

Date: 07 April 2008

Office of International Corporate Finance
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549, U.S.A.

SEC
Mail Processing
Section

APR 11 2008

Washington, DC

SUPL

RE: **Bank Hapoalim B.M. Documents Furnished Pursuant to
Rule 12g3-2(b) under the Securities Exchange Act of 1934 File No. 082-34955**

Ladies and Gentlemen:

On behalf of Bank Hapoalim, a company organized under the laws of the State of Israel (the "Company"), we submit the following information under Rule 12g3-2(b)(1)(iii) with respect to the Company in order to maintain our 12g3-2(b) exemption from the registration requirements of Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), available to foreign private issuers pursuant to Rule 12g3-2(b) under the Exchange Act.

Pursuant to Rule 12b3-2(b)(1)(iii) and 12b3-2(b)(4) under the Exchange Act, we are enclosing one copy of each of the documents set forth in Annex A.

All information and documents are being furnished under Rule 12g3-2(b)(1) with the understanding that such information and documents will not be deemed to be "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Exchange Act, and that neither this letter nor the furnishing of such information and documents shall constitute an admission for any purpose that the Company is subject to the Exchange Act.

If you have any questions or comments regarding the foregoing, please contact the Secretary of the Bank, by tel. (+972) 3-5673800 or by fax (+972) 3-5674576. Thank you for your attention to this matter.

Very truly yours,

Bank Hapoalim B.M.

Yoram Weissbrem
Secretary of the Bank



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**THOMSON
FINANCIAL**

Handwritten signature and date: 04/17

**List of Documents Submitted Herewith to the
Commission Pursuant to Rule 12g3-2(b)(iii)**

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Schedule 1

Date: March 13, 2008

Reference: 802/08

To: The London Stock Exchange

Dear Sir or Madam,

RE: **Immediate Report**

Bank Hapoalim B.M. (hereinafter: "the Bank") respectfully advises, further to the immediate report which the Bank published on 10th January, 2008, (2008-01-011316) in connection with the Bank's investments in asset – backed securities, that:

1. In the course of the month of March, the Bank received a final draft of a report from Andrew Davidson & Co., which is one of the leading companies in the world in the field of analyzing mortgage-backed securities (hereinafter: "MBS"). At the request of the Bank, the company carried out an assessment of the credit risk inherent in the MBS portfolio of the Bank backed by domestic mortgages. According to the forecast of the company as to the decline in housing prices in the USA and in line with the statistical model for loan defaults that the company has developed, it is expected that the MBS portfolio of the Bank will not show any material credit losses. The accumulated loss expectancy that is forecasted for the portfolio under examination is 20 – 30 million US Dollars over the life span of the securities. According to the assessment of the company, the likelihood that the accumulated loss over the life span of the securities will exceed 30 million US Dollars is about 20%. In the extreme scenario presented by the company to the Bank, the likelihood that the accumulated loss over the life span of the securities would exceed 216 million US Dollars is about 2%. These scenarios are based on the model developed by the company and given their forecast of housing prices in the United States. A further elaboration of the report of the external company will be made in the annual financial statements of the Bank for the year 2007. It should be noted the company's analysis did not cover the MBS issued by the federal agencies of the United States government, the MBS guaranteed by the insurance companies or those based on commercial assets.

Based on the model supplied by the company, the Bank applied an even more severe scenario in which housing prices in the USA (excluding California and Florida) fell by about 30% from their peak (by 22% when compared with the present price level) and in California and Florida by about 40% from their peak (by 28% when compared with the present price level). Given such an severe scenario and assuming that the rate of default by mortgage takers will be about 47%, the accumulated loss from the portfolio is liable to reach about 340 million US Dollars over the life span of the securities. It should be noted that this test referred to the same portion of the portfolio that was tested by the company. It should be noted that the losses calculated in all of the scenarios do not take into account the annual income (after deducting the cost of financing the portfolio) which the Bank is expected to record in the future on account of the MBS portfolio and which is estimated at about 20 million US Dollars per year. Given the average life span of the securities foreseen at the present time, of about 7 years, such income is expected to exceed 100 million US Dollars.

2. The Bank further reports that as at 7th March, 2008, in the light of developments taking place in the US capital markets in the two weeks preceding that date and the opening up of credit spreads for all of the investment products in the USA, including MBS issued by federal agencies of the US government, there was an additional decline of about 350 million US Dollars in the market value of the Bank's total investment in MBS in the United States. The cumulative decline in the market value of these investments amounts in all to about 500 million US Dollars. The Bank estimates that this decline does not reflect the economic value of the portfolio, assuming that they continue to be held over a long term.
3. As at 7th March, 2008, the sum of the Bank's investments in the MBS portfolio in the United States amounts to about 3.5 billion US Dollars after prepayments and sales of MBS amounting to about 140 million US Dollars which were realized at a loss of about 7 million US Dollars. The portfolio consists of about 400 million US Dollars of MBS issued by federal agencies of the United States government, about 200 million US Dollars of MBS backed by mortgages on commercial property and about 170 million US Dollars guaranteed by insurance companies. The remainder of the portfolio consists of MBS based on domestic mortgages that have not been issued by federal agencies of the United States government. All of the securities in the MBS portfolio of the Bank are rated AAA by the international rating agencies, except for the following: MBS amounting to 60 million US Dollars (this refers to MBS guaranteed by the insurance company FGIC) the rating of which has recently been lowered by the international rating agencies from the level of AAA to A and one MBS amounting to 5 million US Dollars rated AA which was originally purchased with that rating. In addition, MBS amounting to 302 million US Dollars rated AAA are on watch lists of the rating agencies.
4. The decision of the Bank regarding the classification of the decline in value of securities is taken in accordance with generally accepted accounting principles according to American standards. According to these principles, and after an accounting examination of the subject by KPMG, the Bank estimates that there is no need for any permanent provision for decline in value on account of the MBS portfolio. The Bank is examining the implications of the latest developments in the US capital market on the financial statements.
5. As of the date hereof the Bank has no information as to any material changes in the MBS portfolio in London, and the SIV and CDO portfolios held by the Bank.
6. The US capital market continues to suffer from great instability due to the liquidity crisis affecting the financial system and following the deterioration in the US credit market. The Bank expects that the prices of the MBS and the other asset-backed financial instruments held by the Bank will continue to be volatile. Accordingly, such volatility may force the Bank, at some stage in the life span of the securities, to recognize part of the decline in market value as being not of a temporary nature in view of generally accepted accounting principles according to American standards. At the same time, due to the quality of the credit portfolio as stated in Clause 1, the Bank does not foresee material credit losses in the long term.
7. All of the reports and data contained in this immediate report are based on assessments on the basis of the data presently available to the Bank and they are un-audited by the external auditors of the Bank.

8. Please note that this report contains forward-looking information. It may be that the developments which actually take place may lead to a different result from the one now expected, including global economic developments, changes in conditions of the capital markets and the housing market in the United States and regulatory provisions.

Yours faithfully,

Bank Hapoalim B.M.

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Barry Ben-Zeev

Senior Deputy Managing Director

Dan Koller

Senior Deputy Managing Director

Date: March 13, 2008

Reference: 802/08

To: The London Stock Exchange

SEP
Mail Processing
Section

Dear Sir or Madam,

Washington, DC
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RE: **Bank Hapoalim B.M. – Immediate Report Concerning the Notice for Convening the Annual Ordinary General Meeting of the Shareholders of Bank Hapoalim B.M. Scheduled to Take Place on 20th March, 2008 - Immediate Report Amending the Immediate Report Which Was Sent on 13th February, 2008**

Further to the immediate report which was sent to you on 13th February, 2008 concerning the convening of the annual ordinary general meeting of the shareholders of Bank Hapoalim B.M. ("the Bank"), scheduled to take place on 20th March, 2008, at 11:00 a.m., in the conference room of the Bank at "Levinstein Tower", 23 Menahem Begin Road, 3rd Floor, Room 313, Tel-Aviv ("the Annual General Meeting"), we are pleased to send you an amending immediate report which contains the following principal amendments:

- a. A clarification of the description of the general background regarding the agreement with Mr. Dan Dankner.
- b. Clarifications regarding the main terms of the present agreements of Mr. Dan Dankner, including in relation to the compromise agreement and the rate of return of net profit on the equity capital of the Bank and the addition of annual employer costs with regard to Mr. Dan Dankner for the years 2005 and 2006.
- c. The addition of the gross local product per capita in the countries with respect to which banks located there were reviewed in the framework of a comparative survey of the remuneration of senior officers.

The amended immediate report of 13th March, 2008, with the schedules thereto including the poll card attached to the immediate report, are attached hereto as schedules to this letter.

Yours faithfully,

Bank Hapoalim B.M.

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Yoram Weissbren
Secretary of the Bank

Adv. Sharona Tamir
Deputy Secretary of the Bank

Bank Hapoalim B.M. (the "Company" or the "Bank")

Amended immediate report pursuant to the Securities Regulations (Transaction Between a Company and its Controlling Shareholder), 5761-2001 and the Securities Regulations (Periodic and Immediate Reports), 5730-1970, concerning the holding of an annual General Meeting of the shareholders in the Company (the "Meeting"), which shall be held on Thursday, March 20, 2008, at 11:00 in the morning, at Levinstein Tower, 23 Menachem Begin Road, 3rd floor, room 313, in Tel Aviv, for adoption of the resolutions on the agenda, as follows:

a. On the General Meeting's Agenda:

1. Discussion of the financial statements and the report of the Company's Board of Directors for 2006.
2. Reelection to the Company's Board of Directors of the following directors (who were appointed by the Bank's Board of Directors pursuant to Section 16(c) of the Company's articles), after their appointment was approved by the Supervisor of Banks: Oded Sarig (appointed by the Board of Directors on September 10, 2007); Mali Baron (appointed by the Board of Directors on September 10, 2007); Leslie Littner (appointed by the Board of Directors on September 10, 2007); Nir Zichlinsky (appointed by the Board of Directors on September 10, 2007); Ronen Israel (appointed by the Board of Directors on October 29, 2007).

The vote shall be taken separately with respect to each director.

3. Approval of directors' compensation (except for directors, the approval of the compensation with respect of whom is submitted separately to approval under item 4 on the agenda, and except for Dan Dankner whose proposed employment terms shall be approved separately): subsequently to the General Meeting's resolution dated November 10, 2005, which approved the aforesaid compensation sums, it is proposed to approve that the Company continue paying compensation for the office of a Company's director and for participating in the meeting of the Company's Board of Directors and the committees' thereof, in the aforesaid sums, to all of the Company's directors (including external directors), as they shall be from time to time, who are not controlling shareholders in the Company or relatives of the same or directors, the compensation payable for whom is paid to the controlling shareholders in the Company, and as long as they act as directors in the Company. And these are the compensation sums: annual compensation in the sum of NIS 93,810, which shall be paid in 4 equal payments at the beginning of each quarter for the preceding quarter; and participation compensation for participating in the meeting of the Board of Directors or of any of its committees in the sum of NIS 2,500 per meeting. The annual compensation and the participation compensation shall be fully and currently linked to the increase in the consumer price index, such that the basic index for calculating the linkage shall be the index published on December 15, 2004. As of the date of the report, the sum

of the annual compensation after the linkage to the index is approx. NIS 99,313 and the participation compensation after the linkage to the index is approx. NIS 2,647.

4. Approval of directors' compensation (annual compensation and participation compensation) to Messrs. Efrat Peled and Nir Zichlinsky in the same sums and at the same terms as specified in Section 3 of the agenda, effective as from the beginning of their office in the Company, as long as they act as directors in the Company. Ms Efrat Peled acts as a director in the Company as from January 24, 2007. Mr. Nir Zichlinsky acts as a director in the Company as from September 10, 2007.
5. The Bank's engagement, according to which the Bank shall provide a prior undertaking to indemnify the following directors: Efrat Peled, Oded Sarig, Mali Baron, Leslie Littner, Nir Zichlinsky, Ronen Israel and Yair Orgler, in the form of the indemnification letter that is attached as Annex B to the report. The form of the indemnification letter is in accordance with the form of the indemnification letters that were provided in the past to the other acting directors in the Bank, as approved in the past by the Company's authorized bodies. Granting indemnification to Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler (which requires approval by simple majority) shall be submitted to the Meeting's approval in one resolution, and granting indemnification to Efrat Peled and Nir Zichlinsky (which requires approval by special majority, as specified below) shall be submitted to the Meeting's approval in a separate resolution.
6. Ratification of the terms of the directors and officers liability insurance, which was renewed on June 1, 2007, and shall expire on May 31, 2008 (the "Existing Policy"). The total coverage sum is 200 million dollar and the total premium is approx. 1,721 thousand dollar. For the rest of the details of the insurance see Section 6 of Chapter A hereof; it is also proposed to approve that the Bank purchase insurance policies for officers liability insurance, after the expiry of the Existing Policy, which new policies shall be purchased including by way of further extensions or renewal of the Existing Policy and/or by way of purchasing another policy with an insurance coverage that shall be no less than the existing coverage as aforesaid, subject to the following accumulative conditions: (1) the purchases of the policies as aforesaid shall be done for such number of insurance periods that shall not exceed five years in total, after the expiry of the Existing Policy; and (2) the limits of the liability in such policy shall not exceed 400 million dollar, per action and in total, and the annual premium shall not exceed 5 million dollar. The resolution with respect to the ratification of the Existing Policy and the resolution concerning the extension of the Existing Policy after its expiration, as aforesaid, shall be submitted to the Meeting's approval in two separate resolutions.
7. Re-appointment of the accountants Ziv Haft, Accounting Firm and Somekh Chaikin, Accounting Firm, as the Company's auditors, and

authorizing the Board of Directors to determine their fees. In addition, the fees of said accountants for performing the audit activities and for additional services to the Bank in 2006 shall be reported in the Meeting.

8. Grant of options to Mr. Dan Dankner, the Chairman of the Company's Board of Directors, and approval to engage in an agreement with Mr. Dan Dankner, with respect to this office as the Chairman of the Company's Board of Directors; it is proposed to approve as follows: [a] Mr. Dankner shall be allotted 825,000 options that are exercisable to up to 825,000 registered ordinary shares of the Company with a par value of NIS 1 against an exercise price of NIS 16.40 per option. This exercise price constitutes the average closing price of the Company's share in the Tel Aviv Stock Exchange Ltd. in the fifteen trading days prior to the date of the Board of Directors' resolution to grant the options. The options shall have a vesting period of one year that shall begin on June 24, 2007, which is the commencement date of his office as the Chairman of the Bank, and shall expire 4 years after the allotment date. The shares arising for Mr. Dankner from the exercise of the options (the "**Exercise Shares**") constitute approx. 0.07% of the Company's issued and paid-up capital and of the voting rights therein on the report's date. The fair value of the options based on the Black-Scholes model on the Board of Directors' approval date was NIS 3,942,025. For full details concerning the terms of the options and the calculation of the fair value, see material private placement report pursuant to the Securities Regulations (Private Placement of Securities in a Listed Company), 5760-2000, which was published by the Company on February 13, 2008; and [b] Mr. Dan Dankner shall stop, effective from January 1, 2008, receiving compensation from Isracard Ltd. ("**Isracard**") and from Poalim Capital Markets – Investment House Ltd., Poalim Capital Markets and Investments – Holdings Ltd., Poalim Capital Markets Ltd. and Poalim Ventures – Fund Management Ltd. (all subsidiaries of the Company, which shall be jointly referred to hereinafter as "**PCM**") (Mr. Dankner acts as the Chairman of the Board of Directors in these companies). Concurrently, Mr. Dankner shall enter into an agreement with the Company with respect to this office as the Chairman of the Company's Board of Directors. The term of the agreement is until June 30, 2012. According to the proposed agreement, the employment terms of Mr. Dankner, for the period that commenced on January 1, 2008, shall be as follows: monthly salary (gross) in the sum of NIS 140,000 (linked to the index increase, whereby the basic index is the index known on January 1, 2008); related benefits (the tax payments therefor shall be grossed up by the Company), including providing a car of group 7 as well as a chauffeur, and Mr. Dankner shall be entitled to have a telephone with two lines, to a cellular telephone, to reimbursement of expenses incurred by him in performing his duty, including for travels overseas and newspapers; the Company shall continue to make for Mr. Dankner remittances to pension, compensation, savings and advanced training provident funds, to which remittances were made for Mr. Dankner for his term of office

in Isracard and PCM. Concurrently, the Bank shall deduct from Mr. Dankner's remuneration contributions for provident payments, which are Mr. Dankner's payments, and shall transfer the same to the provident funds, and all in the manner that it was done on the eve of the agreement. Upon the discontinuation of the office, whether on Mr. Dankner's initiative or on the Company's initiative, Mr. Dankner shall be entitled to severance payment of 250%, for the period commencing on January 1, 2005; Mr. Dankner shall be entitled to 25 paid vacation days for each work year (and a relative number of work days for a part of the year); to annual convalescence payment, at the customary rate for executives, for 13 convalescence days; and to 25 paid sick days for each year. Sick and vacation days that were accumulated to Mr. Dankner's credit in the period commencing on May 15, 2004 and were not exercised by him shall be available to his credit during the term of the agreement with him; any grant of additional remuneration benefits to Mr. Dankner (bonus and additional options to Company's shares) shall be subject to the approval of the Audit Committee, the Board of Directors and the General Meeting of the Company, as well as to the obtaining of approvals as required under any law. Each one of the parties may terminate the engagement at any time, even before the end of the agreement's term, by giving a prior notice, provided that if the discontinuation of the office is on the Company's initiative, a prior notice of 12 months shall be given, and if the discontinuation of the office is on Mr. Dankner's initiative, a prior notice of 6 months shall be given.

b. **Controlling Shareholders with Personal Interest in the Engagement on the Agenda and the Nature of this Interest:**

Arison Holdings (1998) Ltd., the controlling shareholder of the Company ("Arison Holdings"), may have a personal interest in the engagements specified in Sections 4, 5 (in relation to the indemnification letters to be given to Efrat Peled and Nir Zichlinsky only) and 6 on the agenda, for the following reasons: with respect to the engagement specified in Section 4 on the agenda: Ms Efrat Peled and Mr. Nir Zichlinsky act in Arison Holdings as CEO and Deputy CEO and Business Development Manager, respectively, and the sum paid for their office as directors in the Company shall be paid by the Bank to Arison Holdings; with respect to the engagement specified in Section 5 on the agenda and with respect to granting the indemnification to Efrat Peled and Nir Zichlinsky only, the grant of this indemnification may be considered, for the sake of prudence only, as an exceptional transaction of the Company with another person, in which the controlling shareholder of the Company has a personal interest, since, under the indemnification letters issued by Arison Holdings to these officers, Arison Holdings undertook, *inter alia*, to indemnify them for damages caused to any of them in their capacity as officers in Arison Holdings and/or a company controlled by Arison Holdings. According to these indemnification letters issued by Arison Holdings, in case that these officers would actually receive any payments pursuant to an insurance policy or any other indemnification agreement, Arison Holdings would not be subject to the indemnification obligation as aforesaid, except for damages for which no

indemnification as aforesaid was received. In light of the aforesaid, the grant of indemnification letters by the Company (as well as the procuring of insurance as aforesaid in Section 6 on the agenda) to these officers may diminish the indemnification payment that Arison Holdings would be required to pay to these officers, and therefore, for the sake of prudence, Arison Holdings may have a personal interest in this engagement; with respect to the engagement specified in Section 6 on the agenda, this engagement, for the sake of prudence, may be considered as an exceptional transaction of the Company with another person, in which the controlling shareholder has a personal interest, since Messrs Efrat Peled, Nir Zichlinsky and Irit Izakson are insured under the policy, and for the same reason as aforesaid with respect to the personal interest in receiving the indemnification letters (similarly to Efrat Peled and Nir Zichlinsky, also Irit Izakson, who acts as a director in Arison Holdings, received an indemnification letter from Arison Holdings. Procuring the insurance that also covers these officers may diminish the indemnification sums, which Arison Holdings may be required to pay pursuant to the indemnification letters issued thereby as aforesaid).

c. **Names of the Directors who have Personal Interest in the Engagement on the Agenda, which are Submitted to Approval as Controlling Shareholder Transaction, and the Nature of this Interest:**

With respect to the engagement concerning the directors' compensation (item 4 on the agenda), all of the directors in the Company have personal interest (except for Mr. Dan Dankner), since the same compensation is paid to all of the acting directors (except for Mr. Dan Dankner). Similarly, all of the directors in the Company have personal interest with respect to the insurance (item 6 on the agenda) since they also will be entitled to insurance. With respect to the engagement concerning the indemnification (item 5 on the agenda), the directors Efrat Peled, Oded Sarig, Mali Baron, Leslie Littner, Nir Zichlinsky, Ronen Israel and Yair Orgler have a personal interest since they will be entitled to receive the indemnification letters.

d. **The Majority Required for Approving the Engagements**

The majority that is required for approving the resolutions in items 2, 3, 5 (except with respect to the grant of indemnification letters to Efrat Peled and Nir Zichlinsky), 7 and 8 is a simple majority of the votes of the shareholders who participate in the vote (not including abstainers). The majority that is required for approving the resolutions in items 4, 5 (with respect to the grant of indemnification letters to Efrat Peled and Nir Zichlinsky only) and 6 is a simple majority of the votes of the shareholders who participate in the vote (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company.

e. **Further Information**

The effective date for determining the entitlement to participate and vote in the Meeting pursuant to Section 182(b) of the Companies Law is Monday, February 18, 2008 (the “**Effective Date**”). Any shareholder of the Company, who is entitled to participate and vote in the Meeting, may appoint a proxy to vote in his name. The letter of appointment and the proxy (if any), pursuant to which the letter of appointment was executed, shall be deposited at the Company’s offices no less than forty-eight (48) hours prior to the time scheduled for the beginning of the Meeting. In addition, a shareholder may vote in the Meeting (on certain matters) by means of a written ballot. Voting by means of a written ballot shall be done by using the other part of the written ballot attached hereto.

Please note that Section 34(1a) of the Banking (Licensing) Law, 5741-1981, provides as follows: “no person shall agree with another concerning their voting for the appointment of a director of a banking corporation or a banking holding corporation, unless this is in accordance with a permit that the Governor has given following consultation with the License Committee; this provision shall not apply to a holder of means of control who has agreed with another, that the other shall vote in this name and on his behalf for the person whom the holder of the means of control has instructed him to, and on condition that the other shall not vote in the name of and on behalf of more than one other holder”. Therefore, with respect to the election of the directors (item no. 2 on the agenda of the General Meeting), a proxy who is also a shareholder in the Bank may vote in the name and on behalf of only one more shareholder. With respect to the other items on the agenda, the proxy is not prevented from representing more than one shareholder.

If, half an hour after the time that was scheduled for the Meeting, at least two (2) shareholders, who hold or represent at least 25% of the total votes in the Company, are not present, personally or by proxy, (“**Legal Quorum**”), then the Meeting shall be adjourned for one week and shall be held on Thursday, March 27, 2008, at the same time and place. If at the adjourned meeting no Legal Quorum is present half an hour after the time scheduled for the meeting, then the meeting shall be held with any number of participants whatsoever.

The written ballot, which can be used for voting, (the “**Written Ballot**”) and the Statements of Position, as defined in Section 88 of the Companies Law, insofar as such are issued, are available on the Securities Authority’s Distribution Site at <http://www.magna.isa.gov.il> (the “**Distribution Site**”) and on the website of the Tel Aviv Securities Exchange Ltd. at <http://maya.tase.co.il>. The voting by Written Ballot shall be done by using the second part of the Written Ballot, as published on the Distribution Site. Any shareholder may approach the Company directly and receive from it the text of the Written Ballot and the Statements of Position. The Member of a Stock Exchange shall send, free of charge, by electronic mail, a link to the text of the Written Ballot and the Statements of Position on the Distribution Site to each shareholder who is not registered on the Registry of Shareholders and whose shares are registered with this Member of a Stock Exchange, if the shareholder

notified that he was interested therein, provided that the notice was given with respect to a certain securities account and prior to the effective date of record.

According to the Companies (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting), 5760-2000, a shareholder, in whose name shares are registered with a Member of a Stock Exchange, who desires to vote in the Meeting, shall submit to the Company a certification from that Member of a Stock Exchange concerning his ownership in the shares on the effective date of record, as required under these regulations. A shareholder, whose shares are registered with a Member of a Stock Exchange, is entitled to receive the ownership certification from the Member of a Stock Exchange via which he holds his shares at the branch of the Member of a Stock Exchange or by mail at his address in return for postage fees only, at his request. A request with this respect shall be given in advance to a certain securities account.

The Written Ballot and the documents that are required to be attached thereto as specified therein shall be submitted to the Company's offices (including by registered mail), together with an ownership certification (and with respect to a registered shareholder – together with a photocopy of the identity card, passport or certification of incorporation, as the case may be), until seventy-two (72) hours prior to the time scheduled for holding the Meeting, namely until Monday, March 17, 2008, at 11:00am. For this purpose, the "Submission Date" is the date on which the Written Ballot and the attached documents were received at the Company's offices.

The last date for submitting statements of position to the Company is until ten (10) days after the effective date of record, namely until Thursday, February 28, 2008, at 11:00am.

The full text of the resolution submitted for the approval of the General Meeting, the full report of the Bank's financial statements and Board of Directors' report for 2006, with their annexes, the Bank's Articles of Association and the text of the indemnification letter are open for inspection at the office of the Bank's secretary, 63-65 Yehuda Halevy Street in Tel Aviv, during regular working hours, after prior coordination at 03-5673800.

Bank Hapoalim B.M.

Bank Hapoalim B.M.

March 13, 2008

To
The Securities Authority
Via Magna

To
The Tel Aviv Stock Exchange Ltd.
Via Magna

Dear Madams, Sirs,

Re: **Bank Hapoalim Ltd. (the "Company" or the "Bank") – Amended Immediate Report Pursuant to the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (the "Controlling Shareholders Regulations") and the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "Reports Regulations")**

Further to the Immediate Report released by the Company on February 13, 2008 (the "**Original Report**"), an Amended Immediate Report is hereby filed pursuant to the Controlling Shareholders Regulations and the Reports Regulations, concerning the holding of an annual General Meeting of the Company's shareholders (the "**Meeting**"), which shall be held on Thursday, **March 20, 2008**, at 11:00am, at the Company's offices at Levinstein Tower, 23 Menachem Begin Road in Tel Aviv (3rd floor, room 313), for adoption of the resolutions on the agenda, as specified below.

A. On the Agenda of the Annual General Meeting

1. Discussion of the Company's Financial Statements and Board of Directors' Report for 2006

The Bank's periodic report for 2006 (including the financial statements and Board of Directors' report), which was published on March 21, 2007, is available on the Securities Authority's Distribution Site at <http://www.magna.isa.gov.il> and on the Tel Aviv Stock Exchange's website at <http://maya.tase.co.il>.

2. Approval of Appointment of Directors

It is proposed to reelect to the Company's Board of Directors the following directors (who were appointed by the Bank's Board of Directors pursuant to Section 16(c) of the Company's articles)¹, after their appointment was approved by the Supervisor of Banks: **Oded Sarig** (appointed by the Board of Directors on September 10, 2007); **Mali Baron** (appointed by the Board of Directors on September 10, 2007); **Leslie Littner** (appointed by the Board of Directors on September 10, 2007); **Nir Zichlinsky** (appointed by the Board of

¹ The directors Oded Sarig, Mali Baron, Leslie Littner and Ronen Israel are "external directors" pursuant Section 301 of the Proper Conduct of Banking Business Regulations of the Bank of Israel, but they do not act as External Directors in the meaning of Section 239 of the Companies Law, 5759-1999.

Directors on September 10, 2007); **Ronen Israel** (appointed by the Board of Directors on October 29, 2007).

Details concerning each director pursuant to Section 26 of the Reports Regulations are attached in **Annex "A"** hereof.

The vote shall be made with respect to each director separately.

Required majority: a simple majority of the participating votes (not including abstainers).

3. **Approval of Directors' compensation, except in relation to directors, the compensation approval with respect to whom is submitted for approval under item 4 on the agenda**

After the approval of the Company's Audit Committee and Board of Directors for this purpose was obtained on February 11 and 13, 2008, respectively, and further to the resolution of the General Meeting dated November 10, 2005, which approved the compensation sums specified below, it is proposed to approve that the Company continue paying compensation for the office of a Company's director and for participating in the meeting of the Company's Board of Directors and the committees' thereof, in the aforesaid sums, to all of the Company's directors (including external directors)², as they shall be from time to time, who are not controlling shareholders in the Company or relatives of the same or directors, the compensation payable for whom is paid to the controlling shareholders in the Company, and as long as they act as directors in the Company. Mr. Dan Dankner, the terms of office and employment of whom are submitted separately for approval hereunder, shall not be entitled to directors' compensation as aforesaid.

And these are the compensation sums: **annual compensation** in the sum of NIS 93,810, which shall be paid in 4 equal payments at the beginning of each quarter for the preceding quarter; and **participation compensation** for participating in the meeting of the Board of Directors or of any of its committees in the sum of NIS 2,500 per meeting. The annual compensation and the participation compensation shall be fully and currently linked to the increase in the consumer price index, such that the basic index for calculating the linkage shall be the index published on December 15, 2004, and the new indexes shall be those that were and will be published on (or about) each 15th day of the month preceding the month in which the payment was or shall be made. As of the date of the report, the sum of the annual compensation after the linkage to the index is approx. NIS 99,313 and the participation compensation after the linkage to the index is approx. NIS 2,647.

Required majority: a simple majority of the participating votes (not including abstainers).

² The approval of the compensation with respect to the external directors is in accordance with Section 8a (relative compensation) of the Companies (Rules concerning compensation and expenses of an external director) Regulations, 5760-2000.

4. **Approval of Directors' compensation to Messrs. Efrat Peled and Nir Zichlinsky**

After the approval of the Company's Audit Committee and Board of Directors for this purpose was obtained on February 11 and 13, 2008, respectively, it is proposed to approve directors' compensation (annual compensation and participation compensation) to Messrs Efrat Peled and Nir Zichlinsky in the same sums and at the same terms as specified in Section 3 of the agenda, effective as from the beginning of their office in the Company, as long as they act as directors in the Company.

Ms Efrat Peled acts as a director in the Company as from January 24, 2007. Mr. Nir Zichlinsky acts as a director in the Company as from September 10, 2007.

