative instruments	**294**	**43**	**292**	**180**	**19**	**610**	**1,438**
Other assets	**787**	**5**	**60**	**2**	**-**	**440**	**1,294**
Total assets	**129,759**	**11,603**	**10,865**	**2,871**	**228**	**4,044**	**159,370**
Liabilities							
Deposits from the public	**106,192**	**4,655**	**19,584**	**3,265**	**1,316**	**902**	**135,914**
Deposits from banks	**1,517**	**-**	**187**	**5**	**8**	**-**	**1,717**
Deposits from the Government	**378**	**-**	**46**	**1**	**1**	**-**	**426**
Bonds and subordinated capital notes	**240**	**4,144**	**-**	**-**	**-**	**-**	**4,384**
Liabilities in respect of derivative instruments	**353**	**10**	**450**	**231**	**16**	**609**	**1,669**
Other liabilities	**5,705**	**73**	**62**	**3**	**1**	**88**	**5,932**
Total liabilities	**114,385**	**8,882**	**20,329**	**3,505**	**1,342**	**1,599**	**150,042**
Difference	**15,374**	**2,721**	**(9,464)**	**(634)**	**(1,114)**	**2,445**	**9,328**
Non-hedging derivatives							
Derivative instruments (not including options)	**(10,691)**	**(363)**	**9,248**	**696**	**1,110**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**202**	**-**	**(82)**	**(120)**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**(207)**	**-**	**134**	**73**	**-**	**-**	**-**
Total	**4,678**	**2,358**	**(164)**	**15**	**(4)**	**2,445**	**9,328**
Options in the money, net (present value of stated amount)	**226**	**-**	**(96)**	**(130)**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**(1,123)**	**-**	**686**	**437**	**-**	**-**	**-**

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	September 30, 2019 (unaudited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	33,140	-	1,055	165	156	-	34,516
Securities	3,401	335	4,724	1,683	-	310	10,453
Securities which were borrowed	126	-	-	-	-	-	126
Credit to the public, net(3)	72,466	9,774	3,419	892	137	622	87,310
Credit to the government	54	626	-	-	-	-	680
Investee company	-	-	-	-	-	607	607
Premises and equipment	-	-	-	-	-	988	988
Intangible assets and goodwill	-	-	-	-	-	227	227
Assets in respect of derivative instruments	556	52	154	29	6	281	1,078
Other assets	812	2	24	12	114	39	1,003
Total assets	110,555	10,789	9,376	2,781	413	3,074	136,988
Liabilities							
Deposits from the public	91,598	5,369	14,744	2,952	1,005	624	116,292
Deposits from banks	269	-	144	34	17	-	464
Deposits from the Government	318	1	46	2	1	-	368
Bonds and subordinated capital notes	474	3,216	-	-	-	-	3,690
Liabilities in respect of derivative instruments	652	14	238	112	4	278	1,298
Other liabilities	5,707	88	177	9	4	81	6,066
Total liabilities	99,018	8,688	15,349	3,109	1,031	983	128,178
Difference	11,537	2,101	(5,973)	(328)	(618)	2,091	8,810
Non-hedging derivatives							
Derivative instruments (not including options)	(7,216)	83	5,985	477	671	-	-
Options in the money, net (in terms of underlying asset)	170	-	(50)	(117)	(3)	-	-
Options out of the money, net (in terms of underlying asset)	110	-	(81)	(29)	-	-	-
Total	4,601	2,184	(119)	3	50	2,091	8,810
Options in the money, net (present value of stated amount)	212	-	(95)	(114)	(3)	-	-
Options out of the money, net (present value of stated amount)	(138)	-	(211)	350	(1)	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	December 31, 2019 (audited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	36,131	-	1,067	175	157	-	37,530
Securities	3,634	349	4,975	1,698	-	339	10,995
Securities which were borrowed	9	-	-	-	-	-	9
Credit to the public, net(3)	73,316	10,273	2,968	607	89	646	87,899
Credit to the government	415	624	-	-	-	-	1,039
Investee company	-	-	-	-	-	605	605
Premises and equipment	-	-	-	-	-	996	996
Intangible assets and goodwill	-	-	-	-	-	248	248
Assets in respect of derivative instruments	425	50	107	40	18	451	1,091
Other assets	649	4	10	1	-	34	698
Total assets	114,579	11,300	9,127	2,521	264	3,319	141,110
Liabilities							
Deposits from the public	94,780	5,315	15,124	3,059	1,126	648	120,052
Deposits from banks	885	-	225	18	9	-	1,137
Deposits from the Government	308	1	42	1	1	-	353
Bonds and subordinated capital notes	476	3,198	-	-	-	-	3,674
Liabilities in respect of derivative instruments	499	12	174	102	11	449	1,247
Other liabilities	5,536	75	32	4	1	75	5,723
Total liabilities	102,484	8,601	15,597	3,184	1,148	1,172	132,186
Difference	12,095	2,699	(6,470)	(663)	(884)	2,147	8,924
Non-hedging derivatives							
Derivative instruments (not including options)	(8,182)	81	6,346	842	913	-	-
Options in the money, net (in terms of underlying asset)	144	-	(7)	(137)	-	-	-
Options out of the money, net (in terms of underlying asset)	(98)	-	114	(16)	-	-	-
Total	3,959	2,780	(17)	26	29	2,147	8,924
Options in the money, net (present value of stated amount)	255	-	(32)	(223)	-	-	-
Options out of the money, net (present value of stated amount)	(1,103)	-	704	399	-	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(NIS million)

	September 30, 2020 (unaudited)				
	Stated in the Balance Sheet	Fair value[1]			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**52,366**	**731**	**51,630**	**5**	**52,366**
Securities[2]	**12,174**	**6,295**	**5,917**	**85**	**12,297**
Securities which were borrowed	**14**	**-**	**14**	**-**	**14**
Credit to the public, net	**89,585**	**3,243**	**315**	**86,755**	**90,313**
Credit to the government	**651**	**-**	**30**	**620**	**650**
Assets in respect of derivative instruments	**1,438**	**721**	**411**	**306**	**1,438**
Other financial assets	**265**	**90**	**-**	**175**	**265**
Total financial assets	**[3]156,493**	**11,080**	**58,317**	**87,946**	**157,343**
Financial liabilities					
Deposits from the public	**135,914**	**3,807**	**96,817**	**35,064**	**135,688**
Deposits from Banks	**1,717**	**-**	**907**	**808**	**1,715**
Deposits from the Government	**426**	**-**	**386**	**48**	**434**
Bonds and non-convertible subordinated capital notes	**4,384**	**4,261**	**-**	**102**	**4,363**
Liabilities in respect of derivative instruments	**1,669**	**721**	**931**	**17**	**1,669**
Other financing liabilities	**4,608**	**100**	**440**	**4,071**	**4,611**
Total financial liabilities	**[3]148,718**	**8,889**	**99,481**	**40,110**	**148,480**
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	**29**	**-**	**-**	**29**	**29**
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	**944**	**-**	**-**	**944**	**944**

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.
(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".
(3) Of which: assets of NIS 14,353 million and liabilities of NIS 5,577 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.
(4) The liability is shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

		September 30, 2019 (unaudited)			
	Stated in the				Fair value[1]
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	34,516	667	33,841	9	34,517
Securities[2]	10,453	3,980	6,495	106	10,581
Securities which were borrowed	126	-	126	-	126
Credit to the public, net	87,310	2,526	353	85,350	88,229
Credit to the government	680	-	54	625	679
Assets in respect of derivative instruments	1,078	396	425	257	1,078
Other financial assets	475	49	-	426	475
Total financial assets	[3]134,638	7,618	41,294	86,773	135,685
Financial liabilities					
Deposits from the public	116,292	3,816	81,823	30,428	116,067
Deposits from Banks	464	-	453	15	468
Deposits from the Government	368	5	313	58	376
Bonds and non-convertible subordinated capital notes	3,690	3,602	-	170	3,772
Liabilities in respect of derivative instruments	1,298	398	887	13	1,298
Other financing liabilities	4,778	170	380	4,226	4,776
Total financial liabilities	[3]126,890	7,991	83,856	34,910	126,757
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	32	-	-	32	32
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	923	-	-	923	923

* Reclassified. Presented after distribution of demand deposit to terms of maturity.

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 12,106 million and liabilities of NIS 5,291 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability is shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

	December 31, 2019 (audited)				
	Stated in the Balance Sheet				Fair value[1]
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	37,530	682	36,843	4	37,529
Securities[2]	10,995	4,249	6,768	102	11,119
Securities which were borrowed	9	-	9	-	9
Credit to the public, net	87,899	3,379	327	84,926	88,632
Credit to the government	1,039	-	35	1,001	1,036
Assets in respect of derivative instruments	1,091	539	359	193	1,091
Other financial assets	178	42	-	136	178
Total financial assets	[3]138,741	8,891	44,341	86,362	139,594
Financial liabilities					
Deposits from the public	120,052	4,032	84,362	31,463	119,857
Deposits from Banks	1,137	-	1,136	4	1,140
Deposits from the Government	353	-	306	55	361
Bonds and non-convertible subordinated capital notes	3,674	3,597	-	149	3,746
Liabilities in respect of derivative instruments	1,247	540	695	12	1,247
Other financing liabilities	4,315	47	471	3,794	4,312
Total financial liabilities	[3]130,778	8,216	86,970	35,477	130,663
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	33	-	-	33	33
In addition, the liability in respect of employee rights, gross - pension and severance pay [4]	927	-	-	927	927

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 13,330 million and liabilities of NIS 5,328 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability in shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

A. Fair value of financial instruments.

The Note includes information regarding the fair value of financial instruments. There is no quotable “market value” for most of the financial instruments of the Bank since they are not traded in an active market. Therefore, the fair value is derived by accepted pricing models, such as discounting future cash flows at interest rates reflecting the credit risk inherent in the financial instrument.

