Bank Hapoalim B.M.

Basel Pillar 3 Additional Disclosure
As at June 30, 2015

Basel Pillar 3 Additional Disclosure as at June 30, 2015

Capital Adequacy, Liquidity, and Leverage

(1) Capital Adequacy

As of January 1, 2014, the Bank has implemented the capital measurement and adequacy directives based on the Basel 3 directives (hereinafter: "Basel 3"), as published by the Supervisor of Banks and as integrated into Proper Conduct of Banking Business Directives 201-211. The Bank applied the Basel 2 directives until December 31, 2013. Pursuant to these directives, in addition to the calculation of the minimum capital requirement in respect of credit risk, market risk, and operational risk, the Bank is required to carry out an Internal Capital Adequacy Assessment Process (ICAAP), submitted annually. The Board of Directors received a review of the ICAAP in late February 2015, and approved the ICAAP report of the Bank for 2014. The Board of Directors also approved the risk appetite policy of the Bank.

The Basel 3 Directives

The Basel 3 directives took effect on January 1, 2014. Implementation is gradual, in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, "Capital Measurement and Adequacy – Supervisory Capital – Transitional Directives," in order to make it possible to comply with the new requirements regarding supervisory capital within the process of implementation of Basel 3 and establish a transitional period until full implementation. Among other matters, the transitional directives concern supervisory adjustments and deductions from capital, as well as capital instruments ineligible for inclusion in supervisory capital according to the new criteria established in the Basel directives. Specifically, pursuant to the transitional directives, the supervisory adjustments and deductions from capital as well as non-controlling interests ineligible for inclusion in supervisory capital shall be deducted from capital gradually, at a rate of 20% per annum, from January 1, 2014 to January 1, 2018. Capital instruments that no longer qualify as supervisory capital were recognized as of January 1, 2014, up to a ceiling of 80% of their balance in the supervisory capital as at December 31, 2013; this ceiling is being lowered by an additional 10% in each subsequent year, until January 1, 2022. From January 1, 2015, to December 31, 2015, the rate of deductions from supervisory capital is 40%, and the ceiling for instruments eligible as supervisory capital is 70%.

Minimum Capital Ratios

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

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

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

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

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

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

Housing Loans

In July 2014, the Supervisor of Banks issued a circular concerning Proper Conduct of Banking Business Directive 329, "Limits on Housing Loans" (hereinafter: the "Directive"). The Directive consolidates the guidelines and limits concerning housing loans into a single binding document. The Directive redefines the term "payment as a percentage of income." In addition, the Directive limits the amount of loans for which a reduced risk weight may be assigned, pursuant to Section 72 of Proper Conduct of Banking Business Directive 203, to NIS 5 million. Loans in an amount greater than NIS 5 million shall be weighted at 100%. When the amount of a loan is lower than NIS 5 million, the risk weight may be reduced, in accordance with Section 72 of Directive 203, based on the LTV ratio as calculated when the loan was granted. The amendments have been implemented as of October 1, 2014. The effect of the implementation is immaterial.

The Supervisor of Banks issued an additional directive on September 28, 2014. Pursuant to this directive and the transitional directives for 2014, a capital requirement at a rate representing 1% of the balance of housing loans at the reporting date has been added to minimum capital ratios, beginning January 1, 2015, as detailed above.

In addition, beginning January 1, 2015, banking corporations are permitted to reduce the risk weight for floating-rate leveraged loans granted between October 26, 2010 and December 31, 2012, from 100% to 75%. The effect is a decrease in risk-adjusted assets as at June 30, 2015, in the amount of approximately NIS 550 million, an increase of approximately 0.02% in the common equity Tier 1 capital ratio, and an increase of approximately 0.02% in the total capital ratio.

Capital Requirements Pursuant to the Basel 3 Directives

Set out below is the calculation of the capital ratio according to the Basel 3 directives:

	June 30, 2015	Dec. 31, 2014
	NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions		
Common equity Tier 1 capital	**32,370**	(1)31,482
Tier 1 capital	**34,079**	(1)33,436
Tier 2 capital	**14,612**	16,041
Total overall capital	**48,691**	(1)49,477
2. Weighted balances of risk-adjusted assets		
Credit risk	**314,758**	311,329
Market risks	**6,517**	5,269
Operational risk	**22,496**	22,275
Total weighted balances of risk-adjusted assets	**343,771**	(1)338,873
	%	
3. Ratio of capital to risk-adjusted assets		
Ratio of common equity Tier 1 capital to risk-adjusted assets	**9.42%**	(1)9.29%
Ratio of Tier 1 capital to risk-adjusted assets	**9.91%**	(1)9.87%
Ratio of total capital to risk-adjusted assets	**14.16%**	(1)14.60%
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(2)9.02%**	(2)9.00%
Minimum total capital ratio required by the Supervisor of Banks	**(2)12.52%**	(2)12.50%

(1) As reported, excluding the effect of the adoption of US GAAP regarding employee benefits, which took effect on January 1, 2015. See Note 1B(1) to the Condensed Financial Statements. If the directives had been adopted in 2014, the common equity Tier 1 capital ratio would have been 9.25% as at December 31, 2014, and the total capital ratio would have been 14.56%.

(2) The minimum required common equity Tier 1 capital ratio and the minimum required total capital ratio are 9% and 12.5%, respectively, from January 1, 2015, to December 31, 2016; and 10% and 13.5%, respectively, beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 10.2% and 13.7%, respectively. With regard to the balance of housing loans, see Note 3A(2) to the Condensed Financial Statements.

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the calculation of the capital ratio according to the Basel 3 directives (continued):

	June 30, 2015	Dec. 31, 2014
	%	
4. Significant subsidiaries		
Isracard		
Ratio of common equity Tier 1 capital to risk-adjusted assets	**19.67%**	*18.85%
Ratio of Tier 1 capital to risk-adjusted assets	**19.67%**	*18.85%
Ratio of total capital to risk-adjusted assets	**20.68%**	*19.79%
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(1)9.00%**	(1)9.00%
Minimum total capital ratio required by the Supervisor of Banks	**(1)12.50%**	(1)12.50%
Bank Hapoalim Switzerland		
Ratio of common equity Tier 1 capital to risk-adjusted assets	**22.23%**	21.09%
Ratio of Tier 1 capital to risk-adjusted assets	**22.23%**	21.09%
Ratio of total capital to risk-adjusted assets	**22.30%**	21.17%
Minimum common equity Tier 1 capital ratio required by local regulation	**8.00%**	8.00%
Minimum total capital ratio required by local regulation	**11.20%**	11.20%
	Basel 2(2)	
Bank Pozitif		
Ratio of Tier 1 capital to risk-adjusted assets	**15.53%**	17.51%
Ratio of total capital to risk-adjusted assets	**16.18%**	18.15%
Minimum total capital ratio required by local regulation	**12.00%**	12.00%

* Retrospective implementation – for details regarding the retrospective implementation of the Supervisor of Banks' guidelines concerning capitalization of software costs, see Note 1B(2) to the Condensed Financial Statements.

