Bank Hapoalim

Report on Risks

Pillar 3 Disclosure and Additional Information Regarding Risks

as at September 30, 2016

Q3

Contents

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

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Introduction

The information presented below in the Report on Risks, as required by the reporting directives of the Bank of Israel, includes disclosure requirements issued by the Basel Committee and risk disclosure requirements based on other sources, including disclosure requirements issued by the Financial Stability Forum (FSF) and disclosure requirements issued by a task force established by the Financial Stability Board (FSB) in order to improve risk disclosure at banking corporations. Additional information concerning risks, as specified in the reporting directives, which is not based on the disclosure requirements published by the Basel Committee is marked **AI** next to the heading of the paragraph. This publication of the Report on Risks serves as a supplement and expansion of information accompanying the financial reporting of Bank Hapoalim B.M. on the subjects of risk and capital management. This report should be perused in conjunction with the Report on Risks – Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2015; the Financial Statements as at December 31, 2015, and the accompanying Notes (hereinafter: the "Annual Reporting"); and the Condensed Financial Statements as at September 30, 2016, and the accompanying Notes.

Forward-Looking Information

Most of the information in this report 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, macro-economic 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 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," "intend," "plan," "aim," "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. 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.

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 that actual developments may be the opposite of expectations.

A. General Disclosure Principle

Pursuant to the instructions of the Bank of Israel, the disclosure declarations in the periodic financial report of the Bank are also valid for the Report on Risks – Pillar 3 Disclosure and Additional Information Regarding Risks.

Within the discussions of the financial statements of the Bank, the Board of Directors of the Bank approved the publication of the Report on Risks – Pillar 3 Disclosure and Additional Information Regarding Risks.

B. Applicability of Implementation

The applicability of implementation refers to the working framework for the capital measurement and adequacy of Bank Hapoalim.

In general, the capital requirements of the Bank are based on its consolidated financial statements, which are prepared according to Israeli GAAP and the directives and guidelines of the Supervisor of Banks.

According to Israeli GAAP, subsidiaries controlled directly or indirectly by the Bank are consolidated in the financial statements, but different consolidation rules sometimes apply for the purposes of the supervision of capital. However, as at September 30, 2016, there are no differences between the consolidation base according to GAAP and the supervisory consolidation base for the purposes of capital adequacy.

There are no significant prohibitions or restrictions on the transfer of supervisory capital within the Group, with the exception of Bank Pozitif, for which any capital beyond the Pillar 1 requirements is not available at the level of the Group, and against which capital is therefore allocated within Pillar 2 calculations. With regard to the limits established in the Bank of Israel's permit for the acquisition of control of the Bank in connection with the distribution of retained earnings, see Note 25 to the Financial Statements for 2015.

For further details regarding the principal subsidiary and affiliated companies of the Bank, see Note 15C to the Financial Statements for 2015.

C. Capital – Structure and Capital Adequacy

Structure of Supervisory Capital and Composition of Capital

Capital measurement is based on the division of capital into Tier 1 capital (which includes common equity Tier 1 capital and additional Tier 1 capital) and Tier 2 capital.

Common equity Tier 1 capital includes the components of shareholders' equity and minority interests in the capital of consolidated companies, net of surplus capital in respect thereof. The main supervisory adjustments and deductions from common equity Tier 1 capital are intangible assets and goodwill; net deferred taxes receivable, the realization of which is based on future profitability of the banking corporation; net deferred taxes receivable in respect of timing differences; unrealized profits and losses resulting from changes in the fair value of liabilities, arising from changes in the own credit risk of the banking corporation; investment in own ordinary shares, including commitment to acquire own shares subject to contractual agreements; and investments in the share capital of financial corporations not consolidated in the public reports of the banking corporation.

Additional Tier 1 capital includes innovative hybrid capital instruments that do not qualify for recognition in supervisory capital under the Basel 3 directives, which are therefore deducted gradually, in accordance with the transitional directives. Non-innovative hybrid capital instruments have characteristics such as: a maturity date of no less than 49 years; not secured by any form of collateral; rights under the instruments are subordinated relative to all creditors of the Bank; the instruments include mechanisms for the absorption of losses on a current basis (suspension of interest and principal payments, and forced conversion into shares under circumstances established for those instruments); and they do not accrue interest and principal not paid on time, in any way (except in the case of payment in the form of shares), including in cases in which interest and principal payments are suspended. Innovative hybrid capital instruments are those that meet the definition of non-innovative capital instruments but also include an incentive for the Bank to carry out redemptions, such as a mechanism for an increase in the interest rate after a certain number of years.

Tier 2 capital includes the collective allowance for credit losses, innovative hybrid capital instruments, and subordinated notes. The capital instruments and subordinated notes do not qualify for recognition in supervisory capital under the Basel 3 directives, and are therefore being deducted gradually, in accordance with the transitional directives. The innovative hybrid capital instruments have the characteristics of innovative capital instruments included in additional Tier 1 capital, with the following exceptions: they can be cumulative; there is no requirement to convert them into shares; and the rights arising from the instruments are subordinated to all creditors of the Bank except holders of additional Tier 1 capital instruments.

The main characteristics of the subordinated notes are: a term to maturity of no less than five years; issued without collateral; rights under the instruments are subordinated to the claims of other creditors of the Bank, except creditors holding Tier 1 capital and Tier 2 capital instruments; and of the amount thereof recognized as Tier 2 capital, as noted, 20% shall be deducted at the beginning of each year in the last five years before their maturity date (in the case of a subordinated note settled in installments, such a deduction shall be made from each installment).

The capital instruments and subordinated notes that no longer qualify as supervisory capital are recognized as of January 1, 2014, up to a ceiling of 80% of the balance thereof in supervisory capital as at December 31, 2013. In each subsequent year, this ceiling shall be lowered by an additional 10%, up to January 1, 2022. In 2016, the capital instruments and subordinated notes are recognized up to a ceiling of 60% of the balance thereof in supervisory capital as at December 31, 2013.

Limits on the Structure of Capital

Proper Conduct of Banking Business Directive 202 sets limits on the structure of capital:

1. Tier 2 capital shall not exceed 100% of Tier 1 capital, after the required deductions from this capital.
2. Capital instruments that qualify for inclusion in Tier 2 capital shall not exceed 50% of Tier 1 capital, after the required deductions from this capital. This limit does not include capital instruments included in Upper Tier 2 capital prior to the inception of this directive, in the amount of the balance of such instruments as at December 31, 2013, and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299 (Supervisory Capital – Transitional Directives).

Hybrid capital instruments recognized as Tier 1 capital are issued by the Bank. Capital instruments recognized as Tier 2 capital are issued by the Bank and through its wholly-owned subsidiaries Hapoalim Hanpakot and Hapoalim International N.V.

For details regarding subordinated notes, see Note 21 to the Annual Financial Statements for 2015.

Calculation of the Capital Ratio

Table C-1: Calculation of the ratio of capital to risk-adjusted assets

	September 30, 2016	September 30, 2015	December 31, 2015
		NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital	**35,179**	32,904	33,246
Additional Tier 1 capital	**1,465**	1,709	1,709
Total Tier 1 capital	**36,644**	34,613	34,955
Tier 2 capital	**12,233**	14,604	14,593
Total overall capital	**48,877**	49,217	49,548
2. Weighted balances of risk-adjusted assets			
Credit risk	**298,021**	318,103	317,891
Market risks	**4,274**	5,506	4,562
Operational risk	**23,225**	22,606	22,671
Total weighted balances of risk-adjusted assets	**(1)325,520**	346,215	345,124
		%	
3. Ratio of capital to risk-adjusted assets			
Ratio of common equity Tier 1 capital to risk-adjusted assets	**10.81%**	9.50%	9.63%
Ratio of Tier 1 capital to risk-adjusted assets	**11.26%**	10.00%	10.13%
Ratio of total capital to risk-adjusted assets	**15.02%**	14.22%	14.36%
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(2)9.14%**	(2)9.04%	(2)9.07%
Minimum total capital ratio required by the Supervisor of Banks	**(2)12.64%**	(2)12.54%	(2)12.57%

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 plan, established based on the Supervisor of Banks' letter of January 12, 2016, "Improvement of the Operational Efficiency of the Banking System in Israel" (hereinafter: Efficiency Plan Adjustments), allocated in equal parts over five years, from 2017 forward. For additional details regarding the effect of the transitional directives and of the Efficiency Plan Adjustments, see Note 9 to the Condensed Financial Statements.

(1) The weighted balances of risk-adjusted assets include a total of NIS 1,065 million due to Efficiency Plan Adjustments, which, in accordance with the approval of the Supervisor of Banks, will be allocated gradually over five years, beginning in 2017.

(2) The minimum required common equity Tier 1 capital ratio and the minimum required total capital ratio are 9% and 12.5%, respectively, from January 1, 2015, to December 31, 2016; and 10% and 13.5%, respectively, beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required by the Supervisor of Banks as at January 1, 2017, on a consolidated basis, based on data at the reporting date, will stand at 10.2% and 13.7%, respectively. With regard to the balance of housing loans, see Note 13A(2) to the Condensed Financial Statements as at September 30, 2016.

Table C-1: Calculation of the ratio of capital to risk-adjusted assets (continued)

	September 30, 2016	September 30, 2015	December 31, 2015
		%	
4. Significant subsidiaries			
Isracard			
Ratio of common equity Tier 1 capital to risk-adjusted assets	**19.82%**	20.00%	19.94%
Ratio of Tier 1 capital to risk-adjusted assets	**19.82%**	20.00%	19.94%
Ratio of total capital to risk-adjusted assets	**20.87%**	21.01%	20.96%
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(1)8.00%**	(1)9.00%	(1)9.00%
Minimum total capital ratio required by the Supervisor of Banks	**(1)11.50%**	(1)12.50%	(1)12.50%
Bank Hapoalim Switzerland			
Ratio of common equity Tier 1 capital to risk-adjusted assets	**24.55%**	23.69%	24.11%
Ratio of Tier 1 capital to risk-adjusted assets	**24.55%**	23.69%	24.11%
Ratio of total capital to risk-adjusted assets	**24.63%**	23.76%	24.20%
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		Basel 2(2)	
Ratio of Tier 1 capital to risk-adjusted assets	**18.37%**	14.33%	16.34%
Ratio of total capital to risk-adjusted assets	**19.08%**	14.98%	17.10%
Minimum total capital ratio required by local regulation	**12.00%**	12.00%	12.00%

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 plan, established based on the Supervisor of Banks' letter of January 12, 2016, "Improvement of the Operational Efficiency of the Banking System in Israel" (hereinafter: Efficiency Plan Adjustments), allocated in equal parts over five years, from 2017 forward. For additional details regarding the effect of the transitional directives and of the Efficiency Plan Adjustments, see Note 9 to the Condensed Financial Statements.

(1) The minimum required common equity Tier 1 capital ratio and the minimum required total capital ratio beginning January 1, 2015, are 9% and 12.5%, respectively. In May 2016, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 472, "Clearers and Clearing of Charge Card Transactions," which eases the requirement concerning common equity capital for clearers, such that it is to be calculated in accordance with Proper Conduct of Banking Business Directives 201-211 (Capital Measurement and Adequacy). Notwithstanding the statements in Section 40 of Proper Conduct of Banking Business Directive 201, the common equity Tier 1 capital ratio shall not fall below 8%, and the total capital ratio shall not fall below 11.5%. This directive took effect on June 1, 2016.

(2) Bank Pozitif has not implemented the Basel 3 directives; the data are therefore presented according to the Basel 2 directives.

Table C-2: Capital components for the calculation of the capital ratio[A1]

	September 30, 2016	September 30, 2015	December 31, 2015
	Unaudited		Audited
	NIS millions		
Common equity Tier 1 capital			
Total capital	**34,309**	32,944	33,219
Differences between total capital and common equity Tier 1 capital	**142**	144	160
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**34,451**	33,088	33,379
Supervisory adjustments and deductions:			
Goodwill and intangible assets	**-**	-	-
Deferred tax assets	**(27)**	(170)	(108)
Investments in capital of financial corporations not consolidated in the financial statements	**-**	-	-
Other supervisory adjustments and deductions – common equity Tier 1 capital	**(7)**	(14)	(25)
Total supervisory adjustments and deductions, before Efficiency Plan Adjustments – common equity Tier 1 capital	**(34)**	(184)	(133)
Total Efficiency Plan Adjustments – common equity Tier 1 capital	**762**	-	-
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**35,179**	32,904	33,246
Additional Tier 1 capital			
Additional Tier 1 capital – instruments, before deductions	**1,465**	1,709	1,709
Additional Tier 1 capital – total deductions	**-**	-	-
Total additional Tier 1 capital, after deductions	**1,465**	1,709	1,709
Total Tier 1 capital, after supervisory adjustments and deductions	**36,644**	34,613	34,955
Tier 2 capital			
Tier 2 capital – instruments, before deductions	**8,564**	10,678	10,678
Tier 2 capital – allowance for credit losses, before deductions	**3,669**	3,926	3,915
Total Tier 2 capital, before deductions	**12,233**	14,604	14,593
Deductions:			
Total deductions – Tier 2 capital	**-**	-	-
Total Tier 2 capital	**12,233**	14,604	14,593
Total overall capital	**48,877**	49,217	49,548

Table C-3: Effect of transitional directives and Efficiency Plan Adjustments on common equity Tier 1 capital ratio[AI]

	September 30, 2016	September 30, 2015	December 31, 2015
	Unaudited		Audited
	%		
Ratio of capital to risk-adjusted assets			
Ratio of common equity Tier 1 capital to risk-adjusted assets before the effect of the transitional directives in Directive 299 and before the effect of the Efficiency Plan Adjustments	**10.45%**	9.36%	9.50%
Effect of the transitional directives	**0.09%**	0.14%	0.13%
Ratio of common equity Tier 1 capital to risk-adjusted assets before the effect of the Efficiency Plan Adjustments	**10.54%**	9.50%	9.63%
Effect of Efficiency Plan Adjustments	**0.27%**	-	-
Ratio of common equity Tier 1 capital to risk-adjusted assets	**10.81%**	9.50%	9.63%

Table C-4: Capital components subject to volatility[AI]

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Supervisor of Banks. 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 securities available for sale.

Effects of changes in the CPI and in exchange rates on asset balances

Effects on the common equity Tier 1 capital ratio as at September 30, 2016:

	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
	%	
Bank in consolidated data	**(0.03%)**	**(0.03%)**
Isracard	**(0.75%)**	**(1.39%)**

Table C-5: Composition of capital for the purpose of calculating the ratio of capital to risk-adjusted assets

	September 30, 2016	September 30, 2015	December 31, 2015
	NIS millions		
Tier I capital			
Paid-up common share capital and premium	**8,120**	8,063	8,094
Retained earnings	**26,737**	24,294	24,720
Non-controlling interests in equity of consolidated subsidiaries	**123**	164	148
Unrealized profits from adjustments of securities available for sale to fair value	**471**	548	451
Other capital instruments	**(238)**	19	(34)
Amounts deducted from Tier I capital	**(34)**	(184)	(133)
Total common equity Tier I capital	**35,179**	32,904	33,246
Innovative hybrid instruments	**1,465**	1,709	1,709
Total Tier I capital	**36,644**	34,613	34,955
Tier 2 capital			
Hybrid capital instruments and subordinated notes	**323**	1,213	1,150
Collective allowances for credit losses before the effect of related tax	**3,669**	3,926	3,915
Tier 2 capital instruments issued by subsidiaries of the banking corporation to third-party investors	**8,241**	9,465	9,528
Amounts deducted from Tier 2 capital	**-**	-	-
Total Tier 2 capital	**12,233**	14,604	14,593
Total qualifying capital	**48,877**	49,217	49,548

For further details, see Note 9 to the Condensed Financial Statements as at September 30, 2016.

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Common equity Tier 1 capital							
Common equity Tier 1 capital – instruments and retained earnings							
Ordinary share capital issued by the banking corporation and premium on ordinary shares included in common equity Tier 1 capital	**8,120**		8,063		8,094		1+2
Retained earnings, including dividends proposed or declared after the balance sheet date	**26,737**	**2**	24,294	4	24,720	4	3
Accumulated other comprehensive income and disclosed retained earnings	**(529)**	**(211)**	567	(187)	417	(203)	4A+4B
Common equity Tier 1 capital instruments issued by the corporation, which qualify for inclusion in supervisory capital during the transitional period	**-**		-		-		
Ordinary shares issued by subsidiaries of the banking corporation which were consolidated and are held by a third party (non-controlling interests)	**123**	**44**	164	58	148	58	5
Common equity Tier 1 capital before supervisory adjustments and deductions	**34,451**		33,088		33,379		
Common equity Tier 1 capital – supervisory adjustments and deductions							
Stabilization adjustments of valuations	**-**	**-**	-	-	-	-	
Goodwill, net of deferred taxes payable	**-**	**-**	-	-	-	-	
Other intangible assets, excluding mortgage service rights, net of deferred taxes payable	**-**	**-**	-	-	-	-	6+7
Deferred tax assets, realization of which depends on future profitability of the banking corporation, excluding deferred tax assets arising from timing differences	**27**	**18**	18	27	19	29	8
Total accumulated other comprehensive income in respect of cash flow hedges of items not presented in the balance sheet at fair value	**(1)**	**-**	(1)	(2)	(2)	(2)	9
Negative difference between provisions and expected losses	**-**	**-**	-	-	-	-	

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Increase in equity capital due to securitization transactions	**-**	**-**	-	-	-	-	
Unrealized profits and losses resulting from changes in the fair value of liabilities due to changes in the own credit risk of the banking corporation	**8**	**5**	-	-	7	10	10
Surplus of amount funded over provision, net of deferred taxes payable to be extinguished if the asset becomes impaired or is deducted, in accordance with the Public Reporting Directives	**-**	**-**	-	-	-	-	
Investment in own ordinary shares held directly or indirectly (including commitments to purchase shares under contractual agreements)	**-**	**-**	15	23	20	31	
Mutual cross-holdings in ordinary shares of financial corporations	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding does not exceed 10% of the ordinary share capital issued by the financial corporation (in an amount greater than 10% of common equity Tier 1 capital)	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding exceeds 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	-	-	
Mortgage service rights in amounts exceeding 10% of common equity Tier 1 capital	**-**	**-**	-	-	-	-	
Deferred tax assets arising from timing differences in amounts exceeding 10% of common equity Tier 1 capital	**-**	**-**	152	228	89	134	13

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	**Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3**	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Amounts of mortgage service rights, deferred tax assets arising from timing differences, and investments at a rate greater than 10% of the ordinary share capital issued by financial corporations, exceeding 15% of the common equity Tier 1 capital of the banking corporation	**-**	**-**	-	-	-	-	
Of which: in respect of investments at a rate greater than 10% of the ordinary share capital issued by financial corporations	**-**	**-**	-	-	-	-	
Of which: in respect of mortgage service rights	**-**	**-**	-	-	-	-	
Of which: deferred tax assets arising from timing differences	**-**	**-**	-	-	-	-	
Additional supervisory adjustments and deductions established by the Supervisor of Banks	**(762)**	**-**	-	-	-	-	
Of which: in respect of investments in the capital of financial corporations	**-**	**-**	-	-	-	-	
Of which: in respect of mortgage service rights	**-**	**-**	-	-	-	-	
Of which: additional supervisory adjustments to common equity Tier 1 capital	**(762)**	**-**	-	-	-	-	
Supervisory adjustments to common equity Tier 1 capital subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		-		
Of which: in respect of the efficiency plan	**(762)**		-		-		
Deductions applicable to common equity Tier 1 capital because the additional Tier 1 capital and Tier 2 capital are insufficient to cover the deductions	**-**		-		-		
Total supervisory adjustments and deductions in common equity Tier 1 capital	**(728)**	**23**	184	276	133	202	
Common equity Tier 1 capital	**35,179**		32,904		33,246		

