Bank Hapoalim

Condensed Quarterly Financial Statements
as at March 31, 2020

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This is a translation of the Hebrew report and has been prepared for convenience only.
In case of any discrepancy, the Hebrew version will prevail.

Bank Hapoalim

Report of the Board of Directors
and Board of Management
as at March 31, 2020

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1. General review, objectives, and strategy

At the meeting of the Board of Directors held on May 13, 2020, it was resolved to approve and publish the unaudited consolidated financial statements of Bank Hapoalim B.M. and its consolidated subsidiaries as at March 31, 2020.

1.1. Forward-looking information

Some of the information in these reports that does not refer to historical facts (even if it is based on processing of historical data) constitutes forward-looking information, as defined in the Securities Law, 1968. The actual results of the Bank may differ materially from those included in forward-looking information, including, among other factors, as a result of changes in capital markets in Israel and globally, macroeconomic changes, changes in geopolitical conditions, regulatory changes, accounting changes, changes in taxation rules, and other changes not under the Bank's control, which may lead to the failure of estimates to materialize and/or to changes in the Bank's business plans. Forward-looking information is marked by words or phrases such as "forecast," "plan," "objective," "risk estimate," "scenario," "stress scenario," "risk assessment," "correlation," "distribution," "we believe," "expect," "predict," "estimate," "intends," "plans," "aims," "may change," "should," "can," "will," or similar expressions. Such forward-looking expressions involve risk and uncertainty, because they are based on management's estimates regarding future events, which include changes in the following parameters, among others: economic conditions, public tastes, interest rates in Israel and overseas, inflation rates, new legislation and regulation in the area of banking and the capital market, exposure to financial risks, the financial stability of borrowers, the behavior of competitors, aspects related to the Bank's image, technological developments, manpower-related matters, and other areas that affect the activity of the Bank and the environment in which it operates, the materialization of which is uncertain by nature.

This information reflects the Bank's current viewpoint with regard to future events, which is based on estimates, and is therefore subject to risks and uncertainty, as well as to the possibility that expected events or developments may not materialize at all or may only partially materialize, or even that actual developments may be the opposite of expectations.

The information presented below is based, among other things, on information known to the Bank and based, among other things, on publications by various entities, such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Housing, and other entities that publish data and estimates regarding the Israeli and global capital markets.

1.2. Condensed financial information

As detailed below, the financial results, particularly in the month of March, were mainly influenced by the spread of the coronavirus, which caused sharp contraction of global economic activity, worsening of the condition of the economy and of borrowers, and increased volatility in the markets, among other effects.

Table 1-1: Condensed financial information and principal performance indicators over time

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
Main performance indicators			
Return of net profit on equity attributed to shareholders of the Bank[1]	**2.03%**	8.97%	4.62%
Return of net profit on equity attributed to shareholders of the Bank excluding extraordinary items[1][2]	**3.32%**	8.97%	7.13%
Return of net profit from continued operations on equity attributed to shareholders of the Bank[1]	**3.19%**	7.94%	3.86%
Return of net profit from continued operations on equity attributed to shareholders of the Bank excluding extraordinary items[1][3]	**3.32%**	7.94%	6.72%
Return on average assets[1]	**0.17%**	0.71%	0.39%
Ratio of income to average assets	**0.54%**	0.51%	2.17%
Efficiency ratio – cost-income ratio from continued operations	**56.64%**	59.23%	66.44%
Efficiency ratio – cost-income ratio excluding extraordinary items from continued operations[3]	**56.26%**	59.23%	58.13%
Financing margin from regular activity[1][4]	**2.27%**	2.24%	2.26%
Liquidity coverage ratio[5]	**126%**	125%	121%

	As at March 31		December 31
	2020	2019	2019
Ratio of common equity Tier 1 capital to risk components[6]	**11.21%**	11.45%	11.53%
Ratio of total capital to risk components[6]	**14.16%**	14.45%	14.64%
Leverage ratio[6]	**7.14%**	7.58%	7.61%

(1) Calculated on an annualized basis.
(2) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, net profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.
(3) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.
(4) Financing profit from regular activity (see the Report of the Board of Directors and Board of Management, in the section "Material developments in income, expenses, and other comprehensive income") divided by total financial assets after allowance for credit losses, net of non-interest bearing balances in respect of credit cards.
(5) For additional information, see the section "Liquidity and refinancing risk," below.
(6) For additional information, see the section "Capital, capital adequacy, and leverage," below.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
Main credit quality indicators			
Allowance for credit losses as a percentage of credit to the public	**1.73%**	1.33%	1.58%
Impaired debts and debts in arrears of 90 days or more as a percentage of credit to the public	**1.68%**	1.35%	1.80%
Net charge-offs as a percentage of average credit to the public[1]	**0.25%**	0.17%	0.12%
Provision for credit losses as a percentage of average credit to the public[1]	**1.07%**	0.17%	0.44%
		NIS millions	
Main profit and loss data			
Net profit attributed to shareholders of the Bank	**192**	821	1,799
Net profit attributed to shareholders of the Bank excluding extraordinary items[2]	**313**	821	2,778
Net profit from continued operations attributed to shareholders of the Bank	**301**	730	1,503
Net profit from continued operations attributed to shareholders of the Bank excluding extraordinary items[3]	**313**	730	2,619
Net interest income	**2,192**	2,277	9,319
Provision for credit losses	**809**	121	1,276
Net financing profit*	**2,498**	2,366	9,878
Non-interest income	**1,191**	892	3,889
Of which: fees	**863**	785	3,240
Operating and other expenses	**1,916**	1,877	8,776
Of which: salaries and related expenses	**962**	**1,051	**4,108
Total income	**3,383**	3,169	13,208
Net earnings per ordinary share (in NIS)			
Net profit attributed to shareholders of the Bank	**0.14**	0.62	1.13

* Net financing profit includes net interest income and non-interest financing income (expenses).
** Reclassified.
(1) Calculated on an annualized basis.
(2) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, net profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.
(3) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

	March 31		December 31
	2020	2019	2019
	NIS millions		
Main balance sheet data			
Total assets	**491,459**	465,778	463,688
Of which: Cash and deposits with banks	**89,475**	78,332	88,122
Securities	**74,500**	66,259	59,486
Net credit to the public	**299,548**	283,048	292,940
Net problematic credit risk	**8,468**	7,256	8,787
Net impaired balance sheet debts	**2,718**	2,344	3,034
Credit to the public not accruing interest income (NPL)	**3,650**	2,476	3,867
Total liabilities	**453,792**	427,207	425,467
Of which: Deposits from the public	**388,566**	354,232	361,645
Deposits from banks	**3,980**	3,328	3,520
Bonds and subordinated notes	**24,491**	29,695	26,853
Shareholders' equity	**37,632**	38,481	38,181
Additional data			
Share price at end of period (in NIS)	**21.3**	24.2	28.7

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
Total dividend per share (in agorot)*	****53.94**	-	74.90
Ratio of fees to average assets	**0.19%**	0.17%	0.71%

* According to the date of declaration.
** Paid as a dividend in kind, in shares; calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91).

1.3. Condensed description of the principal risks to which the Bank is exposed

The Bank performs comprehensive examinations to assess the risks to which it is exposed and to estimate the materiality of such risks. Within the ICAAP (the Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic and competitive risk, regulatory risk, and compliance risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk, and environmental risk. The spread of the coronavirus is an event with material macroeconomic implications, affecting the ways in which the Bank works as well as the potential for materialization of various risks, including credit risk, market risks, and operational risk. At this stage, there is uncertainty regarding the duration of the event and its future impacts on the activity of the global economy, the local economy, the customers of the Bank, and the Bank itself. For additional information, see the section "Effect of the spread of the coronavirus" and the section "Review of risks," below; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020; and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019.

1.4. Objectives and business strategy

In late 2019, the Board of Management and Board of Directors of the Bank approved updates to the strategic plan; within this process, the objectives and business strategy for 2020-2022 were established. The objectives and business strategy were determined based on an examination of changes in the global economy, changes in the business environment in Israel, regulatory processes, and the intensification of the competitive environment in which the Bank operates, in all areas of its activity.

The strategic plan has been updated according to the key trends affecting the banking industry, including customers' growing willingness to consume simple financial services through digital channels, regulatory measures aimed at increasing competition in the banking system, significant investments in fintech companies, and the entry of significant technological players into activity with customers in the financial arena.

In addition to these changes, the strategic plan was built while also taking into consideration possible future scenarios for the banking industry, as published by the Basel Committee on Banking in February 2018. The Bank adopted the Basel scenarios as a methodology for the analysis of the future competitive environment and for the selection of the most probable reference scenario for the banking industry in Israel. In view of the differences between the competitive environments of the private customer segment and the business customer segment, the Bank estimates that different scenarios are likely to materialize in the different segments of activity.

The global and Israeli banking systems are influenced by a matrix of factors, primarily changes in customers' habits, tightened regulation, and the growing impact of technology. These shifts have led to more intense competition, from traditional players as well as a varied multitude of new players. The Bank estimates that the "distributed bank" scenario, in which financial services are distributed among banks and technological players, has a high probability of realization, gradually, over a period of years, in the retail-banking sector (private customers and small businesses). This scenario may involve collaborations forming between players through various activity models.

According to the estimates of the Bank, in corporate and commercial banking, the value added that large technology companies can offer business clients is relatively limited, and the threat posed by tech giants in these customer segments is therefore remote. Thus, the Bank estimates that there is a high probability that the "better bank" scenario will materialize in the corporate-banking sector. In this scenario, existing banks will undergo comprehensive modernization and digitization; they will use new technologies to improve their systems, renew customer interfaces, create added value, and offer advanced services. Some business models will change, but customer relationships and core activity will be maintained.

Objectives

The strategic plan focuses on seven overarching objectives:

1. Increase return on equity.
2. Retain market share in key markets.
3. Maintain the profitability level of key products.
4. Improve operational efficiency.
5. Increase customers' digital-banking activity.
6. Strengthen customer loyalty.
7. Reinforce employee commitment and motivation.

For more extensive information regarding the strategy of the Bank and its expression in the various areas of the Bank's activity, see the section "Objectives and business strategy" in the Report of the Board of Directors and Board of Management for 2019.

The coronavirus has spread rapidly around the world over the last few months; in response, many governments, including the government of Israel, have taken defensive measures such as restriction of international travel, quarantines, reduction of congregation, and restrictions of the activity of businesses. The measures taken by the government also have an extensive impact on the Bank's engagement with its customers, on its business with them, and on the resulting risks. The Bank is acting in accordance with the instructions, adapting its distribution systems to the delivery of banking services within the restrictions that have been imposed, and focusing on providing digital solutions that support the continued activity of the Bank and of its employees while complying with the directives of the Ministry of Health. The Bank is also examining its strategy in view of the changes in the environment in which it operates as a result of this crisis.

For additional information regarding the impacts of the coronavirus outbreak, see Section 2.1.3.

The Bank's approved work plans and the working assumptions on which they are based refer to the Bank's future activities; therefore, the above information in this section with regard to the Bank's action plans and intentions is "forward-looking information."

The strategic plan sets ambitious goals for each of the Bank's activities, yet in any planning, especially in planning several years ahead, and all the more so during periods of changes and turmoil in the global economy and in the world financial system, a considerable degree of uncertainty must be taken into consideration. Various diverse factors may prevent the assumptions on which the strategic plan is based from materializing, or may prevent them from materializing in full, and may prevent the realization or full realization of future plans. Notable such factors are the business environment in Israel and globally, as well as macro conditions. Special importance should be accorded to the condition of the global economy; to the economic, political, and security situation in Israel and in the region; and to regulatory changes.

2. Explanation and analysis of results and business position

2.1. Trends, events, developments, and material changes

2.1.1. Economic and financial review

Developments in the global economy

The spread of the coronavirus led to a sharp downturn in economic activity worldwide in the first quarter of 2020. The World Health Organization declared the coronavirus disease a global pandemic, and most countries around the world took exceptional measures to reduce the spread of the virus. Restrictions on movements of residents and shutdowns of many economic sectors, particularly in the area of services, caused unemployment rates to soar worldwide. The International Monetary Fund expects global GDP to contract by 3% this year. In the United States, where restrictions on movement and activity began relatively late, GDP contracted by 4.8%, in annualized terms, in the first quarter; a steeper annualized GDP decline of 14.4% was recorded in the Eurozone. Unlike an economic or financial crisis, in this case policymakers cannot take action in the short term to improve economic activity; instead, they can help households and businesses traverse this period. In mid-April, some countries began to ease lockdown policies and allow the gradual resumption of economic activity. Industries such as tourism, hospitality, culture, and entertainment are expected to resume only minimal activity in the coming few months.

Governments and central banks acted resolutely to prevent the health crisis from also becoming a financial crisis, avert a credit crunch, and assist households and businesses. The consequence of this policy is expected to be a sharp increase in government debt. Central banks around the world have lowered interest rates to near-zero levels: the Federal Reserve cut its rate to 0.0%-0.25%, while the interest rate in England has been reduced to 0.1%. The central banks stepped up their purchases of financial assets, including corporate bonds. Near the date of publication of the financial statements, this policy appears to have succeeded in lessening risk premiums in the financial markets and substantially tempering the decline in share prices.

Economic activity in Israel

The Israeli economy began the year with rapid growth momentum, low unemployment, and high financial robustness, reflected in a low level of public debt and large foreign-currency reserves. This starting point is bolstering the economy as it now contends with the coronavirus. During the first quarter of 2020, the government of Israel announced extensive restrictions on daily life, with progressively increasing severity. Citizens were instructed not to leave home except for essential purposes. Activity in many economic sectors shut down in the second half of March. According to data of the Central Bureau of Statistics, only 55% of employed persons were employed full-time. The percentage of people temporarily absent from their workplace rose to 23% in March, from approximately 7.0% in February. The number of job seekers, which includes workers on unpaid leave, soared to 1.1 million, or about a quarter of the workforce in Israel. In accordance with a government decision, these job seekers are entitled to unemployment pay. Activity in economic sectors such as aviation, hospitality and vacations, culture, and entertainment has ceased almost entirely. Initial economic indicators for the month of March, such as foreign-trade figures and data on tax collection, point to a steep decline in activity. The consumer confidence index recorded its sharpest-ever monthly drop in March. The Research Division of the Bank of Israel estimates that GDP will contract by more than 5% year-on-year in 2020. The government and the Bank of Israel have acted to help the business sector and households come through this period and to stabilize the markets (as detailed below). During the month of April, the government began to formulate a plan for gradual release of the lockdown, an increase in the number of people working, and permission for commerce, under restrictions. Restrictions were eased further in early May, allowing large parts of the economy to resume activity; this included a gradual reopening of schools. However, economic sectors the activity of which involves congregating are not expected to resume activity in the near future; it is therefore estimated that some of the workers placed on unpaid leave will not be returning to employment when the restrictions are lifted. Under these circumstances, the financial condition of households and businesses is likely to worsen.

Fiscal and monetary policy

The government of Israel, like most governments around the world, has decided on a series of fiscal measures designed to help businesses and households traverse this period. The volume of the original plan was NIS 80 billion, but large-scale complementary measures were later announced. The measures include added budget for the Ministry of Health, unemployment pay for workers on unpaid leave, grants for self-employed people, and discounts on municipal tax for businesses. These amounts are expected to increase budget expenditures by more than NIS 40 billion. The government has also expanded the activity of the fund providing state-backed loans to small and mid-sized businesses and the loan fund for large businesses, deferred tax payments, and more. These sums are not part of the government's expenditures at this stage. Budget data for March indicate a sharp decrease in tax collection, despite the fact that the lockdown mostly took effect in the second half of the month. Estimates are that the decrease in tax revenues will strengthen in the coming months, and that the budget deficit will grow considerably.

The Bank of Israel has applied policy tools, similar to those of other central banks around the world, aimed at increasing liquidity in the financial markets and preventing a credit crunch. The central bank announced a plan to purchase government bonds for NIS 50 billion; USD/NIS swap transactions of up to USD 15 billion; repurchase transactions with financial entities, in return for government bonds and corporate bonds as collateral; easing of the total capital ratio required of banks; and provision of a credit line to banks, contingent on an increase in credit for small and mid-sized businesses. The Monetary Council also decided, on April 6, to lower the Bank of Israel interest rate to 0.1%.

Inflation and exchange rates

The "known" consumer price index fell by 0.5% in the first quarter of 2020. The CPI for March rose by 0.4%. Inflation over the last year was near zero, influenced by the appreciation of the shekel against the currency basket and by the decrease in energy prices. The coronavirus crisis has increased uncertainty regarding inflation. A steep decrease in global oil prices and an increase in the number of job seekers may lead to a decrease in the CPI in the near term (negative inflation).

The shekel depreciated by 3.2% against the US dollar in the first quarter, while remaining approximately stable against the currency basket. The exchange rate was highly volatile beginning in mid-February, likely due to the sharp declines on the capital markets and the shortage of liquidity in dollars seen in many economies. The Bank of Israel, like other central banks, began performing USD/NIS swaps in which it uses its foreign-currency reserves to increase liquidity and reduce the dollar interest rate in the local market. This measure stabilized the market and tempered the sharp depreciation formed during the quarter.

Financial and capital markets

The global spread of the coronavirus heightened investors' worries over a global recession, as noted, and drew a sharp reaction from the financial markets. World stock indices showed steep drops beginning in mid-February; volatility in the financial markets greatly increased, and risk spreads of corporate bonds rose sharply. Towards the end of March, following a series of policy measures by governments and central banks, the trend reversed, with price gains somewhat offsetting the declines. The gains continued in April. Overall in the first quarter of 2020, the S&P 500 index in the United States fell by 20%, the Stoxx Europe 60 index fell by 22%, and the TA-125 index fell by 21%. The government bond index fell by 1.9%, and the corporate bond index fell by 8.2%.

Investors' concerns and the change in global monetary policies led to a steep decrease in yields of long-term bonds. In the United States, yields of ten-year government bonds fell from 1.92% at the end of 2019 to 0.7% at the end of the first quarter of 2020. Severe volatility in yields occurred in Israel as well, with the yield of ten-year government bonds falling from 0.94% at the end of 2019 to 0.4% during the month of March, and rising to 1.1% at the end of the first quarter.

Table 2-1: Changes in the CPI and in exchange rates

	For the three months ended March 31		For the year 2019
	2020	2019	
Rate of increase (decrease) in "known" CPI	**(0.5%)**	(0.3%)	0.3%
Rate of increase (decrease) in USD exchange rate	**3.2%**	(3.1%)	(7.8%)
Rate of increase (decrease) in GBP exchange rate	**(3.5%)**	(1.3%)	(4.9%)
Rate of increase (decrease) in CHF exchange rate	**3.1%**	(4.1%)	(6.1%)
Rate of increase (decrease) in EUR exchange rate	**0.6%**	(5.0%)	(9.6%)
Rate of increase (decrease) in TRY exchange rate	**(6.6%)**	(9.3%)	(18.0%)

Data regarding the Bank of Israel interest rate

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Interest rate at end of period	***0.25%**	0.25%	0.25%	0.25%	0.25%

* The Bank of Israel lowered the interest rate to 0.1% at the beginning of April.

2.1.2. Top and emerging risks

Based on the recommendations of the FSB (Financial Stability Board), a top risk is defined as a development currently occurring in the business environment of the Bank that may adversely affect the Bank's results over the course of the coming year. By contrast, with respect to an emerging risk, there is greater uncertainty regarding the timing of materialization of the risk as an occurrence with a material effect on the strategy of the Bank.

The management of risks at the Bank Group is described extensively in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019, and in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

The Board of Management and Board of Directors of the Bank have discussed the effect of the top and emerging risks described below on the Bank; from time to time, they examine the need to adjust business strategy to such developments.

- **Compliance risk:** Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism, provision of advice to customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, or directives of a similar nature. The materialization of this risk on the global level is reflected in the continuing investigations of banks around the world and in the fines imposed on them in connection with the violation of laws or regulations, such as in the areas of assisting tax evasion, the prevention of terrorism financing, money laundering, and investigations of corruption. The Bank Group's business with American customers and the issue of FIFA were investigated by the authorities in the United States; resolutions between the Bank Group and the DOJ and additional United States authorities bringing these investigations to conclusion were recently approved and announced. For details, see Note 10D and 10E to the Condensed Financial Statements.
- **Macroeconomic environment:** The activity of the Bank is dependent on the business environment, in Israel and globally. The condition of the global economy; significant changes in monetary policies and interest-rate curves; market volatility; changes in prices of financial assets in Israel and worldwide, and in real-estate prices; and the economic, political, and security situation in Israel and in the region have the potential to affect the activity of the Bank. The Bank's multi-annual strategic plan includes certain assumptions regarding the macroeconomic environment, taking into consideration the existing risks in the global and Israeli economy, and balances risk and return considerations. The Bank is evaluating and examining its strategic plan in view of the changes in the macroeconomic environment.

  The spread of the coronavirus is an event with material macroeconomic implications, affecting the ways in which the Bank works as well as the potential for materialization of various risks, including credit risk, market risks, and operational risk. At this stage, there is uncertainty regarding the duration of the event and its future impacts on the activity of the global economy, the local economy, the customers of the Bank, and the Bank itself, and correspondingly on the various risks. For details, see the section "Economic and financial review," above, and the section "Effect of the spread of the coronavirus," below.
- **Regulatory environment in Israel and overseas:** International regulatory reforms have implications for the business of the Bank, in Israel and globally. In Israel, several regulatory initiatives have been formulated over the last few years, with the primary aim of increasing competition in the banking system in Israel; several additional regulatory initiatives are in the process of being generated. The regulatory initiatives and trends, and specifically the separation of the Bank from the credit-card companies and the significant changes in this area of activity, as well as the mobility of bank accounts and open API, may affect the banking system in general and the Bank in particular. At this stage, it is too early to estimate all of the effects of these changes on the Bank. For details regarding the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel, 2017, see Note 16 to the Condensed Financial Statements.

- **Information security and cyber incident risk:** Increasing cyber threats to financial institutions have led to the channeling of resources in the banking industry to cope with this risk. The Bank applies frequent controls in all channels in order to prevent harmful penetration, activation of malicious software, and information leakage. The lines of defense consist of a large number of advanced information-security systems, deployed internally in the Bank's network as well as externally as a perimeter defense. Due to the spread of the coronavirus, there was a significant transition of employees to remote work this quarter, as well as additional changes in modes of activity of the Bank, concurrently with an increase in threats. The cyber defense units have developed a response in order to reduce the risks, as detailed in the section "Operational risk," below.
- **Competitive and strategic risk:** New competition from big tech companies (Apple, Google, Facebook, Amazon, and others) and fintech companies, alongside the entry of new technologies, changes in customer behavior, and new business models in the financial sphere, may significantly affect the banking system, in Israel and worldwide, in the medium to long term. Concurrently, regulatory and competitive changes in the domestic arena, with an emphasis on measures aimed at increasing competition in the retail credit market, such as the Credit Data Law, which took effect in April 2019, bank account switching, and open API, may affect the business results of the Bank. The Bank has formulated a strategic plan for 2020-2022, encompassing action in the areas of innovation, technology, the structure of its operations, and more, in order to respond to all such threats.

For details regarding legal proceedings, see Note 10 to the Condensed Financial Statements.

For details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see Note 16 to the Condensed Financial Statements.

2.1.3. Effect of the spread of the coronavirus

The coronavirus spread rapidly around the world during the first quarter of 2020; in response, governments, including in Israel, took defensive measures such as restriction of international travel, quarantines, reduction of congregation and movement, lockdowns, restrictions of the activity of private businesses and of government and municipal services, and more. The spread of the virus and the defensive measures have caused material economic damage and negative trends in the global economy and in the Israeli economy, and have hurt global capital markets and the local market. In response, governments and central banks worldwide, including in Israel, have taken various measures, including grants, loans, intervention in capital markets, and more.

The spread of the virus has caused material worsening of activity in the economy in Israel, to which the activity of the Bank is exposed, and it has and is expected to have impacts on the business of the Bank, including due to an increase in credit risk and in liquidity problems of borrowers, in both the corporate and private sectors, and due to the deceleration of economic activity. The reduction of short-term interest rates by the central banks – the rate cuts already performed as well as probable additional reductions – also has the effect of reducing the future financing income and interest income of the Bank. This adds to the decreases in prices of tradable assets and the changes in bond spreads, which have an adverse effect on the value of the tradable assets of the Bank, and additional effects.

It is not possible to estimate the scope of the future spread of the virus, or the responses of governments and central banks, either in terms of the restrictions to be imposed on the economy and the duration thereof, or in terms of the measures to support and stimulate economic activity, or the reaction of the economies and the markets. It is also not possible to estimate or quantify the duration and extent of the event, or its future impact on the global economy, the Israeli economy, the customers of the Bank, and the Bank itself.

The Bank has established a dedicated committee of the Board of Management to address the financial crisis in the context of the coronavirus crisis, headed by the CEO of the Bank. The committee regularly reviews various scenarios for the progression of the event and its financial effects on the Bank; the effects of the event on credit risks and counterparty credit risks in respect of customers, banks, and others; and its effects on liquidity, the investment portfolio, the dealing room, and more, and directs the actions of the Bank in these areas.

Accordingly, as part of the Bank's preparations for the consequences of the coronavirus crisis, and in order to assess its potential effects, various scenarios for the progression of a series of economic parameters are being examined and used by the Bank to estimate the impacts on the Bank. In the baseline scenario, the Bank assumes that GDP will contract sharply in the first two quarters this year, and later recover. In this scenario, GDP contracts by approximately 7% in the full year of 2020, while the unemployment rate (excluding unpaid leave) rises to approximately 10% at its peak. The Bank of Israel interest rate remains at 0.1% throughout 2020 in this scenario. The scenario also assumes that most of the restrictions due to the coronavirus will be lifted by the end of June 2020, and that routines will resume, with health-related cautionary measures. These estimates and scenarios are continuously updated based on various forecasts, the economic plans of the government, and events in Israel and worldwide.

On the operational level, and on the level of business continuity, the Bank has applied a series of processes and measures, including remote work, reducing and/or splitting unit personnel, changes in the manner of operation of branches and in activity with customers, deferral of mortgage and loan payments, and more, in accordance with the instructions of the government and of the Ministry of Health, and the changes in regulation by the Bank of Israel, in particular Temporary Proper Conduct of Banking Business Directive 250 of the Banking Supervision Department, which is updated from time to time. In general, the operational risks, including cyber risks, related to the crisis and its effects have been analyzed, and controls and appropriate measures to minimize risk are being considered and implemented accordingly.

In view of the spread of the coronavirus, and in order to ensure the ability of the banks to continue to offer credit, on March 31, 2020, the Banking Supervision Department reduced credit requirements for banks, within the Temporary Order, for a period of six months, with an option for extension. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required of the Bank by the Banking Supervision Department, on a consolidated basis, as at March 31, 2020, and for the duration of the period of the Temporary Order, stand at 9.27% and 12.77%, respectively (instead of 10.27% and 13.77% prior to the Temporary Order). In the statement issued by the Supervisor of Banks in connection with the Temporary Order, she asked boards of directors of banks, among other matters, to reexamine their dividend policies, with the intention of using the capital resources released as a result of the reduced capital requirements to increase credit, rather than for distribution. Following the statement of the Supervisor of Banks, in order to allow realization of the purpose of the directive, the Board of Directors of the Bank resolved, on March 31, 2020, to adjust the target common equity Tier 1 capital ratio to 9.5%, and further resolved that, taking into consideration the existing distribution policy of the Bank, in light of the uncertainty in macroeconomic conditions, and in order to fulfill the purpose of the Temporary Order and of the policy of the Banking Supervision Department, until the end of the period of the Temporary Order and until conditions are clearer, the Bank will continue to refrain from performing distributions from ongoing earnings. For further details regarding the directives of the Supervisor of Banks, capital-adequacy targets, and dividends, see the section "Capital, capital adequacy, and leverage" in the Report of the Board of Directors and Board of Management.

The common equity Tier 1 capital ratio as at March 31, 2020, decreased to 11.21%, while the leverage ratio decreased to 7.14%, due to the effects of the coronavirus event, including an increase in customers' business credit needs and an increase in the allowance for credit losses; the decrease in capital resulting from the distribution of the remaining shares of Isracard as a dividend in kind to shareholders; and additional effects, as detailed in Section 2.3.2 of the Report of the Board of Directors and Board of Management.

This quarter, due to the spread of the virus, the Bank recorded an increase in the provision for credit losses of approximately NIS 757 million. Most of the increase resulted from an increase in the collective allowance, in the amount of approximately NIS 603 million, and from an increase in the individual allowance, in the amount of approximately NIS 154 million, mainly in respect of borrowers in the energy sector who were adversely affected by the crisis or its consequences. This increase is further to an increase in the provision for credit losses in the amount of approximately NIS 676 million recorded in the annual financial statements for 2019 (published in the second half of March 2020, after the spread of the coronavirus), which included the effects of the spread of the virus already known at that time. For details regarding the exposure and credit risk by economic sector, see the section concerning credit, below. In this context, note that due to the coronavirus event, loan payments (principal and/or interest) in the amount of NIS 897 million were deferred in March 2020, as detailed in the section "Credit risk," below, and additional payments were deferred in the second quarter of 2020. Following the spread of the coronavirus, the Bank recorded an increase in the provision for credit losses in this quarter and in the preceding quarter in a total amount of approximately NIS 1,433 million, beyond the change in the allowance for credit losses unrelated to the coronavirus event.

The spread of the coronavirus has led to an increase in the risk of activity with foreign banks, including an increase in credit risks and settlement risks with such banks. The Bank is examining this risk and managing it continually; see the section "Credit risk," below.

The volatility in the financial markets led to an increase in risk estimates of the activity of the dealing room of the Bank and of its customers, concurrently with pressures in the foreign-currency market in Israel observed during the month of March (which have since subsided), and an increase in risk on indicators of systemic and global liquidity pressures. The average liquidity ratio of the Bank in the quarter ended March 31, 2020, was 126%; the liquidity ratio as at March 31, 2020, was 135%.

Decreases in prices of tradable assets, and changes in interest-rate curves in Israel and globally and in bond spreads, have exerted a negative effect on the value of the tradable assets of the Bank. The value of the share portfolio and the available for sale bond portfolio decreased by approximately NIS 705 million during the quarter. The effect of this decrease on capital is mitigated by the allocation to capital of offsetting effects, mainly arising from the widening of the credit spreads used to determine the discount rate of employee benefit liabilities; the effect of the increase in the discount rate led to a decrease in the actuarial liability and to a corresponding increase in capital in the amount of approximately NIS 662 million. The financial markets recovered somewhat during the month of April, moderating the effects described above. For details regarding the effect on market risks, see the section "Market risks," below.

As noted, at this stage it is not possible to assess the full effects of the event on the Bank or the extent thereof, due to uncertainty regarding the duration of the event of the spread of the virus, the measures to be taken to stop its spread, and the severity of such measures, as well as uncertainty regarding the consequent impacts on economic activity, capital-market trends, and various financial measures to be applied by governments, central banks, and regulators on this subject (see Section B.4 in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks for 2019); for further details, see the sections concerning risk below.

The estimates of the Bank regarding the possible effects of the spread of the coronavirus and its impact on the markets constitute forward-looking information, as defined in the Securities Law, 1968, which is based, among other matters, on information and publications of third parties, and on estimates available to the Bank at this time. Such estimates are uncertain, and may materialize in a manner materially different from the foregoing statements, depending, among other matters, on the extent of the spread of the virus, the response of the governments and the central banks, and the duration of the event.

2.1.4. External auditors

Ziv Haft (BDO), CPA (Isr.) and Somekh Chaikin (KPMG), CPA (Isr.) serve as the joint auditors of the Bank. The firm Haft & Haft, which merged into Ziv Haft in 2000, began serving as the external auditor of the Bank in 1921. Somekh Chaikin began serving as an auditor of the Bank in 1998.

Occasionally, the external auditor finds it appropriate to diverge from the uniform format by including an emphasis-of-matter paragraph, directing attention to a particular matter that has a significant effect on the financial statements and is included in a note to the financial statements.

The external auditors have emphasized the section in Note 10B(b) concerning exposure to class-action suits filed against the Bank Group, and Notes 10D and 10E concerning the conclusion of the investigation of the Bank Group's business with American customers and regarding FIFA.

2.2. Material developments in income, expenses, and other comprehensive income

As detailed below, the financial results, particularly in the month of March, were influenced by the spread of the coronavirus, which caused sharp contraction of global economic activity, worsening of the condition of the economy and of borrowers, and increased volatility in the markets, among other effects.

Net profit attributed to shareholders of the Bank totaled NIS 192 million in the first three months of 2020, compared with profit in the amount of NIS 821 million in the same period last year.

Net return on equity attributed to shareholders of the Bank was approximately 2.0% in the first three months of 2020, compared with approximately 9.0% in the same period last year.

Net profit from continued operations attributed to shareholders of the Bank totaled NIS 301 million in the first three months of 2020, compared with profit in the amount of NIS 730 million in the same period last year.

Net return on equity from continued operations attributed to shareholders of the Bank was approximately 3.2% in the first three months of 2020, compared with approximately 7.9% in the same period last year.

Table 2-2: Condensed statement of profit and loss

	For the three months ended		Change
	March 31, 2020	March 31, 2019	
	NIS millions		
Interest income	**2,542**	2,825	(10.0%)
Interest expenses	**(350)**	(548)	(36.1%)
Net interest income	**2,192**	2,277	(3.7%)
Non-interest financing income	**306**	89	243.8%
Net financing profit*	**2,498**	2,366	5.6%
Provision for credit losses	**809**	121	568.6%
Net financing profit after provision for credit losses	**1,689**	2,245	(24.8%)
Fees and other income	**885**	803	10.2%
Operating and other expenses	**1,916**	1,877	2.1%
Profit from continued operations before taxes	**658**	1,171	(43.8%)
Provision for taxes on profit from continued operations	**363**	449	(19.2%)
Profit from continued operations after taxes	**295**	722	(59.1%)
The Bank's share in profits of equity-basis investees, after taxes	**1**	-	
Net profit from continued operations	**296**	722	(59.0%)
Net profit (loss) from a discontinued operation	**(109)**	91	(219.8%)
Net profit			
Before attribution to non-controlling interests	**187**	813	(77.0%)
Loss attributed to non-controlling interests	**5**	8	(37.5%)
Attributed to shareholders of the Bank	**192**	821	(76.6%)
Return of net profit	**2.0%**	9.0%	(77.4%)

* The profit and loss items above are presented in a different format than in the condensed statement of profit and loss, in order to allow better analysis of the financial results. This change is expressed in the reclassification of non-interest financing income, from the item of "non-interest income (expenses)" to the item of "net financing profit."

2.2.1. Developments in income and expenses

Net financing profit

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 – exchange-rate differences and profit from the sale of securities, among other things – which serve as an integral element of the Bank's exposure management. Income from derivatives includes, among other things, the effects of the time value in the fair value of derivatives, which offset balance sheet interest exposures, as well as the effects of the rate of change in the known CPI on derivatives balances, which offset CPI exposures in respect of balance sheet balances.

Table 2-3: Composition of net financing profit

	For the three months ended		Change
	March 31, 2020	March 31, 2019	
	NIS millions		
Interest income	**2,542**	2,825	(10.02%)
Interest expenses	**(350)**	(548)	(36.13%)
Net interest income	**2,192**	2,277	(3.73%)
Non-interest financing income	**306**	89	243.82%
Total reported financing profit	**2,498**	2,366	5.58%
Excluding effects not from regular activity:			
Income (expenses) from realization and adjustments to fair value of bonds	**27**	(23)	(217.39%)
Profit (loss) from investments in shares	**(122)**	155	(178.71%)
Adjustment to fair value of investment in affiliate	**11**	-	
Gains in respect of loans sold	**-**	-	
Adjustments to fair value of derivative instruments[1]	**9**	(97)	
Financing income (expenses) from tax hedging of investments overseas and hedges of currency exposures of non-monetary items[2]	**87**	(65)	
Total effects not from regular activity	**12**	(30)	(140.00%)
Total income from regular financing activity[3]	**2,486**	2,396	3.76%

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) This item includes the effects of hedging of currency exposures of non-monetary items and the effect of hedging the asymmetry in the tax liability in respect of exchange-rate differences in investments in subsidiaries overseas, which are not included in the income base for the calculation of the provision for tax, in contrast to exchange-rate differences in respect of financing sources. The Bank hedges against tax exposure in respect of investments overseas by establishing surplus financing sources against such investments.

(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting.
Of which in respect of the effects of changes in the CPI: an expense in the amount of NIS 70 million in the first quarter of 2020, compared with an expense in the amount of NIS 33 million in the first quarter of 2019.

Income from regular financing activity totaled NIS 2,486 million in the first three months of 2020, compared with a total of NIS 2,396 million in the same period last year. The increase resulted from an increase in income from the activity of the dealing room, due to an increase in the volume of transactions as a result of the volatility in the market following the spread of the coronavirus. In addition, volumes of business activity and of housing credit increased. By contrast, a decrease in income occurred as a result of a decrease in financial spreads of deposits, due to a decrease in the dollar interest rate, and from a decrease in income from linkage differentials, due to changes in the rate of increase of the known CPI between the periods. The volume of consumer retail credit also decreased.

Total reported financing income amounted to NIS 2,498 million in the first three months of 2020, compared with a total of NIS 2,366 million in the same period last year. The increase resulted from an increase in profit from regular financing activity, as noted above, and from an increase in income from exchange-rate differences, mainly due to hedging of currency exposures of non-monetary items. In addition, profit increased due to a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis. Profits from the sale of bonds also increased. By contrast, a decrease in income occurred due to a loss from investment in shares in the amount of NIS 122 million, most of which resulted from a decline in the market value of shares in the capital market, due to the coronavirus crisis, versus profit in the amount of NIS 155 million in the same period last year.

Table 2-4: Principal data regarding interest income and expenses

	For the three months ended			
	March 31, 2020		March 31, 2019	
	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)
	NIS million/percent			
Interest income	**2,542**	**2.45%**	2,825	2.81%
Interest expenses	**(350)**	**0.58%**	(548)	0.88%
Net interest income	**2,192**	**1.87%**	2,277	1.93%
Net interest income as a percentage of the balance of interest-bearing assets		**2.11%**		2.27%

Interest income and expenses decreased in the first three months of 2020, compared with the same period last year, as a result of a decrease in the dollar interest rate and a decrease in linkage differentials, due to changes in the rate of increase of the known CPI between the periods.

An analysis of the changes in interest income and expenses, in a comparison of the first three months of 2020 with the same period last year, indicates that changes in the volume of average balance sheet balances caused an increase in the amount of approximately NIS 135 million, and changes in interest rates caused a decrease in the amount of approximately NIS 220 million in net interest income.

The provision for credit losses totaled NIS 809 million in the first three months of 2020, compared with a total of NIS 121 million in the same period last year. Most of the increase in the provision for credit losses resulted from the effects of changes in the macroeconomic environment, due to the effects of the spread of the coronavirus, and due to the uncertainty caused by its effect on the condition of the economy and of borrowers. This increase is added to a provision for credit losses in the amount of approximately NIS 676 million recorded in the annual financial statements for 2019 (published in the second half of March 2020, after the coronavirus outbreak), in view of the impacts of the spread of the virus, as noted above.

In view of the high uncertainty, the Bank expects credit losses to grow; however, at this stage it is difficult to determine to what extent, or when, due to factors including the processes and measures applied by the government and the Bank of Israel, which may assist the economy in emerging from the crisis more quickly, but if they are unsuccessful, will only postpone the realization of credit risks. As an advance measure in confronting the effect of the crisis, the Bank decided to increase its collective allowance for this quarter, in order to reflect the potential increase in individual credit losses and in automatic charge-offs which have not yet been expressed.

The net individual provision totaled NIS 202 million in the first three months of 2020, compared with a provision in the amount of NIS 30 million in the same period last year.

The net collective provision totaled NIS 607 million in the first three months of 2020, compared with a provision in the amount of NIS 91 million in the same period last year. The increase in the collective provision mainly resulted from an increase in the allowance rate in all sectors of the economy, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers, and on the ability to identify and estimate credit losses inherent in the portfolio during the present period of significant uncertainty. This increase was offset by a decrease in automatic charge-offs, due to the effects of measures implemented by the Bank to improve underwriting quality in retail credit.

For further information regarding the development of balances of credit to the public, see the section "Structure and development of assets, liabilities, capital, and capital adequacy" in the Report of the Board of Directors and Board of Management.

For further information regarding the change in the allowance for credit losses, see Note 6 to the Condensed Financial Statements.

Table 2-5: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments**

	For the three months ended	
	March 31, 2020	March 31, 2019
	NIS millions	
Individual provision for credit losses	**324**	230
Decrease in individual allowance for credit losses and recovery of charged off debts	**(122)**	(200)
Net individual provision for credit losses	**202**	30
Net provision in respect of the collective allowance for credit losses and net charge-offs	**607**	91
Total provision for credit losses*	**809**	121
* Of which:		
Net provision for credit losses in respect of commercial credit risk	**656**	51
Net provision for credit losses in respect of housing credit risk	**32**	3
Net provision for credit losses in respect of other private credit risk	**120**	65
Net provision for credit losses in respect of risk of credit to banks and governments	**1**	2
Total provision for credit losses	**809**	121

	%	
Provision as a percentage of total credit to the public:		
Percentage of individual provision for credit losses	**0.43%**	0.32%
Gross provision for credit losses as a percentage of the average recorded balance of credit to the public***	**1.24%**	0.45%
Provision for credit losses as a percentage of the average recorded balance of credit to the public****	**1.07%**	0.17%
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**0.25%**	0.17%
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**14.20%**	12.86%

** Including in respect of housing loans examined according to the extent of arrears.
*** The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged-off debts.
**** Calculated on an annualized basis.

Fees and other income totaled NIS 885 million in the first three months of 2020, compared with NIS 803 million in the same period last year. Income from fees was influenced by the effects of the spread of the coronavirus, particularly in March. Due to the increased volatility in the capital markets and in exchange rates, and an increase in transaction volumes, an increase occurred in income from fees in respect of securities activity and in income from conversion differences. Income from credit cards also increased.

Table 2-6: Details of fees and other income

	For the three months ended		Change
	March 31, 2020	March 31, 2019	
	NIS millions		
Fees			
Account management fees	**210**	218	(3.7%)
Securities activity	**223**	174	28.2%
Credit cards, net	**76**	63	20.6%
Credit handling	**63**	54	16.7%
Financing transaction fees	**122**	116	5.2%
Other fees	**169**	160	5.6%
Total operating fees	**863**	785	9.9%
Total others	**22**	18	22.2%
Total operating income and other income	**885**	803	10.2%

Operating and other expenses totaled NIS 1,916 million in the first three months of 2020, compared with NIS 1,877 million in the same period last year, an increase of approximately 2.1%.

Table 2-7: Details of operating and other expenses

	For the three months ended		Change
	March 31, 2020	March 31, 2019	
	NIS millions		
Salary expenses			
Wages	**937**	*949	(1.3%)
Bonuses and share-based compensation	**25**	*102	(75.5%)
Total wages	**962**	*1,051	(8.5%)
Maintenance and depreciation of buildings and equipment	**321**	314	2.2%
Other expenses	**633**	*512	23.6%
Total operating and other expenses	**1,916**	1,877	2.1%

* Reclassified.

Salary expenses totaled NIS 962 million in the first three months of 2020, compared with NIS 1,051 million in the same period last year, a decrease of 8.5%. The decrease in salary expenses resulted from continued cost savings due to efficiency processes; a decrease in bonus amounts, in view of the return on equity attained in the first quarter of 2020, as a result of the effects of the spread of the coronavirus; and the effects of the wage agreement, pursuant to which equity compensation for employees has been eliminated and replaced by wage increments granted beginning in May. A large expense for equity compensation was recorded in the first quarter of 2019, due to an increase in the share price of the Bank.

Up to this point, no material changes affecting salary expenses have been performed in employees' terms of employment and benefits, despite the spread of the coronavirus.

Expenses for maintenance and depreciation of buildings and equipment totaled NIS 321 million in the first three months of 2020, compared with NIS 314 million in the same period last year, an increase of 2.2%.

Other expenses totaled NIS 633 million in the first three months of 2020, compared with NIS 512 million in the same period last year. The increase mainly resulted from expenses for exchange-rate differences due to the revaluation of the provision for the investigation of the Bank Group's business with American customers, compared with income in the same period last year, offset by a decrease in legal expenses for the investigation in comparison to the same period last year.

The provision for taxes on profit from continued operations totaled NIS 363 million in the first three months of 2020, compared with a total of NIS 449 million in the same period last year.

The provision for taxes of the Bank in the first three months of 2020 was mainly affected by losses at subsidiaries for which no deferred taxes in respect of securities were included; taxes in respect of previous years, due to recovery of charged-off debts; and unrecognized expenses due to revaluation of the provision for the American investigation, in respect of which revaluation income was recorded in the same period last year.

Net profit (loss) from a discontinued operation amounted to a loss of NIS 109 million in the first three months of 2020, compared with profit in the amount of NIS 91 million in the same period last year. The loss for the quarter resulted from recognition of loss from impairment of the investment in Isracard, in the amount of approximately NIS 109 million (after tax effect), due to the decrease in the share price to a level lower than the balance of the investment in the Bank's books as at December 31, 2019, compared with the price immediately prior to its distribution as a dividend in kind to the shareholders. The Bank's share in the profits of the Isracard Group was included in the same quarter last year.

Non-controlling interests' share in net results of consolidated companies totaled a share in loss in the amount of NIS 5 million in the first three months of 2020, compared with a share in loss in the amount of NIS 8 million in the same period last year.

Net profit attributed to shareholders of the Bank totaled NIS 192 million in the first three months of 2020, compared with a total of NIS 821 million in the same period last year.

Basic net profit per share of par value NIS 1 amounted to NIS 0.14 in the first three months of 2020, compared with NIS 0.62 in the same period last year.

2.2.2. Developments in comprehensive income

Table 2-8: Comprehensive income

	For the three months ended	
	March 31, 2020	March 31, 2019
	NIS millions	
Net profit before attribution to non-controlling interests	**187**	813
Net loss attributed to non-controlling interests	**5**	8
Net profit attributed to shareholders of the Bank	**192**	821
Other comprehensive income (loss) before taxes:		
Net adjustments in respect of bonds available for sale at fair value	**(667)**	351
Adjustments of employee benefit liabilities*	**635**	(197)
Other comprehensive income (loss) before taxes	**(32)**	154
Effect of related tax	**7**	(41)
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes	**(25)**	113
Comprehensive income before attribution to non-controlling interests	**162**	926
Comprehensive loss attributed to non-controlling interests	**5**	8
Comprehensive income attributed to shareholders of the Bank	**167**	934

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

Comprehensive income totaled NIS 167 million in the first three months of 2020, compared with a total of NIS 934 million in the same period last year. Comprehensive income was mainly influenced, beyond the change in net profit, by a decrease in adjustments of bonds available for sale, as a result of a decrease in prices of bonds, in Israel and overseas, due to the effects of the coronavirus pandemic, in contrast to increases in prices of bonds available for sale in the same period last year. Employee benefit liabilities decreased in the first quarter of 2020 due to a sharp increase in the corporate bond spreads used to discount actuarial liabilities for employee benefits, offsetting the effects of adjustments in respect of bonds available for sale.

2.3. Structure and development of assets, liabilities, capital, and capital adequacy

The consolidated balance sheet as at March 31, 2020, totaled NIS 491.5 billion, compared with NIS 463.7 billion at the end of 2019. The increase mainly resulted from an increase in credit to the public and in investments in securities.

Table 2-9: Developments in principal balance sheet items

	Balance as at		Change
	March 31, 2020	December 31, 2019	
	NIS millions		
Total assets	**491,459**	463,688	6.0%
Net credit to the public	**299,548**	292,940	2.3%
Cash and deposits with banks	**89,475**	88,122	1.5%
Securities	**74,500**	59,486	25.2%
Assets attributed to a discontinued operation*	**-**	849	(100.0%)
Deposits from the public	**388,566**	361,645	7.4%
Bonds and subordinated notes	**24,491**	26,853	(8.8%)
Shareholders' equity	**37,632**	38,181	(1.4%)

* From the second quarter of 2019 to March 9, 2020, when the remaining holding in Isracard shares was distributed as a dividend in kind, the balance of the investment in the Isracard Group was accounted for using the equity method, and was stated in one line within assets attributed to a discontinued operation. For further details, see Note 1E to the Condensed Financial Statements.

2.3.1. Structure and development of assets and liabilities

Credit to the public

Table 2-10: Development of net balance sheet credit to the public, by principal economic sector

	As at		Change
	March 31, 2020	December 31, 2019	
	NIS millions		
Private individuals – housing loans	**91,974**	89,256	3.0%
Private individuals – other	**36,089**	37,944	(4.9%)
Construction and real estate	**55,323**	53,833	2.8%
Commerce	**26,244**	26,176	0.3%
Industry	**17,266**	15,998	7.9%
Financial services	**23,914**	22,058	8.4%
Other	**48,738**	47,675	2.2%
Total	**299,548**	292,940	2.3%

For further information regarding the development of credit and credit risks by economic sector, see the chapter "Credit risk" in Section 3.2.2, "Classification and analysis of credit risk by economic sector," in the "Review of risks," in the Report of the Board of Directors and Board of Management.

Problematic debts

Table 2-11: Problematic credit risk[1]

	March 31, 2020			December 31, 2019		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
	NIS millions					
Impaired credit risk	**4,248**	**734**	**4,982**	4,442	861	5,303
Substandard credit risk[2]	**1,563**	**133**	**1,696**	1,476	270	1,746
Credit risk under special supervision	**3,441**	**578**	**4,019**	3,240	597	3,837
Total problematic credit risk*	**9,252**	**1,445**	**10,697**	9,158	1,728	10,886
Net problematic credit risk	**7,121**	**1,347**	**8,468**	7,144	1,643	8,787
* Of which, unimpaired debts in arrears of 90 days or more[2]	**873**	**-**	**873**	913	-	913

(1) Credit risk – impaired, substandard, or under special supervision.
(2) Including in respect of housing loans for which an allowance based on the extent of arrears exists, and in respect of housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more. For details regarding the instructions of the Banking Supervision Department on coping with the coronavirus, see Note 1C to the Condensed Financial Statements.

Note:
Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

Total problematic indebtedness decreased by 2% in the first quarter of 2020, mainly in respect of off-balance sheet credit risk and due to repayment of credit classified as impaired.

For further information regarding the analysis of the credit portfolio and problematic credit risk, see the chapter "Credit risk" in Section 3.2.1, "Analysis of credit quality and problematic credit risk," in the "Review of risks," in the Report of the Board of Directors and Board of Management.

Off-balance sheet credit

Table 2-12: Developments in principal off-balance sheet items

	Balance as at		Change
	March 31, 2020	December 31, 2019	
	NIS millions		
Off-balance sheet financial instruments, excluding derivatives			
Documentary credit	**1,110**	816	36.0%
Guarantees and other commitments*,**	**50,845**	51,134	(0.6%)
Unutilized credit-card credit facilities under the Bank's responsibility	**15,838**	15,640	1.3%
Unutilized revolving overdraft and other credit facilities in on-demand accounts*	**40,548**	44,695	(9.3%)
Irrevocable commitments to grant credit approved but not yet provided, and commitments to provide guarantees	**54,880**	58,323	(5.9%)

* Includes off-balance sheet credit risk in the amount of approximately NIS 16,924 million, in respect of which insurance was acquired from foreign insurance companies for the portfolio of Sale Law guarantees (December 31, 2019: NIS 13,797 million).

** Includes the Bank's liabilities in respect of its share in the risk fund of the Maof Clearing House, in the amount of NIS 94 million (March 31, 2019: NIS 153 million; December 31, 2019: NIS 94 million).

The decrease in off-balance sheet credit mainly resulted from utilization of credit facilities during the first quarter of 2020, as a result of an increase in customers' credit needs, due to the worsening of the economic environment while coping with the coronavirus.

Securities

The Bank has investments in government and corporate bonds, as well as investments in tradable and non-tradable shares, broadly diversified.

Securities totaled approximately NIS 74.5 billion as at March 31, 2020, compared with approximately NIS 59.5 billion at the end of 2019, an increase of approximately 25.2%, which mainly resulted from net purchases of Israeli government bonds.

The value of assets on the capital market decreased due to the spread of the coronavirus. The value of the share portfolio of the Bank decreased by a total of approximately NIS 122 million during the first quarter of 2020. In addition, a decrease of approximately NIS 583 million in the value of the portfolio of bonds available for sale of the Bank was recorded during the quarter, of which a decrease in value of NIS 431 million in corporate and financial bonds. The decrease in value of the portfolio of bonds available for sale was allocated to the capital reserve. Note that the financial markets recovered somewhat during the month of April 2020, tempering the effects described above.

Details of the Bank Group's activity in securities are set out below.

Table 2-13: Securities balances

	Trading book		Available for sale		Held to maturity		Total	
	Balance sheet value	% of total securities	Balance sheet value	% of total securities	Balance sheet value	% of total securities	Balance sheet value	% of total securities
	NIS millions/percent							
March 31, 2020								
Israeli government bonds	**15,279**	**20.5%**	**43,571**	**58.5%**	**-**	**-**	**58,850**	**79.0%**
US government bonds	**183**	**0.2%**	**5,598**	**7.5%**	**-**	**-**	**5,781**	**7.8%**
Government bonds – other foreign countries	**2**	**0.0%**	**457**	**0.6%**	**-**	**-**	**459**	**0.6%**
Total government bonds	**15,464**	**20.8%**	**49,626**	**66.6%**	**-**	**-**	**65,090**	**87.4%**
Corporate bonds – Israel	**-**	**-**	**-**	**-**	**374**	**0.5%**	**374**	**0.5%**
Corporate bonds – foreign countries	**-**	**-**	**7,538**	**10.1%**	**-**	**-**	**7,538**	**10.1%**
Total corporate bonds	**-**	**-**	**7,538**	**10.1%**	**374**	**0.5%**	**7,912**	**10.6%**
Shares	**2**	**0.0%**	***1,496**	**2.0%**	**-**	**-**	**1,498**	**2.0%**
Total securities	**15,466**	**20.8%**	**58,660**	**78.7%**	**374**	**0.5%**	**74,500**	**100.0%**
December 31, 2019								
Israeli government bonds	6,602	11.1%	33,417	56.2%	-	-	40,019	67.3%
US government bonds	-	-	7,730	13.0%	-	-	7,730	13.0%
Government bonds – other foreign countries	3	0.0%	378	0.6%	-	-	381	0.6%
Total government bonds	6,605	11.1%	41,525	69.8%	-	-	48,130	80.9%
Corporate bonds – Israel	-	-	-	-	299	0.5%	299	0.5%
Corporate bonds – foreign countries	-	-	9,284	15.6%	-	-	9,284	15.6%
Total corporate bonds	-	-	9,284	15.6%	299	0.5%	9,583	16.1%
Shares	2	0.0%	*1,771	3.0%	-	-	1,773	3.0%
Total securities	6,607	11.1%	52,580	88.4%	299	0.5%	59,486	100.0%

* Not held for trading.

