HAPOALIM INTERNATIONAL N.V.
Curaçao

Financial statements for the year ended
December 31, 2010

(with independent auditors' report thereon)

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Our ref 11/03-074

To the Management and Board of Supervisory Directors
Hapoalim International N.V.

Curaçao

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Hapoalim International N.V., which comprise the statement of financial position as at December 31, 2010, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Hapoalim International N.V. as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Curaçao,
September 23, 2011

KPMG ACCOUNTANTS B.V.

Sanjay Agarwal, FCA

Statement of financial position as at December 31, 2010

Assets	**Note**	**2010**	**2009**
(in US dollars)			
Current assets			
Cash and cash equivalents	2	3,221,715	3,721,323
Accrued interest receivable		1,711,877	1,694,447
Derivative assets	4	2,697,424	7,941,569
		7,631,016	13,357,339
Non-current assets			
Time deposits due from related parties	3	289,422,673	294,188,536
		289,422,673	294,188,536
		297,053,689	**307,545,875**

Liabilities and shareholder's equity	**Note**	**2010**	**2009**
(in US dollars)			
Current liabilities			
Accrued interest payable		1,693,572	1,791,374
Due to related parties		900,000	900,000
Derivative liabilities	4	328,949	602,290
Other liabilities		48,428	161,406
		2,970,949	3,455,070
Non-current liabilities			
Guaranteed notes	5	291,914,915	301,527,815
Income tax payable	6	326,754	1,353,271
		292,241,669	302,881,086
Shareholder's equity			
Share capital		250,000	250,000
Accumulated deficit		(2,840,693)	(3,472,045)
Additional paid-in capital		4,431,764	4,431,764
		1,841,071	1,209,719
		297,053,689	**307,545,875**

Statement of comprehensive income for the year ended December 31, 2010

(in US dollars)	Note	2010	2009
Operating income			
Net interest income/(expense)	8	126,053	(46,821)
Exchange differences		41,798	212,779
		167,851	165,958
Operating expense			
Administrative expenses		(563,016)	(904,252)
Profit before tax		**(395,165)**	**(738,294)**
Income tax credit/(expense)	6	1,026,517	(103,411)
Profit/(loss) for the year		631,352	(841,705)
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year		**631,352**	**(841,705)**

Statement of changes in shareholder's equity for the year ended December 31, 2010

	Share capital	Accumulated deficit	Additional paid-in capital	Total
(in US dollars)				
Balance at December 31, 2008	**250,000**	**(2,630,340)**	**4,431,764**	**2,051,424**
Loss for the year	-	(841,705)	-	(841,705)
Other comprehensive income/(loss)	-	-	-	-
Balance at December 31, 2009	**250,000**	**(3,472,045)**	**4,431,764**	**1,209,719**
Profit for the year	-	631,352	-	631,352
Other comprehensive income/(loss)	-	-	-	-
Balance at December 31, 2010	**250,000**	**(2,840,693)**	**4,431,764**	**1,841,071**

At December 31, 2010 the authorized share capital comprised 250 shares (2009: 250) with a par value of USD1,000. All issued shares are fully paid.

Statement of cash flows for the year ended December 31, 2010

	2010	2009
(in US dollars)		
Net profit/(loss)	631,352	(841,705)
Adjustments for:		
Accrued income tax	(1,026,517)	103,411
Interest income	(14,806,275)	(34,253,269)
Interest expense	14,680,222	34,300,090
Interest received	14,788,845	35,069,683
Interest and commissions paid	(14,778,024)	(36,100,253)
Income tax paid	-	(6,635)
Payment of transaction costs relating to the issuance of time deposits to related parties	-	9,000
(Decrease)/increase in other liabilities	(112,978)	69,571
Decrease/(increase) in time deposits due from related parties	4,765,863	344,149,672
Cash flow from operating activities	**4,142,488**	**342,499,565**
Issue of guaranteed notes	34,522,400	236,154,436
Redemption of notes	(39,164,496)	(580,819,338)
Cash flow from financing activities	**(4,642,096)**	**(344,664,902)**
Net increase/(decrease) in cash and cash equivalents	(499,608)	(2,165,337)
Cash and cash equivalents at January 1	3,721,323	5,886,660
Cash and cash equivalents at December 31	**3,221,715**	**3,721,323**

Notes to financial statements
December 31, 2010

(1) Reporting entity, basis of preparation and significant accounting policies

Reporting entity
Hapoalim International N.V., (the "Company"), a wholly owned subsidiary of Bank Hapoalim B.M., Israel ("Parent Bank"), was incorporated in the Netherlands Antilles under the Commercial Code of the Netherlands Antilles on August 11, 1977 with limited liability for an indefinite period. It was formed to assist the financing of the activities of Bank Hapoalim B.M. Under its Deed of Incorporation, the Company's corporate purposes include the borrowing and lending of money and issue of debt securities.