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Additional Tier 1 capital							
Additional Tier 1 capital – instruments							
Additional Tier 1 share capital instruments issued by the banking corporation, and premium on such instruments	**-**		-		-		
Of which: classified as equity in accordance with the Public Reporting Directives	**-**		-		-		
Of which: classified as a liability in accordance with the Public Reporting Directives	**-**		-		-		
Additional Tier 1 capital instruments issued by the corporation, which are eligible for inclusion in supervisory capital during the transitional period	**1,465**		1,709		1,709		11B
Additional Tier 1 capital instruments issued by subsidiaries of the banking corporation and held by third-party investors	**-**		-		-		
Of which: additional Tier 1 capital instruments issued by subsidiaries of the banking corporation and held by third-party investors, which are gradually deducted from additional Tier 1 capital	**-**		-		-		
Additional Tier 1 capital before deductions	**1,465**		1,709		1,709		

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Additional Tier 1 capital – deductions							
Own investment in capital instruments included in additional Tier 1 capital, held directly or indirectly (including commitments to purchase instruments under contractual agreements)	**-**	**-**	-	-	-	-	
Mutual cross-holdings in capital instruments included in additional Tier 1 capital	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding does not exceed 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding exceeds 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	-	-	
Additional deductions established by the Supervisor of Banks	**-**	**-**	-	-	-	-	
Of which: in respect of investments in the capital of financial corporations	**-**	**-**	-	-	-	-	
Of which: additional deductions from Tier 1 capital	**-**	**-**	-	-	-	-	
Deductions from additional Tier 1 capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		-		
Deductions applicable to additional Tier 1 capital because Tier 2 capital is insufficient to cover the deductions	**-**		-		-		
Total deductions from additional Tier 1 capital	**-**		-		-		
Additional Tier 1 capital	**1,465**		1,709		1,709		
Tier 1 capital	**36,644**		34,613		34,955		

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Tier 2 capital							
Tier 2 capital – instruments and provisions							
Instruments issued by the banking corporation (not included in Tier 1 capital) and premium on such instruments	**-**		-		-		11A
Tier 2 capital instruments issued by the corporation, which are eligible for inclusion in supervisory capital during the transitional period	**323**		1,213		1,150		11B
Tier 2 capital instruments issued by subsidiaries of the banking corporation to third-party investors	**8,241**		9,465		9,528		
Of which: Tier 2 capital instruments issued by subsidiaries of the banking corporation and held by third-party investors, which are gradually deducted from Tier 2 capital	**8,241**		9,465		9,528		11B
Collective allowances for credit losses before the effect of related tax	**3,669**		3,926		3,915		12
Tier 2 capital before deductions	**12,233**		14,604		14,593		
Tier 2 capital – deductions							
Own investment in Tier 2 capital instruments, held directly or indirectly (including commitments to purchase instruments under contractual agreements)	**-**	**-**	-	-	-	-	
Mutual cross-holdings in Tier 2 capital instruments of financial corporations	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding does not exceed 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding exceeds 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	-	-	

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Additional deductions established by the Supervisor of Banks	**-**	**-**	-	-	-	-	
Of which: investments in the capital of financial corporations	**-**	**-**	-	-	-	-	
Of which: additional deductions from Tier 2 capital	**-**	**-**	-	-	-	-	
Supervisory adjustments to Tier 2 capital subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		-		
Total supervisory adjustments to Tier 2 capital	**-**		-		-		
Tier 2 capital	**12,233**		14,604		14,593		
Total capital	**48,877**		49,217		49,548		
Weighted risk-adjusted assets							
Total weighted risk-adjusted assets according to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**324,581**		345,000		344,152		
Of which: credit risk assets	**297,082**		316,888		316,919		
Of which: market risk assets	**4,274**		5,506		4,562		
Of which: operational risk assets	**23,225**		22,606		22,671		
Total weighted risk-adjusted assets	**325,520**		346,215		345,124		

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance/ percent	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance/ percent	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance/ percent	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions/percent						
Capital ratios and capital preservation cushions							
Common equity Tier 1 capital	**10.81%**		9.50%		9.63%		
Tier 1 capital	**11.26%**		10.00%		10.13%		
Total capital	**15.02%**		14.22%		14.36%		
Minimum requirements established by the Supervisor of Banks							
The minimum required common equity Tier 1 capital ratio is 9% from January 1, 2015, to December 31, 2016, and 10% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 10.2%.	**9.14%**		9.04%		9.07%		
The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.	**12.64%**		12.54%		12.57%		
Amounts below the deduction threshold (before risk weighting)							
Investments in the capital of financial corporations which do not exceed 10% of the ordinary share capital issued by the financial corporation and which are below the deduction threshold	**983**		1,449		1,437		

Table C-6: Composition of supervisory capital, by components, with references to the supervisory balance sheet (continued)

	September 30, 2016		September 30, 2015		December 31, 2015		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions						
Investments in the capital of financial corporations which exceed 10% of the ordinary share capital issued by the financial corporation and which are below the deduction threshold	**558**		134		553		
Mortgage service rights (net of deferred taxes payable)	**-**		-		-		
Deferred tax assets arising from timing differences, below the deduction threshold	**3,336**		3,305		3,333		
Ceiling for inclusion of provisions in Tier 2							
Provision eligible for inclusion in Tier 2, with reference to exposures under the standardized approach, before application of the ceiling	**3,669**		3,926		3,915		
Ceiling for inclusion of provision in Tier 2 under the standardized approach	**3,725**		3,976		3,974		
Provision eligible for inclusion in Tier 2, with reference to exposures based on the internal ratings approach, before application of the ceiling	**-**		-		-		
Ceiling for inclusion of provision in Tier 2 based on the internal ratings approach	**-**		-		-		
Capital instruments not eligible as supervisory capital, which are subject to the transitional directives							
Current ceiling amount for instruments included in common equity Tier 1 capital subject to the transitional directives	**-**		-		-		
Amount deducted from common equity Tier 1 capital due to the ceiling	**-**		-		-		
Current ceiling amount for instruments included in additional Tier 1 capital subject to the transitional directives	**1,465**		1,709		1,709		
Amount deducted from additional Tier 1 capital due to the ceiling	**953**		726		708		
Current ceiling amount for instruments included in Tier 2 capital subject to the transitional directives	**9,153**		10,678		10,678		
Amount deducted from Tier 2 capital due to the ceiling	**-**		999		426		

Table C-7: Composition of the supervisory balance sheet, with references to the components of supervisory capital

	September 30, 2016	September 30, 2015	December 31, 2015	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Assets				
Cash and deposits with banks*	**71,759**	58,579	64,976	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(7)**	(5)	(3)	12
Securities*	**65,215**	61,064	62,884	
* Of which: investments in capital of financial corporations that do not exceed 10% of the share capital of the financial corporation	**983**	1,449	1,437	
* Of which: other securities	**64,232**	59,615	61,447	
Securities borrowed or purchased under agreements to resell	**563**	504	119	
Credit to the public	**281,446**	279,484	282,911	
* Of which: investments in capital of financial corporations that exceed 10% of the share capital of the financial corporation, and do not exceed the deduction threshold	**421**	-	421	
Allowance for credit losses*	**(3,907)**	(4,292)	(4,414)	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(3,131)**	(3,286)	(3,318)	12
* Of which: allowance for credit losses not included in supervisory capital	**(776)**	(1,006)	(1,096)	
Net credit to the public	**277,539**	275,192	278,497	
Credit to governments	**2,719**	2,580	2,564	
Investment in equity-basis investees*	**151**	144	143	
* Of which: investments in capital of financial corporations that exceed 10% of the share capital of the financial corporation, and do not exceed the deduction threshold	**137**	134	132	
Buildings and equipment	**3,290**	3,361	3,409	
Intangible assets and goodwill*	**-**	-	-	
* Of which: goodwill	**-**	-	-	
* Of which: other intangible assets	**-**	-	-	6
Assets in respect of derivative instruments	**12,825**	15,097	12,789	
Other assets*	**6,127**	6,398	6,257	
* Of which: deferred tax assets**	**3,807**	3,730	3,604	
** Of which: deferred tax assets attributed to timing differences, over 10% of common equity Tier 1 capital	**-**	380	223	13
** Of which: deferred tax assets excluding those attributed to timing differences	**45**	45	48	8
** Of which: other deferred tax assets	**3,762**	3,305	3,333	
* Of which: surplus of amount funded over provision	**-**	-	-	
* Of which: additional other assets	**2,320**	2,668	2,653	
Total assets	**440,188**	422,919	431,638	

Table C-7: Composition of the supervisory balance sheet, with references to the components of supervisory capital (continued)

	September 30, 2016	September 30, 2015	December 31, 2015	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Liabilities and Capital				
Deposits from the public	**326,244**	310,692	321,727	
Deposits from banks	**3,508**	4,679	4,773	
Government deposits	**426**	397	354	
Securities lent or sold under agreements to repurchase	**380**	109	83	
Bonds and subordinated notes*	**35,836**	35,061	34,475	
* Of which: subordinated notes not recognized as supervisory capital	**8,892**	7,830	7,498	
* Of which: subordinated notes recognized as supervisory capital**	**10,029**	12,387	12,387	
** Of which: eligible as supervisory capital components	**-**	-	-	11A
** Of which: ineligible as supervisory capital components and subject to transitional directives	**10,029**	12,387	12,387	11B
Liabilities in respect of derivative instruments*	**13,880**	16,178	13,806	
* Of which: in respect of own credit risk	**13**	-	17	10
Other liabilities	**25,605**	22,859	23,201	
* Of which: collective allowance for credit losses included in Tier 2 capital	**531**	635	594	12
* Of which: liability in respect of deferred tax attributed to pensions	**-**	-	-	
* Of which: liability in respect of deferred tax on intangible assets	**-**	-	-	7
Total liabilities	**405,879**	389,975	398,419	

Table C-7: Composition of the supervisory balance sheet, with references to the components of supervisory capital (continued)

	September 30, 2016	September 30, 2015	December 31, 2015	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Shareholders' equity*	**34,119**	32,741	33,032	
* Of which: ordinary share capital and premium, retained earnings, other comprehensive income, and capital reserves**	**34,119**	32,741	33,032	
** Of which: ordinary share capital	**1,332**	1,327	1,329	1
** Of which: premium on ordinary shares	**6,788**	6,736	6,765	2
** Of which: retained earnings	**26,739**	24,298	24,724	3
** Of which: accumulated other comprehensive income (loss)***	**(835)**	238	101	4A
*** Of which: adjustments for presentation of securities available for sale at fair value	**471**	548	451	
*** Of which: net losses in respect of cash-flow hedges	**(1)**	(3)	(4)	9
*** Of which: net adjustments from translation, after hedge effects	**(15)**	4	(8)	
** Of which: capital reserves from a benefit due to share-based payment transactions	**95**	142	113	4B
* Of which: senior share capital	**-**	-	-	
** Of which: eligible as supervisory capital components	**-**	-	-	
** Of which: ineligible as supervisory capital components and subject to transitional directives	**-**	-	-	
* Of which: other capital instruments	**-**	-	-	
** Of which: eligible as supervisory capital components	**-**	-	-	
** Of which: ineligible as supervisory capital components and subject to transitional directives	**-**	-	-	
Non-controlling interests*	**190**	203	187	
* Of which: non-controlling interests attributable to common equity Tier 1 capital	**123**	164	148	5
* Of which: non-controlling interests attributable to additional Tier 1 capital	**-**	-	-	
* Of which: non-controlling interests attributable to Tier 2 capital	**-**	-	-	
* Of which: non-controlling interests not attributable to supervisory capital	**67**	39	39	
Total capital	**34,309**	32,944	33,219	
Total liabilities and capital	**440,188**	422,919	431,638	

Table C-8: Statement of changes in components of supervisory capital

	For the three months ended September 30, 2016				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Balance as at June 30, 2016	**34,654**	**1,465**	**36,119**	**12,886**	**49,005**
Changes in capital components					
Ordinary share capital	**1**	**-**	**1**	**-**	**1**
Premium on ordinary shares	**3**	**-**	**3**	**-**	**3**
Net profit for the period attributed to shareholders of the Bank	**699**	**-**	**699**	**-**	**699**
Dividend	**(223)**	**-**	**(223)**	**-**	**(223)**
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings*	**-**	**-**	**-**	**-**	**-**
Unrealized profits from adjustments of securities available for sale to fair value	**56**	**-**	**56**	**-**	**56**
Unrealized gains in respect of cash-flow hedges	**1**	**-**	**1**	**-**	**1**
Translation adjustments of autonomous affiliated units overseas	**(10)**	**-**	**(10)**	**-**	**(10)**
Benefit due to share-based payment transactions	**(6)**	**-**	**(6)**	**-**	**(6)**
Proceeds on shares and amounts received in consideration for options to purchase shares	**-**	**-**	**-**	**-**	**-**
Effect of adoption of accounting rules concerning employee benefits, included in other comprehensive income*	**11**	**-**	**11**	**-**	**11**
Effect of the efficiency plan, included in other comprehensive income	**(762)**	**-**	**(762)**	**-**	**(762)**
Adjustments in respect of the effect of the efficiency plan	**762**	**-**	**762**	**-**	**762**
Non-controlling interests in share capital of consolidated subsidiaries*	**(2)**	**-**	**(2)**	**-**	**(2)**
Other	**-**	**-**	**-**	**-**	**-**
Total change before supervisory adjustments and deductions	**530**	**-**	**530**	**-**	**530**

* After adjustments, as required in the transitional directives in Directive 299.

Table C-8: Statement of changes in components of supervisory capital (continued)

	For the three months ended September 30, 2016				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Change due to the effect of supervisory adjustments and deductions					
Goodwill and intangible assets	-	-	-	-	-
Deferred taxes, realization of which is based on the future profitability of the banking corporation*	**(1)**	-	**(1)**	-	**(1)**
Deferred tax assets attributed to timing differences (over 10% of common equity Tier 1 capital)*	-	-	-	-	-
Pension fund with defined benefits recorded in the balance sheet as an asset	-	-	-	-	-
Total accumulated other comprehensive income in respect of cash flows of items not presented in the balance sheet at fair value*	-	-	-	-	-
Increase in capital due to securitization exposures	-	-	-	-	-
Unrealized gains and losses resulting from changes in the fair value of liabilities due to changes in the own credit risk of the Bank*	**6**	-	**6**	-	**6**
Self investment in ordinary shares (held directly or indirectly)*	-	-	-	-	-
Mutual cross-holdings in ordinary shares of financial corporations	-	-	-	-	-
Investments in share capital of financial corporations, where the investment does not exceed 10% of the capital of the financial corporation	-	-	-	-	-
Investments in share capital of financial corporations, where the investment exceeds 10% of the capital of the financial corporation	-	-	-	-	-
Threshold deduction – amount in excess of 15% of common equity Tier 1 capital	-	-	-	-	-
Others	-	-	-	-	-
Total change in supervisory adjustments and deductions	**5**	-	**5**	-	**5**
Decrease in supervisory capital instruments	-	-	-	**(589)**	**(589)**
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	**(64)**	**(64)**
Other	-	-	-	-	-
Balance as at September 30, 2016	**35,179**	**1,465**	**36,644**	**12,233**	**48,877**

* After adjustments, as required in the transitional directives in Directive 299.

Table C-8: Statement of changes in components of supervisory capital (continued)

	For the nine months ended September 30, 2016				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Balance as at December 31, 2015	**33,246**	**1,709**	**34,955**	**14,593**	**49,548**
Changes in capital components					
Ordinary share capital	**3**	**-**	**3**	**-**	**3**
Premium on ordinary shares	**23**	**-**	**23**	**-**	**23**
Net profit for the period attributed to shareholders of the Bank	**2,490**	**-**	**2,490**	**-**	**2,490**
Dividend	**(475)**	**-**	**(475)**	**-**	**(475)**
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings*	**2**	**-**	**2**	**-**	**2**
Unrealized gains from adjustments of securities available for sale to fair value	**20**	**-**	**20**	**-**	**20**
Unrealized gains in respect of cash-flow hedges	**3**	**-**	**3**	**-**	**3**
Translation adjustments of autonomous affiliated units overseas	**(7)**	**-**	**(7)**	**-**	**(7)**
Benefit due to share-based payment transactions	**(18)**	**-**	**(18)**	**-**	**(18)**
Proceeds on shares and amounts received in consideration for options to purchase shares	**-**	**-**	**-**	**-**	**-**
Effect of adoption of accounting rules concerning employee benefits, included in other comprehensive income*	**(182)**	**-**	**(182)**	**-**	**(182)**
Effect of the efficiency plan, included in other comprehensive income	**(762)**	**-**	**(762)**	**-**	**(762)**
Adjustments in respect of the effect of the efficiency plan	**762**	**-**	**762**	**-**	**762**
Non-controlling interests in share capital of consolidated subsidiaries*	**(25)**	**-**	**(25)**	**-**	**(25)**
Other	**-**	**-**	**-**	**-**	**-**
Total change before supervisory adjustments and deductions	**1,834**	**-**	**1,834**	**-**	**1,834**

* After adjustments, as required in the transitional directives in Directive 299.

Table C-8: Statement of changes in components of supervisory capital (continued)

	For the nine months ended September 30, 2016				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Change due to the effect of supervisory adjustments and deductions					
Goodwill and intangible assets	-	-	-	-	-
Deferred taxes, realization of which is based on the future profitability of the banking corporation*	**8**	-	**8**	-	**8**
Deferred tax assets attributed to timing differences (over 10% of common equity Tier 1 capital)*	**(89)**	-	**(89)**	-	**(89)**
Pension fund with defined benefits recorded in the balance sheet as an asset	-	-	-	-	-
Total accumulated other comprehensive income in respect of cash flows of items not presented in the balance sheet at fair value*	**1**	-	**1**	-	**1**
Increase in capital due to securitization exposures	-	-	-	-	-
Unrealized gains and losses resulting from changes in the fair value of liabilities due to changes in the own credit risk of the Bank*	**1**	-	**1**	-	**1**
Self investment in ordinary shares (held directly or indirectly)*	**(20)**	-	**(20)**	-	**(20)**
Mutual cross-holdings in ordinary shares of financial corporations	-	-	-	-	-
Investments in share capital of financial corporations, where the investment does not exceed 10% of the capital of the financial corporation	-	-	-	-	-
Investments in share capital of financial corporations, where the investment exceeds 10% of the capital of the financial corporation	-	-	-	-	-
Threshold deduction – amount in excess of 15% of common equity Tier 1 capital	-	-	-	-	-
Others	-	-	-	-	-
Total change in supervisory adjustments and deductions	**(99)**	-	**(99)**	-	**(99)**
Decrease in supervisory capital instruments	-	**(244)**	**(244)**	**(2,114)**	**(2,358)**
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	**(246)**	**(246)**
Other	-	-	-	-	-
Balance as at September 30, 2016	**35,179**	**1,465**	**36,644**	**12,233**	**48,877**

* After adjustments, as required in the transitional directives in Directive 299.

