

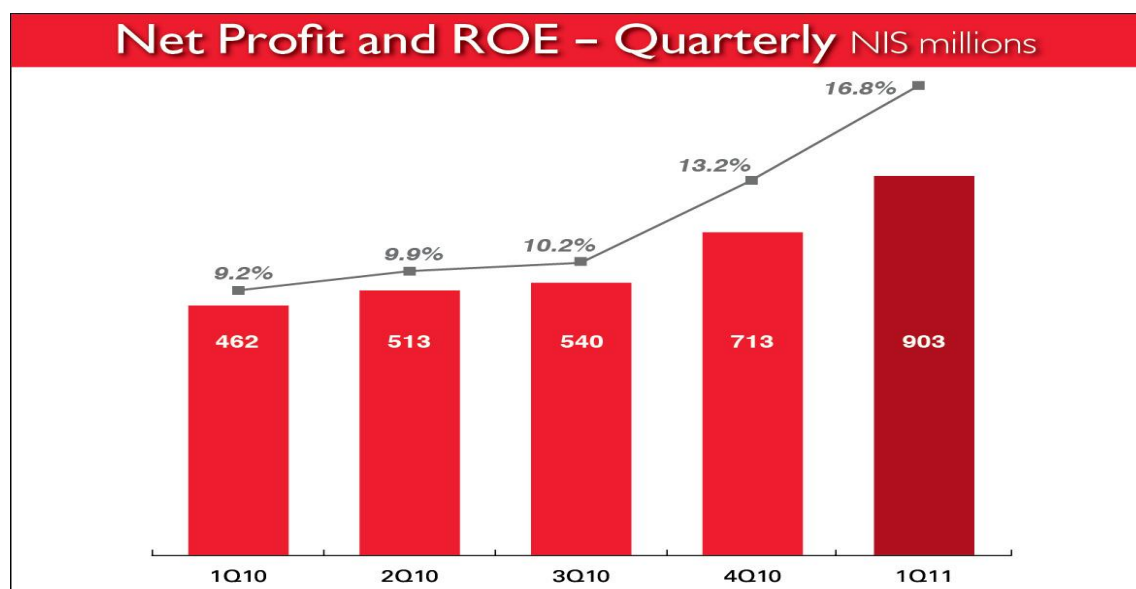
May 31, 2011

## **Bank Hapoalim Starts 2011 With Momentum: Net Profit increased 95.5% year-over-year to NIS 903 million Return on Equity improves to 16.8%**

Tel Aviv, Israel -- Bank Hapoalim (TASE: POLI) (ADR: BKHYY), Israel's leading financial group, today announced financial results for the first quarter ended March 31, 2011.

### **First Quarter 2011 Financial Highlights:**

- **Net profit** increased by 95.5% to NIS 903 million compared with a profit of NIS 462 million in the same quarter last year.
- **Return on equity** climbed to 16.8%, on an annualized basis, compared with 9.2% in the same quarter last year.
- **Profit from financing activity before expenses for credit losses** rose 28.5% to NIS 2,252 million compared with a profit of NIS 1,752 million in the same quarter last year.
- **Capital adequacy ratio** at the end of the first quarter of 2011 totaled 14.1% similar to the end of 2010.



## **Main developments in the financial statements for the first quarter of 2011:**

Alongside the continuous implementation of the Bank's multi-year strategic plan, the Bank continued to deliver an ongoing steady trend of improvement in financial performance. These results reflect the continuous business momentum in the bank's activity supported by the impressive 4.7% annualized growth of the Israeli economy during the first quarter, the improved condition of corporate customers as well as the trend of increasing interest rates. The Bank continues to act resolutely to meet its business objectives in line with its strategic plan while fortifying its leadership position within the banking sector in Israel.

**Profit from financing activity before expenses for credit losses** totaled NIS 2,252 million in the first quarter of 2011, compared with a profit of NIS 1,752 million in the same quarter last year. The reported financing profit increased mainly from the positive adjustment to fair value of derivative instruments compared with a negative adjustment in the same quarter last year, as well as a result of the increase in profit from regular financing activity.

**Profit from regular financing activity** (profit from financing activity excluding exceptional and other irregular items) totaled NIS 1,983 million in the first quarter of 2011, compared with a profit of NIS 1,827 million in the same quarter last year. The increase resulted mainly from an increase in the asset base and an improvement in the financial margin which stood at 2.62%.

