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Bank Hapoalim - off to a good start in 2010

Net Profit rose to NIS 462 million and ROE reached 9.2%

Tel Aviv, Israel -- Bank Hapoalim (TASE: POLI) (LSE: BKHD)

Highlights of the financial statements:

- **Net Profit** increased in the first quarter of 2010 to NIS 462 million compared with a profit of NIS 42 million in the same quarter last year.
- **Return on equity** improved in the first quarter of 2010 and reached 9.2%, on an annualized basis, compared with 0.9% in the same quarter last year.
- **Profit from financing activity before provision for doubtful debts** rose to NIS 1,752 million in the fourth quarter of 2009 compared with a profit of NIS 972 million in the same quarter last year.
- **Operating and other income** increased in the first quarter of 2010 to NIS 1,255 million compared with NIS 1,162 million in the same quarter last year.
- **The Bank's capital adequacy** stood at 13.87% at the end of the first quarter of 2010 compared with 13.67% at year-end 2009.

Main developments in the financial statements for the first quarter of 2010:

Profit from financing activity before provision for doubtful debts totaled NIS 1,752 million in the first quarter of 2010, compared with a profit of NIS 972 million in the same quarter last year. The increase in profit mainly resulted from increased profit from regular financing activity and a decrease in the adjustment to fair value of derivative instruments.

Profit from regular financing activity (profit from financing activity excluding exceptional and other irregular items) totaled NIS 1,827 million in the first quarter of 2010, compared with a profit of NIS 1,698 million in the same quarter last year. The increase results from an increase in financial margins on credit .

Financial margin from regular activity stood at 2.54% in the first quarter of 2010, compared with 2.36% in the same quarter last year. This improvement in this figure reflects the initial influence of the increase in the interest rate.

The provision for doubtful debts in the first quarter of 2010 totaled NIS 299 million, compared with NIS 314 million in the same quarter last year.

The rate of the specific provision to total credit to the public, net of the reduction in provisions and the collection of debts written off in the past, reached 0.57%, in the first quarter of 2010, compared with 0.49% in the same quarter last year .

Operating and other income – totaled NIS 1,255 million in the first quarter of 2010 compared with NIS 1,162 million in the same quarter last year. The increase was mainly due to an increase in income from capital market activity and credit cards fees.

Operating and other expenses totaled NIS 1,966 million in the first quarter of 2010 compared with NIS 1,940 million in the same quarter last year. The increase was mainly due to the increase in expenses for maintenance and depreciation of buildings and equipment and other expenses and from an increase in share-based payments. In contrast, salary expenses decreased.

Net operating profit for the first quarter of 2010 totaled NIS 461 million compared with a profit of NIS 21 million in the same quarter last year.

Net return of operating profit on equity for the first quarter of 2010 was 9.2%, on an annualized basis, compared with 0.4% in the same quarter last year.

Developments in Balance-Sheet Items

The consolidated balance sheet as at March 31, 2010 totaled NIS 299.8 billion, compared with NIS 309.6 billion at year-end 2009.

Credit to the public totaled NIS 213.2 billion, compared with NIS 215.8 billion at year-end 2009. The decrease is accounted for mainly by the decrease in corporate credit, due to a decrease in financing needs of companies and the use of non-bank financing sources. The decrease was partially offset by an increase in consumer credit.

Deposits from the public totaled NIS 223.2 billion compared with NIS 232.0 billion at year-end 2009, a decrease of 3.8%. The decrease is mainly a result of the negative effect of exchange rates and the decline in the CPI as well as a decrease in deposits in the corporate segment.

Shareholder's equity totaled NIS 21,195 million as at March 30, 2010, compared with NIS 20,598 million at year-end 2009, an increase of 2.9%.

Capital adequacy ratio rose to 13.87% at the end of the first quarter of 2010 compared with 13.67% at year-end 2009.

Tier 1 Capital (according to Basel II) rose to 8.78% at the end of the first quarter of 2010 compared with 8.52% at year-end 2009.

About Bank Hapoalim

Bank Hapoalim is Israel's leading financial group. In Israel, the Bank Hapoalim Group has over 270 branches, eight regional business centers, a growing network of business branches and specialized industry relationship managers for major corporate customers.

The Bank Hapoalim Group includes financial companies involved in investment banking, credit cards, trust services and portfolio management. The Group also has holdings in non-banking sectors.

Internationally, Bank Hapoalim operates through 42 branches, subsidiaries and representative offices, in North and Latin America, Europe, the Far East, Turkey and Australia. In these markets, the Bank is engaged in trade, corporate finance, private banking and retail banking.

Bank Hapoalim is the only Israeli Bank listed on both the Tel Aviv and London Stock Exchange. In addition, a Level-1 ADR is traded "over-the-counter" in New York, under ticker BKHYY.

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Profit and profitability	For the three months ended on				
	3/31/2010	12/31/2009	9/30/2009	6/30/2009	3/31/2009
Profit from financing activities before provision for doubtful debts	1,752	2,012	1,779	1,955	972
Operating and other income	1,255	1,499	1,359	1,231	1,162
Total income	3,007	3,511	3,138	3,186	2,134
Provision for doubtful debts	299	536	629	538	314
Operating and other expenses	1,966	2,134	1,683	1,890	1,940
Operating profit	461	465	422	380	21
Net profit from extraordinary transactions, after taxes	1	2	3	2	21
Net profit	462	467	425	382	42

Balance Sheet – Principal Items	3/31/2010	12/31/2009	9/30/2009	6/30/2009	3/31/2009
Total balance sheet	299,845	309,555	301,894	302,844	305,156
Credit to the public	213,203	215,788	215,638	215,973	220,859
Securities	26,516	28,055	28,170	29,489	27,587
Deposits from the public	223,216	231,993	225,196	228,136	232,442
Bonds and subordinated notes	21,395	23,112	23,307	22,162	18,967
Shareholders' equity	21,195	20,598	20,316	19,733	18,986
Overall Credit risk -Problematic Debts	15,468	16,636	18,687	17,693	17,504
Of which: non-income bearing debt	4,052	3,976	4,152	4,369	4,133

Principal financial ratios	3/31/2010	12/31/2009	9/30/2009	6/30/2009	3/31/2009
			%		
Loan to Deposit Ratio	95.5%	93.0%	95.8%	94.7%	95.0%
Shareholders' equity to total assets	7.1%	6.7%	6.7%	6.5%	6.2%
Core Tier I capital to risk assets (Basel II)	7.9%	7.7%			
Tier I capital to risk assets (Basel II)	8.8%	8.5%			
Total capital to risk assets (Basel II)	13.9%	13.7%			
Tier I capital to risk assets (Basel I)	-	8.6%	8.2%	7.8%	7.6%
Total capital to risk assets (Basel I)	-	13.7%	13.3%	12.8%	11.3%
Cost-Income Ratio	65.4%	60.8%	53.6%	59.3%	90.9%
Financing margin on regular activity (a)(b)	2.54%	2.43%	2.35%	2.34%	2.36%
Ratio of specific provision to total credit to the public (a)	0.57%	1.12%	1.21%	0.80%	0.49%
Return of operating profit on equity, net(a)	9.2%	9.4%	8.8%	8.2%	0.4%
Return of net profit on equity(a)	9.2%	9.4%	8.8%	8.3%	0.9%
Basic and Diluted Net profit per share	0.35	0.35	0.32	0.29	0.03

(a) Quarterly figures on an annualized basis

(b) Calculated - Financing profit from regular activity divided by financial assets generating financing income.