Table C-8: Statement of changes in components of supervisory capital (continued)

	For the year ended December 31, 2015				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Balance as at December 31, 2014*	31,482	1,954	33,436	16,041	49,477
Changes in capital components					
Ordinary share capital	6	-	6	-	6
Premium on ordinary shares	84	-	84	-	84
Net profit for the period attributed to shareholders of the Bank	3,082	-	3,082	-	3,082
Dividend	(569)	-	(569)	-	(569)
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings**	(36)	-	(36)	-	(36)
Unrealized losses from adjustments of securities available for sale to fair value	(510)	-	(510)	-	(510)
Unrealized gains in respect of cash-flow hedges	2	-	2	-	2
Translation adjustments of autonomous affiliated units overseas	2	-	2	-	2
Benefit due to share-based payment transactions	(56)	-	(56)	-	(56)
Proceeds on shares and amounts received in consideration for options to purchase shares	-	-	-	-	-
Effect of adoption of accounting rules concerning employee benefits, included in other comprehensive income**	(135)	-	(135)	-	(135)
Non-controlling interests in share capital of consolidated subsidiaries**	(76)	-	(76)	-	(76)
Other	-	-	-	-	-
Total change before supervisory adjustments and deductions	1,794	-	1,794	-	1,794

* As reported excluding the effect of the adoption of US GAAP regarding employee benefits, which took effect on January 1, 2015.
** After adjustments, as required in the transitional directives in Directive 299.

Table C-8: Statement of changes in components of supervisory capital (continued)

	For the year ended December 31, 2015				
	Common equity Tier 1 capital	Additional Tier 1 capital	Total Tier 1 capital	Tier 2 capital	Total capital
	NIS millions				
Change due to the effect of supervisory adjustments and deductions					
Goodwill and intangible assets	(7)	-	(7)	-	(7)
Deferred taxes, realization of which is based on the future profitability of the banking corporation*	8	-	8	-	8
Deferred tax assets attributed to timing differences (over 10% of common equity Tier 1 capital)*	12	-	12	-	12
Pension fund with defined benefits recorded in the balance sheet as an asset	-	-	-	-	-
Total accumulated other comprehensive income in respect of cash flows of items not presented in the balance sheet at fair value*	(1)	-	(1)	-	(1)
Increase in capital due to securitization exposures	-	-	-	-	-
Unrealized gains and losses resulting from changes in the fair value of liabilities due to changes in the own credit risk of the Bank*	7	-	7	-	7
Self investment in ordinary shares (held directly or indirectly)*	11	-	11	-	11
Mutual cross-holdings in ordinary shares of financial corporations	-	-	-	-	-
Investments in share capital of financial corporations, where the investment does not exceed 10% of the capital of the financial corporation	-	-	-	-	-
Investments in share capital of financial corporations, where the investment exceeds 10% of the capital of the financial corporation	-	-	-	-	-
Threshold deduction – amount in excess of 15% of common equity Tier 1 capital	-	-	-	-	-
Others	-	-	-	-	-
Total change in supervisory adjustments and deductions	30	-	30	-	30
Decrease in supervisory capital instruments	-	(245)	(245)	(1,526)	(1,771)
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	78	78
Other	-	-	-	-	-
Balance as at December 31, 2015	33,246	1,709	34,955	14,593	49,548

* After adjustments, as required in the transitional directives in Directive 299.

Most of the changes in the components of supervisory capital in the third quarter of 2016 resulted primarily from net profit for the period, in the amount of NIS 699 million, which was offset by dividend distribution in the amount of NIS 223 million and by a decrease in supervisory capital instruments in the amount of NIS 589 million, due to maturity of Capital Note A. The changes in the first nine months of 2016 resulted primarily from net profit for the period, in the amount of NIS 2,490 million, which was offset by dividend distribution in the amount of NIS 475 million and by a decrease in supervisory capital instruments, in the amount of NIS 2,358 million, due to the effect of the decrease in the ceiling for recognition of such instruments from 70% to 60%, in accordance with the transitional directives, and due to the maturity of Capital Note A. The data include adjustments in respect of the efficiency plan, established based on the Supervisor of Banks' letter of January 12, 2016, "Improvement of the Operational Efficiency of the Banking System in Israel," allocated in equal parts over five years, from 2017 forward.

Most of the changes in the components of supervisory capital in 2015 resulted primarily from net profit for the period, in the amount of NIS 3,082 million, which was offset by dividend distribution in the amount of NIS 569 million; unrealized losses from securities available for sale, in the amount of NIS 510 million; and a decrease in supervisory capital instruments, in the amount of NIS 1,771 million, due to the effect of the decrease in the ceiling for recognition of such instruments from 80% to 70%, in accordance with the transitional directives.

Capital Adequacy

The Bank's Approach to Capital Adequacy Assessment

The Bank applies the capital measurement and adequacy directives based on the Basel 2 and 3 directives, as published by the Supervisor of Banks and as integrated into Proper Conduct of Banking Business Directives 201-211 and the file of questions and answers.

The Basel 2 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 (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 Supervisor of Banks.
- 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.

For additional information regarding the implementation of the Proper Conduct of Banking Business Directives and other requirements of the Supervisor of Banks concerning capital adequacy, and for additional information regarding capital adequacy management, see the Annual Reporting.

Capital Adequacy Target

On May 30, 2013, the Supervisor of Banks issued a circular to all banking corporations concerning minimum capital ratios, as part of the process of preparation for implementation of the Basel 3 directives. Pursuant to the circular, all banking corporations were required to comply with a minimum common equity Tier 1 capital ratio of 9% by January 1, 2015. In addition, banking corporations of significant importance whose total balance sheet assets on a consolidated basis constitute at least 20% of the total balance sheet assets of the banking system in Israel will be required to maintain a minimum common equity Tier 1 capital ratio of 10%, by January 1, 2017.

The Supervisor also determined that minimum total capital ratios of all banking corporations would stand at 12.5% beginning January 1, 2015, and that in addition, minimum total capital ratios of banking corporations of significant importance shall stand at 13.5% beginning January 1, 2017. The Bank meets the conditions for the definition of a banking corporation of significant importance.

The Supervisor of Banks issued an additional directive on September 28, 2014; pursuant to this directive and the transitional directives for 2014, a capital requirement at a rate representing 1% of the balance of housing loans at the reporting date is added to minimum capital ratios as of January 1, 2015. This requirement is being implemented gradually, over eight quarters, until January 1, 2017. The total effect of this directive, based on the balance of housing loans at the date of the Financial Statements, is estimated at approximately 0.2%.

Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required by the Supervisor of Banks as at January 1, 2017, on a consolidated basis, based on data at the reporting date, will stand at 10.2% and 13.7%, respectively.

On April 20, 2015, the Board of Directors of the Bank resolved to increase the planned common equity Tier 1 capital ratio of the Bank, such that it stands at 10.75% as of December 31, 2017.

The Bank is preparing to meet the capital targets, as noted in the Annual Reporting, and is acting to supplement the required capital, by means including reduction of risk-adjusted assets through the purchase of insurance for Sale Law guarantees for purchasers of homes and through mortgage sales. As at the report date, insurance for Sale Law guarantees for purchasers of homes led to an improvement of approximately 0.3% in the common equity Tier 1 capital ratio of the Bank. See the section "Credit Risk Mitigation," below.

Improving Operational Efficiency

In January 2016, the Supervisor of Banks issued a letter on the subject, "Improving the operational efficiency of the banking system in Israel" (hereinafter: the "Letter"). Pursuant to the Letter, 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 Letter 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.

In October 2016, the Board of Directors of the Bank approved an efficiency plan at an estimated cost of NIS 762 million, net of tax effect, which was allocated to capital. The effect of the costs of the efficiency plan on capital-adequacy ratios, estimated at approximately 0.27%, will be allocated in equal parts over five years, from 2017 forward.

Measurement of Risk Exposures and Capital Requirements

The measurement of exposures to the various risks may change, according to the volume and quality of the portfolio, methodological and regulatory changes, and changes in exchange rates, among other factors, and depending on the definition of the exposure: financial reporting according to GAAP, establishment of supervisory capital, or the Bank's internal exposure management needs. Risk exposures presented below are based on the rules defined for the calculation of the supervisory capital required in order to support these risks.

Table C-9: Information regarding risk-adjusted assets and regulatory capital requirements in respect of credit risk, market risk, and operational risk (as noted in Proper Conduct of Banking Business Directives 201-209)

	September 30, 2016		September 30, 2015		December 31, 2015	
	Risk-adjusted assets	Capital requirements(1)	Risk-adjusted assets	Capital requirements(1)	Risk-adjusted assets	Capital requirements(1)
	NIS millions					
Credit risk						
Sovereign debt	**1,785**	**226**	2,257	283	2,115	266
Debts of public-sector entities	**3,015**	**381**	3,406	427	3,138	394
Debts of banking corporations	**6,429**	**813**	5,988	751	5,535	696
Debts of corporations	**122,844**	**15,527**	135,896	17,041	131,054	16,473
Debts secured by commercial real estate	**47,966**	**6,063**	61,920	7,765	63,500	7,982
Retail exposures to individuals	**47,178**	**5,963**	43,315	5,432	45,427	5,710
Loans to small businesses	**7,420**	**938**	6,797	852	7,219	907
Housing loans	**38,008**	**4,804**	35,030	4,393	35,849	4,506
Securitization	**94**	**12**	98	12	98	12
Other assets	**18,657**	**2,358**	18,433	2,311	19,431	2,442
CVA risk	**4,625**	**585**	4,963	622	4,525	569
Total in respect of credit risk	**298,021**	**37,670**	318,103	39,889	317,891	39,957
Market risks	**4,274**	**540**	5,506	690	4,562	573
Operational risk	**23,225**	**2,936**	22,606	2,835	22,671	2,850
Total risk-adjusted assets in respect of the various risks	**325,520**	**41,146**	346,215	43,414	345,124	43,380
Common equity Tier 1 capital	**35,179**		32,904		33,246	
Tier 1 capital	**36,644**		34,613		34,955	
Total capital	**48,877**		49,217		49,548	
	%					
Ratio of common equity Tier 1 capital to risk-adjusted assets	**10.81%**		9.50%		9.63%	
Ratio of Tier 1 capital to risk-adjusted assets	**11.26%**		10.00%		10.13%	
Ratio of total capital to risk-adjusted assets	**15.02%**		14.22%		14.36%	
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(2)9.14%**		(2)9.04%		(2)9.07%	
Minimum total capital ratio required by the Supervisor of Banks	**(2)12.64%**		(2)12.54%		(2)12.57%	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Supervisor of Banks, at 12.64% as at September 30, 2016; 12.57% as at December 31, 2015; and 12.54% as at September 30, 2015. The following approaches are used at the Bank to calculate supervisory capital, with respect to the main risk categories: standardized approach (used for credit risks, market risks, operational risk, and securitization risk); current exposure approach (for counterparty credit risk); and calculation based on risk weights established in the Proper Conduct of Banking Business Directives (used in the calculation of other assets).

(2) The minimum required common equity Tier 1 capital ratio and the minimum required total capital ratio are 9% and 12.5%, respectively, from January 1, 2015, to December 31, 2016; and 10% and 13.5%, respectively, beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required by the Supervisor of Banks as at January 1, 2017, on a consolidated basis, based on data at the reporting date, will stand at 10.2% and 13.7%, respectively. With regard to the balance of housing loans, see Note 13A(2) to the Condensed Financial Statements as at September 30, 2016.

Table C-10: Risk-adjusted assets by segment of activity[AI]

	September 30, 2016										
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Private individuals - overseas	Business activity - overseas	Other	Total
	NIS millions										
Credit risk											
Activity in Israel	**85,547**	**3,208**	**52,490**	**30,477**	**71,324**	**4,059**	**23,490**	**-**	**-**	**4,398**	**274,993**
Activity abroad	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,828**	**18,200**	**-**	**23,028**
Total credit risk assets	**85,547**	**3,208**	**52,490**	**30,477**	**71,324**	**4,059**	**23,490**	**4,828**	**18,200**	**4,398**	**298,021**
Market risk	**-**	**-**	**-**	**-**	**-**	**-**	**4,274**	**-**	**-**	**-**	**4,274**
Operational risk	**7,343**	**435**	**4,334**	**1,406**	**3,576**	**557**	**2,699**	**324**	**1,263**	**1,288**	**23,225**
Total risk-adjusted assets	**92,890**	**3,643**	**56,824**	**31,883**	**74,900**	**4,616**	**30,463**	**5,152**	**19,463**	**5,686**	**325,520**

	December 31, 2015										
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Private individuals - overseas	Business activity - overseas	Other	Total
	NIS millions										
Credit risk											
Activity in Israel	79,812	2,929	51,340	33,292	92,539	5,978	20,731	-	-	3,794	290,415
Activity abroad	-	-	-	-	-	-	-	5,843	21,633	-	27,476
Total credit risk assets	79,812	2,929	51,340	33,292	92,539	5,978	20,731	5,843	21,633	3,794	317,891
Market risk	-	-	-	-	-	-	4,562	-	-	-	4,562
Operational risk	6,872	503	4,251	1,434	3,113	247	3,260	777	848	1,366	22,671
Total risk-adjusted assets	86,684	3,432	55,591	34,726	95,652	6,225	28,553	6,620	22,481	5,160	345,124

Change in Risk-Weighted Assets During the Period[AI]

Table C-11: Statement of changes in risk-weighted assets during the period[AI]

	For the three months ended September 30, 2016			
	Credit risk	Market risk	Operational risk	Total risk-adjusted assets
	NIS millions			
Balance as at June 30, 2016	**312,541**	**4,047**	**23,091**	**339,679**
Changes in portfolio volume[(1)]	**(2,458)**	**227**	**134**	**(2,097)**
Changes in portfolio quality[(2)]	**(9,707)**	**-**	**-**	**(9,707)**
Changes in methodology and policy[(3)]	**(202)**	**-**	**-**	**(202)**
Sales[(4)]	**(258)**	**-**	**-**	**(258)**
Effect of changes in exchange rates	**(1,895)**	**-**	**-**	**(1,895)**
Balance as at September 30, 2016	**298,021**	**4,274**	**23,225**	**325,520**

	For the nine months ended September 30, 2016			
	Credit risk	Market risk	Operational risk	Total risk-adjusted assets
	NIS millions			
Balance as at December 31, 2015	**317,891**	**4,562**	**22,671**	**345,124**
Changes in portfolio volume[(1)]	**(8,187)**	**(288)**	**554**	**(7,921)**
Changes in portfolio quality[(2)]	**(9,900)**	**-**	**-**	**(9,900)**
Changes in methodology and policy[(3)]	**-**	**-**	**-**	**-**
Sales[(4)]	**(258)**	**-**	**-**	**(258)**
Effect of changes in exchange rates	**(1,525)**	**-**	**-**	**(1,525)**
Balance as at September 30, 2016	**298,021**	**4,274**	**23,225**	**325,520**

	For the year ended December 31, 2015			
	Credit risk	Market risk	Operational risk	Total risk-adjusted assets
	NIS millions			
Balance as at December 31, 2014*	311,329	5,269	22,275	338,873
Changes in portfolio volume[(1)]	8,933	(707)	396	8,622
Changes in portfolio quality[(2)]	(284)	-	-	(284)
Changes in methodology and policy[(3)]	(1,364)	-	-	(1,364)
Sales[(4)]	(349)	-	-	(349)
Effect of changes in exchange rates	(374)	-	-	(374)
Balance as at December 31, 2015	317,891	4,562	22,671	345,124

* As reported excluding the effect of the adoption of US GAAP regarding employee benefits, which took effect on January 1, 2015.

(1) The category "changes in portfolio volume" refers to changes in the size of the portfolio, excluding changes resulting from change in the quality of the portfolio.

(2) The category "changes in portfolio quality" mainly refers to changes in the risk weight of transactions and customers resulting from changes in credit rating or classification.

(3) The category "changes in methodology and policy" mainly refers to the effect of changes in regulatory directives and changes in methodologies.

(4) The effect of mortgage sales was included in the third quarter of 2016. In the year ended December 31, 2015, the category "sales" refers to the effect of the sale of 100% of the share capital of Bank Pozitiv Kazakhstan JSC, which was a fully consolidated subsidiary until December 30, 2015.

Leverage Ratio

On April 28, 2015, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 218, Leverage Ratio (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which will serve as a reliable measurement complementary 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. In general, the measurement is consistent with accounting values, and risk weights are not taken into account. In addition, physical or financial collateral, guarantees, or other credit risk mitigation techniques cannot be used to reduce the exposure measurement, unless otherwise noted in the Directive. Balance sheet assets deducted from Tier 1 capital (in accordance with Proper Conduct of Banking Business Directive 202) are deducted from the exposure measurement. Pursuant to the Directive, exposure in respect of derivatives is calculated in accordance with Appendix C to Proper Conduct of Banking Business Directive 203; exposures in respect of off-balance sheet items are calculated by converting the notional amount of the items using credit conversion coefficients, as established in Proper Conduct of Banking Business Directive 203.

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 20% 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 will be 6%.

Banking corporations are required to maintain this leverage ratio as of January 1, 2018. Banking corporations that comply with the applicable minimum leverage ratio requirement at the date of publication of the Directive shall not lower the ratio below the threshold established in the Directive.

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, where applicable.

Table C-12: Leverage ratio

	September 30, 2016	September 30, 2015	December 31, 2015
		NIS millions	
A. Consolidated data			
Tier 1 capital	***36,644**	34,613	34,955
Total exposures	***495,087**	482,123	492,192
		%	
Leverage ratio	**7.40%**	7.18%	7.10%
Minimum leverage ratio required by the Supervisor of Banks**	**6.00%**	6.00%	6.00%
B. Significant subsidiaries			
Isracard			
Leverage ratio	**12.09%**	12.16%	12.11%
Minimum leverage ratio required by the Supervisor of Banks	**5.00%**	5.00%	5.00%
Bank Hapoalim Switzerland* **			
Leverage ratio	**11.10%**	10.60%	10.00%
Bank Pozitif			
Leverage ratio	**15.70%**	11.99%	12.60%
Minimum required leverage ratio according to local regulation	**3.00%**	3.00%	3.00%

* These data include adjustments in respect of the efficiency plan, established based on the Supervisor of Banks' letter of January 12, 2016, "Improvement of the Operational Efficiency of the Banking System in Israel." The effect of the costs of the efficiency plan on the leverage ratio, estimated at approximately 0.16%, will be allocated in equal parts over five years, from 2017 forward.

** Banking corporations are required to comply with the minimum leverage ratio required by the Supervisor of Banks beginning January 1, 2018.

