

November 24, 2010

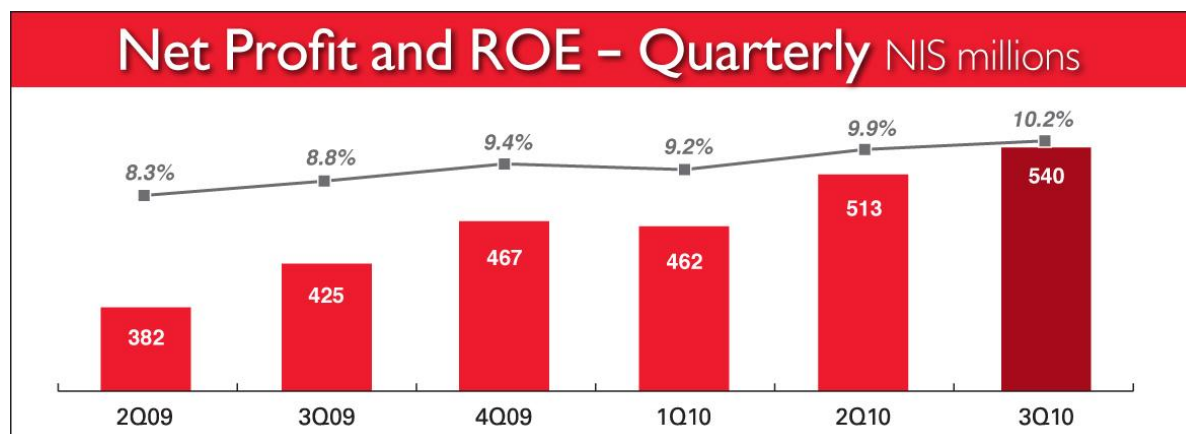
## **Bank Hapoalim returns to double-digit ROE Net Profit rose by 27.1% to NIS 540 million**

Tel Aviv, Israel -- Bank Hapoalim (TASE: POLI) (ADR: BKHY)Y)

**Bank Hapoalim continues trend of improved results in the third quarter.**

### **Third Quarter 2010 Financial Highlights:**

- **Net profit** increased 27.1% to NIS 540 million compared with a profit of NIS 425 million in the same quarter last year.
- **Return on equity** climbed to 10.2%, on an annualized basis, compared with 8.8% in the same quarter last year.
- **Profit from regular financing activity** rose 10.7% to NIS 1,899 million compared with a profit of NIS 1,716 million in the same quarter last year.



## **The first nine months of 2010 greatly benefited from the implementation of the Bank's strategic plan:**

During the period, the Bank's activity in the commercial sector gained momentum, with new customers recruited and an infrastructure of new business branches established, in line with the planned trajectory. In retail banking, the Bank continues to focus on its customers and on growth in the mortgage market. The Bank remains the leader in direct banking, with 1.2 million customers using these services and 800,000 customers managing their accounts over the Internet.

Bank Hapoalim is at the forefront of global technology, and continues to offer its customers unique technological innovations, including enhanced services designed for smart phones, including iPhone, iPad, and Blackberry. At the WebiAwards 2010 competition, the Bank won awards for best mobile application and most outstanding online banking website for the sixth consecutive year.

## **Main developments in the financial statements for the third quarter of 2010:**

**Profit from regular financing activity** (profit from financing activity excluding exceptional and other irregular items) totaled NIS 1,899 million in the third quarter of 2010, compared with a profit of NIS 1,876 million in the previous quarter and NIS 1,716 million in the same quarter last year. The increase resulted mainly from an increase in the **financial margin from regular activity** which stood at 2.65% in the third quarter of 2010, compared with 2.35% in the same quarter last year. This improvement reflects the continued influence of the increase in the interest rate in the market.

**Profit from financing activity before provision for doubtful debts** totaled NIS 2,053 million in the third quarter of 2010, compared with a profit of NIS 1,837 million in the previous quarter and NIS 1,779 million in the same quarter last year. The reported financing profit increased compared with the same quarter last year mainly as a result of the increase in profit from regular financing activity.

**The provision for doubtful debts** in the third quarter of 2010 totaled NIS 290 million, compared with NIS 341 million in the previous quarter and NIS 629 million in the same quarter last year.

**The rate of the specific provision to total credit to the public**, net, reached 0.47%, in the third quarter of 2010, compared with 0.52% in the previous quarter and 1.21% in the same quarter last year.

**Operating and other income** totaled NIS 1,217 million in the third quarter of 2010 compared with NIS 1,334 million in the previous quarter and NIS 1,320 million in the same quarter last year. The decrease compared with the same quarter last year stems from the one-time proceeds of the sale of Bezeq shares; while an increase in income from credit card fees was recorded in the third quarter of 2010 as a result of an increase in the volume of transactions.

**Operating and other expenses** totaled NIS 2,064 million in the third quarter of 2010 compared with NIS 1,984 million in the previous quarter and NIS 1,644 million in the same quarter last year. The increase was mainly due to the decrease in salary expenses in the third quarter of 2009, resulting from an agreement signed with the employees' union, as well as the provision for bonuses in light of the improvement in the bank's profits and a sharp increase in the price of the Bank's shares which affected the calculation of the provision for phantom options.

**Contribution to the community** - The Bank continues to lead in the area of social responsibility, with a focus on education, culture and welfare. Employees are involved in a varied and extensive range of community-oriented activities, including social involvement, monetary donations, and large-scale volunteer activities. The Bank Group's activity during the first nine months of 2010 had financial value of approximately NIS 35 million.

