

Israel Discount Bank
Third Quarter and First Nine Months 2009
Results Review

September 30, 2009

Disclaimer

- This document has been prepared by Israel Discount Bank solely for use of the company's presentation of its third quarter 2009 results as well as strategic updates at various investor forums.
- The information contained herein is partial and may include information that has not been independently verified by any outside entity. It is further emphasized that this presentation does not constitute an offer or invitation to purchase any securities and/or investments whatsoever.
- This presentation should not be relied upon in connection with any transaction, contract, commitment or investment. For full and complete overview of the Bank's financial position and results of operations please view the Bank's Annual Report for 2008.
- Neither the Bank nor any of its employees or representatives shall have any liability whatsoever for any loss and/or damages howsoever arising, directly or indirectly, from any use of this presentation.
- It is hereby emphasized that no representation or warranty whatsoever is given as to the achievement or fulfillment of any forecasts about the future prospects of the Bank and the actual results of the Bank may differ materially from those contemplated taking into account the various risk factors, changing economic conditions and uncertainties which exist regarding the Bank's business and the result of various operations.
- For further details see Forward Looking Information section in the Bank's financial statements.

Israel Discount Bank

Background

Israel's Third Largest Commercial Bank

- Strong emphasis on Retail, Corporate Banking, International Banking

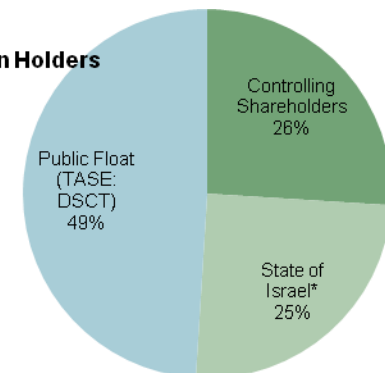
Among Fastest Growing and Most Liquid in Sector

- Leading retail franchise and among fastest loan growth in the domestic market during past 2 years

Large Float and Trading Liquidity

- Mkt. Cap. ~NIS 7.6bn (\$2b)
- Avg. daily volume ~ NIS 35-40 million

Main Holders



Israel Discount Bank

Areas of Activity

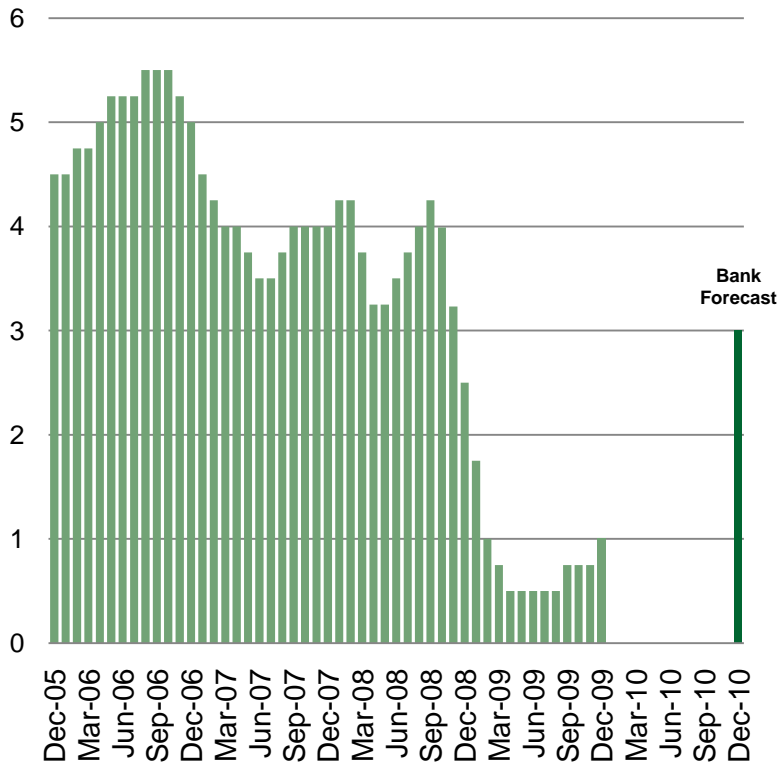
Retail Banking	Corporate Banking	Financial Management	International Activities	Other Activities
Households	Large Corporate	Global Treasury	Israel Discount Bank New-York	Assets Under Management
SMEs		Bank Investment Portfolio	Israel Discount Bank Switzerland	Construction & Real Estate
Discount Mortgage Bank	Middle Market		Israel Discount Bank London Branch	Private Banking
Mercantile Discount Bank		Representative Offices		
Israel Credit Cards				

Israel Discount Bank

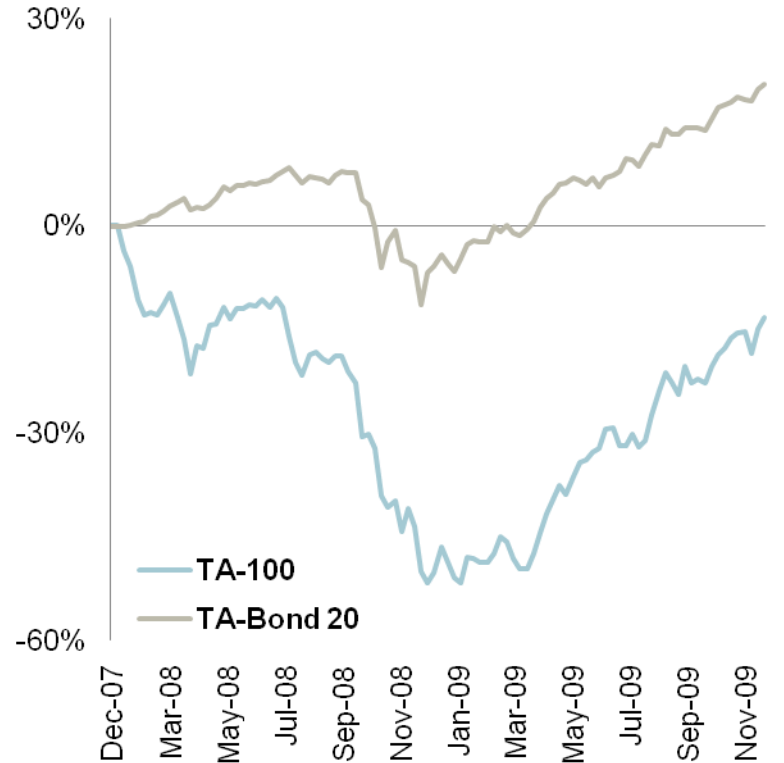
Macroeconomic Environment

Operating in a Low Interest Environment...

BOI Interest Rate (%)



Index Performance



...and a Bullish Capital Market Environment

Israel Discount Bank

Third Quarter and First Nine Months 2009

Key Highlights for Third Quarter

Ability to Sustain High Levels of Interest Income & Fees

- Margins remain strong despite challenging interest rate environment

Positive Operating Leverage

- Lead to improved Cost Income ratio in past two quarters
- Disciplined control over expenses
- Poised for further improvement as interest rates rise and costs are reduced

Minimal recessionary effect on asset quality

- Stable trend in provisions & NPL's

Strong performance from each of the group companies

- Demonstrated the correct balance between Risk & Reward

Proof of validity & our ability to deliver on the strategic plan

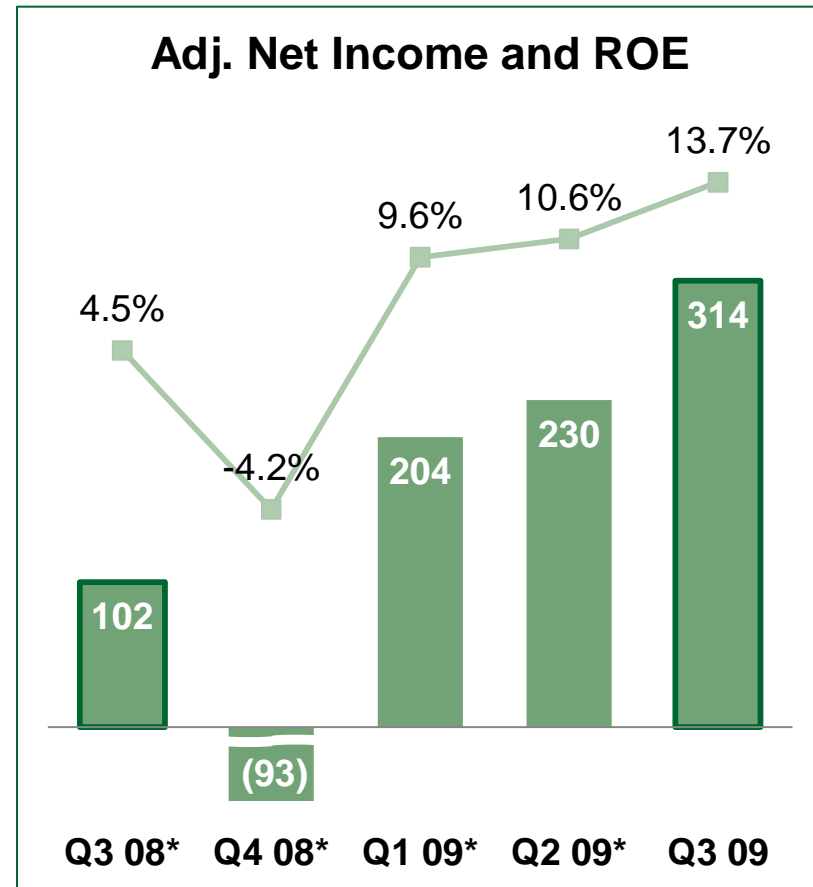
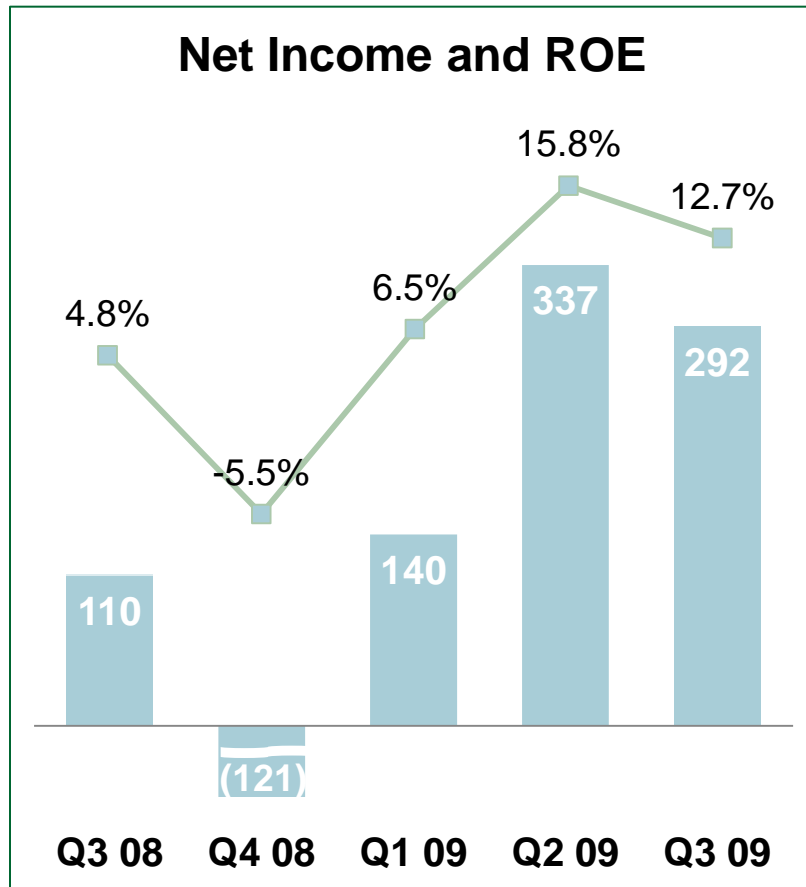
Income Statement Highlights