For further details regarding amounts measured at fair value, see Note 15B to the Condensed Financial Statements.

For details regarding unrealized loss from adjustments to fair value in respect of bonds available for sale, see Note 5 to the Condensed Financial Statements.

Table 2-14: Details of corporate bonds by economic sector

	March 31, 2020		December 31, 2019	
	Balance sheet value	Percentage of total corporate bonds	Balance sheet value	Percentage of total corporate bonds
	NIS millions		NIS millions	
Mining and quarrying	**506**	**6.4%**	540	5.6%
Industry	**577**	**7.3%**	700	7.3%
Electricity and water	**421**	**5.3%**	387	4.0%
Information and communications	**248**	**3.1%**	313	3.3%
Banks and financial institutions	**5,612**	**70.9%**	7,129	74.4%
Others	**548**	**6.9%**	514	5.4%
Total corporate bonds	**7,912**	**100.0%**	9,583	100.0%

For details regarding unrealized loss from adjustments to fair value in respect of bonds available for sale, see Note 5 to the Condensed Financial Statements.

Deposits

Table 2-15: Developments in balances of deposits

	Balance as at		Change
	March 31, 2020	December 31, 2019	
	NIS millions		
Deposits from the public	**388,566**	361,645	7.44%
Deposits from banks	**3,980**	3,520	13.07%
Deposits from the government	**401**	685	(41.46%)
Total	**392,947**	365,850	7.41%

The balance of deposits totaled approximately NIS 393 billion as at March 31, 2020, compared with a total of approximately NIS 366 billion at the end of 2019. The increase mainly resulted from customers' transition to conservative investment channels due to the effects of the spread of the coronavirus.

Off-balance sheet activity in securities held by the public

Table 2-16: Developments in balances of off-balance sheet monetary assets held by the Bank Group's customers for which the Bank Group provides custody, management, operational, and advisory services

	Balance as at		Change
	March 31, 2020	December 31, 2019	
	NIS millions		
Securities[1]	**512,553**	723,227	(29.13%)
Mutual fund assets[2]	**66,797**	92,980	(28.16%)

(1) Including securities balances of provident funds and mutual funds for which the Bank Group provides custody services. Most of the decrease resulted from market declines and from customer redemptions in mutual, provident, and pension funds.
(2) Value of assets of mutual funds receiving services related to account management at various volumes.

Bonds and subordinated notes totaled approximately NIS 24.5 billion as at March 31, 2020, compared with approximately NIS 26.9 billion at the end of 2019, a decrease of approximately 8.8%, which resulted from the settlement of bonds and subordinated notes in the amount of approximately NIS 2.2 billion.

Table 2-17: Details of bonds and subordinated notes

	March 31, 2020		December 31, 2019	
	Balance sheet value	Of which: tradable	Balance sheet value	Of which: tradable
	NIS millions			
Subordinated notes	**11,323**	**9,674**	12,818	11,066
Bonds	**13,168**	**12,998**	14,035	13,861
Total bonds and subordinated notes	**24,491**	**22,672**	26,853	24,927

In March 2020, the Board of Directors of the Bank approved the facility for raising debt instruments and Tier 2 capital for 2020. The Bank is preparing to raise debt and Tier 2 capital according to requirements and market conditions.

Table 2-18: Derivative instruments

	March 31, 2020			December 31, 2019		
	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value	Notional value
	NIS millions					
Interest contracts	**7,080**	**8,311**	**524,547**	6,370	7,105	532,142
Currency contracts	**5,431**	**5,241**	**349,726**	3,767	3,982	312,037
Share-related contracts	**2,299**	**2,289**	**52,629**	991	991	51,920
Commodity and service contracts (including credit derivatives)	**136**	**136**	**788**	15	15	1,667
Total	**14,946**	**15,977**	**927,690**	11,143	12,093	897,766

2.3.2. Capital, capital adequacy, and leverage

(1) Capital

Investments in the capital of the Bank and transactions in its shares

The issued and paid-up share capital of the Bank, as at March 31, 2020, is NIS 1,335,387,014 par value, composed of ordinary shares of par value NIS 1 each. This is the issued capital excluding 1,990,097 ordinary shares purchased by the Bank ("Treasury Shares").

Until November 2018, Ms. Shari Arison held the permit for control of the Bank, through Arison Holdings (1998) Ltd. ("Arison Holdings"). On November 22, 2018, Ms. Arison's control permit was replaced by a permit to hold means of control, which she received from the Bank of Israel (a "holding permit"), allowing the control of the Bank to be decentralized, and the Bank became a banking corporation without a controlling core. Pursuant to the terms of the holding permit, Ms. Arison, who holds approximately 15.7% of the shares of the Bank at the date of publication of this statement, is required to sell her holdings in the Bank in excess of 5% within several years. For additional details regarding the holding permit, the change in the structure of control of the Bank, and the consequences thereof, see the section "Other matters" in the Corporate Governance Report in the Annual Financial Statements for 2018.

Dividends

Subject to the statements in this section, below, since the first quarter of 2017, the dividend distribution policy of the Bank is to distribute up to 40% of quarterly net operating profit. Any distribution is subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account business considerations, the directives of all laws, and any constraints on distribution.

In addition to restrictions under the Companies Law, dividend distribution by banking corporations is subject to regulation applicable to banking corporations in Israel, pursuant to which no dividends shall be distributed: (a) if the cumulative balance of retained earnings of the bank (net of negative differences included in accumulated other comprehensive income) according to its last published financial statements is not positive, or if the payout would lead to a negative balance; (b) when one or more of the last three calendar years ended in a loss or in a comprehensive loss; (c) when the cumulative result of the three quarters ended at the end of the interim period for which the last financial statement has been released indicates a loss or a comprehensive loss; (d) if the forecast is that in the year following the payout the bank's ratio of capital to risk-adjusted assets will fall below the required rate; (e) from capital reserves or positive differences resulting from the translation of financial statements of foreign operations; (f) if after the payout the bank's non-monetary assets would exceed its shareholders' equity; or (g) if the bank does not comply with the requirements of Section 23A of the Banking Law, which establishes a limit on the percentage of capital that a banking corporation may invest in non-financial corporations. The foregoing notwithstanding, in certain cases the Bank can distribute dividends even if the aforesaid circumstances apply, if it obtains prior written approval from the Banking Supervision Department for such distribution, up to the amount thus approved. For details regarding the capital-adequacy target of the Bank, see the section "Capital adequacy," below.
Pursuant to the terms of the subordinated notes, if interest payments in respect of these notes are deferred, the Bank shall not pay dividends to its shareholders until all of the deferred interest payments are paid in full.
In light of the uncertainty with respect to the investigation of the United States authorities that existed prior to the approval of the resolutions (see Note 10D to the Condensed Financial Statements), for reasons of conservatism and in coordination with the Bank of Israel, beginning in the second quarter of 2018, the Board of Directors of the Bank has not declared the distribution of dividends from ongoing earnings, with no change to the Bank's dividend distribution policy. See also Note 24 to the Annual Financial Statements for 2019.
As a result of the sale of approximately 65.2% of the shares of Isracard in the second quarter of 2019, the Bank accumulated additional capital surplus. In September 2019, the Board of Directors of the Bank declared the distribution of dividends in respect of this capital surplus, in the amount of NIS 1 billion, paid in October 2019. The remaining holdings of the Bank in the shares of Isracard (approximately 33% of the issued and paid-up capital of Isracard) were distributed as a dividend in kind to the shareholders of the Bank on March 9, 2020.
In view of the notification of the Supervisor of Banks of March 29, 2020, and the temporary order established (see Section 2 concerning capital adequacy, below) in connection with the spread of the coronavirus, the Board of Directors of the Bank resolved, on March 31, 2020, that in light of the uncertainty in macroeconomic conditions, and in order to fulfill the purpose of the directives and policy of the Banking Supervision Department, until the end of the period of the temporary order and until conditions are clearer, the Bank will continue to refrain from performing distributions from ongoing earnings.

Table 2-19: Details of dividends paid

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
February 2, 2020	March 9, 2020	*53.937	**720
September 24, 2019	October 23, 2019	74.897	1,000

* Calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91). Approximately 0.0494 shares of Isracard were distributed as a dividend in kind in respect of each share of the Bank.

** Paid as a dividend in kind, in shares. The amount noted is based on the price of the Isracard share on the stock exchange on March 8, 2020.

(2) Capital adequacy

The Bank's approach to capital-adequacy assessment

The Bank applies the capital measurement and adequacy directives based on the Basel directives, as published by the Banking Supervision Department and as integrated into Proper Conduct of Banking Business Directives 201-211 and the file of questions and answers.

The capital measurement and adequacy directives are based on three pillars:

- Pillar 1 – Includes the manner of calculation of the supervisory minimum capital requirements in respect of credit risks, operational risk, and market risk.
- Pillar 2 – Sets forth internal processes (the ICAAP – Internal Capital Adequacy Assessment Process) to be used by banks to assess the required capital in respect of risks in aggregate, including those not covered by Pillar 1 (such as credit concentration, interest-rate risk in the banking book, liquidity risks, settlement risks, and strategic risks), as well as a review process to be performed by the Banking Supervision Department.
- Pillar 3 – Market discipline; establishes the type and extent of information to be presented in reporting to the public on the risks to which banks are exposed. This pillar requires the disclosure of both quantitative and qualitative information, in order to enable the market to estimate the extent of the bank's exposure to risk factors.

Basel 3 directives

The Basel 3 directives took effect on January 1, 2014. Implementation is gradual, in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, "Capital Measurement and Adequacy – Supervisory Capital – Transitional Directives." In accordance with the transitional directives, capital instruments that no longer qualify as supervisory capital were recognized as of January 1, 2014, up to a ceiling of 80% of their balance in the supervisory capital as at December 31, 2013; this ceiling is being lowered by an additional 10% in each subsequent year, until January 1, 2022. Accordingly, the ceiling for instruments qualifying as supervisory capital was 30% and 20%, respectively, in 2019 and 2020.

Capital-adequacy target

On March 31, 2020, the Banking Supervision Department issued a circular on the subject, "Adjustments to the Proper Conduct of Banking Business Directives for the purpose of coping with the coronavirus crisis (temporary order)" (the "Temporary Order"), in view, according to the statement of the Banking Supervision Department, of the spread of the coronavirus, and in order to ensure the ability of the banks to continue to offer credit. Pursuant to the circular, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 9% (versus 10% prior to this change), and a minimum total capital ratio of 12.5% (versus 13.5% prior to this change). These capital requirements will be in effect for six months, and will be extended for an additional six months if necessary, after which, as relevant, the Bank will be required to present a trajectory for gradual reaccumulation of capital, to the extent that its capital is eroded, over a period of two years.

A capital requirement at a rate representing 1% of the balance of housing loans at the dates of the financial statements was added to the minimum capital ratios.

Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank (which is a banking corporation of significant importance) required by the Banking Supervision Department, on a consolidated basis, as at March 31, 2020, and for the duration of the period of the Temporary Order, stand at 9.27% and 12.77%, respectively (instead of 10.27% and 13.77% prior to the Temporary Order).

In the statement issued by the Banking Supervision Department in connection with the Temporary Order, boards of directors of banks were asked, among other matters, to reexamine their dividend policies, with the intention of using the capital resources released as a result of the reduced capital requirements in order to increase credit, rather than for distribution. In view of the statement of the Banking Supervision Department, and in order to allow realization of the purpose of the directive, the Board of Directors of the Bank resolved on March 31, 2020, to adjust the target common equity Tier 1 capital ratio to 9.5%. The Board of Directors further resolved that, taking into consideration the existing distribution policy of the Bank (distribution of up to 40% of quarterly net operating profit), in light of the uncertainty in macroeconomic conditions, and in order to fulfill the purpose of the Temporary Order and the policy of the Banking Supervision Department, until the end of the period of the Temporary Order and until conditions are clearer, the Bank will continue to refrain from performing distributions from ongoing earnings.

Planning and management of capital by the Bank

Capital planning at the Bank is based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins. Various sensitivity tests are applied within the planning of capital and capital ratios. The Bank also routinely monitors actual results as compared to planning, and the gaps between results and planning, and, as necessary, examines the actions needed in order to maintain the established capital targets. The policy of the Bank is to maintain capital adequacy at a level higher than the minimum ratio required by the Banking Supervision Department, and not lower than the level of capital adequacy required to cover the risks, as assessed in the Internal Capital Adequacy Assessment Process (ICAAP). Within the ICAAP, the Bank examines the effect of stress scenarios on capital-adequacy ratios; accordingly, a plan is in place for a return to regulatory capital adequacy in the case of a such a stress event.

Improving operational efficiency

In January 2016, the Banking Supervision Department issued a letter on the subject, "Improving the operational efficiency of the banking system in Israel" (the "Efficiency Directive"). Pursuant to the Efficiency Directive, the boards of directors of banking corporations shall formulate a multi-year plan to improve efficiency. Banking corporations that meet the conditions established in the directive will be granted a relief allowing them to spread the effects of the plan over a period of up to five years in a straight line, for the purposes of the calculation of capital-adequacy ratios and of the leverage ratio.

Further to the Efficiency Directive, in June 2017, the Banking Supervision Department issued a letter entitled, "Improving the operational efficiency of the banking system in Israel – efficiency in the area of real estate," which encourages banking corporations to also examine, in addition to improved efficiency in personnel expenses, the possibility of reducing real-estate and maintenance costs of headquarters and management units, including through a reexamination of the geographical location of such units ("Real-Estate Efficiency"). In order to encourage the implementation of a plan for Real-Estate Efficiency, the Banking Supervision Department will approve reliefs for the banks in the area of capital adequacy.

In a letter dated December 16, 2019, the Banking Supervision Department extended the period for implementation of the efficiency plan until December 31, 2021.

In October 2016, the Board of Directors of the Bank approved an efficiency plan at an estimated cost in the amount of NIS 762 million, net of tax effect, which was allocated to capital. The plan is being allocated in equal installments over five years, beginning in 2017, for the purpose of the calculation of capital-adequacy ratios and the leverage ratio.

In January 2020, the Board of Directors of the Bank approved an efficiency plan at an estimated cost in the amount of NIS 352 million, net of tax effect, which was allocated to capital as at December 31, 2019. The plan is being allocated in equal installments over five years, beginning in 2020, for the purpose of the calculation of capital-adequacy ratios and the leverage ratio.

The effect of the reliefs in respect of the efficiency plans on the ratio of common equity Tier 1 capital to risk components is estimated at approximately 0.2% as at March 31, 2020.

The subsidiary of the Bank in Turkey

In January 2019, a letter was received from the Bank of Israel concerning the subsidiary of the Bank in Turkey, Bank Pozitif. In the letter, the Bank of Israel stated that the activity of the Bank in Turkey exposes it to significant risks, and therefore, until the realization of the full holdings of the Bank in Bank Pozitif, the Bank is required to increase the risk weighting rates of risk-adjusted assets in respect of the activity of Bank Pozitif, in the calculation of the consolidated capital ratio only, as follows:

- Beginning January 1, 2020, risk-adjusted assets in respect of the activity of Bank Pozitif will be weighted at a rate of at least 300%.
- Beginning January 1, 2021, risk-adjusted assets in respect of the activity of Bank Pozitif will be weighted at a rate of at least 600%.

Accordingly, beginning January 1, 2020, the Bank weighted risk-adjusted assets in respect of Bank Pozitif at 300%. The effect on the financial statements for the first quarter of 2020 is a decrease of approximately 0.04% in the common equity Tier 1 capital ratio. The effect of this instruction on the common equity Tier 1 capital ratio, assuming weighting of the risk-adjusted assets at 600%, based on data as at March 31, 2020, is an additional decrease of approximately 0.05%.

Within the Bank's strategic plan, a decision has been made to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

Leases

The effect of the implementation of the new accounting standard concerning leases, implemented as of January 1, 2020, is a decrease of approximately 0.04% in the common equity Tier 1 capital ratio and a decrease of approximately 0.05% in the total capital ratio. For further details, see Note 1C.

Table 2-20: Calculation of the capital-adequacy ratio

	March 31, 2020	March 31, 2019	December 31, 2019
		NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital[1]	**38,152**	38,903	38,795
Additional Tier 1 capital	**488**	733	733
Total Tier 1 capital[1]	**38,640**	39,636	39,528
Tier 2 capital	**9,552**	9,436	9,707
Total overall capital[1]	**48,192**	49,072	49,235
2. Weighted balances of risk-adjusted assets			
Credit risk[2]	**313,394**	312,408	309,303
Market risks	**3,226**	2,998	3,528
Operational risk	**23,612**	24,285	23,556
Total weighted balances of risk-adjusted assets[2]	**340,232**	339,691	336,387
		%	
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components	**11.21%**	11.45%	11.53%
Ratio of Tier 1 capital to risk components	**11.36%**	11.67%	11.75%
Ratio of total capital to risk components	**14.16%**	14.45%	14.64%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department[3]	**9.27%**	10.24%	10.27%
Minimum total capital ratio required by the Banking Supervision Department[3]	**12.77%**	13.74%	13.77%

(1) The data are presented in accordance with Proper Conduct of Banking Business Directive 202, "Capital Measurement and Adequacy – Supervisory Capital," and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299. The data also include adjustments in respect of the efficiency plans, allocated in equal parts over five years, beginning at the inception date thereof. For additional details regarding the effect of the adjustments in respect of the efficiency plans, see Note 9I to the Condensed Financial Statements.

(2) A total of NIS 808 million as at March 31, 2020, NIS 883 million as at December 31, 2019, and NIS 585 million as at March 31, 2019, was deducted from the total weighted balances of risk-adjusted assets, due to adjustments in respect of the efficiency plans, which, in accordance with the approval of the Banking Supervision Department, are allocated gradually over five years from inception.

(3) The required minimum common equity Tier 1 capital ratio and minimum total capital ratio were 10% and 13.5%, respectively, until March 31, 2020, and stand at 9% and 12.5%, respectively, as of that date and for the duration of the Temporary Order (see above in this section). A capital requirement at a rate representing 1% of the balance of housing loans at the dates of the financial statements was added to these ratios.

(3) Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the transitional arrangements that have been established. The total exposure measurement is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

Table 2-21: Leverage ratio

	March 31, 2020	March 31, 2019	December 31, 2019
		NIS millions	
Consolidated data			
Tier 1 capital*	**38,640**	39,636	39,528
Total exposures*	**541,421**	523,012	519,648
		%	
Leverage ratio	**7.14%**	7.58%	7.61%
Minimum leverage ratio required by the Banking Supervision Department	**6.00%**	6.00%	6.00%

* These data include adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see the section "Improving operational efficiency," above). The effect of the reliefs in respect of the efficiency plans on the leverage ratio as at March 31, 2020, estimated at approximately 0.12%, is allocated in equal parts over five years, beginning at the inception date thereof.

The decrease in the leverage ratio as at March 31, 2020, mainly resulted from an increase in total exposures, due to factors including an increase in customers' credit needs, as a result of the worsening of the economic environment while coping with the coronavirus, and from a decrease in capital due to the distribution of the remaining shares of Isracard as a dividend in kind to shareholders.

2.4. Description of the Bank Group's business by supervisory activity segments

Segments of activity are reported on in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department. This reporting is fundamentally different from the activity segments used at the Bank according to the approach of its management, which are described in Section 2.5 and in Note 12A to the Condensed Financial Statements. Supervisory activity segments are reported in the uniform format established by the Banking Supervision Department for the entire banking system. The segments are based on customer characteristics, such as asset portfolio volume with respect to private customers, or annual revenue of a business with respect to business customers.

For the definitions of the supervisory segments and for details regarding the main points of the guidelines, estimates, and reporting principles, see Note 28 to the Annual Financial Statements for 2019.

Table 2-22: Results of operations and principal data of the supervisory activity segments

	For the three months ended March 31, 2020										
	Activity in Israel									Activity overseas	Total
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	**811**	**33**	**551**	**196**	**307**	**43**	**422**	**-**	**2,363**	**135**	**2,498**
Fees and other income	**342**	**44**	**221**	**72**	**105**	**28**	**32**	**31**	**875**	**10**	**885**
Total income	**1,153**	**77**	**772**	**268**	**412**	**71**	**454**	**31**	**3,238**	**145**	**3,383**
Provision for credit losses	**152**	**-**	**206**	**79**	**325**	**8**	**1**	**-**	**771**	**38**	**809**
Operating and other expenses	**865**	**43**	**400**	**75**	**74**	**40**	**102**	**116**	**1,715**	**201**	**1,916**
Profit (loss) from continued operations before taxes	**136**	**34**	**166**	**114**	**13**	**23**	**351**	**(85)**	**752**	**(94)**	**658**
Provision for taxes (tax benefit) on profit (loss) from continued operations	**56**	**14**	**72**	**51**	**7**	**10**	**155**	**2**	**367**	**(4)**	**363**
Net profit (loss) from continued operations	**80**	**20**	**94**	**63**	**6**	**13**	**197**	**(87)**	**386**	**(90)**	**296**
Net loss from a discontinued operation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(109)**	**(109)**	**-**	**(109)**
Net profit (loss) attributed to shareholders of the Bank	**80**	**20**	**94**	**63**	**6**	**13**	**199**	**(196)**	**279**	**(87)**	**192**
Balance of gross credit to the public at the end of the reported period	**128,815**	**586**	**52,605**	**30,868**	**73,769**	**1,811**	**-**	**-**	**288,454**	**16,363**	**304,817**
Balance of deposits from the public at the end of the reported period	**149,897**	**34,983**	**68,691**	**25,571**	**47,020**	**41,671**	**-**	**-**	**367,833**	**20,733**	**388,566**

Table 2-22: Results of operations and principal data of the supervisory activity segments (continued)

	For the three months ended March 31, 2019*										
	Activity in Israel									Activity overseas	Total
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	843	46	569	192	282	34	247	2	2,215	151	2,366
Fees and other income	316	33	202	70	91	25	21	33	791	12	803
Total income	1,159	79	771	262	373	59	268	35	3,006	163	3,169
Provision (income) for credit losses	69	-	43	1	11	(1)	2	-	125	(4)	121
Operating and other expenses	892	45	418	80	78	40	112	42	1,707	170	1,877
Profit (loss) from continued operations before taxes	198	34	310	181	284	20	154	(7)	1,174	(3)	1,171
Provision for taxes (tax benefit) on profit (loss) from continued operations	73	13	117	69	106	6	44	(1)	427	22	449
Net profit (loss) from continued operations	125	21	193	112	178	14	110	(6)	747	(25)	722
Net profit from a discontinued operation	-	-	-	-	-	-	-	91	91	-	91
Net profit (loss) attributed to shareholders of the Bank	125	21	193	112	178	14	115	85	843	(22)	821
Balance of gross credit to the public at the end of the reported period	124,369	863	53,712	27,673	61,646	1,494	-	(1)15,152	284,909	17,117	302,026
Balance of deposits from the public at the end of the reported period	134,998	32,792	62,656	21,670	35,863	47,284	-	(1)575	335,838	18,969	354,807

* Reclassified, mainly due to housing loans granted to individuals in an economic sector other than the sector "private individuals," which were reclassified from the business segments to the "households" and "private banking" segments. In addition, some data were reclassified in order to properly reflect improvements in segment measurement methods.

(1) The data include balances attributed to a discontinued operation.

Principal changes in net profit and balance sheet balances

Household Segment

Net profit attributed to shareholders of the Bank in the Household Segment totaled NIS 80 million in the first quarter of 2020, compared with net profit in the amount of NIS 125 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses and a decrease in net financing profit, partly offset by a decrease in operating expenses.

Net financing profit totaled NIS 811 million in the first quarter of 2020, compared with NIS 843 million in the same quarter last year. The decrease resulted from a decrease in financial spreads of credit and in financial spreads of deposits, as a result of a decrease in the dollar interest rate. By contrast, an increase occurred as a result of an increase in the volume of housing credit.

Fees and other income totaled NIS 342 million in the first quarter of 2020, compared with NIS 316 million in the same quarter last year. The increase mainly resulted from an increase in securities activity fees and an increase in credit-card fees, partly offset by a decrease in account-management fees.

The provision for credit losses totaled NIS 152 million in the first quarter of 2020, compared with NIS 69 million in the same quarter last year. The increase mainly resulted from an increase in the collective allowance in respect of sound credit, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers. However, the decrease in volumes of automatic charge-offs continued in the present quarter.

Operating and other expenses of the segment totaled NIS 865 million in the first quarter of 2020, compared with NIS 892 million in the same quarter last year. The decrease mainly resulted from a decrease in salary expenses, due to continued cost savings due to efficiency processes; a decrease in bonus amounts, in view of the return on equity attained in the first quarter of 2020, as a result of the effects of the spread of the coronavirus; and the effects of the wage agreement, pursuant to which equity compensation for employees has been eliminated and replaced by wage increments granted beginning in May. A large expense for equity compensation was recorded in the first quarter of 2019, due to an increase in the share price of the Bank.

Credit to the public totaled approximately NIS 129 billion as at March 31, 2020 (of which: housing credit in the amount of approximately NIS 92 billion, consumer credit in the amount of approximately NIS 32 billion, and credit cards in the amount of approximately NIS 5 billion), compared with approximately NIS 128 billion as at December 31, 2019 (of which: housing credit in the amount of approximately NIS 89 billion, consumer credit in the amount of NIS 34 billion, and credit cards in the amount of approximately NIS 5 billion).

Deposits from the public totaled approximately NIS 149.9 billion as at March 31, 2020, compared with approximately NIS 134.4 billion as at December 31, 2019. The increase mainly resulted from customers' transition to conservative investment channels due to the effects of the spread of the coronavirus.

Private Banking Segment

Net profit attributed to shareholders of the Bank in the Private Banking Segment totaled NIS 20 million in the first quarter of 2020, compared with net profit in the amount of NIS 21 million in the same quarter last year.

Net financing profit totaled NIS 33 million in the first quarter of 2020, compared with NIS 46 million in the same quarter last year. The decrease mainly resulted from a decrease in financial spreads on deposits, due to a decrease in the dollar interest rate.

Fees and other income totaled NIS 44 million in the first quarter of 2020, compared with NIS 33 million in the same quarter last year. The increase mainly resulted from an increase in securities activity fees.
Credit to the public totaled approximately NIS 0.6 billion as at March 31, 2020, similar to December 31, 2019.
Deposits from the public totaled approximately NIS 35.0 billion as at March 31, 2020, compared with approximately NIS 31.2 billion as at December 31, 2019.

Small Business and Microbusiness Segment

Net profit attributed to shareholders of the Bank in the Small Business and Microbusiness Segment totaled NIS 94 million in the first quarter of 2020, compared with NIS 193 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, partly offset by a decrease in operating expenses.
Net financing profit totaled NIS 551 million in the first quarter of 2020, compared with NIS 569 million in the same quarter last year. The decrease mainly resulted from a decrease in the average balance of deposits, and from a decrease in financial spreads on deposits, due to a decrease in the dollar interest rate.
Fees and other income totaled NIS 221 million in the first quarter of 2020, compared with NIS 202 million in the same quarter last year. The increase mainly resulted from an increase in securities activity fees and in financing transaction fees.
The provision for credit losses totaled NIS 206 million in the first quarter of 2020, compared with NIS 43 million in the same quarter last year. The increase mainly resulted from an increase in the collective allowance in respect of sound credit, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.
Operating and other expenses of the segment totaled NIS 400 million in the first quarter of 2020, compared with NIS 418 million in the same quarter last year. The decrease mainly resulted from a decrease in salary expenses, due to continued cost savings due to efficiency processes; a decrease in bonus amounts, in view of the return on equity attained in the first quarter of 2020, as a result of the effects of the spread of the coronavirus; and the effects of the wage agreement, pursuant to which equity compensation for employees has been eliminated and replaced by wage increments granted beginning in May. A large expense for equity compensation was recorded in the first quarter of 2019, due to an increase in the share price of the Bank.
Credit to the public totaled approximately NIS 52.6 billion as at March 31, 2020, compared with approximately NIS 54.8 billion as at December 31, 2019.
Deposits from the public totaled approximately NIS 68.7 billion as at March 31, 2020, compared with approximately NIS 61.5 billion as at December 31, 2019.

Mid-sized Business Segment

Net profit attributed to shareholders of the Bank in the Mid-sized Business Segment totaled NIS 63 million in the first quarter of 2020, compared with NIS 112 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses.

The provision for credit losses totaled NIS 79 million in the first quarter of 2020, compared with NIS 1 million in the same quarter last year. The increase mainly resulted from an increase in the collective allowance in respect of sound credit, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.

Credit to the public totaled approximately NIS 30.9 billion as at March 31, 2020, compared with approximately NIS 29.6 billion as at December 31, 2019.

Deposits from the public totaled approximately NIS 25.6 billion as at March 31, 2020, compared with approximately NIS 24.5 billion as at December 31, 2019.

Large Business Segment

Net profit attributed to shareholders of the Bank in the Large Business Segment totaled NIS 6 million in the first quarter of 2020, compared with NIS 178 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, partly offset by an increase in net financing profit and an increase in fees.

Net financing profit totaled NIS 307 million in the first quarter of 2020, compared with NIS 282 million in the same quarter last year. The increase resulted from an increase in income from the activity of the dealing room, due to an increase in the volume of transactions as a result of the volatility in the market, and from an increase in the volume of credit and deposits.

Fees and other income totaled NIS 105 million in the first quarter of 2020, compared with NIS 91 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions.

The provision for credit losses totaled NIS 325 million in the first quarter of 2020, compared with a provision in the amount of NIS 11 million in the same quarter last year. The increase mainly resulted from an increase in the collective provision in respect of sound credit, and from an increase in the individual provision, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.

Credit to the public totaled approximately NIS 73.8 billion as at March 31, 2020, compared with approximately NIS 67.9 billion as at December 31, 2019. The increase mainly resulted from utilization of credit facilities, as a result of an increase in customers' credit needs, due to the worsening of the economic environment while coping with the coronavirus.

Deposits from the public totaled approximately NIS 47.0 billion as at March 31, 2020, compared with approximately NIS 45.0 billion as at December 31, 2019.

Institutional Entity Segment

Net profit attributed to shareholders of the Bank in the Institutional Entity Segment totaled NIS 13 million in the first quarter of 2020, compared with NIS 14 million in the same quarter last year.

Net financing profit totaled NIS 43 million in the first quarter of 2020, compared with NIS 34 million in the same quarter last year. The increase resulted from an increase in income from the activity of the dealing room, due to an increase in the volume of transactions as a result of the volatility in the markets.

Fees and other income totaled NIS 28 million in the first quarter of 2020, compared with NIS 25 million in the same quarter last year. The increase mainly resulted from an increase in fees from securities activity, offset by a decrease in operations and trust fees of institutional entities, due to the discontinuation of the activity of providing operational services for provident funds and study funds to management companies, beginning in July 2019.

Credit to the public totaled approximately NIS 1.8 billion as at March 31, 2020, compared with approximately NIS 1.2 billion as at December 31, 2019.

Deposits from the public totaled approximately NIS 41.7 billion as at March 31, 2020, compared with approximately NIS 48.8 billion as at December 31, 2019.

Financial Management Segment

Net profit attributed to shareholders of the Bank in the Financial Management Segment totaled NIS 199 million in the first quarter of 2020, compared with NIS 115 million in the same quarter last year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 422 million in the first quarter of 2020, compared with NIS 247 million in the same quarter last year. The increase resulted from an increase in income from exchange-rate differences, mainly due to hedging of currency exposures of non-monetary items. In addition, income from the activity of the dealing room increased, due to an increase in the volume of transactions as a result of the volatility in the market resulting from the coronavirus crisis. Profit also increased due to a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis, and profits from investment in bonds increased. By contrast, a decrease in income occurred due to a loss from investment in shares in the amount of NIS 122 million, most of which resulted from a decline in the market value of shares in the capital market, due to the coronavirus crisis, versus profit in the amount of NIS 155 million in the same period last year. In addition, income from linkage differentials decreased due to changes in the rate of increase of the known CPI between the periods.

Fees and other income totaled NIS 32 million in the first quarter of 2020, compared with NIS 21 million in the same quarter last year. The increase mainly resulted from an increase in syndication fees.

For details regarding the effect of the spread of the coronavirus on foreign financial institutions, see the section "Credit risk" in the Review of Risks, below.

Other Segment (activity in Israel)

The loss attributed to shareholders of the Bank in the Other Segment totaled NIS 196 million in the first quarter of 2020, compared with profit in the amount of NIS 85 million in the same quarter last year.

The loss from continued operations attributed to shareholders of the Bank in the segment totaled NIS 87 million in the first quarter of 2020, compared with a loss in the amount of NIS 6 million in the same quarter last year. The increase in loss mainly resulted from an increase in the provision in connection with the investigation of the Bank Group's business with American customers, due to an increase in the dollar exchange rate, in contrast to the same quarter last year, in which income was recorded due to a decrease in the dollar exchange rate, offset by a decrease in legal expenses in connection with the investigation.

In addition, the Other Segment includes loss attributed to a discontinued operation, which totaled NIS 109 million in the first quarter of 2020, compared with profit in the amount of approximately NIS 91 million in the same quarter last year. The loss from a discontinued operation in the first quarter of 2020 resulted from recognition of loss from impairment of the investment in Isracard, in the amount of approximately NIS 109 million (after tax effect), due to the decrease in the share price to a level lower than the balance of the investment in the Bank's books as at December 31, 2019, compared with the price immediately prior to its distribution as a dividend in kind to the shareholders. The Bank's share in the profits of the Isracard Group was included in the same quarter last year.
The balances of credit to the public included in this segment in the comparative periods include the activity of the Isracard Group, which constitutes a discontinued operation.

International Activity Segment

The loss attributed to shareholders of the Bank in the International Activity Segment totaled NIS 87 million in the first quarter of 2020, compared with a loss in the amount of NIS 22 million in the same quarter last year. The increase in loss resulted from an increase in expenses recorded in respect of the provision in connection with the investigation of the Bank Group's business with American customers.
The principal changes in the results of international activity are set out below:

- Net profit of the New York branch totaled approximately NIS 5 million in the first quarter of 2020, compared with profit of approximately NIS 44 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, due to the rate of increase of the collective allowance, as a result of the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers, and from a decrease in total net financing profit.
- The loss of Hapoalim Switzerland totaled approximately NIS 104 million in the first quarter of 2020, compared with a loss in the amount of approximately NIS 59 million in the same quarter last year. The increase in loss mainly resulted from an increase in the provision in connection with the investigation of the Bank Group's business with American customers, due to an increase in the dollar exchange rate, in contrast to income recorded due to a decrease in the dollar exchange rate in the same quarter last year. The increase in loss in the first quarter of 2020 was partly offset by a decrease in the legal expenses attributed to the investigation.
- In 2019, loss from impairment was recognized in respect of the investment in Pozitif, and the Bank stated its share in the capital of Pozitif at a total of NIS 33 million. There was no change in the value of the investment in the first quarter of 2020; the profit or loss attributed to the shareholders of the Bank is therefore immaterial.

Total credit to the public in international activity amounted to approximately NIS 16.4 billion as at March 31, 2020, compared with approximately NIS 15.6 billion as at December 31, 2019.

- Credit to the public at the New York branch totaled approximately NIS 14.6 billion as at March 31, 2020, compared with approximately NIS 13.7 billion as at December 31, 2019. Credit in middle-market activity totaled approximately NIS 12.0 billion, of which a total of approximately NIS 4.3 billion in respect of syndication transactions, compared with approximately NIS 11.2 billion as at December 31, 2019, of which a total of approximately NIS 4.8 billion in respect of syndication transactions.
- Credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.4 billion as at March 31, 2020, similar to the balance at the end of 2019.

Total deposits from the public in international activity amounted to approximately NIS 20.7 billion as at March 31, 2020, compared with approximately NIS 16.2 billion as at December 31, 2019.

- The balance of deposits from the public at the New York branch totaled approximately NIS 20.7 billion as at March 31, 2020, compared with approximately NIS 16.1 billion as at December 31, 2019. In middle-market activity, deposits totaled approximately NIS 6.9 billion, compared with approximately NIS 7.8 billion as at December 31, 2019. The balance of brokered CD deposits from the public totaled approximately NIS 13.8 billion, compared with approximately NIS 8.3 billion as at December 31, 2019.

2.5. Description of the Bank Group's business by segment of activity based on the management approach

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. 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.

Customers' assignments to the segments of activity are based on the actual assignment of customers to the organizational units by which they are served, which is performed in accordance with various criteria established by the Board of Management of the Bank. For details regarding the criteria used in this classification and the rules for the distribution of the results of operations among the segments, see Note 28A to the Annual Financial Statements for 2019.

Table 2-23: Results of operations and principal data of the segments of activity based on management approach

	For the three months ended March 31, 2020								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
	NIS millions								
Net financing profit	**658**	**379**	**235**	**287**	**391**	**124**	**404**	**20**	**2,498**
Fees and other income	**406**	**151**	**15**	**102**	**137**	**14**	**26**	**34**	**885**
Total income	**1,064**	**530**	**250**	**389**	**528**	**138**	**430**	**54**	**3,383**
Provision (income) for credit losses	**131**	**140**	**32**	**175**	**288**	**38**	**5**	**-**	**809**
Operating and other expenses	**858**	**294**	**74**	**117**	**147**	**203**	**94**	**129**	**1,916**
Profit (loss) from continued operations before taxes	**75**	**96**	**144**	**97**	**93**	**(103)**	**331**	**(75)**	**658**
Provision for taxes (tax benefit) on profit (loss) from continued operations	**34**	**42**	**60**	**43**	**42**	**(5)**	**152**	**(5)**	**363**
Net profit (loss) from continued operations	**41**	**54**	**84**	**54**	**51**	**(98)**	**180**	**(70)**	**296**
Net loss from a discontinued operation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(109)**	**(109)**
Net profit (loss) attributed to shareholders of the Bank	**41**	**54**	**84**	**54**	**51**	**(95)**	**182**	**(179)**	**192**
Net credit to the public at the end of the reported period	**39,410**	**30,168**	**92,058**	**40,596**	**80,979**	**13,708**	**2,629**	**-**	**299,548**
Deposits from the public at the end of the reported period	**210,088**	**50,119**	**-**	**27,153**	**49,294**	**20,651**	**31,261**	**-**	**388,566**

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.
(2) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers.

Table 2-23: Results of operations and principal data of the segments of activity based on management approach (continued)

	For the three months ended March 31, 2019*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
	NIS millions								
Net financing profit	726	415	194	264	363	137	249	18	2,366
Fees and other income	354	143	15	89	116	16	40	30	803
Total income	1,080	558	209	353	479	153	289	48	3,169
Provision (income) for credit losses	57	78	7	1	(20)	(4)	2	-	121
Operating and other expenses	903	307	71	122	143	173	103	55	1,877
Profit (loss) from continued operations before taxes	120	173	131	230	356	(16)	184	(7)	1,171
Provision for taxes (tax benefit) on profit (loss) from continued operations	46	66	49	87	135	17	54	(5)	449
Net profit (loss) from continued operations	74	107	82	143	221	(33)	130	(2)	722
Net profit from a discontinued operation	-	-	-	-	-	-	-	91	91
Net profit (loss) attributed to shareholders of the Bank	74	107	82	143	221	(30)	135	89	821
Net credit to the public at the end of the reported period	43,436	32,111	82,722	38,205	72,004	13,512	1,058	14,911	297,959
Deposits from the public at the end of the reported period	187,820	42,854	-	23,963	48,422	18,804	32,369	575	354,807

* Some of the data were reclassified in order to properly reflect changes.

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

(2) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers. The data also include balances attributed to a discontinued operation.

For additional information regarding the segments of activity and analysis of the segments' results, see the section "Activity segments based on management approach" in the Corporate Governance Report.

2.6. Principal companies

2.6.1. Isracard Group

In accordance with the requirements of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017 (the "Law for Increasing Competition"), in April 2019, the Bank sold 65.2% of the capital of Isracard in a public sale offering.

Until the end of the first quarter of 2019, the Bank included its 98.2% share of the profits of Isracard. From the date of the public sale offering to March 9, 2020, the Bank's share in the profit of the Isracard Group stood at 33%.

The investment in the Isracard Group totaled approximately NIS 849 million as at December 31, 2019. On February 2, 2020, the Board of Directors of the Bank approved distribution of the remaining holdings in the shares of Isracard as a dividend in kind to the shareholders of the Bank. The distribution was performed on March 9, 2020. The Bank thereby completed its separation from the Isracard Group, as required by the Law for Increasing Competition. The share distribution was performed according to the value of the shares on the stock exchange at the date of the distribution. Due to the share price falling below the balance of the investment in the Bank's books as at December 31, 2019, the Bank recognized a loss from impairment of the investment in the amount of approximately NIS 109 million (after tax effect), within profit from a discontinued operation, in its financial statements for the first quarter of 2020.

For further information regarding the argument of the Tax Assessment Officer that in the sale of a subsidiary classified as a dealer for the purposes of value-added tax ("VAT"), profit tax should be applied to distributable profits exempt from corporate tax, in connection with the sale of the Isracard Group, see Note 8C(3) to the Annual Financial Statements for 2019.

For further information regarding VAT assessments referring, among other matters, to the payment of VAT for foreign-currency fees collected from customers of the Bank, and to the obligation of the Bank to the payment of VAT on fees collected on its behalf, see Note 8C(2) to the Annual Financial Statements for 2019.

2.6.2. Hapoalim (Switzerland) Ltd. (hereinafter: "Hapoalim Switzerland")

A subsidiary (wholly owned by the Bank) incorporated in Switzerland, which was mainly engaged in the provision of private-banking services through branches in Zurich and Luxembourg; In September 2017, the Bank decided to act to discontinue the activity of Hapoalim Switzerland.

The Bank is acting to return its bank license and withdraw the company from the supervisory authority of FINMA.

The loss of Hapoalim Switzerland in the first quarter of 2020 totaled CHF 15 million, compared with a loss in the amount of CHF 29 million in the same period last year. The loss in the first quarter of 2020 mainly resulted from the provision recorded for the American investigation and FIFA and the related legal expenses recorded, and from an operating loss; in 2019, the loss mainly resulted from the recording of current expenses and legal expenses related to the American investigation.

Following the loss that resulted from the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, recognized in the financial statements for the fourth quarter of 2019, and in order for Hapoalim Switzerland to comply with the regulatory capital-adequacy ratio required in Switzerland, the Bank invested an amount of CHF 95 million, in March 2020, immediately upon receiving the approval of the Banking Supervision Department for such enlargement of its investment.
For details regarding the investigation of the Bank Group's business with American customers, see Note 10D to the Condensed Financial Statements.
For details regarding the investigation of the Fédération Internationale de Football Association (FIFA), see Note 10E to the Condensed Financial Statements.

2.6.3. Bank Pozitif Kredi Ve Kalkinma Bankasi Anonim Sirketi (hereinafter: "Bank Pozitif")

The Bank Group currently operates in Turkey through Bank Pozitif, held at a rate of 69.83% by the Bank, which operates and specializes in corporate banking. Deposit taking is subject to local regulation, and is permitted up to the amount of credit of each borrower.
In view of the economic and political situation in Turkey, a decision was made within the strategic plan of the Bank to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.
In October 2019, the Bank engaged a Turkish investment bank, jointly with the minority shareholder of Bank Pozitif, to assist in finding potential buyers. The Bank estimates, subject to a return to economic stability in Turkey, in light of the coronavirus crisis, that it will be able to enter into an agreement to sell its holdings in Bank Pozitif within the next year, but that it is not expected to recover the full amount of its investment in the company, and that most of the consideration is likely to be contingent.
In accordance with the accounting rules applicable to the Bank, and in view of the Bank's expectation of selling the investment in the coming year, at a price lower than its value in the Bank's books, the Bank estimated the fair value of the expected consideration, and established a value in the amount of approximately NIS 33 million for the investment.
The minority shareholder of Bank Pozitif has contentions against the Bank in connection with the alleged effect of the foregoing on the results of Bank Pozitif. Due to the various disagreements, the Bank is conducting an ongoing dialogue with the minority shareholder with regard to the conduct of Bank Pozitif and the activity of its board of directors during 2020.
It is also noted that in January 2019, the Bank of Israel instructed the Bank to raise the weighting rates of risk-adjusted assets in its calculation of the consolidated capital ratio in respect of the activity of Bank Pozitif, beginning in 2020. For details, see the section "Capital and capital adequacy," above.
The balance of credit to the public totaled TRY 662 million (approximately NIS 359 million) as at March 31, 2020, compared with a balance of TRY 641 million (approximately NIS 372 million) at the end of 2019.
The business results of the Bank Pozitif Group amounted to a loss of approximately TRY 11 million in the first quarter of 2020, compared with a loss of approximately TRY 3 million in the same period last year, which mainly resulted from an operating loss, due to the spread of the coronavirus, among other factors. Bank Pozitif is acting to reduce its expenses.

The Bank's total investment in Bank Pozitif as at March 31, 2020, after recognition of a loss from impairment of the investment, as noted above, amounted to NIS 156 million (NIS 33 million in capital and NIS 123 million in credit lines granted to Bank Pozitif), compared with approximately NIS 154 million (NIS 33 million in capital and NIS 121 million in loans, as noted) at the end of 2019.
For details regarding additional companies and further information concerning the international operations of the Bank, see the International Activity Segment in the section "Segments of activity based on management approach" in the Corporate Governance Report, below.

3. Review of risks

Some of the information in this section, even if it is based on processing of historical data, constitutes forward-looking information, as defined in the Securities Law and as detailed in Section 1.1 above.
Additional information regarding risks is available on the Bank's website, in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019, and in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

3.1. General description of risks and risk management

The Bank performs a comprehensive examination to assess the risks to which it is exposed and to determine the materiality of such risks. Within the ICAAP (the Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic and competitive risk, regulatory risk, and compliance risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk, and environmental risk.
Risk management is performed based on a global view of the Bank's activity in Israel and of activity at the Bank's branches abroad, with due attention to the activity of subsidiaries with exposure significant for the Group. The subsidiaries are instructed to manage risks based on the strategy and policy of the Group, with adjustments according to the circumstances, which are reported to the parent company. Risks are managed separately by each company in the Bank Group, according to policy formulated by each company's board of directors. The Bank manages the various risks while hedging some risks. The Supervisor of Banks has set forth guidelines concerning risk management in the Proper Conduct of Banking Business Directives. The directives detail the requirements of the Supervisor for the management of the various risks to which a banking corporation is exposed, and stipulate fundamental principles for the management and control of risks, including suitable involvement in and thorough understanding of risk management by the board of directors of the banking corporation, the management of risks by a risk manager who is a member of the board of management, the employment of tools for the identification and measurement of risks, and the creation of means for supervision and control, including the existence of an independent risk-control function. The Bank operates in accordance with the guidelines of the Supervisor of Banks.

The Chief Risk Officer (CRO) and the member of the Board of Management responsible for the Risk Management Division is Dr. A. Bachar.

Financial risks are managed by designated members of the Board of Management and under their responsibility.

The principal members of the Board of Management responsible for managing credit risks are the Head of Corporate Banking, Mr. T. Cohen, and the Head of Retail Banking, Ms. D. Raviv.

The member of the Board of Management responsible for managing market, investment, and liquidity risks is the Head of Financial Markets and International Banking, Mr. Y. Antebi.

Legal risk is managed by Attorney Y. Almog, Chief Legal Advisor.

Technological risk, including cyber risk, is managed by Ms. E. Ben-Zeev, Head of Information Technology.

Operational risk, excluding legal risk and technological risk, is managed by each member of the Board of Management in the area of activity for which he or she is responsible.

For details and more extensive information regarding risk management governance, including the control approach, the responsible parties, and the committees of the Board of Directors and Board of Management relevant to risk management, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019.

For details regarding the effect of the spread of the coronavirus, see Section 2.1.3, above, and the various risk sections, below.

3.1.1. Discontinuation of publication of the LIBOR interest rate

Beginning at the end of 2021, the global financial system is expected to discontinue publication of the LIBOR interest rates and cease using these rates. The LIBOR rates serve as the basis for calculation of interest rates applicable to financial products with floating rates in principal foreign currencies, or linked to these currencies. Within the intention to establish alternative benchmark rates for the relevant currencies, global institutions such as the ISDA (International Swaps and Derivatives Association) and the ARRC (Alternative Reference Rate Committee) are formulating alternatives to these interest rates, new legal language, and proposals for substitution mechanisms. The anticipated change will affect the entire banking industry, globally and in Israel. Accordingly, a steering committee has been established at the Bank, to follow the international publications, examine the impact of the substitution on the activity of the Bank, and update the Board of Management and Board of Directors periodically. Within the activity of the committee, the various products at the Bank that are based on these interest rates have been mapped; changes have been made to legal documents; and training has been provided to Bank employees. In late January 2020, letters were sent to customers of the Bank describing the future change, according to the information in the possession of the Bank at that time. In light of the uncertainty concerning the continued execution of this process, which is influenced, as noted, by international decisions, the Bank is unable to perform quantitative evaluations regarding the effect of the substitution of the interest rates. The Bank will continue to monitor the international publications and to act with the aim of reducing the risks arising from the interest-rate substitution process. For further details, see Note 1D to the Condensed Financial Statements.

3.2. Credit risk

Credit risk is the risk that a borrower or debtor may default on obligations to the Bank under a credit agreement.

The credit portfolio is a major component of the asset portfolio of the Bank Group; therefore, deterioration in the stability of the various borrowers may have an adverse effect on the Group's asset value and profitability.

Activities that create credit risk include:

- **Balance sheet exposures –** Present liabilities to the Bank, such as credit and mortgages to the public, credit to banks and deposits with banks, credit to governments, investment in bonds (corporate and other), and the balance sheet part (positive fair value) of derivatives and financial instruments.
- **Off-balance sheet exposures –** Potential (unrealized) liabilities to the Bank, such as guarantees, unutilized commitments to grant credit, unutilized credit facilities, and potential liabilities arising from changes in the value of transactions in derivative financial instruments.

The credit risk arising from transactions in derivative financial instruments is defined as counterparty risk, which is the risk that the counterparty to the transaction will default before the final settlement of cash flows in the derivatives transaction. For information regarding counterparty credit risk and the management thereof, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

Another risk arising from the portfolio of credit exposures is concentration risk. Concentration risk arises from non-optimal diversification of specific risks in the credit portfolio, such that the credit portfolio is insufficiently diversified across the various risk factors; for example, when the credit portfolio is composed of a small number of borrowers (name concentration) or has a high degree of exposure to a particular economic sector (sector concentration).

Effect of the spread of the coronavirus

The spread of the virus, as well as the coping measures applied by governments in Israel and worldwide, have caused significant damage to business activity in Israel and globally, encompassing most sectors of the economy, although the damage is more explicit and clear in certain areas, such as aviation, tourism, commerce in shopping centers, restaurants, events, entertainment and leisure, and energy. The ability to cope with the economic damage depends on many factors that are insufficiently clear at this stage, including the pace of the return to routine functioning in the various sectors, the ability of businesses and households to contend with the crisis through changes in processes and finding alternative solutions, the support of the government, the recovery of global trade, and more. Exceptions are areas in which demand has grown, while the conditions have not led to substantial damage to business, such as pharmacies and commerce in food. Within the crisis, the percentage of job seekers has risen sharply, and the effects of the crisis are also creating significant economic uncertainty among households.

The Bank is acting to support its customers during the crisis, taking into consideration the effects of the crisis on credit risk. Towards that end, the Bank has taken several measures, detailed in Section 2.1.3 above.

In view of the high uncertainty, the Bank expects credit losses to grow; however, at this stage it is difficult to determine to what extent, or when, due to factors including the processes and measures applied by the government and the Bank of Israel, which may assist the economy in emerging from the crisis more quickly, but if they are unsuccessful, will only postpone the realization of credit risks. As an advance measure in confronting the effect of the crisis, the Bank decided to increase its collective allowance for this quarter, in order to reflect the expected increase in individual credit losses and in automatic charge-offs. A calculation based on the collective allowance without this addition would give rise to a decrease in the collective allowance for this quarter.

3.2.1. Analysis of credit quality and problematic credit risk

Changes in terms of debts within measures to cope with the coronavirus

In view of the spread of the coronavirus and its possible impacts on the condition of the economy and of borrowers, with the aim of encouraging banking corporations to act to stabilize borrowers who fail or are likely to fail to fulfill their contractual payment obligations due to the coronavirus, the Bank of Israel issued emphases for addressing debts the terms of which have been changed. Pursuant to the circular, it has been determined that changes in the terms of loans do not automatically lead to classification of the loans as restructuring of problematic debt when short-term changes in payments are performed due to the coronavirus event for borrowers who were not previously in arrears. It has also been determined that borrowers are not considered borrowers in arrears if the arrears are of less than thirty days at the date of implementation of the changes.

Stabilization of borrowers who are not in arrears on their existing loans and who are sound borrowers who encounter financial or operational problems in the short term due to the coronavirus event, in general, is not considered restructuring of problematic debt, particularly when the following conditions are fulfilled:

1. The change was performed due to the coronavirus event.
2. The borrower was not in arrears when the changes were implemented.
3. The change is for a short period.

With regard to the establishment of the state of arrears, debts that were not previously in arrears and are granted a deferral due to the coronavirus event shall not be classified as debts in arrears as a result of the deferral. When deferral of payments is performed for debts that were in arrears prior to the deferral, the state of arrears should be frozen during the period of deferral of payments, except if the debt has been classified as impaired or charged off. It is possible that without the suspension of the count of days of arrears with respect to deferred payments, as noted above, the balance of debts in arrears would be higher.

For details regarding the instructions of the Banking Supervision Department on coping with the coronavirus, see Note 1C to the Condensed Financial Statements.

Details are presented below regarding the balance of debts the terms of which were changed during the month of March as part of the measures to cope with the coronavirus, which were not classified as restructuring of problematic debt, in accordance with the instructions of the Banking Supervision Department, as noted above. Such changes were also performed during the second quarter.

The Bank offers its customers tools, credit products, and additional products aimed at coping with the crisis. For additional details, see the section, "Segments of activity based on management approach" in the Corporate Governance Report.

Table 3-1: Details regarding the balance of debts the terms of which have been changed[1] in the course of coping with the coronavirus, which are not classified as troubled debt restructuring

	March 31, 2020	
	Balance of credit for which payments have been deferred	Balance of actual deferred payments
	NIS millions	
Commercial	**6,426**	**605**
Private individuals – housing loans	**11,297**	**196**
Private individuals – other	**916**	**74**
Total in Israel	**18,639**	**875**
Activity overseas	**1,333**	**22**
Total	**19,972**	**897**

(1) Changes in terms in the form of deferral of payment of principal and/or interest for a period not exceeding six months.

