

August 31, 2011

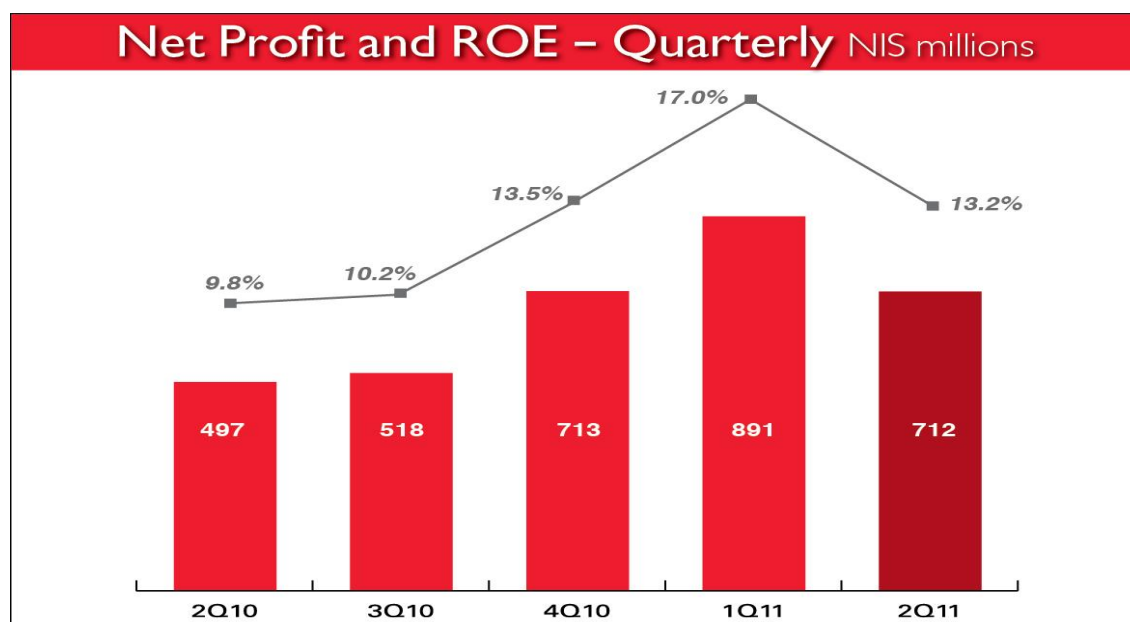
## Bank Hapoalim Announces Second Quarter 2011 Financial Results:

**Net Profit totaled NIS 712 million  
Return on Equity at 13.2%**

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

### Second Quarter 2011 Financial Highlights:

- **Net profit** increased by 43.3% to NIS 712 million compared with a profit of NIS 497 million in the same quarter last year.
- **Return on equity** reached 13.2%, on an annualized basis, compared with 9.8% in the same quarter last year.
- **Profit from financing activity before provisions for credit losses** rose 16.6% to NIS 2,142 million compared with a profit of NIS 1,837 million in the same quarter last year.
- **Capital adequacy ratio** at the end of the second quarter of 2011 totaled 14.1% compared to 13.9% at the end of 2010.



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

**Profit from financing activity before provisions for credit losses** totaled NIS 2,142 million in the second quarter of 2011, compared with a profit of NIS 1,837 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 1,996 million in the second quarter of 2011, compared with a profit of NIS 1,876 million in the same quarter last year. The improvement resulted mainly from an increase in the asset base and the interest rate.

**Provisions for credit losses** in the second quarter of 2011 totaled NIS 327 million, mainly with respect to debts examined on an individual basis and from an increase in the group provision resulting from an increase in credit.

Second quarter provision for credit losses reflect the implementation of new directives for the disclosure and measurement of impaired debts which was first implemented in the first quarter of 2011.

**Operating and other income** totaled NIS 1,224 million in the second quarter of 2011 compared with NIS 1,334 million in the same quarter last year. The decline resulted mainly from a decrease in income from credit handling and capital market activity fees. The decrease was partially offset by an increase in credit card fees.

**Operating and other expenses** totaled NIS 2,013 million in the second quarter of 2011 compared with NIS 2,006 million in the same quarter last year.

**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. The Bank Group's activity during the first six months of 2011 was expressed in a financial value of approximately NIS 28 million.

## **Developments in Balance Sheet Items**

**The consolidated balance sheet** as of June 30, 2011 totaled NIS 323.8 billion, compared with NIS 321.1 billion at the end of 2010.

**Net Credit to the public** as of June 30, 2011 totaled NIS 234.1 billion, compared with NIS 225.3 billion at the end of 2010. The increase was driven by growth in all segments of retail, commercial and corporate loan activity.

**Deposits from the public** totaled NIS 233.2 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.

**Shareholders' Equity** totaled NIS 22,732 million as at June 30, 2011, compared with NIS 22,561 million at the end of 2010. The increase in equity stemmed from the net profit recorded during the first half 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 decision to payout a dividend.