(NIS millions)

	Q3 2009	Q3 2008	QoQ Change	1-9 2009	1-9 2008	YoY Change
Interest Income, before loan provisions	1,329	1,057	25.7%	3,535	3,254	8.6%
Loan Provisions	246	182	35.2%	729	414	76.1%
Interest Income, net	1,083	875	23.8%	2,806	2,840	(-1.2%)
Operating & Other Income	811	639	26.9%	2,289	1,827	25.3%
Operating & Other Expenses	1,375	1,314	4.6%	4,010	3,879	3.4%
Net income (Reported)	292	110	165.5%	769	366	110.1%
Net income (Adj.)	314	102	207.8%	748	375	99.5%
ROE (Reported)	12.7%	4.8%		11.3%	5.3%	
ROE (Adj.)	13.7%	4.5%		11.0%	5.4%	

Net Income and ROE (reported and adjusted)

(NIS millions)

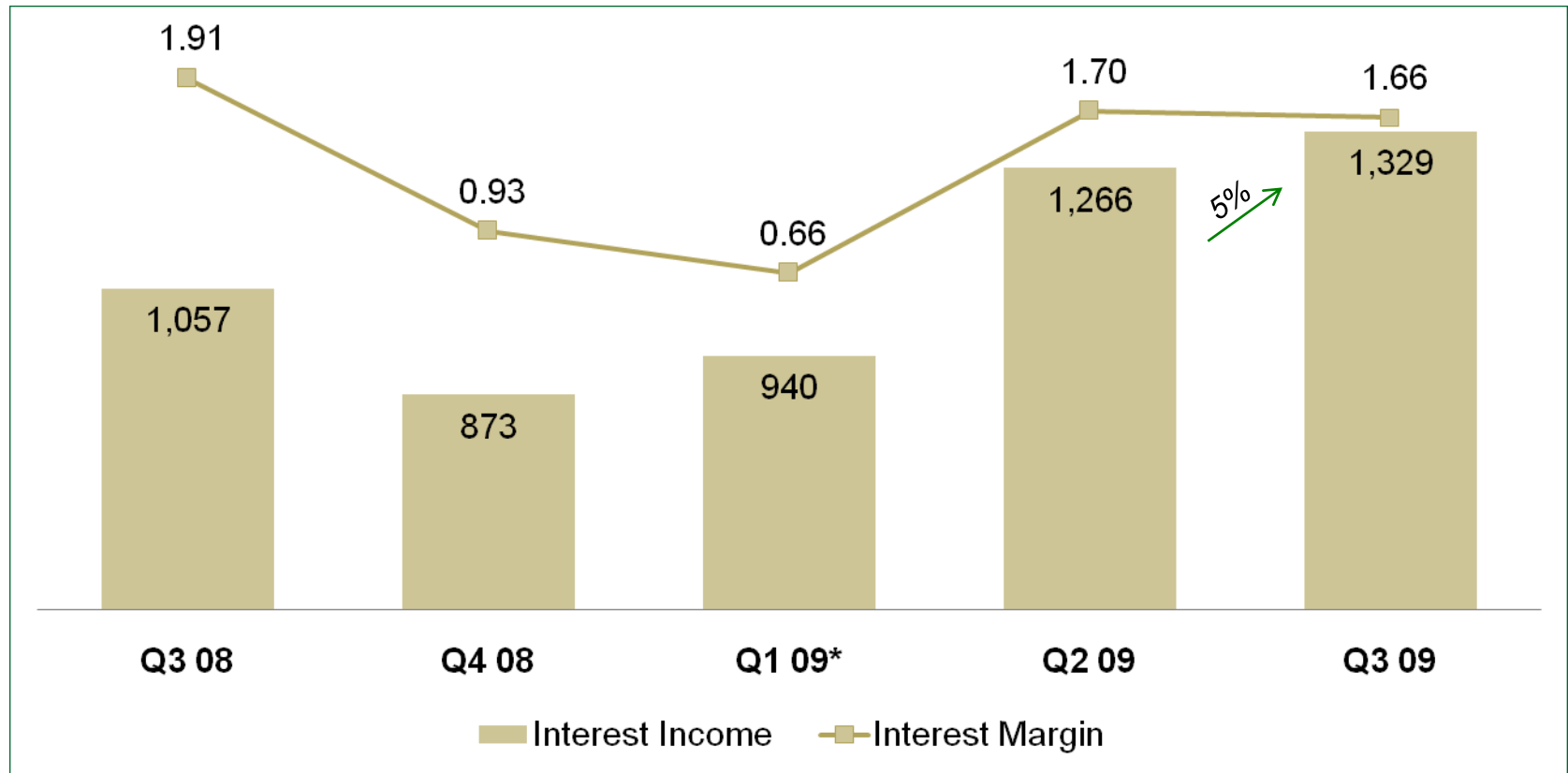


Return to Growth Trajectory – Well positioned for 2010

* Reclassified

Interest Income

(NIS millions)

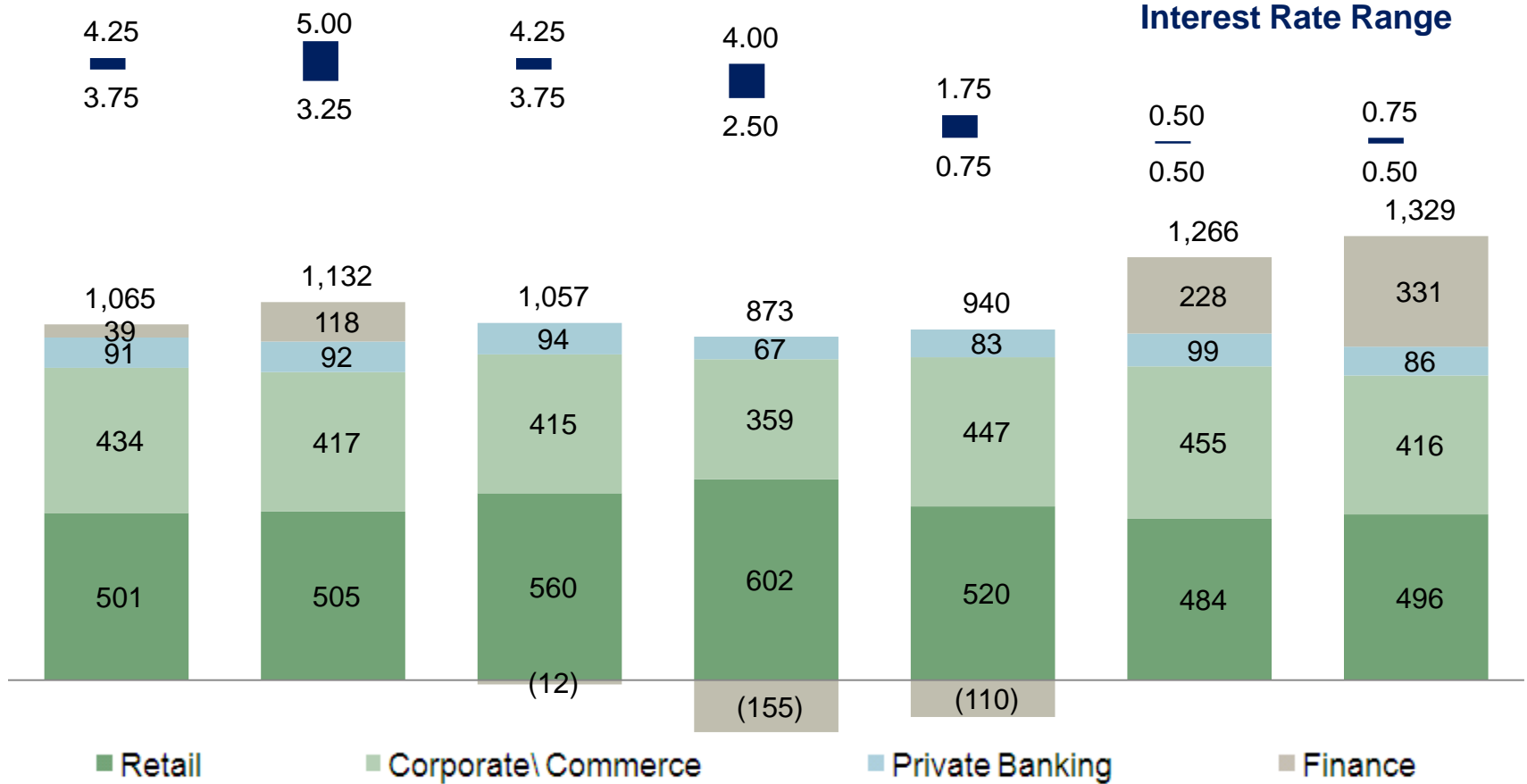


**Interest Income at 12-Month High: up 5% from Q2 09;
Up 26% over Q3 08**

* Reclassified

Interest Income by Sector

(NIS millions)