Determination of fair value, estimated by discounting future cash flows and determining the relative interest rates is subjective. Furthermore, the fair value estimations for most of the financial instruments does not necessarily indicate the realizable value on the reporting date. The estimated fair value was calculated according to interest rates prevailing on balance sheet date and does not consider interest rate fluctuations. Given other interest rate assumptions fair value estimates may differ materially. This is mainly the case where financial instruments have fixed interest rates or do not bear interest.

In addition, in determining fair value, commissions to be received or paid as a result of the said transactions and tax effects, in respect of the gap between the fair value and the balances at the balance sheet, were not taken into consideration.

Furthermore, the difference between the balance sheet and the fair value amounts may not be realized as the Bank may hold the instruments until maturity. As a result of all of these it is necessary to emphasize that the data included in this note does not reflect the net worth of the Bank as a going concern. Also, as a result of the wide range of possible estimation techniques and methods, care should be taken when comparing fair value of different banks.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

B. Principal methods and assumptions used for the calculation of the fair valueestimates of financial instruments

Marketable securities - According to their value in the principal market. Where there are several markets on which the instrument is traded, the assessment is made according to the most beneficial market.

Credit to the public - The fair value of the credit to the public balance was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date.
The fair value of impaired debts is assessed using discount rates that reflect the high credit risk inherent in such debts.
Anticipated future cash flows in respect of impaired debts and other debts have been assessed after deducting the effect of accounting write-offs and of provisions for credit losses in respect of the debts.
Accounting write-offs and provisions for credit losses are attributed, where possible, to periods in which these debts had been classified (example: where the provision was assessed on a specific basis, by the present value of future cash flows). In the absence of such data, accounting write-offs and provisions for credit losses are attributed proportionally to the outstanding balance of credit according to maturity periods at end of the period.
Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model.

Deposits, bonds and subordinate capital notes - By discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As regards bonds and subordinate debt notes that are traded as an asset on an active market, fair value is based upon quoted market prices or on traders' quotations regarding a similar liability traded as an asset on an active market.
Cashflows with respect to demand deposits (current accounts) were distributed based on statistical model for forecasting stable balances.
On the first nine months of 2020 an update to the model was performed, which caused an increase in the fair value in the amount of NIS 58 million. Comparative data were not restated.

Derivative financial instruments - Derivative financial instruments for which an active market exists have been estimated at market value, and where several active markets exist, have been estimated according to the most beneficial market.
Derivative financial instruments for which no active market exists have been calculated according to models which are used by the Group in current activity and take into account the inherent risks of the financial instrument (market risk, credit risk, etc.).

Off-balance sheet financial instruments and transactions the balance of which represents credit risk - the fair value has been assessed in accordance with commission earned in similar transactions at the reporting date, adjusted in respect of the remaining period of the transaction and the credit quality of the counterparty.

NOTE 14B - ITEMS MEASURED AT FAIR VALUE

(NIS million)

A. Items measured at fair value on a recurrent basis

	September 30, 2020 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	**3,485**	**5,655**	**-**	**-**	**9,140**
Shares not for trading	**130**	**-**	**-**	**-**	**130**
Trading Securities	**312**	**-**	**-**	**-**	**312**
Assets in respect of derivative instruments	**721**	**411**	**306**	**-**	**1,438**
Others	**3,333**	**-**	**-**	**-**	**3,333**
Total assets	**7,981**	**6,066**	**306**	**-**	**14,353**
Liabilities					
Liabilities in respect of derivative instruments	**721**	**932**	**17**	**-**	**1,670**
Others	**3,907**	**-**	**-**	**-**	**3,907**
Total liabilities	**4,628**	**932**	**17**	**-**	**5,577**

	September 30, 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)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	2,014	6,187	-	-	8,201
Shares not for trading	176	-	-	-	176
Trading Securities	76	-	-	-	76
Assets in respect of derivative instruments	396	425	257	-	1,078
Others	2,575	-	-	-	2,575
Total assets	5,237	6,612	257	-	12,106
Liabilities					
Liabilities in respect of derivative instruments	398	889	13	-	1,300
Others	3,991	-	-	-	3,991
Total liabilities	4,389	889	13	-	5,291

	December 31, 2019 (audited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	2,033	6,470	-	-	8,503
Shares not for trading	210	-	-	-	210
Trading Securities	105	-	-	-	105
Assets in respect of derivative instruments	539	359	193	-	1,091
Others	3,421	-	-	-	3,421
Total assets	6,308	6,829	193	-	13,330
Liabilities					
Liabilities in respect of derivative instruments	540	697	12	-	1,249
Others	4,079	-	-	-	4,079
Total liabilities	4,619	697	12	-	5,328

NOTE 14B - ITEMS MEASURED AT FAIR VALUE (CONT'D)

(NIS million)

B. Items measured at fair value on a non-recurrent basis

	September 30, 2020 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total gain (loss) for the nine months ended September 30, 2020
Investment in shares	**-**	**29**	**-**	**29**	**1**
Impaired credit the collection of which is contingent on collateral	**-**	**-**	**30**	**30**	**-**

	September 30, 2019 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total gain (loss) for the nine months ended September 30, 2019
Investment in shares	-	26	-	26	2
Impaired credit the collection of which is contingent on collateral	-	-	37	37	(1)

	December 31, 2019 (audited)				
	Level 1	Level 2	Level 3	Total fair value	Total gain (loss) for the year ended December 31, 2019
Investment in shares	-	27	-	27	2
Impaired credit the collection of which is contingent on collateral	-	-	35	35	-

NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3

(NIS million)

	For the three months ended September 30, 2020 (unaudited)							
	Fair value as at June 30, 2020	**Profits (losses) realized and unrealized Included in the profit and loss statement (1)**	**Purchases**	**Payments**	**Transfers to level 3, gross**	**Transfer from level 3, gross**	**Fair value as at September 30, 2020**	**Unrealized profits (losses) in respect of instruments held as at September 30, 2020**
Assets								
Assets in respect of derivative instruments	**245**	**332**	**14**	**(285)**	**-**	**-**	**306**	**152**
Liabilities								
Liabilities in respect of derivative instruments	**16**	**(1)**	**-**	**-**	**-**	**-**	**17**	**(1)**

	For the three months ended September 30, 2019 (unaudited)							
	Fair value as at June 30, 2019	**Profits (losses) realized and unrealized Included in the profit and loss statement (1)**	**Purchases**	**Payments**	**Transfers to level 3, gross**	**Transfer from level 3, gross**	**Fair value as at September 30, 2019**	**Unrealized profits (losses) in respect of instruments held as at September 30, 2019**
Assets								
Assets in respect of derivative instruments	153	318	19	(233)	-	-	257	147
Liabilities								
Liabilities in respect of derivative instruments	17	4	-	-	-	-	13	3

	For the nine months ended September 30, 2020 (unaudited)							
	Fair value as at December 31, 2019	**Profits (losses) realized and unrealized Included in the profit and loss statement (1)**	**Purchases**	**Payments**	**Transfers to level 3, gross**	**Transfer from level 3, gross**	**Fair value as at September 30, 2020**	**Unrealized profits (losses) in respect of instruments held as at September 30, 2020**
Assets								
Assets in respect of derivative instruments	**193**	**1,443**	**42**	**(1,372)**	**-**	**-**	**306**	**208**
Liabilities								
Liabilities in respect of derivative instruments	**12**	**(6)**	**-**	**(1)**	**-**	**-**	**17**	**(6)**

	For the nine months ended September 30, 2019 (unaudited)							
	Fair value as at December 31, 2018	**Profits (losses) realized and unrealized Included in the profit and loss statement (1)**	**Purchases**	**Payments**	**Transfers to level 3, gross**	**Transfer from level 3, gross**	**Fair value as at September 30, 2019**	**Unrealized profits (losses) in respect of instruments held as at September 30, 2019**
Assets								
Assets in respect of derivative instruments	252	590	48	(633)	-	-	257	153
Liabilities								
Liabilities in respect of derivative instruments	13	(1)	-	(1)	-	-	13	(2)

NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3 (CONT'D)

(NIS million)

	For the year ended December 31, 2019 (audited)							
	Fair value as at December 31, 2018	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at December 31, 2019	Unrealized profits (losses) in respect of instruments held as at December 31, 2019
Assets								
Assets in respect of derivative instruments	252	766	68	(893)	-	-	193	75
Liabilities								
Liabilities in respect of derivative instruments	13	(1)	-	(2)	-	-	12	-

(1) Realized profits (losses) are included in the profit and loss statement in the item non interest financing income.

NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3

	As of September 30, 2020 (unaudited)				
	Value Assessment technique	**Unobservable inputs**	**Fair value**	**Average**	**Range**
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	**10**	**0.59**	**(0.21)-1.14**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**9**	**1.64**	**1.40-1.75**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**43**	**0.04**	**(1.23)-0.31**
		2. Counter-party credit risk	**244**	**1.84**	**1.00-4.60**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	**7**	**0.06**	**(0.21)-0.15**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**10**	**(0.75)**	**(1.23)-(0.07)**
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collaterals value		**30**		

	As of September 30, 2019 (unaudited)				
	Value Assessment technique	**Unobservable inputs**	**Fair value**	**Average**	**Range**
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	1	(0.81)	(0.89)-(0.76)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	16	1.44	1.30-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	51	(1.22)	(1.34)-0.69
		2. Counter-party credit risk	189	1.33	0.90-4.97
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	-	(0.76)	(0.76)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	13	(1.23)	(1.34)-(0.70)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collaterals value		37		

NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3 (CONT'D)

	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			As of December 31, 2019 (audited)		
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	1	(1.06)	(1.13)-(0.85)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	16	1.44	1.30-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	50	(1.16)	(1.49)-(0.60)
		2. Counter-party credit risk	126	1.45	0.90-5.00
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	-	(1.06)	(1.13)-(0.86)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	12	(1.29)	(1.49)-(1.14)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collaterals value		35		

Qualitative information in respect of items measured at fair value included in level 3

- Interest linked to the CPI- a change in the forecasted inflation rate will affect the fair value of CPI transaction, so an increase (decrease) in the forecasted inflation rate will lead to an increase (decrease) in the fair value in accordance to the Bank's CPI position.
- Counter-party credit risk- a change in the credit risk of the counter-party to the transaction, so when the credit risk of the counter-party will be high/low, the value of the transaction will be high/low.

NOTE 15 - TAXES ON INCOME

In respect of the aforesaid in note 8 to the financial statements for 2019, after setteling the remained disagreement between the Bank and the Tax Authority, the Bank received in March 2020 final tax assessments for the years 2014-2017.
As a result, the Bank recorded in the first quarter of the year tax income in respect of previous years in the amount of NIS 35 million.
In the third quarter of the year 2019 the Bank recorded tax income in respect of previous years in the amount of NIS 15 million.

NOTE 16 - EFFECT OF THE SPREADING OF THE CORONAVIRUS

The Coronavirus had spread at a fast pace around the world which intensified in the third quarter of 2020. On the background of the second wave of the spreading of the virus, a second lockout was declared in Israel, the severe restrictions on passage and on operation were resumed. As of this date it is hard to anticipate when the economy will resume full operations. According to estimates of international entities, which take into account an optimistic scenario and pesimistic scenario, the forecast is for a recession in the global economy in 2020 and a recovery in 2021. However, there is a concern that the effect of the virus will be longer.

The spread of the virus led to a material adverse effect on the activity of the Israeli economy, to which the activity of the Bank is exposed, and which has existing and expected implications on the business of the Bank, including in respect of the increase in credit risk and in liquidity difficulties of borrowers, both in the business segment and in the private segment, and in respect of the slowdown in economic activity. Furthermore, the short-term lowering of the interest rates by the central banks, those that had been implemented already and additional lowering that may be announced, have an effect on the reduction in the future financing income and interest rates of the Bank. This, in addition to the decline in prices of marketable assets and changes in bond margins creating an adverse effect on the value of the marketable assets of the Bank, as well as other effects. From the operating standpoint and the business continuity standpoint the Bank adopted a series of processes and means, including distance working, dilution and/or split-up of units, changes in the format of operation of branches and activity regarding customers, deferral of mortgage and loan repayments, and more.

On background of the spreading of the Coronavirus and in order to ensure the ability of banks to continue and offer credit, the Supervisor of Banks reduced on March 31, 2020, the capital requirements of banks, within the framework of a Provisional Instruction for a period of six months with option for extension. On September 16, 2020 the Supervision of Banks published an update which include an extension of the provisional instruction by additional six months.

On November 15, 2020, an instruction was published, within the framework of the provisional instruction, which reduces the leverage ratio request by 0.5% (from 5% to 4.5%) until March 31, 2021. After the end of the period, the relief will be valid for another 24 months period, however, the leverage ratio will be not less from the ratio at the end of the provisional instruction or the minimal requested leverage ratio, prior to the provisional instruction, the ower of the two.

For additional details regarding the Directives of the Supervisor of Banks, capital adequacy goals and dividends, see Note 8, above.

In first nine months of the year, following the spreading of the virus, the Bank recorded credit loss expenses in the amount of NIS 352 million. Most of the growth stems from the increase in scope of the collective provision in the amount of NIS 322 million, as well as in the increase in the specific provision of NIS 30 million.

In this respect, it is noted that, following the Coronavirus event, the Bank deferred in the period until September 2020 loan repayments (principal and/or interest), which in accordance with Note 1C (2) above had not been classified as restructure of troubled debts, in the amount of NIS 144 million.

The reduction in prices of marketable assets, changes in interest curves in Israel and abroad and in bond margins, have adversely affected the value of marketable assets of the Bank. During the first nine months of the year, the value of the equities portfolio of the Bank declined by NIS 31 million, a loss from the sale of not for trading shares in the amount of NIS 15 million was recorded, and a decline of a nature other than temporary, in the amount of NIS 19 million, was recorded in the value of the available-for-sale bonds portfolio. In addition, an amount of NIS 20 million was recorded in other comprehensive loss in respect of available for sale bonds. As stated, it is not possible, at this stage, to estimate the full impact and scope of this event upon the Bank. This, due to the uncertainty as to the length of the spreading period of the virus, the steps taken to stop the spreading and their effectiveness, as well as uncertainty regarding the resulting implications on economic activity, trends in the capital market, and different fiscal measures that would be applied in this respect by governments, central banks and regulators.

NOTE 17 - ENGAGEMENT AGREEMENTS

A. Mr. Yaacov Sitt began officiating as Acting Chairman of the Board on March 8, 2020. In view of the amount of time required to fulfill his duties as Acting Chairman of the Board (estimated at 50% of his time), the general meeting of shareholders held on July 15, 2020, following approvals by the Compensation Committee and by the Board of Directors, approved the terms of office of Mr. Sitt as Acting Chairman of the Board, so that since the beginning of his office as Acting Chairman of the Board (on March 8, 2020) Mr. Sitt would be entitled to a fixed monthly remuneration of NIS 90,000, with the addition of VAT, so long as he officiated as Acting Chairman of the Board, this also instead of the Director remuneration, so that he would not be entitled to the annual remuneration or remuneration per Board meeting payable to Directors of the Bank, during the period of his office as Acting Chairman of the Board. The said monthly remuneration amount was currently linked in full to the rise in the Consumer Price Index. The monthly remuneration was payable against a VAT invoice issued to the Bank by the Acting Chairman of the Board or by a company owned by him. On September 15, 2020, with the entry into office of Mr. Ron Levkovitz as Chairman of the Board of the Bank, the office of Mr. Sitt as Acting Chairman of the Board of the Bank came to an end and he continues to act as Director of the Bank.

B. Mr. Ron Levkovitz was appointed Director and Chairman of the Board of Directors of the Bank on September 15, 2020. His appointment as Director, approved also by the general meeting of shareholders of the Bank held on November 5, 2020, is for a period of up to three years from date of approval by the meeting. The terms of office of the Chairman of the Board are for an unspecified period, and each party to the agreement may terminate it by a prior notice in writing of three months. The maximum fixed amount of remuneration of the Chairman of the Board is NIS 2,834 thousand per annum (including payment and provisions for severance pay and pension in accordance with the law and a provision in respect of a non-competition period, as stated in the terms of engagement). The maximum amount of the fixed remuneration is linked to the Consumer Price Index.

   The Chairman of the Board is entitled to contributions to a managers' insurance fund or to a provident fund, to a further education fund, to convalescence pay, refund of expenses incurred in fulfilling his duties, to annual vacation and to sick leave in accordance with his tems of engagement. The Chairman of the Board is also entitled to a company car and to its maintenance expenses. The Chairman of the Board has the right to apply for changes in his monthly remuneration and/or in the related benefits, subject to parallel changes and adjustments, and subject to any law and to the maximum fixed amount of remuneration (as defined by the terms of engagement).

   The terms of engagement of the Chairman of the Board define a graduate non-competition period with full remuneration (not including related benefits except for the company car and its maintenance expenses). The non-competition period would be one month in case his office is terminated during the first year of engagement, two months in case his office is terminated during the second year of engagement, and three months in case his office is terminated during the third year of engagement or thereafter. The Board of Directors has the right to waive the period of non-competition or a part thereof, and in such a case, the Chairman of the Board would not be entitled to the remuneration as stated above.

LIST OF TABLES -CORPORATE GOVERNANCE

Corporate Governance, Additional Information and Appendices to the Annual Report

CORPORATE GOVERNANCE

DISCLOSURE OF THE INTERNAL AUDITOR

Details regarding the Internal Auditor of the Bank (which also serves as the Internal Auditor in Massad Bank), including the working plan of the internal auditor department, conduct of the audit and the internal audit reports, were published in the annual financial statements for 2019.
The report of the internal audit for the year 2019 was discussed in the audit committee of the Bank on March 17, 2020.
The report of the internal auditor for the first half of the year 2020 was discussed in the audit committee of the Bank on September 15, 2020.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-September 2020, the Bank's Board of Directors held 23 meetings in plenary session and 47 meetings of its various Board Committees.

APPOINTMENTS AND RETIREMENT

Members of Management of the Bank

- Mr. Ilan Batzri Deputy President and Head of the Corporate Division will retire on January 1, 2021. On November 10, 2020, the Board of Directors of the Bank approved the following changes in Management of the Bank, which would become effective at a date to be determined in continuation.
- Mr. Bentzy Adiri, VP, acting at present as Head of Resources Division, will take over from Mr. Batzri the position of Head of the Corporate Division.
- Ms. Ella Golan, VP, acting at present as Head of the Banking Division, will take over from Mr. Adiri the position of Head of the resources Division.
- Mr. Ron Grisaro, acting at present as General Manager of MATAF Computing and Financial Operations Ltd. (a wholly owned subsidiary of the Bank), will join the Management of the Bank as VP and will take over from Ms. Golan the position of Head of the Banking Division.
- Ms. Haviva Dahan, Attorney-at-Law, acting at present as Head of the Legal department, was also appointed VP and member of Management.