Table 3-2: Analysis of credit quality, problematic credit risk, and nonperforming assets of the public[1]

	Balance as at March 31, 2020				Balance as at December 31, 2019			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
	NIS millions							
Credit risk at credit execution rating[1]								
Balance sheet credit risk	**173,670**	**89,994**	**33,003**	**296,667**	166,592	87,802	35,659	290,053
Off-balance sheet credit risk	**108,661**	**5,695**	**21,396**	**135,752**	112,184	7,259	21,009	140,452
Total credit risk at credit execution rating	**282,331**	**95,689**	**54,399**	**432,419**	278,776	95,061	56,668	430,505
Credit risk not at credit execution rating								
a. Non-problematic – balance sheet	**5,195**	**1,740**	**2,994**	**9,929**	3,343	1,198	2,133	6,674
b. Total problematic[2]	**-**	**-**	**-**	**-**	-	-	-	-
1) Special supervision[3]	**3,395**	**-**	**46**	**3,441**	3,192	-	48	3,240
2) Substandard	**773**	**715**	**75**	**1,563**	680	700	96	1,476
3) Impaired	**3,482**	**2**	**764**	**4,248**	3,678	2	762	4,442
Total balance sheet credit risk not at credit execution rating	**12,845**	**2,457**	**3,879**	**19,181**	10,893	1,900	3,039	15,832
Off-balance sheet credit risk not at credit execution rating	**2,655**	**20**	**141**	**2,816**	2,931	8	89	3,028
Total credit risk not at credit execution rating	**15,500**	**2,477**	**4,020**	**21,997**	13,824	1,908	3,128	18,860
Of which: unimpaired debts in arrears of 90 days or more	**88**	**715**	**70**	**873**	121	699	93	913
Total overall credit risk of the public	**297,831**	**98,166**	**58,419**	**454,416**	292,600	96,969	59,796	449,365
Additional information regarding total nonperforming assets								
a. Impaired debts not accruing interest income	**3,282**	**2**	**366**	**3,650**	3,487	2	378	3,867
b. Assets received upon settlement of debts	**34**	**-**	**-**	**34**	34	-	-	34
Total nonperforming assets of the public	**3,316**	**2**	**366**	**3,684**	3,521	2	378	3,901

(1) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(2) Credit risk – impaired, substandard, or under special supervision.
(3) Including in respect of housing loans for which an allowance based on the extent of arrears exists, and in respect of housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

Note:
Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

Table 3-3: Additional information regarding changes in problematic debts in respect of credit to the public and in the individual allowance

	For the three months ended March 31, 2020		
	Commercial	Private	Total
	NIS millions		
Change in balance of impaired debts in respect of credit to the public			
Balance of impaired debts at beginning of year	**3,678**	**764**	**4,442**
Debts classified as impaired during the period	**308**	**97**	**405**
Debts returned to unimpaired classification	**(1)**	**(1)**	**(2)**
Impaired debts charged off	**(107)**	**(47)**	**(154)**
Impaired debts repaid	**(405)**	**(47)**	**(452)**
Balance of impaired debts at end of period	**3,473**	**766**	**4,239**
Change in balance in troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	**667**	**707**	**1,374**
Restructured during the period	**173**	**90**	**263**
Debts in restructuring charged off	**(35)**	**(43)**	**(78)**
Debts in restructuring restored to unimpaired classification or repaid	**(37)**	**(40)**	**(77)**
Balance in troubled debt restructuring at end of period	**768**	**714**	**1,482**
Change in balance sheet allowance for credit losses in respect of impaired debts			
Allowance for credit losses in respect of impaired debts at beginning of year	**1,272**	**136**	**1,408**
Provision for credit losses – increase in allowance	**258**	**55**	**313**
Provision for credit losses – reduction of allowance	**(24)**	**(13)**	**(37)**
Recoveries of debts charged off in previous years	**(52)**	**(33)**	**(85)**
Allocated to profit and loss – allowance for credit losses	**182**	**9**	**191**
Charge-offs during the period	**(107)**	**(47)**	**(154)**
Recovery of charged-off debts	**52**	**33**	**85**
Allowance for credit losses in respect of impaired debts at end of period	**1,399**	**131**	**1,530**

Table 3-3: Additional information regarding changes in problematic debts in respect of credit to the public and in the individual allowance (continued)

	For the three months ended March 31, 2019		
	Commercial	Private	Total
	NIS millions		
Change in balance of impaired debts in respect of credit to the public			
Balance of impaired debts at beginning of year	2,015	706	2,721
Debts classified as impaired during the period	481	105	586
Debts returned to unimpaired classification	(45)	(4)	(49)
Impaired debts charged off	(79)	(41)	(120)
Impaired debts repaid	(109)	(44)	(153)
Balance of impaired debts at end of period	2,263	722	2,985
Change in balance in troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	676	624	1,300
Restructured during the period	86	109	195
Debts in restructuring charged off	(18)	(30)	(48)
Debts in restructuring repaid	(84)	(52)	(136)
Balance in troubled debt restructuring at end of period	660	651	1,311
Change in balance sheet allowance for credit losses in respect of impaired debts			
Allowance for credit losses in respect of impaired debts at beginning of year	408	163	571
Provision for credit losses – increase in allowance	180	57	237
Provision for credit losses – reduction of allowance	(26)	(21)	(47)
Recoveries of debts charged off in previous years	(118)	(35)	(153)
Allocated to the statement of profit and loss – allowance for credit losses	36	1	37
Charge-offs during the period	(79)	(41)	(120)
Recovery of charged-off debts	118	35	153
Allowance for credit losses in respect of impaired debts at end of period	483	158	641

Table 3-4: Credit risk indicators

	As at	
	March 31, 2020	December 31, 2019
Balance of impaired credit to the public, as a percentage of the balance of credit to the public*	**1.39%**	1.49%
Balance of unimpaired credit to the public, in arrears of 90 days or more, as a percentage of the balance of credit to the public*	**0.29%**	0.31%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public*	**1.73%**	1.58%
Collective allowance for credit losses, as a percentage of the balance of credit to the public*	**1.40%**	1.27%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of impaired credit to the public*	**124.30%**	105.97%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of impaired credit to the public plus the balance of credit to the public in arrears of 90 days or more*	**103.07%**	87.90%
Problematic credit risk in respect of the public, as a percentage of total credit risk in respect of the public*	**2.35%**	2.42%
Provision for credit losses as a percentage of the average recorded balance of credit to the public	**1.07%**	0.44%
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**0.25%**	0.12%
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**14.20%**	7.48%

* Before deduction of the allowance for credit losses.

Portfolio quality analysis

The following indicators increased (worsened) in the first three months of 2020, compared with the end of 2019:

- The allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public.
- The collective allowance for credit losses, as a percentage of the balance of credit to the public.
- The provision (income) for credit losses as a percentage of the average recorded balance of credit to the public.
- Net charge-offs in respect of credit to the public, as a percentage of the average recorded balance of credit to the public.

The following indicators decreased (improved):

- The balance of impaired credit to the public, as a percentage of the balance of credit to the public.
- The balance of unimpaired credit to the public, in arrears of 90 days or more, as a percentage of the balance of credit to the public.
- Problematic credit risk in respect of the public, as a percentage of total credit risk in respect of the public.

The changes in the portfolio quality indicators are the result of an increase in the allowance for credit losses and in the provision for credit losses, concurrently with a decrease in problematic credit risk and in the balance of impaired credit to the public. These opposing trends reflect the fact that although the impact of the spread of the coronavirus is not materially apparent at this stage, due to factors including the Bank of Israel's guidance on suspension of the state of arrears following deferral of payments, which may have had some effect on the improvement of the indicators, the Bank decided to increase its collective allowance for the quarter in order to reflect the expected increase in credit losses. Calculation of the collective allowance without this addition would indicate a decrease in the collective allowance. This increase is added to the provision for credit losses recorded in the annual financial statements for 2019 (published in March 2020), which was influenced by the impacts of the spread of the virus, as noted above.

With regard to other indicators that refer only to the risk in the portfolio of credit for private individuals, see Table 3-18, below.

3.2.2. Classification and analysis of credit risk by economic sector

Table 3-5: Credit risk by economic sector

	March 31, 2020						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: impaired credit risk (excluding derivatives)	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	**31,646**	**30,158**	**992**	**412**	**64**	**5**	**389**
Construction and real estate – construction	**67,528**	**65,679**	**863**	**561**	**78**	**9**	**599**
Construction and real estate – real-estate activities	**25,999**	**24,529**	**1,103**	**289**	**55**	**(6)**	**464**
Commerce	**35,700**	**33,496**	**1,174**	**481**	**147**	**58**	**893**
Financial services	**41,951**	**41,478**	**131**	**30**	**53**	**(1)**	**253**
Other business services	**13,698**	**12,967**	**116**	**97**	**41**	**20**	**167**
Public and community services	**7,580**	**7,250**	**65**	**22**	**16**	**4**	**69**
Other sectors	**42,296**	**37,577**	**3,546**	**1,793**	**153**	**20**	**1,399**
Total commercial	**266,398**	**253,134**	**7,990**	**3,685**	**607**	**109**	**4,233**
Private individuals – housing loans	**97,679**	**95,215**	**710**	**2**	**32**	**-**	**475**
Private individuals – other	**58,188**	**54,175**	**883**	**762**	**119**	**76**	**829**
Total public – activity in Israel	**422,265**	**402,524**	**9,583**	**4,449**	**758**	**185**	**5,537**
Total banks in Israel	**3,750**	**3,750**	**-**	**-**	**-**	**-**	**-**
Israeli government	**60,903**	**60,903**	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**486,918**	**467,177**	**9,583**	**4,449**	**758**	**185**	**5,537**
Total public – activity overseas	**32,151**	**29,895**	**1,114**	**518**	**50**	**2**	**327**
Banks and governments overseas	**48,518**	**48,518**	**-**	**-**	**1**	**-**	**9**
Total activity overseas	**80,669**	**78,413**	**1,114**	**518**	**51**	**2**	**336**
Total activity in Israel and overseas	**567,587**	**545,590**	**10,697**	**4,967**	**809**	**187**	**5,873**

(1) Balance sheet credit risk and off-balance sheet credit risk[3], including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 334,893, 73,002, 369, 14,944, and 144,379 million, respectively.

(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

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

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

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

Table 3-5: Credit risk by economic sector (continued)

	March 31, 2019						
					Credit losses[4]		
	Total credit risk*[1]	Of which: credit execution rating*[5]	Of which: problematic credit risk*[6]	Of which: impaired credit risk	Provision (income) for credit losses*	Net charge-offs	Allowance for credit losses*
	NIS millions						
Industry	31,108	29,550	1,275	410	39	8	373
Construction and real estate – construction	59,681	57,964	1,149	691	(60)	3	480
Construction and real estate – real-estate activities	23,969	23,270	594	275	(37)	(52)	294
Commerce	35,142	33,474	811	432	52	29	792
Financial services	32,822	32,743	42	25	(1)	-	145
Other business services	12,321	11,905	124	98	18	15	132
Public and community services	7,418	7,100	46	21	10	6	52
Other sectors	41,817	39,128	1,736	558	46	17	550
Total commercial	244,278	235,134	5,777	2,510	67	26	2,818
Private individuals – housing loans	88,260	86,835	684	-	4	2	424
Private individuals – other	63,007	60,552	854	709	66	93	866
Total public – activity in Israel	395,545	382,521	7,315	3,219	137	121	4,108
Total banks in Israel	3,877	3,877	-	-	-	-	-
Israeli government	40,297	40,297	-	-	-	-	-
Total activity in Israel	439,719	426,695	7,315	3,219	137	121	4,108
Total public – activity overseas	35,888	33,878	1,246	353	(18)	2	213
Banks and governments overseas	51,365	51,365	-	-	2	-	11
Total activity overseas	87,253	85,243	1,246	353	(16)	2	224
Total activity in Israel and overseas	526,972	511,938	8,561	3,572	121	123	4,332

* Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from the commercial economic sectors to the sector "private individuals – housing loans."

(1) Balance sheet credit risk and off-balance sheet credit risk[3], including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 310,214, 64,423, 714, 10,245, and 141,376 million, respectively.

(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

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

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

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

Table 3-5: Credit risk by economic sector (continued)

	December 31, 2019						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: impaired credit risk (excluding derivatives)	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	31,029	29,736	915	405	26	33	333
Construction and real estate – construction	67,577	65,812	951	603	(125)	(100)	523
Construction and real estate – real-estate activities	24,702	23,390	1,214	305	13	(112)	402
Commerce	35,380	33,746	953	539	157	120	806
Financial services	38,346	38,001	138	30	19	(38)	200
Other business services	13,297	12,775	130	112	65	50	148
Public and community services	7,582	7,403	70	22	21	15	57
Other sectors	42,600	38,004	3,621	1,858	768	42	1,243
Total commercial	260,513	248,867	7,992	3,874	944	10	3,712
Private individuals – housing loans	96,480	94,590	696	2	31	9	443
Private individuals – other	59,540	56,420	904	760	193	297	785
Total public – activity in Israel	416,533	399,877	9,592	4,636	1,168	316	4,940
Banks in Israel	2,905	2,905	-	-	-	-	-
Israeli government	41,585	41,585	-	-	-	-	-
Total activity in Israel	461,023	444,367	9,592	4,636	1,168	316	4,940
Total public – activity overseas	32,832	30,628	1,294	661	109	36	303
Banks and governments overseas	41,733	41,733	-	-	(1)	-	8
Total activity overseas	74,565	72,361	1,294	661	108	36	311
Total activity in Israel and overseas	535,588	516,728	10,886	5,297	1,276	352	5,251

(1) Balance sheet credit risk and off-balance sheet credit risk[3], including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 317,689, 57,713, 471, 11,143, and 148,572 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, excluding in respect of derivative instruments.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist which are in arrears of 90 days or more.

3.2.3. Construction and real estate

Overall credit risk in the construction and real-estate sectors totaled approximately NIS 101 billion as at March 31, 2020.

Table 3-6: Segmentation of credit risk of the Bank Group in the construction and real-estate sectors, by principal area of activity

	Balance as at March 31, 2020			Balance as at December 31, 2019		
	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
	NIS millions					
Construction for commerce and services	**3,598**	**2,174**	**5,772**	3,566	2,484	6,050
Construction for industry	**366**	**67**	**433**	421	99	520
Housing construction	**18,141**	***28,066**	**46,207**	17,960	*28,208	46,168
Yield-generating properties	**24,306**	**4,038**	**28,344**	22,866	4,945	27,811
Other	**10,143**	**10,457**	**20,600**	9,946	10,498	20,444
Total construction and real-estate sectors	**56,554**	**44,802**	**101,356**	54,759	46,234	100,993

* Includes off-balance sheet credit risk in the amount of approximately NIS 4,623 million, in respect of which insurance was acquired from foreign insurance companies for the portfolio of Sale Law guarantees (December 31, 2019: NIS 3,589 million).

3.2.4. Credit exposure to foreign countries

Information regarding total exposures to foreign countries and exposures to countries total exposure to each of which constitutes more than 1% of total balance sheet assets, or 20% of capital, whichever is lower, is set out below.

Table 3-7: Principal exposures to foreign countries[1]

	March 31, 2020			December 31, 2019		
	Exposure			Exposure		
	Balance sheet	Off-balance sheet[2][3]	Total	Balance sheet	Off-balance sheet[2][3]	Total
	NIS millions					
Country						
United States	**22,086**	**6,185**	**28,271**	22,900	6,557	29,457
Switzerland	**2,775**	**1,443**	**4,218**	3,626	1,097	4,723
England	**10,501**	**3,692**	**14,193**	7,951	2,985	10,936
Germany	**1,190**	**1,867**	**3,057**	1,165	1,463	2,628
France	**2,251**	**1,515**	**3,766**	1,995	1,512	3,507
Others	**11,399**	**1,805**	**13,204**	11,204	1,689	12,893
Total exposures to foreign countries	**50,202**	**16,507**	**66,709**	48,841	15,303	64,144
Of which: total exposure to PIGS (Portugal, Italy, Greece, and Spain)	**144**	**383**	**527**	144	385	529
Of which: total exposure to LDCs	**1,160**	**169**	**1,329**	1,364	187	1,551
Of which: total exposure to countries with liquidity problems*	**382**	**-**	**382**	8	-	8

The line "total LDCs" includes the total exposure to countries defined as Least Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts."
Balance sheet exposure to a foreign country includes cross-border balance sheet exposure and balance sheet exposure of the branches/subsidiaries of the banking corporation in the foreign country to local residents. Cross-border balance sheet exposure includes balance sheet exposure of the branches/subsidiaries of the banking corporation in Israel to residents of the foreign country, and balance sheet exposure of the overseas branches/subsidiaries of the banking corporation to non-residents of the country in which the branch/subsidiary is located.
Balance sheet exposure of the banking corporation's branches/subsidiaries in a foreign country to local residents includes balance sheet exposure of the branches/subsidiaries of the banking corporation in that foreign country to the residents of the country, less liabilities of those branches/subsidiaries (the deduction is performed up to the level of the exposure).

* The list of countries with liquidity problems is based on several criteria established by the Bank. The spread of the coronavirus has raised risk premiums in the financial markets, notably in the emerging markets. Accordingly, and due to developments in capital and other markets, additional countries were placed on the list of countries with liquidity problems during the period of the report, including Turkey, the country of operations of Bank Pozitif, which is held by the Bank. It is emphasized that the addition of a country to the list does not necessarily represent a worsening unique to that country, and that improvement of the indicators would lead to a corresponding update of the list.

(1) Based on the final risk, after the effect of guarantees, liquid collateral, and credit derivatives.

(2) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limits on indebtedness of a borrower, according to Proper Conduct of Banking Business Directive 313.

(3) Governments, official institutions, and central banks.

3.2.5. Credit exposure to foreign financial institutions

Table 3-8: Exposure of the Bank Group to foreign financial institutions[1]

	March 31, 2020			December 31, 2019		
	Balance sheet credit risk[2]	Present off-balance sheet credit risk[3]	Total present credit risk	Balance sheet credit risk[2]	Present off-balance sheet credit risk[3]	Total present credit risk
	NIS millions					
External credit rating[5]						
AAA to AA-	**5,447**	**3,114**	**8,561**	4,032	2,949	6,981
A+ to A-	**17,106**	**2,746**	**19,852**	13,911	1,709	15,620
BBB+ to BBB-	**1,019**	**36**	**1,055**	867	139	1,006
BB+ to B-	**7**	**23**	**30**	12	22	34
Lower than B-	**-**	**-**	**-**	-	-	-
Unrated	**386**	**120**	**506**	312	74	386
Total present credit exposures to foreign financial institutions*	**23,965**	**6,039**	**30,004**	19,134	4,893	24,027
Of which: problematic credit risk[4]	**-**	**-**	**-**	-	-	-
Of which: balance of impaired debts	**-**	**-**	**-**	-	-	-
Individual allowance for credit losses	**-**	**-**	**-**	-	-	-
Total credit exposure to foreign financial institutions after deduction of the individual allowance for credit losses	**23,965**	**6,039**	**30,004**	19,134	4,893	24,027
Collective allowance for credit losses	**5**	**1**	**6**	4	1	5

* The balances include the exposure of the Bank Group to financial institutions in the following countries:
Spain – Total exposure of approximately NIS 27 million, rated A-, of which a total of NIS 26 million rated A- and a total of NIS 1 million rated BBB- (total exposure at the end of 2019 was approximately NIS 163 million, rated A-).
Italy – Total exposure of approximately NIS 25 million, of which a total of NIS 20 million rated BBB and the remaining amount of NIS 5 million rated BBB- (total exposure at the end of 2019 was approximately NIS 83 million, of which a total of NIS 76 million rated BBB and the remaining amount of NIS 7 million rated BBB-).
There is no exposure to financial institutions in Ireland, Greece, or Portugal.

(1) Foreign financial institutions include: banks, investment banks, broker/dealers, insurance companies, institutional entities, and entities controlled by such entities. However, credit exposure to foreign financial institutions backed by government guarantees is not included.
(2) Deposits with banks, credit to the public, investments in bonds, securities borrowed or purchased in agreements to resell, and other assets in respect of derivative instruments.
(3) Mainly guarantees and commitments to grant credit. Does not include credit risk in off-balance sheet financial instruments, as calculated for the purposes of the limits on indebtedness of a borrower.
(4) Credit risk that is impaired, substandard, or under special supervision.
(5) According to the lowest of the long-term foreign-currency credit ratings assigned by any of the major rating agencies: S&P, Moody's, and Fitch.

The exposure of the Bank Group to foreign financial institutions totaled approximately NIS 30.0 billion on March 31, 2020, an increase of approximately NIS 6.0 billion, compared with approximately NIS 24.0 billion at the end of 2019. This increase resulted from an increase in balance sheet exposure in the amount of approximately NIS 4.8 billion, and an increase in off-balance sheet exposure in the amount of approximately NIS 1.1 billion. Approximately 94.7% of the exposure to foreign financial institutions is to financial institutions rated A- or higher.

The Bank Group's exposure to foreign financial institutions is distributed as follows: 82.14% in banks and bank holding companies, 17.23% in insurance companies, and 0.63% in another financial institution.

Most of the Bank Group's exposure is to foreign financial institutions operating in Western European countries (65.34%) and in the United States (21.65%).

In light of the expected negative effects of the spread of the coronavirus on the financial results of financial institutions worldwide, increases were recorded in the spreads and CDS prices of most of the foreign financial institutions with which the Bank has activity. In addition, the rating agencies (Fitch, S&P, and Moody's) changed the rating outlooks for many of these institutions to Negative, while long-term credit ratings have also been downgraded for a few of the institutions. The Bank frequently and regularly monitors the financial institutions, and, as necessary, acts to reduce all of the relevant risks, including credit risk and settlement risk.

The data on "banks and governments overseas" in the disclosure of credit risk by economic sector, in the section "Review of risks" and in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020 (hereinafter: the disclosure by economic sector), includes exposures in respect of banks overseas and does not include other financial institutions, which are primarily presented within the financial services sector. This sector also includes central banks, whereas the table above does not include exposure in respect of central banks.

In the disclosure by economic sector, "total credit risk" includes balance sheet and off-balance sheet balances in respect of derivatives, whereas the table above includes only balance sheet balances in respect of derivatives.

In addition, the total of "debts and off-balance sheet credit risk" in the disclosure by economic sector includes credit to the public and deposits with banks, but does not include bonds and securities borrowed or purchased under agreements to resell, which are included in the table above. Balance sheet and off-balance sheet credit in respect of derivatives is not included in the total of "debts and off-balance sheet credit risk." However, the table above includes balance sheet balances in respect of derivatives.

3.2.6. Risks in the housing loan portfolio

Table 3-9: Risks in the housing loan portfolio

	Balance as at		
	March 31, 2020	March 31, 2019	December 31, 2019
	NIS millions		
Credit balances			
Loans from Bank funds	**92,536**	83,148	89,777
Loans from Finance Ministry funds*	**1,147**	1,260	1,173
Grants from Finance Ministry funds*	**139**	98	123
Total	**93,822**	84,506	91,073

	For the three months ended		For the year ended
	March 31, 2020	March 31, 2019	December 31, 2019
	NIS millions		
Execution of housing loans			
Loans from Finance Ministry funds			
Loans	**37**	36	124
Grants	**18**	13	42
Total from Finance Ministry funds	**55**	49	166
Total loans from Bank funds	**5,657**	4,226	18,159
Total new loans	**5,712**	4,275	18,325
Old loans refinanced from Bank funds	**674**	222	1,235
Total loans extended	**6,386**	4,497	19,560

* This amount is not included in balance sheet balances to the public.

Table 3-10: Development of amounts in arrears in housing loans and allowance for credit losses

	Recorded debt balance	Amount over 90 days in arrears, of total problematic debts	Rate of arrears	Allowance for credit losses based on extent of arrears (including collective allowance)	Rate of allowance for credit losses based on extent of arrears	Problematic debt	Rate of problematic debt
	NIS millions/percent						
March 31, 2020	**92,536**	**111**	**0.12%**	**478**	**0.52%**	**733**	**0.79%**
December 31, 2019	89,777	109	0.12%	446	0.50%	702	0.78%

In the first three months of 2020, the rate of amounts in arrears remained similar to the rate at the end of 2019; the rate of problematic debt and the rate of the allowance for credit losses based on the extent of arrears rose moderately.

Development of housing credit balances

Table 3-11: Development of the balance in the housing credit portfolio, by linkage base and as a percentage of the balance in the credit portfolio of the Bank

	Unlinked segment				CPI-linked segment				Foreign-currency segment		Total	
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate		Recorded debt balance in NIS millions	Rate of change during the period
	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %		
March 31, 2020	**18,485**	**20.0%**	**35,707**	**38.6%**	**13,776**	**14.9%**	**24,316**	**26.3%**	**252**	**0.3%**	**92,536**	**3.1%**
December 31, 2019	17,301	19.3%	34,565	38.5%	13,811	15.4%	23,834	26.5%	266	0.3%	89,777	10.2%
December 31, 2018	14,503	17.8%	31,060	38.1%	13,539	16.6%	21,984	27.0%	368	0.5%	81,454	9.3%

Risk quantification and measurement – housing credit portfolio

The Bank routinely monitors developments in the housing credit portfolio, and applies various measures to manage risk. Housing credit risks are examined individually, based on the policies and objectives established in the risk appetite set for housing credit, from the level of the individual transaction to an overview of the housing credit portfolio of the Bank. The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division. The limits address LTV rates, repayment capability, distribution of credit products in the portfolio, volume of problematic debt, loan durations, geographical distribution, the rate of arrears, etc. These indicators are also monitored in comparison to the data of the banking system as a whole.

The Bank tracks conditions and changes in macroeconomic indicators in general, and in the business environment of the industry in particular. Events have been defined as requiring a reexamination of policy, such as a sharp increase in the floating interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices.

Data are reported on a monthly basis in a divisional risk forum headed by the Head of Retail Banking, and on a quarterly basis as part of the report on developments in the credit portfolio and in credit risk to the Board of Management and Board of Directors.

The Bank uses a statistical model to measure the probability of default and the expected loss in the mortgage portfolio. In addition, within stress scenario testing, the effect on the mortgage portfolio is also examined. Insurance arrangements are also in place (life insurance and building insurance).

Table 3-12: Developments in housing credit balances, last five quarters

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Balances at end of period	**92,536**	89,777	87,757	85,771	83,148
Change in balances	**3.1%**	2.3%	2.3%	3.2%	2.1%
Execution of new loans	**5,712**	4,729	4,843	4,527	4,226

Housing loan data – percentage of total new loans executed

Table 3-13: Characteristics of housing credit granted by the Bank

	For the three months ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Characteristics					
Financing rate over 60%	**39.7%**	40.2%	37.7%	37.9%	38.1%
Ratio of repayment to income greater than 40% (for purchases of homes and in monthly payments)	**0.1%**	0.0%	0.1%	0.0%	0.0%
Percentage with floating interest rates varying at a frequency of less than 5 years	**32.0%**	30.8%	32.7%	31.7%	31.5%
Percentage with floating rates	**58.4%**	58.1%	59.9%	59.2%	59.2%
Percentage of all-purpose loans	**4.9%**	5.7%	5.6%	5.7%	6.0%
Loans for investment purposes as a percentage of total purchases of homes	**8.6%**	9.2%	9.2%	10.0%	9.7%
Principal planned for repayment after age 67 (excluding investments)	**7.9%**	7.4%	7.1%	7.4%	6.9%
Average original term to maturity of loans for purchases of homes, in years (excluding bridge loans)	**24.3**	24.3	24.1	24.5	24.7

The upward trend in balances of housing loans continued in the first three months of 2020.

The effects of the spread of the coronavirus led to earlier execution of loans of buyers of residences in March 2020, but are expected to lead to deceleration in the number of housing transactions in the coming quarters.

Data on housing-loan execution show an increase (worsening) on the following indicators:

- The percentage of loans with floating interest rates, particularly the percentage of loans with interest rates varying at a frequency of less than 5 years.
- An increase in the percentage of principal scheduled for repayment after the age of 67.

Several indicators showed improvement:

- A decrease in the percentage of credit granted with a financing rate greater than 60%. Although this rate is lower than in the preceding quarter, it remains high relative to past quarters. This rate is influenced by the volume of transactions in Mechir Lamishtaken ("Tenant Price") projects and by the relatively low rate of credit for investment and all-purpose loans, in which financing rates do not exceed 50%.
- A decrease in the percentage of execution of all-purpose loans.
- A decrease in loans for investment purposes as a percentage of total purchases of homes.

Several indicators were stable:

- The percentage of loans with payment to income ratios greater than 40%. A slight increase occurred, but the figure remains near zero.
- The average term to maturity of loans for purchases of homes (excluding bridge loans).

Overall, housing credit indicators demonstrate that balances grew, while underwriting quality was maintained. The main threat to this portfolio arises from possible developments due to the spread of the coronavirus, and in particular its effect on the repayment capability of borrowers in the portfolio, as a result of a higher probability of a decrease in wages and an increase in unemployment.

3.2.7. Credit to private customers (excluding housing)

Credit is granted to private customers in accordance with the credit and collateral policies and procedures, including with respect to the purpose of the credit and the appropriateness of this purpose for the customer's needs, the amount of credit requested, and the appropriateness of the amount for the customer's repayment capability. Credit applications of private customers in the Retail Banking Division, which are approved at the branches, are processed using automated systems, models, and tools that support decision-making by the authorized personnel. Credit applications of private customers are submitted and examined at the level of risk groups, as required in the directives of the Bank of Israel. Credit applications are examined with an emphasis on the matters noted above.

Private customers in the Retail Banking Division are offered, among other things, online credit in the form of Instant Credit. The maximum amount of the loan that a customer can receive and the terms of the loan are determined based on various criteria, according to data regarding the customer and the customer's accounts.

The Bank's growth plan with regard to banking products, including in the area of credit, is based on aspects of growth potential as well as risk aspects, including the expected growth of the economy, customers' repayment capability, the expected volume of repayments, and more. The Bank routinely monitors credit execution and risk.

The Retail Banking Division applies measures to manage credit risk in respect of private individuals, based on the credit risk management principles of the Bank, through measurement and control tools used to monitor the credit portfolio and the quality, risk level, and compliance with policy limits of the credit portfolio, including the following: a statistical model for rating the credit risk of private borrowers, risk-appetite indicators, credit policies and procedures, a hierarchy of authority, and credit-risk control processes.

Table 3-14: Balance of credit to private individuals in Israel

	Balance as at		Change	
	March 31, 2020	December 31, 2019		
	NIS millions			
Balance sheet				
Negative balance in current accounts	**2,961**	3,216	(255)	(7.93%)
Loans[1]	**26,397**	26,918	(521)	(1.94%)
Of which: bullet and balloon loans	**77**	78	(1)	(1.28%)
Credit for purchases of motor vehicles[2]	**3,122**	3,511	(389)	(11.08%)
Debtors in respect of credit-card activity	**4,312**	4,958	(646)	(13.03%)
Total balance sheet credit risk	**36,869**	38,681	(1,812)	(4.68%)
Off-balance sheet				
Off-balance sheet credit risk	**21,529**	21,092	437	2.07%
Total credit risk	**58,398**	59,773	(1,375)	(2.30%)

(1) Excluding loans for purchases of motor vehicles.
(2) Including loans granted for the purchase of motor vehicles or with a lien on a motor vehicle.

Table 3-15: Distribution of risk of balance sheet credit to private individuals in Israel, by average income[1] and loan size

	March 31, 2020				December 31, 2019			
	Account income			Total	Account income			Total
	Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand		Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand	
	NIS millions							
Credit per borrower in NIS thousands								
Up to 20	**1,530**	**915**	**1,011**	**3,456**	1,645	960	982	3,587
20 to 40	**1,642**	**834**	**917**	**3,393**	1,710	879	1,024	3,613
40 to 80	**3,534**	**2,408**	**2,000**	**7,942**	3,721	2,415	2,052	8,188
80 to 150	**3,338**	**4,624**	**4,076**	**12,038**	3,626	4,782	4,140	12,548
150 to 300	**706**	**2,530**	**5,475**	**8,711**	812	2,805	5,749	9,366
Over 300	**101**	**128**	**1,100**	**1,329**	67	154	1,158	1,379
Total	**10,851**	**11,439**	**14,579**	**36,869**	11,581	11,995	15,105	38,681

(1) Account income was calculated based on the average income over a period of twelve months.

Table 3-16: Distribution of risk of balance sheet credit to private individuals in Israel, by borrowers' financial asset portfolio balance

	March 31, 2020	December 31, 2019
	Balance sheet credit risk	
	NIS millions	
Size of financial asset portfolio, in NIS thousands		
Up to 10	**21,078**	22,491
10 to 50	**6,546**	6,574
50 to 200	**4,903**	4,999
200 to 500	**2,156**	2,219
Over 500	**2,186**	2,398
Total	**36,869**	38,681

Table 3-17: Distribution of risk of balance sheet credit to private individuals in Israel, by type of interest and remaining repayment period

	March 31, 2020			December 31, 2019		
	Loans at floating interest rates	Loans at fixed interest rates	Total	Loans at floating interest rates	Loans at fixed interest rates	Total
	NIS millions					
Repayment period						
Up to one year	**3,020**	**4,780**	**7,800**	3,066	5,440	8,506
1 to 3 years	**7,483**	**82**	**7,565**	7,473	84	7,557
3 to 5 years	**13,184**	**109**	**13,293**	13,649	115	13,764
Over 5 years	**8,089**	**122**	**8,211**	8,732	122	8,854
Total	**31,776**	**5,093**	**36,869**	32,920	5,761	38,681

Table 3-18: Information regarding problematic debts in respect of private individuals in Israel

	Balance as at		Change	Percentage of total balance sheet credit risk As at	
	March 31, 2020	December 31, 2019		**March 31, 2020**	December 31, 2019
	NIS millions				
Problematic credit risk	**883**	905	(2.3%)	**2.4%**	2.3%
Of which: impaired credit risk	**762**	760	0.3%	**2.1%**	2.0%
Debts in arrears of more than 90 days	**70**	93	(24.7%)	**0.2%**	0.2%
Net charge-offs for the period	**76**	297	(1)2.4%	**0.8%**	(1)0.8%
Allowance for credit losses	**829**	785	5.6%	**2.2%**	2.0%

(1) Calculated on an annualized basis.

In the first three months of 2020, the balance of loans to private individuals in Israel, including credit for the purchase of motor vehicles, decreased by approximately 2.9%. Total balance sheet credit risk decreased by approximately 4.7%.

The following indicators decreased, in comparison to the end of 2019:

- The balance of problematic credit risk decreased by approximately 2.3%.
- The balance of debts in arrears of more than 90 days decreased by approximately 24.7%.

The following indicators increased:

- The balance of impaired credit risk increased by approximately 0.3%.
- Net charge-offs increased by approximately 2.4%.
- The allowance for credit losses increased by approximately 5.6%.

First-quarter data indicate a mixed trend, with decreases on two indicators and increases on three other indicators. The effects of the spread of the coronavirus, which are reflected, at this stage, in suspension of activity in many economic sectors and a sharp increase in the number of job seekers, are expected to affect credit losses in this portfolio in the future. The extent of this effect depends on the extent of the actual damage to employers and the ability of the economy to recover rapidly. If the damage to borrowers' wages, and particularly the increase in unemployment, are significant, credit losses may increase significantly.

3.2.8. Leveraged financing

Table 3-19: The Bank's exposures in respect of leveraged financing, by economic sector of the borrower

	March 31, 2020			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Mining and quarrying*	**2**	**413**	**60**	**473**
Information and communications	**1**	**219**	**-**	**219**
Industry	**2**	**637**	**-**	**637**
Other business services	**1**	**81**	**194**	**275**
Total	**6**	**1,350**	**254**	**1,604**

* Net of charge-offs and an individual allowance for credit losses in the amount of approximately NIS 360 million.

	December 31, 2019			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate – real-estate activities	1	103	110	213
Mining and quarrying*	2	498	-	498
Electricity and water*	1	-	266	266
Information and communications	1	235	9	244
Commerce	1	338	83	421
Industry	2	633	-	633
Total	8	1,807	468	2,275

* Net of charge-offs and an individual allowance for credit losses in the amount of approximately NIS 591 million.

3.2.9. Credit risk in respect of exposure to major borrowers

Table 3-20: Balances of balance sheet credit risk and off-balance sheet credit risk to borrowers whose indebtedness exceeds NIS 1,200 million, by sector of the economy

	March 31, 2020			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Industry	**2**	**875**	**3,236**	**4,111**
Electricity and water supply	**1**	**929**	**1,380**	**2,309**
Financial services	**6**	**10,239**	**7,520**	**17,759**
Total	**9**	**12,043**	**12,136**	**24,179**

	December 31, 2019			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Industry	2	26	4,012	4,038
Electricity and water supply	1	1,419	1,261	2,680
Hotels, hospitality, and food services	1	941	261	1,202
Financial services	6	9,225	6,320	15,545
Total	10	11,611	11,854	23,465

3.2.10. Credit risk in respect of exposure to borrower groups

The Bank conducts monitoring and control processes in order to examine compliance with the limits set forth in Directive 313 with regard to exposure to the indebtedness of borrower groups. As at the reporting date, the Bank is in compliance with the limits.

Table 3-21: Credit risk balances[1] for each group of borrowers whose net indebtedness on a consolidated basis exceeds 15% of the capital of the banking corporation (as defined in Directive 313) as at March 31, 2020

	Balance sheet credit risk	Off-balance sheet credit risk	Of which: off-balance sheet credit risk in respect of derivative instruments[2]	Gross indebtedness[3]	Deductions[4]	Net indebtedness[1]	Percentage of regulatory capital
	NIS millions						
Borrower group A	**3,862**	**3,504**	**-**	**7,366**	**-**	**7,366**	**18.63%**
Borrower group B	**2,769**	**3,473**	**209**	**6,242**	**38**	**6,204**	**15.69%**

(1) The data presented below represent exposure to borrower groups, and are stated after the permitted deductions pursuant to Directive 313. These data are therefore not comparable with data regarding borrowers' indebtedness provided in other disclosures in the report.
(2) Off-balance sheet credit risk in respect of derivative instruments, as calculated for the purposes of the limits on indebtedness of borrowers and of borrower groups.
(3) This amount includes third-party guarantees outside the group.
(4) Deductions permitted under Directive 313, mainly including deposits deposited at the Bank, bonds issued by the State of Israel, and deductible indemnity letters of the State of Israel or financial institutions.

3.3. Market risk

Market risk is the risk of loss or decline in value as a result of change in the economic value of a financial instrument, or of a portfolio of assets/instruments, due to changes in prices, rates, spreads, and other market parameters.

During the first quarter of 2020, as a result of the effects of the coronavirus outbreak, the level of volatility of risk factors in the financial markets increased, including exchange rates, basis spreads, share prices, and bond prices. In addition, interest rates of central banks decreased. As a result, increases were recorded in market and investment risk estimates of activity in the trading book, the banking book, and the investment portfolio of the Bank. Increases were also recorded in risk estimates for customers with derivatives activity at the Bank. The reduction of short-term interest rates by the central banks – the rate cuts already performed as well as probable additional reductions – and the changes in yield curves in the market affect the reduction of the future financing income and interest income of the Bank, as well as the fair value and economic value, as detailed in the tables below. For further details, see the section "Economic and financial review" and the section "Effect of the spread of the coronavirus," above.

For details and more extensive information regarding market risks, including interest-rate risk, exchange-rate risk, and investment risk (share and credit spread risk), see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

3.3.1. Interest-rate risk

Interest-rate risk is the risk of loss or decline in value due to changes in interest rates in the various currencies. This risk, as defined above, also includes the following risk factors:

- **Repricing risk –** Risk arising from timing differences in terms to maturity (for fixed interest rates) and repricing dates (for floating interest rates).
- **Yield curve risk –** Risk arising from different changes in interest rates for different terms to maturity, reflected in changes in the slope of the curve (steepening or flattening) or in its shape (twist).
- **Spread risk –** Risk of loss as a result of changes in spreads between different interest-rate curves.
- **Optionality risk –** Risk arising from different exercise rights inherent in assets and liabilities (for example, the right to withdraw funds at any time, sometimes without fines).
- **Value exposure –** The estimated expected change in economic value (financial capital) as a result of changes in the interest rate.
- **Accounting income exposure –** The expected change in accounting income in the coming year as a result of changes in the interest rate.

Table 3-22: Adjusted net fair value* of the financial instruments of the Bank and its consolidated companies

	March 31, 2020			December 31, 2019		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Adjusted net fair value*	**33,639**	**(213)**	**33,426**	32,183	382	32,565
Of which: banking book	**33,516**	**(129)**	**33,387**	32,307	(295)	32,012

* Net fair value of financial instruments, excluding non-monetary items and after the effect of employee benefit liabilities and attribution of on-demand deposits to the periods.

For further details regarding assumptions used to calculate the fair value of financial instruments, see Note 15 to the Condensed Financial Statements.

The increase in fair value mainly resulted from a change in discount spreads, offset by the effects of the increase in the long-term government interest rate.

Table 3-23: Effect of scenarios of changes in interest rates on the adjusted net fair value* of the Bank and its consolidated companies

	March 31, 2020			December 31, 2019		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Parallel changes						
1% parallel increase	**(393)**	**410**	**17**	56	89	145
Of which: banking book	**(383)**	**407**	**24**	35	106	141
1% parallel decrease	**453**	**(440)**	**13**	(19)	(96)	(115)
Of which: banking book	**424**	**(436)**	**(12)**	2	(105)	(103)
Non-parallel changes						
Steepening[(1)]	**(339)**	**(44)**	**(383)**	(339)	(138)	(477)
Flattening[(2)]	**264**	**76**	**340**	369	129	498
Increase in short-term interest rate	**62**	**173**	**235**	309	84	393
Decrease in short-term interest rate	**(94)**	**(196)**	**(290)**	(340)	(89)	(429)

* Net fair value of financial instruments, excluding non-monetary items and after the effect of employee benefit liabilities and attribution of on-demand deposits to the periods.
(1) Steepening – decrease in the short-term interest rate and increase in the long-term interest rate.
(2) Flattening – increase in the short-term interest rate and decrease in the long-term interest rate.

This table presents the change in the adjusted net fair value of all of the financial instruments under the assumption that the noted change occurs in all interest rates, in all linkage segments.

Table 3-24: Effect of scenarios of changes in interest rates on interest income

	March 31, 2020			December 31, 2019		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	NIS millions					
1% parallel increase	**1,025**	**312**	**1,337**	924	327	1,251
Of which: banking book	**1,025**	**338**	**1,363**	924	323	1,247
1% parallel decrease	**(942)**	**(380)**	**(1,322)**	(746)	(406)	(1,152)
Of which: banking book	**(942)**	**(386)**	**(1,328)**	(746)	(395)	(1,141)

Income sensitivity in the table above was calculated by changing interest-rate curves, using assumptions regarding changes in deposit spreads; assumptions of transfer of monies from current accounts to deposits in the case of an increase in the interest rate, versus stability of balances in the case of a decrease in the interest rate; and assumption of interest-rate floors, such that the various interest-rate curves fall to zero. In the foreign-currency segment, the interest-rate curve falls to the lower of zero or the existing negative interest rate. In some of the scenarios, the theoretical loss in the event of a negative interest rate (below the floor) may be higher. The sensitivity of the trading book was calculated using the MTM approach.

For details and more extensive information regarding market risks, including interest-rate risk, exchange-rate risk, and investment risk (share and credit spread risk), see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

3.3.2. Exchange-rate risk

Currency risks (also known as linkage-base exposure) include exposure to exchange rates of the various currencies against the shekel, and exposure to the consumer price index, at the Bank as a whole.

Table 3-25: Sensitivity to changes in the exchange rates of foreign currencies with a significant volume of activity and to changes in the consumer price index

	March 31, 2020		December 31, 2019	
	NIS millions			
	10% increase	10% decrease	10% increase	10% decrease
USD	**(18)**	**55**	189	68
EUR	**8**	**23**	45	26
	3% increase	3% decrease	3% increase	3% decrease
CPI*	**275**	**(420)**	220	(347)

* Sensitivity data for 2019 were updated due to the reclassification of the balance of employee liabilities in respect of employee benefits from the unlinked segment to the CPI-linked segment.

The table above presents an analysis of the sensitivity of the economic value of the Bank to changes in exchange rates, based on revaluation of all balance sheet and off-balance sheet instruments in the risk-management system, using prevalent models for revaluation of each instrument and using representative rates as the baseline exchange rate. For the purposes of the calculation, the portfolio is revalued again at an exchange rate reflecting an increase/decrease at the presented rate, with no additional assumptions. Sensitivity to the consumer price index is calculated according to the exposure of the Bank to the index, as detailed in Note 14 to the Condensed Financial Statements, plus the effect of the CPI floor on the expected accounting profit.

Due to the reclassification of employee benefit liability balances from the unlinked segment to the CPI-linked segment, sensitivity to a 3% change in the CPI at the end of 2019 changed by approximately NIS 135 million.

3.4. Liquidity and refinancing risk

Liquidity risk – Liquidity risk is defined as present or future risk to the stability and profits of the Bank arising from an inability to sustain the cash flow required for its needs. Liquidity risk at the Bank is examined from a broader perspective, encompassing the ability to repay liabilities on schedule, including during times of stress, without damage to routine operations within the business plans of the Bank and without incurring exceptional losses.

Refinancing risk – The risk of inability to raise new resources to replace resources that have matured, or the risk that the reissue may be performed at durations and terms that damage the Bank's net interest income. This risk is managed as part of liquidity risk.

Table 3-26: Liquidity coverage ratio*

	For the three months ended March 31, 2020	For the three months ended March 31, 2019	For the three months ended December 31, 2019
		%	
a. Consolidated data			
Liquidity coverage ratio	**126%**	125%	121%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**125%**	122%	120%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%

* The ratio is calculated on a daily basis, and reported as an average of the daily observations.

No material changes have occurred in liquidity risk management policy and in resource raising policy since the beginning of this year.

Due to the spread of the coronavirus, liquidity pressures were observed during the month of March in the foreign-currency market in Israel, which led to increases in prices and depreciation. These pressures subsided towards the end of the month, concurrently with an increase in indicators of systemic and global liquidity pressures. Within the management of liquidity risk, the Bank took actions contributing to maintaining and improving its liquidity ratio, in addition to the increase arising from the change in the composition of deposits, which included an increase in retail deposits towards the end of the quarter. The average liquidity ratio of the Bank in the quarter ended March 31, 2020, was 126%; the liquidity ratio as at March 31, 2020, was 135%.

For more extensive information regarding liquidity risk and the management thereof, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019; the Annual Financial Statements for 2019; and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020.

3.5. Operational risk

Operational risk is defined as the risk of loss that may be caused by failed or faulty internal processes, human actions, system malfunctions, or external events. The definition includes legal risk, but does not include strategic risk or reputational risk. Failures related to one of the aforesaid factors may cause damage to profitability. The Bank operates control units, including Information Systems Security and Cyber Defense, Business Continuity, Security, and the Chief Compliance Officer, as well as comprehensive procedures and systems in areas related to banking activity, management of human resources, process control, emergency operation, and more.

In view of the spread of the coronavirus, the Bank applied a series of processes and measures, including those described below in the sections on information security and cyber risks and emergency preparedness. In general, the operational risks related to the crisis and its effects have been analyzed. The estimate is that reduced and remote work is likely to increase exposure to operational risks. Appropriate controls and measures to minimize risk are being considered and implemented.

3.5.1. Information security and cyber risks

Cyber risk is the risk of damage, including disruption, disturbance, shutdown of operations, theft of property, collection of intelligence, or damage to reputation or the confidence of the public, as a result of a cyber event. Cyber activity is conducted as required in the directives of the Bank of Israel, including Proper Conduct of Banking Business Directive 361, "Cyber Defense Management"; Proper Conduct of Banking Business Directive 363, "Supply Chain"; the Protection of Privacy Law, 1981; and other laws, as relevant, with the aim of protecting the information-technology system and minimizing risks. Information security and cyber risks at the Bank are managed by the Information Security and Cyber Defense Unit in the Information Technology Division.
The sophistication and severity of cyber attacks on the global financial sector have escalated in recent years. Technological development trends such as cloud computing, openness to external interfaces, and the expansion of digital services, on one hand, and the advanced tools available to attackers, on the other hand, have led to higher exposure to cyber risks. The banking sector in Israel, including the Bank, regularly experiences cyber attacks, such as DDOS (distributed denial of service – attacks designed to shut down a computer system by overloading its resources), phishing (attempts to steal sensitive information through impersonation on the Internet), etc. No material cyber events were discovered at the Bank in the first quarter of 2020.

The Bank invests extensive resources (both human and technological) in strengthening its information security and cyber defense system, in order to cope with the development of these threats. The Bank's defense framework consists of layers of protection using advanced technologies. The Bank operates cyber defense processes in order to minimize the risk of penetration, unauthorized access to information systems, and materialization of attacks, and to ensure the correctness, availability, and confidentiality of its databases. Concurrently, the Bank operates processes to discover and identify cyber events, at all times, including the operation of the Information Security Event Center. The Bank also prepares to contain cyber events and minimize the damage to the assets of the Bank and its customers. The Bank continually works to identify targets to defend, threats, risks, and the effectiveness of defenses, and to build work plans for improvement of the defensive framework accordingly.

The Bank routinely updates its risk assessment in view of insights from cyber events in Israel and worldwide relevant to the systems and business of the Bank. The Bank also accords high importance to maintaining an organizational culture of risk management, and therefore takes various actions (such as lectures, messaging, and exercises at various levels) to raise employee awareness of cyber risks.

The Cyber Risk Management Unit in the Risk Management Division establishes indices and methodologies for the evaluation of the maturity of defenses, analyzes the business implications of cyber scenarios, challenges the defense system, and examines developments in the area of cyber risk relevant to the technological and business systems of the Bank.

The Bank has updated its cyber risk estimate, in accordance with the development of threats during the period of the spread of the coronavirus, and is taking comprehensive action to reduce this risk, particularly in view of the change in the form of work at the Bank and the significant transition of employees to remote work. The cyber defense units have developed a response aimed at reducing the risk of remote work, and in addition, have instructed employees and suppliers on ways of reducing the risk, including by raising awareness of the new and developing cyber risks. Preparedness has also been increased with respect to possible phishing and fraud against customers through exploitation of the crisis and the fears of the public.

3.5.2. Emergency preparedness

The Bank maintains and implements a continuous plan for emergency preparedness and business continuity (BCMP – business continuity management plan), in accordance with the Bank of Israel's Directive 355, "Business Continuity Management"; Directive 357, "Information Technology Management"; and additional expansions. The Bank's preparedness is based on detailed action plans, working procedures, and periodic tests and drills, defined in a system of emergency procedures. As part of its emergency preparedness, the Bank conducted a lateral process to establish policies, define reference scenarios, map and analyze critical processes and the resources required for the recovery of such processes during an emergency (BIA), and update its action plans based on globally prevalent methodologies. The action plan involves all divisions of the Bank, through divisional business continuity officers and designated teams. The BCP is led by a specialized Business Continuity Management Unit, which reports to the Head of Business Continuity of the Bank and to the head of the Bank Emergency Committee (the Head of Information Technology).

The business continuity policy has also been adopted by the subsidiaries in Israel and globally, and at the Bank's overseas branches, in congruence with the corporate-governance policy and the guidelines of the Bank of Israel. In addition, the Bank holds periodic emergency drills covering operational scenarios as well as complex business scenarios, with the participation of the various units, from branches, regional managements, units, and divisions to the Board of Management of the Bank. The Bank has established a new remote central IT site, to ensure the availability and protection of its information systems and of the information itself.

The Israel Standards Institute has affirmed that the business continuity management system of the Bank complies with the requirements of the international standard ISO 22301.

As part of its preparedness for business continuity, the Bank is prepared to handle a range of possible scenarios. With respect to emergency scenarios that may cause the Bank to incur significant damage, red-alert systems are monitored and detailed contingency plans are in place. Stress scenarios are reviewed and discussed periodically by the Committee on Stress Scenarios and Risk Concentrations. The activation of a contingency plan is under the responsibility of the Board of Management or of the designated Board of Management committee responsible for the financial aspects of crisis situations; note that a charter for the establishment of such a committee is also part of the contingency plans.

As part of its preparedness for business continuity, the Bank is prepared to handle a range of possible scenarios, including a pandemic scenario. The Bank, like most organizations in the economy, operated in an emergency format due to the spread of the coronavirus. The work schedule at the Bank was reduced relative to ordinary conditions, thus far with no material change in employees' terms of employment and benefits. The Bank is acting on all levels, in accordance with the emergency regulations for the reduction of the spread of the coronavirus, the instructions of the Ministry of Health, the regulatory reliefs and instructions of the Bank of Israel, and other binding regulations, in order to ensure the continued delivery of service through the various channels. The Bank's emergency plans have been activated, in order to reduce the probability of extensive contagion, including splitting of essential units among different buildings or floors, and/or transition to working in homogeneous shifts, to the extent possible. Remote work (work from home) capabilities have also been enhanced. Sanitizing, hygiene, and protective materials have been distributed at all of the buildings of the Bank; the required distance is maintained between employees in all spaces; and temperature checks are conducted in accordance with requirements. Instructions are continuously communicated to managers and employees. Ongoing monitoring and communication are maintained with employees who are in isolation or sick, and a system for assistance and information for employees has been established. The branches comply with the instructions concerning the reception of the public, including deployment of reinforced security teams outside the branches, instructions regarding hygiene, and maintaining a maximum number of customers permitted inside the branch. Extensive communication with the customers of the Bank is conducted through the various channels in order to provide updates regarding the routine operation of the branch network; the application of eased requirements regarding connection or identification of customers on the direct channels in order to facilitate service, including with regard to the delivery of credit cards and checkbooks to customers; and the application of eased requirements permitted by regulators. The Bank is in contact with its suppliers to ensure continued and continuous service, as well as with its subsidiaries in Israel and overseas branches, and with its various partners in the banking system and in financial services. The Bank of Israel receives reports daily, or upon exceptional events, according to the instructions. The work schedule is updated from time to time, according to instructions and various developments.

During the quarter ended on March 31, 2020, no material change occurred in the internal control over financial reporting that had a material impact, or could reasonably be expected to have a material impact, on the internal control over financial reporting, including the potential effects of the coronavirus event on the financial reporting systems and on the system of disclosure controls.

For additional information regarding operational risk and the management thereof, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019.

3.6. Compliance risk

Compliance risk is the risk of imposition of a legal or regulatory sanction, material financial loss, or reputational damage which the banking corporation may suffer as a result of a failure to comply with the compliance directives, as defined in Proper Conduct of Banking Business Directive 308.

Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including with respect to tax laws), provision of advice to customers, securities enforcement, protection of privacy (excluding information-technology aspects), the US FATCA directives and the international CRS directives, and taxation aspects relevant to products or services for customers, or directives of a similar nature. Compliance risk also includes the reputational risk that accompanies failure to comply with such directives.

Compliance risk also encompasses risk related to the activity of the Bank with banks located in the Palestinian Authority, which requires the fulfillment of various regulatory requirements, in particular in connection with the prevention of money laundering and terrorism financing, and involves monitoring of fund transfers to and from residents of the Palestinian Authority.

The Bank terminated its activity with banks and branches located in the Gaza Strip at the beginning of 2009, after the government declared Gaza a hostile entity. Over the years, the Bank repeatedly notified the Bank of Israel and the Ministry of Finance that in view of the problems involved in the provision of banking services to Palestinian banks, the Bank wished to cease providing such services.