*** Local regulation in Switzerland does not impose a minimum leverage ratio requirement.

Table C-13: Comparison of balance sheet assets to exposure measurement, for the purposes of the leverage ratio

	September 30, 2016	September 30, 2015	December 31, 2015
		NIS millions	
Total consolidated assets as per published financial statements	**440,188**	422,919	431,638
Adjustment for investments in banking, financial, insurance, or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**-**	-	-
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the Public Reporting Directives, but excluded from the leverage ratio exposure measurement	**-**	-	-
Adjustments for derivative financial instruments	**(6,159)**	(7,089)	(5,454)
Adjustments for securities financing transactions	**-**	-	-
Adjustments for off-balance sheet items	**58,380**	63,177	62,798
Other adjustments	**2,678**	3,116	3,210
Exposure for the purposes of the leverage ratio	**495,087**	482,123	492,192

Table C-14: Leverage ratio disclosure

	September 30, 2016	September 30, 2015	December 31, 2015
	NIS millions/percent		
On-balance sheet exposures			
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	**429,497**	410,596	422,040
Asset amounts deducted in determining Tier I capital	**(27)**	(170)	(108)
Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	**429,470**	410,426	421,932
Derivative exposures			
Replacement cost associated with all derivatives transactions	**3,323**	4,810	3,578
Add-on amounts for potential future exposure associated with all derivatives transactions	**5,550**	5,679	5,813
Gross-up for collateral provided in respect of derivatives deducted from balance sheet assets pursuant to the Public Reporting Directives	**-**	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(2,331)**	(2,610)	(2,185)
Exempted central counterparty leg of client-cleared trade exposures	**-**	-	-
Adjusted effective notional amount of written credit derivatives	**132**	137	137
Adjusted effective notional offsets and add-on deductions for written credit derivatives	**-**	-	-
Total derivative exposures	**6,674**	8,016	7,343
Securities financing transaction exposures			
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sale accounting transactions	**563**	504	119
Netted amounts of cash payables and cash receivables of gross securities financing transaction assets	**-**	-	-
Central counterparty credit risk exposure for securities financing transaction assets	**-**	-	-
Agent transaction exposures	**-**	-	-
Total securities financing transaction exposures	**563**	504	119
Other off-balance sheet exposures			
Off-balance sheet exposure at gross notional amount	**170,900**	190,804	191,347
Adjustments for conversion to credit equivalent amounts	**(112,520)**	(127,627)	(128,549)
Off-balance sheet items	**58,380**	63,177	62,798
Capital and total exposures			
Tier I capital	**36,644**	34,613	34,955
Total exposures	**495,087**	482,123	492,192
Leverage ratio			
Leverage ratio pursuant to Proper Conduct of Banking Business Directive 218	**7.40%**	7.18%	7.10%

D. Risk Assessment and Management

The Bank's activity is accompanied by the following financial risks: credit risks (including concentration risk and counterparty risk), market risks (including exchange-rate risk and interest-rate risk in the banking book), investment risk (share and credit spread risk), and liquidity risk (including financing risk).

Other non-financial risks are mainly compliance risk, legal risk, and operational risks. Additional risks to which the Bank is exposed are handled directly as part of the management of its business: reputational risk, competitive risk, regulatory and legislative risk, economic risk, strategic risk, and environmental risk. The risk-management strategy of the Bank Group is designed to support the achievement of the strategic objectives of the Group as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible function at all levels of the organization. Risk management at the Bank is based on a uniform methodology, from a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting rational risk-taking in order to maximize the Group's profitability at a risk level aligned with its risk appetite.

The Bank has defined the following risks as material risks: credit risk, market risk, investment risk, compliance risk, operational risk, concentration risk, counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic risk, and regulatory and legislative risk.

With regard to the structure and organization of the risk-management system, see the Annual Reporting.

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:

1. Balance sheet exposures:
   Current 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 (present value) of derivatives and financial instruments.
2. 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 derivatives and financial instruments.

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 (borrower concentration) or has high exposure to a particular sector (sector concentration).

For additional information regarding credit risk and the management thereof, see the Annual Reporting.

Credit Risk Exposures

Table D-1: Segmentation of credit-risk exposures by counterparty and by main types of credit exposures, before allowance for credit losses[1]

September 30, 2016

	Sovereigns	Public sector	Banking corporations	Corporations	Secured by commercial real estate	Retail to individuals	Small businesses	Housing loans	Securitization	Others	Gross credit exposure[2]	Average gross credit exposure
	NIS millions											
Loans[3]	**63,572**	**3,743**	**9,656**	**96,220**	**35,835**	**63,906**	**10,066**	**68,194**	**-**	**-**	**351,192**	**347,385**
Bonds[4]	**45,285**	**1,032**	**5,529**	**3,526**	**147**	**-**	**-**	**-**	**-**	**-**	**55,519**	**55,169**
Derivatives[5]	**33**	**1,124**	**2,374**	**5,874**	**216**	**18**	**15**	**8**	**-**	**-**	**9,662**	**9,865**
Other off-balance sheet exposures	**226**	**1,970**	**1,901**	**58,299**	**56,086**	**45,947**	**3,848**	**2,062**	**188**	**-**	**170,527**	**180,718**
Other assets[6]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,442**	**15,442**	**15,756**
Total	**109,116**	**7,869**	**19,460**	**163,919**	**92,284**	**109,871**	**13,929**	**70,264**	**188**	**15,442**	**602,342**	**608,893**

September 30, 2015

	Sovereigns	Public sector	Banking corporations	Corporations	Secured by commercial real estate	Retail to individuals	Small businesses	Housing loans	Securitization	Others	Gross credit exposure[2]	Average gross credit exposure
	NIS millions											
Loans[3]	50,538	4,717	7,028	103,133	37,822	57,914	8,929	65,187	-	-	335,268	333,242
Bonds[4]	38,970	1,204	5,238	5,303	608	-	-	-	-	-	51,323	48,463
Derivatives[5]	33	891	1,905	7,284	409	31	275	8	-	-	10,836	11,448
Other off-balance sheet exposures	917	2,378	2,068	76,077	53,082	50,672	3,493	1,676	196	-	190,559	187,193
Other assets[6]	-	-	-	-	-	-	-	-	-	16,459	16,459	16,827
Total	90,458	9,190	16,239	191,797	91,921	108,617	12,697	66,871	196	16,459	604,445	597,173

December 31, 2015

	Sovereigns	Public sector	Banking corporations	Corporations	Secured by commercial real estate	Retail to individuals	Small businesses	Housing loans	Securitization	Others	Gross credit exposure[2]	Average gross credit exposure
	NIS millions											
Loans[3]	59,351	4,549	5,490	100,821	38,527	60,447	9,657	66,495	-	-	345,337	335,661
Bonds[4]	42,091	1,055	4,668	4,958	508	-	-	-	-	-	53,280	49,426
Derivatives[5]	33	868	2,617	5,915	413	34	73	8	-	-	9,961	11,150
Other off-balance sheet exposures	488	2,387	2,228	73,729	54,373	51,572	3,757	2,330	195	-	191,059	187,966
Other assets[6]	-	-	-	-	-	-	-	-	-	16,233	16,233	16,708
Total	101,963	8,859	15,003	185,423	93,821	112,053	13,487	68,833	195	16,233	615,870	600,911

(1) After deduction of charge-offs, and before deduction of the allowance for credit losses on an individual and collective basis.
(2) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation as a result of the execution of certain actions (e.g. use of guarantees), and after offsetting of transactions in derivatives (netting).
(3) Including credit to the public, credit to the government, and deposits with central banks; after deduction of liabilities in respect of transactions in derivative instruments subject to CSA agreements.
(4) Not including bonds in the trading portfolio, and not including investments in capital of financial corporations.
(5) Positive fair value of derivatives, including the add-on reflecting the amount of the future potential exposure to credit in respect of the balance of the face value of derivative instruments, after offsetting of transactions in derivatives (netting).
(6) Including cash, investments in financial corporations not deducted from capital, advance payments to tax authorities, shares, and other assets with no counterparty, such as buildings and equipment.

Table D-2: Total principal exposures to foreign countries(1)

Part A – 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

	September 30, 2016												
	Balance sheet exposure(4)									Off-balance sheet exposure(2)(4)(5)			
	Cross-border balance sheet exposure			Balance sheet exposure of the banking corporation's branches/subsidiaries in foreign countries to local residents			Total balance sheet exposure	Problematic balance sheet credit risk(4)	Impaired debts(4)	Total off-balance sheet exposure	Of which: problematic off-balance sheet credit risk(4)	Cross-border balance sheet exposure	
	To governments(3)	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities						Maturity up to one year	Maturity over one year
	NIS millions												
Country													
A. United States	**3,042**	**2,472**	**2,499**	**22,423**	**10,821**	**11,602**	**19,615**	**258**	**21**	**8,950**	**199**	**1,333**	**6,680**
B. Switzerland	**-**	**971**	**42**	**6,854**	**-**	**6,854**	**7,867**	**-**	**-**	**3,831**	**-**	**583**	**430**
C. England	**38**	**4,618**	**4,928**	**58**	**11**	**47**	**9,631**	**11**	**-**	**2,980**	**-**	**1,464**	**8,120**
D. Germany	**124**	**867**	**509**	**-**	**-**	**-**	**1,500**	**-**	**-**	**3,934**	**-**	**663**	**837**
E. France	**73**	**1,992**	**765**	**-**	**-**	**-**	**2,830**	**28**	**25**	**4,340**	**-**	**453**	**2,377**
F. Others	**839**	**5,422**	**6,919**	**1,758**	**686**	**1,072**	**14,252**	**221**	**180**	**2,995**	**-**	**5,993**	**7,187**
Total exposures to foreign countries	**4,116**	**16,342**	**15,662**	**31,093**	**11,518**	**19,575**	**55,695**	**518**	**226**	**27,030**	**199**	**10,489**	**25,631**
Of which: total exposure to LDCs	**21**	**218**	**825**	**1,713**	**682**	**1,031**	**2,095**	**138**	**102**	**1,040**	**-**	**374**	**690**
Of which: total exposure to PIIGS (Portugal, Ireland, Italy, Greece, and Spain)	**3**	**165**	**163**	**-**	**-**	**-**	**331**	**-**	**-**	**365**	**-**	**100**	**231**

The line "total LDCs" includes the total exposure to countries defined as Less Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts." This amount includes data for Turkey, as detailed in the table above.

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).

(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.
(4) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts are presented before the effect of the allowance for credit losses, and before the effect of collateral deductible for the indebtedness of a borrower and of a group of borrowers.
(5) The balance of the off-balance sheet exposure to foreign countries includes a total of NIS 13,344 million in respect of the acquisition of insurance for the portfolio of Sale Law guarantees from international reinsurers.

Table D-2: Total principal exposures to foreign countries[1] (continued)

Part A – 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 (continued)

	September 30, 2015												
	Balance sheet exposure[4]									Off-balance sheet exposure[2][4]			
	Cross-border balance sheet exposure			Balance sheet exposure of the banking corporation's branches/subsidiaries in foreign countries to local residents			Total balance sheet exposure	Problematic balance sheet credit risk[4]	Impaired debts[4]	Total off-balance sheet exposure	Of which: problematic off-balance sheet credit risk[4]	Cross-border balance sheet exposure	
	To governments[3]	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities						Maturity up to one year	Maturity over one year
	NIS millions												
Country													
A. United States	414	2,352	4,505	25,306	11,837	13,469	20,740	119	48	9,187	28	2,343	4,928
B. Switzerland	-	609	50	5,864	-	5,864	6,523	-	-	274	-	269	390
C. England	130	5,261	4,083	88	-	88	9,562	6	-	2,503	-	2,169	7,305
D. Germany	278	1,126	549	-	-	-	1,953	-	-	64	-	965	988
E. France	116	2,270	782	-	-	-	3,168	33	26	1,169	-	949	2,219
F. Others	1,636	4,038	7,972	2,491	1,124	1,367	15,013	219	135	3,732	19	5,721	7,925
Total exposures to foreign countries	2,574	15,656	17,941	33,749	12,961	20,788	56,959	377	209	16,929	47	12,416	23,755
Of which: total exposure to LDCs	173	223	917	2,430	1,123	1,307	2,620	102	95	1,418	-	509	804
Of which: total exposure to PIIGS (Portugal, Ireland, Italy, Greece, and Spain)	-	151	282	-	-	-	433	-	-	305	-	200	233

The line "total LDCs" includes the total exposure to countries defined as Less Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts." This amount includes data for Turkey, as detailed in the table above.

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).

(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.
(4) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts are presented before the effect of the allowance for credit losses, and before the effect of collateral deductible for the indebtedness of a borrower and of a group of borrowers.

Table D-2: Total principal exposures to foreign countries[1] (continued)

Part A – 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 (continued)

	December 31, 2015												
	Balance sheet exposure[4]									Off-balance sheet exposure[2][4]			
	Cross-border balance sheet exposure			Balance sheet exposure of the banking corporation's branches/subsidiaries in foreign countries to local residents			Total balance sheet exposure	Problematic balance sheet credit risk[4]	Impaired debts[4]	Total off-balance sheet exposure	Of which: problematic off-balance sheet credit risk[4]	Cross-border balance sheet exposure	
	To governments[3]	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction in respect of local liabilities	Net balance sheet exposure after deduction of local liabilities						Maturity up to one year	Maturity over one year
	NIS millions												
Country													
A. United States	3,583	2,055	3,826	27,190	12,808	14,382	23,846	129	41	9,194	55	2,096	7,368
B. Switzerland	-	504	32	7,050	-	7,050	7,586	1	-	229	-	163	373
C. England	129	4,850	3,509	75	-	75	8,563	1	-	2,637	-	1,988	6,500
D. Germany	280	1,022	297	-	-	-	1,599	-	-	155	-	844	755
E. France	115	2,005	612	-	-	-	2,732	29	26	1,262	-	825	1,907
F. Others	1,522	2,775	8,231	2,121	936	1,185	13,713	205	129	4,030	14	4,894	7,634
Total exposures to foreign countries	5,629	13,211	16,507	36,436	13,744	22,692	58,039	365	196	17,507	69	10,810	24,537
Of which: total exposure to LDCs	67	269	1,012	2,055	935	1,120	2,468	92	94	1,627	-	456	892
Of which: total exposure to PIIGS (Portugal, Ireland, Italy, Greece, and Spain)	-	166	278	-	-	-	444	-	-	394	-	210	234

The line "total LDCs" includes the total exposure to countries defined as Less Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts." This amount includes data for Turkey, as detailed in the table above.

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).

(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.
(4) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts are presented before the effect of the allowance for credit losses, and before the effect of collateral deductible for the indebtedness of a borrower and of a group of borrowers.

Exposure to foreign countries: Balance sheet exposure to foreign countries as at September 30, 2016 amounted to approximately NIS 55.7 billion, compared with approximately NIS 57.0 billion in the same period last year.
Off-balance sheet exposure to foreign countries as at September 30, 2016 amounted to NIS 27.0 billion, compared with NIS 16.9 billion in the same period last year.
The Bank operates in accordance with an ordered policy that sets limits and terms for the exposure to foreign countries.

Table D-3: Segmentation of the portfolio by term to maturity and by principal type of credit exposure[(1)]

	September 30, 2016					
	Up to 1 year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure[(2)]
	NIS millions					
Loans[(3)]	**168,995**	**77,297**	**104,900**	**-**	**-**	**351,192**
Bonds[(4)]	**20,435**	**22,023**	**13,061**	**-**	**-**	**55,519**
Derivatives[(5)]	**5,617**	**8,202**	**8,002**	**-**	**(12,159)**	**9,662**
Other off-balance sheet exposures	**34,610**	**131,988**	**3,929**	**-**	**-**	**170,527**
Other assets[(6)]	**2,535**	**-**	**-**	**12,907**	**-**	**15,442**
Total	**232,192**	**239,510**	**129,892**	**12,907**	**(12,159)**	**602,342**

	September 30, 2015					
	Up to 1 year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure[(2)]
	NIS millions					
Loans[(3)]	151,001	84,024	100,243	-	-	335,268
Bonds[(4)]	13,844	22,494	14,985	-	-	51,323
Derivatives[(5)]	7,895	7,411	9,225	-	(13,695)	10,836
Other off-balance sheet exposures	34,120	152,207	4,232	-	-	190,559
Other assets[(6)]	3,261	-	-	13,198	-	16,459
Total	210,121	266,136	128,685	13,198	(13,695)	604,445

	December 31, 2015					
	Up to 1 year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure[(2)]
	NIS millions					
Loans[(3)]	158,600	84,504	102,233	-	-	345,337
Bonds[(4)]	13,249	25,084	14,947	-	-	53,280
Derivatives[(5)]	6,103	7,682	8,302	-	(12,126)	9,961
Other off-balance sheet exposures	25,883	161,556	3,620	-	-	191,059
Other assets[(6)]	2,619	-	-	13,614	-	16,233
Total	206,454	278,826	129,102	13,614	(12,126)	615,870

(1) After deduction of charge-offs, and before deduction of the allowance for credit losses on an individual and collective basis.
(2) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation as a result of the execution of certain actions (e.g. use of guarantees), and after offsetting of transactions in derivatives (netting).
(3) Including credit to the public, credit to the government, and deposits with central banks; after deduction of liabilities in respect of transactions in derivative instruments subject to CSA agreements.
(4) Not including bonds in the trading portfolio, and not including investments in capital of financial corporations.
(5) Positive fair value of derivatives, including the add-on reflecting the amount of the future potential exposure to credit in respect of the balance of the face value of derivative instruments, after offsetting of transactions in derivatives (netting).
(6) Including cash, investments in financial corporations not deducted from capital, advance payments to tax authorities, shares, and other assets with no counterparty, such as buildings and equipment.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty

	September 30, 2016									
	Total credit risk[1]			Debts[2] and off-balance sheet credit risk (excluding derivatives)[3]						
	Total	Credit execution rating[5]	Problematic[6]	Total*	* Of which: debts[2]	Problematic[6]	Impaired	Credit losses for the period ended September 30, 2016[4]: Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity in Israel										
Public - commercial										
Agriculture	**2,816**	**2,530**	**33**	**2,812**	**2,164**	**33**	**21**	**(12)**	**(9)**	**22**
Mining and quarrying	**3,207**	**3,168**	**11**	**2,795**	**2,061**	**11**	**-**	**1**	**-**	**6**
Industry	**35,761**	**33,425**	**1,462**	**34,559**	**16,773**	**1,456**	**568**	**(136)**	**(34)**	**365**
Construction and real estate - construction[7]	**54,996**	**52,799**	**1,183**	**54,916**	**19,458**	**1,160**	**740**	**(146)**	**(116)**	**600**
Construction and real estate - real-estate activities	**24,006**	**22,887**	**529**	**23,867**	**19,866**	**529**	**488**	**(197)**	**(74)**	**392**
Electricity and water supply	**9,455**	**9,355**	**6**	**7,951**	**4,963**	**6**	**6**	**(9)**	**-**	**51**
Commerce	**36,801**	**32,427**	**2,217**	**36,459**	**27,480**	**2,178**	**1,110**	**113**	**213**	**1,073**
Hotels, hospitality, and food services	**11,161**	**10,052**	**271**	**11,095**	**9,724**	**271**	**238**	**28**	**29**	**74**
Transportation and storage	**8,780**	**7,907**	**120**	**8,555**	**6,521**	**120**	**65**	**6**	**14**	**38**
Information and communications	**6,058**	**5,137**	**594**	**5,810**	**3,837**	**594**	**520**	**(24)**	**62**	**155**
Financial services	**27,343**	**25,538**	**188**	**23,109**	**14,175**	**188**	**179**	**(110)**	**(61)**	**162**
Other business services	**12,774**	**11,641**	**126**	**12,731**	**8,889**	**126**	**66**	**28**	**26**	**109**
Public and community services	**7,967**	**7,689**	**61**	**7,962**	**6,265**	**61**	**20**	**6**	**3**	**56**
Total commercial[8]	**241,125**	**224,555**	**6,801**	**232,621**	**142,176**	**6,733**	**4,021**	**(452)**	**53**	**3,103**
Private individuals - housing loans	**63,299**	**62,265**	**574**	**63,299**	**61,334**	**574**	**-**	**(5)**	**18**	**369**
Private individuals - other	**89,413**	**83,849**	**1,035**	**89,394**	**54,788**	**1,035**	**699**	**337**	**278**	**863**
Total public - activity in Israel	**393,837**	**370,669**	**8,410**	**385,314**	**258,298**	**8,342**	**4,720**	**(120)**	**349**	**4,335**
Banks in Israel[9]	**4,924**	**4,924**	**-**	**1,375**	**139**	**-**	**-**	**-**	**-**	**-**
Israeli government	**48,788**	**48,788**	**-**	**1,101**	**943**	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**(1)447,549**	**424,381**	**8,410**	**387,790**	**259,380**	**8,342**	**4,720**	**(120)**	**349**	**4,335**

