

PRESS RELEASE 1.6.09

CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2009

FINANCIAL HIGHLIGHTS FOR FIRST QUARTER OF 2009

NET INCOME - NIS 140 MILLION (\$33.4 MILLION)

compared with NIS 35 million (\$8.35 million) for the corresponding quarter of 2008
increase of 300.0%

RETURN ON EQUITY - 6.5%

compared with 1.5% for the corresponding quarter last year
and 2.7% for all of 2008

THE RATIO OF CAPITAL TO RISK ASSETS - 10.42%

compared with 10.27% at the end of 2008



GIORA OFFER PRESIDENT & CHIEF EXECUTIVE OFFICER

Israel Discount Bank reported Q1/09 earnings of NIS140mm and an ROE of 6.5%. The group continues to present growth in its key business parameters across core business sectors. These results are particularly impressive, taking into consideration the global economic recession and its impact on the domestic market.

The first quarter results are testimony to the strategic focus of the bank on its core banking business.

The bank continues to demonstrate consecutive quarterly growth in both loans and deposits, while at the same time, maintaining a healthy loan to deposit ratio, a reflection of our high liquidity levels.

Core banking activities will remain the primary drivers of income for the group, together with a concerted effort toward further strengthening our capital base. We will remain close to our customers in Israel and abroad, in terms of their banking and financing needs.

Best Regards,
Giora Offer, President & Chief Executive Officer

ON MAY 31, 2009, THE BOARD OF DIRECTORS OF ISRAEL DISCOUNT BANK APPROVED THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AS AT MARCH 31, 2009.

NET INCOME FOR THE DISCOUNT BANK GROUP FOR THE FIRST THREE MONTHS OF 2009 AMOUNTED TO NIS 140 MILLION (\$33.4 MILLION), COMPARED WITH NIS 35 MILLION (\$8.4 MILLION) FOR THE CORRESPONDING QUARTER LAST YEAR, AN INCREASE OF 300.0%. RETURN ON EQUITY FOR THE FIRST THREE MONTHS OF 2009 WAS 6.5% ON AN ANNUALIZED BASIS, COMPARED WITH 1.5% FOR THE CORRESPONDING QUARTER LAST YEAR, AND 2.7% FOR ALL OF 2008.

The following main factors which influenced the business results of the Group in the first three months of 2009, compared with the corresponding quarter last year are as follows:

- An 11.7% decline in income from financing activities before provision for doubtful debts.
- A 171.0% rise in the provision for doubtful debts.
- A 27.8% rise in non-financing income, which was effected by a 9.0% rise in operating commissions, a decline of NIS 32 million (\$7.6 million) for losses on investment in shares, and a rise of \$71 million (\$17.0 million) in other income which was mainly effected by profits recorded for the severance pay fund.
- A 0.8% decline in non-financing expenses, which was effected by a 9.3% decline in salaries and related expenses (primarily from the effect of losses in the severance pay fund which were recorded in the first three months of 2008, compared to profits from the fund in the reporting period), a rise of 13.4% in maintenance and depreciation of buildings and equipment and a rise of 14.2% in other expenses.
- Tax savings on operating income of NIS 86 million (\$20.5 million) for the first three months of 2009, compared to a provision for taxes of NIS 133 million (\$31.8 million) for the corresponding quarter last year.
- The Bank's share in operating income of affiliated companies for the first three months of 2009 amounted to a NIS 20 million (\$4.8 million), compared to a profit of NIS 10 million (\$2.4 million) for the corresponding quarter last year.
- Net loss of NIS 17 million (\$4.1 million) from extraordinary items in the first three months of 2009, compared with NIS 3 million (\$0.7 million) for the corresponding quarter last year.

Disregarding the following components:

Net income for the first three months of 2009 would have amounted to NIS 146 million (\$34.9 million), compared with NIS 145 million (\$34.6 million) for the corresponding quarter last year.

