

**Israel Discount Bank
First Quarter 2009
Results Review**

May 31, 2009



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- For further details see Forward Looking Information section in the Banks financial statements.

Key Highlights for First Quarter

- **Interest Income up 8% from Q4**
- **Operating & Other Income up 28% over Q1 08**
- **Deposits up 5% from end-08; Loan growth up 3%; Provisions down to 0.8%**
- **Relative Mkt. Share as of end-2008** : *[published by Bank of Israel]*

Interest Income 23% - Deposits 17.8% - Provisions 15.4% (low relative to loan Mkt. Share 16.7%)

- **~80% of securities portfolio either Gov. or US Gov. Agency-backed**
- **No “toxic assets”**
- **Bank extremely liquid; Loan/ Deposit ratio 82.3%**
- **Retail sector growth** – As of May 09: 44,718 clients - on track to meet 60K new clients target in Q1/10

Balance Sheet Highlights

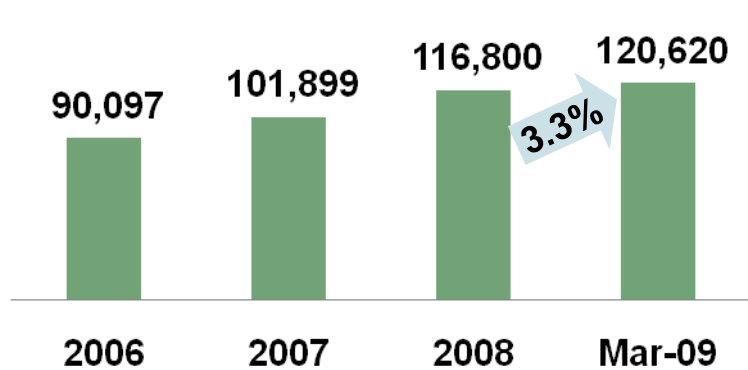
(NIS millions)

	March 31, 2009	December 31, 2008	Change
Total Assets	193,377	182,248	6.1%
Credit Granted to the public	120,620	116,800	3.3%
Deposits from the public	146,629	139,232	5.3%
Securities	35,948	31,535	14%
Shareholders' Equity	8,965	8,797	1.9%

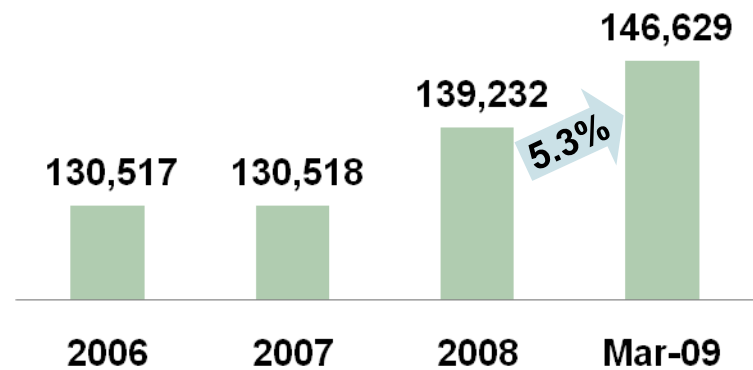
Balance Sheet Highlights –

(NIS millions)