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 259,380, 49,264, 563, 5,315, and 133,027 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 unutilized credit-card facilities under the responsibility of other banks, in the amount of approximately NIS 10,399 million), 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 wherein 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.
(7) Including balance sheet credit risk in the amount of approximately NIS 893 million and off-balance sheet credit risk in the amount of approximately NIS 374 million extended to certain purchasing groups, which are currently in the process of construction. Also includes off-balance sheet credit risk in the amount of approximately NIS 13,344 million in respect of the acquisition of insurance for the portfolio of Sale Law guarantees.
(8) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 6,975 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(9) Excluding cash balances of the Bank and deposits with the Bank of Israel, and before deducting the allowance for credit losses.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty (continued)

	September 30, 2016									
	Total credit risk[1]			Debts[2] and off-balance sheet credit risk (excluding derivatives)[3]						
	Total	Credit execution rating[5]	Problematic[6]	Total*	* Of which: debts[2]	Problematic[6]	Impaired	Credit losses for the period ended September 30, 2016[4]		
								Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity overseas										
Public - commercial										
Agriculture	**372**	**370**	**2**	**372**	**164**	**2**	**2**	**1**	**-**	**2**
Mining and quarrying	**783**	**783**	**82**	**307**	**133**	**82**	**-**	**-**	**-**	**1**
Industry	**5,888**	**5,513**	**114**	**4,733**	**2,883**	**114**	**19**	**1**	**1**	**16**
Construction and real estate	**9,122**	**8,324**	**76**	**8,740**	**6,041**	**76**	**51**	**(53)**	**(39)**	**75**
Electricity and water supply	**1,289**	**1,243**	**-**	**1,110**	**531**	**-**	**-**	**(1)**	**(1)**	**7**
Commerce	**2,632**	**2,440**	**135**	**2,537**	**1,987**	**135**	**6**	**3**	**8**	**13**
Hotels, hospitality, and food services	**1,702**	**1,219**	**49**	**1,702**	**1,429**	**49**	**45**	**(4)**	**(1)**	**8**
Transportation and storage	**602**	**535**	**42**	**421**	**372**	**42**	**6**	**1**	**-**	**3**
Information and communications	**1,039**	**970**	**-**	**758**	**385**	**-**	**-**	**(29)**	**-**	**2**
Financial services	**13,850**	**13,799**	**116**	**8,984**	**6,253**	**116**	**16**	**(4)**	**8**	**32**
Other business services	**1,255**	**1,044**	**1**	**1,096**	**803**	**1**	**1**	**2**	**-**	**5**
Public and community services	**608**	**493**	**14**	**460**	**302**	**14**	**14**	**(2)**	**-**	**14**
Total commercial[7]	**39,142**	**36,733**	**631**	**31,220**	**21,283**	**631**	**160**	**(85)**	**(24)**	**178**
Private individuals - housing loans	**547**	**514**	**17**	**547**	**529**	**17**	**-**	**-**	**-**	**-**
Private individuals - other	**1,824**	**1,764**	**38**	**1,807**	**1,336**	**38**	**31**	**1**	**4**	**37**
Total public - activity overseas	**41,513**	**39,011**	**686**	**33,574**	**23,148**	**686**	**191**	**(84)**	**(20)**	**215**
Banks overseas[8]	**35,867**	**35,867**	**-**	**23,591**	**22,867**	**-**	**-**	**1**	**-**	**4**
Governments overseas	**7,131**	**7,131**	**-**	**1,846**	**1,779**	**-**	**-**	**3**	**-**	**3**
Total activity overseas	**(1)84,511**	**82,009**	**686**	**59,011**	**47,794**	**686**	**191**	**(80)**	**(20)**	**222**
Total in Israel and overseas	**532,060**	**506,390**	**9,096**	**446,801**	**307,174**	**9,028**	**4,911**	**(200)**	**329**	**4,557**

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 47,794, 13,588, 0, 7,509, and 15,620 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks, 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 wherein 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.
(7) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 52 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(8) Excluding cash balances of the Bank, and before deducting the allowance for credit losses.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty (continued)

	September 30, 2015									
	Total credit risk[1]			Debts[2] and off-balance sheet credit risk (excluding derivatives)[3]						
	Total	Credit execution rating[5]	Problematic[6]	Total*	* Of which: debts[2]	Problematic[6]	Impaired	Credit losses for the period ended September 30, 2015[4]		
								Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity in Israel										
Public - commercial										
Agriculture	2,625	2,346	36	2,615	1,981	36	25	(2)	(6)	23
Mining and quarrying	3,217	3,136	7	2,723	2,125	7	-	(3)	-	7
Industry	42,112	39,695	2,469	40,405	18,831	2,421	1,009	(7)	(30)	490
Construction and real estate - construction[7]	57,821	54,814	1,387	57,371	21,050	1,362	805	(6)	(55)	639
Construction and real estate - real-estate activities	23,913	22,551	969	23,595	19,341	969	495	(179)	(162)	511
Electricity and water supply	10,346	10,006	2	8,930	5,368	2	1	(6)	(1)	54
Commerce	37,335	33,797	2,474	36,840	26,514	2,466	1,426	300	154	989
Hotels, hospitality, and food services	10,071	9,273	276	10,022	8,786	276	244	(11)	(5)	75
Transportation and storage	8,460	7,693	126	8,248	6,181	126	94	8	(2)	47
Information and communications	7,424	6,287	1,001	6,884	4,615	1,000	806	123	44	246
Financial services	30,851	29,838	563	25,388	13,148	563	546	(8)	61	248
Other business services	11,958	10,976	173	11,827	7,733	173	99	16	17	98
Public and community services	7,623	7,288	89	7,608	5,814	89	52	(27)	(12)	50
Total commercial[8]	253,756	237,700	9,572	242,456	141,487	9,490	5,602	198	3	3,477
Private individuals - housing loans	61,497	60,322	667	61,497	59,573	667	-	7	-	391
Private individuals - other	88,995	85,568	916	88,963	50,916	916	628	111	158	836
Total public - activity in Israel	404,248	383,590	11,155	392,916	251,976	11,073	6,230	316	161	4,704
Banks in Israel[9]	4,904	4,904	-	1,524	193	-	-	-	-	-
Israeli government	45,150	45,150	-	1,578	817	-	-	-	-	-
Total activity in Israel	[1]454,302	433,644	11,155	396,018	252,986	11,073	6,230	316	161	4,704

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 252,986, 46,066, 109, 7,087, and 148,054 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 unutilized credit-card facilities under the responsibility of other banks, in the amount of approximately NIS 11,614 million), 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 wherein 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.
(7) Including balance sheet credit risk in the amount of approximately NIS 765 million and off-balance sheet credit risk in the amount of approximately NIS 1,324 million extended to certain purchasing groups, which are currently in the process of construction.
(8) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 5,788 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(9) Excluding cash balances of the Bank and deposits with the Bank of Israel, and before deducting the allowance for credit losses.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty (continued)

	September 30, 2015									
	Total credit risk[1]			Debts[2] and off-balance sheet credit risk (excluding derivatives)[3]						
	Total	Credit execution rating[5]	Problematic[6]	Total*	* Of which: debts[2]	Problematic[6]	Impaired	Credit losses for the period ended September 30, 2015[4]		
								Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity overseas										
Public - commercial										
Agriculture	54	26	19	54	38	19	19	-	-	10
Mining and quarrying	935	935	-	342	142	-	-	-	-	-
Industry	7,075	6,444	15	5,399	3,321	15	3	(1)	6	13
Construction and real estate	9,284	7,671	126	8,759	5,962	126	125	(1)	(21)	89
Electricity and water supply	2,133	2,081	-	1,871	618	-	-	(3)	-	5
Commerce	2,634	2,327	26	2,512	1,892	26	16	(1)	31	11
Hotels, hospitality, and food services	2,060	1,893	64	2,027	1,753	64	55	6	-	14
Transportation and storage	961	784	11	800	714	11	11	-	-	5
Information and communications	1,602	1,396	212	1,036	689	212	-	18	(4)	37
Financial services	19,238	18,515	112	14,169	8,447	112	40	6	(1)	45
Other business services	1,203	1,139	2	1,041	633	2	1	3	(3)	6
Public and community services	1,110	1,058	18	861	643	18	18	(19)	(4)	17
Total commercial[7]	48,289	44,269	605	38,871	24,852	605	288	8	4	252
Private individuals - housing loans	568	544	14	568	556	14	-	-	-	3
Private individuals - other	3,493	3,423	55	3,429	2,100	55	43	3	9	47
Total public - activity overseas	52,350	48,236	674	42,868	27,508	674	331	11	13	302
Banks overseas[8]	37,269	37,269	-	23,790	22,958	-	-	1	-	5
Governments overseas	4,277	4,277	-	1,917	1,763	-	-	-	-	-
Total activity overseas	(1)93,896	89,782	674	68,575	52,229	674	331	12	13	307
Total in Israel and overseas	548,198	523,426	11,829	464,593	305,215	11,747	6,561	328	174	5,011

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 52,229, 12,415, 395, 8,009, and 20,848 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks, 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 wherein 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.
(7) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 62 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(8) Excluding cash balances of the Bank, and before deducting the allowance for credit losses.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty (continued)

	December 31, 2015									
	Total credit risk[1]			Debts[2] and off-balance sheet credit risk (excluding derivatives)[3]						
	Total	Credit execution rating[5]	Problematic[6]	Total*	* Of which: debts[2]	Problematic[6]	Impaired	Credit losses for the year ended December 31, 2015[4]		
								Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity in Israel										
Public - commercial										
Agriculture	2,754	2,467	39	2,747	2,062	39	25	1	(7)	25
Mining and quarrying	3,256	3,219	6	2,829	2,226	6	-	(4)	-	7
Industry	39,357	36,962	2,291	38,146	17,805	2,249	879	(149)	(150)	469
Construction and real estate - construction[7]	57,262	54,988	1,328	56,887	20,576	1,305	637	(106)	(148)	636
Construction and real estate - real-estate activities	24,147	22,958	1,056	23,801	19,891	1,056	583	(169)	(148)	515
Electricity and water supply	11,054	10,986	2	9,696	6,091	2	1	2	(1)	61
Commerce	37,452	33,353	2,310	37,092	26,609	2,301	1,293	626	298	1,170
Hotels, hospitality, and food services	10,640	9,558	266	10,608	9,432	266	234	(4)	5	70
Transportation and storage	8,914	7,967	141	8,717	6,538	141	96	4	(2)	42
Information and communications	6,735	5,682	913	6,246	4,029	912	715	91	20	234
Financial services	31,362	30,756	465	26,691	13,887	465	453	(16)	82	218
Other business services	12,583	11,593	171	12,555	8,311	171	81	34	24	108
Public and community services	8,008	7,705	55	8,001	5,997	55	42	(22)	(11)	51
Total commercial[8]	253,524	238,194	9,043	244,016	143,454	8,968	5,039	288	(38)	3,606
Private individuals - housing loans	63,161	61,919	634	63,161	60,569	634	-	5	-	389
Private individuals - other	90,193	85,242	999	90,171	51,825	999	672	174	252	809
Total public - activity in Israel	406,878	385,355	10,676	397,348	255,848	10,601	5,711	467	214	4,804
Banks in Israel[9]	4,439	4,439	-	1,374	51	-	-	-	-	-
Israeli government	44,907	44,907	-	1,065	813	-	-	-	-	-
Total activity in Israel	[1]456,224	434,701	10,676	399,787	256,712	10,601	5,711	467	214	4,804

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 256,712, 45,943, 119, 5,656, and 147,794 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 unutilized credit-card facilities under the responsibility of other banks, in the amount of approximately NIS 11,700 million), 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 wherein 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.
(7) Including balance sheet credit risk in the amount of approximately NIS 829 million and off-balance sheet credit risk in the amount of approximately NIS 1,029 million extended to certain purchasing groups, which are currently in the process of construction.
(8) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 6,067 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(9) Excluding cash balances of the Bank and deposits with the Bank of Israel, and before deducting the allowance for credit losses.

Table D-4: Amount of impaired loans, amount of loans in arrears, individual and collective allowances and provision for credit losses recognized in the statement of profit and loss, and net charge-offs during the period, by principal sector and by principal type of counterparty (continued)

	December 31, 2015									
	Total credit risk(1)			Debts(2) and off-balance sheet credit risk (excluding derivatives)(3)						
	Total	Credit execution rating(5)	Problematic(6)	Total*	* Of which: debts(2)	Problematic(6)	Impaired	Credit losses for the year ended December 31, 2015(4): Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions									
In respect of borrower activity overseas										
Public - commercial										
Agriculture	20	20	-	20	17	-	-	-	-	-
Mining and quarrying	1,003	1,003	-	349	153	-	-	-	-	-
Industry	6,923	6,907	14	5,385	3,225	14	1	(1)	6	10
Construction and real estate	9,566	9,397	163	9,062	6,338	163	123	9	(22)	88
Electricity and water supply	2,078	2,078	-	1,905	592	-	-	(2)	-	6
Commerce	3,004	2,882	33	2,840	2,037	33	10	(1)	31	9
Hotels, hospitality, and food services	2,030	1,967	64	2,002	1,731	64	55	8	-	16
Transportation and storage	794	782	10	614	548	10	10	1	-	6
Information and communications	1,721	1,651	202	1,186	650	202	-	15	(4)	37
Financial services	18,171	18,064	101	13,816	8,153	101	30	(2)	(5)	45
Other business services	1,105	1,092	1	940	669	1	1	2	(3)	6
Public and community services	898	881	17	691	430	17	17	(26)	(5)	18
Total commercial(7)	47,313	46,724	605	38,810	24,543	605	247	3	(2)	241
Private individuals - housing loans	569	555	6	569	551	6	-	-	-	3
Private individuals - other	3,220	3,147	46	3,183	1,969	46	32	6	16	35
Total public - activity overseas	51,102	50,426	657	42,562	27,063	657	279	9	14	279
Banks overseas(8)	37,524	37,524	-	25,514	24,186	-	-	(1)	-	3
Governments overseas	7,607	7,607	-	1,985	1,751	-	-	-	-	-
Total activity overseas	(1)96,233	95,557	657	70,061	53,000	657	279	8	14	282
Total in Israel and overseas	552,457	530,258	11,333	469,848	309,712	11,258	5,990	475	228	5,086

(1) Balance sheet credit risk and off-balance sheet credit risk, 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 53,000, 14,407, 0, 7,132, and 21,694 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks, 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 wherein 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.
(7) The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 59 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.
(8) Excluding cash balances of the Bank, and before deducting the allowance for credit losses.

Table D-5: Credit quality* and arrears

	September 30, 2016					
	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)]
	NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**18,777**	**272**	**409**	**19,458**	**28**	**198**
Construction and real estate - real-estate activities	**19,430**	**39**	**397**	**19,866**	**8**	**18**
Financial services	**13,989**	**8**	**178**	**14,175**	**-**	**14**
Commercial - other	**84,486**	**1,785**	**2,406**	**88,677**	**101**	**141**
Total commercial	**136,682**	**2,104**	**3,390**	**142,176**	**137**	**371**
Private individuals - housing loans[(5)]	**60,760**	**574**	**-**	**61,334**	**571**	**350**
Private individuals - other	**53,764**	**331**	**693**	**54,788**	**77**	**211**
Total public - activity in Israel	**251,206**	**3,009**	**4,083**	**258,298**	**785**	**932**
Banks in Israel	**139**	**-**	**-**	**139**	**-**	**-**
Israeli government	**943**	**-**	**-**	**943**	**-**	**-**
Total activity in Israel	**252,288**	**3,009**	**4,083**	**259,380**	**785**	**932**
Borrower activity overseas						
Public - commercial						
Construction and real estate	**5,965**	**25**	**51**	**6,041**	**-**	**40**
Commercial - other	**14,887**	**246**	**109**	**15,242**	**-**	**35**
Total commercial	**20,852**	**271**	**160**	**21,283**	**-**	**75**
Private individuals	**1,810**	**24**	**31**	**1,865**	**17**	**21**
Total public - activity overseas	**22,662**	**295**	**191**	**23,148**	**17**	**96**
Banks overseas	**22,867**	**-**	**-**	**22,867**	**-**	**-**
Governments overseas	**1,779**	**-**	**-**	**1,779**	**-**	**-**
Total activity overseas	**47,308**	**295**	**191**	**47,794**	**17**	**96**
Total public	**273,868**	**3,304**	**4,274**	**281,446**	**802**	**1,028**
Total banks	**23,006**	**-**	**-**	**23,006**	**-**	**-**
Total governments	**2,722**	**-**	**-**	**2,722**	**-**	**-**
Total	**299,596**	**3,304**	**4,274**	**307,174**	**802**	**1,028**

* 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 (with the exception of housing loans in arrears of up to 3 months), accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 120 million (September 30, 2015: NIS 103 million; December 31, 2015: NIS 132 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, in the amount of approximately NIS 44 million (September 30, 2015: NIS 110 million; December 31, 2015: NIS 110 million), with an allowance based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment schedule with regard to the balance of the loan not yet due for repayment.

Table D-5: Credit quality* and arrears (continued)

	September 30, 2015					
	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)
	NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	20,224	258	568	21,050	45	254
Construction and real estate - real-estate activities	18,523	418	400	19,341	81	197
Financial services	12,587	16	545	13,148	63	54
Commercial - other	82,275	2,379	3,294	87,948	127	158
Total commercial	133,609	3,071	4,807	141,487	289	663
Private individuals - housing loans(5)	58,906	667	-	59,573	667	349
Private individuals - other	50,013	283	620	50,916	82	251
Total public - activity in Israel	242,528	4,021	5,427	251,976	1,038	1,263
Banks in Israel	193	-	-	193	-	-
Israeli government	817	-	-	817	-	-
Total activity in Israel	243,538	4,021	5,427	252,986	1,038	1,263
Borrower activity overseas						
Public - commercial						
Construction and real estate	5,836	1	125	5,962	13	4
Commercial - other	18,467	260	163	18,890	14	17
Total commercial	24,303	261	288	24,852	27	21
Private individuals	2,587	26	43	2,656	14	30
Total public - activity overseas	26,890	287	331	27,508	41	51
Banks overseas	22,958	-	-	22,958	-	-
Governments overseas	1,763	-	-	1,763	-	-
Total activity overseas	51,611	287	331	52,229	41	51
Total public	269,418	4,308	5,758	279,484	1,079	1,314
Total banks	23,151	-	-	23,151	-	-
Total governments	2,580	-	-	2,580	-	-
Total	295,149	4,308	5,758	305,215	1,079	1,314

* 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 (with the exception of housing loans in arrears of up to 3 months), accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 120 million (September 30, 2015: NIS 103 million; December 31, 2015: NIS 132 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, in the amount of approximately NIS 44 million (September 30, 2015: NIS 110 million; December 31, 2015: NIS 110 million), with an allowance based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment schedule with regard to the balance of the loan not yet due for repayment.