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Board of Directors on September 23, 2011.

Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value, and
- Guaranteed Notes are measured at fair value.

The financial statements are presented in U.S. dollars, which is the Company's functional currency.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the valuation of financial instruments. Management believes that the estimates utilized in preparing these financial statements are reasonable, however actual results could differ from these estimates.

Significant accounting policies
Except as described below, the accounting principles applied by the Company in these financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2009. With effect from January 1, 2010, the Company applies the following modified or new IFRS and Interpretations of IAS and IFRS:
- IFRS 3 rev. – Business Combinations.
- IAS 27 amended – Consolidated and Separate Financial Statements.
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items.
- IFRIC 17 – Distributions of Non-cash Assets to Owners.
- Improvements to IFRS 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- Improvement to IFRS (April 2009).
- Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions.

The above mentioned standards did not have any significant impact on the financial statements of the Company.

New and revised standards and interpretations
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2010, and have not been applied in preparing these financial statements.

Standard/interpretation	Effective date	Planned application for the Company
Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues	February 1, 2010	Reporting year 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Reporting year 2011
IAS 24 Related Party Disclosures (revised 2009)	January 1, 2011	Reporting year 2011
Amendments to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	January 1, 2011	Reporting year 2011
Improvements to IFRS (May 2010)	July 1, 2010 January 1, 2011	Reporting year 2011
IFRS 9 – Financial Instruments: Measurement and Classification	January 1, 2013	Reporting year 2013

The impact of the standards and interpretations has not yet been systematically analyzed, but it is expected that the amendments will not have a significant impact on the financial statements.

The accounting policies set out below have been consistently applied in the Company's financial statements and are consistent with those used in the previous year.

Time deposits due from related parties
Time deposits due from related parties comprise time deposits maintained with the Parent Bank and other related banks. Time deposits are initially measured at fair value i.e. the amount invested plus any transaction costs directly associated with the investment. The time deposits are subsequently carried at amortized cost less any write-downs or allowances for recoverability. As the terms of the deposits are adjusted to the market every quarter, the fair value of the deposits approximates the carrying values. Interest is recognized using the effective interest rate method.

Deposits receivable are stated at the amount of unpaid principal reduced by an allowance for losses as considered necessary by management. The recoverable amount of the deposits is calculated on a deposit-by-deposit basis by estimating the present value of expected future cash flows, discounted at the original effective interest rate. Interest rate changes on deposits with the Parent Bank are linked to those on the guaranteed floating/fixed rate notes.

Interest
Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortized cost on an effective interest rate basis and fair value changes in qualifying derivatives and related hedged items when interest rate risk is the hedged risk.

Transaction costs
The Company issues guaranteed notes as a part of the group activity under a Medium Term Note Programme of the Parent Bank. The proceeds received on these guaranteed notes are placed in time deposits at the Parent Bank. Transaction cost incurred on issuing the guaranteed notes and placing the deposits relate to the purpose of the financing structure of the group and are therefore considered to relate to the time deposits placed at group companies. These costs are amortized and included in interest expense as an adjustment to the effective interest rate on the related instruments.

Guaranteed notes
Under the USD2,500,000,000 Global Medium Term Note Program (the “Program”), the Company may from time to time issue notes in bearer form denominated in any currency agreed between the Issuer and the relevant Dealer. The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by the Parent Bank. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed USD2,500,000,000.

Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. Maturities will be agreed between the Issuer and the relevant Dealer.

Under the Program the following notes may be issued:

Fixed rate notes
Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Parent Bank and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Parent Bank and the relevant Dealer.