Ms Efrat Peled and Mr. Nir Zichlinsky act in Arison Holdings (1998) Ltd., the controlling shareholder in the Company, as CEO and Deputy CEO and Business Development Manager, respectively, and the sum paid for their office as directors in the Company shall be paid by the Bank to the controlling shareholder in the Company. For the sake of prudence, this payment may constitute an exceptional transaction of the Company with its controlling shareholder. It should be noted that the Company has not yet paid directors' compensation for the offices of Messrs Efrat Peled and Nir Zichlinsky.

Required majority: a simple majority of the votes of the participating shareholders (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; or (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company (hereinafter: the **"Majority Required for Controlling Shareholders Transactions"**).

5. **Indemnification Undertaking**

After the approval of the Company's Audit Committee and Board of Directors for this purpose was obtained on February 11 and 13, 2008, respectively, it is proposed to approve the Bank's engagement, according to which the Bank shall provide a prior undertaking to indemnify the following directors: Efrat Peled, Oded Sarig, Mali Baron, Leslie Littner, Nir Zichlinsky, Ronen Israel and Yair Orgler, in the form of the indemnification letter that is attached as **Annex "B"** hereto (the **"Indemnification Letter"** and the **"Indemnification Undertaking"**). The form of the indemnification letter is in accordance with the form of the indemnification letters that were provided in the past to the other acting directors in the Company, as approved in the past by the Company's authorized bodies, including the General Meeting.

Granting indemnification as aforesaid to the directors Efrat Peled and Nir Zichlinsky may be considered, for the sake of prudence, as an exceptional

transaction of the Company with another person, in which the controlling shareholder of the Company has a personal interest, and this for the following reason: under the indemnification letters issued by Arison Holdings (1998) Ltd., the controlling shareholder in the Company ("**Arison Holdings**") to each one of Efrat Peled and Nir Zichlinsky, Arison Holdings undertook, *inter alia*, to indemnify them for damages caused to any of them in their capacity as officers in Arison Holdings and/or a company controlled (according to the definition of the term "**Control**" in the Securities Law, 5728-1968), directly or indirectly, by Arison Holdings. According to these indemnification letters issued by Arison Holdings, in case that these officers would actually receive any payments pursuant to an insurance policy or any other indemnification agreement, Arison Holdings would not be subject to the indemnification obligation as aforesaid, except for damages for which no indemnification as aforesaid was received; in light of the aforesaid, the grant of indemnification letters by the Bank (as well as the procuring of insurance as aforesaid in Section 6 on the agenda) to these officers may diminish the indemnification that Arison Holdings would be required to pay to these officers, and therefore, for the sake of prudence, Arison Holdings may have a personal interest in this engagement.

Required majority: with respect to granting indemnification letters to Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler - a simple majority; with respect to Efrat Peled and Nir Zichlinsky – the Majority Required for Controlling Shareholders Transactions.

The indemnification undertaking, as aforesaid, shall be submitted to the Meeting's approval in two separate resolutions: (a) indemnification to Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler; and (b) indemnification to Efrat Peled and Nir Zichlinsky.

6. Insurance

- [a] After the approval of the Company's Audit Committee and Board of Directors for this purpose was obtained on February 11 and 13, 2008, respectively, it is proposed to ratify the terms of the directors and officers liability insurance, which was renewed on June 1, 2007, and shall expire on May 31, 2008 (the "**Existing Policy**"), as follows:

	Directors and Officers Insurance Policy	Directors and Officers Insurance Integrated in the Banking Insurance Policy	Total
Insurance commencement date	June 1, 2007	June 1, 2007	
Cover sum (\$ in million)	175	25 (above \$175 million)	200
Premium (\$ in thousand)	1,685	36	1,721
Insurance is in force	May 31, 2008	May 31, 2008	

until			
Self Participation of director and officer	0		
Self Participation of the Company (\$ in thousand) except for U.S. and Canada	200		
Self Participation of the Company in U.S. and Canada (\$ in thousand)	375		
Self Participation for SEC action filed in U.S. or Canada with respect to Level 1 ADR plan (\$ in thousand)	500		

- [b] It is also proposed to approve that the Bank purchase insurance policies for officers liability insurance, after the expiry of the Existing Policy, which new policies shall be purchased, including by way of further extensions or renewal of the Existing Policy and/or by way of purchasing another policy, with an insurance coverage that shall be no less than the existing coverage as aforesaid in Subsection [a], subject to the following accumulative conditions: (1) the purchases of the policies as aforesaid shall be done for such number of insurance periods that shall not exceed five years in total, after the expiry of the Existing Policy; and (2) the limits of the liability in such policy shall not exceed 400 million dollar, per action and in total, and the annual premium shall not exceed 5 million dollar. For the avoidance of doubt, it is hereby clarified that the Company's engagements in insurance policies, in accordance with the terms specified above, shall not be submitted to an additional approval of the Company's Audit Committee and Board of Directors, however, shortly prior to the date of the engagement in the insurance policies, a report of the Company's management shall be given to the Audit Committee, certifying that the new policies meet the terms of the aforesaid resolutions.

The insurance, as aforesaid, shall be submitted for the Meeting's approval in two separate resolutions: (a) approval of the Existing Policy, as aforesaid in Section 6[a], and (b) approval of the extension of the policy after the expiry of the Existing Policy, as aforesaid in Section 6[b].

Required majority: for the sake of prudence, the aforesaid insurance may be considered as an exceptional transaction of the Company with another person, in which the controlling shareholder has a personal interest, since Messrs Efrat Peled, Nir Zichlinsky and Irit Izakson are insured under the policy. Similarly to Efrat Peled and Nir Zichlinsky, also Irit Izakson (who is also a director in Arison Holdings) was issued in the past an indemnification letter from Arison Holdings, and procuring the insurance by the Company may diminish the

indemnification sums, which Arison Holdings would be required to pay to these officers, as specified above with respect to item 5 on the agenda. Consequently, for the sale of prudence, the majority required for this resolution is the Majority Required for Controlling Shareholders Transactions.

7. **Re-appointment of the accountants Ziv Haft, Accounting Firm and Somekh Chaikin, Accounting Firm, as the Company's auditors, and authorizing the Board of Directors to determine their fees**

Ziv Haft, Accounting Firm and Somekh Chaikin, Accounting Firm, were appointed as the Company's auditors at the General Meeting of the Company's shareholders that was held on January 24, 2007. It is proposed to re-appoint these auditors as the Company's auditors, until the next annual General Meeting, and to authorize the Company's Board of Directors to determine their fees.

In addition, the fees of said accountants for performing the audit activities and for additional services to the Bank in 2006 shall be reported in the Meeting³.

Required majority: a simple majority of the participating votes (not including abstainers).

8. **Approving the engagement in an agreement with Mr. Dan Dankner, for his office as the Chairman of the Company's Board of Directors, and granting of options to Mr. Dankner**

It is proposed to approve the engagement in an agreement with Mr. Dan Dankner, for his office as the Chairman of the Company's Board of Directors, as well as granting of options to Mr. Dankner, and all as specified in Chapter C of this report below.

Required majority: a simple majority of the participating votes (not including abstainers).

For sake of convenience, all of the additional required details, in accordance with the Controlling Shareholders Regulations, with respect to the engagements stated in Sections 4, 5 and 6 on the agenda, are concentrated in Chapter D hereof.

B. **General Background for the Engagement with Mr. Dankner, the Chairman of the Company's Board of Directors, which is Submitted for the Approval of the Company's General Meeting (Item 8 on the Agenda)**

1. The Bank's Senior Employees Compensation Committee has for many months discussed the question of the appropriate compensation for the Bank's senior employees, out of will to appropriately compensate the senior employees while encouraging them to remain engaged with the Bank for the long-term;

³ The auditors' fee, which was paid for the performance of the auditing activities and for additional services to the Bank in 2006, is specified in the report of the Company's Board of Directors (page 151 of the periodic report), which was published in the framework of the Bank's periodic report for 2006.

granting pecuniary compensation with direct link to performance; and granting appropriate compensation in view of the shareholders public. However, the committee has not yet finished its work and will probably not be able to complete the handling of the compensation plan that is proposed to the Bank's senior employees, to propose the same to the Audit Committee and to the Board of Directors at a timely manner, and to meet the disclosure requirements – as required under the Securities Law and the regulations thereunder and the directives of the Securities Authority (the “**Authority**”), prior to the publication of the financial statements for 2007.

2. Therefore, the Bank's Audit Committee and Board of Directors decided, as specified herein below, to approve at this stage as follows:

2.1 Options 2007: to allot to Mr. Dankner 825,000 options with a vesting period of one year, which shall commence on June 24, 2007, the commencement of his office as the Chairman of the Bank's Board of Directors; it should be noted that this report contains the main terms of the options, whilst on February 13, 2008 the Company released a material private placement report pursuant to the Securities Regulations (Private Placement of Securities in a Listed Company), 5760-2000 (the “**Private Placement Report**”), which specifies the full terms of the options.

2.2 To engage in an agreement with Mr. Dan Dankner, with respect to his office as the active Chairman of the Bank's Board of Directors, which includes basic employment terms only (i.e. salary and related benefits but not including grants and options), and this for the period of time commencing on January 1, 2008, and until June 30, 2012⁴. Simultaneously, as from January 1, 2008, and on, Mr. Dankner shall cease from receiving any payments or benefits from Isracard Ltd. and PCM (as defined in Section 4.2 above) for his office as the Chairman of the Board of Directors of these companies.

At this stage, no proposal for approving further grants and/or options to Mr. Dankner in 2008 and on was brought to discussion and these shall be discussed in the future and be subject to all of the approvals required under law, including the approval of the Company's General Meeting. For details, see Chapter C of the Report.

3. The Company intends to extend the employment term of Mr. Tzvi Ziv, the Company's CEO, until December 31, 2010. Mr. Ziv's employment terms are expected to be determined by the Bank's authorized bodies before the publication of the Bank's financial statements for 2007.

⁴ For Mr. Dankner's term of office as the Chairman of the Company's Board of Directors in the period from June 24, 2007, and until December 31, 2007, his remuneration shall be paid by Isracard and PCM in accordance with the terms that were already approved in the past by the Bank's authorized bodies. See Section 5 of the Report.

C. Approval of Engagement in an Agreement with Mr. Dan Dankner, as the Chairman of the Company's Board of Directors, and Granting of Options to Mr. Dankner

4. Background

- 4.1 On June 24, 2007, Mr. Dankner was appointed to be an active Chairman of the Bank's Board of Directors.
- 4.2 In addition to his office as an active Chairman of the Bank's Board of Directors, Mr. Dan Dankner acts in the Bank's group also as an active Chairman of the Board of Directors of Isracard Ltd.⁵ ("**Isracard**"), a subsidiary of the Company, and as an active Chairman of the following boards of directors: Poalim Capital Markets – Investment House Ltd., Poalim Capital Markets and Investments – Holdings Ltd., Poalim Capital Markets Ltd. and Poalim Ventures – Fund Management Ltd. (all subsidiaries of the Company, which shall be jointly referred to hereinafter as "**PCM**").
- 4.3 Mr. Dankner current terms of office in Isracard and PCM were approved at the Bank's General Meeting on November 10, 2005⁶, by a special majority pursuant to Section 275 of the Companies Law, 5759-1999 (the "**Companies Law**"), after they were approved by the Bank's Audit Committee and Board of Directors, as well as by the authorized bodies of Isracard and PCM. The said terms of office were specified in the Company's immediate report dated November 10, 2005 (Reference no. 2005 – 01 – 084904) and are also specified in Section 5 herein.
- 4.4 As aforesaid, on June 24, 2007, Mr. Dankner was appointed to be the Chairman of the Bank's Board of Directors (in addition to his offices in Isracard and PCM as aforesaid), but he did not receive any additional compensation for this office.
- 4.5 According to the engagement that is submitted for the approval of the General Meeting, after being approved by the Company's Audit Committee and Board of Directors (see Section 7 below):
- 4.5.1 Options 2007: Mr. Dankner shall be allotted 825,000 options with a vesting period of one year, which shall commence on June 24, 2007, the commencement of his office as the Chairman of the Bank's Board of Directors.
- 4.5.2 For the period from January 1, 2008 and on, Mr. Dankner shall cease from receiving any payments or benefits from Isracard Ltd. and PCM. Mr. Dankner shall engage with the Bank in an agreement, with respect to his office as an active Chairman of

⁵ On December 20, 2002, Mr. Dan Dankner was appointed to act as the Chairman of the Board of Directors of Isracard and of the Board of Directors of PCM (on an unpaid basis), and as from May 15, 2004, he acts as an active and paid Chairman of the Board of Directors of Isracard and PCM.

⁶ This meeting approved a change, effective from January 1, 2005, in the terms of office in Isracard and PCM as approved by the Bank's General Meeting on September 13, 2004.

the Bank's Board of Directors, in which the basic compensation terms only (salary and related benefits) for the period from January 1, 2008 and on. See Section 6 herein.

As for the date hereof, Mr. Dankner continues for the moment to act as the Chairman of the Board of Directors of Isracard and PCM, without salary.

For the avoidance of doubts: for 2007, Mr. Dankner shall receive all of the payments (including the grant) that are payable to him from Isracard and PCM. See Section 5 hereof. These payments were approved in the past (after being approved by the authorized bodies of Isracard and PCM) by all of the Bank's authorized bodies, including the Bank's General Meeting, and are not submitted hereby for the approval of the General Meeting.

5. **The Main Terms of Mr. Dankner's Current Engagements:**

As aforesaid, the current engagement terms of Mr. Dankner were approved in the past by the Bank's authorized bodies, after being approved by the authorized bodies of Isracard and PCM. The following is a summary of these terms:

Mr. Dankner is entitled to receive from Isracard and PCM⁷ all of the following payments for his office as the Chairman of the Board of Directors of Isracard and PCM:

- 5.1 A monthly compensation in the sum of NIS 114,000, linked to the consumer price index, such that the basic index for the calculation of the linkage is the index that was published on July 15, 2004. As of the date of report, the sum of the compensation, after linkage to the index, is approx. NIS 120,326. In addition to the monthly compensation, Mr. Dankner is entitled to remittances for social benefits and, upon the end of his office, to payments for retirement and adjusting pay, and all at the applicable rates from time to time with respect to the Chairman of the Bank's Board of Directors (i.e. severance pay according to 250% per year and 6 months' adjusting pay), such that the payment that Mr. Dankner will be entitled to receive for the adjusting period shall include all of the compensation components, including related benefits and annual grants⁸.

In addition, Mr. Dan Dankner is entitled to receive all of the related benefits that are given from time to time to chairmen of boards of directors in the Bank's group, including a company car⁹,

⁷ The internal distribution between Isracard and PCM in relation to all of the payments that are payable to Mr. Dankner, as specified in Section 5 of the report, is 70% to Isracard and 30% to PCM.

⁸ It was also determined that, if Mr. Dankner cease from acting as the Chairman of the Board of Directors of Isracard and/or PCM otherwise than at his own initiative, he shall be entitled to receive the double of the sum payable to him for adjusting pay.

⁹ Mr. Dankner received a car of class 7.

reimbursement of expenses for traveling abroad, entertainment, telephone and newspapers.

- 5.2 In addition, Mr. Dankner is entitled to receive an annual grant based on the "Bank's Net Profit Return on Equity" (as defined below) in the year for which the grant is paid to him (the "**Annual Grant**") and an additional annual grant that is determined based on the "Bank's Profit Rate Relative to Balance Sheet Assets" (ROA) (as defined below) in the year for which this grant is paid to him (the "**Additional Annual Grant**"), and all as specified below:

The Annual Grant

For determining the Annual Grant: the "**Equity**" shall mean¹⁰ the Bank's equity as it is at the beginning of the year for which the grant is paid, in addition to capital issues as from the receiving of the consideration therefor and after deduction of dividend as from its payment date; with the capital increment (due to issues) and/or capital decrease (due to dividend) being weighted proportionately to the respective part of the year for the period as from the date of the increment or decrease as aforesaid; the "**Net Profit**" shall mean the net profit reported in the Bank's consolidated profit and loss statement for December 31 of the year for which the annual grant is paid, as it is recorded in the "Net Profit" line; the "**Bank's Net Profit Return on Equity**" shall mean the percentage equal to the sum of Net Profit divided in the Equity times 100.

The Annual Grant is paid to Mr. Dankner as follows:

- a. If the Bank's Net Profit Return on Equity is lower than 12%, then Mr. Dan Danker is not entitled to any Annual Grant for that year.
- b. If the Bank's Net Profit Return on Equity is 12% or more, then Mr. Dankner is entitled to receive an Annual Grant in an accumulative sum that is calculated as follows:
 - (1) For such part of the Net Profit, which represents a Bank's Net Profit Return on Equity of 7% to 11% (inclusive), Mr. Dankner is entitled to receive a sum equal to 0.37% of this part;
 - (2) For such part of the Net Profit, which represents a Bank's Net Profit Return on Equity of more than 11% up to 15% (inclusive), Mr. Dankner is entitled to receive a sum equal to 0.44% of this part;

¹⁰ It should be noted that, as from the financial statements for 2007, the calculation of the return on capital shall be changed in accordance with the directives of the Supervisor of Banks, such that the calculation of the return on capital shall be based on the average capital and not on the equity as defined with respect to the grant for Mr. Dankner as approved by the Bank's General Meeting; the grant shall be paid to Mr. Dankner in accordance with the definitions approved by the Bank's General Meeting and specified in the report.

- (3) For such part of the Net Profit, which represents a Bank's Net Profit Return on Equity of more than 15%, Mr. Dankner is entitled to receive a sum equal to 0.49% of this part.

The Additional Annual Grant:

For determining the Additional Annual Grant: the "**Bank's Balance Sheet Assets**" shall mean the NIS sum that is equal to the Bank's total assets, as it is recorded in the assets' column in the Bank's consolidated balance sheet for December 31 of the year that preceded the year for which the Additional Annual Grant is paid. The "**Net Profit**" shall mean as defined above with respect to the Annual Grant; the "**Bank's Profit Rate Relative to Balance Sheet Assets**" shall mean the percentage equal to the sum of the Net Profit divided in the Bank's Balance Sheet Assets times 100.

The Additional Annual Grant that is paid to Mr. Dan Dankner in accordance with the aforesaid:

1. If the Bank's Profit Rate Relative to Balance Sheet Assets is lower than 1%, then Mr. Dankner is not entitled to any Additional Annual Grant for this year.
2. If the Bank's Profit Rate Relative to Balance Sheet Assets is equal to 1% or higher, then Mr. Dankner is entitled to receive a payment, the sum of which is determined as a rate of the Net Profit in the year for which the Additional Annual Grant is paid, as specified in the following table:

The Bank's Profit Rate Relative to Balance Sheet Assets	The Sum of the Additional Annual Grant as a Percentage of the Net Profit
1.00%-1.04%	0.045%
1.05%-1.09%	0.090%
1.10%-1.14%	0.135%
1.15%-1.19%	0.180%
1.20%-1.24%	0.225%
1.25% and more	0.270%

The Settlement Agreement

As stated in the Company's immediate report dated October 4, 2006, a settlement agreement (the "**Settlement Agreement**") was reached in the framework of an action and a motion to determine the action as a derivative action, which were filed with the District Court in Tel Aviv in July 2006 against the members of the Bank's Board of Directors¹¹ concerning provident payments to the Bank's senior employees. Mr.

¹¹ For more details concerning the action and motion to determine the action as derivative as well as concerning the Settlement Agreement, see the immediate report published by the Company on October 4, 2006 (Reference no.: 2006-01-107710).

Dankner also joined, at a later stage, to the Settlement Agreement¹². According to the Settlement Agreement: (a) Mr. Dankner undertook to pay to the Bank the sum of NIS 7,588 thousand for the bonus of 2005. As stipulated in the Settlement Agreement, this sum shall be paid in three equal installments (with index-linked values) out of the sums that Mr. Dankner shall be entitled to receive from the Bank for the years 2006-2008¹³; (b) in addition, according to the Settlement Agreement, Mr. Dankner waived, as from 2006 and on, some of the annual grants (the Annual Grant and the Additional Annual Grant) that he is entitled to receive, as aforesaid, in the following manner: after determining the grant that he is entitled to receive according to the aforesaid formulas, the part of the grant shall be calculated, the sum of which is derived from the Bank's profit arising from forced sales (sales of provident and/or pension funds and mutual funds owned by the Bank, the sale of which was imposed on the Bank by law, including the sale of the shares of the Bank Otsar Hahayal Ltd.; (the "Forced Sales")), and the full sum of the grant for the Forced Sales shall be deducted from the annual grants that shall be actually paid to him.

The following is a list of the salary and benefits to Mr. Dan Dankner (that were paid by Isracard and PCM) for the year 2005 and 2006 (NIS in thousand):

	Salary	Grants	Value of Additional Benefits ⁽⁴⁾	Employer's Payments and Remittances ⁽²⁾	Total
2005	1,432	12,204 ⁽¹⁾	239	1,301	15,176
2006	1,773	5,892 ⁽³⁾	285	467	8,417

(1) This sum is before the deduction of the sum of NIS 7,588 thousand according to the Settlement Agreement.

(2) These payments and remittances include: remittances of employer to provident funds and managers' insurance, national insurance, remittance for accumulation of vacation, non-exercise of sick days and severance pay.

(3) This sum is after neutralization of the Forced Sales.

(4) These benefits include: value of car, value of per diem and value of telephone as well as grossing up of car value and grossing up of advances training fund.

5.3 The annual employer's cost for Mr. Dankner for 2007 (not including the aforesaid grant and before the grant of the options as specified in Section 6.1 hereof), amounted to the sum of approx. NIS 2,350

¹² See immediate report of August 9, 2007 (see also immediate report of March 21, 2007).

¹³ The first payment in the sum of NIS 2,526 thousand was already made in December 2007. The remaining two payments shall be made no later than on May 1 of the years 2008 and 2009. Mr. Dankner undertook to pay the said amounts to the Bank also in the event of retirement from the Bank before the lapse of the said period.

thousand. For the sake of comparison, the annual employer's cost (excluding grants and/or options) for Mr. Dankner amounted to approximately NIS 2,525 thousand for 2006 and to approximately NIS 2,972 thousand for 2005.

On January 10, 2008, the Bank reported in an immediate report that the Bank's Net Profit Return on Equity is expected to be between 14% and 15%¹⁴. Under the assumption that the Bank's Net Profit Return on Equity shall be 14%, Mr. Dankner is expected to be entitled to a grant of approx. NIS 4,320 thousand, after neutralizing the Forced Sales. Under the assumption that this return shall be 14.5%, Mr. Dankner is expected to be entitled to a grant of approx. NIS 4,730 thousand, after neutralizing the Forced Sales. Under the assumption that this return shall be 15%, Mr. Dankner is expected to be entitled to a grant of approx. NIS 5,150 thousand, after neutralizing the Forced Sales.

As of the date of report, Mr. Dankner is not expected to be entitled to the Additional Annual Grant (the Rate of Profit in relation to Bank's Balance Sheet Assets).

6. **The Term of Mr. Dankner's Office and Employment as Submitted for the General Meeting's Approval**

6.1 **Options 2007:**

Mr. Dankner shall be allotted 825,000 options¹⁵ that are exercisable to up to 825,000 registered ordinary shares of the Company with a par value of NIS 1 against an exercise price of NIS 16.40 per option. This exercise price constitutes the average closing price of the Company's share in the Tel Aviv Stock Exchange Ltd. in the fifteen trading days prior to the date of the Board of Directors' resolution to grant the options. The options shall have a vesting period of one year that shall begin on June 24, 2007, which is the commencement date of Mr. Dankner's office as the Chairman of the Bank's Board of Directors, and shall expire 4 years after the allotment date. The shares arising for Mr. Dankner from the exercise of the options (the "Exercise Shares") constitute approx. 0.07% of the Company's issued and paid-up capital

¹⁴ The expected rate of the Bank's Net Profit Return on Equity that was recorded in the Bank's immediate report from January 10, 2008, is in accordance with the new directives of the Supervisor of Banks with respect to the calculation of the Equity (see note 10 above). For the avoidance of doubts: the NIS sum that Mr. Dankner shall be entitled to receive shall be calculated in accordance with the definitions for calculation of the Bank's Net Profit Return on Equity, as approved by the General Meeting and are specified in Section 5.2 hereof (the "Previous Calculation Definitions"). For the sake of clarity, the Bank's Net Profit Return on Equity at the rate of 14% in accordance with the new directives of the Supervisor of Banks is equivalent to the Bank's Net Profit Return on Equity at the rate of 15.05% in accordance with the Previous Calculation Definitions, whereas the Bank's Net Profit Return on Equity at the rate of 15% in accordance with the new directives of the Supervisor of Banks is equivalent to the Bank's Net Profit Return on Equity at the rate of 16.12% in accordance with the Previous Calculation Definitions

¹⁵ The options are only exercisable to shares that shall be purchased by the Bank for this purpose, subject to the approval of the Supervisor of Banks, and no new shares shall be issued for the exercise of the options. See the Private Placement Report.

and of the voting rights therein on date hereof¹⁶. The fair value of the options based on the Black-Scholes model on the Board of Directors' approval date was NIS 3,942,025. **For full details concerning the terms of the options and the calculation of the fair value, see the Private Placement Report.**

The aforesaid options are in addition to the grants that he shall be entitled to receive from Isracard and PCM for 2007, as specified in Section 5 hereof.

6.2 Determining a Basic Compensation Package as from January 1, 2008 and on:

According to the engagement submitted for the approval of the General Meeting, Mr. Dan Dankner shall cease, effective from January 1, 2008, from receiving compensation or any benefits from Isracard and PCM (but he shall continue, for the time being, to act as the Chairman of the Board of Directors in Isracard and PCM, without compensation), and shall receive his compensation from the Bank, in accordance with the provisions of the agreement as specified below. If and insofar as the engagement, as specified below, is approved, Mr. Dankner shall repay to Isracard and PCM, shortly after the approval, the sums that were paid to him by them for the period as from January 1, 2008. This repayment may be done by way of offsetting from the grant sums that Mr. Dankner shall be entitled to receive from Isracard and PCM for 2007 and/or from the sums payable to him from the Bank for the period commencing on January 1, 2008.

Mr. Dankner shall enter into an agreement with the Bank, the summary of the terms of which agreement is as follows:

- 6.2.1 Exclusive Agreement. Mr. Dankner shall not be entitled to any compensation from subsidiaries of the Bank for his office in these corporations.
- 6.2.2 Term of the Agreement. The agreement is for a term that commences on June 24, 2007, and ends on June 30, 2012 (the **"Term of the Agreement"**).
- 6.2.3 The Office. Mr. Dankner shall act as an active Chairman of the Board of Directors of the Bank, as from June 24, 2007. For the period commencing on January 1, 2008, Mr. Dankner shall be entitled to the terms that are specified below¹⁷.

¹⁶ The data concerning the percentage that the options constitute in the issued capital may be only theoretical since Mr. Dankner, who will exercise the options, may in practice not be issued all of the shares arising therefrom, but rather only shares in such amount that represents the sum of the pecuniary benefit in the options. For further details see the Private Placement Report.

¹⁷ As aforesaid, the agreement stipulated that for the period from June 24, 2007, and until December 31, 2007, (the **"First Period"**), Mr. Dankner's terms of employment shall be in accordance with the terms that were approved in the past by the Bank's authorized bodies. See Section 5 hereof.

- 6.2.4 Duties of the Chairman. So long as Mr. Danker shall be in office, he shall not be allowed to work in any other employment or to engage in any other activity, for which he receives consideration, unless he obtained the prior approval of the Bank's Board of Directors.
- 6.2.5 Salary. A monthly salary (gross) in the sum of NIS 140,000 (the "Salary"), which is fully and currently linked to the increase in the consumer price index, whereby the basic index for adjusting the Salary shall be the index known on January 1, 2008.
- 6.2.6 Related Benefits. Mr. Dankner shall be entitled to the following benefits, and all as it is customary at the Bank with respect to senior executives in the Bank's group and in view of his position as the Chairman of the Board of Directors: the Bank shall reimburse to Mr. Dankner the reasonable expenses incurred by him in performing his duty, based on receipts, including for travels overseas; the Bank shall put at his disposal a car of group 7 as well as a chauffeur; Mr. Dankner shall be entitled to have a telephone with two lines, to a cellular telephone, and to newspapers. All of the tax payments that shall apply, insofar as such apply, to the benefits and terms specified above shall be grossed up and paid by the Bank. For the avoidance of doubt, it was clarified in the agreement with Mr. Dankner that such grossing up shall not be considered as a part of the Salary, for all intents and purposes, that the Bank shall not make social remittances from the grossing up and that it shall not be taken into account for the purpose of severance pay and so forth.
- 6.2.7 Provident Funds and Severance Pay. The Bank shall continue to make for Mr. Dankner remittances to pension, compensation, savings and advanced training provident funds, to which remittances were made for Mr. Dankner for his term of office in Isracard and PCM. Concurrently, the Bank shall deduct from Mr. Dankner's remuneration contributions for provident payments, which are Mr. Dankner's payments, and shall transfer the same to the provident funds, and all in the manner that it was done on the eve of the agreement. These remittances shall be made based on the Salary. Upon the discontinuation of the office, whether on Mr. Dankner's initiative or on the Company's initiative, Mr. Dankner shall be entitled to severance payment of 250%, for the period commencing on January 1, 2005¹⁸. All of the employer's payments for severance pay, as accumulated for the benefit of Mr. Dankner in the provident funds, according to the reports thereof, and the profits accrued therefor, as from January 1, 2005, shall together be on account of the severance pay that Mr. Dankner shall be

¹⁸ For the avoidance of doubts: Mr. Dankner shall not be entitled to receive severance pay or adjusting payment from Isracard or PCM.

entitled to receive. The Bank shall complete the aforesaid accumulative sum, including profits, to severance pay of 250%. The 100% of the severance pay sum shall be the product of multiplying the last Salary to be paid to Mr. Dankner by Mr. Dankner's years of seniority as from January 1, 2005, and until the end of his office as the Chairman of the Bank's Board of Directors. If Mr. Dankner's office shall end in circumstances, in which it shall be possible to deny him severance pay under law, in whole or in part, then Mr. Dankner shall not be entitled to receive severance pay from the Bank, in whole or in part.

6.2.8 Annual Vacation, Convalescence Payment, Sick Days. Mr. Dankner is entitled to 25 paid vacation days for each work year (and a relative number of work days for a part of the year); to annual convalescence payment, at the customary rate for executives, for 13 convalescence days¹⁹; and to 25 paid sick days for each year. Sick and vacation days that were accumulated to Mr. Dankner's credit in the period commencing on May 15, 2004 and were not exercised by him shall be available to his credit during the term of the agreement with him.

