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CONDENSED FINANCIAL STATEMENTS

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ISRAEL DISCOUNT BANK

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CHAPTER "A" – GENERAL OVERVIEW, GOALS AND STRATEGY

At the meeting of the Board of Directors held on May 15, 2019, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for March 31, 2019 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information regarding financial position and operating results

Condensed financial information and principal performance indices over a period of time -consolidated

	First Quarter 2019	First Quarter 2018	Year 2018
	In %		
Principal performance indices:			
Return on equity	9.6	8.4	9.3
Return on assets	0.68	0.57	0.66
Ratio of credit to the public, net to deposits from the public	89.2	84.8	87.2
Ratio of common equity tier 1 to risk assets	10.17	9.85	10.24
Ratio of total capital to risk assets	13.13	13.41	13.67
Leverage ratio(1)	7.0	6.6	6.9
Liquidity coverage ratio(1)	133.4	135.1	124.8
Efficiency ratio	66.2	70.2	68.2
Principal credit quality indices:			
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.34	1.36	1.36
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.20	1.52	1.24
Ratio of net accounting write-offs in respect of credit to the public to the average balance of credit to the public	0.22	0.29	0.26
Ratio of credit loss expenses to the average balance of credit to the public	0.33	0.29	0.34
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**405**	**319**	**1,505**
Interest income, net	1,421	1,274	5,526
Credit loss expenses	141	112	540
Non-financing income	890	(2)802	3,494
Of which: commissions	710	(2)692	2,851
Operating and other expenses	1,530	(2)1,457	6,148
Of which: salaries and related expenses	847	818	3,385
Comprehensive income, attributed to the Bank's shareholders	**516**	**288**	**1,661**
Total earnings per share attributed to Bank's shareholders (in NIS)	0.35	0.27	1.29

For footnotes see next page.

Condensed financial information and principal performance indices over a period of time -consolidated

	First Quarter 2019	2018	Year 2018
	In NIS millions		
Principal balance sheet data for the end of the reporting period:			
Total assets	**239,440**	**228,782**	**239,176**
Of which:			
Cash and deposits with banks	18,894	30,382	21,858
Securities	35,618	32,834	37,898
Credit to the public, net	170,296	153,567	164,804
Total liabilities	**221,295**	**212,404**	**221,507**
Of which:			
Deposits from the public	190,839	181,111	188,916
Deposits from banks	4,970	5,924	6,886
Bonds and Subordinated debt notes	8,271	7,407	8,476
Equity capital attributed to the Bank's shareholders	17,618	15,896	17,151
Total equity	**18,145**	**16,378**	**17,669**
Additional data:			
Share price	1,277	1,006	1,156
Dividend per share	4.18	-	10.13
Ratio of commissions to total assets	1.2	1.2	1.2

Footnotes:

(1) The ratio is computed in respect of the three months ended at the end of the reporting period.

(2) Reclassified, see Note 1 D to the financial statements.

For details regarding the decision of the Bank's Board of Directors dated May 15, 2019, to distribute a dividend in the amount of 5.22 Agorot per share, see Note 18 to the condensed financial statements.

Market share

Based on data relating to the banking industry as of December 31, 2018, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows

	December 31, 2018	December 31, 2017
	In %	
Total assets	15.4	14.7
Credit to the public, net	16.4	15.8
Deposits from the public	15.5	14.8
Interest income, net	18.0	17.7
Total non-interest income	20.8	21.0

Development of the Discount share

	Closing price at end of the trading day			Rate of change in Q1 of 2019 in %
	May 13, 2019	March 31, 2019	December 31, 2018	
Discount share	1,321	1,277	1,156	10.4
The TA 5 Banks index	2,283.48	2,200.20	2,053.45	7.1
The TA 35 index	1,538.08	1,542.80	1,463.87	5.4
Discount market value (in NIS billions)	15.38	14.86	13.46	10.4

Goals and business strategy

The updated strategic plan

The Bank is engaged in realizing the vision of the Bank in accordance with its multiannual strategic plan that was approved in 2014, and updated in 2016 and in 2018, in accordance with market developments (as extensively discussed in the 2016 financial report pp. 18-20).
The updated strategic plan is based on a leading goal – leading in the Bank's customer satisfaction by means of customer adapted banking, and comprises three principal layers:

- continuing growth and efficiency;
- a transformation in traditional banking;
- development of innovative banking models.

Continuing growth and efficiency

This layer represents a continuation of the original strategic plan from 2014, within the framework of which continues the strict management of expenses alongside the continuing growth in activity.
Within the framework of growth, the following focus points have, inter alia, been defined:

- a moderate growth in consumer credit, at the Bank and at the subsidiaries, MDB and ICC;
- considerable growth in housing credit, small businesses, to middle market banking and to corporate banking;
- nurturing the connection with the Bank's customers by means of upgrading suitable and useful value offers across the spectrum of distribution channels, while implementing technological improvements and enhancing the customer experience;

Transformation in traditional banking

In order to prepare for significant changes expected in the banking field, stemming from regulation, technology, customer expectations and the competition image, the Bank, as part of refreshing its strategic plan, defined in 2018 a new retail operation model, which is to be gradually integrated in the coming years. The essence of the model refers to:

A. Upgrade of the digital experience and inducement of self-service transactions by customers;
B. Upgrade of service experience on the human channels – prearranged meetings, integration of quick bank officers and more;
C. Leveraging of the multi-channel management platform integrated in 2018, improving customer experience in all service channels;
D. Producing information-based business perceptions aimed at enabling customers to receive the value proposition that is best and most suited to them;
E. Introduction of innovative customer moves, creating competitive differentiation.

Furthermore, the Bank shall act to continue and advance the strategy in a variety of areas:

A. Integration of the new model of operation for small businesses;
B. Integration of the multi-channel management platform for corporate and middle market banking;
C. The continuing improvement of the computer and human resources infrastructure.

Development of Innovative Banking Models

The Bank is putting to the test a number of solutions and innovative banking models. This, with a view of expanding to new customer populations and to additional platforms and services, as part of the value offer by the Bank.

Goals of the Strategic Plan

Within the framework of the strategic plan, several financial goals were set, the principal of which are achieving a return on capital of approx. 10% by 2021 and achieving an efficiency ratio approx. 60% by 2021.

Forward-looking information. The main points of the strategic plan presented above include assessments that fall into the category of forward-looking information, such as the estimate of profitability, the efficiency and growth targets that have been set, return on capital, efficiency ratio, and so forth. These assessments are based on the latest information and estimates available to the Bank at date of publishing the reports. The strategic plan is based on assumptions regarding developments in the Israeli economy in the coming years, and also legislative and regulatory initiatives that are currently known, whose enactment is expected with a high degree of probability. Material changes in the state of the economy and the situation of the customer public, legislative and regulatory changes having a material effect, material changes in the competitive landscape and material changes in the security situation could have an impact on the degree to which the targets of the strategic plan are achieved. A further cause of uncertainty arises from the limited ability to accurately forecast the implications of the future processes and their impact on profitability.

For the definition of the term "forward looking information", see "Appendix No. 4 – Glossary".

CHAPTER ”B” – EXPLICATION AND ANALYSIS OF THE FINANCIAL RESULTS AND BUSINESS POSITION

Material trends, occurrences, developments and changes

Management's handling of current material issues

The Group's activity during the first quarter of 2019 formed a direct continuation of its activity in 2018, this in accordance with and within the framework of the implementation of the strategic plan of the Group. The Group's capital management is strict. The financial base of the Group continues to be stable. The ratio of equity capital Tier 1 amounts to 10.17% and the liquidity coverage ratio amounts to 133.4%. This is the capital infrastructure that allows the Group to continue growing.
The central challenges and issues in the first quarter were:

Uncompromising continuation of the strategic plan

With the refreshing of the strategy, the projects map was also updated so that at the end of the first quarter of 2019 the Group is managing 22 strategic projects. The Change Administration established in 2014 continues to take the lead in coordinating the change programs, assisting with their realization, monitoring and controlling progress and reporting to management and to the Board of Directors. The monitoring and control over progress of the strategic projects is performed by means of a unique implementation mechanism, which includes financial and other goals that are linked to each project. In addition, periodic monitoring is undertaken of the projects’ progress in several circles – project managers, the administration head, members of management in charge of the projects, and overall management.
The strategic teams at the Bank and at the subsidiary companies have acted and continue to act vigorously, towards meticulous implementation of the many projects stemming from the strategic plan, including the business focus on growth, mainly as regards credit the field, within the targeted populations, as defined in the strategic plan, in a change in the organizational culture, in improvement in the infrastructure, in improved customer experience and in the promotion of innovative aspects.
The implementation of efficiency measures is also continuing, including the "Lean" processes, basing the activity of the banking service center, reducing the floor space being used by the Bank, including the merger of branches and the continuing vacating and sale of buildings (used by branches and the head office), as well as additional measures leading to direct savings in Bank expenses.
From the Group point of view, the administrative focusing and improvement in the Group's management processes continues, inter alia, through strategic guidance with a cross-group view point, utilization of business and operational synergies, including from the aspect of strategic projects, preparations for computerization, preparations for regulation, etc.

New wage agreement

A new wage agreement at the Bank. On January 9, 2019, the Bank's Board of Directors approved the wage agreement for the years 2019-2021, which had been reached following intensive negotiations conducted during the last months of 2018 by the Bank's Management, heads of the employee representative committee and representatives of the Federation of Labor.

This agreement joins the previous wage agreement, signed in November 2016 (see the 2016 annual report, p.21), which together comprise a breakthrough in the area of the remuneration method in the banking sector. The wage increment mechanism in the new agreement is also based on a shekel wage increment, and not on a percentage based wage increment. This mechanism further reduces the wage differences and strengthens the future generation of the Bank's employees. The agreement was signed on February 21, 2019. For additional details, see the 2018 Annual Report (p. 317).

Fintech and Innovation

The Bank adjusts itself to the changing world and is active in creating innovative banking models, that would provide customers with advanced service modified to their needs. In this framework, the Bank continued the activities for the development and promotion of cooperation projects, signed by the Bank in 2017 with Paybox and iCount fintech companies.

The Bank is continuing to expand the payments operations among customers of all banks in Israel, under the brand name of "Paybox", by means of the cellular application and the Internet website.

On February 18, 2019, the Bank signed an agreement with nsKnox Technologies Ltd., which has developed security and control solutions with respect to organizational payment systems for large and medium corporations, using cooperative cyber security technology. Within the framework of this agreement, the Bank shall be a part of the collective defense layout of the company.

On March 27, 2019, the Bank signed an agreement with HopOn Mobility Ltd., whereby the company's solution for refilling the "Rav-Kav" public transport card is to be integrated within the Paybox application, enabling Paybox users to refill their "Rav-Kav" card via the Paybox application.

Within the framework of implementing the open banking concept, the Bank is presently preparing for the introduction of the API shop that would offer to third parties to interface with the Bank in order to enjoy a variety of banking services by means of the API in a controlled and secured manner.

For additional details, see below in "Technological improvements and innovation".

Preparing for the transformation in traditional banking and the future challenges

Within the framework of the Bank's preparations for a changing work environment as a result of acceleration in the digital deployment within the organization, the Bank executed, in the first quarter, a number of measures related to the development of managers for leading and leadership in the digital world.

For additional details, see below in "The Human Capital".

Increase in competition and reduction in concentration Act

The preparation for changes in the financial system is continuing, both at the Bank and at ICC, following the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act. In February 2019, the Bank began the issuance of credit cards jointly with MAX (former name: Leumi Card). Concurrently, ICC began the issuance of credit cards jointly with Bank Leumi and with Bank Hapoalim. For additional details, see Note 17 B to the condensed financial statements.

Additional issues

- **The sale of holdings in Super-Pharm.** On April 16, 2019, Discount Capital entered into an agreement with Union Investments & Development Ltd. ("the purchaser"), by which, inter alia, Discount Capital sold all its holdings in Super-Pharm. In respect of the said sale and in respect of the dividend announced before conclusion of the transaction, the Bank is expected to recognize a profit (before tax) in the amount of NIS 24.1 million (an amount of NIS 19.5 million, after tax). On May 7, 2019, the transaction was consummated. For additional details, see "Financial Management Segment (Domestic operations) - additional details";
- **Municipal Bank (in its former name: Dexia Bank).** For details, see below "Acquisition of Municipal Bank";
- **Discount Campus.** Preparations for the construction of the Campus continued in the reported period. For additional details, see the 2018 Annual Report (p. 308) and Note 10 B 6 to the condensed financial statements;

- **2018 Efficiency plan.** For details, see the 2018 Annual Report (pp. 21-22). Some 17 employees opted for early retirement in the first quarter of 2019, within the framework of the plan and another employee is expected to retire at the end of May 2019. Thus, the retirement under the terms of the plan, totals 142 employees.

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first quarter of 2019.

Growth. Expansion is evident in world economic activity, despite the sharp downturn in global trade. This includes both developed economies and also emerging economies. The U.S. economy grew at a rapid rate of 3.2% (in annualized terms) in the first quarter of 2019, compared with 2.2% in the previous quarter. Nevertheless, the growth depended on one-time factors, the foremost of which were an increase of inventories and the positive contribution of the net exports. In the Eurozone, growth was surprisingly good (1.6%), despite fears of a downturn. Nevertheless, there are significant differences between countries within the Eurozone. In Israel, current data hints at a rapid growth in the first quarter of the year. The Bank estimates that the Israeli economy would grow in 2019 at a rate of 3.2%, similar to that of 2018 (3.3%)[1].

Exchange rates. During the first quarter of 2019, the U.S. dollar basket (the "Dollar Index") appreciated, in continuation of the trend recorded in the previous quarters. The shekel returned to gather strength, and in the first three months of the year appreciated by 3.1% and 5% as against the U.S. dollar and the Euro, respectively. In terms of the effective exchange rate, the shekel appreciated by 3.5%. The Bank estimates that the non-financial economy continues to support the strength of the shekel. However, on the other hand, the high interest gap against the U.S. dollar prevents a significant appreciation.

Inflation. The inflation has stabilized slightly over the lower limit of the target, and in the twelve months ended in March 2019 amounted to 1.4%. On the other hand, the "core inflation" (the general index excluding energy, fruit and vegetables and the reduction in prices initiated by the Government) is still lower than the target (0.8%). It is noted, that the inflationary expectations for a range of one year have risen, and are now around 1.3%. The Bank estimates that the inflation rate at the end of 2018 is expected to amount to 0.7%.

Monetary policy. Central banks around the world have stopped the process of monetary reduction. The FED does not expect an increase in the interest rate this year and the ECB has announced that it would not increase the interest rate before the year 2020. The Bank of Israel left the interest rate unchanged in the first quarter of the year, at a level of 0.25%, and emphasizes once again that the future outline of the rise in the interest rate would be gradual and cautious, in a way that would support a process at the end of which, the inflation would settle around the center of the targeted range, as well as support economic activity. Based on the macro-image and on the present approach of the Bank of Israel, the Bank estimates that the Bank of Israel interest rate would reach 0.5% in a year's time.

Financial markets. Since the beginning of the year, trading in equities around the world was marked by rising prices, on the background of expectations for the halt in the global monetary reduction process, and the progress made in the negotiations between the U.S. and China. Accordingly, a positive trend was recorded regarding the share indices in Tel Aviv. The return on Israeli government bonds dropped at a sharp rate, on the background of the global trend and developments in the domestic market (a decline in expectations for a rise in the Bank of Israel interest rate). At the end of the quarter, the return on shekel bonds for ten years (government shekel bonds – Series 928) dropped to 1.83%, compared with 2.29% at the end of 2018.

The second quarter of 2019. The President of the United States surprised the markets by announcing an increase in tariffs on imports from China amounting to US$ 200 billion, from 10% to 25%, though he noted that an agreement between the parties is still possible. The readiness of the parties to continue negotiating supports the assessment that the current measure is not intended to create an extended trade war but is merely a negotiating tactic that will lead to a trade agreement. Expectations of a trade agreement between the United States and China supported the optimism of the markets that has prevailed since the beginning of the year, and these recent measures have put a dent in this optimism. Accordingly, uncertainty is expected to continue in the short term. In Israel, the government budgetary deficit continues to rise, which continues to distance itself from the government target (2.9% of the product). In the last 12 months that ended in April 2019, the budgetary deficit stood at 3.8% of the product. The shekel continues to strengthen against most of the main currencies and the Tel-Aviv Stock Exchange has recorded price rises.

Forward-looking information. The aforesaid includes, inter alia, assessments of the Bank regarding the future development of primary indicators, which are deemed to be forward-looking information. The aforesaid reflects the assessment of the Bank's Management, taking account of information available to it at the time of preparing the quarterly report, with regard to trends in the Israeli and world economies. The aforesaid might not materialize should changes occur in the trends, in Israel and/or in the world, and as a result of various developments in the macro-economic conditions that are not under the control of the Bank.

For further details, see "Main developments in Israel and around the world in the first three months of 2019" in "Corporate governance, audit, additional details regarding the business of the banking corporation and management thereof".

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1 The growth figures in Israel for the first quarter of 2019 were not available at the time the report was submitted to the printing press.

Leading and developing risks

The Bank considers business model risks, cyber and data protection risks, model risks, privacy protection aspects as well as conduct risks, as the most significant developing leading risks. In the first quarter of 2019, no material changes took place concerning this matter. For additional details see the 2018 Annual Report (pp. 19-20).

Initiatives concerning the banking sector and its operations

Increase in competition and reduction in concentration Act. The Increase in Competition and Reduction in Concentration in the Banking Market in Israel (Legislation Amendments) Act, 2017, was published in the Official Gazette on January 31, 2017, within the framework of which, the separation from the banks of the ownership of credit card companies has, inter alia, been determined.

In the immediate future, the separation from the banks of the ownership of credit card companies does not apply to ICC holders but only to its competitors holders (Isracard and MAX). Only within a range of 4 to 6 years from date of publication of the Act, would the issue of separating the ownership of ICC be re-examined (the transaction for the sale of all the holdings of Bank Leumi and of the Azrieli Group Ltd. in MAX (former name: Leumi Card) was consummated on February 25, 2019. Within the framework of an offer for sale to the public, the holdings of Bank Hapoalim in IsraCard were reduced on April 8, 2019, to a rate of approx. 33%. This in accordance with immediate reports issued by Bank Leumi and Bank Hapoalim, respectively). This and more, if in the past the large banks (Poalim, Leumi and Discount) issued to their customers credit cards of the credit card companies owned by them (Isracard, MAX and ICC), competition between the companies is now expected to develop. Concurrently, the banks are required, as of February 1, 2019, to move a part of the issue of new credit cards to customers to another credit card company, at least one, with which they had no previous business. From the view point of ICC, although there would be a reduction in the issue of credit cards to customers of the owner banks, ICC now has the opportunity to compete in the issue of new credit cards to customers of Poalim and Leumi. In the era of post-entry into effect of the new Act, the different participants in the credit card market, banks on the one part and credit card companies on the other part, find themselves in front of an array of moves and action possibilities of each of them and of each of the other participants.

The aforementioned could have a material effect on the banking system, including the Bank itself and on the credit card market, including on ICC. Nevertheless, at this stage, prior to clarifying the nature, character, scope and timing of all the measures that will be taken, it is not possible to assess the aforesaid effects either in terms of materiality or in terms of quantity.

The additional tax that may apply, if doubt is raised as to the continued holding of the Bank in ICC, computed in relation to the value of the holdings in ICC stated in the books of the Bank as of March 31, 2019, is estimated at NIS 57 million.

For details regarding the said Act and additional legislation initiatives concerning the banking sector, see the 2018 Annual Report (pp. 363-370). For details in respect of agreements between ICC and certain banks on the one hand, and between the Bank and MAX (former name: Leumi Card) on the other hand, see the 2018 Annual Report (pp. 289-290). For details in the matter of "Changes regarding competition in the credit card market", see the 2018 Annual Report (p. 350).

Parliamentary Inquiry Committee regarding the Conduct of the Financial System with respect to Credit Arrangements for Large Corporate Borrowers. A report by the Committee was published on April 16, 2019, which includes recommendations regarding various issues relating to entities engaged in the granting of credit, including the banking industry and financial bodies, as well as to the regulatory authorities supervising them, including the Bank of Israel; the Capital Market, Insurance and Savings Authority; the Competition Authority and the Securities Authority. For additional details, see the 2018 Annual Report (p. 21).

Reduction of the cross-commission rate. The Banking Oder (Customer service)(Supervision over cross-clearing service for transactions made by charge cards and for immediate debit transactions), 2018, was published on November 2, 2018, establishing an outline with respect to the reduction of the cross-commission in deferred charge transactions, from a rate of 0.7% at the date of publication of the Order, to a rate of 0.5%, this in five stages during the coming years, and an outline with respect to the reduction of the cross-commission regarding immediate charge transactions, from a rate of 0.3% at the date of publication of the Order, to a rate of 0.25%. The Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated. For additional details, see the 2018 Annual Report (p. 21).

For details regarding the exemption terms for the agreement (a new arrangement in the industry replacing the arrangement expired on December 31, 2018), published by the Competition Commissioner (in her former title: Antitrust Commissioner), see the 2018 Annual Report (p. 288).

Acquisition of Municipal Bank (in its former name: Dexia Bank)

A merger agreement was signed between MDB and Municipal Israel Bank Ltd. (hereinafter: "Municipal Bank") on November 13, 2018. The general meeting of shareholders of Municipal Bank approved on January 3, 2019, the proposal for the merger with MDB.

Consummation of the transaction is subject, inter alia, to the materialization of different conditions precedent, certain of which are not under the control of the Bank, including obtaining approvals of regulatory authorities.

In November 2018, MDB approached the Competition Authority (in its former name: Antitrust Authority) and the Bank of Israel with a request to approve the agreement. Since then, the transaction is under examination and negotiations are being conducted in respect thereof with the Competition Authority. It is emphasized that obtaining a permit from the Commissioner of Competition is uncertain, and if granted, what would be the terms thereof.

For additional details, including the framework for issuing capital, regulatory capital instruments and bonds at MDB, see the 2018 Annual Report (p. 22 and pp. 211-212).

It should be noted that, due to Municipal Bank being a banking corporation, its financial statements are drawn up in conformity with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks. It should also be noted that the reports of Municipal Bank are available for perusal on the Magna website of the Israel Securities Authority and on the Maya website of the Tel-Aviv Stock Exchange Ltd.

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three months period ended on March 31, 2019, the independent auditors drew attention to Note 10 B item 5 regarding requests to approve certain actions and with regard to other claims as a class action suits against the Bank and investee companies.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

Net profit attributed to the Bank's shareholders for the first three months of 2019 totalled NIS 405 million, compared with NIS 319 million in the corresponding period last year, an increase of 27.0%.

Return on equity net attributed to the Bank's shareholders for the first three months of 2019 reached a rate of 9.6%, on an annual basis, compared with a rate of 8.4% for the corresponding period last year, and 9.3% for all of 2018.

The following are the main factors that had an effect on the business results of the Group in the first three months of 2019, compared with the corresponding period last year:

a. An increase in interest income, net, in an amount of NIS 147 million (11.5%) mainly affected by the growth in the credit portfolio.
b. An increase in credit loss expenses, of NIS 29 million (25.9%), which was affected by the rise in expenses at the subsidiaries and was partially offset from the decrease in expenses at the Bank.
c. An increase in the total non-interest income, of NIS 88 million (11.0%), affected by an increase of NIS 68 million in non-interest financing income (65.4%) and an increase of NIS 18 million in commissions (2.6%), mainly an increase in credit card commissions.
d. An increase of NIS 73 million in operating and other expenses (5.0%), affected by an increase of NIS 37 million in other expenses (9.7%) and an increase of NIS 29 million in salaries and related expenses (3.5%).
e. Tax provision of NIS 224 million on earnings in the first three months of 2019, compared with NIS 179 million in the corresponding period last year.

Additional details and explanations are presented below.

Developments in Income and Expenses

Developments in certain income statement items in the first quarter of 2019, compared with the fourth quarter of 2018 and compared with the first quarter of 2018

	2019	2018		Rate of Change Q1 2019 compared to	
	Q1	Q4	Q1	Q4 2018	Q1 2018
	In NIS millions			in %	
Interest income	1,806	1,852	1,536	(2.5)	17.6
Interest expenses	385	432	262	(10.9)	46.9
Interest income, net	1,421	1,420	1,274	0.1	11.5
Credit loss expenses	141	176	112	(19.9)	25.9
Net interest income after credit loss expenses	**1,280**	**1,244**	**1,162**	**2.9**	**10.2**
Non-interest Income					
Non-interest financing income	172	177	104	(2.8)	65.4
Commissions	710	(2)732	(2)692	(3.0)	2.6
Other income	8	28	6	(71.4)	33.3
Total non-interest income	**890**	**937**	**802**	**(5.0)**	**11.0**
Operating and other Expenses					
Salaries and related expenses	847	903	818	(6.2)	3.5
Maintenance and depreciation of buildings and equipment	263	276	256	(4.7)	2.7
Other expenses	420	(2)527	(2)383	(20.3)	9.7
Total operating and other expenses	**1,530**	**1,706**	**1,457**	**(10.3)**	**5.0**
Profit before taxes	640	475	507	34.7	26.2
Provision for taxes on profit	224	144	179	55.6	25.1
Profit after taxes	416	331	328	25.7	26.8
Bank's share in profit (loss) of affiliated companies, net of tax effect	(1)	4	(1)	-	-
Net profit attributed to the non-controlling rights holders in consolidated companies	(10)	(11)	(8)	(9.1)	25.0
Net Profit attributed to Bank's shareholders	**405**	**324**	**319**	**25.0**	**27.0**
Return on equity attributed to the Bank's shareholders, in %(1)	9.6	8.0	8.4		
Efficiency ratio in %	66.2	72.4	70.2		
Net Profit attributed to Bank's shareholders - disregarding certain components (see below)	**414**	**402**	**326**	**3.0**	**27.0**
Return on equity attributed to the Bank's shareholders, in %(1) - disregarding certain components (see below)	9.9	11.3	8.6		
Efficiency ratio in % (see below)	65.6	67.3	69.7		

Footnotes:
(1) On an annual basis.
(2) Reclassified, see Note 1 D to the condensed financial statements.

Profitability - disregarding certain components

	2019	2018	2018	Q1 2019 compared to	
	Q1	Q4	Q1	Q4 2018	Q1 2018
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	405	324	319	25.0	27.0
Disregarding(1):					
One-time award at MDB	-	37	-		
Effect of settlement	9	41	7		
Net income attributed to the Bank's shareholders - disregarding the above components	**414**	**402**	**326**	**3.0**	**27.0**

Footnote:
(1) See below "Details regarding eliminated components".

Details regarding Eliminated Components

One-time award at MDB. With respect to discontinuing the linkage of the wage terms at MDB to the terms at Bank Leumi (see the 2018 Annual Report, p. 317).
Effect of settlement. Acceleration of the amortization of "Actuarial profits and losses" following the retirement of employees within the framework of the implementation of the Efficiency Plans (see the 2018 Annual Report, p. 187).

Following are details regarding material changes in statement of profit and loss items:
Interest income, net. In the first three months of 2019, interest income, net, amounted to NIS 1,421 million compared with NIS 1,274 million in the corresponding period last year, an increase of 11.5%. The rise in the interest income, net, in the amount of NIS 147 million, is explained by a positive price impact of NIS 20 million, and a positive quantitative effect in the amount of NIS 127 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).
The interest spread, excluding derivatives, reached a rate of 2.46% in the first three months of 2019, compared with 2.40% in the corresponding period last year.
The average balance of interest bearing assets has increased by a rate of approx. 7.5%, from an amount of NIS 200,834 million to NIS 215,805 million, and the average balance of interest bearing liabilities increased by a rate of approx. 10.1%, from an amount of NIS 151,690 million to NIS 167,046 million.

Net interest income according to linkage segments

Distribution of volume of operations according to interest bearing assets, net interest income and interest margin by linkage segments

	For the three months ended March 31					
	2019			2018		
	Volume of activity[(1)] in %	Interest income, net in NIS millions	Interest margin in %	Volume of activity[(1)] in %	Interest income, net in NIS millions	Interest margin in %
Unlinked shekels	68.0	1,108	2.97	68.4	992	2.85
CPI-linked shekels	8.4	16	(0.80)	9.1	15	(0.69)
Foreign Currency	23.6	297	2.17	22.5	267	2.25
Interest income, net and the interest margin	**100.0**	**1,421**	**2.46**	**100.0**	**1,274**	**2.40**

Footnote:
(1) According to the average balance of the interest bearing assets.

The increase in net interest income stems, mainly, from the growth in credit to the public in the non-linked segment.
Non-interest financing income amounted in the first three months of 2019 to NIS 172 million, compared to NIS 104 million in the corresponding period last year, an increase of 65.4%.
The increase in non-interest financing income stemmed, mainly, from the increase in profit from investment in shares and bonds, and from the increase in income from derivatives operations (see below "Analysis of the total net financing income").
Non-interest financing income includes the effect of activity in derivative financial instruments, which constitute an integral part of the management of the Bank's interest exposure and base exposure. Accordingly, for the purpose of analyzing the financing income from current activity, the net interest income and the non-interest financing income need to be aggregated.

Composition of the net financing income

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
Interest income	1,806	1,852	1,782	1,883	1,536
Interest expenses	385	432	370	463	262
Interest income, net	1,421	1,420	1,412	1,420	1,274
Non-interest financing income	172	177	160	145	104
Total net financing income	**1,593**	**1,597**	**1,572**	**1,565**	**1,378**

Analysis of the total net financing income

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
financing Income from current operations	1,529	1,518	1,482	1,402	1,333
Effect of CPI	(14)	5	12	50	(9)
Net profit (loss) from realization and adjustment to fair value of bonds**	57	(9)	4	(17)	42
Profit from investments in shares*	10	48	50	5	4
Adjustment to fair value of derivative instruments	(35)	6	(5)	70	(35)
Exchange rate differences, options and other derivatives**	40	29	29	55	37
Net profit on the sale of loans	6	-	-	-	6
Total net financing income	**1,593**	**1,597**	**1,572**	**1,565**	**1,378**
*Of which: income from realizations in Discount Capital.	4	49	27	5	3
** Exchange rate differences in respect of trading bonds are included in the exchange rate differences line	(35)	40	(7)	43	12

Financing income, net, amounted to NIS 1,593 million in the first three months of 2019, compared to NIS 1,378 million in the corresponding period last year, an increase of 15.6%. The increase in financing income stemmed, mostly, from an increase of NIS 196 million in profit from current operations, and from an increase of NIS 15 million in profits from the sale and adjustment to fair value of bonds.

Rates of income and expenses. In the appendices to the annual report – Appendix 1 are presented interest income, net, with respect to the balance sheet activity. In order to explain the Bank's overall interest margin, the effects of activity in derivatives not for trading (excluding adjustments to fair value and exchange rate differences) needs to also be added.

Interest margin, including derivatives not for trading reached a rate of 2.09% in the first three months of 2019, compared with 2.18% in the corresponding period last year.

Development of the interest income, net by regulatory operating segments

	For the three months ended March 31,		
	2019	2018	Change in %
	In NIS millions		
Domestic operations:			
Households	465	402	15.7
Private banking	24	17	41.2
Small and minute businesses	378	346	9.2
Medium businesses	78	69	13.0
Large businesses	186	(1)167	11.4
Institutional bodies	10	(1)7	42.9
Financial management	39	(1)55	(29.1)
Total Domestic operations	**1,180**	**1,063**	**11.0**
Total International operations	**241**	**211**	**14.2**
Total	**1,421**	**1,274**	**11.5**

Footnote:
(1) Reclassified - see Note 12 C to the condensed financial statements.

Credit loss expenses. In the first three months of 2019 credit loss expenses in the amount of 141 million were recorded, compared with expenses of NIS 112 million in the corresponding period last year, a decrease of 25.9%.

The rise is due to an increase of NIS 24 million in the expenses at MDB (mostly a growth in expenses on a specific basis, stemming mainly from an increase in allowance in respect of restructured troubled debts) and an increase of NIS 29 million in the expenses at IDB New York (mainly as a result of an increase in the group allowance due to growth in the performing credit, including from the effect of changing the rate of the allowance in the first quarter of 2018). On the other hand, the expenses at the Bank fell by NIS 17 million (mainly as a result of a decline in accounting write-offs) and at ICC by NIS 7 million (mainly as a result of an increase in the group allowance in the first quarter of 2018, due to growth in the performing credit).

For additional details, see below "Credit to the public" and "Credit risks" in Chapter "C" hereunder. For details as to the components of the credit loss expenses, see Note 14 to the condensed financial statements.

Details of the quarterly development in the credit loss expenses

	2019	2018				
	Q1	Total	Q4	Q3	Q2	Q1
	In NIS millions					
On a specific basis						
Change in allowance	(10)	18	14	31	(1)	(26)
Gross Accounting Write-offs	65	366	92	64	76	134
Collection	(52)	(307)	(55)	(83)	(53)	(116)
Total on a specific basis	**3**	**77**	**51**	**12**	**22**	**(8)**
On a group basis						
Change in allowance	57	107	50	15	16	26
Gross Accounting Write-offs	148	570	131	140	143	156
Collection	(67)	(214)	(56)	(44)	(52)	(62)
Total on a group basis	**138**	**463**	**125**	**111**	**107**	**120**
Total	**141**	**540**	**176**	**123**	**129**	**112**
Rate of credit loss expenses to the average balance of credit to the public[(1)]:						
The rate in the quarter:	0.33%	-	0.44%	0.31%	0.33%	0.29%
Cumulative rate since the beginning of the year:	0.33%	0.34%	0.34%	0.31%	0.31%	0.29%

Footnote:
(1) On an annual basis.

For additional details, see below "Credit to the public" and "Credit risk" in chapter C hereunder.

Commissions in the first three months of 2019 amounted to NIS 710 million, compared to NIS 692 million in the corresponding period last year, an increase of 2.6%.

Distribution of the commissions

	For the three months ended March 31,		
	2019	2018	Change
	in NIS millions		in %
Account Management fees	119	119	-
Credit cards	325	294	10.5
Operations in securities and in certain derivative instruments	74	90	(17.8)
Commissions from the distribution of financial products	35	37	(5.4)
Handling credit	47	39	20.5
Conversion differences	33	35	(5.7)
Foreign trade services	15	17	(11.8)
Net income from credit portfolio services	1	1	-
Commissions on financing activities	40	[(1)]39	2.6
Other commissions	21	21	-
Total commissions	**710**	**692**	**2.6**

Footnote:
(1) Reclassified, see Note 1 D to the condensed financial statements.

Salaries and related expenses amounted to NIS 847 million in the first three months of 2019, compared with NIS 818 million in the corresponding period last year, an increase of 3.5%. Eliminating the effect of certain components as detailed below, a decrease of 1.5% would have been recorded.

Quarterly developments in salaries and related expenses, detailing the effect of certain components

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and Related Expenses - as reported	847	903	826	838	818
Awards	(69)	(75)	(82)	(83)	(59)
One-time award at MDB(1)	-	(56)	-	-	-
Reversal of excess provisions(2)	-	-	-	-	31
Salaries and Related Expenses - Disregarding certain components	**778**	**772**	**744**	**755**	**790**

Footnotes:
(1) See financial statements as of December 31, 2018 (p. 317).
(2) See Note 8 C 2 to the financial statements as of December 31, 2018.

Other expenses amounted to NIS 420 million in the first quarter of 2019, compared to NIS 383 million in the first quarter of 2018, an increase of 9.7%. The increase stems mainly from an increase in commissions, affected, mostly, by the expansion in the activity of ICC, from an increase in professional services and from an increase in long-term benefits.

Developments in the comprehensive income

Condensed statement of comprehensive income

	For the three months ended March 31,		
	2019	2018	Change
	in NIS millions		in %
Net Profit attributed to the Bank's shareholders	405	319	27.0
Changes in components of other comprehensive income (loss), attributed to the Bank's shareholders:			
Other comprehensive income (loss), before taxes(1)	220	(37)	
Effect of attributed taxes	(109)	6	
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	111	(31)	
Comprehensive income, attributed to the Bank's shareholders	**516**	**288**	**79.2**

Footnote:
(1) For details regarding changes in the components of other comprehensive income, see Note 4 to the condensed financial statements.

The other comprehensive income was mainly affected by unrealized profits on available-for-sale bonds, which were partly offset by losses on financial statements translation.

Structure and developments of assets, liabilities, capital and capital adequacy

Development of Assets and Liabilities

Total assets as at March 31, 2019, amounted to NIS 239,440 million, compared with NIS 239,176 million at the end of 2018, an increase of 0.1%.

Developments in the principal balance sheet items

	March 31, 2019	December 31, 2018	Rate of change in %
	in NIS millions		
Assets			
Cash and deposits with banks	18,894	21,858	(13.6)
Securities	35,618	37,898	(6.0)
Credit to the public, net	170,296	164,804	3.3
Liabilities			
Deposits from the public	190,839	188,916	1.0
Deposits from banks	4,970	6,886	(27.8)
Securities loaned or sold under repurchase arrangements	637	1,126	(43.4)
Subordinated debt notes	8,271	8,476	(2.4)
Equity attributed to the Bank's shareholders	17,618	17,151	2.7
Total equity	18,145	17,669	2.7

Following are details regarding credit to the public, securities and deposits from the public.

Credit to the public

General. Credit to the public, net, (after provision for credit losses) as at March 31, 2019 totaled NIS 170,296 million, compared with NIS 164,804 million at the end of 2018, an increase of 3.3%.

For details regarding the credit portfolio, see the 2018 Annual Report (pp. 33-37). For details regarding credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2018 Annual Report (pp. 59-79). For details regarding the quality of credit, see Note 14 B 3 to the condensed financial statements and in the 2018 Annual Report (pp. 264-265).

Composition of credit to the public by linkage segments

Data on the composition of net credit to the public by linkage segments

	March 31, 2019		December 31, 2018		
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	Rate of change in %
Non-linked shekels	123,900	72.8	117,621	71.4	5.3
CPI-linked shekels	16,753	9.8	16,295	9.9	2.8
Foreign currency and foreign currency-linked shekels	29,643	17.4	30,888	18.7	(4.0)
Total credit to the public, net	**170,296**	**100.0**	**164,804**	**100.0**	**3.3**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto decreased by 4.0% compared with December 31, 2018. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels decreased by US$78 million, a decrease of 0.9% as compared to December 31, 2018. The total credit to the public, which includes credit in foreign currency and Israeli currency linked to foreign currency, computed in U.S. dollar terms, increased by a rate of 3.9% as compared to December 31, 2018.

Composition of credit to the public by regulatory operating segments

Review of developments in the balance of net credit to the public, by regulatory operating segments

	March 31, 2019	December 31, 2018	change
	In NIS millions		in %
Domestic operations:			
Households*	63,394	62,042	2.2
Private banking*	199	200	(0.5)
Small and minute businesses	34,356	33,595	2.3
Medium businesses	10,130	10,068	0.6
Large businesses	40,068	37,156	7.8
Institutional bodies	703	733	(4.1)
Total Domestic operations	**148,850**	**143,794**	**3.5**
Total International operations	**23,754**	**23,284**	**2.0**
Total credit to the public	**172,604**	**167,078**	**3.3**
Credit loss expenses	(2,308)	(2,274)	1.5
Total credit to the public, net	**170,296**	**164,804**	**3.3**
*Of which - Mortgages	33,801	32,924	2.7

The increase in credit to the public in the first quarter of 2019 reflects growth in the focus points determined in the updated strategic plan. Credit to large business grew by NIS 2,982 million (8%), credit to small and minute businesses grew by NIS 762 million (2.3%) and housing credit grew by NIS 865 million (2.6%).

Composition of the overall credit to the public risk by economic sectors

Developments of total credit to the public risk, by main economic sectors

	March 31, 2019		December 31, 2018		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	20,009	7.6	20,012	7.7	-
Construction and real estate - construction	29,333	11.1	28,763	11.1	2.0
Construction and real estate - real estate activity	21,693	8.2	21,478	8.3	1.0
Commerce	28,036	10.7	26,762	10.3	4.8
Financial services	24,734	9.4	24,151	9.3	2.4
Private individuals - housing loans	36,763	13.9	35,889	13.9	2.4
Private individuals - other	64,867	24.6	63,541	24.6	2.1
Other sectors	38,120	14.5	38,288	14.8	(0.4)
Total overall credit to the public risk	**263,555**	**100.0**	**258,884**	**100.0**	**1.8**

The data presented above indicates that in the first quarter of 2019, the overall risk regarding credit to the public increased by 1.8% compared with the end of 2018. This growth applied mostly to credit granted for commerce, private individuals – other and for private individuals – housing loans sectors.

Development of problematic credit risk

Following are details on credit to the public, as specified in Note 14 to the condensed financial statements:

Impaired credit to the public. The balance sheet impaired credit to the public (accruing interest and non- accruing) amounted at March 31, 2019 to NIS 1,630 million, compared to NIS 1,633 million at December 31, 2018, a decrease of 0.18%.

Impaired non-accruing credit to the public. The impaired non-accruing credit to the public which is examined on a specific basis, amounted at March 31, 2019 to NIS 1,021 million, compared to NIS 1,011 million at December 31, 2018, an increase at a rate of 0.99%.

Overall credit risk and the rate of problematic credit risk in principal economic sectors

	March 31, 2019			December 31, 2018		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	20,009	618	3.1	20,012	646	3.2
Construction and real estate - construction	29,333	328	1.1	28,763	316	1.1
Construction and real estate - real estate activity	21,693	609	2.8	21,478	584	2.7
Commerce	28,036	712	2.5	26,762	632	2.4
Financial services	24,734	302	1.2	24,151	301	1.2
Private individuals - housing loans	36,763	351	1.0	35,889	340	0.9
Private individuals - other	64,867	559	0.9	63,541	566	0.9
Other Sectors	38,120	560	1.5	38,288	643	1.7
Total Public	**263,555**	**4,039**	**1.5**	**258,884**	**4,028**	**1.6**
Banks	6,071	71	1.2	5,721	69	1.2
Governments	28,337	-	-	29,768	-	-
Total	**297,963**	**4,110**	**1.4**	**294,373**	**4,097**	**1.4**

In the first quarter of 2019, the ratio of problematic credit risk to the total credit risk remained unchanged.

The balances of the allowance for credit losses

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a group basis, but not including allowance for off-balance sheet credit risk, totalled NIS 2,308 million as of March 31, 2019. The balance of this allowance constituted 1.34% of the credit to the public, compared with a balance of the allowance in the amount of NIS 2,274 million, constituting 1.36% of the credit to the public as of December 31, 2018.

The balance of the specific allowance for credit losses. The outstanding balance of the specific allowance for credit losses in respect of impaired credit to the public, computed on a specific basis, amounted to NIS 213 million on March 31, 2019, compared to NIS 223 million on December 31, 2018, a decrease of 4.5%, affected mainly by accounting write-offs.

The balance of the group allowance for credit losses. The outstanding balance of the group allowance for credit losses, excluding housing loans for which the allowance for credit loss was calculated according to the extent of arrears, amounted on March 31, 2019 to NIS 1,901 million, compared to NIS 1,863 million as of December 31, 2018, comprising an increase in the current allowance in the amount of NIS 38 million, a rate of 2%.

The risk characterization of the credit to the public portfolio

The distribution of expenses and the ratio of credit loss expenses in the different economic sectors in relation to the outstanding balance of credit to the public in those sectors

	For the three months ended March 31			
	2019		2018	
	Credit loss expense (expense reversal)	Rate of expense (expense reversal)	Credit loss expense (expense reversal)	Rate of expense (expense reversal)
sectors	In NIS millions	%	In NIS millions	%
Industry	2	0.1	(12)	(0.4)
Construction and real estate - construction	41	1.2	9	0.3
Construction and real estate - real estate activity	(24)	(0.5)	(22)	(0.5)
Commerce	38	0.7	(13)	(0.2)
Communications and computer services	(23)	(4.6)	78	14.0
Financial services	3	0.1	2	0.1
Other Sectors	25	0.4	(7)	(0.1)
Total Commercial	62	0.2	35	0.1
Private Individuals - Housing Loans	7	0.1	6	0.1
Private Individuals - Other	72	0.9	71	1.0
Total credit loss expenses	**141**	**0.33**	**112**	**0.29**

The data presented above indicates that the increase in credit loss expenses in the first quarter of 2019, centered mostly in the commerce, construction and real estate – construction and industry sectors. On the other hand, credit loss expenses decreased in the communications and computer services sector.