Return on equity for the first three months of 2009 would have been 6.8%, compared with 6.4% for the corresponding quarter last year.

The components that were disregarded above for the first three months of 2009:

Provision for the decline in value of debentures available for sale; profits from the severance pay fund; effect of three-quarters of the provision for the wage agreement on the increase in liabilities for the provision for related salary expenses; and losses from the sale of affiliated companies.

The components that were disregarded above for the first three months of 2008:

Losses and provision for decline in value of shares available for sale; losses from the severance pay fund; effect of three-quarters of the provision for the wage agreement on the increase in liabilities for the provision for related salary expenses; and cost of implementing improvements and examinations at Israel Discount Bank of New York.

MAIN INVESTEE COMPANIES

Discount Bancorp, Inc. is a wholly owned subsidiary of the Bank. It holds all the shares of Israel Discount Bank of New York, the largest Israeli-owned bank operating overseas.

Net income for the first three months of 2009 amounted to \$9 million, compared with \$17 million for the corresponding quarter last year, a decline of 47.1%, and \$35 million for all of 2008.

Return on equity for the first three months of 2009 was 5.6% on an annualized basis, compared with 11.0% for the corresponding quarter last year and 5.5% for all of 2008.

The ratio of capital to risk assets at March 31, 2009 was 11.8%, compared with 12.1% as at December 31, 2008.

The contribution of the investment of the Bank in Bancorp to the operating results was a profit of NIS 287 million (\$68.5 million) (after deducting a provision for taxes of NIS 5 million (\$1.2 million)), compared to a loss of NIS 133 million (\$31.8 million) (after deducting a provision for taxes of NIS 9 million (\$2.1 million)) for the corresponding quarter last year.

Mercantile Discount Bank Ltd. is a wholly owned subsidiary of the Bank.

Net income for the first three months of 2009 amounted to NIS 26 million (\$6.2 million), compared with NIS 34 million (\$8.1 million) for the corresponding quarter last year, a decline of 23.5%, and NIS 148 million (\$35.3 million) for all of 2008.

Return on equity was 7.1% on an annualized basis, compared with 10.2% for the corresponding quarter last year, and 10.3% for all of 2008.

The ratio of capital to risk assets at March 31, 2009 was 12.8%, compared with 12.7% at December 31, 2008.

Discount Mortgage Bank Ltd. is a wholly owned subsidiary of the Bank.

Net income for the first three months of 2009 amounted to NIS 11.4 million (\$2.72 million), compared with NIS 6.4 million (\$1.53 million) for the corresponding quarter last year, an increase of 78.1%, and NIS 28.4 million (\$6.78 million) for all of 2008.

Return on equity was 5.2% on an annualized basis, compared with 3.0% for the corresponding quarter last year, and 3.2% for all of 2008.

The ratio of capital to risk assets at March 31, 2009 was 10.8%, similar to December 31, 2008.

The First International Bank of Israel Ltd. is an affiliated company. As at March 31, 2009, the Bank held 26.4% of the capital and 11.1% of the voting rights of The First International Bank.

The Bank's share in the income of The First International Bank amounted to NIS 29 million (\$6.9 million), compared with NIS 24 million (\$5.7 million) in the corresponding quarter last year, an increase of 20.1%.

Return on equity was 8.0% on an annualized basis, compared with 6.6% for the corresponding quarter last year, and 2.9% for all of 2008.

The ratio of capital to risk assets at March 31, 2009 was 12.8% compared with 12.3% at December 31, 2008.

Israel Credit Cards Ltd. ("ICC"), As at March 31, 2009, the Bank held 71.8% of the share capital and 79.0% of the voting rights in ICC.

Net income was NIS 57 million (\$13.6 million), compared with NIS 52 million (\$12.4 million) for the corresponding quarter last year, an increase of 9.6%.

The contribution of ICC to the business results of the Bank amounted to NIS 33 million (\$7.9 million), compared with NIS 26 million (\$6.2 million) for the corresponding quarter last year.