Members of the Board of Directors

- The office of Mr. Menachem Inbar as an external Director and an independent Director of the Bank terminated on June 30, 2020, in accordance with the provisions of Proper Conduct of Banking Business Directive No. 301 of the Supervisor of Banks. The Board of Directors of the Bank wishes to thank Mr. Inbar for his contribution to the work of the Board and its committees.
- The office of Mr. Yaacov Sitt as Acting Chairman of the Board of Directors terminated on September 14, 2020. Mr. Sitt continues in office as member of the Board of Directors.

  On September 15, 2020, Mr. Ron Levkovitz was appointed as Director and as Chairman of the Board of Directors of the Bank.

  The Board of Directors of the Bank wishes to thank Mr. Sitt for his service as Acting chairman of the Board and wishes success to Mr. Levkovitz, the incoming Chairman of the Board.

- The office of Mr. Daniel Furman as an external Director and an independent Director of the Bank terminated on October 30, 2020, in accordance with the provisions of Proper Conduct of Banking Business Directive No. 301 of the Supervisor of Banks. The Board of Directors of the Bank wishes to thank Mr. Furman for his contribution to the work of the Board and its committees.
- Mr. Zvi Levron was appointed on November 10, 2020, as a Director of the Bank.
- The office of Mr. Joseph Horowitz as an external Director and an independent Director of the Bank terminated on November 15, 2020, in accordance with the provisions of the Companies Act. The Board of Directors of the Bank wishes to thank Mr. Horowitz for his contribution to the work of the Board and its committees.
- Ms. Pnina Bitterman-Cohen was appointed on November 15, 2020, as an external Director of the Bank, in accordance with the Companies Act.

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendments to the Securities Regulations (Periodic and immediate reports), 1970 - Reporting of transactions with controling interests

No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. Determination of criteria regarding transactions of the Bank with interested parties

No changes occurred during the reported period in the said criteria, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

c. Transactions with controlling interests or where the controlling interests have a personal interest therein, which were approved during the reported year in accordance with Section 270(4) and/or 267A of the Companies Act (including framework transactions that are still in effect at date of reporting and transactions approved under the Companies Regulations (Relief for transactions with interested parties), 2000 (hereinafter - "the Relief Regulations"):

1. On December 20, 2018, the general meeting of shareholders of the Bank, following approvals by the Audit Committee, the Compensation Committee and the Board of Directors of the Bank, approved the following resolutions:
   (a) The purchase of an insurance policy covering Directors and Officers liability for the Bank and for the companies in the Bank Group, as well as for FIBI Holdings Ltd., the controlling shareholder of the Bank, for a period of eighteen months as from January 1, 2019 and until June 30, 2020 (hereinafter – "the first insurance period").
   (b) Approval in advance, as a framework transaction as defined in Regulation 1(3) of the Relief Regulations, for the purchase by the Bank of insurance policies for the Bank and for companies in the Group, including FIBI Holdings, following the termination of the first insurance period and until December 31, 2024, whether by way of extending existing policies or by way of the purchase of new policies, which would apply to Officers officiating at the Bank and at the Group from time to time, including the President and CEO and including Officers who are controlling shareholders and/or their kin and/or persons whom the controlling shareholders may have a personal interest in their inclusion in the policy, subject to the terms stated therein (hereinafter – "the existing framework transaction").
   (c) Approval of the manner according to which the insurance fees in respect of the Directors and Officers Liability policy would be allocated among FIBI Holdings, the Bank and the other Group companies.

   For additional details regarding the existing framework transaction and the parameters for the allocation of the insurance fees, see the Immediate Report of the Bank dated November 6, 2018 (Ref No. 104847-01-2018). The mechanism for renewal of the insurance in terms of the existing framework transaction is also included in the Officers compensation policy of the Bank, as recently approved by the general meeting of shareholders of the Bank held on February 26, 2020 (hereinafter – "the compensation policy"). For further details regarding the compensation policy, see the Immediate Report of the Bank dated January 21, 2020 (Ref. No. 008841-01-2020).

On background of the significant increase in the cost of insurance and the rise in policy deductibles regarding Directors and Officers liability insurance, the general meeting of shareholders of the Bank held on July 15, 2020, following approval by the Audit Committee, the Compensation Committee and the Board of Directors, approved updates to the existing framework transaction, which became effective immediately following the termination of the first insurance period, namely, as from July 1, 2020, with respect to everything relating to the limit of the liability, the scope of the insurance fees and amount of deductibles (payable by the Group and not by the Officers), while the other terms of the existing framework transaction remained unchanged (including the length of period of the existing framework transaction that would terminate on December 31, 2024), all as detailed below:

A. The limit of the liability for the Group as a whole – up to US$150 million per single claim or cumulative.
B. The Audit Committee, the Compensation Committee and the Board of Directors of the Bank have approved the renewal of the policies stating that no material changes had been made to the terms of the insurance, except for the possibility to increase the liability limit, to the extent that the insurance fees would not exceed the amount stated in subparagraph C. below.
C. The insurance fees for the policy covering the whole Group shall not exceed US$1,200 thousand for a period of twelve months (with an additional fee pro-rata to the period exceeding twelve months).
D. The amount of deductibles in respect of the Bank/the relevant company in the Group shall not exceed US$500 thousand (the Directors and Officers shall not be charged in respect of deductibles).

The above resolution comprises, as stated, an update to the existing framework transaction as well as a resolution according to Section 267A of the Companies Act, as an amendment to Item 8.2 of the compensation policy, which would enable the renewal of the insurance policy also with respect to Directors and Officers who are controlling shareholders and/or their kin and/or persons whom the controlling shareholders may have a personal interest in their inclusion in the policy, as well as with respect to the President and CEO, and this in accordance with Regulations 1(3), 1B(5), 1A1 and 1B1 of the Relief Regulations.

The allocation of insurance fees among the Group companies shall be made according to the criteria determined and approved within the framework of the existing framework transaction, including with respect to FIBI Holdings, and no changes would apply in their respect.

With the approval of the general meeting, as stated, the approval by the Audit Committee, Compensation Committee and the Board of Directors for the purchase of Directors and Officers liability insurance takes effect for the insurance period starting on July 1, 2020 and terminating on June 30, 2021 (hereinafter – "the present insurance period"), in accordance with Sections 1(3), 1B(5), 1A1 and 1B1 of the Relief Regulations, including in the matter of its application also in respect of the President and CEO of the Bank and Officers who are controlling shareholders, and/or their kin, and/or persons whom the controlling shareholders may have a personal interest in their inclusion in the insurance policy. For further details, see the Immediate Report of the Bank dated June 30, 2020 (Ref. No. 061486-01-2020).

The principal terms of the policy for the present insurance period are: the limit for the liability of the whole Group – US$100 million per a single claim or cumulative; the insurance fees for the whole Group shall not exceed US$750 thousand for a period of twelve months; the deductibles in respect of the Bank (in case of a claim against the Bank) amounts to US$150 thousand or US$250 thousand in respect of claims served in the United States and Canada (the Directors and Officers shall not be charged in respect of deductibles).

2. On July 15, 2020, the general meeting of shareholders of the Bank, following approvals by the Compensation Committee and the Board of Directors of the Bank, approved the granting anew of a letter of indemnity to Directors who are controlling shareholders and/or their kin and/or persons whom the controlling shareholders may have a personal interest in granting them a letter of indemnity, under the same terms and in the same wording of the letter of indemnity granted to the other Directors and Officers of the Bank, and which had been granted also to them prior to the new approval for an additional period of three years beginning on the date of

approval by the general meeting stated above, namely, July 15, 2020. The version of the letter of indemnity is attached as Appendix "A" to the Immediate Report of the Bank dated June 30, 2020 (Ref. No. 061465-01-2020) presented hereby by way of reference.

For additional details regarding commitments to indemnify Directors and Officers of the Bank and of the Bank group, including Directors being controlling shareholders of the Bank, see Note 25C. to the financial statements of the Bank for the year 2019.

3. On July 15, 2020, the general meeting of shareholders of the Bank approved the terms of office of the acting Chairman of the Board, Mr. Yaacov Sitt, as detailed in Note 17 to the financial statements. Whereas the acting Chairman of the Board serves also as the President and CEO of FIBI Holdings Ltd., the controlling shareholder of the Bank, the Audit Committee, for reasons of care, approved his terms of office as an unexceptional transaction, in which a controlling shareholder may have a personal interest therein.

   The office of Mr. Sitt as Acting Chairman of the Board of Directors was terminated on September 15, 2020, with the appointment of a permanent Chairman of the Board. Mr. Sitt continues in office as Director of the Bank.