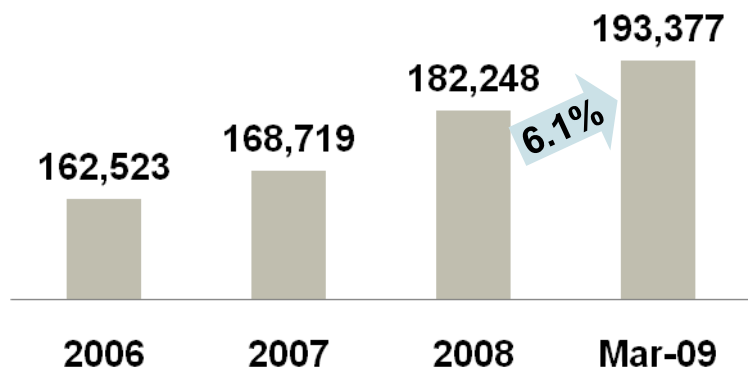
Credit to the Public



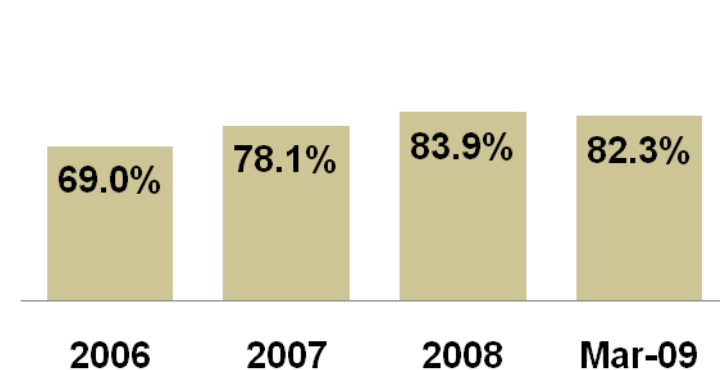
Deposits



Total Assets

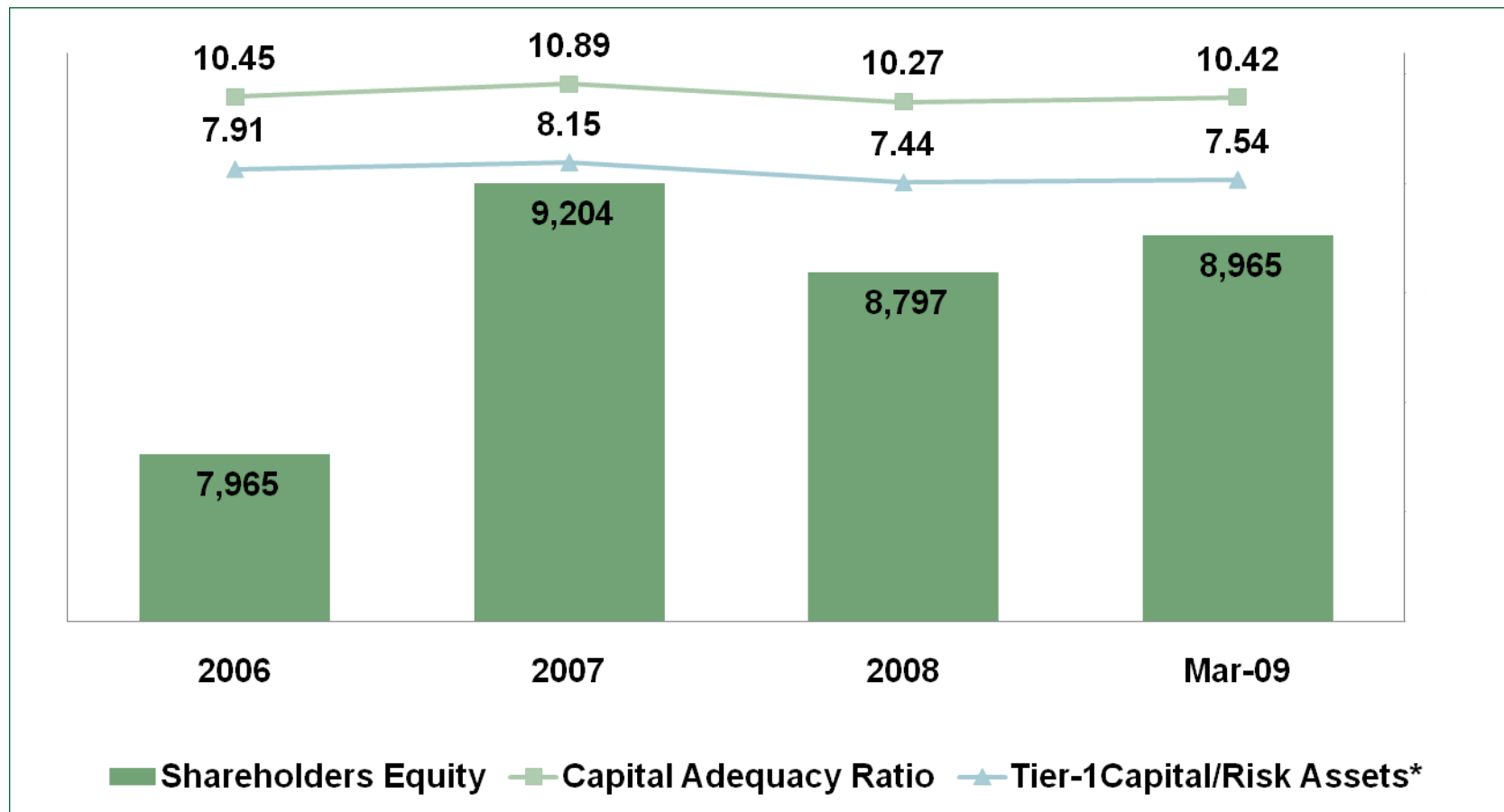


Loan/Deposit Ratio



Capital & Capital Ratios

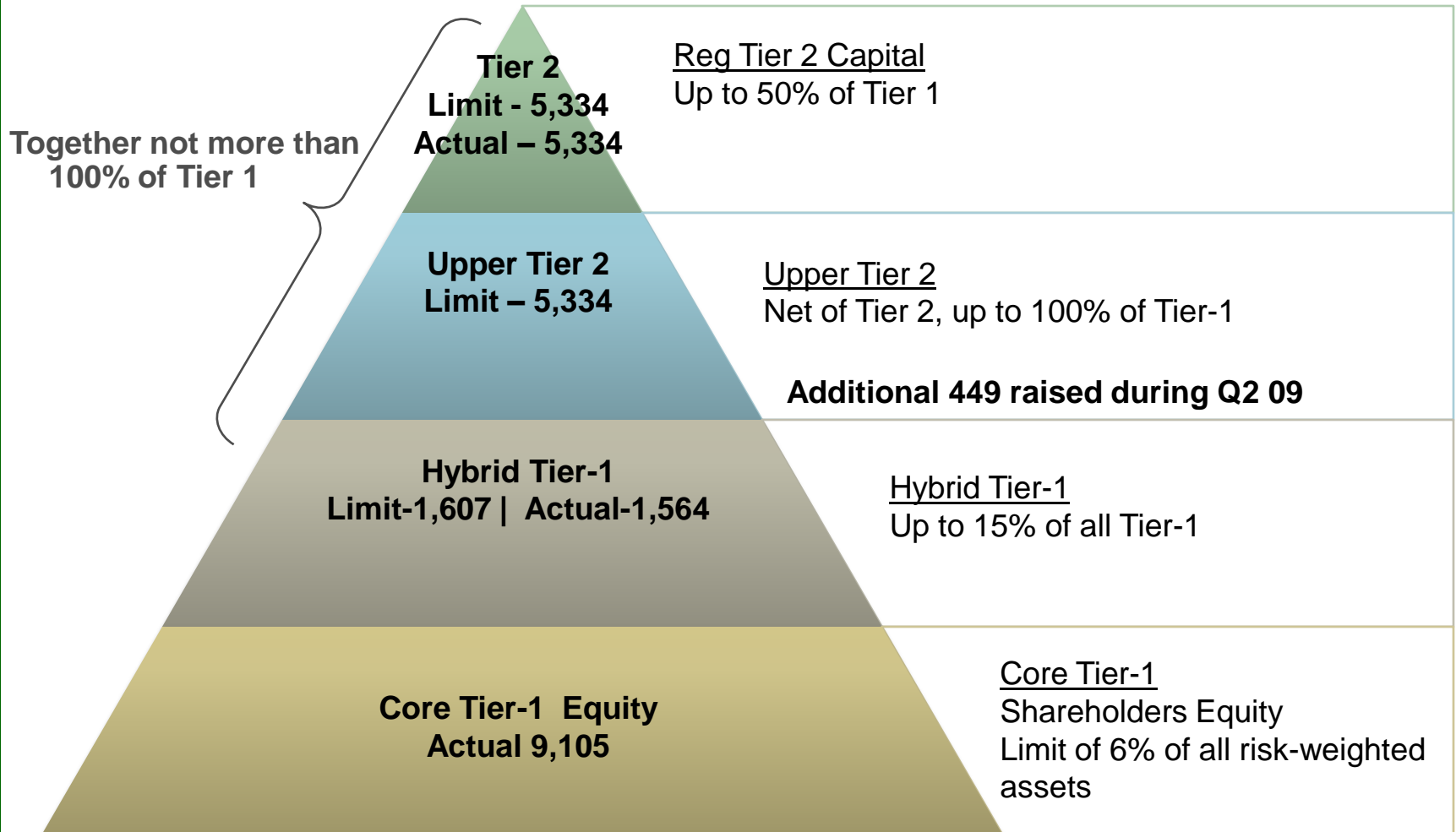
(NIS millions)