6.2.9 Additional Remuneration Benefits. Any grant of additional remuneration benefits to Mr. Dankner (bonus and options to the Bank's shares) shall be subject to the approval of the Audit Committee, the Board of Directors and the General Meeting, as well as to the obtaining of approvals as required under any law.

6.2.10 Termination of the Engagement. Notwithstanding the provisions of Section 6.2.2 above, each one of the parties may terminate the engagement at any time, even before the end of the agreement's term, by giving a prior notice, provided that if the discontinuation of the office is on the Bank's initiative, a prior notice of 12 months shall be given, and if the discontinuation of the office is on Mr. Dankner's initiative, a prior notice of 6 months shall be given. Mr. Dankner shall be entitled to all of the compensation terms as set forth in the agreement with him, for the entire prior notice period. The Bank shall be entitled to waive Mr. Dankner actual office during the prior notice period or a part thereof, and to pay him the full terms thereof for such period.

6.2.11 Cooling-Off Period. Mr. Dankner undertook to have a cooling-off period of six months after the end of his office, unless the Bank waives in writing, at his discretion, the cooling-off period.

¹⁹ As of the date hereof, the sum of the customary convalescence payment per one convalescence day for executives is NIS 462.

The annual employer's cost (as from January 1, 2008) for Mr. Dankner's employment is estimated in approx. NIS 2.7 million (not including the component of the cost of increasing the severance pay liability for previous years in the sum of approx. NIS 300 thousand, and not including the accounting expense for the 2007 options as aforesaid in Section 6.1). For comparative figures on the annual employer's cost of Mr. Dankner's employment in the years 2005, 2006 and 2007 – see specification in Section 5.3 above.

As aforesaid, the grant and options that Mr. Dankner shall be entitled to receive for 2008 have not yet been determined (the determination thereof shall be subject to the required approvals, including the approval of the General Meeting) and therefore the aforesaid cost does not include these components, if and insofar they are approved in the future.

7. **The manner of determination of the compensation and the Audit Committee and Board of Directors' reasons for the compensation**

- 7.1 The Audit Committee deliberated the terms of office and employment of Mr. Dan Dankner which are being presented before the General Meeting for approval at its meetings of January 22, 23 and 24 and of February 3, 4, 7, 11 and 13, 2008. The Board of Directors deliberated the said terms of office and employment at its meetings of February 7 and 13, 2008.
- 7.2 On February 13, 2008, the Audit Committee and the Board of Directors approved Mr. Dankner's terms of office and employment as aforesaid, after being presented, *inter alia*, with the following data: Mr. Dankner's current terms of engagement, the terms proposed as aforesaid, an economic opinion prepared by Optimize Risk Management Ltd., which calculated the value of the benefit of the options granted according to the Black-Scholes model, and a comparative survey conducted by Ernst & Young which reviewed the terms of office of officers in a similar position holding office in similar companies and the accepted compensation in the industry, divided by categories as follows: (1) banks (2) banks and insurance companies, and (3) foreign banks (the "**Ernst & Young Survey**"). The Audit Committee and the Board of Directors were also presented with the opinion of Prof. Haim Levy, who was asked to advise the Board of Directors on the reasonableness of the granting of the options to Mr. Dankner ("**Prof. Levy's Opinion**").
- 7.3 The Audit Committee and the Board of Directors noted in their reasons, Mr. Dankner's vast business experience and proven managerial ability, which are expected to make a considerable contribution to the Bank and its business results. The Audit Committee and the Board of Directors noted that Mr. Dankner's experience and abilities are known to the members of the Audit Committee and the Board of Directors from his ten years of office as a member of the Bank's Board of Directors, and they were particularly impressed with

the business vision, the formation of which is led by Mr. Dankner, which emphasizes a global strategy and focusing on the customer as the center of the banking activity.

7.4 The Ernst & Young Survey

According to the findings of the Ernst & Young Survey, the economic benefit in the allotment of the options in the scope of approximately NIS 3,900 thousand, calculated according to the Black-Scholes model, exceeds the top range of the survey findings in category 2 (banks and insurance companies)²⁰, relative to officers in a similar position²¹, by approximately 18.5%.

According to the survey findings, the overall salary package to Mr. Dan Dankner for 2007, in the total scope of approximately NIS 10,950 thousand²², exceeds the top range of the survey findings in category 1 (banks in Israel)²³, relative to the compensation of officers in a similar position, by approximately 13%. However, according to the survey findings, the overall compensation package to Mr. Dankner for 2007 does not exceed the range of the survey findings received from a comparison with the compensation of officers in a similar position in foreign banks with a market value in a magnitude similar to that of the Bank's²⁴. In this context, the Bank's Audit Committee and Board of Directors noted that the comparison with other banks in Israel was lacking, since the position of Chairman of the Board of Directors of the Bank is of a character and challenges different to the position of Chairman of the Board of Directors in other banks in Israel since the Bank, being the largest bank in Israel which is privately owned (i.e., without significance holdings by the Government of Israel of Bank shares), is different in many respects from the banks in Israel that were examined in the Ernst & Young Survey, and the tasks of the Chairman of the Bank's Board of Directors are more numerous in comparison with a similar position in other banks in Israel. The Bank's Audit Committee and Board of Directors further emphasized that also the

²⁰ In category 1 (banks in Israel), only 2 observations were found in connection with the value of the benefit, and therefore the comparison was made only in category 2, which included 5 observations in the following companies: Leumi, Discount and Migdal.

²¹ No observations were found with respect to the value of the benefit in the granting of options in category 3 (foreign banks).

²² Basic salary cost (without the component of the cost of increase of the severance pay liability for previous years) of NIS 2,350 thousand; a bonus (estimated) in the sum of approximately NIS 4,650 thousand; and the value of the benefit in the allotment of the options, as stated in Section 6.1 above, in the scope of approximately NIS 3,950 thousand.

²³ The Ernst & Young Survey reviewed the following banks in Israel: Bank Leumi, Discount Bank, Mizrahi Bank, Union Bank and the First International Bank. A similar deviation arises also with respect to category 2 (banks and insurance companies).

²⁴ The foreign banks reviewed are: Hypo Group – Germany; Anglo Irish Bank – Ireland, Credem – Italy, Kaupthing Bank – Iceland, HSBC Trinkaus & Burkhardt AG – Germany, Banca CR Firenze SpA – Italy, Van Landschot NV – Holland, Banca Carige – Italy, EFG International – Switzerland. In addition, following are figures taken from the Central Bureau of Statistics' website with respect to local GDP per capita (based on the purchasing power value) in 2005 in each one of the foregoing countries and in Israel: Germany – U.S. \$30,777, Ireland – U.S. \$38,850, Italy – U.S. \$28,172, Iceland – U.S. \$36,515, Holland – U.S. \$35,120, Switzerland – U.S. \$35,650 and Israel – U.S. \$24,476.

comparison with other banks overseas does not constitute an optimal comparison, in view of the Bank's great weight in the overall banking activity in Israel (the Bank concentrates approximately 30% of the banking activity market in Israel), a situation which does not necessarily exist with respect to other banks overseas.

7.5 Prof. Levy's Opinion

According to Prof. Levy's Opinion, the overall compensation package of the Chairman of the Board of Directors in 2007 (which includes both the offered options and the compensation that is due from Isracard and PCM and which was approved in the past), meets the test of reasonableness and is even relatively low, in Prof. Levy's opinion²⁵.

7.6 With respect to Mr. Dan Dankner's base salary package for 2008 in the scope of approximately NIS 2,700 thousand (excluding the component of the cost of increasing the severance pay liability for previous years in the sum of approximately NIS 300 thousand) it arises from the Ernst & Young Survey findings (as observed from data for 2006) that this cost is within the range of the survey findings in all categories (banks, banks and insurance companies and foreign banks). Accordingly, the Audit Committee and the Board of Directors noted that this salary package was reasonable and accepted considering the accepted compensation for similar office holders in other banks in Israel.

7.7 After examining all of the said data and considering Mr. Dankner's experience and skills, the Audit Committee and Board of Directors reached the conclusion that the overall compensation terms of Mr. Dankner for 2007 (including the options) and the base salary package offered to him for 2008, and after comparison with the terms of office of similar office holders in banks in Israel and overseas, and considering the foregoing reasons, are reasonable under the circumstances of the matter.

D. Further Details with respect to the Engagements set forth in Sections 4, 5 and 6 of Chapter A of the Report

8. As aforesaid, the Meeting's agenda will also include engagements which constitute engagements in which the controlling shareholder of the Company has a personal interest. These engagements are: (a) The payment of directors' compensation for the office of Messrs. Efrat Peled and Nir Zichlinsky; (b)

²⁵ Prof. Levy mentions, in his opinion, that the granting of options with an exercise price "in the money" grants, on the one hand, an unjustified incentive, and on the other hand does not sufficiently incentivize for success. As an example he notes that if Bank Hapoalim's share price rose by 10% whereas the share prices of other banks rose, on average, by 20%, the managers of Bank Hapoalim would receive unjustified compensation, in his opinion, through the options. Accordingly, Prof. Levy proposed two methods for linking the exercise price of the options to macro-economic factors. Prof. Levy further notes in this context that since it will take time to learn and internalize the method of compensation through the options proposed by him, as well as the tax consequences of such method, it is proposed to be adopted from 2008 forth, while adopting the method proposed by the Bank's organs for 2007.

Indemnification for Efrat Peled and Nir Zichlinsky; and (c) The engagement with respect to the insurance policy (in this Chapter D, jointly, the “Engagements”).

Following are additional required details in connection with the Engagements, in accordance with the Controlling Shareholders Regulations.

9. Names of controlling shareholders of the Company who have a personal interest in the Engagements and the nature of their personal interest, a specification of the rights conferring upon them control of the Company, and the holdings of material shareholders thereof

9.1 The controlling shareholder of the Company, Arison Holdings (1998) Ltd. (“**Arison Holdings**”), has a personal interest in the said Engagements as specified in Chapter A of the Report.

9.2 Eternity Holdings One Trust holds 23.07% of the shares of Arison Holdings, which holds 20.81% of the Bank’s shares (20.51% fully diluted). In addition, Eternity Holdings One Trust holds 23.07% of the shares of Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the Bank’s shares (5.91% fully diluted).

Eternity Four Trust holds 53.86% of the shares of Arison Holdings. Eternity Four Trust also holds 53.86% of the shares of Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the Bank’s shares (5.91% fully diluted).

Ms. Shari Arison is the main beneficiary of Eternity Holdings One Trust and of Eternity Four Trust.

Nickel 97-A Trust holds 23.07% of the shares of Arison Holdings, which holds 20.81% of the Bank’s shares (20.51% fully diluted).

Nickel 97-A Trust also holds 23.07% of the shares of Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the Bank’s shares (5.91% fully diluted). Mr. Micky Arison, Ms. Shari Arison’s brother, is the main beneficiary of Nickel 97-A Trust.

10. Required approvals

The Engagements are subject to the approval of the Company's Audit Committee and Board of Directors and the approval of the Company's General Meeting by the Majority Required for Controlling Shareholders Transactions. The approvals of the Company's Audit Committee and Board of Directors were received on February 11 and 13, 2008, respectively.

11. A specification of engagements of the type of the Engagements on the agenda or engagements similar thereto between the Company and the controlling shareholder or in which the controlling shareholder had personal interest, which were signed in the last two years or are still in effect

11.1 With respect to the engagement pertaining to the indemnification – on November 10, 2005 the General Meeting approved changing the Bank's undertaking to indemnify officers who are directors of the Bank (including directors who are controlling shareholders of the Bank) in order to comply it with the provisions of the Companies Law (after Amendment No. 3). For further details see the immediate report on the results of the meeting, released by the Company on November 10, 2005.

11.2 With respect to the engagement pertaining to the insurance – on March 8, 2006 the Company's General Meeting approved the taking out of officer insurance, including in respect of Mr. Dan Dankner (who was then deemed a controlling shareholder of the Bank), until June 1, 2007. On January 24, 2007 the Company's General Meeting approved the expansion of the insurance coverage that had been approved by the meeting on March 8, 2006. For further details see the immediate reports on the results of the meeting, released by the Company on March 8, 2006 and January 24, 2007.

12. The names of the directors who participated in the approval of the Engagements

12.1 The discussion at the Company's Board of Directors for approval of the Engagements was attended by:

- (a) With respect to the engagement pertaining to the director compensation and with respect to the insurance: Dan Dankner, Yair Orgler, Irit Izakson, Mali Baron, Joseph Dauber, Pnina Dvorin, Ido Joseph Dissentshik (external director), Nira Dror (external director), Nir Zichlinsky, Ronen Israel, Leslie Littner, Jay Pomrenze, Efrat Peled, Moshe Koren, Oded Sarig.
- (b) With respect to the engagement pertaining to the indemnification: Dan Dankner, Irit Izakson, Joseph Dauber, Pnina Dvorin, Ido Joseph Dissentshik

(external director), Nira Dror (external director), Jay Pomrenze and Moshe Koren.

12.2 The discussion at the Company's Audit Committee for approval of the Engagements was attended by:

- (a) With respect to the engagement pertaining to the director compensation and the insurance: Nira Dror (external director), Ido Dissentshik (external director), Yair Orgler, Joseph Dauber and Leslie Littner.
- (b) With respect to the engagement pertaining to the indemnification: Nira Dror (external director), Ido Dissentshik (external director) and Joseph Dauber.

13. The names of the directors having a personal interest in the Engagements and the nature of such interest

With respect to the engagement regarding the director compensation, all of the directors (other than Mr. Dan Dankner) have a personal interest, since identical compensation is paid to all of the directors in office (other than Mr. Dan Dankner). Similarly, all of the directors have personal interest with respect to the insurance – because they too will be entitled to the insurance. With respect to the engagement regarding the indemnification, the directors Efrat Peled, Oded Sarig, Mali Baron, Leslie Littner, Nir Zichlinsky, Ronen Israel and Yair Orgler have a personal interest since they will be entitled to receive the letters of indemnification.

14. The Audit Committee's and Board of Directors' reasons for approval of the Engagements

With respect to the insurance, the Audit Committee and the Board of Directors noted in their reasons that giving insurance to officers is accepted, and that the insurance coverage that will be given to Messrs. Efrat Peled, Nir Zichlinsky and Irit Izakson is identical to the insurance coverage that will be given by the Bank to the other directors of the Company. With respect to the indemnification, the Audit Committee and the Board of Directors noted in their reasons that giving indemnification to officers is accepted, and that the indemnification that will be given to Efrat Peled and Nir Zichlinsky is identical to the indemnification that was given in the past to the other directors holding office in the Company and that will be given by the Bank, as stated herein, to another five directors in the Company. With respect to the director compensation, the Audit Committee and the Board of Directors noted in their reasons that the compensation is reasonable considering the scope of the Bank's activity and business and that the compensation that will be paid for the office of Efrat Peled and Nir Zichlinsky is identical to the compensation that is paid to the other directors of the Company (other than Mr. Dan Dankner).

15. The manner in which the consideration was determined

The consideration for the insurance policy was determined in negotiations between the Bank and the insurance company.

16. The authority of the Securities Authority

In accordance with the Controlling Shareholders Regulations, within twenty one days from the date of filing of this Immediate Report, the Securities Authority (the "ISA") or an employee authorized thereby for this purpose is authorized to order the Company to give, within the time frame determined thereby, an explanation, specification, information and documents in connection with the engagement, and to order the Company to amend the Report in such manner and in such timing as it shall determine. In the event that an instruction to amend the Report as aforesaid shall have been given, the ISA is entitled to order a postponement of the date of the Meeting as set forth in the Controlling Shareholders Regulations. The Company will file an amendment according to an instruction as aforesaid in the manner set forth in the Controlling Shareholders Regulations, and all other than if the ISA shall have ordered otherwise. If an instruction shall have been given regarding a postponement of the date of convening of the General Meeting, the Company shall announce the giving of the instruction in an immediate report.

E. The Required Majority, Entitlement to Vote and Further Details:

17. The effective date for determining the entitlement to participate and vote in the Meeting pursuant to Section 182(b) of the Companies Law is Monday, February 18, 2008 (the "Effective Date"). Any shareholder of the Company, who is entitled to participate and vote in the Meeting, may appoint a proxy to vote in his name. The letter of appointment and the proxy (if any), pursuant to which the letter of appointment was executed, shall be deposited at the Company's offices no less than forty-eight (48) hours prior to the time scheduled for the beginning of the Meeting. In addition, a shareholder may vote in the Meeting (on certain matters) by means of a written ballot. Voting by means of a written ballot shall be done by using the other part of the written ballot attached hereto.

Please note that Section 34(1a) of the Banking (Licensing) Law, 5741-1981, provides as follows: "no person shall agree with another concerning their voting for the appointment of a director of a banking corporation or a banking holding corporation, unless this is in accordance with a permit that the Governor has given following consultation with the License Committee; this provision shall not apply to a holder of means of control who has agreed with another, that the other shall vote in this name and on his behalf for the person whom the holder of the means of control has

instructed him to, and on condition that the other shall not vote in the name of and on behalf of more than one other holder". Therefore, with respect to the election of the directors (item no. 2 on the agenda of the General Meeting), a proxy who is also a shareholder in the Bank may vote in the name and on behalf of only one more shareholder. With respect to the other items on the agenda, the proxy is not prevented from representing more than one shareholder.

18. If, half an hour after the time that was scheduled for the Meeting, at least two (2) shareholders, who hold or represent at least 25% of the total votes in the Company, are not present, personally or by proxy, ("**Legal Quorum**"), then the Meeting shall be adjourned for one week and shall be held on Thursday, March 27, 2008, at the same time and place. If at the adjourned meeting no Legal Quorum is present half an hour after the time scheduled for the meeting, then the meeting shall be held with any number of participants whatsoever.
19. The written ballot, which can be used for voting, (the "**Written Ballot**") and the Statements of Position, as defined in Section 88 of the Companies Law, insofar as such are issued, are available on the Securities Authority's Distribution Site at <http://www.magna.isa.gov.il> (the "**Distribution Site**") and on the website of the Tel Aviv Securities Exchange Ltd. at <http://maya.tase.co.il>.
20. The voting by Written Ballot shall be done by using the second part of the Written Ballot, as published on the Distribution Site. Any shareholder may approach the Company directly and receive from it the text of the Written Ballot and the Statements of Position.

The Member of a Stock Exchange shall send, free of charge, by electronic mail, a link to the text of the Written Ballot and the Statements of Position on the Distribution Site to each shareholder who is not registered on the Registry of Shareholders and whose shares are registered with this Member of a Stock Exchange, if the shareholder notified that he was interested therein, provided that the notice was given with respect to a certain securities account and prior to the effective date of record.

According to the Companies (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting), 5760-2000, a shareholder, in whose name shares are registered with a Member of a Stock Exchange, who desires to vote in the Meeting, shall submit to the Company a certification from that Member of a Stock Exchange concerning his ownership in the shares on the effective date of record, as required under these regulations. A shareholder, whose shares are registered with a Member of a Stock Exchange, is entitled to receive the ownership certification from the Member of a Stock Exchange via which he holds his shares at the branch of the Member of a Stock Exchange or by mail at his address in return for postage fees only, at his request. A request with this respect shall be given in advance to a certain securities account.

The Written Ballot and the documents that are required to be attached thereto as specified therein shall be submitted to the Company's offices (including by registered mail), together with an ownership certification (and with respect to

a registered shareholder – together with a photocopy of the identity card, passport or certification of incorporation, as the case may be), until seventy-two (72) hours prior to the time scheduled for holding the Meeting, namely until Monday, March 17, 2008, at 11:00am. For this purpose, the “Submission Date” is the date on which the Written Ballot and the attached documents were received at the Company’s offices.

The last date for submitting statements of position to the Company is until ten (10) days after the effective date of record, namely until Thursday, February 28, 2008, at 11:00am.

21. The full text of the resolution submitted for the approval of the General Meeting, the full report of the Bank’s financial statements and Board of Directors’ report for 2006, with their annexes, the Bank’s Articles of Association and the text of the indemnification letter are open for inspection at the office of the Bank’s secretary, 63-65 Yehuda Halevy Street in Tel Aviv, during regular working hours, after prior coordination at 03-5673800, starting from the date of publication of the announcement regarding the convening of the Annual Meeting in daily newspapers as required by law.
22. The Company’s representatives for purposes of the handling of this Amended Immediate Report are Adv. Oded Eran, Tal Atsmon and Doron Segal, of Goldfarb, Levy, Eran, Meiri, Tzafrir & Co., law offices, 2 Weizmann St., Tel Aviv; Tel. 03-6089999, Fax 03-6089909.

Bank Hapoalim Ltd.

Names and positions of signatories:

Adv. Ilan Mazur, General Counsel

Yoram Weissbrem, Bank Secretary

cc: **Bank of Israel** – 20 Yavne St., Tel Aviv
Registrar of Companies – 97 Jaffa St., Jerusalem

Annex "A"

**Details pursuant to Section 26 of the Reports Regulations with respect to
Directors whose Appointment is Presented for Approval**

Oded Sarig:

- 1) Name: *Oded Sarig*;
- 2) I.D. Number: *53547451*;
- 3) Date of birth: *July 25, 1955*;
- 4) Address for service of process: *2 Guttmann St., Tel Aviv 69343*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors: *Risk Management and Control and Implementation of the Provisions of Basel II*;
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) His education:

Ph.D. – financing – University of California, Berkley;

Master – financing – University of California, Berkley;

Graduate – Accounting and Economics – Tel Aviv University.

(b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

Professor of financing and faculty member – The Interdisciplinary Center – October 2000 to date.

Senior lecturer, professor and fellow – Tel Aviv University – September 1987 – September 2000.

Dean – The Interdisciplinary Center – February 2002 – January 2006.

Member of the Boards of Directors of the Companies: Provisio Capital; Poriya Systems (1989); and Natural Bits Food Design Ltd.
- 11) Is not a family member of another holder of interest in the Bank;

- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Mali Baron:

- 1) Name: *Mali Baron*;
- 2) I.D. Number: *003462181*;
- 3) Date of birth: *September 17, 1948*;
- 4) Address for service of process: *91 Yehoshua Bin Noon St., Tel Aviv 62497*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors: *Credit, Transactions with Interest Holders and Affiliates, Business and Budget, Repricing, Balance Sheet, Expense Control and Streamlining*;
- 7) Has accounting and financial expertise considering her education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) Her education:

Graduate – Economy of Developing Countries – Tel Aviv University.

Master – Business Administration, specializing in Financing, The Hebrew University of Jerusalem.

(b) Occupation in the last five years and specification of the corporations in which she served or serves as a director:

Director of companies

Senior VP – Head of Branches Headquarters and in Charge of Mortgages – Mercantile Discount Bank Ltd. – November 1996 – December 2006.

Member of the Boards of Directors of the Companies: Maliba Ltd. and Ectel Ltd. (outside director)

Member (Internal) of the Committee of Investments Participating in Profits of The Phoenix Investment and Finances Ltd.
- 11) Is not a family member of another holder of interest in the Bank;

- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Leslie Littner:

- 1) Name: *Leslie Littner*;
- 2) I.D. Number: *327092722*;
- 3) Date of birth: *March 2, 1947*;
- 4) Address for service of process: *8 Herzog St., Tel Aviv 62915*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors: *Business and Budget, Compensation and Human Resources, Repricing, Balance Sheet, Approval of Investments, Risk Management and Control and Implementation of the Provisions of Basel II, Audit*;
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) His education:

Graduate – Economics and Business – C. London College London

(b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

CEO of risk management consultancy company

Advisor to CEO in risk management – Bank Leumi – 7 years;
- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Nir Zichlinsky:

- 1) Name: *Nir Zichlinsky*;
- 2) I.D. Number: *022085468*;
- 3) Date of birth: *October 8, 1965*;

- 4) Address for service of process: *Arison Investments Ltd., 23 Shaul HaMelech Blvd., Tel Aviv 64367;*
- 5) Citizenship: *Israeli;*
- 6) Member of the following committees of the Board of Directors: *Balance Sheet;*
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is an employee of a holder of interest in the Bank (Arison) – See Section 10(a)(b) below;
- 9) Holds office as a director of the Bank since September 10, 2007;

- 10) (a) His education:

Graduate – Accounting and Financing – The College of Management, Rishon LeZion;

Master – Business Administration, specializing in Financing – Ben Gurion University in the Negev;

Other – Accountancy – Israel CPA Council.

- (b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

VP and Business Development – Arison Sustainability Ltd., Arison Investments Ltd., Arison Holdings (1998) Ltd. – more than one year;

Senior Partner and Head of the Professional Department, Director of Business Development and Social Reporting Department and Director of Training – BDO Ziv Haft Accounting Firm – 10 years;

Lecturer in the Departments of Business Administration and Accounting in undergraduate and graduate programs – Tel Aviv University, Hebrew U., Bar Ilan, The College of Management, the Academic Campus, Rupin Academic Center – Approximately 15 years.

Member of the Boards of Directors of the companies: Housing & Construction Holdings Ltd., Solel Boneh Overseas Ltd., Blue Green Development and Investments Ltd., Solel Boneh Construction & Infrastructure Ltd., Solel Boneh Ltd., Lime & Stone Industries Ltd. and Israel Salt Industries Ltd.

- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Ronen Israel:

- 1) Name: *Ronen Israel*;
- 2) I.D. Number: *055692578*;
- 3) Date of birth: *March 21, 1959*;
- 4) Address for service of process: *4/62 Shaul HaMelech Blvd., Tel Aviv*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors: *Senior Managers' Compensation*;
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since October 29, 2007;
- 10) (a) His education:

Ph.D. – Financing – Northwestern University, Evanston, U.S.A.

(b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

Professor of Financing, Head of the Entrepreneurship Center, The Interdisciplinary Center Herzliya, 2000 to date;

Member of the Board of Directors – Chairman of the Audit Committee – Mizrahi Bank – 2003-2006;

Member of the Boards of Directors of the Companies: Elco Holdings Ltd. (outside director), Elran (D.D.) Investments Ltd. (outside director), Mivtach Shamir Holdings Ltd. (outside director).
- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Date: _____

Dear Sir/Madam,

Letter of Indemnification

The Bank hereby irrevocably undertakes:

1. To indemnify you for any liability or expense as specified in Sections 2.1 and 2.2 below, which shall be imposed on you and/or which you will bear, due to acts performed by you in your capacity as an officer of the Bank (including acts preceding the date of this letter of indemnification), which are directly or indirect associated with one or more of the types of events or any part thereof or anything related thereto, as specified in Schedule A hereto, which constitutes an integral part hereof (the "Schedule"), provided that the amount of the indemnification by virtue of this letter of indemnification shall not exceed the amount specified in Sections 4.1 and 4.2 below.
2. The indemnification undertaking as stated in Section 1 above, shall apply due to any liability or expense which is lawfully indemnifiable, as follows:
 - 2.1 Any monetary liability imposed on you in favor of another person pursuant to a judgment, including a judgment issued in a settlement or an arbitration award that was approved by the court.
 - 2.2 Reasonable litigation expenses, including attorney's fees, which you incurred or which were charged to you by a court, in a proceeding initiated against you by the Bank or on its behalf or by another person, or in a criminal indictment from which you will be acquitted or a criminal indictment in which you will be convicted of a criminal offense requiring no proof of general intent.
 - 2.3 Reasonable litigation expenses, including attorney's fees, incurred by you due to an investigation or a proceeding conducted against you by an authority authorized to conduct the investigation or the proceeding, and which ended without the filing of an indictment against you and without a monetary liability being imposed on you as an alternative to a criminal proceeding, or having ended without the filing of an indictment against you but with the imposition of a monetary liability as an alternative to a criminal proceeding, in an offense requiring no proof of general intent.

"A proceeding ending without the filing of an indictment in a matter in which a criminal investigation was launched", means the closing of the case pursuant to Section 62 of the Criminal Procedure Law [Consolidated Version], 5742-1982 (in this subsection – the Criminal Procedure Law), or a stay of proceedings by the Attorney General pursuant to Section 231 of the Criminal Procedure Law;

"Monetary liability as an alternative to a criminal proceeding" – A monetary liability imposed by law as an alternative to a criminal proceeding, including an administrative fine pursuant to the Administrative Offenses Law, 5746-1985, a fine for an offense determined as an infraction pursuant to the provisions of the Criminal Procedure Law, a monetary penalty or a fine.

3. It is clarified that the provisions of Section 1 shall apply also due to a liability or expense as specified in Sections 2.1, 2.2 and 2.3 above, which shall have been imposed on you due to act performed by you by virtue of:
 - 3.1 Your holding office on behalf of the Bank in an authorized organ in any corporation other than the Bank (the "Other Corporation").
 - 3.2 Your appointment on behalf of the Bank to any position in the Other Corporation.
 - 3.3 For the avoidance of doubt, it is hereby clarified that for purposes of this Section 3, holding office and/or an appointment on behalf of the Bank shall mean holding office and/or an appointment as aforesaid pursuant to the decision of the Bank's management and/or the Bank's Board of Directors.
4.
 - 4.1 The amount of the indemnification which the Bank shall pay pursuant to this letter due to any certain event (in addition to amounts which shall be received from an insurance company, if any, in the context of insurance purchased by the Bank and/or amounts to be received, if any, in the context of indemnification from any person other than the Bank), to all of the Bank's officers, in the aggregate, pursuant to this letter of indemnification, due to one or more of the types of events specified in the Schedule, shall not exceed 25% (twenty five percent) of the Bank's equity according to its latest financial statements published before the date of actual indemnification (the "Maximum Indemnification Amount").
 - 4.2 Within the framework of the Maximum Indemnification Amount and subject to the provisions of this letter, you shall be entitled to full payment of any and all liabilities and litigation expenses as stated in Section 2 above, which shall be imposed on you and/or which you will bear as provided in this letter.
 - 4.3 If and insofar as the sum total of all indemnification amounts which the Bank will be required to pay due to a certain event, shall exceed the Maximum Indemnification Amount or the balance of the Maximum Indemnification Amount yet unpaid by the Bank (as being at that time), the Maximum Indemnification Amount or, as the case may be, the balance thereof, shall be divided among the officers who will be entitled to indemnification, such that the indemnification amount which each one of the officers shall actually receive will be calculated according to the ratio between the amount of indemnification which would be due to each one of the officers but for the Maximum

Indemnification Amount restriction, and the amount of indemnification which would be due to all of the said officers, in the aggregate, due to the said event, but for the Maximum Indemnification Amount restriction.

