

Israel Discount Bank
Second Quarter and First Six Months 2009
Results Review

August 31, 2009

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- For further details see Forward Looking Information section in the Banks 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
- Loan/Deposit Ratio 82% end-Q209

Strong Performance in Q2 2009

- Interest and Operating Income at record 12-month high
- Maintaining controlled expense environment
- Improved Asset Quality (vs. Q109)
- CAR Reaches 12% regulatory target in August 09

Large Float and Trading Liquidity

- Listed on TASE (DSCT, public 49%); Mkt. Cap. ~NIS 7bn (\$1.8b); avg. daily trading volume ~ NIS 25-30 million
- International Controlling Shareholders: Bronfman\Schron Group 26% (State of Israel 25%)



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				

Second Quarter and First Six Months 2009

Key Highlights for Second Quarter

Proven Capacity to Generate High Recurring Revenues

- Interest Income at record 12-month high : up 35% from Q1 09; Up 12% over Q2 08
- Operating & other income up 24% YoY, driven by increased commissions and gains on severance compensation fund
- Total income up in all sectors (YoY)

Maintaining Controlled Expense Environment

- Declining salary expense (both Reported and Adj.)
- Declining cost/income ratio to 63% from 81% end-Q109

Improved Asset Quality (vs. Q109)

- Reduction in Problem Loans (- 6%) and in NPL's (- 5%)
- Deposits up 3% from end-08; Proactively stalled loan increase

CAR Reaches 12% Regulatory Requirement August 09

- Capital issuances in Q2, Coupled with a reduction in RWA will ensure compliance with regulatory 12% CAR at YE2009
- Moving to increase core tier-1 by 0.5% to 7% by end year 2009