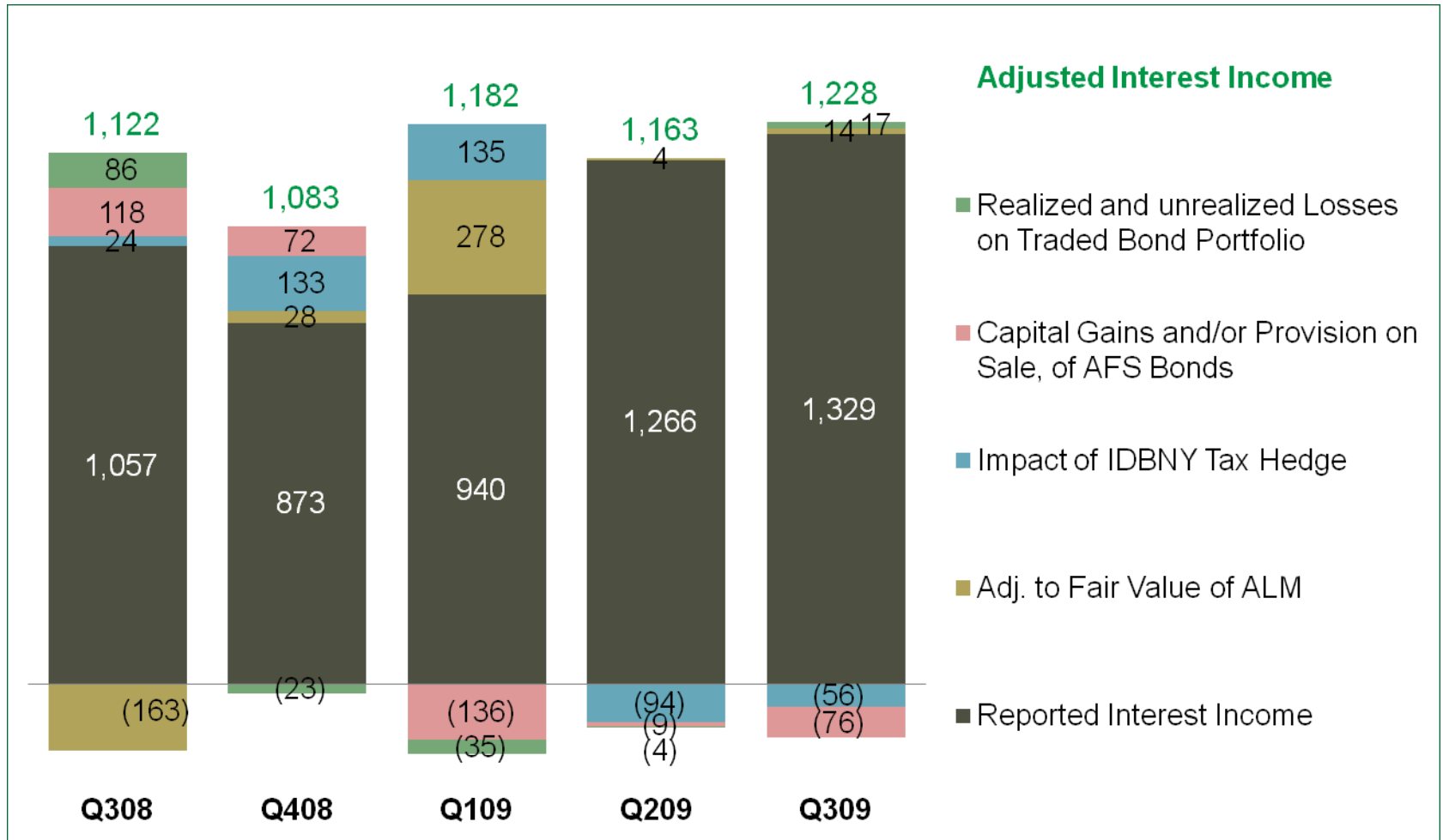


Interest Income on upward trajectory throughout Recession & Despite 0% Interest Rate Environment

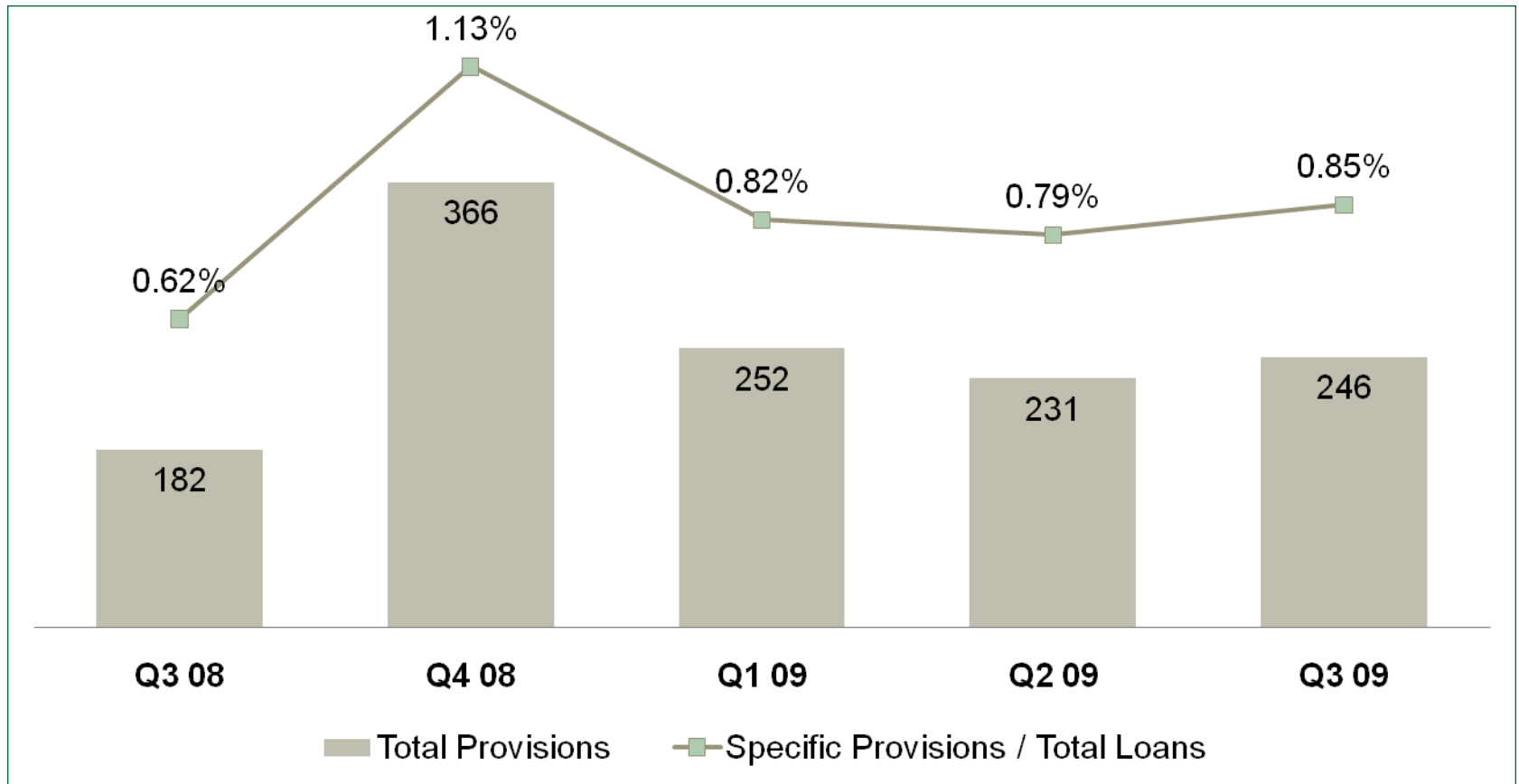
* Reclassified

Interest Income – Reported and Adjusted

(NIS millions)



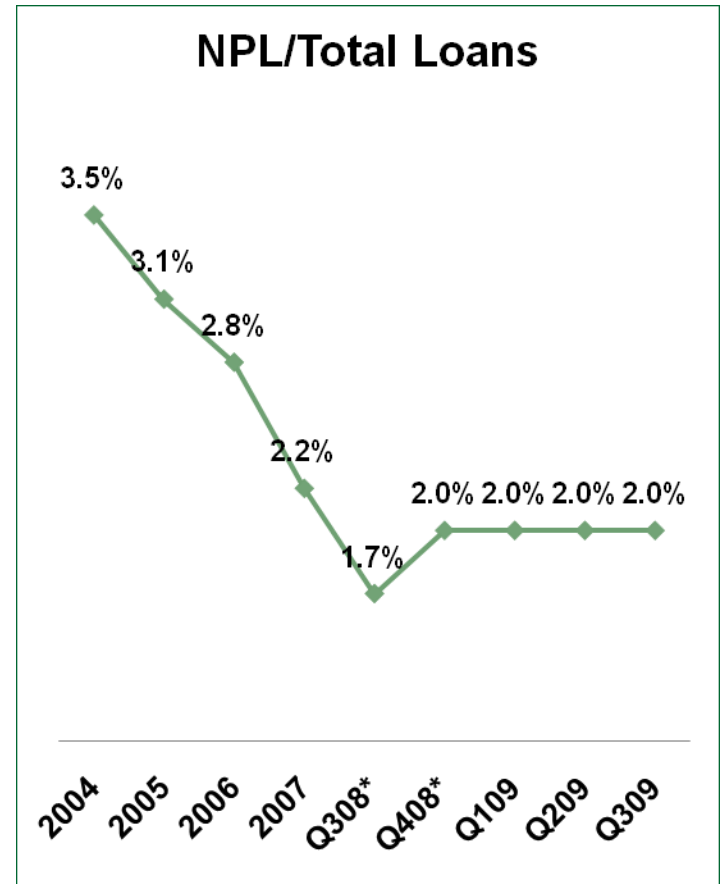
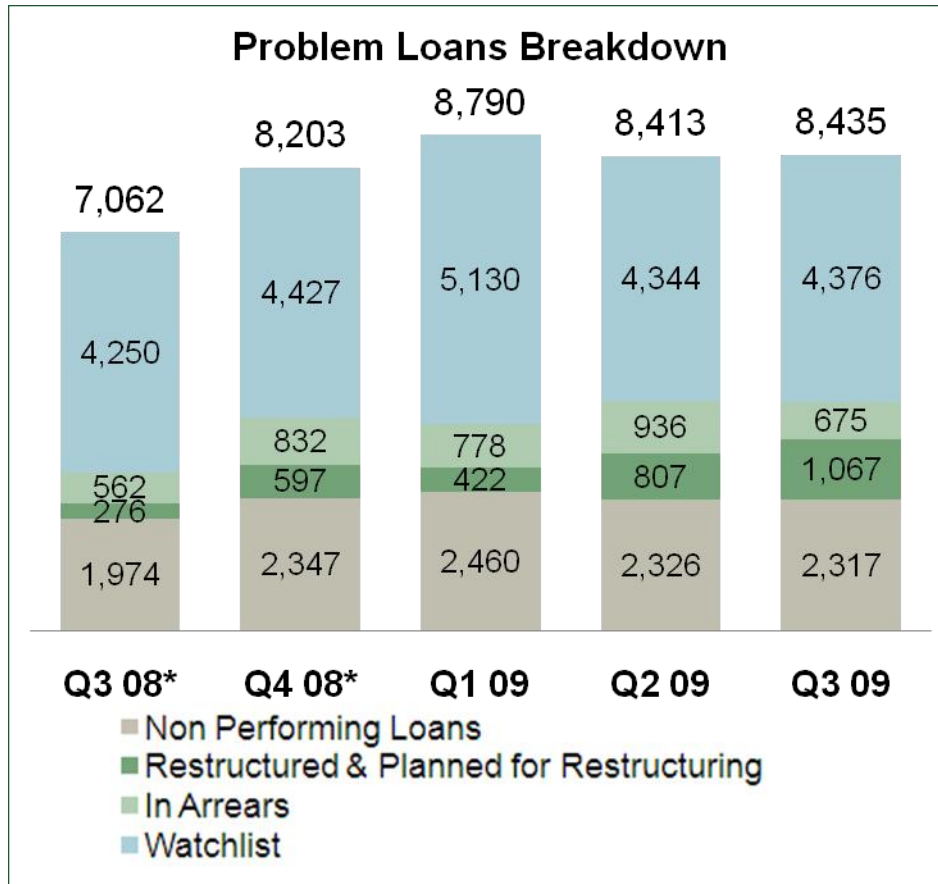
Provisions for Doubtful Debt (NIS millions)