Table D-5: Credit quality* and arrears (continued)

	December 31, 2015					
	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)
	NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	19,835	308	433	20,576	42	64
Construction and real estate - real-estate activities	18,956	445	490	19,891	5	16
Financial services	13,424	11	452	13,887	-	1
Commercial - other	83,743	2,339	3,018	89,100	86	167
Total commercial	135,958	3,103	4,393	143,454	133	248
Private individuals - housing loans(5)	59,935	634	-	60,569	634	388
Private individuals - other	50,839	322	664	51,825	84	194
Total public - activity in Israel	246,732	4,059	5,057	255,848	851	830
Banks in Israel	51	-	-	51	-	-
Israeli government	813	-	-	813	-	-
Total activity in Israel	247,596	4,059	5,057	256,712	851	830
Borrower activity overseas						
Public - commercial						
Construction and real estate	6,175	40	123	6,338	-	33
Commercial - other	17,840	241	124	18,205	-	53
Total commercial	24,015	281	247	24,543	-	86
Private individuals	2,468	20	32	2,520	6	34
Total public - activity overseas	26,483	301	279	27,063	6	120
Banks overseas	24,186	-	-	24,186	-	-
Governments overseas	1,751	-	-	1,751	-	-
Total activity overseas	52,420	301	279	53,000	6	120
Total public	273,215	4,360	5,336	282,911	857	950
Total banks	24,237	-	-	24,237	-	-
Total governments	2,564	-	-	2,564	-	-
Total	300,016	4,360	5,336	309,712	857	950

* 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 (with the exception of housing loans in arrears of up to 3 months), accruing interest income.

(4) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 120 million (September 30, 2015: NIS 103 million; December 31, 2015: NIS 132 million) were classified as unimpaired problematic debts.

(5) Includes a balance of housing loans, in the amount of approximately NIS 44 million (September 30, 2015: NIS 110 million; December 31, 2015: NIS 110 million), with an allowance based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment schedule with regard to the balance of the loan not yet due for repayment.

Table D-6: Allowance for credit losses

	September 30, 2016					
	Credit to the public				Banks and governments	Total
	Commercial***	Housing	Other private	Total		
	NIS millions					
Recorded debt balance of debts**:						
Examined on an individual basis	**134,360**	**-**	**2,467**	**136,827**	**25,728**	**162,555**
Examined on a collective basis(1)	**29,099**	**61,863**	**53,657**	**144,619**	**-**	**144,619**
Total debts**	**163,459**	**61,863**	**56,124**	**281,446**	**25,728**	**307,174**
(1) Of which: allowance for which was calculated according to the extent of arrears	**7,027**	**61,601**	**-**	**68,628**	**-**	**68,628**
Allowance for credit losses in respect of debts**:						
Examined on an individual basis	**2,296**	**-**	**113**	**2,409**	**7**	**2,416**
Examined on a collective basis(2)	**392**	**369**	**737**	**1,498**	**-**	**1,498**
Total allowance for credit losses	**2,688**	**369**	**850**	**3,907**	**7**	**3,914**
(2) Of which: allowance for which was calculated according to the extent of arrears****	**65**	**369**	**-**	**434**	**-**	**434**

	September 30, 2015					
	Credit to the public				Banks and governments	Total
	Commercial***	Housing	Other private	Total		
	NIS millions					
Recorded debt balance of debts**:						
Examined on an individual basis	142,307	-	3,468	145,775	25,731	171,506
Examined on a collective basis(1)	24,032	60,129	49,548	133,709	-	133,709
Total debts**	166,339	60,129	53,016	279,484	25,731	305,215
(1) Of which: allowance for which was calculated according to the extent of arrears	5,850	59,908	-	65,758	-	65,758
Allowance for credit losses in respect of debts**:						
Examined on an individual basis	2,549	-	146	2,695	5	2,700
Examined on a collective basis(2)	539	394	664	1,597	-	1,597
Total allowance for credit losses	3,088	394	810	4,292	5	4,297
(2) Of which: allowance for which was calculated according to the extent of arrears*,****	61	394	-	455	-	455

* Restated.

** 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 7,027 million, of commercial borrowers, or granted to purchasing groups in the process of construction (September 30, 2015: NIS 5,850 million; December 31, 2015: NIS 6,126 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 240 million (September 30, 2015: NIS 230 million; December 31, 2015: NIS 235 million).
Includes the allowance beyond the amount required according to the method of the extent of arrears, in the amount of approximately NIS 18 million (September 30, 2015: NIS 26 million; December 31, 2015: NIS 28 million).

Table D-6: Allowance for credit losses (continued)

	December 31, 2015					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
	NIS millions					
Recorded debt balance of debts*:						
Examined on an individual basis	142,300	-	3,159	145,459	26,801	172,260
Examined on a collective basis(1)	25,697	61,120	50,635	137,452	-	137,452
Total debts*	167,997	61,120	53,794	282,911	26,801	309,712
(1) Of which: allowance for which was calculated according to the extent of arrears	6,126	60,863	-	66,989	-	66,989
Allowance for credit losses in respect of debts*:						
Examined on an individual basis	2,856	-	126	2,982	3	2,985
Examined on a collective basis(2)	375	392	665	1,432	-	1,432
Total allowance for credit losses	3,231	392	791	4,414	3	4,417
(2) Of which: allowance for which was calculated according to the extent of arrears***	61	392	-	453	-	453

* 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 7,027 million, of commercial borrowers, or granted to purchasing groups in the process of construction (September 30, 2015: NIS 5,850 million; December 31, 2015: NIS 6,126 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 240 million (September 30, 2015: NIS 230 million; December 31, 2015: NIS 235 million).
Includes the allowance beyond the amount required according to the method of the extent of arrears, in the amount of approximately NIS 18 million (September 30, 2015: NIS 26 million; December 31, 2015: NIS 28 million).

Table D-7: Change in allowance for credit losses

	For the three months ended September 30, 2016					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
	NIS millions					
Allowance for credit losses as at June 30, 2016	**3,526**	**383**	**891**	**4,800**	**7**	**4,807**
Provision for credit losses[1]	**(219)**	**4**	**97**	**(118)**	**-**	**(118)**
Charge-offs	**(312)**	**(18)**	**(171)**	**(501)**	**-**	**(501)**
Recoveries of debts charged off in previous years	**286**	**-**	**83**	**369**	**-**	**369**
Net charge-offs	**(26)**	**(18)**	**(88)**	**(132)**	**-**	**(132)**
Adjustments from translation of financial statements	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Allowance for credit losses as at September 30, 2016[2]	**3,281**	**369**	**900**	**4,550**	**7**	**4,557**
(1) Of which: in respect of off-balance sheet credit instruments	**-**	**-**	**(9)**	**(9)**	**-**	**(9)**
(2) Of which: in respect of off-balance sheet credit instruments	**593**	**-**	**50**	**643**	**-**	**643**

	For the three months ended September 30, 2015					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
	NIS millions					
Allowance for credit losses as at June 30, 2015	3,743	392	882	5,017	5	5,022
Provision for credit losses[1]	(23)	2	76	55	-	55
Charge-offs	(207)	-	(155)	(362)	-	(362)
Recoveries of debts charged off in previous years	216	-	80	296	-	296
Net charge-offs	9	-	(75)	(66)	-	(66)
Adjustments from translation of financial statements	-	-	-	-	-	-
Allowance for credit losses as at September 30, 2015[2]	3,729	394	883	5,006	5	5,011
(1) Of which: in respect of off-balance sheet credit instruments	25	-	1	26	-	26
(2) Of which: in respect of off-balance sheet credit instruments	641	-	73	714	-	714

Table D-7: Change in allowance for credit losses (continued)

	Nine months ended September 30, 2016					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
	NIS millions					
Allowance for credit losses at beginning of year	**3,847**	**392**	**844**	**5,083**	**3**	**5,086**
Provision for credit losses[1]	**(537)**	**(5)**	**338**	**(204)**	**4**	**(200)**
Charge-offs	**(631)**	**(18)**	**(525)**	**(1,174)**	**-**	**(1,174)**
Recoveries of debts charged off in previous years	**602**	**-**	**243**	**845**	**-**	**845**
Net charge-offs	**(29)**	**(18)**	**(282)**	**(329)**	**-**	**(329)**
Adjustments from translation of financial statements	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Allowance for credit losses as at September 30, 2016[2] (unaudited)	**3,281**	**369**	**900**	**4,550**	**7**	**4,557**
(1) Of which: in respect of off-balance sheet credit instruments	**(48)**	**-**	**(23)**	**(71)**	**-**	**(71)**
(2) Of which: in respect of off-balance sheet credit instruments	**593**	**-**	**50**	**643**	**-**	**643**

	Nine months ended September 30, 2015					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
	NIS millions					
Allowance for credit losses at beginning of year	3,530	387	935	4,852	4	4,856
Provision for credit losses[1]	206	7	114	327	1	328
Charge-offs	(570)	-	(405)	(975)	-	(975)
Recoveries of debts charged off in previous years	563	-	238	801	-	801
Net charge-offs	(7)	-	(167)	(174)	-	(174)
Adjustments from translation of financial statements	-	-	1	1	-	1
Allowance for credit losses as at September 30, 2015 (unaudited)[2]	3,729	394	883	5,006	5	5,011
(1) Of which: in respect of off-balance sheet credit instruments	37	-	5	42	-	42
(2) Of which: in respect of off-balance sheet credit instruments	641	-	73	714	-	714

Credit Risk in Respect of Exposure to Borrower Groups[AI]

As at September 30, 2016, there is no group of borrowers whose net indebtedness on a consolidated basis, in accordance with Proper Conduct of Banking Business Directive 313, "Limits on the Indebtedness of Borrowers and group of Borrowers" (hereinafter: Directive 313), exceeds 15% of the capital of the banking corporation (as defined in Directive 313).

Risks in the Housing Loan Portfolio[AI]

Table D-8: 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[AI]

	Unlinked segment				CPI-linked segment				Foreign currency segment		Total	Rate of change during the period
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate		Recorded debt balance in NIS millions	
	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 %		
September 30, 2016	**10,211**	**14.8%**	**25,055**	**36.4%**	**12,817**	**18.6%**	**20,234**	**29.4%**	**573**	**0.8%**	**68,890**	**2.4%**
December 31, 2015	8,785	13.1%	23,880	35.5%	13,179	19.6%	20,724	30.8%	678	1.0%	67,246	8.3%

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. For details and additional information regarding the management, hedging, and monitoring of credit risk in the housing-loan portfolio, see the Report on Risks for 2015.

Risk Quantification and Measurement – Housing Credit Execution

Characteristics of housing credit granted by the Bank:

Table D-9: Housing loan data – percentage of total new loans executed[AI]

	For the three months ended				
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Characteristics					
Financing rate over 60%	**18.8%**	27.0%	31.2%	34.9%	33.1%
Ratio of repayment to income greater than 40% (for acquisition and in monthly payments)	**0.1%**	0.2%	0.3%	0.5%	0.4%
Financing rate over 60% and repayment rate over 40%	**0.0%**	0.1%	0.2%	0.1%	0.1%
Percentage of execution of floating-rate loans with interest varying at a frequency of less than 5 years (Bank of Israel limit 33.3%)	**31.0%**	29.9%	30.3%	29.5%	30.1%
Percentage of all-purpose loans	**2.6%**	2.8%	3.3%	3.0%	2.5%
Loans for investment purposes as a percentage of acquisition	**14.1%**	15.2%	15.3%	14.8%	18.2%
Average loan per acquisition (in NIS thousands), excluding refinancing of Ministry of Finance loans	**681**	686	613	663	689
Average original term to maturity per acquisition, in years (excluding bridge loans)	**23.3**	23.3	22.8	22.5	21.9
Percentage over 25 years (including refinancing)	**36.1%**	33.9%	30.8%	29.2%	26.5%
Marginal rate of borrower balances over NIS 5 million	**1.14%**	1.19%	1.19%	1.23%	1.29%

Note that financing rates were calculated pursuant to Reporting Directive No. 876 of the Supervisor of Banks, "Report on Housing Loans."

Financing rates over 60% and repayment rates over 40% of income continued to decrease in the third quarter of 2016. At the same time, the increase in the rate of executions over 25 years and in the average term to maturity per acquisition continued (values are high relative to recent years), due to the increase in prices of homes and the decrease in financing rates and repayment rates.

Credit Risk Mitigation – Standardized Approach Disclosures

The Bank applies the comprehensive standardized approach in order to determine risk weightings to apply to the counterparty. The standardized approach requires the use of independent ratings prepared by international rating agencies.

Hedges and Risk Mitigation

Bank Hapoalim manages credit collateral through a collateral system that includes conservative safety margins. Within collateral policy, principles and rules have been set forth to determine the value of collateral with respect to its type and the type of credit that it secures, such as: the estimated time range and expenses necessary for realization of the collateral, type of indexation, volatility in the value of the collateral, etc. Procedures have also been defined for the processing of collateral and for monitoring changes in collateral and in the value thereof.

Collateral received by the Bank to secure credit includes financial assets, real-estate assets, and other assets. Against credit granted to companies, the Bank also receives collateral in the form of general floating liens on the companies' assets.

As at September 30, 2016, several significant processes have been completed that have improved the capital-adequacy ratio, including the following:

- **Insurance for the portfolio of Sale Law guarantees for purchasers of homes –** A contractual engagement with international reinsurers was completed on July 18, 2016, for the purchase of insurance for the portfolio of guarantees pursuant to the Sale Law (Homes) and commitments to issue such guarantees. This purchase is aimed at enabling the Bank, among other matters, to reduce the volume of capital allocated in respect of the credit risk arising from the issuance of Sale Law guarantees and commitments to issue such guarantees, by using the policy as a "credit risk mitigator," in accordance with Proper Conduct of Banking Business Directive 203. The current volume of the insured part of the portfolio of Sale Law guarantees and credit facilities is approximately NIS 29 billion (approximately NIS 13 billion after weighting with CCF (credit conversion factors)). The agreement led to the reduction of risk-adjusted assets by approximately NIS 9.6 billion, and to an improvement of approximately 0.3% in the common equity Tier 1 capital ratio of the Bank.
- **Mortgage sales –** A contractual engagement for the sale of housing loans was completed on July 14, 2016, with the retention of 20% of each loan under the ownership of the Bank. The balance of the loans transferred to the buyer (80% of each loan) is approximately NIS 665 million. The Bank will consider selling additional portfolios, according to its needs.

The following tables present details of gross credit exposure, after deducting the allowance for credit losses on an individual basis, by risk weightings, with segmentation of the exposure by counterparty (segments), before and after credit risk mitigation in respect of recognized collateral.

Table D-10: Amount of gross credit exposures before credit risk mitigation

	September 30, 2016								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure[(1)]
	NIS millions								
Sovereigns	**102,016**	**4,985**	**-**	**251**	**-**	**1,864**	**-**	**-**	**109,116**
Public sector	**-**	**1,191**	**-**	**6,678**	**-**	**-**	**-**	**-**	**7,869**
Banking corporations	**488**	**15,702**	**-**	**3,080**	**-**	**190**	**-**	**-**	**19,460**
Corporations	**-**	**1,536**	**-**	**2,685**	**-**	**157,968**	**1,227**	**-**	**163,416**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**91,463**	**595**	**-**	**92,058**
Retail to individuals	**-**	**-**	**-**	**-**	**109,266**	**94**	**409**	**-**	**109,769**
Small businesses	**-**	**-**	**-**	**-**	**13,781**	**41**	**50**	**-**	**13,872**
Housing loans	**-**	**-**	**27,687**	**13,905**	**22,784**	**5,723**	**165**	**-**	**70,264**
Securitization	**-**	**-**	**-**	**-**	**-**	**188**	**-**	**-**	**188**
Others	**2,752**	**-**	**-**	**-**	**-**	**7,817**	**979**	**3,894**	**15,442**
Total	**105,256**	**23,414**	**27,687**	**26,599**	**145,831**	**265,348**	**3,425**	**3,894**	**601,454**

	September 30, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure[(1)]
	NIS millions								
Sovereigns	81,474	6,767	-	470	-	1,747	-	-	90,458
Public sector	-	2,819	-	6,365	-	6	-	-	9,190
Banking corporations	-	12,984	-	2,856	-	399	-	-	16,239
Corporations	-	2,135	-	3,879	-	183,149	1,896	-	191,059
Secured by commercial real estate	-	-	-	-	-	91,170	572	-	91,742
Retail to individuals	-	-	-	-	107,754	148	592	-	108,494
Small businesses	-	-	-	-	12,282	295	75	-	12,652
Housing loans	-	-	31,035	11,311	18,995	5,298	232	-	66,871
Securitization	-	-	-	-	-	196	-	-	196
Others	3,331	-	-	-	-	8,913	775	3,440	16,459
Total	84,805	24,705	31,035	24,881	139,031	291,321	4,142	3,440	603,360

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation as a result of the execution of certain actions (e.g. use of guarantees), and after offsetting of transactions in derivatives (netting).

Table D-10: Amount of gross credit exposures before credit risk mitigation (continued)

	December 31, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure(1)
	NIS millions								
Sovereigns	93,626	6,178	-	296	-	1,863	-	-	101,963
Public sector	-	3,190	-	5,668	-	-	-	-	8,858
Banking corporations	318	11,685	-	2,570	-	429	-	-	15,002
Corporations	-	2,182	-	3,237	-	177,639	1,538	-	184,596
Secured by commercial real estate	-	-	-	-	-	93,092	551	-	93,643
Retail to individuals	-	-	-	-	111,138	138	669	-	111,945
Small businesses	-	-	-	-	13,245	97	89	-	13,431
Housing loans	-	-	30,710	12,348	19,687	5,853	235	-	68,833
Securitization	-	-	-	-	-	195	-	-	195
Others	2,768	-	-	-	-	8,763	815	3,887	16,233
Total	96,712	23,235	30,710	24,119	144,070	288,069	3,897	3,887	614,699

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation as a result of the execution of certain actions (e.g. use of guarantees), and after offsetting of transactions in derivatives (netting).

Table D-11: Amount of net credit exposures after credit risk mitigation

	September 30, 2016								
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)
	NIS millions								
Sovereigns	**102,016**	**4,985**	**-**	**251**	**-**	**726**	**-**	**-**	**107,978**
Public sector	**2,730**	**1,191**	**-**	**6,780**	**-**	**-**	**-**	**-**	**10,701**
Banking corporations	**488**	**17,352**	**-**	**15,756**	**-**	**128**	**-**	**-**	**33,724**
Corporations	**-**	**24,575**	**-**	**7,956**	**-**	**150,571**	**1,206**	**-**	**184,308**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**61,479**	**590**	**-**	**62,069**
Retail to individuals	**-**	**-**	**-**	**-**	**92,931**	**94**	**408**	**-**	**93,433**
Small businesses	**-**	**-**	**-**	**-**	**12,372**	**39**	**48**	**-**	**12,459**
Housing loans	**-**	**-**	**27,687**	**13,905**	**22,784**	**5,723**	**165**	**-**	**70,264**
Securitization	**-**	**-**	**-**	**-**	**-**	**188**	**-**	**-**	**188**
Others	**2,752**	**-**	**-**	**-**	**-**	**7,817**	**979**	**3,894**	**15,442**
Total	**107,986**	**48,103**	**27,687**	**44,648**	**128,087**	**226,765**	**3,396**	**3,894**	**590,566**

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), after credit risk mitigation, and after offsetting of transactions in derivatives (netting).