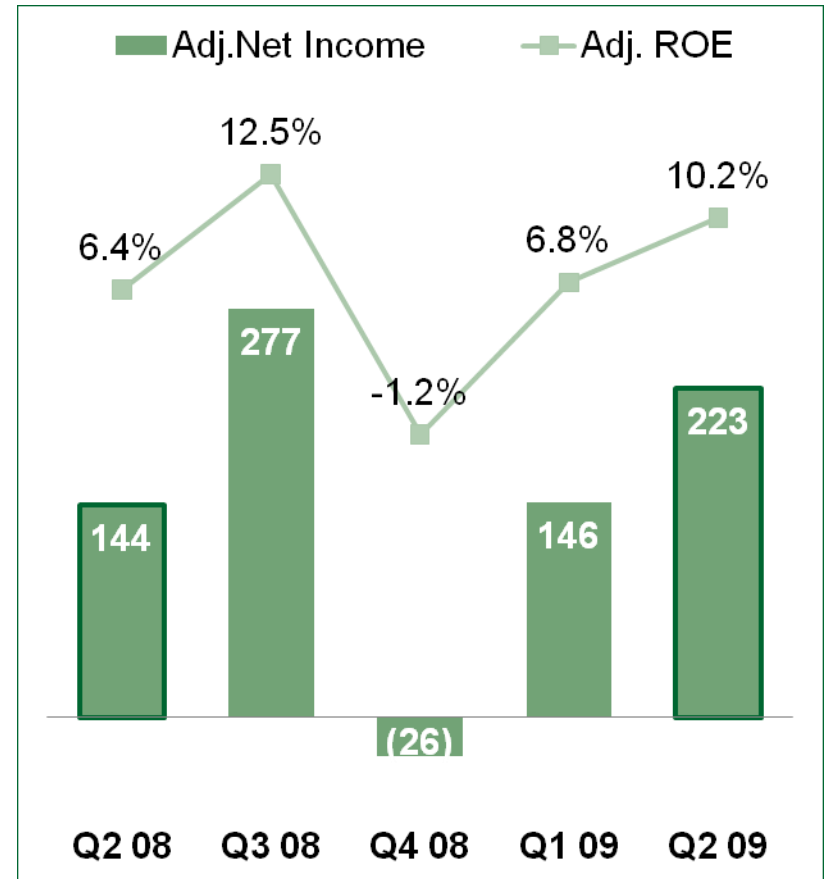
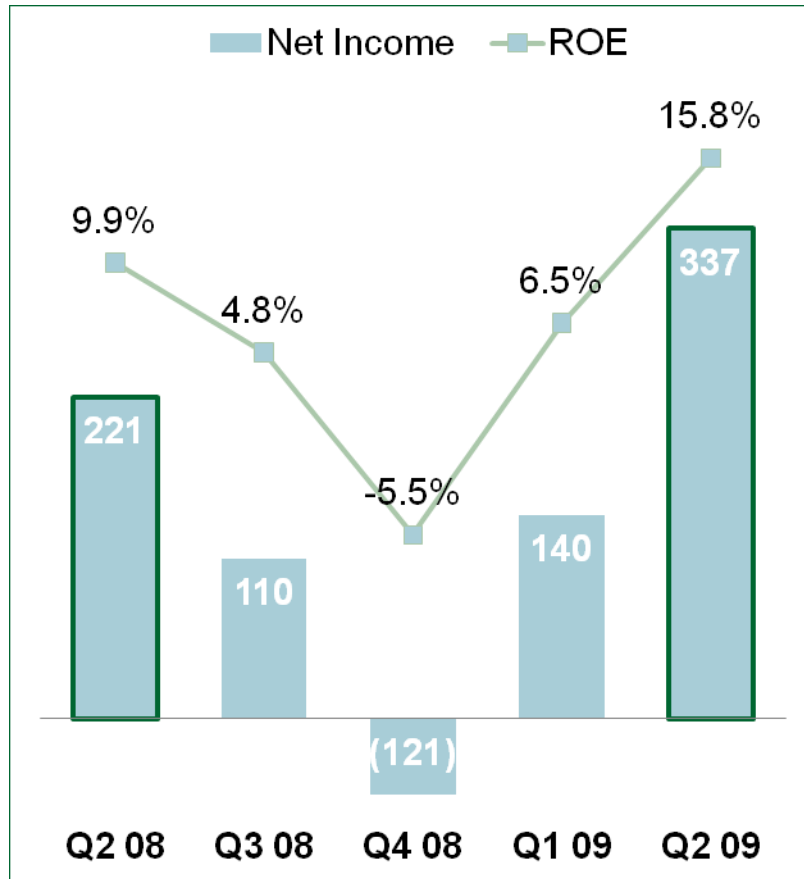
Income Statement Highlights

(NIS millions)

	Q2 09	Q2 08	QoQ Change	1H 09	1H 08	HoH Change
Interest Income, before loan provisions	1,266	1,132	11.8%	2,206	2,197	0.4%
Loan Provisions	231	139	66.2%	483	232	108.2%
Interest Income, net	1,035	993	4.2%	1,723	1,965	-12.3%
Operating & Other Income	753	609	23.6%	1,478	1,189	24.3%
Commissions <i>(included in op. income)</i>	647	575	12.5%	1,297	1,184	9.5%
Operating & Other Expenses	1,281	1,190	7.6%	2,635	2,566	2.7%
Net income (Reported)	337	221	52.5%	477	256	86.3%
Net income (Adj.)	223	144	54.9%	369	289	27.7%
ROE (Reported)	15.8%	9.9%		11.0%	5.6%	
ROE (Adj.)	10.2%	6.4%		8.4%	6.4%	

Net Income and ROE (reported and adjusted)