Continued Stable Trend

Problem Loans Breakdown

Quarterly Evolution (NIS million)

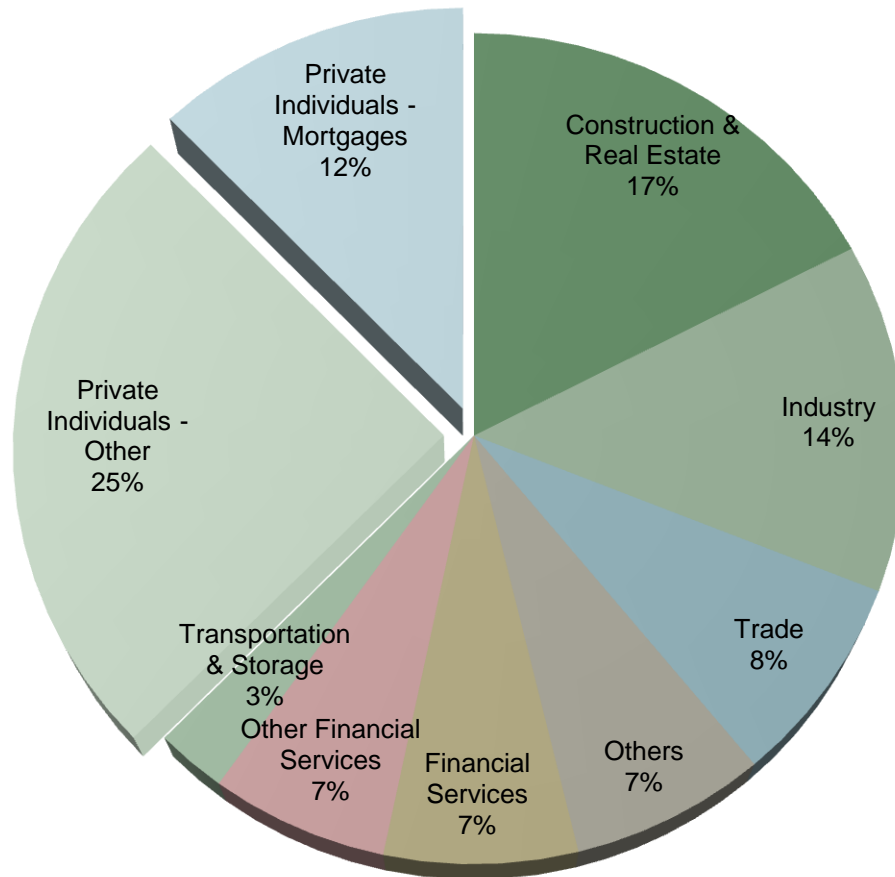


**NPL Constitute 2% of Total Loan Portfolio –
No Increase due to Recession**

* Reclassified

Breakdown of Total Credit Risk for Sept. 30, 2009

Balance sheet & Off Balance sheet (NIS millions)

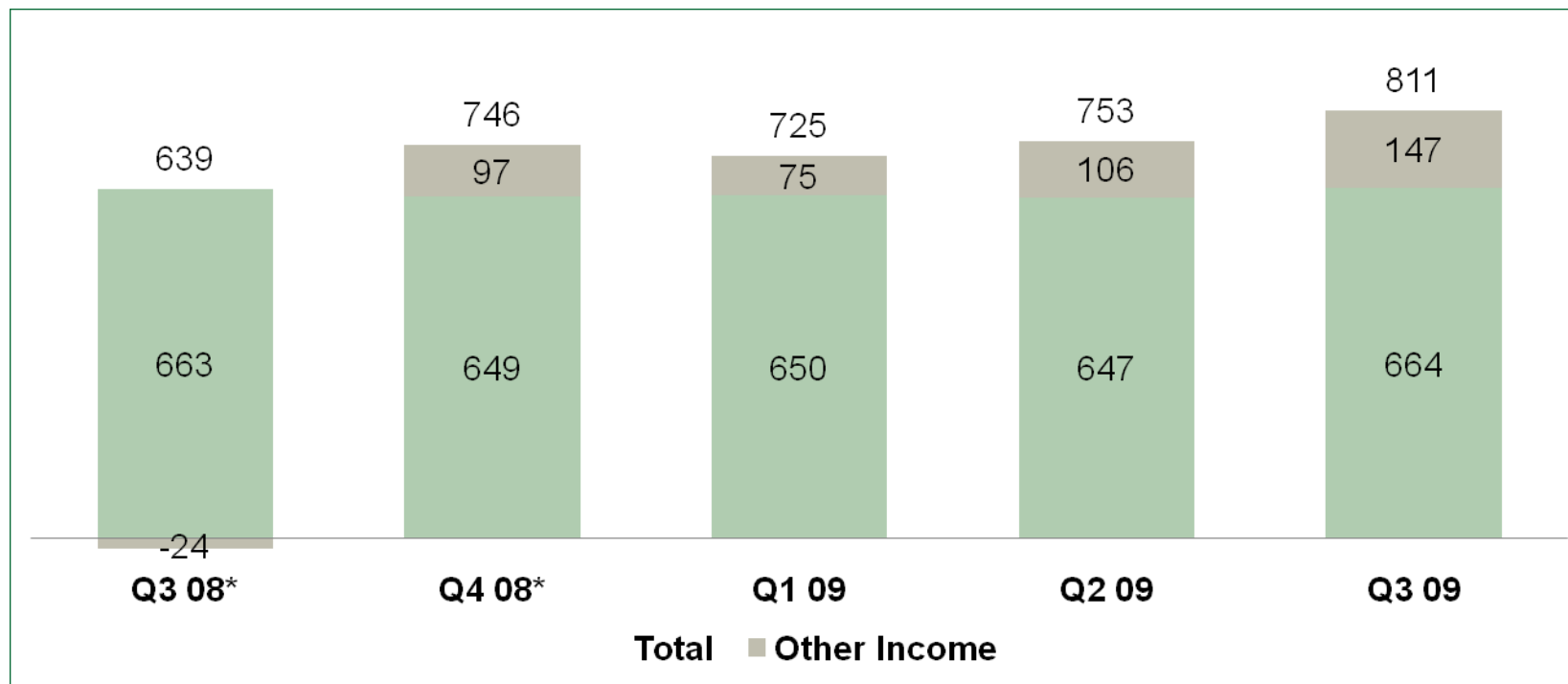


Total Credit Risk:
Sept. 30, 2009 – NIS 179,586m
Vs.
Dec. 31, 2008 - NIS 184,475m

Balanced Portfolio - Well Diversified across all Business Sectors

Operating & Other Income

(NIS millions)



Other Income driven by Capital Gains on Sale of Shares¹ and Employee Severance Fund²

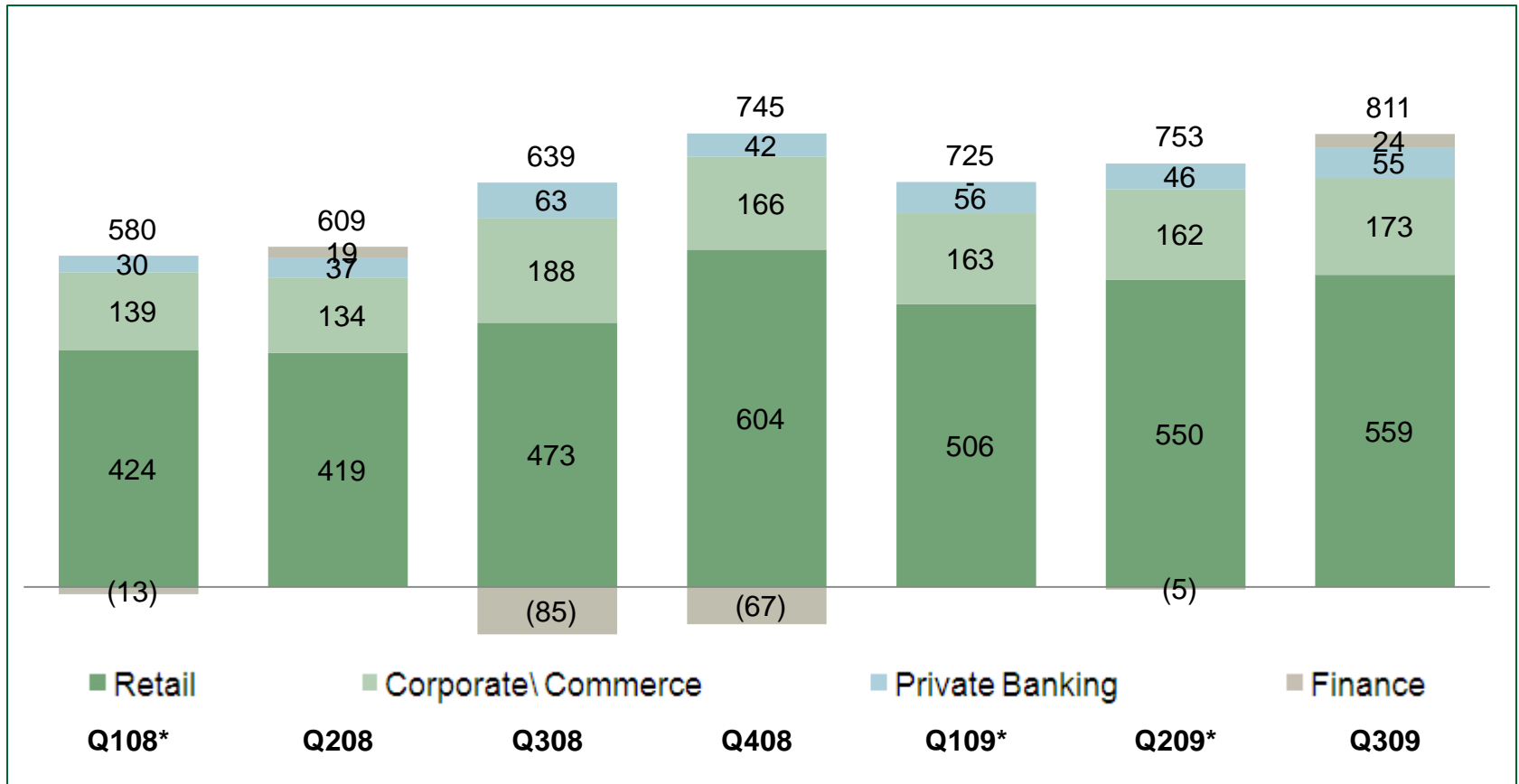
¹ Q309 Other Income incl. Gain on sale of Bezeq shares (NIS 51m) and Harel shares (NIS 25m)

² Employee severance fund contributed NIS 68m and NIS 72m, respectively, in Q109 and Q209, and NIS 78m in Q309

* Reclassified

Operating & Other Income by Sector

(NIS millions)