* Core Tier - 1 = 6.43%

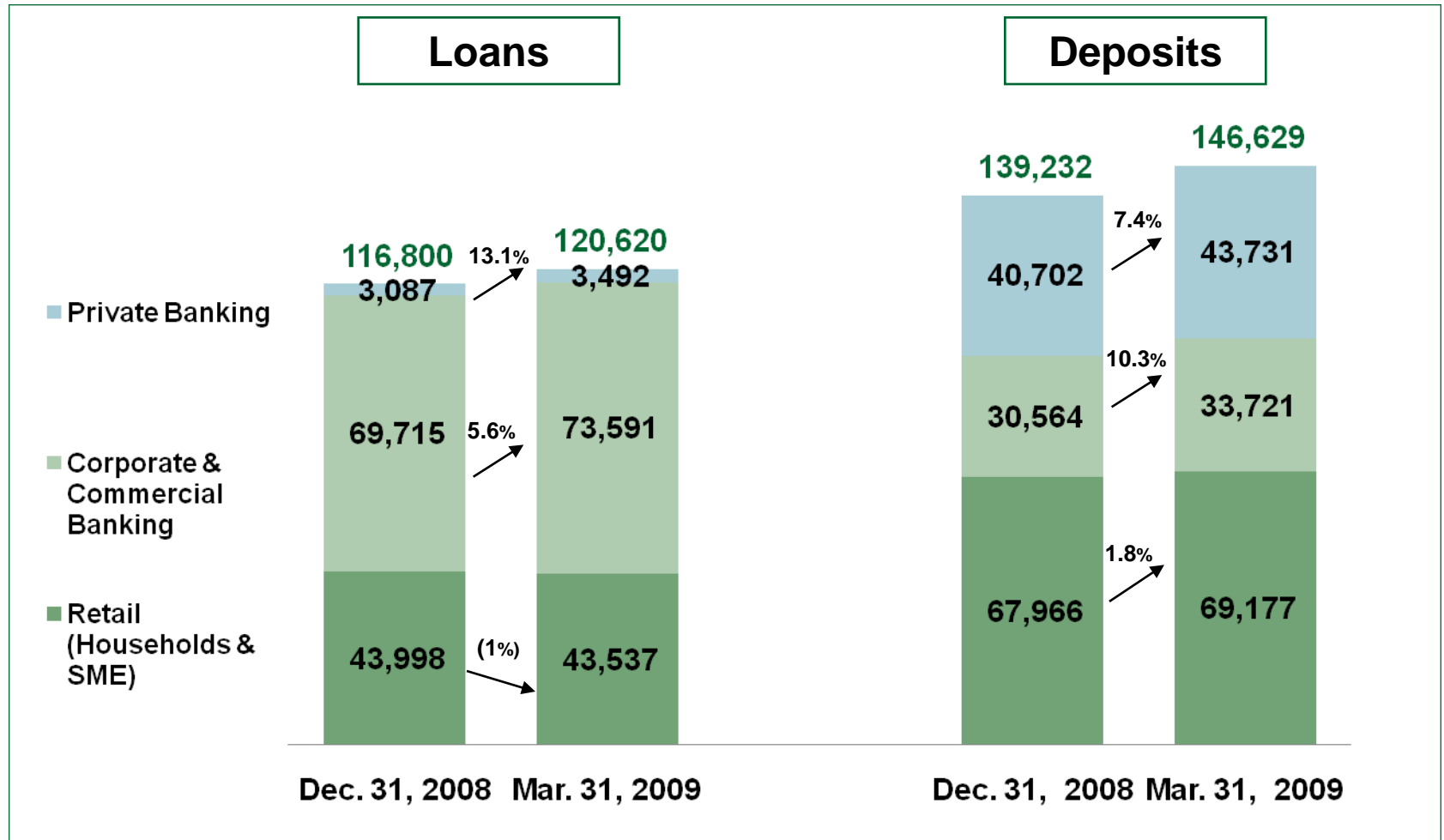
Regulatory Capital Structure

(NIS millions) as at March 31, 2009



Loans & Deposits by Business Sector

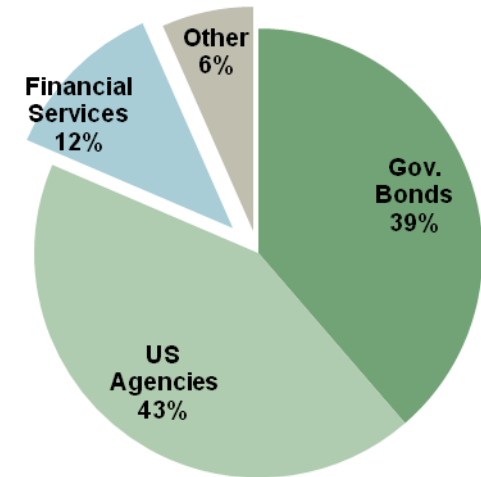
(NIS millions)



Group Securities

(as of 31.3.09 NIS millions) - UPDATED

	Total	HTM	AFS	Tradable
Gov. Bonds	13,874	1,019	10,611	2,244
US Agencies	15,348	586	14,755	7
Financial Services	4,289	489	3,611	189
Other	2,373	104	2,146	123
Total Fair Value	35,884	2,198	31,123	2,563
Depreciated Value	36,320	2,262	31,505	2,553



Total Fair Value: NIS 35,884m
Depreciated Value: NIS 36,320m

- Difference between Depreciated Value and Fair Value = 1.2%
- Over 80% in Government or US government agency backed securities
- Financial Services (12%) - made up of Bank securities of leading US financial services companies.
- Unrealized Losses on AFS Corp Bonds at IDBNY (>12mos) = \$104m (all are performing assets)

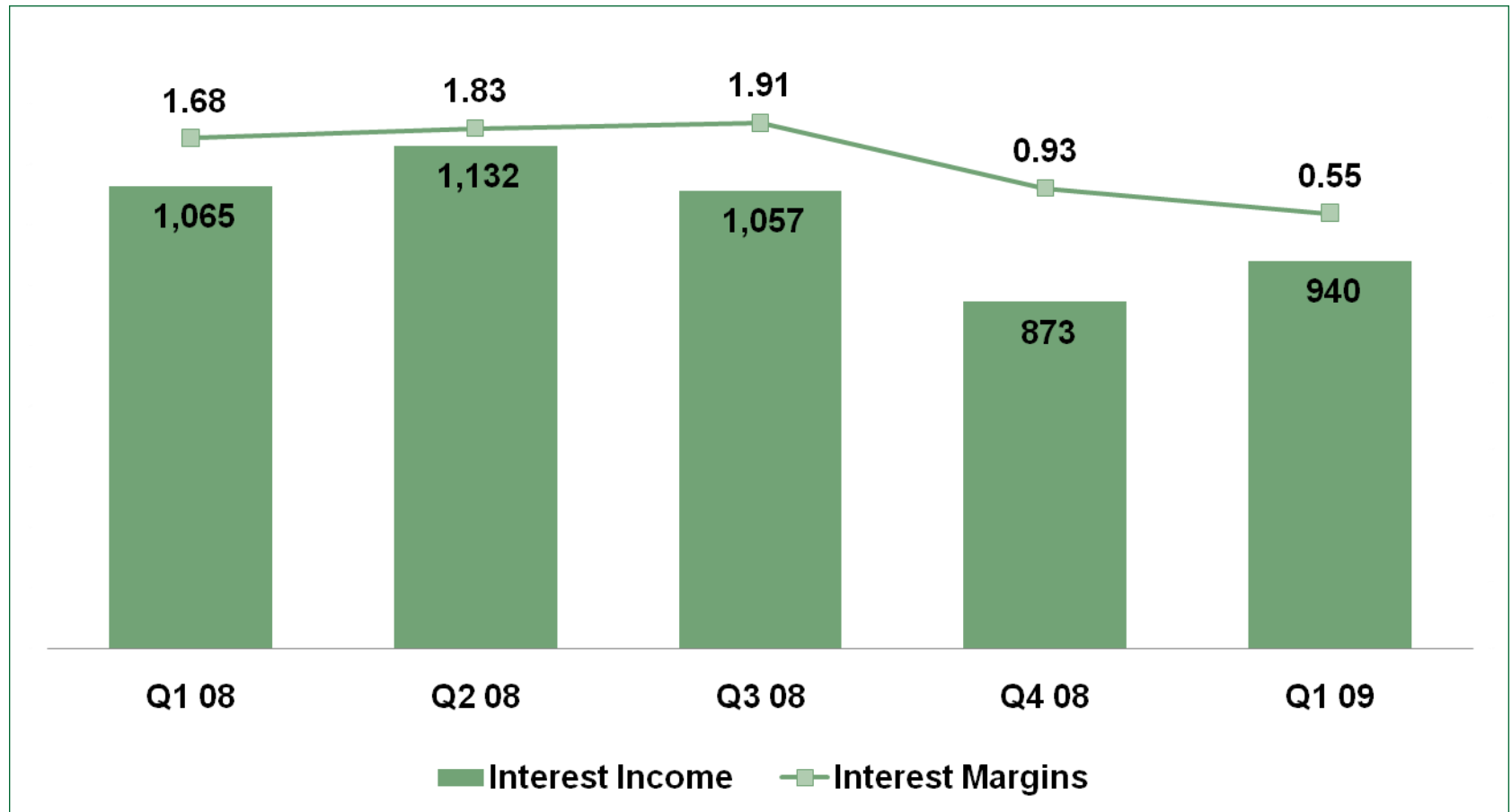
Income Statement Highlights

(NIS millions)

	Q1 09	Q1 08	QoQ Change (%)	Q4 08	Sequential Change (%)
Interest Income, before loan Provisions	940	1,065	(11.7%)	873	7.7%
Loan Provisions	252	93	171%	366	(31.1%)
Interest Income, net	688	972	(29.2%)	507	35.7%
Operating & Other Income	717	561	27.8%	726	(-1.2%)
Commissions	642	589	9%	609	5.4%
Operating & Other Expenses	1,346	1,357	(0.8%)	1,449	(7.1%)
Net income (Reported)	140	35	300%	(121)	NA
Net income (Adj.)	146	145	0.7%	(26)	NA
ROE (Reported)	6.5%	1.5%		(5.5%)	
ROE (Adj.)	6.8%	6.4%		(1.2%)	