In January 2018, the Bank received signed letters of immunity and indemnity from the Attorney General and the Ministry of Finance. The letter of immunity protects the Bank, its officers, and its employees from indictment in Israel for certain offenses related to money laundering and the prevention of terrorism financing in relation to services granted, or to be granted, by the Bank to Palestinian banks from March 28, 2016, to May 31, 2019 (the "Immunity and Indemnity Period"). Further to the letter of immunity, in January 2018, the Bank received a letter from the Supervisor of Banks, in which she gave notice that no enforcement measures would be taken in all matters related to actions of the Bank in connection with the provision of correspondent services to which the letter of immunity applies.

In the letter of indemnity, the State of Israel made a commitment to indemnify the Bank, in an amount up to NIS 1.5 billion, for expenses (liability according to a verdict and legal expenses) borne by the Bank, within civil proceedings or criminal proceedings that do not end in a conviction, prosecuted against the Bank or an officer or employee thereof in connection with the provision of the correspondent services during the Immunity and Indemnity Period. The immunity and indemnity commitments granted to the Bank, as noted, are subject to reservations stated therein and to conditions that the Bank must fulfill.
In light of the request of the State to postpone the termination of correspondent services until the establishment of a government company to provide Palestinian banks with correspondent services, an updated letter of indemnity was issued on June 30, 2019, extending the indemnity period until February 28, 2021 (and May 31, 2021 at the latest). Pursuant to the updated letter of indemnity, the indemnity to which the State has committed towards the Bank, as detailed above, has been amended to an amount of up to NIS 1.5 billion in respect of each proceeding (not cumulatively). An updated letter was also issued by the Attorney General extending the immunity period until June 30, 2020.

For additional information regarding compliance risk and the management thereof, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019.

3.7. Other risks

For details and more extensive information regarding legal risk, reputational risk, regulatory and legislative risk, economic risk, strategic risk, and environmental risk, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2020, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2019.

3.8. Severity of risk factors

The risk factors and the Board of Management's estimates regarding the severity of the risk of each factor are listed in the following table. The scale for levels of severity of the risk factors is determined with reference to the risk appetite defined by the Bank. This scale consists of five levels of severity for each risk factor. Quantitative metrics have been established for three of the levels (low, medium, and high). For details, see the Report on Risks for 2019.

Table 3-27: Severity of risk factors

	Risk factor	Risk effect
Financial risks		
1.	Credit risk (including counterparty risk)*	Medium-High
1.1.	Of which: risk in respect of the quality of borrowers and/or collateral*	Medium-High
1.2.	Of which: risk in respect of sector concentration	Medium
1.3.	Of which: risk in respect of concentration of borrowers/borrower groups	Medium
2.	Market risk	Low-Medium
2.1.	Of which: interest-rate risk	Low-Medium
2.2.	Of which: inflation risk/exchange-rate risk	Low
2.3.	Of which: share price and credit spread risk	Low-Medium
3.	Liquidity risk	Low-Medium
Operational and legal risks		
4.	Operational risk	Medium
4.1.	Of which: cyber risk	Medium
4.2.	Of which: IT risk	Medium
5.	Legal risk	Low
Other risks		
6.	Reputational risk	Low-Medium
7.	Strategic and competitive risk	Medium
8.	Regulatory and legislative risk	Medium
9.	Economic risk – condition of the Israeli economy	High
10.	Economic risk – condition of the global economy	High
11.	Compliance risk**	Medium

* The level of credit risk has been raised to Medium-High, in light of the spread of the coronavirus and its present and possible future effects on economic conditions.

** Following the approval of the resolutions with the United States authorities regarding the tax investigation and the FIFA investigation (see Note 10D and 10E to the Condensed Financial Statements, including with regard to the Bank's obligations pursuant to the resolutions), the level of compliance risk has been returned to Medium (from the previous level of Medium-High). This includes the ongoing risk to which the Bank is exposed as a result of the aforesaid resolutions.

4. Critical accounting policies and estimates; controls and procedures

4.1. Critical accounting policies and estimates

The financial statements of the Bank are prepared in accordance with accounting principles and rules, the main points of which are described in Note 1 to the Annual Financial Statements as at December 31, 2019. In implementing the accounting principles, the Board of Management of the Bank uses various assumptions, estimates, and evaluations that affect the reported amounts of assets and liabilities (including contingent liabilities) and the results reported by the Bank. Actual future results may differ from such estimates and evaluations made when preparing the financial statements.

Some of these estimates and evaluations involve a considerable degree of uncertainty, and can be affected by possible future changes. Such estimates and evaluations in which changes may have a material effect on the financial results presented in the financial statements are considered by the Bank to be estimates and evaluations on "critical" matters. The Bank's Board of Management is of the opinion that the estimates and evaluations applied during the preparation of the financial statements are fair, and were made to the best of its knowledge and professional judgment.

The management estimates and principal assumptions used in the implementation of the Group's accounting policies are consistent with those used in the preparation of the Annual Financial Statements as at December 31, 2019.

4.2. Controls and procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, the Chief Executive Officer and the Chief Accountant of the Bank must each separately sign a declaration regarding their responsibility for the establishment and application of controls and procedures concerning disclosure and the Bank's internal control over financial reporting, including an assessment of the effectiveness of these controls, pursuant to the provisions of Sections 302 and 404 of the law known as the "Sarbanes-Oxley Act," enacted in the United States.

The provisions of these two sections of the law were consolidated by the Supervisor of Banks in a Proper Conduct of Banking Business Directive (Directive 309) in September 2008, and integrated into the Public Reporting Directives in June 2009.

The directive in Section 302 regarding the existence of controls and procedures concerning disclosure is implemented at the Bank on a quarterly basis. The directive in Section 404 regarding the Bank's internal control over financial reporting is implemented at the end of each year, as required in the directives.

As part of the implementation of the directives of Section 404, the Bank, with the assistance of a consulting firm, mapped and documented all material control processes, based on the directives of the SEC (the Securities and Exchange Commission in the United States), using the prevalent methodologies, based on criteria established in the updated Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In addition, in accordance with the requirements, the Bank carried out a test of the effectiveness of the procedures for internal control over financial reporting, through an examination of the effectiveness of the main controls in practice.

The Bank is updating the documentation of the material control processes for 2020, as in every year, according to the prevalent methodologies, with the assistance of a consulting firm, and examining the effectiveness of the procedures for internal control over financial reporting, through a renewed examination of the main controls for the current year. The main part of this process is planned to be completed during the second half of the year.

Evaluation of controls and procedures concerning disclosure

The Board of Management of the Bank, in cooperation with the Chief Executive Officer and the Chief Accountant of the Bank, has assessed the effectiveness of the controls and procedures concerning disclosure at the Bank as at March 31, 2020. Based on this assessment, they have concluded that, as at the end of this period, the controls and procedures concerning disclosure at the Bank are effective in order to record, process, summarize, and report the information that the Bank is required to disclose in its financial statement, in accordance with the Public Reporting Directives of the Supervisor of Banks, on the date stipulated in these directives.

Changes in internal control

During the quarter ended on March 31, 2020, no material change occurred in the internal control over financial reporting that had a material impact, or could reasonably be expected to have a material impact, on the internal control over financial reporting.

Oded Eran
Chairman of the Board of Directors

Dov Kotler
President and Chief Executive Officer

Tel-Aviv, May 13, 2020

CEO Declaration

I, Dov Kotler, declare that:

1. I have reviewed the quarterly report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the quarter ended on March 31, 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 in the Report fairly reflect the financial condition, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented 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 and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); 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 control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes 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 in the Report, 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 this 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 auditors, 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 over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and 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 a significant role in the internal control over financial reporting at the Bank.

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

Dov Kotler
President and Chief Executive Officer

Tel-Aviv, May 13, 2020

Chief Accountant Declaration

I, Ofer Levy, declare that:

1. I have reviewed the quarterly report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the quarter ended on March 31, 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 in the Report fairly reflect the financial condition, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented 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 and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); 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 control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes 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 in the Report, 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 this 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 auditors, 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 over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and 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 a significant role in the internal control over financial reporting at the Bank.

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

Ofer Levy
Senior Deputy Managing Director,
Chief Accountant

Tel-Aviv, May 13, 2020

Bank Hapoalim

Condensed Financial Statements
as at March 31, 2020

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Auditors' Review Report to the Shareholders of Bank Hapoalim B.M.

Introduction

We have reviewed the accompanying financial information of Bank Hapoalim B.M. and its subsidiaries (hereinafter - "the Bank") comprising of the condensed consolidated interim balance sheet as of March 31, 2020 and the related condensed consolidated interim statements of profit and loss, comprehensive income, changes in equity and cash flows for the three month period 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 reporting 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 Israel 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel and a review standard applied in the review of banking institutions according to the 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 respects, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim reporting and in accordance with the directives and guidelines of the Supervisor of Banks.

Emphasis of a Matter

Without qualifying our above conclusion, we draw attention to that mentioned in Note 10B(b) regarding exposure to class actions that were filed against the Bank Group, to Notes 10D and 10E regarding the conclusion of the investigation of the business of the Bank Group with American customers and with respect to FIFA.

Somekh Chaikin
Certified Public Accountants (Isr)

Ziv Haft
Certified Public Accountants (Isr)

Tel Aviv, May 13, 2020

Condensed Consolidated Statement of Profit and Loss
for the period ended March 31, 2020

NIS millions

	Note	For the three months ended March 31		For the year ended December 31
		2020	2019	2019
		Unaudited		Audited
Interest income	2	**2,542**	2,825	11,920
Interest expenses	2	**(350)**	(548)	(2,601)
Net interest income		**2,192**	2,277	9,319
Provision for credit losses	6(2)	**809**	121	1,276
Net interest income after provision for credit losses		**1,383**	2,156	8,043
Non-interest income				
Non-interest financing income	3	**306**	89	559
Fees		**863**	785	3,240
Other income		**22**	18	90
Total non-interest income		**1,191**	892	3,889
Operating and other expenses				
Salaries and related expenses		**962**	*1,051	*4,108
Maintenance and depreciation of buildings and equipment		**321**	314	1,334
Other expenses		**633**	*512	*3,334
Total operating and other expenses		**1,916**	1,877	8,776
Profit from continued operations before taxes		**658**	1,171	3,156
Provision for taxes on profit from continued operations		**363**	449	1,681
Profit from continued operations after taxes		**295**	722	1,475
The Bank's share in profits of equity-basis investees, after taxes		**1**	-	11
Net profit from continued operations		**296**	722	1,486
Net profit (loss) from a discontinued operation	1E	**(109)**	91	296
Net profit				
Before attribution to non-controlling interests		**187**	813	1,782
Loss attributed to non-controlling interests		**5**	8	17
Attributed to shareholders of the Bank		**192**	821	1,799
Earnings per ordinary share in NIS				
Basic earnings				
Net profit attributed to shareholders of the Bank		**0.14**	0.62	1.35
Net profit attributed to shareholders of the Bank from continued operations		**0.22**	0.55	1.13
Diluted earnings				
Net profit attributed to shareholders of the Bank		**0.14**	0.61	1.35
Net profit attributed to shareholders of the Bank from continued operations		**0.22**	0.54	1.13

* Reclassified.

The accompanying notes are an integral part of the condensed financial statements.

Oded Eran
Chairman of the
Board of Directors

Dov Kotler
President and
Chief Executive Officer

Ofer Levy
Senior Deputy Managing Director,
Chief Accountant

Tel Aviv, May 13, 2020

Condensed Consolidated Statement of Comprehensive Income
for the period ended March 31, 2020

NIS millions

	Note	For the three months ended March 31		For the year ended December 31
		2020	2019	2019
		Unaudited		Audited
Net profit before attribution to non-controlling interests		**187**	813	1,782
Net loss attributed to non-controlling interests		**5**	8	17
Net profit attributed to shareholders of the Bank		**192**	821	1,799
Other comprehensive income (loss) before taxes:	4			
Net adjustments in respect of bonds available for sale at fair value		**(667)**	351	581
Adjustments of employee benefit liabilities*		**635**	(197)	(876)
Other comprehensive income (loss) before taxes		**(32)**	154	(295)
Effect of related tax		**7**	(41)	119
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes		**(25)**	113	(176)
Net of other comprehensive loss (income) attributed to non-controlling interests		**-**	-	-
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(25)**	113	(176)
Comprehensive income before attribution to non-controlling interests		**162**	926	1,606
Comprehensive loss attributed to non-controlling interests		**5**	8	17
Comprehensive income attributed to shareholders of the Bank		**167**	934	1,623

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Balance Sheet
as at March 31, 2020

NIS millions

	Note	March 31 2020 Unaudited	March 31 2019 Unaudited	December 31 2019 Audited
Assets				
Cash and deposits with banks		**89,475**	78,332	88,122
Securities[1][2]	5	**74,500**	66,259	59,486
Securities borrowed or purchased under agreements to resell		**369**	714	471
Credit to the public		**304,817**	286,874	297,647
Allowance for credit losses		**(5,269)**	(3,826)	(4,707)
Net credit to the public	6 ,13	**299,548**	283,048	292,940
Credit to governments		**2,701**	2,279	1,971
Investments in equity-basis investees		**192**	103	192
Buildings and equipment		**3,202**	3,077	3,233
Assets in respect of derivative instruments	11	**14,946**	10,246	11,143
Other assets[1]		**6,526**	5,954	5,281
Assets attributed to a discontinued operation[3]	1E	**-**	15,766	849
Total assets		**491,459**	465,778	463,688
Liabilities and capital				
Deposits from the public	7	**388,566**	354,232	361,645
Deposits from banks		**3,980**	3,328	3,520
Deposits from the government		**401**	358	685
Securities lent or sold under agreements to repurchase		**3**	5	3
Bonds and subordinated notes		**24,491**	29,695	26,853
Liabilities in respect of derivative instruments	11	**15,957**	10,429	12,050
Other liabilities (of which: 596; 497; 518, respectively, allowance for credit losses in respect of off-balance sheet credit instruments)[1]		**20,394**	12,402	20,711
Liabilities attributed to a discontinued operation[3]	1E	**-**	16,758	-
Total liabilities		**453,792**	427,207	425,467
Shareholders' equity	9	**37,632**	38,481	38,181
Non-controlling interests		**35**	90	40
Total capital		**37,667**	38,571	38,221
Total liabilities and capital		**491,459**	465,778	463,688

(1) With regard to amounts measured at fair value, see Note 15B.
(2) For details regarding securities pledged to lenders, see Note 5.
(3) From the second quarter of 2019 to its distribution as a dividend in kind during the first quarter of 2020, the balance of the investment in the Isracard Group was accounted for using the equity method, and was stated in one line within "assets attributed to a discontinued operation."

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the period ended March 31, 2020

Unaudited
NIS millions

	For the three months ended March 31, 2020							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2020	**8,167**	**20**	**8,187**	**(1,352)**	**31,346**	**38,181**	**40**	**38,221**
Net profit (loss) for the period	**-**	**-**	**-**	**-**	**192**	**192**	**(5)**	**187**
Dividends	**-**	**-**	**-**	**-**	**(720)**	**(720)**	**-**	**(720)**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**4**	**4**	**-**	**-**	**4**	**-**	**4**
Exercise of equity compensation into shares	**3**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**
Net other comprehensive loss after tax effect	**-**	**-**	**-**	**(25)**	**-**	**(25)**	**-**	**(25)**
Dividend for non-controlling interests in a consolidated company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at March 31, 2020	**8,170**	**21**	**8,191**	**(1,377)**	**30,818**	**37,632**	**35**	**37,667**

* Excluding a balance of 1,990,097 treasury shares.

The accompanying notes are an integral part of the condensed financial statements..

Condensed Statement of Changes in Equity
for the period ended March 31, 2020 (continued)

Unaudited
NIS millions

	For the three months ended March 31, 2019							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2019	8,135	38	8,173	(1,194)	30,565	37,544	112	37,656
Cumulative effect of initial implementation of US GAAP[1]	-	-	-	18	(18)	-	-	-
Adjusted balance as at January 1, 2020, after initial implementation	8,135	38	8,173	(1,176)	30,547	37,544	112	37,656
Net profit (loss) for the period	-	-	-	-	821	821	(6)	815
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	3	3	-	-	3	-	3
Exercise of equity compensation into shares	18	(18)	-	-	-	-	-	-
Net other comprehensive income after tax effect	-	-	-	113	-	113	-	113
Dividend for non-controlling interests in a consolidated company	-	-	-	-	-	-	(16)	(16)
Balance as at March 31, 2019	8,153	23	8,176	(1,063)	31,368	38,481	90	38,571

* Excluding a balance of 2,756,262 treasury shares.

(1) The cumulative effect of the initial implementation of generally accepted accounting principles for US banks concerning financial instruments (ASU 2016-01) and concerning derivatives and hedging (ASU 2017-12), including the associated updates. .

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the period ended March 31, 2020 (continued)

Audited
NIS millions

	For the year ended December 31, 2019							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2019	8,135	38	8,173	(1,194)	30,565	37,544	112	37,656
Cumulative effect of initial implementation of US GAAP[1]	-	-	-	18	(18)	-	-	-
Adjusted balance as at January 1, 2019, after initial implementation	8,135	38	8,173	(1,176)	30,547	37,544	112	37,656
Net profit (loss) for the year	-	-	-	-	1,799	1,799	(17)	1,782
Dividends	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	14	14	-	-	14	-	14
Exercise of equity compensation into shares	32	(32)	-	-	-	-	-	-
Subtraction of non-controlling interests due to loss of control of subsidiaries	-	-	-	-	-	-	(39)	(39)
Net other comprehensive loss after tax effect	-	-	-	(176)	-	(176)	-	(176)
Dividend for non-controlling interests in a consolidated company	-	-	-	-	-	-	(16)	(16)
Balance as at December 31, 2019	8,167	20	8,187	(1,352)	31,346	38,181	40	38,221

* Excluding a balance of 1,990,097 treasury shares.

(1) The cumulative effect of the initial implementation of generally accepted accounting principles for US banks concerning financial instruments (ASU 2016-01) and concerning derivatives and hedging (ASU 2017-12), including the associated updates.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows
for the period ended March 31, 2020

NIS millions

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Cash flows from (for) operating activity			
Net profit for the period	**187**	815	1,782
Adjustments necessary to present cash flows from operating activity			
The Bank's share in profits of equity-basis investees	**(1)**	-	(11)
Depreciation of buildings and equipment	**127**	111	520
Amortizations	**5**	4	21
Provision for credit losses	**809**	147	1,276
Gain from sale of bonds available for sale and shares not held for trading	**(37)**	(79)	(421)
Realized and unrealized loss (gain) from adjustments to fair value of securities held for trading	**133**	(54)	(140)
Gain from realization and impairment of affiliates (including discontinued operation)	**(129)**	-	(81)
Gain from realization of buildings and equipment	**(10)**	(1)	(4)
Change in benefit due to share-based payment transactions	**(271)**	(66)	64
Net change in liabilities in respect of employee benefits	**8**	(475)	(483)
Deferred taxes, net	**4**	(52)	(21)
Gain from sale of credit portfolios	**-**	-	(9)
Adjustments in respect of exchange-rate differences	**58**	528	1,527
Accumulation differentials included in investing and financing activities	**(1,643)**	735	7,956
Net change in current assets			
Assets in respect of derivative instruments	**(3,803)**	288	(609)
Securities held for trading	**(8,916)**	721	(259)
Other assets	**(988)**	(163)	889
Net change in current liabilities			
Liabilities in respect of derivative instruments	**3,907**	753	2,374
Other liabilities	**525**	1,230	(6,891)
Net cash from (for) operating activity	**(10,035)**	4,442	7,480

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows
for the period ended March 31, 2020 (continued)

NIS millions

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Cash flows for investing activity			
Deposits with banks	**297**	(109)	7
Credit to the public	**(4,701)**	1,511	(7)
Credit to governments	**(730)**	149	457
Securities borrowed or purchased under agreements to resell	**102**	(6)	237
Acquisition of bonds held to maturity	**(75)**	(15)	(15)
Proceeds from redemption of bonds held to maturity	**3**	117	126
Acquisition of bonds available for sale and shares not held for trading	**(24,136)**	(19,894)	(56,555)
Proceeds from sale of bonds available for sale and shares not held for trading	**14,606**	6,669	43,958
Proceeds from redemption of bonds available for sale	**4,080**	2,297	9,671
Acquisition of credit portfolios	**(2,657)**	(2,792)	(7,804)
Proceeds from sale of credit portfolios	**-**	-	113
Investment in equity-basis investees	**1**	(2)	(136)
Proceeds from realization of investment in deconsolidated subsidiary (Appendix A)	**-**	-	1,356
Acquisition of buildings and equipment	**(100)**	(134)	(642)
Proceeds from realization of buildings and equipment	**14**	2	(52)
Net cash for investing activity	**(13,296)**	(12,207)	(9,286)

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows
for the period ended March 31, 2020 (continued)

NIS millions

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Cash flows from (for) financing activity			
Deposits from banks	**460**	50	242
Deposits from the public	**26,921**	2,465	9,878
Deposits from the government	**(284)**	150	477
Securities lent or sold under agreements to repurchase	**-**	5	3
Issuance of bonds and subordinated notes	**-**	2,782	3,539
Redemption of bonds and subordinated notes	**(2,058)**	(3,417)	(6,161)
Dividend paid to shareholders of the Bank	**-**	-	(1,000)
Dividend paid to minority interests in consolidated companies	**-**	16	16
Net cash from financing activity	**25,039**	2,051	6,994
Increase (decrease) in cash – includes balances of cash and cash equivalents attributed to a discontinued operation	**1,708**	(5,714)	5,188
Net of decrease in cash and cash equivalents attributed to a discontinued operation	**-**	(8)	(8)
Increase (decrease) in cash	**1,708**	(5,706)	5,196
Balance of cash from continued operations at beginning of period	**85,886**	82,217	82,217
Effect of changes in exchange rates on cash balances	**(58)**	(528)	(1,527)
Balance of cash from continued operations at end of period	**87,536**	75,983	85,886
Interest and taxes paid and/or received			
Interest received	**2,897**	3,309	13,120
Interest paid	**(929)**	(1,010)	(3,330)
Dividends received	**1**	2	17
Income tax paid	**(101)**	(468)	(2,285)
Income tax received	**-**	311	373

Appendix A – Proceeds from realization of investments in formerly consolidated subsidiaries	
Cash subtracted	178
Assets (excluding cash)	23,415
Liabilities	(21,339)
Assets and liabilities subtracted	2,254
Assets and liabilities attributed to non-controlling interests	(39)
Investment in equity-basis investee – Isracard	(891)
Total consideration received from realization of investments in formerly consolidated subsidiaries	1,324
Capital gain from realization of investments in formerly consolidated subsidiary	210
Proceeds received from realization of investment	1,534
Cash subtracted	(178)
Cash flow from realization of investment in deconsolidated subsidiary	1,356

The accompanying notes are an integral part of the condensed financial statements.

Note 1 Significant Accounting Policies

A. General information

The Condensed Financial Statements as at March 31, 2020 were prepared in accordance with generally accepted accounting principles in Israel (Israeli GAAP) concerning interim financial reporting and in accordance with the directives and guidelines of the Supervisor of Banks. The accounting principles used in the preparation of these condensed financial statements were implemented consistently with the accounting principles used in the preparation of the audited financial statements as at December 31, 2019, with the exceptions noted in Section C below.

The Condensed Financial Statements do not include all of the information required in the aforesaid Annual Financial Statements; these reports should be perused in conjunction with the Annual Financial Statements as at December 31, 2019, and the accompanying Notes.

The Condensed Financial Statements were approved for publication by the Board of Directors of the Bank on May 13, 2020.

B. Use of estimates

In preparing the Condensed Financial Statements, the Board of Management of the Bank uses various assumptions, estimates, and evaluations that affect the implementation of policies, the reported amounts of assets and liabilities (including contingent liabilities), and the results reported by the Bank. Actual future results may differ from such estimates and evaluations made when preparing the financial statements.

The judgment and management estimates used in the implementation of the Bank's accounting policies, and the principal assumptions used in evaluations involving uncertainty, are consistent with those used in the preparation of the Annual Financial Statements as at December 31, 2019. The estimates and the underlying assumptions are reviewed routinely. Changes in accounting estimates are recognized in the period in which the estimates are amended and in every affected future period.

Note 1 Significant Accounting Policies (continued)

C. First-time implementation of accounting standards, updates of accounting standards, and directives of the Banking Supervision Department

(1) Leases

A circular on the subject, "Reporting by banking corporations and credit-card companies in Israel according to US GAAP regarding leases" was issued on July 1, 2018. The circular adopts ASU 2016-02 (ASC 842). The main objective of the new rules is to fully reflect, in the financial statements, the level of leverage created by long-term lease contracts. The principal change in the update refers to accounting for operating lease transactions by lessees, requiring recognition in the balance sheet of an asset and liability in respect of an operating lease. The accounting treatment applicable to lessors remains essentially unchanged. The following are the main points of the changes in the accounting in the financial statements of the Bank following the implementation of these rules, with respect to transactions in which the Bank is the lessee in an operating lease:

1. Operating lease liabilities and usage right assets are recognized at the beginning of the lease based on the present value of the future lease payments over the period of the lease, discounted by the incremental interest rate of the Bank. Lease payments include: fixed leasing payments (net of incentives paid to the lessee), variable leasing payments due to linkage to an index or rate, penalty payments due to cancellation of the lease, and amounts expected to be paid by the lessee to the lessor in respect of the guaranteed residual value. The lease period is the period stated in the contract, and includes extension options exercise of which by the Bank is reasonably certain, or a cancellation option reasonably certain not to be exercised by the Bank. The lease period is determined at the beginning of the lease, and subsequently when circumstances arise that necessitate reassessment thereof. Usage right assets are adjusted for initial direct costs and advance leasing payments, net of leasing incentives received.
2. Liabilities in respect of an operating lease are stated within other liabilities, and the related usage right assets are stated within other assets. Expenses in respect of an operating lease are recognized on a straight-line basis over the period of the lease, and reported in other expenses (within operating and other expenses). Variable leasing payments are recognized as incurred, together with operating lease expenses.
3. With regard to leases where the original lease period is less than one year, the Bank has chosen to apply the exception to the standard, such that they are not recognized as an asset and liability in the balance sheet.
4. When possible, pursuant to the standard, the Bank has chosen the policy in which, in real-estate leases, management fees do not constitute part of the leasing payments, and therefore do not constitute part of the asset and liability in respect of the lease. In addition, value-added tax does not constitute part of the leasing payments, and therefore does not constitute part of the asset or liability.

The new directives were implemented beginning January 1, 2020, via adjusted retrospective implementation. Pursuant to the relief permitted by the standard, the Bank chose to maintain prior determinations with regard to the classification of existing leases.

Note 1 Significant Accounting Policies (continued)

The implementation of the new directives led to an increase in the amount of approximately NIS 1.1 billion in the balance of usage right assets, and to a parallel increase in the balance of liabilities in respect of leases, at the initial implementation date. In addition, at the initial implementation date, the implementation of the new directives led to a decrease in the rate of common equity Tier 1 capital and of total capital, by approximately 0.04% and approximately 0.05%, respectively.

(2) Instructions of the Banking Supervision Department on coping with the coronavirus

In view of the spread of the coronavirus and its possible impacts on the condition of the economy and of borrowers, with the aim of encouraging banking corporations to act to stabilize borrowers who fail or are likely to fail to fulfill their contractual payment obligations due to the coronavirus, the Banking Supervision Department issued supervision emphases, on April 21, 2020, main points of which are described below:

a. With regard to the treatment of debts the terms of which have been changed, it has been determined that a classification of debts in restructuring of problematic debt should not be assigned when short-term changes in payments are performed due to the coronavirus for borrowers who were not previously in arrears.
b. With regard to the establishment of the state of arrears, debts that were not previously in arrears of up to thirty days and are granted a deferral, as noted, shall not be considered debts in arrears during the deferral period. In addition, when such deferral of payments is performed for debts that were in arrears prior to the deferral, the state of arrears should be frozen during the period of deferral of payments (except if the debt has been classified as impaired or charged off).
c. During the period of such short-term arrangements, these loans, in general, shall not be reported as impaired debts not accruing interest. If new information is accumulated indicating a decrease in the probability of repayment of a specific loan, or indicating that a specific loan will not be repaid, the bank should act in accordance with the Public Reporting Directives on this subject.
d. With regard to housing loans for which a minimal allowance is to be calculated according to the method of the extent of arrears, the deferral of principal or interest payments for a short period on such a loan which was not a problematic debt prior to the deferral does not generally require classification of the debt as a debt in restructuring.
e. Housing loans granted during the period of the crisis will not be subject to the additional capital requirement at a rate of 1 percentage point.

Note 1 Significant Accounting Policies (continued)

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

Subject	Main points	Inception date and transitional directives	Effect on the Bank
ASU 2016-13, "Financial Instruments – Credit Losses"	The main objective of this update is to provide more useful information regarding expected credit losses on financial instruments and commitments to grant credit, while strengthening the anti-cyclical behavior of the allowance for credit losses and strengthening the connection between the method of managing credit risks and the reflection of these risks in the financial statements. Towards that end, the amendments in this update replace the method of allowance for credit losses based on incurred losses with a method that reflects expected credit losses over the life of the credit and requires consideration of a broader range of forward-looking information to reflect reasonable forecasts of future economic events. The new rules for the calculation of the allowance for credit losses will apply to credit (including housing loans), bonds held to maturity, and certain off-balance sheet credit exposures. In addition, the manner in which impairments of bonds in the available-for-sale portfolio are recorded will change, and the disclosure of the effect of the date of granting of the credit on the credit quality of the credit portfolio will be expanded.	January 1, 2022. In general, the new rules will be applied by recording the cumulative effect in retained earnings at the initial implementation date.	The Bank is preparing to implement this standard.

Discontinuation of publication of the LIBOR interest rate

Beginning at the end of 2021, the global financial system is expected to discontinue publication of the LIBOR interest rates and cease using these rates. The LIBOR rates serve as the basis for calculation of interest rates applicable to financial products in principal foreign currencies, or linked to these currencies, with floating rates. Within the intention to establish alternative benchmark rates for the relevant currencies, global institutions such as the ISDA (International Swaps and Derivatives Association) and the ARRC (Alternative Reference Rate Committee) are formulating alternatives to these interest rates, new legal language, and proposals for substitution mechanisms. The anticipated change will affect the entire banking industry, globally and in Israel.

Accordingly, a steering committee has been established at the Bank, to follow the international publications and examine the impact of the substitution on the activity of the Bank. The committee updates the Board of Management and Board of Directors periodically. Within the activity of the committee, the various products at the Bank that are based on the interest rates due to be eliminated have been mapped; changes have been made to legal documents; and training has been provided to Bank employees. In late January 2020, letters were sent to customers of the Bank describing the future change, according to the information in the possession of the Bank at that time.

Note 1 Significant Accounting Policies (continued)

In light of the uncertainty concerning the continued execution of this process, which is influenced, as noted, by international decisions, the Bank is unable to perform quantitative evaluations regarding the substitution of the interest rates. The Bank will continue to monitor the international publications and to act with the aim of reducing the risks arising from the interest-rate substitution process.

On March 22, 2020, the FASB issued reliefs regarding the application of accounting for the conversion of LIBOR-based contracts to alternative reference rates. The reliefs primarily concern the treatment of changes in terms of debts and hedge accounting, with the aim of allowing continuity in accounting in the situation of replacement of the LIBOR with alternative reference rates. The Bank is examining the implementation of these reliefs with respect to the relevant contracts.

Details of the contract balances affected by the LIBOR interest rate:

	Total transactions as at March 31, 2020		Of which: transactions continuing beyond 2021	
	Amount in NIS millions	Number of transactions	Amount in NIS millions	Number of transactions
Loans	**21,537**	**5,949**	13,253	5,041
Deposits	**3,225**	**499**	547	123
Derivatives (gross) – par value	**134,401**	**1,454**	96,041	1,045
Unutilized credit facilities	**6,093**	**75**	2,627	30
Total	**165,256**	**7,977**	112,468	6,239

E. Discontinued operation

In accordance with the requirements of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017 (the "Law for Increasing Competition"), on April 8, 2019, the Bank sold approximately 65.2% of the capital of Isracard in a public sale offering. After the sale, the Bank retained a holding of approximately 33% of the shares of Isracard, which was accounted for using the equity method.

On February 2, 2020, the Board of Directors of the Bank approved distribution of the remaining holdings in the shares of Isracard as a dividend in kind to the shareholders of the Bank. The distribution was performed on March 9, 2020. The Bank thereby completed its separation from the Isracard Group, as required by the Law for Increasing Competition. The share distribution was performed according to the value of the shares on the stock exchange at the date of the distribution. Due to the share price falling below the balance of the investment in the Bank's books as at December 31, 2019, the Bank recognized a loss from impairment of the investment in the amount of approximately NIS 109 million (after tax effect), within profit from a discontinued operation, in its financial statements for the first quarter of 2020.

Note 2 Interest Income and Expenses

Unaudited
NIS millions

	For the three months ended March 31	
	2020	2019
A. Interest income		
From credit to the public	**2,308**	2,458
From credit to governments	**13**	17
From deposits with banks	**61**	103
From deposits with the Bank of Israel and from cash	**33**	29
From bonds	**127**	218
Total interest income	**2,542**	2,825
B. Interest expenses		
On deposits from the public	**(321)**	(428)
On deposits from the government	**(1)**	(2)
On deposits from banks	**(3)**	(6)
On bonds and subordinated notes	**(25)**	(113)
On other liabilities	**-**	1
Total interest expenses	**(350)**	(548)
Total net interest income	**2,192**	2,277
C. Details of net effect of hedging derivative instruments on interest income and expenses*		
Interest income	**(43)**	3
Interest expenses	**1**	(1)
D. Details of interest income from bonds on a cumulative basis		
Held to maturity	**3**	3
Available for sale	**117**	209
Held for trading	**7**	6
Total included in interest income	**127**	218

* Details of the effect of hedging derivative instruments on subsections A and B.

Note 3 Non-Interest Financing Income

Unaudited
NIS millions

A. Non-interest financing income (expenses) in respect of non-trading activities

	For the three months ended March 31	
	2020	2019
1. From activity in derivative instruments		
Total from activity in derivative instruments[1]	**1,171**	*(738)
2. From investment in bonds		
Gains from sale of bonds available for sale	**111**	30
Losses from sale of bonds available for sale	**(27)**	(3)
Total from investment in bonds	**84**	27
3. Net exchange-rate differences	**(994)**	643
4. Gains (losses) from investment in shares		
Net realized and unrealized gains (losses) from adjustments to fair value of shares not held for trading[2][3]	**(123)**	153
Dividend from shares not held for trading	**1**	2
Adjustment to fair value of investment in affiliate	**11**	-
Total from investment in shares	**(111)**	155
5. Net gains (losses) in respect of securitization transactions	**-**	-
6. Net gains in respect of loans sold	**-**	-
Total non-interest financing income (expenses) in respect of non-trading activities	**150**	*87

* Reclassified due to the initial implementation of the circular of the Bank of Israel concerning derivative instruments and hedging (classification of derivatives held for trading and not held for trading).

(1) Derivative instruments constituting part of the asset and liability management system of the Bank, which are not designated for hedging.

(2) Including a provision for impairment in the amount of approximately NIS 0 million for the three-month period ended March 31, 2020 (approximately NIS 7 million for the three-month period ended March 31, 2019).

(3) Including gains and losses from measurement at fair value of shares with readily determinable fair value, and upward or downward adjustments of shares without readily determinable fair value.

Note 3 Non-Interest Financing Income (continued)

Unaudited
NIS millions

B. Non-interest financing income in respect of trading activities*

	For the three months ended March 31	
	2020	2019
Net income in respect of derivative instruments held for trading	**213**	**52
Net realized and unrealized losses from adjustments to fair value of bonds held for trading[1]	**(57)**	(50)
Total non-interest financing income (expenses) in respect of trading activities***	**156**	**2
Total non-interest financing income (expenses)	**306**	89
Details of non-interest financing income in respect of trading activities, by risk exposure:		
Interest rate exposure	**(24)**	**(42)
Foreign currency exposure	**176**	**42
Share exposure	**4**	**2
Total	**156**	**2

* Includes exchange-rate differences arising from trading activity.
** Reclassified due to the initial implementation of the circular of the Bank of Israel concerning derivative instruments and hedging (classification of derivatives held for trading and not held for trading).
*** With regard to interest income from investment in bonds held for trading, see Note 2.
(1) Of which, the part of gains (losses) associated with bonds held for trading still held at the balance sheet date, in the amount of approximately NIS 52 million for the three-month period ended March 31, 2020 (approximately NIS (51) million for the three-month period ended March 31, 2019).

Note 4 Accumulated Other Comprehensive Income (Loss)

NIS millions

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2020 and 2019

	Other comprehensive income before attribution to non-controlling interests				Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	Adjustments for presentation of bonds available for sale at fair value	Net adjustments from translation* after hedge effects**	Adjustments in respect of employee benefits	Total		
	Unaudited					
Balance as at January 1, 2020	**250**	**(38)**	**(1,561)**	**(1,349)**	**3**	**(1,352)**
Net change during the period	**(442)**	**-**	**417**	**(25)**	**-**	**(25)**
Balance as at March 31, 2020	**(192)**	**(38)**	**(1,144)**	**(1,374)**	**3**	**(1,377)**
Balance as at January 1, 2019	(160)	(38)	(993)	(1,191)	3	(1,194)
Cumulative effect of initial implementation of US GAAP[1]	18	-	-	18	-	18
Adjusted balance as at January 1, 2019, after initial implementation	(142)	(38)	(993)	(1,173)	3	(1,176)
Net change during the period	239	-	(126)	113	-	113
Balance as at March 31, 2019	97	(38)	(1,119)	(1,060)	3	(1,063)

2. Changes in accumulated other comprehensive income (loss) in 2019

	Other comprehensive income before attribution to non-controlling interests				Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	Adjustments for presentation of bonds available for sale at fair value	Net adjustments from translation* after hedge effects**	Adjustments in respect of employee benefits	Total		
	Audited					
Balance as at January 1, 2019	(160)	(38)	(993)	(1,191)	3	(1,194)
Cumulative effect of initial implementation of US GAAP[1]	18	-	-	18	-	18
Adjusted balance as at January 1, 2019, after initial implementation	(142)	(38)	(993)	(1,173)	3	(1,176)
Net change during the year	392	-	(568)	(176)	-	(176)
Balance as at December 31, 2019	250	(38)	(1,561)	(1,349)	3	(1,352)

* Adjustments from the translation of financial statements of a foreign operation whose functional currency, until December 31, 2018, differed from the functional currency of the Bank.

** Net gains (losses) in respect of net hedging of investments in foreign currency.

(1) The cumulative effect of the initial implementation of generally accepted accounting principles for US banks concerning financial instruments (ASU 2016-01) and concerning derivatives and hedging (ASU 2017-12), including the associated updates.

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Unaudited
NIS millions

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2020 and 2019

	For the three months ended					
	March 31, 2020			March 31, 2019		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments for presentation of bonds available for sale at fair value						
Net unrealized gains (losses) from adjustments to fair value	**(583)**	**200**	**(383)**	377	(115)	262
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss[1]	**(84)**	**25**	**(59)**	(26)	3	(23)
Net change during the period	**(667)**	**225**	**(442)**	351	(112)	239
Employee benefits						
Net actuarial profit (loss) during the period	**592**	**(203)**	**389**	(223)	80	(143)
Net (gains) losses reclassified to the statement of profit and loss[2]	**43**	**(15)**	**28**	26	(9)	17
Net change during the period	**635**	**(218)**	**417**	(197)	71	(126)
Total net change during the period	**(32)**	**7**	**(25)**	154	(41)	113
Changes in components of other comprehensive income (loss) attributed to non-controlling interests						
Total net change during the period	**-**	**-**	**-**	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank						
Total net change during the period	**(32)**	**7**	**(25)**	154	(41)	113

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3 – Non-Interest Financing Income.
(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Audited
NIS millions

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

2. Changes in accumulated other comprehensive income (loss) in 2019

	For the year ended December 31, 2019		
	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments for presentation of bonds available for sale at fair value			
Net unrealized gains (losses) from adjustments to fair value	834	(275)	559
(Gains) losses in respect of securities available for sale reclassified to the statement of profit and loss[1]	(253)	86	(167)
Net change during the year	581	(189)	392
Employee benefits			
Net actuarial profit (loss) for the year	(993)	348	(645)
Net (gains) losses reclassified to the statement of profit and loss[2]	117	(40)	77
Net change during the year	(876)	308	(568)
Total net change during the year	(295)	119	(176)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests			
Total net change during the year	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank			
Total net change during the year	(295)	119	(176)

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3 – Non-Interest Financing Income.
(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 5 Securities

Unaudited
NIS millions

	March 31, 2020				
	Balance sheet value	Depreciated cost	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity					
Bonds and debentures					
Financial institutions in Israel	**374**	**374**	**4**	**-**	**378**
Total bonds held to maturity	**374**	**374**	**4**	**-**	**378**

	Balance sheet value	Depreciated cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	**43,571**	**43,718**	**107**	**(254)**	**43,571**
Foreign governments	**6,055**	**5,905**	**176**	**(26)**	**6,055**
Foreign financial institutions	**5,238**	**5,441**	**37**	**(240)**	**5,238**
Foreign others	**2,300**	**2,407**	**7**	**(114)**	**2,300**
Total bonds and debentures available for sale	**57,164**	**57,471**	**(1)327**	**(1)(634)**	**57,164**

	Balance sheet value	Depreciated cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading					
Shares not held for trading	**1,496**	**1,466**	**(2)49**	**(2)(19)**	**1,496**
Of which: shares without readily determinable fair value	**1,110**	**1,110**	**-**	**-**	**1,110**
Total securities not held for trading	**59,034**	**59,311**	**380**	**(653)**	**59,038**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.

(2) Charged to the statement of profit and loss.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	March 31, 2020				
	Balance sheet value	Depreciated cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading					
Bonds and debentures					
Israeli government	**15,279**	**15,303**	**59**	**(83)**	**15,279**
Foreign governments	**185**	**185**	**-**	**-**	**185**
Total bonds and debentures held for trading	**15,464**	**15,488**	**59**	**(83)**	****15,464**
Shares					
Others	**2**	**2**	**-**	**-**	**2**
Total securities held for trading	**15,466**	**15,490**	**(1)59**	**(1)(83)**	**15,466**
Total securities(2)	**74,500**	**74,801**	**439**	**(736)**	**74,504**

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of bonds available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	**19,340**	**(245)**	**-**	**(245)**	**555**	**(9)**	**-**	**(9)**
Foreign governments	**303**	**(9)**	**-**	**(9)**	**816**	**(17)**	**-**	**(17)**
Foreign financial institutions	**3,682**	**(240)**	**-**	**(240)**	**-**	**-**	**-**	**-**
Foreign others	**1,800**	**(90)**	**(10)**	**(100)**	**196**	**(14)**	**-**	**(14)**
Total bonds and debentures available for sale	**25,125**	**(584)**	**(10)**	**(594)**	**1,567**	**(40)**	**-**	**(40)**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

** Of which, securities in the amount of NIS 1,877 million are classified as securities held for trading because the Bank chose to measure them according to the fair-value option, despite the fact that they were not acquired for trading purposes.

(1) Charged to the statement of profit and loss.

(2) Of which: securities in the amount of approximately NIS 2.5 billion were pledged to lenders.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	March 31, 2019				
	Balance sheet value	Depreciated cost	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity					
Bonds and debentures					
Financial institutions in Israel	306	306	4	-	310
Total bonds held to maturity	306	306	4	-	310

	Balance sheet value	Depreciated cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	32,972	32,795	179	(2)	32,972
Foreign governments	14,444	14,531	25	(112)	14,444
Financial institutions in Israel	118	117	1	-	118
Foreign financial institutions	8,114	8,090	46	(22)	8,114
Others in Israel	73	73	-	-	73
Foreign others	2,799	2,792	21	(14)	2,799
Total bonds and debentures available for sale	58,520	58,398	(1)272	(1)(150)	58,520

	Balance sheet value	Depreciated cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading					
Shares not held for trading	1,826	1,749	(2)86	(2)(9)	1,826
Of which: shares without readily determinable fair value	1,078	1,078	-	-	1,078
Total securities not held for trading	60,652	60,453	362	(159)	60,656

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Included in equity under the item "adjustments for presentation of securities available for sale at fair value."
(2) Charged to the statement of profit and loss.

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	March 31, 2019				
	Balance sheet value	Depreciated cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading					
Bonds and debentures					
Israeli government	5,594	5,552	42	-	5,594
Foreign governments	3	3	-	-	3
Total bonds and debentures held for trading	5,597	5,555	42	-	5,597
Shares					
Others	10	7	3	-	10
Total securities held for trading	5,607	5,562	(1)45	(1)-	5,607
Total securities(2)	66,259	66,015	407	(159)	66,263

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of securities available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	2,860	(2)	-	(2)	-	-	-	-
Foreign governments	-	-	-	-	8,883	(112)	-	(112)
Foreign financial institutions	1,022	(6)	-	(6)	2,515	(16)	-	(16)
Foreign others	595	(9)	-	(9)	510	(5)	-	(5)
Total bonds and debentures available for sale	4,477	(17)	-	(17)	11,908	(133)	-	(133)

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Charged to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 2.8 billion were pledged to lenders.

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Audited
NIS millions

	December 31, 2019				
	Balance sheet value	Depreciated cost	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity					
Bonds and debentures					
Financial institutions in Israel	299	299	4	-	303
Total bonds held to maturity	299	299	4	-	303

	Balance sheet value	Depreciated cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	33,417	33,155	264	(2)	33,417
Foreign governments	8,108	8,146	23	(61)	8,108
Foreign financial institutions	6,830	6,722	108	-	6,830
Foreign others	2,454	2,426	31	(3)	2,454
Total bonds and debentures available for sale	50,809	50,449	(1) 426	(1) (66)	50,809

	Balance sheet value	Depreciated cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading					
Shares not held for trading	1,771	1,626	(2) 150	(2) (5)	1,771
Of which: shares without readily determinable fair value	1,021	1,021	-	-	1,021
Total securities not held for trading	52,879	52,374	580	(71)	52,883

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.

(2) Charged to the statement of profit and loss.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Audited
NIS millions

	December 31, 2019				
	Balance sheet value	Depreciated cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading					
Bonds and debentures					
Israeli government	6,602	6,533	69	-	6,602
Foreign governments	3	3	-	-	3
Total bonds and debentures held for trading	6,605	6,536	69	-	**6,605
Shares					
Others	2	2	-	-	2
Total securities held for trading	6,607	6,538	(1)69	(1)-	6,607
Total securities(2)	59,486	58,912	649	(71)	59,490

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of securities available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	567	(2)	-	(2)	-	-	-	-
Foreign governments	3,244	(39)	-	(39)	2,005	(22)	-	(22)
Foreign others	97	(2)	-	(2)	319	(1)	-	(1)
Total bonds and debentures available for sale	3,908	(43)	-	(43)	2,324	(23)	-	(23)

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

** Of which, securities in the amount of NIS 1,702 million are classified as securities held for trading because the Bank chose to measure them according to the fair-value option, despite the fact that they were not acquired for trading purposes.

(1) Charged to the statement of profit and loss.

(2) Of which: securities in the amount of approximately NIS 2.6 billion were pledged to lenders.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses

Unaudited
NIS millions

1. Debts*, credit to the public, and allowance for credit losses

	March 31, 2020					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	**150,821**	**2**	**909**	**151,732**	**30,076**	**181,808**
Debts examined on a collective basis[1]	**24,668**	**92,450**	**35,967**	**153,085**	**-**	**153,085**
(1) Of which: allowance calculated based on the extent of arrears	**84**	**92,296**	**-**	**92,380**	**-**	**92,380**
Total[2]	**175,489**	**92,452**	**36,876**	**304,817**	**30,076**	**334,893**
(2) Of which:						
Debts in restructuring	**768**	**-**	**714**	**1,482**	**-**	**1,482**
Other impaired debts	**2,705**	**2**	**50**	**2,757**	**-**	**2,757**
Total impaired debts	**3,473**	**2**	**764**	**4,239**	**-**	**4,239**
Debts in arrears of 90 days or more	**88**	**715**	**70**	**873**	**-**	**873**
Other problematic debts	**3,913**	**-**	**51**	**3,964**	**-**	**3,964**
Total problematic debts	**7,474**	**717**	**885**	**9,076**	**-**	**9,076**
Allowance for credit losses in respect of debts						
In respect of debts examined on an individual basis	**3,470**	**-**	**133**	**3,603**	**8**	**3,611**
In respect of debts examined on a collective basis[3]	**534**	**478**	**654**	**1,666**	**-**	**1,666**
(3) Of which: allowance calculated based on the extent of arrears***	**-**	**478**	**-**	**478**	**-**	**478**
Total allowance for credit losses[4]	**4,004**	**478**	**787**	**5,269**	**8**	**5,277**
(4) Of which: allowance in respect of impaired debts	**1,399**	**-**	**131**	**1,530**	**-**	**1,530**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 84 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

*** Includes the allowance in excess of the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 344 million.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

1. Debts*, credit to the public, and allowance for credit losses (continued)

	March 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial**[5]	Housing[5]	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	132,037	-	965	133,002	23,340	156,342
Debts examined on a collective basis[1]	29,661	83,068	41,143	153,872	-	153,872
(1) Of which: allowance calculated based on the extent of arrears	80	82,871	-	82,951	-	82,951
Total[2]	161,698	83,068	42,108	286,874	23,340	310,214
(2) Of which:						
Debts in restructuring	660	-	651	1,311	-	1,311
Other impaired debts	1,603	-	71	1,674	-	1,674
Total impaired debts	2,263	-	722	2,985	-	2,985
Debts in arrears of 90 days or more	86	705	85	876	-	876
Other problematic debts	2,977	1	60	3,038	-	3,038
Total problematic debts	5,326	706	867	6,899	-	6,899
Allowance for credit losses in respect of debts						
In respect of debts examined on an individual basis	2,130	-	154	2,284	10	2,294
In respect of debts examined on a collective basis[3]	431	426	685	1,542	-	1,542
(3) Of which: allowance calculated based on the extent of arrears***	-	426	-	426	-	426
Total allowance for credit losses[4]	2,561	426	839	3,826	10	3,836
(4) Of which: allowance in respect of impaired debts	483	-	158	641	-	641

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 80 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

*** Includes the allowance in excess of the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 290 million.

(5) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

1. Debts*, credit to the public, and allowance for credit losses (continued)

	December 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	144,239	2	862	145,103	20,042	165,145
Debts examined on a collective basis[1]	25,011	89,700	37,833	152,544	-	152,544
(1) Of which: according to the extent of arrears	75	89,533	-	89,608	-	89,608
Total[2]	169,250	89,702	38,695	297,647	20,042	317,689
(2) Of which:						
Debts in restructuring	667	-	707	1,374	-	1,374
Other impaired debts	3,011	2	55	3,068	-	3,068
Total impaired debts	3,678	2	762	4,442	-	4,442
Debts in arrears of 90 days or more	121	699	93	913	-	913
Other problematic debts	3,715	1	51	3,767	-	3,767
Total problematic debts	7,514	702	906	9,122	-	9,122
Allowance for credit losses in respect of debts*						
In respect of debts examined on an individual basis	2,951	-	136	3,087	7	3,094
In respect of debts examined on a collective basis[3]	559	446	615	1,620	-	1,620
(3) Of which: allowance calculated based on the extent of arrears***	-	446	-	446	-	446
Total allowance for credit losses[4]	3,510	446	751	4,707	7	4,714
(4) Of which: allowance in respect of impaired debts	1,272	-	136	1,408	-	1,408

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 75 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

*** Includes the allowance in excess of the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 314 million.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

2. Change in allowance for credit losses

	For the three months ended March 31, 2020					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	**4,007**	**446**	**790**	**5,243**	**8**	**5,251**
Provision for credit losses[1]	**656**	**32**	**120**	**808**	**1**	**809**
Charge-offs	**(181)**	**(1)**	**(158)**	**(340)**	**-**	**(340)**
Recoveries of debts charged off in previous years	**70**	**1**	**82**	**153**	**-**	**153**
Net charge-offs	**(111)**	**-**	**(76)**	**(187)**	**-**	**(187)**
Allowance for credit losses as at March 31, 2020[2] (unaudited)	**4,552**	**478**	**834**	**5,864**	**9**	**5,873**
(1) Of which: in respect of off-balance sheet credit instruments	**51**	**-**	**8**	**59**	**-**	**59**
(2) Of which: in respect of off-balance sheet credit instruments	**548**	**-**	**47**	**595**	**1**	**596**

	For the three months ended March 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial*	Housing*	Other private	Total		
Allowance for credit losses at beginning of year (audited)	2,997	424	904	4,325	9	4,334
Provision for credit losses[1]	50	4	65	119	2	121
Charge-offs	(167)	(2)	(188)	(357)	-	(357)
Recoveries of debts charged off in previous years	139	-	95	234	-	234
Net charge-offs	(28)	(2)	(93)	(123)	-	(123)
Allowance for credit losses as at March 31, 2019[2] (unaudited)	3,019	426	876	4,321	11	4,332
(1) Of which: in respect of off-balance sheet credit instruments	(74)	-	2	(72)	-	(72)
(2) Of which: in respect of off-balance sheet credit instruments	458	-	37	495	1	496

* Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 7 Deposits from the Public

NIS millions

A. Types of deposits, by location of deposit taking and by type of depositor

	March 31		December 31,
	2020	2019	2019
	Unaudited		Audited
In Israel			
On demand			
Non-interest bearing	**169,128**	138,395	145,695
Interest bearing	**92,733**	91,730	86,408
Total on demand	**261,861**	230,125	232,103
Fixed term	**105,972**	105,138	113,332
Total deposits from the public in Israel*	**367,833**	335,263	345,435
Outside Israel			
On demand			
Non-interest bearing	**1,368**	1,974	1,193
Interest bearing	**5,031**	4,121	5,306
Total on demand	**6,399**	6,095	6,499
Fixed term	**14,334**	12,874	9,711
Total deposits from the public outside Israel	**20,733**	18,969	16,210
Total deposits from the public	**388,566**	354,232	361,645
* Of which:			
Deposits of private individuals	**184,880**	167,790	165,615
Deposits of institutional entities	**41,671**	47,284	48,817
Deposits of corporations and others	**141,282**	120,189	131,003

B. Deposits from the public by size

	March 31		December 31,
	2020	2019	2019
	Unaudited		Audited
Deposit ceiling			
Up to 1	**136,077**	123,183	122,404
Over 1 up to 10	**106,371**	89,154	90,385
Over 10 up to 100	**58,944**	53,977	55,261
Over 100 up to 500	**38,437**	32,274	35,698
Over 500	**48,737**	55,644	57,897
Total	**388,566**	354,232	361,645

Note 8 Employee Benefits

NIS millions

A. Employee benefits

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Early retirement and severance pay			
Amount of liability	**7,574**	7,355	8,262
Fair value of plan assets	**(3,919)**	(3,809)	(4,138)
Surplus liability over plan assets (included in other liabilities)	**3,655**	3,546	4,124
Grant for non-utilization of sick days			
Amount of liability	**342**	359	395
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**342**	359	395
25-year service grant			
Amount of liability	**32**	37	36
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**32**	37	36
Other benefits at end of employment and post-employment			
Amount of liability	**558**	610	664
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**558**	610	664
Total			
Surplus liabilities in respect of employee benefits over plan assets included in the item "other liabilities"*	**4,587**	4,552	5,219
* Of which: in respect of benefits for employees overseas	**74**	51	34

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan

(1) Commitments and financing status

a. Net change in commitment in respect of forecast benefit*,**

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Net commitment in respect of forecast benefit at beginning of period	**5,183**	4,319	4,319
Service cost	**49**	33	139
Interest cost	**27**	38	128
Deposits by plan participants	**-**	-	(29)
Actuarial loss (profit)	**(594)**	225	1,013
Changes in foreign-currency exchange rates	**2**	(2)	(5)
Benefits paid	**(112)**	(98)	(343)
Subtraction of balances attributed to a discontinued operation	**-**	-	(39)
Net commitment in respect of forecast benefit at end of period	**4,555**	4,515	5,183
Net commitment in respect of cumulative benefit at end of period	**4,356**	4,303	5,005

b. Amounts recognized in the consolidated balance sheet

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Early retirement and severance pay			
Amounts recognized in the item "other liabilities"	**4,555**	4,515	5,183

c. Amounts recognized in accumulated other comprehensive income (loss), before tax effect

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Net actuarial loss	**1,739**	1,695	2,374
Closing balance in accumulated other comprehensive income	**1,739**	1,695	2,374

* Includes post-retirement benefits, including a sick-day grant paid at retirement.
** The amounts presented are net of plan assets. For further details, see Section (d) below.