**Total Capital adequacy** ratio stood at 14.1% at the end of the second quarter of 2011 compared with 13.9% at the end of 2010.

**Core Tier 1 Capital Ratio** stood at 7.9% at the end of the second quarter of 2011, compared to 8.0% at the end of 2010.

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 second-quarter 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 second 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, August 31, beginning at approximately 1:00 p.m Eastern Time/5:00 p.m.Greenwich Mean Time/ 8:00 p.m. Israel Time until September 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 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				
	6/30/2011	3/31/2011	12/31/2010	9/30/2010	6/30/2010
Profit from financing activity before expenses in respect of credit losses	2,142	2,252	2,133	2,053	1,837
Operating and other income	1,224	1,275	*1,315	*1,186	1,334
Total income	3,366	3,527	*3,448	*3,239	3,171
Expenses in respect of credit losses	327	14	100	290	341
Operating and other expenses	2,013	*2,122	*2,310	2,064	*2,006
Net operating profit attributed to the shareholders of the Bank	711	*890	*701	*516	*496
Profit from extraordinary transactions, after taxes, before attribution to non-controlling interests	1	1	12	2	1
Net profit attributed to the shareholders of the Bank	712	*891	713	*518	*497

	For the six months ended on		For the year ended on
	6/30/2011	6/30/2010	12/31/2010
Profit from financing activities before provision for doubtful debts	4,394	3,589	7,775
Operating and other income	2,499	2,551	*5,052
Total income	6,893	6,140	*12,827
Provision for doubtful debts	341	640	1,030
Operating and other expenses	4,135	*3,917	*8,291
Operating profit	1,601	*968	*2,185
Net profit from extraordinary transactions, after taxes	2	2	16
Net profit	1,603	*970	*2,201

Balance Sheet – Principal Items	6/30/2011	3/31/2011	12/31/2010	9/30/2010	6/30/2010
Total balance sheet	323,808	*319,682	*321,089	*302,826	*307,519
Credit to the public, net	234,069	229,835	225,288	220,665	217,749
Securities	27,701	28,932	31,604	28,935	26,680
Deposits from the public	233,237	231,769	233,965	217,554	225,237
Bonds and subordinated notes	29,962	28,295	27,608	25,920	22,555
Equity attributed to the shareholders of the Bank	22,732	*22,434	*22,561	*21,779	*21,161
Total problematic debts as reported in the past	-	-	14,895	16,145	16,755
Total problematic credit risk under the new directive**	12,263	13,590	14,575	-	-
Of which: impaired debts	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.

Principal financial ratios	For the three months ended on				
	6/30/2011	3/31/2011	12/31/2010	9/30/2010	6/30/2010
			%		
Loan to Deposit Ratio	<b>100.4%</b>	99.2%	96.3%	101.4%	96.7%
Loan to Deposit ratio including Bonds & Notes	<b>88.9%</b>	88.4%	86.1%	90.6%	87.9%
Shareholders' equity to total assets	<b>7.0%</b>	*7.0%	*7.0%	*7.2%	*6.9%
Core Tier I capital to risk assets (Basel II)	<b>7.9%</b>	*7.9%	*8.0%	*7.9%	*7.7%
Tier I capital to risk assets (Basel II)	<b>8.7%</b>	*8.7%	*8.9%	*8.7%	*8.6%
Total capital to risk assets (Basel II)	<b>14.1%</b>	*13.9%	*13.9%	*13.7%	*13.4%
Financing margin on regular activity (a)(b)	<b>2.64%</b>	2.62%	2.61%	2.65%	2.67%
Cost-Income Ratio	<b>59.8%</b>	*60.2%	*67.0%	*63.7%	*63.3%
Ratio of credit loss expenses to total credit to the public (a)(c)	<b>0.55%</b>	0.02%	0.45%	0.47%	0.52%
Return of operating profit on equity, net(a)	<b>13.2%</b>	*17.0%	*13.3%	*10.0%	*9.8%
Return of net profit on equity(a)	<b>13.2%</b>	*17.0%	*13.5%	*10.0%	*9.8%
Basic Net profit per share	<b>0.54</b>	*0.68	*0.54	*0.39	*0.38
Diluted Net profit per share	<b>0.53</b>	0.67	0.54	*0.39	*0.37

	For the six months ended on		For the year ended on
	6/30/2011	6/30/2010	12/31/2010
Cost-Income Ratio	2.62%	2.51%	2.59%
Financing margin on regular activity (a)(b)	60.0%	*63.8%	*64.6%
Ratio of specific provision to total credit to the public (a)	0.29%	0.54%	0.49%
Return of operating profit on equity, net(a)	14.7%	*9.6%	*10.3%
Return of net profit on equity(a)	14.8%	*9.6%	*10.4%
Basic Net profit per share	1.21	*0.73	*1.66
Diluted Net profit per share	1.20	0.73	*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.