Interest Income

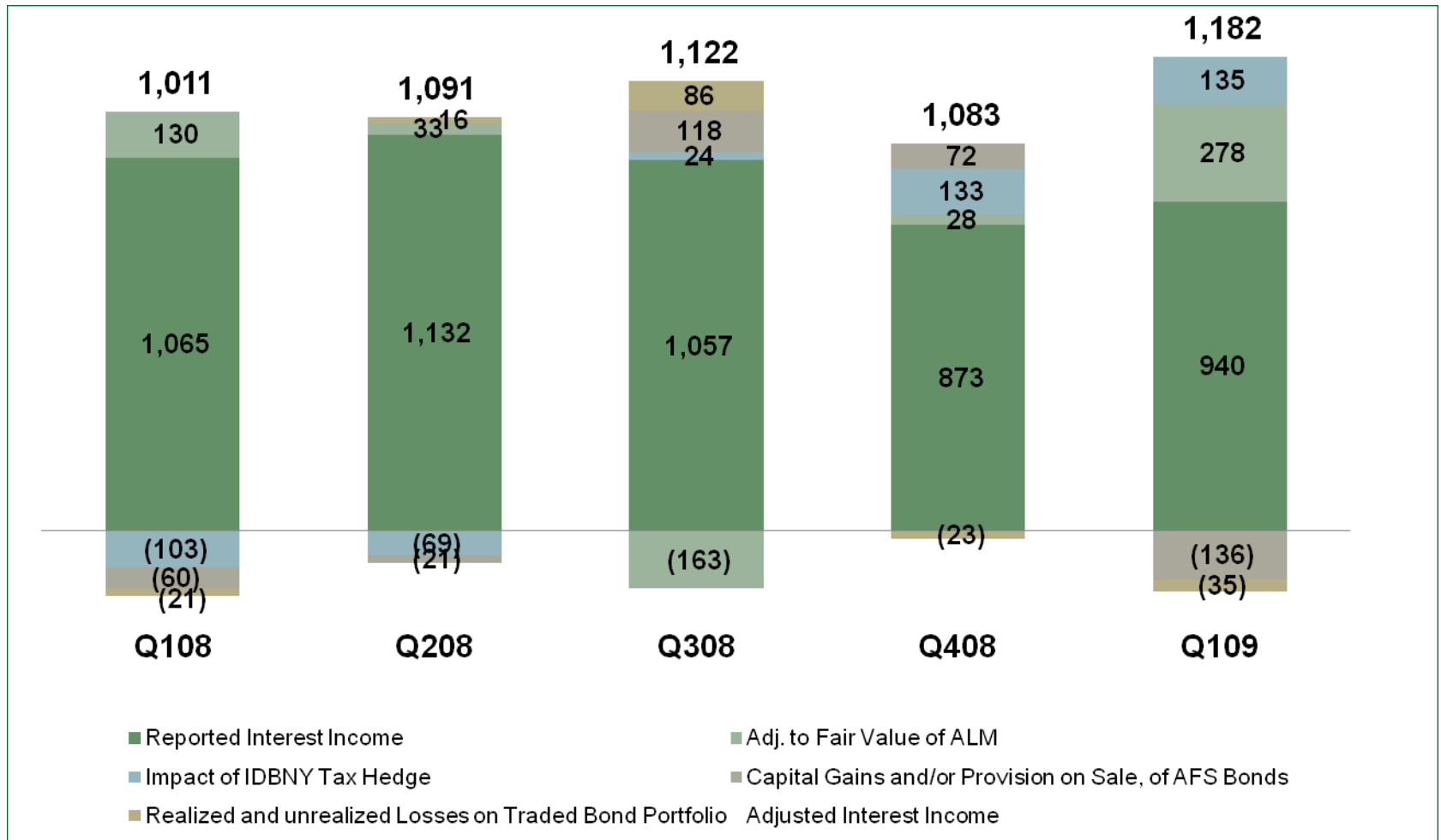
(NIS millions)



Net interest margin (excl. MTM Impact upon CPI derivatives & Tax Hedge) in Q1 09 : 1.27%

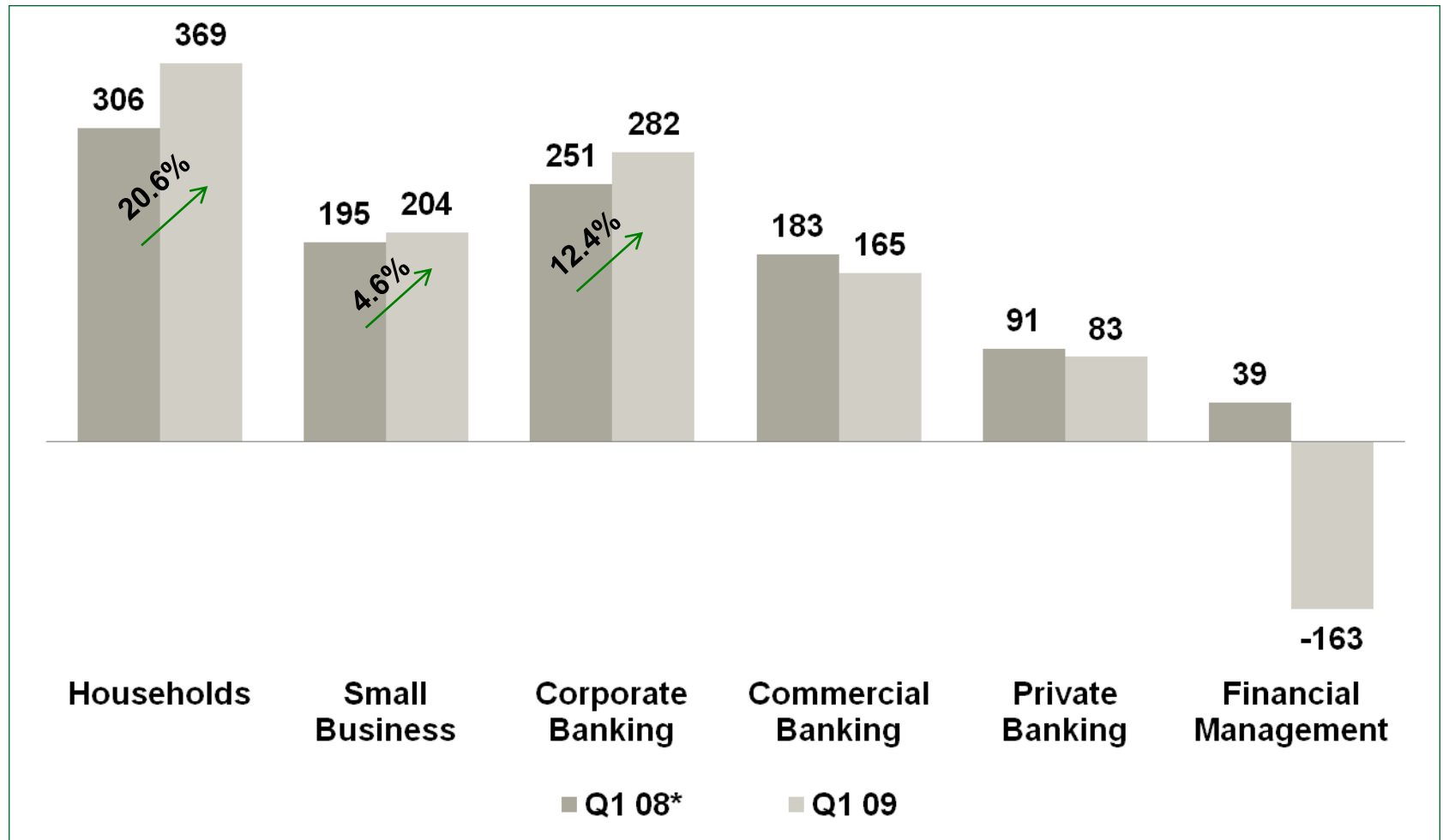
Interest Income – Reported and Adjusted

(NIS millions)