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan (continued)

(1) Commitments and financing status (continued)

d. Plans in which the commitment in respect of the cumulative and forecast benefit exceeds the plan assets

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Commitment in respect of forecast benefit	**8,474**	8,324	9,321
Commitment in respect of cumulative benefit	**8,275**	8,112	9,143
Fair value of plan assets	**(3,919)**	(3,809)	(4,138)

(2) Expense for the period

a. Components of net benefit cost recognized in profit and loss

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Service cost	**49**	33	139
Interest cost	**27**	38	128
Subtraction of unrecognized amounts:			
Net actuarial loss	**43**	26	117
Net total benefit cost	**119**	97	384

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan (continued)

(2) Expense for the period (continued)

b. Changes in plan assets and in benefit commitments recognized in other comprehensive income (loss), before tax effect

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Net actuarial loss (profit) for the period	**(594)**	225	1,013
Subtraction of actuarial loss	**(43)**	(26)	(117)
Changes in foreign-currency exchange rates	**2**	(2)	(5)
Subtraction of balances attributed to a discontinued operation	**-**	-	(15)
Total recognized in other comprehensive income (loss)	**(635)**	197	876
Net total benefit cost	**119**	97	384
Total recognized in net benefit cost for the period and in other comprehensive income	**(516)**	294	1,260

c. Estimate of amounts included in accumulated other comprehensive income and expected to be subtracted from accumulated other comprehensive income to the statement of profit and loss as an expense (as income) in 2020, before tax effect

Net actuarial loss	**130**

Note 8 Employee Benefits (continued)

B. Post-retirement benefit plan (continued)

(3) Assumptions*

a. Assumptions based on a weighted average used to determine the commitment in respect of the benefit and to measure the net cost of the benefit

1. Principal assumptions used to determine the commitment in respect of the benefit

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Capitalization rate	**1.99%**	1.25%	0.44%
Rate of increase in the CPI	**2.0%**	2.0%	2.0%
Rate of increase in remuneration[1]	**0.0%-7.5%**	0.0%-7.5%	0.0%-7.5%

2. Principal assumptions used to measure net benefit cost for the period

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Capitalization rate	**0.44%**	1.89%	0.69%
Rate of increase in remuneration	**0.0%-7.5%**	0.0%-7.5%	0.0%-7.5%

b. Effect of a one-percentage-point change on the commitment in respect of the forecast benefit, before tax effect

	Increase of one percentage point			Decrease of one percentage point		
	March 31		December 31	March 31		December 31
	2020	2019	2019	**2020**	2019	2019
	Unaudited		Audited	Unaudited		Audited
Capitalization rate	**(332)**	(364)	(423)	**389**	430	502

* The assumptions refer to the stand-alone data of the Bank.

(1) The rate of increase in remuneration is influenced by several processes leading to an increase in the cost of wages, which reflect an average growth rate of approximately 1% per annum, in real terms. These processes include promotions and changes in job descriptions, seniority, and rank.

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan (continued)

(4) Plan assets

The Bank's liability for employee benefits is calculated based on an actuarial calculation. Among other factors, this calculation takes into account the probability of early retirement with beneficial terms, in each of the relevant tracks (enlarged severance pay or early retirement); the amounts of the liability at retirement; and the value of amounts funded at that date. In addition, in light of the existing labor agreements at the Bank and the nature of the retirement agreements at the Bank, the Bank's exposure to (positive or negative) changes in the value of amounts funded is limited, due to Section 14 of the Severance Pay Law, pursuant to which in the event of an employee's departure, reaching the retirement age established by law, or taking early retirement, the Bank is not required to supplement amounts funded, and customarily does not do so, if their value has decreased or does not cover the increase that has occurred in wages. The Bank's liability for severance pay to its employees is primarily covered by amounts funded, deposited in severance-pay funds in the employees' names.

It is emphasized that the net liability exposure of the Bank to changes in the value of amounts funded, weighted by the probability of retirement in a compensation track, is immaterial. Thus, for example, in the case of a 10% decrease in the fair value of the amounts funded for severance pay, the net liability would increase by a total of approximately NIS 20 million.

Amounts funded for severance pay are deposited in severance-pay funds in the employees' names. Approximately 32% of the total balances of amounts funded for severance pay are deposited with the Central Retirement Fund of Histadrut Workers Ltd. (KGM). The remaining amounts are deposited with a large number of severance-pay provident funds, according to employees' choice.

Balances of the liability for severance pay and amounts funded for severance pay:

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Liability for severance pay	**3,743**	3,545	3,933
Amounts funded for severance pay	**(3,670)**	(3,427)	(3,841)
Net liability	**73**	118	92

Note 8 Employee Benefits (continued)

NIS millions

C. Cash flows

(1) Deposits

	Forecast	Actual deposits		
		For the three months ended March 31		For the year ended December 31
	2020*	**2020**	2019	2019
		Unaudited		Audited
Deposits	**186**	**40**	42	182

* Estimated deposits which the Bank expects to pay into pension plans for a defined benefit during 2020.

(2) Benefits the Bank expects to pay in the future

Year	
2020	376
2021	520
2022	520
2023	355
2024	331
2025-2029	1,349
2030 forward	2,093
Total	5,544

D. On January 21, 2020, the Bank and the representatives of the Employee Union signed a wage agreement for 2018-2022, which was approved by the Board of Directors and Board of Management of the Bank. This agreement encompasses the full consideration granted to the employees for the years 2018-2022; all labor disputes and strike announcements declared by the employee representatives prior to the signing of the agreement have been rescinded.

The wage agreement includes the following components, among other matters:

a. In addition to the mechanisms for routine promotions and pay raises customary at the Bank, the employees specified in the agreement will be paid a fixed salary increment, in NIS, in three phases during the years 2020-2022, part of which is contingent upon the business performance of the Bank. According to the estimates of the Bank, taking into consideration the effect of this salary increment, as well as the customary promotion mechanisms and additional effects, the average annual rate of increase in the wages of the aforesaid employees will reach approximately 3.7% during the period of the agreement. The annual increase in the cost of wages of the aforesaid employees in respect of the increment is estimated at approximately 0.8%.

b. The employees received a one-time signing bonus at a total cost of approximately NIS 200 million.

Note 8 Employee Benefits (continued)

c. The plan for granting phantom units to employees, which was the customary practice at the Bank, was converted to wages and benefits paid to the entitled employees at a similar cost. Concurrently, the existing liability in respect of the vested phantom units was settled in early 2020, based on the liability in the books of the Bank as at December 31, 2019.

d. As part of the Bank's preparations for the changes underway in the banking universe, agreement has been reached regarding continuation of the policy of hiring employees with specific skills under personal contracts, particularly in the areas of technology and innovation, which are essential to the Bank, and regarding the launch of a program for training existing employees for the professions of the future.

The effect of this agreement is a one-time increase in the actuarial liabilities of the Bank, in the amount of approximately NIS 80 million, before tax, subtracted from shareholders' equity as at December 31, 2019; and salary expenses for 2019 in the amount of approximately NIS 200 million, before tax, in respect of the one-time bonus.

E. Further to the statements in Note 22C(4) to the Annual Financial Statements for 2019, and taking into consideration the return on equity achieved by the Bank in 2019, 89,771 restricted stock units (RSU) expired in March 2020, which were granted under previous remuneration plans, in respect of previous years, as deferred variable remuneration for the former CEO of the Bank, members of the Board of Management, senior executives, and key employees of the Bank. Most of the balance of the RSU vested, and the Bank allocated 218,855 shares (0.02% of the issued capital) in respect thereof, of the shares held in treasury.

F. Further to the statements in Note 22C to the Annual Financial Statements for 2019, at the date of approval of the financial statements, the Board of Directors approved a grant of restricted shares (for three years, beginning January 1, 2020) to the Chairman of the Board of Directors, members of the Board of Management, senior executives, and key employees of the Bank, at a total volume of up to approximately 0.04% of the issued capital of the Bank (556,127 shares), within the implementation of the existing remuneration plans and employment contracts, as part of the fixed remuneration component for 2019, which was recognized in the annual financial statements of the Bank for 2019, and in accordance with the outline issued by the Bank in May 2018. The CEO of the Bank waived the restricted shares to which he was entitled in respect of 2019 (at a value of approximately NIS 25.5 thousand). In addition, the allocation of 28,257 restricted stock units (RSU) (approximately 0.002% of the issued capital) to several employees who are not officers was approved.

G. In January 2020, the Board of Directors of the Bank approved an efficiency plan at an estimated cost in the amount of NIS 352 million, net of tax effect, which was allocated to capital as at December 31, 2019. The plan is being allocated in equal installments over five years, beginning in 2020, for the purpose of the calculation of capital-adequacy ratios and the leverage ratio.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity

A. Dividends

Since the first quarter of 2017, the dividend distribution policy of the Bank is to distribute up to 40% of quarterly net operating profit. Any distribution is subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account business considerations, the directives of all laws, and any constraints on distribution. In light of the uncertainty with respect to the investigation of the United States authorities that existed prior to the approval of the resolutions (see Note 10D), for reasons of conservatism and in coordination with the Bank of Israel, beginning in the second quarter of 2018, the Board of Directors of the Bank has not declared the distribution of dividends from ongoing earnings, with no change to the Bank's dividend distribution policy.

In view of the notification of the Supervisor of Banks of March 29, 2020, and the temporary order established (see Section H below) in connection with the spread of the coronavirus, the Board of Directors of the Bank resolved, on March 31, 2020, that in light of the uncertainty in macroeconomic conditions, and in order to fulfill the purpose of the directives and policy of the Banking Supervision Department, until the end of the period of the temporary order and until conditions are clearer, the Bank will continue to refrain from performing distributions from ongoing earnings.

B. Dividend payments

As a result of the sale of approximately 65.2% of the shares of Isracard in the second quarter of 2019, the Bank accumulated additional capital surplus. In September 2019, the Board of Directors of the Bank declared the distribution of dividends in respect of this capital surplus, in the amount of NIS 1 billion, paid in October 2019. The remaining holdings of the Bank in the shares of Isracard (approximately 33% of the issued and paid-up capital of Isracard) were distributed as a dividend in kind to the shareholders of the Bank on March 9, 2020.

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
February 2, 2020	March 9, 2020	*53.937	**720
September 24, 2019	October 23, 2019	74.897	1,000

* Calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91). Approximately 0.0494 shares of Isracard were distributed as a dividend in kind in respect of each share of the Bank.

** Paid as a dividend in kind, in shares. The amount noted is based on the price of the Isracard share on the stock exchange on March 8, 2020.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

C. Basel 3 directives

The Bank applies the capital measurement and adequacy directives based on the Basel directives, as published by the Banking Supervision Department and as integrated into Proper Conduct of Banking Business Directives 201-211 and the file of questions and answers.

The Basel 3 directives took effect on January 1, 2014. Implementation is gradual, in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, "Capital Measurement and Adequacy – Supervisory Capital – Transitional Directives." In accordance with the transitional directives, capital instruments that no longer qualify as supervisory capital were recognized as of January 1, 2014, up to a ceiling of 80% of their balance in the supervisory capital as at December 31, 2013; this ceiling is being lowered by an additional 10% in each subsequent year, until January 1, 2022. Accordingly, the ceiling for instruments qualifying as supervisory capital was 30% and 20%, respectively, in 2019 and 2020.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

D. Capital adequacy in consolidated data

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited		Audited
	NIS millions		
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital[1]	**38,152**	38,903	38,795
Additional Tier 1 capital	**488**	733	733
Total Tier 1 capital[1]	**38,640**	39,636	39,528
Tier 2 capital	**9,552**	9,436	9,707
Total overall capital[1]	**48,192**	49,072	49,235
2. Weighted balances of risk-adjusted assets			
Credit risk[2]	**313,394**	312,408	309,303
Market risks	**3,226**	2,998	3,528
Operational risk	**23,612**	24,285	23,556
Total weighted balances of risk-adjusted assets[2]	**340,232**	339,691	336,387
		%	
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components	**11.21%**	11.45%	11.53%
Ratio of Tier 1 capital to risk components	**11.36%**	11.67%	11.75%
Ratio of total capital to risk components	**14.16%**	14.45%	14.64%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department[3]	**9.27%**	10.24%	10.27%
Minimum total capital ratio required by the Banking Supervision Department[3]	**12.77%**	13.74%	13.77%

(1) The data are presented in accordance with Proper Conduct of Banking Business Directive 202, "Capital Measurement and Adequacy – Supervisory Capital," and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299. The data also include adjustments in respect of the efficiency plans, allocated in equal parts over five years, beginning at the inception date thereof. For additional details regarding the effect of the efficiency plan adjustments, see Section I below.

(2) A total of NIS 808 million as at March 31, 2020, NIS 883 million as at December 31, 2019, and NIS 585 million as at March 31, 2019, was deducted from the total weighted balances of risk-adjusted assets, due to adjustments in respect of the efficiency plans, which, in accordance with the approval of the Banking Supervision Department, are allocated gradually over five years from inception.

(3) The required minimum common equity Tier 1 capital ratio and minimum total capital ratio were 10% and 13.5%, respectively, until March 31, 2020, and stand at 9% and 12.5%, respectively, as of that date and for the duration of the Temporary Order (see Section H below). A capital requirement at a rate representing 1% of the balance of housing loans at the dates of the financial statements was added to these ratios.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

D. Capital adequacy in consolidated data (continued)

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited		Audited
		%	
4. Significant subsidiaries			
Hapoalim Switzerland[(1)(2)]			
Ratio of common equity Tier 1 capital to risk components	**99.11%**	52.30%	18.27%
Ratio of Tier 1 capital to risk components	**99.11%**	52.30%	18.27%
Ratio of total capital to risk components	**99.16%**	52.38%	18.31%
Minimum common equity Tier 1 capital ratio required by local regulation	**8.00%**	8.00%	8.00%
Minimum total capital ratio required by local regulation	**11.20%**	11.20%	11.20%
Bank Pozitif[(1)]			
Ratio of Tier 1 capital to risk components	**32.61%**	30.64%	33.09%
Ratio of total capital to risk components	**33.65%**	30.64%	33.09%
Minimum total capital ratio required by local regulation	**12.00%**	12.00%	12.00%

(1) As reported to the local regulator.
(2) Following the loss that resulted from the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, recognized in the financial statements for the fourth quarter of 2019, and in order for Hapoalim Switzerland to comply with the regulatory capital-adequacy ratio required in Switzerland, the Bank invested an amount of CHF 95 million, in March 2020, immediately upon receiving the approval of the Banking Supervision Department for such enlargement of its investment.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

NIS millions

E. Capital components for the calculation of the capital ratio

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited		Audited
Common equity Tier 1 capital			
Total capital	**37,667**	38,571	38,221
Differences between total capital and common equity Tier 1 capital	**(22)**	(47)	(25)
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**37,645**	38,524	38,196
Supervisory adjustments and deductions:			
Goodwill and intangible assets	**-**	-	(7)
Deferred tax assets	**(44)**	(39)	(50)
Other supervisory adjustments and deductions – common equity Tier 1 capital	**(50)**	(1)	(1)
Total supervisory adjustments and deductions, before efficiency plan adjustments – common equity Tier 1 capital	**(94)**	(40)	(58)
Total efficiency plan adjustments – common equity Tier 1 capital*	**601**	419	657
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**38,152**	38,903	38,795
Additional Tier 1 capital			
Total additional Tier 1 capital	**488**	733	733
Total Tier 1 capital, after supervisory adjustments and deductions	**38,640**	39,636	39,528
Tier 2 capital			
Tier 2 capital – instruments, before deductions	**5,635**	5,580	5,929
Tier 2 capital – allowance for credit losses, before deductions	**3,917**	3,856	3,778
Total Tier 2 capital	**9,552**	9,436	9,707
Total overall capital	**48,192**	49,072	49,235

* Adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see the section, "Improving operational efficiency," below), are allocated in equal parts over five years from inception.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

F. Effect of efficiency plan adjustments on the common equity Tier 1 capital ratio

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited		Audited
		%	
Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components before the effect of the efficiency plan adjustments	**11.01%**	11.31%	11.31%
Effect of efficiency plan adjustments*	**0.20%**	0.14%	0.22%
Ratio of common equity Tier 1 capital to risk components	**11.21%**	11.45%	11.53%

* Adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see the section, "Improving operational efficiency," below), are allocated in equal parts over five years from inception.

G. Capital components subject to volatility

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Banking Supervision Department. The capital of the Bank and the volume of risk-adjusted assets are subject to changes, due to the following factors, among others:

- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions, such as mortality and departure rates.
- Effects of changes in the interest rate on capital reserves from bonds available for sale.
- Effects of changes in the CPI and in exchange rates on asset balances.

Scale of effect of a decrease in capital and an increase in risk-adjusted assets on the common equity Tier 1 capital ratio as at March 31, 2020:

	Effect of decrease of NIS 100 million in common equity Tier 1 capital	**Effect of increase of NIS 1 billion in total risk-adjusted assets**
	%	
The Bank in consolidated data	**(0.03%)**	**(0.03%)**

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

H. Capital-adequacy target

On March 31, 2020, the Banking Supervision Department issued a circular on the subject, "Adjustments to the Proper Conduct of Banking Business Directives for the purpose of coping with the coronavirus crisis (temporary order)" (the "Temporary Order"), in view, according to the statement of the Banking Supervision Department, of the spread of the coronavirus, and in order to ensure the ability of the banks to continue to offer credit. Pursuant to the circular, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 9% (versus 10% prior to this change), and a minimum total capital ratio of 12.5% (versus 13.5% prior to this change). These capital requirements will be in effect for six months, and will be extended for an additional six months if necessary, after which, as relevant, the Bank will be required to present a trajectory for gradual reaccumulation of capital, to the extent that its capital is eroded, over a period of two years.

A capital requirement at a rate representing 1% of the balance of housing loans at the dates of the financial statements was added to the minimum capital ratios.

Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank (which is a banking corporation of significant importance) required by the Banking Supervision Department, on a consolidated basis, as at March 31, 2020, and for the duration of the period of the Temporary Order, stand at 9.27% and 12.77%, respectively (instead of 10.27% and 13.77% prior to the Temporary Order).

In the statement issued by the Banking Supervision Department in connection with the Temporary Order, boards of directors of banks were asked, among other matters, to reexamine their dividend policies, with the intention of using the capital resources released as a result of the reduced capital requirements in order to increase credit, rather than for distribution. In view of the statement of the Banking Supervision Department, and in order to allow realization of the purpose of the directive, the Board of Directors of the Bank resolved on March 31, 2020, to adjust the target common equity Tier 1 capital ratio to 9.5%. The Board of Directors further resolved that, taking into consideration the existing distribution policy of the Bank (distribution of up to 40% of quarterly net operating profit), in light of the uncertainty in macroeconomic conditions, and in order to fulfill the purpose of the Temporary Order and the policy of the Banking Supervision Department, until the end of the period of the Temporary Order and until conditions are clearer, the Bank will continue to refrain from performing distributions from ongoing earnings.

Capital planning at the Bank is based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

I. Improving operational efficiency

In January 2016, the Banking Supervision Department issued a letter on the subject, "Improving the operational efficiency of the banking system in Israel" (the "Efficiency Directive"). Pursuant to the Efficiency Directive, the boards of directors of banking corporations shall formulate a multi-year plan to improve efficiency. Banking corporations that meet the conditions established in the directive will be granted a relief allowing them to spread the effects of the plan over a period of up to five years in a straight line, for the purposes of the calculation of capital-adequacy ratios and of the leverage ratio.

Further to the Efficiency Directive, in June 2017, the Banking Supervision Department issued a letter entitled, "Improving the operational efficiency of the banking system in Israel – efficiency in the area of real estate," which encourages banking corporations to also examine, in addition to improved efficiency in personnel expenses, the possibility of reducing real-estate and maintenance costs of headquarters and management units, including through a reexamination of the geographical location of such units ("Real-Estate Efficiency").

In order to encourage the implementation of a plan for Real-Estate Efficiency, the Banking Supervision Department will approve reliefs for the banks in the area of capital adequacy.

In a letter dated December 16, 2019, the Banking Supervision Department extended the period for implementation of the efficiency plan until December 31, 2021.

In October 2016, the Board of Directors of the Bank approved an efficiency plan at an estimated cost in the amount of NIS 762 million, net of tax effect, which was allocated to capital. The plan is being allocated in equal installments over five years, beginning in 2017, for the purpose of the calculation of capital-adequacy ratios and the leverage ratio.

In January 2020, the Board of Directors of the Bank approved an efficiency plan at an estimated cost in the amount of NIS 352 million, net of tax effect, which was allocated to capital as at December 31, 2019. The plan is being allocated in equal installments over five years, beginning in 2020, for the purpose of the calculation of capital-adequacy ratios and the leverage ratio.

The effect of the reliefs in respect of the efficiency plans on the ratio of common equity Tier 1 capital to risk components is estimated at approximately 0.2% as at March 31, 2020.

J. The subsidiary of the Bank in Turkey

In January 2019, a letter was received from the Bank of Israel concerning the subsidiary of the Bank in Turkey, Bank Pozitif. In the letter, the Bank of Israel stated that the activity of the Bank in Turkey exposes it to significant risks, and therefore, until the realization of the full holdings of the Bank in Bank Pozitif, the Bank is required to increase the risk weighting rates of risk-adjusted assets in respect of the activity of Bank Pozitif, in the calculation of the consolidated capital ratio only, as follows:

- Beginning January 1, 2020, risk-adjusted assets in respect of the activity of Bank Pozitif will be weighted at a rate of at least 300%.
- Beginning January 1, 2021, risk-adjusted assets in respect of the activity of Bank Pozitif will be weighted at a rate of at least 600%.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

Accordingly, beginning January 1, 2020, the Bank weighted risk-adjusted assets in respect of Bank Pozitif at 300%. The effect on the financial statements for the first quarter of 2020 is a decrease of approximately 0.04% in the common equity Tier 1 capital ratio. The effect of this instruction on the common equity Tier 1 capital ratio, assuming weighting of the risk-adjusted assets at 600%, based on data as at March 31, 2020, is an additional decrease of approximately 0.05%.

Within the Bank's strategic plan, a decision has been made to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

K. Leases

The effect of the implementation of the new accounting standard concerning leases, implemented as of January 1, 2020, is a decrease of approximately 0.04% in the common equity Tier 1 capital ratio and a decrease of approximately 0.05% in the total capital ratio. For further details, see Note 1C above.

L. Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the transitional arrangements that have been established. The total exposure measurement is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

Pursuant to the Directive, banking corporations shall maintain a leverage ratio of no less than 5% on a consolidated basis. Banking corporations whose total balance sheet assets on a consolidated basis constitute 24% or more of the total balance sheet assets in the banking system shall maintain a leverage ratio of no less than 6%. Based on the foregoing, the minimum required leverage ratio for the Bank is 6%.

The leverage ratio of the Bank and of significant subsidiaries in Israel is calculated according to Proper Conduct of Banking Business Directive 218, "Leverage Ratio." The leverage ratio of banking subsidiaries overseas is stated according to the regulatory directives and required ratios in each jurisdiction. Local regulation in Switzerland does not impose a minimum leverage ratio requirement.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited		Audited
	NIS millions		
a. Consolidated data			
Tier 1 capital*	**38,640**	39,636	39,528
Total exposures*	**541,421**	523,012	519,648
		%	
Leverage ratio	**7.14%**	7.58%	7.61%
Minimum leverage ratio required by the Banking Supervision Department	**6.00%**	6.00%	6.00%
b. Significant subsidiary			
Bank Pozitif			
Leverage ratio	**30.50%**	25.26%	29.73%
Minimum required leverage ratio according to local regulation	**3.00%**	3.00%	3.00%

* These data include adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see the section "Improving operational efficiency," above). The effect of the reliefs in respect of the efficiency plans on the leverage ratio as at March 31, 2020, estimated at approximately 0.12%, is allocated in equal parts over five years, beginning at the inception date thereof.

	Effect of decrease of NIS 100 million in Tier 1 capital	**Effect of increase of NIS 1 billion in total exposures**
	%	
c. Effects on the leverage ratio as at March 31, 2020		
The Bank in consolidated data	**(0.02%)**	**(0.01%)**

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

M. Liquidity coverage ratio

The Bank calculates its stand-alone and consolidated liquidity ratios daily, with a division into NIS and foreign currency, and monitors this ratio at its subsidiaries (which are required to comply with internal liquidity limits adapted to the nature of their activity). These ratios are reported as an average of the daily observations. The number of observations used to calculate the averages in the reported quarter is 66.

	For the three months ended March 31, 2020	For the three months ended March 31, 2019	For the three months ended December 31, 2019
		%	
a. Consolidated data			
Liquidity coverage ratio	**126%**	125%	121%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**125%**	122%	120%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
c. Significant subsidiary*			
Hapoalim Switzerland			
Liquidity coverage ratio according to local regulation	**491%**	338%	710%
Minimum liquidity coverage ratio required by local regulation	**100%**	100%	100%

* The ratio is calculated on a daily basis, and reported as an average of the daily observations.

Note 10 Contingent Liabilities and Special Commitments

NIS millions

A. Contingent liabilities and other special commitments

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
1. Commitment to purchase securities	**599**	462	577
2. Construction and acquisition of buildings and equipment	**28**	16	19
3. Long-term rent contracts – rent for buildings and equipment in commitments payable in future years:			
First year	**142**	138	147
Second year	**138**	134	142
Third year	**128**	124	133
Fourth year	**119**	114	123
Fifth year	**98**	105	106
Over five years	**763**	833	763
Total rent on buildings and equipment	**1,388**	1,448	1,414

4. Credit selling activity

The following table summarizes the credit selling activity of the Bank:

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
Book value of credit sold	**-**	-	104
Consideration received in cash	**-**	-	113
Total net profit from sale of credit	**-**	-	9

5. Further to the statements in Note 25B(5) to the Annual Financial Statements for 2019, the Bank granted an indemnity commitment (a letter of indemnity) to a senior employee who is not an officer, in connection with his position as manager of an affiliate, and an indemnity commitment for certain cases to managers at another affiliate.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings

The Bank Group (the Bank and its consolidated subsidiaries) is a party to legal proceedings, including petitions to certify class actions, taken against it by its customers, former customers, and various third parties. The causes of the claims against the Bank Group are varied and wide-ranging.

The additional exposure in respect of claims filed against the Bank on various matters, as at March 31, 2020, that have a "reasonably possible" probability of materialization amounts to approximately NIS 331 million.

In the opinion of the Bank's Board of Management, based on the opinion of the management of relevant consolidated companies and based on legal opinions with regard to the likely outcome of pending claims, including petitions to certify class actions, the financial statements include sufficient provisions, in accordance with generally accepted accounting principles, to cover possible damages resulting from all claims, where such provisions are necessary.

a. For details concerning claims and petitions to certify claims as class actions in material amounts, see Note 25C(a) to the Financial Statements as at December 31, 2019 (hereinafter: the "2019 Annual Report"). As at the date of publication of the financial statements, no material changes have occurred relative to the information in the aforesaid Note 25C(a), with the following exceptions:

1. With regard to the civil suit in the amount of USD 1 billion filed with the Federal Court of Washington DC in the United States by several Palestinian parties against a long list of defendants, including the Bank, described in Section 1 of Note 25C(a) of the 2019 Annual Report, on May 5, 2020, the claimants notified the court of their request to expunge several defendants from the claim, including the Bank.

2. With regard to the claim filed with the US Bankruptcy Court of the Southern District of New York (hereinafter: the "Bankruptcy Court") against Bank Hapoalim (Switzerland) Ltd., a wholly-owned subsidiary of the Bank, and against others, described in Section 8 of Note 25C(a) of the 2019 Annual Report, pursuant to the ruling of the Bankruptcy Court of December 2018, the fund filed an amended claim statement on January 15, 2020, which includes the components pertaining to the Fairfield claims that were not rejected in the aforesaid ruling (hereinafter: the "Amended Claim"). The defendants filed a motion for dismissal in limine of the Amended Claim, which has not yet been ruled upon. In addition, in December 2019 the fund appealed the ruling of the Bankruptcy Court of December 2018 with the US District Court for the Southern District of New York, with regard to the components pertaining to the Fairfield claims that were rejected (hereinafter: the "Appeal"). The defendants submitted their objection to the Appeal in March 2020, and the fund is to submit a response to the objection. A ruling has not yet been given on the Appeal.

b. Also pending against the Bank Group are claims, including petitions to certify class actions, as detailed below, the probable outcome of which cannot be assessed at this stage, in the opinion of the Bank's Board of Management, based on legal opinions; accordingly, no provision has been made in respect thereof:

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

1. A petition to certify a class action against the Bank was filed with the District Court of Tel-Aviv-Jaffa on December 10, 2019. According to the contentions, the Bank violated the Law for the Prohibition of Discrimination in Products, Services, and Entrance to Entertainment Venues and Public Places, 2000 (hereinafter: the "Discrimination Prohibition Law") by refusing to provide certain banking services to residents of the Judea and Samaria region, and discriminates against them due to their place of residence. The petitioner alleges that the Bank refused to grant him a loan for the purchase of a property located in a town in the Judea and Samaria region, solely due to the location of the collateral. It is therefore argued that the conduct of the Bank constitutes violation of the Discrimination Prohibition Law, violation of a legislated duty, and injury to the dignity of the petitioners and the members of the group under the Basic Law: Human Dignity and Liberty. The petitioner estimates the total damages (pecuniary and non-pecuniary damages) at NIS 1.15 billion. The Bank has not yet submitted its response to the certification petition.

2. A claim and a petition to certify the claim as a class action against the Bank and against past and present officers of the Bank were filed with the District Court of Tel-Aviv-Jaffa on May 5, 2020. The petition contains allegations of flaws, deficiencies, and misleading statements in the reports of the Bank pursuant to the Securities Law, since 2015, pertaining to the tax investigation of the US authorities and the management of the internal investigation conducted by the Bank, and in particular, flaws in the reports of the Bank pertaining to the non-appointment of an Independent Examiner and external accounting firm at an early stage of the investigation; pertaining to the position of the DOJ with regard to the findings of the internal self-investigation and its demand to appoint an Independent Examiner and repeat the investigation, or part thereof; and pertaining to the damage caused to the Bank as a result of the lack of a timely appointment of an Independent Examiner. According to the petitioner, the amount of the personal claim and the amount of the class action cannot be estimated at this stage, but the amount of the class action is greater than NIS 2.5 million. The class which the petitioner seeks to represent consists of anyone who purchased shares of the Bank between March 1, 2015, and April 30, 2020.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

3. A claim and a petition to certify the claim as a class action against the Bank and against past and present officers of the Bank were filed with the District Court of Tel-Aviv-Jaffa on May 5, 2020. The petition contains allegations that the Bank violated disclosure duties pursuant to the Securities Law in connection with the tax investigation of the US authorities. According to the petitioner, the Bank acted to obstruct the investigation of the DOJ, including through concealment of data from the US authorities and submission of unreliable data, conduction of an independent internal investigation that failed to meet appropriate standards, and non-appointment of a supervising accountant. The petitioner alleges that the Bank did not disclose these actions in its reports and that it acted to obstruct the investigation by performing such actions. This petition was also filed against the former controlling shareholder of the Bank (Arison Holdings (1998) Ltd.). The class which the petitioner seeks to represent consists of anyone who purchased shares of the Bank from November 23, 2017, to April 30, 2020, and held shares at that date (with the exception of the respondents and anyone acting on their behalf). According to the petitioner, the damage caused to the members of the represented class, in total, stands at approximately 2.34% of the amount for which the class members purchased the shares which they purchased during the aforesaid period and held on April 30, 2020.

C. Other proceedings and petitions to certify derivative claims

For details regarding other proceedings and petitions to certify derivative claims, see Note 25C(c) of the 2019 Annual Report. As at the date of publication of the financial statements, no material changes have occurred relative to the aforesaid Note 25C(c), with the following exceptions:

1. With regard to the motion for disclosure and perusal of documents in advance of filing a derivative claim, in connection with the investigation in progress in the United States (the "Investigation") of the suspicion that the Bank Group served as a conduit for holding and transferring bribes paid to senior FIFA officials, described in Section 2 in Note 25C(c) of the 2019 Annual Report: further to the ruling of the court of February 27, 2020, pursuant to which the parties were to hold discussions and attempt to reach understandings regarding the continued inquiry of the disclosure motion, on March 26, 2020, the petitioner submitted notification to the court, enclosing the relevant note from the 2019 Annual Report concerning the Investigation, which included reference to the negotiations over a resolution with the US authorities, in which the court was asked to order continued discussion of the disclosure motion (the "Motion"). The respondents submitted their reply to the Motion, and the petitioner submitted his response to this reply. On May 3, 2020, an update notification was submitted by the respondents, pursuant to which a non-prosecution agreement had been signed between the respondents and the DOJ, which would conclude the investigation of the Bank Group. A similar notification was also submitted on behalf of the petitioner on the same day. On May 4, 2020, the court ruled that the reply of the respondents to the disclosure motion would be submitted within sixty days (in accordance with their request), and that a pretrial hearing would be held on July 12, 2020.

Note 10 Contingent Liabilities and Special Commitments (continued)

2. With regard to the petitions to certify derivate claims in connection with the tax investigation of the US authorities, the hearing of which was consolidated, and which are described in Section 3 of Note 25C(c) of the 2019 Annual Report, on March 18, 2020, the petitioners filed an update notification pursuant to which, as indicated by the Immediate Report issued by the Bank to the public on that date (reference no. 2020-01-022696) (the "Statement of the Bank"), the proceedings in the investigation referenced in the petition had concluded, also referencing the consent of the Bank and the Board of Directors of the Bank to the directive of the Supervisor of Banks to establish an independent committee, as indicated by the Statement of the Bank. In their notification, the petitioners asked the court to order the Bank to submit a full report regarding this affair, including various documents. The court ordered the Bank to submit a detailed response to the motion by April 29, 2020, including reference to the identity of the members of the independent committee and the parties appointing the committee. The Bank submitted its response on April 22, 2020. Concurrently with the submission of the response of the Bank, a joint motion of the Bank and the petitioners to approve a procedural arrangement was also submitted, within which the parties agreed that the petitioners would submit a consolidated and amended petition to certify a derivative claim within sixty days of the date of final approval of the resolutions with the US authorities (hereinafter: the "Approval Date"). The Bank will not object to the filing of such a petition, in itself (without expressing any position regarding the content of the petition), and the petition will be filed without an expense order; the proceedings will be stayed for six months from the Approval Date, in order to allow the independent committee to perform its work and submit its conclusions and recommendations to the Board of Directors of the Bank. On April 22, 2020, the court ruled that the motion would be transferred to the Attorney General, who would submit his position by May 4, 2020. At the request of the Attorney General, the court postponed this date to May 21, 2020.

3. On May 4, 2020, a motion was filed with the District Court of Tel Aviv for disclosure and perusal of documents in advance of filing a petition for a derivative claim pursuant to Section 198A of the Companies Law. The motion concerns the argument that part of the amounts of the fines imposed upon the Bank within the resolution with the US authorities, as detailed in Section D of this note, below, is attributed to the noncooperation of the Bank with these authorities for most of the duration of the investigation, and that the motion is filed in order to impose liability for the damages of the Bank on those responsible for these actions and inactions (including, according to the petitioner, employees, officers, and external advisors of the Bank and of Bank Hapoalim Switzerland), and in order to quantify the surplus fines imposed upon the Bank due to this conduct, and allow the petitioner to examine and evaluate the feasibility of filing a derivative claim.

Note 10 Contingent Liabilities and Special Commitments (continued)

4. On March 31, 2020, a petition was filed with the District Court of Tel Aviv for disclosure and perusal of documents in advance of filing a petition for a derivative claim pursuant to Section 198A of the Companies Law. The petition concerns the decision of the Board of Directors of the Bank to establish an independent committee, as described in Note 25D of the 2019 Annual Report. The petitioner argues that the tasks assigned to the committee are in material conflict, and that an attempt to fulfill these tasks simultaneously may constitute violation of the duty of confidentiality established in Section 15A(a) of the Banking Ordinance, 1941. The petitioner contends that the Board of Directors of the Bank should therefore have appointed two separate committees, or clearly separated the tasks assigned to the committee. On April 6, 2020, the court ruled that the Bank would reply to the petition thirty days from the end of the emergency period declared in accordance with the directives of the order issued under the Courts and Execution Bureaus Regulations (Procedures for Special Emergency Situations), 1991, and that the response of the petitioner to the reply would subsequently be submitted within fourteen days. A hearing of the petition has been scheduled for September 9, 2020.

D. Further to the details provided in Note 25D to the Annual Financial Statements for 2019 with respect to the investigation by the US authorities in connection with the Bank Group's business with its US customers (the "Tax Investigation"), on April 30, 2020, resolutions with the US authorities in connection with the Tax Investigation were announced and entered into force, as follows:

a. A Deferred Prosecution Agreement ("DPA") between the Bank and the DOJ, with respect to the Bank's activity and dealings with its US customers during the period that was the subject of the investigation (2002-2014), to the extent related to Bank Hapoalim in Israel, Poalim Trust Services Ltd., and Bank Hapoalim branches and subsidiaries outside of Israel (excluding Hapoalim Switzerland).

As part of the DPA, the Bank accepted responsibility under US laws for assisting US customers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the DPA, to which the Bank has admitted. Pursuant to the DPA, as approved by a federal court in the State of New York, the charges against the Bank are being deferred for a period of three years, such that if the Bank will meet the conditions of the agreement during the said period, the charges (detailed in the Information document attached to the resolution) will be dismissed with no criminal conviction. In the event that the Bank breaches the agreement, the DOJ will have the right, among others, to extend the deferral period for a period of one additional year, and to take other measures against the Bank, including canceling the agreement and prosecuting the Bank. Pursuant to the DPA, the Bank paid the US government a total sum of USD 214,385,612. The said amount is comprised of the following components: a total of USD 77,877,099 for tax loss restitution component, a total of USD 35,696,929 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 100,811,584 for the penalty component.

b. A Plea Agreement between the DOJ and Hapoalim Switzerland Ltd. (formerly Bank Hapoalim (Switzerland) Ltd.) ("Hapoalim Switzerland"), that relates to the activity and dealings of Hapoalim Switzerland with its US customers during the period that was the subject of the investigation (2002-2014).

Note 10 Contingent Liabilities and Special Commitments (continued)

As part of the Plea Agreement, Hapoalim Switzerland has pleaded guilty and was convicted of an offense under US laws for assisting US customers taxpayers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the Plea Agreement, to which Hapoalim Switzerland admitted.
Pursuant to the Plea Agreement, Hapoalim Switzerland paid the US government a total sum of USD 402,534,921. The said amount is comprised of the following components: a total of USD 138,908,073 for tax loss restitution component, a total of USD 124,628,449 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 138,998,399 for the penalty component.

c. A Consent Order issued by the New York State Department of Financial Services (the "NYDFS"), according to which the Bank paid the NYDFS a civil monetary penalty in the amount of USD 220,000,000.

d. A Cease and Desist Order issued by the Board of Governors of the Federal Reserve System (the "Fed"), according to which the Bank paid the Fed a civil monetary penalty in the amount of USD 37,350,000.

In total, under the said resolutions, the Bank Group paid the aforesaid three US authorities an aggregate sum of USD 874,270,533 in connection with the Tax Investigation (NIS 3,117 million, according to the exchange rate as of March 31, 2020). The said amount is higher by approximately USD 4.2 million (approximately NIS 15 million) than the total amount of the provision recorded by the Bank until the entry into force of the resolutions; the difference arises from amendments and updates of the method of calculation of the amounts which the Bank was required to pay performed since the publication of the aforesaid financial statements. The additional amount was recorded in the financial statements for the first quarter of 2020.
The entry into force of the aforesaid resolutions brings to an end the Tax Investigation conducted by the US authorities against the Bank Group.
The DPA and the Plea Agreement contain Statements of Facts documents, which detail the acts and omissions that the Bank and Hapoalim Switzerland have admitted and for which they accepted responsibility in accordance with US laws. The resolution documents also detail the considerations for determining the various penalty amounts, including, inter alia, the nature and seriousness of the conduct of the Bank Group in each case; partial credit given by the relevant authorities for the payments made to other authorities; the participation of individuals with high-level positions in the offense; the level of cooperation of the Bank Group with the relevant authorities; and the Bank Group's lack of criminal history.
The resolutions with the DOJ described above include various undertakings by the Bank and Hapoalim Switzerland to continue to cooperate fully with the US authorities in connection with the issues that are the subject of the investigations, including, among other matters, to continue providing assistance and various types of information to the DOJ, and to submit a periodic report to the DOJ regarding loans granted by the Bank's branches in the US that are guaranteed by accounts held with branches of the Bank outside the US, as well as related internal controls.
The Consent Order and the Cease and Desist Order require the Bank to agree to a number of undertakings, including, among others, with respect to employee discipline, internal controls, reporting, and cooperation. The resolutions do not include the appointment of a monitor.

Note 10 Contingent Liabilities and Special Commitments (continued)

The resolutions described above relate to the Bank and Hapoalim Switzerland, as applicable, and to the entities included in the Bank Group only, and to the responsibility such entities are accepting under US laws for the acts and omissions detailed in the various resolution documents. The resolutions do not apply to individuals, including employees or other role holders in the Bank Group, current or former, except as concerns the obligations of the Bank Group to cooperate in accordance with the resolutions and not to breach the provisions of the resolutions.

The resolutions described above and the attachments thereto are available for reading on the Bank's website, at https://www.bankhapoalim.co.il/he/node/757.

In accordance with the requirement of the Supervisor of Banks, the Board of Directors of the Bank decided that an independent committee, headed by Supreme Court Justice (Retired) Prof. Yoram Danziger (the "Committee"), would examine the managerial and supervisory processes that allowed the actions that are the subject of the Tax Investigation in its entirety, while addressing corporate governance aspects and the conduct of the senior management and the Board of Directors. Pursuant to the decision of the Board of Directors, the Committee will examine exhausting the Bank's rights in connection with the Tax Investigation, including whether the best interests of the Bank justify initiating legal proceedings or other measures towards any third party, and/or reaching other arrangements. The Committee will formulate recommendations regarding the course of action that would optimally serve the best interests of the Bank, in view of all of the circumstances, and will submit its recommendations to the Board of Directors of the Bank.

The Board of Directors of the Bank has resolved to establish a committee of the Board of Directors to monitor the implementation of the resolutions of the Bank with the US authorities and to supervise the implementation of the requirements and obligations of the Bank included in the resolutions.

E. Further to the details provided in Note 25E of the financial statements for the year 2019 in connection with the U.S. Department of Justice (the "DOJ") investigation in connection with the Fédération Internationale de Football Association (FIFA) (the "FIFA Investigation"), on April 30, 2020 a Non Prosecution Agreement ("NPA") was signed and entered into force between the Bank and Hapoalim Switzerland and the DOJ with respect to the FIFA Investigation. The NPA does not involve criminal charges, an indictment, or a criminal conviction. Pursuant to the NPA the Bank admitted, among other things, that certain employees of the Bank Group participated in a scheme to launder funds constituting bribes paid to soccer officials as detailed in the Statement of Facts attached to the NPA which detail the acts and omissions that the Bank and Hapoalim Switzerland have admitted and for which they accepted responsibility in accordance with the laws of the United States. According to the NPA, the Bank Group paid the U.S. Government a sum of USD 30,063,317 (NIS 107 million according to the exchange rate as of March 31, 2020). The said amount is comprised of the following components: a sum of USD 20,733,322 for forfeiture of funds transferred or attempted to be transferred through accounts at the Bank Group as part of the FIFA matter, and a penalty of USD 9,329,995.

The NPA includes different undertakings by the Bank and Hapoalim Switzerland including undertaking to continue to cooperate fully with the U.S. authorities in connection with the issues that are the subject of the said investigation. The resolution does not include the appointment of a monitor.

Note 10 Contingent Liabilities and Special Commitments (continued)

The entry into force of the NPA brings to an end the investigation conducted by the DOJ against the Bank Group in this matter.

The resolution relates to the Bank and Hapoalim Switzerland, as applicable, and to the entities included in the Bank Group only and to the responsibility such entities are accepting under U.S. laws for the acts and omissions detailed in the resolution. The resolution does not apply to individuals, including employees or other role holders in the Bank Group, current or former, except as such things concern the obligations of the Bank Group to cooperate in accordance to the resolutions and not to breach the provisions of the resolution.

The NPA and its attachments are available for reading on the Bank's website at https://bankhapoalim.co.il/he/node/757.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates

Unaudited
NIS millions

A. Nominal amount of derivative instruments

	March 31, 2020		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	**3,038**	**30,140**	**33,178**
Options written	**-**	**18,017**	**18,017**
Options bought	**107**	**16,823**	**16,930**
Swaps[1]	**21,234**	**435,188**	**456,422**
Total[2]	**24,379**	**500,168**	**524,547**
Of which: hedging derivatives	**13,561**	**-**	**13,561**
Foreign-currency contracts			
Future and forward contracts	**10,538**	**243,164**	**253,702**
Options written	**-**	**32,332**	**32,332**
Options bought	**242**	**31,391**	**31,633**
Swaps	**403**	**31,656**	**32,059**
Total[3]	**11,183**	**338,543**	**349,726**
Of which: hedging derivatives	**-**	**-**	**-**
Share-related contracts			
Future and forward contracts	**-**	**12,187**	**12,187**
Options written	**1,996**	**11,426**	**13,422**
Options bought[4]	**534**	**11,426**	**11,960**
Swaps	**1,138**	**13,922**	**15,060**
Total	**3,668**	**48,961**	**52,629**
Commodity and other contracts			
Future and forward contracts	**-**	**354**	**354**
Options written	**-**	**169**	**169**
Options bought	**-**	**265**	**265**
Swaps	**-**	**-**	**-**
Total	**-**	**788**	**788**
Total nominal amount	**39,230**	**888,460**	**927,690**

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 241,943 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 28,914 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 16,872 million.
(4) Of which: traded on the stock exchange in the amount of NIS 11,426 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

A. Nominal amount of derivative instruments (continued)

	March 31, 2019		
	Derivatives not held for trading*	Derivatives held for trading*	Total
Interest contracts			
Future and forward contracts	4,551	29,900	34,451
Options written	-	14,061	14,061
Options bought	-	15,008	15,008
Swaps[1]	22,602	644,654	667,256
Total[2]	27,153	703,623	730,776
Of which: hedging derivatives	14,059	-	14,059
Foreign-currency contracts			
Future and forward contracts	14,641	172,943	187,584
Options written	-	29,832	29,832
Options bought	226	25,959	26,185
Swaps	3,516	31,619	35,135
Total[3]	18,383	260,353	278,736
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	13,758	13,758
Options written	2,233	9,504	11,737
Options bought[4]	668	9,504	10,172
Swaps	1,737	6,179	7,916
Total	4,638	38,945	43,583
Commodity and other contracts			
Future and forward contracts	-	548	548
Options written	-	333	333
Options bought	-	278	278
Swaps	-	5	5
Total	-	1,164	1,164
Total nominal amount	50,174	1,004,085	1,054,259

* Reclassified due to the initial implementation of the circular of the Bank of Israel concerning derivative instruments and hedging (classification of derivatives held for trading and not held for trading).

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 333,989 million.

(2) Of which: NIS-CPI swap contracts in the amount of NIS 27,010 million.

(3) Of which: foreign-currency spot swap contracts in the amount of NIS 12,439 million.

(4) Of which: traded on the stock exchange in the amount of NIS 9,504 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

A. Nominal amount of derivative instruments (continued)

	December 31, 2019		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	3,449	43,714	47,163
Options written	-	13,944	13,944
Options bought	104	14,613	14,717
Swaps[1]	18,552	437,766	456,318
Total[2]	22,105	510,037	532,142
Of which: hedging derivatives	11,050	-	11,050
Foreign-currency contracts			
Future and forward contracts	15,412	209,620	225,032
Options written	-	25,802	25,802
Options bought	188	26,761	26,949
Swaps	2,915	31,339	34,254
Total[3]	18,515	293,522	312,037
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	13,192	13,192
Options written	2,043	11,259	13,302
Options bought[4]	594	11,259	11,853
Swaps	1,258	12,315	13,573
Total	3,895	48,025	51,920
Commodity and other contracts			
Future and forward contracts	-	260	260
Options written	-	723	723
Options bought	-	684	684
Swaps	-	-	-
Total	-	1,667	1,667
Total nominal amount	44,515	853,251	897,766

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 243,475 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 28,255 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 11,213 million.
(4) Of which: traded on the stock exchange in the amount of NIS 11,102 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

B. Gross fair value of derivative instruments

	March 31, 2020					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	**397**	**6,683**	**7,080**	**1,316**	**6,995**	**8,311**
Of which: hedging derivatives	**46**	**1**	**47**	**378**	**718**	**1,096**
Foreign-currency contracts	**125**	**5,306**	**5,431**	**89**	**5,152**	**5,241**
Share-related contracts	**31**	**2,268**	**2,299**	**29**	**2,260**	**2,289**
Commodity and other contracts	**-**	**136**	**136**	**-**	**136**	**136**
Total gross assets (liabilities) in respect of derivatives[1]	**553**	**14,393**	**14,946**	**1,434**	**14,543**	**15,977**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**553**	**14,393**	**14,946**	**1,434**	**14,543**	**15,977**
Of which: not subject to a netting arrangement or similar arrangements	**98**	**2,415**	**2,513**	**170**	**1,559**	**1,729**

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 20 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

B. Gross fair value of derivative instruments (continued)

	March 31, 2019					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading*	Derivatives held for trading*	Total	Derivatives not held for trading*	Derivatives held for trading*	Total
Interest contracts	699	5,595	6,294	780	5,679	6,459
Of which: hedging derivatives	52	23	75	115	195	310
Foreign-currency contracts	628	2,467	3,095	553	2,595	3,148
Share-related contracts	50	784	834	43	787	830
Commodity and other contracts	-	23	23	-	23	23
Total gross assets (liabilities) in respect of derivatives[(1)]	1,377	8,869	10,246	1,376	9,084	10,460
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	1,377	8,869	10,246	1,376	9,084	10,460
Of which: not subject to a netting arrangement or similar arrangements	237	1,191	1,428	236	1,101	1,337

* Reclassified due to the initial implementation of the circular of the Bank of Israel concerning derivative instruments and hedging (classification of derivatives held for trading and not held for trading).

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 31 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

B. Gross fair value of derivative instruments (continued)

	December 31, 2019					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	263	6,112	6,375	637	6,468	7,105
Of which: hedging derivatives	21	11	32	183	344	527
Foreign-currency contracts	445	3,317	3,762	332	3,650	3,982
Share-related contracts	53	938	991	50	941	991
Commodity and other contracts	-	15	15	-	15	15
Total gross assets (liabilities) in respect of derivatives[1]	761	10,382	11,143	1,019	11,074	12,093
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	761	10,382	11,143	1,019	11,074	12,093
Of which: not subject to a netting arrangement or similar arrangements	79	1,113	1,192	104	1,310	1,414

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 43 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

C. Accounting hedges

1. Effect of accounting hedges

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Interest income (expenses)		
	Unaudited		Audited
Profit (loss) from fair-value hedges			
Interest contracts			
Hedged items	**585**	191	407
Hedging derivatives	**(601)**	(191)	(405)

2. Items hedged in fair-value hedges

	Balance as at March 31, 2020		Balance as at March 31, 2019		Balance as at December 31, 2019	
	Book value	Cumulative fair-value adjustments that increased the book value	Book value	Cumulative fair-value adjustments that increased the book value	Book value	Cumulative fair-value adjustments that increased the book value
	Unaudited				Audited	
Securities	**10,948**	**1,040**	10,230	241	10,527	455

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty

	March 31, 2020					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
Positive gross fair value of derivative instruments	**512**	**6,330**	**2,013**	**566**	**5,525**	**14,946**
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**(6,068)**	**(1,794)**	**(62)**	**(1,742)**	**(9,666)**
Credit risk mitigation in respect of cash collateral received	**-**	**(249)**	**(76)**	**-**	**(2,719)**	**(3,044)**
Net total assets in respect of derivative instruments	**512**	**13**	**143**	**504**	**1,064**	**2,236**
Off-balance sheet credit risk in respect of derivative instruments[1]	**277**	**3,746**	**1,651**	**133**	**4,357**	**10,164**
Off-balance sheet credit risk mitigation	**-**	**(2,008)**	**(663)**	**(35)**	**(1,059)**	**(3,765)**
Total gross credit risk in respect of derivative instruments	**789**	**10,076**	**3,664**	**699**	**9,882**	**25,110**
Balance sheet balance of liabilities in respect of derivative instruments[2]	**189**	**8,774**	**2,853**	**62**	**4,099**	**15,977**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**(6,068)**	**(1,794)**	**(62)**	**(1,742)**	**(9,666)**
Cash collateral pledged	**-**	**(1,957)**	**(1,059)**	**-**	**(399)**	**(3,415)**
Net total liabilities in respect of derivative instruments	**189**	**749**	**-**	**-**	**1,958**	**2,896**

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, negative fair value of embedded derivative instruments in the amount of NIS 20 million (March 31, 2019: NIS 31 million; December 31, 2019: NIS 43 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	March 31, 2019					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
Positive gross fair value of derivative instruments	366	5,380	1,372	48	3,080	10,246
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(4,735)	(1,267)	(20)	(1,142)	(7,164)
Credit risk mitigation in respect of cash collateral received	-	(390)	(57)	-	(295)	(742)
Net total assets in respect of derivative instruments	366	255	48	28	1,643	2,340
Off-balance sheet credit risk in respect of derivative instruments[1]	244	3,832	1,604	72	3,982	9,734
Off-balance sheet credit risk mitigation	-	(1,960)	(650)	(18)	(954)	(3,582)
Total gross credit risk in respect of derivative instruments	610	9,212	2,976	120	7,062	19,980
Balance sheet balance of liabilities in respect of derivative instruments[2]	202	5,321	1,703	20	3,214	10,460
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(4,735)	(1,267)	(20)	(1,142)	(7,164)
Cash collateral pledged	-	(449)	(37)	-	(897)	(1,383)
Net total liabilities in respect of derivative instruments	202	137	399	-	1,175	1,913

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, negative fair value of embedded derivative instruments in the amount of NIS 20 million (March 31, 2019: NIS 31 million; December 31, 2019: NIS 43 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	December 31, 2019					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
Positive gross fair value of derivative instruments	359	5,800	1,943	209	2,832	11,143
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(5,128)	(1,739)	-	(708)	(7,575)
Credit risk mitigation in respect of cash collateral received	-	(409)	(136)	(208)	(97)	(850)
Net total assets in respect of derivative instruments	359	263	68	1	2,027	2,718
Off-balance sheet credit risk in respect of derivative instruments[1]	289	3,309	1,584	97	4,019	9,298
Off-balance sheet credit risk mitigation	-	(1,662)	(615)	-	(1,062)	(3,339)
Total gross credit risk in respect of derivative instruments	648	9,109	3,527	306	6,851	20,441
Balance sheet balance of liabilities in respect of derivative instruments[2]	177	5,922	2,316	-	3,678	12,093
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(5,128)	(1,739)	-	(708)	(7,575)
Cash collateral pledged	-	(424)	(180)	-	(1,694)	(2,298)
Net total liabilities in respect of derivative instruments	177	370	397	-	1,276	2,220

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, negative fair value of embedded derivative instruments in the amount of NIS 20 million (March 31, 2019: NIS 31 million; December 31, 2019: NIS 43 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

E. Details of maturity dates (nominal value amounts)

	March 31, 2020				
	Up to 3 months	Over 3 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
	Unaudited				
Interest contracts					
NIS-CPI	**2,581**	**8,621**	**10,858**	**6,854**	**28,914**
Other	**101,732**	**101,312**	**217,832**	**74,757**	**495,633**
Foreign-currency contracts	**199,842**	**104,936**	**31,906**	**13,042**	**349,726**
Share-related contracts	**36,440**	**13,385**	**1,600**	**1,204**	**52,629**
Commodity and other contracts (including credit derivatives)	**509**	**254**	**25**	**-**	**788**
Total	**341,104**	**228,508**	**262,221**	**95,857**	**927,690**

	March 31, 2019				
	Unaudited				
Total	253,404	281,265	411,157	108,433	1,054,259

	December 31, 2019				
	Audited				
Total	347,220	215,925	250,060	84,561	897,766

F. Derivative financial instruments – risk control

(1) The Bank executes transactions in derivative financial instruments as part of its financial risk management (linkage base, interest rate, and liquidity exposures) and as a service to its customers. From time to time, the Bank designates some of the derivative instruments as hedging instruments in fair-value hedges or cash-flow hedges.

