

November 30, 2011

## **Bank Hapoalim Announces Third Quarter 2011 Financial Results:**

**Net Profit totaled NIS 471 million**  
**Return on Equity stood at 8.5%**  
**Return on Equity for 9M 2011 was 12.4%**

Tel Aviv, Israel -- Bank Hapoalim (TASE: POLI) (ADR: BKHYY), Israel's leading financial group, today announced financial results for the third quarter ended September 30, 2011.

### **Third Quarter 2011 Financial Highlights:**

- **Net Profit** totaled NIS 471 million compared with a profit of NIS 518 million in the same quarter last year, a decrease of 9.1%.
- **Return on Equity** totaled 8.5%, on an annualized basis, compared with 10.0% in the same quarter last year.
- **Total Assets** as at September 30, 2011 totaled NIS 342.0 billion, compared with NIS 321.1 billion at the end of 2010, an increase of 6.5%.
- **Capital Adequacy Ratio** at the end of the third quarter of 2011 totaled 13.64% compared to 13.92% at the end of 2010.

**Core Tier 1 Capital Ratio** stood at 7.72% at the end of the third quarter of 2011, compared to 8.04% at the end of 2010.

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

**Profit from financing activity before provisions for credit losses** totaled NIS 1,750 million in the third quarter of 2011, compared with a profit of NIS 2,053 million in the same quarter last year. The reported financing profit decreased mainly from the negative adjustment to fair value of derivative instruments and from financing expenses with respect to hedging of investments overseas, against income recorded under the provision for taxes. By contrast, profit from regular financing activity increased.

**Profit from regular financing activity** (profit from financing activity excluding exceptional and other irregular items) totaled NIS 2,003 million in the third quarter of 2011, compared with a profit of NIS 1,899 million in the same quarter last year. The improvement resulted mainly from an increase in the asset base and the rise in the interest rate in Israel.

**Provisions for credit losses** in the third quarter of 2011 totaled NIS 498 million, mainly with respect to debts examined on an individual basis, primarily due to declines in the value of collateral and from an increase in the group provision resulting from an increase in credit risk.

**Operating and other income** totaled NIS 1,207 million in the third quarter of 2011 compared with NIS 1,186 million in the same quarter last year.

**Operating and other expenses totaled** NIS 2,033 million in the third quarter of 2011 compared with NIS 2,064 million in the same quarter last year. The decrease stemmed from a decline in salary expenses, due to a decrease in the provision for bonuses and share-based payments, as a result of the decrease in the share price of the Bank.

**The provision for taxes on operating profit** amounted to NIS 29 million in the third quarter of 2011. The tax benefit mainly resulted from income related to the effect of changes in exchange rates on the recording of investments in consolidated companies overseas that are not included in the tax rate, and from the cancellation of provisions for taxes following income-tax assessments.

**Contribution to the community** - The Bank's employees are involved in a varied and extensive range of community-oriented activities that take the form of social involvement, monetary donations, and large-scale volunteer activities. Bank Hapoalim's community-oriented activity during the first nine months of 2011 was expressed in a financial value of approximately NIS 37.2 million.

## **Developments in Balance Sheet Items**

**The consolidated balance sheet** as at September 30, 2011 totaled NIS 342.0 billion, compared with NIS 321.1 billion at the end of 2010, an increase of 6.5%.

**Net Credit to the public** as at September 30, 2011 totaled NIS 244.6 billion, compared with NIS 225.3 billion at the end of 2010, an increase of 8.6%. The increase was driven by growth in all segments of retail, commercial and corporate loan activity.

**Deposits from the public** totaled NIS 242.9 billion compared with NIS 234.0 billion at the end of 2010, an increase of 3.8%. The increase is mainly a result of higher core deposits in the retail and commercial segments while the volume of short-term corporate deposits decreased.

**Shareholders' Equity** totaled NIS 23.1 billion as at September 30, 2011, compared with NIS 22.6 billion at the end of 2010. The increase in equity stemmed from the net profit recorded during the first nine months of 2011 which was offset by the initial adoption of directives concerning the measurement and disclosure of impaired debts during this period and from the dividend payout.

**Total Capital adequacy** ratio stood at 13.64% at the end of the third quarter of 2011 compared with 13.92% at the end of 2010.

**Core Tier 1 Capital Ratio** stood at 7.72% at the end of the third quarter of 2011, compared to 8.04% at the end of 2010.

In the third quarter the capital ratio decreased as a result of an increase in risk-adjusted assets mainly from an increase in the volume of activity and from the influence of exchange rates on the balances.

Capital data for the year 2010 has been restated due to the retroactive implementation of the directives of the Supervisor of Banks regarding financial reporting on employee benefits.

## Conference Call Information

Bank Hapoalim will host a conference call today to review the Company's third quarter 2011 financial results at 9:00 a.m. Eastern Time / 2:00 p.m. Greenwich Mean Time / 4:00 p.m. Israel Time.

To access the call, please dial: 1-888-281-1167 or 1-866-485-2399 in the U.S. and Canada or (972-3) 918-0685 for international participants. No password is required. The presentation slides, earnings release and the third quarter 2011 financial statement will be available on the Bank Hapoalim corporate website, [www.bankhapoalim.com](http://www.bankhapoalim.com), under Investor Relations, Financial Information.