5. Upon the occurrence of an event due to which you may be entitled to indemnification in accordance with the provisions of this letter of indemnification, the Bank shall, from time to time, provide you with the moneys required to cover the expenses and various other payments involved in the handling of such legal proceeding, including investigation proceedings, such that you will not be required to pay or finance the same yourself, and all subject to the terms and provisions set forth in this letter of indemnification.
6. Without derogating from the aforesaid, the letter of indemnification shall be subject to the following conditions:
 - 6.1 To the extent possible, you will notify the Bank of any legal proceeding which will be instituted against you or of any warning in writing or threat in writing that such proceeding will be instituted against you in connection with any event due to which the indemnification may apply, at the appropriate speed after first learning thereof, and you shall forward to the Bank or to whomever the Bank shall notify you, any document to be delivered to you in connection with such proceeding; and all in circumstances in which you are aware that the Bank is not a party to such legal proceeding or, as the case may be, is not cc'ed as an addressee in such warning or threat.
 - 6.2 The Bank shall be entitled to assume the handling of your defense against such legal proceeding and/or to entrust such handling to any attorney the Bank shall choose for this purpose. The Bank and/or such attorney will act in the context of such handling to bring the said proceeding to an end, will provide you with current reports on the progress of the proceeding and will consult with you in connection with the management thereof.

Where, in your opinion or in the attorney's opinion, a fear of a conflict of interests between you and the Bank shall be created and/or representation by the attorney shall be required in a criminal proceeding which shall have been filed against you and/or if your objection to the attorney appointed by the Bank shall be based on other reasonable grounds, you shall inform the Bank thereof, and will be entitled to retain an attorney on your behalf, and the provisions of this letter of indemnification shall apply to the expenses you will incur due to such appointment.

Insofar as the Bank and/or you may be entitled to indemnification in the context of the officers' insurance, in connection with the proceeding, the appointment of the attorney as aforesaid will be made in consideration of the insurer's right to determine the identity of the attorney who will represent you in the proceeding, and of the Bank's duties in this respect pursuant to such insurance, particularly if

according to the terms of the insurance, the insurer is entitled to determine the identity of the attorney who will represent you in the proceeding, such that otherwise the insurer may be able to release itself from its indemnification undertaking or reduce the same. In any event, the Bank will use its best efforts, within the framework of the terms of the insurance and subject thereto, to influence the choice of the attorney in accordance with your wishes.

The Bank will not agree to make a settlement, as a result of which you will be required to pay amounts for which you will not be indemnified pursuant to this letter of indemnification, nor will be paid in the context of insurance purchased by the Bank, other than with your prior written consent, nor will the Bank agree to make a settlement if, in the context thereof, you will be convicted of a criminal offense, other than with your prior written consent. In addition, in the event that the Bank shall choose to resolve disputes by way of arbitration, it shall be entitled to do so provided that your prior written consent thereto is given, which consent you will not unreasonably withhold. At the Bank's request, you will sign any document authorizing any attorney as aforesaid to handle your defense in the said proceeding on your behalf and to represent you in anything related thereto, in accordance with the aforesaid.

If the Bank will not have informed you within 14 days from the date of receipt of the notice or of the Bank's learning as stated in Section 6.1 above, that it is assuming the handling of your defense you will be entitled to appoint an attorney on your behalf and all of the provisions of this letter of indemnification will apply accordingly.

You shall cooperate with the Bank and/or with any attorney as aforesaid in any manner reasonably required of you by either of them in the context of their handling in connection with such legal proceeding, provided that the Bank shall arrange to cover all of your expenses involved therein, such that you will not be required to pay or finance the same yourself, and all subject to the provisions of Section 4 above.

- 6.3 Regardless of whether or not the Bank shall act as specified in Section 6.2 above, the Bank will arrange to cover the liabilities and expenses set forth in Section 2 above, such that you will not be required to pay or finance the same yourself, without thereby derogating from the indemnification assured to you pursuant to the provisions of this letter of indemnification, and all subject to the provisions of Section 4 above.
- 6.4 The indemnification in connection with any legal proceeding against you, as provided in this letter of indemnification, will not apply to any amount that shall be due from you following a settlement or arbitration, unless the Bank shall have agreed in writing to such settlement or to the holding of such arbitration, as the case may be. The Bank will not unreasonably refuse such settlement or the holding of such arbitration, as the case may be.

- 6.5 The Bank will not be required to pay, pursuant to this letter of indemnification, monies that shall have actually been paid to you or for you or in your stead in the context of insurance purchased by the Bank or any indemnification undertaking by any person other than the Bank. The aforesaid does not prejudice your right to receive indemnification from the Bank for monies which you will be entitled to receive from another person as aforesaid, but which shall not have actually been paid to you or for you or in your stead prior to the date on which you will ask the Bank to make any payment by virtue of this letter of indemnification.
- 6.6 For the avoidance of doubt it is clarified that the amount of the indemnification pursuant to this letter of indemnification will apply over and above, and in addition to the amount to be paid (if any) in the context of such insurance and/or indemnification.
- 6.7 Upon your request for the making of a payment in connection with any event pursuant to this letter of indemnification, the Bank will take any and all acts required by law for payment thereof within 7 days from the date on which it is so required, and shall also act for the arrangement of any approval required in connection therewith, if any. If any approval shall be required as aforesaid for any such payment, and such payment shall not be approved in accordance therewith for any reason whatsoever, such payment or any part thereof which shall not have been approved as aforesaid will be subject to approval by the court and the Bank will act to obtain the same.
- 6.8 In the event that the Bank will pay you or in your stead any amounts in the context of this letter of indemnification in connection with a legal proceeding, following which it shall transpire that you are not entitled to indemnification from the Bank for such amounts, for the reasons described below, the following provisions shall apply:
- 6.8.1 In the event that it shall be determined in the legal proceeding that you breached your fiduciary duty to the Bank and/or will be convicted of a criminal charge in which general intent shall have been proven, you will be required to repay the said amounts to the Bank upon being required in writing to do so and according to a payment schedule to be determined by the Bank.
- 6.8.2 In the event that it shall transpire that you are not entitled to indemnification from the Bank for other reasons, other than those specified in Section 6.8.1 above, you will be required to repay the said amounts to the Bank, other than amounts for out-of-pocket expenses incurred by you, by way of assignment to the Bank of your rights for reimbursement of the said amounts or, as the case may be, by way of actual reimbursement thereof to the Bank, according to a payment schedule to be determined by the Bank.

7. The Bank's undertakings pursuant to this letter of indemnification will be available to you, or as the case may be, to (Heaven forbid) your estate, also after termination of your office as an officer of the Bank, or your office (including your appointment) as provided in Section 3 above in the Other Corporation, provided that the acts for which indemnification will be given shall have been performed during your term of office as an officer of the Bank and/or your office, or appointment, in the Other Corporation.

8. In this letter of indemnification –

“Officer” within the meaning thereof in the Companies Law, 5759-1999 (the “Companies Law”).

“Act” (or any other derivative thereof)

including a decision and/or an omission, and including an act (as defined herein) before the date of this letter of indemnification during your term of office as an officer of the Bank and/or your office and/or appointment on behalf of the Bank in the Other Corporation.

Everything stated in the masculine also imports the feminine.

9. The Bank's undertakings pursuant to this letter of indemnification shall be interpreted broadly and in a manner aimed at fulfillment thereof, to the extent permitted by law, for the purpose for which they were intended. In any event of discrepancy between any provision of this letter of indemnification and a mandatory provision of law which cannot be modified or added to, such provision of law shall prevail, although the other provisions of this letter of indemnification and the effect thereof shall not thereby be prejudiced.
10. The indemnification undertaking according to this letter is independent and is intended to add to, and not to derogate from, any right you will have in the context of the Bank's officer insurance.
11. V.A.T. shall be added, if and to the extent required, to any payment pursuant to this letter of indemnification.
12. The Bank's undertakings pursuant to this letter of indemnification cannot be revoked and/or modified by the Bank, without obtaining your prior written consent thereto. However, this letter of undertaking does not limit or prevent the Bank from increasing the Maximum Indemnification Amount due to the indemnifiable events, either because the amounts of the insurance pursuant to the officers insurance policy shall be reduced, or because the Bank will be unable to obtain officers insurance to cover the events contemplated in this letter of indemnification under reasonable terms or for any other reason, provided that such decision shall be adopted in the manners set forth in the Companies Law. Without derogating from the aforesaid, if at any time after the issuance of this undertaking, the Bank will issue an undertaking to indemnify officers which benefits the officers over and above the provisions of this letter of indemnification (“Improved Letters of Indemnification”), the

terms and conditions of the Improved Letters of Indemnification shall apply to you as if included in this letter of indemnification from the outset.

This letter of indemnification is effective from January 1, 2002.

In witness whereof, the Bank has hereto set its hand, via authorized signatories who have been duly authorized therefor.

Bank Hapoalim B.M.
Headquarters

[signature]

[signature]

I confirm receipt of this letter of indemnification and my consent to the conditions thereof, including Section 6.8 above.

Schedule A

Types of Events

1. A transaction (including an extraordinary transaction) or an act, including a transfer, sale, purchase or lease of assets or liabilities (including land, securities or rights) or the granting or receipt of a right in any one thereof and an act directly or indirectly involved in such transaction.
2. A securities issue including, but without derogating from the generality of the aforesaid, a public securities offering pursuant to a prospectus, a private placement or any other securities offering, by the Bank, a subsidiary or an affiliate, including tender offers, self purchase of securities by the Bank or a subsidiary or an affiliate.
3. The giving of information, representations, opinions, financial statements or notices to any competent authority (including the Registrar of Companies, the Securities Authority, the Supervisor of Banks, the Commissioner of the Capital Market, Insurance and Savings at the Ministry of Finance and the tax authorities).
4. Acts in the context of legal proceedings by and/or against the Bank.
5. The giving of information, representations, reports, opinions or notices to any third party including pursuant to the Companies Law, the Securities Law including regulations promulgated thereunder or pursuant to rules or directives prevailing at the stock exchange in Israel and/or at stock exchanges overseas and/or pursuant to the instructions of the Supervisor of Banks.
6. The transfer of information that is required by law to companies holding an interest in the Bank.
7. A payment or payment demand which apply to the Bank by law.
8. An act in connection with the Bank's risk management (including insurance for all types of risks to which the Bank is exposed).
9. Acts in connection with the issuance and receipt of licenses and permits (including business licenses and licenses and approvals that are required for the Bank's business management).
10. Acts in connection with the distribution of dividends to the Bank's shareholders.
11. Investments by the Bank in securities issued by various bodies (including the State) and investments in other financial assets either in Israel or overseas.
12. An act and/or transaction deriving from or related to the holding of an office on behalf of the Bank in an authorized organ of any held corporation and/or an appointment on behalf of the Bank in the Other Corporation, including an act in connection with the exercise of voting rights in held corporations.

13. Breaches of laws such as the Banking Ordinance, the Restrictive Trade Practices Law, the Prohibition on Money Laundering Law, the Prohibition on Terror Financing Law, the Banking Law (Licensing), the Banking Law (Customer Service), the Joint Investments in Trust Law, the Privacy Protection Law, the Proper Conduct of Banking Business Regulations, the Regulation of the Practice of Investment Advice Law, the Consumer Protection Law.
14. Performance of an act in the context of the occupations permissible to the Bank in the framework of Section 10 of the Banking Law (Licensing), 5741-1981.
15. Without derogating from the generality of the provisions of Section 14 above, the approval and/or provision of credit. For this purpose, "credit" – including as defined in the Banking Law (Licensing), 5741-1981.
16. Events associated with employment relations.
17. An act and/or omission associated with the business ties between the Bank and its customers and/or suppliers.
18. A restructuring or reorganization of the Bank or any decision pertaining thereto including, but without derogating from the generality of the aforesaid, a merger, split, recapitalization of the Bank, subsidiaries or affiliates, the dissolution or sale thereof, an allotment or a distribution.
19. Any provision of this Schedule above which concerns the performance of a particular act, shall be interpreted as referring also to the non-performance thereof or to refrainment from performance of such act, and all unless the context of a specific provision does not tolerate such interpretation.

For purposes of this Schedule A:

"Companies Law" – The Companies Law, 5759-1999.

"Securities Law" – The Securities law, 5728-1968.

"Security" – within the meaning thereof in Section 1 of the Companies Law.

"Consumer Protection Law" – The Consumer Protection Law, 5741-1981.

"Restrictive Trade Practices Law" – The Restrictive Trade Practices Law, 5748-1988.

"Prohibition on Money Laundering Law" – The Prohibition on Money Laundering Law, 5760-2000.

"Prohibition on Terror Financing Law" – The Prohibition on Terror Financing Law, 5765-2005.

"Regulation of the Practice of Investment Advice Law" – The Regulation of the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995.

"Joint Investments in Trust Law" – The Joint Investments in Trust Law, 5754-1994.

"Privacy Protection Law" – The Privacy Protection Law, 5741-1981.

"Banking Law (Licensing)" – The Banking Law (Licensing), 5741-1981.

“Banking Law (Customer Service)” – The Banking Law (Customer Service), 5741-1981.

“Banking Ordinance” – The Banking Ordinance No. 26 for 1941.

“Proper Conduct of Banking Business Regulations” – The Proper Conduct of Banking Business Regulations on behalf of the Supervisor of Banks.

Bank Hapoalim B.M.

Written Ballot pursuant to the Companies Regulations (Written Vote and Position Statements), 5766-2005

Part I

1. **The Company's name**

Bank Hapoalim B.M. (the "Company" or the "Bank").

2. **Type, date and place of convening of the general meeting**

Annual general meeting. The annual general meeting shall be convened on **Thursday, March 20, 2008** at 11:00 am at the Company's offices at Levinstein Tower, 23 Menachem Begin Road Tel Aviv (3rd floor, room 313). Should the meeting be adjourned, it shall be convened on Thursday, March 27, 2008, at the same place and at the same time.

3. **Specification of the issues on the agenda, which may be voted upon through the written ballot**

3.1 **Approval of Election of Directors**

Reelection to the Company's Board of Directors of the following directors (who were appointed by the Bank's Board of Directors pursuant to Section 16(c) of the Company's articles), after their appointment was approved by the Supervisor of Banks: Oded Sarig (appointed by the Board of Directors on September 10, 2007); Mali Baron (appointed by the Board of Directors on September 10, 2007); Leslie Littner (appointed by the Board of Directors on September 10, 2007); Nir Zichlinsky (appointed by the Board of Directors on September 10, 2007); Ronen Israel (appointed by the Board of Directors on October 29, 2007). The vote shall be taken separately with respect to each director.

(a) Oded Sarig - details:

- 1) Name: *Oded Sarig*;
- 2) I.D. Number: *53547451*;
- 3) Date of birth: *July 25, 1955*;
- 4) Address for service of process: *2 Guttmann St., Tel Aviv 69343*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors:
Risk Management and Control and Implementation of the Provisions of Basel II;

- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) His education:

Ph.D. – financing – University of California, Berkley;

Master – financing – University of California, Berkley;

Graduate – Accounting and Economics – Tel Aviv University.

(b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

Professor of financing and faculty member – The Interdisciplinary Center – October 2000 to date.

Senior lecturer, professor and fellow – Tel Aviv University – September 1987 – September 2000.

Dean – The Interdisciplinary Center – February 2002 – January 2006.

Member of the Boards of Directors of the Companies: Provisio Capital; Poriya Systems (1989); and Natural Bits Food Design Ltd.
- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

(b) Mali Baron - details:

- 1) Name: *Mali Baron;*
- 2) I.D. Number: *003462181;*
- 3) Date of birth: *September 17, 1948;*
- 4) Address for service of process: *91 Yehoshua Bin Noon St., Tel Aviv 62497;*

- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors:
Credit, Transactions with Interest Holders and Affiliates, Business and Budget, Repricing, Balance Sheet, Expense Control and Streamlining;
- 7) Has accounting and financial expertise considering her education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) Her education:

Graduate – Economy of Developing Countries – Tel Aviv University.

Master – Business Administration, specializing in Financing, The Hebrew University of Jerusalem.

(b) Occupation in the last five years and specification of the corporations in which she served or serves as a director:

Director of companies

Senior VP – Head of Branches Headquarters and in Charge of Mortgages – Mercantile Discount Bank Ltd. – November 1996 – December 2006.

Member of the Boards of Directors of the Companies: Maliba Ltd. and Ectel Ltd. (outside director)

Member (Internal) of the Committee of Investments Participating in Profits of The Phoenix Investment and Finances Ltd.
- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

(c) Leslie Littner:

- 1) Name: *Leslie Littner*;

- 2) I.D. Number: 327092722;
- 3) Date of birth: *March 2, 1947*;
- 4) Address for service of process: *8 Herzog St., Tel Aviv 62915*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors:
Business and Budget, Compensation and Human Resources, Repricing, Balance Sheet, Approval of Investments, Risk Management and Control and Implementation of the Provisions of Basel II, Audit;
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since September 10, 2007;
- 10) (a) His education:

Graduate – Economics and Business – C. London College London

(b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

CEO of risk management consultancy company

Advisor to CEO in risk management – Bank Leumi – 7 years;
- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

(d) Nir Zichlinsky - details:

- 1) Name: *Nir Zichlinsky*;
- 2) I.D. Number: *022085468*;
- 3) Date of birth: *October 8, 1965*;

- 4) Address for service of process: *Arison Investments Ltd., 23 Shaul HaMelech Blvd., Tel Aviv 64367;*
- 5) Citizenship: *Israeli;*
- 6) Member of the following committees of the Board of Directors: *Balance Sheet;*
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is an employee of a holder of interest in the Bank (Arison) – See Section 10(a)(b) below;
- 9) Holds office as a director of the Bank since September 10, 2007;

- 10) (a) His education:

Graduate – Accounting and Financing – The College of Management, Rishon LeZion;

Master – Business Administration, specializing in Financing – Ben Gurion University in the Negev;

Other – Accountancy – Israel CPA Council.

- (b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

VP and Business Development – Arison Sustainability Ltd., Arison Investments Ltd., Arison Holdings (1998) Ltd. – more than one year;

Senior Partner and Head of the Professional Department, Director of Business Development and Social Reporting Department and Director of Training – BDO Ziv Haft Accounting Firm – 10 years;

Lecturer in the Departments of Business Administration and Accounting in undergraduate and graduate programs – Tel Aviv University, Hebrew U., Bar Ilan, The College of Management, the Academic Campus, Rupin Academic Center – Approximately 15 years.

Member of the Boards of Directors of the companies: Housing & Construction Holdings Ltd., Solel Boneh Overseas Ltd., Blue Green Development and Investments Ltd., Solel Boneh Construction & Infrastructure Ltd., Solel Boneh Ltd., Lime & Stone Industries Ltd. and Israel Salt Industries Ltd.

- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

(e) Ronen Israel - details:

- 1) Name: *Ronen Israel*;
- 2) I.D. Number: *055692578*;
- 3) Date of birth: *March 21, 1959*;
- 4) Address for service of process: *4/62 Shaul HaMelech Blvd., Tel Aviv*;
- 5) Citizenship: *Israeli*;
- 6) Member of the following committees of the Board of Directors: *Senior Managers' Compensation*;
- 7) Has accounting and financial expertise considering his education and occupations, as specified below;
- 8) Is not an employee of the Bank, a subsidiary or an affiliate of the Bank or of a holder of interest in the Bank;
- 9) Holds office as a director of the Bank since October 29, 2007;
- 10) (a) His education:

Ph.D. – Financing – Northwestern University, Evanston, U.S.A.

- (b) Occupation in the last five years and specification of the corporations in which he served or serves as a director:

Professor of Financing, Head of the Entrepreneurship Center, The Interdisciplinary Center Herzliya, 2000 to date;

Member of the Board of Directors – Chairman of the Audit Committee – Mizrahi Bank – 2003-2006;

Member of the Boards of Directors of the Companies: Elco Holdings Ltd. (outside director), Elran (D.D.) Investments Ltd. (outside director), Mivtach Shamir Holdings Ltd. (outside director).

- 11) Is not a family member of another holder of interest in the Bank;
- 12) The Bank deems the director as an accounting and financial expert for the purpose of compliance with the minimal number determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law.

Required majority: a simple majority of the participating votes (not including abstainers).

3.2 Approval of Directors' compensation, except in relation to directors, the compensation approval with respect to whom is submitted for approval under Section 3.3 below, and except in relation to Dan Danker, whose proposed terms of employment shall be approved separately, as said in Section 3.6 below

Subsequently to the resolution of the General Meeting dated November 10, 2005, which approved the compensation sums specified below, it is proposed to approve that the Company continue paying compensation for the office of a Company's director and for participating in the meeting of the Company's Board of Directors and the committees' thereof, in the aforesaid sums, to all of the Company's directors (including external directors), as they shall be from time to time, who are not controlling shareholders in the Company or relatives of the same or directors, the compensation payable for whom is paid to the controlling shareholders in the Company, and as long as they act as directors in the Company. And these are the compensation sums: annual compensation in the sum of NIS 93,810, which shall be paid in 4 equal payments at the beginning of each quarter for the preceding quarter; and participation compensation for participating in the meeting of the Board of Directors or of any of its committees in the sum of NIS 2,500 per meeting. The annual compensation and the participation compensation shall be fully and currently linked to the increase in the consumer price index, such that the basic index for calculating the linkage shall be the index published on December 15, 2004. As of the date of the report, the sum of the annual compensation after the linkage to the index is approx. NIS 99,313 and the participation compensation after the linkage to the index is approx. NIS 2,647.

Required majority: a simple majority of the participating votes (not including abstainers).

3.3 Approval of Directors' compensation to Messrs. Efrat Peled and Nir Zichlinsky

Approval of directors' compensation (annual compensation and participation compensation) to Messrs Efrat Peled and Nir Zichlinsky in the same sums and at the same terms as specified in Section 3.2

above, effective as from the beginning of their office in the Company, as long as they act as directors in the Company. Ms Efrat Peled acts as a director in the Company as from January 24, 2007. Mr. Nir Zichlinsky acts as a director in the Company as from September 10, 2007.

Required majority: a simple majority of the votes of the participating shareholders (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; or (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company.

3.4 Indemnification Undertaking

- (a) A prior undertaking to indemnify the following directors: Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler, in the form of the indemnification letter that is attached as Annex "B" of the Immediate Report (the "**Indemnification Letter**"). The form of the indemnification letter is in accordance with the form of the indemnification letters that were provided in the past to the other acting directors in the Company, as approved in the past by the Company's authorized bodies, including the General Meeting.

Required majority: a simple majority of the participating votes (not including abstainers).

- (b) A prior undertaking to indemnify the directors Efrat Peled and Nir Zichlinsky according to the form of the Indemnification Letter, as defined above.

Required majority: a simple majority of the votes of the participating shareholders (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; or (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company.

- (a) Ratifying the terms of the directors and officers liability insurance, which was renewed on June 1, 2007, and shall expire on May 31, 2008 (the “Existing Policy”). The total coverage sum is approx. 200 million dollar and the total premium is approx. 1,721 thousand dollar. For the rest of the insurance terms, see Section 6 in Chapter A of the Immediate Report.

Required majority: a simple majority of the votes of the participating shareholders (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; or (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company.

- (b) Approving that the Bank purchase insurance policies for officers liability insurance, after the expiry of the Existing Policy, which new policies shall be purchased, including by way of further extensions or renewal of the Existing Policy and/or by way of purchasing another policy, with an insurance coverage that shall be no less than the existing coverage as aforesaid, subject to the following accumulative conditions: (1) the purchases of the policies as aforesaid shall be done for such number of insurance periods that shall not exceed five years in total, after the expiry of the Existing Policy; and (2) the limits of the liability in such policy shall not exceed 400 million dollar, per action and in total, and the annual premium shall not exceed 5 million dollar.

Required majority: a simple majority of the votes of the participating shareholders (not including abstainers), provided that one of the following conditions is met: (1) at least one-third of the total votes of the shareholders, who do not have a personal interest in the resolution and who participate in the vote, shall be included in the counting of the majority votes; Abstentions shall not be counted in the count of the total amount of shareholder votes; or (2) the total votes of the opponents among the shareholders who are determined in Subsection (1) shall not exceed one percent of the total voting rights in the Company.

3.6 **Grant of options to Mr. Dan Dankner, the Chairman of the Company's Board of Directors, and approval to engage in an agreement with Mr. Dan Dankner, with respect to this office as the Chairman of the Company's Board of Directors**

It is proposed to approve as follows: [a] Mr. Dankner shall be allotted 825,000 options that are exercisable to up to 825,000 registered ordinary shares of the Company with a par value of NIS 1 against an exercise price of NIS 16.40 per option. This exercise price constitutes the average closing price of the Company's share in the Tel Aviv Stock Exchange Ltd. in the fifteen trading days prior to the date of the Board of Directors' resolution to grant the options. The options shall have a vesting period of one year that shall begin on June 24, 2007, which is the commencement date of his office as the Chairman of the Bank, and shall expire 4 years after the allotment date. The shares arising for Mr. Dankner from the exercise of the options (the "**Exercise Shares**") constitute approx. 0.07% of the Company's issued and paid-up capital and of the voting rights therein on the report's date. The fair value of the options based on the Black-Scholes model on the Board of Directors' approval date was NIS 3,942,025. For full details concerning the terms of the options and the calculation of the fair value, see material private placement report pursuant to the Securities Regulations (Private Placement of Securities in a Listed Company), 5760-2000, which is published by the Company concurrently with the Immediate Report; and [b] Mr. Dan Dankner shall stop, effective from January 1, 2008, receiving compensation from Isracard Ltd. ("**Isracard**") and from Poalim Capital Markets – Investment House Ltd., Poalim Capital Markets and Investments – Holdings Ltd., Poalim Capital Markets Ltd. and Poalim Ventures – Fund Management Ltd. (all subsidiaries of the Company, which shall be jointly referred to hereinafter as "**PCM**") (Mr. Dankner acts as the Chairman of the Board of Directors in these companies). Concurrently, Mr. Dankner shall enter into an agreement with the Company with respect to this office as the Chairman of the Company's Board of Directors. The term of the agreement is until June 30, 2012. According to the proposed agreement, the employment terms of Mr. Dankner, for the period that commenced on January 1, 2008, shall be as follows: monthly salary (gross) in the sum of NIS 140,000 (linked to the index increase, whereby the basic index is the index known on January 1, 2008); related benefits (the tax payments therefor shall be grossed up by the Company), including providing a car of group 7 as well as a chauffeur, and Mr. Dankner shall be entitled to have a telephone with two lines, to a cellular telephone, to reimbursement of expenses incurred by him in performing his duty, including for travels overseas and newspapers; the Company shall continue to make for Mr. Dankner remittances to pension, compensation, savings and advanced training provident funds, to which remittances were made for Mr. Dankner for his term of office in Isracard and PCM. Concurrently, the Bank shall deduct from Mr. Dankner's remuneration contributions for provident payments, which are Mr. Dankner's payments, and shall transfer the same to the provident funds, and all in the manner that it

was done on the eve of the agreement. Upon the discontinuation of the office, whether on Mr. Dankner's initiative or on the Company's initiative, Mr. Dankner shall be entitled to severance payment of 250%, for the period commencing on January 1, 2005; Mr. Dankner shall be entitled to 25 paid vacation days for each work year (and a relative number of work days for a part of the year); to annual convalescence payment, at the customary rate for executives, for 13 convalescence days; and to 25 paid sick days for each year. Sick and vacation days that were accumulated to Mr. Dankner's credit in the period commencing on May 15, 2004 and were not exercised by him shall be available to his credit during the term of the agreement with him; any grant of additional remuneration benefits to Mr. Dankner (bonus and additional options to Company's shares) shall be subject to the approval of the Audit Committee, the Board of Directors and the General Meeting of the Company, as well as to the obtaining of approvals as required under any law. Each one of the parties may terminate the engagement at any time, even before the end of the agreement's term, by giving a prior notice, provided that if the discontinuation of the office is on the Company's initiative, a prior notice of 12 months shall be given, and if the discontinuation of the office is on Mr. Dankner's initiative, a prior notice of 6 months shall be given.

Required majority: a simple majority of the participating votes (not including abstainers).

4. **The place and times at which the full language of the proposed resolutions may be inspected**

The proposed resolutions are available for inspection at the office of the Bank's secretary, 63-65 Yehuda Halevy Street in Tel Aviv, during regular working hours, after prior coordination at 03-5673800, starting from the date of publication of the announcement regarding the convening of the Annual Meeting in daily newspapers as required by law.

Validity of the Written Ballot

The Written Ballot shall only be valid if the following documents were attached thereto and if it was delivered to the Company (including by registered mail) until seventy two (72) hours prior to the time of the vote:

Unregistered shareholder¹ - confirmation of ownership (see Section 10 below).

Registered shareholder² - photocopy of identity card, passport or certificate of incorporation.

A Written Ballot delivered other than in accordance with the provisions of this section shall be invalid.

¹ A person to whose credit shares are registered with a TASE member, which shares are included in the shares that are registered in the Shareholders Register in the name of a transfer agent.

² A shareholder registered on the Company's books.

For this purpose, the "date of delivery" is the date on which the Written Ballot and its enclosures shall have reached the Company's offices.

5. **The Company does not enable voting through the Internet.**
6. **The Company's address for the delivery of Written Ballots and position statements**

At the office of the Bank's secretary, 63-65 Yehuda Halevy Street in Tel Aviv 65781 (7th floor).

7. **The last date for delivery of position statements to the Company by the shareholders**

Up to ten (10) days after the effective date (the "Last Date for Sending of Position Statements by the Shareholders"), i.e. until February 28, 2008.

The last date for delivery of the Board of Directors' response to the position statements

Up to 12 days before the convening of the general meeting, i.e. until March 8, 2008.

8. **Website addresses where the Written Ballots and position statements are available**

The Securities Authority's distribution website (the "Distribution Website"): <http://www.magna.isa.gov.il>

The website of the Tel Aviv Stock Exchange Ltd.: <http://maya.tase.co.il>

9. A non-registered shareholder is entitled to receive the ownership confirmation at a branch of the TASE member or by postal delivery, if so requested by him. A request on this matter shall be made in advance for a particular securities account.
10. A non-registered shareholder is entitled to receive by e-mail, free of charge, a link to the language of the Written Ballot and the position statements on the distribution website, from the TASE member through which he holds his shares, unless he shall have notified the TASE member that he is not interested in receiving such a link, or is interested in receiving Written Ballots by post, for a fee; his notice with respect to Written Ballots shall also be applicable to the receipt of position statements.
11. One shareholder or more holding shares at the Effective Date constituting five percent or more of the total voting rights in the Company, as well as a person who holds such a percentage of the total voting rights that are not held by a controlling shareholders in the Company as defined in Section 268 of the Companies Law ("Controlling Shareholder"), is entitled to inspect the written proxies, in person or through an agent on his behalf, after the convening of the general meeting at the Company's office as specified in Section 10 of the Companies Regulations (Written Vote and Position

Statements), 5766-2005, after prior coordination with the Company.