Floating Rate Notes
Floating Rate Notes will bear interest at a rate determined either:
- on the same basis as the floating rate under a notional interest-rate swap transaction
- on the basis of a reference rate
- on such other basis as may be agreed between the Issuer, the Bank and the relevant Dealer

Index Linked Redemption Notes
Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer, the Parent Bank and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms).

Dual Currency Notes
Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer, the Bank and the relevant Dealer may agree (as indicated in the applicable Final Terms).

Zero Coupon Notes
Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.

Redemption
The Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche will have no scheduled maturity (in the case of Undated Subordinated Notes) or will have a stated maturity (in the case of Unsubordinated Notes and Dated Subordinated Notes). The Final Terms will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specific installments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer upon giving not less than three nor more than 30 business days' notice and/or the holders of the Notes upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the holders of the Notes or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms. Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distribution.

Listing
Application has been made for the Notes to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange. The Notes may also be admitted to listing, trading and/or quotation by such other or further stock exchange(s), listing authority and/or quotation system as may be agreed between the Issuer, the Parent Bank and the relevant Dealer in relation to each Series. The Final Terms relating to each Tranche of Notes will state whether or not and, if so, on which stock exchange(s) or quotation system(s) the Notes are to be listed, traded and/or quoted. Unlisted Notes may also be issued.

Selling restrictions
There are selling restrictions in relation to the United States, the United Kingdom, the former Netherlands Antilles, Israel, Japan, Germany, Switzerland, The Netherlands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes.

Valuation of the guaranteed notes
Guaranteed notes have been designated at fair value through profit or loss.

Fair value has been determined by discounting the expected cash flows using current market interest rates for similar instruments.

An eventual guaranteed performance part of guaranteed notes is accrued over the remaining lifetime of the product on an effective interest method. All interest payments are also accrued over the interest period. In the calculation of the accrued interest the interest barriers on guaranteed notes or structured products are taken into consideration.

The Company enters into Interest Rate Swaps to minimize its exposure to fluctuations in interest rates.

Cash and cash equivalents
Cash and cash equivalents include cash balances and time deposits due from related parties with an original term of less than 90 days and are exclusively placed within the Group.

Derivative assets und liabilities
Interest Rate Swaps and Index Swaps are valued at fair value. Valuation changes are recognised in the statement of comprehensive income. The accrued interest on these instruments is shown separately in the statement of financial position. The fair value of a derivative is its market price. All derivatives with a positive fair value are shown as an asset. All derivatives with a negative fair value are shown as a liability.

Foreign currency translation
The Company maintains its accounts in U.S. dollars. Foreign currency transactions are recorded at the rate of exchange prevailing at the date of transaction. On the statement of financial position date monetary assets and liabilities denominated in foreign currency are translated into U.S. dollars at the exchange rates prevailing at the end of the period and the resulting exchange gains and losses are included in the profit and loss account. At year-end the following currency rates were used:

	31.12.2010	31.12.2009
CAD	1.0020	0.9538
EUR	1.3384	1.4347
GBP	1.5612	1.6148
ILS	0.2837	-

Income tax
Under the terms of a ruling by the Inspector of Taxes, the Company is liable for tax at a rate of approximately 3% based on the deemed income on the average principal amounts of guaranteed notes outstanding during the year, calculated on the daily amount of the outstanding indebtedness and on the actual number of days in the tax year. If and to the extent total note issues exceed USD80,000,000 in any one year, the percentage will be reduced to 0.5% for the excess over USD80,000,000.

Related parties
All time deposits, interest rate swaps and other related financial instruments, are with the Parent Bank, subsidiaries or branches from the Parent Bank in the world-wide network. The Parent Bank has also guaranteed the notes issued by the Company. The Company pays a management fee to Bank Hapoalim (Switzerland) Ltd., a subsidiary of the Parent Bank, for management and administrative services. All related party transactions are considered to be at arm's length.

(2) Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(in US dollars)	2010	2009
Nostro account with Bank Hapoalim (Switzerland) in CAD	695,716	664,526
Nostro account with Bank Hapoalim (Switzerland) in USD	2,048,720	2,671,179
Nostro account with Bank Hapoalim (Switzerland) in EUR	437,686	469,062
Nostro account with Bank Hapoalim (Switzerland) in ISL	123,766	-
Nostro account with Bank Hapoalim (Switzerland) in GBP	(84,173)	(83,444)
	3,221,715	**3,721,323**

(3) Time deposits due from related parties

A summary of time deposits maintained with the parent bank and other related banks are mentioned below:

(in US dollars)	2010	2009
Time deposits with Parent Bank	**289,422,673**	**294,188,536**

Detailed listing with maturity date and year-end interest rate are included in annex 1.