Securities

General. Securities in the Nosrto portfolio totaled NIS 35,618 million as of March 31, 2019, compared with NIS 37,898 million at the end of 2018, a decrease of 6.0%. It is clarified that the "Nostro" portfolio of the Discount Group as of March 31, 2019, did not include any security the investment in which comprised 5% or over of the value of the total portfolio, except for a security of the "government variable 520" type, security of the "government variable 1121" type, security of the "shekel government 0324" class and security of the "shekel government 0323" class, which amounted to 7.3%, and 8.0%, and 8.0% and 5.3%, of the total portfolio, respectively.
As of March 31, 2019, some 66.2% of the portfolio is invested in Government bonds, and 2.7% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE). For details regarding the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, items 1-3. For details regarding the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, item 3.
For details regarding the Nostro portfolios management policy, see 2018 Annual Report (p. 36).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	March 31, 2019	December 31, 2018	Rate of change in %
	In NIS millions		
Non-linked shekels	19,636	19,734	(0.5)
CPI-linked shekels	1,459	1,544	(5.5)
Foreign currency and foreign currency-linked shekels	13,528	15,581	(13.2)
Shares - non-monetary items	995	1,039	(4.2)
Total	**35,618**	**37,898**	**(6.0)**

Securities in foreign currency and in Israeli currency linked to foreign currency decrease by 13.2%, compared with December 31, 2018. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency decreased by US$432 million, a decrease of 10.4% as compared with December 31, 2018. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms decreased by 4.9% as compared with December 31, 2018.

Composition of the securities portfolio according to portfolio classification

In accordance with directives of the Supervisor of Banks, securities have been classified as follows: held-to-maturity bonds, available- for- sale bonds, investment in share not for trading and trading securities.

Composition of investments in securities according to portfolio classification in accordance with directives of the Supervisor of Banks

	March 31,2019			December 31 ,2018		
	Amortized Cost (in shares-cost)	Fair value	Book value	Amortized Cost (in shares-cost)	Fair value	Book value
	in NIS millions					
Bonds						
Held to maturity	5,297	5,428	5,297	6,722	6,791	6,722
Available for sale	27,625	27,707	27,707	28,167	27,950	27,950
Trading	1,608	1,619	1,619	2,194	2,187	2,187
Shares						
Available for sale	979	984	984	980	980	980
Trading	11	11	11	65	59	59
Total Securities	**35,520**	**35,749**	**35,618**	**38,128**	**37,967**	**37,898**

Corporate bonds. Discount Group's available-for-sale securities portfolio as of March 31, 2019, includes investments in corporate bonds in the amount of NIS 3,624 million (including an amount of NIS 1,145 million held by IDB New York, an amount of NIS 24 million, held by MDB and NIS 2,452 million directly held by the Bank), compared with NIS 3,488 million as of December 31, 2018, an increase of 3.9%. For details as to the balance of unrealized losses included in the balance of the said bonds, see Note 5 to the condensed financial statements.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of March 31, 2019 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 7,048 million, compared to an amount of NIS 7,383 million as at December 31, 2018, a decrease of 4.5%. The amount includes investment in mortgage backed securities in the amount of NIS 6,712 million, which are held by IDB New York, compared to an amount of NIS 7,197 million as at December 31, 2018, a decrease at a rate of 6.7%. Approx. 95.9% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AA-AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.

As of March 31, 2019, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 102 million, compared with NIS 169 million as of December 31, 2018.

For details regarding the agencies operating under the auspices of the U.S. Administration, see the 2018 Annual Report (p. 38).

CLO. IDB New-York holds secured bonds of the CLO class in a total amount of NIS 273 million. The said securities are rated AA-AAA by at least one rating agency. The Bank holds secured bonds of the CLO class in a total amount of NIS 319 million. The said securities are rated AA-AAA by at least one rating agency. For details, see Note 5 to the condensed financial statements.

Details regarding impairment in value of available-for-sale securities

For details regarding the review of impairment of securities, see "Critical accounting policies and critical accounting estimates" in the 2018 Annual Report (p. 93) and Note 1 D 5 to the financial statements as of December 31, 2018 (pp. 124-125). Based on a review of the impairment of the said securities as of March 31, 2019, and where relevant, basing itself also on the review made by the relevant subsidiary's Management, the Bank's Management believes that that the impairment is of a temporary nature.

As of March 31, 2019, March 31, 2018 and December 31, 2018, unrealized accumulated losses on available-for-sale mortgage and asset backed securities amounted to total amounts of NIS 100 million, NIS 171 million and NIS 159 million, respectively. For additional details, see Note 5 to the condensed financial statements.

Customer assets

Deposits from the public as at March 31, 2019, totalled NIS 190,839 million, compared with NIS 188,916 million at the end of 2018, an increase of 1.0%.

Data on the composition of deposits from the public by linkage segments

	March 31, 2019		December 31, 2018		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Non-linked shekels	126,657	66.4	123,985	65.6	2.2
CPI-linked shekels	4,981	2.6	4,839	2.6	2.9
Foreign currency and foreign currency-linked shekels	59,201	31.0	60,092	31.8	(1.5)
Total	**190,839**	**100.0**	**188,916**	**100.0**	**1.0**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased at the rate of 1.5%, compared with December 31, 2018. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased by US$267 million, an increase of 1.7% compared with December 31, 2018. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, increased at a rate of 2.0%, compared with December 2018.

Review of developments in the balance of deposits from the public, by regulatory operating segments

	March 31, 2019	December 31, 2018	
	In NIS millions		Change in %
Domestic operations:			
Households	74,751	73,951	1.1
Private banking	16,660	16,765	(0.6)
Small and minute businesses	33,923	33,994	(0.2)
Medium businesses	5,745	5,925	(3.0)
Large businesses	20,057	18,968	5.7
Institutional bodies	12,724	13,044	(2.5)
Total Domestic operations	**163,860**	**162,647**	**0.7**
Total International operations	**26,979**	**26,269**	**2.7**
Total deposits from the public	**190,839**	**188,916**	**1.0**

The ratio of total credit to the public, net, to deposits from the public was 89.2% as at March 31, 2019, compared with 87.2% at the end of 2018.

Deposits from the public of the three largest depositor groups amounted as of March 31, 2019, to NIS 4,906 million.

Securities held for customers. On March 31, 2019, the balance of the securities held for customers at the Bank amounted to approx. NIS 183.23 billion, including approx. NIS 3.23 billion of non-marketable securities, compared to approx. NIS 173.41 billion as at December 31, 2018, including approx. NIS 3.11 billion of non-marketable securities, an increase of 5.66%. For details as to income from security activities, see Note 3 to the condensed financial statements. In addition, the balance of securities held on behalf of customers at the MDB as of March 31, 2019, amounted to NIS 10.84 billion, compared with NIS 9.99 million in December 31, 2018, an increase of 8.5%.

Investment portfolio management. On March 31, 2019, Tafnit was managing investment portfolios, overall valued at approx. NIS 7,667 million, as compared to approx. NIS 7,459 million as at December 31, 2018, an increase of 2.9%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at March 31, 2019, amounting to NIS 18.2 billion, compared with NIS 17.3 as of December 31, 2018, an increase of 5.3%. The increase since the beginning of the year stemmed, mostly, from the high returns prevailing on the capital market in the quarter.

Capital and capital adequacy

Implementation of Basel III in Israel

The instructions. Instructions regarding "Basel III guidelines", which apply as from January 1, 2014, include a requirement for maintaining a minimal ratio of common equity tier 1 of 9%, and a total capital ratio of 12.5%, as well as detailed reference with respect to transitional instructions. For details regarding the requirement concerning housing loans, see Note 9 to the condensed financial statements, item 1 (b).

Issues of capital instruments. The capital instruments that are issued according to Basel III instructions, include "loss absorption" mechanisms, whether by conversion into shares or by elimination (in full or in part) of the capital instrument.

Transitional instructions. In accordance with the transitional instructions, capital instruments not recognized any longer as regulatory capital, were recognized as from January 1, 2014, in an amount of up to 80% of their outstanding balance included in the regulatory capital at December 31, 2013, and in each consecutive year this maximum balance is being reduced by an additional 10% until January 1, 2022. In accordance with the above, the maximum balance in 2019 amounts to 30%. The aforesaid instruments are recognized in the amount of the said maximum balance or in their amortized amount, whichever is lower.

Relief regarding the efficiency plan. The Supervisor of Banks granted the Bank relief regarding its 2016 and 2018 efficiency plans. For further details, see the 2017 Annual Report (pp. 21-22), the 2018 Annual Report (pp. 21-22, 187, 190) and Note 9 to the condensed financial statements, item 1 (c) and (d).

Effect of the acquisition of Municipal Bank. The effect of the acquisition of Municipal Bank on the Common Equity Tier 1 ratio, had the transaction been consummated by March 31, 2019, based on the data of Municipal Bank as of December 31, 2018, would have totaled to a decrease of approx. 0.17%.

Preparations made by the Bank. The Bank prepared a detailed plan for attaining the capital targets, being at least the level of capital prescribed by the instructions of the Supervisor of Banks and according to the time schedules published by him, and it is acting towards its implementation.

Common Equity Tier 1 goal

The policy approved by the Board of Directors, which reflects the Bank's risk appetite, is to maintain a higher capital adequacy level than the rate required by the ICAAP result and according to a system stress test.

On October 26, 2018, the Board of Directors, on the basis of ICAAP and SREP processes, adopted a minimum common equity tier 1 target level of 9.9% for the end of 2019.

For details regarding capital planning, see "Capital Adequacy" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the internet and in the 2018 Annual Report (p. 41).

Components of capital

Total capital as at March 31, 2019, totalled NIS 18,145 million, compared with NIS 17,669 million at the end of 2017, an increase of 2.7%.

Equity attributed to the Bank's shareholders as at March 31, 2019, totalled NIS 17,618 million, compared with NIS 17,151 million at the end of 2018, an increase of 2.7%. The change in equity attributed to the Bank's shareholders in the first three months of 2019 was affected, among other things, by the net earnings during the period, by an increase of NIS 251 million in the component of net adjustment of available-for-sale bonds presented at fair value, net of the tax effect, and from a decrease of NIS 113 million in financial statements transactions adjustments and from the net actuarial loss in the amount of NIS 29 million.

Components of the regulatory capital as of March 31, 2019

Ratio of common equity tier 1 as of March 31, 2019, amounted to 10.17%, compared with 10.24% on December 31, 2018.
Total capital ratio as of March 31, 2019, amounted to 13.13%, compared with 13.67% on December 31, 2018.

Components of the regulatory capital as of March 31, 2019

	March 31,		December 31,
	2019	2018	2018
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	17,966	16,180	17,504
Additional tier 1 capital after deductions	534	712	712
Tier 1 capital	18,500	16,892	18,216
Tier 2 capital	4,686	5,141	5,140
Total capital	**23,186**	**22,033**	**23,356**
2. Weighted risk assets balance			
Credit risk(2)	158,320	146,837	153,081
Market risk	3,635	3,677	3,412
CVA risk	1,406	1,460	1,441
Operational risk	13,285	12,339	12,987
Total weighted risk assets balance	**176,646**	**164,313**	**170,921**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.17	9.85	10.24
Ratio of total capital to risk assets	13.13	13.41	13.67
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.19	9.18	9.19
Total capital ratio(1)	12.69	12.68	12.69

Footnotes:
(1) With an addition of 0.19% (March 31, 2018: 0.18%, December 31, 2018: 0.19%), in accordance with the additional capital requirements with respect to housing loans - see Note 9 (b) to the condensed financial statements.
(2) The total weighted balances of the risk assets have been reduced by NIS 20 million (March 31, 2018: NIS 26 million, December 31,2018: NIS 32 million) due to adjustments in respect to the efficiency plan.

Raising of resources

Subtraction of regulatory capital instruments in 2019. Subordinate capital notes, which under the Basel II instructions had been recognized as hybrid Tier 1 capital or as upper Tier 2 capital, are no longer qualified according to the Basel III instructions, though according to the transitional provisions they would be recognized as additional Tier 1 capital and would be gradually eliminated in the years 2014-2022. Furthermore, subordinate debt notes, which under the Basel II instructions had been recognized as Tier 2 capital, are no longer qualified under the Basel III instructions, though according to the transitional provisions they would be recognized as Tier 2 capital and would be gradually eliminated in the years 2014-2022. Regulatory capital instruments, which are to be subtracted on January 1, 2020, in accordance with the transitional provisions, amount to NIS 787 million.

NIS 701 million were deducted in the first three months of 2019.

Taking into consideration the deduction in 2019 of regulatory capital instruments (Tier 2 capital), the Bank may raise additional regulatory capital instruments in accordance with the Bank's work plan for 2019 and market conditions, in order to maintain the total capital targets for 2019.

Additional disclosure according to the third pillar of Basel

Within the framework of the "Additional regulatory disclosures" document, a description is given of the principal characteristics of the issued regulatory capital instruments. Within the framework of the document "Disclosure according to the third pillar of Basel and additional information regarding risks" a disclosure is given of The Regulatory capital and management thereof, including the composition of the regulatory capital. The documents are available for perusal on the Magna website of the Israel Securities Authority, on the Maya website of the Tel Aviv Stock Exchange Ltd. and on the Bank's website.

Dividends distribution

On December 26, 2017 the Bank's Board of directors approved a dividend policy, according to which, starting with the first quarter of 2018, the Bank will distribute in each quarter a dividend at the rate of up to 15% of the net distributable earnings, as reflected in the consolidated financial statements for the preceding quarter.
On March 10, 2019, the Bank's Board of Directors resolved to increase, as from the fourth quarter of 2018, the dividend rate from 10% to 15% of the profit for the quarter. This resolution was made in view of the consistent and continuous improvement in the Bank's business results.
It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, in accordance with the Companies Act and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Bank of Israel and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.
In accordance with the policy, as stated, the Bank's Board of Directors decided on May 15, 2019, to distribute a dividend at the rate of 15% of the profits of the first quarter of 2019, in the amount of NIS 60.8 million, comprising approx. 5.22 Agora for each ordinary share of NIS 0.1 par value. Additional details regarding the resolution of the Board of Directors, including the dates fixed as the ex-dividend date and the date of payment, are included in the immediate report published by the Bank together with the publication of this report.
For details of the dividends paid as from the first quarter of 2018, see Note 18 B to the condensed financial statements.

Activity of the Group according to principal Segments of Operation – principal quantitative data and main developments

General

The regulatory operating segments have been defined by the Bank of Israel in the new directives, based on the characteristics of their customers, such as: the nature of their activity (in relation to private customers), or their business turnover (in case of commercial customers), in a format that connects, on a uniform and single value basis, between the different customers of the banking industry as a whole, and the regulatory operating segments.
According to the instructions, a banking corporation, the operating segments of which, according to the approach of its Management, are materially different from the regulatory operating segments, shall provide in addition, disclosure regarding operating segments according to the Management's approach ("managerial operating segments"), in accordance with the accounting principles accepted by U.S. banks in the matter of operating segments – (ASC 280). However, in accordance with new directives and clarifications of the Banking Supervision Department, the disclosure in the directors' and management report shall relate to regulatory operating segments only. Note 13 to the condensed financial statements present a quantitative disclosure of the managerial operating segments that the Bank has identified.
Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements, pp. 121-129 below.
For details regarding the relevant public reporting instructions and the definition of the segments, and details regarding the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2018 (pp. 224-226).

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The segment's loss in the first three months of 2019 amounted to NIS 20 million, compared to a loss in the amount of 44 million in the corresponding period last year.
The credit loss expenses in the first three months of 2019 amounted to NIS 81 million, compared to NIS 78 million in the corresponding period last year, an increase at a rate of 3.8%.

Principal data regarding the household segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	832	(1)(2)766	3,285
Credit loss expenses	81	78	363
Total Operating and other expenses	773	(1)(2)741	3,149
Net Loss Attributed to the Bank's shareholders	(20)	(44)	(170)

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

Developments in the segment

In the first quarter of 2019, the Bank continued implementing measures to achieve the multi-year targets:

- Continuing with measures to improve service and sales to customers, as a direct result of completing the measure for the removal of operational activity from the branches;
- Continuing the customer communication channels with the bankers by coded mail, communicating with the banker via the mobile application and the telephone “CALL BACK” service;
- Continuation of installment of a new CRM system at the Bank branches, which allows centralized documentation and management of customer approaches through all communication channels;
- Continuing to regulate workload at the branches in all communication channels: frontal, telephonic and digital, through a command and control center established at the Banking Division;
- Continuing to expand and improve the telephone center with the aim of increasing the availability of the telephone service.

For additional details regarding the household segment (Domestic operations), including details regarding mortgage activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to NIS 7 million, compared to a profit in an amount of NIS 3 million in the corresponding period last year, an increase at a rate of 133%.

Principal data regarding the Private Banking segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	42	(1)(2)35	149
Credit loss expenses	-	-	1
Total Operating and other expenses	31	(1)(2)31	125
Net Profit Attributed to the Bank's shareholders	7	3	15

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

For additional details regarding the Private Banking segment, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Small and minute businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to 96 million, compared to an amount of NIS 115 million in the corresponding period last year, a decrease at a rate of 16.5%.
The credit loss expenses in the first three months of 2019 amounted to NIS 49 million, compared to expenses reversal of NIS 6 million in the corresponding period last year.

Principal data regarding the Small and minute businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	521	(1)(2)489	2,019
Credit loss expenses (expenses reversal)	49	(6)	111
Total Operating and other expenses	318	(1)(2)315	1,347
Net Profit Attributed to the Bank's shareholders	96	115	358

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

For additional details regarding the Small and minute businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Medium businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to NIS 22 million, compared to an amount of 43 million in the corresponding period last year, a decrease at a rate of 48.8%.
The credit loss expenses in the first three months of 2019 amounted to NIS 14 million, compared to expenses reversal of NIS 30 million in the corresponding period last year.

Principal data regarding the Medium businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	108	(1)(2)101	417
Credit loss expenses (expenses reversal)	14	(30)	(40)
Total Operating and other expenses	61	(1)(2)64	260
Net Profit Attributed to the Bank's shareholders	22	43	127

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.

For additional details regarding the Medium businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Large businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to NIS 120 million, compared to an amount of NIS 36 million in the corresponding period last year, an increase at a rate of 233.3%.

The credit loss expenses in the first three months of 2019 amounted to expenses reversal of NIS 13 million, compared to expenses of NIS 87 million in the corresponding period last year.

Principal data regarding the Large businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	296	(1)(2)(3)255	1,078
Credit loss expenses (expenses reversal)	(13)	87	120
Total Operating and other expenses	122	(1)(2)110	414
Net Profit Attributed to the Bank's shareholders	120	36	355

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the Large businesses segment (Domestic operations), including details regarding construction and real estate activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The existing and growing competition among banks and Stock Exchange members who are not banks, causes erosion in commission rates. Moreover, the low interest environment hinder the financing income from deposits.

The segment's profit in the first three months of 2019 amounted to NIS 1 million, compared with a loss of NIS 2 million in the corresponding period last year.

Principal data regarding the Institutional bodies segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	11	(1)(2)(3)11	46
Credit loss expenses (expenses reversal)	(2)	1	1
Total Operating and other expenses	12	(1)(2)12	41
Net Profit (Loss) Attributed to the Bank's shareholders	1	(2)	3

Footnotes:
(1) Reclassified - see Note 12 B to the condensed financial statements.
(2) Reclassified - see Note 1 D to the condensed financial statements.
(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the Institutional bodies segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to NIS 100 million, compared to an amount of NIS 73 million in the corresponding period last year, an increase of 37.0%.

Principal data regarding the Financial management segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	206	(1)(2)(3)163	960
Total Operating and other expenses	48	(1)(2)44	202
Net Profit Attributed to the Bank's shareholders	100	73	483

Footnotes:

(1) Reclassified - see Note 12 B to the condensed financial statements.

(2) Reclassified - see Note 1 D to the condensed financial statements.

(3) Reclassified - see Note 12 C to the condensed financial statements.

For additional details regarding the financial management segment (Domestic operations), including details regarding non-financial companies activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

International operations Segment

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2019 amounted to NIS 79 million, compared to NIS 95 million in the corresponding period last year, a decrease at a rate of 16.8%.

The credit loss expenses in this segment in the first three months of 2019 amounted to NIS 12 million, compared to expenses reversal of NIS 18 million in the corresponding period last year.

Principal data regarding the International operations segment

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Total income	295	256	1,066
Credit loss expenses (expenses reversal)	12	(18)	(16)
Total Operating and other expenses	165	140	610
Net Profit Attributed to the Bank's shareholders	79	95	334

For additional details regarding the International operations segment, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Main Investee Companies

Distribution of Net profit by the Group 's structure

	Contribution to the Group's profit				
	For the three months ended March 31,				
	2019		2018		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
In Israel - the Bank	237	58.5%	124	38.9%	91.1%
Mercantile Discount Bank	67	16.6%	77	24.2%	(13.0%)
Overseas - Discount Bancorp	73	18.0%	95	29.8%	(23.2%)
Other Activities:	-	-	-	-	-
Israel Credit Cards	23	5.7%	17	5.3%	35.3%
Discount Capital	1	0.2%	3	0.9%	(66.7%)
Other financial services	4	1.0%	3	0.9%	33.3%
Net profit	**405**	**100.0%**	**319**	**100.0%**	**27.0%**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 168 million in the first three months of 2019, compared to NIS 195 million in the corresponding period last year, and an income of NIS 742 million in all of 2018.
Following are the major developments in the Bank's main investee companies.

Discount Bancorp, Inc.

Discount Bancorp, Inc. ("Bancorp") is a wholly owned subsidiary of the Bank, which is a bank holding company, incorporated in accordance with the law of the State of Delaware. Bancorp has full ownership and control of Israel Discount Bank of New York (IDB New York). IDB New York is the largest Israeli bank operating overseas. The data presented hereunder in this section have been taken from Bancorp's financial statements.

Discount Bancorp, Inc. – principal data

	In US$ millions		
Profit and loss statement items for the three mounts ended March 31	2019	2018	Change in %
Net profit attributed to the shareholders	24	30	(20.0)
Return on equity	9.9%	13.3%	
Balance sheet items	March 31, 2019	December 31, 2018	Change in %
Total assets	9,459	9,229	2.5
Total credit	6,393	6,109	4.6
Total deposits	8,014	7,460	7.4
Total equity	983	948	3.7
Ratio of total capital to risk assets	14.8%	15.3%	

The business results for the first three months of 2019, were affected mostly from the growth in financing income (US$4 million) and an increase in non-interest income (US$ 2.2 million). On the other hand, an increase occurred in credit loss expenses (US$8 million) and an increase occurred in other expenses (US$5.6 million).
The contribution of Bancorp to the Bank's net results reached a profit of NIS 73 million in the first quarter of 2019 (after deducting a provision for taxes of NIS 13 million), compared with NIS 95 million in the first quarter of 2018 (after deducting a provision for taxes of NIS 9 million).
The annual financial statements of Bancorp and of IDB New York are available for review on the Internet website of IDB New York (IDB Bank). Annual and quarterly financial data is available for review on the Internet website of FDIC.

Mercantile Discount Bank Ltd.

Mercantile Discount Bank Ltd. ("Mercantile Discount") is a wholly-owned and controlled subsidiary of the Bank.

Mercantile Discount Bank – principal data

	In NIS millions		
Profit and loss statement items for the three mounts ended March 31	2019	2018	Change in %
Net profit attributed to the shareholders	67	77	(13.0)
Return on equity	10.0%	13.0%	
Balance sheet items	March 31, 2019	December 31, 2018	Change in %
Total assets	36,122	36,219	(0.3)
Total credit to the public, net	26,405	25,675	2.8
Total deposits from the public	30,353	30,551	(0.6)
Total equity	2,817	2,723	3.5
Ratio of total capital to risk assets	13.7%	14.0%	

The principal factors affecting the business results. The income in the first three months of 2019 was affected, inter alia, from an increase of NIS 30 million in net interest income; from a decrease of NIS 21 million in non-interest financing income, from an increase of NIS 24 million in credit loss expenses.

For details regarding the strategic plan of MDB and the main projects to be carried out within the framework thereof, see the 2018 Annual Report (pp. 52-53).

For details regarding lawsuits and motions for approval of the lawsuits as class action suits and for details regarding additional proceedings, see Note 26 C to the financial statements as of December 31, 2018, items 12.2, 12.3, 13.2 and 13.5 (pp. 207-210) and Note 10 B to the condensed financial statements, items 4.1, 4.3, 5.2, 5.3 and 5.7.

The annual and quarterly financial statements of Mercantile Discount Bank are available on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. appearing under "Mercantile Issuance", and on the website of Mercantile Discount Bank.

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of March 31, 2019, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.

Israel Credit Cards – principal data

	In NIS millions		
Profit and loss statement items for the three mounts ended March 31	2019	2018	Change in %
Total Income	432	396	9.1
Net profit attributed to the shareholders	37	29	27.6
(1)The contribution to the Bank's business results	23	17	35.3
Return on equity	8.2%	7.1%	
Balance sheet items	March 31, 2019	December 31, 2018	Change in %
Total assets	17,133	16,015	7.0
Total equity	1,869	1,838	1.7
Ratio of total capital to risk assets	15.5%	15.9%	

Footnote:

(1) Differences between net income and the contribution to the Bank's business results is derived from the recognition of current tax liability in respect of the investment in the company.

The business results of ICC for the reported period were mainly affected by the rise in income of NIS 36 million (9.1%), principally income from credit card transactions (NIS 31 million; 11.4%) and net interest income (NIS 9 million; 8.1%), as a result from the growth in volume of consumer credit, and as a result from a decrease in credit loss expenses (NIS 6 million). On the other hand, a growth occurred in the retail credit portfolio of the company and from a reduction in the collection rate, from an increase in operating expenses (NIS 6 million; 11.9%) and from an increase in sales and marketing expenses (NIS 17 million; 16.5%).

Strategic plan. For details, see the 2018 Annual Report (p. 53).

Distribution of dividends. ICC approved on May 12, 2019, the distribution of a dividend in the amount of NIS 150 million (the Bank's share is approx. NIS 108 million).

For details regarding activity in the credit card field in Israel, see in the 2018 Annual Report (pp. 287-292, 348-355) in the chapter "Corporate governance, audit and additional details regarding the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details regarding lawsuits and motions to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2018, items 13.3, 13.6 and 13.8 (pp. 207-210) and Note 10 B items 4.5 and 5.3 to the condensed financial statements.

The annual and quarterly financial statements of ICC are available for review on the Internet website of the company.

Discount Capital Ltd.

Discount Capital Ltd., a wholly owned and controlled subsidiary of the Bank, is engaged in investment in companies, in private investment funds and venture capital funds, investment banking in the field of securities distribution and in the underwriting and management of public offerings of securities (through a subsidiary).

Discount Capital – principal data

	In NIS millions		
Profit and loss statement items for the three mounts ended March 31	2019	2018	Change in %
Net profit attributed to the shareholders	6.2	4.4	40.9
The contribution to the Bank's business results[1]	0.8	3.4	(76.5)
Balance sheet items	March 31, 2019	December 31, 2018	Change in %
Total assets	1,542.0	1,571.0	(1.8)
Total equity	758.3	751.9	0.9

Footnote:
(1) Differences between net income and the contribution to the Bank's business results is derived from differences in the implementation of generally accepted accounting principles and from the recognition of current tax liability in respect of the investment in the company.

For details regarding realization of investments, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".

In the first three months of 2019, Discount Capital participated, via its subsidiary, in 9 public offerings and in 4 private placements, amounting to NIS 3.4 billion. This, compared with 30 public offerings and 4 private placements, amounting to NIS 10.8 billion, in the corresponding period last year.

CHAPTER "C" – RISKS REVIEW

General description of the risks and manner of management thereof

Risk profile of the Discount Group

For details regarding the risk profile of the Discount Group, see the 2018 Annual Report (pp. 54-55). For details regarding Risk Management Principles, see the 2018 Annual Report (p. 55-57).

Disclosures in accordance with the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure regarding the various risks above and below in this Chapter, is presented in the 2018 Annual Report (pp. 54-91) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks". The document is available for perusal on the Bank's website together with the Bank's 2018 annual report together with the Report for the first quarter of 2019 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

Credit risks and the manner of management thereof

For details regarding Credit risks and the manner of management thereof, see the 2018 annual report (pp. 57-74).

The Otzar system (new credit and attachments management system). The system is planned to manage the whole operation of underwriting, approval and management of credit to all customers of Discount Bank and of MDB.

A gradual installment of the system started in June 2018 in the corporate division and in several units of the Risk Management Division. Installation of the system in all branches and regional offices in the banking division and in the additional business units will be made during the year 2019. The integration of the system is completed at this stage with respect to credit facilities, reports to the Supervisor of Banks and infrastructure for the digital monitoring of restrictions.

For additional details, see the 2018 Annual Report (p. 58).

For details regarding the Bank's preparations for the adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses, see the 2018 Annual Report (p. 59).

Credit quality and problematic credit risk

Problematic credit risk and non performing assets

	March 31, 2019			December 31, 2018		
	Credit Risk					
	Balance Sheet	Off-Balance Sheet	Total	Balance Sheet	Off-Balance Sheet	Total
	In NIS millions					
Problematic Credit Risk[1]:						
Impaired credit risk	[3]1,711	44	1,755	[3]1,712	67	1,779
Substandard credit risk[2]	697	11	708	650	10	660
Special mention credit risk[2]	1,435	212	1,647	1,448	210	1,658
Total Problematic Credit Risk	**3,843**	**267**	**4,110**	**3,810**	**287**	**4,097**
Of which: Non impaired debts, in arrears for 90 days or more[2]	437			435		
Non-performing assets:						
Impaired debts - non accruing interest income	1,102			1,090		

Footnotes:
(1) Impaired credit, substandard credit and credit under special mention risks.
(2) Including in respect of housing loans for which an allowance based on the extent of arrears exists and in respect of housing loans that are in arrears for 90 days or more for which an allowance based on the extent of arrears does not exist.
(3) Including non accruing corporate bonds in an amount of NIS 10 million, and non accruing bank bonds of NIS 71 million (December 31, 2018- non accruing corporate bonds in an amount of NIS 10 million, and non accruing bank bonds of NIS 69 million).

Changes in balances of impaired debts

	Three months ended March 31					
	2019			2018		
	Commercial	Private	Total	Commercial	Private	Total
	In NIS millions					
Change in impaired debts (In respect of credit to the public only):						
Balance of impaired debts as of the beginning of the year	1,478	155	1,633	2,042	88	2,130
Debts classified as impaired during the period	171	90	261	181	71	(1)252
Debts no longer classified as impaired	(3)	-	(3)	(54)	-	(54)
Impaired debts written off	(37)	(52)	(89)	(88)	(39)	(1)(127)
Impaired debts settled	(152)	(16)	(168)	(220)	(10)	(1)(230)
Other	(4)	-	(4)	5	-	(1)5
Balance of impaired debts as of end of the period	**1,453**	**177**	**1,630**	**1,866**	**110**	**1,976**
Of which: movement in restructured troubled debts						
Balance of restructured troubled debts at beginning of the year	1,094	131	1,225	1,546	71	1,617
Debt restructurings performed during the period	63	43	106	69	35	104
Debts that have again been classified to unimpaired due to a following restructuring	-	-	-	(45)	-	(45)
Restructured troubled debt written off	(8)	(13)	(21)	(98)	(7)	(105)
Restructured troubled debt settled	(115)	(12)	(127)	(78)	(7)	(85)
Other	(10)	(1)	(11)	-	-	-
Balance of restructured troubled debts at the end of the period	**1,024**	**148**	**1,172**	**1,387**	**92**	**1,479**
Changes in allowances for credit losses on impaired debts:						
Balance of allowance for credit losses as of the beginning of the year	169	54	223	163	25	188
Increase in allowances	74	46	120	113	16	129
Collections and write-offs	(91)	(39)	(130)	(139)	(8)	(147)
Balance of allowance for credit losses as of end of the period	**152**	**61**	**213**	**137**	**33**	**170**

Footnote:
(1) Reclassified - Improvement in the calculation of the data at the Bank and at a subsidiary.

Several financial ratios used to evaluate the quality of the credit portfolio

	March 31, 2019	March 31, 2018	December 31, 2018
Ratio of balance of impaired credit to the public to balance of credit to the public	0.94%	1.27%	0.98%
Ratio of balance of non-impaired credit to the public, in arrears for 90 days or more, to balance of credit to the public	0.25%	0.25%	0.26%
Ratio of balance of allowance for credit losses in respect of credit to the public, to balance of credit to the public	1.34%	1.36%	1.36%
Ratio of balance of allowance for credit losses in respect of credit to the public to balance of impaired credit to the public	141.60%	106.98%	139.25%
Ratio of problematic credit risk in respect of the public to the total credit risk in respect of the public	1.53%	1.74%	(1)1.56%
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.33%	0.29%	0.34%
Ratio of net accounting write-offs in respect of credit to the public to the average balance of credit to the public (in annualized terms)	0.22%	0.29%	0.26%
Ratio of net accounting write-offs in respect of credit to the public to the balance of allowance for credit losses in respect of credit to the public (in annualized terms)	16.29%	21.19%	18.25%
The ratio of the balance of allowance for credit losses in respect of credit to the public, to the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over	111.66%	89.50%	109.96%
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	1.20%	1.52%	1.24%
The ratio of the outstanding balance of noninterest bearing impaired credit to the public to total credit to the public	0.59%	0.78%	0.61%

Footnote:
(1) The computation has been corrected

The increase in the rate of the balance of the allowance for credit losses in respect of credit to the public from the balance of impaired credit to the public, stems mostly from the decrease in the balance of impaired credit to the public, and from an increase in the balance of the overall allowance for credit to the public compared to the first quarter of 2018. The decrease in the rate of net write-offs in respect of credit to the public from the balance of the allowance for credit losses in respect of credit to the public stems mostly from the decrease in net write-offs and from an increase in the balance of the allowance.

Credit risk by economic sectors – consolidated

	March 31, 2019						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	14,541	13,760	421	122	(3)	6	230
Construction and Real Estate - Construction'[6]	29,091	28,364	328	148	46	7	230
Construction and Real Estate - Real Estate Activity	11,280	10,755	291	259	(15)	(3)	86
Commerce	21,254	20,408	368	242	29	14	351
Communication and Computer Services	2,354	2,224	67	63	(21)	-	115
Financial Services[7]	15,161	14,698	302	300	4	-	102
Other Business Services	25,799	24,458	344	196	19	13	205
Total Commercial	**119,480**	**114,667**	**2,121**	**1,330**	**59**	**37**	**1,319**
Private Individuals - Housing Loans	36,545	33,678	344	-	7	-	191
Private Individuals - Other	62,827	60,052	559	177	74	59	663
Total Public	**218,852**	**208,397**	**3,024**	**1,507**	**140**	**96**	**2,173**
Banks in Israel and Government of Israel	26,798	26,348	-	-	-	-	-
Total Lending Activity in Israel	**245,650**	**234,745**	**3,024**	**1,507**	**140**	**96**	**2,173**
Total Public - Lending Activity Outside of Israel	**44,703**	**41,759**	**1,015**	**177**	**1**	**(2)**	**316**
Banks and Governments Outside of Israel	7,610	7,539	71	71	-	-	1
Total Lending Activity Outside of Israel	**52,313**	**49,298**	**1,086**	**248**	**1**	**(2)**	**317**
Total	**297,963**	**284,043**	**4,110**	**1,755**	**141**	**94**	**2,490**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 179,063 million, NIS 34,623 million, NIS 823 million, NIS 3,404 million, NIS 80,050 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Includes housing loans in the amount of NIS 102 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.

(7) Including mortgage backed securities in the amount of NIS 5,465 million, issued by GNMA and in the amount of NIS 973 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,673 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	March 31, 2018						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Credit Losses Expenses (expenses reversal)	Net Accounting Write-Offs	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	15,337	14,672	344	56	(10)	(4)	223
Construction and Real Estate - Construction'[6]	26,009	25,319	332	130	6	11	170
Construction and Real Estate - Real Estate Activity	10,446	10,026	311	260	(11)	(12)	94
Commerce	21,501	20,555	516	310	(9)	(13)	373
Communication and Computer Services	2,535	2,178	307	253	79	74	131
Financial Services[7]	13,011	12,672	306	303	1	-	99
Other Business Services	24,333	23,020	321	214	1	(4)	180
Total Commercial	**113,172**	**108,442**	**2,437**	**1,526**	**57**	**52**	**1,270**
Private Individuals - Housing Loans	31,952	30,549	292	-	6	9	172
Private Individuals - Other	57,476	54,067	511	110	70	57	569
Total Public	**202,600**	**193,058**	**3,240**	**1,636**	**133**	**118**	**2,011**
Banks in Israel and Government of Israel	23,383	23,374	-	-	-	-	-
Total Lending Activity in Israel	**225,983**	**216,432**	**3,240**	**1,636**	**133**	**118**	**2,011**
Total Public - Lending Activity Outside of Israel	**41,752**	**39,425**	**1,025**	**500**	**(21)**	**(6)**	**297**
Banks and Governments Outside of Israel	7,146	7,115	31	31	-	-	1
Total Lending Activity Outside of Israel	**48,898**	**46,540**	**1,056**	**531**	**(21)**	**(6)**	**298**
Total	**274,881**	**262,972**	**4,296**	**2,167**	**112**	**112**	**2,309**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 160,323 million, NIS 31,911 million, NIS 682 million, NIS 3,473 million, NIS 78,492 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Includes housing loans in the amount of NIS 90 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.

(7) Including mortgage backed securities in the amount of NIS 6,159 million, issued by GNMA and in the amount of NIS 1,191 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,208 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 255 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2018						
					Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which : Credit Performance Rating[4]	Of Which: Problematic[5]	Of Which: Credit Risk Impaired	Periodic Credit Loss Expenses	Net Accounting Write-Offs Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions						
Industry	14,721	13,967	447	73	23	12	241
Construction and Real Estate - Construction'[6]	28,498	27,865	316	122	25	9	190
Construction and Real Estate - Real Estate Activity	10,986	10,542	314	283	(14)	(14)	98
Commerce	19,888	18,991	389	258	5	40	334
Communication and Computer Services	2,359	2,179	125	122	134	123	136
Financial Services[7]	14,144	13,780	301	298	-	(1)	98
Other Business Services	25,579	24,386	360	213	64	39	199
Total Commercial	**116,175**	**111,710**	**2,252**	**1,369**	**237**	**208**	**1,296**
Private Individuals - Housing Loans	35,676	32,906	334	-	23	14	184
Private Individuals - Other	61,588	60,265	566	155	340	249	648
Total Public	**213,439**	**204,881**	**3,152**	**1,524**	**600**	**471**	**2,128**
Banks in Israel and Government of Israel	28,439	28,428	-	-	-	-	-
Total Lending Activity in Israel	**241,878**	**233,309**	**3,152**	**1,524**	**600**	**471**	**2,128**
Total Public - Lending Activity Outside of Israel	**45,445**	**43,250**	**876**	**186**	**(60)**	**(56)**	**322**
Banks and Governments Outside of Israel	7,050	6,981	69	69	-	-	1
Total Lending Activity Outside of Israel	**52,495**	**50,231**	**945**	**255**	**(60)**	**(56)**	**323**
Total	**294,373**	**283,540**	**4,097**	**1,779**	**540**	**415**	**2,451**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including in respect of derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under resale agreements, assets in respect of derivative instruments, and credit risk in respect of off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 172,917 million, NIS 36,859 million, NIS 774 million, NIS 3,726 million, NIS 80,097 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets in respect of Maof Market operations.

(3) Including in respect of off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy of the Bank.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Including acquisition groups in an amount of NIS 59 million.

(7) Including mortgage backed securities in the amount of NIS 5,933 million, issued by GNMA and in the amount of NIS 1,086 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 5,673 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Exposure to Foreign Countries - Consolidated

	As of March 31						As of December 31		
	2019			2018			2018		
				exposure			exposure		
The Country	balance sheet(2)				Off-balance sheet(2)(3)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total
	In NIS millions								
United States	13,123	6,974	20,097	12,323	6,582	18,905	13,793	6,766	20,559
Other(6)	7,563	(5)8,570	16,133	6,189	8,624	14,813	7,219	8,249	15,468
Total exposure to foreign countries(1)	**20,686**	**15,544**	**36,230**	**18,512**	**15,206**	**33,718**	**21,012**	**15,015**	**36,027**
Of which - Total exposure to the PIGS countries(4)	16	369	385	6	410	416	8	381	389
Of which - Total exposure to LDC countries(7)	681	237	918	374	225	599	755	250	1,005

Notes:

(1) Based on the final risk, net of 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 impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.

(3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.

(4) Portugal, Italy, Greece and Spain.

(5) Including the transfer of credit risk to a consortium of international insurers in the following countries: Switzerland – an amount of NIS 3,612 million and Germany – an amount of NIS 3,432 million.

(6) As of December 31, 2018, the exposure to the United Kingdom did not meet the separate presentation criterion in the table, though it was presented separately for comparison purposes. In this report, United Kingdom is no longer shown separately.

(7) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.

Credit Exposure to Foreign Financial Institutions

General. Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.

As opposed to the definition of the "financial services" economic sector for the purpose of disclosure in the Management Review concerning the "Overall credit risk according to economic sectors", the exposure in respect of foreign financial institutions presented in the table hereunder includes exposure to foreign banks and to foreign investment banks, which, on the one hand, are not included in credit to the public, and on the other hand, does not include exposure in respect of investment in asset backed securities and in respect of potential off-balance sheet exposure.

The Bank maintains a careful credit policy and is monitoring developments and volume of exposure to key markets and to markets of the countries at risk. This is performed on an ongoing basis and at the Group level, within the framework of an inter-division forum. The Bank's dealing room monitors these markets in order to obtain a comprehensive picture and to react in real time to currency risks in accordance with the risk profile of each customer and the approved credit facilities.

As seen from the data presented above regarding "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.

For details regarding the manner of managing credit risk applying to foreign financial institutions, see the 2018 Annual Report (pp. 63-65).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, about 87% of the exposure as of March 31, 2019, is to financial institutions rated "A-"rating or higher.

The states in respect of which the Bank has exposure as stated above as of March 31, 2019, include, inter-alia, the United States, Great Britain and France.

In the first quarter of 2019, no loss on impairment of securities was recorded in respect of exposure to financial institutions.

Details of present credit exposure to foreign financial institutions on a consolidated basis

	Balance sheet credit risk(2)(4)(5)	Present off balance sheet credit risk(3)(4)	Present credit exposure(4)
	In NIS millions		
	As of March 31, 2019		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	1,535	99	1,634
A+ to A-	2,958	427	3,385
BBB+ to BBB-	603	7	610
BB+ to B-	3	14	17
Not rated	81	34	115
Total present credit exposure to foreign financial institutions	**5,180**	**581**	**5,761**
Balance of problematic bonds	71	-	71
	As of December 31, 2018		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	709	100	809
A+ to A-	3,301	365	3,666
BBB+ to BBB-	518	3	521
BB+ to B-	3	57	60
Not rated	37	35	72
Total present credit exposure to foreign financial institutions	**4,568**	**560**	**5,128**
Balance of problematic bonds	69	-	69

Notes:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.
(2) Deposits with banks, credit to the public, investment in bonds, securities borrowed or purchased under resale agreements and other assets in respect of derivative instruments.
(3) Mainly guarantees, including guarantees securing third party indebtedness.
(4) Credit exposures and problematic credit risk are presented before the effect of allowance for credit losses and before deductions as defined in Section 5 of Proper Conduct of Banking Business Directive No. 313.
(5) For further information regarding the composition of the credit exposure reflected in the table showing derivative instruments in relation to banks/dealers/brokers, see Note 28 to the financial statements.
(6) Credit exposure does not include exposure to financial institutions that have explicit and full government guarantees, and does not include investment in assets backed securities (for additional details regarding assets backed securities, see Note 5 to the condensed financial statements).
(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.

In addition to the exposure presented in the above table, as of March 31, 2019 and December 31, 2018 a potential off-balance sheet exposure exists in respect of derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 regarding "Restrictions on indebtedness of a single borrower and of a group of borrowers"), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 138 million and NIS 167 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB New York (hereinafter will be named together as "the Group"). It is noted though, that the data relating to IDB New York are negligible (housing credit in the amount of NIS 158 million as of March 31, 2019 and NIS 145 million as of December 31, 2018).

Developments in the field of housing loans. A growth was recorded in recent years in the demand and in the volume housing loans granted. This stemmed from increasing demand in the housing market and from rising prices resulting from the shortage in the supply in residential units in relation to the said demand.

The growth recorded in the volume of housing loans granted by the banking industry, which exceeds the economic growth rates and the growth rates in the standard of living and in household income, together with a scenario of a rise in unemployment and in interest rates, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. Notwithstanding the above, there are indications on the local market regarding a moderation in demand for new residential units not included in the "price for the house purchaser" program. At the same time, with the progress made by the "price for the house purchaser" program, an increase is noted in mortgage loans granted in this segment, which is reflected in the general increase in new mortgage loans in the first quarter of 2019, compared to the first quarter of 2018, at a rate of 9%. For details regarding the measures taken by the Group, see 2018 Annual Report (p. 65).

The volume of the Group's housing loan portfolio as of March 31, 2019, amounted to NIS 34,027 million (December 31, 2018 - NIS 33,159 million).

