Bank Hapoalim

Report on Risks

Pillar 3 Disclosure and Additional Information Regarding Risks

as at September 30, 2017

Q3

bank hapoalim

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This is a translation of the Hebrew report and has been prepared for convenience only.
In case of any discrepancy, the Hebrew 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, 2016; the Financial Statements as at December 31, 2016, and the accompanying Notes; and the Condensed Financial Statements as at September 30, 2017, 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 Banking Supervision Department.

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, 2017, there are no differences between the consolidation base according to GAAP and the supervisory consolidation base for the purposes of capital adequacy.

The capital requirements of banking subsidiaries overseas are calculated in accordance with the regulatory directives established by the regulator in the subsidiary's country.

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 2016 and Note 9 to the Condensed Financial Statements as at September 30, 2017.

Some of the subsidiaries overseas have not yet fully adopted the requirements concerning the leverage ratio. The Basel Committee working framework is therefore applied only on the consolidated level.

For further details regarding the principal subsidiary and affiliated companies of the Bank, see Note 15C to the Annual Financial Statements for 2016.

C. Capital – Structure and Capital Adequacy

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.

For details regarding the structure of supervisory capital, the composition of capital, and limits on the structure of capital, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Calculation of the Capital Ratio

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

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions		
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital(1)	**36,347**	35,179	35,045
Additional Tier 1 capital	**1,221**	1,465	1,465
Total Tier 1 capital(1)	**37,568**	36,644	36,510
Tier 2 capital	**10,359**	12,233	11,609
Total overall capital(1)	**47,927**	48,877	48,119
2. Weighted balances of risk-adjusted assets			
Credit risk(2)	**294,278**	298,021	290,139
Market risks	**4,785**	4,274	4,866
Operational risk	**23,626**	23,225	23,374
Total weighted balances of risk-adjusted assets(2)	**322,689**	325,520	318,379
	%		
3. Ratio of capital to risk-adjusted assets			
Ratio of common equity Tier 1 capital to risk-adjusted assets	**11.26%**	10.81%	11.01%
Ratio of Tier 1 capital to risk-adjusted assets	**11.64%**	11.26%	11.47%
Ratio of total capital to risk-adjusted assets	**14.85%**	15.02%	15.11%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(3)	**10.23%**	9.14%	9.17%
Minimum total capital ratio required by the Banking Supervision Department(3)	**13.73%**	12.64%	12.67%

(1) The data are presented in accordance with Proper Conduct of Banking Business Directive 202, "Capital Measurement and Adequacy – Supervisory Capital," and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299. The data also include adjustments in respect of the efficiency plan, established based on the letter of the Banking Supervision Department 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 onward. For additional details regarding the effect of the transitional directives and the Efficiency Plan Adjustments, see Note 9 to the Condensed Financial Statements.

(2) A total of NIS 905 million as at September 30, 2017, and NIS 1,065 million as at December 31, 2016 and September 30, 2016, was deducted from the total weighted balances of risk-adjusted assets, due to Efficiency Plan Adjustments, which, in accordance with the approval of the Banking Supervision Department, are allocated gradually over five years, beginning in 2017.

(3) 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 has been added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017.

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

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions		
Common equity Tier I capital			
Total capital	**35,745**	34,309	34,225
Differences between total capital and common equity Tier I capital	**-**	142	95
Total common equity Tier I capital, before supervisory adjustments and deductions	**35,745**	34,451	34,320
Supervisory adjustments and deductions			
Deferred tax assets	**(32)**	(27)	(27)
Investments in capital of financial corporations not consolidated in the reports to the public	**-**	-	-
Other supervisory adjustments and deductions – common equity Tier I capital	**(14)**	(7)	(10)
Total supervisory adjustments and deductions, before Efficiency Plan Adjustments – common equity Tier I capital	**(46)**	(34)	(37)
Total Efficiency Plan Adjustments – common equity Tier I capital*	**648**	762	762
Total common equity Tier I capital, after supervisory adjustments and deductions	**36,347**	35,179	35,045
Additional Tier I capital			
Additional Tier I capital – instruments, before deductions	**1,221**	1,465	1,465
Additional Tier I capital – total deductions	**-**	-	-
Total additional Tier I capital, after deductions	**1,221**	1,465	1,465
Total Tier I capital, after supervisory adjustments and deductions	**37,568**	36,644	36,510
Tier 2 capital			
Tier 2 capital – instruments, before deductions	**6,681**	8,564	7,982
Tier 2 capital – allowance for credit losses, before deductions	**3,678**	3,669	3,627
Total Tier 2 capital, before deductions	**10,359**	12,233	11,609
Deductions			
Total deductions – Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,359**	12,233	11,609
Total overall capital	**47,927**	48,877	48,119

* The Efficiency Plan Adjustments, established in accordance with the letter of the Banking Supervision Department of January 12, 2016, on the subject "Improving the operational efficiency of the banking system in Israel," are allocated in equal parts over five years, from 2017 forward.

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

	September 30, 2017	September 30, 2016	December 31, 2016
		%	
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	**11.00%**	10.45%	10.66%
Effect of the transitional directives	**0.03%**	0.09%	0.07%
Ratio of common equity Tier 1 capital to risk-adjusted assets before the effect of the Efficiency Plan Adjustments	**11.03%**	10.54%	10.73%
Effect of Efficiency Plan Adjustments*	**0.23%**	0.27%	0.28%
Ratio of common equity Tier 1 capital to risk-adjusted assets	**11.26%**	10.81%	11.01%

* The Efficiency Plan Adjustments, established in accordance with the letter of the Banking Supervision Department of January 12, 2016, on the subject "Improving the operational efficiency of the banking system in Israel," are allocated in equal parts over five years, from 2017 forward.

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

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

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

Scale of effect of a decrease in capital and an increase in risk-adjusted assets on the common equity Tier 1 capital ratio as at September 30, 2017:

	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	**(0.72%)**	**(1.31%)**

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

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions		
Tier 1 capital			
Paid-up common share capital and premium	**8,124**	8,120	8,146
Retained earnings	**28,041**	26,737	26,665
Non-controlling interests in equity of consolidated subsidiaries	**75**	123	116
Unrealized profits from adjustments of securities available for sale to fair value	**578**	471	355
Other capital instruments	**(425)**	(238)	(200)
Amounts deducted from Tier 1 capital	**(46)**	(34)	(37)
Total common equity Tier 1 capital	**36,347**	35,179	35,045
Innovative hybrid instruments	**1,221**	1,465	1,465
Total Tier 1 capital	**37,568**	36,644	36,510
Tier 2 capital			
Hybrid capital instruments and subordinated notes	**185**	323	264
Collective allowances for credit losses before the effect of related tax	**3,678**	3,669	3,627
Tier 2 capital instruments issued by subsidiaries of the banking corporation to third-party investors	**6,496**	8,241	7,718
Amounts deducted from Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,359**	12,233	11,609
Total qualifying capital	**47,927**	48,877	48,119

For further details, see Note 9 to the Condensed Financial Statements as at September 30, 2017.

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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	**8,124**		8,120		8,146		1+2
Retained earnings, including dividends proposed or declared after the balance sheet date	**28,041**	**1**	26,737	2	26,665	2	3
Accumulated other comprehensive income and disclosed retained earnings	**(495)**	**(80)**	(529)	(211)	(607)	(159)	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)	**75**	**20**	123	44	116	42	5
Common equity Tier 1 capital before supervisory adjustments and deductions	**35,745**		34,451		34,320		
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	**32**	**8**	27	18	27	18	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)	-	(1)	(1)	9
Negative difference between provisions and expected losses	**-**	**-**	-	-	-	-	
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	**15**	**4**	8	5	11	7	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	**-**	**-**	-	-	-	-	

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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						
Investment in own ordinary shares held directly or indirectly (including commitments to purchase shares under contractual agreements)	**-**	**-**	-	-	-	-	
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	**-**	**-**	-	-	116	77	13
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 Banking Supervision Department	**(648)**	**-**	(762)	-	(878)	(77)	
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	**(648)**	**-**	(762)	-	(878)	(77)	
Of which: in respect of the efficiency plan	**(648)**	**-**	(762)	-	(762)	-	
Of which: in respect of wage tax	**-**	**-**	-	-	(116)	(77)	

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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						
Supervisory adjustments to common equity Tier I capital subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		-		
Deductions applicable to common equity Tier I capital because the additional Tier I capital and Tier 2 capital are insufficient to cover the deductions	**-**		-		-		
Total supervisory adjustments and deductions in common equity Tier I capital	**(602)**	**12**	(728)	23	(725)	24	
Common equity Tier I capital	**36,347**		35,179		35,045		
Additional Tier I capital							
Additional Tier I capital – instruments							
Additional Tier I 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 I capital instruments issued by the corporation, which are eligible for inclusion in supervisory capital during the transitional period	**1,221**		1,465		1,465		11B
Additional Tier I capital instruments issued by subsidiaries of the banking corporation and held by third-party investors	**-**		-		-		
Of which: additional Tier I capital instruments issued by subsidiaries of the banking corporation and held by third-party investors, which are gradually deducted from additional Tier I capital	**-**		-		-		
Additional Tier I capital before deductions	**1,221**		1,465		1,465		
Additional Tier I capital – deductions							
Own investment in capital instruments included in additional Tier I capital, held directly or indirectly (including commitments to purchase instruments under contractual agreements)	**-**	**-**	-	-	-	-	
Mutual cross-holdings in capital instruments included in additional Tier I 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	**-**	**-**	-	-	-	-	

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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 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 Banking Supervision Department	**-**	**-**	-	-	-	-	
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	**1,221**		1,465		1,465		
Tier 1 capital	**37,568**		36,644		36,510		
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	**185**		323		264		11B
Tier 2 capital instruments issued by subsidiaries of the banking corporation to third-party investors	**6,496**		8,241		7,718		
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	**6,496**		8,241		7,718		11B
Collective allowances for credit losses before the effect of related tax	**3,678**		3,669		3,627		12
Tier 2 capital before deductions	**10,359**		12,233		11,609		

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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 – 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	**-**	**-**	-	-	-	-	
Additional deductions established by the Banking Supervision Department	**-**	**-**	-	-	-	-	
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	**10,359**		12,233		11,609		
Total capital	**47,927**		48,877		48,119		
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	**322,067**		324,581		317,813		
Of which: credit risk assets	**293,656**		297,082		289,573		
Of which: market risk assets	**4,785**		4,274		4,866		
Of which: operational risk assets	**23,626**		23,225		23,374		
Total weighted risk-adjusted assets	**322,689**		325,520		318,379		