The quantity of shares constituting 5% of the total voting rights in the Company is 63,139,442 ordinary shares.

The quantity of shares constituting 5% of the total voting rights in the Company, which are not held by a Controlling Shareholder, is 46,214,655 ordinary shares.

A shareholder shall state his vote in the second part of this Written Ballot.

Bank Hapoalim B.M.

Written Ballot pursuant to the Companies Regulations (Written Vote and Position Statements), 5766-2005

Part II

The Company's name: Bank Hapoalim B.M.

The Company's address (for delivery and dispatch of Written Ballots): Bank Hapoalim, 63-65 Yehuda Halevy Street, Tel Aviv 65781, attn. the Bank's secretary (7th floor).

Company number: 52-000011-8

Date of meeting: **Thursday, March 20, 2008**

Type of meeting: Annual general meeting.

Effective date: **Monday, February 18, 2008**

Shareholder's details:

1. Name of shareholder: _____

2. Identity number: _____

3. If the shareholder has no Israeli I.D.:

Passport number: _____

Issuing state: _____

Valid until: _____

4. If the shareholder is a corporation:

Corporation number: _____

State of incorporation: _____

Vote:

Number of issue on the agenda	On the agenda	Vote ³			As for the approval of the directors' compensation for Messrs. Efrat Peled and Nir Zichlinsky – do you have a personal interest in the resolution ⁴ ?		As for the indemnification undertaking to Messrs. Efrat Peled and Nir Zichlinsky – do you have a personal interest in the resolution ⁴ ?		As for the insurance – do you have a personal interest in the resolution ⁴ ?	
		For	Against	Abstained	Yes	No	Yes	No	Yes	No
3.1	(a) Approval of re-election of the director Oded Sarig									
	(b) Approval of re-election of the director Mali Baron									
	(c) Approval of re-election of the director Leslie Littner									
	(d) Approval of re-election of the director Nir Zichlinsky									
	(e) Approval of re-election of the director Ronen Israel									
3.2	Approval of directors' compensation, except in relation to the directors specified in sections 3.3 and 3.6 of the Written Ballot									
3.3	Approval of directors' compensation to Efrat Peled and Nir Zichlinsky									
3.4	(a) Indemnification undertaking to the directors: Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler									
	(b) Indemnification undertaking to the directors Efrat Peled and Nir Zichlinsky									
3.5	(a) Ratifying the Existing Policy									
	(b) Approval to extend the policy, after expiry of Existing Policy									

³ An unchecked box will be deemed an abstention from voting on that issue.

⁴ The vote of a shareholder who shall not check either "Yes" or "No" shall not be counted and he shall be considered as not having participated in the vote.

3.6	Grant of options to and engagement in an agreement with Mr. Dan Dankner									
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Date

Signature

For shareholders holding shares via a TASE member (according to Section 177(1) of the Companies Law) – this Written Ballot is valid only together with a confirmation of ownership.

For shareholders who are registered in the Company's Shareholders Register – this Written Ballot is valid together with a photocopy of I.D./passport/certificate of incorporation.

Details:

The following are details concerning my having a personal interest in item 3.3 above (approval of directors' compensation to Efrat Peled and Nir Zichlinsky):

Details:

The following are details concerning my having a personal interest in item 3.4(b) above (indemnification undertaking to Efrat Peled and Nir Zichlinsky):

Details:

The following are details concerning my having a personal interest in item 3.5(a) above (ratifying the Existing Policy):

Details:

The following are details concerning my having a personal interest in item 3.5(b) above (approval to extend the policy, after expiry of Existing Policy):

Registration no. 520000118
The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Code name: Poalim

Street: P.O.B. 27, Tel Aviv 61000

Tel: 03-5673800; 03-5673333; Fax: 03-5674576

e-mail: yoram.weissbren@mailpoalim.co.il

Transmission date: 16/03/2008

Reference: 2008-01-073188

Washington, DC
Securities Authority
www.isa.gov.il

Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report regarding the schedule of holdings of Interested Parties

Regulation 33 (c) of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970

Following is the schedule of holdings of Interested Parties in the corporation as of 14/03/2008

No. of Holder	Name of Holder	Name, Category & Series of Security	Current Quantity of Securities	Extent of Holding		Extent of Holding (fully diluted)	
				% of capital	% of voting	% of capital	% of voting
1	Arison Holdings (1998) Ltd.	BNHP Ordinary Shares	262,731,308	20.80	20.80	20.51	20.51
2	Israel Salt Industries Ltd.	BNHP Ordinary Shares	75,764,441	6.00	6.00	5.91	5.91
3	Zvi Ziv	BNHP Ordinary Shares	17,088	0.00	0.00	0.00	0.00
4	Yoseph Dauber	BNHP Ordinary Shares	16,530	0.00	0.00	0.00	0.00
5	Management clients of AllianceBernstein, AXA IM, and their respective affiliates	BNHP Ordinary Shares	94,842,236	7.51	7.51	7.40	7.40
6	Lazard Asset Management LLC	BNHP Ordinary Shares	63,608,757	5.04	5.04	4.97	4.97

Explanations:

1. Holdings of convertible securities should be reported, including convertible securities, which are not listed for trading.
2. If an interested party holds more than one category of securities, the extent of his holdings should be stated taking into consideration all of the securities held by him on one line only.
3. The schedule of holdings of all interested parties should be listed in this form, including holdings which have remained unchanged.
4. Where the interested party is a subsidiary company, the holdings should be separated into shares which were purchased before the Companies Law, 5759-1999 took effect and which confer rights as to capital and voting, and shares which were purchased after the Law took effect and which are inactive shares.
5. If the interested party is a corporation, the name of the controlling party in the corporation should be reported as well.

Name of Holder: Arison Holdings (1998) Ltd.

No. of Holder: 1

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: Number at the Registrar of Companies

Country of Citizenship/Incorporation or Registration: _____

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: *No*

Are the shares held inactive shares: *No*

Stock Exchange Security Number: *662577*

Balance in previous comprehensive report (quantity of securities): *262,731,308*

Change in Quantity of Securities: *0*

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

The holdings of the interested parties in the Bank are as follows:

Eternity Holdings One Trust holds 23.07% of the shares of Arison Holdings (1998) Ltd., which holds 20.80% of the shares of Bank Hapoalim B.M. (hereinafter: "the Bank").

Furthermore, Eternity Holdings One Trust holds 23.07% of the shares of the company Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the shares of the Bank.

Eternity Four Trust holds 53.86% of the shares of Arison Holdings (1998) Ltd., which holds 20.80% of the shares of the Bank.

Furthermore, Eternity Four Trust holds 53.86% of the company Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the shares of the Bank.

Nickel 97 – A Trust holds 23.07% of the shares of Arison Holdings (1998) Ltd., which holds 20.80% of the shares of the Bank.

Furthermore, Nickel 97 – A Trust holds 23.07% of the shares of the company Arison Sustainability Ltd., which holds 100% of the shares of Arison Investments Ltd., which holds 100% of the shares of Arzaf D Ltd., which holds 82.2% of the shares of Israel Salt Industries Ltd., which holds 6.00% of the shares of the Bank.

Ms. Shari Arison, holder of Israeli citizenship (Israeli Identity Document 064767437) is the principal beneficiary of Eternity Holdings One Trust and of Eternity Four Trust.

Mr. Mickey Arison, holder of American citizenship (Passport Number 219203102) is the principal beneficiary of Nickel 97 – A Trust.

Name of Holder: *Israel Salt Industries Ltd.*

No. of Holder: *2*

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: *Number at the Registrar of Companies*

Identity Number: *520037573*

Citizenship/Country of Incorporation or Registration: *Incorporated in Israel*

Country of Citizenship/Incorporation or Registration: _____

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: *No*

Are the shares held inactive shares: *No*

Stock Exchange Security Number: *662577*

Balance in previous comprehensive report (quantity of securities): *75,764,441*

Change in Quantity of Securities: *0*

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

Name of Holder: *Zvi Ziv.*

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: *Number of Identity Document*

Identity Number: 004143699

Citizenship/Country of Incorporation or Registration: *Private person with Israeli citizenship*

Country of Citizenship/Incorporation or Registration: _____

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: *No*

Are the shares held inactive shares: *No*

Stock Exchange Security Number: 662577

Balance in previous comprehensive report (quantity of securities): 17,088

Change in Quantity of Securities: 0

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

Name of Holder: *Yoseph Dauber*

No. of Holder: 4

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: *Number of Identity Document*

Identity Number: 007447584

Citizenship/Country of Incorporation or Registration: *Private person with Israeli citizenship*

Country of Citizenship/Incorporation or Registration: _____

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: *No*

Are the shares held inactive shares: *No*

Stock Exchange Security Number: 662577

Balance in previous comprehensive report (quantity of securities): 16,530

Change in Quantity of Securities: 0

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

Name of Holder: *Management clients of AllianceBernstein, AXA IM, and their respective affiliates*

No. of Holder: 5

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: *Other Identification number*

Identity Number: 13-4064930

Citizenship/Country of Incorporation or Registration: *Incorporated overseas*

Country of Citizenship/Incorporation or Registration: *U.S.A.*

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: *Yes*

Are the shares held inactive shares: *No*

Stock Exchange Security Number: 662577

Balance in previous comprehensive report (quantity of securities): 94,839,126

Change in Quantity of Securities: 3,110

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

Out of the total balance 68,499,910 holdings with voting rights

Together: AllianceBernstein L.P., AXA Investment Managers, AXA Rosenberg Investment Management LLC, AXA China Region Insurance Company (Bermuda) Ltd.

Name of Holder: *Lazard Asset Management LLC*

No. of Holder: 6

Explanation: To be filled in if the interested party is a banking corporation or an insurer

Category of Identity Number: *Other Identification number*

Identity Number: 05-0530199

Does the holder serve as a representative for reporting purposes of a number of shareholders who hold securities of the Corporation together with him: Yes

Are the shares held inactive shares: No

Stock Exchange Security Number: 662577

Balance in previous comprehensive report (quantity of securities): 63,608,757

Change in Quantity of Securities: 0

Explanation: If a decrease in number is reported, a negative value should be stated, i.e. represented by the sign "-".

Remarks:

The holding is on behalf of holdings of Lazard Asset Management LLC, its subsidiaries and its clients.

As of the date of this report and according to the directives of the law, the controlling party in the corporation is :

1. Arison Holdings (1998) Ltd.;

2. Israel Salt Industries Ltd.

- = Remark = - extent of holding (fully diluted) does not include subordinated capital notes Series A, B and C.

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Code name: Poalim

Street: P.O.B. 27, Tel Aviv 61000

Tel: 03-5673800; 03-5673333; Fax: 03-5674576

e-mail: yoram.weissbrem@mailpoalim.co.il

Washington, DC

Transmission date: 20/03/2008

Reference: 2008-01-079353

Securities Authority

www.isa.gov.il

Tel Aviv Stock Exchange Ltd.

www.tase.co.il

Immediate Report of the Results of the Meeting for Approving a Transaction with a Controlling Party and/or for Approving a Private Offer

Under Regulation 13 of the Securities (A Transaction between a Company and a Controlling Party Thereof) Regulations, 5761-2001 or Regulation 22 of the Securities (A Private Offer of Securities in a Registered Company) Regulations, 5760-2000.

If there were additional subjects on the agenda of the meeting they should be specified in Clause 3.

1. Following are the results of the general meeting which convened on 20th March, 2008:

2.

1

Type of Transaction: *Other*

Approval of directors' remuneration for the honorable Efrat Peled and Nir Zichlinsky

Extract of the Proposed Resolution:

To approve directors' remuneration for the honorable Efrat Peled and Nir Zichlinsky, (in such amounts and on such terms as are specified in Item 3 of the agenda of the meeting which were approved with reference to all of the directors), all on the terms specified in the immediate report published by the Bank on 13th February, 2008, as amended by the amending immediate report of 13th March, 2008 ("the Convening Report").

The Meeting Resolved: *To approve*

Number of Shares Participating in the Voting: 781,004,344

Number of Shares Voting in Favour: 765,583,885

Number of Shares Voting Against: 15,420,459

Percentage of Votes Against of the Total Number of Shares Voting: 1.97%

Percentage of Votes in Favour of Approving the Transaction of the Total Number of Voters Who Have No Personal Interest in the Transaction: 96.52%

Percentage of Voters Against, Who Have No Personal Interest in the Transaction, of the Total Number of Voting Rights in the Company: 1.22%

2

Type of Transaction: *Other*

Undertaking to indemnify the honorable Efrat Peled and Nir Zichlinsky

Extract of the Proposed Resolution:

To approve an engagement by the Bank whereby the Bank gives an undertaking in advance to indemnify the directors the honorable Efrat Peled and Nir Zichlinsky, on the same terms as are conferred upon all of the other directors and as specified in the Convening Report, and in the form of the deed of indemnity attached to such report.

The Meeting Resolved: *To approve*

Number of Shares Participating in the Voting: 861,322,658

Number of Shares Voting in Favour: 855,049,430

Number of Shares Voting Against: 6,273,228

Percentage of Votes Against of the Total Number of Shares Voting: 0.73%

Percentage of Votes in Favour of Approving the Transaction of the Total Number of Voters Who Have No Personal Interest in the Transaction: 98.80%

Percentage of Voters Against, Who Have No Personal Interest in the Transaction, of the Total Number of Voting Rights in the Company: 0.50%

Type of Transaction: *Other*

Ratification of the terms of the directors' and office holders' liability insurance which was renewed on 1st June, 2007, and which expires on 31st May, 2008, as specified in the Convening Report.

Extract of the Proposed Resolution:

To ratify the terms of the directors' and office holders liability insurance which was renewed on 1st June, 2007 and which expires on 31st May, 2008 ("the Existing Policy"), as specified in the Convening Report.

The Meeting Resolved: *To approve*

Number of Shares Participating in the Voting: 842,309,138

Number of Shares Voting in Favour: 797,317,727

Number of Shares Voting Against: 44,991,411

Percentage of Votes Against of the Total Number of Shares Voting: 5.34%

Percentage of Votes in Favour of Approving the Transaction of the Total Number of Voters Who Have No Personal Interest in the Transaction: 91.07%

Percentage of Voters Against, Who Have No Personal Interest in the Transaction, of the Total Number of Voting Rights in the Company: 3.56%

Type of Transaction: *Other*

Approval of the extension of the directors' and office holders' liability insurance after the expiry of the Existing Policy, on the terms specified in the Convening Report.

Extract of the Proposed Resolution:

To approve the extension of the directors' and office holders' liability insurance after the expiry of the Existing Policy, on the terms specified in the Convening Report.

The Meeting Resolved: *To approve*

Number of Shares Participating in the Voting: 842,309,138

Number of Shares Voting in Favour: 796,487,727

Number of Shares Voting Against: 45,821,411

Percentage of Votes Against of the Total Number of Shares Voting: 5.44%

Percentage of Votes in Favour of Approving the Transaction of the Total Number of Voters Who Have No Personal Interest in the Transaction: 90.91%

Percentage of Voters Against, Who Have No Personal Interest in the Transaction, of the Total Number of Voting Rights in the Company: 3.63%

3. The Resolutions of the Meeting on Other Matters on the Agenda:

Following are additional resolutions adopted by the meeting, which are not transactions with controlling parties and which were approved by the meeting by an ordinary majority of shareholders who participated in the voting (not including those abstaining), as follows:

- a. *To approve the re-election of the following directors to the Board of Directors of the Bank: Oded Sarig, Mali Baron, Leslie Littner, Nir Zichlinsky and Ronen Israel. 99.92% of the shareholders who participated in the voting (not including those abstaining) voted in favour of the motion.*
- b. *To approve, further to the resolution of the general meeting of the Bank which was held on 10th November, 2005 and which approved the amounts of remuneration stated below, that the Bank continue to pay remuneration to the directors (except for the directors Efrat Peled and Nir Zichlinsky the approval of whose remuneration was separately approved as stated above, except for Dan Dankner whose terms of employment were separately approved as stated below) for acting as a director of the Bank and for participating in meetings of the Board of Directors of the Bank and its committees, in amounts and on terms as stated in the Convening Report, to each director of the Bank (including external directors), whoever they may be from time to time, and who are not controlling parties of the Bank or their relatives or that the remuneration paid on their account is not paid to the controlling parties of the Bank, and for as long as they act as directors of the Bank, all on such terms and as specified in the Convening Report. 98.03% of the shareholders who participated in the voting (not including those abstaining) voted in favour of the motion.*
- c. *Approval of the engagement by the Bank, according to which the Bank will give an undertaking in advance to indemnify the following directors: Oded Sarig, Mali Baron, Leslie Littner, Ronen Israel and Yair Orgler, as specified in the Convening Report, and in the form of the deed of indemnity attached to*

- d. To approve the reappointment of Ziv Haft, Certified Public Accountants and Somekh Chaikin, Certified Public Accountants as the auditors of the Bank, until the next annual general meeting is convened, and to authorize the Board of Directors to determine their remuneration. 100% of the shareholders who participated in the voting (not including those abstaining) voted in favour the motion.
- e. To approve the granting of options to Mr. Dan Dankner, Chairman of the Board of Directors of the Bank and to approve the entering into an agreement with Mr. Dan Dankner with respect to his function as Chairman of the Board of Directors of the Bank, as stated in the Convening Report, and in the private offer report published by the Bank on 13th February, 2008. 84.55% of the shareholders who participated in the voting (not including those abstaining) voted in favour of the motion.

4. This report is submitted further to the report/s specified below:

Report	Date of Publication	Reference Number
Original	13 th February, 2008	2008-01-043920
Amending	13 th March, 2008	2008-01-072068
Original	13 th February, 2008	2008-01-043926

Note to Clause 1 – The annual general meeting of the shareholders of the Bank was held on 20th March, 2008 at 11:00 a.m.

Date: March 24, 2008
Reference: 802/08

To: The London Stock Exchange

Dear Sir or Madam,

Re: Immediate Report

In accordance with the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, and further to the immediate report which Bank Hapoalim B.M. (hereinafter: "the Bank") published on 12th November, 2007, the Bank is pleased to announce that on Monday, 24th March, 2008, at about noon, the transaction was completed whereby Gad Gmulim Provident Fund Management Company Ltd, which is a wholly-owned subsidiary company of the Bank (hereinafter: "Gad Gmulim") sold to Psagot Provident Funds Ltd., the previous name of which was Psagot Ofek Gemel Ltd. (hereinafter: "Psagot"), the activities of the Gadish provident fund (hereinafter: "Gadish") including the goodwill acquired by Gad Gmulim in the course of managing Gadish and all of the rights and obligations of Gad Gmulim with regard to the management of Gadish, including the right to receive management fees.

By way of consideration for the aforesaid rights, Psagot paid approximately NIS 629 million. The consideration constitutes an amount, which is the product of 3.175% of the monetary volume of the assets of Gadish on the completion date of the transaction.

The Bank will record in its financial statements for the first quarter of the year 2008 a net profit of approximately NIS 383 million.

Yours faithfully,
Bank Hapoalim B.M.

(-)

(-)

Barry Ben-Zeev
Senior Deputy Managing Director

Yoram Weissbrem
Secretary of the Bank

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Code name: Poalim

Street: P.O.B. 27, Tel Aviv 61000

Tel: 03-5673800; 03-5673333; Fax: 03-5674576

e-mail: yoram.weissbrem@mailpoalim.co.il

Transmission date: 26/03/2008

Reference: 2008-01-085479

Washington, DC

Securities Authority

www.isa.gov.il

Tel Aviv Stock Exchange Ltd.

www.tase.co.il

Immediate Report Regarding a Change in the Securities of the Corporation

The corporation advises that

○

● From 01/03/2008 until 26/03/2008

A change in the quantity of the securities of the Corporation has occurred as follows:

1. A Description of the Nature of the Change:

Explanation: A comprehensive description should be given of the transaction or the operation on account of which a change in the securities of the Corporation has occurred.

Realization of Employees Options / Withdrawal of Certificate

Date of the change	Nature of the change	Category and name of the securities with respect to which a change has occurred	Stock Exchange number	Quantity of the change	Whether executed through the Stock Exchange Clearing House
26/03/2008	Other Realization of Employees Options, not including expiries	Ordinary Share BNHP	662577	64,599	Yes
25/03/2008	Other Withdrawal of Certificate of Client	Ordinary Share BNHP	662577	7,303,588	Yes

Explanations:

- To the extent that the change affects more than one security, the effect of the change should be detailed on a separate line for each security.*
- Date of the Change – all of the changes of the same category, with respect to the same security, effected on the same day, should be summarized on one line. In that regard, a distinction should be made between changes made through the Stock Exchange Clearing House and changes made directly on the books of the Corporation.*
- The change – for a decrease the sign "-" should be added.*
- In all fields of the quantity, the quantity of securities should be filled in and not the NIS nominal value.*

2.a. The Schedule of the Share Capital of the Corporation after the Change:

Name & category of share	Stock Exchange number	Number of shares in the authorized capital	Issued & paid up capital	
			Quantity in last report	Present quantity
BNHP Ordinary Shares	662577	2,000,000,000	1,262,895,272	1,262,959,871

Explanation: All categories of shares should be specified – including shares, which are not registered for trading.

b. Schedule of Other Securities of the Corporation:

No. of security	Name of security	Category of security	Name of trustee	Quantity in the last report	Present quantity	Listed for trade
6620207	Poalim Subordinated Capital Notes "A"	Other		676,000,000	676,000,000	Yes
6620215	Poalim Subordinated Capital Notes "B"	Other		459,400,000	459,400,000	No
6620280	Poalim Subordinated Capital Notes "C"	Other		896,400,000	896,400,000	Yes
6620280	Poalim Subordinated Capital Notes "C"	Other		3,600,000	3,600,000	No
6620223	Employees Options 2004 *	Option		1,697,433	1,632,834	No
6620231	Employees Options 2005	Option		3,904,250	3,904,250	No
6620249	Employees Options 2006	Option		3,972,746	3,972,746	No
6620256	Personal Employment Contract Options 2006	Option		45,071	45,071	No
6620264	Employees Options 2007	Option		4,054,817	4,054,817	No
6620272	Personal Employment Contract Options 2007	Option		65,995	65,995	No
6620306	Personal Employment Contract Options 2008	Option		104,512	104,512	No
6620298	Employees Options 2008	Option		4,159,504	4,159,504	No

Explanation: All of the securities of the Corporation should be specified, except for shares (including securities not registered for trading).

c. Attached hereto is an uptodate file of the corporations securities lists, as well as the shareholders lists, the option holders notebook, and the bond holders notebook [book_isa.pdf](#)

* Including expiries and realizations

List of Shareholders of Bank Hapoalim B.M.

Data on Holdings as at: 26 March 2008

List of Shareholders of Bank Hapoalim B.M	Amount of shares
Nominee Company of Bank Hapoalim B.M	924,490,618
A. Shares of Core of Control	
Arison Holdings (1998) Ltd.	<u>255,354,390</u>
Total	255,354,390
B. Free Shares	
Arison Holdings (1998) Ltd.	7,376,918
Israel Salt Industries Ltd.	<u>75,664,441</u>
Total	83,041,359
Savion Tal	35,800
Tzitzian Avraham	31,680
Don Maxwell	2,450
Vardi Rachel	780
Agmon Eliyahu	700
Barkner Albert	603
Kikov Esther	568
Levi Victoria	544
Adv. Mindel Menachem Yigal	122
Geva Ariyeh	100
Pentzer Nathan	75
Zachs Eran	40
Newman David	10
Yehuda Bar Lev	10
Aaron Elias	10
Kelev Victoria	5
AMM G. Investments & Financials Ltd.	2
Livnat Raz	1
Zektzer Ram	1
Kramer Moshe	1
Erez Tal	1
Feldman Avi	<u>1</u>
	1,262,959,871

List of Holders of Subordinated Capital Notes 'A' 6620207

As of date : 26/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	671,000,000
The Provident Fund of Bank Leumi Staff	5,000,000
Total Capital	676,000,000

List of Holders of Subordinated Capital Notes 'B' 6620215

As of date : 26/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	459,400,000
Total Capital	459,400,000

**List of Holders of Subordinated TACT (Tel-Aviv Continuous
Trading) Institutional Capital Notes 'C' 6620280**

As of date : 26/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	896,400,000
S.D.S.Z. Investments Ltd.	3,600,000
Total Capital	900,000,000

List of Holders of Employees Options 2004 6620223

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	1,632,834
Total Capital	1,632,834

List of Holders of Employees Options 2005 6620231

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	3,904,250
Total Capital	3,904,250

List of Holders of Employees Options 2006 6620249

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	3,972,746
Total Capital	3,972,746

List of Holders of Personal Employment

Contract Options 2006 6620256

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	45,071
Total Capital	45,071

List of Holders of Employees Options 2007 6620264

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	4,054,817
Total Capital	4,054,817

List of Holders of Personal Employment

Contract Options 2007 6620272

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	65,995
Total Capital	65,995

List of Holders of Personal Employment

Contract Options 2008 6620306

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	104,512
Total Capital	104,512

List of Holders of Employees Options 2008 6620298

As of date : 26/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	4,159,504
Total Capital	4,159,504

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Code name: Poalim

Street: P.O.B. 27, Tel Aviv 61000

Tel: 03-5673800; 03-5673333; Fax: 03-5674576

e-mail: yoram.weissbrem@mailpoalim.co.il

Transmission date: 27/03/2008

Reference: 2008-01-086568

Securities Authority
www.isa.gov.il

Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report on a Private Offer

Regulations 3(a)(1), 20, 21, 17(c) of the Securities (Private Offer of Securities in a Listed Company) Regulations, 5760-2000

Explanation: If it concerns a Private Offer, which is also a transaction with a controlling party, form T - 133 only should be completed.

Explanation: This form also serves for filing an amending report or an amendment to a report.

1. Submitted herewith is an Immediate Report on a Private Offer. isa.pdf 260308

Explanation: If on the agenda of the meeting there are additional matters other than approval of the Private Offer, all of the details required by law should be included in the attached file.

2. Nature of the Offer *Not Material*

3. Date of Approval of the Transaction by the Board of Directors 26/03/2008

4. Reference Number of the Preliminary Report _____

Date Filed _____

Main changes made in this Report in comparison to the last version of the Preliminary Report.

Explanation: It should be noted whether a preliminary report was filed

5. Reference number of the Report of the Offer first filed _____, Date on which the Report was first filed _____

Reference numbers of previous drafts filed _____, _____, _____

Explanation: It should be noted whether it concerns an amended report

6. The Allotted Securities

No.	Type of Security	Number of Allotted Security on the Exchange (if listed)	Quantity Allotted	Percentage of Voting Rights Conferred by Allotted Securities	Percentage of Capital Conferred by Allotted Securities
1	Share	662577	52,500,000	0.04	0.04
2	Option Warrant		7,500,000	0.01	0.01

Explanation: The percentage should be calculated according to the rights in the Company prior to the Offer; if convertible securities are allotted, the percentage, which they would constitute had they been converted or realized should be noted.

7. Financial Statements were not attached to the Report pursuant to Regulation 9(2);

Auditors' name _____

The review report / opinion of auditors on the attached Financial Statements, is identical to the originally signed copy given to the Company.

If Financial Statements were not attached the reason should be stated

A transaction, which is not material _____

8. Professional Opinions were not attached to the Report:

No.	Name of Person Giving the Opinion and the Company Employing Him	Effective Date of the Opinion
1	_____	_____

Explanation: Opinions or review reports of auditors should not be noted here.

9. Is a general meeting required No If so, the time fixed for the meeting _____
at _____ o'clock

At the address _____

Determination Date _____

Number of Security on the Exchange, which entitles the holder thereof to attend the meeting:

10. Details of the representative of the Company for dealing with the report on the transaction, including his office address and telephone and facsimile numbers

Barry Ben-Zeev – Senior Deputy Managing Director, Bank Hapoalim B.M., 63 Yehuda Halevy St., Tel-Aviv,
Telephone: 03-5675909; Fax: 03-5675833

11. If it concerns an exceptional Private Offer, the following should be noted:

☐ Handling fee as yet unpaid

☐ Handling fee as it was at the time the exceptional Private Offer was published: NIS 3,600. Additional fee:
the value of the offered securities $\times 0.03\%$ = _____. Sum total of the fee: _____.

The fee was paid on _____ by means of counterfoil no. _____.

Explanation: The value of the securities should be calculated as prescribed in the Regulations.

12. Attached ☐ Form of poll card ☐ Position notice

Explanation: If a poll card and/or a position notice is attached it needs to be ascertained that they are drawn up according to the Companies (Voting in Writing and Position Notices) Regulations, 5766-2005.

Website address where votes may be cast: _____

Explanation: This field should be completed if the Company enables voting through the internet under Regulation 5(c) of the Companies (Voting in Writing and Position Notices) Regulations, 5766-2005.

The E-mail address to which a member of the Stock Exchange may send the material which he is obliged to provide to the Company under regulation 4(c)(1) of the Companies (Voting in Writing and Position Notices) Regulations, 5766-2005:

13. The Company has applied to the Stock Exchange on 27/03/2008 in order to obtain approval for listing for trade of the shares offered or arising from the securities offered hereunder:

The above stated percentage, which the allotted option warrants confer in the voting rights and in the equity (assuming realization) has been rounded up.

The percentage, which the allotted option warrants confer in the voting rights and in the equity (assuming realization) is: 0.59% as stated in the attached report.

The reference numbers of the previous documents on the subject (any citation made does not constitute inclusion by way of reference):

2008-01-085038

Date: March 26, 2008
Reference: 802/08

To: The London Stock Exchange

Dear Sir or Madam,

RE: **Immediate Report**

In accordance with the Securities (Private Offering of Securities in a Listed Company) Regulations, 5760-2000 (hereinafter: **"the Private Offering Regulations"**) and the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, Bank Hapoalim B.M. (hereinafter: **"the Bank"**) is hereby pleased to report, as follows:

1. To-day, 26th March, 2008 before noon, there was signed between the Bank and York Capital Management, on behalf of funds which it manages (hereinafter: **"The York Fund"**), a binding memorandum of conditions (hereinafter: **"the Memorandum of Conditions"**) whereby the Bank has accepted the offer of the York Fund to allot to the latter shares and options for shares of the Bank, on the following conditions:

1.1 The Bank will allot to the York Fund 52,500,000 Ordinary Shares of NIS 1.- n. v. each of the Bank (hereinafter: **"Ordinary Shares"** and **"the Allotted Shares"**, as the case may be), for a consideration of the sum of NIS 735,000,000 to be invested by the York Fund in the capital of the Bank. Subject to the approval of the Tel-Aviv Stock Exchange the Allotted Shares will be listed for sale thereon.