(2) The principal types of transactions in which the Bank operates are:

- Forward

A contract between two parties for the purchase and sale of a defined quantity of commodities, currencies, interest rates, or other financial instruments (hereinafter: underlying assets), to be transacted at a future date and at a predefined price.

- Future

A future contract traded on stock markets, for the purchase or sale of a quantity of standard units of underlying assets, to be transacted at a future date and at a predefined price.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

- Swap

A contract for the exchange at the time of the transaction of a defined quantity of underlying assets, with a mutual obligation to re-exchange the exchanged items at a future date.

- Option

A contract that confers, for the payment of a premium, the right to purchase (call) or sell (put) underlying assets at a price, quantity, and time denoted in advance.

- Spot

An exchange transaction between two currencies on the basis of a pre-agreed rate, for transaction within two days.

(3) Activity in derivative financial instruments involves a number of risks, as detailed below:

Credit risk – The maximum amount of loss to the Bank if the counterparty does not comply with the terms of the contract.

Market risk – Risk arising from fluctuations in the value of a derivative financial instrument as a result of a change in market prices, such as exchange rates, interest rates, etc.

Liquidity risk – Risk deriving from the inability to close a position rapidly by clearing in cash or by creating a reverse position.

Operational risk – Risk deriving from the erroneous operation of transactions, from the time that they are formed until the end of account settlement in respect thereof, due to human error or as a result of a mechanical failure in operation.

Market and liquidity risks arising from this activity are managed and measured routinely in specialized automated systems known in the international markets for these purposes, such as Summit, Devon, and Algorithmics, and in automated systems developed by the Bank.

Credit risk arising from transactions in derivative financial instruments with respect to the counterparty to the transactions is usually measured by applying conservative coefficients to the nominal amounts of the transactions, and using the scenarios approach.

The operational issues arising from this activity are examined and controlled routinely by a specialized unit.

The use of derivative instruments as part of the management of the Bank's current (non-trading) activity is aimed at achieving objectives and complying with limits as approved by the Board of Directors (linkage base, interest rate, and liquidity exposures).

The Bank provides comprehensive service to its customers for hedging and investing in derivative financial instruments via the dealing rooms.

Activity in financial instruments in the areas of trading is designed to respond to customers' needs while undertaking limited and controlled risk in accordance with authorizations.

The authorizations for activity and risk are measured, as relevant, in terms of sensitivity to risk factors (such as vega); theoretical loss in different scenarios, including an extreme scenario; in terms of VaR; and in terms of nominal amounts.

In certain cases, the procedure also prescribes limiting losses by means of a stop-loss order.

Note 12 Supervisory Activity Segments

Assignment of customers to the supervisory activity segments

The reporting on segments of activity is in accordance with the format and classifications established in the Public Reporting Directive of the Banking Supervision Department, as detailed in Note 28 to the Annual Financial Statements for 2019.

Information regarding supervisory activity segments

	For the three months ended March 31, 2020		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	**909**	**383**	**6**
Interest expenses for externals	**(51)**	**-**	**-**
Net interest income:			
From externals	**858**	**383**	**6**
Inter-segmental	**(49)**	**(149)**	**(1)**
Total net interest income	**809**	**234**	**5**
Non-interest income:			
Non-interest financing income	**2**	**-**	**-**
Fees and other income	**342**	**15**	**57**
Total non-interest income	**344**	**15**	**57**
Total income	**1,153**	**249**	**62**
Provision for credit losses	**152**	**32**	**-**
Operating and other expenses:			
For externals	**849**	**74**	**48**
Inter-segmental	**16**	**-**	**-**
Total operating and other expenses	**865**	**74**	**48**
Profit (loss) from continued operations before taxes	**136**	**143**	**14**
Provision for taxes (tax benefit) on profit (loss) from continued operations	**56**	**61**	**5**
Profit (loss) from continued operations after taxes	**80**	**82**	**9**
The Bank's share in profits of equity-basis investees	**-**	**-**	**-**
Net profit (loss) from continued operations	**80**	**82**	**9**
Net loss from a discontinued operation	**-**	**-**	**-**
Net profit (loss) before attribution to non-controlling interests	**80**	**82**	**9**
Loss attributed to non-controlling interests	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**80**	**82**	**9**

Unaudited
NIS millions

For the three months ended March 31, 2020									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
1	562	218	373	10	236	-	2,309	233	2,542
(47)	(33)	(21)	(40)	(56)	(20)	-	(268)	(82)	(350)
(46)	529	197	333	(46)	216	-	2,041	151	2,192
79	16	(4)	(54)	66	(18)	-	36	(36)	-
33	545	193	279	20	198	-	2,077	115	2,192
-	6	3	28	23	224	-	286	20	306
44	221	72	105	28	32	31	875	10	885
44	227	75	133	51	256	31	1,161	30	1,191
77	772	268	412	71	454	31	3,238	145	3,383
-	206	79	325	8	1	-	771	38	809
26	365	78	60	22	177	134	1,711	205	1,916
17	35	(3)	14	18	(75)	(18)	4	(4)	-
43	400	75	74	40	102	116	1,715	201	1,916
34	166	114	13	23	351	(85)	752	(94)	658
14	72	51	7	10	155	2	367	(4)	363
20	94	63	6	13	196	(87)	385	(90)	295
-	-	-	-	-	1	-	1	-	1
20	94	63	6	13	197	(87)	386	(90)	296
-	-	-	-	-	-	(109)	(109)	-	(109)
20	94	63	6	13	197	(196)	277	(90)	187
-	-	-	-	-	2	-	2	3	5
20	94	63	6	13	199	(196)	279	(87)	192

Note 12 Supervisory Activity Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2020		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	**124,419**	**90,133**	**4,153**
Of which: investments in equity-basis investees[1]	**-**	**-**	**-**
Average balance of gross credit to the public[1]	**125,477**	**90,578**	**4,153**
Balance of gross credit to the public at the end of the reported period	**128,815**	**92,176**	**4,574**
Balance of impaired debts	**760**	**2**	**-**
Balance of debts in arrears of more than 90 days	**778**	**708**	**-**
Average balance of liabilities[1]	**137,342**	**-**	**-**
Of which: average balance of deposits from the public[1]	**137,339**	**-**	**-**
Balance of deposits from the public at the end of the reported period	**149,897**	**-**	**-**
Average balance of risk-adjusted assets[1][2]	**94,004**	**53,016**	**5,255**
Balance of risk-adjusted assets at the end of the reported period[2]	**93,935**	**54,015**	**4,841**
Average balance of assets under management[1][3]	**71,093**	**-**	**-**
Segmentation of net interest income:			
Spread from credit granting activity	**698**	**234**	**5**
Spread from deposit taking activity	**111**	**-**	**-**
Other	**-**	**-**	**-**
Total net interest income	**809**	**234**	**5**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.

Unaudited
NIS millions

For the three months ended March 31, 2020									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
550	51,173	28,362	66,332	1,526	158,954	138	431,454	30,331	461,785
-	-	-	-	-	192	-	192	-	192
555	52,067	29,620	68,817	1,156	-	-	277,692	15,362	293,054
586	52,605	30,868	73,769	1,811	-	-	288,454	16,363	304,817
-	1,025	251	1,699	-	-	-	3,735	504	4,239
-	87	1	-	-	-	-	866	7	873
31,751	58,685	24,023	43,336	49,208	59,636	11	403,992	19,898	423,890
31,750	58,532	23,884	43,168	49,140	-	-	343,813	16,962	360,775
34,983	68,691	25,571	47,020	41,671	-	-	367,833	20,733	388,566
1,189	63,941	41,646	86,305	5,738	21,067	4,793	318,683	19,627	338,310
1,165	63,908	41,523	86,898	6,889	21,166	4,868	320,352	19,880	340,232
49,417	31,557	17,437	95,987	360,629	42,214	2,870	671,204	17,662	688,866
1	485	174	256	6	472	-	2,092	216	2,308
32	60	19	23	12	(462)	-	(205)	(116)	(321)
-	-	-	-	2	188	-	190	15	205
33	545	193	279	20	198	-	2,077	115	2,192

Note 12 Supervisory Activity Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2019*		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	1,010	414	6
Interest expenses for externals	(66)	-	-
Net interest income:			
From externals	944	414	6
Inter-segmental	(102)	(222)	(1)
Total net interest income	842	192	5
Non-interest income:			
Non-interest financing income	1	-	-
Fees and other income	316	15	46
Total non-interest income	317	15	46
Total income	1,159	207	51
Provision (income) for credit losses	69	3	-
Operating and other expenses:			
For externals	901	79	45
Inter-segmental	(9)	-	-
Total operating and other expenses	892	79	45
Profit (loss) from continued operations before taxes	198	125	6
Provision for taxes on profit from continued operations	73	47	2
Profit (loss) from continued operations after taxes	125	78	4
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) from continued operations	125	78	4
Net profit from a discontinued operation	-	-	-
Net profit (loss) before attribution to non-controlling interests	125	78	4
Loss attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	125	78	4

* Reclassified, mainly due to housing loans granted to individuals in an economic sector other than the sector "private individuals," which were reclassified from the business segments to the "households" and "private banking" segments. In addition, some data were reclassified in order to properly reflect improvements in segment measurement methods.

Unaudited
NIS millions

For the three months ended March 31, 2019*									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
7	573	212	390	12	288	-	2,492	333	2,825
(53)	(48)	(30)	(93)	(59)	(88)	-	(437)	(111)	(548)
(46)	525	182	297	(47)	200	-	2,055	222	2,277
92	38	2	(34)	69	20	-	85	(85)	-
46	563	184	263	22	220	-	2,140	137	2,277
-	6	8	19	12	27	2	75	14	89
33	202	70	91	25	21	33	791	12	803
33	208	78	110	37	48	35	866	26	892
79	771	262	373	59	268	35	3,006	163	3,169
-	43	1	11	(1)	2	-	125	(4)	121
33	388	82	68	30	155	46	1,703	174	1,877
12	30	(2)	10	10	(43)	(4)	4	(4)	-
45	418	80	78	40	112	42	1,707	170	1,877
34	310	181	284	20	154	(7)	1,174	(3)	1,171
13	117	69	106	6	44	(1)	427	22	449
21	193	112	178	14	110	(6)	747	(25)	722
-	-	-	-	-	-	-	-	-	-
21	193	112	178	14	110	(6)	747	(25)	722
-	-	-	-	-	-	91	91	-	91
21	193	112	178	14	110	85	838	(25)	813
-	-	-	-	-	5	-	5	3	8
21	193	112	178	14	115	85	843	(22)	821

Note 12 Supervisory Activity Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2019*		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	121,905	81,380	4,394
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	123,065	81,806	4,394
Balance of gross credit to the public at the end of the reported period	124,369	82,803	5,334
Balance of impaired debts	705	-	-
Balance of debts in arrears of more than 90 days	652	567	-
Average balance of liabilities[1]	135,107	-	-
Of which: average balance of deposits from the public[1]	135,104	-	-
Balance of deposits from the public at the end of the reported period	134,998	727	-
Average balance of risk-adjusted assets[1][2]	91,637	47,936	4,031
Balance of risk-adjusted assets at the end of the reported period[2]	92,068	48,426	4,031
Average balance of assets under management[1][3]	67,525	-	-
Segmentation of net interest income:			
Spread from credit granting activity	720	192	5
Spread from deposit taking activity	122	-	-
Other	-	-	-
Total net interest income	842	192	5

* Reclassified, mainly due to housing loans granted to individuals in an economic sector other than the sector "private individuals," which were reclassified from the business segments to the "households" and "private banking" segments. In addition, some data were reclassified in order to properly reflect improvements in segment measurement methods.

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.

(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).

(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.

(4) The data include balances attributed to a discontinued operation.

Unaudited
NIS millions

For the three months ended March 31, 2019*									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other[4]	Total activity in Israel	Total activity overseas	
790	50,967	26,317	63,352	1,511	147,987	15,251	428,080	34,038	462,118
-	-	-	-	-	103	-	103	-	103
799	51,693	26,695	63,989	1,158	-	15,108	282,507	16,361	298,868
863	53,712	27,673	61,646	1,494	-	15,152	284,909	17,117	302,026
-	1,169	239	588	-	-	55	2,756	284	3,040
-	202	-	-	-	-	-	854	22	876
32,345	61,698	22,408	35,907	45,645	51,909	17,211	402,230	21,886	424,116
32,345	61,542	22,260	35,360	45,422	-	575	332,608	18,945	351,553
32,792	62,656	21,670	35,863	47,284	-	575	335,838	18,969	354,807
1,316	63,586	38,164	80,941	5,475	21,140	16,047	318,306	21,839	340,145
1,350	64,660	38,524	79,937	4,606	20,297	16,736	318,178	21,513	339,691
45,055	35,800	15,320	75,423	554,008	63,432	2,870	859,433	1,063	860,496
4	488	161	241	7	586	-	2,207	251	2,458
42	75	23	22	13	(540)	-	(243)	(185)	(428)
-	-	-	-	2	174	-	176	71	247
46	563	184	263	22	220	-	2,140	137	2,277

Note 12 Supervisory Activity Segments (continued)

Information regarding supervisory activity segments (continued)

	For the year ended December 31, 2019*		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	4,596	2,277	24
Interest expenses for externals	(317)	-	-
Net interest income:			
From externals	4,279	2,277	24
Inter-segmental	(922)	(1,441)	(2)
Total net interest income	3,357	836	22
Non-interest income:			
Non-interest financing income	4	-	-
Fees and other income	1,316	60	240
Total non-interest income	1,320	60	240
Total income	4,677	896	262
Provision (income) for credit losses	224	31	-
Operating and other expenses:			
For externals	3,688	298	210
Inter-segmental	(22)	-	-
Total operating and other expenses	3,666	298	210
Profit (loss) from continued operations before taxes	787	567	52
Provision for taxes (tax benefit) on profit (loss) from continued operations	294	214	18
Profit (loss) from continued operations after taxes	493	353	34
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) from continued operations	493	353	34
Net profit from a discontinued operation	-	-	-
Net profit (loss) before attribution to non-controlling interests	493	353	34
Loss attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	493	353	34

* Some data were reclassified in order to properly reflect improvements in segment measurement methods.

Audited
NIS millions

For the year ended December 31, 2019*									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
22	2,332	910	1,667	33	1,178	-	10,738	1,182	11,920
(227)	(180)	(135)	(355)	(287)	(691)	-	(2,192)	(409)	(2,601)
(205)	2,152	775	1,312	(254)	487	-	8,546	773	9,319
376	103	(4)	(235)	328	613	-	259	(259)	-
171	2,255	771	1,077	74	1,100	-	8,805	514	9,319
1	13	12	52	26	459	3	570	(11)	559
138	824	275	387	92	108	133	3,273	57	3,330
139	837	287	439	118	567	136	3,843	46	3,889
310	3,092	1,058	1,516	192	1,667	136	12,648	560	13,208
-	300	(48)	630	(2)	(1)	-	1,103	173	1,276
134	1,583	338	278	125	641	855	7,642	1,134	8,776
51	118	(8)	41	43	(202)	(6)	15	(15)	-
185	1,701	330	319	168	439	849	7,657	1,119	8,776
125	1,091	776	567	26	1,229	(713)	3,888	(732)	3,156
47	410	295	213	16	437	(8)	1,704	(23)	1,681
78	681	481	354	10	792	(705)	2,184	(709)	1,475
-	-	-	-	-	11	-	11	-	11
78	681	481	354	10	803	(705)	2,195	(709)	1,486
-	-	-	-	-	-	296	296	-	296
78	681	481	354	10	803	(409)	2,491	(709)	1,782
-	-	-	-	-	7	-	7	10	17
78	681	481	354	10	810	(409)	2,498	(699)	1,799

Note 12 Supervisory Activity Segments (continued)

Information regarding supervisory activity segments (continued)

	For the year ended December 31, 2019*		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	123,671	84,723	4,425
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	125,075	85,155	4,425
Balance of gross credit to the public at the end of the reported period	127,833	89,440	5,240
Balance of impaired debts	757	2	-
Balance of debts in arrears of more than 90 days	786	693	-
Average balance of liabilities[1]	135,266	-	-
Of which: average balance of deposits from the public[1]	135,256	-	-
Balance of deposits from the public at the end of the reported period	134,366	-	-
Average balance of risk-adjusted assets[1][2]	93,025	49,675	4,927
Balance of risk-adjusted assets at the end of the reported period[2]	94,086	52,017	5,669
Average balance of assets under management[1][3]	69,585	-	-
Segmentation of net interest income:			
Spread from credit granting activity	2,872	836	22
Spread from deposit taking activity	485	-	-
Other	-	-	-
Total net interest income	3,357	836	22

* Some data were reclassified in order to properly reflect improvements in segment measurement methods.
(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) The data include balances attributed to a discontinued operation.

Audited
NIS millions

For the year ended December 31, 2019*									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other[4]	Total activity in Israel	Total activity overseas	
734	51,746	27,822	60,354	1,937	153,326	3,917	423,507	32,162	455,669
-	-	-	-	-	122	-	122	-	122
742	53,576	28,348	62,030	1,624	-	3,777	275,172	15,690	290,862
618	54,834	29,615	67,919	1,199	-	-	282,018	15,629	297,647
-	1,043	329	1,693	-	-	-	3,822	620	4,442
-	121	-	-	-	-	-	907	6	913
32,109	60,750	21,967	40,528	44,249	57,042	4,313	396,224	20,581	416,805
32,108	60,587	21,826	40,049	44,113	-	144	334,083	16,670	350,753
31,249	61,478	24,549	44,976	48,817	-	-	345,435	16,210	361,645
1,358	63,993	40,259	82,425	5,143	20,464	9,299	315,966	20,551	336,517
1,210	63,971	41,765	85,710	4,585	20,968	4,718	317,013	19,374	336,387
47,358	33,857	15,440	85,526	518,667	50,225	2,870	823,528	227	823,755
14	1,965	684	984	17	3,102	-	9,638	873	10,511
157	290	87	93	49	(2,310)	-	(1,149)	(617)	(1,766)
-	-	-	-	8	308	-	316	258	574
171	2,255	771	1,077	74	1,100	-	8,805	514	9,319

Note 12A Segments of Activity Based on Management Approach

Unaudited
NIS millions

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. 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 makers of the Bank (the Board of Management of the Bank and the Board of Directors) use 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.

A. Information regarding activity segments

	For the three months ended March 31, 2020								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
Net interest income:									
From externals	**433**	**360**	**384**	**305**	**428**	**134**	**145**	**3**	**2,192**
Inter-segmental	**222**	**17**	**(149)**	**(24)**	**(82)**	**(29)**	**45**	**-**	**-**
Non-interest financing income	**3**	**2**	**-**	**6**	**45**	**19**	**214**	**17**	**306**
Total net financing profit	**658**	**379**	**235**	**287**	**391**	**124**	**404**	**20**	**2,498**
Fees and other income	**406**	**151**	**15**	**102**	**137**	**14**	**26**	**34**	**885**
Total income	**1,064**	**530**	**250**	**389**	**528**	**138**	**430**	**54**	**3,383**
Provision for credit losses	**131**	**140**	**32**	**175**	**288**	**38**	**5**	**-**	**809**
Operating and other expenses:									
From externals	**827**	**217**	**114**	**114**	**139**	**202**	**162**	**141**	**1,916**
Inter-segmental	**31**	**77**	**(40)**	**3**	**8**	**1**	**(68)**	**(12)**	**-**

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

(2) This section also includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers.

Note 12A Segments of Activity Based on Management Approach (continued)

Unaudited
NIS millions

A. Information regarding activity segments (continued)

	For the three months ended March 31, 2020								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
Profit (loss) from continued operations before taxes	**75**	**96**	**144**	**97**	**93**	**(103)**	**331**	**(75)**	**658**
Provision for taxes (tax benefit) on profit (loss) from continued operations	**34**	**42**	**60**	**43**	**42**	**(5)**	**152**	**(5)**	**363**
Profit (loss) from continued operations after taxes	**41**	**54**	**84**	**54**	**51**	**(98)**	**179**	**(70)**	**295**
The Bank's share in profits of equity-basis investees, after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Net profit (loss) from continued operations	**41**	**54**	**84**	**54**	**51**	**(98)**	**180**	**(70)**	**296**
Net loss from a discontinued operation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(109)**	**(109)**
Net profit (loss):									
Before attribution to non-controlling interests	**41**	**54**	**84**	**54**	**51**	**(98)**	**180**	**(179)**	**187**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**3**	**2**	**-**	**5**
Attributed to shareholders of the Bank	**41**	**54**	**84**	**54**	**51**	**(95)**	**182**	**(179)**	**192**
Net credit to the public at the end of the reported period	**39,410**	**30,168**	**92,058**	**40,596**	**80,979**	**13,708**	**2,629**	**-**	**299,548**
Deposits from the public at the end of the reported period	**210,088**	**50,119**	**-**	**27,153**	**49,294**	**20,651**	**31,261**	**-**	**388,566**

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.
(2) This section also includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers.

Note 12A Segments of Activity Based on Management Approach (continued)

A. Information regarding activity segments (continued)

Net interest income:
From externals
Inter-segmental
Non-interest financing income
Total net financing profit
Fees and other income
Total income
Provision (income) for credit losses
Operating and other expenses:
From externals
Inter-segmental
Profit (loss) from continued operations before taxes
Provision for taxes on profit from continued operations
Profit (loss) from continued operations after taxes
The Bank's share in profits of equity-basis investees, after taxes
Net profit (loss) from continued operations
Net profit from a discontinued operation
Net profit (loss):
Before attribution to non-controlling interests
Attributed to non-controlling interests
Attributed to shareholders of the Bank
Net credit to the public at the end of the reported period
Deposits from the public at the end of the reported period

* Some of the data were reclassified in order to properly reflect the changes.

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

(2) This section also includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers. The data also include balances attributed to a discontinued operation.

Unaudited
NIS millions

For the three months ended March 31, 2019*								
Retail activity			Business activity					
Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
456	382	415	275	442	200	103	4	2,277
268	32	(221)	(14)	(98)	(76)	109	-	-
2	1	-	3	19	13	37	14	89
726	415	194	264	363	137	249	18	2,366
354	143	15	89	116	16	40	30	803
1,080	558	209	353	479	153	289	48	3,169
57	78	7	1	(20)	(4)	2	-	121
837	246	120	123	149	172	167	63	1,877
66	61	(49)	(1)	(6)	1	(64)	(8)	-
120	173	131	230	356	(16)	184	(7)	1,171
46	66	49	87	135	17	54	(5)	449
74	107	82	143	221	(33)	130	(2)	722
-	-	-	-	-	-	-	-	-
74	107	82	143	221	(33)	130	(2)	722
-	-	-	-	-	-	-	91	91
74	107	82	143	221	(33)	130	89	813
-	-	-	-	-	3	5	-	8
74	107	82	143	221	(30)	135	89	821
43,436	32,111	82,722	38,205	72,004	13,512	1,058	14,911	297,959
187,820	42,854	-	23,963	48,422	18,804	32,369	575	354,807

Note 12A Segments of Activity Based on Management Approach (continued)

A. Information regarding activity segments (continued)

Net interest income:
From externals
Inter-segmental
Non-interest financing income
Total net financing profit
Fees and other income
Total income
Provision (income) for credit losses
Operating and other expenses:
From externals
Inter-segmental
Profit (loss) from continued operations before taxes
Provision for taxes (tax benefit) on profit (loss) from continued operations
Profit (loss) from continued operations after taxes
The Bank's share in profits of equity-basis investees, after taxes
Net profit (loss) from continued operations
Net profit from a discontinued operation
Net profit (loss):
Before attribution to non-controlling interests
Attributed to non-controlling interests
Attributed to shareholders of the Bank
Net credit to the public at the end of the reported period
Deposits from the public at the end of the reported period

* Some data were reclassified in order to properly reflect improvements in segment measurement methods.

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

(2) This section also includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment, and expenses allocated in Israel pertaining to the investigation of the Bank Group's business with American customers.

Audited
NIS millions

	For the year ended December 31, 2019*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management[1]	Adjustments[2]	Total
	1,737	1,503	2,284	1,166	1,847	686	85	11	9,319
	1,091	107	(1,446)	(75)	(451)	(223)	997	-	-
	5	2	-	10	75	(12)	409	70	559
	2,833	1,612	838	1,101	1,471	451	1,491	81	9,878
	1,500	580	60	370	496	72	128	124	3,330
	4,333	2,192	898	1,471	1,967	523	1,619	205	13,208
	220	299	13	89	588	68	(1)	-	1,276
	3,451	1,019	452	512	617	1,119	697	909	8,776
	237	220	(159)	-	(6)	5	(249)	(48)	-
	425	654	592	870	768	(669)	1,172	(656)	3,156
	163	250	223	331	298	(2)	404	14	1,681
	262	404	369	539	470	(667)	768	(670)	1,475
	-	-	-	-	-	-	11	-	11
	262	404	369	539	470	(667)	779	(670)	1,486
	-	-	-	-	-	-	-	296	296
	262	404	369	539	470	(667)	779	(374)	1,782
	-	-	-	-	-	10	7	-	17
	262	404	369	539	470	(657)	786	(374)	1,799
	41,456	31,022	89,331	40,138	75,656	12,978	2,359	-	292,940
	188,766	45,959	-	25,143	53,035	16,147	32,595	-	361,645

Note 12A Segments of Activity Based on Management Approach (continued)

B. Pro-forma data regarding the effect of expenses pertaining to the business of the Bank Group in Israel with American customers on the segments of activity

The expenses allocated at Hapoalim Switzerland and at the New York branch pertaining to the investigation of the Bank Group's business with American customers were attributed, within the disclosure of segments of activity based on the management approach, to the International Activity Segment.

The expenses allocated in Israel pertaining to the Bank Group's business with American customers include a provision in respect of customers with certain American indications at the branches of the Bank in Israel, as well as a provision in respect of exposure to amounts for other United States authorities (other than the DOJ), in respect of customers in Israel and overseas. These expenses were allocated, within the disclosure of segments of activity based on the management approach, to the Adjustments Segment.

If the expenses allocated in Israel, in the year ended March 31, 2020, and in the year ended December 31, 2019, were allocated equally to the Retail Banking Segment and to the International Activity Segment (rather than to the Adjustments Segment), the net profit of retail banking would total approximately NIS 151 million and approximately NIS 738 million, respectively; the loss of the International Activity Segment for the period would total approximately NIS 123 million and approximately NIS 954 million, respectively; and loss in the amount of approximately NIS 123 million and net profit of approximately NIS 220 million, respectively, would be recorded in the Adjustments Segment.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses

NIS millions

A. Debts* and off-balance sheet credit instruments

Allowance for credit losses

1. Change in allowance for credit losses

	For the three months ended March 31, 2020					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	**4,007**	**446**	**790**	**5,243**	**8**	**5,251**
Provision for credit losses[1]	**656**	**32**	**120**	**808**	**1**	**809**
Charge-offs	**(181)**	**(1)**	**(158)**	**(340)**	**-**	**(340)**
Recoveries of debts charged off in previous years	**70**	**1**	**82**	**153**	**-**	**153**
Net charge-offs	**(111)**	**-**	**(76)**	**(187)**	**-**	**(187)**
Allowance for credit losses as at March 31, 2020[2] (unaudited)	**4,552**	**478**	**834**	**5,864**	**9**	**5,873**
(1) Of which: in respect of off-balance sheet credit instruments	**51**	**-**	**8**	**59**	**-**	**59**
(2) Of which: in respect of off-balance sheet credit instruments	**548**	**-**	**47**	**595**	**1**	**596**

	For the three months ended March 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial[3]	Housing[3]	Other private	Total		
Allowance for credit losses at beginning of year (audited)	2,997	424	904	4,325	9	4,334
Provision for credit losses[1]	50	4	65	119	2	121
Charge-offs	(167)	(2)	(188)	(357)	-	(357)
Recoveries of debts charged off in previous years	139	-	95	234	-	234
Net charge-offs	(28)	(2)	(93)	(123)	-	(123)
Allowance for credit losses as at March 31, 2019[2] (unaudited)	3,019	426	876	4,321	11	4,332
(1) Of which: in respect of off-balance sheet credit instruments	(74)	-	2	(72)	-	(72)
(2) Of which: in respect of off-balance sheet credit instruments	458	-	37	495	1	496

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(3) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

A. Debts* and off-balance sheet credit instruments (continued)

Allowance for credit losses (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts* and regarding the underlying debts*

	March 31, 2020					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	**150,821**	**2**	**909**	**151,732**	**30,076**	**181,808**
Examined on a collective basis[1]	**24,668**	**92,450**	**35,967**	**153,085**	**-**	**153,085**
Total debts*	**175,489**	**92,452**	**36,876**	**304,817**	**30,076**	**334,893**
(1) Of which: allowance for which was calculated according to the extent of arrears	**84**	**92,296**	**-**	**92,380**	**-**	**92,380**
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	**3,470**	**-**	**133**	**3,603**	**8**	**3,611**
Examined on a collective basis[2]	**534**	**478**	**654**	**1,666**	**-**	**1,666**
Total allowance for credit losses	**4,004**	**478**	**787**	**5,269**	**8**	**5,277**
(2) Of which: allowance for which was calculated according to the extent of arrears***	**-**	**478**	**-**	**478**	**-**	**478**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 84 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2019: NIS 80 million; December 31, 2019: NIS 75 million).

*** Includes the allowance beyond the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 344 million (March 31, 2019: NIS 290 million; December 31, 2019: NIS 314 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

A. Debts* and off-balance sheet credit instruments (continued)

Allowance for credit losses (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts* and regarding the underlying debts* (continued)

	March 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial**[3]	Housing[3]	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	132,037	-	965	133,002	23,340	156,342
Examined on a collective basis[1]	29,661	83,068	41,143	153,872	-	153,872
Total debts*	161,698	83,068	42,108	286,874	23,340	310,214
(1) Of which: allowance for which was calculated according to the extent of arrears	80	82,871	-	82,951	-	82,951
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	2,130	-	154	2,284	10	2,294
Examined on a collective basis[2]	431	426	685	1,542	-	1,542
Total allowance for credit losses	2,561	426	839	3,826	10	3,836
(2) Of which: allowance for which was calculated according to the extent of arrears***	-	426	-	426	-	426

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 84 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2019: NIS 80 million; December 31, 2019: NIS 75 million).

*** Includes the allowance beyond the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 344 million (March 31, 2019: NIS 290 million; December 31, 2019: NIS 314 million).

(3) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

A. Debts* and off-balance sheet credit instruments (continued)

Allowance for credit losses (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts* and regarding the underlying debts* (continued)

	December 31, 2019					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	144,239	2	862	145,103	20,042	165,145
Examined on a collective basis[(1)]	25,011	89,700	37,833	152,544	-	152,544
Total debts*	169,250	89,702	38,695	297,647	20,042	317,689
(1) Of which: allowance for which was calculated according to the extent of arrears	75	89,533	-	89,608	-	89,608
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	2,951	-	136	3,087	7	3,094
Examined on a collective basis[(2)]	559	446	615	1,620	-	1,620
Total allowance for credit losses	3,510	446	751	4,707	7	4,714
(2) Of which: allowance for which was calculated according to the extent of arrears***	-	446	-	446	-	446

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 84 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2019: NIS 80 million; December 31, 2019: NIS 75 million).

*** Includes the allowance beyond the amount required according to the method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 344 million (March 31, 2019: NIS 290 million; December 31, 2019: NIS 314 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts*

1. Credit quality and arrears

	March 31, 2020					
	Non-problematic	Problematic[1]		Total	Unimpaired debts** – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**27,667**	**219**	**259**	**28,145**	**11**	**52**
Construction and real estate – real-estate activities	**20,951**	**795**	**263**	**22,009**	**14**	**18**
Financial services***	**21,154**	**99**	**30**	**21,283**	**1**	**3**
Commercial – other	**80,019**	**2,350**	**2,422**	**84,791**	**61**	**130**
Total commercial	**149,791**	**3,463**	**2,974**	**156,228**	**87**	**203**
Private individuals – housing loans[5]	**91,269**	**708**	**2**	**91,979**	**708**	**715**
Private individuals – other	**35,935**	**121**	**759**	**36,815**	**70**	**168**
Total public – activity in Israel	**276,995**	**4,292**	**3,735**	**285,022**	**865**	**1,086**
Banks in Israel	**398**	**-**	**-**	**398**	**-**	**-**
Israeli government	**1,514**	**-**	**-**	**1,514**	**-**	**-**
Total activity in Israel	**278,907**	**4,292**	**3,735**	**286,934**	**865**	**1,086**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

*** Credit balances of Isracard were included for the first time due to the discontinuation of consolidation.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, arranged in a settlement with the borrower, in the amount of approximately NIS 60 million (March 31, 2019: NIS 61 million; December 31, 2019: NIS 62 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

1. Credit quality and arrears (continued)

	March 31, 2020					
	Non-problematic	Problematic[1]		Total	Unimpaired debts** – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Borrower activity overseas						
Public – commercial						
Construction and real estate	**5,750**	**177**	**199**	**6,126**	**1**	**17**
Commercial – other	**12,474**	**361**	**300**	**13,135**	**-**	**62**
Total commercial	**18,224**	**538**	**499**	**19,261**	**1**	**79**
Private individuals	**522**	**7**	**5**	**534**	**7**	**8**
Total public – activity overseas	**18,746**	**545**	**504**	**19,795**	**8**	**87**
Banks overseas	**26,971**	**-**	**-**	**26,971**	**-**	**-**
Governments overseas	**1,193**	**-**	**-**	**1,193**	**-**	**-**
Total activity overseas	**46,910**	**545**	**504**	**47,959**	**8**	**87**
Total public	**295,741**	**4,837**	**4,239**	**304,817**	**873**	**1,173**
Total banks	**27,369**	**-**	**-**	**27,369**	**-**	**-**
Total governments	**2,707**	**-**	**-**	**2,707**	**-**	**-**
Total	**325,817**	**4,837**	**4,239**	**334,893**	**873**	**1,173**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

1. Credit quality and arrears (continued)

	March 31, 2019					
	Non-problematic[6]	Problematic[1]		Total[6]	Unimpaired debts** – additional information	
		Unimpaired[6]	Impaired[2]		In arrears of 90 days or more[3][6]	In arrears of 30 to 89 days[4][6]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	25,004	256	339	25,599	22	37
Construction and real estate – real-estate activities	18,501	316	251	19,068	1	35
Financial services	15,376	17	24	15,417	-	7
Commercial – other	78,096	1,889	1,350	81,335	60	115
Total commercial	136,977	2,478	1,964	141,419	83	194
Private individuals – housing loans[5]	81,893	684	-	82,577	683	656
Private individuals – other	41,129	145	704	41,978	85	160
Total public – activity in Israel	259,999	3,307	2,668	265,974	851	1,010
Banks in Israel	184	-	-	184	-	-
Israeli government	897	-	-	897	-	-
Total activity in Israel	261,080	3,307	2,668	267,055	851	1,010

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, arranged in a settlement with the borrower, in the amount of approximately NIS 60 million (March 31, 2019: NIS 61 million; December 31, 2019: NIS 62 million).

(6) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

1. Credit quality and arrears (continued)

	March 31, 2019					
	Non-problematic[5]	Problematic[1]		Total[5]	Unimpaired debts** – additional information	
		Unimpaired[5]	Impaired[2]		In arrears of 90 days or more[3][5]	In arrears of 30 to 89 days[4][5]
Borrower activity overseas						
Public – commercial						
Construction and real estate	7,319	208	115	7,642	3	52
Commercial – other	12,076	377	184	12,637	-	75
Total commercial	19,395	585	299	20,279	3	127
Private individuals	581	22	18	621	22	11
Total public – activity overseas	19,976	607	317	20,900	25	138
Banks overseas	20,870	-	-	20,870	-	-
Governments overseas	1,389	-	-	1,389	-	-
Total activity overseas	42,235	607	317	43,159	25	138
Total public	279,975	3,914	2,985	286,874	876	1,148
Total banks	21,054	-	-	21,054	-	-
Total governments	2,286	-	-	2,286	-	-
Total	303,315	3,914	2,985	310,214	876	1,148

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

(5) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Debts* (continued)

1. Credit quality and arrears (continued)

	December 31, 2019					
	Non-problematic	Problematic[1]		Total	Unimpaired debts** – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	27,284	243	271	27,798	11	40
Construction and real estate – real-estate activities	19,049	900	279	20,228	3	17
Financial services	19,878	97	30	20,005	1	3
Commercial – other	77,581	2,147	2,484	82,212	104	97
Total commercial	143,792	3,387	3,064	150,243	119	157
Private individuals – housing loans[5]	88,532	694	2	89,228	693	682
Private individuals – other	37,726	144	756	38,626	93	141
Total public – activity in Israel	270,050	4,225	3,822	278,097	905	980
Banks in Israel	132	-	-	132	-	-
Israeli government	794	-	-	794	-	-
Total activity in Israel	270,976	4,225	3,822	279,023	905	980

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, arranged in a settlement with the borrower, in the amount of approximately NIS 60 million (March 31, 2019: NIS 61 million; December 31, 2019: NIS 62 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Debts* (continued)

1. Credit quality and arrears (continued)

	December 31, 2019					
	Non-problematic	Problematic[1]		Total	Unimpaired debts** – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Borrower activity overseas						
Public – commercial						
Construction and real estate	6,204	169	279	6,652	1	17
Commercial – other	11,740	280	335	12,355	1	62
Total commercial	17,944	449	614	19,007	2	79
Private individuals	531	6	6	543	6	10
Total public – activity overseas	18,475	455	620	19,550	8	89
Banks overseas	17,933	-	-	17,933	-	-
Governments overseas	1,183	-	-	1,183	-	-
Total activity overseas	37,591	455	620	38,666	8	89
Total public	288,525	4,680	4,442	297,647	913	1,069
Total banks	18,065	-	-	18,065	-	-
Total governments	1,977	-	-	1,977	-	-
Total	308,567	4,680	4,442	317,689	913	1,069

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which an allowance based on the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2)(c) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 178 million (March 31, 2019: NIS 202 million; December 31, 2019: NIS 167 million) were classified as unimpaired problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – the status of debts in arrears

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 are treated as nonperforming debts (debts not accruing interest income) after 90 days in arrears, as is any debt that has undergone troubled debt restructuring and has resumed accruing interest when it is 30 days in arrears relative to the new terms of the debt. With regard to debts evaluated on a collective basis, the status of arrears affects the classification of the debt (the classification is more severe for more extensive arrears); debts are charged off by the Bank after 150 days in arrears. 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.

Concessions and troubled debt restructuring

The policy of the Bank regarding concessions takes a range of factors into account in order to maximize repayment to the Bank: management of the relationship with the customer, maximization of opportunities, prevention of default, foreclosures, public aspects, etc.

Concessions are granted only in cases where customers have demonstrated the intention to repay the loans and are expected to meet their obligations.

In cases where, for economic or legal reasons related to financial difficulties of the borrower, the Bank grants a concession to a debtor that it would not grant under other conditions, the debt is considered a troubled debt restructuring.

Troubled debt restructuring may constitute a change in the terms of the debt, leading to reduction or postponement of cash payments required of the debtor in the near future; a reduction of the rate of interest; a reduction of payments on principal; consolidation of debts; etc.

The Bank can consent to receive assets or an interest in the equity capital of the debtor, in cash, as repayment of the debt, even if the value obtained is lower than the amount of the debt, if the Bank reaches the conclusion that this would maximize the recovery of its investment.

For details regarding the instructions of the Banking Supervision Department on coping with the coronavirus, see Note 1C above.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts** (continued)

2. Additional information regarding impaired debts

a. Impaired debts and individual allowance

	March 31, 2020				
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[1] of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	**182**	**46**	**77**	**259**	**1,486**
Construction and real estate – real-estate activities	**87**	**7**	**176**	**263**	**1,259**
Financial services	**4**	**2**	**26**	**30**	**371**
Commercial – other	**2,165**	**1,175**	**257**	**2,422**	**5,536**
Total commercial	**2,438**	**1,230**	**536**	**2,974**	**8,652**
Private individuals – housing loans	**-**	**-**	**2**	**2**	**2**
Private individuals – other	**756**	**127**	**3**	**759**	**1,593**
Total public – activity in Israel	**3,194**	**1,357**	**541**	**3,735**	**10,247**
Borrower activity overseas					
Public – commercial					
Construction and real estate	**170**	**104**	**29**	**199**	**265**
Commercial – other	**108**	**65**	**192**	**300**	**581**
Total commercial	**278**	**169**	**221**	**499**	**846**
Private individuals	**5**	**4**	**-**	**5**	**7**
Total public – activity overseas	**283**	**173**	**221**	**504**	**853**
Total public*	**3,477**	**1,530**	**762**	**4,239**	**11,100**
* Of which:					
Measured at the present value of cash flows	**3,229**	**1,444**	**462**	**3,691**	**-**
Debts in troubled debt restructuring	**1,147**	**239**	**335**	**1,482**	**-**

** Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Recorded debt balance.

(2) Individual allowance for credit losses.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts** (continued)

2. Additional information regarding impaired debts (continued)

a. Impaired debts and individual allowance (continued)

	March 31, 2019				
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[1] of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	215	54	124	339	2,982
Construction and real estate – real-estate activities	126	10	125	251	1,287
Financial services	4	1	20	24	318
Commercial – other	1,069	371	281	1,350	4,861
Total commercial	1,414	436	550	1,964	9,448
Private individuals – housing loans	-	-	-	-	-
Private individuals – other	507	141	197	704	1,449
Total public – activity in Israel	1,921	577	747	2,668	10,897
Borrower activity overseas					
Public – commercial					
Construction and real estate	-	-	115	115	187
Commercial – other	84	47	100	184	434
Total commercial	84	47	215	299	621
Private individuals	18	17	-	18	20
Total public – activity overseas	102	64	215	317	641
Total public*	2,023	641	962	2,985	11,538
* Of which:					
Measured at the present value of cash flows	1,636	508	645	2,281	-
Debts in troubled debt restructuring	787	186	524	1,311	-

** Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Recorded debt balance.

(2) Individual allowance for credit losses.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Debts** (continued)

2. Additional information regarding impaired debts (continued)

a. Impaired debts and individual allowance (continued)

	December 31, 2019				
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[1] of impaired debts	Balance of contractual principal of impaired debts
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	159	43	112	271	1,491
Construction and real estate – real-estate activities	96	8	183	279	1,283
Financial services	4	2	26	30	371
Commercial – other	2,311	1,053	173	2,484	5,631
Total commercial	2,570	1,106	494	3,064	8,776
Private individuals – housing loans	-	-	2	2	2
Private individuals – other	753	131	3	756	1,570
Total public – activity in Israel	3,323	1,237	499	3,822	10,348
Borrower activity overseas					
Public – commercial					
Construction and real estate	209	93	70	279	337
Commercial – other	132	73	203	335	610
Total commercial	341	166	273	614	947
Private individuals	6	5	-	6	8
Total public – activity overseas	347	171	273	620	955
Total public*	3,670	1,408	772	4,442	11,303
* Of which:					
Measured at the present value of cash flows	3,439	1,332	501	3,940	-
Debts in troubled debt restructuring	1,089	181	285	1,374	-

** Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Recorded debt balance.

(2) Individual allowance for credit losses.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

b. Average balance and interest income

	For the three months ended March 31, 2020		
	Average balance** of impaired debts	Interest income recorded***(1)	Of which: recorded on a cash basis
Borrower activity in Israel			
Public – commercial			
Construction and real estate – construction	**265**	**1**	**-**
Construction and real estate – real-estate activities	**271**	**-**	**-**
Financial services	**30**	**-**	**-**
Commercial – other	**2,453**	**4**	**2**
Total commercial	**3,019**	**5**	**2**
Private individuals – housing loans	**2**	**-**	**-**
Private individuals – other	**758**	**12**	**3**
Total public – activity in Israel	**3,779**	**17**	**5**
Borrower activity overseas			
Public – commercial			
Construction and real estate	**236**	**-**	**-**
Commercial – other	**305**	**-**	**-**
Total commercial	**541**	**-**	**-**
Private individuals	**6**	**-**	**-**
Total public – activity overseas	**547**	**-**	**-**
Total public	**4,326**	**17**	**5**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** Average recorded debt balance of impaired debts in the reported period.

*** Interest income recorded in the reported period in respect of the average balance of impaired debts, during the period in which the debts were classified as impaired.

(1) Had the impaired debts accrued interest according to the original terms, interest income in the amount of NIS 87 million would have been recorded (March 31, 2019: NIS 73 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

b. Average balance and interest income (continued)

	For the three months ended March 31, 2019		
	Average balance** of impaired debts	Interest income recorded***[(1)]	Of which: recorded on a cash basis
Borrower activity in Israel			
Public – commercial			
Construction and real estate – construction	299	1	-
Construction and real estate – real-estate activities	268	1	-
Financial services	26	-	-
Commercial – other	1,217	3	2
Total commercial	1,810	5	2
Private individuals – housing loans	-	-	-
Private individuals – other	696	11	3
Total public – activity in Israel	2,506	16	5
Borrower activity overseas			
Public – commercial			
Construction and real estate	101	-	-
Commercial – other	228	-	-
Total commercial	329	-	-
Private individuals	18	-	-
Total public – activity overseas	347	-	-
Total public	2,853	16	5

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

** Average recorded debt balance of impaired debts in the reported period.

*** Interest income recorded in the reported period in respect of the average balance of impaired debts, during the period in which the debts were classified as impaired.

(1) Had the impaired debts accrued interest according to the original terms, interest income in the amount of NIS 87 million would have been recorded (March 31, 2019: NIS 73 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

c. Troubled debt restructuring

	March 31, 2020				
	Recorded debt balance				
	Not accruing interest income	Accruing[1], in arrears of 90 days or more	Accruing[1], in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	**43**	**-**	**-**	**19**	**62**
Construction and real estate – real-estate activities	**45**	**-**	**-**	**26**	**71**
Financial services	**2**	**-**	**-**	**2**	**4**
Commercial – other	**432**	**-**	**-**	**144**	**576**
Total commercial	**522**	**-**	**-**	**191**	**713**
Private individuals – other	**316**	**-**	**1**	**397**	**714**
Total public – activity in Israel	**838**	**-**	**1**	**588**	**1,427**
Borrower activity overseas					
Public – commercial					
Construction and real estate	**10**	**-**	**-**	**-**	**10**
Commercial – other	**45**	**-**	**-**	**-**	**45**
Total public – activity overseas	**55**	**-**	**-**	**-**	**55**
Total public	**893**	**-**	**1**	**588**	**1,482**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Accruing interest income.

(2) Included in impaired debts.

Commitments to grant additional credit to debtors who have undergone troubled debt restructuring with changes to the terms of the credit totaled approximately NIS 12 million as at March 31, 2020 (March 31, 2019: NIS 15 million; December 31, 2019: NIS 23 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

c. Troubled debt restructuring (continued)

	March 31, 2019				
	Recorded debt balance				
	Not accruing interest income	Accruing[1], in arrears of 90 days or more	Accruing[1], in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	42	-	-	17	59
Construction and real estate – real-estate activities	67	-	-	31	98
Financial services	3	-	-	1	4
Commercial – other	333	-	-	105	438
Total commercial	445	-	-	154	599
Private individuals – other	296	-	-	355	651
Total public – activity in Israel	741	-	-	509	1,250
Borrower activity overseas					
Public – commercial					
Construction and real estate	11	-	-	-	11
Commercial – other	50	-	-	-	50
Total public – activity overseas	61	-	-	-	61
Total public	802	-	-	509	1,311

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Accruing interest income.

(2) Included in impaired debts.

Commitments to grant additional credit to debtors who have undergone troubled debt restructuring with changes to the terms of the credit totaled approximately NIS 12 million as at March 31, 2020 (March 31, 2019: NIS 15 million; December 31, 2019: NIS 23 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

c. Troubled debt restructuring (continued)

	December 31, 2019				
	Recorded debt balance				
	Not accruing interest income	Accruing[1], in arrears of 90 days or more	Accruing[1], in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	43	-	-	20	63
Construction and real estate – real-estate activities	45	-	-	25	70
Financial services	2	-	-	2	4
Commercial – other	328	-	-	144	472
Total commercial	418	-	-	191	609
Private individuals – other	323	-	-	384	707
Total public – activity in Israel	741	-	-	575	1,316
Borrower activity overseas					
Public – commercial					
Construction and real estate	10	-	-	-	10
Commercial – other	48	-	-	-	48
Total commercial	58	-	-	-	58
Total public	799	-	-	575	1,374

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Accruing interest income.

(2) Included in impaired debts.

Commitments to grant additional credit to debtors who have undergone troubled debt restructuring with changes to the terms of the credit totaled approximately NIS 12 million as at March 31, 2020 (March 31, 2019: NIS 15 million; December 31, 2019: NIS 23 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts* (continued)

2. Additional information regarding impaired debts (continued)

c. Troubled debt restructuring (continued)

	Debts restructured					
	In the three months ended March 31, 2020			In the three months ended March 31, 2019		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**67**	**7**	**7**	89	11	10
Construction and real estate – real-estate activities	**9**	**1**	**1**	7	12	10
Financial services	**5**	**-**	**-**	3	-	-
Commercial – other	**342**	**173**	**165**	422	68	66
Total commercial	**423**	**181**	**173**	521	91	86
Private individuals – other	**1,777**	**98**	**90**	2,258	115	109
Total public – activity in Israel	**2,200**	**279**	**263**	2,779	206	195
Borrower activity overseas						
Public – commercial						
Construction and real estate	**-**	**-**	**-**	1	-	-
Private individuals	**4**	**-**	**-**	1	-	-
Total public – activity overseas	**4**	**-**	**-**	2	-	-
Total public	**2,204**	**279**	**263**	2,781	206	195

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Debts** (continued)

2. Additional information regarding impaired debts (continued)

c. Troubled debt restructuring (continued)

	Failed restructured debts*			
	In the three months ended March 31, 2020		In the three months ended March 31, 2019	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate – construction	**74**	**4**	37	2
Construction and real estate – real-estate activities	**2**	**-**	3	5
Financial services	**1**	**-**	1	-
Commercial – other	**262**	**17**	152	11
Total commercial	**339**	**21**	193	18
Private individuals – other	**1,109**	**22**	775	16
Total public – activity in Israel	**1,448**	**43**	968	34
Borrower activity overseas				
Public – commercial				
Private individuals	**1**	**-**	4	-
Total public	**1,449**	**43**	972	34

* Debts that became debts in arrears of 30 days or more during the reporting period, and underwent troubled debt restructuring during the 12 months preceding the date on which they became debts in arrears.

** Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Debts** (continued)

3. Additional information regarding housing loans – private individuals

End of period balances by financing ratio (LTV)*, repayment type, and interest type

		March 31, 2020			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
		Unaudited			
First lien: financing rate	Up to 60%	**59,118**	**1,681**	**37,813**	**2,511**
	Over 60%	**32,502**	**443**	**21,945**	**2,136**
Secondary lien or no lien		**832**	**45**	**480**	**1,067**
Total		**92,452**	**2,169**	**60,238**	**5,714**

		March 31, 2019			
		Balance of housing loans – private individuals			Off-balance sheet credit risk[1]
		Total[1]	Of which: bullet and balloon[1]	Of which: floating interest rate[1]	
		Unaudited			
First lien: financing rate	Up to 60%	53,489	1,964	34,186	2,936
	Over 60%	28,779	587	19,797	2,082
Secondary lien or no lien		800	46	475	681
Total		83,068	2,597	54,458	5,699

		December 31, 2019			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
		Audited			
First lien: financing rate	Up to 60%	57,519	1,764	36,832	3,687
	Over 60%	31,396	484	21,331	3,022
Secondary lien or no lien		787	45	468	558
Total		89,702	2,293	58,631	7,267

* Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

** Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").

(1) Reclassified. Housing loans granted to individuals in an economic sector other than "private individuals" were reclassified from "commercial" credit to "housing" credit.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – LTV ratio

The LTV ratio provides another indication of credit quality for the Bank. The LTV ratio is the ratio of the amount of the loan to the estimated value of the financed asset, as approved by the Bank when the credit facility was granted. The LTV ratio is calculated at the time of approval of the credit, with the following exceptions:

1. Granting of additional credit secured by the same asset.
2. The borrower receives a loan from another corporation with a joint pari-passu lien on the asset.
3. Transfer of a mortgage.
4. A part of a credit facility that has not been utilized.
5. Substantial early repayment (10% or more).