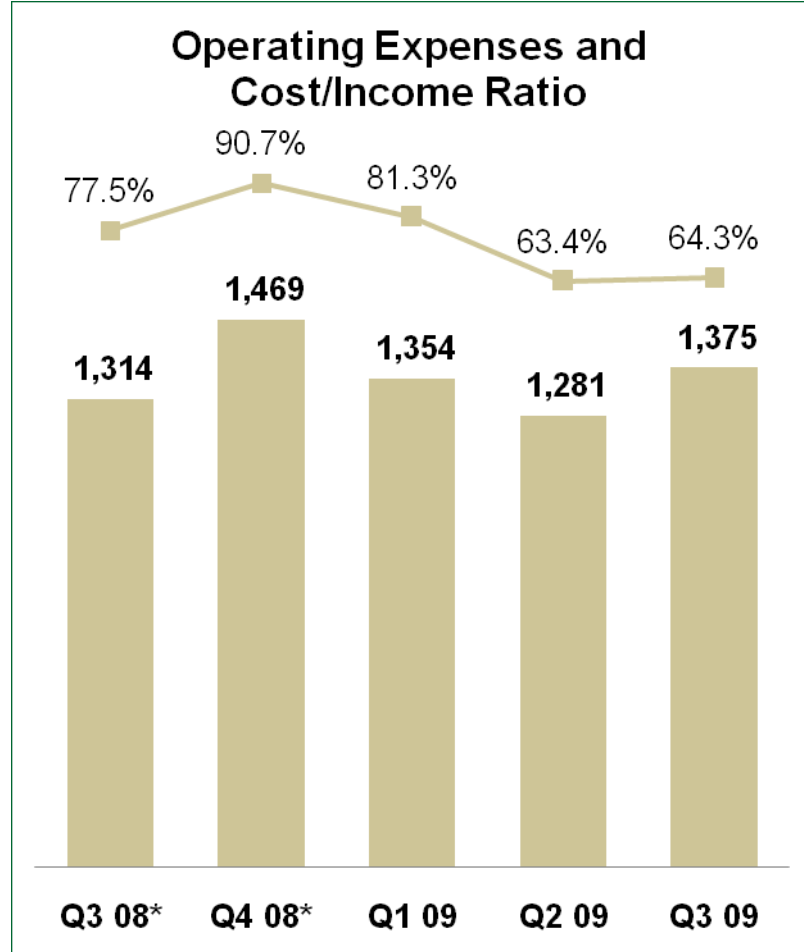
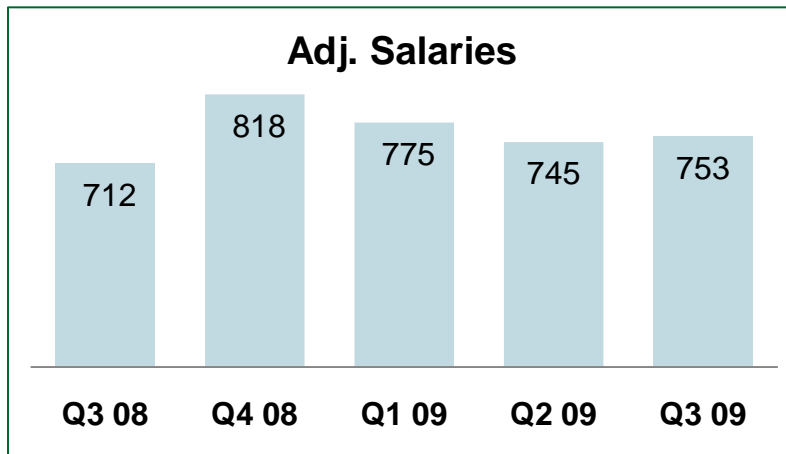
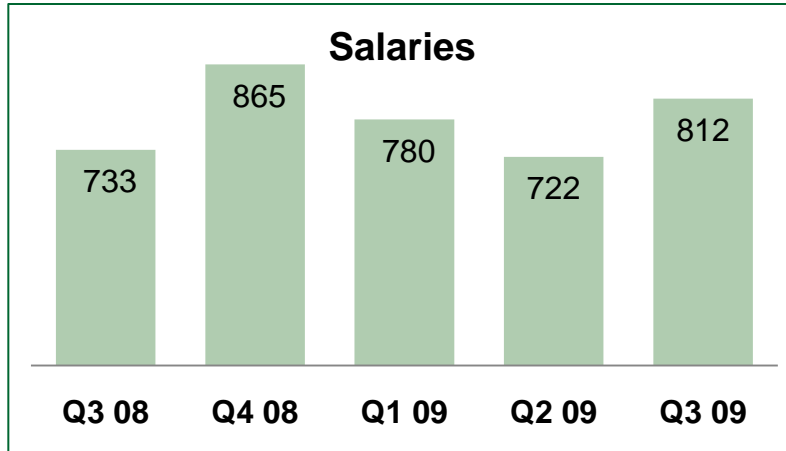


Key Business Segments Continue to Lead Growth in Fee Income

* Reclassified

Operating & Other Expenses

(NIS millions)



Disciplined Approach & Control Over Expenses leads to Improved Cost/Income Ratio

* Reclassified

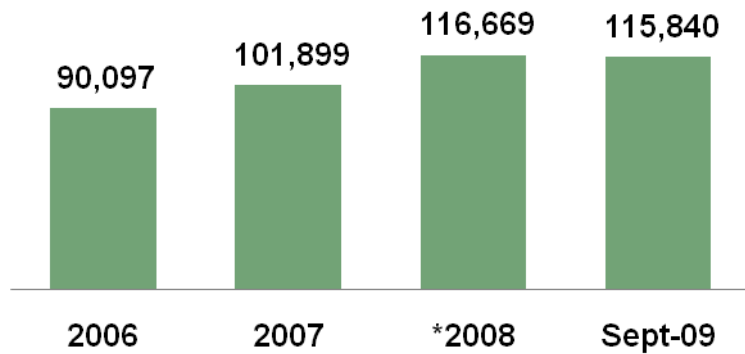
Israel Discount Bank

Balance Sheet and Asset Quality

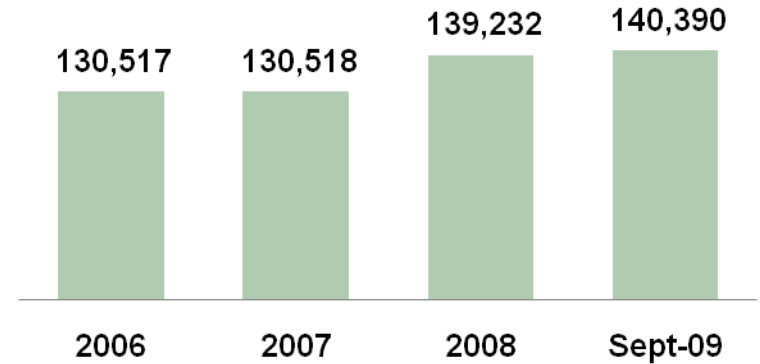
Balance Sheet Highlights

(NIS millions)