Table D-11: Amount of net credit exposures after credit risk mitigation (continued)

	September 30, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)
	NIS millions								
Sovereigns	81,475	6,767	-	367	-	869	-	-	89,478
Public sector	1,628	2,819	-	6,365	-	6	-	-	10,818
Banking corporations	-	14,940	-	16,777	-	295	-	-	32,012
Corporations	-	2,131	-	3,822	-	175,997	1,808	-	183,758
Secured by commercial real estate	-	-	-	-	-	90,688	570	-	91,258
Retail to individuals	-	-	-	-	90,439	148	589	-	91,176
Small businesses	-	-	-	-	10,906	294	73	-	11,273
Housing loans	-	-	31,035	11,311	18,995	5,298	232	-	66,871
Securitization	-	-	-	-	-	196	-	-	196
Others	3,331	-	-	-	-	8,913	775	3,440	16,459
Total	86,434	26,657	31,035	38,642	120,340	282,704	4,047	3,440	593,299

	December 31, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)
	NIS millions								
Sovereigns	93,626	6,178	-	192	-	943	-	-	100,939
Public sector	1,811	3,190	-	5,668	-	-	-	-	10,669
Banking corporations	318	13,644	-	16,424	-	329	-	-	30,715
Corporations	-	2,179	-	3,142	-	171,014	1,438	-	177,773
Secured by commercial real estate	-	-	-	-	-	92,601	551	-	93,152
Retail to individuals	-	-	-	-	93,781	138	666	-	94,585
Small businesses	-	-	-	-	11,896	96	87	-	12,079
Housing loans	-	-	30,710	12,348	19,687	5,853	235	-	68,833
Securitization	-	-	-	-	-	195	-	-	195
Others	2,768	-	-	-	-	8,763	815	3,887	16,233
Total	98,523	25,191	30,710	37,774	125,364	279,932	3,792	3,887	605,173

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), after credit risk mitigation, and after offsetting of transactions in derivatives (netting).

Credit Risk Mitigation: Standardized Approach Disclosures

Collateral management at the Bank is described in the section, "Risk hedging and risk mitigation" in the Report on Risks in the Annual Reporting. Pursuant to the Basel 3 directives, under certain conditions, certain collateral such as guarantees, credit derivatives, and financial assets held as collateral can be deducted from risk-adjusted assets for the purpose of calculating the capital-adequacy ratio.

Table D-12: Details of types of collateral used, with presentation of exposures covered by guarantees, exposures covered by credit derivatives, and exposures covered by qualifying financial collateral, by counterparty

	September 30, 2016						
	Gross credit exposure(1)	Exposure covered by guarantees	Exposure covered by derivatives	Total amounts subtracted	Total amounts added(2)	Exposure covered by financial collateral(3)	Net credit exposure(4)
	NIS millions						
Sovereigns	**109,116**	**(1,138)**	**-**	**(1,138)**	**-**	**-**	**107,978**
Public sector	**7,869**	**-**	**-**	**-**	**2,832**	**-**	**10,701**
Banking corporations	**19,460**	**(1,339)**	**-**	**(1,339)**	**16,157**	**(554)**	**33,724**
Corporations	**163,416**	**(1,617)**	**-**	**(1,617)**	**29,305**	**(6,796)**	**184,308**
Secured by commercial real estate	**92,058**	**(29,308)**	**-**	**(29,308)**	**-**	**(681)**	**62,069**
Retail to individuals	**109,769**	**(14,584)**	**-**	**(14,584)**	**-**	**(1,752)**	**93,433**
Small businesses	**13,872**	**(259)**	**-**	**(259)**	**-**	**(1,154)**	**12,459**
Housing loans	**70,264**	**-**	**-**	**-**	**-**	**-**	**70,264**
Securitization	**188**	**-**	**-**	**-**	**-**	**-**	**188**
Others	**15,442**	**-**	**-**	**-**	**-**	**-**	**15,442**
Total	**601,454**	**(48,245)**	**-**	**(48,245)**	**48,294**	**(10,937)**	**590,566**

	September 30, 2015						
	Gross credit exposure(1)	Exposure covered by guarantees	Exposure covered by derivatives	Total amounts subtracted	Total amounts added(2)	Exposure covered by financial collateral(3)	Net credit exposure(4)
	NIS millions						
Sovereigns	90,458	(980)	-	(980)	-	-	89,478
Public sector	9,190	-	-	-	1,628	-	10,818
Banking corporations	16,239	(648)	-	(648)	16,690	(269)	32,012
Corporations	191,059	(1,175)	-	(1,175)	2	(6,128)	183,758
Secured by commercial real estate	91,742	(4)	-	(4)	-	(480)	91,258
Retail to individuals	108,494	(15,262)	-	(15,262)	-	(2,056)	91,176
Small businesses	12,652	(249)	-	(249)	-	(1,130)	11,273
Housing loans	66,871	-	-	-	-	-	66,871
Securitization	196	-	-	-	-	-	196
Others	16,459	-	-	-	-	-	16,459
Total	603,360	(18,318)	-	(18,318)	18,320	(10,063)	593,299

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation, and after offsetting of transactions in derivatives (netting).
(2) Including an additional safety coefficient appropriate for exposure to borrowed securities.
(3) After taking safety coefficients into account.
(4) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), after credit risk mitigation, and after offsetting of transactions in derivatives (netting).

Table D-12: Details of types of collateral used, with presentation of exposures covered by guarantees, exposures covered by credit derivatives, and exposures covered by qualifying financial collateral, by counterparty (continued)

	December 31, 2015						
	Gross credit exposure(1)	Exposure covered by guarantees	Exposure covered by derivatives	Total amounts subtracted	Total amounts added(2)	Exposure covered by financial collateral(3)	Net credit exposure(4)
	NIS millions						
Sovereigns	101,963	(1,024)	-	(1,024)	-	-	100,939
Public sector	8,858	-	-	-	1,811	-	10,669
Banking corporations	15,002	(754)	-	(754)	16,923	(456)	30,715
Corporations	184,596	(1,198)	-	(1,198)	46	(5,671)	177,773
Secured by commercial real estate	93,643	(14)	-	(14)	-	(477)	93,152
Retail to individuals	111,945	(15,486)	-	(15,486)	-	(1,874)	94,585
Small businesses	13,431	(258)	-	(258)	-	(1,094)	12,079
Housing loans	68,833	-	-	-	-	-	68,833
Securitization	195	-	-	-	-	-	195
Others	16,233	-	-	-	-	-	16,233
Total	614,699	(18,734)	-	(18,734)	18,780	(9,572)	605,173

(1) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), before credit risk mitigation, and after offsetting of transactions in derivatives (netting).
(2) Including an additional safety coefficient appropriate for exposure to borrowed securities.
(3) After taking safety coefficients into account.
(4) Before conversion to credit of off-balance sheet components (e.g. weighting of unutilized credit facilities as credit), after credit risk mitigation, and after offsetting of transactions in derivatives (netting).

Credit Risks in Respect of Derivative Financial Instruments

Counterparty credit risk arising from transactions in derivative financial instruments is measured by applying the coefficients stipulated in Proper Conduct of Banking Business Directive 203 to the face value of the transactions, according to the risk weight of the counterparty. See the Annual Reporting for additional information.

Table D-13: Details of credit exposures of the Bank arising from derivatives

	September 30, 2016					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Equity derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	**8,760**	**3,334**	**855**	**10**	**31**	**12,990**
Add-on values	**3,203**	**4,674**	**912**	**5**	**37**	**8,831**
Effect of netting agreements	**-**	**-**	**-**	**-**	**-**	**(12,159)**
Eligible collateral	**-**	**-**	**-**	**-**	**-**	**(1,222)**
Net credit exposure	**11,963**	**8,008**	**1,767**	**15**	**68**	**8,440**

	September 30, 2015					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Equity derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	9,370	4,468	1,524	23	57	15,442
Add-on values	2,920	5,294	775	4	96	9,089
Effect of netting agreements	-	-	-	-	-	(13,695)
Eligible collateral	-	-	-	-	-	(1,403)
Net credit exposure	12,290	9,762	2,299	27	153	9,433

	December 31, 2015					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Equity derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	8,244	3,483	1,171	11	79	12,988
Add-on values	3,268	4,896	858	3	74	9,099
Effect of netting agreements	-	-	-	-	-	(12,126)
Eligible collateral	-	-	-	-	-	(1,219)
Net credit exposure	11,512	8,379	2,029	14	153	8,742

Table D-14: Details of face value of the Bank's credit-derivatives portfolio, used for risk management in the Bank's credit portfolio

	September 30, 2016		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	**50**	**132**	**182**

	September 30, 2015		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	50	137	187

	December 31, 2015		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	50	137	187

The Bank is not a party to CDS transactions originating in intermediary activities.

Securitization Exposures

The Bank supplies liquidity lines to securitization entities in which third parties serve as the sponsors. The lines supplied by the Bank constitute a relatively small share of the total liquidity lines of these securitization entities. The Bank does not supply credit reinforcement to these entities. The total liquidity lines supplied to securitization entities, as described above, as at September 30, 2016, amounted to NIS 188 million (approximately USD 50 million), compared with NIS 195 million (approximately USD 50 million) at the end of 2015. No withdrawals were performed on any of these lines up to September 30, 2016.

The risk weight applied to the amount of the exposure is determined according to the highest risk weight assigned to a single exposure covered by the instrument.

For additional information regarding credit risk and the management thereof, see the Annual Reporting.

Market Risk

Market risk – The risk of loss or decline in value arising from change in the economic value of a financial instrument, or of a particular portfolio or group of portfolios; and on the general level, a change in the economic value of the Bank due to changes in prices, rates, spreads, and other market parameters, including the following:

- Interest-rate risk – The risk of loss or decline in value as a result of changes in interest rates in the various currencies.
- Currency risk – The risk of loss as a result of changes in exchange rates.
- Inflation risk – The risk of loss as a result of changes in the curve of CPI expectations.
- Share price risk – The risk of loss as a result of changes in stock prices or in stock indices.
- Credit spread risk – The risk of loss as a result of change in the spread between the yield to maturity of corporate bonds traded in the markets and the relevant risk-free interest rate.
- Volatility risk – The risk of loss as a result of changes in the volatility rates quoted in the market.
- Basis spread risk – The risk of loss as a result of changes in the spreads between different interest-rate curves or different interest bases.

The main market risk factors to which the Bank is exposed are NIS interest rates in the linked and unlinked segments, inflation, the NIS/USD exchange rate, and spreads between different interest-rate curves.

Interest-rate risk in the banking book and investment risk (exposure to share prices and credit spreads) are described in this report in separate sections.

For details and additional information regarding the structure and organization of market risk management, see the Annual Reporting.

Risk Estimates of Trading Activity

Table D-15: Risk estimates of trading activity (VaR)

	September 30, 2016	**Average in 2016**
	NIS millions	
Total trading in dealing rooms	**16**	**17**

	December 31, 2015	Average in 2015
	NIS millions	
Total trading in dealing rooms	17	23

Capital Requirements in Respect of Market Risks

The Bank is required to maintain a minimum capital ratio in respect of market risks, on the basis of a standardized model defined by the Bank of Israel. The regulatory capital adequacy is calculated for interest-rate and share risks in the areas of trading alone, as defined in the Annual Reporting, and for currency risks in the banking book and in the trading book.

Table D-16: Capital requirements in respect of market risks

	September 30, 2016(1)			September 30, 2015(1)			December 31, 2015(1)		
	Specific risk	General risk	Total	Specific risk	General risk	Total	Specific risk	General risk	Total
	NIS millions								
Interest-rate risk	**1**	**383**	**384**	82	341	423	17	387	404
Share risk	**6**	**6**	**12**	6	6	12	6	6	12
Foreign currency exchange-rate risk	**-**	**54**	**54**	-	130	130	-	108	108
Option risk	**-**	**90**	**90**	-	125	125	-	49	49
Total	**7**	**533**	**540**	88	602	690	23	550	573

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Supervisor of Banks, at 12.64% as at September 30, 2016; 12.57% as at December 31, 2015; and 12.54% as at September 30, 2015. The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.

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, IT risks, cyber risks, and business-continuity risks, but does not include strategic risk or reputational risk.

See the Annual Reporting for additional information.

Share and Credit Spread Risk: Investment Risk

Investment risk is defined at the Bank as exposure to the stock market, to credit spreads, and to credit risk in the bond and stock markets in the banking book of the Group (as a result of holdings in these products, the Bank may also be exposed to interest-rate risks and/or currency risks and/or liquidity risks, which are managed separately). See the Annual Reporting for additional information.

Positions in Shares in the Banking Book

Table D-17: Details of the Bank's investments in shares in the banking book

	September 30, 2016		September 30, 2015		December 31, 2015	
	Balance sheet value and fair value	Capital requirements[1]	Balance sheet value and fair value	Capital requirements[1]	Balance sheet value and fair value	Capital requirements[1]
	NIS millions					
Investments classified into the trading portfolio	**47**	**[2] 12**	50	[2] 12	48	[2] 12
Investments classified into the available-for-sale portfolio	**2,316**	**324**	2,533	346	2,486	341
Total investments in shares	**2,363**	**336**	2,583	358	2,534	353
Of which: traded on the stock exchange	**1,457**		1,973		1,891	
Privately held	**906**		610		643	
Unrealized gains included in supervisory capital	**193**		249		224	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Supervisor of Banks, at 12.64% as at September 30, 2016; 12.57% as at December 31, 2015; and 12.54% as at September 30, 2015. The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.

(2) Including capital allocation with respect to specific market risk and general market risk.

For details regarding investments of the Bank, see Note 5 to the Condensed Financial Statements.

Interest-Rate Risk in the Banking Book

Interest-rate risk in the banking book refers to the potential effect of changes in the various interest-rate curves on the economic value of the Bank (i.e. change in the present value of assets and liabilities) and/or on net interest income (accounting income sensitivity). The risk emerges during the routine and proactive banking activity of the Bank, as a result of the provision of routine services to the general public and to the business and financial sectors, and from other activities; this includes interest-rate exposure arising from the management of investment portfolios. The risk arises from differences in the structure of assets and liabilities – gaps between segments, durations, interest bases, interest-rate renewal dates, and more.

For details and additional information, see the Annual Reporting.

Table D-18: Sensitivity of the capital of the Bank to parallel changes in interest-rate curves (theoretical change in economic value as a result of each scenario)

	September 30, 2016			**Maximum in 2016**		**Minimum in 2016**	
	1% increase	1% decrease	0.1% increase	1% increase	1% decrease	1% increase	1% decrease
	NIS millions						
Scenario							
Change in CPI-linked interest rate	**(243)**	**301**	**(26)**	**(256)**	**310**	**(118)**	**163**
Change in unlinked interest rate	**(235)**	**278**	**(26)**	**(235)**	**278**	**(103)**	**134**
Change in foreign-currency interest rates	**86**	**(85)**	**9**	**168**	**(173)**	**86**	**(85)**

	December 31, 2015			Maximum in 2015		Minimum in 2015	
	1% increase	1% decrease	0.1% increase	1% increase	1% decrease	1% increase	1% decrease
	NIS millions						
Scenario							
Change in CPI-linked interest rate	(174)	217	(19)	(229)	262	(32)	54
Change in unlinked interest rate	(165)	200	(18)	(192)	229	-	-
Change in foreign-currency interest rates	33	(39)	4	249	(265)	27	(31)

The above table presents an analysis of the sensitivity of the Bank's economic value to changes in interest-rate curves, based, among other factors, on the discounting of expected cash flows by an interest-rate curve, which generally does not take into account the credit risk spread of the counterparty, with the use of internal models for some products. This differs from a fair-value calculation, which is based on factors including the discounting of expected cash flows by interest rates reflecting the risk levels, according to the accepted practice in financial statements, without internal models for some products.

Top and Emerging Risks[AI]

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.

Risk management at the Bank Group is described extensively in this report and in the Annual Reporting. The Board of Management of the Bank discussed the development of the additional risks detailed below as top or emerging risks:

Macro-economic environment: The activity of the Bank is dependent on the business environment, in Israel and globally; on the condition of the global economy; on the state of the global spread of terrorism; and on the economic, political, and security situation in Israel and in the region. It should be taken into consideration that a high level of uncertainty remains with regard to growth rates during the recovery of the real economy in Israel and globally in the coming years. The Bank's multi-year strategic plan takes the caution necessitated by the risks still present in the global economy and the Israeli market into account, and balances risk and return considerations.

Regulatory environment 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. These regulatory initiatives and trends are likely to affect the banking system in general, and the Bank in particular. At this stage, it is too early to estimate and assess the effect on the Bank. The recommendations of the Committee for Increasing Competition in Banking Services (the Strum Committee) and the bill derived from the recommendations described in Note 16 to the Condensed Financial Statements should be noted in this context.

Regulatory environment overseas: Regulatory reforms overseas that affect the business activity of the Bank, in Israel and internationally, include the Dodd-Frank Act and the Volcker Rule in the United States, and the EMIR legislation in Europe.

Compliance risk: The continuing investigations of banks and the imposition of fines on banks around the world in connection with the violation of regulatory directives, such as in the area of assisting tax evasion and in the area of the prevention of terrorism financing and money laundering. See also Note 10C to the Condensed Financial Statements with regard to the Bank Group's business with American clients.

Information security and cyber incident risk: Continued professional publications on cyber threats and the channeling of resources in the banking industry to cope with this risk.

On March 28, 2016, the Knesset passed the Financial Corporations Officer Remuneration Law, which imposes restrictions on amounts of remuneration of employees of financial corporations. With regard to the risks arising from this law, see the section "Regulatory and Legislative Risk," below.

With regard to the media publications of November 2, 2016, and the manner in which this matter is being addressed by the Bank and by various government agencies, see the Condensed Financial Statements as at September 30, 2016, in the section Corporate Governance – Other Matters.

Compliance Risk[AI]

Compliance risk is risk arising from noncompliance of the Bank or of any of its employees, in any place relevant to the activity of the Bank, with laws and regulations. Compliance risk also includes the reputational risk that accompanies failure to comply with such directives. The Bank applies a policy of compliance with all legal and regulatory directives relevant to its activity.

These risks include the following:

- The risk of material damage arising from a regulatory order of any government agency due to noncompliance of the Bank or of any of its employees with directives concerning the prohibition of money laundering and terrorism financing, or deficiencies in processes designed to ensure such compliance, or the absence of such processes (including risk related to the correspondent activities of the Bank).
- The risk of material damage arising from a regulatory order of any government agency due to improper activity of the Bank or of any of its employees in relation to customers of the Bank, tax issues, or noncompliance with specific legal directives in this area.
- The risk of material damage arising from a regulatory order of any government agency due to noncompliance of the Bank or of any of its employees with securities laws.
- The risk of material damage arising from a class-action suit due to noncompliance with directives that regulate the relationship between the Bank and its customers.
- The risk of a criminal suit against the Bank or against its senior executives due to noncompliance in one of the areas noted above.

Compliance risk also includes the risks arising from the investigations by United States authorities, as described in Note 10C-D to the Condensed Financial Statements.

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. The Bank is conducting talks with the Bank of Israel and the Ministry of Finance on this subject. On March 28, 2016, the Bank received a letter from the Ministry of Finance stating that the ministry is working to arrange protection for the Bank in respect of this activity.

For further information regarding compliance risks, see the Annual Reporting.

Legal Risk[AI]

Risk to the Group's income and capital resulting from unexpected events such as legal claims, including class-action suits, inability to enforce contracts, or rulings against the Group, which may cause damage to the Group's profitability. The Group has a structure of internal and external legal counsel.

For additional information, see the Annual Report on Risks; Note 26 to the Annual Financial Statements; and Note 10 to the Condensed Financial Statements as at September 30, 2016.