**Expenses for credit losses** in the first quarter of 2011 totaled NIS 14 million. This small amount results from significant recoveries of debts written off in the past, as a result of an improvement in borrowers' repayment capability during the quarter. This decrease is not the result of the implementation of new directives for the disclosure and measurement of impaired debts which was adopted this quarter.

**Operating and other income** totaled NIS 1,275 million in the first quarter of 2011 compared with NIS 1,217 million in the same quarter last year. The increase resulted mainly from an increase in income from credit handling and credit card fees.

**Operating and other expenses** totaled NIS 2,107 million in the first quarter of 2011 compared with NIS 1,928 million in the same quarter last year. The increase was mainly due to the provision for employee compensation in light of the improvement in the Bank's profits.

## Developments in Balance Sheet Items

**The consolidated balance sheet** as of March 31, 2011 totaled NIS 319.5 billion, compared with NIS 320.9 billion at the end of 2010.

**Net Credit to the public** as of March 31, 2011 totaled NIS 229.8 billion, compared with NIS 225.3 billion at the end of 2010. The increase was driven by growth in all segments of activity.

**Deposits from the public** totaled NIS 231.8 billion compared with NIS 234.0 billion at the end of 2010. The decrease is mainly a result of a shift in the volume of short-term corporate deposits, while core deposits increased in the retail and commercial segments.

**Equity attributed to the shareholders of the Bank** totaled NIS 22,974 million as at March 31, 2011, compared with NIS 23,089 million at the end of 2010. The decrease in equity was the effect of the initial adoption, this quarter, of directives concerning the measurement and disclosure of impaired debts, which was offset by the net profit recorded during the quarter.

**Total Capital adequacy** ratio stood at 14.1% at the end of the first quarter of 2011 similar to that at the end of 2010.

**Core Tier 1 Capital Ratio** stood at 8.1% at the end of the first quarter of 2011, compared to 8.2% at the end of 2010. These ratios significantly exceed the targets established by the Bank's Board of Directors.

The decrease in the capital adequacy ratio was the result of the initial adoption, this quarter, of directives concerning the measurement and disclosure of impaired debts, and from an increase in risk weighted assets which were offset by the net profit recorded during the quarter.

Shortly before the approval of the financial statements, the Bank received regulatory approval from the Supervisor of Banks to distribute a dividend, at a rate of approximately 30%, from its first quarter 2011 earnings. This matter will be discussed by the Board of Management and Board of Directors of the Bank in the near future.

### Conference Call Information

Bank Hapoalim will host a conference call today to review first-quarter financial results at 10:00 a.m. Eastern Time /3:00 p.m. GMT / 5:00 p.m. Israel.

To access the call, please dial: 1-866-485-2399 or 1-888-668-9141 in the U.S. and Canada or (972-3) 918-0664 for international participants. No password is required. The presentation slides, earnings release and the first quarter 2011 financial statement will be available at the Firm's website, [www.bankhapoalim.com](http://www.bankhapoalim.com), under Investor Relations, Financial Information.

A replay of the conference call will be available beginning at approximately 1:00 p.m. on Tuesday, May 31, through 1:00 p.m. ET June 6, 2011, by telephone at (972) 3-9255928 (international).

The replay will also be available by audio playback on [www.bankhapoalim.com](http://www.bankhapoalim.com), under Investor Relations, Financial Information.

## **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 Isracard Ltd, Israel's leading credit card company as well as financial companies involved in investment banking, trust services and portfolio management.

Internationally, Bank Hapoalim operates through 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.

For more information about Bank Hapoalim, please visit us online at [www.bankhapoalim.com](http://www.bankhapoalim.com).

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## Principal Data of the Bank Hapoalim Group

in NIS Millions

| Profit and profitability   | For the three months ended on |            |           |           |           |
|--|-------------------------------|------------|-----------|-----------|-----------|
|  | 3/31/2011                     | 12/31/2010 | 9/30/2010 | 6/30/2010 | 3/31/2010 |
| Profit from financing activity before expenses in respect of credit losses                           | <b>2,252</b>                  | 2,133      | 2,053     | 1,837     | 1,752     |
| Operating and other income   | <b>1,275</b>                  | 1,341      | 1,217     | 1,334     | 1,217     |
| Total income   | <b>3,527</b>                  | 3,474      | 3,270     | 3,171     | 2,969     |
| Expenses in respect of credit losses   | <b>14</b>                     | 100        | 290       | 341       | 299       |
| Operating and other expenses   | <b>2,107</b>                  | 2,334      | 2,064     | 1,984     | 1,928     |
| Net operating profit attributed to the shareholders of the Bank                                      | <b>902</b>                    | 701        | 538       | 512       | 461       |
| Profit from extraordinary transactions, after taxes, before attribution to non-controlling interests | <b>1</b>                      | 12         | 2         | 1         | 1         |
| Net profit attributed to the shareholders of the Bank  | <b>903</b>                    | 713        | 540       | 513       | 462       |