The note presents balances of debt in respect of housing loans, with segmentation by ranges of LTV ratios and levels of liens.

C. Information regarding debt sales

For information regarding credit sale transactions, see Note 10A(4).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Off-balance sheet financial instruments

	March 31		December 31,	March 31		December 31,
	2020	2019	2019	**2020**	2019	2019
	Contract balances*			Allowance for credit losses		
	Unaudited		Audited	Unaudited		Audited
Transactions the balance of which represents a credit risk:						
Documentary credit	**1,110**	1,087	816	**5**	4	4
Credit guarantees	**5,741**	5,467	5,732	**45**	32	38
Guarantees to purchasers of homes	**19,487**	21,053	20,019	**51**	42	45
Guarantees and other commitments**	**25,617**	23,966	25,383	**157**	149	136
Unutilized credit-card credit facilities under the Bank's responsibility	**15,838**	14,806	15,640	**48**	37	42
Unutilized revolving overdraft and other credit facilities in on-demand accounts	**40,548**	40,082	44,695	**112**	91	103
Irrevocable commitments to grant credit approved but not yet drawn***	**30,412**	30,957	33,279	**110**	92	106
Commitments to issue guarantees	**24,468**	22,969	25,044	**68**	49	63
Off-balance sheet financial instrument contract balances attributed to a discontinued operation	**-**	24,508	-	**-**	21	-

* Contract balances or the nominal amounts thereof at year end, before the effect of the allowance for credit losses.

** Includes the Bank's liabilities in respect of its share in the risk fund of the Maof Clearing House, in the amount of NIS 94 million (March 31, 2019: NIS 153 million; December 31, 2019: NIS 94 million).

*** Includes commitments to grant credit given to customers in loans "approved in principle with a hold on the interest rate," under Proper Conduct of Banking Business Directive 451, "Procedures for Granting Housing Loans."

E. Guarantees

The Bank provides a wide range of guarantees and indemnities for its customers, in order to enable them to complete a wide variety of transactions. The maximum amount of potential future payments is established according to the nominal amount of the guarantees, without taking into consideration possible reimbursements or collateral held or pledged. To the extent necessary, the Bank customarily receives collateral or commitments of various kinds, such as deposits, securities, real estate, financial ratios, etc. Most of the guarantees at the Bank are assigned the rating at which the credit was granted.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

E. Guarantees (continued)

	March 31, 2020					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Unaudited					
Credit guarantees	**3,961**	**850**	**87**	**806**	**37**	**5,741**
Guarantees to purchasers of homes	**2,558**	**-**	**-**	**-**	**16,929**	**19,487**
Guarantees and other commitments	**11,307**	**7,708**	**1,627**	**4,975**	**-**	**25,617**
Commitments to issue guarantees	**8,767**	**11,909**	**3,723**	**69**	**-**	**24,468**
Total	**26,593**	**20,467**	**5,437**	**5,850**	**16,966**	**75,313**

	March 31, 2019					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Unaudited					
Credit guarantees	3,712	787	110	808	50	5,467
Guarantees to purchasers of homes	4,775	-	-	-	16,278	21,053
Guarantees and other commitments	9,867	6,176	3,393	4,530	-	23,966
Commitments to issue guarantees	8,414	13,112	1,378	65	-	22,969
Total	26,768	20,075	4,881	5,403	16,328	73,455

	December 31, 2019					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Audited					
Credit guarantees	3,472	1,298	101	815	46	5,732
Guarantees to purchasers of homes	3,036	-	-	-	16,983	20,019
Guarantees and other commitments	10,530	6,108	4,127	4,618	-	25,383
Commitments to issue guarantees	8,910	12,001	4,016	117	-	25,044
Total	25,948	19,407	8,244	5,550	17,029	76,178

Note 14 Assets and Liabilities by Linkage Base

Unaudited
NIS millions

	March 31, 2020						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	61,628	-	25,377	440	2,030	-	89,475
Securities	52,263	2,404	17,824	399	112	1,498	74,500
Securities borrowed or purchased under agreements to resell	369	-	-	-	-	-	369
Net credit to the public[2]	220,187	48,065	23,612	4,529	2,002	1,153	299,548
Credit to governments	696	-	1,078	927	-	-	2,701
Investments in equity-basis investees	49	-	-	-	-	143	192
Buildings and equipment	-	-	-	-	-	3,202	3,202
Assets in respect of derivative instruments	6,735	357	6,142	453	338	921	14,946
Other assets	4,445	178	100	80	58	1,665	6,526
Total assets	346,372	51,004	74,133	6,828	4,540	8,582	491,459
Liabilities							
Deposits from the public	273,717	12,270	87,688	10,551	3,150	1,190	388,566
Deposits from banks	2,940	-	760	265	15	-	3,980
Deposits from the government	318	1	82	-	-	-	401
Securities lent or sold under agreements to repurchase	-	-	-	-	3	-	3
Bonds and subordinated notes	584	23,737	159	-	11	-	24,491
Liabilities in respect of derivative instruments	6,884	466	6,997	376	333	901	15,957
Other liabilities	10,811	4,545	3,976	178	490	394	20,394
Total liabilities	295,254	41,019	99,662	11,370	4,002	2,485	453,792
Surplus assets (liabilities)	51,118	9,985	(25,529)	(4,542)	538	6,097	37,667
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(26,974)	(995)	26,492	2,577	(1,100)	-	-
Options in the money, net (in terms of underlying asset)	814	-	(2,285)	1,455	16	-	-
Options out of the money, net (in terms of underlying asset)	(858)	-	413	390	55	-	-
Overall total	24,100	8,990	(909)	(120)	(491)	6,097	37,667
Options in the money, net (nominal present value)	797	-	(3,338)	2,473	68	-	-
Options out of the money, net (nominal present value)	(4,215)	-	2,364	1,780	71	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 14 Assets and Liabilities by Linkage Base (continued)

Unaudited
NIS millions

	March 31, 2019						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	57,089	23	18,193	327	2,700	-	78,332
Securities	31,181	3,973	28,002	1,011	256	1,836	66,259
Securities borrowed or purchased under agreements to resell	714	-	-	-	-	-	714
Net credit to the public[2]	207,029	46,646	21,731	4,270	2,288	1,084	283,048
Credit to governments	41	-	1,327	911	-	-	2,279
Investments in equity-basis investees	45	-	-	-	-	58	103
Buildings and equipment	-	-	-	-	-	3,077	3,077
Assets in respect of derivative instruments	5,315	769	3,146	180	135	701	10,246
Other assets	3,893	303	112	57	26	1,563	5,954
Assets attributed to a discontinued operation	14,993	58	64	43	-	608	15,766
Total assets	320,300	51,772	72,575	6,799	5,405	8,927	465,778
Liabilities							
Deposits from the public	248,005	12,697	78,632	10,552	3,223	1,123	354,232
Deposits from banks	1,307	124	1,500	340	57	-	3,328
Deposits from the government	263	2	93	-	-	-	358
Securities lent or sold under agreements to repurchase	-	-	-	-	5	-	5
Bonds and subordinated notes	1,477	27,862	325	10	21	-	29,695
Liabilities in respect of derivative instruments	5,454	799	3,175	175	154	672	10,429
Other liabilities	7,201	501	2,862	166	347	1,325	12,402
Liabilities attributed to a discontinued operation	16,395	66	238	12	-	47	16,758
Total liabilities	280,102	42,051	86,825	11,255	3,807	3,167	427,207
Surplus assets (liabilities)	40,198	9,721	(14,250)	(4,456)	1,598	5,760	38,571
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(18,306)	(380)	15,759	4,902	(1,975)	-	-
Options in the money, net (in terms of underlying asset)	1,598	-	(1,430)	(413)	245	-	-
Options out of the money, net (in terms of underlying asset)	546	-	(466)	(58)	(22)	-	-
Overall total	24,036	9,341	(387)	(25)	(154)	5,760	38,571
Options in the money, net (nominal present value)	935	-	(1,271)	(83)	419	-	-
Options out of the money, net (nominal present value)	3,225	-	(1,108)	(2,072)	(45)	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 14 Assets and Liabilities by Linkage Base (continued)

Audited
NIS millions

	December 31, 2019						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	69,744	-	15,802	204	2,372	-	88,122
Securities	35,283	700	20,687	909	134	1,773	59,486
Securities borrowed or purchased under agreements to resell	471	-	-	-	-	-	471
Net credit to the public[2]	216,564	48,735	20,519	4,514	1,964	644	292,940
Credit to governments	66	-	980	925	-	-	1,971
Investments in equity-basis investees	48	-	-	-	-	144	192
Buildings and equipment	-	-	-	-	-	3,233	3,233
Assets in respect of derivative instruments	7,349	755	1,851	245	297	646	11,143
Other assets	4,524	7	77	96	41	536	5,281
Assets attributed to a discontinued operation	-	-	-	-	-	849	849
Total assets	334,049	50,197	59,916	6,893	4,808	7,825	463,688
Liabilities							
Deposits from the public	256,968	11,693	78,124	10,755	3,408	697	361,645
Deposits from banks	2,074	-	1,097	336	13	-	3,520
Deposits from the government	386	2	297	-	-	-	685
Securities lent or sold under agreements to repurchase	-	-	-	-	3	-	3
Bonds and subordinated notes	955	25,724	152	10	12	-	26,853
Liabilities in respect of derivative instruments	7,645	975	2,274	249	304	603	12,050
Other liabilities	**12,281	**3,986	3,588	200	354	302	20,711
Liabilities attributed to a discontinued operation	-	-	-	-	-	-	-
Total liabilities	**280,309	**42,380	85,532	11,550	4,094	1,602	425,467
Surplus assets (liabilities)	**53,740	**7,817	(25,616)	(4,657)	714	6,223	38,221
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(27,418)	(523)	26,470	2,577	(1,106)	-	-
Options in the money, net (in terms of underlying asset)	69	-	(1,543)	1,444	30	-	-
Options out of the money, net (in terms of underlying asset)	(580)	-	(214)	774	20	-	-
Overall total	**25,811	**7,294	(903)	138	(342)	6,223	38,221
Options in the money, net (nominal present value)	(1,785)	-	(809)	2,736	(142)	-	-
Options out of the money, net (nominal present value)	(3,348)	-	565	2,445	338	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
** Reclassification of employee benefit liability balances from the unlinked segment to the CPI-linked segment.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 15 Balances and Fair-Value Estimates of Financial Instruments

Fair value of financial instruments

This note includes information concerning the assessment of the fair value of financial instruments.

A "market price" cannot be quoted for the majority of financial instruments at the Bank because no active market exists in which they are traded. Fair value is therefore estimated by means of accepted pricing models, such as the present value of future cash flows discounted by a discounting interest rate that reflects the level of risk inherent in the financial instrument. An estimate of fair value by means of an assessment of future cash flows and the setting of a discounting interest rate is subjective. Therefore, for the majority of financial instruments, the following assessment of fair value is not necessarily an indication of the disposal value of the financial instrument on the reporting date. The fair value is assessed on the basis of the interest rates valid at the reporting date, and does not take interest-rate volatility into account. Under the assumption of different interest rates, fair values would be obtained that may differ materially. This mainly applies to financial instruments that bear a fixed rate of interest or that do not bear interest. In addition, the assessment of fair value does not take into consideration fees to be received or paid in the course of business activity, and does not include the effect of non-controlling interests or tax effects. Moreover, the difference between the balance sheet balance and fair value balances may not be realized, because in the majority of cases the financial instrument may be held to maturity by the Bank. Due to all of these factors, it should be emphasized that data included in this note are insufficient to indicate the value of the banking corporation as a going concern. In addition, due to the broad spectrum of assessment techniques and estimates that can be applied in assessing fair value, caution should be exercised when comparing fair values between different banks.

Principal methods and assumptions used to estimate the fair value of financial instruments

Deposits with banks, nonmarketable bonds and loans, and credit to the government – By discounting future cash flows according to the interest rates at which the Bank executed similar transactions at the reporting date.

Marketable securities – According to market value in the principal market.

Credit to the public – The fair value of the balance of credit to the public is estimated using the method of the present value of future cash flows, discounted by a suitable discount rate. The balance of credit was segmented into homogeneous categories. In each category, the flow of future receipts (principal and interest) was calculated. These receipts were discounted by an interest rate reflecting the level of risk inherent in the credit in that category.

This interest rate was usually determined according to the interest rate at which similar transactions were executed at the Bank at the reporting date.

The fair value of impaired debts was calculated using discount rates reflecting the high credit risk inherent in such debts. In any case, these discount rates were not lower than the highest interest rate used by the Bank in its transactions at the reporting date.

Future cash flows for impaired debts and other debts were calculated after the deduction of the effects of charge-offs and of allowances for credit losses in respect of the debts.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Charge-offs and allowances for credit losses were attributed to the periods in which the debt was classified, where possible (e.g. when an allowance was calculated on an individual basis according to the present value of a cash flow). In the absence of such data, charge-offs and the allowance are attributed proportionally to the balance of credit, according to the term to maturity at the end of the period.

The calculation of fair value includes assumptions regarding early repayment of housing loans, in accordance with the estimates of the Bank, based on an examination of the historical data regarding early repayment in relation to parameters that explain such repayment. The effect of these assumptions on fair value resulted in an increase of the fair value by NIS 23 million.

Deposits, bonds, and notes – By discounting future cash flows according to the interest rates at which the corporation raises similar deposits or the Bank issues similar bonds and notes (if a price quoted in an active market is not available) at the reporting date. With regard to bonds and subordinated notes traded as an asset in an active market, fair value is based on quoted market prices or on quotes from traders for an identical liability traded as an asset in an active market.

Inter-customer lending – Presented as credit and deposits, and measured according to the value of the loaned securities on the stock market.

Derivative financial instruments – Derivative financial instruments that have an active market were assessed at the market value established in the principal market.

Derivative financial instruments not traded in an active market were assessed on the basis of models used by the Bank in its routine operations, taking into account the risks inherent in the financial instrument.

The measurement of the fair value of derivative instruments takes the credit risk inherent in such transactions into account, among other factors.

Estimates of the fair value of assets in respect of derivative instruments also reflect the credit risk of the counterparty, and estimates of the fair value of liabilities in respect of derivative instruments also reflect the credit risk of the Bank.

Off-balance sheet financial instruments in which the balance represents credit risk – Fair value is presented according to the balance sheet balance of the fees in the aforesaid transactions, which constitute an approximation of the fair value.

Assets and liabilities for which fair value is measured based on Level 3 data – Items for which fair value is determined based on an indicative price from an independent entity, indicative price of a counterparty to the transaction, or evaluation models in which some of the significant inputs are unobservable; and items for which fair value is determined based on internal calculators or service bureaus, some of the inputs of which are unobservable.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

A. Balances and fair-value estimates of financial instruments

	March 31, 2020				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	**89,475**	**3,119**	**-**	**86,418**	**89,537**
Securities*	**74,500**	**60,601**	**12,230**	**1,673**	**74,504**
Securities borrowed or purchased under agreements to resell	**369**	**-**	**-**	**369**	**369**
Net credit to the public***	**299,548**	**2,561**	**-**	**297,965**	**300,526**
Credit to governments	**2,701**	**-**	**-**	**2,706**	**2,706**
Assets in respect of derivative instruments	**14,946**	**956**	**9,016**	**4,974**	**14,946**
Other financial assets	**1,442**	**14**	**-**	**1,495**	**1,509**
Total financial assets	****482,981**	**67,251**	**21,246**	**395,600**	**484,097**
Financial liabilities					
Deposits from the public***	**388,566**	**5,195**	**-**	**384,239**	**389,434**
Deposits from banks	**3,980**	**-**	**-**	**3,972**	**3,972**
Deposits from the government	**401**	**-**	**-**	**418**	**418**
Securities lent or sold under agreements to repurchase	**3**	**-**	**-**	**3**	**3**
Bonds and subordinated notes	**24,491**	**22,523**	**1,554**	**274**	**24,351**
Liabilities in respect of derivative instruments	**15,957**	**958**	**11,590**	**3,409**	**15,957**
Other financial liabilities	**13,626**	**14**	**-**	**13,613**	**13,627**
Total financial liabilities	****447,024**	**28,690**	**13,144**	**405,928**	**447,762**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	**-**	**-**	**-**	**201**	**201**

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 1,110 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

** Of which: assets and liabilities in the amount of NIS 93,759 million and in the amount of NIS 21,186 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS 20 million in respect of embedded derivative instruments is included in the balance of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

A. Balances and fair-value estimates of financial instruments (continued)

	March 31, 2019				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	78,332	3,015	-	75,317	78,332
Securities**	66,259	*49,719	*14,971	1,573	66,263
Securities borrowed or purchased under agreements to resell	714	-	-	714	714
Net credit to the public****	283,048	3,900	-	279,320	283,220
Credit to governments	2,279	-	-	2,283	2,283
Assets in respect of derivative instruments	10,246	674	5,780	3,792	10,246
Other financial assets	1,882	954	-	988	1,942
Assets attributed to a discontinued operation	15,015	41	-	14,957	14,998
Total financial assets	***457,775	*58,303	*20,751	378,944	457,998
Financial liabilities					
Deposits from the public****	354,232	6,047	-	349,618	355,665
Deposits from banks	3,328	-	-	3,346	3,346
Deposits from the government	358	-	-	371	371
Securities lent or sold under agreements to repurchase	5	-	-	6	6
Bonds and subordinated notes	29,695	27,890	2,021	508	30,419
Liabilities in respect of derivative instruments	10,429	674	5,447	4,308	10,429
Other financial liabilities	5,792	954	-	4,653	5,607
Liabilities attributed to a discontinued operation	16,545	-	-	16,505	16,505
Total financial liabilities	***420,384	35,565	7,468	379,315	422,348
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	113	113

* Reclassified.

** Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 1,101 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

*** Of which: assets and liabilities in the amount of NIS 83,024 million and in the amount of NIS 17,461 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

**** Of which, a total of NIS 31 million in respect of embedded derivative instruments is included in the balance of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

A. Balances and fair-value estimates of financial instruments (continued)

	December 31, 2019				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	88,122	2,887	-	85,255	88,142
Securities*	59,486	44,374	13,615	1,501	59,490
Securities borrowed or purchased under agreements to resell	471	-	-	471	471
Net credit to the public***	292,940	3,411	-	291,570	294,981
Credit to governments	1,971	-	-	1,982	1,982
Assets in respect of derivative instruments	11,143	634	9,097	1,412	11,143
Other financial assets	977	24	-	1,059	1,083
Total financial assets	**455,110	51,330	22,712	383,250	457,292
Financial liabilities					
Deposits from the public***	361,645	4,090	-	360,013	364,103
Deposits from banks	3,520	-	-	3,503	3,503
Deposits from the government	685	-	-	698	698
Securities lent or sold under agreements to repurchase	3	-	-	3	3
Bonds and subordinated notes	26,853	25,977	1,557	48	27,582
Liabilities in respect of derivative instruments	12,050	638	11,025	387	12,050
Other financial liabilities	13,173	24	-	13,154	13,178
Total financial liabilities	**417,929	30,729	12,582	377,806	421,117
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	112	112

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 1,021 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

** Of which: assets and liabilities in the amount of NIS 75,702 million and in the amount of NIS 16,207 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS 43 million in respect of embedded derivative instruments is included in the balance of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

B. Items measured at fair value on a recurring basis

	March 31, 2020			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	39,015	4,556	-	43,571
Foreign government bonds	5,679	376	-	6,055
Bonds of foreign financial institutions	154	4,899	185	5,238
Bonds of foreign others	27	2,273	-	2,300
Total bonds available for sale	44,875	12,104	185	57,164
Investments in tradable shares not held for trading	260	126	-	386
Securities held for trading				
Israeli government bonds	15,279	-	-	15,279
Foreign government bonds	185	-	-	185
Tradable shares	2	-	-	2
Total securities held for trading	15,466	-	-	15,466
Assets in respect of derivative instruments				
NIS-CPI contracts	-	309	222	531
Other interest contracts	-	5,852	696	6,548
Foreign-currency contracts	83	2,700	2,649	5,432
Share contracts	873	113	1,313	2,299
Commodity and other contracts	-	42	94	136
Credit in respect of inter-customer lending	2,664	-	-	2,664
Assets in respect of activity in the Maof market	14	-	-	14
Total assets	64,235	21,246	5,159	90,640
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	411	39	450
Other interest contracts	-	7,386	475	7,861
Foreign-currency contracts	78	2,411	2,751	5,240
Share contracts	880	1,294	96	2,270
Commodity and other contracts	-	88	48	136
Liabilities in respect of embedded derivatives	-	10	10	20
Deposits in respect of inter-customer lending	2,664	-	-	2,664
Liabilities in respect of activity in the Maof market	14	-	-	14
Liabilities in respect of securities lending	2,531	-	-	2,531
Total liabilities	6,167	11,600	3,419	21,186

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

B. Items measured at fair value on a recurring basis (continued)

	March 31, 2019			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	29,135	3,837	-	32,972
Foreign government bonds	*13,816	*628	-	14,444
Bonds of financial institutions in Israel	118	-	-	118
Bonds of foreign financial institutions	247	7,682	185	8,114
Bonds of others in Israel	-	73	-	73
Bonds of foreign others	78	2,721	-	2,799
Total bonds available for sale	*43,394	*14,941	185	58,520
Investments in tradable shares not held for trading	718	30	-	748
Securities held for trading				
Israeli government bonds	5,594	-	-	5,594
Foreign government bonds	3	-	-	3
Tradable shares	10	-	-	10
Total securities held for trading	5,607	-	-	5,607
Assets in respect of derivative instruments				
NIS-CPI contracts	-	257	137	394
Other interest contracts	-	3,466	2,434	5,900
Foreign-currency contracts	23	1,915	1,157	3,095
Share contracts	651	128	55	834
Commodity and other contracts	-	14	9	23
Credit in respect of inter-customer lending	3,957	-	-	3,957
Assets in respect of activity in the Maof market	954	-	-	954
Total assets	*55,304	*20,751	3,977	80,032
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	158	70	228
Other interest contracts	-	3,871	2,360	6,231
Foreign-currency contracts	23	1,370	1,756	3,149
Share contracts	651	33	114	798
Commodity and other contracts	-	15	8	23
Liabilities in respect of embedded derivatives	-	7	24	31
Deposits in respect of inter-customer lending	3,957	-	-	3,957
Liabilities in respect of activity in the Maof market	954	-	-	954
Liabilities in respect of securities lending	2,090	-	-	2,090
Total liabilities	7,675	5,454	4,332	17,461

* Reclassified.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

B. Items measured at fair value on a recurring basis (continued)

	December 31, 2019			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	29,081	4,336	-	33,417
Foreign government bonds	7,869	239	-	8,108
Bonds of foreign financial institutions	148	6,505	177	6,830
Bonds of foreign others	41	2,413	-	2,454
Total bonds available for sale	37,139	13,493	177	50,809
Investments in tradable shares not held for trading	628	122	-	750
Securities held for trading				
Israeli government bonds	6,602	-	-	6,602
Foreign government bonds	3	-	-	3
Tradable shares	2	-	-	2
Total securities held for trading	6,607	-	-	6,607
Assets in respect of derivative instruments				
NIS-CPI contracts	-	256	116	372
Other interest contracts	-	5,342	662	6,004
Foreign-currency contracts	59	3,102	601	3,762
Share contracts	575	392	23	990
Commodity and other contracts	-	5	10	15
Credit in respect of inter-customer lending	3,482	-	-	3,482
Assets in respect of activity in the Maof market	24	-	-	24
Total assets	48,514	22,712	1,589	72,815
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	221	3	224
Other interest contracts	-	6,865	17	6,882
Foreign-currency contracts	45	3,799	137	3,981
Share contracts	593	127	229	949
Commodity and other contracts	-	13	1	14
Liabilities in respect of embedded derivatives	-	26	17	43
Deposits in respect of inter-customer lending	3,482	-	-	3,482
Liabilities in respect of activity in the Maof market	24	-	-	24
Liabilities in respect of securities lending	608	-	-	608
Total liabilities	4,752	11,051	404	16,207

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

C. Items measured at fair value on a nonrecurring basis

	March 31, 2020				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended March 31, 2020
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Impaired credit the collection of which is contingent on collateral	**-**	**-**	**548**	**548**	[1] **(5)**
Investments in shares	**-**	**-**	**-**	**-**	[2] **-**
Total	**-**	**-**	**548**	**548**	**(5)**

	March 31, 2019				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended March 31, 2019
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Impaired credit the collection of which is contingent on collateral	-	-	704	704	[1] (5)
Investments in shares	-	-	21	21	[2] (7)
Total	-	-	725	725	(12)

(1) Losses included in the statement of profit and loss under the item "provision for credit losses."
(2) Losses included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

C. Items measured at fair value on a nonrecurring basis (continued)

	December 31, 2019				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended December 31, 2019
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Impaired credit the collection of which is contingent on collateral	-	-	502	502	(1)50
Investments in shares	-	-	69	69	(2)(21)
Total	-	-	571	571	29

(1) Losses included in the statement of profit and loss under the item "provision for credit losses."
(2) Losses included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3

	For the three months ended March 31, 2020								
	Fair value as at December 31, 2019	Gains (losses) included in statement of profit and loss[1][3]	Gains (losses) included in equity[2]	Acquisitions	Extinguishment	Transfers to Level 3	Transfers from Level 3	Fair value as at March 31, 2020	Unrealized gains (losses) in respect of instruments held as at March 31, 2020
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	**177**	**5**	**3**	**-**	**-**	**-**	**-**	**185**	[2][1]**3**
Net balances in respect of derivative instruments									
NIS-CPI contracts	**113**	**71**	**-**	**-**	**(1)**	**-**	**-**	**183**	[3]**70**
Other interest contracts	**645**	**(385)**	**-**	**7**	**(46)**	**-**	**-**	**221**	[3][1]**(358)**
Foreign-currency contracts	**464**	**(505)**	**-**	**121**	**(182)**	**-**	**-**	**(102)**	[3]**(307)**
Share contracts	**(206)**	**1,336**	**-**	**-**	**87**	**-**	**-**	**1,217**	[3]**772**
Commodity and other contracts	**9**	**47**	**-**	**(4)**	**(6)**	**-**	**-**	**46**	[3]**16**
Embedded derivatives	**(17)**	**1**	**-**	**(1)**	**7**	**-**	**-**	**(10)**	[3]**(9)**
Total	**1,185**	**570**	**3**	**123**	**(141)**	**-**	**-**	**1,740**	**187**

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of securities available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the three months ended March 31, 2019								
	Fair value as at December 31, 2018	Gains (losses) included in statement of profit and loss[1][3]	Gains (losses) included in equity[2]	Acquisitions	Extinguishment	Transfers to Level 3	Transfers from Level 3	Fair value as at March 31, 2019	Unrealized gains (losses) in respect of instruments held as at March 31, 2019
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	191	(6)	-	-	-	-	-	185	[2][1] -
Net balances in respect of derivative instruments									
NIS-CPI contracts	54	14	-	-	(1)	-	-	67	[3] 7
Other interest contracts	596	(517)	-	(10)	5	-	-	74	[3][1] (302)
Foreign-currency contracts	404	(263)	-	61	(801)	-	-	(599)	[3] (105)
Share contracts	62	(116)	-	(1)	(4)	-	-	(59)	[3] (58)
Commodity and other contracts	40	(40)	-	-	1	-	-	1	[3] (8)
Embedded derivatives	(14)	(12)	-	-	2	-	-	(24)	[3] (4)
Total	1,333	(940)	-	50	(798)	-	-	(355)	(470)

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of securities available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the year ended December 31, 2019								
	Fair value as at December 31, 2018	Gains (losses) included in statement of profit and loss[1][3]	Gains (losses) included in equity[2]	Acquisitions	Extinguishment	Transfers to Level 3	Transfers from Level 3	Fair value as at December 31, 2019	Unrealized gains (losses) in respect of instruments held as at December 31, 2019
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	191	(12)	(2)	-	-	-	-	177	[2][1](2)
Net balances in respect of derivative instruments									
NIS-CPI contracts	54	83	-	-	(24)	-	-	113	[3]46
Other interest contracts	596	223	-	25	(199)	-	-	645	[3][1]149
Foreign-currency contracts	404	5	-	219	(164)	-	-	464	[3]3
Share contracts	62	(204)	-	-	(64)	-	-	(206)	[3]7
Commodity and other contracts	40	(17)	-	14	(28)	-	-	9	[3](5)
Embedded derivatives	(14)	(9)	-	(1)	7	-	-	(17)	[3](9)
Total	1,333	69	(2)	257	(472)	-	-	1,185	189

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of securities available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

E. During the period, there were no transfers of items measured at fair value from Level 3 measurement to Level 2 measurement, with the exception of transfers due to transaction counterparty risk. In accordance with the policy of the banking corporation, transfers from level to level are recognized as occurring at the end of the reported period.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3

	March 31, 2020			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	**185**	Quote from transaction counterparty		
Net balances in respect of derivative instruments				
NIS-CPI contracts	**183**	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.72%-9.70% (3.22%)
Other interest contracts	**221**	Interest-rate derivatives pricing model	Transaction counterparty risk	0.70%-19.84% (2.78%)
Foreign-currency contracts	**(102)**	Option pricing model	Transaction counterparty risk	0.73%-19.74% (3.20%)
Share contracts	**1,205**	Share derivatives pricing model	Transaction counterparty risk	0.81%-19.65% (1.39%)
Share contracts	**11**	Option pricing model	Quote from counterparty	
Foreign-currency contracts	**16**	Option pricing model	Quote from counterparty	
Share contracts[1]	**0.10**	Option pricing model	Standard deviation	80.82%-80.82% (80.82%)
			Dividend yield	0.00%-0.00% (0.00%)
			Unlinked NIS interest rate	0.34%-0.34% (0.34%)
Commodity and other contracts	**46**	Currency derivatives pricing model	Transaction counterparty risk	0.81%-9.65% (5.67%)
Embedded derivatives[2]	**10**	Option pricing model	Quote from counterparty	
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	**-**	Valuation		
Impaired credit the collection of which is contingent on collateral	**548**	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:

(1) An increase (decrease) in the standard deviation would lead to a significantly higher (lower) fair-value measurement. Conversely, an increase (decrease) in the dividend yield or in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

(2) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	March 31, 2019			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	185	Quote from transaction counterparty		
Net balances in respect of derivative instruments				
NIS-CPI contracts	67	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.07%-6.71% (0.94%)
Other interest contracts	74	Interest-rate derivatives pricing model	Transaction counterparty risk	0.07%-17.25% (1.05%)
Foreign-currency contracts	(599)	Option pricing model	Transaction counterparty risk	0.66%-4.99% (0.90%)
Share contracts	(75)	Share derivatives pricing model	Transaction counterparty risk	
Share contracts[1]	16	Option pricing model	Quote from counterparty	36.14%-41.95% (36.58%)
			Dividend yield	
			Unlinked NIS interest rate	0.11%-0.97% (0.17%)
Commodity and other contracts	1	Currency derivatives pricing model	Transaction counterparty risk	0.07%-16.15% (2.97%)
Embedded derivatives[2]	(24)	Option pricing model	Quote from counterparty	
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	21	Valuation		
Impaired credit the collection of which is contingent on collateral	704	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:

(1) An increase (decrease) in the standard deviation would lead to a significantly higher (lower) fair-value measurement. Conversely, an increase (decrease) in the dividend yield or in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

(2) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	December 31, 2019			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	177	Quote from transaction counterparty		
Net balances in respect of derivative instruments				
NIS-CPI contracts	113	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.41%-4.47% (1.75%)
Other interest contracts	645	Interest-rate derivatives pricing model	Transaction counterparty risk	0.35%-14.74% (1.68%)
Foreign-currency contracts	464	Option pricing model	Transaction counterparty risk	0.33%-14.44% (1.17%)
Share contracts	(223)			0.33%-0.43% (0.34%)
Share contracts	17	Option pricing model	Quote from counterparty	
Share contracts[1]	-	Option pricing model	Standard deviation	76.96%-76.96% (76.96%)
			Dividend yield	0.00%-0.00% (0.00%)
			Unlinked NIS interest rate	0.32%-0.32% (0.32%)
Commodity and other contracts	9	Currency derivatives pricing model	Transaction counterparty risk	1.01%-2.25% (2.00%)
Embedded derivatives[2]	17	Option pricing model	Quote from counterparty	
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	69	Valuation		
Impaired credit the collection of which is contingent on collateral	502	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:

(1) An increase (decrease) in the standard deviation would lead to a significantly higher (lower) fair-value measurement. Conversely, an increase (decrease) in the dividend yield or in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

(2) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 16 Regulatory Initiatives

The coronavirus crisis and the banking system

The coronavirus crisis began in Israel in February 2020. Amid the concern for the health of the residents of Israel, the financial system embarked upon an accelerated, intense effort to change modes of communication with banks, for the benefit of the citizens. In view of the coronavirus crisis, requests from the banks, and the adjustments necessary in the activity of the banking system, the Bank of Israel issued a series of regulatory reliefs during the month of March, aimed at coping with the crisis.

From March 19 to April 21, the Bank of Israel issued five versions of Proper Conduct of Banking Business Directive 250, granting reliefs in many areas:

Proper Conduct of Banking Business Directive 301, "Activity of the Board of Directors" – The board of directors of a bank is permitted to conduct board meetings without convening in person, without the restrictions in Directive 301 regarding the discussions and resolutions permitted in meetings conducted via telecommunications.

Proper Conduct of Banking Business Directive 308A, "Handling of Public Complaints" – Responses to public complaints may be provided in writing or orally, according to the circumstances. The processing, the bank's answer, and the bank's notification to the customer must be documented. In addition, pursuant to Section 10, the Supervisor has been granted authority, under exceptional circumstances, to extend the response and processing time for addressing complaints received.

Proper Conduct of Banking Business Directive 311, "Credit Risk Management" – The tax authorities have announced an extension of the period for submitting financial statements; the extension also applies to cases in which there is a requirement to receive financial statements in order to grant credit to borrowers.

Proper Conduct of Banking Business Directive 315, "Industry Indebtedness Limit" – Total credit (net of indebtedness for national infrastructures) to the construction and real-estate sector is raised from 20% to 22% of total indebtedness of the public. This relief will continue to apply for 24 months from the date of return to routine conditions (i.e., it will expire in September 2022 at the earliest), in order to allow the banks to return to a rate of 20%.

Proper Conduct of Banking Business Directive 325, "Management of Credit Facilities in Current Accounts" – During this period, there are expected to be more customers who encounter cash-flow problems due to the crisis. The amendments to the directive are aimed at allowing banks to accept debits of customers who deviate from the credit facility granted to them, and to provide unilateral additional credit facilities at a volume of NIS 5,000 for private customers and NIS 100,000 for commercial customers, for three days from the formation of the deviation.

Proper Conduct of Banking Business Directive 326, "Project Finance" – The definition stating that a bank must issue a guarantee to a buyer in respect of an amount paid through a payment stub within fourteen days has been canceled.

Note 16 Regulatory Initiatives (continued)

Proper Conduct of Banking Business Directive 329, "Limits on Issuing Housing Loans" – Banks will be permitted to grant all-purpose loans secured by a mortgage on a residence at a financing rate of up to 70%, versus the present rate of 50%. Loans will be granted according to this relief subject to a declaration of the borrower that the loan is not for the purpose of purchasing a residence as an investment. The bank can also rely on the income of the borrower prior to the period of the coronavirus, under certain conditions.

Proper Conduct of Banking Business Directive 355, "Business Continuity Management" – Banks are permitted to operate in a reduced format, with minimal impairment of banking services for the public. The Banking Supervision Department has also approved the operation of mobile branches, in accordance with the general permit for banks to open and relocate branches during emergencies. The use of the permit to open mobile branches is limited to the end of the present situation, or until an emergency is declared and other instructions are given.

Proper Conduct of Banking Business Directive 357, "Information Technology Management" – The banks have received a six-month extension of the period for performance of a security survey for systems at high risk and e-banking systems, which was previously performed at least once every eighteen months.

Proper Conduct of Banking Business Directive 367, "E-Banking," and Proper Conduct of Banking Business Directive 420, "Sending Notices via Means of Communication" – In order to support the accessibility of existing communication channels to customers, with an emphasis on possibilities for remote activities, it has been agreed that banks are permitted to proactively send their customers messages through e-banking channels proposing registration for these services and guiding them on how to do so, even without having the customer sign an e-banking agreement. An update has also been issued according to which the volume of activity subject to the reliefs with regard to identification and verification will be increased, from NIS 50,000 to NIS 100,000.

Proper Conduct of Banking Business Directive 432, "Transferring Activity and Closing a Customer's Account" – The period from the customer's completion of the required actions has been extended from five business days to fourteen business days.

Proper Conduct of Banking Business Directive 439, "Debits by Authorization" – The Bank of Israel allows banks to receive orders from customers to cancel debits by authorization or account debit authorizations via telephone, rather than only by written notice, provided that the call is documented.

Proper Conduct of Banking Business Directive 450, "Debt Collection Proceedings" – The customer's consent for a debt arrangement can also be obtained via telephone, without a signature.

Proper Conduct of Banking Business Directive 451, "Procedures for Extending Housing Loans" – The periods of time granted to banks have been extended with regard to the issuance to customers of letters of intent, confirmation of settlement, and notification of providing insurance for a borrower from the bank.

Inception and transitional period – The reliefs were granted in a temporary order expiring September 30, 2020. The Supervisor, with the approval of the Governor of the Bank of Israel, is authorized to extend the temporary order by six additional months.

Note 16 Regulatory Initiatives (continued)

Additional reliefs of other regulators

Emergency Regulations – Checks without Cover: The Emergency Regulations – Checks without Cover were approved by the government via a telephone survey on March 23, 2020. The regulations state that in view of the spread of the coronavirus, banks shall not restrict an account due to refused checks, during this period.

Regulatory reforms for increased competition in the banking system

Several regulatory initiatives have been formulated over the last few years, with the primary aim of increasing competition in the banking system in Israel; several additional regulatory initiatives are in preliminary stages.

Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel

The Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, was published in January 2017, on the basis of the report of the public committee appointed by the Minister of Finance and the Governor of the Bank of Israel (the Strum Committee).

- The law states that credit-card companies are to be separated from the two largest banks (the Bank and Bank Leumi). The Bank completed its separation from the Isracard Group, as required by the Law for Increasing Competition, on March 9, 2020.
- Beginning in February 2020, the Bank presents detailed information to its customers, on its website, regarding transactions executed by the customers using non-bank credit cards, in accordance with an amendment to Proper Conduct of Banking Business Directive 470, issued in November 2018, which sets forth directives regarding the manner of presentation of the information.
- As part of the infant competitor protections for the credit-card companies, the Bank will be required to reduce its credit facilities by 50%, relative to the credit facilities it allocated in 2015, by February 2021. Subsequently, the Bank will not be permitted to enlarge its credit facilities for three additional years. The Bank is preparing to comply with the schedule, as required.

Law for Online Bank Account Switching

The law for the establishment of an automatic bank account switching system, based on the CASS (Current Account Switch Service) established in England, was passed by the Knesset in February 2018, as part of the economic plan (the Arrangements Law) for 2018. According to the law, banks will be required to allow secure online transfers for customers, within seven business days, at no cost to the customer. The law will take effect in February 2021, with an option for extension of implementation by one additional year. It has been decided that Masav (the Bank Clearing Center) will manage the project. The company has presented a schedule for implementation to the Banking Supervision Department and to all of the member banks.

In June 2019, the Governor of the Bank of Israel issued initial rules pursuant to the law, concerning the types of accounts for which the banks will be required to allow switching within the system. According to the data of the Bank of Israel, approximately 80% of current accounts of households will be transferable using the system.

Note 16 Regulatory Initiatives (continued)

In June 2019, the Banking Supervision Department issued a draft of rules regarding the types of products transferable using the system, including authorizations to debit an account, management of negative balances in NIS and in foreign currency, management of securities, and more. On December 16, 2019, the Bank of Israel issued the Banking Rules (Service to Customers) (Transferring the Financial Activity of Customers Between Banks), and Proper Conduct of Banking Business Directive 448, "Online Transfers of the Financial Activity of Customers Between Banks," which regulates the series of actions required of the receiving bank and the transferring bank when switching banks, and specifies the obligations applicable to each bank.

Payment services reform

The Payment Services Law, issued in January 2019, will take effect on October 14, 2020, following a postponement. This law replaces the Charge Card Law; in essence, it will cause consumer protections previously restricted to cards to also apply to means of payments at banks, such as transfers from accounts and authorizations to debit accounts. Protections will also apply to innovative means of payment, such as payment applications, electronic wallets, and more. The main preparations required of the Bank concern adaptation of contracts, due disclosure, and notifications required for all means of payment offered by the Bank to its customers; obligations and responsibilities imposed upon the Bank with respect to abuse; and account debit authorizations, to which a section of the law is dedicated. The Bank is preparing to comply with the schedule, as required.

Open API

Within the Law for Increasing Competition in the Banking System, the Bank of Israel initiated the Open Banking Procedure. The procedure establishes rules for viewing by a third party of the financial information of a customer. The procedure states that access to the information of consenting customers will be granted using open API (open banking). The banks will allow third parties a secure connection to their databases, and, after receiving authorization from the customer, the third parties will be able to provide cost comparison and financial information collection services.

In practice, the Bank is obligated to allow the transfer of information regarding customers' accounts to third parties providing customers with consulting, cost comparison, and financial information summation services. Such transfer shall be subject to the customer's approval, and shall be performed using open API.

An updated schedule was issued by the Bank of Israel on April 7, 2020: the banks are to be prepared with regard to a consent model, balances, and current-account transactions by March 31, 2021; October 10, 2021 – statements for bank and non-bank charge cards, and access to the issuance of orders to transfer payment from the customer's bank account; March 31, 2022 – access to additional information of customers – credit and loans, deposits and savings, and information regarding the customer's securities portfolio.

Note 16 Regulatory Initiatives (continued)

Additional material directives and initiatives in 2019

- IT services bureau – In March 2019, TCS was selected as the winning supplier to receive a grant from the Ministry of Finance for the establishment of an IT bureau, which will set up IT infrastructures and provide comprehensive banking IT services to financial entities. In the first stage, TCS will receive a grant of NIS 105 million, subject to the attainment of milestones, rising to a maximum amount of NIS 200 million under certain conditions. In August 2019, the Supervisor of Banks instructed the banks to prepare to connect to the IT services bureau during 2020. The Bank is preparing to comply with the directive as required.
- A second draft of a Proper Conduct of Banking Business Directive concerning consumer credit management was issued on February 18, 2020, and presented to the advisory committee of the Bank of Israel. The goal of the directive is to establish minimum standards and norms of conduct expected in the activity of the banking system with households, including:
  - Restriction of the scope of retail credit to the financial capability of the customer, and avoidance of granting credit that may constitute an excessive burden on the household.
  - Strict adherence to appropriate marketing processes towards customers.
  - Strict adherence to relevant and complete disclosure to customers.
  - Ensuring that remuneration mechanisms at the Bank do not encourage unfair conduct.

These regulatory initiatives sometimes have an adverse effect on the income and expenses of the Bank, and may sometimes have an adverse effect on the business of the Bank Group in the future. The Bank is reviewing the overall implications of the foregoing for the Bank's income, as well as additional long-term business and operational implications. These effects cannot be quantified at this stage, and depend on customers' behavior, additional regulatory changes, and the activity of competitors, among other factors.

Note 17 Effects of the Spread of the Coronavirus

The coronavirus spread rapidly around the world during the first quarter of 2020; in response, governments, including in Israel, took defensive measures such as restriction of international travel, quarantines, reduction of congregation and movement, lockdowns, restrictions of the activity of private businesses and of government and municipal services, and more. The spread of the virus and the defensive measures have caused material economic damage and negative trends in the global economy and in the Israeli economy, and have hurt global capital markets and the local market. In response, governments and central banks worldwide, including in Israel, have taken various measures, including grants, loans, intervention in capital markets, and more.

The spread of the virus has caused material worsening of activity in the economy in Israel, to which the activity of the Bank is exposed, and it has and is expected to have impacts on the business of the Bank, including due to an increase in credit risk and in liquidity problems of borrowers, in both the business and private sectors, and due to the deceleration of economic activity. The reduction of short-term interest rates by the central banks – the rate cuts already performed as well as probable additional reductions – also has the effect of reducing the future financing income and interest income of the Bank. This adds to the decreases in prices of tradable assets and the changes in bond spreads, which have an adverse effect on the value of the tradable assets of the Bank, and additional effects.

On the operational level, and on the level of business continuity, the Bank has applied a series of processes and measures, including remote work, reducing and/or splitting unit personnel, changes in the manner of operation of branches and in activity with customers, deferral of mortgage and loan payments, and more,

In view of the spread of the coronavirus, and in order to ensure the ability of the banks to continue to offer credit, on March 31, 2020, the Banking Supervision Department reduced credit requirements for banks, within the Temporary Order, for a period of six months, with an option for extension.

For further details regarding the directives of the Supervisor of Banks, capital-adequacy targets, and dividends, see Note 9, above.

This quarter, due to the spread of the virus, the Bank recorded an increase in the provision for credit losses in the amount of approximately NIS 757 million. Most of the increase resulted from an increase in the collective allowance, in the amount of approximately NIS 603 million, and from an increase in the individual allowance, in the amount of approximately NIS 154 million, mainly in respect of borrowers in the energy sector who were adversely affected by the crisis or its consequences. This increase is further to the increase in the provision for credit losses in the amount of approximately NIS 676 million recorded in the annual financial statements for 2019 (published in the second half of March 2020, after the spread of the coronavirus), in view of the impacts of the spread of the virus, as noted above.

In this context, note that loan payments (principal and/or interest) were deferred due to the coronavirus event in March 2020, which, in accordance with the statements in Note 1C(2) above, were not classified as restructuring of problematic debt, in the amount of approximately NIS 897 million. Additional payments were deferred in the second quarter of 2020. Following the spread of the coronavirus, the Bank recorded an increase in the provision for credit losses in this quarter and in the preceding quarter in a total amount of approximately NIS 1,433 million, beyond the change in the allowance for credit losses unrelated to the coronavirus event.

Note 17 Effects of the Spread of the Coronavirus (continued)

Decreases in prices of tradable assets, and changes in interest-rate curves in Israel and globally and in bond spreads, have exerted a negative effect on the value of the tradable assets of the Bank. The value of the share portfolio and the portfolio of bonds available for sale decreased by approximately NIS 705 million during the quarter. The effect of this decrease on capital is mitigated by the allocation to capital of offsetting effects, mainly arising from the opening of the credit spreads used to determine the discount rate of employee benefit liabilities; the effect of the increase in the discount rate led to a decrease in the actuarial liability and to a corresponding increase in capital in the amount of approximately NIS 662 million. Note that the financial markets recovered somewhat during the month of April, tempering the effects described above. As noted, at this stage it is not possible to estimate the full effects of this event on the Bank or the scope thereof, due to the uncertainty surrounding the duration of the event of the spread of the virus, the measures to be taken to stop such spread, and the severity thereof, as well as uncertainty concerning the resulting impacts on economic activity, capital-market trends, and various financial measures to be applied by governments, central banks, and regulators in this area.

Bank Hapoalim

Corporate Governance,
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5. Corporate governance

5.1. Internal audit

Details regarding the Group's internal auditing, including the professional standards under which internal audit operates and the considerations involved in formulating the annual and multi-year work plans, are provided in the Annual Report for 2019. No material changes occurred in this information during the reported period, other than those noted below.

With the development of the coronavirus pandemic, in accordance with the instructions of the Ministry of Health and the Banking Supervision Department, auditing is temporarily operating with a reduced workforce. Internal audit has reduced its routine activity and rechanneled resources to the examination of the immediate risks and to the performance of necessary ad-hoc examinations.

5.2. Other matters

Over the last few months, the Board of Directors of the Bank and the board committees have held frequent discussions of the spread of the coronavirus and the various aspects of its impact on the Bank and on the markets, including the business continuity of the activity of the Bank, the Bank's preparations for various scenarios, and preparation for "the day after." Taking into consideration the circumstances and the regulatory directives, including the Temporary Order issued by the Banking Supervision Department in connection with the crisis, since March 2020 the meetings of the Board of Directors and of the board committees have been held through telecommunications, without in-person attendance.

Further to the request of the Bank, in March 2020 the Committee for the Appointment of Directors at Banking Corporations issued a notice to the public regarding the submission of applications for service as a director at the Bank. In advance of the general meeting of 2020 (scheduled to convene in September 2020), the committee was asked to propose candidates to the Bank for three positions: two external directors, for the positions of Ronit Abramson-Rokach and Dalia Lev, who will complete their first term of service in February and April 2021, respectively, and one "other" director, to replace Moshe Koren, who will complete his service at the Bank (which has been extended by the Supervisor of Banks) upon the appointment of such a director at the annual meeting of 2020.

Pursuant to the requirement of the Supervisor of Banks, the Board of Directors of the Bank resolved on March 18, 2020, to establish an independent committee headed by Supreme Court Justice (Retired) Prof. Yoram Danziger (the "Committee"). Based on the Supervisor's instructions, the Committee will examine the managerial and supervisory processes that allowed the actions that are the subject of the American matter in its entirety, while addressing corporate governance aspects and the conduct of the senior management and the Board of Directors, and in this regard will form recommendations as needed. In addition, and noting the legal proceedings pending in connection with the investigations of the U.S. Authorities, including a petition to approve a derivative claim and a petition for disclosure of documents prior to a derivative claim (see Note 10 to the Condensed Financial Statements), the Board of Directors of the Bank decided that the Committee will also examine whether the best interests of the Bank justify initiating legal proceedings or other measures towards any third party, and/or reaching other arrangements. The Committee will form recommendations regarding the course of action that would optimally serve the best interests of the Bank, in view of all of the circumstances, and will submit its recommendations to the Board of Directors of the Bank. Upon approval of the resolutions with the U.S. Authorities (see Note 10D to the Condensed Financial Statements), the work of the Committee began. The members of the Committee are: the Honorable Justice (Retired) Prof. Yoram Danziger (chairperson of the Committee), the Honorable Justice (Retired) Yosef Alon, Prof. Gideon Parchomovsky, and Ms. Ronit Abramson-Rokach (an external director of the Bank).

On March 31, 2020, the Board of Directors of the Bank resolved to establish a board committee to monitor the implementation of the resolutions of the Bank with the U.S. Authorities and to supervise the implementation of the requirements and obligations of the Bank included in the resolutions. See also Note 10D and 10E to the Condensed Financial Statements.

In May 2020, the Remuneration Committee (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000) and the Board of Directors resolved to approve the extension of the directors' and officers' liability insurance policy of the Bank and of subsidiaries of the Bank for a period of up to one month (i.e. until June 30, 2020, instead of May 31, 2020, the expiration date of the existing insurance policy – see Standard 29A of the Annual Periodic Report of the Bank for 2019, p. 530-531), in consideration for a total of up to approximately USD 300,000, in order to complete negotiations with insurers regarding renewal of the policy.

Decentralization of the controlling core of the Bank and transition to a bank without a controlling core

Until November 2018, Ms. Shari Arison held the permit for control of the Bank, through Arison Holdings (1998) Ltd. ("Arison Holdings"). On November 22, 2018, Ms. Arison's control permit was replaced by a permit to hold means of control, which she received from the Bank of Israel (a "holding permit"), allowing the control of the Bank to be decentralized, and the Bank became a banking corporation without a controlling core. Pursuant to the terms of the holding permit, Ms. Arison, who holds approximately 15.7% of the shares of the Bank at the date of publication of this statement, is required to sell her holdings in the Bank in excess of 5% within several years (by November 2022, with possible extension by an additional two years, with the approval of the Supervisor of Banks). For additional information regarding the holding permit, the change in the structure of control of the Bank, and the consequences thereof, see Section 6.6 in the Corporate Governance section of the Annual Financial Statements of the Bank for 2018.

6. Additional information regarding the business of the corporation and the management thereof

6.1. Segments of activity based on management approach

6.1.1. Private Customer Segment

General information and segment structure

The Bank provides a wide range of services to private customers, including routine account-management services, credit granting for various purposes, deposits, savings plans, and capital-market activity. In addition, the Bank offers services and solutions to customers with complex financial needs, through advanced products, global asset management, and a professional service package, which includes meetings, proactively initiated telephone calls, and an advanced advisory system aided by decision support tools.

Services are provided to the segment's customers through a network of 208 branches, a mobile branch, and the Bank's first advising center, Poalim Invest Harimon, as well as through direct channels, including self-service stations at branches and on customer premises, Poalim Online, Poalim Mobile, the Poalim by Telephone call center, the interactive voice response (IVR) system for information and transactions, and social media.

As part of the Bank's approach to service and social responsibility, the Bank considers accessibility to people with disabilities an essential issue and its duty as a business; accordingly, all of the Bank's services have been made accessible to people with disabilities.

There has been an ongoing trend of increasing banking activity through unstaffed channels (self-service automatic teller machines, the website, applications, the mobile site, and the automatic voice response at the Poalim by Telephone call center) over the last few years.

In addition to this trend, during the year the Bank launched a service for scheduling meetings with bankers, allowing customers to set up a high-quality, professional, individual appointment.

Actions taken by the Bank to cope with the spread of the coronavirus

Beyond the routinely operating mobile branch, two emergency mobile branches have been deployed, to enhance banking services. The mobile branches visit elderly care facilities, at customers' request, and areas characterized by crowded branches. The number of attendants at branches open to the public has been increased, in order to assist customers in operating digital means and self-service devices, while adhering to the instructions of the Ministry of Health. In accordance with the instructions of the Bank of Israel, we allow customers to schedule an appointment before visiting a branch, and we recommend that they do so.

A dedicated website has been established and is continually maintained, presenting all of the information, means of communication, and key actions taken by the Bank in order to continue to provide professional, accessible, available service.

The Bank has made it easier for customers to receive service at the call centers, and added new transactions and options available through at the automated voice response system and through bankers.

The age threshold of the dedicated line for elderly customers has been lowered from 75 to 70 (customers who call this line receive service from a human banker, with high availability, sensitivity, and professionalism).

As part of the effort to cope with this complex and challenging situation, the Bank has introduced several products and processes aimed at providing relief to our customers, including:

- Allowing suspension of payments on mortgage and other loans, for private and business customers, for a period of three months.
- Designated loans for small businesses in amounts of up to NIS 400 thousand per borrower, for periods of up to 24 months, with a grace period of up to six months.
- Designated loans for private customers in amounts of up to NIS 30 thousand per borrower, for periods of up to sixty months, with a grace period of up to six months.
- Loans for self-employed individuals, in collaboration with the Israel Chamber of Independent Organizations and Businesses, in amounts of up to NIS 10 thousand per borrower, for periods of up to sixty months, with a grace period of up to six months.
- Larger credit facilities for private customers.
- Subsidized loans for Histadrut union workers in amounts of up to NIS 10 thousand per borrower, for periods of up to sixty months.
- Partially state-backed loans in amounts derived from customers' business turnover.