1.2 In addition, the Bank will allot to the York Fund two equal portions of option warrants convertible into ordinary shares of the Bank, as follows:

a. 3,750,000 option warrants each exercisable for one ordinary share of the Bank for a period of 12 months from the closing date of the transaction, at a settlement price of NIS 19 per one ordinary share (hereinafter: **"the First Portion"**);

b. 3,750,000 option warrants each exercisable for one ordinary share of the Bank for a period of 24 months from the closing date of the transaction, at a settlement price of NIS 22 per one ordinary share (hereinafter: **"the Second Portion"**);

The aforesaid settlement prices will be adjusted in cases of distribution of dividends, bonus shares and the like.

The option warrants will not be listed for trading and will not be transferable (except to transferees expressly permitted in the Memorandum of Conditions), but, subject to

trading on the Stock Exchange.

The options are convertible by the York Fund, at its option, for cash by payment to the Bank of the settlement price as aforesaid, or by a method according to which shares would be allotted to it (without any additional payment in cash) the number of which reflects the extent of the profit which it could obtain at the time the options are exercised.

In order to implement the forgoing, the Bank will keep in its authorized capital a sufficient quantity of shares.

- 1.3 The York Fund has undertaken not to sell the shares which may be allotted to it for a period of 6 months from the closing date of the transaction, in parallel with the restrictions laid down by law (as set forth in Section 6 below). The York Fund has also undertaken not to hold, whether directly or indirectly (and including together with others and/or through voting agreements) 5% or more of the issued and paid up capital of the Bank, unless it obtains the requisite regulatory approvals.
- 1.4 The York Fund has further undertaken in the Memorandum of Conditions, that for a period of 5 years commencing on the closing date of the transaction, it will not hold 5% or more of the issued share capital of the Bank (whether directly or indirectly, and including together with others and/or through a voting agreement), without the approval of the Board of Directors of the Bank and such regulatory approvals as may be required. If the percentage of the minimum holdings in the Bank, which requires the approval of the Governor of the Bank of Israel, is increased, then the percentage of the maximum holdings, which the York Fund has undertaken not to exceed as aforesaid shall also be adjusted.

2. A Private Offering Which Is Neither Material Nor Out of the Ordinary

The aforesaid allotment does not fall within "a material private offering" or "an out of the ordinary private offering", as these terms are defined in Regulation 1 of the Private Offering Regulations.

3. The Percentage of the Securities Allotted

- 3.1 The Allotted Shares constitute about 4% of the issued and paid up share capital of the Bank and about 3.92% of the issued and paid up share capital of the Bank on a fully diluted basis.
- 3.2 Assuming the exercise of all of the option warrants by way of allotment in return for cash, the settlement shares arising from the exercise of the option warrants constitute about 0.59% of the issued and paid up share capital of the Bank and about 0.56% of the issued and paid up share capital of the Bank on a fully diluted basis. If the exercise of the option warrants, in whole or in part, is not for payment in cash, then the percentage of the settlement shares of the capital of the Bank will be lower.

- 4.1 The amount of the consideration for the Allotted Shares reflects a price of NIS 14 per one Ordinary Share of the Bank, which constitutes about 4% below the price of one ordinary share of the Bank on the Tel Aviv Stock Exchange at the close of trading on the day before the publication of this report (NIS 14.51).
- 4.2 The amount of the consideration for the settlement shares which are the subject of the First Portion, in as much as they may be realized, reflects a price of NIS 19 per one ordinary share of the Bank, which constitutes about 31% above the price of one ordinary share of the Bank on the Tel Aviv Stock Exchange at the close of trading on the day before the publication of this report (NIS 14.51).
- 4.3 The amount of the consideration for the settlement shares which are the subject of the Second Portion, in as much as they may be realized, reflects a price of NIS 22 per one ordinary share of the Bank, which constitutes about 52% above the price of one ordinary share of the Bank on the Tel Aviv Stock Exchange at the close of trading on the day of publication of this report (NIS 14.51).

5. **Particulars of Agreements between the York Fund and Holders of Shares**

To the best of the Bank's knowledge, on the basis of an examination, which it made with the York Fund, there are no agreements between the York Fund and holders of shares of the Bank pertaining to the purchase or sale of securities of the Bank or pertaining to voting rights in relation to the Bank.

6. **Particulars of any Prevention or Restriction Applicable to the Execution of Transactions in Relation to the Offered Securities**

To the best of the Bank's knowledge, according to the Securities Law 5728-1968 and the Securities (Particulars with Regard to Sections 15A to 15C of the Law) Regulations, 5760-2000 (hereinafter: "**the Section 15 Regulations**"), the restrictions set forth below will apply to a sale in the course of trade on the stock exchange of the Allotted Shares, including the settlement shares which are the subject of the option warrants, in as much as they may be realized:

- 6.1 For a period of six (6) months from the allotment date, the York Fund may not offer the securities so allotted, in the course of trading on the stock exchange, without publishing a prospectus the publication of which has been permitted by the Securities Authority.
- 6.2 For a period of six (6) consecutive quarters, to be reckoned from the end of the period stated in Section 6.1 above, the York Fund may offer within the framework of trading on the stock exchange, without publishing a prospectus the publication of which has been permitted by the Securities Authority, on any trading day of the stock exchange, no more than the daily average of the volume of trade on the stock exchange of the offered securities, during the period of the eight weeks preceding the offer date,

issued and paid up capital of the Bank as at the offer date.

For the purpose of this section, “**issued and paid up capital**” and “**quarter**” – according to their meanings in the Section 15 Regulations.

7. It is clarified that the Allotted Shares and the settlement shares, which are the subject of the option warrants, in as much as they may be realized, will be fully paid up shares.
8. The Board of Directors which convened today, 26th March, 2008, in the morning, resolved to approve the issue of the Allotted Shares to the York Fund and the issue of the First Portion and the Second Portion of the options, as provided in the Memorandum of Conditions.

Yours faithfully,

Bank Hapoalim B.M.

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Ilan Mazur, Advocate
Chief Legal Advisor

Yoram Weissbrem
Secretary of the Bank

Schedule 8

Date: March 30, 2008
Reference: 802/08

To: The London Stock Exchange

Dear Sir or Madam,

Re: Immediate Report

Bank Hapoalim B.M. (hereinafter: "the Bank"), hereby announces that on 30th March, 2008 the Bank was informed that the United States Federal Reserve announced that it had complied with the Bank's request and had conferred upon it, as of that date, the status of a Financial Holding Company (FHC) under the Bank Holding Company Act of the United States and the regulations of the central bank of the United States.

The Bank is the first Israeli banking corporation and the only one so far to be accorded this status, and joins the very few tens of non - American banking corporations that have been accorded the aforesaid status.

The status of an FHC allows the Bank to expand the scope of activities permitted to it and its subsidiary companies and enables the expansion of the range of services, which they offer to their customers in the USA, especially in the area of activity of securities. In this framework, the Bank will be able to act as a dealer in securities, in addition to its existing brokerage activities, to act as an underwriter and as a distributor of securities of different kinds, to support a variety of investment activities and to carry out the concomitant activities which are required in order to support them, all subject to the provisions of the law in Israel.

Furthermore, by having acquired this new status, the Bank will be able to apply shorter and simpler formal procedures whenever it makes applications to and files reports with the central bank of the United States, including with respect to possible acquisitions in the USA.

Yours faithfully,
Bank Hapoalim B.M.

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Yoram Weissbrem
Secretary of the Bank

Dr. Moriah Hoftman – Doron, Adv.
Deputy Chief Legal Adviser

Bank Hapoalim Ltd.

Schedule 1

March 31, 2008

U.S.
Mail Processing
Section

The Securities Authority
Via Magna

Tel Aviv Stock Exchange Ltd.
Via Magna

APR 11 2008

Dear Sirs and Madams,

Washington, DC
100

Re: Bank Hapoalim Ltd. (the "Bank" or the "Company") - Immediate Report Pursuant to Section 37A(3) of the Securities Regulations (Periodic and immediate reports), 5730-1970 (the "Reports Regulations")

Pursuant to Section 37A(3) of the Reports Regulations the Securities Regulations, an immediate report is hereby filed regarding an engagement with Mr. Zvi Ziv, the chief executive officer of the Company, which report is filed for the sake of prudence, in case such engagement is deemed to be an Extraordinary Transaction with an officer of the Company, as specified below.

1. **General Background**

The Bank's Executive Compensation Committee has for many months discussed the issue of the proper compensation for the senior employees of the Bank, desiring to appropriately compensate the senior employees while encouraging them to remain engaged with the Bank for the long-term; granting of pecuniary compensation with direct connection to performance; and granting appropriate compensation in view of the shareholders public. However, the committee has not yet finished its work and it appears that it will not be able to finish handling of the compensation plan that is proposed to the senior employees of the Bank, to timely propose the same to the Audit Committee and to the Board of Directors as well as to comply with the disclosing duties as required under the Securities Law and Regulations and the directives of the Securities Authority (the "Authority"), prior to the publication date of the financial statements for 2007.

2. Therefore, the Bank's Audit Committee and Board of Directors resolved, on March 30, 2008¹, to approve at this stage the following engagement with Mr. Ziv, the chief executive officer of the Company:

- 2.1 The Basic Deal Package: to extend Mr. Ziv's basic terms of employment until December 31, 2010, and to update his salary effective as from January 1, 2007.
- 2.2 Bonus for 2007: to grant a bonus to Mr. Ziv for his service as the chief executive officer in 2007.

¹ It should be noted that the decision of the Audit Committee of March 30, 2008, as aforesaid, was preceded by a preliminary discussion concerning the principles of the compensation to Mr. Ziv, which was held at the Audit Committee's meeting on March 23, 2008.

- 2.3 Options for 2007: to allot 1,140,000 options to Mr. Ziv; it should be noted that this Report contains the main terms of the options, whereas, concurrently herewith, the Company also is publishing a Material Private Placement Report pursuant to the Securities Regulations (Private Placement of Securities in a Listed Company), 5760-2000, (the "**Private Placement**"), which specifies all of the terms of the options.

At this stage, no proposal for approving any further bonuses and/or options to Mr. Ziv for 2008 and onwards was been brought to discussion and these shall be discussed in the future, subject to all of the approvals required under law. The report with respect to Mr. Ziv is for the sake of prudence only, insofar as the engagement with him should be deemed to be an Extraordinary Transaction.

Mr. Ziv's present terms of employment are specified in Section 3 of the Report. The details concerning the basic remuneration package offered to Mr. Ziv are specified in Section 4 of the Report. The details concerning the bonus to be granted to Mr. Ziv for 2007 and the options to be allotted to him are specified in Sections 5 and 6 to the Report, respectively.

3. Mr. Ziv's Present Terms of Employment

- 3.1 On February 18, 2004, the Company engaged with Mr. Ziv in an agreement for his employment as the chief executive officer of the Bank, which regulates his employment for a period of 3 years as from August 31, 2003, ("**Ziv Agreement**")².

- 3.2 The following is a summary of Mr. Ziv's terms of employment, according to the Ziv Agreement:

3.2.1 Position and remuneration: Mr. Ziv shall serve as the chief executive officer of the Bank. The (gross) monthly salary is in the sum of NIS 126,000 (the "**Salary**") and it shall be updated as customary in the Bank according to the increase of the index, the basic index for the calculation of the indexation being the index published for the month of March 2002. The update is performed as customary in the Bank, but no less than once a year. As of the date of the Report, the Salary, after indexation, is approx. NIS 137,645. It was further stipulated that the remuneration would be increased over the term of the agreement beyond the index increases at a rate to be determined by the Board of Directors, insofar as determined. It should be noted that, as of the date of this Report, no such increase was determined, except for the increase specified in Section 4.2 below.

3.2.2 Related benefits: the Bank shall reimburse to Mr. Ziv the reasonable expenses to be incurred by him in the performance

² Until August 31, 2003, Mr. Ziv served as Deputy CEO.

of his duty; the Bank shall put at his disposal a car of such model and type as approved by the Board of Directors³ as well as a chauffeur; Mr. Ziv shall be entitled to hold two telephone lines and a cellular phone, as customary with respect to members of the management. All of the tax payments that shall be applicable, insofar as applicable, to the aforesaid benefits and conditions shall be grossed-up by the Bank and be paid on the Bank's account.

3.2.3 Insurance, annuity and severance pay plan; advanced training fund: the Bank shall remit for Mr. Ziv a premium for provident payments and severance pay as customary in the Bank and at the Bank's customary rates and shall concurrently deduct from Mr. Ziv's salary a premium for provident payments constituting the employee's contribution, which shall be remitted to a provident fund⁴; in addition, the Company shall monthly remit payments to an advanced training fund for the benefit of Mr. Ziv, at a rate of 7.5% of the Salary. Concurrently, Mr. Ziv shall remit the advanced training fund a payment of 2.5% of the Salary.

3.2.4 Annual leave, convalescence payment, sick days: Mr. Ziv is entitled to 25 days of paid annual leave for each employment year (and a relative number of work days for a part of the year); annual convalescence payment at customary rate for members of management, for 13 convalescence days (and a relative convalescence days for a part of the year)⁵; Mr. Ziv is entitled to 25 paid sick days for each year. The unexercised sick days shall be redeemable according to the customary terms in the Bank for management employees⁶.

3.2.5 Termination of the engagement: each of the parties may terminate the engagement at any time with a 6-month advance notice. Upon expiration of the term of the agreement, as well as in case that the Bank should decide of its own initiative to terminate Mr. Ziv's employment or that Mr. Ziv should decide

³ The Bank put at Mr. Ziv's disposal a car of group 7.

⁴ It should be noted that the customary terms in the Bank in this matter are as follows: the Bank makes a remittance to the pension fund KGM for a part of Mr. Ziv's compensation, which presently amounts to NIS 31,222, and concurrently deducts from Mr. Ziv's compensation 7% of the aforesaid sum. For the remaining compensation, the Bank pays to Mr. Ziv in his pay slip, in lieu of a deposit in a savings provident fund, a sum equal to 5% of the remaining compensation.

⁵ As of the date of this Report, the sum of convalescence payment per convalescence day that is customary for members of management is NIS 462.

⁶ As of the date of this Report, the customary terms for the Bank's employees in this matter are as follows: if the employee retires upon reaching retirement age or with an unfunded pension, he is entitled to receive compensation for the non-exercise of sick days, as follows: if, during the term of his employment, the employee exercised less than 35% of the sick days, he shall receive compensation of 20% of the remaining sick days that he accumulated until the day of his retirement. If he exercised more than 35% but no more than 65% of the sick days, he shall receive compensation of 15% of the remaining sick days that he accumulated until the day of his retirement. If he exercised more than 65% of the sick days during the term of his employment, he shall be entitled to no pecuniary compensation.

to resign from his employment with the Bank, provided that the termination of his employment is not due to a cause that excludes the employee from receiving severance pay under law, or if Mr. Ziv deceases, then Mr. Ziv or his heirs, as the case may be, shall be entitled to severance pay as follows: for the term of Mr. Ziv's employment with the Bank, which preceded the entry into force of the employment agreement and ended on August 30, 2003, Mr. Ziv shall be entitled to severance pay of 250%. For the term of Mr. Ziv's employment under the employment agreement, which commenced on August 31, 2003, Mr. Ziv shall be entitled to severance pay of 220%. The aforesaid severance pay shall be paid to Mr. Ziv after deduction of the monies accumulated for severance pay in the provident funds, according to the funds' reports and as customary in the Bank. The effective Salary for the calculation of the severance pay shall be the chief executive officer's last Salary, which shall include such components as customary in the Bank⁷.

3.2.6 Cooling-off period: Mr. Ziv undertook to take a 6-month cooling-off period after the date of the termination of the employment relations between him and the Bank. During the cooling-off period, Mr. Ziv shall continue to receive his remuneration, unless the Bank waives in writing, at the Bank's discretion, the cooling-off period, at Mr. Ziv's request.

3.2.7 Annual bonus⁸: according to the agreement, Mr. Ziv shall receive payment of an annual bonus for every year (and a respective share for a part of a year), as follows:

3.2.7.1 If the "Net Profit Return on Equity" ("**Return**") in any year during the term of the contract (as this data appears in the "Board of Director's Report", which is a part of the "Bank's Annual Report") is equal to 8.5% or less, then Mr. Ziv shall not be entitled, for this year, to any annual bonus.

Should the Return, in any year during the term of the contract, be greater than 8.5%, then Mr. Ziv shall be entitled to an annual bonus, which shall be calculated in percentages of the Company's annual profit, as follows:

[a] For such part of the Net Profit, which represents a Return of 7% to 11%, Mr. Ziv is entitled to receive an annual bonus of 0.53%.

⁷ As of the date of the Report, the customary in the Bank is as follows: the monthly Salary in addition to 1/12 of the annual convalescence payment.

⁸ In the agreement, it was clarified that the annual bonus would not be taken into account as a component in calculating provident payments, leave, social remittances and severance pay.

- [b] For such part of the Net Profit, which represents a Return of more than 11% up to 15%, Mr. Ziv is entitled to receive an annual bonus of 0.63%.
- [c] For such part of the Net Profit, which represents a Return of more than 15%, Mr. Ziv is entitled to receive an annual bonus of 0.7%.

The “**Net Profit**” was defined as follows: “the net profit reported in the “consolidated profit & loss statement for the year ending on December 31”, which constitutes a part of the Bank’s Annual Report (for the avoidance of doubt, it is clarified that the net profit also includes the profits of other companies that are included in the Bank’s profit & loss statement, although they are not consolidated”).

3.2.7.2 In addition, Mr. Ziv is entitled to an additional annual bonus, which is calculated according to the following table, which is based on the Return on Assets (ROA):

Return on Assets	Additional Bonus
1%-1.04%	0.09%
1.05%-1.09%	0.18%
1.1%-1.14%	0.27%
1.15%-1.19%	0.36%
1.2%-1.24%	0.45%
1.25%-1.29%	0.54%

The Settlement Agreement

As stated in the Company’s immediate report dated October 4, 2006, a settlement agreement (the “**Settlement Agreement**”) was reached in the framework of an action and a motion to determine the action as a derivative action, which were filed with the District Court in Tel Aviv in July 2006 against the members of the Bank’s Board of Directors⁹ concerning compensation payments to the Bank’s senior executives. According to the Settlement Agreement, Mr. Ziv undertook to pay to the Bank the sum of NIS 13,115 thousand for the bonus of 2005. As stipulated in the Settlement Agreement, this sum shall be paid in three equal installments (in index-linked values) out of the sums that Mr. Ziv shall be entitled to receive from the Bank for the years 2006-2008¹⁰; in addition, according to

⁹ For more details concerning the action and motion to determine the action as derivative as well as concerning the Settlement Agreement, see the immediate report published by the Company on October 4, 2006 (Reference no.: 2006-01-107710).

¹⁰ The first payment in the sum of NIS 4,372 thousand was already made in December 2007. The remaining two payments shall be made no later than on May 1 of the years 2008 and 2009. Mr. Ziv

the Settlement Agreement, Mr. Ziv waived, as from 2006 and on, some of the annual bonuses (the two annual bonuses as aforesaid) that he is entitled to receive, as aforesaid, in the following manner: after determining the bonus that he is entitled to receive according to the aforesaid formulas, the part of the bonus shall be calculated, the sum of which is derived from the Bank's profit arising from forced sales (sales of provident and/or pension funds and mutual funds owned by the Bank, the sale of which was imposed on the Bank by law, including the sale of the Bank's shares in Bank Otsar Hahayal Ltd.; (the "**Forced Sales**")), and the full sum of the bonus for the Forced Sales shall be deducted from the annual bonuses that shall be actually paid to him.

3.2.8 Phantom units: according to the agreement, 2,500,000 phantom units were allotted to Mr. Ziv, without consideration. Each phantom unit is exercisable and grants to Mr. Ziv, upon exercise, the right to receive such NIS consideration that reflects the difference between the exercise price (which was determined as the average of the TASE prices for the Company's share during the 15 trading days prior to the commencement of the term of the agreement, subject to adjustments as specified in the agreement; the "**Exercise Price**") and the price of an ordinary share of NIS 1 par value of the Bank, which shall be determined in the TASE on the exercise date (the "**Exercise Consideration**")¹¹. The phantom units shall be exercisable at the following rates and dates: 1/3 at the end of one year after the commencement of the term of the agreement (August 31, 2003; the "**Effective Date**"); 1/3 at the end of two years after the Effective Date; 1/3 at the end of 3 years after the Effective Date.

3.3 On August 21, 2006, the Company's Audit Committee and the Board of Directors approved the extension of the agreement with Mr. Ziv for an additional 3 years (i.e. until August 31, 2009), not including however provisions with respect to additional compensation components (bonuses and phantom units or options). In addition, on February 22, 2007, the Audit Committee and the Board of Directors approved that the compensation to Mr. Ziv for 2006, also with respect to the compensation components of the bonuses and phantom units, shall be in accordance with the existing agreement, as if the existing agreement, including the compensation components of the bonus and the phantom units, was in force during all of 2006, provided, however, that no bonuses would be paid for profits resulting from the Forced

undertook to pay to the Bank the above sums even in the case of retirement from the Bank prior to the expiration of the said period.

¹¹ In the agreement, it was clarified that the Exercise Consideration shall not be deemed to be a part of the compensation and it shall not be taken into account with respect to the social remittances, severance pay and so forth.

Sales. Accordingly Mr. Ziv received, for the period from September 1, 2006, to December 31, 2006, an additional 277,778 phantom units¹².

The following is a list of the remuneration and benefits to Mr. Ziv for 2005 and 2006 (NIS in thousand):

	Remuneration	Bonuses	Value of Additional Benefits ⁽⁴⁾	Payments and Remittances ⁽²⁾	Benefit for Phantom	Total
2005	1,667	19,694 ⁽¹⁾	229	339	11,576	33,575
2006	1,689	8,127 ⁽³⁾	238	432	3,537	14,023

(1) This sum is before deduction of the sum of NIS 13,115 according to the Settlement Agreement.

(2) These payments and remittances include: remittances of the employer to provident funds and managers' insurance, national insurance, remittance for accumulated vacation, non-exercise of sick and severance pay.

(3) This sum is after deduction of the Forced Sales.

(4) These benefits include: car value, board and lodging value and telephone value, as well as the gross-up of the car value and the gross-up of advanced training fund.

4. **Extending the Engagement with Mr. Ziv and Updating the Terms of the Engagement with Mr. Ziv**

On March 30, 2008, the Audit Committee and the Board of Directors approved the updating of the terms of the engagement with Mr. Ziv as follows:

4.1 The agreement with Mr. Ziv shall be extended until December 31, 2010, not including the provisions concerning the additional compensation components (bonuses, phantom units or options).

4.2 Mr. Ziv's Salary, effective as from January 1, 2007, shall be in the sum of NIS 150,000 (the "**Updated Salary for 2007**"). The Updated Salary for 2007 shall be updated each month, as from January 1, 2008, according to the increase of the Consumer Price Index, the basic index for this purpose being the index known on January 1, 2008. The Bank shall complement the social remittances that are required due to the increase in Mr. Ziv's Salary. For the avoidance of doubts: until the date of the approval of the Audit Committee and the Board of Directors as aforesaid, Mr. Ziv received the Salary according to the terms specified in Section 3.2.1 above, rather than the Updated Salary for 2007, so that this approval is not a retroactive approval of the Audit Committee and the Board of Directors.

¹² Mr. Ziv was granted 2,500,000 phantom units for the term of the agreement, which was for a period of 3 years. The additional phantom units therefore constitute the additional units to which Mr. Ziv is entitled for a four-month period.

5. **Bonus for 2007**

On March 30, 2008, the Audit Committee and the Board of Directors approved that for 2007 Mr. Ziv shall be entitled to an annual bonus¹³ in the sum of NIS 1,350,000. Thus, the Audit Committee and the Board of Directors adopted the recommendation of the Bank's Executive Compensation Committee to grant to Mr. Ziv the aforesaid bonus in light of the Bank's net profit return from ordinary operations on equity for 2007 at a rate of approx. 12.3%.

6. **Options for 2007**

In addition, for 2007, Mr. Ziv shall be allotted 1,140,000 options¹⁴ that are exercisable to up to 1,140,000 registered ordinary shares of the Company with a par value of NIS 1 against an exercise price of NIS 16.30 per option. This exercise price constitutes the average closing price of the Company's share in the Tel Aviv Stock Exchange Ltd. in the period from January 1, 2008, to March 20, 2008, the last trading day prior to the meeting of the Company's Audit Committee on March 23, 2008, at which the principles of the compensation to Mr. Ziv were discussed. The options shall expire 4 years after the allotment date. The shares arising for Mr. Ziv from the exercise of the options (the "**Exercise Shares**") constitute approx. 0.09% of the Company's issued and paid-up capital and of the voting rights therein on date hereof¹⁵. The fair value of the options based on the Black & Scholes model on the Board of Directors' approval date was approx. NIS 3,565 thousand. **For full details concerning the terms of the options and the calculation of the fair value, see the Private Placement Report.**

7. **Further Details**

- 7.1 The employer's cost for the employment of Mr. Ziv in 2007, according to the Updated Salary, not including the annual bonus and a benefit due to a share-based payment, is estimated to be approx. NIS 3,785 thousand (it should be noted that this sum includes a one-time remittance in the sum of approx. NIS 1,250 thousand, which constitutes the complementing of remittances for Mr. Ziv's past work as a result of the increase of the remuneration in 2007). For comparison, the annual employer's cost (not including bonuses and a benefit due to a share-based payment) for Mr. Ziv amounted to approx. NIS 2,359 thousand for 2006 and to approx. NIS 2,305 thousand for 2005.

¹³ The annual bonus shall not be taken into account in the components for the calculation of provident payments, leave, social remittances and severance pay.

¹⁴ The options are only exercisable to shares that shall be purchased by the Bank for this purpose, subject to the approval of the Supervisor of Banks, and no new shares shall be issued for the exercise of the options. See the Private Placement Report.

¹⁵ The data concerning the percentage that the options constitute in the issued capital may be only theoretical since Mr. Ziv, who will exercise the options, may in practice not be issued all of the shares arising therefrom, but rather only shares in such amount that represents the sum of the pecuniary benefit in the options. For further details see the Private Placement Report.

7.2 The annual employer's cost (as from January 1, 2008) for Mr. Ziv's employment is estimated to be approx. NIS 2,700 thousand. As aforesaid, the bonus and the options that Mr. Ziv shall be entitled to receive for 2008 have not yet been determined (their determination shall be subject to the approval of the Bank's authorized bodies) and therefore the aforesaid cost does not include these components, if and insofar as they shall be approved in the future.

8. **The Manner of Determination of the Compensation and the Audit Committee and Board of Directors' Reasons for the Compensation**

8.1 On March 30, 2008, the Audit Committee and the Board of Directors approved the updating of the terms of the engagement with Mr. Ziv as aforesaid, after being presented with all of the following data: the current terms of the engagement with Mr. Ziv, the proposed update as aforesaid, an economic opinion prepared by Optimize Risk Management Ltd., which calculated the value of the benefit of the options granted according to the Black & Scholes model, and a comparative survey conducted by Ernst & Young, which reviewed the terms of office of officers in a similar position holding office in similar companies and the accepted remuneration in the industry, divided by categories as follows: (1) banks in Israel; (2) banks and insurance companies; (3) other large companies that are included in the Tel Aviv 25 index; and (4) foreign banks (the "Ernst & Young Survey"). The Audit Committee and the Board of Directors were also presented with the opinion of Prof. Haim Levy, who was asked to advise the Board of Directors on the reasonability of the compensation proposed to Mr. Ziv ("Prof. Levy's Opinion").

8.2 The Audit Committee and the Board of Directors noted in their reasons Mr. Ziv's vast business experience and proven managerial ability, which contribute and are also expected to contribute in the future a considerable contribution to the Bank and its business results. The Audit Committee and the Board of Directors further noted Mr. Ziv's success in leading the Bank during the last four years as the Bank's chief executive officer, while in 2007 Mr. Ziv faced considerable challenges, including regulatory changes directly concerning the Bank's main growth engines and profit sources as well as coping with the financial crisis in the world markets in general and in the U.S. in particular, which harmed the value of the Bank's investments in asset-backed bond portfolios. All the aforesaid notwithstanding, Mr. Ziv led the Bank to impressive achievements in 2007, including: (a) an increase in credit to the public by approx. 10% compared to 2006 and an increase in the public deposits by approx. 7% compared to 2006; (b) continuation in the trend of improvement in the Bank's credit, with the provision for doubtful debts having decreased by approx. 48% compared to 2006 and the balances of credit to problematic borrowers having decreased by approx. 17.5% compared to 2006; and (c) an increase in the client assets that are managed by the Bank by approx.

15% compared to 2006, mainly as a result of the increase of the securities portfolio of the Bank's clients.

8.3 The Ernst & Young Survey

According to the findings of the Ernst & Young Survey, the economic benefit in the allotment of the options in the scope of approximately NIS 3,565 thousand, calculated according to the Black & Scholes model, exceeds the top range of the survey's findings in category 1 (banks and insurance companies), relative to officers in a similar position, by approximately 8.3%, and is within the range of the survey's findings in category 2 (banks and insurance companies) and 3 (large companies)¹⁶. In this context, the Audit Committee and the Board of Directors noted that the comparison to other banks in Israel was lacking, since the position of the Bank's chief executive officer involves different nature and challenges than the position of chief executive officers in other banks in Israel, since the Bank, being the biggest privately owned (i.e. without any significant holding of the Government of Israel in the Bank's shares) bank in the State of Israel, is different in many aspects from the banks in Israel, which were examined in the Ernst & Young Survey, and the responsibilities of the Bank's chief executive officer are more numerous in comparison to a similar position in other banks in Israel. In this context, the Bank's considerable weight in the global banking activity in Israel was also mentioned (approx. 30% of the banking activity market in Israel is held by the Bank).

According to the survey findings, the bonus to the chief executive officer, in the scope of NIS 1,350 thousand, is within the survey's findings in category 1 (banks in Israel) and 2 (banks and insurance companies). In this context, Ernst & Young note that in category 1 (banks in Israel) it is customary to derive the managers' bonus from the return on equity in the relevant year and in category 2 (banks and insurance companies) it is customary to derive the managers' bonus as a combination of the profit (as stated in the financial statements for the relevant year) with the return on equity.