(1) Minimum capital ratio required according to the directives of the Supervisor of Banks as of January 1, 2015.

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

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Structure of Supervisory Capital and Composition of Capital

Set out below is the composition of capital for the purpose of calculating the capital ratio:

	June 30, 2015	Dec. 31, 2014
	NIS millions	
Tier 1 capital		
Paid-up common share capital and premium	**8,054**	8,004
Retained earnings	***23,669**	22,243
Non-controlling interests in equity of consolidated subsidiaries	**184**	224
Unrealized profits from adjustments of securities available for sale to fair value	**730**	961
Other capital instruments	***11**	153
Amounts deducted from Tier 1 capital	**(278)**	(103)
Total common equity Tier 1 capital	**32,370**	31,482
Innovative hybrid instruments	**1,709**	1,954
Total Tier 1 capital	**34,079**	33,436
Tier 2 capital		
Hybrid capital instruments and subordinated notes	**1,199**	1,331
Collective allowances for credit losses before the effect of related tax	**3,934**	3,837
Minority interests in subsidiaries	**9,479**	10,873
Amounts deducted from Tier 2 capital	**-**	-
Total Tier 2 capital	**14,612**	16,041
Total eligible capital	**48,691**	49,477

* Including the effect of the adoption of US GAAP regarding employee benefits.

For further details, see Note 4 to the Condensed Financial Statements as at June 30, 2014.

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet:

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	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	**8,054**		8,004		1+2
Retained earnings, including dividends proposed or declared after the balance sheet date	**23,669**	**(4)**	22,243		3
Cumulative other comprehensive income and disclosed retained earnings	**741**	**208**	1,114		4A+4B
Common equity Tier 1 capital instruments issued by the corporation, which are eligible for inclusion in supervisory capital during the transitional period	**-**		-		
Existing flows of capital from the public sector to be recognized until January 1, 2018	**-**	**-**	-	-	
Ordinary shares issued by subsidiaries of the banking corporation which were consolidated and are held by a third party (non-controlling interests)	**184**	**68**	224	103	5
Common equity Tier 1 capital before supervisory adjustments and deductions	**32,648**		31,585		
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		**-**	7	-	6-7
Deferred taxes receivable, realization of which depends on future profitability of the banking corporation, excluding deferred taxes receivable arising from timing differences	**18**	**27**	11	45	8
Total cumulative other comprehensive income in respect of cash flow hedges of items not presented in the balance sheet at fair value	**(2)**	**(2)**	(1)	(5)	9
Negative difference between provisions and expected losses	**-**	**-**	-	-	

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions				
Increase in equity capital due to securitization transactions	**-**	**-**	-	-	
Unrealized profits and losses resulting from changes in the fair value of liabilities due to changes in the own credit risk of the banking corporation	**22**	**33**	-	-	10
Surplus of amount funded over provision, net of deferred taxes payable to be extinguished if the asset becomes impaired or is deducted, in accordance with the Public Reporting Directives	**-**	**-**	-	-	
Investment in own ordinary shares held directly or indirectly (including commitments to purchase shares under contractual agreements)	**15**	**23**	9	37	
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 taxes receivable arising from timing differences in amounts exceeding 10% of common equity Tier 1 capital	**225**	**337**	77	310	13
Amounts of mortgage service rights, deferred taxes receivable 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	**-**	**-**	-	-	

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions				
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 taxes receivable arising from timing differences	**-**	**-**	-	-	
Additional supervisory adjustments and deductions established by the Supervisor of Banks	**-**	**-**	-	-	
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	**-**	**-**	-	-	
Supervisory adjustments to common equity Tier 1 capital subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		
Deductions applicable to common equity Tier 1 capital because the additional Tier 1 capital and Tier 2 capital are insufficient to cover the deductions	**-**		-		
Total supervisory adjustments and deductions in common equity Tier 1 capital	**278**	**418**	103	387	
Common equity Tier 1 capital	**32,370**		31,482		

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions				
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	**1,709**		1,954		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	**1,709**		1,954		
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	**-**	**-**	-	-	
Investments in capital of financial corporations not consolidated in the banking corporation's reports to the public, where the banking corporation's holding exceeds 10% of the ordinary share capital issued by the financial corporation	**-**	**-**	-	-	
Additional deductions established by the Supervisor of Banks	**-**	**-**	-	-	

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions				
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	**1,709**		1,954		
Tier 1 capital	**34,079**		33,436		
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	**1,199**		1,331		11B
Tier 2 capital instruments issued by subsidiaries of the banking corporation to third-party investors	**9,479**		10,873		
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	**9,479**		10,873		11B
Collective allowances for credit losses before the effect of related tax	**3,934**		3,837		12
Tier 2 capital before deductions	**14,612**		16,041		

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	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 Supervisor of Banks	**-**	**-**	-	-	
Of which: investments in the capital of financial corporations	**-**	**-**	-	-	
Of which: additional deductions from Tier 2 capital	**-**	**-**	-	-	
Supervisory adjustments to Tier 2 capital subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	**-**		-		
Total supervisory adjustments to Tier 2 capital	**-**		-		
Tier 2 capital	**14,612**		16,041		
Total capital	**48,691**		49,477		
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	**342,754**		337,705		
Of which: credit risk assets	**313,741**		310,161		
Of which: market risk assets	**6,517**		5,269		
Of which: operational risk assets	**22,496**		22,275		
Total weighted risk-adjusted assets	**343,771**		338,873		

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance/ percent	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance/ percent	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions/ percent	NIS millions	NIS millions/ percent	NIS millions	
Capital ratios and capital preservation cushions					
Common equity Tier 1 capital	**9.42%**		9.29%		
Tier 1 capital	**9.91%**		9.87%		
Total capital	**14.16%**		14.60%		
Minimum requirements established by the Supervisor of Banks					
The minimum required common equity Tier 1 capital ratio is 9% from January 1, 2015, to December 31, 2016, and 10% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 10.2%.	**9.02%**		9.00%		
The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.	**12.52%**		12.50%		
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	**1,557**		1,417		