The ratio of capital to risk assets at March 31, 2009 was 21.3% compared with 18.7% at the end of 2008.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

Reported amounts
NIS/US\$ millions

	Unaudited		Audited	Unaudited
	31.3.2009	31.3.2008	31.12.2008	31.3.2009
	NIS	NIS	NIS	US\$
Assets				
Cash and deposits with banks	22,584	*17,323	21,554	5,392.6
Securities	35,948	36,711	31,535	8,583.6
Borrowed securities or purchased under resale agreements	24	5	25	5.7
Credit granted to the public	120,620	*103,654	116,800	28,801.3
Credit granted to Governments	1,802	1,414	1,491	430.3
Investments in affiliated companies	1,748	2,000	1,900	417.4
Buildings and equipment	3,040	2,855	3,039	725.9
Other assets	7,611	5,809	5,904	1,817.3
Total assets	193,377	169,771	182,248	46,174.1
Liabilities and Shareholders' Equity				
Deposits from the public	146,629	*127,969	139,232	35,011.7
Deposits from banks	5,344	5,145	4,555	1,276.0
Deposits from the Government	220	*140	206	52.5
Securities loaned or sold under buy-back arrangements	9,929	6,994	7,194	2,370.9
Subordinated capital notes	9,318	8,245	9,373	2,224.9
Other liabilities	12,729	11,923	12,665	3,039.4
Total liabilities	184,169	160,416	173,225	43,975.4
Minority interest	243	161	226	58.1
Shareholders' equity	8,965	9,194	8,797	2,140.6
Total liabilities and shareholders' equity	193,377	169,771	182,248	46,174.1

* Reclassified.

Note: US Dollar figures have been converted from New Israel Shekels at the representative rate of exchange on March 31, 2009:
NIS 4.188=US\$ 1.00.

Shlomo Zohar
Chairman of the Board
of Directors

Giora Offer
President &
Chief Executive Officer

Joseph Beressi
Senior Executive Vice President
Chief Accountant

May 31, 2009

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31Reported amounts
NIS/US\$ millions

	Unaudited		Audited	Unaudited
	For the		For the	For the 3
	3 months ended	3 months ended	year ended	months ended
	31.3.2009	31.3.2008	31.12.2008	31.3.2009
	NIS	NIS	NIS	US\$
Financing Income				
Income from financing activities before provision for doubtful debts	940	1,065	4,127	224.5
Provision for doubtful debts	252	93	780	60.2
Income from financing activities after provision for doubtful debts	688	972	3,347	164.3
Operating and Other Income				
Operating commissions	642	*589	*2,422	153.3
Net income (loss) on investment in shares	2	(30)	51	0.5
Other income	73	*2	*27	17.4
Total operating and other income	717	561	2,500	171.2
Operating and Other Expenses				
Salaries and related expenses	780	*860	3,106	186.3
Maintenance and depreciation of buildings and equipment	245	216	910	58.5
Other expenses	321	*281	*1,259	76.6
Total operating and other expenses	1,346	1,357	5,275	321.4
Operating income before taxes	59	176	572	14.1
Provision for taxes (tax savings) on operating income	(86)	133	169	(20.5)
Operating income after taxes	145	43	403	34.6
Bank's share in operating income (loss) of affiliated companies, net of tax effect	28	10	(70)	6.7
Minority interest, after taxes, in the operating income of consolidated subsidiaries	(16)	(15)	(78)	(3.8)
Net operating income	157	38	255	37.5
Net loss from extraordinary items, net of taxes	(17)	(3)	(10)	(4.1)
Net income	140	35	245	33.4
Earnings per share of NIS 0.1 (in NIS/US\$):				
Net operating income	0.16	0.04	0.26	0.04
Net loss from extraordinary items, net of taxes ⁽¹⁾	(0.02)	-	(0.01)	(0.01)
Net income	0.14	0.04	0.25	0.03
Total number of shares used for the above computation (in thousands)	980,639	980,639	980,639	