Interest Income Contribution by Sector

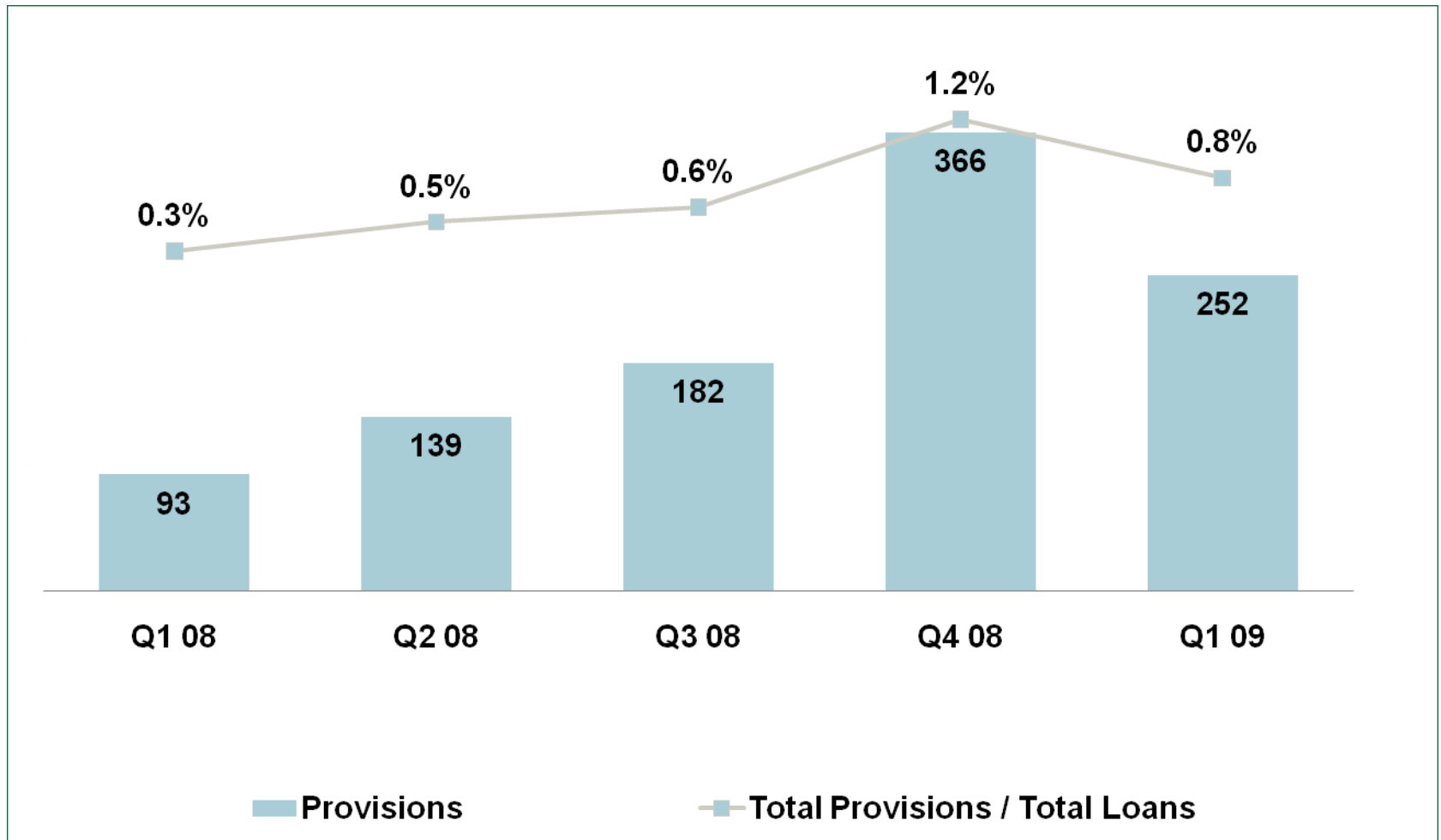
(NIS millions)



* Reclassified

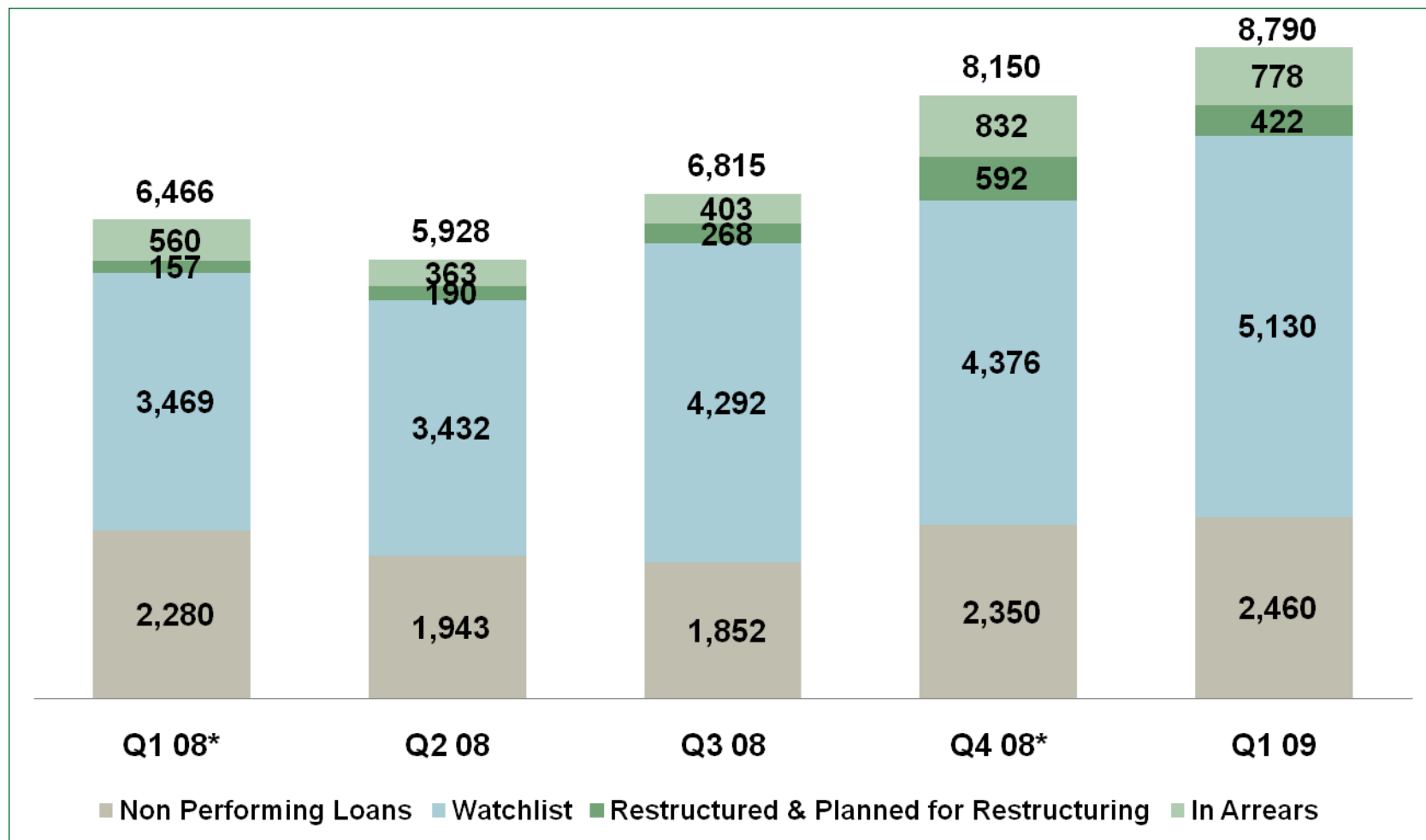
Provisions for Doubtful Debt

(NIS millions)