Reputational Risk[AI]

Reputational risk is defined as present or future risk of damage to income or capital as a result of a negative image in the eyes of relevant stakeholders, such as customers, parties to transactions, shareholders, investors, or regulatory agencies. The reputational risk management policy of the Bank Group has been approved by the Board of Management and the Board of Directors, and is implemented by the units of the Group.

For additional information regarding reputational risk, see the Annual Reporting.

Regulatory and Legislative Risk[AI]

Regulatory risk is risk to the Group's income and/or capital arising from legislative processes and/or draft directives of various regulatory agencies that cause changes in the Group's business environment. Such changes may occasionally influence the Group's ability to offer certain services and/or may obligate the Group to carry out technological and other investments at considerable cost, while disrupting schedules for development of other planned services.

On March 28, 2016, the Knesset passed the Financial Corporations Officer Remuneration Law (Special Approvals and Non-Recognition of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (hereinafter: the "Law"), which imposes restrictions on amounts of remuneration of employees of financial corporations. This law is expected to cause direct or indirect damage to the remuneration of the group of senior executives at the Bank; the manner of implementation of the law is unclear. The ruling of the Supreme Court, in session as the High Court of Justice, on Case 4406/16, on July 11, 2016, stated that: "employees of banking corporations and senior officers at such corporations who give notice of resignation from their positions at the corporations within 45 days of the ruling on the petition or cancellation of the interim order shall not lose their current entitlement to the full rights that would have been owed to them in respect of the end of the employer-employee relationship or the end of their term of service, if this relationship had ended at the filing date of this request (i.e. June 1)."

On September 29, 2016, the Supreme Court rejected the petitions filed against the constitutionality of the directives concerning the restricted ratio and the increased tax burden. The court adopted an approach of interpretation based on the principle that the law is intended to apply to remuneration for future work only, and does not apply to rights acquired in consideration for work performed by the employee prior to the end of the organization period (October 12, 2016). The court extended the interim order such that senior employees of the Bank can give notice of resignation until January 1, 2017, without losing their entitlement to the full rights that would be owed to them in respect of the end of the employer-employee relationship or the end of their term of service, if this relationship had ended during the organization period.

An analysis of the directives of the law indicates the risks listed below. At this stage, it is too early to estimate the effect of these risks.

- In the short term, there is a risk of resignation of executives employed under personal contracts at various levels of management.
- Ambiguity in the wording of the legislation may lead to legal claims in connection with its implementation by the Bank.
- The Bank's ability to retain executives and senior employees may be impaired, including its ability to compete with the terms of employment offered by companies in industries unaffected by the law.
- There may be damage to the Bank's ability to recruit employees with special skills from outside the Bank, such as technological and other professionals, whose potential for compensation and promotion in other industries will remain significantly higher than in the financial field following the inception of the law restricting remuneration.

For additional information regarding regulatory and legislative risk, see the Annual Reporting.

Economic Risk[AI]

Risk factors in the economic environment are identified by the Economics Department, which tracks current economic and financial data in Israel and worldwide and professionally evaluates the implications of the data. The department maps potential risks in the economy and in the financial markets, and reports to the relevant teams and committees. Concurrently, the department prepares a set of extreme scenarios with a low probability of future materialization, which in its opinion may have significant economic and financial consequences for the economy and for the Bank. The extreme scenarios are updated annually, according to the risk map, and approved by the authorized parties, in accordance with procedures. Concurrently, the Economics Department examines a series of warning indicators that may signal an increase in the probability of an extreme scenario. Warning indicators are reported routinely to the Board of Management Committee on Risk Management.

The Bank translates the market conditions in each scenario into an impact on its business activity, according to the various risk areas, and examines the effect on profitability, capital, and capital adequacy.

Economic Risk – Condition of the Israeli Economy

Risk to the Group's income and capital arising from a slowdown in economic activity or from geopolitical situations, which may have an adverse effect on the condition of some businesses, on income levels, and on unemployment in the Israeli economy. Such a process may cause deterioration in the condition of some of the Group's borrowers, leading to an adverse effect on credit risk. Furthermore, a slowdown in economic activity may cause a decline in non-credit income, such as income from capital-market activity and foreign-trade activity, and may cause a change for the worse in the composition of financial resources, such as an increase in the cost of resources and a decrease in their availability.

Growth over the last year has largely been rooted in the expansion of private consumption. It is likely that the low interest rate strongly encourages consumption, particularly of vehicles. This trend has also been supported by the improvement in the labor market and by the government's policy of lowering the cost of living. The sharp increase in consumption therefore was not accompanied by a significant decline in households' average rate of savings, although the leverage rate of households continued to rise.

The decrease in exports of goods appears to have been reined in somewhat over the last few months; exports of goods actually grew by 1.3% in July-August, compared with the second-quarter average (in terms of US dollars). Real investments have also recovered over the last few quarters, and the level of activity in the residential construction sector remains high and stable.

Sales of new homes slowed in July-August, but remained at a high level. The survey of prices of homes published by the Central Bureau of Statistics indicates a continued increase of 6.8% over the last year.

Economic Risk – Condition of the Global Economy

Risk to the Group's income and capital arising from a significant slowdown in economic activity in the global market, which may have an adverse effect on the condition of some businesses in Israel and on the volume of business activity. This could have a negative impact on the probability of collecting credit and/or reduce income from fees and/or from capital-market activity and/or from the Group's activity abroad and/or from the provision of services related to foreign-trade activity and/or from the activity of foreign investors and/or from the provision of services to Israeli customers with activity abroad.

Data on the global economy were better in the third quarter than in the first half. The improvement was particularly prominent in the American economy. The British economy was another positive standout, with no impact of the Brexit decision apparent thus far. Nonetheless, it appears that annual global growth will be lower than last year. The International Monetary Fund has lowered its growth forecasts for 2016 and 2017 to 3.1% and 3.4%, respectively. One of the reasons for the deceleration of the global economy is the slow growth of global trade.

In the American economy, as noted, growth improved in the third quarter in comparison to the disappointing growth rate of the first half, to an annualized rate of 2.9%. Economic activity in the Eurozone improved moderately, and growth accelerated in the third quarter in comparison to the second quarter. The industry sector purchasing managers' index in the Eurozone is at a two-year high, and the unemployment rate has stabilized, at 10.1%.

The consequences of the Brexit decision for economic activity in Britain have been relatively moderate up to this point, although the British pound has weakened significantly against all other currencies. We assume that the British economy will suffer substantial deceleration of growth over the coming year. The process of Britain's separation from the European Union will further heighten uncertainty and impede growth in the region, along with the political decisions ahead in some European countries.

The stabilization of commodity prices and the worldwide low interest rates support improvement in the condition of the emerging economies, including China, which has presented strong data. The growth rate there appears to have stabilized at slightly less than 7%. A positive change is evident in Brazil as well, following the regime change, although the country remains in recession.

Global inflation is still low, and the central banks are maintaining expansionary policies. However, central banks in Europe seem to have reached the limit of the negative interest rates, and also intend to reduce their quantitative expansion policies. Inflation in the United States is high relative to the past, at 2.2% in the twelve months through September (excluding energy and food). The Federal Reserve has refrained from raising the interest rate this year, thus far, due to factors including worries over the impact of the situation in Europe on the American economy and the strengthening of the dollar against the euro. Estimates indicate that another increase in the interest rate can be expected within the coming few months.

In the presidential elections held on November 8 in the United States, Donald Trump was elected, and the Republican Party won the majority of seats in both houses of Congress. Based on Trump's statements during the campaign, economic policy can be expected to change substantially, including measures such as tax reduction, protection of domestic manufacturing, and prevention of immigration. In the short term, the relatively unexpected outcome of the elections may lead to volatility in the capital and currency markets.

Accordingly, and in light of the condition of the Israeli economy, the Bank continues to monitor the risks and segments that may be affected by these changes, and adapt its policies and control activities as necessary. Among other factors, the Bank examines the securities in its investment portfolio in Israel and overseas, its exposure to foreign financial institutions, and risk areas in the credit portfolio that may be influenced by such developments. The Bank continuously complies with the liquidity requirements set in the supervisory directives.

Strategic Risk[AI]

Strategic risk is material present or future risk to profits, capital, reputation, or status that may be caused by changes in the business environment; faulty business decisions; improper implementation of strategy or business decisions; or failure to respond to changes in the industry (e.g. competitors' actions), the economy, or technology.

Strategic risk is also a function of the congruence of the organization's strategic objectives with its environment, adaptation of the business plans that it develops to achieve these objectives, resource allocation, and quality of implementation.

For additional information regarding strategic risk, see the Annual Reporting.

Environmental Risk[AI]

Environmental risk to the Bank is the risk of loss as a result of directives related to the protection of the environment and the enforcement thereof, which may materialize if the Bank bears direct responsibility for an environmental hazard, including the possibility that the Bank may be required to remove an environmental hazard, or may be liable to a third party in respect of an environmental hazard, or as a result of the impairment of realized collateral. This risk may also materialize indirectly as a result of the deterioration of the financial condition of another entity due to environmental costs stemming from directives related to the protection of the environment. Reputational risk may also materialize as a result of the attribution to the Bank of an association with the cause of an environmental hazard. For additional information regarding environmental risk, see the Annual Reporting.

E. Liquidity 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 defined as the ability of the Bank to repay its liabilities on schedule, including during times of stress, without damage to its routine operations within the business plan 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. In light of the financing sources described below, the Bank does not view this risk as a material risk in its own right. The Bank accords high importance to raising resources that are stable and highly diversified.

Table E-1: Liquidity coverage ratio – limited banking corporation and consolidated subsidiaries, for the three-month period ended September 30, 2016

	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		**104,974**
Cash outflows		
Retail deposits from individuals and from small business customers, of which:	**187,620**	**14,407**
Stable deposits	**58,710**	**2,936**
Less stable deposits	**89,766**	**10,307**
Deposits for a period greater than 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	**39,144**	**1,164**
Unsecured wholesale financing, of which:	**111,401**	**70,988**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**1,483**	**371**
Non-operational deposits (all counterparties)	**109,768**	**70,467**
Unsecured debts	**150**	**150**
Secured wholesale financing	**30**	**-**
Additional liquidity requirements, of which:	**104,580**	**18,353**
Outflows related to derivative exposure and other collateral requirements	**10,892**	**9,111**
Outflows related to loss of funding on debt products	**-**	**-**
Credit and liquidity facilities	**93,688**	**9,242**
Other contractual funding obligations	**12,330**	**12,330**
Other contingent funding obligations	**55,507**	**1,957**
Total cash outflows		**118,035**
Cash inflows		
Secured lending (e.g. reverse repos)	**441**	**441**
Inflows from fully performing exposures	**27,629**	**19,846**
Other cash inflows	**14,427**	**7,986**
Total cash inflows	**42,497**	**28,273**

	Total adjusted value***
Total high-quality liquid assets (HQLA)	**104,974**
Total net cash outflows	**89,762**
Liquidity coverage ratio (%)	**117%**

* Unweighted values shall be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows), based on three monthly observations, in accordance with the transitional directives.

** Weighted values shall be calculated after the application of respective haircuts or inflow and outflow rates (for inflow and outflow), based on three monthly observations, in accordance with the transitional directives.

*** Adjusted values shall be calculated after the application of: (1) haircuts and inflow and outflow rates; and (2) any applicable caps (i.e. caps on level 2B and level 2 assets for HQLA and a cap on inflows).

Liquidity coverage ratio – limited banking corporation and consolidated subsidiaries, for the three-month period ended December 31, 2015

	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		90,364
Cash outflows		
Retail deposits from individuals and from small business customers, of which:	179,369	13,584
Stable deposits	55,424	2,771
Less stable deposits	83,935	9,621
Deposits for a period greater than 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	40,010	1,191
Unsecured wholesale financing, of which:	114,036	71,858
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,477	369
Non-operational deposits (all counterparties)	112,369	71,299
Unsecured debts	190	190
Secured wholesale financing	198	39
Additional liquidity requirements, of which:	118,584	21,355
Outflows related to derivative exposure and other collateral requirements	13,882	11,439
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	104,702	9,916
Other contractual funding obligations	10,994	10,994
Other contingent funding obligations	56,888	2,309
Total cash outflows		120,139
Cash inflows		
Secured lending (e.g. reverse repos)	109	109
Inflows from fully performing exposures	26,324	18,095
Other cash inflows	17,466	10,408
Total cash inflows	43,898	28,612

	Total adjusted value***
Total high-quality liquid assets (HQLA)	90,364
Total net cash outflows	91,527
Liquidity coverage ratio (%)	99%

* Unweighted values shall be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows), based on three monthly observations, in accordance with the transitional directives.

** Weighted values shall be calculated after the application of respective haircuts or inflow and outflow rates (for inflow and outflow), based on three monthly observations, in accordance with the transitional directives.

*** Adjusted values shall be calculated after the application of: (1) haircuts and inflow and outflow rates; and (2) any applicable caps (i.e. caps on level 2B and level 2 assets for HQLA and a cap on inflows).

Liquidity coverage ratio – limited banking corporation and consolidated subsidiaries, for the three-month period ended September 30, 2015

	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		79,574
Cash outflows		
Retail deposits from individuals and from small business customers, of which:	176,094	13,134
Stable deposits	55,608	2,780
Less stable deposits	79,742	9,139
Deposits for a period greater than 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	40,744	1,215
Unsecured wholesale financing, of which:	110,036	68,211
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,405	351
Non-operational deposits (all counterparties)	108,444	67,673
Unsecured debts	187	187
Secured wholesale financing		79
Additional liquidity requirements, of which:	115,268	20,812
Outflows related to derivative exposure and other collateral requirements	13,904	11,100
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	101,364	9,712
Other contractual funding obligations	11,084	11,084
Other contingent funding obligations	58,466	2,510
Total cash outflows		115,830
Cash inflows		
Secured lending (e.g. reverse repos)	184	184
Inflows from fully performing exposures	26,536	18,740
Other cash inflows	17,124	10,152
Total cash inflows	43,844	29,076

	Total adjusted value***
Total high-quality liquid assets (HQLA)	79,574
Total net cash outflows	86,754
Liquidity coverage ratio (%)	92%

* Unweighted values shall be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows), based on three monthly observations, in accordance with the transitional directives.

** Weighted values shall be calculated after the application of respective haircuts or inflow and outflow rates (for inflow and outflow), based on three monthly observations, in accordance with the transitional directives.

*** Adjusted values shall be calculated after the application of: (1) haircuts and inflow and outflow rates; and (2) any applicable caps (i.e. caps on level 2B and level 2 assets for HQLA and a cap on inflows).

Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," adopts the recommendations of the Basel Committee with regard to the liquidity coverage ratio (LCR) in the banking system in Israel. The LCR refers to a horizon of thirty days, in a stress scenario, and is aimed at ensuring that banking corporations maintain a stock of high-quality liquid assets that cover the corporation's liquidity needs during that timeframe, in accordance with the scenario described in the directive. The directive establishes the method of calculation of the LCR, including a definition of characteristics and operational requirements for a "stock of high-quality liquid assets" (the numerator) and the applicable haircuts, and defines the net expected cash outflow in the stress scenario defined in the directive for the coming thirty calendar days (the denominator). This flow includes, among other matters, some withdrawal of various types of deposits, in accordance with the coefficients in the scenario, some utilization of credit facilities provided by the Bank, and more, with the deduction of repayment during the month of credit granted by the Bank, at certain coefficients, etc. Classifications of bonds, types of deposits, types of credit facilities, etc., and the applicable haircut coefficients were established in the directive.

Pursuant to the transitional directives, the minimum requirement rose to 80% on January 1, 2016, and will be raised to 100% as of January 1, 2017. However, during times of financial stress, banking corporations will be permitted to fall below these minimum requirements. Separate requirements apply in total currencies and in foreign currency, at the level of the standalone banking corporation and consolidated, and the ratio is calculated accordingly. A banking corporation that does not comply with the ratio is required to report immediately to the Supervisor of Banks; after three days of deviation, the corporation must submit a plan for compliance with the minimum requirement.

The standalone ratio of the banking corporation is calculated on a daily basis, and reported as the average of the daily observations. The consolidated ratio and the ratio for the significant banking subsidiaries are calculated on a monthly basis, in accordance with the transitional directives, and reported as the average of three monthly observations. Credit-card companies are exempt from independent calculations, but are included in the consolidated data.

In general, the rules for calculation of the LCR according to Proper Conduct of Banking Business Directive 221 are stricter than the internal models applied at the Bank. During the quarter, the average consolidated ratio (as noted, an average of three monthly observations) was 117%, and the average standalone ratio (an average of daily observations) for the banking corporation was 113%, versus the minimum requirement of 80%. The ratio rose during the quarter, as compared to the preceding quarter, due to an increase in retail and other deposits, which led to an increase in liquid assets. There is some volatility from day to day during the month, and some interchange between NIS and foreign currency, mainly due to activity in derivatives. A certain amount of volatility in deposits from financial entities during the quarter led to volatility in liquid assets, with no effect on the liquidity coverage ratio.

For details and additional information regarding liquidity risk, see the Annual Report on Risks.

Table E-2: Details of liquid assets, by level, as required in the Basel directives[AI]

	Balance at report date	Average in reported quarter
Level 1 assets	**98,495**	**104,129**
Level 2A assets	**452**	**426**
Level 2B assets	**415**	**419**
Total HQLA	**99,362**	**104,974**

	Balance as at December 31, 2015	Average in the quarter ended December 31, 2015
Level 1 assets	91,261	88,704
Level 2A assets	1,132	1,120
Level 2B assets	503	540
Total HQLA	92,896	90,364

A regulatory limit applies in Switzerland and in New York to the use of the liquidity reserve of these entities. The Bank's scenarios assume the use of liquidity of the subsidiaries / New York branch, taking the limits of each entity into consideration.

Table E-3: Pledged and unpledged available assets*[AI]

	Fair value balance as at September 30, 2016		
	Total balance in the balance sheet	Of which: pledged**	Of which: unpledged
Cash and deposits with banks	**71,759**	**1,977**	**69,782**
Israeli government bonds	**47,601**	**6,364**	**41,237**
Foreign government bonds	**5,285**	**693**	**4,592**
Bonds of financial institutions in Israel	**669**	**-**	**669**
Bonds of foreign financial institutions	**5,278**	**-**	**5,278**
Bonds of others in Israel	**1,049**	**-**	**1,049**
Bonds of foreign others	**2,970**	**41**	**2,929**
Shares of others	**2,363**	**-**	**2,363**
Total securities	**65,215**	**7,098**	**58,117**

* In addition, other assets in the amount of NIS 981 million are pledged.
** Includes surplus pledges.

	Fair value balance as at December 31, 2015		
	Total balance in the balance sheet	Of which: pledged**	Of which: unpledged
Cash and deposits with banks	64,976	2,784	62,192
Israeli government bonds	43,642	9,136	34,506
Foreign government bonds	5,622	551	5,071
Bonds of financial institutions in Israel	634	-	634
Bonds of foreign financial institutions	4,737	-	4,737
Bonds of others in Israel	2,048	-	2,048
Bonds of foreign others	3,667	42	3,625
Shares of others	2,534	-	2,534
Total securities	62,884	9,729	53,155

* In addition, other assets in the amount of NIS 741 million are pledged.
** Includes surplus pledges.

Yair Seroussi
Chairman of the Board of Directors

Ari Pinto
President and Chief Executive Officer

Tsahi Cohen
Senior Deputy Managing Director, Chief Risk Officer (CRO)

Tel Aviv, November 16, 2016