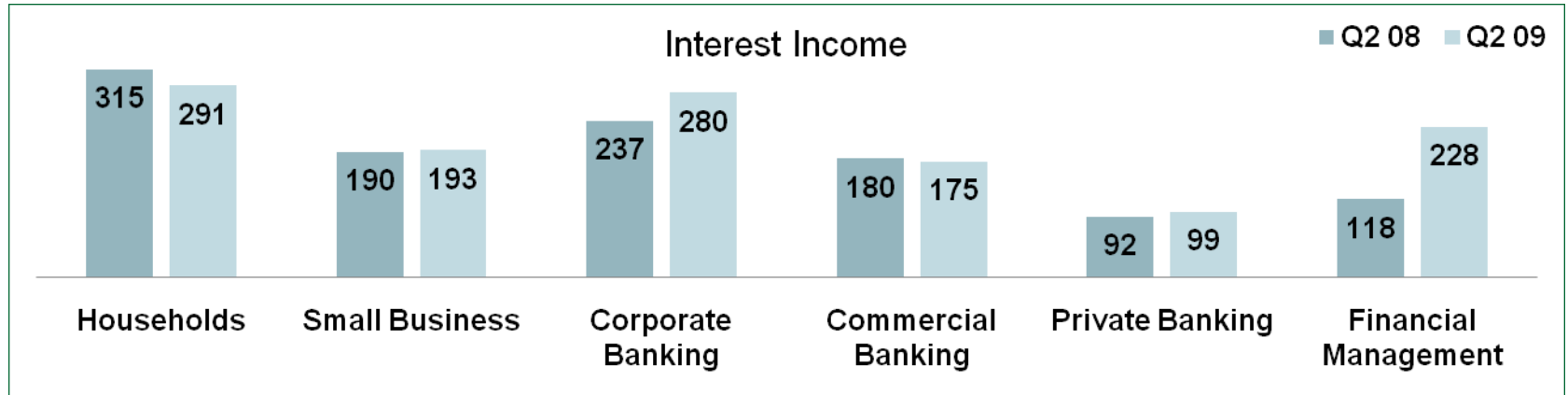
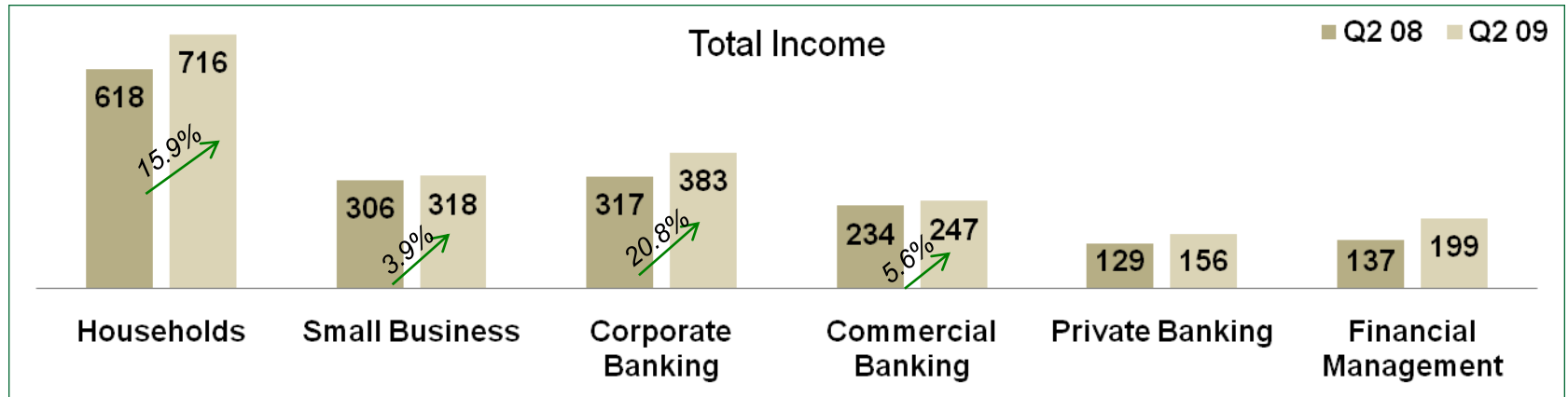
(NIS millions)