Problem Loans Breakdown

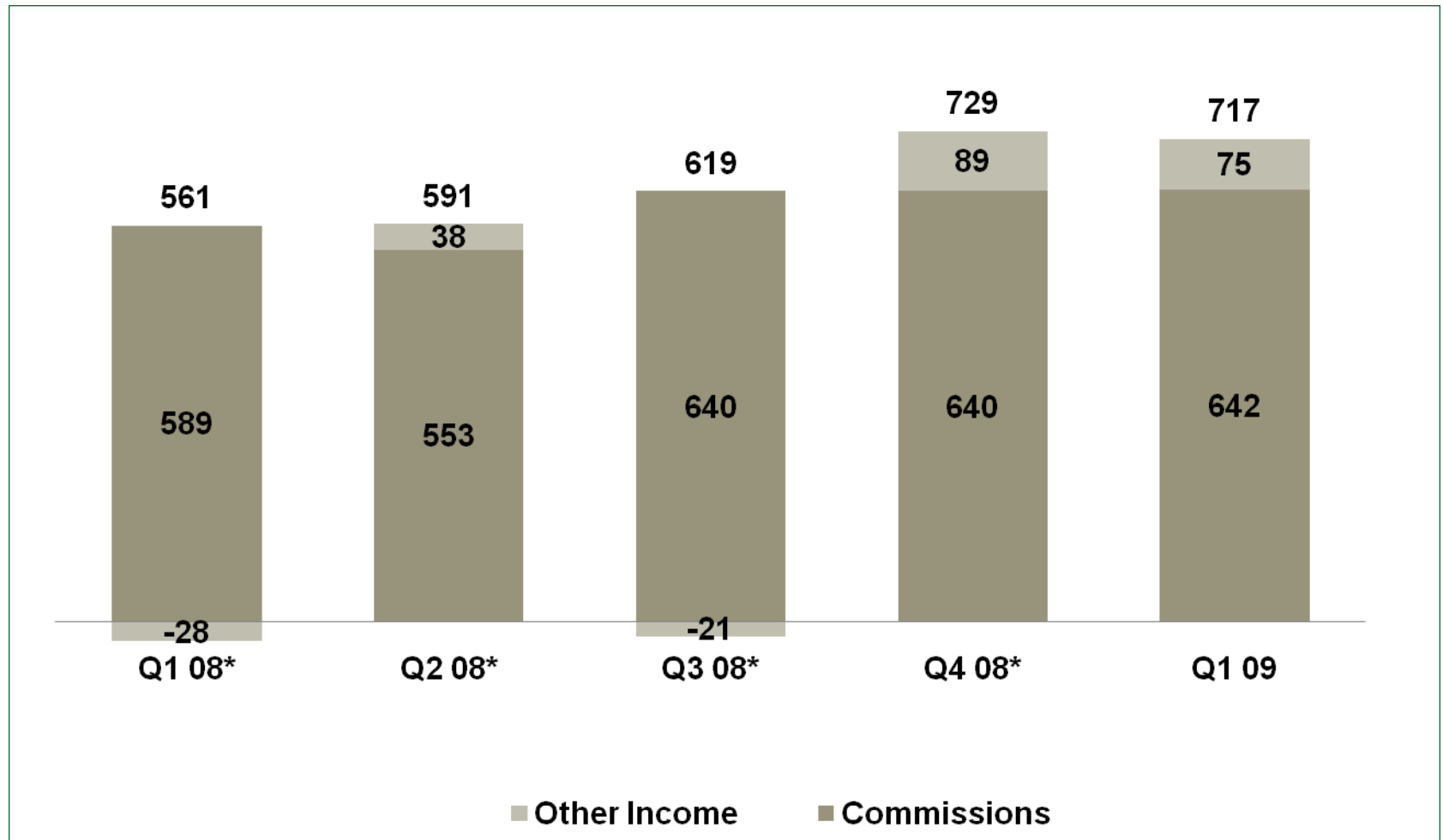
Quarterly Evolution (NIS millions)



* Reclassified

Operating & Other Income

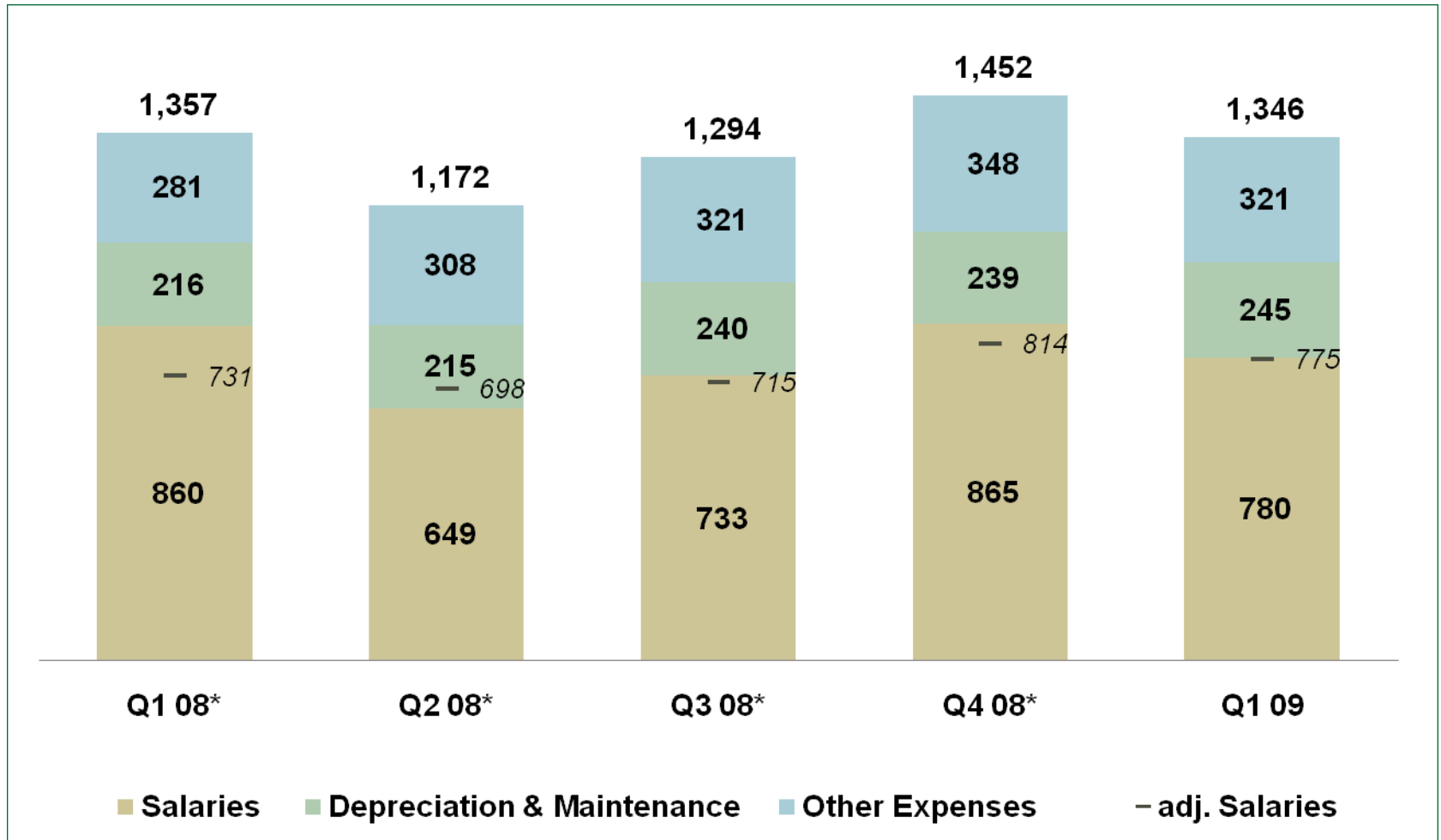
(NIS millions)