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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	**11.26%**		10.81%		11.01%		
Tier 1 capital	**11.64%**		11.26%		11.47%		
Total capital	**14.85%**		15.02%		15.11%		
Minimum requirements established by the Banking Supervision Department							
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 has been added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio required by the Banking Supervision Department as at September 30, 2017, on a consolidated basis, according to data at the reporting date, is 10.23%	**10.23%**		9.14%		9.17%		
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 has been added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Banking Supervision Department as at September 30, 2017, on a consolidated basis, according to data at the reporting date, is 13.73%	**13.73%**		12.64%		12.67%		
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	**2,091**		983		951		
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	**647**		558		559		

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

	September 30, 2017		September 30, 2016		December 31, 2016		References to the supervisory balance sheet
	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						
Mortgage service rights (net of deferred taxes payable)	**-**		-		-		
Deferred tax assets arising from timing differences, below the deduction threshold	**3,561**		3,336		3,505		
Ceiling for inclusion of provisions in Tier 2							
Provision qualifying for inclusion in Tier 2, with reference to exposures under the standardized approach, before application of the ceiling	**3,944**		3,669		3,800		
Ceiling for inclusion of provision in Tier 2 under the standardized approach	**3,678**		3,725		3,627		
Provision qualifying 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 qualifying as supervisory capital, which are subject to the transitional directives							
Present 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	**-**		-		-		
Present ceiling amount for instruments included in additional Tier 1 capital subject to the transitional directives	**1,221**		1,465		1,465		
Amount deducted from additional Tier 1 capital due to the ceiling	**1,185**		953		936		
Present ceiling amount for instruments included in Tier 2 capital subject to the transitional directives	**7,628**		9,153		9,153		
Amount deducted from Tier 2 capital due to the ceiling	**-**		-		-		

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

	September 30, 2017	September 30, 2016	December 31, 2016	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Assets				
Cash and deposits with banks*	**85,606**	71,759	80,378	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(8)**	(7)	(7)	12
Securities*	**64,196**	65,215	71,449	
* Of which: investments in capital of financial corporations that do not exceed 10% of the share capital of the financial corporation	**1,056**	983	951	
* Of which: other securities	**63,140**	64,232	70,498	
Securities borrowed or purchased under agreements to resell	**629**	563	375	
Credit to the public	**279,378**	281,446	276,084	
* 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	**517**	421	421	
* Of which: investments in capital of financial corporations that do not exceed 10% of the share capital of the financial corporation	**1,035**	-	-	
Allowance for credit losses*	**(3,873)**	(3,907)	(4,127)	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(3,126)**	(3,131)	(3,060)	12
* Of which: allowance for credit losses not included in supervisory capital	**(747)**	(776)	(1,067)	
Net credit to the public	**275,505**	277,539	271,957	
Credit to governments	**2,337**	2,719	2,561	
Investment in equity-basis investees*	**200**	151	153	
* 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	**130**	137	138	
Buildings and equipment	**3,254**	3,290	3,363	
Intangible assets and goodwill*	**-**	-	-	
* Of which: goodwill	**-**	-	-	
* Of which: other intangible assets	**-**	-	-	6
Assets in respect of derivative instruments	**12,457**	12,825	11,916	
Other assets*	**5,631**	6,127	5,953	
* Of which: deferred tax assets**	**3,601**	3,807	3,742	
** Of which: deferred tax assets attributed to timing differences, over 10% of common equity Tier 1 capital	**-**	-	-	13
** Of which: deferred tax assets excluding those attributed to timing differences	**40**	45	45	8
** Of which: other deferred tax assets	**3,561**	3,762	3,697	
* Of which: surplus of amount funded over provision	**-**	-	-	
* Of which: additional other assets	**2,030**	2,320	2,211	
Total assets	**449,815**	440,188	448,105	

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

	September 30, 2017	September 30, 2016	December 31, 2016	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Liabilities and capital				
Deposits from the public	**342,747**	326,244	338,502	
Deposits from banks	**3,544**	3,508	4,377	
Deposits from the government	**320**	426	345	
Securities lent or sold under agreements to repurchase	**627**	380	484	
Bonds and subordinated notes*	**29,411**	35,836	33,560	
* Of which: subordinated notes not recognized as supervisory capital	**7,268**	8,892	8,073	
* Of which: subordinated notes recognized as supervisory capital**	**7,902**	10,029	9,447	
** Of which: qualifying as supervisory capital components	**-**	-	-	11A
** Of which: not qualifying as supervisory capital components and subject to transitional directives	**7,902**	10,029	9,447	11B
Liabilities in respect of derivative instruments*	**12,406**	13,880	12,587	
* Of which: in respect of own credit risk	**19**	13	18	10
Other liabilities	**25,015**	25,605	24,025	
* Of which: collective allowance for credit losses included in Tier 2 capital	**544**	531	560	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	**414,070**	405,879	413,880	

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

	September 30, 2017	September 30, 2016	December 31, 2016	References to components of supervisory capital
	Consolidated supervisory balance sheet			
	NIS millions			
Shareholders' equity*	**35,591**	34,119	34,047	
* Of which: ordinary share capital and premium, retained earnings, other comprehensive loss, and capital reserves**	**35,591**	34,119	34,047	
** Of which: ordinary share capital	**1,333**	1,332	1,334	1
** Of which: premium on ordinary shares	**6,791**	6,788	6,812	2
** Of which: retained earnings	**28,042**	26,739	26,667	3
** Of which: accumulated other comprehensive loss***	**(631)**	(835)	(840)	4A
*** Of which: adjustments for presentation of securities available for sale at fair value	**578**	471	355	
*** Of which: net losses in respect of cash-flow hedges	**(1)**	(1)	(2)	9
*** Of which: net adjustments from translation, after hedge effects	**(47)**	(15)	(33)	
** Of which: capital reserves from a benefit due to share-based payment transactions	**56**	95	74	4B
* Of which: senior share capital	**-**	-	-	
** Of which: qualifying as supervisory capital components	**-**	-	-	
** Of which: not qualifying as supervisory capital components and subject to transitional directives	**-**	-	-	
* Of which: other capital instruments	**-**	-	-	
** Of which: qualifying as supervisory capital components	**-**	-	-	
** Of which: not qualifying as supervisory capital components and subject to transitional directives	**-**	-	-	
Non-controlling interests*	**154**	190	178	
* Of which: non-controlling interests attributable to common equity Tier 1 capital	**75**	123	116	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	**79**	67	62	
Total capital	**35,745**	34,309	34,225	
Total liabilities and capital	**449,815**	440,188	448,105	

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

	For the three months ended September 30, 2017				
	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, 2017	**36,245**	**1,221**	**37,466**	**10,373**	**47,839**
Changes in capital components					
Ordinary share capital	**-**	**-**	**-**	**-**	**-**
Premium on ordinary shares	**(5)**	**-**	**(5)**	**-**	**(5)**
Net profit for the period attributed to shareholders of the Bank	**469**	**-**	**469**	**-**	**469**
Dividends	**(325)**	**-**	**(325)**	**-**	**(325)**
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	**55**	**-**	**55**	**-**	**55**
Unrealized gains in respect of cash-flow hedges	**-**	**-**	**-**	**-**	**-**
Translation adjustments of autonomous affiliated units overseas	**-**	**-**	**-**	**-**	**-**
Benefit due to share-based payment transactions	**3**	**-**	**3**	**-**	**3**
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*	**(51)**	**-**	**(51)**	**-**	**(51)**
Adjustments in respect of the effect of the efficiency plan	**(38)**	**-**	**(38)**	**-**	**(38)**
Non-controlling interests in share capital of consolidated subsidiaries*	**(4)**	**-**	**(4)**	**-**	**(4)**
Other	**-**	**-**	**-**	**-**	**-**
Total change before supervisory adjustments and deductions	**104**	**-**	**104**	**-**	**104**

* 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, 2017				
	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*	-	-	-	-	-
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*	**5**	-	**5**	-	**5**
Self investment in ordinary shares (held directly or indirectly)*	**(3)**	-	**(3)**	-	**(3)**
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	**2**	-	**2**	-	**2**
Decrease in supervisory capital instruments	-	-	-	**(58)**	**(58)**
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	**44**	**44**
Other	-	-	-	-	-
Balance as at September 30, 2017	**36,347**	**1,221**	**37,568**	**10,359**	**47,927**

* 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 I capital	Additional Tier I capital	Total Tier I 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
Dividends	(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, 2017				
	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, 2016	**35,045**	**1,465**	**36,510**	**11,609**	**48,119**
Changes in capital components					
Ordinary share capital	**(1)**	**-**	**(1)**	**-**	**(1)**
Premium on ordinary shares	**(21)**	**-**	**(21)**	**-**	**(21)**
Net profit for the period attributed to shareholders of the Bank	**2,048**	**-**	**2,048**	**-**	**2,048**
Dividends	**(673)**	**-**	**(673)**	**-**	**(673)**
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings*	**1**	**-**	**1**	**-**	**1**
Unrealized profits from adjustments of securities available for sale to fair value	**223**	**-**	**223**	**-**	**223**
Unrealized gains in respect of cash-flow hedges	**1**	**-**	**1**	**-**	**1**
Translation adjustments of autonomous affiliated units overseas	**(14)**	**-**	**(14)**	**-**	**(14)**
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*	**(80)**	**-**	**(80)**	**-**	**(80)**
Adjustments in respect of the effect of the efficiency plan	**(114)**	**-**	**(114)**	**-**	**(114)**
Non-controlling interests in share capital of consolidated subsidiaries*	**(41)**	**-**	**(41)**	**-**	**(41)**
Other	**-**	**-**	**-**	**-**	**-**
Total change before supervisory adjustments and deductions	**1,311**	**-**	**1,311**	**-**	**1,311**

* 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, 2017				
	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*	**5**	-	**5**	-	**5**
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*	**4**	-	**4**	-	**4**
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	**9**	-	**9**	-	**9**
Decrease in supervisory capital instruments	-	**(244)**	**(244)**	**(1,301)**	**(1,545)**
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	**51**	**51**
Other	-	-	-	-	-
Balance as at September 30, 2017	**36,347**	**1,221**	**37,568**	**10,359**	**47,927**