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of supervisory capital, by components, with references to the supervisory balance sheet (continued):

	June 30, 2015		December 31, 2014		References
	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	Balance	Amounts not deducted from capital which are subject to the requirements prior to the adoption of Directive 202, in accordance with Basel 3	
	NIS millions				
Investments in the capital of financial corporations which exceed 10% of the ordinary share capital issued by the financial corporation and which are below the deduction threshold	**134**		130		
Mortgage service rights (net of deferred taxes payable)	**-**		-		
Deferred taxes receivable arising from timing differences, below the deduction threshold	**3,259**		3,156		
Ceiling for inclusion of provisions in Tier 2					
Provision eligible for inclusion in Tier 2, with reference to exposures under the standardized approach, before application of the ceiling	**3,973**		3,837		
Ceiling for inclusion of provision in Tier 2 under the standardized approach	**3,934**		3,892		
Provision eligible for inclusion in Tier 2, with reference to exposures based on the internal ratings approach, before application of the ceiling	**-**		-		
Ceiling for inclusion of provision in Tier 2 based on the internal ratings approach	**-**		-		
Capital instruments not eligible as supervisory capital, which are subject to the transitional directives					
Current ceiling amount for instruments included in common equity Tier 1 capital subject to the transitional directives	**-**		-		
Amount deducted from common equity Tier 1 capital due to the ceiling	**-**		-		
Current ceiling amount for instruments included in additional Tier 1 capital subject to the transitional directives	**1,709**		1,954		
Amount deducted from additional Tier 1 capital due to the ceiling	**718**		485		
Current ceiling amount for instruments included in Tier 2 capital subject to the transitional directives	**10,678**		12,204		
Amount deducted from Tier 2 capital due to the ceiling	**1,195**		1,021		

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of the supervisory balance sheet, with references to the components of supervisory capital:

	June 30, 2015	Dec. 31, 2014	References to components of supervisory capital
	Consolidated supervisory balance sheet		
	NIS millions		
Assets			
Cash on hand and deposits with banks*	**62,115**	54,974	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(5)**	(4)	12
Securities*	**56,232**	58,778	
* Of which: investments in capital of financial corporations that do not exceed 10% of the share capital of the financial corporation	**1,557**	1,417	
* Of which: other securities	**54,675**	57,361	
Securities borrowed or purchased under agreements to resell	**647**	476	
Credit to the public	**275,146**	268,160	
Allowance for credit losses*	**(4,329)**	(4,180)	
* Of which: collective allowance for credit losses included in Tier 2 capital	**(3,318)**	(3,247)	12
* Of which: allowance for credit losses not included in supervisory capital	**(1,011)**	(933)	
Net credit to the public	**270,817**	263,980	
Credit to governments	**2,268**	1,861	
Investment in equity-basis investees*	**142**	135	
* 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	**134**	130	
Buildings and equipment	**3,411**	3,475	
Intangible assets and goodwill*		7	
* Of which: goodwill	**-**	-	
* Of which: other intangible assets		7	6
Assets in respect of derivative instruments	**13,802**	16,244	
Other assets*	**7,180**	7,864	
* Of which: deferred tax assets**	**3,866**	3,599	
** Of which: deferred tax assets attributed to timing differences, over 10% of common equity Tier 1 capital	**562**	387	13
** Of which: deferred tax assets excluding those attributed to timing differences	**45**	56	8
** Of which: other deferred tax assets	**3,259**	3,156	
* Of which: surplus of amount funded over provision	**-**	-	
* Of which: additional other assets	**3,314**	4,265	
Total assets	**416,614**	407,794	

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of the supervisory balance sheet, with references to the components of supervisory capital (continued):

	June 30, 2015	Dec. 31, 2014	References to components of supervisory capital
	Consolidated supervisory balance sheet		
	NIS millions		
Liabilities and Capital			
Deposits from the public	**304,382**	297,230	
Deposits from banks	**4,718**	4,322	
Deposits from the government	**463**	455	
Securities lent or sold under agreements to repurchase	**324**	42	
Bonds and subordinated notes*	**34,829**	33,671	
* Of which: subordinated notes not recognized as supervisory capital	**7,718**	7,719	
* Of which: subordinated notes recognized as supervisory capital**	**12,387**	14,158	
** Of which: eligible as supervisory capital components	**-**	-	11A
** Of which: ineligible as supervisory capital components and subject to transitional directives	**12,387**	14,158	11B
Liabilities in respect of derivative instruments*	**15,478**	16,777	
* Of which: in respect of own credit risk	**55**	-	10
Other liabilities	**23,930**	23,686	
* Of which: collective allowance for credit losses included in Tier 2 capital	**611**	586	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	**384,124**	376,183	

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Set out below is the composition of the supervisory balance sheet, with references to the components of supervisory capital (continued):

	June 30, 2015	Dec. 31, 2014	References to components of supervisory capital
	Consolidated supervisory balance sheet		
	NIS millions		
Shareholders' equity*	**32,260**	31,361	
* Of which: ordinary share capital and premium, retained earnings, other comprehensive income, and capital reserves**	**32,260**	31,361	
** Of which: ordinary share capital	**1,327**	1,323	1
** Of which: premium on ordinary shares	**6,727**	6,681	2
** Of which: retained earnings	**23,673**	22,243	3
** Of which: cumulative other comprehensive income***	**388**	945	4A
*** Of which: adjustments for presentation of securities available for sale at fair value	**730**	961	
*** Of which: net losses in respect of cash-flow hedges	**4**	(6)	9
*** Of which: net adjustments from translation, after hedge effects	**9**	(10)	
** Of which: capital reserves from a benefit due to share-based payment transactions	**145**	169	4B
* Of which: senior share capital	**-**	-	
** Of which: eligible as supervisory capital components	**-**	-	
** Of which: ineligible as supervisory capital components and subject to transitional directives	**-**	-	
* Of which: other capital instruments	**-**	-	
** Of which: eligible as supervisory capital components	**-**	-	
** Of which: ineligible as supervisory capital components and subject to transitional directives	**-**	-	
Non-controlling interests*	**230**	250	
* Of which: non-controlling interests attributable to common equity Tier 1 capital	**184**	224	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	**46**	26	
Total capital	**32,490**	31,611	
Total liabilities and capital	**416,614**	407,794	