The chief executive officer's basic remuneration for 2007 (not including the component of the cost of increasing the liability of severance pay for previous years), in the scope of approx. NIS 2,535 thousand, is within the range of the survey's findings in category 1, 2 and 3 (banks, banks and insurance companies, large companies, respectively) and lower than the range in category 4 (foreign banks)¹⁷.

¹⁶ No observations were found with respect to the value of the benefit in the granting of options in category 4 (foreign banks).

¹⁷ The foreign banks reviewed are: Anglo Irish Bank – Ireland, Credem – Italy, Kaupthing Bank – Iceland, HSBC Trinkaus & Burkhardt AG – Germany, Banca CR Firenze SpA – Italy. In addition, the following are data taken from the website of the Central Bureau of Statistics concerning the domestic gross product per capita (based on the value of purchase force) in 2005 in each of the aforesaid

According to the survey findings, the overall compensation package to Mr. Zvi Ziv for 2007 (not including the component of the cost of increasing the liability of severance pay for previous years), in a total scope of approx. NIS 7,450 thousand¹⁸, is within the range of the survey's findings in category 1 (banks in Israel), 2 (banks and insurance companies) and 4 (foreign banks^{19,20}).

In addition, the chief executive officer's basic remuneration for 2008 (not including the component of the cost of increasing the liability of severance pay for previous years), in the scope of approx. NIS 2,700 thousand, is within the range of the survey's findings in category 1, 2 and 3 (banks, banks and insurance companies, large companies, respectively) and lower than the range in category 4 (foreign banks²¹).

8.4 Prof. Levy's Opinion

As aforesaid, the Audit Committee and Board of Directors were also presented with Prof. Levy's Opinion. According to Prof. Levy's Opinion, the compensation proposed to the chief executive officer for 2007 is certainly not one of the highest in the market and is not far from the 2006 average in the big traded companies of the Tel Aviv 25 index. The opinion further notes that the compensation proposed to the chief executive officer for 2007 meets the test of reasonability and is even relatively low than the customary compensation in the large companies in the market and particularly in the banking industry. Prof. Levy's Opinion further notes that the compensation of the chief executive officer for 2007 does not deviate from the customary compensation in western banks with the same scope of assets.

Prof. Levy's Opinion notes that the decision of the Bank's bodies to drastically decrease the sum of the annual bonus to the chief executive officer from the sum of approx. NIS 8,000 thousand in 2006 to the sum of approx. NIS 1,350 thousand for 2007 is a correct decision. The opinion further states that it recommends to change the composition of the chief executive officer's compensation for 2007, so as to increase the remuneration and options components and to decrease the bonus component, without prejudice to the total sum of the compensation proposed to the chief executive officer for 2007²². The opinion further

countries and Israel: Germany – U.S.\$30,777, Ireland – U.S.\$38,850, Italy – U.S.\$28,172, Iceland – U.S.\$36,515 and Israel – U.S.\$24,476.

¹⁸ Cost of basic compensation (not including the component of the cost of increasing the liability of severance pay for previous years) of approx. NIS 2,535 thousand; a grant in the scope of NIS 1,350 thousand; and the value of the benefit in the allotment of the options, as aforesaid in Section 6.1, in the scope of approx. NIS 3,565 thousand.

¹⁹ See Footnote 17 above.

²⁰ Category 3 was not included in the survey with respect to the overall compensation package, since no data published with respect bonus terms were found in category 3.

²¹ It should be noted that the comparison in the survey is only to the data of 2006, since the absolute majority of the observations found for 2007 do not include separation between basic compensation to bonuses and therefore cannot serve as a basis for comparison.

²² Prof. Levy further mentions in his opinion that the granting of options with an exercise price "in the money" grants, on the one hand, an unjustified incentive, and on the other hand does not sufficiently

states that in principle it would have been advised to completely cancel the bonuses for 2007 and increase the number of the options, such as to create an incentive to good performance in 2008. However, in light of the situation that was created in 2007, in which bonuses to the senior management were determined in advance based on formulas that rely on the return on equity, whereas the bonus to the chief executive officer was not determined in advance, it is unreasonable that all of the members of the senior management would receive a bonus, whereas the chief executive officer would receive no bonus. Therefore, the opinion proposes that in 2007 the bonus would be granted to the chief executive officer²³.

With respect to Prof. Levy's Opinion, the members of the Audit Committee and Board of Directors noted that although Prof. Levy mentioned the problem in the "bonus" component, he emphasized in his opinion that the overall compensation was reasonable and in light of the situation that was created it was unreasonable that the bonus would not be granted to the chief executive officer. In this context, the Audit Committee and the Board of Directors emphasized that the overall compensation proposed to Mr. Ziv was considerably lower than the overall compensation that he received for 2006 and that it was even lower than the customary compensation in similar companies in the market, and that the grave liquidity crisis that has befallen the global markets in recent months also injured the Bank and the damage to the Bank's business results was also reflected in the compensation offered to Mr. Ziv, and particularly in the pecuniary bonus component, which constituted approx. one-sixth of the pecuniary bonus that had been paid to Mr. Ziv for 2006. It should also be noted that the Audit Committee and Board of Directors examined Mr. Ziv's compensation agreement, which had existed until the end of 2006, and found that, had this agreement remained in force also in 2007, Mr. Ziv would have received a bonus for 2007, according to the bonus terms under this agreement (see Section 3.2.7 above), and after neutralizing the Forced Sales, in the sum of approx. NIS 5.8 million, i.e. more than 4 times the bonus that was approved by the Audit Committee and the Board of Directors.

- 8.5 After examining all of the said data and considering Mr. Ziv's professional experience, skills and contribution to the Bank's progress, the Audit Committee and Board of Directors reached the conclusion

incentivize for success. As an example he notes that if Bank Hapoalim's share price rose by 10% whereas the share prices of other banks rose, on average, by 20%, the managers of Bank Hapoalim would receive unjustified compensation, in his opinion, through the options. Accordingly, Prof. Levy proposed two methods for linking the exercise price of the options to macro-economic factors. Prof. Levy further notes in this context that since it will take time to learn and internalize the method of compensation through the options proposed by him, as well as the tax consequences of such method, it is proposed to be adopted from 2008 onward, while adopting the method proposed by the Bank's organs for 2007.

²³ The opinion recommends that in the future the bonus would be determined as a function of two factors: the return on the equity and the change in the market value of the Bank's shares, and that the bonus formula would be determined in advance.

that the office and employment terms of Mr. Ziv for 2007 (including the options) and the base remuneration package offered to him for 2008, as aforesaid, and after comparison with the terms of office and employment of similar office holders in other banks and in the large companies in the market, are reasonable under the circumstances of the matter.

Bank Hapoalim Ltd.

Names and Positions of the Signatories

Yoram Weissbrem, Secretary of the Bank

Adv. Sharona Tamir, Deputy Secretary of the Bank

Cc: **Bank of Israel** – 20 Yavne St., Tel Aviv

Registrar of Companies – 97 Jaffa St., Jerusalem

Bank Hapoalim Ltd.

March 31, 2008

The Securities Authority
Via Magna

Tel Aviv Stock Exchange Ltd.
Via Magna

SEC
Mail Processing
Section

MAR 14 2008

Washington, DC
100

Dear Sirs and Madams,

Re: **Bank Hapoalim Ltd. (the "Bank" or the "Company") - Immediate Report
Pursuant to the Securities Regulations (Private Placement of
Securities in a Listed Company), 5760-2000**

An immediate report (the "**Report**") is hereby submitted pursuant to the Securities Regulations (Private Placement of Securities in a Listed Company), 5760-2000 (the "**Regulations**") regarding a material private placement (according to the meaning thereof in the Regulations) to Mr. Zvi Ziv who serves as the chief executive officer of the Bank ("**Mr. Ziv**" or the "**Offeree**") (the offering of the securities to the Offeree shall hereinafter be referred to as the "**Offering**").

On March 30, 2008 (the "**Date of the Resolution**") the Bank's board of directors (the "**Board of Directors**") resolved, after the approval of the Bank's audit committee had been received therefor on the same date¹, to allot to the Offeree, subject to the terms and conditions of this Report and to receipt of all of the approvals required pursuant to law, a total sum of 1,140,000 (unlisted) options (the "**Options**"), each one of which being exercisable for a registered ordinary share of par value NIS 1.00 of the Bank (the "**Ordinary Shares**"), which constitute approximately 0.09% of the Bank's issued and paid-up capital and of the voting rights therein on the date of this Report (approximately 0.09% of the issued capital thereof assuming full dilution). For the terms and conditions that apply to the Offering see Section 3 of this Report below. The aforesaid notwithstanding, an assumption of full exercise of the Options, as shall be allotted in practice, is merely theoretical, since in practice, the Offeree, who will exercise the Options, will not be allotted the full shares deriving therefrom, but only shares in such quantity as reflects the amount of the financial benefit incorporated in the Options, as specified in Section 3.6.2 of this Report.

For details regarding the terms and conditions of the offer of the Offeree as a whole and the approvals required, see the immediate report that the Bank published simultaneously with this Report pursuant to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Additional Report**").

This Report will serve as the option plan, in accordance with which the Options shall be allotted to the Offeree (the "**Plan**") and which will be submitted to the Israel Tax

¹ It should be noted that the decision of the audit committee of March 30, 2008, was preceded by a preliminary discussion concerning the remuneration principles of the remuneration to Mr. Ziv, which was held in the audit committee's meeting on March 23, 2008.

Authority pursuant to the provisions of Section 102 of the Income Tax Ordinance [New Version], 5721-1961 (the "**Ordinance**"). The Options shall be allotted pursuant to this Report only 30 days after submission of the Plan to the Bank's assessing officer, as required pursuant to the provisions of Section 102 of the Ordinance.

The Options shall be allotted to the Offeree without consideration in accordance with the terms and conditions as specified in this Report below:

1. **The Offeree**

- 1.1 The Offeree serves as the chief executive officer of the Company and is an interest holder of the Company by virtue of his position and office.
- 1.2 The Offeree is not an "**interested party**" (according to the definition of the term in Section 270 of the Companies Law, 5759-1999, the "**Companies Law**"), does not constitute a "**material shareholder**", according to the meaning of this term in the Companies Law, and will not become a "material shareholder" after he shall be allotted the Options pursuant to this Report, even assuming that he will exercise all of the Options for Ordinary Shares of the Company.

2. **The Percentage that the Securities Constitute of the Voting Rights and the Issued Capital of the Company**

The shares that the Offeree shall derive from the exercise of the Options (the "**Exercise Shares**") shall constitute approximately 0.09% of the Company's issued and paid-up capital and of the voting rights therein as of the date of this Report and approximately 0.09% of the Company's issued and paid-up capital and of the voting rights therein assuming full dilution (full dilution meaning assuming that all of the options that have been granted to the Company's employees, its officers, directors in the Company, other service providers and consultants of the Company, including the Options offered pursuant to this Report, shall be exercised for shares, without taking into account the deferred promissory notes which the Company has issued).

The aforesaid notwithstanding, an assumption of full exercise of the Options, as shall be allotted in practice, is merely theoretical, since in practice, the Offeree, who will exercise the Options, will not be allotted the full shares deriving therefrom, but only shares in such quantity as reflects the amount of the financial benefit incorporated in the Options, as specified in Section 3.6.2 of this Report

3. **Terms and Conditions of the Offered Options**

3.1 **General**

The Options are offered to the Offeree in accordance with the terms and conditions of this Report and pursuant to the provisions of the capital gains track determined in Section 102(b)(2) (the "**Capital Gains Track**") of the Ordinance and subject to the Income Tax Rules

(Tax Relief in the Allotment of Shares to Employees), 5763-2003 (the "**Rules**").

The Options that shall be allotted to the Offeree shall be deposited for him in trust with a trustee (the "**Trustee**") who will hold the same in trust for the periods determined in Section 102 of the Ordinance and under the terms and conditions as specified below. Pursuant to the provisions of Section 102 of the Ordinance, the Options are required to be held in trust for a minimum period, which is currently 24 months from the date of grant of the Options, in order that the benefit deriving from the Options shall be deemed as capital gains according to the Capital Gains Track and be taxed accordingly (the "**Determining Period**"). For further details regarding the taxation provisions that are applicable to the Options, see Section 3.10 below.

The Company's shares are listed on the Tel Aviv Stock Exchange Ltd. ("**TASE**") and, in addition, they are listed on the London Stock Exchange. The Options that are offered pursuant to this Report will not be listed on any stock exchange.

The allotment of the Options pursuant to this Report will be subject to the obtaining of all of the approvals and permits required by any authority, to whose authority the Report, the Options allotted according hereto and/or the shares that are subject to the Options are subject and/or from which an approval and/or permit is required pursuant to any law, as specified in Section 9 below.

3.2 Exercise of the Options for Treasury Shares of the Bank

The Options that are offered to the Offeree shall be exercisable only for shares of the Company that shall be purchased for such purpose by the Company in a transaction/s on and/or off TASE (the "**Exercise Shares**"). The Company's Board of Directors shall decide, in the future, to this end, on the acquisition of the Exercise Shares as aforesaid after it shall ascertain, at such time, that the Company meets the profit test and the solvency test pursuant to Section 302 of the Companies Law, subject to any law, for the purpose of the transfer thereof to the Offeree upon the exercise of the Options by the Offeree.

Acquisition of the Exercise Shares as aforesaid by the Company is subject to the amendment (or replacement) of Proper Banking Management Directive No. 332, so that it shall approve the acquisition by the Company of its own shares, and to the approval of the Supervisor of Banks at the Bank of Israel (collectively, the "**Supervisor's Approval**"). Accordingly, the allotment of the Options to the Offeree pursuant to this Report shall only be performed after receipt of the Supervisor's Approval and subject to receipt of such approval.

In addition, the Company has applied to the Israel Tax Authority to determine, *inter alia*, that the transfer of the Exercise Shares by the

Company to the Offeree, upon the exercise of the Options, will not constitute a tax event for the Company and shall not be deemed, for tax purposes, as a sale of shares by the Company but as an allotment of shares by the Company; that the self-purchase of the Exercise Shares and the transfer of the Exercise Shares to the Offeree upon the exercise of the Options shall not prejudice the applicability of the taxation provisions of the Capital Gains Track determined in Section 102(b)(2) of the Ordinance with respect to the Options; and that the sale of the shares that shall remain in the reserve of the reserved shares that were purchased as aforesaid, after the expiration or exercise of all of the Options granted pursuant to this Report, shall not constitute a tax event for the Company.

The Exercise Shares that shall be transferred to the Offeree upon the exercise of the Options shall be equal, in the rights thereof, for all intents and purposes, to the ordinary shares existing in the Company's capital. So long as the Exercise Shares are held by the Company, they shall be treasury shares, according to the definition of this term in Section 308 of the Companies Law, and will confer no rights.

3.3 The Price of the Options and the Exercise Price

The Options shall be granted to the Offeree for no consideration.

Each Option shall be exercisable for one ordinary share in consideration for an exercise price that is equal to NIS 16.30 (the "**Exercise Price**"). The Exercise Price shall not be linked to the consumer price index or any index. See below an explanation, in Section 3.6.2, of the net exercise mechanism that shall apply with respect to the Options.

The Exercise Price is equal to the average closing price of the Bank's share on TASE in the period between January 1, 2008, and March 20, 2008, which is the last trading day prior to the meeting of the Company's audit committee on March 23, 2008, in which the principles of the remuneration to Mr. Ziv were discussed.

The Exercise Price is subject to adjustments as specified in Section 3.7 below.

3.4 Exercise Dates

Subject to the other terms and conditions of the Options that are specified in this Report, the Options offered to the Offeree will be vested and exercisable as from their date of allotment and for four years from the date of the allotment thereof, provided that the Options shall not be exercised, in whole or in part, throughout the Determining Period (the "**Exercise Period**").

3.5 Expiration of the Options

Subject to the provisions of Section 3.8 of this Report below, upon expiration of the Exercise Period, all of the Options shall expire (the “**Date of Expiration of the Options**”) and shall not confer upon the Offeree and/or his heirs any right in connection with the Options, including the right to receive the Exercise Shares. In addition, on the Date of Expiration of the Options, the trust shall end pursuant to Section 102 of the Ordinance.

3.6 Manner of Exercise of the Options and the Exercise Shares

3.6.1 Exercise Notice – The Options shall be exercised by the provision of written notice to the Company and to the Trustee (“**Exercise Notice**”) regarding the exercise of the Options, in such language as shall be determined by the Company from time to time and which will include, *inter alia*, the number of Options that the Offeree wishes to exercise on such date. The date on which the Exercise Notice shall reach the Company shall be deemed as the exercise date of the Options stated in the Exercise Notice (the “**Exercise Date**”).

3.6.2 Net Exercise – Unless the Board of Directors shall determine otherwise, the Options shall be exercised in accordance with the mechanism specified below (“**Net Exercise**”):

3.6.2.1 On the Exercise Date, a calculation shall be made of the difference between:

- (a) The closing price of the Bank’s share on TASE on the trading day preceding the Exercise Date, multiplied by the number of Options with respect to which the Exercise Notice (as defined above) shall have been given, and
- (b) The Exercise Price per share, multiplied by the number of Options with respect to which the Exercise Notice shall have been given.

This difference will constitute the sum of the benefit that the Offeree derives on the Exercise Date (the “**Benefit Amount**”).

3.6.2.2 The Company shall transfer to the Offeree (or to the Trustee for him, as the case may be) the number of Exercise Shares whose market value, according to the closing price of the Company’s share on TASE on the trading day preceding the Exercise Date, is equal to the Benefit Amount only.

3.6.2.3 Any fracture of a share that shall be received from the said calculation or as a result of the provisions of this section will be rounded off (either up or down, as the case may be) to the nearest whole share, unless the Board of Directors shall determine otherwise.

The Company has applied to the Israel Tax Authority to receive its confirmation that the foregoing Net Exercise mechanism will not prejudice the tax benefits according to the Capital Gains Track of Section 102 of the Ordinance with respect to the Options and the tax will be calculated as if this were a "regular" exercise. The Tax Authority's decision on the Company's said application has not yet been received.

3.6.3 Register of Option Holders – The Company will maintain, at its registered office, a register of option holders in which shall be recorded the names of the option holders, their addresses and the number of options registered in their name. In addition, any and all transfers of ownership of Options that are permitted according to Section 3.9 below will be recorded in this register.

3.6.4 Shareholders' Rights – Until the Exercise Date, the Offeree will not be deemed as a shareholder of the Company (by virtue of the Options) although he will be afforded protection as specified in Section 3.7 below.

So long as the Exercise Shares are held for the benefit of the Offeree by the Trustee, the voting rights in respect of these shares will be held by the Trustee. The Trustee will not vote in respect of the Exercise Shares held by him for the Offeree and the Offeree will be entitled to vote in respect of the Exercise Shares at shareholder meetings of the Company only in accordance with a power of attorney from the Trustee, subject to any law.

3.7 Adjustments to the Options

Upon the occurrence of the following events, adjustments shall be made to the Offeree's right to exercise the Options, subject to the terms and conditions of this Report, as specified below:

3.7.1 Bonus Shares – If the Company shall distribute bonus shares and the determining date for the distribution thereof (the "**Benefit Date**") shall occur after the date of the allotment of the Options but before the Exercise Date, the Exercise Price for each Option shall not change but the number of Exercise Shares to which the Offeree is entitled upon the exercise shall be increased by the number of shares to which the Offeree would have been entitled as bonus shares, had he exercised

the Option on the eve of the Benefit Date, and the number of shares reserved for the purposes of exercise of the Options will be increased accordingly. Similar adjustments will be made in the event of a split (or consolidation) of the Company's shares.

3.7.2 Rights Offering – In the event of a rights offering by the Company to its shareholders (including through an offering of convertible securities) after the date of the allotment of the Options but before the Exercise Date, the number of Exercise Shares to which the Offeree is entitled upon the exercise shall be increased such that it shall express the benefit component incorporated in the rights, and the number of Exercise Shares reserved for the purposes of exercise of the Options will be increased accordingly. The value of the benefit component incorporated in the said rights and the adjustment required according to the aforesaid shall be determined by the Company in accordance with the provisions of the TASE directives, as shall be amended from time to time, and shall be approved by an outside consultant who shall be chosen by the Company.

3.7.3 The provisions of Sections 3.7.1 and 3.7.2 above notwithstanding, the Offeree will not be entitled to exercise an Option for a fraction of a share and the number of Exercise Shares to which the Offeree is entitled upon the exercise of an Option pursuant to this Report shall be rounded off (either up or down, as the case may be) to the nearest whole number.

3.7.4 Adjustment for a Dividend – If the Company shall distribute a dividend (in cash or in kind) to all of its shareholders and the determining date with respect to the right to receive this dividend (the “**Determining Date**”) shall occur after the Date of the Resolution but before the date of the exercise of the Options, the Exercise Price of each option that shall not have been exercised for shares of the Company before the Determining Date shall be reduced by the amount of the gross sum of the dividend per share that the Company shall have distributed (and with respect to a dividend in kind – in accordance with the value of the dividend which shall be determined by the Bank's Board of Directors). Aside from the adjustments to the Exercise Price which are specified in this section, distribution of a dividend by the Company (in cash and/or in kind) shall in no way affect the number of Exercise Shares and/or the Exercise Price and shall not obligate the Company to perform any adjustment in connection with the Options and/or the Exercise Shares, unless the Board of Directors shall determine otherwise.

The Company has applied to the Israel Tax Authority to receive its confirmation that a reduction in the Exercise Price

of the Options, as specified above, as a result of the adjustment thereof for a dividend distribution, will not be deemed as an exercise or sale of the Options and will not constitute a tax event and the amount that shall be deducted from the Exercise Price in respect of such adjustment will be taxed as capital gains in accordance with the Capital Gains Track determined in Section 102(b)(2) of the Ordinance. The Tax Authority's decision on the Company's said application has not yet been received

3.7.5 Acquisition or Merger – In the event of a merger of the Company with or into another company, either by way of substitution of shares, acquisition in cash or otherwise (“**Merger**”) or a sale of all of the Company's assets or all of the issued share capital thereof or the vast majority of the Company's assets or the issued share capital thereof, to any third party (“**Sale**”), the Board of Directors will be entitled, *inter alia*, at its choice and subject to any law (the term the “**New Company**” shall refer to a company with which a Merger shall be performed or with which a Sale transaction shall be performed or which shall step into the shoes of the Company after a Merger or Sale):

3.7.5.1 To determine that any option be substituted for or converted into an option of equal value in the New Company after the Merger or Sale, and to perform changes to the Exercise Price (insofar as necessary) accordingly, all subject to the Board of Director's discretion; or

3.7.5.2 To determine that any option be adopted by the New Company such that it shall be exercisable for a share of the New Company, subject to adjustments and changes that shall be determined by the Board of Directors; or

3.7.5.3 To determine that any option shall be cancelled or returned to the Company and the Company shall pay the Offeree financial compensation for the cancellation or return of such option; and

3.7.5.4 To perform any action and/or adjustment in connection with the Options and the terms and conditions thereof, insofar as shall be required according to the discretion thereof.

Unless it shall be determined otherwise by the Board of Directors, at its sole discretion, immediately after the performance of a Merger or Sale as aforesaid, all of the Options that shall have been granted pursuant to this Report and which shall not have been exercised or expired prior to

the date of the Merger or Sale, shall expire, except if they shall have been adopted by the New Company as aforesaid.

3.7.6 Except as specified in this section, an allotment of securities of any type by the Company shall in no way affect the number of Exercise Shares or the Exercise Price and shall not obligate the Company to perform any adjustment in connection with the Options and/or the Exercise Shares.

3.7.7 Liquidation of the Company – Unless determined otherwise by the Company's Board of Directors, in the event of liquidation of the Company, all of the Options that shall have been allotted to the Offeree shall immediately expire prior to the liquidation of the Company. In such a case, the Board of Directors is entitled to determine that the Options, in whole or in part, shall expire on a certain predetermined date and to allow the Offeree the right to exercise the Options that shall have been granted to him, and the Board of Directors is further entitled to determine that the ability to exercise the Options as aforesaid shall also apply with respect to Options which, according to the terms and conditions thereof, were not exercisable on the said effective date.

3.8 Termination of Office

3.8.1 If the Offeree shall cease, for any reason, to serve in his position ("**Termination of Office**"), unless determined otherwise by the Board of Directors, the provisions specified below shall apply:

3.8.1.1 The date of termination of office will be the date on which employment relations between the Offeree and the Company shall end (the "**Date of Termination of Office**").

3.8.1.2 In the event of Termination of Office, the Options that shall have been granted to the Offeree and which have not yet been exercised by the Date of Termination of Office, shall be exercisable by the Offeree until the end of the Exercise Period in accordance with the terms that are specified in this report, the Termination of Office notwithstanding.

3.8.1.3 The aforesaid notwithstanding, if Termination of Office shall be under circumstances in which the Offeree is not entitled to severance pay according to the provisions of the Severance Pay Law, 5723-1963 and subject to any law, all of the Options that shall have been granted to the Offeree shall immediately expire.

3.8.2 It should be clarified that in any event, it will not be possible to exercise an option after expiration of the Exercise Period.

3.9 Transferability of the Options

Unless determined otherwise by the Board of Directors, the Options that shall be allotted to the Offeree pursuant to this Report will not be transferable and/or assignable, under any circumstances, with the exception of a transfer to heirs pursuant to any law. In the case of a transfer to heirs as aforesaid, the terms and conditions of the Options and the provisions of this Report shall bind the heirs.

In this Report, a “**transfer**” shall be a transfer of ownership of the Options, including a transfer or assignment of any other right therein, in any form or manner, including the charge or pledge thereof.

3.10 The Taxation Implications of the Allotment of the Options, their Exercise into Exercise Shares and the Sale of the Exercise Shares

3.10.1 General

This Report will serve, as aforesaid, as the Plan which shall be submitted to the tax authorities in Israel, subject to all of the requirements of Section 102 of the Ordinance and any written approval from the tax authorities in Israel.

The Company's obligation to transfer Exercise Shares to the Offeree upon the exercise of the Options or to perform any other action in connection with the Options or the Exercise Shares or in respect thereof is subject to the full fulfillment of any duty of payment of applicable income tax or other mandatory payment (if any), including withholding of any tax or mandatory payment that is required by law.

If there shall be any tax or other mandatory payment liability (National Insurance, National Health Insurance etc.) in respect of and/or due to the Options contemplated in this Report, including in respect of the allotment of Options to the Offeree, their exercise into Exercise Shares, the sale of the Exercise Shares, receipt of a dividend or any other benefit in respect of the Options or the Exercise Shares according to this Report – the Offeree shall bear the same pursuant to law (insofar as it shall be applicable to the Offeree pursuant to law). The Offeree shall indemnify the Company and/or the Trustee in respect of any payment or claim for payment of any tax that is levied as aforesaid, if any, and the Company shall be entitled to deduct from the amounts that shall be due to the Offeree any debt balance of the Offeree to the Company, insofar as such a debt shall exist in respect of indemnification as aforesaid.

3.10.2 Capital Gains Track

In accordance with the terms and conditions of the Capital Gains Track, the Trustee who has been approved for the Plan for purposes of Section 102 of the Ordinance will hold, in trust, in favor of the Offeree, the Options that shall be allotted for him and the Exercise Shares that shall derive from the exercise of the Options.

In accordance with the provisions of the Capital Gains Track, the Options that are granted to the Offeree shall be held by the Trustee throughout the Determining Period (at the very least) in order that the benefit deriving from the Options shall be deemed as capital gains according to the Capital Gains Track and shall be taxed accordingly. In accordance with the terms and conditions of the Options which are specified in this Report, the Offeree will not be entitled to exercise the Options before the expiration of the Determining Period.

In the event of a distribution of rights, including bonus shares, by virtue of the Options that shall have been allotted to the Offeree ("**Additional Rights**"), any and all Additional Rights shall be allotted to the Trustee in favor of the Offeree and shall be held by the Trustee at least until the end of the Determining Period of the Options in respect of which the rights shall have been allotted, and the terms and conditions of the Capital Gains Track shall apply to such Additional Rights.

Subject to any law, if the Company shall distribute dividends in cash to its shareholders, the Company shall remit the dividend directly to the Offeree in respect of the Exercise Shares that the Trustee holds for him (if any), after withholding the tax required by law.

3.10.3 See Section 3.2 above with respect to the approval required from the Israel Tax Authority to ensure the applicability of the provisions of the Capital Gains Track to the Options that shall be allotted to the Offeree pursuant to this Report.

3.10.4 The foregoing provisions of this section refer to the law applicable on the date of the Report. The provisions of the law in connection with the mandatory payments and the tax aspects with respect to the Options may change from time to time.

3.11 Miscellaneous

3.11.1 Continuation of Engagement and Non-Waiver of Rights – This Report and/or the granting of Options pursuant to this Report constitute no direct and/or indirect undertaking by the

Company to continue engaging with the Offeree pursuant to this Report. In addition, no right is conferred upon the Offeree in respect of this Report to continue his engagement with the Company as aforesaid, and there is no condition in this Report which limits the Company from terminating its engagement with the Offeree at its discretion.

- 3.11.2 Rights that Derive from Employment Relations – It is clarified that no income or profit that shall be imputed (or will purport to be imputed) to the Offeree in respect of this Report shall be taken into account upon the calculation of the basis for the Offeree's entitlement *vis-à-vis* the Company to any social benefits (including severance pay, pension etc.) or to other rights or benefits which derive from employment relations.

4. **Details of the Price of the Company's Share**

The closing price of the Company's share on TASE on March 30, 2008, the closing price on the date preceding the date of release of this Report, was NIS 13.93 (the said closing price was determined at the end of trading on TASE on March 30, 2008 and preceded the meetings of the audit committee and of the Board of Directors, at which the resolution on the Offering was adopted).

The Exercise Price of the Options that shall be allotted to the Offeree is higher, by approximately 17%, than the closing price of the Company's share on TASE on March 30, 2008.