* 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
Dividends	(475)	-	(475)	-	(475)
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings*	2	-	2	-	2
Unrealized profits 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, 2016				
	Common equity Tier I capital	Additional Tier I capital	Total Tier I 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	5	-	5	-	5
Premium on ordinary shares	47	-	47	-	47
Net profit for the period attributed to shareholders of the Bank	2,628	-	2,628	-	2,628
Dividends	(685)	-	(685)	-	(685)
Effect of adoption of accounting rules concerning employee benefits, included in retained earnings*	2	-	2	-	2
Unrealized losses from adjustments of securities available for sale to fair value	(96)	-	(96)	-	(96)
Unrealized gains in respect of cash-flow hedges	2	-	2	-	2
Translation adjustments of autonomous affiliated units overseas	(25)	-	(25)	-	(25)
Benefit due to share-based payment transactions	(39)	-	(39)	-	(39)
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*	(104)	-	(104)	-	(104)
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*	(32)	-	(32)	-	(32)
Other	-	-	-	-	-
Total change before supervisory adjustments and deductions	1,703	-	1,703	-	1,703

* 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, 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*	4	-	4	-	4
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	(96)	-	(96)	-	(96)
Decrease in supervisory capital instruments	-	(244)	(244)	(2,696)	(2,940)
Capital instruments issued	-	-	-	-	-
Change in collective allowances for credit losses before the effect of related tax	-	-	-	(288)	(288)
Other	-	-	-	-	-
Balance as at December 31, 2016	35,045	1,465	36,510	11,609	48,119

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

The changes in the components of supervisory capital in the third quarter of 2017 resulted primarily from net profit for the period, in the amount of NIS 469 million, which was offset by dividend distribution in the amount of NIS 325 million; unrealized profits from securities available for sale, in the amount of NIS 55 million; and a decrease in supervisory capital instruments, in the amount of NIS 58 million. The changes in the first nine months of 2017 primarily resulted from net profit for the period, in the amount of NIS 2,048 million, which was offset by dividend distribution in the amount of NIS 673 million; unrealized profits from securities available for sale, in the amount of NIS 223 million; and a decrease in supervisory capital instruments, in the amount of NIS 1,545 million.

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. 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.

The changes in the components of supervisory capital in 2016 resulted primarily from net profit for the period, in the amount of NIS 2,628 million, which was offset by dividend distribution in the amount of NIS 685 million, and by unrealized losses from securities available for sale, in the amount of NIS 96 million; and from a decrease in supervisory capital instruments, in the amount of NIS 2,940 million.

The data include Efficiency Plan Adjustments established based on the letter of the Banking Supervision Department 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.

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 Banking Supervision Department and as integrated into Proper Conduct of Banking Business Directives 201-211 and the file of questions and answers.

For more extensive information regarding the implementation of the Proper Conduct of Banking Business Directives and other requirements of the Banking Supervision Department concerning capital adequacy, and for more extensive information regarding capital adequacy management, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Capital Adequacy Target[AI]

Pursuant to the circular of the Banking Supervision Department concerning minimum capital ratios, the Bank, as a banking corporation of significant importance (a banking corporation 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), is required to maintain a minimum common equity Tier 1 capital ratio of 10%, and a minimum total capital ratio of 13.5%, beginning January 1, 2017. In addition, beginning January 1, 2015, a capital requirement was added to these minimum ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, over 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 Banking Supervision Department, on a consolidated basis, based on data at the reporting date, stand at 10.23% and 13.73%, respectively.

Pursuant to a resolution of the Board of Directors of the Bank, the common equity Tier 1 capital ratio will stand at 10.75% as of December 31, 2017.

Implementation and Effect of New Regulatory Directives Regarding Capital Measurement and Adequacy

Improving Operational Efficiency

In January 2016, the Banking Supervision Department issued a letter on the subject, "Improving the operational efficiency of the banking system in Israel" (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 in the amount 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 0.23% at the reporting date, are being allocated in equal parts over five years, from 2017 forward.

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

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

Pursuant to the additional letter, the term of the original Letter is extended until June 30, 2018.

Capital Requirements in Respect of Exposures to Central Counterparties (Inception January 1, 2017)

The Banking Supervision Department has issued a circular entitled, "Capital Requirements in Respect of Exposure to Central Counterparties" (hereinafter: the "Circular"). The Circular amends Proper Conduct of Banking Business Directives 203 and 204, with the aim of adjusting these directives to the recommendations of the Basel Committee, in all matters related to capital requirements in respect of exposures of banking corporations to central counterparties. The Circular details the new guidelines that apply to exposures to central counterparties caused by OTC derivatives, transactions in marketable derivatives on the stock exchange, and securities financing transactions. The guidelines draw a distinction between unqualified central counterparties and qualified central counterparties, and set reduced capital requirements for the latter. Among other matters, the guidelines address the following types of exposures:

- Exposures of a banking corporation acting as a clearing member of a central counterparty. In general, these exposures should be assigned a risk weight of 2% (versus an exposure value of zero prior to the amendment).
- Exposures of a banking corporation to a client active on the stock exchange. Pursuant to the amendment, the capital requirement for such exposures should be calculated as though referring to a bilateral transaction, including an allocation of capital in respect of CVA risk.
- Exposures of a banking corporation as a client of a clearing member.
- A banking corporation's contributions to a central counterparty's default fund.
- Collateral posted by a banking corporation with a clearing member or with a central counterparty.
- Exposures to an unqualified central counterparty shall be weighted according to the relevant risk weight for the counterparty, while contributions to a default fund shall be weighted at 1,250%.

The Circular applies as of January 1, 2017.

On December 28, 2016, the Banking Supervision Department issued a letter noting that notwithstanding the foregoing, the calculation of the amount of the exposure in respect of customers active on the Maof market would continue to be based on the scenarios approach.

On July 2, 2017, the Banking Supervision Department gave notice that the conditions, as noted in Appendix C to Directive 203, for the classification of the TASE Clearing House and of the Maof Clearing House as qualified central counterparties had been fulfilled. This followed various amendments of legislation and a declaration of the Israel Securities Authority on this matter, and the conclusion of the term of the transitional directives, pursuant to which the Tel Aviv Stock Exchange could be considered a qualified central counterparty until June 30, 2017.

The effect of the adoption of the Circular, at the reporting date, is immaterial.

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, with the necessary adjustments to the Proper Conduct of Banking Business Directives for the calculation of capital requirements; 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, 2017		September 30, 2016		December 31, 2016	
	Risk-adjusted assets	Capital requirements[1]	Risk-adjusted assets	Capital requirements[1]	Risk-adjusted assets	Capital requirements[1]
	NIS millions					
Credit risk						
Sovereign debts	**1,401**	**192**	1,785	226	1,649	209
Debts of public-sector entities	**3,049**	**419**	3,015	381	2,863	363
Debts of banking corporations	**6,687**	**918**	6,429	813	6,357	805
Debts of corporations	**115,644**	**15,878**	122,844	15,527	118,620	15,029
Debts secured by commercial real estate	**47,163**	**6,475**	47,966	6,063	46,207	5,854
Retail exposures to individuals	**48,928**	**6,718**	47,178	5,963	47,005	5,956
Loans to small businesses	**7,966**	**1,094**	7,420	938	7,323	928
Housing loans	**40,428**	**5,551**	38,008	4,804	38,288	4,851
Securitization	**88**	**12**	94	12	96	12
Other assets	**19,065**	**2,618**	18,657	2,358	18,180	2,303
CVA risk	**3,859**	**530**	4,625	585	3,551	450
Total in respect of credit risk	**294,278**	**40,405**	298,021	37,670	290,139	36,760
Market risks	**4,785**	**657**	4,274	540	4,866	617
Operational risk	**23,626**	**3,244**	23,225	2,936	23,374	2,961
Total risk-adjusted assets in respect of the various risks	**322,689**	**44,306**	325,520	41,146	318,379	40,338
Common equity Tier 1 capital	**36,347**		35,179		35,045	
Tier 1 capital	**37,568**		36,644		36,510	
Total capital	**47,927**		48,877		48,119	
	%					
Ratio of common equity Tier 1 capital to risk-adjusted assets	**11.26%**		10.81%		11.01%	
Ratio of Tier 1 capital to risk-adjusted assets	**11.64%**		11.26%		11.47%	
Ratio of total capital to risk-adjusted assets	**14.85%**		15.02%		15.11%	
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department	**[2]10.23%**		[2]9.14%		[2]9.17%	
Minimum total capital ratio required by the Banking Supervision Department	**[2]13.73%**		[2]12.64%		[2]12.67%	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Banking Supervision Department, at 13.73% as at September 30, 2017; 12.67% as at December 31, 2016; and 12.64% as at September 30, 2016. 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); present 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 has been added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017.

Table C-10: Risk-adjusted assets by supervisory activity segment[A]

	September 30, 2017									
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Activity overseas	Other	Total
	NIS millions									
Credit risk										
Activity in Israel	**82,766**	**2,345**	**70,712**	**38,987**	**55,186**	**6,265**	**13,566**	**-**	**5,088**	**274,915**
Activity abroad	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,363**	**-**	**19,363**
Total credit risk assets	**82,766**	**2,345**	**70,712**	**38,987**	**55,186**	**6,265**	**13,566**	**19,363**	**5,088**	**294,278**
Market risk	**-**	**-**	**-**	**-**	**-**	**-**	**4,785**	**-**	**-**	**4,785**
Operational risk	**6,723**	**423**	**5,495**	**1,630**	**2,712**	**405**	**3,963**	**1,300**	**975**	**23,626**
Total risk-adjusted assets	**89,489**	**2,768**	**76,207**	**40,617**	**57,898**	**6,670**	**22,314**	**20,663**	**6,063**	**322,689**

	September 30, 2016									
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Activity overseas	Other	Total
	NIS millions									
Credit risk										
Activity in Israel	85,575	3,217	59,800	35,359	61,327	4,441	20,718	-	4,398	274,835
Activity abroad	-	-	-	-	-	-	-	23,186	-	23,186
Total credit risk assets	85,575	3,217	59,800	35,359	61,327	4,441	20,718	23,186	4,398	298,021
Market risk	-	-	-	-	-	-	4,274	-	-	4,274
Operational Risk	6,418	390	4,652	1,622	3,044	406	4,380	1,425	888	23,225
Total risk-adjusted assets	91,993	3,607	64,452	36,981	64,371	4,847	29,372	24,611	5,286	325,520