* Reclassified

Operating & Other Expenses

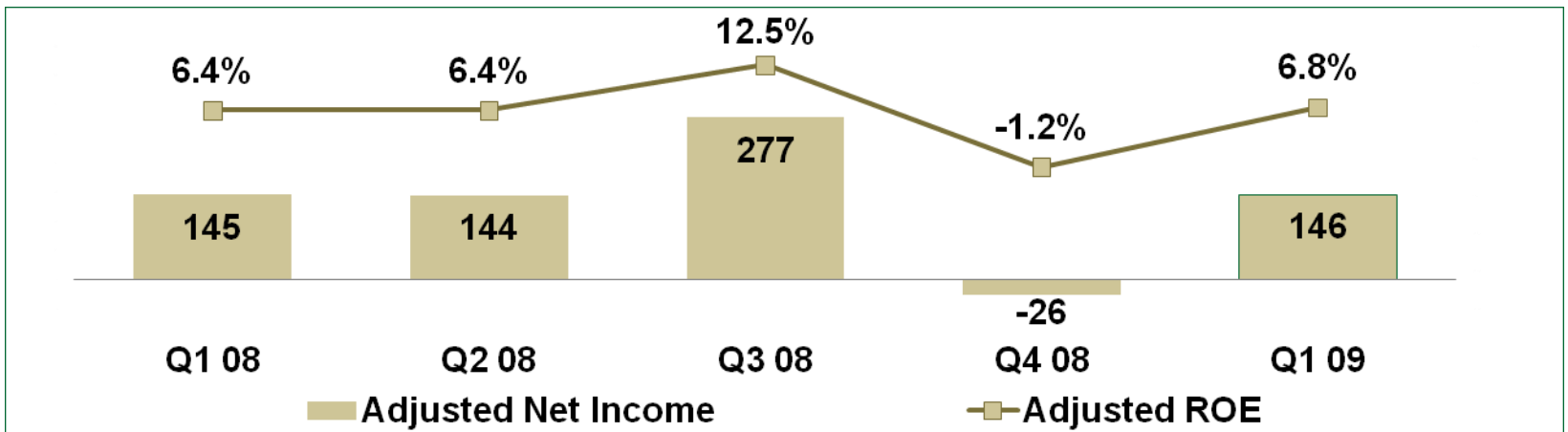
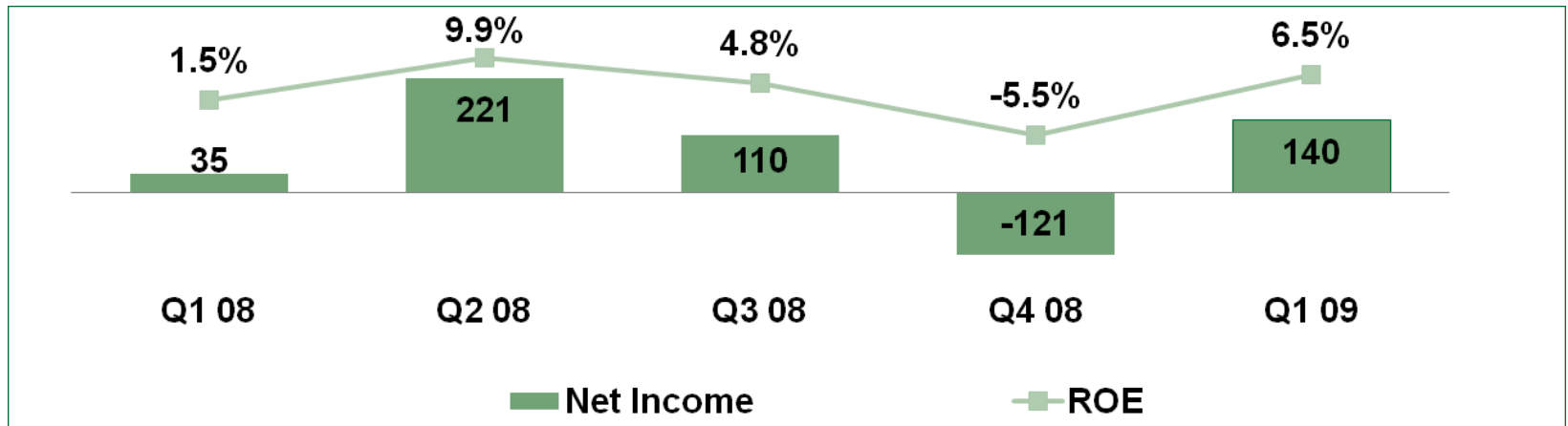
(NIS millions)