Pension advising

In the first quarter of 2020, the coronavirus crisis affected the capital market, and therefore affected returns of pension savings and provident funds. The crisis also caused a reduction of activity in the area of pension advising, and a decrease in advised balances.

Pursuant to a draft amendment to Section 11(E) of the Law for Supervision of Financial Services, issued on April 7, 2020, due to the crisis, banking corporations will be permitted to provide pension advice via telephone, or through other digital means, for a period of three months, according to a temporary order. In response to this draft, we requested extension of this period to twelve months.

Technological changes that may have a material impact on the segment

Expansion of Bit application

The Bit application has continued to expand in the area of consumer goods, allowing secure, quick payment on shopping websites, without the need to enter credit-card details.

Launch of Bank Hapoalim application

A new application allowing easy banking, which combines the most advanced technological capabilities and an individualized user experience with modern appearance and language and an advanced customer experience, focused value offers, and guidance of customers in informed financial decision-making.

The application has been implemented gradually. Implementation for Android systems has been completed. Implementation for iOS is expected later this year.

Daily banking during the coronavirus period

In light of the situation, the Bank is preparing to expand the number of customers who use digital channels, while offering new digital services, with the aim of providing relief to customers during this period. Among other matters, the following new services are offered through digital channels: submission of an application to defer mortgage payments directly through the website; deferral of credit-card payments through digital channels; increase of the grace period in Instant Credit to six months; granting of business loans through digital channels; additional automatic unilateral credit facilities for high-quality customers; increase of the amount of checks that can be deposited using an application from NIS 20,000 to NIS 50,000 for each individual check (daily ceiling NIS 100,000, monthly ceiling NIS 200,000); increase of the ceiling for fund transfers from NIS 100,000 per month to NIS 200,000; and issuance of a password for Poalim by Telephone through the website.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

- On March 14, 2018, the Knesset plenum passed the Banking Chapter of the Bank Switching System Law (the plan for increasing competition in the banking market through the removal of barriers to switching), in the second and third readings. Pursuant to the law, banks shall allow secure online transfers for customers, within seven business days, at no cost to the customer. The law will take effect within three years. On December 16, 2019, the Banking Supervision Department issued rules regarding the types of products transferable using the system, including authorizations to debit an account, management of negative balances in NIS and in foreign currency, management of securities, and more. A Proper Conduct of Banking Business Directive was also published on December 16, 2019, regulating the series of actions required of the receiving bank and the transferring bank when switching banks, which specifies the obligations applicable to each bank, among other matters.
- The Payment Services Law, issued in January 2019, will take effect on October 14, 2020, following a postponement. This law replaces the Charge Card Law; in essence, it will cause consumer protections previously restricted to cards to also apply to means of payments at banks, such as transfers from accounts and authorizations to debit accounts. Protections will also apply to innovative means of payment, such as payment applications, electronic wallets, and more. The main preparations required of the Bank concern adaptation of contracts, due disclosure, and notifications required for all means of payment offered by the Bank to its customers; obligations and responsibilities imposed upon the Bank with respect to abuse; and account debit authorizations, to which a section of the law is dedicated. The Bank is preparing to comply with the schedule, as required.

For additional information regarding regulatory initiatives that may have an impact on the activity of the segment, including information regarding the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (the "Strum Committee"), see Note 16 to the Condensed Financial Statements.

Table 6-1: Results of operations and principal data of the Private Customer Segment

	For the three months ended March 31	
	2020	2019*
	NIS millions	
Total net interest income	**655**	724
Non-interest financing income	**3**	2
Total net financing profit	**658**	726
Fees and other income	**406**	354
Total income	**1,064**	1,080
Provision for credit losses	**131**	57
Total operating and other expenses	**858**	903
Profit from continued operations before taxes	**75**	120
Provision for taxes on profit from continued operations	**34**	46
Net profit attributed to shareholders of the Bank	**41**	74
Net credit to the public at the end of the reported period	**39,410**	43,436
Deposits from the public at the end of the reported period	**210,088**	187,820

* Some of the data were reclassified in order to properly reflect changes.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Private Customer Segment totaled NIS 41 million in the first quarter of 2020, compared with NIS 74 million in the same quarter last year. The decrease resulted from a decrease in net financing profit and from an increase in the provision for credit losses, partly offset by a decrease in operating expenses and an increase in fees.

Net financing profit totaled NIS 658 million in the first quarter of 2020, compared with NIS 726 million in the same quarter last year. The decrease resulted from a decrease in credit balances, alongside a decrease in financial spreads on deposits, due to a decrease in the dollar interest rate.

Income from fees totaled NIS 406 million in the first quarter of 2020, compared with NIS 354 million in the same quarter last year. The increase mainly resulted from an increase in securities fees, credit-card fees, and conversion differences. This increase was partly offset by a decrease in account-management fees.

The provision for credit losses totaled NIS 131 million in the first quarter of 2020, compared with NIS 57 million in the same quarter last year. The increase resulted from an increase in the collective allowance in respect of sound credit, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers. However, the decrease in volumes of automatic charge-offs continued in the present quarter.

Operating and other expenses of the segment totaled NIS 858 million in the first quarter of 2020, compared with NIS 903 million in the same quarter last year. The decrease mainly resulted from a decrease in salary expenses, due to continued cost savings due to efficiency processes; a decrease in bonus amounts, in view of the return on equity attained in the first quarter of 2020, as a result of the effects of the spread of the coronavirus; and the effects of the wage agreement, pursuant to which equity compensation for employees has been eliminated and replaced by wage increments granted beginning in May. A large expense for equity compensation was recorded in the first quarter of 2019, due to an increase in the share price of the Bank.

Net credit to the public totaled approximately NIS 39.4 billion as at March 31, 2020, compared with approximately NIS 41.5 billion as at December 31, 2019.

Deposits from the public totaled approximately NIS 210.1 billion as at March 31, 2020, compared with approximately NIS 188.8 billion as at December 31, 2019. The increase mainly resulted from customers' transition to conservative investment channels due to the effects of the spread of the coronavirus.

For additional information regarding credit risk with respect to private individuals, see "Credit risk" in the section "Review of risks" in the Report of the Board of Directors and Board of Management.

6.1.2. Small Business Segment

General information and segment structure

The Bank provides a range of banking services and financial products to small businesses. The segment's activities are conducted through the Bank's nationwide branch network and through the direct channels (see the section "Private Customer Segment" above). The branch network also provides necessary services to business customers of the Corporate and Commercial Segments.

Services for the segment's customers include routine account management, alongside extensive efforts aimed at support for and growth of this segment, including targeted credit tailored to customers' needs through a wide range of products.

Solutions for customers during the crisis – detailed in the Private Customer Segment.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

See "Private Customer Segment," above.

Table 6-2: Results of operations and principal data of the Small Business Segment

	For the three months ended March 31	
	2020	2019*
	NIS millions	
Total net interest income	**377**	414
Non-interest financing income	**2**	1
Total net financing profit	**379**	415
Fees and other income	**151**	143
Total income	**530**	558
Provision for credit losses	**140**	78
Total operating and other expenses	**294**	307
Profit from continued operations before taxes	**96**	173
Provision for taxes on profit from continued operations	**42**	66
Net profit attributed to shareholders of the Bank	**54**	107
Net credit to the public at the end of the reported period	**30,168**	32,111
Deposits from the public at the end of the reported period	**50,119**	42,854

* Some of the data were reclassified in order to properly reflect changes.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Small Business Segment totaled NIS 54 million in the first quarter of 2020, compared with NIS 107 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses and a decrease in net financing profit, partly offset by a decrease in operating expenses.

Net financing profit totaled NIS 379 million in the first quarter of 2020, compared with NIS 415 million in the same quarter last year. The decrease resulted from a decrease in credit balances, alongside a decrease in financial spreads on deposits, due to a decrease in the dollar interest rate.

The provision for credit losses totaled NIS 140 million in the first quarter of 2020, compared with NIS 78 million in the same quarter last year. The increase resulted from an increase in the collective allowance, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.

Operating and other expenses of the segment totaled NIS 294 million in the first quarter of 2020, compared with NIS 307 million in the same quarter last year. The decrease mainly resulted from a decrease in salary expenses, due to continued cost savings due to efficiency processes; a decrease in bonus amounts, in view of the return on equity attained in the first quarter of 2020, as a result of the effects of the spread of the coronavirus; and the effects of the wage agreement, pursuant to which equity compensation for employees has been eliminated and replaced by wage increments granted beginning in May. A large expense for equity compensation was recorded in the first quarter of 2019, due to an increase in the share price of the Bank.

Net credit to the public totaled approximately NIS 30.2 billion as at March 31, 2020, compared with approximately NIS 31.0 billion as at December 31, 2019.
Deposits from the public totaled approximately NIS 50.1 billion as at March 31, 2020, compared with approximately NIS 46.0 billion as at December 31, 2019.

6.1.3. Housing Loan Segment

General information and segment structure

The Bank offers housing loans to private customers, from Bank funds as well as through government assistance programs, at Mishkan representative offices within branches located nationwide.

Competition

Mortgages are a price-oriented product: a mortgage is a significant economic transaction for households, and customers therefore tend to conduct market surveys and compare prices. This market is therefore characterized by a high level of competition.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

Extensive, dedicated regulation applies to housing loans, in addition to the general regulation applicable to credit granted by the Bank.

- Crisis due to the spread of the coronavirus – Since the beginning of the coronavirus crisis, the Bank has allowed customers with housing loans to defer loan payments for up to three months (principal and interest payments). When loan payments are deferred, the customer does not pay the scheduled payments during the deferral period, and these payments are spread over the remaining period of the original loan.
- In the first quarter of 2020, a relief was granted in Proper Conduct of Banking Business Directive 329, permitting the granting of all-purpose loans with a lien on a residential property at a financing rate of up to 70% (the limit on the financing rate was 50% prior to this relief).

For details regarding credit balances in respect of which payments were deferred, and additional effects of the coronavirus, see the section "Credit risk management" in the Report of the Board of Directors and Board of Management.

Table 6-3: Results of operations and principal data of the Housing Loan Segment

	For the three months ended March 31	
	2020	2019*
	NIS millions	
Total net interest income	**235**	194
Fees and other income	**15**	15
Total income	**250**	209
Provision for credit losses	**32**	7
Total operating and other expenses	**74**	71
Profit from continued operations before taxes	**144**	131
Provision for taxes on profit from continued operations	**60**	49
Net profit attributed to shareholders of the Bank	**84**	82
Net credit to the public at the end of the reported period	**92,058**	82,722

* Some of the data were reclassified in order to properly reflect changes.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Housing Loan Segment totaled NIS 84 million in the first quarter of 2020, compared with NIS 82 million in the same quarter last year.

Net financing profit totaled NIS 235 million in the first quarter of 2020, compared with NIS 194 million in the same quarter last year. The increase resulted from an increase in the volume of credit and in financial spreads on credit.

The provision for credit losses totaled NIS 32 million in the first quarter of 2020, compared with NIS 7 million in the same quarter last year. The increase resulted from an increase in the collective allowance in respect of sound credit.

Credit to the public totaled approximately NIS 92.1 billion as at March 31, 2020, compared with approximately NIS 89.3 billion as at December 31, 2019. The increase resulted from an increase in the volume of activity.

For additional information regarding risks in the housing-loan portfolio, see Section 3.2.6 in the chapter "Review of risks" in the Report of the Board of Directors and Board of Management.

6.1.4. Commercial Segment

General information and segment structure

The Commercial Segment provides a wide range of banking services to middle-market business clients. The segment operates through business centers for established customers and business centers for growing customers. Operational services for the segment's customers are provided by a nationwide network of service centers.

Customers

The main areas of activity of the segment's customers are industry, commerce, and construction and real estate. These customers primarily operate in the domestic market; the segment also serves customers engaged in import and export activities. Most of the growth in this segment stems from the construction and real-estate sector. As part of its strategy, the Bank is focusing on deepening its activity with customers in the commerce sector.

Coping with the coronavirus has led to considerable worsening in the economic activity environment. The lockdown policy is expected to lead to a steep decline in activity in most economic sectors, and more than a million people are unemployed. Service industries such as hotels, restaurants, culture, and entertainment, as well as various sectors of commerce, have sustained the main damage. Aviation and energy companies have also been hurt. The crisis has raised risk premiums in the financial markets, while also creating liquidity problems. The yield-generating commercial real estate sector has been damaged by the lockdown policy; uncertainty in the real-estate sector in general has greatly increased, due to the damage to households' income and the expected reduction of activity of business firms. For further details regarding the effects of the coronavirus, see the section "Risk management" in the Report of the Board of Directors and Board of Management.

Table 6-4: Management approach activity segments – results of operations and principal data of the Commercial Segment

	For the three months ended March 31	
	2020	2019*
	NIS millions	
Total net interest income	**281**	261
Non-interest financing income	**6**	3
Total net financing profit	**287**	264
Fees and other income	**102**	89
Total income	**389**	353
Provision for credit losses	**175**	1
Total operating and other expenses	**117**	122
Profit from continued operations before taxes	**97**	230
Provision for taxes on profit from continued operations	**43**	87
Net profit attributed to shareholders of the Bank	**54**	143
Net credit to the public at the end of the reported period	**40,596**	38,205
Deposits from the public at the end of the reported period	**27,153**	23,963

* Reclassified.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Commercial Segment totaled NIS 54 million in the first quarter of 2020, compared with NIS 143 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, partly offset by an increase in net financing profit and an increase in income from fees.

Net financing profit totaled NIS 287 million in the first quarter of 2020, compared with NIS 264 million in the same quarter last year. The increase mainly resulted from an increase in the volume of credit.

Income from fees totaled NIS 102 million in the first quarter of 2020, compared with NIS 89 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions.

The provision for credit losses totaled NIS 175 million in the first quarter of 2020, compared with a provision in the amount of NIS 1 million in the same quarter last year. The increase mainly resulted from an increase in the collective provision in respect of sound credit, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.

Net credit to the public totaled approximately NIS 40.6 billion as at March 31, 2020, compared with approximately NIS 40.1 billion as at December 31, 2019.

Deposits from the public totaled approximately NIS 27.2 billion as at March 31, 2020, compared with approximately NIS 25.1 billion as at December 31, 2019.

6.1.5. Corporate Segment

General information and segment structure

The Corporate Segment specializes in providing financial services to large corporations in Israel. Credit granting constitutes its principal area of activity. The segment operates through three sectors, each of which contains specialist Customer Relationship Managers (CRMs):

- Real estate;
- Industry, commerce, and hotels;
- Infrastructures and energy.

The sector also specializes in complex financing products, including foreign-trade financing, financing of working capital, financing of assets overseas, complex financing transactions, syndication, and credit-risk sales.

Also operating within the Corporate Banking Division is the Special Credit Area, which coordinates the handling of customers experiencing financial difficulties in the Corporate and Commercial Segments and endeavors to assist them in restructuring by providing business support.

For details regarding the effect of the coronavirus outbreak, see Section 6.1.4, "Commercial Segment," above.

Table 6-5: Management approach activity segments – results of operations and principal data of the Corporate Segment

	For the three months ended March 31	
	2020	2019*
	NIS millions	
Total net interest income	**346**	344
Non-interest financing income	**45**	19
Total net financing profit	**391**	363
Fees and other income	**137**	116
Total income	**528**	479
Provision (income) for credit losses	**288**	(20)
Total operating and other expenses	**147**	143
Profit from continued operations before taxes	**93**	356
Provision for taxes on profit from continued operations	**42**	135
Net profit attributed to shareholders of the Bank	**51**	221
Net credit to the public at the end of the reported period	**80,979**	72,004
Deposits from the public at the end of the reported period	**49,294**	48,422

* Reclassified.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Corporate Segment totaled NIS 51 million in the first quarter of 2020, compared with NIS 221 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, partly offset by an increase in net financing profit and in income from fees.

Net financing profit totaled NIS 391 million in the first quarter of 2020, compared with NIS 363 million in the same quarter last year. The increase resulted from an increase in income from the activity of the dealing room, due to an increase in the volume of transactions as a result of the volatility in the market.

Income from fees totaled NIS 137 million in the first quarter of 2020, compared with NIS 116 million in the same quarter last year. The increase mainly resulted from an increase in securities fees and in credit-handling fees.

The provision for credit losses totaled NIS 288 million in the first quarter of 2020, compared with income in the amount of NIS 20 million in the same quarter last year. The increase mainly resulted from an increase in the collective provision in respect of sound credit, and from an increase in the individual provision, due to the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers.

Net credit to the public totaled approximately NIS 81.0 billion as at March 31, 2020, compared with approximately NIS 75.7 billion as at December 31, 2019. The increase mainly resulted from utilization of credit facilities, as a result of an increase in customers' credit needs, due to the worsening of the economic environment while coping with the coronavirus.

Deposits from the public totaled approximately NIS 49.3 billion as at March 31, 2020, compared with approximately NIS 53.0 billion as at December 31, 2019.

6.1.6. International activity

General information

The international activity of the Bank Group includes the New York branch and representative offices, Hapoalim Switzerland, and Bank Pozitif in Turkey, as well as relationships with banks around the world.

Most of the international business banking activity of the Bank is conducted through the New York branch, which focuses on providing comprehensive banking services to Israeli companies operating in the United States, as well as to local companies and clients, including credit, foreign trade, deposits, and dealing-room services. The New York branch also offers its customers FDIC deposit insurance. The branch also grants credit through the acquisition of participations.

Activity with banks includes trading through dealing rooms, cooperation in foreign trade and international trade financing, project financing, clearing of payments, and capital-market services (see the section "Credit exposure to foreign financial institutions").

In the area of global private banking, the Bank is completing the process of discontinuing its operations overseas and closing its subsidiaries.

Legislative restrictions, standards, and special constraints applicable to international activity

In addition to the rules and limits imposed by the Bank of Israel on the international activity of the Bank Group, pursuant to legislation and regulations, as well as the provisions of permits granted by the Bank of Israel for the acquisition of subsidiaries and/or opening of branches abroad, the activity of the International Banking Segment in the various countries is subject to standards relevant to the nature of activity of the Group in the countries in which its business is conducted (cross-border regulations) and to regulatory supervision by various government agencies in the countries in which the Bank's overseas offices operate, including requirements concerning capital, holdings of liquid assets, compliance, the prohibition of money laundering, etc.

For details regarding the investigation of the Bank Group's business with American customers, see Note 10D to the Condensed Financial Statements.

For details regarding the investigation of the Bank in connection with senior officials of the Fédération Internationale de Football Association (FIFA), see Note 10E to the Condensed Financial Statements.

Main international banking units

New York branch

Most of the Bank Group's international business banking is conducted through the New York branch and through representative offices, as well as through relationships maintained with banks around the world. The New York branch has activity in the middle-market sector in the United States, through the development of relationships with and granting of direct credit to local commercial clients. The branch also operates in the syndication market, as a complementary activity.

Hapoalim (Switzerland) Ltd. (Hapoalim Switzerland)

In September 2017, the Bank decided to act to discontinue the activity of Hapoalim Switzerland; since that time, the Bank has been working to transfer the balance of the global private banking customer asset portfolio of Hapoalim Switzerland at its branches in Switzerland and Luxembourg, through a sale or by other means. The Bank is acting to return the license, as required in order to withdraw the company from the supervisory authority of FINMA.

Banque Hapoalim (Luxembourg) S.A. (Banque Hapoalim Luxembourg)

A banking subsidiary (wholly owned by the Bank), mainly engaged in granting credit to corporations with an affinity to Israel operating in Europe. In June 2019, as part of the process of strengthening control over overseas activities, the Board of Directors of the Bank resolved to act to close Banque Hapoalim Luxembourg, by transferring its existing credit portfolio to Israel or settling its balance, and to continue its financing activity in certain countries in Europe directly through the Bank in Israel.

Activity of the Bank in Turkey

The Bank Group currently operates in Turkey through Bank Pozitif Kredi Ve Kalkinma Bankasi Anonim Sirketi (hereinafter: "Bank Pozitif"), which specializes in corporate banking.

The Bank's stake in Bank Pozitif stands at 69.8%. For further details, see Section 2.6 in the Report of the Board of Directors and Board of Management.

In view of the economic and political situation in Turkey, a decision was made within the strategic plan of the Bank to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

In October 2019, the Bank engaged a Turkish investment bank, jointly with the minority shareholder of Bank Pozitif, to assist in finding potential buyers. The Bank estimates, subject to a return to economic stability in Turkey, in light of the coronavirus crisis, that it will be able to enter into an agreement to sell its holdings in Bank Pozitif within the next year, but that it is not expected to recover the full amount of its investment in the company, and that most of the consideration is likely to be contingent.

In accordance with the accounting rules applicable to the Bank, and in view of the Bank's expectation of selling the investment in the coming year, at a price lower than its value in the Bank's books, the Bank estimated the fair value of the expected consideration, and established a value in the amount of approximately NIS 33 million for the investment.

The minority shareholder of Bank Pozitif has contentions against the Bank in connection with the alleged effect of the foregoing on the results of Bank Pozitif. Due to the various disagreements, the Bank is conducting an ongoing dialogue with the minority shareholder with regard to the conduct of Bank Pozitif and the activity of its board of directors during 2020.

Table 6-6: Results of operations and principal data of the International Activity Segment

	For the three months ended March 31	
	2020	2019
	NIS millions	
Total net interest income	**105**	124
Non-interest financing income	**19**	13
Total net financing profit	**124**	137
Fees and other income	**14**	16
Total income	**138**	153
Provision (income) for credit losses	**38**	(4)
Total operating and other expenses	**203**	173
Loss from continued operations before taxes	**(103)**	(16)
Provision for taxes (tax benefit) on profit (loss) from continued operations	**(5)**	17
Net loss:		
Before attribution to non-controlling interests	**(98)**	(33)
Attributed to non-controlling interests	**3**	3
Net loss attributed to shareholders of the Bank	**(95)**	(30)
Net credit to the public at the end of the reported period	**13,708**	13,512
Deposits from the public at the end of the reported period	**20,651**	18,804

Principal changes in net profit and balance sheet balances

The loss attributed to shareholders of the Bank in the International Activity Segment totaled NIS 95 million in the first quarter of 2020, compared with NIS 30 million in the same quarter last year. The increase in loss resulted from an increase in expenses recorded in respect of the provision in connection with the investigation of the Bank Group's business with American customers.

The principal changes in the results of international activity are set out below:

- Net profit of the New York branch totaled approximately NIS 0 million in the first quarter of 2020, compared with profit of approximately NIS 39 million in the same quarter last year. The decrease mainly resulted from an increase in the provision for credit losses, due to the rate of increase of the collective allowance, as a result of the uncertainty arising from the effect of the coronavirus on the condition of the economy and of borrowers, and from a decrease in total net financing profit.
- The loss of Hapoalim Switzerland totaled approximately NIS 104 million in the first quarter of 2020, compared with a loss in the amount of approximately NIS 59 million in the same quarter last year. The increase in loss mainly resulted from an increase in the provision in connection with the investigation of the Bank Group's business with American customers, due to an increase in the dollar exchange rate, in contrast to income recorded due to a decrease in the dollar exchange rate in the same quarter last year. The increase in loss in the first quarter of 2020 was partly offset by a decrease in the legal expenses attributed to the investigation.
- In 2019, loss from impairment was recognized in respect of the investment in Pozitif, and the Bank stated its share in the capital of Pozitif at a total of NIS 33 million. There was no change in the value of the investment in the first quarter of 2020; the profit or loss attributed to the shareholders of the Bank is therefore immaterial.

Total credit to the public in international activity amounted to approximately NIS 13.7 billion as at March 31, 2020, compared with approximately NIS 12.9 billion as at December 31, 2019.

- Credit to the public at the New York branch totaled approximately NIS 13.3 billion as at March 31, 2020, compared with approximately NIS 12.4 billion as at December 31, 2019. Credit in middle-market activity totaled approximately NIS 11.9 billion, of which a total of approximately NIS 4.3 billion in respect of syndication transactions, compared with approximately NIS 11.1 billion as at December 31, 2019, of which a total of approximately NIS 4.8 billion in respect of syndication transactions.
- Credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.4 billion as at March 31, 2020, similar to the balance at the end of 2019.

Total deposits from the public in international activity amounted to approximately NIS 20.7 billion as at March 31, 2020, compared with approximately NIS 16.1 billion as at December 31, 2019.

- The balance of deposits from the public at the New York branch totaled approximately NIS 20.6 billion as at March 31, 2020, compared with approximately NIS 16.1 billion as at December 31, 2019. In middle-market activity, deposits totaled approximately NIS 6.9 billion, compared with approximately NIS 7.8 billion as at December 31, 2019. The balance of brokered CD deposits from the public totaled approximately NIS 13.8 billion, compared with approximately NIS 8.3 billion as at December 31, 2019.

6.1.7. Financial Management Segment

General information and structure

The activity of this segment includes:

- Activity in the banking book – Management of assets and liabilities, including the management of market and liquidity risks (for details regarding these risks, see the section "Review of risks" in the Report of the Board of Directors and Board of Management), through the establishment of internal transfer prices (see below), investment portfolio management, issuance of bonds and notes, and the execution of transactions in derivative financial instruments. The segment's activity in the banking book is mostly conducted through the Asset and Liability Management (ALM) units in Israel and abroad, and through the Nostro Investment Management Unit, which is responsible for managing the portfolio of government and corporate bonds and the portfolio of shares, and for coordination of activity at the level of the Group.
- Activity in the trading books – Market making and trading activity in the dealing rooms in the areas of foreign currency, interest rates, and OTC derivatives.
- Activity with customers – The provision of research and trading services to the Bank's customers for the execution of transactions in Israeli and foreign securities through the Brokerage Unit, and execution of transactions for customers in derivative financial instruments in NIS, foreign currency, interest rates, indices, and commodities through the dealing rooms. Service is provided to a range of customers including institutional entities, business firms, selected private customers, and foreign customers. The dealing room also serves as a market maker in government bonds. The segment's activity with customers also includes support for the development and pricing of sophisticated financial products, custody services, tradable and non-tradable derivatives, and operational services for mutual funds.

The Bank provides its customers with advanced trading services in Israeli and foreign securities, as well as in derivative financial instruments, currencies, interest rates, indices, and commodities.

Service is provided to a range of clients, including large institutional entities, portfolio managers, mutual funds, proprietary trading firms, hedge funds, business firms, selected private customers, and foreign customers.

Bank Hapoalim is the largest market maker in the world in NIS/foreign-currency trading. Activity in the dealing room is conducted through dedicated desks providing individual service to customers with unique activities in foreign currency, alongside professional trading departments.

The Brokerage Department at the Bank encompasses the Research Unit and two dealing rooms, one for Israeli securities and one for foreign securities, and offers professional trading services to local and international investors as well as professional analysis services.

Further to the decision of the Bank to discontinue the activity of providing operational services for provident and study funds to management companies, as noted in Section 7.5.7 of the Corporate Governance Report for 2018, the discontinuation of this activity was completed in the third quarter of 2019.

Table 6-7: Management approach activity segments – results of operations and principal data of the Financial Management Segment[1]

	For the three months ended March 31	
	2020	2019*
Total net interest income	**190**	212
Non-interest financing income	**214**	37
Total net financing profit	**404**	249
Fees and other income	**26**	40
Total income	**430**	289
Provision for credit losses	**5**	2
Total operating and other expenses	**94**	103
Profit from continued operations before taxes	**331**	184
Provision for taxes on profit from continued operations	**152**	54
Profit from continued operations after taxes	**179**	130
The Bank's share in profits of equity-basis investees, after taxes	**1**	-
Net profit:		
Before attribution to non-controlling interests	**180**	130
Attributed to non-controlling interests	**2**	5
Net profit attributed to shareholders of the Bank	**182**	135
Net credit to the public at the end of the reported period	**2,629**	1,058
Deposits from the public at the end of the reported period	**31,261**	32,369

* Some of the data were reclassified in order to properly reflect changes.

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Financial Management Segment totaled NIS 182 million in the first quarter of 2020, compared with NIS 135 million in the same quarter last year. The increase mainly resulted from an increase in net financing profit.

Net financing profit of the segment totaled NIS 404 million in the first quarter of 2020, compared with NIS 249 million in the same quarter last year. The increase resulted from an increase in income from exchange-rate differences, mainly due to hedging of currency exposures of non-monetary items. In addition, income from the activity of the dealing room increased, due to an increase in the volume of transactions as a result of the volatility in the market resulting from the coronavirus crisis. Profit also increased due to a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis, and profits from investment in bonds increased. By contrast, a decrease in income occurred due to a loss from investment in shares in the amount of NIS 122 million, most of which resulted from a decline in the market value of shares in the capital market, due to the coronavirus crisis, versus profit in the amount of NIS 155 million in the same period last year. In addition, income from linkage differentials decreased due to changes in the rate of increase of the known CPI between the periods.

Income from fees totaled NIS 26 million in the first quarter of 2020, compared with NIS 40 million in the same quarter last year. The decrease mainly resulted from a decrease in operations and trust fees of institutional entities, due to the discontinuation of the activity of providing operational services for provident funds and study funds to management companies in July 2019.

Net credit to the public totaled approximately NIS 2.6 billion as at March 31, 2020, compared with approximately NIS 2.4 billion as at December 31, 2019.

Deposits from the public totaled approximately NIS 31.3 billion as at March 31, 2020, compared with approximately NIS 32.6 billion as at December 31, 2019.

For details regarding the effect of the spread of the coronavirus on foreign financial institutions, see the section "Credit risk" in the "Review of Risks" in the Report of the Board of Directors and Board of Management.

6.1.8. Adjustments

This section includes activities of the Bank Group with negligible volumes, each of which does not form a reportable segment. This includes, among other things: (1) the results of the subsidiaries Poalim Sahar Ltd., Poalim Capital Markets Investment House Ltd., and Peilim Investment Portfolio Management Ltd.; (2) capital gains from the sale of buildings and equipment; (3) legal and other provisions and expenses in connection with the investigation of the Bank Group's business with American customers not attributed to international activity; (4) adjustments of inter-segmental activities.

The segment also includes the activity of the Isracard Group, which was classified as a discontinued operation, until its distribution as a dividend in kind in March 2020.

Note that during 2020, Poalim Sahar is expected to cease providing custody and brokerage services to customers and to terminate its status as a member of the stock exchange.

Principal changes in net profit and balance sheet balances

The loss attributed to shareholders of the Bank in the Other Segment totaled NIS 179 million in the first quarter of 2020, compared with net profit in the amount of NIS 89 million in the same quarter last year.

The loss from continued operations attributed to shareholders of the Bank in the segment totaled NIS 70 million in the first quarter of 2020, compared with a loss in the amount of NIS 2 million in the same quarter last year. The increase in loss mainly resulted from an increase in the provision in connection with the investigation of the Bank Group's business with American customers, due to an increase in the dollar exchange rate, in contrast to the same quarter last year, in which income was recorded due to a decrease in the dollar exchange rate, offset by a decrease in legal expenses in connection with the investigation.

In addition, the Other Segment includes loss attributed to a discontinued operation, which totaled NIS 109 million in the first quarter of 2020, compared with profit in the amount of NIS 91 million in the same quarter last year. The loss from a discontinued operation in the first quarter of 2020 resulted from recognition of loss from impairment of the investment in Isracard, in the amount of approximately NIS 109 million (after tax effect), due to the decrease in the share price to a level lower than the balance of the investment in the Bank's books as at December 31, 2019, compared with the price immediately prior to its distribution as a dividend in kind to the shareholders. The Bank's share in the profits of the Isracard Group was included in the same quarter last year.

The balances of credit to the public included in this segment in the comparative periods include the activity of the Isracard Group, which constitutes a discontinued operation.

6.2. Ratings of the Bank

The following ratings have been assigned to the Bank by rating agencies in Israel and abroad:

Table 6-8: Ratings

	Rating agency	Long-term foreign currency	Short-term foreign currency	Rating outlook	Last update
Israel – sovereign rating					
	Moody's	A1		Stable	April 2020
	S&P	AA-	A-1+	Stable	January 2020
	Fitch Ratings	A+	F1+	Stable	April 2020
Bank Hapoalim					
	Moody's	A2	P-1	Stable	February 2020
	S&P	A	A-1	Stable	November 2019
	Fitch Ratings	A	F1+	Stable	April 2020

	Rating agency	Long-term local currency	Short-term local currency	Rating outlook	Last update
Local rating (in Israel)					
	S&P Maalot	AAA		Stable	November 2019
	Midroog	Aaa	P-1	Stable	December 2019

In April 2020, S&P Maalot affirmed a rating of AA for notes to be issued by Poalim Hanpakot Ltd., with a loss-absorption mechanism (CoCo), which will be recognized (if issued) as Tier 2 capital in accordance with the Basel 3 directives. On the same date, Midroog also affirmed a rating of Aa3 with a Positive outlook for these notes. At the date of the report, it is uncertain whether or when the notes will be issued.

6.3. Social involvement and contribution to the community; social responsibility

As part of the Bank Hapoalim Group's vision, strategy, and corporate values, the Bank is committed to an active, leading role in the community, alongside its business leadership and economic initiatives.

This involvement, implemented through "Poalim for the Community," is part of an advanced managerial approach stating that an organization that operates within the community, and draws both its employees and customers from it, is an integral part of that community, and as a business leader, should strengthen the community and take a leading role in the advancement and improvement of conditions for all members of the community, especially those who are underprivileged.

In the spirit of this business philosophy, the Bank conducts a varied and extensive range of community-oriented activities that take the form of social involvement, monetary donations, and large-scale volunteer activities.

The community engagement of Poalim for the Community in the first three months of 2020 was expressed in a cumulative financial expenditure of approximately NIS 4.6 million.

During this period, as Israeli society contends with the impact of the coronavirus, within the long-standing commitment of the Bank to society and to the community, the Bank has launched several proactive efforts to assist population segments that may be harmed by the crisis and medical staff, including:

- A donation of NIS 700,000 to coronavirus wards at fourteen hospitals in Israel, and deliveries of 150 care packages for medical staff on coronavirus wards at twenty hospitals.
- A donation of NIS 500,000 to Magen David Adom, the national EMS service of Israel, and support for a crowdfunding campaign via the Bit application, in view of the expected pressure on hospitals. The donations are designated for a national emergency program providing medical treatment to people in isolation, through 3,000 medics and paramedics in neighborhoods across Israel, who will be equipped with an on-call kit containing coronavirus tests, a defibrillator, a respirator, oxygen tanks, and medications enabling them to provide emergency medical care, using protective equipment.
- 2,000 food packages purchased for Holocaust survivors, elderly people living alone, and families in distress have been distributed nationwide.
- Hundreds of craft games have been distributed to 120 non-profit organizations, preschools, schools, aftercare programs, and elderly day centers nationwide.
- The Bank donated directly to several non-profit organizations assisting victims of the coronavirus crisis, including Latet, Lasova, Pitchon Lev, the Israel Association of Community Centers, Eran, Emda, United Hatzalah, Lehetiv, and more.

For further details regarding the activity of the Bank Group in the area of social involvement, contribution to the community, and social responsibility, see Section 7.8 of the Report on Corporate Governance and Additional Information in the Annual Periodic Report of the Bank for 2019.

7. Appendices

7.1. Material developments in income and expenses by quarter

Table 7-1: Quarterly developments in total net financing profit

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Interest income	**2,542**	2,772	2,593	3,730	2,825
Interest expenses	**(350)**	(479)	(310)	(1,264)	(548)
Net interest income	**2,192**	2,293	2,283	2,466	2,277
Non-interest financing income	**306**	246	58	166	89
Total reported financing profit	**2,498**	2,539	2,341	2,632	2,366
Excluding effects not from regular activity:					
Income (expenses) from realization and adjustments to fair value of bonds	**27**	3	169	76	(23)
Profit (loss) from investments in shares	**(122)**	91	12	95	155
Loss from impairment of shares of affiliates	**11**	7	(63)	-	-
Gains in respect of loans sold	**-**	8	-	1	-
Adjustments to fair value of derivative instruments[1]	**9**	49	(136)	(77)	(97)
Financing income (expenses) from tax hedging of investments overseas[2]	**87**	(20)	(28)	(35)	(65)
Total income from regular financing activity[3]	**2,486**	2,401	2,387	2,572	2,396

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) The effect of hedging the asymmetry in the tax liability in respect of exchange-rate differences in investments in subsidiaries overseas, which are not included in the income base for the calculation of the provision for tax, in contrast to exchange-rate differences in respect of financing sources. The Bank hedges against tax exposure in respect of investments overseas by establishing surplus financing sources against such investments.

(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting.
Of which, in respect of the effects of changes in the CPI: an expense of NIS 70 million in the first quarter of 2020; an expense of NIS 28 million in the fourth quarter of 2019; an expense of NIS 76 million in the third quarter of 2019; income of NIS 158 million in the second quarter of 2019; and an expense of NIS 33 million in the first quarter of 2019.

Table 7-2: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments, by quarter**

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Individual provision for credit losses	**324**	966	155	268	230
Decrease in individual allowance for credit losses and recovery of charged off debts	**(122)**	(191)	(306)	(254)	(200)
Net individual provision (income) for credit losses	**202**	775	(151)	14	30
Net provision in respect of the collective allowance for credit losses and net charge-offs	**607**	101	111	305	91
Total provision (income) for credit losses*	**809**	876	(40)	319	121
* Of which:					
Net provision (income) for credit losses in respect of commercial credit risk	**656**	851	(103)	256	50
Net provision for credit losses in respect of housing credit risk	**32**	13	7	8	4
Net provision for credit losses in respect of other private credit risk	**120**	13	59	54	65
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**1**	(1)		1	
Total provision (income) for credit losses	**809**	876	(40)	319	121
Provision as a percentage of total credit to the public***:					
Percentage of individual provision (income) for credit losses	**0.43%**	1.31%	0.21%	0.37%	0.32%
Gross provision for credit losses as a percentage of the average recorded balance of credit to the public****	**1.24%**	1.45%	0.36%	0.79%	0.45%
Provision (income) for credit losses as a percentage of the average recorded balance of credit to the public	**1.07%**	1.19%	(0.05%)	0.44%	0.17%
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**0.25%**	0.17%	0.01%	0.13%	0.17%
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**14.20%**	10.96%	0.50%	9.47%	12.86%

** Including in respect of housing loans examined according to the extent of arrears.
*** Annualized.
**** The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Table 7-3: Details of fees and other income, by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Fees					
Account management fees	**210**	218	222	212	218
Securities activity	**223**	177	173	174	174
Credit cards, net	**76**	85	85	88	63
Credit handling	**63**	76	46	46	54
Financing transaction fees	**122**	122	122	119	116
Other fees	**169**	158	167	165	160
Total fees	**863**	836	815	804	785
Other income	**22**	32	11	29	18
Total fee income and other income	**885**	868	826	833	803

Table 7-4: Details of operating and other expenses, by quarter

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Salary expenses					
Wages[1]	**937**	*905	*904	*909	*949
Bonuses and share-based compensation	**25**	84	*129	*126	102
Total wages	**962**	*989	*1,033	*1,035	*1,051
Maintenance and depreciation of buildings and equipment	**321**	345	351	324	314
Others[1][2][3]	**633**	*1,603	*586	*633	*512
Total	**1,916**	2,937	1,970	1,992	1,877

* Reclassified.

(1) Includes expenses (income) for the closure of private-banking activity in Switzerland: income in the amount of NIS 4 million in the fourth quarter of 2019, and an expense in the amount of NIS 76 million in the second quarter of 2019.

(2) The first quarter of 2020 includes an expense in the amount of NIS 66 million in respect of legal expenses in connection with the investigation of the Bank Group's business with American clients and the investigation concerning FIFA (a total of NIS 72 million in the fourth quarter of 2019, a total of NIS 100 million in the third quarter of 2019, a total of NIS 111 million in the second quarter of 2019, and NIS 123 million in the first quarter of 2019).

(3) The first quarter of 2020 includes an expense in the amount of NIS 112 million in respect of expenses in connection with the investigation of the Bank Group's business with American clients and the investigation concerning FIFA, mainly due to the increase in the dollar exchange rate (an expense in the amount of NIS 985 million in the fourth quarter of 2019, income in the amount of NIS 51 million in the third quarter of 2019, income in the amount of NIS 41 million in the second quarter of 2019, and income in the amount of NIS 71 million in the first quarter of 2019).

7.2. Rates of interest income and expenses

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1]

	For the three months ended March 31					
	2020			2019*		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	NIS millions		%
A. Average balances and interest rates						
Interest-bearing assets						
Credit to the public[3]:						
In Israel	**270,521**	**2,118**	**3.17%**	265,415	2,316	3.54%
Outside Israel	**15,521**	**190**	**4.99%**	16,981	232	5.58%
Total	**286,042**	**[4]2,308**	**3.27%**	282,396	[4]2,548	3.66%
Credit to governments:						
In Israel	**2,011**	**13**	**2.61%**	2,205	17	3.12%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,011**	**13**	**2.61%**	2,205	17	3.12%
Deposits with banks:						
In Israel	**6,944**	**35**	**2.03%**	5,147	38	2.99%
Outside Israel	**138**	**(4)**	**(11.10%)**	271	(4)	(5.77%)
Total	**7,082**	**31**	**1.76%**	5,418	34	2.53%
Deposits with central banks:						
In Israel	**53,722**	**33**	**0.25%**	48,276	29	0.24%
Outside Israel	**9,049**	**30**	**1.33%**	10,377	69	2.69%
Total	**62,771**	**63**	**0.40%**	58,653	98	0.67%
Securities borrowed or purchased under agreements to resell:						
In Israel	**416**	**-**	**-**	738	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**416**	**-**	**-**	738	-	-

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Before deduction of the average balance sheet balance of the allowance for credit losses. Includes impaired debts that do not accrue interest income.
(4) Fees in the amount of NIS 158 million were included in interest income in the period ended March 31, 2020 (March 31, 2019: NIS 129 million).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended March 31					
	2020			2019*		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing assets (continued)						
Bonds held to maturity and available for sale[3]:						
In Israel	**45,507**	**109**	**0.96%**	50,795	182	1.44%
Outside Israel	**3,008**	**11**	**1.47%**	3,776	30	3.22%
Total	**48,515**	**120**	**0.99%**	54,571	212	1.56%
Bonds held for trading[3]:						
In Israel	**8,770**	**7**	**0.32%**	5,185	6	0.46%
Outside Israel	**3**	**-**	**-**	37	-	-
Total	**8,773**	**7**	**0.32%**	5,222	6	0.46%
Other assets:						
In Israel	**3,210**	**-**	**-**	1,194	-	-
Outside Israel	**24**	**-**	**-**	1	-	-
Total	**3,234**	**-**	**-**	1,195	-	-
Total interest-bearing assets	**418,844**	**2,542**	**2.45%**	410,398	2,915	2.87%
Non-interest-bearing debtors in respect of credit cards	**7,012**	**-**	**-**	16,472	-	-
Other non-interest-bearing assets[4]	**35,929**	**-**	**-**	35,248	-	-
Total assets	**461,785**	**-**	**-**	462,118	-	-
Total interest-bearing assets attributed to activities outside Israel	**27,743**	**227**	**3.31%**	31,443	327	4.23%

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) The average balance of unrealized gains (losses) from adjustments to fair value of bonds held for trading and of gains (losses) from bonds available for sale, which are included in equity within accumulated other comprehensive income, in the amount of NIS 315 million for the three months ended March 31, 2020 (March 31, 2019: NIS (63) million), were deducted from (added to) the average balance of bonds available for sale and of bonds held for trading.
(4) Includes derivative instruments and other non-interest-bearing assets; net of the allowance for credit losses.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended March 31					
	2020			2019*		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**193,926**	**241**	**0.50%**	198,382	329	0.67%
On demand	**83,078**	**18**	**0.09%**	91,641	45	0.20%
Fixed term	**110,848**	**223**	**0.81%**	106,741	284	1.07%
Outside Israel	**15,343**	**80**	**2.10%**	16,487	99	2.42%
On demand	**4,730**	**19**	**1.62%**	3,534	18	2.05%
Fixed term	**10,613**	**61**	**2.32%**	12,953	81	2.52%
Total	**209,269**	**321**	**0.61%**	214,869	428	0.80%
Deposits from the government:						
In Israel	**535**	**1**	**0.75%**	164	2	4.97%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**535**	**1**	**0.75%**	164	2	4.97%
Deposits from central banks:						
In Israel	**3**	**-**	**-**	-	-	-
Outside Israel	**198**	**1**	**2.04%**	628	4	2.57%
Total	**201**	**1**	**2.00%**	628	4	2.57%
Deposits from banks:						
In Israel	**2,524**	**1**	**0.16%**	3,897	2	0.21%
Outside Israel	**142**	**1**	**2.85%**	268	2	3.02%
Total	**2,666**	**2**	**0.30%**	4,165	4	0.38%
Securities lent or sold under agreements to repurchase:						
In Israel	**-**	**-**	**-**	-	-	-
Outside Israel	**3**	**-**	**-**	3	-	-
Total	**3**	**-**	**-**	3	-	-

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended March 31					
	2020			2019*		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities (continued)						
Bonds:						
In Israel	**26,503**	**23**	**0.35%**	29,329	110	1.51%
Outside Israel	**173**	**2**	**4.71%**	364	3	3.34%
Total	**26,676**	**25**	**0.38%**	29,693	113	1.53%
Other liabilities:						
In Israel	**1,009**	**-**	**-**	1,034	(1)	(0.39%)
Outside Israel	**74**	**-**	**-**	8	-	-
Total	**1,083**	**-**	**-**	1,042	(1)	(0.38%)
Total interest-bearing liabilities	**240,433**	**350**	**0.58%**	250,564	550	0.88%
Non-interest-bearing deposits from the public	**151,506**	**-**	**-**	136,684	-	-
Non-interest-bearing creditors in respect of credit cards	**7,902**	**-**	**-**	15,355	-	-
Other non-interest-bearing liabilities[3]	**24,049**	**-**	**-**	21,513	-	-
Total liabilities	**423,890**	**-**	**-**	424,116	-	-
Total capital means	**37,895**	**-**	**-**	38,002	-	-
Total liabilities and capital means	**461,785**	**-**	**-**	462,118	-	-
Interest spread	**-**	**-**	**1.87%**	-	-	1.99%
Net return on interest-bearing assets[4]						
In Israel	**391,101**	**2,049**	**2.11%**	378,955	2,146	2.28%
Outside Israel	**27,743**	**143**	**2.08%**	31,443	219	2.82%
Total	**418,844**	**2,192**	**2.11%**	410,398	2,365	2.33%
Total interest-bearing liabilities attributed to activities outside Israel	**15,933**	**84**	**2.13%**	17,758	108	2.45%

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Includes derivative instruments.
(4) Net return – net interest income divided by total interest-bearing assets.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended March 31					
	2020			2019*		
	Average balance[2]	Interest income/ (expenses)	Rate of income/ (expense)	Average balance[2]	Interest income/ (expenses)	Rate of income/ (expense)
	NIS millions		%	NIS millions		%
B. Average balances and interest rates – additional information regarding interest-bearing assets and liabilities attributed to activity in Israel						
Israeli currency unlinked						
Total interest-bearing assets	**304,254**	**1,981**	**2.63%**	285,442	2,055	2.91%
Total interest-bearing liabilities	**146,529**	**(114)**	**(0.31%)**	150,990	(145)	(0.38%)
Interest spread	**-**	**-**	**2.32%**	-	-	2.53%
Israeli currency CPI-linked						
Total interest-bearing assets	**50,121**	**112**	**0.90%**	49,583	215	1.75%
Total interest-bearing liabilities	**37,300**	**8**	**0.09%**	40,867	(96)	(0.94%)
Interest spread	**-**	**-**	**0.99%**	-	-	0.81%
Foreign currency (includes Israeli currency linked to foreign currency)						
Total interest-bearing assets	**36,726**	**222**	**2.44%**	43,930	318	2.93%
Total interest-bearing liabilities	**40,671**	**(160)**	**(1.58%)**	40,949	(201)	(1.98%)
Interest spread	**-**	**-**	**0.86%**	-	-	0.95%
Total activity in Israel						
Total interest-bearing assets	**391,101**	**2,315**	**2.39%**	378,955	2,588	2.76%
Total interest-bearing liabilities	**224,500**	**(266)**	**(0.47%)**	232,806	(442)	(0.76%)
Interest spread	**-**	**-**	**1.92%**	-	-	2.00%

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended March 31, 2020, vs. the three months ended March 31, 2019*		
	Increase (decrease) due to change[2]		Net change
	Quantity	Price	
	NIS millions		
C. Analysis of changes in interest income and expenses			
Interest-bearing assets			
Credit to the public:			
In Israel	**40**	**(238)**	**(198)**
Outside Israel	**(18)**	**(24)**	**(42)**
Total	**22**	**(262)**	**(240)**
Other interest-bearing assets:			
In Israel	**12**	**(87)**	**(75)**
Outside Israel	**(7)**	**(51)**	**(58)**
Total	**5**	**(138)**	**(133)**
Total interest income	**27**	**(400)**	**(373)**
Interest-bearing liabilities			
Deposits from the public:			
In Israel	**(6)**	**(82)**	**(88)**
Outside Israel	**(6)**	**(13)**	**(19)**
Total	**(12)**	**(95)**	**(107)**
Other interest-bearing liabilities:			
In Israel	**(3)**	**(85)**	**(88)**
Outside Israel	**(5)**	**-**	**(5)**
Total	**(8)**	**(85)**	**(93)**
Total interest expenses	**(20)**	**(180)**	**(200)**
Total interest income less interest expenses	**47**	**(220)**	**(173)**

* Includes balances attributed to a discontinued operation.
(1) Data presented after the effect of hedging derivative instruments.
(2) The change attributed to change in quantity was calculated by multiplying the new price by the change in quantity. The change attributed to change in price was calculated by multiplying the old quantity by the change in price.

Active market

A market in which transactions in an asset or liability are executed at a sufficient frequency and volume in order to provide pricing information on a regular basis.

Average duration

Weighted average term to maturity of the principal and interest payments on a bond.

B2B

Business to business

A business activity in which a product is sold or a service is provided by an organization to another organization.

Basel 2/Basel 3

Risk-management regulations for banks, established by the Basel Committee, which supervises and sets standards for supervision of banks worldwide.

Bid-ask spread

The spread between a proposed buying and selling price. Essentially, the difference between the highest price that a buyer is willing to pay for an asset and the lowest price at which the seller is willing to sell it.

Bond

A security that constitutes a certificate of obligation to pay a debt, in which the issuer promises to pay the holder of the bond the amount of principal issued, plus interest/coupon payments, at fixed intervals or upon fulfillment of a particular condition; a financial instrument that can be used by the government and by firms to borrow money from the public.

CPI

Consumer price index

An index published by the Central Bureau of Statistics, measuring monthly changes in the prices of products and services that compose the "consumption basket" of an average family.

CVA

Credit valuation adjustment

Calculation of credit risk in derivatives reflecting the potential expected loss to the bank in the event of default by the counterparty.

Debt

A contractual right to receive money on demand, or at fixed or fixable intervals, recognized in the balance sheet of the banking corporation as an asset (e.g. deposits with banks, bonds, securities purchased or sold in agreements to resell, credit to the public, credit to the government, etc.). Debts do not include deposits with the Bank of Israel or assets in respect of derivative instruments.

Debt contingent on collateral

Debt expected to be repaid exclusively from the collateral, where there are no other available and reliable repayment sources.

Derivative instrument

A financial instrument or future contract, the value of which is derived from the value of an underlying asset, for which a market exists wherein its value can be determined.

Dormant shares

Shares held directly by the company itself. These shares are denied rights to capital or voting in the company.

FATCA

Foreign Accounts Tax Compliance Act

An American law aimed at improving tax enforcement, pursuant to which financial entities outside the United States must report to the US tax authorities on accounts maintained with them and owned by anyone obligated to report to these authorities, even if not a resident of the United States.

FDIC

Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation in the United States.

Financial instrument

Any contract that creates a financial asset in one entity and a financial liability or equity instrument in another entity.

FINMA

Swiss Financial Market Supervisory Authority

The government agency that supervises financial institutions in Switzerland.

Fixed-term deposits

Deposits in which the depositor does not have the right or authorization to withdraw funds for at least six days from the date of the deposit.

GRI

Global Reporting Initiative

An international standard for reporting on sustainability and corporate social responsibility.

ICAAP

Internal Capital Adequacy Assessment Process

An internal process to assess capital adequacy and establish strategy to ensure the capital adequacy of banking corporations. The process is designed to ensure that banking corporations hold adequate capital to support all of the risks inherent in their activities, and that they develop and apply appropriate processes to manage risks. Among other elements, the process includes setting capital targets, performing capital planning processes, and examining the condition of capital under a variety of extreme scenarios.

Indebtedness

As defined in Proper Conduct of Banking Business Directive 313.

LDC

Less developed country

A country classified by the World Bank as having low or medium revenue.

LTV

Loan to value ratio

The amount of a loan (including an unutilized approved credit facility) as a percentage of the pledged asset (according to the banking corporation's share in the pledge).

MTM

Mark to market

Revaluation of a derivative instrument based on price quotes from relevant markets, or in the absence thereof, based on alternative evaluation methods.

NPL

Non-performing loan

Impaired credit not accruing interest income.

Obligo

Total indebtedness; total liabilities of the customer to the Bank.

Off-balance sheet credit

Commitments to grant credit and guarantees (excluding derivative instruments).

On-demand deposits

Deposits other than fixed-term deposits.

Option

A contract between two parties (the option writer and the option buyer); the option writer grants the option buyer the right to buy or sell a particular asset for a predetermined price, usually at a predetermined time.

OTC derivative

Over-the-counter derivative

A derivative instrument in which financial institutions contract during the ordinary course of business, for which a market exists where its value can be determined.

Phantom share

An instrument granting cash compensation based on the value of shares of the company, without entitlement to receive the share.

Repurchase/resale agreements

Agreements to purchase or sell securities in consideration for cash or securities, in which, at the time of the transaction, the seller and the buyer agree to perform the reverse transaction at a date and price agreed upon in advance.

Securitization

Non-bank capital raising by a financial entity through special bonds reflecting the expected cash flows in respect of pooled loans.

Subordinated notes

Notes in which rights are subordinate to the claims of all other creditors of the banking corporation, excluding other notes and notes of the same type.

Supervisory capital

Supervisory capital comprises two tiers: Tier 1 capital and Tier 2 capital, as defined in Proper Conduct of Banking Business Directive 202.

Syndication

A transaction in which several lenders jointly grant a loan to a single borrower, but each lender provides a loan to the borrower in a specific amount and has the right to repayment by the borrower. Groups of lenders frequently finance loans together when the amount granted is higher than the amount that any one lender is willing to lend.

Tier 1 capital

Going-concern capital, including common equity Tier 1 capital and additional Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202.

Tier 2 capital

Gone-concern capital, as defined in Proper Conduct of Banking Business Directive 202.

VaR

Value at risk

A commonly used statistical model for the quantification of market risks. The model uses historical data to assess the maximum expected loss in respect of a particular position or portfolio, for a defined time horizon, at a defined significance