Certain risk characteristics of the Group's housing loans portfolio

	March 31, 2019	December 31, 2018
	%	
Rate of housing loans financing over 75% of the value of the property	2.4	2.5
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	9.3	9.6
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio[1]	59.4	59.4

Footnote:
(1) Loans in which the interest rate change frequency exceeds five years were also included in computing the ratio.

Amount of loans and average financing ratios

	For the three months ended March 31,	For the year ended December 31,
	2019	2018
Average amount of loan (in NIS thousands)	793	752
Average financing ratio for housing loans (in %)	55.1	55.1
Average financing ratio for general purpose loans (in %)	41.1	34.5

Division of housing credit balances according to size of credit to borrowers

	March 31, 2019		December 31, 2018	
Credit limit net[(1)(2)] (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	27,030	79.9	26,345	79.9
Between 1,200 and 4,000	6,413	19.0	6,212	18.8
Over 4,000	389	1.1	414	1.3
Total	**33,832**	**100.0**	**32,971**	**100.0**
Of which:				
Housing loans that were granted abroad	162		147	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 195 million (December 31, 2018: NIS 188 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 226 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2018:NIS 235 million).

Volume of problematic debts in housing credit

As at	Balance of credit to the public[(1)(5)]	Balance of the problematic credit[(1)]	Balance of allowances for credit losses[(2)(3)]	Ratio of problematic debt
	In NIS millions			Change in %
March 31, 2019	34,027	[(4)]351	75	1.0
December 31, 2018	33,159	[(4)]340	72	1.0

Footnotes:

(1) Recorded amount.

(2) As at March 31, 2019 the balance of the allowance includes an allowance in accordance with the extent of arrears in an amount of NIS 71 million, and also an allowance over the extent of arrears in an amount of NIS 4 million (as of December 31, 2018: NIS 68 million and NIS 4 million, respectively).

(3) Not including group allowance in a percentage of 0.35% from the credit balance in respect of which on allowance in accordance with the extent of arrears was not made, in amount of NIS 120 million as at March 31, 2019 (as of December 31, 2018: NIS 116 million).

(4) Including an amount of NIS 21 million, defined as problematic credit, which is not in arrears (December 31, 2018: NIS 24 million).

(5) The outstanding balance of credit to the public includes housing loans in the amount of NIS 226 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2018:NIS 235 million).

Distribution of housing credit granted, according to financing ratios and as a ratio of credit granted

	For the three months ended March 31,				For the year ended December 31, 2018	
	2019		2018			
Loan to value (LTV) ratio[(1)]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 45%	510	27.8	423	28.4	1,979	27.1
Between 45% and 60%	681	37.0	569	38.1	2,780	38.2
Over 60%	646	35.2	500	33.5	2,531	34.7
Total	**1,837**	**100.0**	**1,492**	**100.0**	**7,290**	**100.0**

Footnote:

(1) The loan to value (LTV) ratio is computed in respect of the purchased asset and does not include additional collateral, if granted.

Data regarding developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			Credit			
	Fixed interest	Variable interest		Fixed interest	Variable interest		Fixed interest	Variable interest		
	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	Total Housing Credit[(1)(2)]
As at March 31, 2019	8,919	13,706	66.9	4,438	6,592	32.6	2	175	0.5	33,832
As at December 31, 2018	8,605	13,357	66.6	4,411	6,402	32.8	2	194	0.6	32,971

Footnotes:

(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 226 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2018:NIS 235 million).

(2) The balance of credit is after deduction of allowance for credit losses of NIS 195 million (December 31,2018: NIS 188 million).

Most of the loans are granted for an initial period of up to 25 years. The average period of the loan at the Bank is slightly lower than that of the industry.

The outstanding balance as of March 31, 2019 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 4,781 million, comprising 14.1% of the total housing loans portfolio (as of December 31, 2018, the balance amounted to NIS 4,694 million, comprising 16.7% of the total housing loans portfolio).

Composition of loans granted for housing purposes, divided by the ratio of repayments to earnings

	For the three months ended March 31,				For the year ended December 31, 2018	
	2019		2018			
Ratio of payment to income (PTI)[(1)]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 40%	1,667	99.7	1,336	99.7	6,670	99.9
Over 40%	5	0.3	4	0.3	6	0.1
Total	**1,672**	**100.0**	**1,340**	**100.0**	**6,676**	**100.0**

Footnote:
(1) The amount of loans granted do not include loans secured by a mortgage on a residential unit, balloon loans and bullet loans.

Credit risk of private individuals (excluding housing credit risk)

General. The data presented in his item comprise data of operation in Israel, excluding housing loans, and they include the Bank and MDB. Certain data relating to credit to private individuals at ICC is presented separately hereunder, in accordance with available data of ICC.

Definitions. Following are the definitions used in the preparation of this report:

Amount of income per account – average income of a recurring pattern from salaries, annuities, transfers and deposits, after elimination of exceptional amounts.

Balance-Sheet credit upper limit – in accordance with the reporting to the Supervisor of Banks under Reporting to the Supervisor of Banks Directive No. 836 – current account balances, credit cards and loans. Excluding non-utilized facilities of current account and credit cards.

"Financial assets portfolio" – the financial assets portfolio related to the account of the customer: financial deposits (including current account balance), securities portfolio and other financial assets.

Development in balances

Distribution by customer's fixed income and by financial assets portfolio related to the account

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	March 31, 2019				
Level of income to the account					
Excluding permanent income to the account	1,344	124	1,468	538	2,006
Less than NIS 10 thousand	5,354	1,028	6,382	3,337	9,719
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,218	1,518	5,736	3,124	8,860
Greater than NIS 20 thousand	3,233	2,198	5,431	3,657	9,088
Total	**14,149**	**4,868**	**19,017**	**10,656**	**29,673**
	December 31, 2018				
Level of income to the account					
Excluding permanent income to the account	1,253	175	1,428	746	2,174
Less than NIS 10 thousand	5,320	974	6,294	3,218	9,512
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,238	1,485	5,723	3,013	8,736
Greater than NIS 20 thousand	3,305	2,183	5,488	3,569	9,057
Total	**14,116**	**4,817**	**18,933**	**10,546**	**29,479**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

Fixed maturity date	March 31, 2019	December 31, 2018
	Balance of loans in NIS millions	
Up to 1 year	1,494	1,522
Over 1 year and up to 3 years	4,975	4,950
Over 3 years and up to 5 years	4,583	4,509
Over 5 years	2,392	2,435
Total	**13,444**	**13,416**

It is noted that the above Table presents the distribution relating only to loans, while the remaining Tables present distribution relating to the maximum balance-sheet credit, which includes also current account balances and credit cards.

Distribution by size of credit to the borrower

Balance sheet credit upper limit (NIS thousands)	March 31, 2019	December 31, 2018
	in NIS million	
Up to 40	3,851	3,870
Between 40 and 150	9,718	9,638
Over 150	5,448	5,425
Total	**19,017**	**18,933**

Distribution by exposure to changes in interest rates

	March 31,	
	2019	2018
	in NIS million	
Fixed interest credit	5,902	5,930
Variable interest credit	13,115	13,003
Total	**19,017**	**18,933**

Distribution of collateral securing the credit

Type of collateral	March 31, 2019	December 31, 2018
	Total collateral in NIS millions	
Liquid financial assets	1,598	1,492
Other collateral	949	819
Total	**2,547**	**2,311**

Development of problematic credit risk in respect of private individuals

	March 31, 2019	December 31, 2018	Change in	Rate from total balance-sheet to credit to the public March 31, 2019	December 31, 2018
	in NIS million		%	%	
Problematic credit risk	559	566	(1.2)	1.9	1.9
Of which: impaired credit risk	177	155	14.2	0.6	0.5
Debts in arrears of 90 days or more	51	61	(16.4)	0.2	0.2
Net accounting write-offs	59	249	(1)(5.2)	(1) 0.8	0.8
Balance of allowance for credit losses	663	648	2.3	2.2	2.2

Footnote:
(1) On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank and MDB), amounted to NIS 749 million at March 31, 2019, as compared to NIS 720 million, as of December 31, 2018.

Quantitative data regarding credit granted to private individuals in ICC

A growth at the rate of 2.4% was recorded in the first quarter of 2019 in the balance of interest bearing credit granted to private individuals, in continuation of an increase of 13.6% in 2018. This credit amounted as of March 31, 2019, to NIS 4,856 million, and comprises 59.6% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 3,297 million, as compared to NIS 3,146 million as of December 31, 2018 (an increase of approx. 4.8%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.

Credit losses in respect of private individuals amounted in the first quarter to NIS 33 million, compared to NIS 38 million in the corresponding quarter last year. As estimated by the Management of ICC, the increase in credit losses in the recent years, stems from the growth in the credit portfolio of ICC and from the average volume of credit granted to the individual customer in this portfolio, from a decline in the rate of debt collection, mainly through law offices, which, inter alia, resulted from heavier regulation in the field of debt collection procedures as well as from changes in market practices in relation to accepted past practices. ICC has prepared and is preparing to cope with these changes by different means.

Additional details

Background

Credit products. The credit activity in this field is conducted in three principal channels: current account credit facilities, credit card facilities and loans.

The loans comprise the major part of consumer credit balances, and are usually granted in amounts of less than NIS 50 thousand and for short periods (mostly up to five years). The market share of loan operations conducted outside the branch premises rises gradually year by year and constitutes a central layer of the total consumer credit activity.

Credit underwriting. Over the years, the Bank has developed advanced models for the assessment of risk relating to a customer seeking credit. The underwriting processes in respect of consumer credit at the Bank are accompanied by wide use of the model products and are conducted in accordance with the Bank's credit policy, carefully modifying the product to the needs of the customer.

Credit underwriting at the branches is comprised of two layers: the one – underwriting under authority, performed at the discretion of an authorized factor using indications and products of models as to the risk rating of the customer, his repayment ability, as well as additional indications required in accordance with the customer's risk and the amount of the loan. The other – automatic underwriting, being performed generally in the case of loans in relatively small amounts and in accordance with the recommendation of the model, which takes into consideration the risk level of the customer, his repayment ability and the past experience of the Bank with the borrower.

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. At the beginning of 2016, credit to households comprised nearly one half of the total credit portfolio of the banking industry in Israel. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.

Risk mitigating measures

Determining underwriting thresholds. Within the framework of determining the risk appetite, underwriting thresholds have been set, which reflect the maximum level of risk in which new consumer credit may be provided. Deviation from these rules is possible only in exceptional cases and in limited amounts, while ascending the authorization scale.
Models and analytical tools. The process of determining the consumer credit risk at the Bank is accompanied by statistical models, which calculate the credit risk assessments (LGD and PD) that forecast the customer's risk level and the marginal transaction. The models are based upon variables referring to the characteristics of the customer, his repayment ability, financial stability and his banking past. The models are being updated from time to time in accordance with market changes, state of the borrowers and additional factors.
Effective measurement. All business units at the Bank are being measured on a current basis by the quality of the consumer credit portfolio under their responsibility, and by their adherence to the underwriting rules. All functions related to credit underwriting have defined indices, the aim of which is maintaining the quality of the portfolio and the wide distribution of credit to the extent possible.

The fairness principle

In accordance with guidelines of the Supervisor of Banks, criteria for the initiation and marketing of credit to the private individual customer population were defined, in respect thereof the Bank is permitted to initiate offers for the granting of credit. The rules are based upon the risk level of the customer as well as on the advisability of accepting the loan on the part of the customer.
The approach to the customer is made according to conversation scenarios that include proper disclosure of the loan terms, needs of the customer and his characteristics as well as mention of the assets and liabilities stated in the customer's account.
It is noted that the fairness principle as regards the customer, has been defined both as part of the risk appetite of the Discount Group and as part of the credit underwriting policy regarding private customers.
The principle of fairness and decency as regards debtors is being applied both while they are being handled under the responsibility of the managing branch as well as after passing them on for legal proceedings by the law offices engaged by the Bank. The guideline is to try and reach an arrangement with each debtor in default, which meets his capabilities and his repayment ability.
The Bank is preparing for the implementation of the requirements of the Fair Credit Act, which took effect in November 2018. For details regarding this Act, see the 2018 Annual Report (p. 369).

Monitoring and control

The Bank performs on a current basis, control over the quality of underwriting, adherence to policy rules and proper disclosure rules. Control is performed by means of compliance officers in the business units, credit controllers and the internal audit.
Current monitoring is also performed with respect to the quality of the consumer credit portfolio at the Bank.

Credit risk in relation to the construction and real estate sector

The construction and real estate sectors are a central component in the Bank's credit portfolio, and most of the credit to these sectors is managed by the Real Estate and Infrastructure wing in the Corporate Division, which possesses a high level of expertise and considerable experience in this field. The Bank's activities in this field are subject to a regulatory limit that prescribes that the weight of local real estate activities shall not exceed 20% of the total credit; in addition, the Bank has set itself a more stringent internal limit that serves as a threshold alert. The Bank complies with the said limitations.
Moreover, the credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see hereunder "Construction and Real Estate Activity" under "Additional Details Regarding the Business of the Banking Corporation and Management Thereof".

Total credit and percentage of problematic credit in the construction and real estate sector

	March 31, 2019			December 31, 2018		
	Credit for the public[(1)(2)]	Of which: problematic credit[(1)(2)]	Rate of problematic credit	Credit for the public[(1)(2)]	Of which: problematic credit[(1)(2)]	Rate of problematic credit
Sector	in NIS million		%	in NIS million		%
Income generating real estate	10,663	249	2.3	10,406	283	2.7
Construction – general building contracting	1,589	154	9.7	1,545	165	10.7
Residential projects financing	21,291	39	0.2	19,988	41	0.2
Acquisition of building land	5,732	27	0.5	4,851	19	0.4
Subcontracting	2,623	140	5.3	2,625	114	4.3
Civil engineering work	3,487	57	1.6	3,462	58	1.7
Other	4,591	99	2.2	4,921	92	1.9
Total[(2)]	**49,976**	**765**	**1.5**	**47,798**	**772**	**1.6**

Footnotes:

(1) Balance-sheet and off-balance-sheet credit to the public, excluding financial derivatives.

(2) The data in this table are more expansive than the data reported according to economic sectors, in conformity with the Bank's internal reporting, and include additional activities correlating largely with the activities in the construction and real estate sector. The data in the table include activity in Israel only.

As revealed by the table, most of the growth is in the financing of residential projects and acquisition of building land field, which is in conformity with the Bank's credit policy.

For details regarding the purchase of a policy to insure against credit risk related to Sale Act guarantees and performance guarantees and with respect to the purchase of credit risk insurance in the real estate field, see the 2018 Annual Report (pp.336-337).

Credit risk in respect of leveraged finance

Definition of leveraged finance. Defined as credit for the finance of capital transactions by corporations, granted at a high financing ratio and credit granted to borrowers typified by a high leverage finance level which significantly exceeds accepted norms in this sector of operations. According to Proper Conduct of Banking Business Directive No. 327 the definition of leveraged loans has been set, and it includes, among other things, transactions for the acquisition of another corporation, purchase of own shares and the distribution of capital.

Credit risk in respect of leveraged finance. The Bank's credit policy determines strict guidelines regarding underwriting and restrictions on the scope of exposure to leveraged finance. In addition, developments in leveraged finance and compliance with the determined limitations are reported once in each quarter to the Bank's Management and the Board of Directors, this, in order to monitor the risks inherent in such financing.

Proper Conduct of Banking Business Directives determined restrictions regarding the finance of capital transactions, which the Bank abides by.

Following are data regarding credit risk pertaining to leveraged finance as of March 31, 2019. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

The Bank's exposure to leveraged finance according to economic sector of the acquired corporation

	March 31, 2019				December 31, 2018			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
Sector	In NIS millions							
Industry	15	94	109	-	15	76	91	-
Construction and real estate	577	216	793	-	509	106	615	-
Transportation and storage	147	20	167	-	153	20	173	-
Total	**739**	**330**	**1,069**	**-**	**677**	**202**	**879**	**-**

Exposure to leveraged finance as of March 31, 2019 amounted to NIS 739 million, compared to NIS 677 million at December 31, 2018, an increase of 9.2%. The said increase stemmed, mainly, from changes in financial ratios causing credit to be defined as leveraged finance.

The balance of exposure presented in the table above, is after accounting write-offs in accordance with the directive regarding impaired debts.

The off-balance sheet exposure in respect of leverage finance transactions as of March 31, 2019, amounted to NIS 330 million (December 31, 2018 – NIS 202 million).

For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

Additional disclosure regarding credit risk in respect of significant exposure to borrower groups

As at March 31, 2019, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

Market Risks

Market risks are presented in this review on a Group basis that includes the Bank, Mercantile Discount Bank, IDB New York, ICC and the severance pay fund for the Bank's employees (hereafter in this section: "the Group"). Other Group companies do not have any material market risk.
For general details regarding market risks, see the 2018 Annual Report (pp. 74-80).

Quantitative information regarding interest risk – sensitivity analysis

Net adjusted[1] fair value of financial instruments

	March 31 2019			December 31 2018		
	Israeli currency	Foreign currency[2]	Total	Israeli currency	Foreign currency[2]	Total
	In NIS millions					
Net adjusted fair value[1]	10,217	4,852	15,069	10,189	4,739	14,928
Of which: the banking book	8,714	5,657	14,371	9,855	3,604	13,459

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Including Israeli currency linked to foreign currency.

The impact of scenarios of changes in interest rates on the net adjusted[1] fair value

	March 31 2019			December 31 2018		
	Israeli currency	Foreign currency[4]	Total	Israeli currency	Foreign currency[4]	Total
	In NIS millions					
Parallel changes						
A parallel increase of 1%	(89)	(196)	(285)	(43)	(182)	(225)
Of which: the banking book	(113)	(163)	(276)	(35)	(166)	(201)
A parallel decrease of 1%	156	68	224	98	88	186
Of which: the banking book	188	19	207	85	66	151
Non-parallel changes						
Curving[2]	(292)	(24)	(316)	(215)	(46)	(261)
Flattening[3]	228	(40)	188	188	(18)	170
Interest rise in the short-term	120	(88)	32	116	(70)	46
Interest decline in the short-term	(142)	100	(42)	(25)	75	50

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Curving – decline in interest in the short-term and increase in interest in the long-term.
(3) Flattening – increase in interest in the short-term and decline in interest in the long-term.
(4) Including Israeli currency linked to foreign currency.

The impact of scenarios of changes in interest rates on net interest income and on non-interest financing income

	March 31 2019			December 31 2018		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	In NIS millions					
Parallel changes						
A parallel increase of 1%	515	26	541	507	16	523
Of which: the banking book	506	43	549	490	46	536
A parallel decrease of 1%	(780)	(18)	(798)	(740)	(11)	(751)
Of which: the banking book	(771)	(31)	(802)	(724)	(48)	(772)

For additional quantitative and qualitative details about the interest risks, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd.

Sensitivity analysis to the effect of changes in interest rate based on the fair value of financial instruments

Fair value of financial instruments. Most of the Bank's balance sheet financial instruments do not have a quoted "market price" as they are not traded on an active market. Accordingly, in accordance with the directive, the fair value is estimated using accepted pricing models, and in particular through the calculation of the present value of the discounted cash flows using a discount interest rate appropriate to the level of risk embodied in the instrument.

The determination of the discount interest rate is subjective. Thus, for most of the financial instruments, the fair value estimate presented below does not necessarily constitute an indication of the realizable value of the financial instruments on the reporting date.

The assessment of the present value of future cash flows was done in accordance with the interest rates in effect on the reporting date, without taking into consideration fluctuations in interest rates. Using different discount rates assumptions, may result in significantly different fair value amounts. This relates particularly to financial instruments bearing a fixed interest rate or non-interest bearing.

It should be further noted, that the differential between the book value of the financial instrument and its fair value, may never be realized, as the Bank usually holds the financial instrument to maturity.

In consequence of the above, it should be stressed that the data included in this Note, is no indication of the Bank's value.

Furthermore, due to the broad spectrum of possible assessment techniques and estimates in implementing the reporting directives with regard to the fair value, care should be taken when examining the fair value data itself as well as when comparing it with the fair value data presented by other banks.

Hybrid financial instruments are debt instruments, in which are embedded derivative components that have not been separated there from. In providing information regarding fair value, the Bank is not required to classify financial instruments as hybrid financial instruments, because, according to the Bank of Israel's guidelines, the interest rate exposure of these instruments included the division of such transactions according to maturity dates, while separating the option component from these instruments. Following are details of the hybrid financial instruments, where in the disclosure regarding exposure to changes in interest rates, the separated option and the host instrument have been treated as standalone instruments (the effect on the financial statements is not material): deposits with the option of a fixed rate of interest or of a variable rate of interest, savings deposits linked to the CPI or linked to foreign currency with an option for changing the linkage base and an option securing the Shekel principal sum deposited, deposits and loans linked to the CPI or linked to foreign currency with an option for securing the Shekel principal sum.

For further details regarding the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2018 (pp. 271-273).

Following are certain updates as of March 31, 2019:

- The fair value of impaired debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the impaired debts by NIS 2 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the impaired debts by NIS 1 million (compared to NIS 2 million and NIS 1 million, respectively, as of December 31, 2018);
- Cash flows in respect of mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, increased the fair value of the mortgages, particularly in the CPI linked segment, by NIS 9 million (compared to NIS 74 million as at December 31, 2018);

- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.75 years on March 31, 2019, compared to 3.38 years, taking into consideration the forecast for early redemptions (compared to 3.73 years and 3.35 years, respectively, as of December 31, 2018);
- Cash flows in respect of deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows in accordance with expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits, particularly savings deposits in the CPI linked segment, by NIS 27 million (compared to NIS 28 million at December 31, 2018);
- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.48 years on March 31, 2019, compared to 2.32 years, taking into consideration the forecast for early redemption (compared to 2.50 years and 2.34 years, respectively, as of December 31, 2018).

For details regarding the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2018 (pp. 272-273).
The net changes in fair value, in the different linkage segments, stem from the active management of the active capital and the decision to move it in accordance with returns expected in the different linkage segments.
No weekly cumulative change occurred in the past ten years, which had it occurred in the reported period would have adversely affected the "going concern" assumption used at the basis of preparation of the financial statements.

Sensitivity analysis according to data used for interest exposure management (hereinafter: "economic exposure")

The data presented above, was computed on the basis of fair value, as required by the public reporting directives of the Supervisor of Banks and in accordance with the calculation of the table “Exposure to interest rate changes”, which is presented within the framework of the document “Disclosure according to the third pillar of Basel and additional information regarding risks”.
The current management of exposure to interest rates applies to all of the Bank's operations, and takes into consideration additional data that represent the economic approach to the management of exposure of the economic value of the Bank's equity to changes in interest rates.
The principal differences between the computation of exposure according to accounting fair value and the managed economic exposure are as follows:
(a) Items relating to liabilities for employee rights are included in the economic measurement in the CPI-linked segment, while in the accounting measurement they are presented in the unlinked segment;
(b) Economic exposure takes into consideration expected future cash flows, such as deposits in savings schemes, in contrast to the calculation on the fair value basis, which does not take into account such future deposits;
(c) An impaired non-interest bearing debt is related in economic exposure to the non-linked segment, as it does not carry interest, while in fair value calculations, it is presented in its original segment;
(d) Optional savings schemes are presented at fair value in their principal linkage segment, while in economic exposure each component is presented in its related linkage segment.;
(e) The computation of the accounting fair value made use of graphs that take into consideration credit margins. Computation of the economic exposure made use of graphs representing the transfer prices.

Effect of hypothetical changes in interest rates of 100 base points on the Group's economic value

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
			In NIS millions		
			March 31, 2019		
An increase of 100BP in interest rates	(279)	(157)	(226)	5	(656)
A decrease of 100BP in interest rates	390	154	41	(3)	582
			December 31, 2018		
An increase of 100BP in interest rates	(223)	(137)	(212)	-	(572)
A decrease of 100BP in interest rates	293	137	77	(5)	501

In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details regarding assets and liabilities according to linkage terms, see Note 32 to the financial statements.

Capital sensitivity to changes in exchange rate. The capital's sensitivity to changes in exchange rate is presented in the following table, which provides details regarding the impact of changes in exchange rates of the major currencies on the capital as of March 31, 2018.

Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank's policy is not to create an exposure to foreign currency exchange rates in its ongoing activity. Coverage of the built-in foreign currency position, which arises from the investment in IDBNY, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates.

The Bank's capital sensitivity of changes in exchange rates

	For the Fourth Quarter ended on March 31 2019			
	in NIS millions			
Segment	10%	5%	-5%	-10%
USD	343	174	(178)	(365)
EUR	(44)	(21)	21	38
Other Foreign Currencies	(10)	(3)	-	-

This effect has been computed on the basis of the expected change in the fair value of the Group in the various currencies, given the scenario determined by the Supervisor of Banks.

Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of March 31, 2019.

Sensitivity of the capital to changes in the CPI

	For the quarter ended March 31, 2019	
	in NIS millions	
Scenario	Increase 3%	Decrease 3%
	107	(107)

This effect has been computed as the difference between the net fair value based on the "known" CPI, including off-balance sheet items, and the net fair value after raising/reducing the CPI by 3%.

For quantitative and qualitative details about share price risk, see the 2018 annual report (pp. 79-80) and in the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.

No deviation from the said restrictions was recorded in the first quarter of 2019.

For further details regarding the management of the Liquidity and financing risks, see the 2018 Annual Report (pp. 81-83).

Liquidity coverage ratio

As of the first quarter of 2019, the liquidity coverage ratio of the Discount Group, on the basis of 76 observations average, stood as of March 31, 2019, at 133.4%, compared with 124.8% as of December 31, 2018, higher than the minimum requirements according to the instructions.

For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

Transferability of liquidity within the Group. The transfer of liquidity between the Group companies and the Bank is based on the money price mechanism established at the Bank. As stated, the subsidiary companies may not rely upon the transfer of liquidity where no liquidity framework had been defined which is taken into account in the liquidity model at the counterparty.

During the first quarter of 2019, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a significant liquidity surplus. The following trends were observed during the period:

- An increase of NIS 1.6 billion in the volume of non-linked and CPI linked shekel deposits, comprising a rate of 1.5%. An increase in retail deposits of NIS 1.2 billion and an increase in corporate deposits of NIS 0.4 billion;
- A shift of liquidity from deposits to current accounts in an amount of NIS 0.4 billion, in the shekel segment, stemming from the low interest environment;
- Eliminating the impact of the exchange rate, foreign currency deposits increased by an amount of US$150 million, most of the growth was in wholesale deposits. Foreign currency deposits, including the effect of the exchange rate, decreased by NIS 0.4 billion.

Deposits from the public

	March 31, 2019	March 31, 2018	December 31, 2018	Change compared to March 31, 2018		Change compared to December 31, 2018	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	102,482	96,379	101,146	6,103	6.3	1,336	1.3
CPI-linked shekels	4,823	5,249	4,631	(426)	(8.1)	192	4.1
Foreign currency and foreign currency linked shekels	30,233	28,285	30,623	1,948	6.9	(390)	(1.3)
Total	**137,538**	**129,913**	**136,400**	**7,625**	**5.9**	**1,138**	**0.8**
Foreign currency and foreign currency linked shekels - In US$ millions	**8,324**	**8,049**	**8,170**	**275**	**3.4**	**154**	**1.9**

Deposits from Banks

	March 31, 2019	March 31, 2018	December 31, 2018	Change compared to March 31, 2018		Change compared to December 31, 2018	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	667	999	1,235	(332)	(33.2)	(568)	(46.0)
CPI-linked shekels	148	207	40	(59)	(28.5)	108	270.0
Foreign currency and foreign currency linked shekels	305	500	605	(195)	(39.0)	(300)	(49.6)
Total	**1,120**	**1,706**	**1,880**	**(586)**	**(34.3)**	**(760)**	**(40.4)**

For additional details regarding liquidity risks and the management thereof, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd., and also Note 15 regarding assets and liabilities according to linkage terms.
For additional details regarding financial risk, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Operational Risks

For details regarding operational risks and the manner of management thereof, including in the matter of business continuity, see the 2018 Annual Report (pp. 83-84) and the document "Disclosure according to the third pillar of Basel and additional information regarding risks" available on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd.

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. During 2017, different meetings were held between the Bank and the Ministry of Finance, the Ministry of Justice and the Supervisor of Banks with a view of forming tools for the hedge of the risk involved in the provision of services to the Palestinian banks, through the granting of a letter of commitment not to institute criminal charges and by providing a letter of indemnity in respect of possible monetary claims.
During the second quarter of 2018, the Bank received immunity and indemnity letters signed by the State of Israel. In the letter of immunity, the State of Israel undertook not to file an indictment against the Bank, Mercantile Discount Bank, its officers and employees for certain offenses in the area of the prohibition of money laundering and the financing of terror, in connection with the provision of services to the Palestinian banks during the period from March 28, 2016, until May 31, 2019 ("the period of immunity and indemnity"). In the letter of indemnification, the state of Israel has undertaken to indemnify the Bank and MDB in an amount of up to NIS 1.5 billion for the expenses (liability under a peremptory ruling and court costs), which will be incurred by the banks in connection with the conduct of civil proceedings or criminal proceedings (that had not concluded with a conviction), which will be brought against the banks, their officers or their employees, in connection with the provision of services to Palestinian banks in the period of immunity and indemnity.
The aforesaid immunity and indemnity undertaking from the state is subject to reservations and conditions with which the banks need to comply, and which are specified in the letters of immunity and indemnity.
In continuation, the Bank has approached the Ministry of Finance and the Supervisor of Banks in the matter of its position with respect to the continuation of providing services to the Palestinian banks at the end of the immunity and indemnity period, and the need to find a long-term governmental solution to this matter.
On June 26, 2018, the Supervisor of Banks informed the Bank and MDB that she would not take any enforcement measures in respect of everything relating to the operation of the banks regarding the correspondence services provided by them to which the immunity letter applies.
On October 21, 2018, the Government Secretariat published an announcement stating that the government had decided to establish a government company, wholly-owned by the State of Israel, which will provide correspondence services to the Palestinian banking system via the Palestinian Monetary Authority, using the payments array in Israel, with this replacing to a certain extent the service that some of the commercial banks are currently providing, and in light of their having announced their intention to cease providing such service.

On February 20, 2019, the Director-General of the Ministry of Finance contacted the Bank and informed it, inter alia, that the earliest that the government company would be able to provide services to banks operating in the Palestinian Authority territories would be the first half of 2021, with this being a cautious assessment. The Director-General at the Ministry of Finance emphasized the supreme importance of the Bank continuing to provide – during the interim period until the government company begins its operations –the correspondent services to the Palestinian banks, with this, taking into consideration the possibility of extending the letters of indemnification and immunity, at the discretion of the Accountant-General and the Attorney-General. On February 28, 2019, the Bank was informed of the Attorney-General's position, according to which the Attorney-General expressed his willingness to consider extending the letter of immunity granted to the Bank that is due to expire on May 31, 2019, with this being for an additional one-year term and under the same conditions. The Bank was also informed that the Attorney-General would consider extending the letter of immunity after the State Security Cabinet's approval, and after a decision has been taken by the Accountant-General at the Ministry of Finance regarding extending the letter of indemnification for the aforesaid period. In March 2019, the Bank applied to the Accountant General for a modification of the letter of indemnity regarding the risk involved in such activity. The reply of the Accountant General has not yet been received.

For further details regarding compliance risks, see the 2018 Annual Report (pp. 87-88).

Other risks

For additional details regarding other risks, see 2018 Annual Report (including: Cross-border risks – pp. 84-85; Information technology risks – pp. 85-86; Strategic risk - p. 86; Reputation risk - p. 86; Data and cyber protection risks - p. 86; Environmental risks - p. 86; Legal risks - p. 87; Conduct risks – p. 88; for details regarding Risk Factors Table – see pp. 88-91).

CHAPTER "D" – ACCOUNTING POLICY AND CRITICAL ACCOUNTING ESTIMATES, CONTROLS AND PROCEDURES

Critical Accounting Policies and Critical Accounting Estimates

The Bank's financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2018, pp. 116-134) and according to instructions and guidelines of the Supervisor of Banks.

The level of regulation regarding the financial reporting of banking corporations is among the highest in the financial reporting fields in Israel. The instructions and guidelines of the Supervisor of Banks are comprehensive, detailed and at times even dictate the wording to be used by banking corporations. Nonetheless, there are areas where implementation of the accounting policy involves a high level of evaluation and assessment performed by management of the banking corporation in the course of the preparation of the financial statements.

Implementation by management of the accounting principles and the instructions and guidelines of the Supervisor of Banks, sometimes requires various assumptions, evaluations and assessments that affect the reported amounts of assets and liabilities, including contingent liabilities, as well as the financial results reported by the Bank. It is possible that when the evaluations and assessments materialize in the future, their results may be different than those anticipated at the time the financial statements were prepared.

Certain of the evaluations and assessments applied involve uncertainty or sensitivity to various variables to a large extent. Such evaluations and assessments, changes in which might have a considerable effect on the reported financial results, are considered evaluations and assessments of "critical" matters.

The Bank's Management believes that the evaluations and assessments used in the preparation of the financial statements are fair and were made in accordance with the best of its knowledge and professional judgment.

A summary review of evaluations and assessments made regarding "critical" matters is included in the 2018 Annual Report (pp. 92-98).

Measurement of financial instruments according to their fair value

The credit risk. The adjustment of credit risk relating to assets and liabilities in respect of derivative instruments did not affect the results, in the first three months of 2019 and the results in 2018.

Adjustments made to assets and liabilities in respect of derivative instruments

	March 31, 2019	December 31, 2018
	in NIS millions	
Assets in respect of derivative instruments	3,418	3,738
Adjustment in respect of credit risk regarding assets relating to derivative instruments	(12)	(12)
Liabilities in respect of derivative instruments	3,425	3,282
Adjustment in respect of credit risk regarding liabilities relating to derivative instruments	(3)	(3)

For additional details regarding the measurement of financial instruments according to their fair value, see the 2018 Annual Report (pp. 93-96).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of March 31, 2019. For details regarding the computation of the actuarial provision amount that would have been required were the cap rate to be determined in accordance with the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the annual report for 2018.

Presenting the actuary's opinion for perusal. The opinion of the Actuary[2] is available for perusal on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the 2019 First Quarter Report (this Report).

2 The English translation of the Opinion is available for perusal at the Bank's website.

Controls and Procedures

Disclosure controls and procedures

The Bank's President & CEO and its Chief Accounting Officer have evaluated in conjunction with the Bank's Management, the efficiency of the controls and procedures relating to disclosure at the Bank as of the end of the reporting period. Based on this evaluation, the President & CEO and Chief Accounting Officer have reached the conclusion that as of the end this period, the controls and procedures relating to disclosure at the Bank operate efficiently in order to record, process, summarize and report the information that the Bank is required to disclose in its quarterly report, in accordance with the directives of the Supervisor of Banks in the matter of reporting to the public and at such date indicated therein.

Changes in Internal Control

During the first quarter of 2019, no change has occurred in the Bank's internal control over financial reporting, which materially affected, or is reasonably expected to materially affect, the Bank's internal control over financial reporting.

Shaul Kobrinsky	Lilach Asher-Topilsky	
Chairman of the Board of Directors	President & Chief Executive Officer	May 15, 2019

Internal Control over Financial Reporting

Certification

I, Lilach Asher-Topilsky, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2019 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

May 15, 2019

Ms. Lilach Asher-Topilsky
President & Chief Executive Officer

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2019 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   - (b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   - (c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   - (d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

May 15, 2019

Joseph Beressi
Senior Executive Vice President
Chief Accountant

Condensed Financial Statements

Review Report of the independent auditors to the shareholders of Israel Discount Bank Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at March 31, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for this interim period in accordance with Israeli GAAP regarding financial reporting for this interim period and in accordance with the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with Israeli GAAP regarding financial reporting for interim periods and in accordance with the instructions and directives of the Supervisor of Banks.

Emphasis of a matter

Without qualifying our above conclusion, we call attention to the Note 10 B item 5 concerning motion to approve certain lawsuits as class action suits and with regard to other claims against the Bank and investee companies.

Somekh Chaikin Certified Public Accountants (Isr.)	Ziv Haft Certified Public Accountants (Isr.)

May 15, 2019

Condensed Consolidated statement of profit and loss

		Unaudited		Audited
		For the three months ended March 31,		For the year ended December 31,
	Notes	2019	2018	2018
		in NIS millions		
Interest income		1,806	1,536	7,053
Interest expenses		385	262	1,527
Interest income, net	2	1,421	1,274	5,526
Credit loss expenses	6,14	141	112	540
Net interest income after credit loss expenses		**1,280**	**1,162**	**4,986**
Non-interest Income				
Non-interest financing income	3	172	104	586
Commissions		710	(1)692	2,851
Other income		8	6	57
Total non-interest income		**890**	**802**	**3,494**
Operating and other Expenses				
Salaries and related expenses		847	818	3,385
Maintenance and depreciation of buildings and equipment		263	256	1,039
Other expenses		420	(1)383	1,724
Total operating and other expenses		**1,530**	**1,457**	**6,148**
Profit before taxes		640	507	2,332
Provision for taxes on profit		224	179	789
Profit after taxes		416	328	1,543
Bank's share in profit (loss) of affiliated companies, net of tax effect		(1)	(1)	6
Net profit:				
Before attribution to non-controlling rights holders		415	327	1,549
Attributed to the non-controlling rights holders		(10)	(8)	(44)
Net Profit Attributed to the Bank's Shareholders		**405**	**319**	**1,505**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.35**	**0.27**	**1.29**

Footnote:

(1) Reclassified, see Note 1 D .

The notes to the condensed financial statements form an integral part thereof.

Shaul Kobrinsky	Ms. Lilach Asher-Topilsky	Joseph Beressi	May 15, 2019
Chairman of the Board of Directors	President & Chief Executive Officer	Senior Executive Vice President, Chief Accountant	

Condensed Consolidated statement of comprehensive Income

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	in NIS millions		
Net profit before attribution to non-controlling rights holders	415	327	1,549
Net profit attributed to non-controlling rights holders	(10)	(8)	(44)
Net profit attributed to the Bank's shareholders	**405**	**319**	**1,505**
Other comprehensive income (loss), before taxes:			
Adjustments, net, for presentation of available-for- sale bonds at fair value[3]	373	(167)	(377)
Financial statements translation adjustments, net	(113)	43	252
Adjustments of liabilities in respect of employee benefits[2]	(43)	87	259
Net income (loss) in respect of cash flows hedge	1	-	(1)
Other comprehensive income (loss), before taxes	**218**	**(37)**	**133**
Effect of attributed taxes	(108)	6	23
Other comprehensive income (loss), before attribution to non-controlling rights holders, after taxes	110	(31)	156
Other comprehensive loss, attributed to non-controlling rights holders	(1)	-	-
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	**111**	**(31)**	**156**
Comprehensive income, before attribution to non-controlling interests holders	525	296	1,705
Comprehensive income, attributed to non-controlling interests holders	(9)	(8)	(44)
Comprehensive income, attributed to the Bank's shareholders[1]	**516**	**288**	**1,661**

Footnotes:

(1) See Note 4.

(2) Reflects mostly adjustments in respect of actuarial assessments as of the end of the period of defined benefits pension plans and amortization of amounts recorded in the past in other comprehensive income.

(3) 2018 - available-for-sale shares.

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

Condensed Consolidated Balance Sheet

	Note	Unaudited March 31, 2019	Unaudited March 31, 2018	Audited December 31, 2018
		in NIS millions		
Assets				
Cash and deposits with banks		18,894	30,382	21,858
Securities (of which: 3,855, 4,853, 4,767 respectively, pledged to lenders)	5	35,618	32,834	37,898
Securities borrowed or purchased under resale agreements		823	682	774
Credit to the public	6,14	172,604	155,681	167,078
Allowance for credit losses	6,14	(2,308)	(2,114)	(2,274)
Credit to the public, net		170,296	153,567	164,804
Credit to Governments		3,223	1,515	3,336
Investments in affiliated companies		196	120	135
Buildings and equipment		2,443	2,387	2,437
Intangible assets and goodwill		160	160	160
Assets in respect of derivative instruments	11	3,405	3,472	3,726
Other assets		4,382	3,663	4,048
Total assets		**239,440**	**228,782**	**239,176**
Liabilities and Equity				
Deposits from the public	7	190,839	181,111	188,916
Deposits from banks		4,970	5,924	6,886
Deposits from the Government		251	275	257
Securities loaned or sold under repurchase agreements		637	1,478	1,126
Bonds and Subordinated debt notes		8,271	7,407	8,476
Liabilities in respect of derivative instruments	11	3,395	3,290	3,249
Other liabilities [(1)]		12,932	12,919	12,597
Total liabilities		221,295	212,404	221,507
Equity attributed to the Bank's shareholders		17,618	15,896	17,151
Non-controlling rights		527	482	518
Total equity		18,145	16,378	17,669
Total Liabilities and Equity		**239,440**	**228,782**	**239,176**

Footnote:

(1) Of which 181 NIS million, NIS 194 million and NIS 176 million, as of March 31, 2019, March 31, 2018 and December 31, 2018, respectively, allowance for credit losses in respect of off-balance sheet credit instruments.

The notes to the condensed financial statements form an integral part thereof.

Condensed Statement of Changes in Equity

	Capital reserves									
	Paid up Share capital	Share premium	Other reserves	Total paid up share capital and reserves	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributed to the Bank's shareholders	Non-controlling interests holders in consolidated subsidiaries	Total equity
	in NIS millions								
A. For the three months ended March 31, 2019 and 2018 (unaudited)									
Balance at December 31, 2018 (audited)	676	4,174	215	5,065	(561)	12,647	17,151	518	17,669
Net Profit for the period	-	-	-	-	-	405	405	10	415
Dividend paid	-	-	-	-	-	(49)	(49)	-	(49)
Other comprehensive income, net after tax effect	-	-	-	-	111	-	111	(1)	110
Balance at March 31, 2019	**676**	**4,174**	**215**	**5,065**	**(450)**	**13,003**	**17,618**	**527**	**18,145**
Balance at December 31, 2017 (audited)	676	4,174	215	5,065	(717)	11,246	15,594	474	16,068
Net Profit for the period	-	-	-	-	-	319	319	8	327
Other comprehensive loss, net after tax effect[1]	-	-	-	-	(31)	14	(17)	-	(17)
Balance at March 31, 2018	**676**	**4,174**	**215**	**5,065**	**(748)**	**11,579**	**15,896**	**482**	**16,378**
B. For the year of 2018 (audited)									
Balance at December 31, 2017	676	4,174	215	5,065	(717)	11,246	15,594	474	16,068
Net Profit for the year	-	-	-	-	-	1,505	1,505	44	1,549
Dividend paid	-	-	-	-	-	(118)	(118)	-	(118)
Other comprehensive loss net after tax effect[1]	-	-	-	-	156	14	170	-	170
Balance at December 31, 2018	**676**	**4,174**	**215**	**5,065**	**(561)**	**12,647**	**17,151**	**518**	**17,669**

Footnote:

(1) Including the effect of adopting ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" and the adoption of ASU 2014-09, "Recognition of Revenue from Contracts with Customers" - IDB New York, in negligible amounts.

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

Condensed Consolidated Statement of Cash Flows

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	in NIS millions		
Cash Flows from Operating Activities			
Net profit before attribution to non-controlling rights holders in consolidated companies	415	327	1,549
Adjustments necessary to present cash flows from current operations:			
Bank's share in undistributed loss (profits) of affiliated companies.	1	-	(7)
Depreciation of buildings and equipment (including impairment in value)	107	98	424
Provision for impairment of securities not for trading	4	-	14
Credit loss expenses	141	(1)112	540
Gain on sale of credit portfolio, net	(6)	(6)	(6)
Profit on sale of available-for-sale bonds and shares not for trading(2)	(46)	(54)	(154)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	14	(2)	(63)
Realized and unrealized profit on adjustment to fair value of shares no for trading	(3)	-	-
Gain on realization of buildings and equipment	(2)	(5)	(46)
Net deferred taxes	1	13	34
Severance pay – increase (decrease) in excess of provision over the deposits	67	(35)	(151)
Net change in current assets:			
Assets in respect of derivative instruments	321	(519)	(771)
Trading securities	566	(435)	(659)
Other assets	(447)	16	(374)
Effect of changes in exchange rate on cash and cash equivalent balances	(81)	74	188
Accrual differences included in investment and financing activities	1,040	(172)	(1,161)
Net change in current liabilities:			
Liabilities in respect of derivative instruments	149	58	16
Other liabilities	212	920	873
Adjustments in respect of exchange rate differences on current assets and liabilities	(73)	59	239
Dividends received from affiliated companies	-	34	37
Net Cash Flows from Operating Activities	**2,380**	**483**	**522**

Footnotes:

(1) Reclassified – classification between "credit loss expenses" and "net change in credit to the public", for the purpose of matching with the parallel items in the statement of profit and loss.