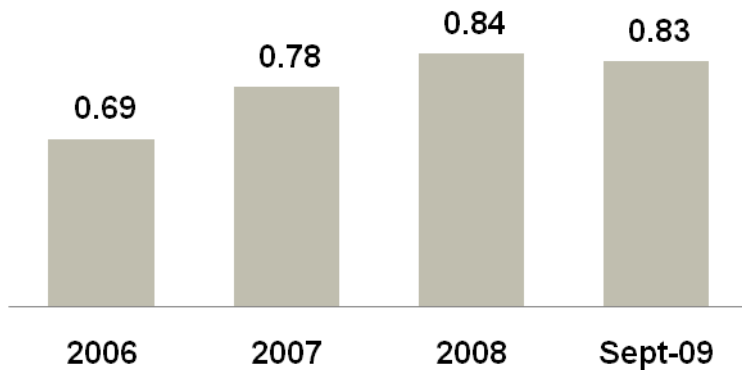
Credit to the Public



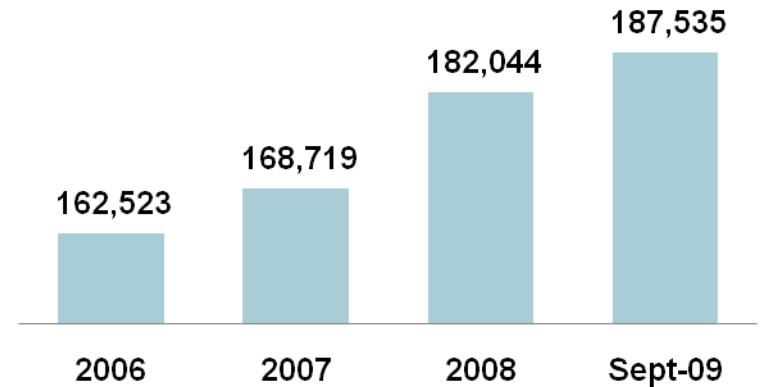
Deposits



Loan Deposit Ratio



Total Assets



* Reclassified

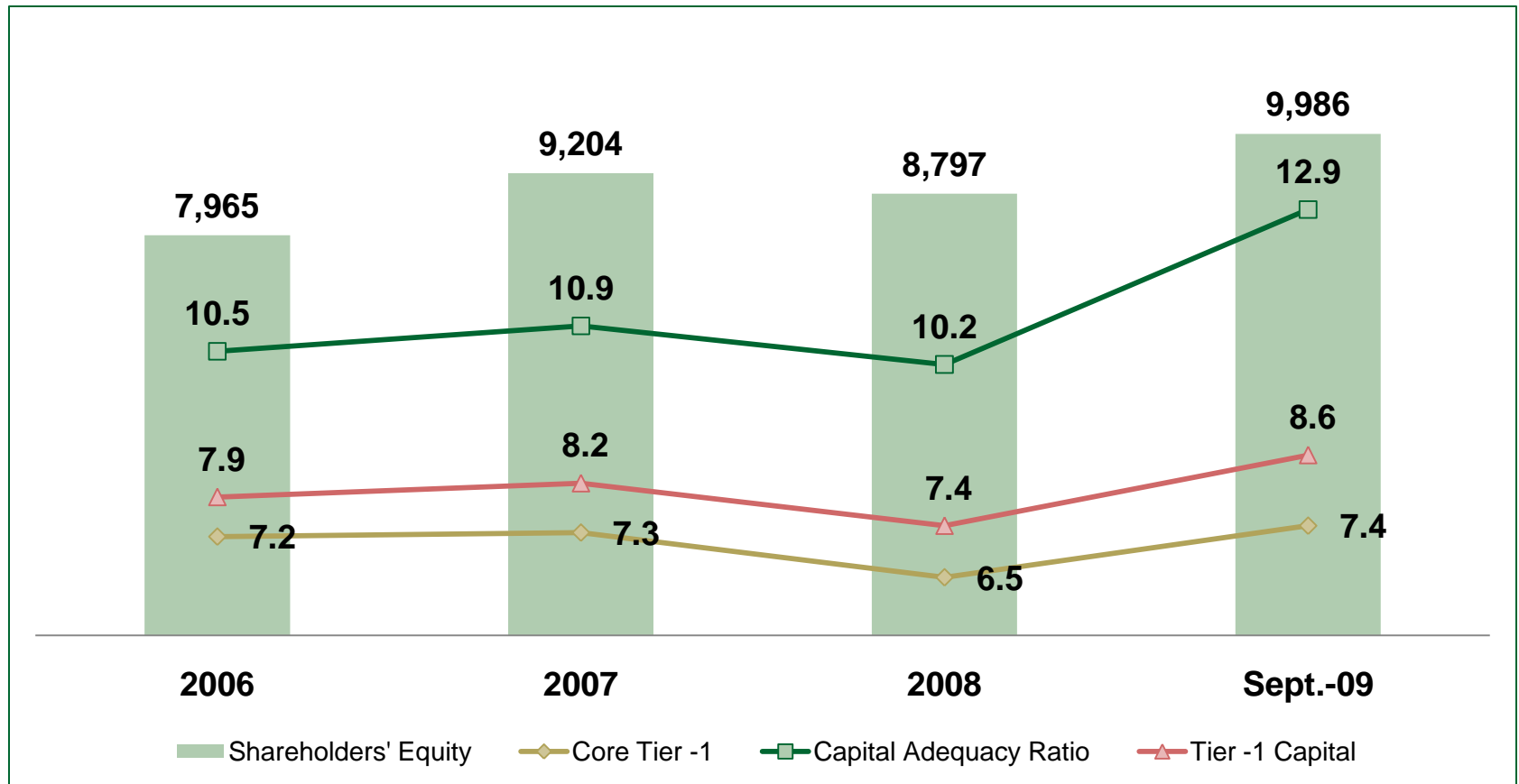
Recent Debt Issuances

(NIS millions)

Date	Hybrid Tier 1	Upper Tier 2	Tier 2
March 2009	350		
April 2009		258	
May 2009		191	
July 2009		702	
August 2009		107	
October 2009			605
Total Issuances 2009	350	1,258	605

Total of NIS2.2 Bln raised since March 2009

Capital Ratios and Shareholders Equity (million NIS)

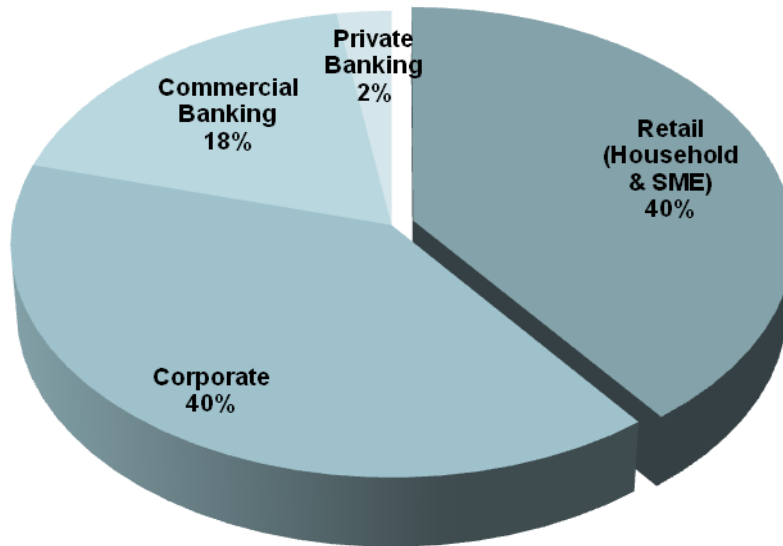


Neared 13% CAR end-Q3; Core Tier-1 surpassed 7% before YE 2009

Loans & Deposits by Business Sector

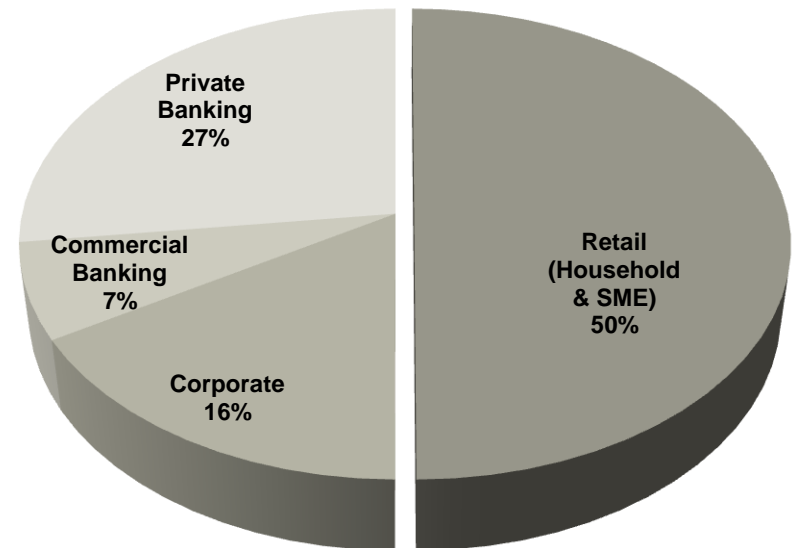
(NIS millions)

Loans Breakdown



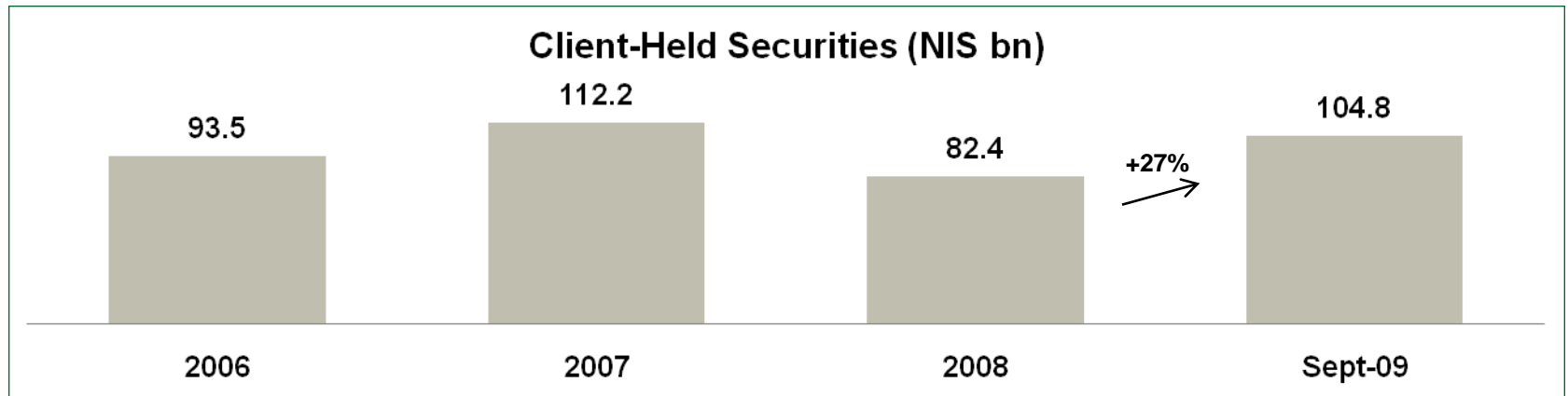
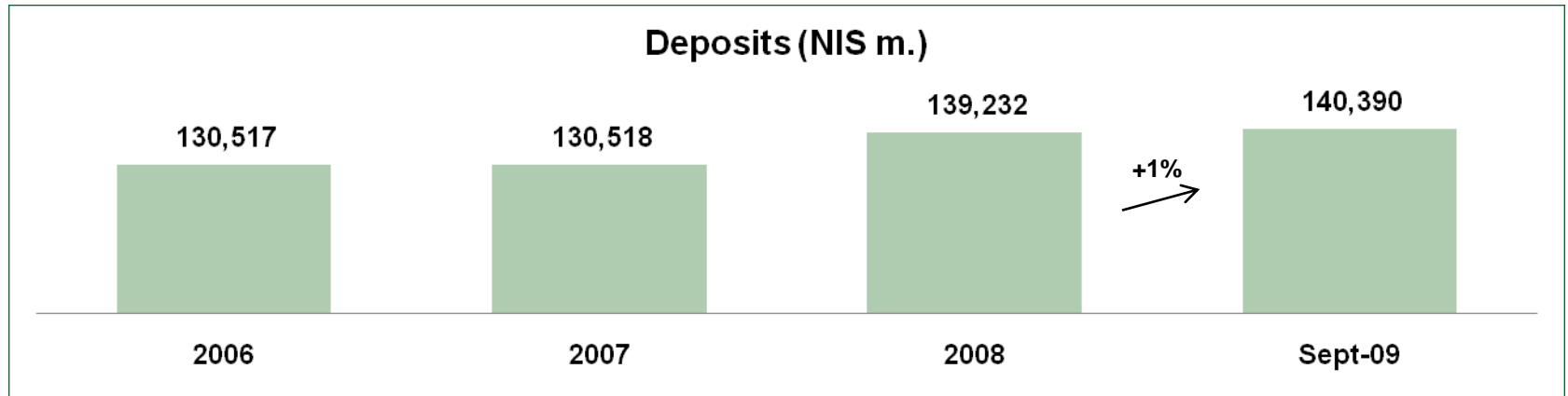
Total Loans: 115,840 NIS mil.

Deposits Breakdown



Total Deposits: 140,390 NIS mil.

Customer Deposits & Client-Held Securities



Low Interest Environment and Bullish Capital Markets Lead to Shift in Customer Investment Preferences

Group Securities

(As of 30.9.09, NIS millions)