4. After obtaining the approval of the Compensation Committee and in accordance with Regulation 1B of the Companies Regulations (Relief regarding transactions with interested parties), 2000, the Board of Directors of the Bank ratified on September 15, 2020, the continuation of the payment of remuneration to Directors having a controlling interest in the Bank, as was the practice prior to the ratification, for a period of three additional years, all as detailed in the Immediate Report of the Bank dated September 15, 2020 (Ref No. 092554-01-2020), included herein by way of reference. The approved amount of the remuneration agrees with the policy for the compensation of officers of the Bank, as approved by the general meeting of shareholders held on February 26, 2020, the details of which, with respect to the remuneration payable to all the Directors (excluding the Chairman of the Board) are stated in Section 7 of Appendix "A" to the Immediate Report of the Bank dated January 21, 2020 (Ref. No. 008841-01-2020) included herein by way of reference.

d. Additional information regarding transactions with interested parties, which had undergone changes in the reported period

Set out below is a collation of data concerning banking transactions that were conducted by the Bank and companies under its control with the controlling owners at the Bank (including their relatives and companies in which controlling owners at the Bank are interested parties), including data concerning transactions conforming to the criteria that were determined with respect to negligible transactions, contained in the financial statements for the year 2018 (NIS thousand):

Indebtedness	Credit	Investment in bonds	Fair value of derivatives	Total balance-sheet monetary indebtedness	Unutilized credit balance	Guarantees granted by Bank for securing credit to a controlling owner or to a party related thereto	Guarantees granted to Bank by controlling owner in favor of third party	Indebtedness of controlling owner in respect of transactions in derivatives	Total
									NIS thousand
Indebtedness of others(1)									
September 30, 2020	**152**	**-**	**-**	**152**	**568**	**-**	**-**	**-**	**720**
December 31, 2019	127	-	-	127	533	-	-	-	660

Deposits	September 30, 2020		December 31, 2019	
	Balance on balance-sheet date	Highest balance during period(3)	Balance on balance-sheet date	Highest balance during period(3)
		NIS thousand		NIS thousand
Deposits of others(1)	**1,904**	**3,862**	2,421	22,157

(1) Relatives of controlling shareholders of the Bank. As the term relative is defined in the Banking Law (licensing)-1981.
(2) On the basis of balances at the end of each day.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. owns 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the control core in accordance with the control permit granted by Bank of Israel). The controlling shareholders of FIBI are Mr. Zadik Bino and his children, Nessrs. Gil Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino Family), Messrs. Michael and Helen Abeles and Messrs. Barry Lieberman, Casey Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the said groups through corporations under their full control: Binohon Ltd., Instanz No. 2 Ltd. and Dolphin Energies Ltd.). The controlling shareholders are party to various arrangements concerning their holdings in FIBI, and indirectly, at the Bank, as detailed in the Chapter "Details regarding the stakeholders in the Bank" in the financial report for 2019.

In accordance with FIBI's reports as of date of the publication of the financial statements, the holdings of the controlling stakeholders in FIBI (in equity and voting) are as follows: Binohon – 28.54%, Instanz No. 2 Ltd. – 11.68% and Dolphin Energies Ltd - 11.68% (the holdings of all shareholders in FIBI comprise the control core in accordance with the control permit granted by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.

A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes, and, of course, the scope of effect of the Corona pandemic, while with respect to legislation not yet finalized, it is also not possible to assess whether it would be in fact be enacted and what would be its final content.

A PERIOD OF EMERGENCY – THE CORONAVIRUS CRISIS

Proper Conduct of Banking Business Directive No 250 – modifications to Proper Conduct of Banking Business Directives for the purpose of confronting the Coronavirus crisis (Provisional instructions)

The instruction was first published on March 19, 2020 (since updated several times) on background of the outbreak of the Coronavirus. It includes a series of mitigating instructions the aim of which was to allow banking corporations the required business flexibility in this period and provide assistance to households and businesses in the evolving exceptional circumstances. The Directive is in force until September 30, 2020, and the Supervisor of Banks, with approval of the Governor, may extend its validity for an additional period not to exceed six months ("the period of the provisional instruction"). The validity of the period of the provisional instruction was extended on September 16, 2020, for an additional period of six months, until March 31, 2021, with the exception of a number of mitigating instructions, which had not been extended over and above the period of the provisional instruction, or which had been extended for a shorter period of time.

In addition to that, specific relief has been granted regarding different matters, inter alia, with regards to certain reporting duties to the Supervisor in this period, to deferral of certain dates stated in Proper Conduct of Banking Business Directives, and to the deferral of dates of entry into effect of different instructions.

The modifications and proposed changes cover a considerable variety of subjects, which had changed and are changing frequently in accordance with needs arising from the confrontation with the crisis and its implications.

Presented hereunder are some of the principal mitigating instructions determined by the Provisional Instruction and/or by specific guidelines of the Supervisor of Banks:

- Reduced regulatory capital requirements applying to banks by one percentage point for the period of the Provisional Instructions and thereafter for a period of two additional years under specified conditions (for details regarding this matter, see Note 8A(1) to the financial statements).
- Banking corporations have been instructed to review their dividend distribution policy and that for the acquisition of their own shares (for details regarding this matter, see Note 8D to the financial statements).
- Mitigation of the leverage ratio by one-half of a percent relating to a banking corporation, such as the Bank, the total stated assets of which, on a consolidated basis, amounts to up to 24% of the total stated assets of the banking sector, is in effect as from November 15, 2020 and until March 31, 2021, thereafter for two additional years under determined conditions (details for this matter are presented in Note 8B. to the financial statements).
- Permitting banks to use electronic communication means for the holding of board of directors' meetings instead of personal attendance of members, as well as allowing the chairmen of the boards and their committees to determine dates and frequencies of meetings for discussion of required subjects at their discretion and taking into consideration

developing risks, while mitigating the requirements for the minimum number of meetings stated in the instruction as well as the dates for approval and distribution of draft minutes of meetings.

- Increasing the maximum amount of the credit facilities allocated to the construction and real estate sector from 20% to 22% of total indebtedness of the public, which would remain in effect until the end of twenty-four months from date of expiry of the Provisional Instruction period, on condition that the rate of indebtedness should not exceed the rate existing at date of expiry of the Provisional Instruction period.
- It has been determined that the rate of branches open for business shall not be lower than the rate stated in the Instruction, and that the services provided by them would be cash withdrawals and the deposit of cash and checks only. Other services would be provided by appointment only and subject to their availability at the branch. The said rate has been updated from time to time, starting with 15% and reaching 50%, until the announcement of Bank of Israel on May 10, 2020, that all branches of the banking system would be open for business by May 13, 2020, providing all services that had been provided by them prior to the Corona crisis. On June 1, 2020, Bank of Israel announced that a banking corporation may determine that, as a general rule, service would be provided at the branches subject to prior appointment, and the banking corporation has to advertise on its website the classes of customers and the cases in respect of which service would be provided without prior appointment. On background of the different restrictions imposed on the market, Bank of Israel announced on September 22, 2020, that banks may reduce the activity of their branch network, on condition that the ratio of branches open to business would not be below 80%, and that the services provided by them would, at least, include those services that are not available on the online banking channels.
- Relief has been granted in the matter of management of credit facilities in current accounts and the field of action of banks in treatment of deviations from such facilities has been widened, on background of expected cash flow difficulties of customers.
- Banks have been granted the possibility of approving residential loans not intended for the purchase of rights in real estate up to a financing level of 70%, subject to the declaration of the borrower that the loan is not intended to serve the purchase of an additional apartment, certain mitigating terms have been set at different dates with respect to the granting of residential loans (issue of letters of intension, settlement confirmations and notice of purchased on behalf of the bank in cases where the insurance policy presented does not agree with the requirements of the bank), mitigating terms have been set with respect to the ratio of repayment to income limitation, allowing banks to take into consideration, for the purpose of assessing income, subject to certain conditions, the average amount of income of the borrower in the three months prior to his being suspended on unpaid leave or being downgraded to a part-time employment, the bank having to determine a total limit regarding the volume of credit extended under these mitigating terms. It has been further determined that the additional capital requirement at the rate of one percentage point, shall not apply to residential loans approved as from March 19, 2020 and until the end of the provisional Instruction period.
- An extension was granted for submitting financial statements required of the extension of credit to borrowers in accordance with Proper Conduct of Banking Business directive o. 311.
- The documentation requirements upon a change in terms of an existing loan have been mitigated.
- Banks have been given the possibility to induce customers to join the online banking services by means of the online approach, as well as using the online banking channels to inform customers, who do not own a debit card, of the possibility of issuance of debit cards to them.
- The duty of recording conversations has been mitigated in certain circumstances, so that entering an online banking agreement, entering an agreement authorizing instructions by telephone, and the marketing of credit to retail customers may be documented using alternative means where recording is not possible.
- Relief has been granted regarding the manner of responding to customer complaints and to the delivery of notice regarding their right to object to the response. It was also determined that in exceptional circumstances, it would be

possible to publish a notice to all customers with respect to the extension of the date and the reason for the delay, using online means.

- The definition of a "senior citizen" has been updated so that the minimum age for entitlement to priority in obtaining telephonic response has been reduced to 70 (instead of 75).
- The limit on the amount of a single check that may be deposited using the mobile phone has been raised from NIS 20 thousand to NIS 50 thousand.
- The period for responding to the request of a customer to close his account has been extended from five days to fourteen days from the date on which the customer had fulfilled the requirements determined by Proper Conduct of Banking Business Directive No. 432. This relief expired on September 30, 2020.
- It has been made possible for banks to receive instructions from customers to cancel authorization to charge an account, or an authorization for charging an account by telephone, subject to documentation of the conversation.
- It has been made possible to obtain a documented consent of the customer (including by telephone) to a debt arrangement. This relief has recently been approved permanently.
- The requirement to conduct a security review, at least once every eighteen months, in respect of high-risk systems and online banking systems, has been deferred. Also deferred is the requirement to conduct certain reviews of the internal audit function and of operating risks.
- The FATCA, CRS, the US IRS and the OECD have deferred the reporting dates, until which the tax authorities of the different countries have to submit reports as of December 31, 2020. On October 20, 2020, the Finance Committee of the Knesset, approved regulations that allow deferral of the said reporting dates as well as other dates stated in the regulations for the application of the FATCA and CRS instructions.
- Guidelines were issued on April 21, 2020, regarding "points of emphasis in reports to the public for the first quarter of 2020", and on June 16, 2020 and on October 11, 2020, guidelines in the matter were issued also with respect to the quarterly and annual reports for 2020.

