

August 15, 2010

**BANK OF JERUSALEM SHOWS A NET PROFIT OF
NIS 18.3 MILLION IN THE FIRST HALF OF 2010**

Uri Paz, the CEO of the Bank of Jerusalem:

We intend to adopt a strategic plan according to which the Bank will considerably expand its retail activity and will diversify its basket of retail products

The sale of the Bank's premises in Zion Square, Jerusalem, could produce a profit of some NIS 30 million (pre-tax) for the Bank

The Bank of Jerusalem reports a net profit of NIS 18.3 million in the first half of 2010, as against NIS 38.5 million in the parallel period last year. The net earnings yield on the average equity capital in the first half of 2010 came to 6% as against 14.4% in the parallel period last year. The decrease stems mainly from a decline in the profit from financing activity which, in the parallel period last year, had come from high one-time profits, among them the nostro, as well as from an increase in operational and other costs, primarily an increase of a one-off nature in salary costs.

The risk-based capital ratio of the Bank to June 30, 2010, was 15.4%.

Uri Paz, the managing director of the Bank of Jerusalem, notes that the Bank is currently working on drawing up a strategic plan which will determine what the business focal points of the Bank will be in the coming years. According to the plan, the Bank will considerably expand its retail activity and will diversify its basket of retail products.

It may be further noted that, at the meeting of the Bank's Board of Directors, held on July 15, 2010, a resolution was passed in principle to sell the management office building of the Bank in Zion Square in Jerusalem, of a total area of some 2,000 sq.m., owned by Tomer Jerusalem, a fully-owned subsidiary of the Bank of Jerusalem, and to invite offers to that end. The Bank estimates that the sale of the building, when completed, could produce a profit of some NIS 30 million (pre-tax).

MAIN DEVELOPMENTS IN BALANCE SHEET LINES AND IN THE STATEMENT OF PROFIT AND LOSS FOR THE FIRST HALF OF 2010

The public credit balance amounted to NIS 7.7 billion on June 30, 2010, an increase of 4% in comparison with the end of 2009. The increase in the credit balance derived mainly from the increase in the mortgage credit balance, which amounted to NIS 5.8 billion as of June 30, 2010, compared with a balance of NIS 5.4 billion at the end of 2009. **The retail credit in the first half of 2010 performed at double the rate in the parallel period of the previous year.**

The Securities balance, as of June 30, 2010, amounted to NIS 1.4 billion, an increase of 26% as against the end of 2009.

The balance of public deposits, as of June 30, 2010, amounted to NIS 7.1 billion, a decrease of some 1%, as against the end of 2009.

The balance of certificates of deposit and deferred promissory notes amounted to NIS 1.6 billion as of June 30, 2010, an increase of some 15%, as against the end of 2009.

The bank's **equity capital** as of June 30, 2010, amounted to NIS 628.8 million, a 4% increase over the end of 2009. This increase derived mainly from the bank's profits in the first half of 2010, totaling NIS 18.3 million, and from an increase in the capital fund as a result of the fair value adjustment of securities available for sale to the amount of NIS 4.6 million (net after tax).

Profit from financing activity before the provision for doubtful debts amounted to NIS 84.2 million in the first half of 2010, as against NIS 108.3 million in the parallel period of the previous year, a decrease of 22%. Most of the decrease applied to the items of profit from the realization of securities available for sale and of profit from tradable securities, which came to NIS 12.3 million in the first half of 2010 as against NIS 31.2 million in the parallel period of the previous year. It may be noted that these profits were exceptionally high in the parallel period of the previous year.

The provision for doubtful debts in the first half of 2010 amounted to NIS 0.7 million, as against NIS 4.7 million in the same period last year. Most of the reduction is due to the reduction in the provision for housing, according to the extent of the arrears, and a specific provision for contractors and others. The ratio of the provision to the doubtful debts in the first half of 2010 in annual terms came to 0.01% as against 0.12% in the parallel period last year.

Income from operations and other income in the first six months of 2010 came to NIS 43.2 million as against NIS 41 million in the parallel period of last year, a growth of some 5%.

Operational and other costs in the first half of 2010 came to NIS 98.8 million, as against NIS 85.3 million in the parallel period of the previous year – a growth of some 16%. The increase derived mainly from a rise in salary costs (primarily with one-time characteristics), at NIS 61.6 million in the first half of 2010 as against NIS 52.6 million last year.

The net profit in the first half of 2010 amounted to NIS 18.3 million, compared with NIS 38.5 million in the parallel period last year.

For further details:
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Main figures from the Consolidated Financial Statements
for the six months ended June, 30 2010 (unaudited)

Attached to the
Board of Directors
Report

	Rate of change In %	For the six months ended on June 30	
		2010	2009
a. Profit and Profitability		In percent	
1. Net earnings yield for average capital ⁽¹⁾		6%	14.4%
		Reported amounts NIS millions	
2. Profit from financing activity before the provision for doubtful debts.	-22%	84.2	108.3
3. Provision for doubtful debts	-85%	(0.7)	(4.7)
4. Profit from financing activity after provision for doubtful debts	-19%	83.5	103.6
5. Operational and other revenues	5%	43.2	41.0
6. Operational and other expenses	16%	(98.8)	(85.3)
7. Profit from regular expenses before taxes in reported amounts	-53%	27.9	59.3
8. Tax provision	-54%	(9.6)	(20.8)
9. Net profit	-52%	<u>18.3</u>	<u>38.5</u>
		To	
		June 30	December 31
		2010	2009
b. Main Financial Relationships		In percent	
Provision for doubtful debts with respect to public credit balance (including weighted off-balance sheet credit risk)			
10. Provision for the period ⁽¹⁾		0.01%	-0.02%
11. Accumulated provision		1.6%	1.7%
12a. Ratio of capital to risk components (Basel II)		15.4%	16.0%
12b. Ratio of capital to risk components (Basel I)		12.3%	13.0%

	Rate of change In %	Reported amounts	
		NIS millions	
c. Balance sheet – Main lines			
13. Total balance sheet	2%	9,491	9,301
14. Cash and bank deposits	-55%	348	765
15. Securities	26%	1,366	1,083
16. Public credit	4%	7,673	7,349
17. Public deposits	-1%	7,075	7,116
18. Certificates of deposits and deferred promissory notes	15%	1,607	1,392
19. Equity capital	4%	629	606
20. Capital for the purpose of capital to risk component ratio (Basel II)	0%	901	903
d. Off-balance sheet items			
21. Balance of loans from deposits by extent of collection	-7%	2,775	2,975
22. Balance of guarantees	-3%	492	505
(1) In effective annual terms			