Capital Adequacy

Set out below are data regarding risk-adjusted assets and capital requirements in respect of credit risk, market risk, and operational risk:

	June 30, 2015		December 31, 2014	
	Risk-adjusted assets	Capital requirements(1)	Risk-adjusted assets	Capital requirements(2)
	NIS millions			
Credit risk				
Sovereign debt	**2,368**	**296**	2,593	324
Debts of public-sector entities	**3,820**	**478**	3,105	388
Debts of banking corporations	**7,520**	**942**	7,341	918
Debts of corporations	**134,622**	**16,855**	137,059	17,132
Debts secured by commercial real estate	**59,029**	**7,390**	56,300	7,038
Retail exposures to individuals	**42,606**	**5,334**	40,665	5,083
Loans to small businesses	**6,449**	**807**	6,387	798
Housing loans	**33,881**	**4,242**	33,092	4,137
Securitization	**94**	**12**	97	12
Other assets	**19,281**	**2,414**	19,715	2,464
CVA risk	**5,088**	**637**	4,975	622
Total in respect of credit risk	**314,759**	**39,407**	311,329	38,916
Market risks	**6,517**	**816**	5,269	659
Operational risk	**22,496**	**2,816**	22,275	2,784
Total risk-adjusted assets in respect of the various risks	**343,771**	**43,039**	338,873	42,359
Common equity Tier 1 capital	**32,370**		31,482	
Tier 1 capital	**34,079**		33,436	
Total capital	**48,691**		49,477	
	%			
Ratio of common equity Tier 1 capital to risk-adjusted assets	**9.42%**		9.29%	
Ratio of Tier 1 capital to risk-adjusted assets	**9.91%**		9.87%	
Ratio of total capital to risk-adjusted assets	**14.16%**		14.60%	
Minimum common equity Tier 1 capital ratio required by the Supervisor of Banks	**(3)9.02%**		(3)9.00%	
Minimum total capital ratio required by the Supervisor of Banks	**(3)12.52%**		(3)12.50%	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.52% required by the Supervisor of Banks.

(2) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.5% required by the Supervisor of Banks.

(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 is added to these ratios at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 10.2% and 13.7%, respectively. With regard to the balance of housing loans, see Note 3A(2) to the Condensed Financial Statements.

Credit Risk Exposures

Set out below is the segmentation of credit risk exposures by counterparty and by main types of credit exposures, before allowance for credit losses[(1)]:

	June 30, 2015											
	Sovereign	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)]	**51,079**	**4,807**	**11,418**	**102,638**	**36,793**	**56,936**	**8,837**	**63,504**	**-**	**-**	**336,012**	**332,566**
Bonds[(4)]	**33,958**	**1,236**	**5,148**	**5,152**	**623**	**-**	**-**	**-**	**-**	**-**	**46,117**	**47,510**
Derivatives[(5)]	**32**	**1,645**	**2,472**	**6,099**	**418**	**28**	**9**	**9**	**-**	**-**	**10,712**	**11,651**
Other off-balance sheet exposures	**1,296**	**1,706**	**2,468**	**76,531**	**48,341**	**50,427**	**3,460**	**2,365**	**188**	**-**	**186,782**	**186,070**
Other assets[(6)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,317**	**16,317**	**16,950**
Total	**86,365**	**9,394**	**21,506**	**190,420**	**86,175**	**107,391**	**12,306**	**65,878**	**188**	**16,317**	**595,940**	**594,747**

	December 31, 2014											
	Sovereign	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)]	45,789	4,460	8,132	102,045	35,487	54,541	8,448	61,240	-	-	320,142	302,307
Bonds[(4)]	39,637	1,316	5,396	5,196	642	-	-	-	-	-	52,187	55,960
Derivatives[(5)]	32	1,019	3,212	7,188	352	39	233	11	-	-	12,086	9,634
Other off-balance sheet exposures	1,999	3,468	2,457	78,958	46,901	48,507	3,289	2,327	194	-	188,100	179,031
Other assets[(6)]	-	-	-	-	-	-	-	-	-	17,062	17,062	15,682
Total	87,457	10,263	19,197	193,387	83,382	103,087	11,970	63,578	194	17,062	589,577	562,614

(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.
(5) Positive fair value of derivatives, including the add-on reflecting the amount of the future potential exposure to credit in respect of the balance of the face value of derivative instruments, after offsetting of transactions in derivatives (netting).
(6) Including cash, advance payments to tax authorities, shares, and other assets with no counterparty, such as buildings and equipment.

The main gross credit exposures derive from loans extended by the Bank to its customers and from off-balance sheet exposures, which mainly include credit facilities, guarantees, and commitments to extend credit.

Gross credit exposures as at June 30, 2015 totaled approximately NIS 595.9 billion, compared with NIS 589.6 billion as at December 31, 2014, an increase of approximately NIS 6.3 billion. The increase mainly resulted from an increase in deposits with central banks and credit to governments, in the amount of approximately NIS 5.3 billion; an increase in retail exposure to individuals (including small businesses), in the amount of approximately NIS 4.6 billion; an increase in exposure to debts secured by commercial real estate, in the amount of approximately NIS 2.8 billion; an increase in exposure to banking corporations, in the amount of approximately NIS 2.3 billion; and an increase in credit exposures in respect of housing loans, in the amount of approximately NIS 2.3 billion. This increase was mainly offset by a decrease in exposure to government bonds, in the amount of approximately NIS 5.7 billion; a decrease in exposure to corporations, in the amount of approximately NIS 3.0 billion; and a decrease in exposure to debts of public-sector entities, in the amount of approximately NIS 0.9 billion.

Approximately 32% of the gross credit exposure of the Bank derives from exposure to corporations handled by the Corporate Banking Area, or other clients each of whose total balance of credit, calculated in accordance with the directive, exceeds NIS 5 million. Risk-adjusted assets in respect of such customers are weighted according to ratings by international rating agencies, or at 100% in the absence of such ratings.

Approximately 20% of the gross credit exposure of the Bank derives from retail exposure to customers each of whose total balance of credit, calculated in accordance with the directive, does not exceed NIS 5 million (including small businesses). Subject to compliance with certain conditions, the directive permits weighting of risk-adjusted assets in respect of such exposures at 75%.

Sovereign credit exposures, constituting approximately 14% of the gross credit exposure of the Bank, primarily include deposits with central banks in Israel and in the United States, and investments in bonds issued by the Israeli government and the United States government.