| Balance Sheet – Principal Items                        | 3/31/2011      | 12/31/2010 | 9/30/2010 | 6/30/2010 | 3/31/2010 |
|--|----------------|------------|-----------|-----------|-----------|
| Total balance sheet                                    | <b>319,466</b> | 320,876    | 302,615   | 307,317   | 299,845   |
| Credit to the public, net                              | <b>229,835</b> | 225,288    | 220,665   | 217,749   | 213,203   |
| Securities   | <b>28,932</b>  | 31,604     | 28,935    | 26,980    | 26,516    |
| Deposits from the public                               | <b>231,769</b> | 233,965    | 217,554   | 225,237   | 223,216   |
| Bonds and subordinated notes                           | <b>28,295</b>  | 27,608     | 25,920    | 22,555    | 21,395    |
| Equity attributed to the shareholders of the Bank      | <b>22,974</b>  | 23,089     | 22,307    | 21,667    | 21,195    |
| Total problematic debts as reported in the past        | -              | 14,895     | 16,145    | 16,755    | 15,458    |
| Total problematic credit risk under the new directive* | <b>13,590</b>  | 14,506     | -         | -         | -         |
| Of which: impaired debts*                              | <b>7,735</b>   | 8,259      | -         | -         | -         |

| Principal financial ratios   | For the three months ended on |            |           |           |           |
|--|-------------------------------|------------|-----------|-----------|-----------|
|  | 3/31/2011                     | 12/31/2010 | 9/30/2010 | 6/30/2010 | 3/31/2010 |
|  |                               |            |           |           | %         |
| Loan to Deposit Ratio  | <b>99.2%</b>                  | 96.3%      | 101.4%    | 96.7%     | 95.5%     |
| Loan to Deposit ratio including Bonds & Notes                      | <b>88.4%</b>                  | 86.1%      | 90.6%     | 87.9%     | 87.2%     |
| Shareholders' equity to total assets                               | <b>7.2%</b>                   | 7.2%       | 7.4%      | 7.1%      | 7.1%      |
| Core Tier I capital to risk assets (Basel II)                      | <b>8.1%</b>                   | 8.2%       | 8.1%      | 7.9%      | 7.9%      |
| Tier I capital to risk assets (Basel II)                           | <b>8.9%</b>                   | 9.1%       | 8.9%      | 8.8%      | 8.8%      |
| Total capital to risk assets (Basel II)                            | <b>14.1%</b>                  | 14.1%      | 13.9%     | 13.6%     | 13.9%     |
| Cost-Income Ratio  | <b>59.7%</b>                  | 67.2%      | 63.1%     | 62.6%     | 64.9%     |
| Financing margin on regular activity (a)(b)                        | <b>2.62%</b>                  | 2.61%      | 2.65%     | 2.67%     | 2.54%     |
| Ratio of credit loss expenses to total credit to the public (a)(c) | <b>0.02%</b>                  | 0.45%      | 0.47%     | 0.52%     | 0.57%     |
| Return of operating profit on equity, net(a)                       | <b>16.8%</b>                  | 13.0%      | 10.2%     | 9.9%      | 9.2%      |
| Return of net profit on equity(a)                                  | <b>16.8%</b>                  | 13.2%      | 10.2%     | 9.9%      | 9.2%      |
| Basic Net profit per share   | <b>0.68</b>                   | 0.54       | 0.41      | 0.39      | 0.35      |
| Diluted Net profit per share                                       | <b>0.67</b>                   | 0.54       | 0.40      | 0.38      | 0.35      |

(a) Calculated on an annualized basis

(b) Calculation: - Financing profit from regular activity divided by financial assets which generated financing income.

(c) In the three month period ended on March 31, 2011, calculated as the rate of expenses in respect of credit losses out of the recorded balance of credit to the public.

\* Excluding individual provision and provision according to extent of arrears