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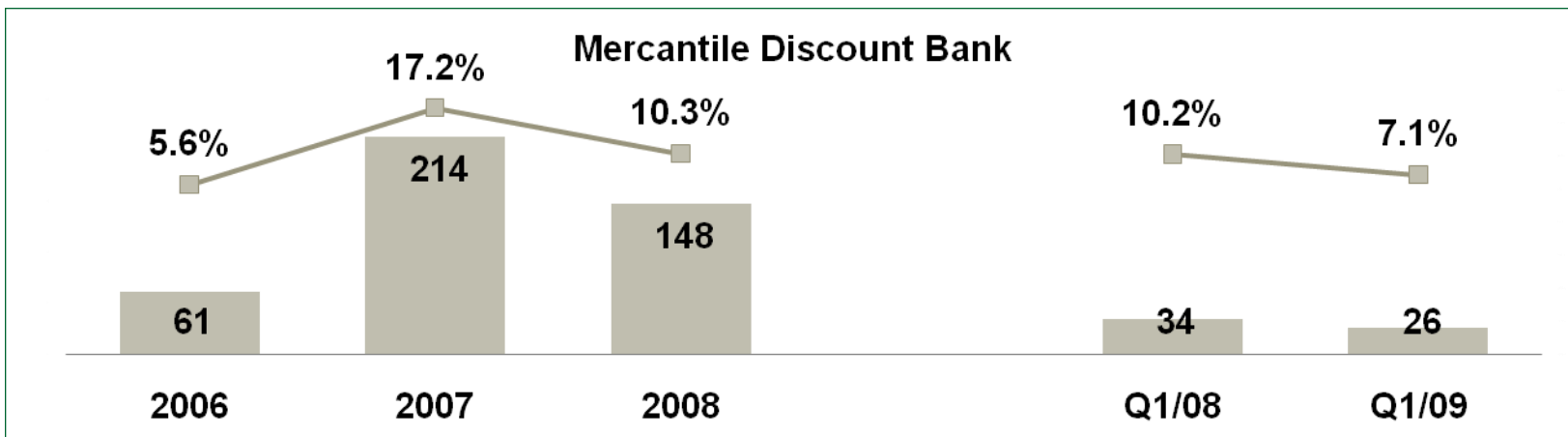
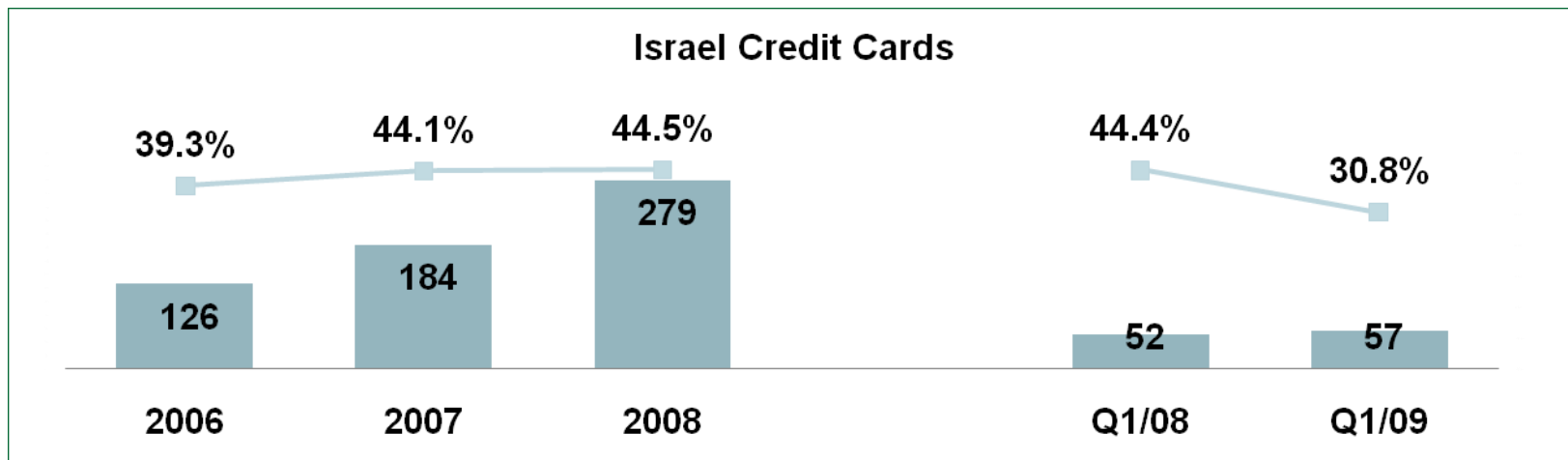
Net Income and ROE (reported and adjusted)

(NIS millions)



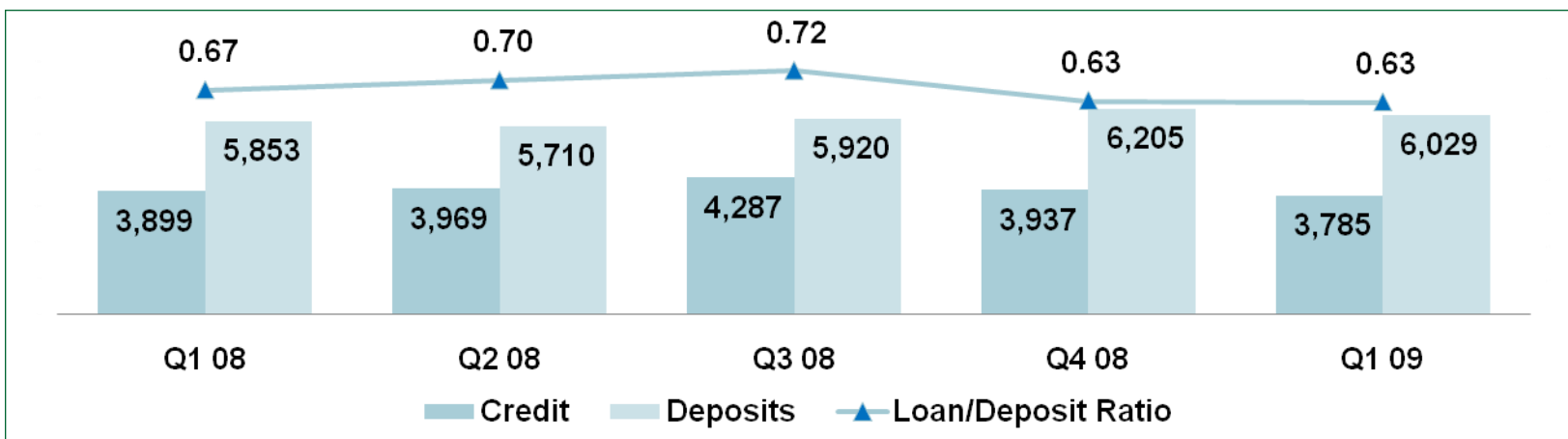
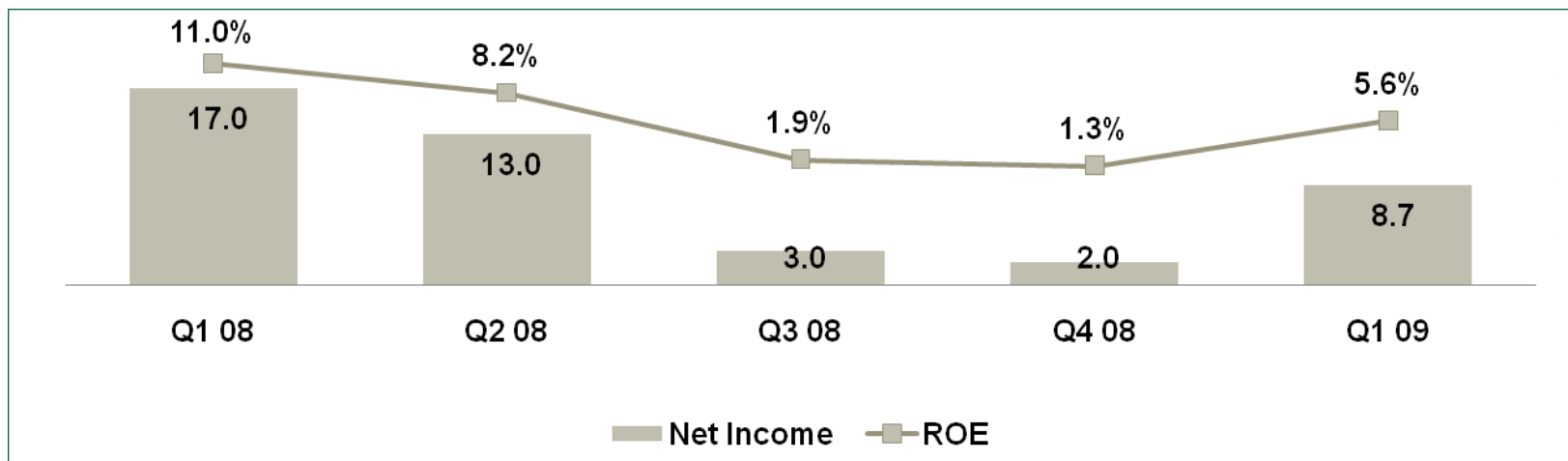
Net Income & ROE

Israel Credit Cards and Mercantile Discount Bank (NIS millions)



Discount Bancorp – Net Income & ROE

(US\$ millions)



Summary Comments

- Interest Income (excl. “accounting noise”) at an all-time high for the past year, despite economic backdrop
 - No material recession-related impact on Interest Income
 - Interest Income from Households up over 20%
- Operating & Other Income even stronger than 2008 levels
- Asset quality well in line with strongest loan growth in the sector over past 2 years
- Circ. NIS 800 million capital raised since end of 03/09; continue to address this aggressively through year-end.

Thank You



May 31, 2009