	December 31, 2016									
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Activity overseas	Other	Total
	NIS millions									
Credit risk										
Activity in Israel	83,877	2,567	62,471	35,795	54,938	4,599	19,914	-	3,920	268,081
Activity abroad	-	-	-	-	-	-	-	22,058	-	22,058
Total credit risk assets	83,877	2,567	62,471	35,795	54,938	4,599	19,914	22,058	3,920	290,139
Market risk	-	-	-	-	-	-	4,866	-	-	4,866
Operational risk	6,561	396	4,721	1,651	3,005	406	4,166	1,630	838	23,374
Total risk-adjusted assets	90,438	2,963	67,192	37,446	57,943	5,005	28,946	23,688	4,758	318,379

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

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

	For the three months ended September 30, 2017			
	Credit risk	Market risk	Operational risk	Total risk-adjusted assets
	NIS millions			
Balance as at June 30, 2017	**290,746**	**4,913**	**23,566**	**319,225**
Changes in portfolio volume[1]	**2,893**	**(128)**	**60**	**2,825**
Changes in portfolio quality[2]	**(18)**	**-**	**-**	**(18)**
Changes in methodology and policy[3]	**(13)**	**-**	**-**	**(13)**
Sales[4]	**(51)**	**-**	**-**	**(51)**
Effect of changes in exchange rates	**721**	**-**	**-**	**721**
Balance as at September 30, 2017	**294,278**	**4,785**	**23,626**	**322,689**

For the three months ended

	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, 2017			
	Credit risk	Market risk	Operational risk	Total risk-adjusted assets
	NIS millions			
Balance as at December 31, 2016	**290,139**	**4,866**	**23,374**	**318,379**
Changes in portfolio volume[1]	**6,306**	**(81)**	**252**	**6,477**
Changes in portfolio quality[2]	**(79)**	**-**	**-**	**(79)**
Changes in methodology and policy[3]	**(97)**	**-**	**-**	**(97)**
Sales[4]	**(186)**	**-**	**-**	**(186)**
Effect of changes in exchange rates	**(1,805)**	**-**	**-**	**(1,805)**
Balance as at September 30, 2017	**294,278**	**4,785**	**23,626**	**322,689**

(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 category "sales" includes the effect of sales of loans.

Table C-11: Statement of changes in risk-weighted assets during the period[A] (continued)

	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, 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)]	(13,647)	304	703	(12,640)
Changes in portfolio quality[(2)]	(10,006)	-	-	(10,006)
Changes in methodology and policy[(3)]	(41)	-	-	(41)
Sales[(4)]	(3,315)	-	-	(3,315)
Effect of changes in exchange rates	(743)	-	-	(743)
Balance as at December 31, 2016	290,139	4,866	23,374	318,379

(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 category "sales" includes the effect of sales of loans.

Leverage Ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which 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.

Table C-12: Leverage ratio

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions		
Consolidated data			
Tier I capital*	**37,568**	36,644	36,510
Total exposures*	**510,009**	495,087	503,875
	%		
Leverage ratio	**7.37%**	7.40%	7.25%
Minimum leverage ratio required by the Banking Supervision Department	**6.00%**	6.00%	6.00%

* These data also include Efficiency Plan Adjustments, established based on the letter of the Banking Supervision Department 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 at the date of the report, estimated at approximately 0.13%, is allocated in equal parts over five years, from 2017 forward.

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

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions		
Total consolidated assets as per published financial statements	**449,815**	440,188	448,105
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(1)	**(1,080)**	(6,159)	(5,400)
Adjustments for securities financing transactions	**-**	-	-
Adjustments for off-balance sheet items	**58,276**	58,380	58,390
Other adjustments	**2,998**	2,678	2,780
Exposure for the purposes of the leverage ratio	**510,009**	495,087	503,875

(1) The data as at September 30, 2017, include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.

Table C-14: Leverage ratio disclosure

	September 30, 2017	September 30, 2016	December 31, 2016
	NIS millions/percent		
On-balance sheet exposures			
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	**439,759**	429,497	438,614
Asset amounts deducted in determining Tier 1 capital	**(32)**	(27)	(27)
Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	**439,727**	429,470	438,587
Derivative exposures			
Replacement cost associated with all derivatives transactions(1)	**6,352**	3,323	2,774
Add-on amounts for potential future exposure associated with all derivatives transactions	**6,441**	5,550	5,194
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	**(1,540)**	(2,331)	(1,580)
Exempted central counterparty leg of client-cleared trade exposures	**-**	-	-
Adjusted effective notional amount of written credit derivatives	**124**	132	135
Adjusted effective notional offsets and add-on deductions for written credit derivatives	**-**	-	-
Total derivative exposures	**11,377**	6,674	6,523
Securities financing transaction exposures			
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sale accounting transactions	**629**	563	375
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	**629**	563	375
Other off-balance sheet exposures			
Off-balance sheet exposure at gross notional amount	**173,459**	170,900	170,005
Adjustments for conversion to credit equivalent amounts	**(115,183)**	(112,520)	(111,615)
Off-balance sheet items	**58,276**	58,380	58,390
Capital and total exposures			
Tier 1 capital	**37,568**	36,644	36,510
Total exposures	**510,009**	495,087	503,875
Leverage ratio			
Leverage ratio pursuant to Proper Conduct of Banking Business Directive 218	**7.37%**	7.40%	7.25%

(1) The data as at September 30, 2017, include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.

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 refinancing 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 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.

Risk management is performed based on a global view of the Bank's activity in Israel and of activity at the Bank's branches abroad, with due attention to the activity of subsidiaries with exposure significant for the Group. Risks are managed separately by each subsidiary in the Bank Group, according to policy formulated by each company's board of directors and presented to the Board of Directors of the Bank. The Bank manages the various risks, using hedges for some risks, as detailed below. Risk control and the assessment of financial risks and operational risks are performed based on a uniform methodology at the Group level, under the direction of the Risk Management Area, taking into account the unique characteristics of the activity of each subsidiary.

The structure of the Board of Management committees and subcommittees was changed in February 2017, in order to improve work processes and the Board of Management committees' supervision of risks and risk management. This change has no material effect on the manner in which risks are managed.

For details and more extensive information regarding risk management governance, including the control approach, the responsible parties, and the committees of the Board of Directors and Board of Management relevant to risk management, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 2017.

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.

For more extensive information regarding credit risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; and the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Credit Risk Exposures

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

	September 30, 2017											
	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]	**75,660**	**3,784**	**10,981**	**87,716**	**34,409**	**66,199**	**10,746**	**72,333**	**-**	**-**	**361,828**	**355,527**
Bonds[4]	**46,216**	**634**	**6,462**	**2,715**	**-**	**-**	**-**	**-**	**-**	**-**	**56,027**	**60,068**
Derivatives[5]	**141**	**1,665**	**3,079**	**8,524**	**143**	**27**	**8**	**-**	**-**	**-**	**13,587**	**12,815**
Other off-balance sheet exposures	**134**	**1,823**	**910**	**60,655**	**59,459**	**43,239**	**3,970**	**2,798**	**176**	**-**	**173,164**	**170,584**
Other assets[6]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,328**	**16,328**	**15,326**
Total	**122,151**	**7,906**	**21,432**	**159,610**	**94,011**	**109,465**	**14,724**	**75,131**	**176**	**16,328**	**620,934**	**614,320**

	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

(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). The data as at September 30, 2017 include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.
(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-1: Segmentation of credit-risk exposures by counterparty and by principal types of credit exposures, before allowance for credit losses[1] (continued)

	December 31, 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]	72,899	3,293	8,716	93,050	34,552	63,570	9,932	68,640	-	-	354,652	348,838
Bonds[4]	49,930	981	5,576	3,678	38	-	-	-	-	-	60,203	56,175
Derivatives[5]	79	1,082	3,230	4,440	183	29	18	7	-	-	9,068	9,706
Other off-balance sheet exposures	163	2,159	2,134	60,336	56,287	42,440	3,713	2,235	192	-	169,659	178,506
Other assets[6]	-	-	-	-	-	-	-	-	-	15,316	15,316	15,668
Total	123,071	7,515	19,656	161,504	91,060	106,039	13,663	70,882	192	15,316	608,898	608,893

(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). The data as at September 30, 2017 include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.
(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]

Balance sheet exposure to foreign countries as at September 30, 2017 amounted to NIS 59.8 billion, compared with NIS 60.7 billion at the end of 2016.

Off-balance sheet exposure to foreign countries as at September 30, 2017 amounted to NIS 25.4 billion, compared with NIS 26.3 billion at the end of 2016.

The Bank operates in accordance with an ordered policy that sets limits and terms for the exposure to foreign countries.

	September 30, 2017		December 31, 2016	
	Total balance sheet exposure[2]	Total off-balance sheet exposure[2][3][4]	Total balance sheet exposure[2]	Total off-balance sheet exposure[2][3][4]
	NIS millions			
Country				
United States	**27,110**	**7,427**	27,079	7,836
Europe*	**20,725**	**15,850**	19,340	15,345
Others	**11,968**	**2,093**	14,252	3,119
Total exposures to foreign countries	**59,803**	**25,370**	60,671	26,300
Of which: total exposure to PIIGS (Portugal, Ireland, Italy, Greece, and Spain)	**245**	**139**	350	387
Of which: total exposure to LDCs	**1,647**	**777**	2,009	1,073

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."
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).

* 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.

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

(2) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts are presented before the 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.

(3) 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.

(4) The balance of the off-balance sheet exposure to foreign countries includes a total of NIS 13,591 million in respect of the acquisition of insurance for the portfolio of Sale Law guarantees from international reinsurers (December 31, 2016: NIS 13,430 million).

