Bank of Israel

Banking Supervision Department

Tel Aviv, April 23, 2009
098S9132

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 foreign countries—countries with liquidity problems

1. In Circular H-2240-06 of December 10, 2008, the main amendments to the Reporting to the Public Directives concerning exposures to foreign countries (hereinafter: "the Directive") were specified.

2. Below, pursuant to enquiries from banks, we explain our stance on the identification of countries that have liquidity problems and for which the Directive requires disclosure.

3. In accordance with Section 2.(g).12 of the Reporting to the Public Directives concerning the management review (p. 640-5.8), every bank and credit card company must evaluate and decide whether the conditions in a foreign country are causing liquidity problems that may have a material effect on their ability to make timely payments of principal and/or interest.

4. It is clarified that countries classified as having liquidity problems as aforesaid shall include, at the very least, countries that on the reporting date were receiving financial aid of any kind from the International Monetary Fund or had debt ratings of CCC or lower.

5. We note that, in accordance with the Directive, mandatory quantitative disclosure under Subsections 12.2 and 12.3 on p. 640-5.8 is required only for a country that is reported separately under Subsection 2 on p. 640-5.3.

6. The clarifications in this letter shall go into effect on January 1, 2009.

Respectfully,

Ido Galil
Head of Financial Reporting

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