(2) 2018 - available-for-sale securities .

The notes to the condensed financial statements form an integral part thereof.

Condensed Consolidated Statement of Cash Flows (continued)

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	in NIS millions		
Cash Flows from Investing Activities			
Net change in Deposits with banks	21	(28)	(45)
Net change in Credit to the public, net	(3,559)	[1][2](3,747)	(13,798)
Net change in Credit to the Governments	249	(17)	(393)
Net change in Securities borrowed or purchased under resale agreements	(48)	272	180
Acquisition of held-to-maturity bonds	(503)	(289)	(2,676)
Proceeds from redemption of held-to-maturity bonds	941	678	1,333
Purchase of available-for-sale bonds and shares not for trading[3]	(3,367)	(4,505)	(14,240)
Proceeds of sale of available-for-sale bonds and shares not for trading[3]	2,661	2,478	5,794
purchased credit portfolios	(649)	[2](420)	(3,838)
Gain on sale of credit portfolio	3	118	254
Proceeds of redemption of available-for-sale bonds and shares not for trading[3]	1,034	1,522	5,576
Acquisition of shares in affiliated companies	(62)	-	(12)
Acquisition of buildings and equipment	(120)	(109)	(473)
Proceeds from sale of buildings and equipment	14	8	59
Net Cash Flows to Investing Activities	**(3,385)**	**(4,039)**	**(22,279)**
Cash Flows from Financing Activities			
Net change in Deposits from banks	(1,916)	1,120	2,082
Net change in Deposits from the public	672	5,513	13,867
Net change in Deposits from the Government	(6)	8	(10)
Net change in Securities borrowed or purchased under resale agreements	(488)	(465)	(817)
Issuance of subordinated debt notes	-	-	1,493
Redemption of subordinated debt notes	(195)	(202)	(773)
Dividend paid to the shareholders	(49)	-	(118)
Net cash flows from (to) Financing Activities	**(1,982)**	**5,974**	**15,724**
Increase (decrease) in cash	(2,987)	2,418	(6,033)
Cash balance at beginning of period	21,549	27,762	27,762
Effect of changes in exchange rate on cash and cash equivalent balances	44	(91)	(180)
Cash balance at end of period	**18,606**	**30,089**	**21,549**
Interest and taxes paid and/or received			
Interest received	1,965	[2]1,771	[2]7,074
Interest paid	(384)	[2](319)	[2](1,563)
Dividends received	1	34	48
Taxes on income paid	(252)	(146)	(927)
Taxes on income received	36	17	280

Footnotes:

(1) Reclassified – classification between "credit loss expenses" and "net change in credit to the public", for the purpose of matching with the parallel items in the statement of profit and loss.

(2) Improvement in computing the data.

(3) 2018 - available-for-sale securities.

The notes to the condensed financial statements form an integral part thereof.

Appendix A - Non-cash asset and liability activity during the reported period

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	in NIS millions		
Purchase of fixed assets	8	12	30
Lending of securities	1,560	873	648

The notes to the condensed financial statements form an integral part thereof.

Notes to the Condensed Financial Statements

1. Accounting Policies

A. **General.** Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of March 31, 2019, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in affiliated companies. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2018 and the accompanying notes.

The interim financial statements have been prepared on the basis of the same accounting principles used for the preparation of the audited financial statements as of December 31, 2018 except as detailed in item E hereunder.

The interim financial statements were approved for publication by the Bank's Board of Directors on May 15, 2019.

B. **Principles of financial reporting.** The interim financial statements are prepared in accordance with accounting principles determined in directives of the Supervisor of Banks applying to the preparation of an annual financial report of a banking corporation, with required changes in the circumstances of the matter, and in accordance with U.S. GAAP applying to financial reporting for interim periods, and the reporting principles determined in directives and guidelines of the Supervisor of Banks. In most of the subjects, the Supervisor's instructions are based on accounting principles accepted by U.S. banks. As regards other matters, of lesser materiality, the instructions are based on International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in Israel (Israeli GAAP).

Where the International Financial Reporting Standards (IFRS) allow several alternatives, or where they do not include a specific reference to a particular situation, these instructions state specific implementation guidelines, based mostly on accounting principles accepted by U.S. banks.

C. **Use of assessments and discretion.** In preparing the interim financial statements in accordance with the rules, instructions and guidelines, as stated, the Management of the Bank and of the investee companies are required to use discretion and apply assessments, evaluations and assumptions that affect the implementation of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such assessments. Discretion of Management in applying the accounting policy and the principal assumptions used in assessments involving uncertainty, are consistent with those applied in the preparation of the annual financial statements.

D. **Reclassification.** The commissions on purchase of credit and guaranty insurance, which in the past had been presented in the item "Other expenses" – "Insurance", were reclassified as deduction from "Non-interest income" – "Commissions on financing activities", in order to create a more proper matching of income to expenses, following the classification made in the financial statements as of December 31, 2018.

E. **Initial implementation of accounting standards, updates of accounting standards and Directives of the Supervisor of Banks**

Starting with the period beginning January 1, 2019, the Bank implements accounting standards and instructions as detailed hereunder:

(1) Recognition and measurement of financial instruments (see item 1 below);
(2) Derivatives and hedging (see item 2 below);
(3) Receivables (see item 3 below).

Following is a description of the changes in the accounting policy adopted in these interim financial statements and a description of the manner and effect of the initial implementation, if at all:

1. **Recognition and measurement of financial instruments.** Adoption of updated standard ASU 2016-01. The principal objects of the new rules are to improve the model of reporting financial instruments and to provide users of these reports more practical information for the purpose of decision making.

   At date of initial implementation, the net unrealized gains on shares classified in the past as available-for-sale shares, which were recorded in other comprehensive income, were reclassified to retained earnings (in negligible amounts). Changes in the required disclosures have been applied by way of "from now onwards".

   The initial implementation and its effect. The Standard will be implemented as from January 1, 2019, and thereafter. The implementation of the Standard did not have material effect.

2. **Derivatives and hedging.** Adoption of the updated standard ASU 2017-12. The object of the new rules is to improve the financial reporting of hedge relations, in a way that would reflect in a better form the economic results of the risk management activity of a banking corporation in the financial statements.

   Where made possible by the update of the U.S. Standards, the subsidiary, IDB New York has adopted the updated rule by earlier application, starting with the interim financial statements as of June 30, 2018 (see also Note 5 C).

1. Accounting Policies (continued)

The initial implementation and its effect. The standard was implemented as from January 1, 2019 and thereafter. The main effect as a result of the implementation of the Standard, was the reclassification of the securities of IDB New York and the modification of the disclosure format to that of U.S. banks.

3. **Receivables.** In March 2017, U.S. Financial Accounting Standards Board (FASB) published an update (2017-08) regarding the amortization of the premium paid on the purchase of debt instruments having a premature redemption option, which comprises an amendment of Item 310-20 of the Codification regarding receivables – non-refundable fees and other costs (hereinafter: "the Amendment"). According to the Amendment, the period of amortization of the premium paid on debt instruments having a premature redemption option by the issuer, shall be shortened and computed in accordance with the earliest premature redemption date.

   The initial implementation and its effect. The Standard will be implemented as from January 1, 2019, and thereafter. The implementation of the Standard did not have material effect.

F. NEW ACCOUNTING STANDARDS AND NEW DIRECTIVES OF THE SUPERVISOR OF BANKS IN THE PERIOD PRIOR TO THEIR IMPLEMENTATION

1. **Allowances for current expected credit losses (CECL).** Adoption of the update to accounting standard ASU 2016-13. The object of the new rules is to improve the quality of reporting the financial condition of the banking corporation, by means of the early recording of the allowances for credit losses, in a manner which strengthens the anti-recurrence regarding the conduct of the allowances for credit losses, supports a faster response of banks to the deterioration in the quality of credit extended to borrowers, and strengthens the bond between credit risks management and the way in which these risks are reflected in the financial statements, while being based on existing systems and processes.

   The standard is to be adopted from January 1, 2022, and thereafter. As a general rule, the new principles are to be applied by way of recognition in retained earnings, at date of initial implementation, of the cumulative effect of the implementation of these principles. The Bank has begun preparations for the implementation of the standard. At this stage, the Bank is unable to assess its impact.

2. **Leasing.** A circular was published on July 1, 2018, in the matter of the reporting of leases by banking corporations and credit card companies in accordance with U.S. GAAP. The circular adopts the U.S. GAAP on this subject, and inter alia, the relating presentation, measurement and disclosure rules determined in Topic 842 of the Codification regarding leases.

   The provisions of the circular apply as from January 1, 2020, and thereafter. Upon initial application, a banking corporation shall act in accordance with the transitional instructions determined in the accounting principles accepted by U.S. banks regarding this matter, mutatis mutandis, including the retroactive restatement of the comparative data, where required by the U.S. rules. The Bank has begun preparations for the implementation of the standard. The Bank estimates that implementation of the standard shall have no material effect on the business results and on the risk assets.

3. **Employee benefits and measurements of fair value.** The U.S. Financial accounting Standards Board ("FASB") published on August 28, 2018, Standards ASU 2018-13 and ASU 2018-14, regarding disclosure framework – changes in disclosure requirements for fair value measurements, comprising an update of Topic 820 of the Codification regarding fair value measurement and defined benefit plans, being an update of subtopic 715-20 of the Codification regarding Compensation—Retirement Benefits—Defined Benefit Plans, respectively. These updates were published as part of the framework project for the review of disclosures of the FASB, which mainly focuses on the improvement of effectiveness of disclosure in notes to financial statements, including the reduction in costs involved in the preparation of the required notes. The provisions of the amendments shall be implemented as from January 1, 2020 and 2021, respectively. The Bank estimates that the implementation of the said provisions is not expected to have a material impact, except for changes in disclosure.

2. Interest Income and Expenses

	Unaudited For the three months ended March 31,	
	2019	2018
	in NIS millions	
A. Interest Income[2]		
Credit to the public	1,598	1,391
Credit to the Governments	21	11
Deposits with the Bank of Israel and cash	10	7
Deposits with Banks	12	7
Bonds[1]	161	116
Other assets	4	4
Total interest income	**1,806**	**1,536**
B. Interest Expenses		
Deposits from the public	(275)	(158)
Deposits from the Government	(1)	(1)
Deposits from banks	(21)	(9)
Securities loaned or sold under repurchase agreements	(5)	(19)
Bonds and subordinated debt notes	(81)	(75)
Other liabilities	(2)	-
Total interest expenses	**(385)**	**(262)**
Interest Income, Net	**1,421**	**1,274**
C. Details of the net effect of hedge derivative instruments on interest income and expenses:		
Interest expenses[3]	-	(4)
D. Accrual basis, interest income from bonds:		
Held-to-maturity	36	37
Available-for-sale	115	73
Trading	10	6
Total included in interest income	161	116

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions	12	11
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	42	40

(2) Including the impact of hedge relations (2018 – including an effective component of hedge relations).

(3) Details of the effect of hedge derivative instruments on subsection A.

3. Non-interest Financing Income

	Unaudited	
	For the three months ended March 31,	
	2019	2018
	in NIS millions	
A. Non-interest financing income (expenses) from operations not for trading purposes		
From operations in derivative instruments		
Net income (expenses) in respect of derivative instruments[4]	(371)	[7]196
Total from operations in derivative instruments	(371)	196
From investments in bonds:		
Gains on sale of available-for-sale bonds[3]	38	51
Total from investments in bonds	38	51
Net exchange rate differences	510	(287)
Net profit (losses) from investments in shares:		
Gains on sale from non trading shares[9]	8	3
Provision for impairment of non trading shares[9]	(4)	-
Dividends from non trading shares [9]	1	1
Unrealized profits and losses[8]	3	-
Profit on sale of shares and activities of affiliated companies	-	1
Total from investment in shares	8	5
Net profit in respect of loans sold	6	6
Total non-interest financing income (expenses) from operations not for trading purposes	**191**	**(29)**
B. Non-interest financing income (expenses) from operations for trading purposes[5]:		
Net income (expenses) in respect of non trading derivative instruments	(5)	[7]131
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[1]	(16)	3
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value[2]	2	(1)
Total from trading operations[6]	**(19)**	**133**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:		
Interest rate exposure	(1)	(5)
Foreign currency exposure	(20)	[7]140
Share exposure	2	(2)
Total according to risk exposure	(19)	133
Total non-interest financing income	**172**	**104**

Footnotes:

		2019	2018
(1)	Of which, a part of the profit (loss) relating to trading bonds that are still on hand at balance sheet date	11	(14)
(2)	Of which, a part of the loss relating to trading shares that are still on hand at balance sheet date	-	(2)
(3)	Reclassified from accumulated other comprehensive income, see Note 4:		
	Of which, profit, from investments in bonds, net	38	51
	Of which, from investment in shares	[9]-	1

(4) Excluding the impact of hedge relations (2018 – including an effective component of hedge relations).
(5) Including exchange rate differences from trading operations.
(6) For interest income on investments in trading bonds, see Note 2, above.
(7) Reclassified – improving the classification of derivatives activity.
(8) Including profits and losses on measurement at fair value of shares with readily determinable fair value, as well as upward or downward adjustments of shares without readily determinable fair value.
(9) 2018 - available-for-sale shares .

3A. Earnings Per Share

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	in NIS millions		
Earnings per share			
Total net income, attributed to bank's shareholders	405	319	1,505
	In Thousand		
Earnings per share:			
Weighted average of shares of NIS 0.1 par value:			
Balance at the beginning and end of the period	1,164,017	1,164,017	1,164,017
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,164,017**	**1,164,017**	**1,164,017**
Earnings per share of NIS 0.1 (in NIS)	**0.35**	**0.27**	**1.29**

In the reported period, the Bank did not have securities having a dilutive effect.

4. Accumulated other comprehensive income (loss)

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

	Other comprehensive income, before attribution to non-controlling rights holders					Other comprehensive income attributed to non-controlling rights holders	Other comprehensive income attributed to the Bank's shareholders
	Adjustments, net, for presentation of available-for- sale bonds at fair value[3]	Financial statements translation adjustments[1]	Net loss in respect of cash flows hedge	Adjustments in respect of employee benefits	Total		
	in NIS millions						
A. For the three months ended March 31, 2019 and 2018 (unaudited)							
Balance at December 31, 2018 (audited)	(157)	(61)	(1)	(349)	(568)	(7)	(561)
Net change during the period	251	(113)	1	(29)	110	(1)	111
Balance at March 31, 2019	**94**	**(174)**	**-**	**(378)**	**(458)**	**(8)**	**(450)**
Balance at December 31, 2017 (audited)	111	(313)	-	(522)	(724)	(7)	(717)
Net change during the period	[2](133)	43	-	[2]59	(31)	-	(31)
Balance at March 31, 2018	**(22)**	**(270)**	**-**	**(463)**	**(755)**	**(7)**	**(748)**
B. For the year of 2018 (audited)							
Balance at December 31, 2017	111	(313)	-	(522)	(724)	(7)	(717)
Net change during the year	[2](268)	252	(1)	[2]173	156	-	156
Balance at December 31, 2018	**(157)**	**(61)**	**(1)**	**(349)**	**(568)**	**(7)**	**(561)**

Footnotes:

(1) Including financial statements translation adjustments of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) Including the effect of adoption of new standards – see the Statement of Changes in Shareholders' Equity.

(3) 2018 - available-for-sale shares.

4. Accumulated other comprehensive income (loss) (continued)

B. Changes in other comprehensive income (loss) component before tax effext and after tax effect

	Unaudited						Audited		
	For the three months ended						For the year ended		
	2019			2018			2018		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions								
Changes in components of accumulated other comprehensive income (loss), before attribution to non-controlling rights holders:									
Adjustments for presentation of available-for- sale bonds at fair value[5]									
Net unrealized income (loss) from adjustments to fair value	411	(134)	277	(115)	[4]16	(99)	(340)	[4]96	(244)
income on available-for-sale bonds reclassified to the statement of income[2]	(38)	12	(26)	(52)	18	(34)	(37)	13	(24)
Net change during the period	**373**	**(122)**	**251**	**(167)**	**34**	**(133)**	**(377)**	**109**	**(268)**
Translation adjustments									
Financial statements translation adjustments[1]	(113)	-	(113)	43	-	43	252	-	252
Net change during the period	**(113)**	**-**	**(113)**	**43**	**-**	**43**	**252**	**-**	**252**
Cash flow hedging									
Net income (loss) in respect of cash flow hedging	1	-	1	-	-	-	(2)	-	(2)
Net loss in respect of cash flow hedging reclassified to the statement of income	-	-	-	-	-	-	1	-	1
Net change during the period	**1**	**-**	**1**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Employee benefits									
Net actuarial profit (loss)	(65)	21	(44)	62	[4](20)	42	117	[4](38)	79
loss reclassified to the statement of income[3]	22	(7)	15	25	(8)	17	142	(48)	94
Net change during the period	**(43)**	**14**	**(29)**	**87**	**(28)**	**59**	**259**	**(86)**	**173**
Total net change during the period	**218**	**(108)**	**110**	**(37)**	**6**	**(31)**	**133**	**23**	**156**
Changes in components of accumulated other comprehensive loss attributed to non-controlling rights holders:									
Total net change during the period	**(2)**	**1**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in components of accumulated other comprehensive (loss) profit attributed to the Bank's shareholders:									
Total net change during the period	**220**	**(109)**	**111**	**(37)**	**6**	**(31)**	**133**	**23**	**156**

Footnotes:

(1) Including financial statements translation adjustments of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) The pre-tax amount is reported in the of statement of profit and loss in the item "non-interest financing income". For further details see the note on non-interest financing income.

(3) The pre-tax amount has been classified to other expenses.

(4) Including the effect of adoption of new standards – see the Statement of Changes in Shareholders' Equity.

(5) 2018 - available-for-sale shares.

5. Securities

A. Composition

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	Unaudited				
	March 31,2019				
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	4,602	4,602	135	-	4,737
Of foreign governments	18	18	-	-	18
Of Israeli financial institutions	27	27	-	-	27
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	418	418	2	9	411
Of others abroad[6]	232	232	4	1	235
Total held-to-maturity bonds	**5,297**	**[2]5,297**	**141**	**10**	**5,428**

	Book value	Amortized cost	Accumulated other comprehensive income: Profits	Accumulated other comprehensive income: Losses	Fair value[1]
	Unaudited				
	March 31,2019				
	In NIS millions				
(2) Available- for- sale bonds					
Of the Israeli Government	17,038	16,895	145	2	17,038
Of foreign governments	488	489	1	2	488
Of Israeli financial institutions	14	14	-	-	14
Of foreign financial institutions	1,219	1,215	10	6	1,219
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,557	6,651	6	100	6,557
Of others in Israel	194	187	7	-	194
Of others abroad	2,197	2,174	29	6	2,197
Total bonds	**27,707**	**27,625**	**[3]198**	**[3]116**	**[2]27,707**

	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1][4]
	Unaudited				
	March 31,2019				
	In NIS millions				
(3) Investment in not for trading shares	984	979	[5]5	[5]-	984
Of which: shares, the fair value of which is not readily determinable	907	907	[5]-	[5]-	907
Total not for trading securities	**33,988**	**33,901**			**34,119**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Unaudited				
	March 31,2019				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,449	1,437	12	-	1,449
Of Israeli financial institutions	22	22	-	-	22
Of foreign financial institutions	10	10	-	-	10
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	73	74	-	1	73
Of others in Israel	65	65	1	1	65
Total bonds	1,619	1,608	13	2	1,619
Shares	11	11	1	1	11
Total trading securities	**1,630**	**1,619**	**(5)14**	**(5)3**	**1,630**
Total securities	**35,618**	**35,520**			**35,749**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held to maturity portfolio at an amortized cost of NIS 115 million (approx. US$ 32 million) and from the available for sale portfolio with a market value of NIS 590 million (approx. US$ 162 million).

(3) Included in "Accumulated other comprehensive income".

(4) Regarding shares in this column without readily determinable fair value, are presented cost minus impairment adjusted upwards or downwards to observable prices in orderly transactions for the identical or a similar investment of the same issuer.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31, 2018				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value(1)
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	3,118	3,118	175	-	3,293
Of foreign governments	18	18	-	-	18
Of Israeli financial institutions	55	55	1	-	56
Of foreign financial institutions	32	32	-	-	32
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	505	505	2	15	492
Of others abroad(6)	1,232	1,232	24	3	1,253
Total held-to-maturity bonds	**4,960**	**(2)4,960**	**202**	**18**	**5,144**

For footnotes see next page.

	Unaudited				
	March 31, 2018				
			Accumulated other comprehensive income		
	Book value	Amortized cost (in shares - cost)	Profits	Losses	Fair value(1)
	In NIS millions				
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	15,070	14,959	127	16	15,070
Of foreign governments	683	689	1	7	683
Of Israeli financial institutions	37	37	-	-	37
Of foreign financial institutions	884	881	7	4	884
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,831	7,001	1	171	6,831
Of others in Israel	119	119	2	2	119
Of others abroad	1,463	1,463	11	11	1,463
Total bonds	25,087	25,149	149	211	(2)25,087
Shares	880	877	4	1	(4)880
Total available-for-sale securities	**25,967**	**26,026**	**(3)153**	**(3)212**	**25,967**

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31, 2018				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value(1)
	In NIS millions				
(3) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,615	1,625	1	11	1,615
Of Israeli financial institutions	20	20	-	-	20
Of foreign financial institutions	7	7	-	-	7
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	66	68	-	2	66
Of others in Israel	112	113	1	2	112
Of others abroad	44	45	-	1	44
Total bonds	1,864	1,878	2	16	1,864
Shares	43	45	1	3	43
Total trading securities	**1,907**	**1,923**	**(5)3**	**(5)19**	**1,907**
Total securities	**32,834**	**32,909**	**358**	**249**	**33,018**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held- to-maturity portfolio at an amortized cost of NIS 323 million (approx. US$ 92 million) and from the available-for-sale portfolio with a market value of NIS 1,312 million (approx. US$ 373 million).

(3) Included in "Accumulated other comprehensive income".

(4) Including shares, the fair value of which is not readily available, stated at cost of NIS 837 million.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2018				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	5,118	5,118	89	20	5,187
Of foreign governments	19	19	-	-	19
Of Israeli financial institutions	27	27	-	-	27
Of foreign financial institutions	34	34	-	-	34
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	451	451	1	13	439
Of others abroad[6]	1,073	1,073	15	3	1,085
Total held-to-maturity bonds	**6,722**	**[2]6,722**	**105**	**36**	**6,791**

For footnotes see next page.

	Audited				
	December 31, 2018				
			Accumulated other comprehensive income		
	Book value	Amortized cost (in shares - cost)	Profits	Losses	Fair value[1]
	In NIS millions				
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	16,858	16,861	52	55	16,858
Of foreign governments	749	758	-	9	749
Of Israeli financial institutions	61	61	-	-	61
Of foreign financial institutions	1,314	1,336	3	25	1,314
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,855	7,010	4	159	6,855
Of others in Israel	148	150	1	3	148
Of others abroad	1,965	1,991	3	29	1,965
Total bonds	27,950	28,167	63	280	[2]27,950
Shares	980	980	3	3	[4]980
Total available-for-sale securities	**28,930**	**29,147**	**[3]66**	**[3]283**	**28,930**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2018				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(3) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,013	2,013	3	3	2,013
Of Israeli financial institutions	19	20	-	1	19
Of foreign financial institutions	8	8	-	-	8
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	77	79	-	2	77
Of others in Israel	62	66	-	4	62
Of others abroad	8	8	-	-	8
Total bonds	2,187	2,194	3	10	2,187
Shares	59	65	-	6	59
Total trading securities	**2,246**	**2,259**	**(5)3**	**(5)16**	**2,246**
Total securities	**37,898**	**38,128**	**174**	**335**	**37,967**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Including securities sold by overseas consolidated subsidiary under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 124 million (approx. US$ 33 million) and from the available-for-sale portfolio with a market value of NIS 1,168 million (approx. US$ 312 million).

(3) Included in "Accumulated other comprehensive income".

(4) Including shares, the fair value of which is not readily available, stated at cost of NIS 923 million.

(5) Recorded in the statement of profit and loss.

(6) Municipal bonds and bonds of states in the U.S.A.

5. Securities (continued)

B. Amortized cost and unrealized losses, according to the length of the period and rate of impairment of held-to-maturity bonds which are in an unrealized loss position - consolidated

	Unaudited							
	March 31, 2019							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	100	(1)-	-	-	-	-	-	-
Of foreign governments	-	-	-	-	18	(1)-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	7	(1)-	-	-	336	9	-	9
Of others abroad	-	-	-	-	37	1	-	1
Total held-to-maturity bonds	**107**	**-**	**-**	**-**	**391**	**10**	**-**	**10**

	Unaudited							
	March 31, 2018							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	110	2	-	2	335	13	-	13
Of others abroad	203	3	-	3	-	-	-	-
Total held-to-maturity bonds	**313**	**5**	**-**	**5**	**335**	**13**	**-**	**13**

	Audited							
	December 31, 2018							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	1,570	20	-	20	-	-	-	-
Of foreign governments	-	-	-	-	19	(1)-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	25	(1)-	-	-	377	13	-	13
Of others abroad	246	2	-	2	38	1	-	1
Total held-to-maturity bonds	**1,841**	**22**	**-**	**22**	**434**	**14**	**-**	**14**

Footnote:
(1) An amount lower than NIS 1 million.

5. Securities (continued)

C. As part of the earlier adoption of the updated U.S. Standard in the matter derivatives and hedge transactions (see Note 1 E 2 above), the subsidiary IDB Bank has reclassified securities from the "held to maturity" portfolio to the "available-for-sale" portfolio, in an amount of US$252 million. Up to and including the financial statements as of December 31, 2018, the Bank continued to present the said securities in the consolidated financial statements as Held-to-maturity securities. As from January 1, 2019, these securities are classified to the available-for-sale portfolio.

D. Fair value and unrealized losses, according to the length of the period and rate of impairment of available-for-sale securities which are in an unrealized loss position-consolidated

	Unaudited							
	March 31, 2019							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Of the Israeli Government	1,946	2	-	2	202	(1)-	-	-
Of foreign governments	11	(1)-	-	-	339	2	-	2
Of Israeli financial institutions	13	(1)-	-	-	-	-	-	-
Of foreign financial institutions	585	5	-	5	58	1	-	1
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	396	5	-	5	4,930	95	-	95
Of others in Israel	3	(1)-	-	-	-	-	-	-
Of others abroad	413	5	-	5	74	1	-	1
Total bonds	**3,367**	**17**	**-**	**17**	**5,603**	**99**	**-**	**99**

	Unaudited							
	March 31, 2018							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available-for-sale securities								
Bonds and loans:								
Of the Israeli Government	1,672	12	-	12	341	4	-	4
Of foreign governments	433	5	-	5	121	2	-	2
Of Israeli financial institutions	23	(1)-	-	-	-	-	-	-
Of foreign financial institutions	570	4	-	4	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	4,163	78	-	78	2,388	93	-	93
Of others in Israel	-	-	-	-	17	1	1	2
Of others abroad	886	11	-	11	-	-	-	-
Total bonds	7,747	110	-	110	2,867	100	1	101
Shares	8	(1)-	-	-	15	1	-	1
Total available-for-sale securities	**7,755**	**110**	**-**	**110**	**2,882**	**101**	**1**	**102**

Footnote:
(1) An amount lower than NIS 1 million.

5. Securities (continued)

D. Fair value and unrealized losses, according to the length of the period and rate of impairment of available-for-sale securities which are in an unrealized loss position-consolidated (continued)

	Audited							
	December 31, 2018							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available-for-sale securities								
Bonds and loans:								
Of the Israeli Government	6,844	49	-	49	667	6	-	6
Of foreign governments	230	4	-	4	319	5	-	5
Of Israeli financial institutions	47	(1)-	-	-	-	-	-	-
Of foreign financial institutions	1,119	25	-	25	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,853	20	-	20	4,436	139	-	139
Of others in Israel	84	3	-	3	-	-	-	-
Of others abroad	1,378	27	-	27	71	2	-	2
Total bonds	11,555	128	-	128	5,493	152	-	152
Shares	31	2	-	2	16	1	-	1
Total available-for-sale securities	**11,586**	**130**	**-**	**130**	**5,509**	**153**	**-**	**153**

Footnote:
(1) An amount lower than NIS 1 million.

E. The securities portfolio, as of March 31, 2019, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details regarding the terms "Mortgage-backed- securities - MBS", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2018.

F. Most of the unrealized losses at March 31, 2019 are attributed to certain factors, including changes in market interest rate subsequent to acquisition, an increase in margins occurring in the credit market concerning similar types of securities, the impact of inactive markets and changes in the rating of securities. For debt securities, there are no securities past due or securities for which the Bank and/or it's relevant subsidiaries estimates that it is not probable that they will be able to collect all the amounts owed to them, pursuant to the investment contracts. Since the Bank and the relevant subsidiaries have the ability and intent to hold on to securities with unrealized losses until a market price recovery (which for debt securities, might not be until maturity), the Bank and the relevant subsidiaries do not view the impairment in value of these investments to be other than temporarily impaired at March 31, 2019.

G. **Fair value presentation.** The balances of securities as of March 31, 2019, March 31, 2018, and December 31, 2018, include securities amounting to NIS 29,414 million, NIS 27,037 million and NIS 30,253 million, respectively, that are presented at fair value.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities

	Unaudited			
	March 31, 2019			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	1,181	2	12	1,171
of which:				
Bonds guaranteed by GNMA	822	2	9	815
Bonds issued by FHLMC and FNMA	359	-	3	356
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,856	4	84	4,776
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,856	4	84	4,776
Total available-for-sale MBS bonds	**6,037**	**6**	**96**	**5,947**
Held-to-maturity bonds				
Mortgage pass-through bonds:	29	1	-	30
of which:				
Bonds guaranteed by GNMA	19	1	-	20
Bonds issued by FHLMC and FNMA	10	-	-	10
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	389	1	9	381
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	389	1	9	381
Total held-to-maturity MBS	**418**	**2**	**9**	**411**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	74	-	1	73
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	74	-	1	73
Total mortgage-backed trading bonds (MBS)	**74**	**-**	**1**	**73**
Total mortgage-backed bonds (MBS)	**6,529**	**8**	**106**	**6,431**
2.Total Asset-backed available-for-sale bonds (ABS)	614	-	4	610
Of which collaterized bonds CLO	596	-	4	592
Of which Asset-backed bond (ABS)	18	-	-	18
Total mortgage and asset-backed bonds	**7,143**	**8**	**110**	**7,041**

Footnote:
(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities (continued)

	Unaudited			
	March 31, 2018			
	Amortized cost	Unrealized gains from adjustment to fair value[1]	Unrealized losses from adjustment to fair value[1]	Fair value
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale securities				
Mortgage pass-through securities:	1,656	-	29	1,627
of which:				
Securities guaranteed by GNMA	1,241	-	19	1,222
Securities issued by FHLMC and FNMA	415	-	10	405
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	5,292	1	142	5,151
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	5,292	1	142	5,151
Total available-for-sale MBS	**6,948**	**1**	**171**	**6,778**
Held-to-maturity securities				
Mortgage pass-through securities:	34	2	-	36
of which:				
Securities guaranteed by GNMA	22	1	-	23
Securities issued by FHLMC and FNMA	12	1	-	13
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	471	-	15	456
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	471	-	15	456
Total held-to-maturity MBS	**505**	**2**	**15**	**492**
Trading securities				
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	68	-	2	66
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	68	-	2	66
Total mortgage-backed trading securities (MBS)	**68**	**-**	**2**	**66**
Total mortgage-backed securities (MBS)	**7,521**	**3**	**188**	**7,336**
2.Total Asset-backed available-for-sale securities (ABS)	53	-	-	53
Of which collaterized bonds CLO	53	-	-	53
Total mortgage and asset-backed securities	**7,574**	**3**	**188**	**7,389**

Footnote:

(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities (continued)

	Audited			
	December 31, 2018			
	Amortized cost	Unrealized gains from adjustment to fair value[1]	Unrealized losses from adjustment to fair value[1]	Fair value
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale securities				
Mortgage pass-through securities:	1,288	-	22	1,266
of which:				
Securities guaranteed by GNMA	901	-	14	887
Securities issued by FHLMC and FNMA	387	-	8	379
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	5,353	4	132	5,225
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	5,353	4	132	5,225
Total available-for-sale MBS	**6,641**	**4**	**154**	**6,491**
Held-to-maturity securities				
Mortgage pass-through securities:	32	1	-	33
of which:				
Securities guaranteed by GNMA	21	1	-	22
Securities issued by FHLMC and FNMA	11	-	-	11
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	419	-	13	406
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	419	-	13	406
Total held-to-maturity MBS	**451**	**1**	**13**	**439**
Trading securities				
Other mortgage-backed securities (including CMO, REMIC and STRIPPED MBS):	79	-	2	77
Of which Securities issued or guaranteed by FHLMC, FNMA and GNMA	79	-	2	77
Total mortgage-backed trading securities (MBS)	**79**	**-**	**2**	**77**
Total mortgage-backed securities (MBS)	**7,171**	**5**	**169**	**7,007**
2.Total Asset-backed available-for-sale securities (ABS)	369	-	5	364
Of which collaterized bonds CLO	351	-	4	347
Of which Asset-backed bond (ABS)	18	-	1	17
Total mortgage and asset-backed securities	**7,540**	**5**	**174**	**7,371**

Footnote:
(1) For available for sale securities-accumulated other comprehensive income.

5. Securities (continued)

I. Additional details (consolidated) regarding mortgage and asset backed securities

Additional details regarding mortgage and asset backed securities in unrealized loss position:

	Unaudited			
	March 31, 2019			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed securities (MBS):				
Available-for-sale bonds				
A. Mortgage pass-through bonds				
Bonds guaranteed by GNMA	86	1	474	8
Bonds issued by FHLMC and FNMA	-	-	304	3
Total mortgage-backed pass-through bonds	**86**	**1**	**778**	**11**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	4,152	84
Total other mortgage-backed bonds	**-**	**-**	**4,152**	**84**
Total available-for-sale MBS	**86**	**1**	**4,930**	**95**
Held-to-maturity bonds				
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	7	[1] -	327	9
Total other mortgage-backed bonds	**7**	**-**	**327**	**9**
Total held-to-maturity MBS	**7**	**-**	**327**	**9**
Trading securities				
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	-	-	50	1
Total mortgage-backed trading bonds (MBS)	**-**	**-**	**50**	**1**
Total mortgage-backed bonds (MBS)	**93**	**1**	**5,307**	**105**
2. Asset-backed available-for-sale bonds (ABS)				
Collaterized bonds CLO	310	4	-	-
Total asset-backed available-for-sale bonds (ABS)	**310**	**4**	**-**	**-**
Total mortgage and asset-backed bonds	**403**	**5**	**5,307**	**105**

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued):

	Unaudited			
	March 31, 2018			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
Mortgage-backed securities (MBS):				
Available-for-sale securities				
A. Mortgage pass through securities:				
Securities guaranteed by GNMA	859	11	278	8
Securities issued by FHLMC and FNMA	318	6	88	4
Total mortgage backed pass through securities	**1,177**	**17**	**366**	**12**
B. Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	2,986	61	2,022	81
Total other mortgage backed securities	**2,986**	**61**	**2,022**	**81**
Total available-for-sale MBS	**4,163**	**78**	**2,388**	**93**
Held-to-maturity securities				
Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	108	2	322	13
Total other mortgage backed securities	**108**	**2**	**322**	**13**
Total held-to-maturity MBS	**108**	**2**	**322**	**13**
Trading securities				
Other mortgage backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	43	1	18	1
Total mortgage-backed trading securities (MBS)	**43**	**1**	**18**	**1**
Total mortgage-backed securities (MBS)	**4,314**	**81**	**2,728**	**107**

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued):

	Audited			
	December 31 ,2018			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-Backed Securities (MBS):				
Available-for-sale securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	363	3	437	11
Securities issued by FHLMC and FNMA	145	1	234	7
Total mortgage-backed pass through securities	**508**	**4**	**671**	**18**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	1,009	11	3,765	121
Total other mortgage-backed securities	**1,009**	**11**	**3,765**	**121**
Total available-for-sale MBS	**1,517**	**15**	**4,436**	**139**
Held-to-maturity securities				
A. Mortgage pass-through securities:				
Securities guaranteed by GNMA	2	(1)-	-	-
Total mortgage-backed pass-through securities	**2**	**-**	**-**	**-**
B. Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	23	(1)-	364	13
Total other mortgage-backed securities	**23**	**-**	**364**	**13**
Total held-to-maturity MBS	**25**	**-**	**364**	**13**
Trading securities				
Other mortgage-backed securities (including CMO,REMIC and STRIPPED MBS):				
Securities issued or guaranteed by FHLMC, FNMA and GNMA	21	(1)-	38	2
Total mortgage-backed trading securities (MBS)	**21**	**-**	**38**	**2**
Total mortgage-backed securities (MBS)	**1,563**	**15**	**4,838**	**154**
2.Asset-backed available-for-sale Securities (ABS)				
Collaterized bonds CLO	318	4	-	-
Of which Asset-backed bond (ABS)	18	1	-	-
Total asset-backed available-for-sale securities (ABS)	**336**	**5**	**-**	**-**
Total mortgage and asset backed securities	**1,899**	**20**	**4,838**	**154**

Footnote:
(1) Amount lower than NIS 1 million

J. Information regarding impaired bonds - consolidated

	March 31, 2019	March 31, 2018	December 31, 2018
	In NIS millions		
Recorded amount of non accruing interest income impaired bonds	81	41	79

6. Credit risk, credit to the public and allowance for credit losses

General. Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under resale agreements and assets in respect of the " Maof" market activity.

It is noted, that Note 14 presents the details included in this Note, as well as an extended discussion thereof.

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated

	Unaudited					
	March 31, 2019					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[(1)]	80,008	-	597	80,605	6,117	86,722
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(2)]222	33,643	-	33,865	-	33,865
Group - other	[(2)]27,628	158	30,348	58,134	342	58,476
Total debts*	**107,858**	**33,801**	**30,945**	**172,604**	**6,459**	**179,063**
* Of which:						
Restructured troubled debts	1,024	-	148	1,172	-	1,172
Other Impaired debts	429	-	29	458	-	458
Total balance of impaired debts	**1,453**	**-**	**177**	**1,630**	**-**	**1,630**
Debts in arrears of 90 days or more	56	330	51	437	-	437
Other problematic debts	1,348	21	326	1,695	-	1,695
Total Problematic debts	**2,857**	**351**	**554**	**3,762**	**-**	**3,762**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[(1)]	1,111	-	73	1,184	-	1,184
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(3)]1	[(3)]192	-	193	-	193
Group - other	381	2	548	931	1	932
Total allowance for Credit Losses	**1,493**	**194**	**621**	**2,308**	**1**	**2,309**
Of which: in respect of impaired debts	152	-	61	213	-	213

Footnotes:
(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 85,092 million and the allowance in its respect in an amount of NIS 971 million computed on a group basis.
(2) The balance of commercial debts includes housing loans in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 120 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated (continued)

	Unaudited					
	March 31, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[(1)]	70,303	-	675	70,978	4,364	75,342
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(2)]251	29,391	-	29,642	-	29,642
Group - other	[(2)]26,329	127	28,605	55,061	278	55,339
Total debts*	**96,883**	**29,518**	**29,280**	**155,681**	**4,642**	**160,323**
* Of which:						
Restructured troubled debts	1,387	-	92	1,479	-	1,479
Other Impaired debts	479	-	18	497	-	497
Total balance of impaired debts	**1,866**	**-**	**110**	**1,976**	**-**	**1,976**
Debts in arrears of 90 days or more	52	273	61	386	-	386
Other problematic debts	1,125	26	334	1,485	-	1,485
Total Problematic debts	**3,043**	**299**	**505**	**3,847**	**-**	**3,847**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[(1)]	1,036	-	42	1,078	-	1,078
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(3)]1	[(3)]173	-	174	-	174
Group - other	366	2	494	862	1	863
Total allowance for Credit Losses	**1,403**	**175**	**536**	**2,114**	**1**	**2,115**
Of which: in respect of impaired debts	137	-	33	170	-	170

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 73,366 million and the allowance in its respect in an amount of NIS 908 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 255 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis in amount of NIS 3 million, computed on a group basis in amount of NIS 104 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated (continued)

	Audited					
	December 31, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[(1)]	75,208	-	539	75,747	5,389	81,136
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(2)]231	32,779	-	33,010	-	33,010
Group - other	[(2)]28,054	145	30,122	58,321	450	58,771
Total debts*	**103,493**	**32,924**	**30,661**	**167,078**	**5,839**	**172,917**
* Of which:						
Restructured troubled debts	1,094	-	131	1,225	-	1,225
Other Impaired debts	384	-	24	408	-	408
Total balance of impaired debts	**1,478**	**-**	**155**	**1,633**	**-**	**1,633**
Debts in arrears of 90 days or more	58	316	61	435	-	435
Other problematic debts	1,294	24	345	1,663	-	1,663
Total Problematic debts	**2,830**	**340**	**561**	**3,731**	**-**	**3,731**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[(1)]	1,096	-	64	1,160	-	1,160
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(3)]1	[(3)]185	-	186	-	186
Group - other	384	2	542	928	1	929
Total allowance for Credit Losses	**1,481**	**187**	**606**	**2,274**	**1**	**2,275**
Of which: in respect of impaired debts	169	-	54	223	-	223

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 79,503 million and the allowance in its respect in an amount of NIS 937 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, computed on a group basis, in amount of NIS 116 million.

6. Credit risk, credit to the public and allowance for credit losses (continued)

2. Movement in the balance of allowance for credit losses - consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	Three months ended March 31, 2019					
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451
Expenses for credit loss	62	7	72	141	-	141
Accounting write-offs	(96)	-	(117)	(213)	-	(213)
Collection of debts written-off in previous years	61	-	58	119	-	119
Net accounting write-offs	(35)	-	(59)	(94)	-	(94)
Financial statements translation adjustments	(8)	-	-	(8)	-	(8)
Balance of allowance for credit losses, as at March 31, 2019	**1,625**	**194**	**670**	**2,489**	**1**	**2,490**
Of which: In respect of off-balance sheet credit instruments	132	-	49	181	-	181
	Three months ended March 31, 2018					
Balance of allowance for credit losses, as at December 31, 2017 (audited)	1,560	178	566	2,304	1	2,305
Expenses for credit loss	35	6	71	112	-	112
Accounting write-offs	(167)	(9)	(114)	(290)	-	(290)
Collection of debts written-off in previous years	121	-	57	178	-	178
Net accounting write-offs	(46)	(9)	(57)	(112)	-	(112)
Financial statements translation adjustments	4	-	-	4	-	4
Balance of allowance for credit losses, as at March 31, 2018	**1,553**	**175**	**580**	**2,308**	**1**	**2,309**
Of which: In respect of off-balance sheet credit instruments	150	-	44	194	-	194

7. Deposits from the public

A. Type of deposits according to location of raising the deposit and type of depositor

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	32,925	34,933	34,166
Interest bearing	38,522	34,548	38,588
Total demand deposits	**71,447**	**69,481**	**72,754**
Time deposits	92,413	87,063	89,893
Total deposits in Israel*	**163,860**	**156,544**	**162,647**
* Of which:			
Private individuals deposits	91,411	85,734	90,716
Institutional bodies deposits	12,724	14,313	13,044
Corporations and others deposits	59,725	56,497	58,887
Outside Israel			
Demand deposits:			
Non-interest bearing	3,868	4,255	4,804
Interest bearing	12,557	11,283	11,845
Total demand deposits	**16,425**	**15,538**	**16,649**
Time deposits	10,554	9,029	9,620
Total deposits outside Israel	**26,979**	**24,567**	**26,269**
Total deposits from the public	**190,839**	**181,111**	**188,916**

B. Deposits from the public according to size, on a consolidated basis

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	72,960	68,904	71,912
Over 1 up to 10	52,662	49,003	53,005
Over 10 up to 100	28,029	25,232	29,719
Over 100 up to 500	18,952	22,203	18,976
Over 500	18,236	15,769	15,304
Total	**190,839**	**181,111**	**188,916**

8. Employee Benefits

A. Details regarding the benefits

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	3,139	3,330	3,093
Fair value of the plan's assets	1,823	1,969	1,815
Excess liabilities over the plan's assets	**1,316**	**1,361**	**1,278**
Excess liabilities of the program included in the item "other liabilities"	**1,337**	**1,361**	**1,297**
Excess assets of the program included in the item "other assets"	**21**	**-**	**19**
Amounts included in the other liabilities item:			
Long-service ("jubilee") awards	286	318	317
Post retirement benefits to retirees	612	722	577
Vacation	148	159	135
Illness	7	8	7
Total Excess liabilities included in the "other liabilities" item	**2,390**	**2,568**	**2,333**
Of which – in respect of benefits to employees abroad	30	54	31
Total Excess assets of the program included in the item "other assets"	**21**	**-**	**19**
Of which – in respect of benefits to employees abroad	21	-	18

B. Defined benefit plan

1. Commitment and financing status

1.1 CHANGE IN COMMITMENT IN RESPECT OF ANTICIPATED BENEFITS

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Commitment in respect of anticipated benefits at the beginning of the period	3,093	3,430	577	734	3,430	734
Cost of service	19	23	1	2	92	6
Cost of interest	27	29	6	6	101	25
Actuarial loss (profit)	94	(83)	36	(12)	(110)	(144)
Changes in foreign currency exchange rates	(5)	3	(1)	-	15	2
Benefits paid	(89)	(72)	(7)	(8)	(435)	(46)
Commitment at the end of the period in respect of anticipated benefits	**3,139**	**3,330**	**612**	**722**	**3,093**	**577**
Commitment at the end of the period in respect of accumulated benefits[(1)]	**2,810**	**2,885**	**612**	**722**	**2,886**	**577**

Footnote:
(1) The commitment in respect of a cumulative benefit differs from the commitment in respect of a contractual benefit in that it does not include any assumptions with regard to the future remuneration levels.