A telephone replay of the conference call will be available on Wednesday, November 30, 2011 beginning at approximately 1:00 p.m Eastern Time / 6:00 p.m. Greenwich Mean Time / 8:00 p.m. Israel Time until December 6, 2011, by telephone internationally at (972) 3-9255900 .

The webcast audio replay will also be available 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 280 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 Exchanges. 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				
	9/30/2011	6/30/2011	3/31/2011	12/31/2010	9/30/2010
Profit from financing activity before expenses in respect of credit losses	1,750	2,142	2,252	2,133	2,053
Operating and other income	1,207	1,224	1,275	*1,315	*1,186
Total income	2,957	3,366	3,527	*3,448	*3,239
Expenses in respect of credit losses	498	327	14	100	290
Operating and other expenses	2,033	2,013	*2,122	*2,310	2,064
Net operating profit attributed to the shareholders of the Bank	470	711	*890	701	*516
Profit from extraordinary transactions, after taxes, before attribution to non-controlling interests	1	1	1	12	2
Net profit attributed to the shareholders of the Bank	471	712	*891	713	*518

	For the nine months ended on		For the year ended on
	9/30/2011	9/30/2010	12/31/2010
Profit from financing activities before provision for doubtful debts	6,144	5,642	7,775
Operating and other income	3,706	*3,737	*5,052
Total income	9,850	*9,379	*12,827
Provision for doubtful debts	839	930	1,030
Operating and other expenses	6,168	*5,981	*8,291
Net operating profit attributed to the shareholders of the Bank	2,071	*1,484	*2,185
Net profit from extraordinary transactions, after taxes	3	4	16
Net profit	2,074	*1,488	*2,201

Balance Sheet – Principal Items	9/30/2011	6/30/2011	3/31/2011	12/31/2010	9/30/2010
Total balance sheet	341,993	323,808	*319,682	*321,089	*302,826
Credit to the public, net	244,577	234,069	229,835	225,288	220,665
Securities	27,789	27,701	28,932	31,604	28,935
Deposits from the public	242,931	233,237	231,769	233,965	217,554
Bonds and subordinated notes	32,050	29,962	28,295	27,608	25,920
Equity attributed to the shareholders of the Bank	23,076	22,732	*22,434	*22,561	*21,779
Total problematic debts as reported in the past	-	-	-	14,895	16,145
Total problematic credit risk under the new directive**	13,229	12,263	13,590	14,575	-
Of which: impaired debts	7,166	7,530	7,840	8,316	-

\* Restated- due to the retroactive implementation of the directives of the Supervisor of Banks regarding financial reporting on employee benefits. Most of the change is in the "other expenses," and "shareholders' equity."

\*\* Net of the individual provision and the provision according to the extent of arrears.

**For the three months ended on**

<b>Principal financial ratios</b>	<b>9/30/2011</b>	6/30/2011	3/31/2011	12/31/2010	9/30/2010
			%		
Loan to Deposit Ratio	<b>100.7%</b>	100.4%	99.2%	96.3%	101.4%
Loan to Deposit ratio including Bonds & Notes	<b>88.9%</b>	88.9%	88.4%	86.1%	90.6%
Shareholders' equity to total assets	<b>6.7%</b>	7.0%	*7.0%	*7.0%	*7.2%
Core Tier I capital to risk assets (Basel II)	<b>7.7%</b>	7.9%	*7.9%	*8.0%	*7.9%
Tier I capital to risk assets (Basel II)	<b>8.5%</b>	8.7%	*8.7%	*8.9%	*8.7%
Total capital to risk assets (Basel II)	<b>13.6%</b>	14.1%	*13.9%	*13.9%	*13.7%
Financing margin on regular activity (a)(b)	<b>2.55%</b>	2.64%	2.62%	2.61%	2.65%
Cost-Income Ratio	<b>68.8%</b>	59.8%	*60.2%	*67.0%	*63.7%
Ratio of credit loss expenses to total credit to the public (a)(c)	<b>0.80%</b>	0.55%	0.02%	0.45%	0.47%
Return of operating profit on equity, net(a)	<b>8.5%</b>	13.2%	*17.0%	*13.3%	*10.0%
Return of net profit on equity(a)	<b>8.5%</b>	13.2%	*17.0%	*13.5%	*10.0%
Basic Net profit per share	<b>0.36</b>	0.54	*0.67	0.54	*0.39
Diluted Net profit per share	<b>0.35</b>	0.53	0.67	0.54	*0.39

**For the nine months ended on**

**For the year ended on**

	<b>9/30/2011</b>	9/30/2010	12/31/2010
Cost-Income Ratio	2.58%	2.60%	2.59%
Financing margin on regular activity (a)(b)	62.6%	*63.8%	*64.6%
Ratio of specific provision to total credit to the public (a)	0.45%	0.51%	0.49%
Return of operating profit on equity, net(a)	12.4%	*9.6%	*10.3%
Return of net profit on equity(a)	12.4%	9.6%	*10.4%
Basic Net profit per share	1.56	*1.12	*1.66
Diluted Net profit per share	1.55	*1.11	*1.65

\* Restated due to the retroactive implementation of the directives of the Supervisor of Banks regarding financial reporting on employee benefits. Most of the change is in the "other expenses," and "shareholders' equity."

(a) Calculated on an annualized basis

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

(c) In periods referring to 2011, calculated as the rate of provisions for credit losses out of the recorded balance of credit to the public. In periods referring to 2010, calculated as the ratio of the specific provision for the period to total credit to the public.