Credit exposure in respect of housing loans, constituting approximately 11% of the gross credit exposure of the Bank, includes credit granted for the purchase of homes. Subject to compliance with certain conditions, the directive permits weighting of risk-adjusted assets in respect of such exposures, where the ratio of the loan to the value of the asset at the date of granting of the loan (LTV) does not exceed 60%, at 35%-50%. Housing loans with a financing rate of more than 60% are weighted at 75%, the risk weight applied to the supervisory retail portfolio, subject to compliance with the terms for eligibility for this portfolio.

Approximately 14% of the gross credit exposure of the Bank derives from exposure to debts secured by commercial real estate, including credit granted for the purchase of income-bearing commercial real estate.

Set out below is the segmentation of gross credit exposure, before deducting the allowance for credit losses[1], by contractual term to maturity (the last period), according to the principal types of financial instruments:

	June 30, 2015					
	Up to 1 year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure[2]
	NIS millions					
Loans[3]	**153,089**	**83,803**	**99,120**	**-**	**-**	**336,012**
Bonds[4]	**9,119**	**21,050**	**15,948**	**-**	**-**	**46,117**
Derivatives[5]	**7,943**	**6,914**	**8,361**	**-**	**(12,506)**	**10,712**
Other off-balance sheet exposures	**32,290**	**150,247**	**4,245**	**-**	**-**	**186,782**
Other assets[6]	**2,214**	**-**	**-**	**14,103**	**-**	**16,317**
Total	**204,655**	**262,014**	**127,674**	**14,103**	**(12,506)**	**595,940**

	December 31, 2014					
	Up to 1 year	1 year to 5 years	Over 5 years	Other	Effect of netting agreements	Gross credit exposure[2]
	NIS millions					
Loans[3]	144,504	78,164	97,474	-	-	320,142
Bonds[4]	8,460	23,116	20,611	-	-	52,187
Derivatives[5]	9,639	6,919	8,791	-	(13,263)	12,086
Other off-balance sheet exposures	32,773	151,153	4,174	-	-	188,100
Other assets[6]	2,364	-	-	14,698	-	17,062
Total	197,740	259,352	131,050	14,698	(13,263)	589,577

(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.
(5) Positive fair value of derivatives, including the add-on reflecting the amount of the future potential exposure to credit in respect of the balance of the face value of derivative instruments, after offsetting of transactions in derivatives (netting).
(6) Including cash, advance payments to tax authorities, shares, and other assets with no counterparty, such as buildings and equipment.

For the distribution of the balance of problematic debts and the balance of the allowance for credit losses by economic sector, see Appendix 3 to the Management Review regarding credit risk by economic sector.

For the distribution of credit exposures by geographical region, see Appendix 4 to the Management Review regarding exposure to foreign countries.

For further information regarding problematic loans and the allowance for credit losses, see Note 3 to the Condensed Financial Statements.

Credit Risk Mitigation

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.

Before credit risk mitigation

	June 30, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure(1)
	NIS millions								
Sovereign	**77,290**	**6,656**	**-**	**450**	**-**	**1,968**	**-**	**-**	**86,364**
Public sector	**-**	**2,161**	**-**	**7,227**	**-**	**6**	**-**	**-**	**9,394**
Banking corporations	**-**	**16,616**	**-**	**4,302**	**-**	**588**	**-**	**-**	**21,506**
Corporations	**-**	**2,023**	**-**	**4,756**	**-**	**180,234**	**2,707**	**-**	**189,720**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**85,238**	**765**	**-**	**86,003**
Retail to individuals	**-**	**-**	**-**	**-**	**106,534**	**155**	**573**	**-**	**107,262**
Small businesses	**-**	**-**	**-**	**-**	**12,155**	**30**	**73**	**-**	**12,258**
Housing loans	**-**	**-**	**31,411**	**10,054**	**18,460**	**5,749**	**204**	**-**	**65,878**
Securitization	**-**	**-**	**-**	**-**	**-**	**188**	**-**	**-**	**188**
Others	**2,246**	**-**	**-**	**-**	**-**	**9,918**	**759**	**3,394**	**16,317**
Total	**79,536**	**27,456**	**31,411**	**26,789**	**137,149**	**284,074**	**5,081**	**3,394**	**594,890**

	December 31, 2014								
	0%	20%	35%	50%	75%	100%	150%	250%	Gross credit exposure(1)
	NIS millions								
Sovereign	77,540	7,232	-	325	-	2,360	-	-	87,457
Public sector	-	3,789	-	6,468	-	6	-	-	10,263
Banking corporations	-	13,366	-	5,071	-	760	-	-	19,197
Corporations	-	1,803	-	3,348	-	184,375	3,165	-	192,691
Secured by commercial real estate	-	-	-	-	-	82,714	514	-	83,228
Retail to individuals	-	-	-	-	102,223	173	564	-	102,960
Small businesses	-	-	-	-	11,599	255	75	-	11,929
Housing loans	-	-	32,569	7,441	14,762	8,563	242	-	63,577
Securitization	-	-	-	-	-	194	-	-	194
Others	2,416	-	-	-	-	10,720	640	3,286	17,062
Total	79,956	26,190	32,569	22,653	128,584	290,120	5,200	3,286	588,558

(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).

After credit risk mitigation

	June 30, 2015								
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)
	NIS millions								
Sovereign	**77,290**	**6,656**	**-**	**357**	**-**	**1,180**	**-**	**-**	**85,483**
Public sector	**1,423**	**2,161**	**-**	**7,227**	**-**	**6**	**-**	**-**	**10,817**
Banking corporations	**-**	**18,604**	**-**	**17,974**	**-**	**484**	**-**	**-**	**37,062**
Corporations	**-**	**2,023**	**-**	**4,657**	**-**	**173,412**	**2,618**	**-**	**182,710**
Secured by commercial real estate	**-**	**-**	**-**	**-**	**-**	**84,567**	**838**	**-**	**85,405**
Retail to individuals	**-**	**-**	**-**	**-**	**89,416**	**154**	**571**	**-**	**90,141**
Small businesses	**-**	**-**	**-**	**-**	**10,777**	**29**	**71**	**-**	**10,877**
Housing loans	**-**	**-**	**31,411**	**10,054**	**18,460**	**5,749**	**204**	**-**	**65,878**
Securitization	**-**	**-**	**-**	**-**	**-**	**188**	**-**	**-**	**188**
Others	**2,246**	**-**	**-**	**-**	**-**	**9,918**	**759**	**3,394**	**16,317**
Total	**80,959**	**29,444**	**31,411**	**40,269**	**118,653**	**275,687**	**5,061**	**3,394**	**584,878**