5. **The Fair Value of the Offered Options**

- 5.1 The Company implements Accounting Standard No. 24 "share-based payment" (the "**Standard**"). The essence of the provisions of the Standard is the recording of expenses in respect of the granting of the Options in the Company's financial statements in accordance with the fair value thereof on the date of the grant of the Options according to the provisions of the Standard, which in this case is the Date of the Resolution.
- 5.2 In accordance with the aforesaid, the Company has chosen to implement the Black & Scholes model for the purpose of calculation of the fair value of the Options that are granted pursuant to this Report in its financial statements. Calculation of the fair value of the offered Options is based on a financial opinion that was prepared by Optimize Risk Management Ltd. (headed by Professor Zvi Wiener) which calculated the value of the benefit of the offered Options according to the Black & Scholes model.
- 5.3 Set forth below is a calculation of the fair value of each option according to the Black & Scholes model and the assumptions that underlie the calculation:

- (a) The share price for the purpose of the calculation is the closing price of the Company's share on TASE at the end of trading day March 30, 2008 (NIS 13.93).
- (b) The Exercise Price is NIS 16.30. This price is not linked to the consumer price index.
- (c) So long as the option is not exercised for shares– in the case of a distribution, the option holder will have no right to receive a dividend but an adjustment will be performed to the Exercise Price of the Options, as explained above.
- (d) The standard deviation was calculated according to the Company's daily yields over the four years ended on March 30, 2008. Accordingly, the annual standard deviation is 26.19%.
- (e) The risk-free interest rate is 4.91% (4.79% in a continuous calculation).

5.4 The calculation of the fair value does not take into account the fact that the Options shall not be listed on TASE and does not take into account the tax that may be applicable upon the exercise of the Options or sale of the Exercise Shares. However, since, to the Company's understanding, this model best calculates and reflects the fair value of the Options from among the currently existing models, the Company chose to implement the same with respect to calculation of the fair value of the Options allotted thereby.

In view of the aforesaid, the value of the Options for the Offeree has been assessed at approximately NIS 3.13 per option (and the total value of the Offeree's options is approximately NIS 3,565,000).

6. **The Options Offered Pursuant to this Report and the Company's Capital**

6.1 Set forth below are details regarding the Company's share capital as of March 30, 2008:

The Authorized Capital	Class of Shares	The Issued and Paid-Up Capital		
		On the Date of Submission of this Report	Upon Dilution Deriving from the Allotment in accordance with this Report ²	Upon Full Dilution ³
2,000,000,000	Ordinary shares NIS 1.00	1,262,961,323	1,262,961,323	1,280,899,600

6.2 The Company has securities convertible into shares of the Company, according to the following specification:

17,938,277 non-marketable options which were allotted in 2004 to 2008 according to the option plans of the Company and which have not yet been exercised for shares or expired.

6.3 Set forth below are details regarding the holdings of the Offeree and the Company's shareholders on the date of this Report, after the allotment pursuant to this Report and upon full dilution⁴.

	Number of Options Offered	Quantity and Holding Rate of Capital and Voting Prior to the Granting of the Options		Quantity and Holding Rate of Capital and Voting After the Exercise of the Offered Options ¹		Quantity and Holding Rate of Capital and Voting Upon Full Dilution ¹¹	
		Number of Shares	%	Number of Shares	%	Number of Shares	%
The Offeree							
Zvi Ziv	1,140,000	17,800	0%	1,157,088	0.09%	1,157,088	0.09%
I – Assuming exercise of all of the Options offered pursuant to this Report for shares that shall be purchased by the Bank (treasury shares).							
II – Assuming exercise of all of the other options that have been allotted by the Company and exercise of all of the Options offered pursuant to this Report for shares that shall be purchased by the Bank (treasury shares). See the footnote below regarding capital notes that were issued by the Bank and which have not been taken into account in the dilution calculation in this Report							
Additional Material Shareholders and Interest Holders							
Arison Holdings (1998) Ltd.	0	262,731,308	20.8%	262,731,308	20.8%	262,731,308	20.51%
Israel Salt Industries Ltd.	0	75,764,441	6.0%	75,764,441	6.0%	75,764,441	5.91%
Yossef Dauber	0	16,530	0.0%	16,530	0.0%	16,530	0.0%

² Assuming exercise of all of the Options that shall be allotted to the Offeree pursuant to this Report for shares that shall be purchased by the Bank (treasury shares).

³ Assuming exercise of all of the other options that have been allotted by the Company and exercise of all of the Options offered pursuant to this Report for shares that shall be purchased by the Bank (treasury shares). The Bank has, in the past, issued capital notes which are deemed, according to the approval of the Supervisor of Banks, as complex primary capital and complex secondary capital instruments for purposes of the capital to risk components ratio. The said capital notes are convertible, in certain cases, into ordinary shares of the Bank. The Bank will be obligated to convert the unpaid balance of the capital notes into ordinary shares in exceptional cases, *inter alia*, if its capital to risk components ratio shall decline. The said capital notes were not taken into account in the dilution calculation in this Report.

⁴ For further details, see the immediate report on holdings by interest holders which was published on March 16, 2008.

Management clients of Alliance Bernstein, AXA IM, and their respective affiliates	0	94,842,236	7.51%	94,842,236	7.51%	94,842,236	7.4%
Lazard Asset Management LLC	0	63,608,757	5.04%	63,608,757	5.04%	63,608,757	4.97%
Public (*)	0	765,908,963	60.65%	765,908,963	60.56%	781,954,240	61.06%
Total		1,262,961,323	100%	1,262,961,323	100%	1,280,899,600	100%

* Public, including employees and officers of the Company (who hold 17,938,277 options) and with the exception of the allotment to the Offeree.

7. **The Consideration for the Offered Securities and the Manner in which it was Determined**

The Options are offered to the Offeree for no consideration. In view of the use of the Net Exercise mechanism, as specified in Section 3.6.2 above, the Company is not expected to receive any consideration from the Offeree upon the exercise of the Options for the Exercise Shares.

8. **Personal Interest in the Consideration**

To the best of the Company's knowledge, there is no material shareholder or officer of the Company who has a personal interest in the consideration.

9. **Required Approvals**

9.1 On March 30, 2008 the Company's Board of Directors approved the Offering to the Offeree after the approval of the Company's audit committee, on March 30, 2008, of the Offering to the Offeree (as specified in this Report above).

9.2 The allotment of the Options to the Offeree pursuant to this Report will be performed only after receipt of the Supervisor's Approval.

Since the Options shall be exercisable only for treasury shares which shall be held by the Company, there is no need for receipt of the approval of TASE for the listing of the Exercise Shares.

10. **Date of Allotment of the Options**

The allotment of the Options pursuant to this Report shall be performed only after:

10.1 The lapse of 30 days from the submission of the Plan to the Bank's assessing officer, as required pursuant to the provisions of Section 102 of the Ordinance.

11. **Agreements between the Offeree and Other Shareholders**

After an inquiry that was performed with the Offeree, to the best of the Company's knowledge, there are currently no written or oral agreements between the Offeree and another holder of shares of the Company with respect to the acquisition or sale of securities of the Company or with respect to voting rights in the Company.

12. **The Reasons for the Amount of the Remuneration Determined and the Manner of its Determination**

The allotment of the Options to Mr. Ziv is part of the terms and conditions of office which were determined for him as a whole. For the manner of determination of the terms and conditions of office as a whole and for the reasons for the determination of the remuneration, **see the Additional Report which is being released concurrently with this Report.**

13. The Company's representatives for purposes of the handling of this immediate report are Adv. Oded Eran, Adv. Tal Atsmon and Adv. Yaron Sever of Goldfarb, Levy, Eran, Meiri, Tzafrir & Co, Tel: 03-6089999, fax: 03-6089909.

Bank Hapoalim Ltd.

Names and Positions of the Signatories

Yoram Weissbrem, Secretary of the Bank

Adv. Sharona Tamir, Deputy Secretary of the Bank

Cc: **Bank of Israel** – 20 Yavne St., Tel Aviv
Registrar of Companies – 97 Jaffa St., Jerusalem

Schedule II

Date: March 31, 2008

Our reference: 802/08

To : The London Stock Exchange

SEC
Mail Processing
Section

APR 1 2008

Dear Sir or Madam,

Washington, DC

RE: **Immediate Report regarding the Approval of the
Financial Statements as at December 31, 2007**

1. We wish to inform you that at its meeting held at 16:00 on March 30, 2008, the Board of Directors of Bank Hapoalim resolved to approve the Financial Statements as at December 31, 2007.
2. An Immediate Report as required under the Securities (Periodical and Immediate Reports) Regulations, 5730-1970 and the Securities (Electronic Signature and Reporting) Regulations, 5763-2003, together with a copy of the financial statements has been filed with the Israel Securities Authority and the Tel Aviv Stock Exchange through the Securities Authority's computer system on March 31, 2008, and has been sent to the Bank of Israel and the Registrar of Companies in Israel.
3. Enclosed is a summary of the Financial Statements of the Bank as at December 31, 2007.

The full Financial Statements are available upon request, and can be accessed on the Bank's internet site: <http://www.bankhapoalim.com>.

Sincerely yours,

Bank Hapoalim B.M.
Head Office

(-)

(-)

Barry Ben-Zeev
Senior Deputy Managing Director
CFO

Ofer Levy
Senior Deputy Managing Director
Chief Accountant

Net Profit for the Bank Group totaled NIS 2,679 million for the year 2007

Bank Hapoalim Group reported today its Financial Results for the year 2007

- **Net Profit** for the Bank Group totaled NIS 2,679 million in 2007, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, profit totaled NIS 3,431 million.
- **Net Return on Equity** of 14.1% in 2007, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, ROE reached 18.1%.
- **Net Return on Operating Profit** of 12.3% in 2007, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, the return reached 16.2%.
- **Net Profit from Extraordinary Transactions, after taxes**, of NIS 351 million for 2007.
- **Provision for doubtful debts** in 2007 totaled NIS 513 million.
- **Profit from financing activities before provision for doubtful debts** totaled NIS 6,933 million in 2007, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, financing profit totaled NIS 8,109 million.
- During 2007, as a result of the crisis in the US, the Bank recorded impairments in the amount of NIS 1,176 million with respect to its asset-backed securities portfolio. In addition, a provision in the amount of NIS 250 million for the voluntary retirement program was also recorded. The decrease in profit, due to said provisions, led to a significant decrease in management and employee bonuses in the amount of NIS 200 million.
- Net profit for the fourth quarter of 2007 totaled NIS 219 million compared with NIS 749 million in the same quarter last year. Excluding exceptional provisions the net profit for the fourth quarter of 2007 totaled NIS 895 million.

	2007	exceptional Items*	2006	Reported Amounts	exceptional Items
Net Profit	2,679	3,431	3,359	-20.2%	2.1%
Profit from Financing Activity, Before Provisions	6,933	8,109	7,579	-8.5%	7.0%
Provision for Doubtful Debts	513	513	986	-48.0%	-48.0%
Operating and Other Income	5,250	5,250	5,371	-2.3%	-2.3%
Operating and Other Expenses	7,940	7,890	7,632	4.0%	3.4%
Net Operating Profit	2,328	3,080	2,496	-6.7%	23.4%
Net Profit from Extraordinary Transactions , after taxes	351	351	863	-59.3%	-59.3%
Net return on equity	14.1%	18.1%	19.4%		
Net return on operating profit	12.3%	16.2%	14.4%		

*Exceptional items include a provision for impairments in the asset backed securities portfolio amounting to NIS 1,176 million, a provision for the voluntary-retirement program in the amount of NIS 250 million and the decrease in the bonus as a result of these items amounting to NIS 200 million.

Bank Hapoalim has elected a strategy of global banking, in which its center and core are in Israel, while its activities span the globe. Therefore, the business results we present today, which include exceptional write-offs arising from recent events in international markets, are an element and an outcome of our chosen path.

Despite the effect of the financial crisis, the Bank ended the year with net income of 2.7 billion Shekels, representing a return on equity of over 14%. Net return on operating profit totaled 12.3%. Excluding the exceptional items, net ROE from operating profit would have been 16.3%.

These results are strong, reflecting the Bank's robustness and resilience, alongside the effects of the turmoil in the international markets.

However, the Bank did not meet the ROE target it set for itself this year, since it was obliged to record provisions for decline in value of its asset backed securities portfolio in the US and UK.

Bank Hapoalim is central to the Israeli economy and will continue act through leadership and responsibility, while significantly contributing to the economy and its development.

The Bank continues to implement its global strategy of investing in developed and developing markets worldwide. I have no doubt that this policy and its supervision by the high quality professional management and employees of the Bank will continue to prove itself.

In the coming year the Bank will continue to take measures to strengthen the capital adequacy ratio in order to reach 12% by 2009. The Bank will continue to focus on the Israeli client by adding value to its services. In this framework, the Bank will aim to get closer to all its clients- private, corporate and commercial- and will considerably expand its branch network this year. Concurrently, it will act to increase its business activity abroad and place emphasis on additional improvements in its risk management capabilities.

In 2008 we will continue to act to fortify the position of Bank Hapoalim as the leading, most professional and strongest banking financial institution, which is on the right path to become a global bank, with branches spread worldwide but its center and core are in Israel.

- Profit from financing activities, excluding exceptional provisions rose by NIS 530 million and totaled NIS 8,109 million. A provision of NIS 1,176 million due to losses arising from investments by the Bank's offices abroad in asset-backed securities led to a decrease of NIS 646 million in the financing profit, compared to 2006. Financing profit witnessed an increase in the volume of the Bank Group's financial activity resulting from the financing profits of Bank Pozitif, which was consolidated for the first time in 2007, income from interest on problematic debts not previously recorded, an increase stemming from fluctuations in interest rates in the unlinked shekel and CPI-linked shekel segments, and an increase in financing income on financial capital invested in the various linkage segments, mainly due to the 2.8% increase in the known CPI in 2007, versus a 0.3% decrease in the previous year.
- The decrease in the provisions for doubtful debts reflects the continuous improvement in the credit portfolio, which enjoys a "tailwind" from the strong economy. The specific provision for doubtful debts decreased by 43.2%, compared with 2006, explained by the improvement in economic conditions, and an improvement in borrowers' repayment capability. The decrease was mainly apparent in the construction and real estate, financial services and hotel sectors. However, provisions increased in the industry sector and for private individuals.
- Operating and other income decreased by 2.3%, mainly resulting from the cessation of consolidation of Bank Otsar Hahayal as of its sale at the end of the third quarter of 2006 and from the effect of the sale of management rights of mutual funds and the majority of provident funds.
- Operating and other expenses increased by 4.0%, compared to 2006, mainly due to the inclusion of the provision for voluntary-retirement programs, in the amount of NIS 250 million, under salary expenses. Excluding this expense, salary expenses decreased by 3.6% compared to the previous year.

Bank Hapoalim CEO Mr. Zvi Ziv said:

In 2007, Bank Hapoalim continued making progress in the achievement of its business objectives and posting impressive results, especially given the effects of the crisis in the United States. An examination of the Bank's results excluding the exceptional provisions highlights the ongoing accelerated growth in its business activity, in Israel and abroad.

- Net operating profit for 2007, excluding the exceptional provisions arising from the effects of the crisis in the United States and from the retirement program, totaled NIS 3,080 million, versus NIS 2,496 million in 2006, an increase of 23.4%. This profit (which excludes the exceptional provisions) brought the Bank's rate of return of operating profit on equity to 16.2% in 2007, versus 14.4% in 2006.

Credit to the public totaled NIS 200 billion, up 0.6% from 2006, and deposits from the public totaled NIS 231.8 billion, up 6.8% from 2006.

During the year, the Bank continued to develop its international operations. We completed the acquisition of the bank DKB in Kazakhstan, signed an agreement to acquire Ukrinbank in Ukraine, opened a branch in Singapore, and further expanded our global private banking activity, applying our accumulated knowledge, experience, and capabilities.

In the Israeli market, the Bank continued to emphasize the expansion of its service and product offering to customers. The Bank has developed an innovative philosophy of comprehensive lifetime financial advisory services that combine financial and pension advice and address the full range of customers' needs. In the corporate sector, our emphasis is on providing solutions for all of our clients' activity with the Bank, focusing on business initiatives with clients, services tailored to client needs, and top experts from all units of the Bank working collaboratively with clients.

In 2008, Bank Hapoalim will continue to focus on the implementation of its multi-year strategy. The Bank is resolutely confronting the growing competition in the Israeli banking market through an emphasis on renewed domestic growth. As part of this effort, we will open dozens of new retail branches, enhance our sales and service capabilities in corporate banking, open designated branches for corporate clients, and continue to lead the revolution in service for Israeli consumers.

This year, we will also accelerate the growth rate of our international operations, while maximizing the great potential of the banks we have acquired and of future acquisitions. Concurrently, we will continue to work to promote streamlining and operational excellence, while improving customer service and increasing employee efficiency.

In 2008, the Bank will also devote resources to the appropriate management of its exposure to the U.S. crisis. The American capital market is likely to continue to suffer extensive instability this year as well, with volatility in the prices of the various securities expected to persist. We recently witnessed an example of these developments in the Bank's report of an additional decline in value of its asset portfolio in the United States. However, the Bank believes that this decline does not reflect the economic value of the portfolio, and that based on the credit analysis recently performed by an external company, the Bank is not expected to incur substantial losses if it holds its portfolio over a long period.

I am confident that the Bank is on the right track to fulfill all its plans and thanks to our excellent and dedicating employees and management – we will continue to lead the Bank to reaching its professional goals.

- **Return on Equity** totaled 14.1%, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, ROE reached 18.1% compared with 19.4% in 2006.
- **Return on Operating Profit** totaled 12.3% in 2007, excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, the return reached 16.2% compared with 14.4% in 2006.
- **Net Profit from Extraordinary Transactions**, after taxes, totaled NIS 351 million especially due to profits from the sale of provident funds.
- **Profit from financing activities before provision for doubtful debts** totaled NIS 6,933 million in 2007 compared with NIS 7,759 million in 2006, a decrease of 8.5%. Excluding exceptional provisions stemming from the US financial crisis and the voluntary retirement program, financing profit totaled NIS 8,109 million.
- **Provision for doubtful debts** decreased by 48.0% in 2007 and totaled NIS 513 million compared to NIS 986 million in 2006. The ratio of specific provision for doubtful debts, relative to the overall (balance-sheet) balance of credit to the public at the Group's risk, reached 0.27% in 2007, compared with 0.53% in 2006. The ratio of the overall balance of credit to the public (balance-sheet and off-balance sheet) at the Group's risk, reached 0.15% in 2007, compared with 0.30% in the whole of 2006.
- **Operating and other income** totaled NIS 5,250 million in 2007, compared with NIS 5,371 million in 2006, a decrease of 2.3%
- **Income from credit cards** - The contribution of the credit card companies to the Bank Group's net operating profit totaled NIS 1,252 million, compared with NIS 1,141 million in 2006, an increase of 9.7%.
- **Operating and other expenses** totaled NIS 7,940 million in 2007, compared to NIS 7,632 million in 2006, an increase of 4.0%.
- **Contribution to the community** - the Bank conducts a varied and extensive range of community-oriented activities that take the form of social involvement, monetary donations, and large-scale volunteer activities in which both members of management and employees participate. The Group's involvement in the community in 2007 was expressed in a financial contribution of approximately NIS 44.6 million.
- **Dividend**- In view of the Bank's decision to gradually raise the ratio of capital to risk assets to 12% by the end of 2009, and given the uncertainty regarding developments in global financial markets, the Bank has decided not to declare a dividend at the date of approval of its financial statements for 2007. However, the Bank will continue to maintain its policy of distributing 50% of its net operating profits as dividends, and it intends to add the dividend on the profits of the last quarter of 2007 to its next dividend payment.

The consolidated balance sheet totals NIS 355.0 billion on December 31, 2007, compared to NIS 282.9 billion on December 31, 2006, an increase of 7.1%.

- **Credit to the public** was NIS 205.0 billion, an increase of 9.9% from the balance on December 31, 2006.
- **Deposits from the public** were 231.8 billion, an increase of 6.8% from the balance at the end of 2006.
- **The ratio of capital to risk assets** was 10.26%, compared to 10.53% on December 31, 2006. The ratio of tier-1 capital to risk assets was 7.50%, and Tier 2 reached 2.77%.

Business Segment Performance

The Group's activity is managed through six segments.

(NIS Millions)	Net Operating Profit			
	For the year ending December 31			
Segment	2007	2006	Change	Change %
Households	258	355	-97	-27.3
Private Banking in Israel	357	370	-13	-3.5
Private Banking abroad (GPB)	68	74	-6	-8.1
Small Business	222	209	13	6.2
Commercial	169	82	87	106.1
Corporate in Israel	1,129	740	389	52.6
Corporate abroad	-584	118	-702	-594.9
Financial Management	634	496	138	27.8
Others and Adjustments	75	52	23	44.2
Total	2,328	2,496	-168	-6.7

of operations, are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. Such forward looking statements, include but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development and the effect of the company's accounting policies. As well as certain other risk factors which are detailed from time to time in the company's filings with the securities authorities.

For further information please contact the Bank's Spokesperson:

Tel: +972-3-567-3635; Fax: +972-3-567-3500

spokesperson@bnhp.co.il

	December 31 2007	2006	2005	Change 2006	2005
Profit and Profitability					
Profit from financing activities					
before provision for doubtful debts	6,933	7,579	7,394	(8.5%)	(6.2%)
Provision for doubtful debts	513	986	1,268	(48.0%)	(59.5%)
Operating and other income	5,250	5,371	4,815	(2.3%)	9.0%
Operating and other expenses	7,940	7,632	7,025	4.0%	13.0%
Operating profit before taxes	3,730	4,332	3,916	(13.9%)	(4.7%)
Provision for taxes on operating profit	1,458	1,897	1,645	(23.1%)	(11.4%)
Operating profit after taxes	2,272	2,435	2,271	(6.7%)	0.0%
Net Operating profit	2,328	2,496	2,298	(6.7%)	1.3%
Net Profit from extraordinary transactions, after taxes	351	863	590	(59.3%)	(40.5%)
Net profit	2,679	3,359	2,888	(20.2%)	(7.2%)

	31.12.2007	31.12.2006	31.12.2005	change compared with	
				31.12.2006	31.12.2005
Balance Sheet – Principal Items					
Total balance sheet	302,991	282,864	280,894	7.1%	7.9%
Credit to the public	205,016	186,463	193,024	9.9%	6.2%
Securities	50,431	44,456	33,813	13.4%	49.1%
Deposits from the public	231,750	217,004	213,892	6.8%	8.3%
Debentures and subordinated notes	18,812	18,384	21,361	2.3%	(11.9%)
Shareholders' equity	18,778	18,233	16,237	3.0%	15.6%

	31.12.2007	31.12.2006	31.12.2005
Principal financial ratios			
Shareholders' equity to total assets	6.2%	6.4%	5.8%
Tier 1 capital to total assets	7.5%	7.4%	6.9%
Capital to risk assets	10.26%	10.53%	10.47%
Credit to the public to total assets	67.7%	65.9%	68.7%
Deposits from the public to total assets	76.5%	76.7%	76.1%
Operating income to operating expenses	66.1%	70.4%	68.5%
Operating expenses to total income	65.2%	58.9%	57.5%
Provision for doubtful debts to credit			
to the public (balance sheet and off-balance sheet) ¹⁾	0.1%	0.3%	0.4%
Rate of provision for taxes	39.1%	43.8%	42.0%
Return of operating profit on equity, net	12.3%	14.4%	14.6%
Return of net profit on equity	14.1%	19.4%	18.3%
Return of net profit on total assets	0.9%	1.2%	1.1%

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Mail Processing
Section

Code name: Poalim

Street: P.O.B. 27, Tel Aviv 61000

Tel: 03-5673800; 03-5673333; Fax: 03-5674576

e-mail: yoram.weissbrem@mailpoalim.co.il

APR 14 2008

Washington, DC
100

Transmission date: 02/04/2008

Reference: 2008-01-096921

Securities Authority
www.isa.gov.il

Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report Regarding a Change in the Securities of the Corporation

The corporation advises that

○

●

From 26/03/2008 until 31/03/2008

A change in the quantity of the securities of the Corporation has occurred as follows:

1. A Description of the Nature of the Change:

Explanation: A comprehensive description should be given of the transaction or the operation on account of which a change in the securities of the Corporation has occurred.

Realization of Employees Options

Date of the change	Nature of the change	Category and name of the securities with respect to which a change has occurred	Stock Exchange number	Quantity of the change	Whether executed through the Stock Exchange Clearing House
26/03/2008	Other Realization of Employees Options, not including expiries	Ordinary Share BNHP	662577	6,376	Yes

Explanations:

- To the extent that the change affects more than one security, the effect of the change should be detailed on a separate line for each security.*
- Date of the Change – all of the changes of the same category, with respect to the same security, effected on the same day, should be summarized on one line. In that regard, a distinction should be made between changes made through the Stock Exchange Clearing House and changes made directly on the books of the Corporation.*
- The change – for a decrease the sign "-" should be added.*
- In all fields of the quantity, the quantity of securities should be filled in and not the NIS nominal value.*

2.a. The Schedule of the Share Capital of the Corporation after the Change:

Name & category of share	Stock Exchange number	Number of shares in the authorized capital	Issued & paid up capital	
			Quantity in last report	Present quantity
BNHP Ordinary Shares	662577	2,000,000,000	1,262,959,871	1,262,966,247

Explanation: All categories of shares should be specified – including shares, which are not registered for trading.

b. Schedule of Other Securities of the Corporation:

No. of security	Name of security	Category of security	Name of trustee	Quantity in the last report	Present quantity	Listed for trade
6620207	Poolim Subordinated Capital Notes "A"	Other		676,000,000	676,000,000	Yes
6620215	Poolim Subordinated Capital Notes "B"	Other		459,400,000	459,400,000	No
6620280	Poolim Subordinated Capital Notes "C"	Other		896,400,000	896,400,000	Yes
6620280	Poolim Subordinated Capital Notes "C"	Other		3,600,000	3,600,000	No
6620223	Employees Options 2004 *	Option		1,632,834	1,626,458	No
6620231	Employees Options 2005	Option		3,904,250	3,903,143	No
6620249	Employees Options 2006	Option		3,972,746	3,970,946	No
6620256	Personal Employment Contract Options 2006	Option		45,071	44,165	No
6620264	Employees Options 2007	Option		4,054,817	4,052,348	No
6620272	Personal Employment Contract Options 2007	Option		65,995	64,601	No
6620306	Personal Employment Contract Options 2008	Option		104,512	104,074	No
6620298	Employees Options 2008	Option		4,159,504	4,157,067	No

Explanation: All of the securities of the Corporation should be specified, except for shares (including securities not registered for trading).

c. Attached hereto is an uptodate file of the corporations securities lists, as well as the shareholders lists, the option holders notebook, and the bond holders notebook 1408_isa.pdf

* Including expiries and realizations

List of Shareholders of Bank Hapoalim B.M.

Data on Holdings as at: 31 March 2008

List of Shareholders of Bank Hapoalim B.M	Amount of shares
Nominee Company of Bank Hapoalim B.M	924,496,994
A. Shares of Core of Control	
Arison Holdings (1998) Ltd.	<u>255,354,390</u>
Total	255,354,390
B. Free Shares	
Arison Holdings (1998) Ltd.	7,376,918
Israel Salt Industries Ltd.	<u>75,664,441</u>
Total	83,041,359
Savion Tal	35,800
Tzitzian Avraham	31,680
Don Maxwell	2,450
Vardi Rachel	780
Agmon Eliyahu	700
Barkner Albert	603
Kikov Esther	568
Levi Victoria	544
Adv. Mindel Menachem Yigal	122
Geva Ariyeh	100
Pentzer Nathan	75
Zachs Eran	40
Newman David	10
Yehuda Bar Lev	10
Aaron Elias	10
Kelev Victoria	5
AMM G. Investments & Financials Ltd.	2
Livnat Raz	1
Zektzer Ram	1
Kramer Moshe	1
Erez Tal	1
Feldman Avi	<u>1</u>
	1,262,966,247

List of Holders of Subordinated Capital Notes 'A' 6620207

As of date : 31/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	671,000,000
The Provident Fund of Bank Leumi Staff	5,000,000
Total Capital	676,000,000

List of Holders of Subordinated Capital Notes 'B' 6620215

As of date : 31/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	459,400,000
Total Capital	459,400,000

**List of Holders of Subordinated TACT (Tel-Aviv Continuous
Trading) Institutional Capital Notes 'C' 6620280**

As of date : 31/03/2008

	Quantity of Capital Notes
Nominee Company of Bank Hapoalim B.M	896,400,000
S.D.S.Z. Investments Ltd.	3,600,000
Total Capital	900,000,000

List of Holders of Employees Options 2004 6620223

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	1,626,458
Total Capital	1,626,458

List of Holders of Employees Options 2005 6620231

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	3,903,143
Total Capital	3,903,143

List of Holders of Employees Options 2006 6620249

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	3,970,946
Total Capital	3,970,946

List of Holders of Personal Employment

Contract Options 2006 6620256

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	44,165
Total Capital	44,165

List of Holders of Employees Options 2007 6620264

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	4,052,348
Total Capital	4,052,348

List of Holders of Personal Employment

Contract Options 2007 6620272

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	64,601
Total Capital	64,601

List of Holders of Personal Employment

Contract Options 2008 6620306

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	104,074
Total Capital	104,074

List of Holders of Employees Options 2008 6620298

As of date : 31/03/2008

	Quantity of Capital Notes
G.L.E. 102 Trusts	4,157,067
Total Capital	4,157,067

Date: April 3, 2008
Reference: 802/08

To: The London Stock Exchange

Dear Sir or Madam,

RE: Immediate Report

Further to the immediate reports of Bank Hapoalim B.M. (hereinafter: "the Bank") of 27th March, 2007 (Reference No. 347486-01-2007), 13th November, 2007 (Reference No. 442255-01-2007) and 4th March, 2008 (Reference No. 063036-01-2008, the Bank is pleased to advise that on 3rd April, 2008 (at 03:45 p.m.), Isracard Ltd. and Europay (Eurocard) Israel Ltd. (hereinafter: "Isracard" and "Europay" respectively), subsidiary companies of the Bank, announced the signing of an addendum to the memorandum of principles with Bank Mizrahi Tefahot Ltd. (hereinafter: "Bank Mizrahi"), the main principles of which are as follows:

1. Isracard, Europay and Bank Mizrahi extend until 10th April, 2008 the period of time for conducting negotiations between them for replacing the existing accords with a new agreement (for a period of 10 years) the purpose of which is the issue of "Mizrahi Tefahot" branded credit cards and the implementation of operational arrangements and the servicing by Isracard of the debit cards issued by Isracard and distributed by Bank Mizrahi to its customers (hereinafter: "the New Agreement").
2. Subject to the extension of time and in accordance therewith, the parties remain committed to what was agreed in the memorandum of principles.

Yours faithfully,

Bank Hapoalim B.M.

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Eldad Kahana, Advocate
Head of Central Legal
Counselling Division

Yoram Weissbrem
Secretary of the Bank

END