Banking order (customer service)(supervision on debit card fees services, notice letter issued by lawyer and transaction made by an official in call center)(provisional instruction), 2020

The order was published on September 13, 2020, which in its framework the Bank of Israel announced on three banking services as services which are under supervision. The order affects individual customers and small businesses, and the services included therein are debit card fees, for which no fees are to be collected (as from October 2020 until March 2021), notice letter issued by a lawyer and transaction made by an officail in call center (regarding these two fees- from October 13, 2020 until April 13, 2020).

Outline for the deferral of loan repayments

Bank of Israel announced on May 12, 2020, the formation of a uniform outline for the deferral of loan repayments ("the outline"), which has been adopted by the banking system and applies to three segments of operation – mortgages, consumer credit and business credit (as defined in the outline). The outline states for each of the said segments, minimum conditions required for a loan to be included in the outline, the scope of discretion of the bank with respect to the deferral of repayments, as well as states the rules for the repayment deferral format for each of the segments, the essence of which are: the periods for the deferral of repayments, dates for submission of applications for deferral, prohibition on the charging of commission in respect of the deferral process, the rate of interest to be charged on the deferred repayments, the manner of spreading the repayment of the loan, and more.

On July 13, 2020, the Supervisor of Banks announced the expansion of the outline, within the framework of which, inter alia, the period for submission of applications for deferral of repayments was extended to October 30, 2020, and the possible length of the deferral period was extended with respect of a part of the borrowers. The extended outline applies both to customers who had already deferred loan repayments during the Corona crisis and require further assistance, and to customers who have not yet applied for deferral, as stated.

On September 29, 2020, Bank of Israel announced the extension and additional expansion of the Outline, within the framework of which, the period for submission of an application for deferral of loan repayments has been extended to December 31, 2020, and the possible length of the deferral period for a part of the borrowers has been extended. Moreover, the Outline was updated with respect to a part of the loans, so that the deferral granted with no discretion of the bank, would apply only to the principal sum component of the loan. The updated Outline applies both to customers who had already deferred their loan repayments during the crisis, and to customers who have not yet applied for a deferral, as stated.

The Securities Authority and the Capiatl Market Authority

A number of reliefs and relief proposals were published during March and April 2020, intended in principle to allow and/or ease the provision of services to customers by digital means, with no need for a personal meeting (including for the purpose of enrolling customers for investment consulting services and the initial charachterization of customer needs for the purpose of investment consulting; providing pension consulting) as well as deferral of dates (mostly for clarifying customer needs and for delivery of different reports required by law). In this respect, a Memorandum for amendment of the Financial Services Supervision Act (Consultation, marketing and a pension clearing system) (Amendment No. 11), 2020, was published on July 9, 2020 (as an alternative to the draft provisional instruction published in April 2020,) proposing that a banking corporation would be permitted to provide pension consulting through the telephone or by digital means. It is clarified that the validity of the relief relating to the deferral of dates, including clarification of needs and delivery of different reports, expired on July 1, 2020, and has not been extended.

Emergency Regulations

In the matter of accessibility of financial services – Emergency Regulations (The new Corona virus) (Accessibility of financial services), 2020, were published on April 7, 2020, determining rules aimed at easing the signing of a debit card agreement. Relief in this respect was also determined in the Provisional Instruction by way of amendment of Proper Conduct of Banking Business Directive No. 411 regarding identification duty. In addition, the said Emergency Regulations allowed the issuance of debit cards also to customers who are subject to special limits in accordance with the Debt Execution Act. The validity of these Regulations expired on July 6, 2020. On August 20, 2020, the Distant Provision of Essential Services Act (The new Corona virus – Provisional Instruction), 2020, was published, within the framework of which, the Debit Cards Act was amended, adopting the relief stated in the Regulations regarding the signing of a debit card agreement, while falling in line with the provisions of the Payment Services Act (this Amendment had been in force until the entry into effect of the Payment Services Act on October 14, 2020). It also established the instruction included in the Regulations regarding the issue of debit cards also to customers who are subject to special limits in accordance with the Debt Execution Act (up to the end of six months from the date on which the Act entered into effect). The Act is in effect retroactively, since date of expiry of the Regulations.

The Emergency Regulations (Bounced checks), 2020, published on March 22, 2020, included an additional declaration regarding a dangerous contagious desease, to the definition of "Emergency period declaration" stated in the Bounced Checks Act, thus empowering Bank of Israel to instruct banks to suspend limitations on customers and their bank accounts regarding dishonored checks due to lack of sufficient funds, during the period from March 4, 2020 and until June 22, 2020. Such an instruction was issued by Bank of Israel on March 23, 2020. The Bounced Checks Regulations (Limitations on the application of the Act) were published on June 14, 2020, stating that checks bounced in the period from March 4, 2020 and June 22, 2020, would not be considered as bounced checks for the purpose of limitations on the account, and limitations that had been imposed on the account in respect of such checks, would be removed. Furthermore, Banks are required to amend reports submitted in respect of checks dishonored in the said period. The Regulations were further amended on August 26, 2020, extending the instructions also to checks bounced in the period between June 23, 2020 and August 10, 2020.

Different Regulators have, in view of the crisis, determined different procedures for conducting banking operations at a distance, this subject to arrangements approved, inter alia, by the Custodian General, the Registrar of Lands, the Registrar of Liens, the Registrar of Companies and the Commissioner of the Sales Act in accordance with the Sales Act (Apartments) (Securing the investment of purchasers of apartments), 1974.
It is noted, that special legal proceedings in emergency situations have been determined in respect of Courts of Law, and monthly payment dates applying to certain debtors have been deferred according to the announcements by the Official Receiver and the Commissioner of Insolvency Proceedings and Economic Recovery.
On background of the crisis, relief has been granted with respect to reporting dates and handling dates for public complaints in accordance with the Credit Data Act, 2016, and guidelines have been issued to the reporting sources, including banking corporations, with respect to reporting data to the credit data base in a manner which would reflect the effect of the Corona crisis.

BANKING

Payment Services Act, 2019

The Act, which was published on January 9, 2019, with the aim of creating comprehensive and uniform regulation in the matter of payment services and payment means, while providing consumer protection to customers, had been modified to technological developments and is also based on European regulation in this field. The Act replaces the Charge Cards Act, 1986, and it applies to different providers of services, including banks, credit card companies, clearing agents and payment applications, on physical and non-physical means of payment, and on a variety of payment services, including the issue of payment means, clearing of payment transactions and management of a payment account (for the payer or the beneficiary) as well as payment services within the framework of certain operations conducted in current accounts.
The principal issues regulated in the Act relate to instructions in the matter of a payment services contract, proper disclosure and forbiddance of misleading, a payment transaction, stopping the use of payment means, misuse of payment means, authorization for charging an account and the manner of executing payment orders. Also determined in the Act are criminal sanctions and monetary sanctions in respect of certain violations of its provisions and forbiddance of the subjecting of its provisions unless it is in favor of the customer (except for certain Sections regarding customers of a certain class). The Act applies also to payment means issued prior to its effective date, and states instructions for the amendment of existing payment services agreements. The Act takes effect one year after its date of publication ("the original date"), and the Minister of Justice has the authority to instruct deferral of the original date for up to one additional year.
The Act entered into effect on October 14, 2020,

Proper Conduct of Banking Business Directive No. 359A - Outsourcing

The Directive, effective as from March 31, 2020 (with the possibility of earlier adoption) determines principles for the transfer to outsourcing, on a continuous basis, of material operations included in the line of business of the banking corporation in accordance with the Banking Act (Licensing), while minimizing exposure to potential risks. The Directive imposes duties in the matter on the Board of Directors, Management and the internal audit, and, inter alia, requires due diligence review of the provider of the service, regularizing the outsourcing by way of a written agreement and formation of a comprehensive program for the management of outsourcing risks as well as a business continuity plan. The Directive forbids the outsourcing of duties of the Board of Directors and senior Management, and states conditions for the outsourcing of decisions requiring discretion as regards different matters, including the opening or closing of customer accounts and underwriting activity regarding loans. The Directive also states terms for the outsourcing of an initiated approach to households offering credit and the possibility of banking corporations to engage brokers has been enlarged.

On April 7, 2020, an update was published deferring the initial application date of the Directive from March 31, 2020 to September 30, 2020, permitting the prior application thereof. The Bank has elected the earlier adoption of the contents of the Directive and it applies to it since May 2020.

Proper Conduct of Banking Business Directive No. 443 - Dormant deposits and accounts of deceased persons

The Directive was published on November 15, 2020, for the purpose of making more efficient the process of locating dormant deposits and accounts of deceased persons. The Directive requires the establishment of a function dealing with dormant deposits, and states the responsibility of the Board of Directors and of Management for the operation of which. It also expands the duties applying to banking corporations with respect to locating owners of dormant deposits, while determining a hierarchy for required locating operations and instructions regarding the establishment of contact, and includes also instructions regarding accounts of deceased persons and regarding lost connection with hirers of safe deposit boxes. The Directive becomes effective one year following its publication date.

INCREASING COMPETITION

Amendment No. 27 to the Banking Act (Customer service) regarding the transfer of a customer between banks

The Amendment, which was published on March 22, 2018, as part of the Economic Program Act (Legislation amendments for the implementation of the economic policy for the 2019 budget year), 2018, require banks to allow the transfer of the financial activity of a customer from the bank, in which it is being conducted ("the bank of origin") to another bank ("the accepting bank") in an online, convenient, reliable and secured manner, with no charge to the customer in respect of such operation, and within seven business days from the date on which the bank of origin received from the accepting bank notice of approval of the customer's request.