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

	September 30, 2017					
	Up to one year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure(2)
	NIS millions					
Loans(3)	**175,386**	**76,660**	**109,782**	**-**	**-**	**361,828**
Bonds(4)	**12,918**	**35,293**	**7,816**	**-**	**-**	**56,027**
Derivatives(5)	**10,034**	**8,632**	**6,586**	**-**	**(11,665)**	**13,587**
Other off-balance sheet exposures	**36,460**	**130,571**	**6,133**	**-**	**-**	**173,164**
Other assets(6)	**3,030**	**-**	**-**	**13,298**	**-**	**16,328**
Total	**237,828**	**251,156**	**130,317**	**13,298**	**(11,665)**	**620,934**

	September 30, 2016					
	Up to one 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

	December 31, 2016					
	Up to one year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure(2)
	NIS millions					
Loans(3)	172,576	76,632	105,444	-	-	354,652
Bonds(4)	25,889	24,008	10,306	-	-	60,203
Derivatives(5)	6,032	7,781	6,929	-	(11,674)	9,068
Other off-balance sheet exposures	39,310	126,281	4,068	-	-	169,659
Other assets(6)	2,738	-	-	12,578	-	15,316
Total	246,545	234,702	126,747	12,578	(11,674)	608,898

(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). The data as at September 30, 2017 include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.
(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 problematic credit risk, impaired credit risk, 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 or principal type of counterparty

	September 30, 2017					
	Total credit risk	Of which: problematic credit risk	Rate of problematic risk	Impaired credit risk	Provision (income) for credit losses	Net charge-offs
	NIS millions		%	NIS millions		
Sector						
Industry	**38,197**	**1,068**	**2.8%**	**264**	**(63)**	**(55)**
Construction and real estate - construction	**60,805**	**1,274**	**2.1%**	**715**	**(89)**	**(24)**
Construction and real estate - real-estate activities	**28,148**	**542**	**1.9%**	**378**	**(170)**	**(98)**
Commercial	**40,565**	**1,675**	**4.1%**	**296**	**203**	**415**
Financial services	**41,674**	**286**	**0.7%**	**67**	**(179)**	**(137)**
Private individuals - housing loans	**66,979**	**572**	**0.9%**	**-**	**(9)**	**16**
Private individuals - other	**87,787**	**1,082**	**1.2%**	**769**	**449**	**364**
Other sectors	**71,098**	**2,154**	**3.0%**	**907**	**156**	**80**
Total public	**435,253**	**8,653**	**2.0%**	**3,396**	**298**	**561**
Total banks	**45,958**	**-**	**0.0%**	**-**	**1**	**-**
Total governments	**54,746**	**-**	**0.0%**	**-**	**-**	**-**
Total	**535,957**	**8,653**	**1.6%**	**3,396**	**299**	**561**

	December 31, 2016						
	Total credit risk	Of which: problematic credit risk	Rate of problematic risk	Impaired credit risk	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions		%	NIS millions			
Sector							
Industry	40,943	1,509	3.7%	601	(140)	(12)	395
Construction and real estate - construction	56,737	1,266	2.2%	740	(213)	(172)	604
Construction and real estate - real-estate activities	30,746	610	2.0%	445	(257)	(132)	460
Commercial	40,482	1,993	4.9%	654	654	654	654
Financial services	38,592	531	1.4%	253	(15)	(19)	259
Private individuals - housing loans	63,851	615	1.0%	-	(5)	21	366
Private individuals - other	85,571	1,089	1.3%	752	482	386	939
Other sectors	69,839	1,546	2.2%	1,150	(241)	(183)	1,127
Total public	426,761	9,159	2.1%	4,595	265	543	4,804
Total banks	45,484	-	0.0%	-	1	-	4
Total governments	62,278	-	0.0%	-	3	-	3
Total	534,523	9,159	1.7%	4,595	269	543	4,811

Table D-5: Change in allowance for credit losses

	For the nine months ended September 30, 2017					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
	NIS millions					
Allowance for credit losses at beginning of year	**3,499**	**366**	**939**	**4,804**	**7**	**4,811**
Provision for credit losses(1)	**(142)**	**(9)**	**449**	**298**	**1**	**299**
Charge-offs	**(928)**	**(22)**	**(606)**	**(1,556)**	**-**	**(1,556)**
Recoveries of debts charged off in previous years	**747**	**6**	**242**	**995**	**-**	**995**
Net charge-offs	**(181)**	**(16)**	**(364)**	**(561)**	**-**	**(561)**
Adjustments from translation of financial statements	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Allowance for credit losses as at September 30, 2017(2) (unaudited)	**3,176**	**341**	**1,022**	**4,539**	**8**	**4,547**
(1) Of which: in respect of off-balance sheet credit instruments	**(21)**	**-**	**10**	**(11)**	**-**	**(11)**
(2) Of which: in respect of off-balance sheet credit instruments	**605**	**-**	**61**	**666**	**-**	**666**

	For the 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	-	-	-	-	-	-
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	*(23)	-	*(3)	*(26)	-	*(26)
(2) Of which: in respect of off-balance sheet credit instruments	593	-	50	643	-	643

* Restated.

Additional Information Regarding Exposures to Credit Risk[A]

Construction and Real Estate[A]

Overall credit risk in the construction and real-estate sectors totaled approximately NIS 89 billion as at September 30, 2017.

Table D-6: Segmentation of credit risk of the Bank Group in the construction and real-estate sectors, by principal areas of activity[A]

	Balance as at September 30, 2017			Balance as at December 31, 2016		
	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
	NIS millions					
Construction for commerce and services	**2,989**	**942**	**3,931**	3,008	1,150	4,158
Construction for industry	**274**	**143**	**417**	489	169	658
Housing construction	**12,612**	***30,581**	**43,193**	10,857	*29,028	39,885
Yield-generating properties	**20,262**	**5,628**	**25,890**	22,265	5,248	27,513
Other	**8,510**	**7,012**	**15,522**	8,365	6,904	15,269
Total construction and real-estate sectors	**44,647**	**44,306**	**88,953**	44,984	42,499	87,483

* Includes off-balance sheet credit risk in the amount of approximately NIS 13,591 million, in respect of which insurance was acquired from foreign insurance companies for the portfolio of Sale Law guarantees (December 31, 2016: NIS 13,430 million).

Credit Risk in Respect of Exposures to Borrowers and to Groups of Borrowers[A]

Table D-7: Details of balances of balance sheet credit and off-balance sheet credit risk to borrowers whose indebtedness exceeds NIS 1,200 million, by sector of the economy[A]

	September 30, 2017			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Industry	**3**	**978**	**5,241**	**6,219**
Construction and real estate - construction	**1**	**175**	**1,105**	**1,280**
Construction and real estate - real-estate activities	**-**	**-**	**-**	**-**
Electricity and water supply	**1**	**1,973**	**1,512**	**3,485**
Financial services	**4**	**3,740**	**4,303**	**8,043**
Total	**9**	**6,866**	**12,161**	**19,027**

	December 31, 2016			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Industry	3	872	5,800	6,672
Construction and real estate - construction	1	136	1,438	1,574
Construction and real estate - real-estate activities	2	1,632	1,091	2,723
Electricity and water supply	1	673	1,968	2,641
Financial services	4	5,262	2,152	7,414
Total	11	8,575	12,449	21,024

Table D-8: Balances of balance sheet credit and off-balance sheet credit risk to the six largest borrowers, by sector of the economy A/

	September 30, 2017		
	Balance sheet credit risk	Off-balance sheet credit risk	Total
	NIS millions		
Economic sector			
Electricity and water supply	**1,973**	**1,512**	**3,485**
Industry	**38**	**3,361**	**3,399**
Financial services	**1,070**	**1,848**	**2,918**
Financial services	**1,231**	**692**	**1,923**
Financial services	**1,230**	**614**	**1,844**
Industry	**842**	**579**	**1,421**
Total	**6,384**	**8,606**	**14,990**

	December 31, 2016		
	Balance sheet credit risk	Off-balance sheet credit risk	Total
	NIS millions		
Economic sector			
Industry	150	3,518	3,668
Financial services	2,787	429	3,216
Electricity and water supply	673	1,968	2,641
Financial services	927	717	1,644
Construction and real estate - construction	136	1,438	1,574
Industry	-	1,519	1,519
Total	4,673	9,589	14,262

Table D-9: Details of credit risk balances for each group of borrowers whose net indebtedness on a consolidated basis exceeds 15% of the capital of the banking corporation (as defined in Directive 313) A/

	Balance sheet credit risk(1)	Off-balance sheet credit risk(1)	Of which: off-balance sheet credit risk in respect of derivative instruments(2)	Gross indebtedness(3)	Deductions(4)	Net indebtedness(5)	Percentage of regulatory capital
	NIS millions						%
Borrower group A	3,908	2,727	272	6,645	92	6,553	15.05%

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

For more extensive information, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Credit to Private Individuals (Excluding Housing)A/

Table D-10: Balance of credit to private individuals in IsraelA/

	Balance as at		Change	
	September 30, 2017	December 31, 2016		
	NIS millions			%
Balance sheet				
Negative balance in current accounts	**3,576**	3,683	(107)	(2.91%)
Loans	**38,847**	37,573	1,274	3.39%
Debtors in respect of credit-card activity	**12,686**	12,203	483	3.96%
Total balance sheet credit risk	**55,109**	53,459	1,650	3.09%
Off-balance sheet				
Off-balance sheet credit risk	**31,024**	30,597	427	1.40%
Total credit risk	**86,133**	84,056	2,077	2.47%

The balance of loans to private individuals in Israel increased by 3.4% in the first nine months of 2017. Total balance sheet credit risk increased by 3.1% during this period, similar to the growth in 2016.

Following an upward trend in the risk level of the portfolio of credit to private individuals in the preceding quarters, as reflected in an increase in the rate of net charge-offs and in the rate of the allowance for credit losses, some moderation of this tendency is apparent, with moderate decreases in the rate of problematic credit risk, the rate of impaired credit risk, and the rate of net charge-offs in the third quarter of 2017. However, the rate of the allowance for credit losses rose again in this quarter.

The balances of credit risk to private individuals include balances in respect of the activity of Isracard and Poalim Express, which are primarily engaged in the issuance and clearing of credit cards. Isracard is also active in the area of credit, but its share of the total loan portfolio is low, constituting approximately 6% of the balance of loans again in the third quarter of 2017, compared with approximately 5.5% at the end of 2016.

Table D-11: Information regarding problematic debts in respect of private individuals in IsraelA/

	Balance as at		Change	Percentage of total balance sheet credit risk As at	
	September 30, 2017	December 31, 2016		**September 30, 2017**	December 31, 2016
	NIS millions			%	
Problematic credit risk	**1,049**	1,048	0.10%	**1.90%**	1.96%
Of which: impaired credit risk	**740**	720	2.78%	**1.34%**	1.35%
Debts in arrears of more than 90 days	**83**	81	2.47%	**0.15%**	0.15%
Net charge-offs for the period	**363**	381	(1)27.03%	**(1)0.88%**	0.71%
Allowance for credit losses	**992**	906	9.49%	**1.80%**	1.69%

(1) Calculated on an annualized basis.