(4) Derivative assets and liabilities

Interest Rate Swaps and Index Swaps

In the normal course of business the Company is party to financial instruments to eliminate its exposure to fluctuations in interest rates, index rates and foreign exchange rates. For these products no actual exchange of principal occurs but the Company is exposed to credit risk to the extent of the fair value of the instrument at the date of the statement of financial position, plus any accrual.

An Interest Rate or an Index Swap is an agreement to exchange streams of interest payments or index points on a notional principal amount. The Company is exposed to credit loss in the event of non-performance by one of the counter parties to the agreement, notwithstanding the fact that all of the Interest Rate Swap and Index Swap agreements are with the Parent Bank.

For each of the guaranteed notes the Company has entered into an Interest or an Asset Swap with its Parent Bank. In each of the swap agreements, the Company has agreed to pay a floating interest rate in return for receiving a fixed interest or other floating or index-linked return. In each case, the underlying notional amount is the same as the principal of the guaranteed notes.

The applicable dates for the Interest Rate Swap or the Asset Swap are the same as those applying to the underlying Fixed Rate Notes or the structured product.

Interest Rate Swaps

(in US dollars)	Derivative assets 2010	Derivative liabilities 2010	Nominal amount 2010	Nominal amount 2009
Fair value of Interest Rate Swaps for fixed interest notes (2009 assets USD1,000,238 and liabilities USD348,877)	245,867	-	43,240,000	43,240,000
Fair value of Interest Rate Swaps for structured products (2009 assets USD6,941,331 and liabilities USD253,413)	2,451,557	328,949	59,198,000	64,851,100
Total	**2,697,424**	**328,949**	**102,438,000**	**108,091,100**

(5) Guaranteed notes

These include fixed, floating rate notes and structured notes. Some of these products may be redeemed at the option of the holder or of the Company. The guaranteed notes may also be redeemed at the option of the Company at any time in the event of the imposition of any Curaçao (formerly Netherlands Antilles) or Israeli withholding taxes affecting payments in respect of the products.

The Parent Bank has unconditionally guaranteed the payment of principal and interest of these products.

A summary of the guaranteed notes (designated at fair value through profit and loss) by categories is given as follows:

	2010	2009
(in US dollars)		
Floating rate notes	175,868,440	175,183,036
Fixed rate notes	43,485,867	43,891,361
Notes with interest convertible to fixed or floating	11,240,000	11,240,000
Structured products	61,320,608	71,213,418
	291,914,915	**301,527,815**

A detailed listing of principal amounts of the guaranteed notes together with maturity date, issue date and interest rate for the year is included in annex 2.

(6) Taxes payable

	2010	2009
(in US dollars)		
Income tax provision beginning of the year	1,353,271	1,256,495
Income tax paid during the year	-	(6,635)
(Credit) charge for the year	(1,026,517)	103,411
Income tax provision end of the year	**326,754**	**1,353,271**

The release of taxes payable is due to final tax assessments received from the Inspectorate of Taxes of Curaçao (former Netherlands Antilles) and paid for the year 2005 till 2008.

(7) Employees

The Company had no employees during the years ended December 31, 2010 and 2009. A part of the administration of the Company is outsourced to Bank Hapoalim (Switzerland) Ltd.

(8) Net interest income

(in US dollars)	2010	2009
Interest income		
Deposits with related parties	6,636,440	9,550,242
Derivative assets held for hedging purposes	9,225,226	27,921,615
Total interest income	15,861,666	37,471,857
Interest expense		
Debt securities issued	14,680,222	34,300,090
Derivative liabilities held for hedging purposes	1,055,391	3,218,588
Total interest expense	15,735,613	37,518,678
Net interest income/(expense)	**126,053**	**(46,821)**

(9) Risk management

The Company's financial instruments comprise derivatives used for hedging, time deposits, some cash and cash equivalents and guaranteed notes. The main risks arising from Company's activities in the normal course of its business related to the use of financial instruments are:

- Credit risk
- Liquidity risk
- Market risk (foreign currency risk)
- Interest rate risk
- Operational risk

This enumeration is not intended to be a comprehensive summary of all risks. This note represents information about the Company's exposure to each of the above mentioned risks. In general, the Company is supervised by the risk management department of Bank Hapoalim (Switzerland) Ltd. Therefore adequate policies and procedures for measuring and managing the risks apply. We refer to the annual report of Bank Hapoalim (Switzerland) Ltd.