* Reclassified.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reported amounts

A. Statement of changes in shareholders' equity for the three months ended March 31, 2009 and 2008 (unaudited)

Balance at December 31, 2008 (audited)

Net Income for the period

Benefit in respect of equity based compensation transaction

Net adjustments for the presentation of available-for-sale securities at fair value

Net adjustments for the presentation of available-for-sale securities reclassified to the income statement

Related tax effect

Financial statements translation adjustments

Balance at March 31, 2009

Balance at December 31, 2007 (audited)

Initial application of new accounting principles in a subsidiary abroad

Net Income for the period

Benefit in respect of equity based compensation transaction

Net adjustments for the presentation of available-for-sale securities at fair value

Net adjustments for the presentation of available-for-sale securities reclassified to the income statement

Related tax effect

Financial statements translation adjustments

Balance at March 31, 2008

B. Statement of changes in shareholders' equity for 2008 (audited)

Balance at December 31, 2007

Initial application of IFRS in affiliated companies

Initial application of new accounting principles in a subsidiary abroad

Net Income for the year

Dividend

Benefit in respect of equity based compensation transactions

Net adjustments for the presentation of available-for-sale securities at fair value

Net adjustments for the presentation of available-for-sale securities reclassified to the income statement

Related tax effect

Financial statements translation adjustments

Balance at December 31, 2008

* Reclassified.

Footnotes:

(1) Translation adjustments of foreign autonomous units, primarily from the consolidated subsidiary Israel Discount Bank of New York, in the amount of NIS 231 million which was treated until December 31, 1994, in the financial statements of the Bank as autonomous units. Accordingly this item included the financing sources of this investment and the related tax effect until that date.

(2) Including an amount of NIS 2,704 million that is not available for distribution.

Capital reserves					Other cumulative comprehensive income (loss)					
Share capital	Share premium	Benefit in respect of equity based compensation transactions	Other capital reserves	Total share capital and reserves	Adjustments for presentation of available securities at fair value	Translation adjustments ⁽¹⁾	Net gains (losses) on cash flow hedging	Retained earnings ⁽²⁾	Total shareholders' equity	
in NIS millions										
658	2,939	50	212	3,859	(196)	(255)	(1)	5,390	8,797	
-	-	-	-	-	-	-	-	140	140	
-	-	1	-	1	-	-	-	-	1	
-	-	-	-	-	165	-	-	-	165	
-	-	-	-	-	(150)	-	-	-	(150)	
-	-	-	-	-	(13)	-	-	-	(13)	
-	-	-	-	-	-	25	-	-	25	
658	2,939	51	212	3,860	(194)	(230)	(1)	5,530	8,965	
658	2,939	35	212	3,844	197	(234)	(1)	5,398	9,204	
-	-	-	-	-	-	-	-	(3)	(3)	
-	-	-	-	-	-	-	-	35	35	
-	-	4	-	4	-	-	-	-	4	
-	-	-	-	-	*(6)	-	-	-	(6)	
-	-	-	-	-	*(40)	-	-	-	(40)	
-	-	-	-	-	8	-	-	-	8	
-	-	-	-	-	-	(8)	-	-	(8)	
658	2,939	39	212	3,848	159	(242)	(1)	5,430	9,194	
658	2,939	35	212	3,844	197	(234)	(1)	5,398	9,204	
-	-	-	-	-	-	-	-	1	1	
-	-	-	-	-	-	-	-	(4)	(4)	
-	-	-	-	-	-	-	-	245	245	
-	-	-	-	-	-	-	-	(250)	(250)	
-	-	15	-	15	-	-	-	-	15	
-	-	-	-	-	(873)	-	-	-	(873)	
-	-	-	-	-	249	-	-	-	249	
-	-	-	-	-	231	-	-	-	231	
-	-	-	-	-	-	(21)	-	-	(21)	
658	2,939	50	212	3,859	(196)	(255)	(1)	5,390	8,797	



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