## **Developments in Balance Sheet Items**

**The consolidated balance sheet** as of September 30, 2010 totaled NIS 302.6 billion, compared with NIS 307.3 billion at the end of the second quarter of 2010.

**Credit to the public** as of September 30, 2010 totaled NIS 220.7 billion, compared with NIS 217.7 billion at the end of the second quarter of 2010. The increase was driven by growth in all segments of activity.

**Deposits from the public** totaled NIS 217.6 billion compared with NIS 225.2 billion at the end of the second quarter of 2010. The decrease is mainly a result of a shift in the volume of short-term corporate deposits.

**Shareholder equity** totaled NIS 22,307 million as of September 30, 2010, compared with NIS 21,667 million at the end of the second quarter of 2010.

**Core Tier 1 Capital** (according to Basel II) stood at 8.1% at the end of the third quarter of 2010, compared to 7.9% at the end of the previous quarter. The Bank's Core Tier 1 Capital ratio target is between 7.5% and 8.0%

Tier 1 Capital (according to Basel II) stood at 8.9% at the end of the third quarter of 2010, compared to 8.8% at the end of the previous quarter.

**Capital adequacy** ratio (according to Basel II) stood at 13.9% at the end of the third quarter of 2010 compared with 13.6% at the end of the previous quarter.

## Conference Call Information

Bank Hapoalim will host a conference call today at 9:00 a.m. Eastern Time / 2:00 p.m. GMT / 4:00 p.m. Israel/ to review third-quarter financial results.

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 Q3 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 Wednesday, November 24, through 1:00 p.m. ET through December 1, 2010, 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 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.

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				
	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
Profit from financing activities before provision for doubtful debts	2,053	1,837	1,752	2,012	1,779
Operating and other income	1,217	1,334	1,217	1,460	1,320
Total income	3,270	3,171	2,969	3,472	3,099
Provision for doubtful debts	290	341	299	536	629
Operating and other expenses	2,064	1,984	1,928	2,095	1,644
Operating profit	538	512	461	465	422
Net profit from extraordinary transactions, after taxes	2	1	1	2	3
Net profit	540	513	462	467	425

	For the nine months ended on		For the year ended on
	9/30/2010	9/30/2009	12/31/2009
Profit from financing activities before provision for doubtful debts	5,642	4,706	6,718
Operating and other income	3,768	3,647	5,107
Total income	9,410	8,353	11,825
Provision for doubtful debts	930	1,481	2,017
Operating and other expenses	5,976	5,408	7,503
Operating profit	1,511	823	1,288
Net profit from extraordinary transactions, after taxes	4	26	28
Net profit	1,515	849	1,316

Balance Sheet – Principal Items	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
Total balance sheet	302,615	307,317	299,845	309,555	301,894
Credit to the public	220,665	217,749	213,203	215,788	215,638
Securities	28,935	26,680	26,516	28,055	28,170
Deposits from the public	217,554	225,237	223,216	231,993	225,196
Bonds and subordinated notes	25,920	22,555	21,395	23,112	23,307
Shareholders' equity	22,307	21,667	21,195	20,598	20,316
Overall Credit risk -Problematic Debts	16,145	16,755	15,458	16,636	18,687
Of which: non-income bearing debt	3,719	3,730	4,052	3,976	4,152

Principal financial ratios	For the three months ended on				
	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
			%		
Loan to Deposit Ratio	<b>101.4%</b>	96.7%	95.5%	93.0%	95.8%
Loan to Deposit ratio including Bonds & Notes	<b>90.6%</b>	87.9%	87.2%	84.6%	86.8%
Shareholders' equity to total assets	<b>7.4%</b>	7.1%	7.1%	6.7%	6.7%
Core Tier I capital to risk assets (Basel II)	<b>8.1%</b>	7.9%	7.9%	7.7%	
Tier I capital to risk assets (Basel II)	<b>8.9%</b>	8.8%	8.8%	8.5%	
Total capital to risk assets (Basel II)	<b>13.9%</b>	13.6%	13.9%	13.7%	
Tier I capital to risk assets (Basel I)		-	-	8.6%	8.2%
Total capital to risk assets (Basel I)		-	-	13.7%	13.3%
Cost-Income Ratio	<b>63.1%</b>	62.6%	64.9%	60.3%	53.0%
Financing margin on regular activity (a)(b)	<b>2.65%</b>	2.67%	2.54%	2.43%	2.35%
Ratio of specific provision to total credit to the public (a)	<b>0.47%</b>	0.52%	0.57%	1.12%	1.21%
Return of operating profit on equity, net(a)	<b>10.2%</b>	9.9%	9.2%	9.4%	8.8%
Return of net profit on equity(a)	<b>10.2%</b>	9.9%	9.2%	9.4%	8.8%
Basic Net profit per share	<b>0.41</b>	0.39	0.35	0.35	0.32
Diluted Net profit per share	<b>0.40</b>	0.38	0.35	0.35	0.32

	For the nine months ended on		For the year ended on
	9/30/2010	9/30/2009	12/31/2009
Cost-Income Ratio	<b>63.5%</b>	64.7%	63.5%
Financing margin on regular activity (a)(b)	<b>2.60%</b>	2.34%	2.36%
Ratio of specific provision to total credit to the public (a)	<b>0.51%</b>	0.83%	0.90%
Return of operating profit on equity, net(a)	<b>9.5%</b>	5.7%	6.6%
Return of net profit on equity(a)	<b>9.6%</b>	5.9%	6.7%
Basic Net profit per share	<b>1.14</b>	0.64	1.00
Diluted Net profit per share	<b>1.13</b>	0.64	0.99

(a) Quarterly figures on an annualized basis

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