	December 31, 2014								
	0%	20%	35%	50%	75%	100%	150%	250%	Net credit exposure(1)
	NIS millions								
Sovereign	78,289	7,232	-	227	-	1,642	-	-	87,390
Public sector	1,258	3,789	-	5,718	-	6	-	-	10,771
Banking corporations	-	15,272	-	17,964	-	660	-	-	33,896
Corporations	-	1,803	-	3,348	-	177,412	3,084	-	185,647
Secured by commercial real estate	-	-	-	-	-	81,967	511	-	82,478
Retail to individuals	-	-	-	-	85,907	172	563	-	86,642
Small businesses	-	-	-	-	10,271	255	74	-	10,600
Housing loans	-	-	32,461	7,549	14,762	8,563	242	-	63,577
Securitization	-	-	-	-	-	194	-	-	194
Others	2,416	-	-	-	-	10,720	640	3,286	17,062
Total	81,963	28,096	32,461	34,806	110,940	281,591	5,114	3,286	578,257

(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).

Use of Eligible Collateral for Credit Risk Mitigation

The following table lists the types of collateral used, and presents the exposures covered by guarantees, exposures covered by credit derivatives, and exposures covered by eligible financial collateral, by counterparty:

	June 30, 2015						
	Gross credit exposure(1)	Exposure covered by guarantees	Exposure covered by derivatives	Total amounts subtracted	Total amounts added(2)	Exposure covered by financial collateral(3)	Net credit exposure(4)
	NIS millions						
Sovereign	**86,364**	**(881)**	**-**	**(881)**	**-**	**-**	**85,483**
Public sector	**9,394**	**-**	**-**	**-**	**1,423**	**-**	**10,817**
Banking corporations	**21,506**	**(542)**	**-**	**(542)**	**16,448**	**(350)**	**37,062**
Corporations	**189,720**	**(1,128)**	**-**	**(1,128)**	**19**	**(5,901)**	**182,710**
Secured by commercial real estate	**86,003**	**(41)**	**-**	**(41)**	**-**	**(557)**	**85,405**
Retail to individuals	**107,262**	**(15,037)**	**-**	**(15,037)**	**-**	**(2,084)**	**90,141**
Small businesses	**12,258**	**(242)**	**-**	**(242)**	**-**	**(1,139)**	**10,877**
Housing loans	**65,878**	**-**	**-**	**-**	**-**	**-**	**65,878**
Securitization	**188**	**-**	**-**	**-**	**-**	**-**	**188**
Others	**16,317**	**-**	**-**	**-**	**-**	**-**	**16,317**
Total	**594,890**	**(17,871)**	**-**	**(17,871)**	**17,890**	**(10,031)**	**584,878**

	December 31, 2014						
	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						
Sovereign	87,457	(817)	-	(817)	750	-	87,390
Public sector	10,263	(750)	-	(750)	1,258	-	10,771
Banking corporations	19,197	(442)	-	(442)	15,672	(531)	33,896
Corporations	192,691	(1,133)	-	(1,133)	86	(5,997)	185,647
Secured by commercial real estate	83,228	(40)	-	(40)	-	(710)	82,478
Retail to individuals	102,960	(14,280)	-	(14,280)	-	(2,038)	86,642
Small businesses	11,929	(218)	-	(218)	-	(1,111)	10,600
Housing loans	63,577	-	-	-	-	-	63,577
Securitization	194	-	-	-	-	-	194
Others	17,062	-	-	-	-	-	17,062
Total	588,558	(17,680)	-	(17,680)	17,766	(10,387)	578,257

(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).

The use of eligible collateral led to a decrease in credit exposures assigned risk weightings of 75% and 100%. Credit exposures in the amount of approximately NIS 17.9 billion were assigned reduced risk weightings, mainly due to the use of guarantees of banking corporations. In addition, the use of eligible financial collateral, mainly including pledged deposits and government bonds, led to a reduction of the overall credit exposure by a total of approximately NIS 10 billion.

Credit Risk in Respect of Derivative Financial Instruments

As of December 31, 2012, the Bank offsets transactions in derivatives, for capital-adequacy purposes, under bilateral netting arrangements that fulfill the conditions of the directive. The offsets are performed in accordance with the procedures and policies established at the Bank.

	June 30, 2015					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Share derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	**7,950**	**4,813**	**1,400**	**14**	**47**	**14,224**
Add-on values	**3,005**	**5,084**	**799**	**2**	**104**	**8,994**
Effect of netting agreements	**-**	**-**	**-**	**-**	**-**	**(12,506)**
Eligible collateral	**-**	**-**	**-**	**-**	**-**	**(1,480)**
Net credit exposure	**10,955**	**9,897**	**2,199**	**16**	**151**	**9,232**

	December 31, 2014					
	Interest-rate derivatives	Foreign-currency and gold derivatives	Share derivatives	Precious metals	Commodity derivatives	Total
	NIS millions					
Positive gross fair value	8,766	6,235	1,314	15	152	16,482
Add-on values	3,037	4,876	898	7	49	8,867
Effect of netting agreements	-	-	-	-	-	(13,263)
Eligible collateral	-	-	-	-	-	(1,352)
Net credit exposure	11,803	11,111	2,212	22	201	10,734

The following table details the face value of the Bank's credit-derivative portfolio, used for risk management in the Bank's credit portfolio (the Bank is not a party to CDS transactions originating in mediation activities):

	June 30, 2015		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	**50**	**132**	**182**

	December 31, 2014		
	Face value in NIS millions		
	Banking book		Total face value of credit derivatives
	Protection acquired	Protection sold	
Credit derivatives	50	136	186

Securitization Exposures

Securitization exposures of the Bank arise from liquidity lines provided by the Bank to various securitization entities. The Bank uses the lower of the ratings assigned by two international credit rating agencies, Standard and Poor's Rating Group and Moody's Investor Service, to assign the relevant risk weights to these exposures.

The following table details securitization exposures acquired by the Bank and the relevant capital requirements:

		June 30, 2015		December 31, 2014	
	Risk weight	Amount of exposure(1)	Capital requirements(2)	Amount of exposure(1)	Capital requirements(3)
		NIS millions			
AAA to AA-	20%	**-**	**-**	-	-
A+ to A-	50%	**-**	**-**	-	-
BBB+ to BBB-	100%	**94**	**12**	97	12
BB+ to BB-	350%	**-**	**-**	-	-
B+ or lower or unrated	1,250%	**-**	**-**	-	-
Total		**94**	**12**	97	12

(1) After conversion to credit in respect of off-balance sheet components.
(2) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.52% required by the Supervisor of Banks. The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.
(3) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.5% required by the Supervisor of Banks.