As a wholly owned subsidiary of the Parent Bank, all investments are placed within the Hapoalim Group. The risk exposures such as credit and interest risk are hedged within the group. As a result, such risks are considered by the management as insignificant.

Credit risk
Credit risk is the risk of a financial loss to the Company, if a customer or counterparty to financial instruments fails to meet the contractual obligations, and arises principally from the time deposits placed. Due to the nature of the investments and the fact that time deposits are placed only with the Parent Bank, neither general nor individual allowances for impairment losses are established by the Company. Annex 1 shows a detailed listing of time deposits with maturity date and year-end interest rate.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Head Treasury of the Bank Hapoalim (Switzerland) Ltd. monitors the Company's capital requirements on an ongoing basis to ensure that it has adequate liquid resources available. The financial instruments for liquidity management include derivatives contracts. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at future dates. Each of these financial instruments contain varying degrees of off-balance sheet risk whereby changes in the market value of the securities underlying the financial instrument may exceed the amount recognized in the statement of financial position. The Company maintains trading relationships with counterparties for hedging interest risks; these relationships could result in concentration of credit risk. The loss incurred by the failure of counterparty is generally limited to the net payment to be received by the Company. The Company considers the creditworthiness of each counterparty to a contract in evaluating potential credit risk and only enters into contracts with group companies.

Maturity analysis for financial liabilities

December 31, 2010	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	More than 5 years
(in US dollars)							
Non-derivative liabilities							
Guaranteed notes	291,914,915	289,546,440	15,887,200	35,080,000	5,853,600	120,619,740	112,105,900
Total	**291,914,915**	**289,546,440**	**15,887,200**	**35,080,000**	**5,853,600**	**120,619,740**	**112,105,900**
Derivative liabilities							
Risk management	2,368,475	-	-	-	-	-	-
Outflow	-	(680,815)	-	(108,422)	(84,350)	(373,996)	(114,047)
Inflow	-	2,349,780	-	446,844	75,361	1,238,968	588,607
Total	**2,368,475**	**1,668,965**	**-**	**338,422**	**(8,989)**	**864,972**	**474,560**

December 31, 2009	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	More than 5 years
(in US dollars)							
Non-derivative liabilities							
Guaranteed notes	301,527,815	294,188,536	2,200,000	4,060,000	4,304,100	138,891,144	144,733,292
Total	**301,527,815**	**294,188,536**	**2,200,000**	**4,060,000**	**4,304,100**	**138,891,144**	**144,733,292**
Derivative liabilities							
Risk management	7,339,279	-	-	-	-	-	-
Outflow	-	(1,205,968)	(17,162)	(84,163)	(84,195)	(548,919)	(471,529)
Inflow	-	3,272,334	66,542	-	-	1,260,882	1,944,910
Total	**7,339,279**	**2,066,366**	**49,380**	**(84,163)**	**(84,195)**	**711,963**	**1,473,381**

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to interest rate risk (see below) and currency risk. The Company's revenues are mainly generated in U.S. dollars as functional currency.

Interest rate risk
Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments recognized in the statement of financial position. The Company is exposed to interest risk on the asset side from the time deposits as well as on the liabilities side from the guaranteed notes and the derivatives which are held for hedging purposes. The risk exposures relating to interest risks are fully hedged within the group. We refer to footnote 4 of these notes.

Foreign currency transactions
The Company may enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than U.S. dollars. Due to the small amounts and the low currency risk combined in the time deposits and guaranteed notes, management decided not to actively manage or hedge the currency risks. As such risks are very limited, a sensitivity analysis is not presented. Annex 2 provides information about transactions denominated in currencies other than its functional currency.

Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from other external factors. It is the Group's objective to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's and in association the Group's reputation with overall cost effectiveness. The Company is integrated in the operational risk management framework of Bank Hapoalim (Switzerland) Ltd. Therefore the Company is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified
- Ethical and business standards
- Training and professional development

(10) Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in accounting policy.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques provided by the Parent Bank. Widely recognized valuation models for determining the fair value of common and more simple financial instruments like interest rate swaps and notes that use only observable market data and require little management judgment and estimation are in place. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to change based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2010	Level 1	Level 2	Level 3	Total
(in US dollars)				
Derivative assets	-	-	2,697,424	2,697,424
Derivative liabilities	-	-	(328,949)	(328,949)
Guaranteed notes	-	-	(291,914,915)	(291,914,915)
Total	**-**	**-**	**(289,546,440)**	**(289,546,440)**

2009	Level 1	Level 2	Level 3	Total
(in US dollars)				
Derivative assets	-	7,941,569	-	7,941,569
Derivative liabilities	-	(161,406)	-	(161,406)
Guaranteed notes	-	(301,527,815)	-	(301,527,815)
Total	**-**	**(293,747,652)**	**-**	**(293,747,652)**

The classification of the financial instruments according to the IFRS 7 fair value hierarchy has been modified since the beginning of the period due to a change of the source of pricing for all instruments to an extraneous counterparty which leads to a reclassification of all positions from Level 2 to Level 3.

A detailed breakdown of the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy failed due to lack of pertinent transaction data caused by the change of the source of pricing to an extraneous counterparty.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have different effects on indicative prices used by the extraneous counterparty.

(11) Subsequent event

No material subsequent events to report.

Annex 1: Detailed listing of time deposits with maturity date and year-end interest rate

Due from Parent and Affiliate

		Year-end interest rate		Principal	
	Maturity date	2010	2009	2010	2009
		%	%	USD	USD
Parent Bank					
January	2010	-	0.53063	-	4,060,000
April	2010	-	0.95700	-	4,304,100
January	2011	1.780000	-	15,763,433	-
February	2011	1.169630	1.15650	390,000	390,000
February	2011	1.093630	1.08050	23,450,000	23,450,000
February	2011	1.107630	1.09450	11,240,000	11,240,000
November	2011	0.985630	0.97250	500,000	500,000
December	2011	1.629000	1.31500	5,353,600	5,738,800
December	2012	1.039060	1.03438	4,410,000	4,410,000
December	2012	1.031880	0.98344	3,000,000	3,000,000
December	2012	1.724000	1.41500	5,353,600	5,738,800
January	2013	0.989060	-	1,720,000	-
January	2013	0.989060	-	1,000,000	-
February	2013	1.568000	-	4,015,200	-
April	2013	0.639060	-	2,560,000	-
June	2013	0.653440	-	1,450,000	-
July	2013	0.640000	-	2,000,000	-
April	2014	2.612500	2.78875	19,790,000	19,790,000
April	2014	2.612500	2.78875	50,710,000	50,710,000
April	2014	3.582500	3.10333	8,897,760	8,469,744
November	2014	-	1.13750	CALL Nov-10	1,500,000
November	2014	-	0.86000	CALL Nov-10	953,800
December	2014	1.401560	1.35425	1,000,000	1,000,000
December	2014	1.411560	1.36425	1,000,000	1,000,000
December	2014	-	1.11425	CALL Dec-10	1,000,000
January	2015	1.653000	-	1,338,400	-
July	2015	2.833130	3.06500	9,980,000	9,980,000
July	2015	3.222500	3.18333	2,394,780	2,279,582
April	2016	3.512500	3.68875	38,640,000	38,640,000
April	2019	4.062500	4.23875	29,300,000	29,300,000
June	2019	-	1.34875	CALL Jun-10	3,600,000
June	2019	-	1.32063	CALL Jun-10	5,700,000
July	2019	-	1.41688	CALL Oct-10	1,600,000
July	2019	-	1.31063	CALL Jul-10	2,200,000
July	2020	0.687940	0.93625	32,600,000	32,600,000
July	2020	1.233330	1.10000	2,955,900	2,813,710
August	2021	-	1.31406	CALL Aug-10	3,630,000
February	2022	1.284380	-	2,170,000	-
August	2023	-	1.15250	CALL Aug-10	11,770,000
September	2023	-	1.17375	CALL Mar-10	1,710,000
October	2023	-	1.32906	CALL Oct-10	1,110,000
February	2025	1.264380	-	6,440,000	-
				289,422,673	**294,188,536**