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.2 CHANGE IN FAIR VALUE OF THE PLAN'S ASSETS AND FINANCING STATUS OF THE PLAN

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	Severance pay, retirement and pension		
	in NIS millions		
Fair value of the plan's assets at the beginning of the period	1,815	2,034	2,034
Actual return on the plan's assets	76	(12)	(51)
Changes in foreign currency exchange rates	(6)	2	12
Deposits by the Bank to the plan	6	6	63
Benefits paid	(68)	(61)	(243)
Fair value of the program's assets at the end of the period	**1,823**	**1,969**	**1,815**
Financing status - liability, net, recognized at the end of the period	**(1,316)**	**(1,361)**	**(1,278)**

1.3 AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Unaudited				Audited	
	March 31				December 31	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other assets"	21	-	-	-	19	-
Amounts recognized in the item "other liabilities"	(1,337)	(1,361)	(612)	(722)	(1,297)	(577)
Net liability recognized at the end of the period	**(1,316)**	**(1,361)**	**(612)**	**(722)**	**(1,278)**	**(577)**

1.4 AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX EFFECT

	Unaudited				Audited	
	March 31				December 31	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension		Post retirement retiree benefits		Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions					
Actuarial profit (loss), net	(588)	(625)	21	(74)	(580)	59
Net liability in respect of the transition[1]	-	(7)	-	-	-	-
Net cost in respect of prior service	-	-	4	5	-	4
Closing balances of accumulated other comprehensive income	**(588)**	**(632)**	**25**	**(69)**	**(580)**	**63**

Footnote:

(1) Stems from the change in the discount rate used in calculating the provisions in respect of employee rights, at date of the initial implementation of the directives.

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.5 PLANS IN WHICH THE COMMITMENT IN RESPECT OF CUMULATIVE BENEFITS EXCEEDS THE PLAN'S ASSETS

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
	Severance pay, retirement and pension in NIS millions		
Commitment in respect of anticipated benefits	2,787	3,168	2,749
Commitment in respect of cumulative benefits	2,511	2,756	2,569
Fair value of the plan's assets	1,463	1,817	1,455

1.6 PLANS IN WHICH THE COMMITMENT IN RESPECT OF ANTICIPATED BENEFITS EXCEEDS THE PLAN'S ASSETS

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
	Severance pay, retirement and pension in NIS millions		
Commitment in respect of anticipated benefits	2,961	3,330	2,910
Fair value of the plan's assets	1,623	1,969	1,612

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period

2.1 COMPONENTS OF NET BENEFIT COSTS RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS IN RESPECT OF DEFINED BENEFITS PENSION AND DEFINED DEPOSIT PLANS

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December
	2019	2018	2018
	in NIS millions		
Severance pay, retirement and pension payments			
Cost of service	19	23	92
Cost of interest	27	29	101
Anticipated return on assets of the plan	(14)	(18)	(71)
Amortization of unrecognized amounts:			
Net actuarial loss	11	13	51
Total amortization of unrecognized amounts	**11**	**13**	**51**
Other, including loss from reduction or settlement	13	10	88
Total net cost of benefits	**56**	**57**	**261**
Total expense regarding defined deposits pension plans	**47**	**47**	**189**
Total expenses included in respect Severance pay, retirement and pension payments	**103**	**104**	**450**
Of which: expenses included in salaries and related expenses	66	70	281
Of which: expenses included in other expenses	37	34	169
Post retirement retiree benefits			
Cost of service	1	2	6
Cost of interest	6	6	25
Amortization of unrecognized amounts:			
Net actuarial loss (income)	(2)	2	4
Cost of prior service	-	-	(1)
Total amortization of unrecognized amounts	**(2)**	**2**	**3**
Other, including income from reduction or settlement	-	-	(1)
Total net cost of benefits	**5**	**10**	**33**
Of which: expenses included in salaries and related expenses	1	2	6
Of which: expenses included in other expenses	4	8	27

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

2.2 CHANGES IN ASSETS OF THE PLAN AND IN THE COMMITMENT FOR BENEFITS RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX EFFECT

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December, 31	
	2019	2018	2019	2018	2018	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Net actuarial loss (income)	32	(19)	36	(12)	53	(144)
Amortization of actuarial loss (income)	(11)	(13)	2	(2)	(51)	(4)
Amortization of credit (cost) in respect of prior service	-	-	-	-	-	1
Amortization of net liability in respect of the transition	-	(34)	-	-	(41)	-
Changes in foreign currency exchange rates	-	-	-	-	(1)	-
Other, including loss (profit) from reduction or settlement	(13)	(10)	-	-	(88)	1
Total recognized in other comprehensive loss (income)	**8**	**(76)**	**38**	**(14)**	**(128)**	**(146)**
Total net cost of benefits(1)	**56**	**57**	**5**	**10**	**261**	**33**
Total amount recognized in net cost of benefits and in other comprehensive income	**64**	**(19)**	**43**	**(4)**	**133**	**(113)**

Footnote:
(1) See item 2.1 above.

2.3 ESTIMATE OF AMOUNTS INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME EXPECTED TO BE AMORTIZED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME TO THE STATEMENT OF PROFIT AND LOSS DURING THE REMAINDER OF 2019 AS AN EXPENSE (INCOME), BEFORE TAX EFFECT

	Unaudited	
	April - December 2019	
	Severance pay, retirement and pension	Post retirement retiree benefits
	in NIS millions	
Net actuarial profit (loss)	33	(3)
Settlements	26	-
Net cost in respect of prior service	-	(1)
Total amount expected to be amortized from other comprehensive income	**59**	**(4)**

3. Assumptions

3.1 ASSUMPTIONS ON THE BASIS OF A WEIGHTED AVERAGE USED IN DETERMINING THE COMMITMENT IN RESPECT OF THE BENEFIT AND IN MEASURING THE NET COST OF THE BENEFIT

3.1.1 Principal assumptions used in determining the commitment in respect of the benefit

	Unaudited		Audited	Unaudited		Audited
	March 31		December 31	March 31		December 31
	2019	2018	2018	2019	2018	2018
	Severance pay, retirement and pension			Post retirement retiree benefits		
Discount rate	1.09%-2.03%	1.27%-1.99 %	1.83%-2.54%	0.47%-2.25%	0.68%-2.13%	1.32%-2.70%

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions (continued)

3.1 ASSUMPTIONS ON THE BASIS OF A WEIGHTED AVERAGE USED IN DETERMINING THE COMMITMENT IN RESPECT OF THE BENEFIT AND IN MEASURING THE NET COST OF THE BENEFIT (CONTINUED)

3.1.2 Principal assumptions used in measuring the net cost of benefit for the period

	Unaudited		Audited	Unaudited		Audited
	March 31		December 31	March 31		December 31
	2019	2018	2018	2019	2018	2018
	Severance pay, retirement and pension			Post retirement retiree benefits		
Discount rate	1.83%-2.54%	1.06%-1.87%	1.06%-2.23%	1.32%-2.70%	0.66%-1.99%	0.66%-2.35%

3.2 EFFECT OF A ONE PERCENTAGE POINT CHANGE ON THE COMMITMENT FOR ANTICIPATED BENEFITS, BEFORE THE TAX EFFECT

	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
	Increase of one percentage point						Decrease of one percentage point					
	Severance pay, retirement and pension			Post retirement retiree benefits			Severance pay, retirement and pension			Post retirement retiree benefits		
	March 31		December 31	March 31		December 31	March 31		December 31	March 31		December 31
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018
	in NIS millions											
Discount rate	(242)	(265)	(270)	(31)	(42)	(30)	245	266	282	31	42	31

The said sensitivity analysis relates to the Bank, and to MDB, which comprise approx. 90% of the liability in respect of an anticipated benefit.

4. Cash flow

4.1 DEPOSITS

	Unaudited			Audited
	Forecast[(1)]	Actual deposits		
		For the three months ended March 31,		For the year ended December, 31
	2019	2019	2018	2018
	Severance pay, retirement and pension payments			
	in NIS millions			
Deposits	18	6	6	63

Footnote:
(1) Assessment of expected deposits with defined benefit pension plans during the remainder of 2019.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks

1. Capital adequacy according to Directives of the Supervisor of Banks

(a) **Adoption of Basel III instructions.** Details in this matter were brought in Note 25, item 1, in the 2018 Annual Report.

(b) **Additional capital requirements in respect of housing loans.** On September 28, 2014 the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329, in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the total capital target by a rate which expresses 1% of the outstanding housing loans.

The said requirement increased the total minimum equity capital requirement and the total capital by approx. 0.19%.

(c) **Relief regarding the efficiency plan 2016.** The Supervisor of Banks granted the Bank relief regarding its 2016 efficiency plan. Costs in a total amount of NIS 372 million (before taxes; on a consolidated basis; an amount of NIS 245 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2016, and are gradually amortized, as from the fourth quarter of 2016, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 122 million have been amortized to March 31, 2019. Additional details regarding this matter are given in Note 25 item 1 c to the 2018 annual report.

(d) **Relief regarding the efficiency plan 2018.** The Supervisor of Banks granted the Bank a relief regarding its 2018 efficiency plan. Costs in a total amount of approx. NIS 145 million (before taxes; an amount of NIS 95 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2018, and are gradually amortized, as from the third quarter of 2018, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 14 million have been amortized to March 31, 2019. Additional details regarding this matter are given in Note 25 item 1 d to the 2018 annual report.

E. Capital for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	in NIS millions		
Common equity tier 1 after deductions	(1)(2)17,966	(1)16,180	(1)(2)17,504
Additional tier 1 capital after deductions	534	712	712
Tier 1 capital	18,500	16,892	18,216
Tier 2 capital after deductions	4,686	5,141	5,140
Total capital	**23,186**	**22,033**	**23,356**

Footnotes:

(1) See item "C" above.

(2) See item "D" above.

F. Weighted risk assets balance

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	in NIS millions		
Credit risk(1)	158,320	146,837	153,081
Market Risk	3,635	3,677	3,412
CVA risk	1,406	1,460	1,441
Operational risk	13,285	12,339	12,987
Total weighted risk assets balance	**176,646**	**164,313**	**170,921**

Footnote:

(1) The total weighted balances of the risk assets have been reduced by NIS 20 million (March 31, 2018: NIS 26 million, December 31,2018: NIS 32 million) due to adjustments in respect to the efficiency plan.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

G. Ratio of capital risk assets

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.17	9.85	10.24
Ratio of total capital to risk assets	13.13	13.41	13.67
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(4)	9.19	9.18	9.19
Minimum total capital adequacy ratio required by the Supervisor of Banks(4)	12.69	12.68	12.69
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	11.4	11.0	11.4
Ratio of total capital to risk assets	13.7	13.7	14.0
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(5)	9.2	9.2	9.2
Minimum total capital adequacy ratio required by the Supervisor of Banks(5)	12.7	12.7	12.7
2. Discount Bancorp Inc. (1)			
Ratio of common equity tier 1 to risk assets	13.8	14.3	14.3
Ratio of total capital to risk assets	14.8	15.3	15.3
Ratio of minimum common equity tier 1 required in accordance with local regulation(2)	4.5	4.5	4.5
Minimum total capital adequacy ratio required in accordance with local regulation(2)	8.0	8.0	8.0
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	14.4	13.7	14.8
Ratio of total capital to risk assets	15.5	14.8	15.9
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.0	8.0	8.0
Minimum total capital adequacy ratio required by the Supervisor of Banks(3)	11.5	11.5	11.5

Footnotes:

(1) The data in this item was computed in accordance with the rules mandatory in the U.S.A.

(2) IDB New York is subject to the new Basel III capital rules based on the final rules published by the FRB. Capital ratios are as follows: 4.5% CET1 to risk-weighted assets; 6.0% Tier 1 capital to risk-weighted assets; and 8.0% Total capital to risk-weighted assets.

(3) In accordance with of the approach by the Supervisor of Banks, ICC was required to maintain a total capital ratio of not less than 15%, starting from December 31, 2010. The Supervisor of banks announced the cancellation of the restriction on February 4, 2018.

(4) With an addition of 0.19% (March 31, 2018: 0.18%, December 31, 2018: 0.19%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.

(5) With an addition of 0.19% (March 31, 2018: 0.19%, December 31, 2018: 0.20%), in accordance with the additional capital requirements with respect to housing loans - see item 1 (b) above.

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

H. Capital components for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	in NIS millions		
A. Common Equity Tier 1			
Common equity	18,145	16,378	17,669
Difference between common equity and common equity tier 1	(219)	(202)	(222)
Total common equity tier 1 before supervisory adjustments and deductions	17,926	16,176	17,447
Supervisory adjustments and deductions			
Goodwill and other intangible assets	160	160	160
Supervisory adjustments and other deductions	3	7	3
Total supervisory adjustments and deductions before adjustments in respect to the efficiency plan	163	167	163
Total adjustments in respect to the efficiency plan	203	171	220
Total common equity tier 1 after supervisory adjustments and deductions	**17,966**	**16,180**	**17,504**
B. Additional tier 1 capital			
Additional tier 1 capital before deductions	534	712	712
Total additional tier 1 capital after deductions	**534**	**712**	**712**
C. Tier 2 capital			
Instruments before deductions	2,612	3,221	3,135
Allowance for credit losses before deductions	1,997	1,854	1,932
Minority interests in a subsidiary	77	66	73
Total tier 2 capital before deductions	4,686	5,141	5,140
Deductions	-	--	-
Total tier 2 capital	**4,686**	**5,141**	**5,140**

I. The effect of the adjustments in respect to the efficiency plan on the ratio of common equity tier 1

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	In %		
Ratio of common equity tier 1 to risk assets before the effect of the adjustments in respect to the efficiency plan	10.05	9.74	10.11
Effect of the adjustments in respect to the efficiency plan	0.12	0.11	0.13
Ratio of common equity tier 1 to risk assets after the effect of the adjustments in respect to the efficiency plan	10.17	9.85	10.24

9. Capital Adequacy, leverage and liquidity in accordance with Directives of the Supervisor of Banks (continued)

2. Leverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio. The Directive took effect on April 1, 2015. Beginning of the implementation of the Directive is from January 1, 2018.

	Unaudited		Audited
	March 31,		December 31,
	2019	2018	2018
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	18,500	16,892	18,216
Total exposures	264,166	255,319	264,000
	In %		
Leverage ratio	7.0	6.6	6.9
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	7.3	6.8	7.1
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0
2. Discount Bakcorp Inc.			
Leverage ratio	10.6	10.5	10.8
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.1	9.4	9.5
Minimal Leverage ratio required by the Supervisor of Banks	5.0	5.0	5.0

Footnote:
(1) For the effect of the adjustments in respect to the efficiency plans, see items 1 H ,I.

3. Liquidity coverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 221 in the matter of liquidity coverage ratio.

General. The computation is based on the average of daily observations in the period of ninety days prior to the date of the report (with the exception of ICC, where the computation was based on the average of monthly observations).

	Unaudited		Audited
	For the three months ended		
	March 31,		December 31,
	2019	2018	2018
	In %		
A. Consolidated			
Liquidity coverage ratio	133.4	135.1	124.8
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	154.2	153.2	136.4
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries[1]			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	144.3	152.1	133.1
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:
(1) The new directive does not apply to credit card companies and thus data relating to ICC are not presented. Likewise, the directive does not apply to IDB New York.

10. Contingent liabilities and special commitments

A. Contingent liabilities and other special commitments

	Unaudited		Audited
	March 31		December 31
	2019	2018	2018
	in NIS millions		
1. Long-term lease contracts - rent payable in future years:			
First year	148	95	158
Second year	119	98	123
Third year	96	76	103
Fourth year	74	55	78
Fifth year	56	48	64
Sixth year and thereafter	221	205	248
Total	**714**	**577**	**774**
2. Commitment to acquire buildings and equipment	130	87	154
3. Commitment to invest in private investment funds and in venture capital funds	598	485	583

B. Contingent liabilities and other special commitments

4. Various actions against the Bank and its consolidated subsidiaries:

As detailed in Note 26 C 12 to the financial statements as at December 31, 2018, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and requests to approve actions as class action suits. In the opinion of the Bank's Management, which is based, inter alia, on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based upon the opinion of their legal counsels, respectively, as the - case may be, adequate provisions have been included in the financial statements, where required.

The total exposure with respect to claims filed against the Bank and its consolidated subsidiaries, whose prospects of materializing, in whole or in part, have been assessed as reasonably possible, amounted to approx. NIS 512 million as of March 31, 2019.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 12 through 14 to the financial statements as at December 31, 2018. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 16 to the financial statements as at December 31, 2018.

Following is a summary of significant updates regarding material legal actions against the Bank and its subsidiaries:

4.1 Note 26 C 13.4 to the financial statements as of December 31, 2018, described a lawsuit together with a motion for its approval as a class action suit, filed on December 12, 2017, against MDB and additional banks. The Claimants argue that MDB, which had been successful in a State tender for providing loans guaranteed by the Small and Medium Size Businesses Fund, requires the borrowers to deposit a fictitious deposit out of the loan funds, comprising the tying of a service to another service which is prohibited by law. The Claimants further argue that in practice the interest charged on the loans is 2.3 times higher than the interest that the Bank is permitted to charge in accordance with the agreement with the State. The Claimants assessed their claim against MDB at NIS 124 million.

On November 28, 2018, the Claimants amended the amount of the claim to NIS 2.5 million, in respect of each bank. On March 24, 2019, the Court decided to reject the motion for approval of the claim as a class action suit.

4.2 Note 26 C 12.1 to the financial statements as of December 31, 2018, described a lawsuit against the Bank and additional banks, filed on August 28, 2013, with the Tel Aviv District Court, together with a motion for its approval as a class action suit. The subject of the motion is the claim regarding the unlawfully charging of commission fees on the conversion and transfer of foreign currency with no proper disclosure to their customers and that by operating in this manner the respondent banks in fact maintain a binding arrangement in contradiction to the provisions of the Antitrust Act, 1988.

In accordance with the decision of the Court, the Appellant filed on April 23, 2015, a summary motion for approval of the suit as a class action suit and placed the amount of the claim for all the defendant banks at NIS 7.7 billion, of which, the part attributed to the Bank amounts to NIS 929 million. On March 1, 2018, a verdict was given rejecting the motion for approval of the action as a class action suit. An appeal against the said verdict was filed with the Supreme Court on March 18, 2018. A verdict rejecting the appeal was handed on April 1, 2019.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

4.3 Note 26 C 12.3 to the financial statements as of December 31, 2018, described a lawsuit, together with a motion for approval of the lawsuit as a class action suit filed with the Tel Aviv-Jaffa District Court on March 2, 2014, against the MDB and against other banks. The Claimants allege that the respondent banks unlawfully charge a commission on the conversion and transfer of foreign currency with no proper disclosure to their customers. The Claimant stated the amount of the claim from all the Respondents and for all class members at approx. NIS 2.07 billion.

On March 1, 2018, a verdict was given rejecting the motion for approval of the action as a class action suit. An appeal against the said verdict was filed with the Supreme Court on March 18, 2018. A verdict rejecting the appeal was handed on April 1, 2019.

4.4 Note 26 C 13.3 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit against Diners Club Israel Ltd. (hereinafter: "Diners") and against an additional company (hereinafter: "the Respondents"), filed on October 19, 2017.

The subject matter of the request is a claim that Diners, together with the other defendant company, intentionally mislead in their publications the members of the Frequent Flyer Club who hold credit cards of the Diners Fly Card class (hereinafter: "the card"), with respect to the manner of calculation of the flight points that might be accumulated when using the card for payments made to Government agencies. The Claimants fixed the amount of the claim for all class members at approx. NIS 66 million, and alternatively at NIS 300 million.

On March 20, 2018, Diners filed its response to the motion for approval. On February 13, 2019, the Respondents filed a motion for the dismissal in limine of the motion for approval. On May 6, 2019, the Court admitted the motion and instructed the dismissal of the motion for approval.

4.5 Note 26 C 13.6 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit was filed on May 6, 2018, with the Tel Aviv-Jaffa District Court against ICC and two additional Respondents. The subject of the motion is the claim that the Respondents had not provided proper disclosure regarding the charging of interest by them. The Claimants stated the amount of their claim in respect of all class members, and against all respondents, at approx. NIS 181 million.

ICC submitted on March 5, 2019, its response to the motion for approval.

5. Class action suits and requests to approve certain actions as class action suits as well as other actions are pending against the Bank and its consolidated subsidiaries, which, in the opinion of the Bank's Management, based on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based on the opinions of their legal counsels, respectively, as the case may be, it is not possible at this stage to evaluate their prospects of success, and therefore no provision have been included in respect therewith.

5.1 Note 26 C 13.1 to the financial statements as of December 31, 2018, described a lawsuit against the Bank and against two additional defendants together with a motion for partial exemption from Court fees filed on April 9, 2016, with the Jerusalem District Court,. The lawsuit was filed by a trustee in bankruptcy of a former CEO and shareholder of a group of companies who personally was also a guarantor for the debts of the group. According to the Plaintiff, the Bank, which had supported the group during its years of business operations, cancelled suddenly, with no prior notice, the credit facilities of the group with everything involved therein. The Plaintiff alleges that these actions taken by the Bank brought about the collapse of the group of companies, and as a result the economic and personal collapse of the bankrupt. It is further claimed that due to the conduct of the Bank, an investor pulled back from investing in the company. The total amount of the claim against all defendants, jointly and severally, is approx. NIS 105 million.

On January 26, 2017, a ruling was given rejecting the motion seeking exemption from the fee. On February 4, 2018, the Supreme Court rejected a motion for leave to appeal the ruling that rejected the motion seeking exemption from the fee.

In accordance with the Court's decision of April 7, 2019, an amended claim brief was submitted on April 15, 2019. The amount of the claim was stated at approx. NIS 36 million and the Court fees were paid. On May 1, 2019 the Bank submitted preliminary motions in the case.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

5.2 Note 26 C 13.2 to the financial statements as of December 31, 2018, described the following proceedings:

(a) On December 4, 2016, the Bank received a claim brief which had been filed with the Federal Court in Australia against the Bank and against twelve additional respondents (hereinafter: "the claim"). The claim was filed by the Liquidator of three Australian corporations that maintained accounts at the Bank. As argued in the claim brief, the Bank had provided banking services to the said corporations and their owners, which assisted them to evade the payment of taxes as well as conceal and hide income in Australia. The claim relates to various transactions in the aforesaid accounts in the years 1992 through 2009. The claim is stated by the Claimant at approx. Australian $ 100 million. A hearing was held on September 29, 2017, in which the Bank stated its preliminary arguments against the decision to approve service outside jurisdiction. No decision has yet been handed as regards these arguments.

In a hearing held on November 1, 2018, the Court instructed the Claimants to submit an amended claim brief, that would include the claims against Discount Bank only, and this in view of the fact that certain of the other Defendants had reached an arrangement and would be removed from the claim brief. In addition, the Court ordered delivery of a copy of the arrangements reached by the Plaintiffs with the other Defendants. The Bank is entitled to file a renewed motion for the in limine dismissal of the claim on ground of lack of authority to approve execution of delivery. A hearing was held on February 11, 2019, in the motion by the Plaintiffs requesting confidentiality for the documents of the arrangement, as well as regarding the motion by the Liquidator for submission of an amended claim brief. The Court admitted the motion for amendment of the claim brief. A decision in the request for confidentiality of the arrangement documents has not yet been given. An amended claim brief was filed on February 13, 2019. A date has not yet been fixed for the hearing of the Bank's renewed motion for the in limine dismissal of the action, on grounds of lack of authority for service of documents outside the jurisdiction.

(b) In September 2017, the Bank and MDB were served with notice of an action filed against them and against other Respondents with a Federal Court in Australia, in respect of the accounts of two companies in liquidation, related to companies being the subject matter of the action described in Section (a) above. The action had been filed by the Liquidator of the two companies, claiming, inter alia, that the said banks provided banking services to these companies during the years 1997 to 2005, which assisted them in evading the payment of taxes. The Liquidator claims an amount of Australian $11 million, and of an amount of approx. Australian $ 9.3 million from the Bank. A preliminary argument brief was submitted on behalf of the Bank on October 16, 2017, including objection to the performance of delivery. A hearing of the preliminary arguments was held on March 1, 2018.

A ruling dismissing the preliminary arguments of the banks was given on June 22, 2018. An application for permission to appeal the decision was submitted on July 19, 2018. A hearing was held on February 28, 2019, in the motion for permission to appeal. A decision in the matter is still pending.

A preliminary hearing was held on December 21, 2018. An additional preliminary hearing was fixed for July 16, 2019.

(c) The Bank obtained information that on June 15, 2017, following a motion filed with the Court in Australia, as part of the proceedings being conducted between the Australian Tax Authorities and a company related to the companies mentioned in items (a) and (b) above, the Magistrate Court in Tel Aviv issued an Order permitting an Israeli counsel to obtain testimony and evidence from three employees of MDB (some of whom in retirement), this in accordance with an inter-state request for legal relief. The hearing of evidence was postponed at this stage to an unknown date.

In the same matter, on November 14, 2017, the Court issued an Order for submission of documents addressed to MDB. MDB has filed a notice of appeal against the decision to issue such Order, and alternatively also filed a motion for permission to appeal (for reasons of care) and a motion requesting the stay of execution of the Order.

On October 24, 2018, the Court gave a ruling whereby MDB must submit the documents detailed in the motions for judicial inquiry. It was also determined that the arrangement with the witnesses, whereby the witnesses will testify after the documents have been received, remains unchanged. With respect to a motion for permission to appeal submitted by MDB respecting the stay of execution motion, the Supreme Court determined that the documents are to be delivered into the trust of the petitioners’ representative without him being permitted to peruse them or to make any use of them. The hearing of the appeal was fixed for November 28, 2019.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

5.3 Note 26 C 13.5 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit which were filed on May 3, 2018, with the Tel Aviv-Jaffa District Court against MDB. The Claimants argue that MDB does not attach details of its procedures to the general terms form, which is signed by customers, and does not disclose to them that it is possible that the bank may require additional confirmations during the course of operating the account, as a condition for continuing the activity. The Claimants stated the amount of their claim at approx. NIS 139 million, in respect of non-monetary damage caused by "impairment of autonomy".

On November 1, 2018, MDB filed its response and on November 29, 2018, the Appellants filed their response. A preliminary hearing of the case was fixed for September 25, 2019.

5.4 Note 26 C 13.7 to the financial statements as of December 31, 2018, described an action together with a motion for approval of the action as a class action suit was filed against the Bank on June 21, 2018, with the Central District Court in Lod. As alleged by the Appellant, the Bank violates the provisions of the Custodian General Act, 1978, and the provisions of the Protection of Deposited Assets Act, 1964, in that it does not report to the Custodian General its holding of an "abandoned asset". It was further claimed that the Bank does not make reasonable efforts to locate the owners of "the abandoned asset", does not report on time and causes damage to members of the class in that the Custodian General would have invested these funds in a most beneficial fashion suitable to the type of "the abandoned asset", and would have made real efforts to locate the owners. The Appellant stated the amount of the claim for all class members at NIS 300 million.

The response of the Bank was filed in February 10, 2019. The case is fixed for a preliminary hearing on July 14, 2019.

5.5 Note 26 C 13.8 to the financial statements as of December 31, 2018, described a claim together with a motion for approval of the action as a class action suit filed on July 22, 2018, in the Tel Aviv District Court against ICC and two other credit card companies. The subject of the petition is paperless transactions (mainly telephone transactions) with companies engaged in direct marketing. It is alleged in the petition that the credit card companies have not prevented the companies engaged in direct marketing from exploiting the elderly and stealing their money in respect to illegal transactions, with this being done by charging their credit cards. It is also alleged in the petition that the credit card companies should have prevented this phenomenon at the outset and, prior to entering into an engagement with the direct marketing companies, they should have checked the nature of these companies and their activity and should have verified that they were in full compliance with the law. The petitioners have assessed the amount of their claim in the sum of approx. NIS 900 million for all the members of the group.

A preliminary hearing of the case was fixed for January 7, 2020.

5.6 Note 26 C 13.9 to the financial statements as of December 31, 2018, described an action against the Bank together with a motion for approval of the action as a class action suit was filed on August 2, 2018 with the Central Region-Lod District Court. The Claimant argues that the practice of the Bank is to charge variable commission fees in respect of foreign currency transfers between accounts in Israel of the same customer, instead of charging a fixed commission in US dollars, according to the Bank's pricelists. The Claimant states the amount of the claim in respect of all members of the class at NIS 112 million.

On February 6, 2019, the Bank filed its response. The hearing of the case is fixed for October 23, 2019.

5.7 On March 25, 2019, an action was filed against MDB with the Tel Aviv District Court, together with a motion for approval of the action as a class action suit. The Claimant argues that MDB had delivered incorrect information regarding the Claimant to the companies managing the financial data base, being financial information that is not supposed to appear in consumption credit reports for individuals, due to the fact that the Claimant had settled his debt to MDB, prior to the expiry of sixty days from date of sending the warning letter. Delivery of the above mentioned information, as claimed, is in contradiction to the provisions of the law, causing the Claimant difficulties in obtaining credit, loans, increase in credit facilities and more.

The Claimant stated the amount of the claim in respect of all members of the class at NIS 10 billion.

6. Discount Campus. Details regarding the project are presented in Note 26 C 18 to the annual financial statements as of December 31, 2018. The investment in the project amounted at March 31, 2019, to NIS 144 million. The balance of the commitment in respect of this project amounted at that date to NIS 52 million. Additional liabilities in the amount of approx. NIS 25 million were added subsequent to balance sheet date.

7. Acquisition of Municipal Bank (in its former name: Dexia Bank). Note 26 C 19 to the financial statements as of December 31, 2018, contains a description of the action taken for the acquisition of Municipal Bank. A merger agreement was signed between MDB and Municipal Israel Bank Ltd. (hereinafter: "Municipal Bank") on November 13, 2018. The general meeting of shareholders of Municipal Bank approved on January 3, 2019, the proposal for the merger with MDB.

   Consummation of the transaction is subject, inter alia, to the materialization of different conditions precedent, certain of which are not under the control of the Bank, including obtaining approvals of regulatory authorities.

10. Contingent liabilities and special commitments (continued)

B. Contingent liabilities and other special commitments (continued)

In November 2018, MDB approached the Competition Authority (in its former name: Antitrust Authority) and the Bank of Israel with a request to approve the agreement. Since then, the transaction is under examination and negotiations are being conducted in respect thereof with the Competition Authority. It is emphasized that obtaining a permit from the Commissioner of Competition is uncertain, and if granted, what would be the terms thereof.

11. Derivative Instruments Activity - volume, credit risk and due dates

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	March 31, 2019			March 31, 2018			December 31, 2018		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions								
Interest rate contracts									
Forward and Futures contracts	7,849	12,998	20,847	6,586	8,677	15,263	7,170	7,971	15,141
Options written	382	24,836	25,218	-	3,222	3,222	-	13,486	13,486
Options purchased	408	23,233	23,641	-	2,515	2,515	-	12,777	12,777
Swaps[(1)]	10,892	112,207	123,099	6,853	94,699	101,552	11,358	108,245	119,603
Total[(2)]	**19,531**	**173,274**	**192,805**	**13,439**	**109,113**	**122,552**	**18,528**	**142,479**	**161,007**
Of which: Hedging derivatives[(5)]	3,171	-	3,171	1,806	-	1,806	3,522	-	3,522
Foreign currency contracts									
Forward and Futures contracts[(3)]	786	22,667	23,453	861	25,237	26,098	862	14,924	15,786
Options written	-	17,913	17,913	5	14,002	14,007	-	12,051	12,051
Options purchased	-	15,024	15,024	6	14,022	14,028	6	11,228	11,234
Swaps	28,952	44,888	73,840	19,516	33,906	53,422	24,536	36,838	61,374
Total	**29,738**	**100,492**	**130,230**	**20,388**	**87,167**	**107,555**	**25,404**	**75,041**	**100,445**
Contracts on shares									
Forward and Futures contracts	-	44	44	-	54	54	-	44	44
Options written	209	5,017	5,226	-	6,581	6,581	-	9,431	9,431
Options purchased[(4)]	223	5,017	5,240	-	6,592	6,592	-	9,443	9,443
Swaps	-	1,163	1,163	-	350	350	-	1,173	1,173
Total	**432**	**11,241**	**11,673**	**-**	**13,577**	**13,577**	**-**	**20,091**	**20,091**
Commodities and other contracts									
Forward and Futures contracts	-	1,294	1,294	-	175	175	-	1,544	1,544
Options written	22	4	26	-	9	9	-	4	4
Options purchased	22	4	26	-	9	9	-	4	4
Total	**44**	**1,302**	**1,346**	**-**	**193**	**193**	**-**	**1,552**	**1,552**
Total stated amount	**49,745**	**286,309**	**336,054**	**33,827**	**210,050**	**243,877**	**43,932**	**239,163**	**283,095**

Footnotes:

	March 31, 2019	March 31, 2018	December 31, 2018
(1) Of which: swaps on which the Bank pays a fixed interest	39,551	38,333	40,610
(2) Of which: shekel/CPI swaps	13,323	10,864	13,062
(3) Of which: spot foreign currency swap contracts	2,879	1,815	2,360
(4) Of which: traded on the Stock Exchange	5,255	1,919	9,009

(5) The Bank conducts accounting hedge by way of IRS transactions.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

A. Volume of activity on a consolidated basis (continued)

2. Gross fair value of derivative instruments

	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	March 31, 2019					
Interest rate contracts	125	1,756	1,881	361	1,591	1,952
Of which: Hedging	8	-	8	75	-	75
Foreign currency contracts	337	713	1,050	287	701	988
Contracts on shares	14	454	468	12	454	466
Commodities and other contracts	1	18	19	1	18	19
Total assets/liabilities in respect of derivatives gross[(1)]	**477**	**2,941**	**3,418**	**661**	**2,764**	**3,425**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	477	2,941	3,418	661	2,764	3,425
Of which: not subject to net settlement arrangement or similar arrangements	-	400	400	38	390	428
	March 31, 2018					
Interest rate contracts	148	1,410	1,558	282	1,369	1,651
Of which: Hedging	48	-	48	10	-	10
Foreign currency contracts	342	950	1,292	300	725	1,025
Contracts on shares	-	640	640	-	639	639
Commodities and other contracts	-	1	1	-	1	1
Total assets/liabilities in respect of derivatives gross[(1)]	**490**	**3,001**	**3,491**	**582**	**2,734**	**3,316**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	490	3,001	3,491	582	2,734	3,316
Of which: not subject to net settlement arrangement or similar arrangements	-	631	631	-	664	664
	December 31, 2018					
Interest rate contracts	154	1,232	1,386	253	1,154	1,407
Of which: Hedging	32	-	32	52	-	52
Foreign currency contracts	594	987	1,581	282	823	1,105
Contracts on shares	-	733	733	-	732	732
Commodities and other contracts	-	38	38	-	38	38
Total assets/liabilities in respect of derivatives gross[(1)]	**748**	**2,990**	**3,738**	**535**	**2,747**	**3,282**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	748	2,990	3,738	535	2,747	3,282
Of which: not subject to net settlement arrangement or similar arrangements	-	660	660	-	707	707

Footnote:

(1) Of which: NIS 13 million (March 31, 2018: NIS 19 million; December 31, 2018: NIS 12 million) gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 30 million (March 31, 2018: NIS 26 million; December 31, 2018: NIS 33 million) gross fair value of liabilities stemming from embedded derivative instruments.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

B. Accounting hedge

1. Effect of fair value hedge

	Unaudited For the three months ended March 31, 2019
	Interest income (expenses)
	In NIS millions
Profit (loss) on fair value hedge	
Interest rate contracts	
Hedged items	53
Hedging derivatives	(53)

2. Items hedged by fair value hedge

	Unaudited	
	March 31, 2019	
	Book value	Cumulative fair value adjustments increasing the book value
	In NIS millions	
Securities	3,018	60
Deposits from the public	350	-

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
			In NIS millions			
			Unaudited			
			March 31, 2019			
Balance sheet balance of assets in respect of derivative instruments[2]	23	1,230	21	12	2,132	3,418
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,080)	(6)	(1)	(1,186)	(2,273)
Credit risk mitigation in respect of cash collateral received	-	(68)	(6)	(4)	(60)	(138)
Net amount of assets in respect of derivative instruments	**23**	**82**	**9**	**7**	**886**	**1,007**
Off-balance sheet credit risk in respect of derivative instruments[1]	138	152	45	13	599	947
Total credit risk in respect of derivative instruments[4]	**161**	**1,382**	**66**	**25**	**2,731**	**4,365**
Balance sheet balance of liabilities in respect of derivative instruments[3]	352	1,430	10	1	1,632	3,425
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,080)	(6)	(1)	(1,186)	(2,273)
Pledged cash collateral	-	(255)	-	-	-	(255)
Net amount of liabilities in respect of derivative instruments	**352**	**95**	**4**	**-**	**446**	**897**

For footnotes see p. 120.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	March 31, 2018					
Balance sheet balance of assets in respect of derivative instruments[2]	32	1,630	48	24	1,757	3,491
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,229)	(1)	(6)	(515)	(1,751)
Credit risk mitigation in respect of cash collateral received	-	(291)	(1)	-	(45)	(337)
Net amount of assets in respect of derivative instruments	**32**	**110**	**46**	**18**	**1,197**	**1,403**
Off-balance sheet credit risk in respect of derivative instruments[1]	154	121	56	4	609	944
Total credit risk in respect of derivative instruments[4]	**186**	**1,751**	**104**	**28**	**2,366**	**4,435**
Balance sheet balance of liabilities in respect of derivative instruments[3]	484	1,815	61	6	950	3,316
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,229)	(1)	(6)	(515)	(1,751)
Pledged cash collateral	-	(548)	-	-	(22)	(570)
Net amount of liabilities in respect of derivative instruments	**484**	**38**	**60**	**-**	**413**	**995**

For footnotes see next page.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	Audited					
	December 31, 2018					
Balance sheet balance of assets in respect of derivative instruments[2]	82	1,520	130	-	2,006	3,738
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(1,015)	(3)	-	(677)	(1,695)
Credit risk mitigation in respect of cash collateral received	-	(406)	(10)	-	(70)	(486)
Net amount of assets in respect of derivative instruments	**82**	**99**	**117**	**-**	**1,259**	**1,557**
Off-balance sheet credit risk in respect of derivative instruments[1]	194	205	141	9	627	1,176
Total credit risk in respect of derivative instruments[4]	**276**	**1,725**	**271**	**9**	**2,633**	**4,914**
Balance sheet balance of liabilities in respect of derivative instruments[3]	441	1,328	25	59	1,429	3,282
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,015)	(3)	-	(677)	(1,695)
Pledged cash collateral	-	(251)	-	-	-	(251)
Net amount of liabilities in respect of derivative instruments	**441**	**62**	**22**	**59**	**752**	**1,336**

Footnotes:

(1) The difference, if positive, between the total amount in respect of derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, before credit risk mitigation, and between the balance sheet amount of assets in respect of derivative instruments of the borrower.

(2) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 3,405 million included in the item assets in respect of derivative instruments (March 31, 2018: NIS 3,472 million; December 31, 2018: NIS 3,726 million).

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 3,395 million included in the item liabilities in respect of derivative instruments (March 31, 2018: NIS 3,290 million; December 31, 2018: NIS 3,249 million).

(4) The amount does not include the above deductions. The comparative data has been restated accordingly.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

D. Due dates - Par value: consolidated period end balances

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
	In NIS millions				
	Unaudited				
	March 31, 2019				
Interest rate contracts					
Shekel/CPI	1,258	4,288	4,683	3,094	13,323
Other	30,623	46,798	52,381	49,680	179,482
Foreign currency contracts	70,039	46,023	7,032	7,136	130,230
Contracts on shares	9,589	1,084	1,000	-	11,673
Commodities and other contracts	1,207	95	44	-	1,346
Total	**112,716**	**98,288**	**65,140**	**59,910**	**336,054**
	Unaudited				
	March 31, 2018				
Total	**82,806**	**56,458**	**53,397**	**51,216**	**243,877**
	Audited				
	December 31, 2018				
Total	**80,408**	**72,886**	**70,486**	**59,315**	**283,095**

12. Regulatory Operating Segments

A. Details regarding the regulatory segments were brought in Note 29a to the financial statements as of December 31, 2018. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2018.

For details regarding administrative segments recognized by the Bank were brought in Note 30a to the financial statements as of December 31, 2018.

Whereas, with respect to a part of the customers, the Bank did not have the complete information required for the classification to regulatory operating segment, in accordance with the new instructions, in particular information regarding their business turnover, various actions were taken to obtain such information, and in certain cases, in the absence of information, decisions had been made on the basis of evaluations and estimates. The Bank is acting to complete the improvement of the information, and accordingly, such improvements may in future reporting periods require the reclassification of customers to the operating segments.

B. **Reclassification** - Some of the data as of March 31, 2018, and for the period ended therein, were reclassified in this report, following the classifications made in the financial statements as of December 31, 2018.

C. Reclassified – classification of income earned on lending by the different segments to the financial management segment.