The Governor of Bank of Israel, with the consent of the Minister of Finance, may determine that the said instructions shall not apply to certain banks (a bank having a low volume of operations, the value of its assets not exceeding 5% of the total assets of all banks, and also an online bank), or determine that the instructions shall apply at the end of a period to be determined by the Governor, or that they shall apply to such banks only as an accepting bank or as a bank of origin.

The Act takes effect at the end of three years from date of publication thereof (with the possibility of deferment for two additional periods of six months each).

The Economic Program Regulations (Legislation amendments for the implementation of the economic policy for the 2019 budget year) (Deferral of application of Chapter "B" of the Act),2020, were published on August 2, 2020, deferring the effective date of the Amendment by six months, so that it would take effect on September 22, 2021.

Proper Conduct of Banking Business Directive No. 448 - the online transfer between banks of the financial activity of a customer, published on December 16, 2019, details the rules that the bank of origin and the accepting bank have to apply with respect to the handling of the request of a customer for the transfer of his account. The date of entry into effect of this Directive shall correspond to the the date of entry into effect of the said Amendment to the Banking Act (Customer service).

The Banking Rules (Customer service) (Transfer between banks of the financial activity of customers), which were published on December 17, 2019, state the classes of accounts and the classes of financial operations to which the said Amendment applies.

Proper Conduct of Banking Business Directive No. 368 - application in Israel of the open banking Standard

In accordance with the Increase in Competition and Decrease in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017, a banking corporation is required, at the request of a customer, to enable a supplier of a cost comparison service to observe the financial information of that customer existing in the hands of a banking corporation. Concurrently with the formation process of the legislation required to enable the above requirement, Bank of Israel published this Directive on February 24, 2020, in view of the great importance it sees in the implementation of open banking and in its potential effect on financial services and on the way these are consumed by customers, and this, alongside the exposure of all players in the system and customers to many more risks. The Directive applies to banks and to credit card companies, and the infrastructure of open banking shall be open to third parties once the legislation in the matter is completed and the regulation would apply to them.

The Directive includes provisions in matters of corporate governance, in the manner in which the consent of the customer, as a source of information or as manager of a payment account, is obtained, rules regarding the level of service, principles for the management of data protection risk and cyber defense, duties applying to banks and to credit card companies choosing to provide services of information consumer or of payments initiator, the manner of treating approaches by customers and the reports required for supervision.

The effective date of the Directive has been deferred to March 31, 2021, on background of the Coronavirus event, except for the matter of delivery of information regarding charge cards, placing a one-time payment order in shekel and providing information regarding the status of a payment order, as stated, which effective date has been deferred to January 10, 2021; and in the matter of delivery of information regarding savings and deposit accounts, credit and securities, which effective date has been deferred to March 31, 2022.

THE CAPITAL MARKET

Terms of the General Permit under Section 49A of the Securities Act

The Securities Authority has published terms for a general permit under Section 49A of the Securities Act, 1968, which, when fulfilled, the Chairman of the Securities Authority may permit a person to offer securities trading services by means of a securities trading system operated by a stock exchange outside Israel, if he finds that no harm shall be caused by it to the interests of the investor public in Israel.

The permit shall be granted based upon a declaration of the person requesting the permit that he complies with the relevant terms for receiving a permit to offer the said services.

On March 31, 2020, the requested permit was granted to the Bank by the Chairperson of the Securities Authority, and the Bank is preparing in accordance therewith.

LEGAL PROCEEDINGS

With respect to material legal actions pending against the Bank and against its consolidated subsidiaries, see Note 9 to the financial statements.

THE RATING OF THE BANK BY RATING AGENCIES

Set out below is the Bank's rating as determined by rating agencies in Israel and by an international rating agency:

- On July 23, 2020, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il/stable outlook, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook, its subordinate debt notes at the rank of Aa1.il/stable outlook, its subordinate capital notes at the rank of Aa2.il(hyb)/stable outlook, and its subordinate debt notes with a loss absorption mechanism to Aa3.il (hyb)/stable outlook rating.
- On April 27, 2020, S&P Maalot ratified the issuer rating of the Bank at ilAAA/Stable, its subordinate debt notes at ilAA+ and the rating of the subordinate debt notes with a loss absorption mechanism at ilAA-.
- On December 19, 2019, the international rating agency Moody's raised the rating of deposits with the Bank to "Prime-1/A2", and changed the rating outlook to "stable".

EMPLOYEE COMPENSATION POLICY

For disclosure in the matter of employees' compensation policy, see the document "Disclosure according to Pillar III of Basel and additional information regarding risk" for the year 2019, available for perusal on the Internet.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank continues to act within the framework of the flagship program "Believing in you" with the aim of enlarging the field of voluntary activity among its employees, while creating social involvement with added value.
During the spreading of the Corona virus period, the Bank is making the necessary modifications in order to maintain continuity of the voluntary activity under the existing limitations and in view of the guidelines issued by the competent authorities.

- **Children and youth in risk situation** - activity focuses on youth in risk situations who were expelled from different programs, with a view of providing them with the possibility of changing direction and live a normative life in the Israeli society. As part of the program, youth are being integrated into business ventures and different programs that combine study with work and promotion of business entrepreneurship with the help of development of qualifications and skills, while creating social involvement with added value, such as enterprises created by the Bank with different associations and diverse activities of employees with youths in risk situation:
  Unistream - Activity and training of young persons from social and geographic peripheral areas for integration into the business and entrepreneurship world alongside social responsibility, leadership and empowerment of youth. The program also uses tools belonging to the financial education world. The Bank adopts several groups and concurrently participates in events and activity of the association all over the country.
  Fidel - An enterprise for the education and social integration of youth belonging to the Ethiopian community. The program provides educational and social tools for strengthening the feeling of identity and relationship and the learning excellence and leadership capabilities.
  Fathers and sons on the field - father and sons teams creating a joint, exciting and significant meeting by means of a football game, in order to strengthen the bond and communication between them, for the creation of solidness and prevention of risky behavior, encouragement of sport activities and a healthy way of life.
- **Female business entrepreneurship** - involvement and accompaniment of learning groups for business entrepreneurship for women, while concentrating on enrichment and provision of tools in various subjects, such as: financial awareness, business entrepreneurship, management and excellence skills, and through personal support, tutoring and adoption of groups in various frames. The Bank operates with several associations in the field, including seminars and enrichment.
- **Specific activity among special populations and sectors** - the Bank encourages and supports volunteers from among Bank employees, interested in taking part in the project and contribute from their time, experience and expertise, in favor of needy populations and additional sectors. In this framework, the Bank and its subsidiary companies contribute to different associations and organizations in favor of assistance to populations coming from social and geographic peripheral areas, by cooperating in joint study, digital financial education, volunteering, assistance regarding food packages, language studies and rehabilitating social activity.

ORGANIZATIONAL STRUCTURE

In September 2020, the logistics department, which until then operated as an independent department, was subordinated to the resources division in order to increase the efficiency of the operation of the department and maximize the sinergy with the resources division.

APPENDIX

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. Average balances and interest rates - assets

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Average balance(1)	Interest income	Rate of income	Average balance(1)	Interest income (expense)	Rate of income (expense)
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**83,700**	**692**	**3.35**	80,657	635	3.19
Total	**83,700**	**692**	**3.35**	80,657	635	3.19
Credit to the Government						
- In Israel	**839**	**-**	**-**	670	(4)	(2.37)
Total	**839**	**-**	**-**	670	(4)	(2.37)
Deposits with banks						
- In Israel	**2,457**	**1**	**0.16**	2,186	6	1.10
- Outside Israel	**28**	**-**	**-**	14	-	-
Total	**2,485**	**1**	**0.16**	2,200	6	1.10
Deposits with central banks						
- In Israel	**39,275**	**10**	**0.10**	27,960	18	0.25
Total	**39,275**	**10**	**0.10**	27,960	18	0.25
Securities borrowed or repurchased						
- In Israel	**28**	**-**	**-**	328	-	-
Total	**28**	**-**	**-**	328	-	-
Held to maturity or available for sale bonds(3)						
- In Israel	**11,344**	**28**	**0.99**	10,109	44	1.75
Total	**11,344**	**28**	**0.99**	10,109	44	1.75
Trading bonds						
- In Israel	**305**	**-**	**-**	140	-	-
Total	**305**	**-**	**-**	140	-	-
Total assets bearing interest	**137,976**	**731**	**2.14**	122,064	699	2.31
Debtors regarding credit cards non-bearing interest	**2,777**			2,906		
Other assets non-bearing interest(4)	**13,858**			9,894		
Total assets	**154,611**			134,864		
Total assets bearing interest attributed to activity outside Israel	**28**	**-**	**-**	14	-	-

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. Average balances and interest rates - liabilities and capital