Annex 2: Guaranteed Notes as per December 31, 2010

Issue	Currency	Principal amount	Principal amount in USD per 31.12.2010	Interest rate	Type of note	Issue date	Maturity date	Callable
2011B	USD	390,000	390,000	0.985630	Floating Rate Note	Feb-04	Feb-11	
2014B	USD	50,710,000	50,710,000	2.612500	Floating Rate Note	Mar-09	Apr-14	
2014C	CAD	8,880,000	8,897,760	3.582500	Floating Rate Note	Mar-09	Apr-14	
2015A	USD	9,980,000	9,980,000	2.833130	Floating Rate Note	Jul-09	Jul-15	
2015B	CAD	2,390,000	2,394,780	3.222500	Floating Rate Note	Jul-09	Jul-15	
2016	USD	38,640,000	38,640,000	3.512500	Floating Rate Note	Mar-09	Apr-16	
2019	USD	29,300,000	29,300,000	4.062500	Floating Rate Note	Mar-09	Apr-19	
2020A	USD	32,600,000	32,600,000	0.687940	Floating Rate Note	Jul-09	Jul-20	
2020B	CAD	2,950,000	2,955,900	1.233330	Floating Rate Note	Jul-09	Jul-20	
Subtotal			**175,868,440**					
2011A	USD	23,450,000	23,450,000	4.696000	Fixed Rate Notes	Feb-04	Feb-11	
2014A	USD	19,790,000	19,790,000	4.377000	Fixed Rate Notes	Mar-09	Apr-14	
Subtotal			**43,240,000**					
2011C	USD	11,240,000	11,240,000	0.985630	Convertible Notes	Feb-04	Feb-11	
Subtotal			**11,240,000**					

Issue	Currency	Principal amount	Principal amount in USD per 31.12.2010	Interest rate	Type of note	Issue date	Maturity date	Callable
SP 09-06	USD	4,410,000	4,410,000	-	Structured Products	Oct-09	Oct-12	
SP 09-07	USD	3,000,000	3,000,000	-	Structured Products	Sep-09	Sep-12	
SP 09-08	USD	500,000	500,000	-	Structured Products	Nov-09	Nov-11	
SP 09-11	USD	1,000,000	1,000,000	-	Structured Products	Dec-09	Dec-14	
SP 09-12	USD	1,000,000	1,000,000	6.00000	Structured Products	Dec-09	Dec-14	
SP 09-14	EUR	4,000,000	5,353,600	2.20000	Structured Products	Dec-09	Dec-11	
SP 09-15	USD	1,720,000	1,720,000	1.00000	Structured Products	Jan-10	Jan-13	SP 09-15
SP 09-16	USD	1,000,000	1,000,000	-	Structured Products	Jan-10	Jan-13	SP 09-16
SP 09-17	EUR	4,000,000	5,353,600	2.25000	Structured Products	Dec-09	Dec-12	SP 09-17
SP 09-18	EUR	1,000,000	1,338,400	4.00000	Structured Products	Jan-10	Jan-15	SP 09-18
SP 10-01	USD	2,170,000	2,170,000	6.50000	Structured Products	Feb-10	Feb-22	SP 10-01
SP 10-02	USD	6,440,000	6,440,000	7.00000	Structured Products	Feb-10	Feb-22	SP 10-02
SP 10-03	EUR	3,000,000	4,015,200	1.50000	Structured Products	Feb-10		SP 10-03
SP 10-04	USD	2,560,000	2,560,000	1.90000	Structured Products	Apr-10	Apr-13	SP 10-04
SP 10-05	USD	1,450,000	1,450,000	1.50000	Structured Products	Jun-10	Jun-13	SP 10-05
SP 10-06	USD	2,000,000	2,000,000	1.35000	Structured Products	Jul-10	Jul-13	SP 10-06
SP 10-IL-1	ILS	56,000,000	15,887,200	-	Structured Products	Aug-10	Jan-11	SP 10-IL-1
Subtotal			**59,198,000**					
Grand total			**289,546,440**					