12. Regulatory Operating Segments (continued)

D. Information regarding regulatory operating segments, consolidated

	Unaudited				
	For the three months ended March 31, 2019				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	536	195	125	1	402
Interest expenses To external sources	47	-	1	34	34
Interest income, net from external sources	489	195	124	(33)	368
Interest income, net Intersegmental	(24)	(106)	(15)	57	10
Total Interest income, net	465	89	109	24	378
Non-interest income from external sources	671	3	256	282	327
Non-interest income Intersegmental	(304)	-	-	(264)	(184)
Total Non-interest income	367	3	256	18	143
Total income	**832**	**92**	**365**	**42**	**521**
Credit loss expenses (expenses reversal)	81	7	34	-	49
Operating and other expenses	773	27	287	31	318
Profit (loss) before taxes	(22)	58	44	11	154
Provision for taxes (tax savings) on profit	(9)	20	15	4	55
Profit (loss) after taxes	(13)	38	29	7	99
Bank's share in profit of affiliated companies after tax effect	-	-	-	-	-
Net Profit (loss) before Attributed to the non-controlling rights holders	(13)	38	29	7	99
Net Profit (loss) attributed to the non-controlling rights holders	(7)	-	(7)	-	(3)
Net Profit (loss) Attributed to the Bank's shareholders	**(20)**	**38**	**22**	**7**	**96**
Average Assets	62,946	32,499	14,197	257	34,378
Of which: Investment in affiliated companies	-	-	-	-	-
Of which: Average credit to the public[3]	62,073	32,632	14,053	180	33,878
Balance of credit to the public at the period end[3]	63,394	33,550	14,492	199	34,356
Balance of impaired debts	177	-	51	-	555
Balance of debts not impaired in arrear for ninety days or over	381	323	-	-	52
Average Liabilities	77,935	39	2,572	16,484	38,678
Of which: Average Deposits from the public	74,220	-	23	16,374	33,954
Balance of deposits from the public at the period end	74,751	-	20	16,660	33,923
Average Risk-assets[1]	47,330	18,850	12,060	441	33,131
Balance of Risk-assets at the period end [1]	47,783	19,133	12,083	459	33,638
Average assets under management[2]	32,901	385	-	19,414	23,319
Interest income, net:					
Margin from credit to the public activity	387	89	109	-	338
Margin from deposits from the public activity	78	-	-	24	40
Other	-	-	-	-	-
Total Interest income, net	**465**	**89**	**109**	**24**	**378**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
88	275	7	133	1,442	364	1,806
9	28	27	83	262	123	385
79	247	(20)	50	1,180	241	1,421
(1)	(61)	30	(11)	-	-	-
78	186	10	39	1,180	241	1,421
71	52	69	(636)	836	54	890
(41)	58	(68)	803	-	-	-
30	110	1	167	836	54	890
108	**296**	**11**	**206**	**2,016**	**295**	**2,311**
14	(13)	(2)	-	129	12	141
61	122	12	48	1,365	165	1,530
33	187	1	158	522	118	640
10	64	-	61	185	39	224
23	123	1	97	337	79	416
-	-	-	(1)	(1)	-	(1)
23	123	1	96	336	79	415
(1)	(3)	-	4	(10)	-	(10)
22	**120**	**1**	**100**	**326**	**79**	**405**
10,171	37,282	864	60,437	206,335	32,196	238,531
-	-	-	154	154	-	154
10,083	37,247	716	-	144,177	23,248	167,425
10,130	40,068	703	-	148,850	23,754	172,604
162	309	297	-	1,500	130	1,630
4	-	-	-	437	-	437
7,259	22,289	13,554	15,668	191,867	28,678	220,545
6,251	19,211	13,521	-	163,531	25,186	188,717
5,745	20,057	12,724	-	163,860	26,979	190,839
12,218	38,809	1,289	13,872	147,090	26,694	173,784
12,320	39,880	1,287	14,230	149,597	27,049	176,646
9,420	41,091	70,359	2,110	198,614	13,751	212,365
72	175	4	-	976	132	1,108
6	11	6	-	165	85	250
-	-	-	39	39	24	63
78	**186**	**10**	**39**	**1,180**	**241**	**1,421**

12. Regulatory Operating Segments (continued)

D. Information regarding regulatory operating segments, consolidated (continued)

Unaudited

For the three months ended March 31, 2018

	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	487	163	115	1	371
Interest expenses To external sources	41	-	-	22	20
Interest income, net from external sources	446	163	115	(21)	351
Interest income, net Intersegmental	(44)	(101)	(8)	38	(5)
Total Interest income, net	402	62	107	17	346
Non-interest income from external sources [(4)(5)]	179	4	233	(137)	52
Non-interest income Intersegmental	185	-	-	155	91
Total Non-interest income	364	4	233	18	143
Total income	**766**	**66**	**340**	**35**	**489**
Credit loss expenses (expenses reversal)	78	6	40	-	(6)
Operating and other expenses [(4)(5)]	741	27	254	31	315
Profit (loss) before taxes	(53)	33	46	4	180
Provision for taxes (tax savings) on profit	(14)	12	14	1	63
Profit (loss) after taxes	(39)	21	32	3	117
Bank's share in loss of affiliated companies after tax effect	-	-	-	-	-
Net Profit (loss) before Attributed to the non-controlling rights holders	(39)	21	32	3	117
Net Profit (loss) attributed to the non-controlling rights holders	(5)	-	(5)	-	(2)
Net Profit (loss) Attributed to the Bank's shareholders	**(44)**	**21**	**27**	**3**	**115**
Average Assets	57,734	28,972	12,412	260	30,762
Of which: Investment in affiliated companies	-	-	-	-	-
Of which: Average credit to the public[(3)]	56,917	29,083	12,295	191	30,286
Balance of credit to the public at the period end[(3)]	57,262	29,310	13,085	204	31,330
Balance of impaired debts	110	-	30	-	461
Balance of debts not impaired in arrear for ninety days or over	334	266	-	-	48
Average Liabilities	73,118	133	2,471	15,334	33,779
Of which: Average Deposits from the public	69,024	-	22	15,218	29,376
Balance of deposits from the public at the period end	70,094	-	23	15,640	29,289
Average Risk-assets[(1)]	44,334	16,084	12,293	452	30,912
Balance of Risk-assets at the period end [(1)]	47,034	16,865	14,249	481	31,107
Average assets under management[(2)]	36,268	413	-	20,298	21,730
Interest income, net:					
Margin from credit to the public activity	353	62	107	-	321
Margin from deposits from the public activity	49	-	-	17	25
Other	-	-	-	-	-
Total Interest income, net	**402**	**62**	**107**	**17**	**346**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Reclassified - see B above.
(5) Reclassified - see note 1 D .
(6) Reclassified - see C above.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
79	233	5	75	1,251	285	1,536
3	17	12	73	188	74	262
76	216	(7)	2	1,063	211	1,274
(7)	[6](49)	[6]14	[6]53	-	-	-
69	167	7	55	1,063	211	1,274
23	100	(10)	550	757	45	802
9	(12)	14	(442)	-	-	-
32	88	4	108	757	45	802
101	**255**	**11**	**163**	**1,820**	**256**	**2,076**
(30)	87	1	-	130	(18)	112
64	110	12	44	1,317	140	1,457
67	58	(2)	119	373	134	507
23	21	-	46	140	39	179
44	37	(2)	73	233	95	328
-	-	-	(1)	(1)	-	(1)
44	37	(2)	72	232	95	327
(1)	(1)	-	1	(8)	-	(8)
43	**36**	**(2)**	**73**	**224**	**95**	**319**
9,641	31,579	801	60,684	191,461	30,711	222,172
-	-	-	142	142	-	142
9,532	32,162	664	-	129,752	20,523	150,275
9,767	35,248	723	-	134,534	21,147	155,681
263	442	300	-	1,576	400	1,976
4	-	-	-	386	-	386
6,345	20,542	14,548	14,793	178,459	27,596	206,055
5,493	18,312	14,508	-	151,931	24,111	176,042
5,790	21,418	14,313	-	156,544	24,567	181,111
13,098	35,696	1,228	12,621	138,341	22,474	160,815
12,914	36,547	1,075	13,089	142,247	22,066	164,313
3,977	44,972	73,769	9,166	210,180	13,213	223,393
64	158	3	-	899	108	1,007
5	9	4	-	109	80	189
-	-	-	55	55	23	78
69	**167**	**7**	**55**	**1,063**	**211**	**1,274**

12. Regulatory Operating Segments (continued)

D. Information regarding regulatory operating segments, consolidated (continued)

	Audited				
	For the year ended December 31, 2018				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,241	909	486	4	1,551
Interest expenses To external sources	221	-	2	106	113
Interest income, net from external sources	2,020	909	484	(102)	1,438
Interest income, net Intersegmental	(280)	(598)	(32)	181	13
Total Interest income, net	1,740	311	452	79	1,451
Non-interest income from external sources	1,055	15	1,033	(410)	164
Non-interest income Intersegmental	490	-	-	480	404
Total Non-interest income	1,545	15	1,033	70	568
Total income	**3,285**	**326**	**1,485**	**149**	**2,019**
Credit loss expenses (expenses reversal)	363	23	152	1	111
Operating and other expenses	3,149	122	1,079	125	1,347
Profit (loss) before taxes	(227)	181	254	23	561
Provision for taxes (tax savings) on profit	(92)	62	78	8	196
Profit (loss) after taxes	(135)	119	176	15	365
Bank's share profit of affiliated companies after tax effect	-	-	-	-	-
Net Profit (loss) before Attributed to the non-controlling rights holders	(135)	119	176	15	365
Net Profit (loss) Attributed to the non-controlling rights holders	(35)	-	(35)	-	(7)
Net Profit (loss) Attributed to the Bank's shareholders	**(170)**	**119**	**141**	**15**	**358**
Average Assets	59,619	30,240	13,337	257	32,326
Of which: Investment in affiliated companies	-	-	-	-	-
Of which: Average credit to the public[(3)]	58,671	30,365	13,197	181	31,805
Balance of credit to the public at the period end[(3)]	62,042	32,684	14,028	200	33,595
Balance of impaired debts	155	-	46	-	507
Balance of debts not impaired in arrear for ninety days or over	377	316	-	-	54
Average Liabilities	75,024	77	2,548	14,951	37,835
Of which: Average Deposits from the public	71,075	-	23	14,837	32,779
Balance of deposits from the public at the period end	73,951	-	23	16,765	33,994
Average Risk-assets[(1)]	45,529	17,236	12,245	452	31,519
Balance of Risk-assets at the period end [(1)]	46,878	18,568	12,038	424	32,623
Average assets under management[(2)]	35,904	399	-	19,145	25,223
Interest income, net:					
Margin from credit to the public activity	1,513	311	452	2	1,326
Margin from deposits from the public activity	227	-	-	77	125
Other	-	-	-	-	-
Total Interest income, net	**1,740**	**311**	**452**	**79**	**1,451**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
348	1,109	25	475	5,753	1,300	7,053
29	90	81	476	1,116	411	1,527
319	1,019	(56)	(1)	4,637	889	5,526
(22)	(304)	90	322	-	-	-
297	715	34	321	4,637	889	5,526
41	354	(72)	2,185	3,317	177	3,494
79	9	84	(1,546)	-	-	-
120	363	12	639	3,317	177	3,494
417	**1,078**	**46**	**960**	**7,954**	**1,066**	**9,020**
(40)	120	1	-	556	(16)	540
260	414	41	202	5,538	610	6,148
197	544	4	758	1,860	472	2,332
68	184	1	286	651	138	789
129	360	3	472	1,209	334	1,543
-	-	-	6	6	-	6
129	360	3	478	1,215	334	1,549
(2)	(5)	-	5	(44)	-	(44)
127	**355**	**3**	**483**	**1,171**	**334**	**1,505**
9,885	34,892	841	59,601	197,421	31,825	229,246
-	-	-	126	126	-	126
9,795	34,889	710	-	136,051	21,461	157,512
10,068	37,156	733	-	143,794	23,284	167,078
137	399	295	-	1,493	140	1,633
4	-	-	-	435	-	435
7,229	19,801	14,522	14,486	183,848	28,543	212,391
6,227	17,143	14,495	-	156,556	24,655	181,211
5,925	18,968	13,044	-	162,647	26,269	188,916
12,797	37,565	1,127	13,846	142,835	23,458	166,293
12,116	37,736	1,291	13,514	144,582	26,339	170,921
7,422	40,491	72,915	7,833	208,933	13,410	222,343
275	676	19	-	3,811	420	4,231
22	39	15	-	505	428	933
-	-	-	321	321	41	362
297	**715**	**34**	**321**	**4,637**	**889**	**5,526**

13. Managerial Operating Segments

	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the three months ended March 31, 2019									
Interest income, net	662	146	212	43	1	235	120	1	1	1,421
Non-interest income	270	33	104	133	11	55	312	15	(43)	890
Total income	**932**	**179**	**316**	**176**	**12**	**290**	**432**	**16**	**(42)**	**2,311**
Credit loss expenses (expenses reversal)	104	10	(19)	-	-	12	34	-	-	141
Operating and other expenses	783	102	122	36	7	167	348	7	(42)	1,530
Income before taxes	45	67	213	140	5	111	50	9	-	640
Provision for taxes on income	16	23	73	51	3	38	17	3	-	224
Income after taxes	29	44	140	89	2	73	33	6	-	416
Bank's share in income (loss) of affiliated companies, net of tax effect	1	-	-	1	(1)	-	-	-	(2)	(1)
Net income (loss) before attributed to the non-controlling rights holders	30	44	140	90	1	73	33	6	(2)	415
Net income (loss) attributed to the non-controlling rights holders	-	-	-	-	-	-	(10)	(1)	1	(10)
Net Income attributed to the bank's shareholders	**30**	**44**	**140**	**90**	**1**	**73**	**23**	**5**	**(1)**	**405**
Balance of Assets for the period end	75,995	19,986	51,501	59,992	1,525	34,328	17,133	4,167	(25,186)	239,441
Balance of credit to the public for the period end	74,231	20,149	47,130	-	85	23,754	16,557	-	(9,302)	172,604
Balance of deposits from the public for the period end	122,282	14,260	27,740	3,862	-	26,979	20	-	(4,304)	190,839
	For the three months ended March 31, 2018									
Interest income, net	572	135	187	57	1	211	111	1	(1)	1,274
Non-interest income	[3]284	[3]36	[3]98	68	12	45	285	15	(41)	802
Total income	**856**	**171**	**285**	**125**	**13**	**256**	**396**	**16**	**(42)**	**2,076**
Credit loss expenses (expenses reversal)	61	(20)	46	-	-	(18)	42	-	1	112
Operating and other expenses	[3][2]777	[3][2]106	[3][2]111	[3][2]38	8	140	316	3	(42)	1,457
Income (loss) before taxes	18	85	128	87	5	134	38	13	(1)	507
Provision for taxes (tax saving) on income	[3][2]13	[3][2]30	[3][2]45	[3][2]35	2	39	13	4	(2)	179
Income after taxes	5	55	83	52	3	95	25	9	1	328
Bank's share in income of affiliated companies, net of tax effect	1	-	-	(1)	-	-	-	-	(1)	(1)
Net income before attributed to the non-controlling rights holders	6	55	83	51	3	95	25	9	-	327
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(8)	(1)	1	(8)
Net Income (loss) Attributed to the bank's shareholders	**6**	**55**	**83**	**51**	**3**	**95**	**17**	**8**	**1**	**319**
Balance of Assets for the period end	70,549	18,090	42,287	66,381	1,469	32,100	15,128	3,124	(20,346)	228,782
Balance of credit to the public for the period end	68,438	18,175	40,170	-	65	21,147	14,739	-	(7,053)	155,681
Balance of deposits from the public for the period end	114,404	15,245	27,618	2,588	-	24,567	23	-	(3,334)	181,111

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified – updating the expense model, see Note 12 B.

(3) Reclassified, see Note 1 D.

13. Managerial Operating Segments (continued)

	Audited									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	For the year ended December 31, 2018									
	In NIS millions									
Interest income, net	2,468	554	803	343	7	879	463	3	6	5,526
Non-interest income	1,131	136	385	421	125	177	1,235	62	(178)	3,494
Total income	**3,599**	**690**	**1,188**	**764**	**132**	**1,056**	**1,698**	**65**	**(172)**	**9,020**
Credit loss expenses (expenses reversal)	375	(27)	48	-	1	(16)	159	-	-	540
Operating and other expenses	3,325	425	409	164	34	611	1,329	23	(172)	6,148
Income (loss) before taxes	(101)	292	731	600	97	461	210	42	-	2,332
Provision for taxes (tax saving) on income	(41)	101	251	228	29	138	71	12	-	789
Income (loss) after taxes	(60)	191	480	372	68	323	139	30	-	1,543
Bank's share in income of affiliated companies, net of tax effect	1	-	-	6	2	-	-	-	(3)	6
Net income (loss) before attributed to the non-controlling rights holders	(59)	191	480	378	70	323	139	30	(3)	1,549
Net income attributed to the non-controlling rights holders	-	-	-	-	-	-	(44)	(3)	3	(44)
Net Income (loss) Attributed to the bank's shareholders	**(59)**	**191**	**480**	**378**	**70**	**323**	**95**	**27**	**-**	**1,505**
Balance of Assets for the year end	75,211	19,180	47,791	64,065	1,559	34,554	16,015	4,314	(23,513)	239,176
Balance of credit to the public for the year end	73,281	19,345	43,247	-	85	23,284	15,622	-	(7,786)	167,078
Balance of deposits from the public for the year end	122,261	14,707	26,295	3,942	-	26,270	23	-	(4,582)	188,916

footnote:
(1) The contribution to the Bank's business results.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses

General. Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under resale agreements and assets in respect of the "Maof" market activity.

A. Debts and off-balance sheet credit instruments

1. Change in the balance of the allowance for credit losses - Consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	Three months ended March 31, 2019					
Balance of allowance for credit losses, as at December 31, 2018 (audited)	1,606	187	657	2,450	1	2,451
Expenses for credit loss	62	7	72	141	-	141
Accounting write-offs	(96)	-	(117)	(213)	-	(213)
Collection of debts written-off in previous years	61	-	58	119	-	119
Net accounting write-offs	(35)	-	(59)	(94)	-	(94)
Financial statements translation adjustments	(8)	-	-	(8)	-	(8)
Balance of allowance for credit losses, as at March 31, 2019	**1,625**	**194**	**670**	**2,489**	**1**	**2,490**
Of which: In respect of off-balance sheet credit instruments	132	-	49	181	-	181
	Three months ended March 31, 2018					
Balance of allowance for credit losses, as at December 31, 2017 (audited)	1,560	178	566	2,304	1	2,305
Expenses for credit loss	35	6	71	112	-	112
Accounting write-offs	(167)	(9)	(114)	(290)	-	(290)
Collection of debts written-off in previous years	121	-	57	178	-	178
Net accounting write-offs	(46)	(9)	(57)	(112)	-	(112)
Financial statements translation adjustments	4	-	-	4	-	4
Balance of allowance for credit losses, as at March 31, 2018	**1,553**	**175**	**580**	**2,308**	**1**	**2,309**
Of which: In respect of off-balance sheet credit instruments	150	-	44	194	-	194

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
	March 31, 2019					
Recorded amount of debts:						
Examined on a specific basis[1]	80,008	-	597	80,605	6,117	86,722
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]222	33,643	-	33,865	-	33,865
Group - other	[2]27,628	158	30,348	58,134	342	58,476
Total debts	**107,858**	**33,801**	**30,945**	**172,604**	**6,459**	**179,063**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,111	-	73	1,184	-	1,184
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]192	-	193	-	193
Group - other	381	2	548	931	1	932
Total allowance for Credit Losses	**1,493**	**194**	**621**	**2,308**	**1**	**2,309**
	March 31, 2018					
Recorded amount of debts:						
Examined on a specific basis[1]	70,303	-	675	70,978	4,364	75,342
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[2]251	29,391	-	29,642	-	29,642
Group - other	[2]26,329	127	28,605	55,061	278	55,339
Total debts	**96,883**	**29,518**	**29,280**	**155,681**	**4,642**	**160,323**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[1]	1,036	-	42	1,078	-	1,078
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[3]1	[3]173	-	174	-	174
Group - other	366	2	494	862	1	863
Total allowance for Credit Losses	**1,403**	**175**	**536**	**2,114**	**1**	**2,115**

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 85,092 million (March 31, 2018 - NIS 73,366 million) and the allowance in its respect in an amount of NIS 971 million (March 31, 2018 - NIS 908 million) computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (as of March 31, 2018 – an amount of NIS 255 million).

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million (March 31, 2018 - NIS 3 million), and computed on a group basis, in an amount of NIS 120 million (March 31, 2018 - NIS 104 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Debts and off-balance sheet credit instruments (continued)

2. Additional information regarding the mode of computing the allowance for credit losses in respect of the debts and regarding the debts for which the allowance is computed – consolidated (continued)

	Audited					
	December 31, 2018					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis[(1)]	75,208	-	539	75,747	5,389	81,136
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(2)]231	32,779	-	33,010	-	33,010
Group - other	[(2)]28,054	145	30,122	58,321	450	58,771
Total debts	**103,493**	**32,924**	**30,661**	**167,078**	**5,839**	**172,917**
Allowance for Credit Losses in respect of debts:						
Examined on a specific basis[(1)]	1,096	-	64	1,160	-	1,160
Examined on a group basis:						
The allowance in respect thereof is computed by the extent of arrears	[(3)]1	[(3)]185	-	186	-	186
Group - other	384	2	542	928	1	929
Total allowance for Credit Losses	**1,481**	**187**	**606**	**2,274**	**1**	**2,275**

Footnotes:

(1) Including credit examined on a specific basis and found not to be impaired in an amount of NIS 79,503 million and the allowance in its respect in an amount of NIS 937 million computed on a group basis.

(2) The balance of commercial debts includes housing loans in the amount of NIS 235 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(3) Includes the balance of allowance in excess of that required by the extent of arrears method, computed on a specific basis, in amount of NIS 4 million, and computed on a group basis, in an amount of NIS 116 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts

1. Credit quality and arrears - consolidated

	Unaudited					
	March 31, 2019					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	13,683	55	113	13,851	12	26
Construction and Real Estate - Real Estate Activity	9,716	16	258	9,990	2	10
Financial Services	10,594	1	300	10,895	1	1
Commercial - Other	46,071	543	607	47,221	41	173
Total Commercial	**80,064**	**615**	**1,278**	**81,957**	**56**	**210**
Private Individuals - Housing Loans	33,239	[5]344	-	33,583	323	100
Private Individuals - Other Loans	29,396	377	177	29,950	51	170
Total Public - Activity in Israel	**142,699**	**1,336**	**1,455**	**145,490**	**430**	**480**
Banks in Israel	238	-	-	238	-	-
Government of Israel	2,023	-	-	2,023	-	-
Total Activity in Israel	**144,960**	**1,336**	**1,455**	**147,751**	**430**	**480**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,016	183	135	9,334	-	20
Commercial - Other	15,921	606	40	16,567	-	53
Total Commercial	**24,937**	**789**	**175**	**25,901**	**-**	**73**
Private Individuals	1,206	7	-	1,213	7	1
Total Public - Activity Abroad	**26,143**	**796**	**175**	**27,114**	**7**	**74**
Foreign banks	2,998	-	-	2,998	-	-
Foreign governments	1,200	-	-	1,200	-	-
Total Activity Abroad	**30,341**	**796**	**175**	**31,312**	**7**	**74**
Total public	**168,842**	**2,132**	**1,630**	**172,604**	**437**	**554**
Total banks	**3,236**	**-**	**-**	**3,236**	**-**	**-**
Total governments	**3,223**	**-**	**-**	**3,223**	**-**	**-**
Total	**175,301**	**2,132**	**1,630**	**179,063**	**437**	**554**

For footnotes see page 135.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears – consolidated (continued)

	Unaudited					
	March 31, 2018					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	11,020	54	79	11,153	9	25
Construction and Real Estate - Real Estate Activity	8,582	25	259	8,866	1	11
Financial Services	8,700	2	304	9,006	1	4
Commercial - Other	44,482	593	774	45,849	41	117
Total Commercial	**72,784**	**674**	**1,416**	**74,874**	**52**	**157**
Private Individuals - Housing Loans	29,022	[5]292	-	29,314	266	90
Private Individuals - Other Loans	27,537	395	110	28,042	61	177
Total Public - Activity in Israel	**129,343**	**1,361**	**1,526**	**132,230**	**379**	**424**
Banks in Israel	254	-	-	254	-	-
Government of Israel	793	-	-	793	-	-
Total Activity in Israel	**130,390**	**1,361**	**1,526**	**133,277**	**379**	**424**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	8,364	228	138	8,730	-	9
Commercial - Other	12,692	275	312	13,279	-	11
Total Commercial	**21,056**	**503**	**450**	**22,009**	**-**	**20**
Private Individuals	1,435	7	-	1,442	7	-
Total Public - Activity Abroad	**22,491**	**510**	**450**	**23,451**	**7**	**20**
Foreign banks	2,873	-	-	2,873	-	-
Foreign governments	722	-	-	722	-	-
Total Activity Abroad	**26,086**	**510**	**450**	**27,046**	**7**	**20**
Total public	**151,834**	**1,871**	**1,976**	**155,681**	**386**	**444**
Total banks	**3,127**	**-**	**-**	**3,127**	**-**	**-**
Total governments	**1,515**	**-**	**-**	**1,515**	**-**	**-**
Total	**156,476**	**1,871**	**1,976**	**160,323**	**386**	**444**

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

1. Credit quality and arrears – consolidated (continued)

	Audited					
	December 31, 2018					
		Problematic[1]			Unimpaired debts – additional information	
	Non-problematic	Unimpaired	Impaired[2]	Total	In Arrears of 90 Days or More[3]	In Arrears of 30 to 89 Days[4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	12,496	71	88	12,655	13	28
Construction and Real Estate - Real Estate Activity	9,506	14	281	9,801	1	11
Financial Services	9,553	1	298	9,852	1	7
Commercial - Other	44,439	620	625	45,684	43	149
Total Commercial	**75,994**	**706**	**1,292**	**77,992**	**58**	**195**
Private Individuals - Housing Loans	32,377	[5]334	-	32,711	310	99
Private Individuals - Other Loans	28,896	406	155	29,457	61	174
Total Public - Activity in Israel	**137,267**	**1,446**	**1,447**	**140,160**	**429**	**468**
Banks in Israel	399	-	-	399	-	-
Government of Israel	2,167	-	-	2,167	-	-
Total Activity in Israel	**139,833**	**1,446**	**1,447**	**142,726**	**429**	**468**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,068	131	139	9,338	-	-
Commercial - Other	15,601	515	47	16,163	-	14
Total Commercial	**24,669**	**646**	**186**	**25,501**	**-**	**14**
Private Individuals	1,411	6	-	1,417	6	1
Total Public - Activity Abroad	**26,080**	**652**	**186**	**26,918**	**6**	**15**
Foreign banks	2,104	-	-	2,104	-	-
Foreign governments	1,169	-	-	1,169	-	-
Total Activity Abroad	**29,353**	**652**	**186**	**30,191**	**6**	**15**
Total public	**163,347**	**2,098**	**1,633**	**167,078**	**435**	**483**
Total banks	**2,503**	**-**	**-**	**2,503**	**-**	**-**
Total governments	**3,336**	**-**	**-**	**3,336**	**-**	**-**
Total	**169,186**	**2,098**	**1,633**	**172,917**	**435**	**483**

Footnotes:

(1) Impaired, substandard or under special mention credit risk, including housing loans for which an allowance according to the extent of arrears exists and including housing loans in arrears for ninety days or over for which an allowance according to the extent of arrears does not exist.

(2) As a general rule, interest income is not accrued in respect of impaired debts. For information regarding impaired debt restructured under problematic debt restructuring, see B.2.c. below.

(3) Classified as unimpaired problematic debts. Accruing interest income.

(4) Debts in arrears for between 30 and 89 days which accrue interest income, in amount of NIS 193 million are classified as unimpaired problematic debts (March 31, 2018 - NIS 114 million, December 31, 2018 - NIS 125 million).

(5) Including housing loans in amount of NIS 11 million with an allowance according to the extent of arrears, for which an arrangement was made for the repayment of overdue amounts, which included a change in the repayment schedule for the balance of the loan not yet due (March 31, 2018 - NIS 12 million, December 31, 2018 - NIS 10 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE

	Unaudited				
	March 31, 2019				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	83	22	30	113	1,514
Construction and Real Estate - Real Estate Activity	139	7	119	258	1,051
Financial Services	300	22	-	300	405
Commercial - Other	428	101	179	607	3,360
Total Commercial	**950**	**152**	**328**	**1,278**	**6,330**
Private Individuals - Other Loans	142	61	35	177	556
Total Public - Activity in Israel	**1,092**	**213**	**363**	**1,455**	**6,886**
Total Activity in Israel	**1,092**	**213**	**363**	**1,455**	**6,886**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	135	135	487
Commercial - Other	-	-	40	40	120
Total Commercial	**-**	**-**	**175**	**175**	**607**
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	**-**	**-**	**175**	**175**	**608**
Total Activity Abroad	**-**	**-**	**175**	**175**	**608**
Total public	**1,092**	**213**	**538**	**1,630**	**7,494**
Total	**1,092**	**213**	**538**	**1,630**	**7,494**
Of which:					
Measured according to present value of cash flows	919	195	104	1,023	
Debts under troubled debt restructurings	1,011	141	161	1,172	

For footnotes see page 138.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Unaudited				
	March 31, 2018				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	36	6	43	79	1,926
Construction and Real Estate - Real Estate Activity	123	6	136	259	1,179
Financial Services	303	22	1	304	416
Commercial - Other	379	103	395	774	3,708
Total Commercial	**841**	**137**	**575**	**1,416**	**7,229**
Private Individuals - Other Loans	[4]86	33	[4]24	110	466
Total Public - Activity in Israel	**927**	**170**	**599**	**1,526**	**7,695**
Total Activity in Israel	**927**	**170**	**599**	**1,526**	**7,695**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	138	138	547
Commercial - Other	-	-	312	312	434
Total Commercial	**-**	**-**	**450**	**450**	**981**
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	**-**	**-**	**450**	**450**	**982**
Total Activity Abroad	**-**	**-**	**450**	**450**	**982**
Total public	**927**	**170**	**1,049**	**1,976**	**8,677**
Total	**927**	**170**	**1,049**	**1,976**	**8,677**
Of which:					
Measured according to present value of cash flows	[4]771	152	[4]190	961	
Debts under troubled debt restructurings	[4]726	99	[4]753	1,479	

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

A. IMPAIRED DEBTS AND SPECIFIC ALLOWANCE (CONTINUED)

	Audited				
	December 31, 2018				
	Balance[1] of impaired debts in respect of which specific allowance exist[2]	Balance of specific allowance[2]	Balance[1] of impaired debts for which specific allowance do not exist[2]	Total balance[1] of Impaired Debts	Contractual principal amount of impaired debts[3]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	56	15	32	88	1,545
Construction and Real Estate - Real Estate Activity	168	8	113	281	1,077
Financial Services	298	22	-	298	404
Commercial - Other	450	124	175	625	3,444
Total Commercial	**972**	**169**	**320**	**1,292**	**6,470**
Private Individuals - Other Loans	123	54	32	155	528
Total Public - Activity in Israel	**1,095**	**223**	**352**	**1,447**	**6,998**
Total Activity in Israel	**1,095**	**223**	**352**	**1,447**	**6,998**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	-	-	139	139	498
Commercial - Other	-	-	47	47	127
Total Commercial	**-**	**-**	**186**	**186**	**625**
Private Individuals	-	-	-	-	1
Total Public - Activity Abroad	**-**	**-**	**186**	**186**	**626**
Total Activity Abroad	**-**	**-**	**186**	**186**	**626**
Total public	**1,095**	**223**	**538**	**1,633**	**7,624**
Total	**1,095**	**223**	**538**	**1,633**	**7,624**
Of which:					
Measured according to present value of cash flows	888	196	84	972	
Debts under troubled debt restructurings	868	163	357	1,225	

Footnotes:

(1) Recorded amount.

(2) Specific allowance for credit losses.

(3) The contractual balance of the principal amount includes accrued unpaid interest at date of the initial implementation of the instruction in respect of impaired debts, not yet written off or collected.

(4) Reclassified due to improvement of the data.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

B. AVERAGE BALANCE AND INTEREST INCOME

	Unaudited					
	Three months ended March 31					
	2019			2018		
	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis	Average balance of Impaired Debts(1)	Recorded Interest Income(2)	Of which: recorded on cash basis
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	119	-	-	87	-	-
Construction and Real Estate - Real Estate Activity	274	1	1	268	1	1
Financial Services	299	3	1	325	2	-
Commercial - Other	666	2	2	882	4	2
Total Commercial	**1,358**	**6**	**4**	**1,562**	**7**	**3**
Private Individuals - Other Loans	183	2	1	112	-	-
Total Public - Activity in Israel	**1,541**	**8**	**5**	**1,674**	**7**	**3**
Total Activity in Israel	**1,541**	**8**	**5**	**1,674**	**7**	**3**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	135	2	-	139	1	-
Commercial - Other	44	1	-	297	2	-
Total Commercial	**179**	**3**	**-**	**436**	**3**	**-**
Private Individuals	-	-	-	-	-	-
Total Public - Activity Abroad	**179**	**3**	**-**	**436**	**3**	**-**
Total Activity Abroad	**179**	**3**	**-**	**436**	**3**	**-**
Total	**1,720**	**(3)11**	**5**	**2,110**	**(3)10**	**3**

Footnotes:
(1) Average recorded amount of Impaired debts during the reported period.
(2) Interest income recognized in the reported period, in respect of the average balance of impaired debts, during the time period in which these debts had been classified as impaired.
(3) Total interest income that would have been recognized had such credit accrued interest according to its original terms is in amount of NIS 16 million and NIS 17 million for the three months ended March 31, 2019 and March 31, 2018, respectively.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED

	Unaudited				
	March 31, 2019				
	Recorded amount				
	Not accruing interest income	Accruing debts[1], in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	33	-	-	8	41
Construction and Real Estate - Real Estate Activity	90	-	-	34	124
Financial Services	-	-	-	297	297
Commercial - Other	346	-	1	75	422
Total Commercial	**469**	**-**	**1**	**414**	**884**
Private Individuals - Other Loans	85	-	1	62	148
Total Public - Activity in Israel	**554**	**-**	**2**	**476**	**1,032**
Total Activity in Israel	**554**	**-**	**2**	**476**	**1,032**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	9	-	-	96	105
Commercial - Other	-	-	-	35	35
Total Commercial	**9**	**-**	**-**	**131**	**140**
Total Public - Activity Abroad	**9**	**-**	**-**	**131**	**140**
Total Activity Abroad	**9**	**-**	**-**	**131**	**140**
Total	**563**	**-**	**2**	**607**	**1,172**

Footnotes:
(1) Accruing interest income.
(2) Included in impaired debts.

Commitment to grant additional credit to borrowers, in respect of which a troubled debt restructurings was performed, within the framework of which the credit terms had been changed, amounts at March 31, 2019, to NIS 13 million (March 31, 2018 - NIS 13 million; December 31, 2018 – NIS 33 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

	Unaudited				
	March 31, 2018				
	Recorded amount				
	Not accruing interest income	Accruing debts[(1)],in arrears for 90 days or more	Accruing debts[(1)], in Arrears for 30 to 89 Days	Accruing debts[(1)] not in arrears	Total[(2)]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	17	-	1	7	25
Construction and Real Estate - Real Estate Activity	100	-	-	17	117
Financial Services	-	-	-	300	300
Commercial - Other	526	-	1	93	620
Total Commercial	**643**	**-**	**2**	**417**	**1,062**
Private Individuals - Other Loans	58	-	1	33	92
Total Public - Activity in Israel	**701**	**-**	**3**	**450**	**1,154**
Total Activity in Israel	**701**	**-**	**3**	**450**	**1,154**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	10	-	-	99	109
Commercial - Other	-	-	-	216	216
Total Commercial	**10**	**-**	**-**	**315**	**325**
Total Public - Activity Abroad	**10**	**-**	**-**	**315**	**325**
Total Activity Abroad	**10**	**-**	**-**	**315**	**325**
Total	**711**	**-**	**3**	**765**	**1,479**

Footnotes:
(1) Accruing interest income.
(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS – CONSOLIDATED (CONTINUED)

	Audited				
	December 31, 2018				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate - Construction	22	-	-	7	29
Construction and Real Estate - Real Estate Activity	119	-	3	15	137
Financial Services	-	-	-	295	295
Commercial - Other	379	-	-	102	481
Total Commercial	**520**	**-**	**3**	**419**	**942**
Private Individuals - Other	74	-	1	56	131
Total Public - Activity in Israel	**594**	**-**	**4**	**475**	**1,073**
Total Activity in Israel	**594**	**-**	**4**	**475**	**1,073**
Lending Activity Abroad					
Public - Commercial					
Construction and Real Estate	9	-	-	101	110
Commercial - Other	-	-	-	42	42
Total Commercial	**9**	**-**	**-**	**143**	**152**
Total Public - Activity Abroad	**9**	**-**	**-**	**143**	**152**
Total Activity Abroad	**9**	**-**	**-**	**143**	**152**
Total	**603**	**-**	**4**	**618**	**1,225**

Footnotes:

(1) Accruing interest income.

(2) Included in impaired debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited					
	Three months ended March 31					
	2019			2018		
	Debt restructuring performed					
	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	66	9	9	29	4	4
Construction and Real Estate - Real Estate Activity	4	4	4	2	2	2
Financial Services	3	(1)-	(1)-	2	(1)-	(1)-
Commercial - Other	296	43	43	197	25	25
Total Commercial	**369**	**56**	**56**	**230**	**31**	**31**
Private Individuals - Other	1,806	45	44	1,480	35	28
Total Public - Activity in Israel	**2,175**	**101**	**100**	**1,710**	**66**	**59**
Total Activity in Israel	**2,175**	**101**	**100**	**1,710**	**66**	**59**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	-	-	-	-	-	-
Commercial - Other	1	-	-	2	24	24
Total Commercial	**1**	**-**	**-**	**2**	**24**	**24**
Private Individuals	1	(1)-	(1)-	1	(1)-	(1)-
Total Public - Activity Abroad	**2**	**-**	**-**	**3**	**24**	**24**
Total Activity Abroad	**2**	**-**	**-**	**3**	**24**	**24**
Total	**2,177**	**101**	**100**	**1,713**	**90**	**83**

Footnote:
(1) An amount lower than NIS 1 million.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

2. Additional information regarding impaired debts – consolidated (continued)

C. RESTRUCTURED TROUBLED DEBTS - CONSOLIDATED (CONTINUED)

	Unaudited			
	Three months ended March 31			
	2019		2018	
	Failure of restructured debts[1]			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate - Construction	17	-	11	1
Construction and Real Estate - Real Estate Activity	4	3	3	1
Financial Services	-	-	1	[2]-
Commercial - Other	106	5	57	6
Total Commercial	**127**	**8**	**72**	**8**
Private Individuals - Other	982	8	[3]660	6
Total Public - Activity in Israel	**1,109**	**16**	**732**	**14**
Total Activity in Israel	**1,109**	**16**	**732**	**14**
Lending Activity Abroad				
Public - Commercial				
Construction and Real Estate	-	-	-	-
Commercial - Other	-	-	-	-
Total Commercial	**-**	**-**	**-**	**-**
Private Individuals	-	-	-	-
Total Public - Activity Abroad	**-**	**-**	**-**	**-**
Total Activity Abroad	**-**	**-**	**-**	**-**
Total	**1,109**	**16**	**732**	**14**

Footnotes:

(1) Debts, which in the reported year became debts in arrears for 30 days or over, which had been restructured under troubled debt restructurings during the period of twelve months prior to their having become debts in arrear.

(2) An amount lower than NIS 1 million.

(3) Reclassified – improvement of data of subsidiary company.

3. Additional disclosure regarding the quality of credit

(A) Risk characteristics according to credit segments

(1) Business credit

- Sensitivity to the domestic economic cycle in Israel. In addition, in view of material overseas investments by large Israeli corporations, the level of exposure to global crises increased;
- Sensitivity to changes in private consumption;
- Exposure to foreign competition;
- In view of the high concentration of the ownership and control structure of corporations in the Israeli market – credit is typified by high concentration at the large borrower groups' level. Furthermore, the structure of the holding groups and their indebtedness at several levels within the holding corporations, increase the credit risk and the vulnerability of these corporations. Several debt arrangements were particularly noticeable in the recent years, and uncertainty exists as to the ability of corporations, which had raised debt with no matching cash flow, to recycle such debts.

(2) Credit to private individuals – housing loans

- Loans involving a high finance ratio carry risk in the event of impairment in the value of collateral below the balance of the loan. The Bank's underwriting policy limits the ratio of finance when granting a loan.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

3. Additional disclosure regarding the quality of credit (continued)

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors.
- Intensification of competition in the banking system in recent years may lead to erosion in margins, decline in quality of borrowers with a resultant increase in credit risk. The credit policy does not allow at the present time the granting of credit to customers having a low internal credit rating, thus moderating such risks.

(B) INDICATION OF CREDIT QUALITY

	March 31, 2019				December 31, 2018			
		Private Individuals				Private Individuals		
	Commercial	Housing	Other	Total	Commercial	Housing	Other	Total
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	97.4%	99.0%	98.2%	97.9%	97.3%	99.0%	98.2%	97.7%
Ratio of the balance of problematic unimpaired credit to the public to the balance of credit to the public	1.3%	1.0%	1.2%	1.2%	1.3%	1.0%	1.3%	1.3%
Ratio of the balance of impaired credit to the public to the balance of credit to the public	1.3%	-	0.6%	0.9%	1.4%	-	0.5%	1.0%
Ratio of the balance of allowance for credit losses in respect of credit to the public to the balance of credit to the public	1.4%	0.6%	2.0%	1.3%	1.4%	0.6%	2.0%	1.4%
Ratio of the balance of allowance for credit losses in respect of credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	47.9%	55.3%	111.1%	57.3%	47.6%	55.0%	107.2%	56.6%

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs. A debt that is examined on a specific basis, is classified as an impaired debt when the repayment of capital or interest thereon is in arrears for 90 days or more, except where the debt is well secured and in the process of collection.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Debts (continued)

4. Additional information regarding housing loans

BALANCES FOR THE YEAR END, ACCORDING TO LOAN-TO-VALUE (LTV)[1] RATIO, MANNER OF REPAYMENT AND TYPE OF INTEREST

		Balance of housing loans			
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	Total Off-Balance Sheet Credit Risk
		In NIS millions			
		Unaudited			
		March 31, 2019			
First degree pledge: financing ratio	Up to 60%	21,905	380	13,152	290
	Over 60%	10,970	105	6,803	115
Second degree pledge or without pledge		926	71	433	2,557
Total		**(2)33,801**	**556**	**20,388**	**2,962**
		Unaudited			
		March 31, 2018			
First degree pledge: financing ratio	Up to 60%	19,070	387	11,491	221
	Over 60%	9,604	72	6,008	55
Second degree pledge or without pledge		844	86	383	2,363
Total		**(2)29,518**	**545**	**17,882**	**2,639**
		Audited			
		December 31, 2018			
First degree pledge: financing ratio	Up to 60%	21,359	344	12,815	297
	Over 60%	10,648	99	6,630	88
Second degree pledge or without pledge		917	75	423	2,581
Total		**(2)32,924**	**518**	**19,868**	**2,966**

Footnotes:

(1) The ratio between the authorized facility at the time the facility was granted and the value of the asset, as confirmed by the Bank at the time the facility was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.

(2) The balance of housing loans does not include the balance of commercial debts in the amount of NIS 226 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (March 31, 2018 - NIS 255 million, December 31, 2018 - NIS 235 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

C. Information regarding the purchase and sale of debts

Details regarding the consideration paid or received for the purchase or sale of loans

	Unaudited									
	Credit to the public					Credit to the public				
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total
	In NIS millions									
	For the three months ended March 31, 2019					For the three months ended March 31, 2018				
Loans acquired[1]	512	-	-	137	649	[2]414	-	-	6	420
Loans sold	3	-	-	-	3	118	-	-	-	118

Footnotes:

(1) The data do not include credit acquisition transactions at IDB New York, most of which is short-term factoring. The balance of the transactions amounted to NIS 177 million as of March 31, 2019 (March 31, 2018: NIS 151 million).

(2) Reclassification, following a renewed examination of certain transactions, which had been presented in the past in this Note.

For additional details regarding profit (loss) net in respect of loans sold, see Note 3.

D. Off balance Sheet Financial Instruments[3]

	Unaudited		Unaudited		Audited	
	Balance[1]	Allowance[2]	Balance[1]	Allowance[2]	Balance[1]	Allowance[2]
	March 31, 2019		March 31, 2018		December 31, 2018	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	942	6	[4]1,273	5	1,234	5
Credit guarantees	2,301	27	1,977	26	2,139	27
Guarantees for home purchasers	10,026	3	8,034	3	9,184	3
Other guarantees and obligations	9,176	41	[4]8,196	45	8,782	40
Unutilized facilities for transactions in derivative instruments	2,135	-	1,185	-	1,522	-
Unutilized facilities for credit cards	29,181	40	25,420	33	28,543	39
Unutilized current loan account facilities and other credit facilities in on-call accounts	8,835	23	9,128	24	8,805	22
Irrevocable commitments to extend credit approved but not yet granted[3]	20,305	37	23,230	53	20,403	36
Commitment to issue guarantees	6,642	4	6,195	5	6,701	4

Footnotes:

(1) Contract balance or their stated amounts at period end before impact of allowance for credit loss.

(2) Balance of allowance for credit losses at period end.

(3) Including commitments to customers for granting credit within the framework of "an approval in principle and maintaining interest rates" in accordance with Proper Conduct of Banking Business Directive No. 451 "Procedures for the granting of housing loans".

(4) Reclassified – improvement of data of a subsidiary company.