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**21,688**	**-**	**-**	17,212	7	0.16
Fixed-term	**46,913**	**50**	**0.43**	48,458	46	0.38
Total	**68,601**	**50**	**0.29**	65,670	53	0.32
Deposits from the Government						
- In Israel	**161**	**-**	**-**	239	1	1.68
Total	**161**	**-**	**-**	239	1	1.68
Deposits from banks						
- In Israel	**1,255**	**-**	**-**	1,030	1	0.39
Total	**1,255**	**-**	**-**	1,030	1	0.39
Deposits from central banks						
In Israel	**801**	**-**	**-**	-	-	-
Total	**801**	**-**	**-**	-	-	-
Bonds						
- In Israel	**4,385**	**19**	**1.74**	3,475	2	0.23
Total	**4,385**	**19**	**1.74**	3,475	2	0.23
Other liabilities						
- In Israel	**24**	**-**	**-**	231	-	-
Total	**24**	**-**	**-**	231	-	-
Total liabilities bearing interest	**75,227**	**69**	**0.37**	70,645	57	0.32
Deposits from the public non-bearing interest	**62,571**			49,988		
Creditors in respect of credit cards non-bearing interest	**2,586**			2,703		
Other liabilities non-bearing interest (6)	**5,176**			2,859		
Total liabilities	**145,560**			126,195		
Total capital resources	**9,051**			8,669		
Total liabilities and capital resources	**154,611**			134,864		
Interest spread			**1.77**			1.99
Net return on assets bearing interest (7)						
- In Israel	**137,948**	**662**	**1.93**	122,050	642	2.12
- Outside Israel	**28**	**-**	**-**	14	-	-
Total	**137,976**	**662**	**1.93**	122,064	642	2.12
Total liabilities bearing interest attributed to activity outside Israel	**-**	**-**	**-**	-	-	-

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

A. Average balances and interest rates - assets

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Average balance(1)	Interest income (expense)	Rate of income (expense)	Average balance(1)	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**83,636**	**2,020**	**3.23**	79,805	2,113	3.55
Total	**83,636**	**2,020**	**3.23**	79,805	2,113	3.55
Credit to the Government						
- In Israel	**923**	**(4)**	**(0.58)**	670	3	0.60
Total	**923**	**(4)**	**(0.58)**	670	3	0.60
Deposits with banks						
- In Israel	**2,579**	**5**	**0.26**	2,308	19	1.10
- Outside Israel	**28**	**-**	**-**	14	-	-
Total	**2,607**	**5**	**0.26**	2,322	19	1.09
Deposits with central banks						
- In Israel	**34,013**	**38**	**0.15**	26,382	50	0.25
Total	**34,013**	**38**	**0.15**	26,382	50	0.25
Securities borrowed or repurchased						
- In Israel	**56**	**-**	**-**	558	1	0.24
Total	**56**	**-**	**-**	558	1	0.24
Held to maturity or available for sale bonds(3)						
- In Israel	**11,074**	**101**	**1.22**	10,655	150	1.88
Total	**11,074**	**101**	**1.22**	10,655	150	1.88
Trading bonds						
- In Israel	**221**	**-**	**-**	252	1	0.53
Total	**221**	**-**	**-**	252	1	0.53
Total assets bearing interest	**132,530**	**2,160**	**2.18**	120,644	2,337	2.59
Debtors regarding credit cards non-bearing interest	**2,599**			2,760		
Other assets non-bearing interest(4)	**13,478**			12,066		
Total assets	**148,607**			135,470		
Total assets bearing interest attributed to activity outside Israel	**28**	**-**	**-**	14	-	-

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. Average balances and interest rates - liabilities and capital

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**19,628**	**5**	**0.03**	17,293	21	0.16
Fixed-term	**48,107**	**153**	**0.42**	46,467	268	0.77
Total	**67,735**	**158**	**0.31**	63,760	289	0.60
Deposits from the Government						
- In Israel	**159**	**2**	**1.68**	247	3	1.62
Total	**159**	**2**	**1.68**	247	3	1.62
Deposits from banks						
- In Israel	**1,153**	**1**	**0.12**	992	3	0.40
Total	**1,153**	**1**	**0.12**	992	3	0.40
Deposits from central banks						
In Israel	**441**	**-**	**-**	-	-	-
Total	**441**	**-**	**-**	-	-	-
Bonds						
- In Israel	**4,005**	**19**	**0.63**	4,079	96	3.15
Total	**4,005**	**19**	**0.63**	4,079	96	3.15
Other liabilities						
- In Israel	**36**	**-**	**-**	249	4	2.15
Total	**36**	**-**	**-**	249	4	2.15
Total liabilities bearing interest	**73,529**	**180**	**0.33**	69,327	395	0.76
Deposits from the public non-bearing interest	**58,797**			50,266		
Creditors in respect of credit cards non-bearing interest	**2,430**			2,647		
Other liabilities non-bearing interest (6)	**4,866**			4,671		
Total liabilities	**139,622**			126,911		
Total capital resources	**8,985**			8,559		
Total liabilities and capital resources	**148,607**			135,470		
Interest spread			**1.85**			1.83
Net return on assets bearing interest (7)						
- In Israel	**132,502**	**1,980**	**2.00**	120,630	1,942	2.15
- Outside Israel	**28**	**-**	**-**	14	-	-
Total	**132,530**	**1,980**	**2.00**	120,644	1,942	2.15
Total liabilities bearing interest attributed to activity outside Israel	**-**	**-**	**-**	-	-	-

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

C. Average balances and income rates - additional information on interest bearing assets and liabilities attributed to activity in Israel

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Average balance[(1)]	Income (expense) interest	Income (expense) ratio	Average balance [(1)]	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**115,438**	**601**	**2.10**	99,634	615	2.49
Total liabilities bearing interest	**58,514**	**(29)**	**(0.20)**	54,375	(42)	(0.31)
Interest spread			**1.90**			2.18
Israeli currency linked to the CPI						
Total assets bearing interest	**10,693**	**90**	**3.41**	10,615	7	0.26
Total liabilities bearing interest	**7,660**	**(31)**	**(1.63)**	8,235	20	0.97
Interest spread			**1.78**			1.23
Foreign currency (including linked to f-c)						
Total assets bearing interest	**11,817**	**40**	**1.36**	11,801	77	2.64
Total liabilities bearing interest	**9,053**	**(9)**	**(0.40)**	8,035	(35)	(1.75)
Interest spread			**0.96**			0.89
Total activity in Israel						
Total assets bearing interest	**137,948**	**731**	**2.14**	122,050	699	2.31
Total liabilities bearing interest	**75,227**	**(69)**	**(0.37)**	70,645	(57)	(0.32)
Interest spread			**1.77**			1.99

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Average balance[(1)]	Income (expense) interest	Income (expense) ratio	Average balance [(1)]	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**109,710**	**1,826**	**2.23**	97,794	1,821	2.49
Total liabilities bearing interest	**56,924**	**(101)**	**(0.24)**	52,189	(116)	(0.30)
Interest spread			**1.99**			2.19
Israeli currency linked to the CPI						
Total assets bearing interest	**10,575**	**177**	**2.24**	10,627	278	3.50
Total liabilities bearing interest	**7,386**	**(30)**	**(0.54)**	8,847	(165)	(2.49)
Interest spread			**1.70**			1.01
Foreign currency (including linked to f-c)						
Total assets bearing interest	**12,217**	**157**	**1.72**	12,209	238	2.61
Total liabilities bearing interest	**9,219**	**(49)**	**(0.71)**	8,291	(114)	(1.84)
Interest spread			**1.01**			0.77
Total activity in Israel						
Total assets bearing interest	**132,502**	**2,160**	**2.18**	120,630	2,337	2.59
Total liabilities bearing interest	**73,529**	**(180)**	**(0.33)**	69,327	(395)	(0.76)
Interest spread			**1.85**			1.83

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

D. Analysis of changes in interest income and expenses

	For the three months ended September 30, 2020 compared with the same period last year			For the nine months ended September 30, 2020 compared with the same period last year		
	Increase (decrease) due to the change			Increase (decrease) due to the change		
	Quantity	Price	Net change	Quantity	Price	Net change
			NIS million			NIS million
Interest bearing assets						
Credit to the public						
In Israel	**25**	**32**	**57**	**93**	**(186)**	**(93)**
Total	**25**	**32**	**57**	**93**	**(186)**	**(93)**
Other interest bearing assets						
In Israel	**9**	**(34)**	**(25)**	**23**	**(107)**	**(84)**
Total	**9**	**(34)**	**(25)**	**23**	**(107)**	**(84)**
Total interest income	**34**	**(2)**	**32**	**116**	**(293)**	**(177)**
Interest bearing liabilities						
Deposits from the public						
In Israel						
Demand	**-**	**(7)**	**(7)**	**1**	**(17)**	**(16)**
Fixed-term	**(2)**	**6**	**4**	**5**	**(120)**	**(115)**
Total	**(2)**	**(1)**	**(3)**	**6**	**(137)**	**(131)**
Other interest bearing liabilities						
In Israel	**5**	**10**	**15**	**1**	**(85)**	**(84)**
Total	**5**	**10**	**15**	**1**	**(85)**	**(84)**
Total interest expenses	**3**	**9**	**12**	**7**	**(222)**	**(215)**
Total interest income less interest expenses	**31**	**(11)**	**20**	**109**	**(71)**	**38**

(1) On the basis of monthly opening balances, excluding the non-linked Shekel segment in which calculated on daily balances.
(2) Before deduction of the average balance of provisions for credit losses including impaired debts which are non-bearing interest income.
(3) From the average balance of available for sale bonds was deducted the average balance of unrealized gains from adjustments to fair value of bonds, included in other comprehensive profit in the item "adjustments to fair value of available for sale securities" for the three months ended on September 30, 2020 in the amount of NIS 13 million and was added an average balance of NIS 11 million for the nine months ended September 30, 2020 (for the three and nine months ended September 30, 2019 balance of NIS 57 million and NIS 39 million, respectively was deducted).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 46 million and NIS 48 million were included in interest income for the three months ended September 30, 2020 and September 30, 2019, respectively, and amount of NIS 142 million and NIS 136 million were included in interest income for the nine months ended September 30, 2020 and September 30, 2019, respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest bearing assets.
(8) Change attributed to quantity was calculated by multiplying the price in the reported period by the change in the quantity in the compared periods.
Change attributed to price was calculated by multiplying the quantity in the previous period by the change in the price in the compared periods.