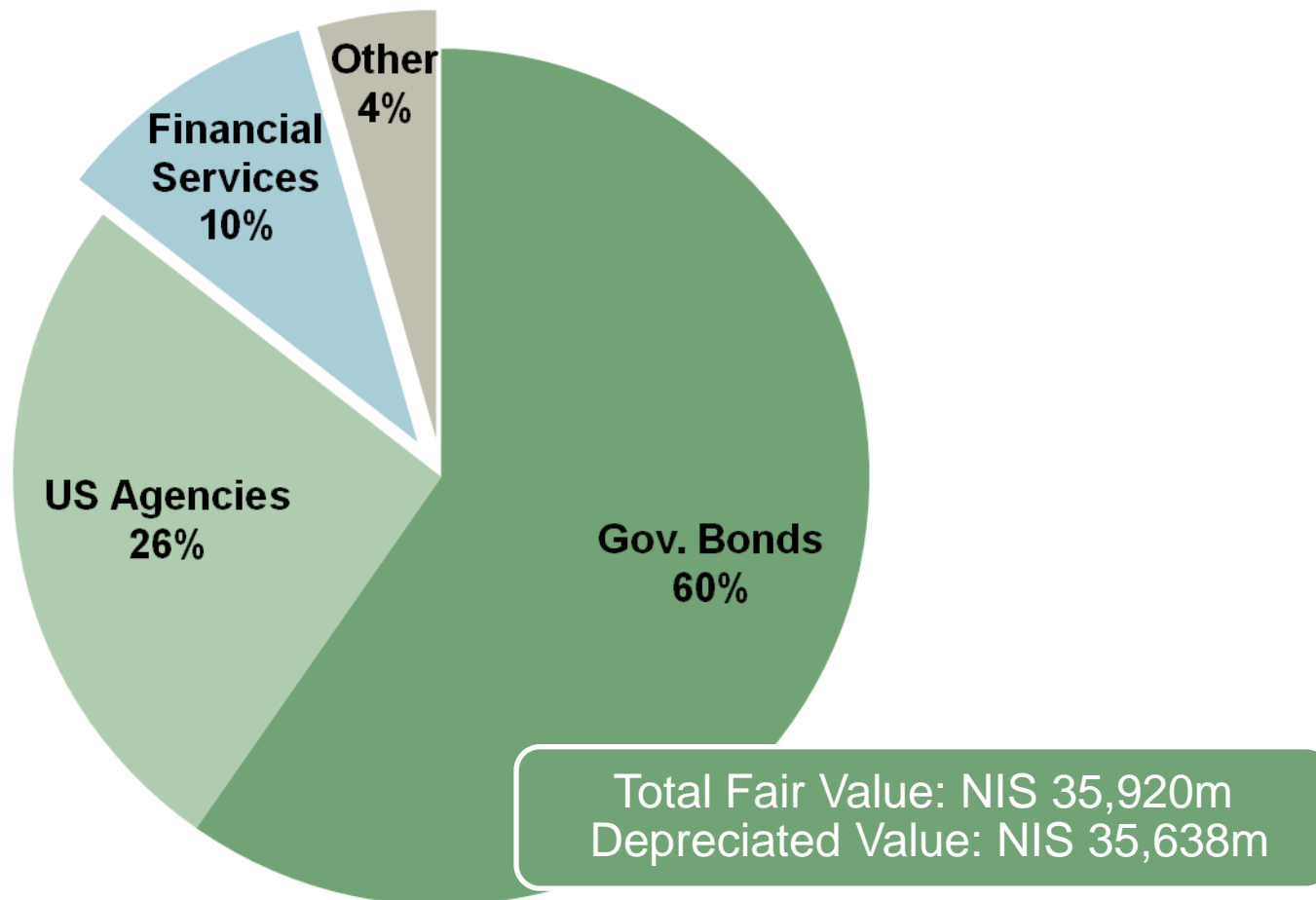
	Total	HTM	AFS	Tradable
Gov. Bonds	21,439	1,648	17,675	2,116
US Agencies	9,270	15	9,249	6
Financial Services	3,602	399	3,179	24
Other	1,609	46	1,463	100
Total Fair Value	35,920	2,108	31,566	2,246
Depreciated Value	35,638	2,054	31,388	2,196

* Financial Services (10%) - made up of Bank securities of leading US financial service co.'s

- **Mark-to-market difference positive 0.8%**, compared to negative 0.04% in Q2/09
- **Increase in Capital Fund** from NIS 42m end-Q2 to **NIS 200m**
- **Unrealized Losses on AFS Corp Bonds** at IDBNY (>12mos) down from \$65m Q2/09 to **\$15m**

Group Securities

(As of 30.9.09, NIS millions)



86% in Government or US Gov. agency-backed securities (up from 84%)

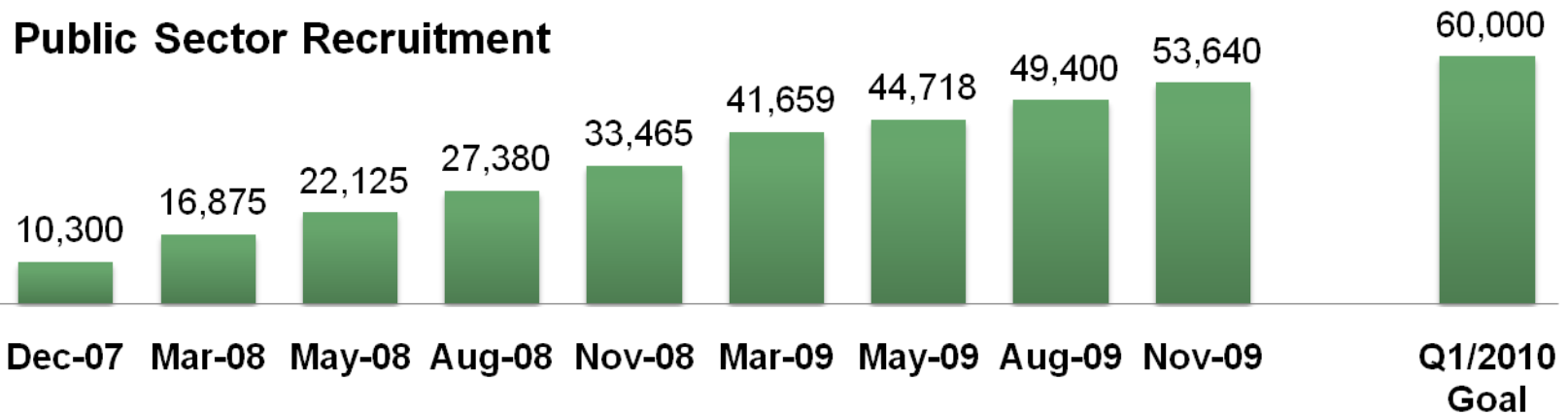
Israel Discount Bank

Sector and Subsidiary Highlights

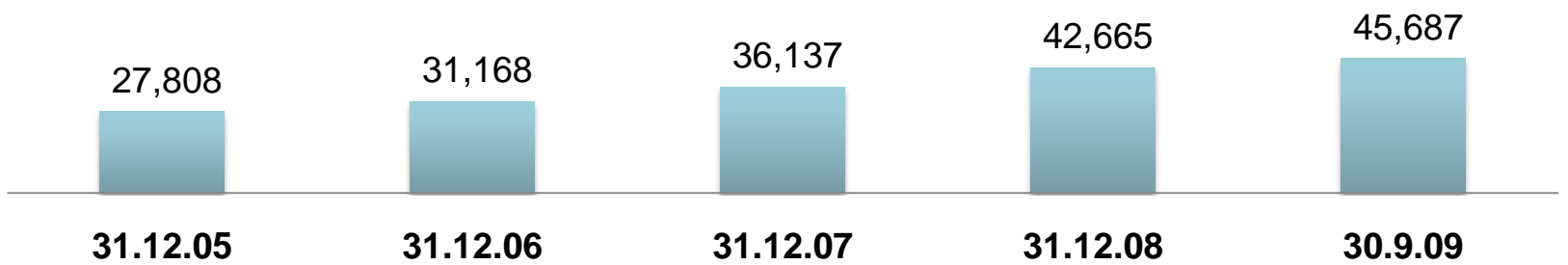
Retail as a Core Business Segment

Public Sector Recruitment & Avg. Retail Asset Growth

Public Sector Recruitment

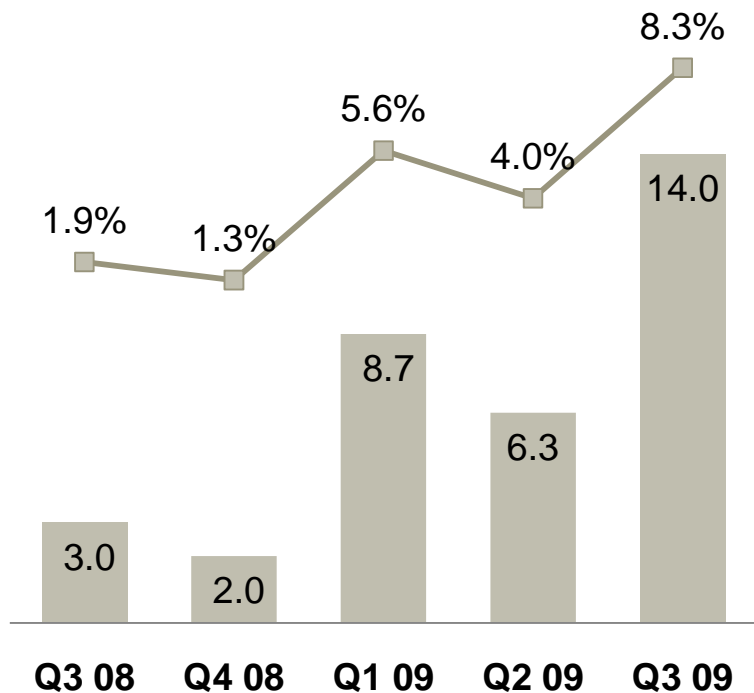


Avg. Retail Asset Growth (NIS m)