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Capital Requirements in Respect of Market Risks

	June 30, 2015[(1)]			December 31, 2014[(2)]		
	Specific risk	General risk	Total	Specific risk	General risk	Total
	NIS millions					
Interest-rate risk	**99**	**407**	**506**	75	414	489
Share risk	**6**	**6**	**12**	6	6	12
Foreign currency exchange-rate risk	**-**	**160**	**160**	-	86	86
Option risk	**-**	**138**	**138**	-	72	72
Total	**105**	**711**	**816**	81	578	659

(1) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.52% required by the Supervisor of Banks. The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.

(2) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.5% required by the Supervisor of Banks.

Positions in Shares in the Banking Book

The following are details of the Bank's investments in shares in the banking book:

	June 30, 2015		December 31, 2014	
	Balance sheet value and fair value	Capital requirements[(1)]	Balance sheet value and fair value	Capital requirements[(2)]
	NIS millions			
Investments classified into the trading portfolio	**47**	**[(3)]12**	50	[(3)]12
Investments classified into the available-for-sale portfolio	**2,647**	**357**	2,563	345
Total investments in shares	**2,694**	**369**	2,613	357
Of which: traded on the stock exchange	**2,076**		2,001	
Privately held	**618**		612	
Unrealized gains included in supervisory capital	**353**		313	

(1) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.52% required by the Supervisor of Banks. The minimum required total capital ratio is 12.5% from January 1, 2015, to December 31, 2016, and 13.5% beginning January 1, 2017. Beginning January 1, 2015, a capital requirement is added to this ratio at a rate representing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually, over the course of eight quarters, up to January 1, 2017. Accordingly, the minimum total capital ratio required by the Supervisor of Banks as of January 1, 2017, on a consolidated basis, according to data at the reporting date, will be 13.7%.

(2) The capital requirements were calculated in accordance with the minimum total capital ratio of 12.5% required by the Supervisor of Banks.

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

(2) Liquidity Coverage Ratio

On September 28, 2014, the Supervisor of Banks issued a circular adding Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," which adopts the recommendations of the Basel Committee with regard to the liquidity coverage ratio (LCR) in the banking system in Israel. The LCR refers to a horizon of thirty days, in a stress scenario, and is aimed at ensuring that banking corporations maintain a supply of high-quality liquid assets that covers the corporation's liquidity needs during that timeframe, in accordance with the scenario described in the directive. The directive establishes the method of calculation of the LCR, including a definition of characteristics and operational requirements for the "supply of high-quality liquid assets" (the numerator) and the applicable safety margins, and defines the net expected outgoing cash flow in the stress scenario defined in the directive for the coming thirty calendar days (the denominator). This flow includes, among other matters, some withdrawal of various types of deposits, in accordance with the coefficients in the scenario, some utilization of credit facilities provided by the Bank, and more, with the deduction of repayment during the month of credit granted by the Bank, at certain coefficients, etc. Classifications of bonds, types of deposits, types of credit facilities, etc., and the applicable coefficients were established in the directive. Accordingly, a change in the volume or composition of liquid assets, a change in the volume of any of the types of deposits defined in the directive, changes in the volume of credit facilities and guarantees subject to a liquidity requirement, etc., may lead to a change in the ratio.

Pursuant to the transitional directives, a minimum requirement of 60% has been established, beginning April 1, 2015, increasing to 80% on January 1, 2016 and to 100% from January 1, 2017, forward. However, during times of financial stress, banking corporations will be permitted to fall below these minimum requirements. Separate requirements apply in total currencies and in foreign currency, at the level of the standalone banking corporation and consolidated, and the ratio is calculated accordingly. A banking corporation that does not comply with the ratio is required to report immediately to the Supervisor of Banks; after three days of deviation, the corporation must submit a plan for compliance with the minimum requirement.

In general, the LCR according to Proper Conduct of Banking Business Directive 221 is stricter than the internal models applied at the Bank. During the quarter, the average consolidated ratio was 88%, and the average standalone ratio for the banking corporation was 81%, versus the minimum requirement of 60%. There was no clear trend in the development of the ratio over the quarter, but there was some volatility from day to day, and some interchange between NIS and foreign currency, mainly due to activity in derivatives.

The liquid assets of the Bank mainly consist of Israeli government bonds in NIS and in foreign currency, and deposits with central banks (the Bank of Israel and the Federal Reserve). The main source of financing of the Bank is deposits from retail customers and small businesses, which generate low liquidity risk relative to other resources. In addition, the Bank obtains financing through issues, deposits from business and financial companies, and more. Deposits from business and financial entities with a maturity date of up to one month are subject to high exit coefficients, pursuant to the directive, and therefore have a relatively large contribution to the outgoing flow. The Bank monitors the concentration of financing sources, in various breakdowns, in both NIS and foreign currency, and complies with the internal limits in this area.

Derivatives create a large incoming flow and a large outgoing flow, but their net contribution in all currencies is low. The Bank does not consider collateral which it is required to deposit against derivatives activity as liquid assets; volatility in the volume of this deposit is taken into consideration, as required in the directive.

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

The Bank calculates its standalone liquidity ratio every day, divided into NIS and foreign currency. The Bank tracks this ratio at the subsidiaries and calculates the consolidated ratio on a monthly basis, in accordance with the transitional directives. The calculation of the consolidated ratio takes into consideration limits that may apply to the transfer of liquidity from some of the subsidiaries during a crisis, particularly banking subsidiaries overseas. The standalone banking corporation ratio is reported as an average of daily observations, while the consolidated ratio is reported as the average of three monthly observations. The Board of Directors of the Bank has adopted an internal limit stricter than the regulatory LCR requirement, both for the standalone banking corporation and consolidated.

(2) Liquidity coverage ratio (continued)

	For the three months ended June 30, 2015
	Unaudited
	%
A. Consolidated data	
Liquidity coverage ratio	**88%**
Minimum liquidity coverage ratio required by the Supervisor of Banks*	**60%**
B. Data of the Bank	
Liquidity coverage ratio	**81%**
Minimum liquidity coverage ratio required by the Supervisor of Banks*	**60%**
C. Significant subsidiaries**	
Bank Hapoalim Switzerland	
Liquidity coverage ratio according to local regulation	**139%**
Minimum required liquidity coverage ratio according to local regulation	**60%**

* The minimum liquidity coverage ratio required by the Supervisor of Banks will rise gradually, from 60% on April 1, 2015, to 80% on January 1, 2016, and to 100% from January 1, 2017, forward.