For further details, see the section "Credit Risk" in the "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Risks in the Housing Loan Portfolio[A/]

Table D-12: 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[A/]

	Unlinked segment				CPI-linked segment				Foreign-currency segment		Total	
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate		Recorded debt balance in NIS millions	Rate of change during the period
	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %		
Sep. 30, 2017	**11,907**	**16.3%**	**27,216**	**37.3%**	**12,846**	**17.6%**	**20,448**	**28.1%**	**467**	**0.6%**	**72,884**	**5.2%**
Dec. 31, 2016	10,570	15.3%	25,360	36.6%	12,630	18.2%	20,120	29.1%	574	0.8%	69,254	3.0%

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.

Risk hedging: The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Area. The limits address LTV rates, repayment capability, distribution of credit products in the portfolio, volume of problematic debt, loan durations, geographical distribution, rate of arrears, etc. These indicators are also monitored in comparison to the data of the banking system as a whole.

The Bank tracks conditions and changes in macro-economic indicators in general, and in the business environment of the industry in particular. Some events require a reexamination of policy, such as a sharp increase in the floating interest rate, steep inflation, an increase in unemployment in the Israeli economy, and a material change in housing prices.

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

The Bank uses a statistical model to measure the probability of default and the expected loss in the mortgage portfolio. In addition, stress scenarios are applied to the mortgage portfolio, and the effect on the portfolio and on the Bank as a whole is analyzed. These scenarios include a sharp decline in prices of homes, an increase in the interest rate, and an increase in the unemployment rate. In addition, insurance arrangements are in place (life insurance and building insurance).

Housing Credit Execution

Table D-13: Details of characteristics of housing credit granted by the Bank – percentage of total new loans executed[A]

	For the three months ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Characteristics					
Financing rate over 60%	**28.2%**	26.6%	26.1%	20.9%	18.8%
Ratio of repayment to income greater than 40% (for acquisition and in monthly payments)	**0.0%**	0.0%	0.0%	0.0%	0.1%
Percentage with floating interest rates varying at a frequency of less than 5 years	**32.2%**	31.5%	30.7%	30.2%	31.0%
Percentage with floating rates	**57.5%**	57.8%	56.8%	56.4%	55.7%
Percentage of all-purpose loans	**6.3%**	6.2%	5.9%	3.4%	2.6%
Loans for investment purposes as a percentage of acquisition	**11.5%**	11.5%	11.3%	13.6%	14.1%
Principal planned for repayment after age 67 (excluding investments)	**6.6%**	6.4%	6.5%	5.7%	6.3%
Average loan for purchases of homes, in NIS thousands	**608**	582	561	553	681
Average original term to maturity of loans for purchases of homes, in years (excluding bridge loans)	**23.7**	23.9	23.8	23.6	23.3

Note that financing rates were calculated pursuant to Reporting Directive 876 of the Banking Supervision Department, "Report on Housing Loans."

The percentage of credit granted with a financing rate greater than 60% continued to increase in the third quarter of 2017, but the percentage of credit executed with payments at a rate higher than 40% of income remained at a near-zero level. The percentage of all-purpose loan issuance also increased slightly. The average term to maturity of loans for purchases of homes (excluding bridge loans) decreased slightly.

Auto Loans[A]

On July 6, 2017, the Banking Supervision Department issued a letter on the subject, "The risk of credit for the motor-vehicle industry." In the letter, banking corporations were asked to perform a risk analysis concerning credit for the "motor-vehicle trading" sub-industry and consumer credit for the acquisition of motor vehicles, using various stress scenarios, among other means, and to examine the need to adjust the collective allowance for this industry. The letter also described prevalent practices for financing of the motor-vehicle industry, referring, among other matters, to the financing rate, the calculation of repayment sources, required collateral, and the extent of reliance on collateral. The Bank is performing a comprehensive examination of its exposure in this area.

For details and more extensive information, see the section "Credit" in the Report of the Board of Directors and Board of Management as at June 30, 2017.

Leveraged Financing[A]

Data regarding credit risks in respect of leveraged financing are presented below. The disclosure focuses on exposures in respect of leveraged borrowers/transactions where the credit balance exceeds the amount of 0.5% of Tier 1 capital.

Table D-14: The Bank's exposures to leveraged financing, by economic sector of the borrower[A]

	September 30, 2017			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate - construction	**1**	**476**	**-**	**476**
Construction and real estate - real-estate activities	**1**	**328**	**480**	**808**
Hotels, hospitality, and food services	**1**	**-**	**200**	**200**
Mining and quarrying	**2**	**1,405**	**95**	**1,500**
Commercial	**2**	**843**	**155**	**998**
Financial services and insurance services	**0**	**-**	**-**	**-**
Industry	**1**	**318**	**-**	**318**
Total	**8**	**3,370**	**930**	**4,300**

	December 31, 2016			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate - construction	1	781	-	781
Construction and real estate - real-estate activities	2	688	981	1,669
Hotels, hospitality, and food services	1	200	2	202
Mining and quarrying	2	1,501	67	1,568
Commercial	2	957	221	1,178
Financial services and insurance services	1	354	-	354
Industry	3	967	64	1,031
Total	12	5,448	1,335	6,783

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.

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-15: Amount of gross credit exposures before credit risk mitigation

	September 30, 2017									
	0%	2%(2)	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure(1)
	NIS millions									
Sovereigns	**115,946**	**-**	**4,739**	**-**	**57**	**-**	**1,408**	**-**	**-**	**122,150**
Public sector	**-**	**-**	**855**	**-**	**7,051**	**-**	**-**	**-**	**-**	**7,906**
Banking corporations	**380**	**-**	**17,636**	**-**	**3,094**	**-**	**322**	**-**	**-**	**21,432**
Corporations	**-**	**2,597**	**954**	**-**	**1,495**	**-**	**153,866**	**421**	**-**	**159,333**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**-**	**93,444**	**426**	**-**	**93,870**
Retail to individuals	**-**	**-**	**-**	**-**	**-**	**108,817**	**91**	**425**	**-**	**109,333**
Small businesses	**-**	**-**	**-**	**-**	**-**	**14,581**	**30**	**61**	**-**	**14,672**
Housing loans	**-**	**-**	**-**	**27,368**	**17,448**	**24,199**	**5,901**	**215**	**-**	**75,131**
Securitization	**-**	**-**	**-**	**-**	**-**	**-**	**176**	**-**	**-**	**176**
Others	**3,140**	**-**	**-**	**-**	**-**	**-**	**8,501**	**841**	**3,846**	**16,328**
Total	**119,466**	**2,597**	**24,184**	**27,368**	**29,145**	**147,597**	**263,739**	**2,389**	**3,846**	**620,331**

	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

(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).

(2) The data as at September 30, 2017, include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.

Table D-15: Amount of gross credit exposures before credit risk mitigation (continued)

	December 31, 2016								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure(1)
	NIS millions								
Sovereigns	116,840	4,105	-	329	-	1,796	-	-	123,070
Public sector	-	837	-	6,678	-	-	-	-	7,515
Banking corporations	302	16,006	-	3,064	-	284	-	-	19,656
Corporations	-	1,177	-	2,633	-	156,133	909	-	160,852
Secured by commercial real estate	-	-	-	-	-	90,386	481	-	90,867
Retail to individuals	-	-	-	-	105,391	105	437	-	105,933
Small businesses	-	-	-	-	13,505	41	58	-	13,604
Housing loans	-	-	27,415	14,714	22,729	5,819	205	-	70,882
Securitization	-	-	-	-	-	192	-	-	192
Others	2,880	-	-	-	-	7,760	923	3,753	15,316
Total	120,022	22,125	27,415	27,418	141,625	262,516	3,013	3,753	607,887

(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-16: Amount of net credit exposures after credit risk mitigation

	September 30, 2017										
	0%	2%(2)	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)	Net credit exposure after conversion to credit
	NIS millions										
Sovereigns	**115,933**	**-**	**4,739**	**-**	**57**	**-**	**438**	**-**	**-**	**121,167**	**121,100**
Public sector	**2,456**	**-**	**855**	**-**	**6,971**	**-**	**-**	**-**	**-**	**10,282**	**8,872**
Banking corporations	**380**	**-**	**20,339**	**-**	**14,738**	**-**	**231**	**-**	**-**	**35,688**	**25,790**
Corporations	**-**	**2,597**	**24,907**	**-**	**7,104**	**-**	**148,176**	**416**	**-**	**183,200**	**129,232**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**-**	**62,355**	**422**	**-**	**62,777**	**47,009**
Retail to individuals	**-**	**-**	**-**	**-**	**-**	**92,626**	**90**	**423**	**-**	**93,139**	**64,786**
Small businesses	**-**	**-**	**-**	**-**	**-**	**13,136**	**29**	**60**	**-**	**13,225**	**10,553**
Housing loans	**-**	**-**	**-**	**27,369**	**17,448**	**24,198**	**5,901**	**215**	**-**	**75,131**	**72,817**
Securitization	**-**	**-**	**-**	**-**	**-**	**-**	**176**	**-**	**-**	**176**	**88**
Others	**3,140**	**-**	**-**	**-**	**-**	**-**	**8,501**	**841**	**3,846**	**16,328**	**16,119**
Total	**121,909**	**2,597**	**50,840**	**27,369**	**46,318**	**129,960**	**225,897**	**2,377**	**3,846**	**611,113**	**496,366**

(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).
(2) The data as at September 30, 2017, include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.

