## Table A.1.5
## Risk Adjusted Return on Capital; the variance-covariance approach[a], by banking group, 2002–12

| Year | $R_f$ | **Leumi** | **Hapoalim** | **Discount** | **Mizrahi-Tefahot** | **First International** | **The 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 |

[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.

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

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

**SOURCE: Banking Supervision Department based on published financial statements.**