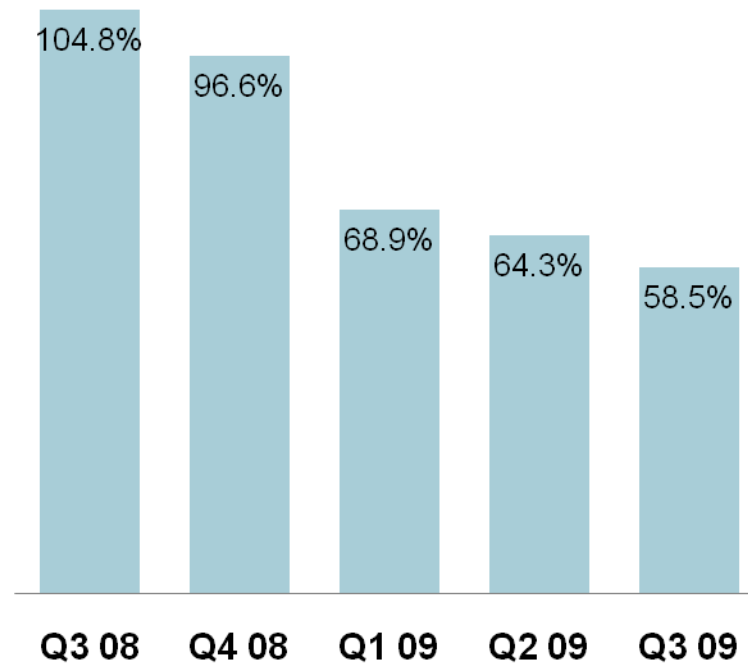


Testimony to our Long-Term Strategic Plan – Retail as a Driver of Growth

Net Income and ROE



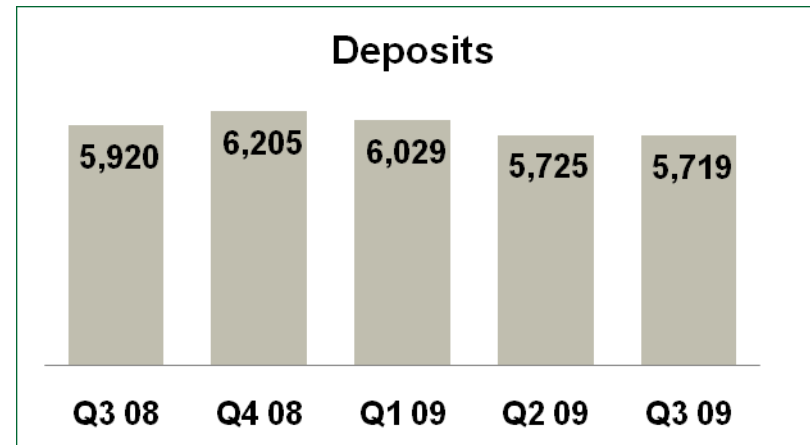
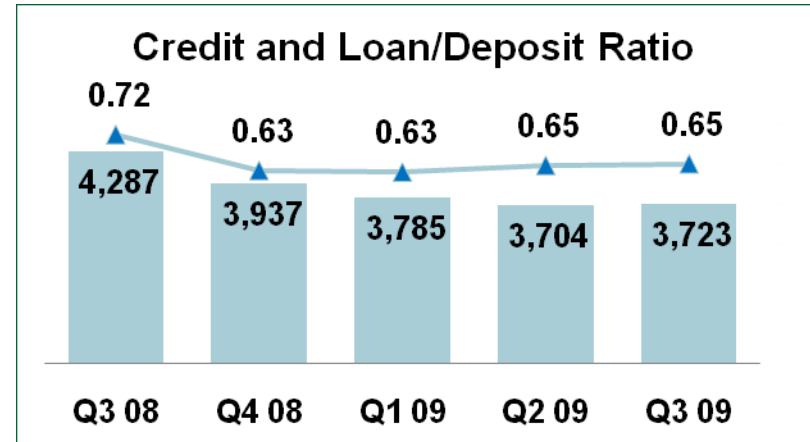
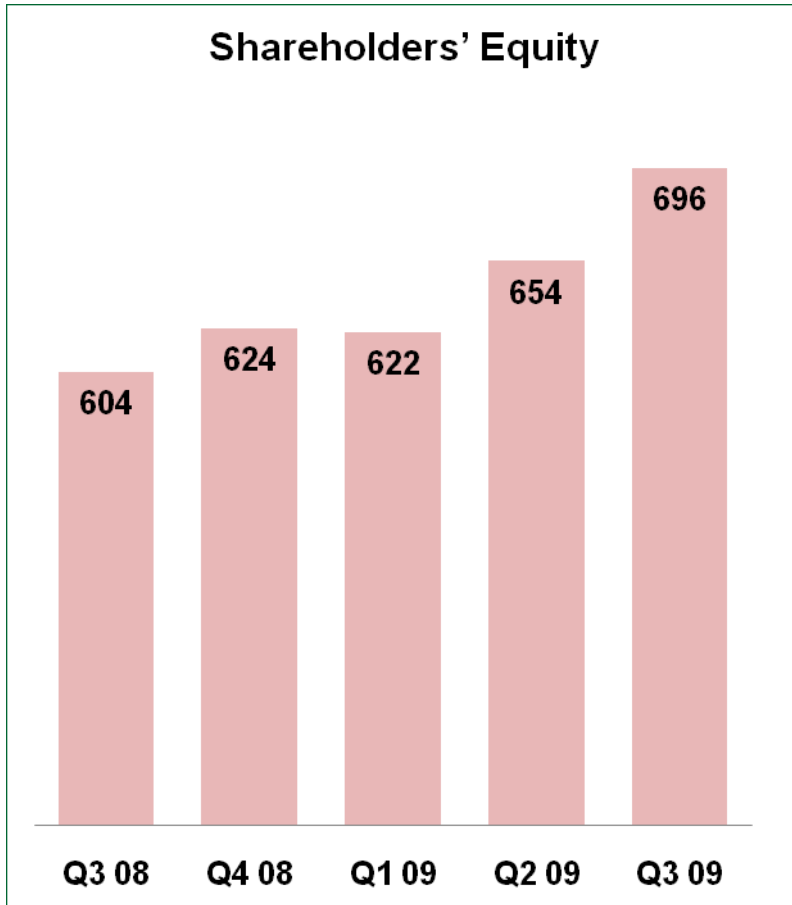
Cost Income Ratio



Return to Growth Trajectory on a More Efficient Platform

Discount Bancorp – cont.

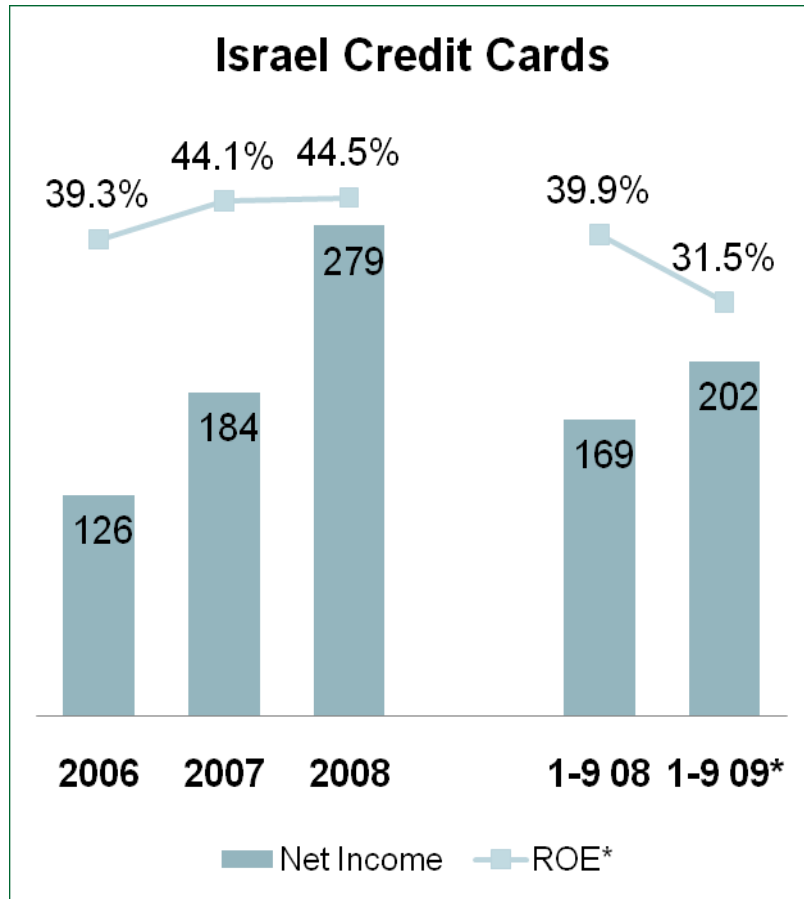
(US\$ millions)



Financial Stability – Strong Capital Base & Loan/Deposit Ratio

Israel Credit Cards

Net Income & ROE



Nine month revenues +12% to NIS 872m

Q3 revenues up 8% yoy to NIS 303m

Q3 provisions NIS 21m, up from NIS16m

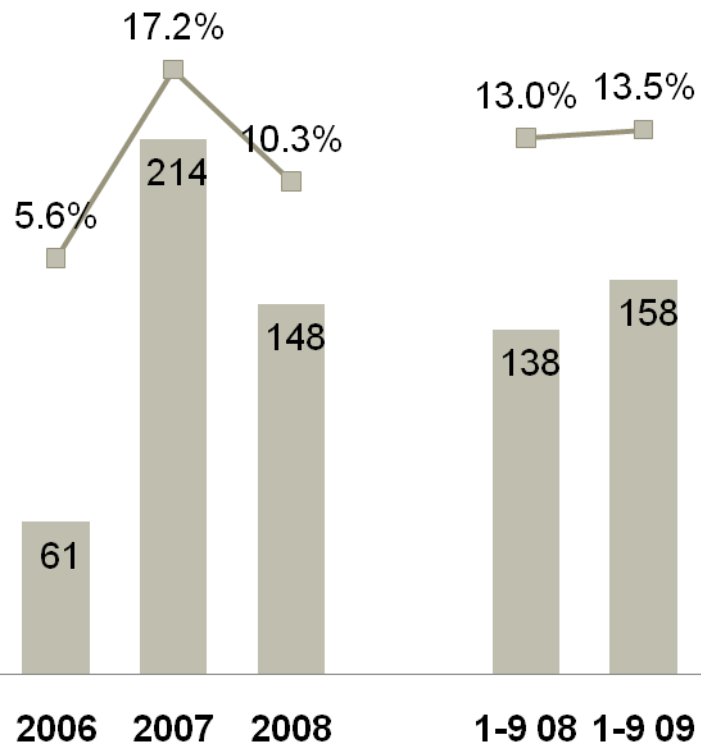
Increase of 5% in Active Cards yoy

* Following BOD decision, Company not distributing dividend driving higher Equity

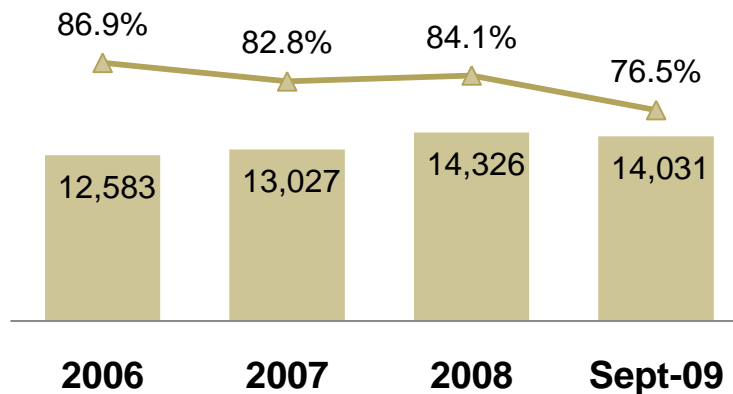
Mercantile Discount Bank

(NIS millions)

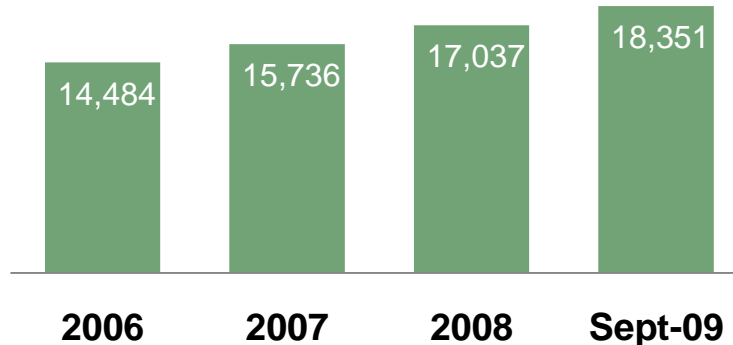
Net Income and ROE



Credit and Loan/Deposit Ratio



Deposits



In Summary

Ability to Sustain High Levels of Interest Income & Fees

- Margins remain strong despite challenging interest rate environment

Positive Operating Leverage

- Lead to improved Cost Income ratio in past two quarters
- Disciplined control over expenses
- Poised for further improvement as interest rates rise and costs are reduced

Minimal recessionary effect on asset quality

- Stable trend in provisions & NPL's

Strong performance from each of the group companies

- Demonstrated the correct balance between Risk & Reward

Proof of validity & our ability to deliver on the strategic plan

Thank You



September 30, 2009