Table D-16: Amount of net credit exposures after credit risk mitigation (continued)

	September 30, 2016									
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure[1]	Net credit exposure after conversion to credit
	NIS millions									
Sovereigns	102,016	4,985	-	251	-	726	-	-	107,978	107,851
Public sector	2,730	1,191	-	6,780	-	-	-	-	10,701	9,221
Banking corporations	488	17,352	-	15,756	-	128	-	-	33,724	23,593
Corporations	-	24,575	-	7,956	-	150,571	1,206	-	184,308	134,019
Secured by commercial real estate	-	-	-	-	-	61,479	590	-	62,069	47,758
Retail to individuals	-	-	-	-	92,931	94	408	-	93,433	62,466
Small businesses	-	-	-	-	12,372	39	48	-	12,459	9,834
Housing loans	-	-	27,687	13,905	22,784	5,723	165	-	70,264	68,505
Securitization	-	-	-	-	-	188	-	-	188	94
Others	2,752	-	-	-	-	7,817	979	3,894	15,442	15,200
Total	107,986	48,103	27,687	44,648	128,087	226,765	3,396	3,894	590,566	478,541

	December 31, 2016									
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure[1]	Net credit exposure after conversion to credit
	NIS millions									
Sovereigns	116,840	4,105	-	329	-	680	-	-	121,954	121,872
Public sector	2,932	837	-	6,780	-	-	-	-	10,549	8,814
Banking corporations	302	17,240	-	15,913	-	182	-	-	33,637	23,146
Corporations	-	24,256	-	7,937	-	148,778	888	-	181,859	130,100
Secured by commercial real estate	-	-	-	-	-	60,283	480	-	60,763	46,046
Retail to individuals	-	-	-	-	89,207	105	436	-	89,748	62,204
Small businesses	-	-	-	-	12,104	39	56	-	12,199	9,696
Housing loans	-	-	27,415	14,714	22,729	5,819	205	-	70,882	68,952
Securitization	-	-	-	-	-	192	-	-	192	96
Others	2,880	-	-	-	-	7,760	923	3,753	15,316	15,085
Total	122,954	46,438	27,415	45,673	124,040	223,838	2,988	3,753	597,099	486,011

(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).

Collateral management at the Bank is described in the section, "Hedging and Risk Mitigation" in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016. 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-17: 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, 2017						
	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	**122,150**	**(924)**	**-**	**(924)**	**-**	**(59)**	**121,167**
Public sector	**7,906**	**-**	**-**	**-**	**2,548**	**(172)**	**10,282**
Banking corporations	**21,432**	**(1,304)**	**-**	**(1,304)**	**16,076**	**(516)**	**35,688**
Corporations	**159,333**	**(1,518)**	**-**	**(1,518)**	**30,483**	**(5,098)**	**183,200**
Secured by commercial real estate	**93,870**	**(30,444)**	**-**	**(30,444)**	**-**	**(649)**	**62,777**
Retail to individuals	**109,333**	**(14,567)**	**-**	**(14,567)**	**-**	**(1,627)**	**93,139**
Small businesses	**14,672**	**(283)**	**-**	**(283)**	**-**	**(1,164)**	**13,225**
Housing loans	**75,131**	**-**	**-**	**-**	**-**	**-**	**75,131**
Securitization	**176**	**-**	**-**	**-**	**-**	**-**	**176**
Others	**16,328**	**-**	**-**	**-**	**-**	**-**	**16,328**
Total	**620,331**	**(49,040)**	**-**	**(49,040)**	**49,107**	**(9,285)**	**611,113**

	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

(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-17: 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, 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	123,070	(1,116)	-	(1,116)	-	-	121,954
Public sector	7,515	-	-	-	3,034	-	10,549
Banking corporations	19,656	(1,556)	-	(1,556)	16,442	(905)	33,637
Corporations	160,852	(1,984)	-	(1,984)	29,387	(6,396)	181,859
Secured by commercial real estate	90,867	(29,345)	-	(29,345)	-	(759)	60,763
Retail to individuals	105,933	(14,528)	-	(14,528)	-	(1,657)	89,748
Small businesses	13,604	(254)	-	(254)	-	(1,151)	12,199
Housing loans	70,882	-	-	-	-	-	70,882
Securitization	192	-	-	-	-	-	192
Others	15,316	-	-	-	-	-	15,316
Total	607,887	(48,783)	-	(48,783)	48,863	(10,868)	597,099

(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 risk – The credit risk arising from transactions in derivative financial instruments is the risk that the counterparty to the transaction will default before the final settlement of cash flows in the derivatives transaction. The market value of the transaction may be positive or negative for any of the parties to the transaction; the market value is not certain, and may change over time and according to movements in the underlying market factors.

On October 23, 2017, the Bank of Israel issued Proper Conduct of Banking Business Directive 330, "Management of Credit Risk Inherent in Customers' Trading Activity in Derivative Instruments and Securities," which will take effect on July 1, 2018. The directive regularizes counterparty risk management, and in particular, the requirement for speculative customers to provide liquid collateral. The Bank is preparing to implement this directive.

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. For more extensive information, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Table D-18: Details of credit exposures of the Bank arising from derivatives

	September 30, 2017					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Equity derivatives[1]	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	**6,968**	**4,488**	**3,734**	**7**	**4**	**15,201**
Add-on values	**3,671**	**4,450**	**1,914**	**1**	**15**	**10,051**
Effect of netting agreements	**-**	**-**	**-**	**-**	**-**	**(11,665)**
Eligible collateral	**-**	**-**	**-**	**-**	**-**	**(1,247)**
Net credit exposure	**10,639**	**8,938**	**5,648**	**8**	**19**	**12,340**

(1) The data as at September 30, 2017, include the effects of the initial implementation of the directive, "Capital Requirements in Respect of Exposure to Central Counterparties," which was implemented beginning January 1, 2017.

	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

	December 31, 2016					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Equity derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	7,542	3,692	852	12	16	12,114
Add-on values	3,093	4,704	797	4	30	8,628
Effect of netting agreements	-	-	-	-	-	(11,674)
Eligible collateral	-	-	-	-	-	(1,534)
Net credit exposure	10,635	8,396	1,649	16	46	7,534

Table D-19: Details of face value of the Bank's credit-derivatives portfolio, used for risk management in the credit portfolio of the Bank

	September 30, 2017		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	**50**	**124**	**174**

	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

	December 31, 2016		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	50	135	185

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

Securitization Exposures

The volume of the Bank's exposure in respect of securitization is approximately NIS 176 million, arising from liquidity lines.

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, 2017, amounted to NIS 176 million (approximately USD 50 million), compared with NIS 192 million (approximately USD 50 million) at the end of 2016. No withdrawals were performed on any of these lines up to September 30, 2017.

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 section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; and the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Market Risk

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

The main 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 more extensive information regarding market risks and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; and the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Risk Estimates of Trading Activity (VaR)

Table D-20: Risk estimates of trading activity (VaR)

	September 30, 2017	**Average in 2017**
	NIS millions	
Total trading in dealing rooms	**16**	**17**

	December 31, 2016	Average in 2016
	NIS millions	
Total trading in dealing rooms	15	16

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 above, and for currency risks in the banking book and in the trading book.

Table D-21: Capital requirements in respect of market risks

	September 30, 2017[(1)]			September 30, 2016[(1)]			December 31, 2016[(1)]		
	Specific risk	General risk	Total	Specific risk	General risk	Total	Specific risk	General risk	Total
	NIS millions								
Interest-rate risk	**2**	**326**	**328**	1	383	384	2	341	343
Share risk	**8**	**8**	**16**	6	6	12	7	7	14
Foreign currency exchange-rate risk	**-**	**160**	**160**	-	54	54	-	144	144
Option risk	**-**	**153**	**153**	-	90	90	-	116	116
Total	**10**	**647**	**657**	7	533	540	9	608	617

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Banking Supervision Department, at 13.73% as at September 30, 2017; 12.67% as at December 31, 2016; and 12.64% as at September 30, 2016. 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 has been added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017.

Operational Risk

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

For more extensive information regarding operational risk and the management thereof, including information-technology risk, information security and cyber risks, cloud-computing risks, emergency preparedness, and insurance, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Cloud Computing Risks

In July 2017, the Bank of Israel issued Proper Conduct of Banking Business Directive 362, "Cloud Computing." This directive cancels the letter of the Supervisor of Banks on the subject, "Risk management in a cloud-computing environment" of June 29, 2015. The directive establishes guidelines, rules, and required conditions for the use of cloud-computing technologies by banking corporations, and addresses the unique risks inherent in the use of cloud computing, including references to cases in which the approval of the Banking Supervision Department for the use of cloud-computing services is or is not required.

The Bank is examining possible uses of cloud computing and the proper way of addressing the derived operational risks, in accordance with the regulatory guidelines and appropriate work processes, with the intention of allowing implementation of the business advantages of the use of cloud-computing services while prudently managing the risks and complying with regulatory requirements.

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). According to the definition at the Bank, Israeli government bonds in NIS and in foreign currency and government bonds of the country in which a branch/subsidiary operates, held by the branch/subsidiary, do not bear investment risk, and are therefore not included in the measurement of investment risk at the Bank.

For additional information regarding investment risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Positions in Shares in the Banking Book

Table D-22: Details of the Bank's investments in shares in the banking book

	September 30, 2017		September 30, 2016		December 31, 2016	
	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	**56**	**[2] 16**	47	[2] 12	54	[2] 14
Investments classified into the available-for-sale portfolio	**2,161**	**325**	2,316	324	2,202	308
Total investments in shares	**2,217**	**341**	2,363	336	2,256	322
Of which: Traded on the stock exchange	**1,400**		1,457		1,367	
Privately held	**817**		906		889	
Unrealized gains included in supervisory capital	**319**		193		202	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio required by the Banking Supervision Department, at 13.73% as at September 30, 2017; 12.67% as at December 31, 2016; and 12.64% as at September 30, 2016. 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 has been added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement was implemented gradually, up to January 1, 2017.

(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 as at September 30, 2017.

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 the investment portfolio. 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 additional information regarding interest-rate risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; and the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Table D-23: 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, 2017			**Maximum in 2017**		**Minimum in 2017**	
	1% increase	1% decrease	0.1% increase	1% increase	1% decrease	1% increase	1% decrease
	NIS millions						
Scenario							
Change in CPI-linked interest rate	**(370)**	**435**	**(40)**	**(373)**	**437**	**(257)**	**315**
Change in unlinked interest rate	**(173)**	**219**	**(19)**	**(174)**	**219**	**(54)**	**92**
Change in foreign-currency interest rates	**(1)**	**4**	**-**	**(31)**	**36**	**(1)**	**4**

	December 31, 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	(264)	324	(29)	(264)	324	(118)	163
Change in unlinked interest rate	(227)	271	(25)	(235)	278	(103)	134
Change in foreign-currency interest rates	(26)	30	(3)	168	(173)	(26)	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 interest-rate curves that do 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 the use of 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.

