

Bank of Israel

Banking Supervision Department



Tel Aviv, May 16, 2010
108S0457

To:
Banks and credit card companies
Attn.: Chief Accountant

To:
Ms. Eileen Toledano, Chair, Institute
of Certified Public Accountants in
Israel Liaison Committee with
Supervisor of Banks, and Committee
members

Re: Disclosure of exposures to specific foreign countries

1. In accordance with Section 5.c. on p. 680-3 of the Reporting to the Public Directives, a bank must include in its quarterly statement a discussion of developments in credit risk. In accordance with Section D1 on p. 680-3 of the Reporting to the Public Directives, a bank must disclose the effect of main developments in the banking industry (domestic and foreign) on the group's business results, and, when an improved explanation is needed, shall also provide background data about economic developments in Israel and abroad.
2. Section (g) of the Reporting to the Public Directives, relating to the management review, requires a bank to disclose in the quarterly management review its exposures to foreign countries (hereinafter: "the Directive").
3. In view of recent market developments, you are asked, in your report for the first quarter of 2010:
 - 3.1 to include, as part of the discussion in the Board of Directors report about developments in credit risk, discussion of exposures to Portugal, Ireland, Greece, and Spain.
 - 3.2 to disclose, in the management review, the value of exposures to Portugal, Ireland, Greece, and Spain, for which separate disclosure is not required under the quantitative rules laid down in the Directive, and to present them on a separate line in the Appendix on "Exposure to Foreign Countries," Part A.
4. In the same context and to eliminate doubt, it is clarified that exposures to Greece shall be disclosed as required in regard to a country that has liquidity difficulties.
5. Please update this disclosure in subsequently published statements in accordance with changes in circumstances.

Respectfully,

Ido Galil
Head of Financial Reporting

cc. Mr. Rony Hizkiyahu, Supervisor of Banks
Mr. Orr Sofer, Deputy Supervisor of Banks