Table A.1.6
Risk Adjusted Return on Capital; the variance-covariance approach[a], by banking group, 2002–13

Year	R_f	**Leumi**	**Hapoalim**	**Discount**	**Mizrahi-Tefahot**	**First International**	**Five groups**
2002	4.81	-0.10	-0.17	-0.40	0.34	-0.53	-0.22
2003	4.89	0.21	0.40	-0.13	0.45	-0.02	0.28
2004	3.76	0.72	0.81	0.33	0.59	0.24	0.81
2005	2.97	0.84	1.01	0.22	0.84	0.65	0.96
2006	3.71	1.00	0.89	0.36	0.75	0.56	1.00
2007	3.19	0.83	0.60	0.48	0.90	0.73	0.83
2008	2.88	-0.10	-0.27	-0.01	0.50	0.00	-0.13
2009	1.51	0.37	0.20	0.40	0.47	0.67	0.41
2010	0.89	0.42	0.35	0.31	0.82	0.62	0.51
2011	1.34	0.30	0.40	0.34	1.03	0.56	0.50
2012	0.83	0.13	0.37	0.36	1.00	0.73	0.42
2013	0.25	0.36	0.41	0.45	1.10	0.74	0.56

[a] RAROC is calculated by the variance-covariance approach

$$\boxed{RAROC = \frac{ROE - R_f}{2.33 \cdot \sigma_{ROE}}}$$

where:

ROE = Return on equity

R_{f} = The risk-free interest rate; yield-to-maturity on 5-year (Galil) CPI-indexed government bonds during the last year.

σ_{ROE} = Standard deviation of ROE, calculated on the basis of quarterly ROE data for the past 7 years.

2.33 = Z value at a significance level of 99 percent.

SOURCE: Banking Supervision Department based on published financial statements.