For details, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016. For details regarding legal proceedings, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

Compliance Risk[AI]

Compliance risk is the risk of imposition of legal or regulatory sanctions, material financial loss, or damage to its image which the corporation (the Bank) may suffer as a result of a failure to comply with compliance directives.

Compliance risk also encompasses the activity of the Bank with banks located in the Palestinian Authority, which requires the fulfillment of various regulatory requirements, in particular in connection with the prevention of money laundering and terrorism financing, and involves monitoring of fund transfers to and from residents of the Palestinian Authority. In June 2006, the Bank decided to terminate services to banks operating within the territory of the Palestinian Authority. Following this decision, the Governor of the Bank of Israel and representatives of the Ministry of Finance requested that the Bank refrain from implementing the decision and continue to provide certain services, subject to certain restrictions set by the Bank. Further to discussions held on this subject by the Bank with the Bank of Israel and the Ministry of Finance, in November 2006 the Minister of Finance granted the Bank a permit, pursuant to Section 9(D) of the Terrorism Financing Prohibition Law, indicating that the directives of the Terrorism Financing Prohibition Law concerning "prohibition of transactions in terrorism property" would not apply to the transactions noted in the permit.

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 asked to cease the provision of services to banks in the Palestinian Authority again in 2016, in light of the increasing risks involved in the provision of services to the Palestinian banks, both in the civil arena and in the criminal and regulatory arena (the prohibition of money laundering, the prohibition of terrorism financing, tax offenses, and more). State authorities requested a postponement of implementation of this move, emphasizing that the state is acting to ensure that the Bank receives the required protections in the civil, criminal, and regulatory arenas in connection with the provision of services to banks in the Palestinian Authority.

In December 2016, a group of family members of victims of terrorism filed a petition with the High Court of Justice against the Minister of Finance, the Director General of the Ministry of Finance, the Bank, and Discount Bank Ltd. In summary, the petitioners are asking the High Court of Justice to prohibit the Minister of Finance and the Ministry of Finance from making a commitment to protect and/or indemnify the Bank and Discount Bank Ltd. in the event that they are sued or prosecuted in connection with their relationships with banks in the Palestinian Authority. This petition is still pending. In May 2017, the state submitted its response to the petition to the High Court of Justice, based on the resolution of the Ministerial Committee on National Security Matters of January 15, 2017, which was attached to the response as an appendix (the "Cabinet Resolution"). In its response, the state clarified that it had been instructed in the Cabinet Resolution to grant Israeli banks, officers thereof, and employees thereof an indemnity letter with respect to expenses and payments that they may incur due to legal proceedings in connection with correspondence services that they provide to banks in the Palestinian Authority in the coming two years, which will be contingent upon commitments that the aforesaid Israeli banks shall undertake, and which will be established in the indemnity letter. The state also noted that further to the Cabinet Resolution, the Attorney General intended to consider granting immunity from prosecution in Israel to the aforesaid Israeli banks, officers thereof, or employees thereof with respect to actions that they commit in order to maintain the aforesaid correspondent relationships, in connection with specific offenses pertaining to the prohibition of money laundering and terrorism financing, for a period of up to two years, subject to conditions to be established; by the end of this period, a long-term solution will be presented to the Ministerial Committee on National Security for approval.
Negotiations between the state authorities and the Bank regarding the formulation of the immunity and indemnity letters have been in progress for several months. The positions of the parties drew closer during the quarter, but the documents have not yet been approved and have not yet been signed by the authorized functions.

For additional information regarding compliance risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

Legal Risk[A]

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 regarding legal risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; Note 26 to the Annual Financial Statements for 2016; and Note 10 to the Condensed Financial Statements as at September 30, 2017.

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.

For additional information regarding reputational risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

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.

For additional information regarding regulatory and legislative risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016. For details regarding notable regulatory initiatives, see Note 16 to the Condensed Financial Statements as at September 30, 2017, and Section 3.14 of the Report of the Board of Directors and Board of Management as at September 30, 2017.

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.

For additional information regarding economic risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016. For details regarding conditions in the Israeli and global economy, see the section "Economic Review" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

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 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 and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

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 association of the Bank to a party causing environmental damage.

For additional information regarding environmental risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016.

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 examined from a broader perspective, encompassing the ability to repay liabilities on schedule, including during times of stress, without damage to routine operations within the business plans of the Bank and without incurring exceptional losses.

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

	For the quarter ended September 30, 2017	
	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		**115,275**
Cash outflows		
Retail deposits from individuals and from small business customers, of which:	**187,051**	**14,693**
Stable deposits	**60,360**	**3,018**
Less stable deposits	**91,385**	**10,623**
Deposits for a period greater than 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	**35,306**	**1,052**
Unsecured wholesale financing, of which:	**116,136**	**76,488**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**1,772**	**443**
Non-operational deposits (all counterparties)	**113,869**	**75,550**
Unsecured debts	**495**	**495**
Secured wholesale financing	**56**	**-**
Additional liquidity requirements, of which:	**107,708**	**23,548**
Outflows related to derivative exposure and other collateral requirements	**16,448**	**14,706**
Outflows related to loss of funding on debt products	**-**	**-**
Credit and liquidity facilities	**91,260**	**8,842**
Other contractual funding obligations	**14,062**	**14,062**
Other contingent funding obligations	**56,464**	**1,887**
Total cash outflows		**130,678**
Cash inflows		
Secured lending (e.g. reverse repos)	**622**	**622**
Inflows from fully performing exposures	**29,852**	**22,676**
Other cash inflows	**18,259**	**13,769**
Total cash inflows	**48,733**	**37,067**

	Total adjusted value***
Total high-quality liquid assets (HQLA)	**115,275**
Total net cash outflows	**93,611**
Liquidity coverage ratio (%)	**123%**

* Unweighted values were calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows), based on an average of daily observations.

** Weighted values were calculated after the application of respective haircuts or inflow and outflow rates (for inflow and outflow), based on an average of daily observations.

*** Adjusted values were 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).

Table E-1: Liquidity coverage ratio – limited banking corporation and consolidated subsidiaries, for the three-month period (continued)

	For the quarter 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 were 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 were 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 were 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).

Table E-1: Liquidity coverage ratio – limited banking corporation and consolidated subsidiaries, for the three-month period (continued)

	For the quarter ended December 31, 2016	
	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		108,881
Cash outflows		
Retail deposits from individuals and from small business customers, of which:	188,931	14,632
Stable deposits	59,386	2,969
Less stable deposits	91,724	10,539
Deposits for a period greater than 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	37,821	1,124
Unsecured wholesale financing, of which:	112,110	70,271
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,522	381
Non-operational deposits (all counterparties)	109,876	69,178
Unsecured debts	712	712
Secured wholesale financing	41	-
Additional liquidity requirements, of which:	100,864	18,578
Outflows related to derivative exposure and other collateral requirements	11,862	10,187
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	89,002	8,391
Other contractual funding obligations	12,906	12,906
Other contingent funding obligations	56,564	1,977
Total cash outflows		118,364
Cash inflows		
Secured lending (e.g. reverse repos)	415	415
Inflows from fully performing exposures	29,170	21,219
Other cash inflows	14,541	8,932
Total cash inflows	44,126	30,566

	Total adjusted value***
Total high-quality liquid assets (HQLA)	108,881
Total net cash outflows	87,798
Liquidity coverage ratio (%)	124%

* Unweighted values were 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 were 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 were 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).

Pursuant to Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," the minimum requirement as of January 1, 2017, is 100%.

The stand-alone and consolidated ratios of the banking corporation are calculated on a daily basis. These ratios are reported as an average of the daily observations. The number of observations used to calculate the averages in the reported quarter is 63. Credit-card companies are exempt from independent calculations, but are included in the consolidated data.

The average ratio during the quarter (the average of the daily observations) is 123%, consolidated, and 120% for the stand-alone banking corporation, while the minimum requirement is 100%. This ratio decreased slightly during the quarter in comparison to the preceding quarter, due to factors including maturation of securities of the Bank, a certain change in the composition of deposits, and a slight increase in off-balance sheet liabilities. 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.

For additional information regarding liquidity risk and the management thereof, see the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at December 31, 2016; the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2016; and the section "Review of Risks" in the Report of the Board of Directors and Board of Management as at September 30, 2017.

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

	Balance as at September 30, 2017	**Average in the quarter ended September 30, 2017**
Level A assets	**108,346**	**114,444**
Level B1 assets	**541**	**613**
Level B2 assets	**243**	**218**
Total HQLA	**109,129**	**115,275**

	Balance as at September 30, 2016	Average in the quarter ended September 30, 2016
Level A assets	98,495	104,129
Level B1 assets	452	426
Level B2 assets	415	419
Total HQLA	99,362	104,974

	Balance as at December 31, 2016	Average in the quarter ended December 31, 2016
Level 1 assets	112,832	107,990
Level 2A assets	448	453
Level 2B assets	427	438
Total HQLA	113,707	108,881

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*[A]

	Fair value balance as at September 30, 2017		
	Total balance in the balance sheet	Of which: pledged**	Of which: unpledged
Cash and deposits with banks	**85,606**	**1,046**	**84,560**
Israeli government bonds	**41,222**	**4,077**	**37,145**
Foreign government bonds	**10,911**	**172**	**10,739**
Bonds of financial institutions in Israel	**493**	**-**	**493**
Bonds of foreign financial institutions	**6,510**	**627**	**5,883**
Bonds of others in Israel	**411**	**-**	**411**
Bonds of foreign others	**2,432**	**42**	**2,390**
Shares of others	**2,217**	**-**	**2,217**
Total securities	**64,196**	**4,918**	**59,278**

* In addition, other assets in the amount of NIS 1,218 million are pledged.
** Includes surplus pledges.

	Fair value balance as at December 31, 2016		
	Total balance in the balance sheet	Of which: pledged**	Of which: unpledged
Cash and deposits with banks	80,378	1,615	78,763
Israeli government bonds	50,844	5,974	44,870
Foreign government bonds	8,256	805	7,451
Bonds of financial institutions in Israel	577	-	577
Bonds of foreign financial institutions	5,739	-	5,739
Bonds of others in Israel	916	-	916
Bonds of foreign others	2,861	33	2,828
Shares of others	2,256	-	2,256
Total securities	71,449	6,812	64,637

* In addition, other assets in the amount of NIS 577 million are pledged.
** Includes surplus pledges.

Oded Eran
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 27, 2017