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	March 31, 2019						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	14,793	34	2,964	680	423	-	18,894
Securities	19,636	1,459	12,574	944	10	995	35,618
Securities borrowed or purchased under resale agreements	823	-	-	-	-	-	823
Credit to the public, net	123,900	16,753	27,680	1,343	620	-	170,296
Credit to the Government	863	314	1,178	868	-	-	3,223
Investments in affiliated companies	-	2	-	-	-	194	196
Buildings and equipment	-	-	-	-	-	2,443	2,443
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	841	125	1,834	65	92	448	3,405
Other assets	1,840	15	1,321	25	423	758	4,382
Total assets	**162,696**	**18,702**	**47,551**	**3,925**	**1,568**	**4,998**	**239,440**
Liabilities							
Deposits from the public	126,657	4,981	51,027	5,925	2,249	-	190,839
Deposits from banks	3,040	2	1,840	83	5	-	4,970
Deposits from the Government	132	16	103	-	-	-	251
Securities loaned or sold under repurchase agreements	-	-	637	-	-	-	637
Bonds and Subordinated debt notes	2,995	5,231	-	45	-	-	8,271
Liabilities in respect of derivative instruments	866	176	1,682	135	84	452	3,395
Other liabilities	11,607	168	555	30	89	483	12,932
Total liabilities	**145,297**	**10,574**	**55,844**	**6,218**	**2,427**	**935**	**221,295**
Difference	17,399	8,128	(8,293)	(2,293)	(859)	4,063	18,145
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(12,041)	(3,827)	12,137	2,729	1,002	-	-
Options in the money, net (in terms of underlying asset)	695	-	(163)	(424)	(108)	-	-
Options out of the money, net (in terms of underlying asset)	50	-	108	(72)	(86)	-	-
Total	**6,103**	**4,301**	**3,789**	**(60)**	**(51)**	**4,063**	**18,145**
Options in the money, net (discounted par value)	942	-	(264)	(567)	(111)	-	-
Options out of the money, net (discounted par value)	1,925	-	(532)	(1,064)	(329)	-	-

Footnote:

(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Unaudited						
	March 31, 2018						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	26,193	41	2,815	738	595	-	30,382
Securities	15,645	2,256	13,448	562	-	923	32,834
Securities borrowed or purchased under resale agreements	682	-	-	-	-	-	682
Credit to the public, net	110,455	15,827	25,335	1,567	383	-	153,567
Credit to the Government	238	217	708	352	-	-	1,515
Investments in affiliated companies	-	2	-	-	-	118	120
Buildings and equipment	-	-	-	-	-	2,387	2,387
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	1,164	100	1,095	332	169	612	3,472
Other assets	1,888	13	892	38	347	485	3,663
Total assets	**156,265**	**18,456**	**44,293**	**3,589**	**1,494**	**4,685**	**228,782**
Liabilities							
Deposits from the public	121,066	5,174	46,347	6,203	2,321	-	181,111
Deposits from banks	3,393	3	2,327	194	7	-	5,924
Deposits from the Government	144	29	102	-	-	-	275
Securities loaned or sold under repurchase agreements	-	-	1,478	-	-	-	1,478
Bonds and Subordinated debt notes	1,688	5,641	-	78	-	-	7,407
Liabilities in respect of derivative instruments	1,280	159	854	275	108	614	3,290
Other liabilities	11,606	182	735	50	34	312	12,919
Total liabilities	**139,177**	**11,188**	**51,843**	**6,800**	**2,470**	**926**	**212,404**
Difference	17,088	7,268	(7,550)	(3,211)	(976)	3,759	16,378
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(12,321)	(2,989)	10,889	3,355	1,066	-	-
Options in the money, net (in terms of underlying asset)	529	-	(223)	(208)	(98)	-	-
Options out of the money, net (in terms of underlying asset)	12	-	(8)	(15)	11	-	-
Total	**5,308**	**4,279**	**3,108**	**(79)**	**3**	**3,759**	**16,378**
Options in the money, net (discounted par value)	384	-	(197)	(97)	(90)	-	-
Options out of the money, net (discounted par value)	896	-	(445)	(427)	(24)	-	-

Footnote:
(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Audited						
	December 31, 2018						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	18,066	35	2,937	449	371	-	21,858
Securities	19,734	1,544	14,604	967	10	1,039	37,898
Securities borrowed or purchased under resale agreements	774	-	-	-	-	-	774
Credit to the public, net	117,621	16,295	28,631	1,800	457	-	164,804
Credit to the Government	888	324	1,225	899	-	-	3,336
Investments in affiliated companies	-	2	-	-	-	133	135
Buildings and equipment	-	-	-	-	-	2,437	2,437
Intangible assets and goodwill	-	-	-	-	-	160	160
Assets in respect of derivative instruments	505	95	2,168	128	115	715	3,726
Other assets	1,991	11	941	49	541	515	4,048
Total assets	**159,579**	**18,306**	**50,506**	**4,292**	**1,494**	**4,999**	**239,176**
Liabilities							
Deposits from the public	123,985	4,839	51,785	5,933	2,374	-	188,916
Deposits from banks	3,883	3	2,817	176	7	-	6,886
Deposits from the Government	128	22	107	-	-	-	257
Securities loaned or sold under repurchase agreements	-	-	1,126	-	-	-	1,126
Bonds and Subordinated debt notes	3,168	5,236	-	72	-	-	8,476
Liabilities in respect of derivative instruments	502	141	1,596	176	115	719	3,249
Other liabilities	11,221	154	643	20	94	465	12,597
Total liabilities	**142,887**	**10,395**	**58,074**	**6,377**	**2,590**	**1,184**	**221,507**
Difference	16,692	7,911	(7,568)	(2,085)	(1,096)	3,815	17,669
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(10,314)	(3,720)	10,694	1,948	1,392	-	-
Options in the money, net (in terms of underlying asset)	277	-	(90)	40	(227)	-	-
Options out of the money, net (in terms of underlying asset)	(375)	-	364	29	(18)	-	-
Total	**6,280**	**4,191**	**3,400**	**(68)**	**51**	**3,815**	**17,669**
Options in the money, net (discounted par value)	347	-	(20)	(59)	(268)	-	-
Options out of the money, net (discounted par value)	(2,876)	-	2,658	334	(116)	-	-

Footnote:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	March 31, 2019				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	18,894	9,093	-	9,912	19,005
Securities[(2)]	35,618	21,114	13,728	907	35,749
Securities borrowed or purchased under resale agreements	823	-	-	823	823
Credit to the public, net	170,296	4,923	-	165,746	170,669
Credit to Governments	3,223	-	-	3,220	3,220
Assets in respect of derivative instruments	3,405	389	1,987	1,029	3,405
Other financial assets	2,197	330	13	1,854	2,197
Total financial assets	**[(3)]234,456**	**35,849**	**15,728**	**183,491**	**235,068**
Financial liabilities					
Deposits from the public	190,839	18,741	130,196	42,266	191,203
Deposits from banks	4,970	195	3,608	1,164	4,967
Deposits from the Government	251	-	182	73	255
Securities loaned or sold under repurchase agreements	637	-	-	641	641
Bonds and Subordinated debt notes	8,271	7,158	183	1,654	8,995
Liabilities in respect of derivative instruments	3,395	389	2,768	238	3,395
Other financial liabilities	9,704	794	30	8,880	9,704
Total financial liabilities	**[(3)]218,067**	**27,277**	**136,967**	**54,916**	**219,160**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	113	-	-	113	113

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 49,774 million and NIS 95,712 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

	Unaudited				
	March 31, 2018				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	30,382	11,153	-	19,230	30,383
Securities[2]	32,834	18,119	14,062	837	33,018
Securities borrowed or purchased under resale agreements	682	-	-	682	682
Credit to the public, net	153,567	3,925	1	150,218	154,144
Credit to Governments	1,515	-	-	1,545	1,545
Assets in respect of derivative instruments	3,472	614	1,957	901	3,472
Other financial assets	1,637	165	19	1,453	1,637
Total financial assets	**[3]224,089**	**33,976**	**16,039**	**174,866**	**224,881**
Financial liabilities					
Deposits from the public	181,111	17,161	124,817	39,385	181,363
Deposits from banks	5,924	-	5,058	867	5,925
Deposits from the Government	275	-	138	143	281
Securities loaned or sold under repurchase agreements	1,478	-	-	1,524	1,524
Bonds and Subordinated debt notes	7,407	6,226	275	1,791	8,292
Liabilities in respect of derivative instruments	3,290	613	2,369	308	3,290
Other financial liabilities	9,670	718	26	8,926	9,670
Total financial liabilities	**[3]209,155**	**24,718**	**132,683**	**52,944**	**210,345**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	91	-	-	91	91

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 48,446 million and NIS 92,621 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

A. Composition - consolidated (continued)

	Audited				
	December 31, 2018				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	21,858	9,490	-	12,462	21,952
Securities[(2)]	37,898	21,362	15,682	923	37,967
Securities borrowed or purchased under resale agreements	774	-	-	774	774
Credit to the public, net	164,804	3,567	-	161,137	164,704
Credit to Governments	3,336	-	-	3,336	3,336
Assets in respect of derivative instruments	3,726	654	2,297	775	3,726
Other financial assets	2,162	309	12	1,841	2,162
Total financial assets	**[(3)]234,558**	**35,382**	**17,991**	**181,248**	**234,621**
Financial liabilities					
Deposits from the public	188,916	17,909	132,910	38,319	189,138
Deposits from banks	6,886	708	5,136	1,057	6,901
Deposits from the Government	257	-	122	138	260
Securities loaned or sold under repurchase agreements	1,126	-	-	1,130	1,130
Bonds and Subordinated debt notes	8,476	7,217	215	1,617	9,049
Liabilities in respect of derivative instruments	3,249	653	2,382	214	3,249
Other financial liabilities	9,517	784	33	8,700	9,517
Total financial liabilities	**[(3)]218,427**	**27,271**	**140,798**	**51,175**	**219,244**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	105	-	-	105	105

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 49,969 million and NIS 96,242 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Unaudited					
	March 31, 2019					
	Fair value measurements using -					
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value	Balance sheet balance
	In NIS millions					
Assets						
Available-for-sale bonds and shares not for trading						
Israeli Government bonds	14,938	2,100	-	-	17,038	17,038
Foreign Government bonds	37	451	-	-	488	488
Israeli financial institutions bonds	-	14	-	-	14	14
Foreign financial institutions bonds	-	1,219	-	-	1,219	1,219
Bonds backed by assets (ABS) or by mortgage (MBS)	10	6,547	-	-	6,557	6,557
Bonds of others in Israel	88	106	-	-	194	194
Bonds of others abroad	-	2,197	-	-	2,197	2,197
Shares not for trading	67	10	-	-	77	77
Total Available-for-sale bonds and shares not for trading	**15,140**	**12,644**	**-**	**-**	**27,784**	**27,784**
Trading Securities						
Israeli Government bonds	1,112	337	-	-	1,449	1,449
Foreign Government bonds	-	-	-	-	-	-
Israeli financial institutions bonds	22	-	-	-	22	22
Foreign financial institutions bonds	-	10	-	-	10	10
Bonds backed by assets (ABS) or by mortgage (MBS)	-	73	-	-	73	73
Bonds of others in Israel	65	-	-	-	65	65
Bonds of others abroad	-	-	-	-	-	-
Trading shares	11	-	-	-	11	11
Total trading securities	**1,210**	**420**	**-**	**-**	**1,630**	**1,630**
Credit to the public in respect of securities loaned	4,923	-	-	-	4,923	4,923
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	124	-	124	124
Other Interest Rate Contracts	-	1,316	441	-	1,757	1,757
Foreign Currency Contracts	12	569	456	-	1,037	1,037
Shares Contracts	376	92	-	-	468	468
Commodity and other Contracts	1	10	8	-	19	19
Total assets in respect of derivative instruments	389	1,987	1,029	-	3,405	3,405
Other	-	13	-	-	13	13
Assets in respect of the "Maof" market operations	330	-	-	-	330	330
Total assets	**21,992**	**15,064**	**1,029**	**-**	**38,085**	**38,085**
Liabilities						
Deposits from the public in respect of securities borrowed	2,316	-	-	-	2,316	2,316
CLN deposits	-	-	162	-	162	162
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	92	-	92	92
Other Interest Rate Contracts	-	1,848	-	-	1,848	1,848
Foreign Currency Contracts	12	828	146	-	986	986
Shares Contracts	376	76	-	-	452	452
Commodity and other Contracts	1	16	-	-	17	17
Total liabilities in respect of derivative instruments	389	2,768	238	-	3,395	3,395
Other	-	30	-	-	30	30
Commitments in respect of the "Maof" market operations	330	-	-	-	330	330
Short sales of securities	464	-	-	-	464	464
Total liabilities	**3,499**	**2,798**	**400**	**-**	**6,697**	**6,697**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Unaudited					
	March 31, 2018					
	Fair value measurements using -					
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value	Balance sheet balance
	In NIS millions					
Assets						
Available for sale securities						
Of the Israeli Government	13,555	1,515	-	-	15,070	15,070
Of foreign governments	-	683	-	-	683	683
Of Israeli financial institutions	-	37	-	-	37	37
Of foreign financial institutions	-	884	-	-	884	884
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	6,831	-	-	6,831	6,831
Of others in Israel	60	59	-	-	119	119
Of others abroad	-	1,463	-	-	1,463	1,463
Shares	43	-	-	-	43	43
Total available-for-sale securities	**13,658**	**11,472**	**-**	**-**	**25,130**	**25,130**
Trading Securities						
Of the Israeli Government	955	660	-	-	1,615	1,615
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	20	-	-	-	20	20
Of foreign financial institutions	-	7	-	-	7	7
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	66	-	-	66	66
Of others in Israel	112	-	-	-	112	112
Of others abroad	-	44	-	-	44	44
Shares	43	-	-	-	43	43
Total trading securities	**1,130**	**777**	**-**	**-**	**1,907**	**1,907**
Credit to the public in respect of securities loaned	3,925	1	-	-	3,926	3,926
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	167	-	167	167
Other Interest Rate Contracts	-	1,213	178	-	1,391	1,391
Foreign Currency Contracts	18	699	556	-	1,273	1,273
Shares Contracts	596	44	-	-	640	640
Commodity and other Contracts	-	1	-	-	1	1
Total assets in respect of derivative instruments	614	1,957	901	-	3,472	3,472
Other	-	19	-	-	19	19
Assets in respect of the "Maof" market operations	165	-	-	-	165	165
Total assets	**19,492**	**14,226**	**901**	**-**	**34,619**	**34,619**
Liabilities						
Deposits from the public in respect of securities borrowed	1,623	19	-	-	1,642	1,642
CLN deposits	-	-	240	-	240	240
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	161	-	161	161
Other Interest Rate Contracts	-	1,490	-	-	1,490	1,490
Foreign Currency Contracts	18	860	147	-	1,025	1,025
Shares Contracts	595	18	-	-	613	613
Commodity and other Contracts	-	1	-	-	1	1
Total liabilities in respect of derivative instruments	613	2,369	308	-	3,290	3,290
Other	-	26	-	-	26	26
Commitments in respect of the "Maof" market operations	165	-	-	-	165	165
Short sales of securities	553	-	-	-	553	553
Total liabilities	**2,954**	**2,414**	**548**	**-**	**5,916**	**5,916**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Audited					
	December 31, 2018					
	Fair value measurements using -					
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value	Balance sheet balance
	In NIS millions					
Assets						
Available for sale securities						
Of the Israeli Government	14,832	2,026	-	-	16,858	16,858
Of foreign governments	-	749	-	-	749	749
Of Israeli financial institutions	39	22	-	-	61	61
Of foreign financial institutions	-	1,314	-	-	1,314	1,314
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	9	6,846	-	-	6,855	6,855
Of others in Israel	58	90	-	-	148	148
Of others abroad	-	1,965	-	-	1,965	1,965
Shares	57	-	-	-	57	57
Total available-for-sale securities	**14,995**	**13,012**	**-**	**-**	**28,007**	**28,007**
Trading Securities						
Of the Israeli Government	1,032	981	-	-	2,013	2,013
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	19	-	-	-	19	19
Of foreign financial institutions	-	8	-	-	8	8
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	77	-	-	77	77
Of others in Israel	62	-	-	-	62	62
Of others abroad	-	8	-	-	8	8
Shares	59	-	-	-	59	59
Total trading securities	**1,172**	**1,074**	**-**	**-**	**2,246**	**2,246**
Credit to the public in respect of securities loaned	3,567	-	-	-	3,567	3,567
Assets in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	124	-	124	124
Other Interest Rate Contracts	1	968	293	-	1,262	1,262
Foreign Currency Contracts	7	1,217	345	-	1,569	1,569
Shares Contracts	643	90	-	-	733	733
Commodity and other Contracts	3	22	13	-	38	38
Total assets in respect of derivative instruments	654	2,297	775	-	3,726	3,726
Other	-	12	-	-	12	12
Assets in respect of the "Maof" market operations	309	-	-	-	309	309
Total assets	**20,697**	**16,395**	**775**	**-**	**37,867**	**37,867**
Liabilities						
Deposits from the public in respect of securities borrowed	1,260	-	-	-	1,260	1,260
CLN deposits	-	-	193	-	193	193
Liabilities in respect of derivative instruments						
Shekel/CPI Interest Rate Contracts	-	-	93	-	93	93
Other Interest Rate Contracts	-	1,299	-	-	1,299	1,299
Foreign Currency Contracts	7	972	121	-	1,100	1,100
Shares Contracts	643	76	-	-	719	719
Commodity and other Contracts	3	35	-	-	38	38
Total liabilities in respect of derivative instruments	653	2,382	214	-	3,249	3,249
Other	-	33	-	-	33	33
Commitments in respect of the "Maof" market operations	309	-	-	-	309	309
Short sales of securities	475	-	-	-	475	475
Total liabilities	**2,697**	**2,415**	**407**	**-**	**5,519**	**5,519**

16. Balances and fair value estimates of financial instruments (continued)

B. Items measured at fair value - Consolidated (continued)

2. Items measured according to fair value not on a recurring basis

	Unaudited				
	March 31, 2019				
	Level 1	Level 2	Level 3	Total fair value	Loss for the three months ended March 31, 2019
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	607	607	(11)
Not for trading shares	-	-	32	32	(4)

	Unaudited					
	March 31, 2018					
	Level 1	Level 2	Level 3	Total fair value		Loss for the three months ended March 31, 2018
	In NIS millions					
Impaired credit the collection of which is collateral dependent	-	-	1,015	1,015	-	(47)
Other	-	-	13	13	-	-

	Audited				
	December 31, 2018				
	Level 1	Level 2	Level 3	Total fair value	Loss for the year ended December 31, 2018
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	661	661	(152)
Available-for-sale shares	-	-	58	58	(6)

16. Balances and fair value estimates of financial instruments (continued)

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) in respect of instruments held as at end of period
	in NIS millions								
	Unaudited								
	For the three months ended March 31, 2019								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	31	[1]11	-	-	(10)	-	-	32	[1]7
Other Interest Rate Contracts	293	[1]148	-	-	(6)	(2)	8	441	[1]154
Foreign Currency Contracts	224	[1](63)	-	(95)	284	(5)	(35)	310	[1](19)
	13	[1](2)	-	-	(3)	-	-	8	[1](5)
Total	**561**	**94**	**-**	**(95)**	**265**	**(7)**	**(27)**	**791**	**137**
Liabilities									
CLN Deposits	(193)	[2](2)	-	-	33	-	-	(162)	[2](2)
	Unaudited								
	For the three months ended March 31, 2018								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	18	[1](12)	-	-	-	-	-	6	[1](10)
Other Interest Rate Contracts	134	[1]61	-	-	(16)	(2)	1	178	[1]63
Foreign Currency Contracts	170	[1]383	-	(65)	(77)	-	(2)	409	[1]312
Total	**322**	**432**	**-**	**(65)**	**(93)**	**(2)**	**(1)**	**593**	**365**
Liabilities									
CLN Deposits	(284)	[2](2)	-	-	46	-	-	(240)	[2](2)
	Audited								
	For the year ended December 31, 2018								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	18	[1](9)	-	-	22	-	-	31	[1]25
Other Interest Rate Contracts	134	[1](42)	-	-	200	-	1	293	[1](36)
Foreign Currency Contracts	170	[1]170	-	(112)	(8)	-	4	224	[1]210
	-	[1]21	-	-	(8)	-	-	13	[1]13
Total	**322**	**140**	**-**	**(112)**	**206**	**-**	**5**	**561**	**212**
Liabilities									
CLN Deposits	(284)	[2](2)	-	-	93	-	-	(193)	[2](2)

Footnotes:
(1) Included in the statement of profit and loss in the item "Non-interest financing income".
(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first quarter of 2019, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information regarding the measurement of fair value at level 3

	Unaudited						
	Fair value as at March 31, 2019	Valuation Techniques	Unobservable inputs	Range (Weighted Average)			
	In NIS millions			In %			
A. Items measured at fair value not on a recurring basis							
Impaired credit the collection of which is collateral dependent	607	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs				
Not for trading shares	32	Valuation by an expert assessor	Company value, real estate market inputs				
B. Items measured at fair value on a recurring basis							
Net Assets (Liabilities) in respect of derivative instruments							
Shekel/CPI Interest Rate Contracts	32	Discounted cash flow	Inflationary expectations	From 1.54%	to	2.32%	(1.92%)
			Counterparty credit risk (CVA)	From 0.00%	to	4.10%	(0.35%)
Other Interest Rate Contracts	441	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00%	to	3.95%	(0.03%)
Foreign Currency Contracts	310	Discounted cash flow	Inflationary expectations	From 1.54%	to	2.32%	(1.84%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00%	to	35.53%	(0.59%)
Commodities and other contracts	8	Rating model	Counterparty credit risk (CVA)	From 0.00%	to	0.04%	(0.01%)
Liabilities							
CLN Deposits	162	Discounted cash flow	Credit risk of the underlying asset				

	Unaudited						
	Fair value as at March 31, 2018	Valuation Techniques	Unobservable inputs	Range (Weighted Average)			
	In NIS millions			In %			
A. Items measured at fair value not on a recurring basis							
Impaired credit the collection of which is collateral dependent	1,015	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs				
Other	13	Valuation by an expert assessor	Company value, real estate market inputs				
B. Items measured at fair value on a recurring basis							
Net Assets (Liabilities) in respect of derivative instruments							
Shekel/CPI Interest Rate Contracts	6	Discounted cash flow	The interest curve in the CPI linked segment	From -3.14%	to	4.52%	(-0.77%)
			Counterparty credit risk (CVA)	From 0.00%	to	2.07%	(0.31%)
Other Interest Rate Contracts	178	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00%	to	0.20%	(0.01%)
Foreign Currency Contracts	409	Discounted cash flow	The interest curve in the CPI linked segment	From -3.11%	to	0.16%	(-0.61%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00%	to	4.16%	(0.56%)
Liabilities							
CLN Deposits	240	Discounted cash flow	Credit risk of the underlying asset				

16. Balances and fair value estimates of financial instruments (continued)

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

	Audited							
	Fair value as at December 31, 2018	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Impaired credit the collection of which is collateral dependent	661	Discounted cash flow, assessments and evaluation	Discount rate					
Available-for-sale securities	58	Valuation by an expert assessor	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	31	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.32%	to	2.08%	(-0.03%)
			Counterparty credit risk (CVA)	From	0.00%	to	4.88%	(1.49%)
Other Interest Rate Contracts	293	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	1.17%	(0.02%)
Foreign Currency Contracts	224	Discounted cash flow	The interest curve in the CPI linked segment	From	-1.59%	to	1.47%	(-0.22%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	17.56%	(0.38%)
Commodities and other contracts	13	Rating model	Counterparty credit risk (CVA)	From	0.10%	to	0.20%	(0.10%)
Liabilities								
CLN Deposits	193	Discounted cash flow	Credit risk of the underlying asset					

2. Qualitative information regarding the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). In as much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). In as much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. **Existing arrangements between the credit card companies and between such companies and the banks.** The arrangements were described in Note 36 A to the financial statements as of December 31, 2018.

Amended cross clearing arrangement - reduction of the issuer commission rate. The arrangement expired on December 31, 2018.

Exemption terms for the operating agreement. Instead of the amended cross-settlement arrangement, which expired on December 31, 2018, the Competition Commissioner published on April 25, 2018, terms for the granting of an exemption to the operating interface agreement. The exemption relates to the operating-technical interface and does not include reference to the rate of the cross-commission, which was determined by the Bank of Israel. The terms include, inter alia, restrictions on issuers and clearing agents with wide-ranging activity, regarding discrimination or regarding operations resulting in the discrimination of other issuers and clearing agents. It has also been decided that credit card companies are required to allow participation in the cross-clearing agreement, in an equal manner and at no cost, to any issuer, clearing agent or anyone on their behalf who wish to join this agreement, and to put at his disposal all the information required by him in order to join the agreement and act in accordance therewith, as well as perform any adjustments, where required, in a way that would allow the new participant, as stated, to join the agreement and operate in accordance with its provisions.

The granting of the exemption is conditional upon the transition to the daily clearing of deferred debit transactions. This condition shall become effective on July 1, 2021, and would apply to a single payment transaction. In the case of such transactions, the issuer would be required to transfer the consideration to the clearing agent no later than one day following the date of broadcast of the transaction by the trading house. This condition does not apply to installment transactions.

Reduction of the cross-commission rate. The Governor of the Bank of Israel announced on February 25, 2018 a new outline with respect to the reduction of the cross-commission in deferred charge transactions, from the present rate of 0.7% to a rate of 0.5%, this in five stages during the coming years.

The cross commission level under the new outline has been calculated based on the methodology that was approved in 2006 by the Competition Court, as referred to above.

The reduction in the issuer's fee to a level of 0.5% will be implemented in stages, as follows:

- from January 1, 2019, the end of the current arrangement period, through December 31, 2019, the issuer's fee will stand at an average rate that shall not exceed 0.6%;
- from January 1, 2020, through December 31, 2020, the issuer's fee will stand at an average rate that shall not exceed 0.575%;
- from January 1, 2021, through December 31, 2021, the issuer's fee will stand at an average rate that shall not exceed 0.55%;
- from January 1, 2022, through December 31, 2022, the issuer's fee will stand at an average rate that shall not exceed 0.525%;
- from January 1, 2023, the issuer's fee will stand at an average rate that shall not exceed 0.5%.

In addition, an outline was established with respect to the reduction of the cross-commission regarding immediate charge transactions, from the current rate of 0.3%, to a rate of 0.25%, in two phases, during the coming years. The aforementioned reduction will be carried out in stages, as follows:

- from January 1, 2021 through December 31, 2022, the commission will be at an average rate of not more than 0.275%;
- from January 1, 2023, the commission will be at an average rate of not more than 0.25%.

On November 25, 2018, these rates were recognized in the Banking Order (Customer service) (Supervision over cross-clearing service for charge card transactions and for immediate debit transactions), 2018.

It should be noted that the reducing the rate of the cross commission effects various parameters, including: the scope of the fees collected from trading houses, the scope of the royalties paid to the banks with which the company has entered into a joint-issuing agreement, various operational fees, the scope of the clearing activity, the effects of the changes in the credit card sector as a result of the "Strum Law" etc. Difficulties exist in assessing each of these parameters on its own and in assessing their aggregate impact, particularly in light of the fact that their impact is felt gradually over time. Consequently, ICC is of the opinion that it is not possible to assess the scope of the impact of the reduction in the cross commission rate on its business results. Nevertheless, the Bank and ICC estimate that the business results of ICC might be materially impaired as a result of the reduction in the commission rate, as stated.

17. Credit card activity (continued)

Petition regarding the rate of the cross commission. On December 9, 2018, a petition was filed with the Supreme Court sitting as the High Court of Justice, in which relief was sought through the revocation of the Banking Order (Customer Service) (Supervision of Cross Clearing Service of Debit Card Transactions and of Immediate Charge Transactions), 2018. According to the petitioners, the Order should be revoked, and it should be prescribed that the credit card companies be forbidden from generating profit from the cross commission, which is meant to cover only the issuer's costs. In addition, the petitioners allege that the cross commission is a "restrictive agreement" that requires a permit. In its decision of December 24, 2018, the Supreme Court instructed the Competition Commissioner to submit a concise response to the motion by June 30, 2019.

B. **Arrangements following the Strum Act.** Following the Increase in Competition and Reduction in Concentration in the Banking Market in Israel Act (Legislation amendments), 2017 ("the Strum Act"), The Bank and ICC reached the following arrangements:

1. **Agreement between the Bank and MAX (former name: Leumi Card).** The Bank signed a joint issuance agreement on March 29, 2018, with MAX, based on the commercial understandings reached between the parties. In accordance with the agreement, the Bank would issue credit cards together with MAX as from February 2019 (date of entering into effect of the duty stated in the Act to conduct the issuance operation by means of more than one operating company). Inter alia, the agreement regularizes the services to be received by the Bank, the division of responsibility and the manner of settlement between the parties. The agreement is in effect until January 31, 2024, and may be extended for an additional period of two years by a notice in advance by the Bank.
2. **A joint issuance agreement with Bank Hapoalim.** On November 21, 2018, ICC and Bank Hapoalim Ltd. signed an agreement for the joint issuance and operation of charge cards. According to the agreement, the parties will issue credit cards to customers of Bank Hapoalim, which would be operated by ICC. The agreement determines the distribution of income between the parties, as well as their rights and obligations and further arrangements regarding the said operation. The agreement will be in effect as from date of signature thereof and until December 31, 2024. Bank Hapoalim is entitled to extend the period of the agreement by means of a written request delivered to ICC no later than June 30, 2024, while ICC is entitled to inform Bank Hapoalim of its consent within 45 days from date of delivery of the request for extension. The entry into effect of the agreement is subject to obtaining the approval of the Supervisor of Banks.
3. **Agreement for joint issuance with Bank Leumi.** On August 12, 2018, ICC, Diners and Bank Leumi Le-Israel Ltd. (hereinafter: "Leumi") signed an agreement for the joint issuance and operation of debit card issuance. In accordance with the agreement, the parties would issue to customers of Leumi debit cards operated by ICC. The agreement determines the division among the parties of income and expenses derived from the joint issuance operations, as well as the rights and duties of the parties and additional arrangements relating to the described operations. The period covered by the agreement would be from February 1, 2019 to December 31, 2024 (approx. 6 years). Leumi will be entitled to terminate the period of the agreement one year prior to the date of termination of the said period. The parties will be permitted to agree to extend the period of the agreement by four additional periods of one year each. Entry of the agreement into effect is subject to the fulfillment of conditions precedent, including regulatory approvals, where required.

C. **Joint distribution agreement with El-Al Company.** Note 36 C to the financial statements as of December 31, 2018 described an agreement of principles signed on December 11, 2018, in respect of a new engagement of ICC with EL AL, regarding the issuance and operation of brand name credit cards for a period of ten years as from September 1, 2019.

In accordance with the plan of operation of the agreement, ICC's profitability is expected to be impaired due to expenses relating to operating the club in the first two years of its operation.

D. **Acquisition of the minority interest in Diners.** In December 2015 ICC acquired all the holdings of Dor-Alon and Blue Square in Diners (49%), so that upon conclusion of the transaction ICC holds all the rights (100%) in Diners. A dispute arose between the parties regarding the entitlement of the sellers to additional consideration, conditional upon fulfillment of conditions precedent. The parties referred to mediation proceeding in the matter, but the mediation proceedings were not successfully concluded.

18. Dividends

a. **Dividend policy.** On December 26, 2017 the Bank's Board of directors approved a dividend policy, according to which, starting with the first quarter of 2018, the Bank will distribute in each quarter a dividend at the rate of up to 15% of the net distributable earnings, as reflected in the consolidated financial statements for the preceding quarter.

On March 10, 2019, the Bank's Board of Directors resolved to increase, as from the fourth quarter of 2018, the dividend rate from 10% to 15% of the profit for the quarter. This resolution was made in view of the consistent and continuous improvement in the Bank's business results.

It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, in accordance with the Companies Act and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Bank of Israel and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.

b. Details regarding the dividend paid

Declaration date	Payment date	Total dividend paid	Dividend per share
		In NIS millions	In agorot (100 agorot = NIS 1)
May 17, 2018	June 6, 2018	32	2.75
August 15, 2018	September 2, 2018	42	3.61
November 15, 2018	December 4, 2018	44	3.77
March 11, 2019	March 28, 2019	49	4.18

c. **Distribution of a dividend out of profits of the first quarter of 2019.** In accordance with the policy, the Bank's Board of Directors decided on May 15, 2019, to distribute a dividend at the rate of 15% of the profits of the first quarter of 2019, in the amount of NIS 60.8 million, comprising approx. 5.22 Agora for each ordinary share of NIS 0.1 par value.

19. Transactions with interested parties – terms of office of the Chairman of the Board

The Chairman of the Board of Directors took office as Chairman on December 3, 2018.

The Board of Directors decided on February 26, 2019, to accept the recommendation of the Remuneration Committee of February 12, 2019, and approve the terms of office of the Chairman (which were described in Note 35 F to the financial statements as of December 31, 2018), beginning with the date on which he takes office as Chairman of the Board of the Bank, and subject to the provisions of the law/regulation permitting such terms of office as stated.

On April 3, 2019, the general meeting of the Bank's shareholders approved the aforesaid terms of office and the revision of the remuneration policy for officers accordingly. This, subject to the provisions of the law/regulation permitting such terms of office as stated.

At this stage, the examination of the Supervisor of Banks in this matter has not yet been concluded and the Chairman of the Board continues to receive remuneration as a regular director in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000 and the Bank's remuneration policy.

Corporate Governance, Audit, Additional Details Regarding the Business of the Banking Corporation and Management Thereof

Corporate Governance and additional details – List of tables

CORPORATE GOVERNANCE AND AUDIT

Board of Directors and Management

Changes in the Board of Directors

On March 12, 2019, Prof. Elhayany terminated his service as a director of the Bank, all as detailed in the immediate report of March 13, 2019 (Ref. No. 2019-01-21634).
The Chairman of the Board, the Board of Directors and the President & CEO thank Prof. Asher Elhayany for his activity and contribution during his period of office at the Bank.

Changes in Management

Ms. Esther Deutsch, Senior Executive Vice President, took office on April 1, 2019, as Head of the Group Management and Regulation Division of the Bank, replacing Mr. Yair Avidan, who terminated his office at that date, all as stated in the immediate report dated December 30, 2018 (Ref. Nos. 2018-01-128394).
Ms. Hagit Hamdani Meirovitz took office on April 1, 2019, as Executive Vice President, Head of the Legal Advisory and Regulation Division at the Bank replacing Ms. Esther Deutsch, who terminated her office on that date. All as stated in the immediate report dated December 30, 2018 (Ref. Nos. 2018-01-128394).

The Chairman of the Board, the Board of Directors and the President & CEO thank Mr. Yair Avidan for his activity and contribution during his period of office at the Bank, and wish Ms. Esther Deutsch Ms. Hagit Meirovitz success in fulfilling their office.

Meetings of the Board of Directors and its committees

In the first three months of 2019, the Board of Directors held 6 meetings. In addition, 16 meetings of committees of the Board of Directors were held.

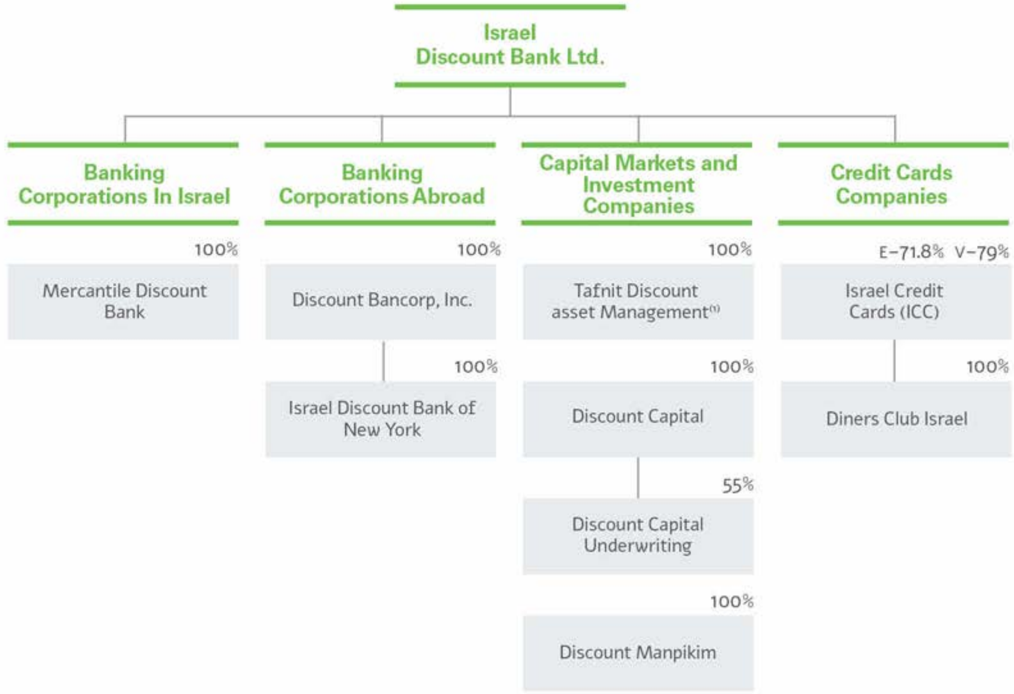
The detailed information contained in the immediate reports mentioned above in the item "Board of Directors and Management", is presented herewith by way of reference.

The Internal Audit in the Group

Details regarding the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2018 Annual Report (pp. 298-301).
Updates. During the first quarter of 2019 the following periodic reports were submitted and discussed:
- The report on the activities of the internal audit in the fourth quarter of 2018 was submitted on January 28, 2019 and discussed in the Audit Committee on April 16, 2019;
- The annual report on the activities of the internal audit in 2018 was submitted on February 27, 2019, discussed by the Audit Committee on April 16, 2019 and is yet to be discussed by the Board of Directors;
- The quarterly report on the activities of the internal audit in the first quarter of 2019 was submitted on April 18, 2019, and is yet to be discussed by the Audit Committee.

ADDITIONAL DETAILS REGARDING THE BUSINESS OF THE BANKING CORPORATION AND MANAGEMENT THEREOF

Discount Group Structure



(1) Directly and Indirectly.

Fixed Assets and Installations

Establishment of the Discount Campus. For details, see the 2018 Annual Report (p. 308) and Note 10 B 6 to the condensed financial statements.

The human capital

Preparing for the transformation in traditional banking and the future challenges

Within the framework of the Bank's preparations for a changing work environment as a result of acceleration in the digital deployment within the organization, the Bank executed, in the first quarter, a number of measures related to the development of managers for leading and leadership in the digital world.

At the beginning of the quarter, a conference was held for the senior managers at the Bank, in which were discussed leadership challenges in the changing world, and in particular the leadership ability in an era of uncertainty, multi-generation management, creation of clarity and direction in a changing environment. Also discussed at the conference were the relevant qualifications for success in the digital era, in particular, the ability to learn, inquisitiveness and flexibility. An annual program has been designed for the continuation of work regarding these matters in the world of organizational development.

Furthermore, a long-range program for the development of leadership was introduced in this quarter, in which all branch managers at the Bank are to participate. The aim of this program is the development of leadership and skillfulness abilities for branch managers, suited for leadership challenges of the Bank at the present time and in the future, strengthening and developing the duty concept for branch managers as a leader of his staff in the banking system, and the leveraging of the manager community operating together against the challenges facing the Bank.

Organizational culture

The integration of the "Discount spirit" into cross-organizational processes continued in 2019. A process of performance evaluation was launched in the first quarter, which was modified to the values of the Bank and to the trends prevailing in the field of performance evaluation.

Improvement of Service

The handling of complaints. The annual report to the public regarding the handling of complaints in 2018, is available on the Bank's Internet website.

Rating of Liabilities of the Bank and some of its Subsidiaries

On April 2, 2019, Moody's ratified the rating of the Bank, as detailed in the immediate report of April 2, 2019 (Ref. No. 2019-01-030168), the content thereof is presented hereby by way of reference.
On February 21, 2019, the international rating agency S&P allotted to IDB New York an issuer rating of BBB+ with a stable outlook.
For details regarding the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2018 Annual Report (p. 323).

Activity of the Group according to regulatory operating segments – additional details

Household Segment (Domestic operations) - additional details

Developments in the segment

Branches. At the end of the first quarter, the Bank has 105 branches in operation. In the first quarter, S.Y. Agnon Branch in Jerusalem was closed down.

For additional details, see the 2017 Annual Report (pp. 333-335).

Mortgage Activity

At the present time, the Bank operates 63 branches, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	March 31,		
	2019	2018	Change in %
	in NIS millions		
Total housing loans granted by the banks, excluding internal recycling of loans	15,394	14,118	9.0
Loans from State funds	198	123	61.0

New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit

	For the three months ended March 31,			For the year ended December 31,
	2019	2018		2018
	In NIS millions		Change in %	In NIS millions
From bank funds[(1)]	1,837	1,492	23.1	7,290
From Treasury funds[(2)]	19	10	90.0	46
Total of new loans	1,856	1,502	23.6	7,336
Recycled loans	130	146	(11.0)	516
Total granted	**1,986**	**1,648**	**20.5**	**7,852**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 28 million in the first three months of 2019, compared to NIS 43 million as at March 31, 2018 and NIS 136 million in 2018.

(2) Including standing loans in the amount of NIS 5 million in the first three months of 2019, compared to NIS 1 million as at March 31, 2018 and NIS 8 million in 2018.

Legislative restrictions, regulations and special constraints applicable to the operations

For details regarding guidelines and instructions of the Supervisor of Banks designed to restrain the mortgage market, see the 2015 Annual Report (pp. 469-471). For additional details, see the 2018 Annual Report (pp. 327-328).

Private Banking Segment (Domestic operations) - additional details

During the first quarter of 2019, the Bank intensified its activity with existing customers and new immigrants, the implementation of cross-border banking management rules and segmentation, namely, transferring foreign resident customers to specialized branches and/or to international banking.
The Investments and Affluent Customer Wing continues its activity to adapt the relevant service layouts for affluent customers at the private banking centers.

For additional details, see the 2018 Annual Report (pp. 329-331).

Small and Minute Businesses Segment (Domestic Operations) - Additional Details

Legislative restrictions, regulations and special constraints applicable to the operations

Amendment to the Banking Rules (Customer Service) (Commissions), 2008. The Amendment was published in the Official Gazette on May 1, 2019. For details regarding the Amendment, see the 2018 annual report (p.333).

For additional details, see the 2018 Annual Report (pp. 331-333).

Large businesses Segment (Domestic operations) - additional details

Reaching targets and business strategy – first three months of 2019

The Bank has acted in accordance with the work plan for the corporate banking segment, while focusing on increasing risk adjusted return on risk assets and a customer-focused view. Among other things, the Bank acted to adjust its exposure in accordance with sectorial risk level evaluations, adjust the credit spreads to the risk level and to the reduction in exposure to activities involving a high level of risk.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of March 31, 2019, no deviations existed to the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as March 31, 2019, there were no deviations from the limitations on "related persons". In accordance with a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of January 2019 to NIS 914 billion, a decrease of 0.6% compared with the end of December 2018 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

The decrease in the total indebtedness is due to a decrease in the debt to banks and to foreign residents at a rate of 0.5% and 2.9%, respectively. The debt to institutional bodies recorded stability. It should be noted that, while private loans granted by the institutional bodies grew at a rate of 1.9%, the balance of bonds held by them recorded a 1.4% decrease. Household debt showed a rise of 1%. As a result of the aforesaid trends, the weight of the banks in the total debt of the business sector has remained stable and, at the end of January 2019, stood at 47.9%.

During the period from January to March, the business sector (excluding banks and insurance companies) raised funds through the issuance of bonds to the tune of approx. NIS 8.7 billion (via the Tel Aviv Stock Exchange and by nonmarketable bonds). This is a slower rate than the average for 2018, being NIS 9.2 billion per quarter.

The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of March 2019 was 1.16%, compared with 1.46% at the end of 2018 and 1.35% at the end of the corresponding quarter last year.

Developments in the Segment Markets

Following are development directions in the principal economic sectors:

- Industrial sector – an export inclined sector, affected by foreign demand. The improvement trend in this sector continued, which was reflected in a moderate expansion in production and in exports, alongside stability in the volume of employment, the Purchase Managers Index, published for February 2019, stands at 49.6 points near the border between expansion and contraction. At the Index components level, expansion took place in local and foreign orders items, alongside the negative contribution of the raw material prices component and inventory purchases;
- Diamonds – A slight increase (3%) was recorded in net exports, compared to the previous year. However, distribution to operating segments (polished and raw diamonds) shows an increase in activity in the polished diamonds segment (+7%) alongside a decrease in the raw diamond segment (-4%);
- The agricultural sector – The data indicates that the weakening trend continues in the sector, particularly from the aspect of exports, which declined during the twelve months ended in February 2019, by approx. 9% compared with the corresponding period;
- The commerce sector - The sector is mainly affected by domestic demand, while private consumption recorded moderation during 2018, compared to the three-yearly average (2015-2017). This moderation is reflected in redemptions in the sub-sectors – the rate of change in the retail trade moderated to a low level (3%) compared to the three-yearly average, while the wholesale trade even dropped to a negative territory;
- Real estate sector – for details, see below under "Construction and real estate activity".

Anticipated Developments in the Segment's Markets

According to the growth forecast of the Bank of Israel of April 2019, the economy is expected to grow by a rate of 3.2% in 2019, alongside the assessment that there is growing probability that the accelerated growth, which characterized the Israeli economy in recent years, has exhausted itself, inter alia, on the background of the limited supply on the labor market. On the applications side, private consumption is expected to grow at a low pace (3.0%) compared with recent years, exports are expected to continue growing (4%) as well as the investment in fixed assets. Furthermore, the Bank of Israel has raised the inflation forecast for 2019 to a level of 1.5% compared to the previous forecast, and estimates that the interest rate would rise to a level of 0.5% during the third quarter of 2019.

For details regarding developments expected in the real estate and infrastructure sector, see below under "Construction and real estate activity".

For details regarding the "Large businesses Segment", see the 2018 Annual Report (pp. 334-338).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. A revival in the volume of transaction was noticed towards the end of 2018, inter alia, due to acceleration in sales within the framework of the "price for house purchasers" program, though also due to the growth in sale of new residential units by builders on the free market. On the part of the supply, the downward trend in the volume of new construction beginnings continues, so that together with the low weight of the "price for house purchasers" transactions out of total transactions, they contributed to the halt in the downward trend in housing prices recorded between the end of 2017 and the beginning of 2018, when at the beginning of 2019, priced (on an annualized basis) returned to positive territory.