** At this stage, credit-card companies are not required to comply with the circular, and shall continue to fulfill the requirements of Proper Conduct of Banking Business Directive 342. At a later date, credit-card companies will be required to comply with a supervisory quantitative model adapted to the characteristics of their operations. In addition, Bank Pozitif is not subject to the liquidity coverage ratio directive in Turkey.

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

Limited Banking Corporation and Consolidated Subsidiaries, for the Three-Month Period Ended June 30, 2015

	Total unweighted value*	Total weighted value**
Total high-quality liquid assets		
Total high-quality liquid assets (HQLA)		**77,939**
Outgoing cash flows		
Retail deposits from individuals and small businesses; of which:	**169,953**	**12,539**
Stable deposits	**54,308**	**2,715**
Less stable deposits	**74,898**	**8,609**
Deposits for periods exceeding 30 days (Section 84 of Proper Conduct of Banking Business Directive 221)	**40,747**	**1,215**
Unsecured wholesale financing; of which:	**111,155**	**69,211**
Deposits for operational purposes (all counterparties) and deposits in networks of cooperative banking corporations	**1,389**	**347**
Deposits other than for operational purposes (all counterparties)	**108,859**	**67,956**
Unsecured debts	**907**	**908**
Secured wholesale financing		**92**
Additional liquidity requirements; of which:	**137,986**	**44,794**
Outgoing flows in respect of exposure to derivatives and other safety requirements	**38,172**	**34,570**
Outgoing flows in respect of loss of financing of debt products	**-**	**-**
Credit lines and liquidity	**99,814**	**10,224**
Other contractual financing obligations	**8,493**	**8,493**
Other contingent financing obligations	**59,849**	**3,628**
Total outgoing cash flows		**138,757**
Incoming cash flows		
Secured loans (e.g. reselling transactions)	**174**	**174**
Incoming flows from exposures settled in order	**24,138**	**16,285**
Other incoming cash flows	**41,284**	**33,958**
Total incoming cash flows	**65,596**	**50,417**

	Total adjusted value***
Total high-quality liquid assets (HQLA)	**77,939**
Total net outgoing cash flows	**88,340**
Liquidity coverage ratio (%)	**88%**

* Unweighted values shall be calculated as unextinguished balances for settlement, or which can be settled by the holder within 30 days (with regard to incoming and outgoing flows).

** Weighted values shall be calculated after the application of appropriate safety coefficients or incoming and outgoing flow rates (with regard to incoming and outgoing flows).

*** Adjusted values shall be calculated after the application of (1) safety coefficients and incoming and outgoing flow rates, and (2) all relevant limits (i.e. a limit on high-quality liquid assets at level 2B and at level 2, and a limit on incoming flows).

(3) Leverage Ratio

On April 28, 2015, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which will serve as a reliable measurement complementary to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the transitional arrangements that have been established. The total exposure measurement is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items. In general, the measurement is consistent with accounting values, and risk weights are not taken into account. In addition, physical or financial collateral, guarantees, or other credit risk mitigation techniques cannot be used to reduce the exposure measurement, unless otherwise noted in the Directive. Balance sheet assets deducted from Tier 1 capital (in accordance with Proper Conduct of Banking Business Directive 202) are deducted from the exposure measurement. Pursuant to the Directive, exposure in respect of derivatives is calculated in accordance with Appendix C to Proper Conduct of Banking Business Directive 203; exposures in respect of off-balance sheet items are calculated by converting the notional amount of the items using credit conversion coefficients, as established in Proper Conduct of Banking Business Directive 203.

Pursuant to the Directive, banking corporations shall comply with a leverage ratio of no less than 5% on a consolidated basis. Banking corporations whose total balance sheet assets on a consolidated basis constitute 20% or more of the total balance sheet assets in the banking system shall comply with a leverage ratio of no less than 6%. Based on the foregoing, the minimum required leverage ratio for the Bank will be 6%.

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

Basel Pillar 3 Additional Disclosure as at June 30, 2015 (continued)

(3) Leverage Ratio (continue)

	June 30, 2015
	Unaudited
	NIS millions
A. Consolidated data	
Tier I capital	**34,079**
Total exposures	**475,900**
	%
Leverage ratio	**7.16%**
Minimum leverage ratio required by the Supervisor of Banks	**6.00%**
B. Significant subsidiaries	
Isracard	
Leverage ratio	**11.99%**
Minimum leverage ratio required by the Supervisor of Banks	**5.00%**
Bank Hapoalim Switzerland*	
Leverage ratio	**11.10%**
Bank Pozitif	
Leverage ratio	**14.14%**
Minimum required leverage ratio according to local regulation	**3.00%**

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

Comparison of balance sheet assets to exposure measurement, for the purposes of the leverage ratio

	June 30, 2015
	NIS millions
Total consolidated assets as per published financial statements	**416,614**
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 measure	**-**
Adjustments for derivative financial instruments	**(5,379)**
Adjustments for securities financing transactions	**-**
Adjustments for off-balance sheet items	**61,551**
Other adjustments	**3,114**
Leverage ratio exposure	**475,900**

Leverage Ratio Disclosure

	June 30, 2015
	NIS millions/ percent
On-balance sheet exposures	
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	**405,513**
Asset amounts deducted in determining Tier 1 capital	**(243)**
Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	**405,270**
Derivative exposures	
Replacement cost associated with all derivatives transactions	**4,396**
Add-on amounts for potential future exposure associated with all derivatives transactions	**5,846**
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Public Reporting Directives	**-**
Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(1,942)**
Exempted central counterparty leg of client-cleared trade exposures	**-**
Adjusted effective notional amount of written credit derivatives	**132**
Adjusted effective notional offsets and add-on deductions for written credit derivatives	**-**
Total derivative exposures	**8,432**
Securities financing transaction exposures	
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sale accounting transactions	**647**
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	**647**
Other off-balance sheet exposures	
Off-balance sheet exposure at gross notional amount	**187,053**
Adjustments for conversion to credit equivalent amounts	**(125,502)**
Off-balance sheet items	**61,551**
Capital and total exposures	
Tier 1 capital	**34,079**
Total exposures	**475,900**
Leverage ratio	
Leverage ratio pursuant to Proper Conduct of Banking Business Directive 218	**7.16%**