Annex 2: Guaranteed Notes as per December 31, 2009

Issue	Currency	Principal amount	Principal amount in USD per 31.12.2009	Interest rate	Type of note	Issue date	Maturity date	Callable
	USD							
2011B		390,000	390,000	0.972500	Floating Rate Note	Feb-04	Feb-11	
2014B	USD	50,710,000	50,710,000	2.788750	Floating Rate Note	Mar-09	Apr-14	
2014C	CAD	8,880,000	8,469,744	3.103330	Floating Rate Note	Mar-09	Apr-14	
2015A	USD	9,980,000	9,980,000	3.065000	Floating Rate Note	Jul-09	Jul-15	
2015B	CAD	2,390,000	2,279,582	3.183330	Floating Rate Note	Jul-09	Jul-15	
2016	USD	38,640,000	38,640,000	3.688750	Floating Rate Note	Mar-09	Apr-16	
2019	USD	29,300,000	29,300,000	4.238750	Floating Rate Note	Mar-09	Apr-19	
2020A	USD	32,600,000	32,600,000	0.936250	Floating Rate Note	Jul-09	Jul-20	
2020B	CAD	2,950,000	2,813,710	1.100000	Floating Rate Note	Jul-09	Jul-20	
Subtotal			**175,183,036**					
2011A	USD	23,450,000	23,450,000	4.696000	Fixed Rate Notes	Feb-04	Feb-11	
2014A	USD	19,790,000	19,790,000	4.377000	Fixed Rate Notes	Mar-09	Apr-14	
Subtotal			**43,240,000**					
2011C	USD	11,240,000	11,240,000	0.972500	Convertible Notes	Feb-04	Feb-11	
Subtotal			**11,240,000**					

Issue	Currency	Principal amount	Principal amount in USD per 31.12.2009	Interest rate	Type of note	Issue date	Maturity date	Callable
SP 05-02	USD	4,060,000	4,060,000	-	Structured Products	Jan-05	Feb-10	
SP 05-07	EUR	3,000,000	4,304,100	-	Structured Products	Mar-05	Mar-10	
SP 08-07	USD	11,770,000	11,770,000	8.700000	Structured Products	Aug-08	Aug-23	Feb-10
SP 08-12	USD	1,710,000	1,710,000	8.050000	Structured Products	Sep-08	Sep-23	Mar-10
SP 08-13	USD	1,110,000	1,110,000	8.000000	Structured Products	Oct-08	Oct-23	Jan-10
SP 09-01	USD	3,600,000	3,600,000	7.320000	Structured Products	Jun-09	Jun-19	Jun-10
SP 09-02	USD	5,700,000	5,700,000	7.170000	Structured Products	Jun-09	Jun-19	Jun-10
SP09-03	USD	1,600,000	1,600,000	6.700000	Structured Products	Jul-09	Jul-19	Jul-10
SP 09-04	USD	2,200,000	2,200,000	6.000000	Structured Products	Jul-09	Jul-19	Jul-10
SP 09-05	USD	3,630,000	3,630,000	7.000000	Structured Products	Aug-09	Aug-21	Aug-10
SP 09-06	USD	4,410,000	4,410,000	-	Structured Products	Oct-09	Oct-12	
SP 09-07	USD	3,000,000	3,000,000	-	Structured Products	Sep-09	Sep-12	
SP 09-08	USD	500,000	500,000	-	Structured Products	Nov-09	Nov-11	Nov-10
SP 09-09	USD	1,500,000	1,500,000	4.000000	Structured Products	Nov-09	Nov-14	Nov-10
SP 09-10	CAD	1,000,000	953,800	4.000000	Structured Products	Nov-09	Nov-14	
SP 09-11	USD	1,000,000	1,000,000	-	Structured Products	Dec-09	Dec-14	
SP 09-12	USD	1,000,000	1,000,000	6.00000	Structured Products	Dec-09	Dec-14	
SP 09-13	USD	1,000,000	1,000,000	4.00000	Structured Products	Dec-09	Dec-14	Dec-10
SP 09-14	EUR	4,000,000	5,738,800	1.40000	Structured Products	Dec-09	Dec-11	
SP 09-17	EUR	4,000,000	5,738,800	1.20000	Structured Products	Dec-09	Dec-12	
Subtotal			**64,525,500**					
Grand total			**294,188,536**					