Income producing commercial real estate. The commercial property market maintains its stability in occupancy rates and in rental prices. It is noted that the signs of weakness that have begun to appear in commercial activity, alongside the development of commercial areas that has taken place in recent years, could lead to over-supply in certain regions.

Income producing office premises. The office premises market maintains its stability in occupancy rates and in rental prices that is backed by growth in economic activity. Notwithstanding the above, the existing supply of office premises and the building projects in process, mainly in the central region, might lead to a surplus in supply in certain areas.

Legislative and regulatory limitations and special constraints applying to the activity

The limitations described above applying to the business segment also apply to construction and real-estate operations. In addition, it should be noted that as part of Proper Conduct of Banking Business Directives No. 315, a limitation applies to sectorial credit concentration, where that part of the credit being the responsibility of the banking corporation (including off-balance sheet credit) granted to a certain industry, as defined in the Directive, exceeds 20% of total credit to the public being the responsibility of the banking corporation. The Bank's sectorial credit concentration in the real estate sector stood at a rate of 18.21% as of March 31, 2019, compared with 18.79% at the end of 2018.
For additional details, see the 2017 Annual Report (pp. 347-349).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

As of March 31, 2019, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2018 Annual Report (pp. 345-346).

Investment of the Group in private investment funds, venture capital funds and corporations

Discount Capital is a partner in a number of private and public corporations, private investment funds and venture capital funds. As of March 31, 2019, the net investments of Discount Capital in these corporations and funds amounted to approx. US$286.8 million. As of March 31, 2019, the maximum future commitment of Discount Capital for investment in these corporations and funds amounted to approx. US$164.7 million.

Developments in the activity

The sale of holdings in Super-Pharm. On April 16, 2019, Discount Capital entered into an agreement with Union Investments & Development Ltd. ("the purchaser") and others for the sale of shares of Super-Pharm, including the sale of all the holdings of Discount Capital in Super-Pharm, which were purchased in 2013 and comprise approx. 10.37% of the share capital of Super-Pharm.

The agreement further states that until the date of consummation of the transaction, Super-Pharm would distribute a dividend to its present shareholders. The share of Discount Capital in such a dividend amounts to approx. NIS 4.1 million.

On April 28, 2019, the approval of the Commissioner of Competition was received and on May 7, 2019, the transaction was consummated.

In respect of the above sale, the Bank is expected to recognize a profit (before tax) of approx. NIS 20 million, this in addition to the announced dividend - in total of approx. NIS 24.1 million before tax (an amount of NIS 19.5 million, after tax).

All as detailed in the immediate report dated April 16, 2019 (Ref No. 2019-01-034875), the details included therein are presented herewith by way of reference.

Realizations. In the first three months of 2019, Discount Capital has recognized income in the total amount of NIS 7.5 million in respect of realizations of investments, compared with NIS 3 million in the corresponding period last year.
For additional details, see the 2018 Annual Report (pp. 343-345).

International Operations Segment - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. In accordance with guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel.

On March 31, 2019, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 14.3% of total risk assets, as compared with 14.37% on December 31, 2018. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group.

The Bank monitors the development of the risks assets in respect of its operations in overseas extensions.

For additional details, see the 2018 Annual Report (pp. 346-347).

Additional Segments

For additional details regarding the Small and minute businesses segment (Domestic operations), see the 2018 Annual Report (pp. 331-333). For additional details regarding the Medium businesses segment (Domestic operations), see the 2018 Annual Report (pp. 333-334). For additional details regarding the Institutional bodies segment (Domestic operations), see the 2018 Annual Report (pp. 341).

Credit Card Operations

Developments in operations

Arrangements following the Strum Act. For details in respect of agreements between ICC and certain banks on the one hand, and between the Bank and factors in the credit card market on the other hand, see Note 17 B to the condensed financial statements.

Discontinuation of the "YOU" Club agreement. On April 14, 2019, ICC informed the Blue Square – Dor Alon Customer Club (Registered Partnership) that it does not intend to extend the agreement between the parties, under which the "YOU" Club is operating, which is expected to expire on July 15, 2019. The discontinuation of the agreement is expected to lead to the continuation of the gradual decline in the number of customers of the Club.

Joint issuance agreements with banks. As of date of the report, ICC is conducting negotiations for the renewal of the agreements with Discount Bank, Mercantile Discount Bank and the First International Bank, which have expired, and until their renewal, the parties continue to act in accordance with the terms of the existing agreements.

For additional details see the 2017 Annual Report (pp. 356-363).

Technological improvements and innovation

General. Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and increasing customer experience. Among the measures taken in this field may be noted the establishment of the digital department and the establishment of a "fintech and innovation" unit.

The development and promotion of cooperation signed by the Bank in 2017 with the fintech companies PayBox and iCount, continued during the first quarter (for additional details, see the 2018 Annual Report, p. 335).

Agreement with nsKnox

On February 18, 2019, the Bank signed an agreement with nsKnox Technologies Ltd., which has developed security and control solutions with respect to organizational payment systems for large and medium corporations, using cooperative cyber security technology.
In the framework of this agreement and as part of the realization of the cooperative defense concept, the Bank shall become part of the defense layout of the company, in return for consideration out of the income of the company. This is a first and innovative move for the leverage of existing capabilities of the Bank in favor of third parties, and this within the efforts made to expand its operations and diversify its sources of income, while implementing innovative banking models. The start of operations is subject to performing technological adjustments.

Agreement with HopOn company

On March 27, 2019, the Bank signed an agreement with HopOn Mobility Ltd., which offers, inter alia, refill services for the “Rav-Kav” card used for travel on public transport, in partnership with Dan Public Transportation Co. Ltd. Within the framework of this agreement, the company’s solution for refilling the “Rav-Kav” card is to be integrated within the Paybox application, enabling Paybox users to refill their “Rav-Kav” card via the application.

The open banking platform

Discount Bank was the first bank in the Israeli banking sector that has implemented, in cooperation with iCount Company, the concept of open banking, for the interface with third party suppliers, by means of the API platform (Application Programming Interface), being one of the most advanced in the world. At the present time, the Bank is preparing to expand the open banking platform and to introduce an API shop offering third parties to interface with the Bank in order to consume a variety of banking services through the API, in a controlled and secured manner.

Direct channels

The Bank acts persistently in order to provide its customers with an advanced experience regarding its direct channels. The Bank is striving to continuously improve the range of services that it provides, while placing emphasis on a user-friendly service and an exceptional customer experience. Within the framework of this activity, the Bank introduced the following products and services during the first quarter of 2019:

On the application for business customers

Customer experience

A new "Business+" Application: an innovative application, which presents a simple interface and advanced capabilities for the smart management of the business, including navigation that allows a quick and convenient transition to all the financial, information and operation worlds: a side menu available anywhere, access to a quick operation menu from all screens of the application, the possibility of search in the menus and a link to the carrying out of an operation out of traffic information.
Quick and simple identification on the application: access to the application is now possible also by way of a fingerprint or face identification (available on supporting instruments), and the typing in of the password is required only when making a transaction, and then only once at each entry.
A general overview of the account on the main screen. All the information regarding balances is assembled on the main screen, split into banking content worlds.
Updates and important notifications: immediately upon entry, important notices are presented regarding events relating to the account, such as: a transfer awaiting signature, deviation from credit facility, checkbooks awaiting collection at the branch, approaching events with respect to deposits or arrears in loan repayment.
A short and interactive introduction guide: The customer meets the guide at the first entry into the application and may revert to it also at a later date.

Functionality

The new application allows the customer to view information regarding a variety of financial worlds and to conduct operations, including the depositing of checks in a short and friendly process, transfers of different classes, conducting operations according to signature composition, obtaining an immediate loan and more.

On the Internet website for business customers

Functionality

Payment of accounts by means of RTGS (Real Time Gross Settlement) transfers: The new service allows subscribers of "Business+" to pay accounts in higher amounts by means of RTGS transfers, in accordance with the table of amounts to which the customer is attached.
Foreign trade transfers: Foreign trade customers, who wish to make several foreign currency transfers, may load a multi-instruction file from the ERP system. In addition, they are able to approve these transactions within the framework of a round of signatures.
Extending the alternative for signature compositions: customers may now choose between different make-ups for the same transfer amount.
An added possibility of cancelling a transfer transaction not yet executed: all authorized customers may at a push of a button cancel a transaction passed for a round of signatures but not yet executed.

On the application for private customers

Customer experience

Arranging a meeting with a banker: This service allows customers to arrange a meeting, through the application, with a teller for cash services, with a banker of the service team or with an investment consultant. The meeting can be arranged for a date within the range of two weeks in advance, and may be cancelled beforehand. This service has been launched and would be gradually available to all customers.
Credit card facility: The amount of the credit facility and the outstanding unused balance are presented in respect of all cards related to the account, and in addition, the balance is presented for each card separately.

Functionality

New activity in the deposits world on the application: "Deposit plus" - is a new deposit, which allows the customer to diversify, at no risk, his investment portfolio. A non-linked savings deposit, for a short to medium time range, with exposure to changes in the capital market. This deposit has a potential for higher return compared to other deposits offered for similar periods by the Bank.

On the Internet website for private customers

Customer experience

A new website in English: the new website in the English language presents information regarding the financial activity of the customer. The website has new capabilities providing the customer an advanced digital user experience, such as: the possibility of customizing the presentation on the home page, immediately upon entry, updates and important notices regarding events relating to the account are presented, such as deviation for the credit facility, checkbooks awaiting for collection at the branch, approaching events with respect to deposits, and more.
The website is also available on the cellular phone and is accessible to handicapped customers.
My profile in English: information regarding personal details, authorizations and services available regarding the account, with the possibility of joining mail services, cancelling or updating them, the possibility of nicknaming the account and of changing the primary account on the presentation.
The website is gradually being opened to customers as from December 2018 and until the end of the first quarter of 2019.

Availability of general information and accessibility

Accessibility: current improvements in the matter of accessibility, such as support for the change in font size with respect to instruments using the Android operating system, and link to information regarding accessibility in a central place on the marketing website.

Main developments in the Israeli economy and around the world in the first three months of 2019

Developments in the Global economy

General. Expansion is evident in world economic activity, despite the sharp downturn in global trade. This includes both developed economies and also emerging economies.

The U.S. economy grew at a rapid rate of 3.2% (in annualized terms) in the first quarter of 2019, compared with 2.2% in the previous quarter. Nevertheless, the growth depended on one-time factors, the foremost of which were an increase of inventories and the positive contribution of the net exports. In the Eurozone, growth was surprisingly good (1.6%), despite fears of a downturn. Nevertheless, there are significant differences between countries within the Eurozone.

A downturn in the global inflation environment has been noted in recent months. Core inflation in the United States and in the Eurozone slowed down in the first quarter and amounted to 2.0% and 0.8%, respectively, at the end of March. The Fed has left the interest unchanged and has lowered its growth and interest forecasts and is no longer expected to raise interest this year. In the Eurozone, the ECB has announced that it will not raise the interest before 2020 and has renewed the program offering credit to commercial banks.

Financial markets. Equity trading throughout the world has been characterized by rising prices, against the background of expectations of a halt to the global monetary contraction process, and progress in the negotiations between the USA and China. At the end of the quarter, the world's leading indices recorded steep increases in prices.

The changes in selected share indices recorded in the first three months of the years 2018 and 2019

Index	2019	2018
S&P 500	13.1%	(1.2%)
DAX	9.2%	(6.4%)
MSCI Emerging Markets	9.6%	1.1%

During the reviewed period, government bonds recorded declines in returns. In the U.S., the returns on bonds for ten years decreased by 27 basis points to a level of 2.41%. In Germany, the return for ten years decreased by 31 basis points, and traded in negative territory at the end of the quarter.

The returns on government bonds

Return on bonds for 10 years	March 31, 2019	December 31, 2018
U.S.A.	2.4%	2.7%
Germany	(0.07%)	0.24%

In the first quarter, the dollar basket appreciated (the "Dollar Index") at a rate of 1.2%, continuing the trend recorded in the previous quarters.

Changes in the U.S. dollar against selected currencies in the first three months of the years 2018 and 2019

Exchange rate	2019	2018
EUR	2.0%	(2.6%)
JPY	1.1%	(5.7%)
GBP	(2.2%)	(3.6%)

Oil prices rose steeply in the first quarter due to the supply cutbacks, following sharp reductions in the last quarter of 2018.

Changes in selected commodities indexes in the first three months of the years 2018 and 2019

	2019	2018
The commodities index - GSCI	16.0%	2.4%
The oil price (BRENT)	27.1%	5.1%
The oil price (WTI)	32.4%	7.5%
Gold	0.8%	1.7%

Main Developments in the Israeli Economy

General[3]

The current data hint at a rapid growth in the first quarter of 2019, following 3.1% growth in the fourth quarter of 2018 (in annual terms), affected by higher imports of motor vehicles (against the background of the green taxation formula being updated in April 2019) and an acceleration in exports (goods and services).

The labor market continues to be "tight": the rate of unemployment fell during the first quarter of 2019 to 3.6%, with the participation rate rising to 80.7% (in the 25-64 age group). Concurrently, the rise in salaries in the market is continuing. Nevertheless, a number of indicators might hint at a possible moderation, in particular, a decline in the number of available positions in the economy in recent month.

Developments in economic sectors

An improvement in industrial production was noted in the first quarter of the year following weakness in the last quarter of last year. The industrial production index rose by an average rate of 5.3% in the months of January and February 2019[4], compared to the monthly average in the last quarter of 2018. This, against the background of accelerated activity in the manufacturing sectors characterized by high-tech (a 13.9% rise). Other sectors recorded negative/zero growth. The traditional industrial sectors recorded a standstill, while, in the industrial sectors characterized by combined high-tech and in the combined traditional industrial sectors a decline of 1.1% and 2%, respectively, was recorded.

Developments in foreign activities of the Israeli economy

During January-February 2019[4], direct investments of foreign residents in Israel (through banks) amounted to US$1.3 billion, compared with US$1.5 billion in the first quarter of 2018. The financial investments by foreign residents in Israeli financial assets traded abroad (shares and government bonds) expanded by US$ 3.6 billion, compared with a US$ 2.5 billion increase in the first quarter of 2018. On the other hand, the financial investments by foreign residents on the Tel-Aviv Stock Exchange posted net realizations of US$ 0.3 billion in the reviewed period.

The financial investments in traded securities by Israeli residents abroad amounted to net realizations of US$ 0.3 billion in the period January-February 2019, compared with an increase of US$ 2.9 billion in the first quarter of 2018. In bonds an increase of US$ 1 billion was recorded, compared to a decrease of US $1.2 billion in shares.

The changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-February 2019	January-March 2018
	US$ million	
Total direct investments through banks	1,304	1,450
Total financial investments	3,272	2,448
Of which: Government bonds and MAKAM	1,964	781
Shares	1,187	900

Investments abroad by Israeli residents	January-February 2019	January-March 2018
	US$ million	
Total direct investments	335	1,287
Total financial investments	(267)	2,942

3 The growth figures in Israel for the first quarter of 2019 were not available at the time the report was submitted to the printing press.
4 The most updated data available at the time of submitting the report to print.

Developments in inflation and foreign exchange rates

In the last 10 months, except in December 2018, annual inflation has been higher than the bottom limit of the target range. In March, the rate of annual inflation amounted to 1.4%, on the other hand “core inflation” (the general index without energy, fruit and vegetables and price reductions initiated by the government) was still below target (0.8%).
The main items that contributed to the positive inflation in the past year were fruit and vegetables and housing (each of which contributed approx. 0.65% to the annual rate). It should be noted that one-year inflation expectations have risen in the reviewed period and range around 1.3%.
The shekel is again appreciating and in the first three months of the year gained 3.1% and 5% against the dollar and the euro, respectively. In effective exchange rate terms, the shekel appreciated by 3.5%.

Fiscal and monetary policy

Fiscal policy. A deficit of NIS 9.3 billion was measured in the first quarter of the year in the budgetary activity of the Government, compared to a deficit of NIS 2.1 billion in the corresponding period last year. The cumulative deficit for the twelve months ended in March 2019, amounted to 3.4% of the GDP, compared to the annual target of 2.9%.
Monetary policy. The Bank of Israel left the interest unchanged during the reviewed period, at a rate of 0.25%, and is emphasizing that the path of future interest increases will be gradual and cautious, whereby it will support a process at the end of which inflation will stabilize around the middle of the target range, with this also supporting economic activity.
Change in the monetary base. The M1 money supply (cash in the hands of the public together with shekel current account deposits) grew during the first quarter of 2019 by 1.5%, of which, current account deposits grew by 1.7% and cash by 0.8%. In the corresponding period last year, the M1 money supply grew by 0.9%. An increase at even a higher rate is noted in the M2 money supply (M1 with the addition of non-linked deposits of up to one year) due to an accelerated rise in non-linked fixed-time deposits of up to one year and in current credit deposits (CCD) (per latest data as of the end of February).
A growth of NIS 3.3 billion was recorded in the first quarter of 2019 in the monetary base, compared to a decrease of NIS 11 million in the corresponding period last year. During the reviewed period, the money supply by the Bank of Israel increased by NIS 12 billion, with an absorption by the Government, on the other hand, of NIS 8 billion. The money supply by the Bank of Israel was effected through the decrease in tenders for shekel deposits, and on the other hand absorption by open market transactions (the surplus raising of funds over redemption of short-term loans (MAKAM)).

Sources for the change in the monetary base

	First three months of		
	2019	2018	change
	In NIS billion		in %
Operations on the Capital Market	(3.9)	(2.0)	97.6
The Shekel deposits tender	17.0	9.0	88.9
Foreign currency conversion	0.1	7.7	(98.5)
Government activity	(8.3)	(14.1)	(41.1)

Capital market

The reviewed period was characterized by price rises on the domestic capital market, against the background of global developments.

The changes recorded in selected share indices in the first three months of 2018 and 2019

Index	2019	2018
TA 35	5.4%	(4.9%)
TA 125	6.4%	(3.9%)
TA banks	7.8%	(0.4%)
TA Global-Blutech	16.1%	(2.6%)
Real-estate	18.0%	(4.8%)

Trading in government bonds in Israel was characterized by a sharp fall in returns, against the background of the global trend and developments on the domestic market (lower expectations for an increase in the Bank of Israel interest). Overall of the period, the return on the 10-year shekel bond (Government-Shekel 928) had fallen to 1.83%, compared to 2.29% at the end of 2018. Accordingly, the negative gap between Israeli government bonds for ten years and parallel U.S. government bonds has widened, to a level of 58 basis points.

The changes recorded in selected bond indices in the first three months of 2018 and 2019

Index	2019	2018
General bonds	3.2%	(0.1%)
General Government bonds	2.8%	0.2%
Shekel Government bonds	2.3%	0.2%
Linked Government bonds	3.5%	0.3%
General Corporate bonds	3.8%	(0.6%)
Linked Corporate bonds	4.0%	(0.4%)
Shekel Tel-Bond	3.7%	(1.1%)

In the first quarter of 2019, capital raised through the issuance of corporate bonds by Israeli companies totaled NIS 14.9 billion, compared with NIS 16.1 billion in the first quarter of 2018. Of this amount, NIS 6 billion was issued by the banks (in the corresponding quarter, last year no corporate bonds were issued by the banks).

The asset portfolio held by the public

The value of the financial assets portfolio held by the public increased in the months of January-February 2019, by 2.4%, amounting at the end of February to NIS 3.8 trillion. The growth stemmed from an increase in the equities component in Israel and abroad (5.9% and 4.4%, respectively), and from a more moderate growth in the linked and non-linked components. On the other hand, a decline was recorded in the foreign currency linked component.

The distribution of the asset portfolio held by the public

	February 28, 2019	December 31, 2018
Shares	23.1%	22.5%
Non-linked assets	37.0%	37.1%
CPI linked assets	27.9%	28.0%
Foreign currency linked assets	11.9%	12.4%

Principal economic developments in April and May 2019[5]

Tensions between the United States and China have risen, following the U.S. President's surprise announcement that tariffs on imports from China are to increase by US$ 200 billion, from 10% to 25%. At the same time, he noted that an agreement between the parties is still possible. It appears that the current worsening of the trade war is occurring following China's withdrawal from accords on matters that are top priorities for the U.S., including preventing the infringement of intellectual property and halting know-how theft. China has not yet announced what measures it will take in response but has stated that it is its intention to take such measures. In any case, the readiness of the parties to continue negotiating supports the assessment that the current measure is not intended to create an extended trade war but is merely a negotiating tactic that will lead to a trade agreement.

In Israel, the government's budgetary deficit continues to rise. In April, the deficit was measured at NIS 4.9 billion. According to the Ministry of Finance, the high deficit in April was affected by the deferment of VAT payments (in an amount of NIS 1.3 billion) to the beginning of May due to the Passover holiday. However, even after eliminating the impact of deferring the VAT payments, the overall picture remains unchanged. The government's deficit is increasingly becoming more distant from its annual target (2.9% of the product) and, in the last 12 months that ended in April, the deficit stood at 3.8% of the product.

The shekel continues to strengthen and since the beginning of April has appreciated by 2.4% and 1.8% against the basket of currencies and against the dollar, respectively. At the beginning of April, the Bank of Israel left interest unchanged at a rate of 0.25% and made no change to its Forward Guidance. The Tel-Aviv Stock exchange recorded price rises, similarly to the global trend. Overall for the period, the TA-35 Index and the TA-125 Index rose by 2.1% and 2.5%, respectively.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.

It should be noted that, in light of the dissolution of the 20th Knesset, it cannot be assessed whether the rule of continuity will apply to the bills described in the 2018 Annual Report, and accordingly – whether the legislative process regarding them will continue.

Various Legislation Matters

Banking Order (Customer Service) (Supervision Over Postdated Check Depositing Service) (Temporary Provision), 2019. The Order was published on April 3, 2019 and it declares the postdated check depositing service to be a supervised service and prescribes the amount of maximum commission that may be collected for it will amount to NIS 2. The aim of the Order is to encourage the deposit of postdated checks that were endorsed prior to the entering into effect of the Reduction in Use of Cash Act, 2018 ("the Reduction in Use of Cash Act") with this being to prevent a situation in which such checks are not honored due to the provisions of the new Act. The Order will be in effect for the period starting from April 15, 2019 through June 30, 2019. For further details regarding the Reduction in Use of Cash Act, see the 2018 Annual Report (p. 375).

Credit Data Bill, 2016. The credit data base, established under the law, began operations on April 12, 2019 (see the 2018 Annual report (p.374). The Ministry of Justice issued on April 4, 2019, a clarification regarding the possibility of a credit provider to make use of credit indications for the purpose of monitoring existing renewable credit transaction.

Customer Protection Act (Amendment No. 57) (Professional human response in the call directing system), 2018. An updated draft of the Proper Conduct of Banking Business Directive in the matter of telephone response, was published in May 5, 2019, according to which, it is proposed to enable banks to choose one of two options for the measurement of permitted deviation from the waiting time of six minutes as regards a telephone response respecting certain issues stated in the Act.

5 All data relate to the period from April 1, 2018 and until May 14, 2019.

Competition (Antitrust)

Exemption from approval of a restrictive agreement with respect to the holding and joint operations within the framework of ABS (Automatic Banking Services). An application was submitted on April 4, 2019, to the Competition Commissioner requesting a deferral of the dates determined in terms of the exemption decision regarding the decrease to 10% in the holdings of the banks, in order not to impair the right of the banks to a past dividend that had already been distributed, part of which being held in trust until the decrease in holding is achieved. No reply has yet been received from the Authority.

For further details, see the 2018 annual report (p.372).

Draft opinions issued for public comment. In February and May 2019, the Competition Authority published a number of draft opinions for public comment, and this soon after the publication in the Official Gazette in January 2019, of the Economic Competition Act (Amendment No. 21), 2019:

- Draft amendment of the opinion in the matter of discretion of the Competition Commissioner in determining the amount of a monetary sanction under the Competition Act, dealing with the details regarding the discretion of the Commissioner in determining the amount of a monetary sanction to be imposed on a corporation or on a violating officer under the law;
- Draft opinion in the matter of the examination of a significant market power, proposing tests, which when realized, it is proposed to determine that an entity holds a "significant market power";
- Draft opinion in the matter of cooperation among institutional investors outside the competition field (for additional details in this matter, see the 2018 annual report, p.372);
- Draft amendment of the opinion regarding the activity of business associations from the aspect of competition laws.

The Competition Authority also published in March-April 2019, a draft recommendations document regarding competitive considerations applied in public tenders, as well as a request to the public for information regarding competition failures stemming from regulation.

Directives of the Supervisor of Banks

Draft letter regarding the preparations for the change in foreign interest rate benchmarks. On March 20, 2019, the Supervisor of Banks issued a draft letter to the banking corporations, requesting them to make preparations for the impact of the expected discontinuation of the publication of interest rate benchmarks existing in the world and their replacement by other benchmarks.

Simplifying customer agreements – Proper Conduct of Banking Business Directive No. 449. An update circular was published on March 11, 2019, according to which the effective date of the Directive, intended to simplify Bank agreements, was deferred from May 9, 2019, to the date on which the Off-Banking Loans Act (Amendment No. 5), 2017 ("the Fair Credit Act") enters into effect. For additional details regarding the Directive, see the 2018 annual report (p.376). For additional details regarding the effective date of the amendment to the Fair Credit Act, see the 2018 annual report (p.369).

Draft letter of the Supervisor of Banks regarding the encouragement of innovation at banks and at clearing agents. The draft letter was published on May 5, 2019, intended to outline the regulatory principles in this field, while stating the expectations from the banking corporations, on the one hand, and clarifying the regulatory standpoint on the other hand.

Draft amendment of the Banking Rules (Customer service (The transfer between banks of the financial activity of customers), 2019, and draft Proper Conduct of Banking Business Directive regarding the transfer between banks of the financial activity of customers. The above drafts were published on April 16, 2019. The draft amendment of the Rules relates to the types of financial activity in respect of which banks would be under duty to enable their customers to transfer their financial activity from one bank to another in an online and secured manner and at no cost to the customer, and this in accordance with the Amendment to the Banking Act (Customer service). The Rules are to become effective on the date on which Section 5B1 of the Act takes effect. The draft Proper Conduct of Banking Business Directive proposes guidelines with respect to the transfer and routing process, including details as to the date and manner of conducting the process, the details of information to be provided to the customer and in which way, which financial activity is to be transferred and which should be routed, etc. For additional details, see the 2018 Report for 2018 (p.367).

For further details regarding "Legislation and Supervision", see the 2018 Annual Report (pp. 363-377).

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2018 Annual Report (pp. 206-210) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

Petition for the grant of a decree nisi. On November 7, 2018, a petition was filed with the Supreme Court sitting as the High Court of Justice for the grant of a decree nisi against the Governor of the Bank of Israel, the Monetary Committee, the Supervisor of Banks and 10 commercial banks in Israel, including the Bank and MDB. Within the framework of the petition, an order was sought to instruct the respondents to determine that a detrimental change in the position of a debt holder in respect of a loan received in good faith is a condition requiring the write-off of a bank loan; to instruct respondents 1-3 to determine that a business that encounters economic difficulties and therefore finds it difficult to repay a bank loan received in good faith, is not required to repay the loan in an amount that exceeds the percentage of the overall loan multiplied by the capital adequacy ratio that respondents 1-3 prescribed for banking corporations; to instruct the Governor of the Bank of Israel to prescribe proper disclosure rules for a commercial bank as prescribed in the Banking Act (Customer Service). An interim ruling has been given whereby the first three respondents (the Governor of the Bank of Israel, the Monetary Committee of the Bank of Israel and the Supervisor of Banks) must file their response to the petition by January 13, 2019. The three respondents filed a response on February 19, 2019. A hearing was fixed for November 6, 2019.
For additional details, see the 2018 Annual Report (pp. 377-378).

Material Legal Proceedings settled in the first quarter of 2019

1. For details regarding a motion for approval of an action as a class action suit, a verdict given on January 15, 2019, approving the amended compromise arrangement, see the 2018 Annual Report (p. 207, item 12.2).
2. For details regarding a motion for approval of an action as a class action suit, which on March 24, 2019, the Court decided to reject, see above in Note 10 B to the condensed financial statements, item 4.1.

For details regarding two motions for approval of actions as a class action suits, which were rejected by verdicts given on March 1, 2018, against which appeals were filed with the Supreme Court, which were rejected on April 1, 2019, see Note 10 B to the condensed financial statements, item 4.2 and 4.3. For details regarding a motion for approval of an action as a class action suit, which on May 6, 2019, the Court decided to reject, see Note 10 B to the condensed financial statements, item 4.4.

Proceedings regarding Authorities

Demand for data from the Competition Authority regarding fintech companies. On May 7, 2019, the Competition Authority approached the Bank with a demand for information regarding the policy and procedures of the Bank with respect to fintech companies, as defined by the demand. The Bank has to respond by May 30, 2019.

For additional details, see the 2018 Annual Report (p. 379).

Appendices to the Quarterly Report

Appendices – List of tables

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "A" - Average balances and interest rates - assets

	For the three months ended March 31					
	2019			2018		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[3]						
In Israel	135,996	1,298	3.87	122,230	1,167	3.87
Abroad	23,153	300	5.28	20,458	224	4.45
Total credit to the public	**159,149**	***1,598**	**4.08**	**142,688**	***1,391**	**3.96**
Credit to the Government:						
In Israel	3,267	21	2.60	1,490	11	2.99
Abroad	-	-	-	-	-	-
Total credit to the Government	**3,267**	**21**	**2.60**	**1,490**	**11**	**2.99**
Deposits with banks:						
In Israel	2,363	12	2.05	3,154	7	0.89
Abroad	220	-	-	183	-	-
Total deposits with banks	**2,583**	**12**	**1.87**	**3,337**	**7**	**0.84**
Deposits with central banks:						
In Israel	11,543	7	0.24	19,587	5	0.10
Abroad	567	3	2.13	716	2	1.12
Total deposits with central banks	**12,110**	**10**	**0.33**	**20,303**	**7**	**0.14**
Securities borrowed or purchased under resale agreements:						
In Israel	749	-	-	751	-	-
Total securities borrowed or purchased under resale agreements	**749**	**-**	**-**	**751**	**-**	**-**
Bonds held for redemption and available for sale:[4]						
In Israel	25,974	95	1.47	21,071	55	1.05
Abroad	8,794	56	2.57	9,023	55	2.46
Total bonds held for redemption and available for sale	**34,768**	**151**	**1.75**	**30,094**	**110**	**1.47**
Trading bonds:[4]						
In Israel	2,407	9	1.50	1,453	6	1.66
Abroad	76	1	5.37	63	-	-
Total trading bonds	**2,483**	**10**	**1.62**	**1,516**	**6**	**1.59**
Other assets:						
Abroad	696	4	2.32	655	4	2.47
Total other assets	**696**	**4**	**2.32**	**655**	**4**	**2.47**
Total interest bearing assets	**215,805**	**1,806**	**3.39**	**200,834**	**1,536**	**3.09**
Debtors in respect of credit card operations	8,182			6,939		
Other non-interest bearing assets[5]	14,544			14,399		
Total assets	**238,531**			**222,172**		
Of which: Total interest bearing assets attributable to operations abroad	33,506	364	4.42	31,098	285	3.72
* Commissions included in interest income from credit to the public		82			81	

For footnotes see page 191.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "B" – Average balances and interest rates – liabilities and equity

	For the three months ended March 31					
	2019			2018		
	Average balance(2)	Interest expenses	Rate of expense	Average balance(2)	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	38,362	3	0.03	32,400	2	0.02
In Israel - Time deposits	91,711	169	0.74	85,068	108	0.51
Total deposits from the public in Israel	**130,073**	**172**	**0.53**	**117,468**	**110**	**0.38**
Abroad - On call	11,380	43	1.52	11,667	21	0.72
Abroad - Time deposits	9,519	60	2.55	7,833	27	1.39
Total deposits from the public outside Israel	**20,899**	**103**	**1.99**	**19,500**	**48**	**0.99**
Total deposits from the public	**150,972**	**275**	**0.73**	**136,968**	**158**	**0.46**
Deposits from the Government:						
In Israel	172	-	-	211	1	1.91
Abroad	82	1	4.97	77	-	-
Total deposits from the Government	**254**	**1**	**1.58**	**288**	**1**	**1.40**
Deposits from banks:						
In Israel	4,102	7	0.68	3,668	4	0.44
Abroad	2,411	14	2.34	1,076	5	1.87
Total deposits from banks	**6,513**	**21**	**1.30**	**4,744**	**9**	**0.76**
Securities loaned or sold under repurchase agreements:						
Abroad	831	5	2.43	2,010	19	3.84
Total securities loaned or sold under repurchase agreements	**831**	**5**	**2.43**	**2,010**	**19**	**3.84**
Bonds and subordinated debt notes:						
In Israel	8,436	81	3.90	7,606	75	4.00
Total bonds and subordinated debt notes	**8,436**	**81**	**3.90**	**7,606**	**75**	**4.00**
Other liabilities:						
In Israel	40	2	21.55	74	-	-
Total other liabilities	**40**	**2**	**21.55**	**74**	**-**	**-**
Total interest bearing liabilities	**167,046**	**385**	**0.93**	**151,690**	**262**	**0.69**
Non-interest bearing deposits from the public	37,744			39,074		
Creditors in respect of credit card operations	8,806			7,331		
Other non-interest bearing liabilities(6)	6,949			7,960		
Total liabilities	**220,545**			**206,055**		
Total capital resources	**17,986**			**16,117**		
Total liabilities and capital resources	**238,531**			**222,172**		
Interest margin		**1,421**	**2.46**		**1,274**	**2.40**
Net return on interest bearing assets:(7)						
In Israel	182,299	1,180	2.61	169,736	1,061	2.52
Abroad	33,506	241	2.91	31,098	213	2.77
Total net return on interest bearing assets	**215,805**	**1,421**	**2.66**	**200,834**	**1,274**	**2.56**
Of which: Total interest bearing liabilities attributable to operations abroad	24,223	123	2.05	22,663	72	1.28

For footnotes see page 191.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "C" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the three months ended March 31					
	2019			2018		
	Average balance(2)	Interest income (expense)	Rate of income (expense)	Average balance(2)	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	146,738	1,210	3.34	137,341	1,071	3.16
Total interest bearing liabilities	(111,641)	(102)	(0.37)	(101,546)	(79)	(0.31)
Interest margin		**1,108**	**2.97**		**992**	**2.85**
CPI-linked shekels:						
Total interest bearing assets	18,181	80	1.77	18,262	81	1.79
Total interest bearing liabilities	(10,058)	(64)	(2.57)	(10,746)	(66)	(2.48)
Interest margin		**16**	**(0.80)**		**15**	**(0.69)**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	17,380	152	3.54	14,133	99	2.83
Total interest bearing liabilities	(21,124)	(96)	(1.83)	(16,735)	(45)	(1.08)
Interest margin		**56**	**1.71**		**54**	**1.75**
Total operations in Israel:						
Total interest bearing assets	182,299	1,442	3.20	169,736	1,251	2.98
Total interest bearing liabilities	(142,823)	(262)	(0.74)	(129,027)	(190)	(0.59)
Interest margin		**1,180**	**2.46**		**1,061**	**2.39**

For footnotes see next page.

Appendix no. 1 – Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "D" – Analysis of changes in interest income and expenses

	For the three months ended March 31		
	2019 Compared to 2018		
	Increase (decrease) due to change[8]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	131	-	131
Abroad	35	41	76
Total credit to the public	**166**	**41**	**207**
Other interest bearing assets:			
In Israel	(4)	64	60
Abroad	(2)	5	3
Total other interest bearing assets	**(6)**	**69**	**63**
Total interest income	**160**	**110**	**270**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	17	45	62
Abroad	7	48	55
Total deposits from the public	**24**	**93**	**117**
Other interest bearing liabilities:			
In Israel	8	2	10
Abroad	1	(5)	(4)
Total other interest bearing liabilities	**9**	**(3)**	**6**
Total interest expenses	**33**	**90**	**123**
Interest income, net	**127**	**20**	**147**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment in respect of which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) in respect of available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments in respect of available-for-sale securities according to fair value" in the amount of NIS 1 million and NIS (96) million, respectively; 2018 – NIS (2) million and NIS 54 million respectively.

(5) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.

(6) Including derivative instruments.

(7) Net return – net interest income divided by total interest bearing assets.

(8) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.

Appendix no. 2 – Additional details – securities portfolio

1. Available-for-sale bonds - data according to economic sectors

Details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	March 31, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non goverment bonds				
Various sectors	2,361	2,391	36	6
Financial services[1]	7,880	7,790	16	106
Total non government bonds	**10,241**	**10,181**	**52**	**112**
Government bonds				
U.S. government	377	375	-	2
Israel Government	16,895	17,038	145	2
Other Governments	112	113	1	-
Total government bonds	**17,384**	**17,526**	**146**	**4**
Total bond in the available-for-sale portfolio	**27,625**	**27,707**	**198**	**116**

(1) Details regarding bonds in the financial services sector in the available-for-sale portfolio

	March 31, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	1,157	1,160	9	6
Ginnie Mae	5,346	5,266	5	85
Freddie Mac	265	260	-	5
Fannie Mae	426	421	1	6
Other	686	683	1	4
Total financial services	**7,880**	**7,790**	**16**	**106**

Appendix no. 2 – Additional details – securities portfolio (continued)

1. Available-for-sale bonds - data according to economic sectors (continued)

(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio

	March 31, 2019			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
North America	110	110	-	-
Western Europe[3]	715	717	8	6
Australia	332	333	1	-
Total banks and banking holding companies	**1,157**	**1,160**	**9**	**6**

(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe

Britain	198	200	5	3
Switzerland	22	22	-	-
Sweden	98	98	-	-
France	263	261	1	3
Netherlands	64	65	1	-
Denmark	70	71	1	-
Total	**715**	**717**	**8**	**6**

2. Held-to-maturity securities - data according to economic sectors

Details regarding the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	March 31, 2019			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Public and community services	[(1)]232	235	4	1
Financial services*	445	438	2	9
Total non government bonds	**677**	**673**	**6**	**10**
Total Government bonds	**4,620**	**4,755**	**135**	**-**
Total bonds in the held-to-maturity portfolio	**5,297**	**5,428**	**141**	**10**
*Following are details of Held-to-maturity bonds in the financial services sector:				
Ginnie Mae	135	135	2	2
Freddie Mac	204	199	-	5
Fannie Mae	79	77	-	2
Other	27	27	-	-
Total financial services	**445**	**438**	**2**	**9**

Footnote:

(1) Most of this amount represents the investment of IDB New York in the U.S.A. municipal bonds. Of which, the three largest investments are in the amount of NIS 195-154 million, each, in municipal bonds of Washington state, in bonds of New York City transitional authority ("TFA") and in bonds of the Texas state.

Appendix no. 2 – Additional details – securities portfolio (continued)

3. Trading Bonds - data according to economic sectors

Details regarding the distribution of bonds in the trading securities portfolio according to economic sectors

	March 31, 2019			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Various sectors	65	65	1	1
Financial services	106	105	-	1
Total non government bonds	**171**	**170**	**1**	**2**
Total government bonds	**1,437**	**1,449**	**12**	**-**
Total bonds in the trading portfolio	**1,608**	**1,619**	**13**	**2**

Appendix no. 3 – Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative financial instruments involves special risk factors including credit risks.

The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure regarding exposure related to credit risk of a counterparty" under "Credit risk management".

Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details regarding data presented in part B of the aforementioned Note.

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of March 31	As of December 31
	2019	2018
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	2	3
With an AA- rating	168	179
With an A+ rating	416	390
With an A rating	141	99
With an A- rating	-	3
With a BBB+ rating	57	49
Not rated	52	27
Total against foreign banks	**836**	**750**
Total against Israeli banks	**394**	**770**
Total Balance-sheet balances of assets deriving from derivative instruments	**1,230**	**1,520**

Appendix no. 3 – Additional details (continued)

1. Activity in derivative financial instruments (continued)

(2) Details according to rating of off balance sheet credit risk in respect of transactions in derivative instruments where the counterparty is a bank

	As of March 31 2019	As of December 31 2018
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	-	1
With an A+ rating	113	126
With an A rating	17	31
With an A- rating	2	3
With an BBB+ rating	6	6
Total against foreign banks	**138**	**167**
Total against Israeli banks	**14**	**38**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**152**	**205**

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of March 31, 2019	As of March 31, 2018	As of December 31, 2018
		in NIS million	
Agriculture		1	1
Industry:			
Machines, electrical and electronic equipment	40	27	97
Mining, chemical industry and oil products	76	52	133
Other	25	24	23
Total industry	141	103	253
Construction and real estate:			
Acquisition of real estate for construction	59	84	60
Real estate holdings	86	41	66
Other	14	24	19
Total Construction and real estate	159	149	145
Electricity and water	341	374	291
Commerce	149	67	61
Hotels, hotel services and food	44	38	29
Transportation and storage	18	13	36
Communications and computer services	24	23	23
Financial services:			
Financial institution (excluding banks)	650	(1)372	370
Private customers active on the capital market	276	522	567
Financial holding institutions	840	(1)656	793
Insurance and provident fund services	-	-	-
Total financial services	1,766	1,550	1,730
Business and other services	19	20	22
Public and community services	34	13	30
Private individuals - housing loans	-	-	-
Private individuals - other	36	15	12
Total credit risk in respect of derivative instruments	**2,731**	**2,366**	**2,633**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	(1,246)	(560)	(747)
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**1,485**	**1,806**	**1,886**

Footnote:
(1) Reclassified – The reclassification of a certain activity from "Financial institutions (excluding banks)" to "Financial holding institutions", following a reexamination of the nature of the activity.

Appendix no. 3 – Additional details (continued)

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details regarding investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	March 31, 2019		December 31, 2018	
	Book value	Fair value(1)	Book value	Fair value(1)
	In NIS millions			
Of the Israeli Government	23,089	23,224	23,989	24,058
U.S. government	393	393	475	475
Other governments	113	113	293	293
Total	**23,595**	**23,730**	**24,757**	**24,826**

Footnote:
(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

Appendix no. 4 – Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (in accordance with the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses for which Management's special attention is required, and which, if not attended to, might adversely affect the repayment of the credit or the position of the Bank as a creditor.
Problematic debt	A debt that is classified as "impaired", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and in respect of which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Impaired debt	A debt in respect of which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	An impaired debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.

Appendix no. 4 – Glossary (continued)

Forward looking information	Some of the information detailed in the directors' report, which does not relate to historical facts, comprises forward-looking information, as defined in the Securities Law, 1968. The Bank's actual results might differ materially from those indicated in the forward-looking information, due to a large number of factors, including, among other things, macro-economic changes, changes in the geo-political situation, regulatory changes and other changes not under the Bank's control, and which may result in the non-realization of the estimates and/or in changes in the Bank's business plans. Forward-looking information is typified by terms and words like: "believe", "anticipate", "estimate", "intends", "prepares to…", "might" and similar expressions, in addition to nouns such as: "desire", "anticipation", "intention", "expectation", "assessment", "forecast", etc. Such forward-looking expressions involve risks and uncertainties as they are based on evaluations by Management as to future events, which include, among other things, evaluations as to the state of the economy, public preferences, domestic and foreign interest rates, inflation rates, etc. as well as regarding the effects of new legislative and regulatory provisions relating to the banking industry and the capital market and to other fields that have an impact on the Bank's activity and on the environment in which it operates, and that by the nature of things, their realization is uncertain. The information presented below relies, among other things, on information in the Bank's hands, inter-alia, publications by other 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 assessments as to the Israeli and global financial and capital markets. The above reflects the Bank's and its subsidiaries point of view at the time of preparation of the financial statements as to future events, based on evaluations that are uncertain. The evaluations and business plans of the Bank and its subsidiaries are derived from such data and assessments. As stated above, actual results might differ materially and impact the realization of the business plans or bring about changes in these plans.
Financial instrument	Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions: The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.
Over-the-counter (OTC) derivative	Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.
Counterparty credit risk - CVA (Credit Valuation Adjustment)	The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.
Active market	A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.
Financing rate - LTV (Loan To Value Ratio)	The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".
ICAAP (Internal Capital Adequacy Assessment Process)	The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.

Appendix no. 5 - Index

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking
Mercantile Discount Bank

Capital Market And Investments
Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards Companies
Israel Credit Cards
Diners Club

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA
website: www.idbbank.com
Head Office: 511 Fifth Avenue, New York
Staten Island, NY Branch:
201 Edward Curry Avenue, Suite 204
Brooklyn, NY Branch:
705 Avenue U
Short Hills, NJ Branch:
150 JFK Parkway
Beverly Hills, CA Branch:
9401 Wilshire Boulevard, Suite 600
Downtown Los Angeles, CA Branch:
888 South Figueroa Street, Suite 550
Aventura, FL Branch:
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