Return to Generating Growth in Net Income

Income Contribution by Sector

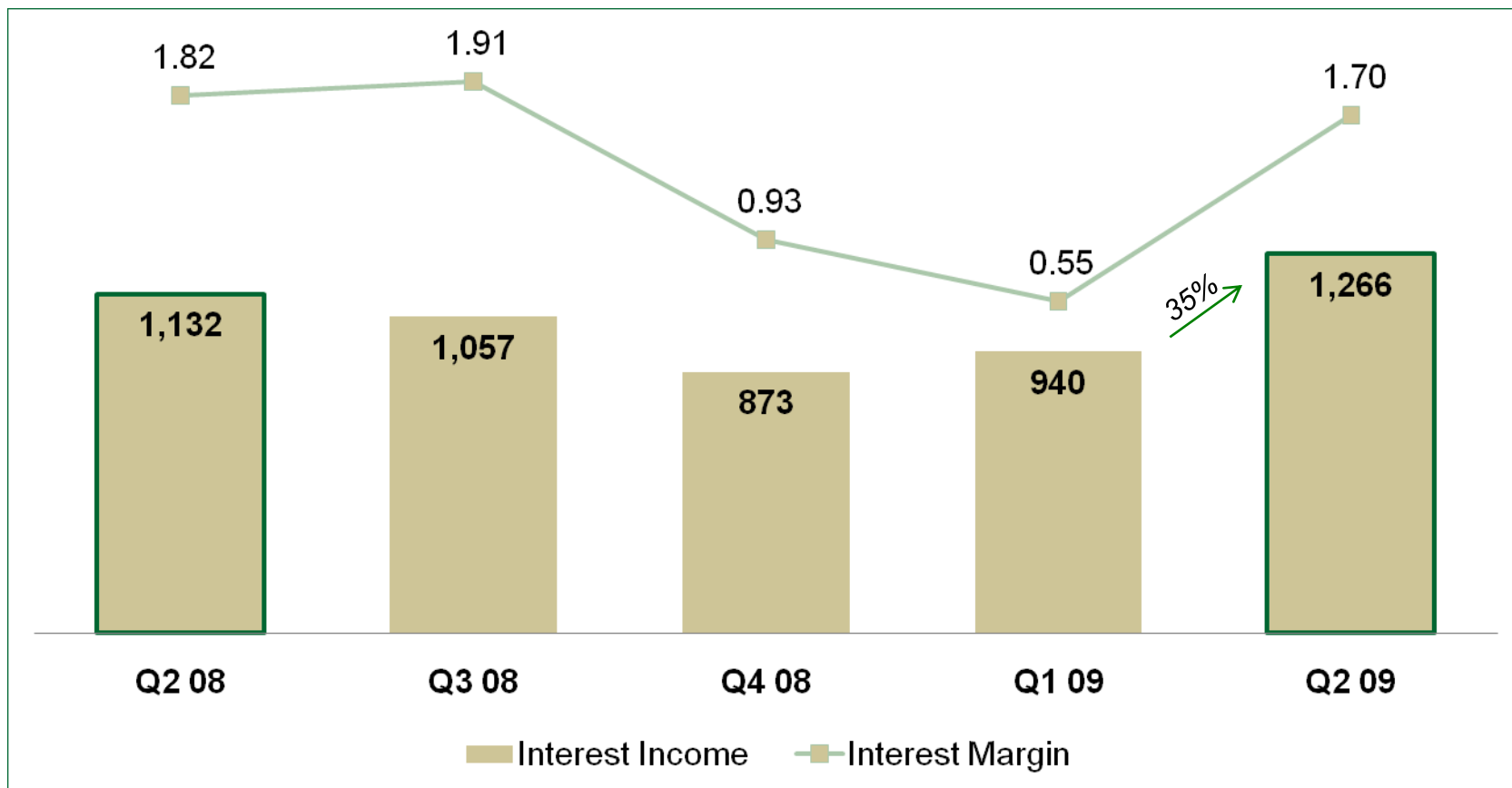
(NIS millions)



Proven Capacity to Generate High Recurring Revenues Across the Franchise

Interest Income

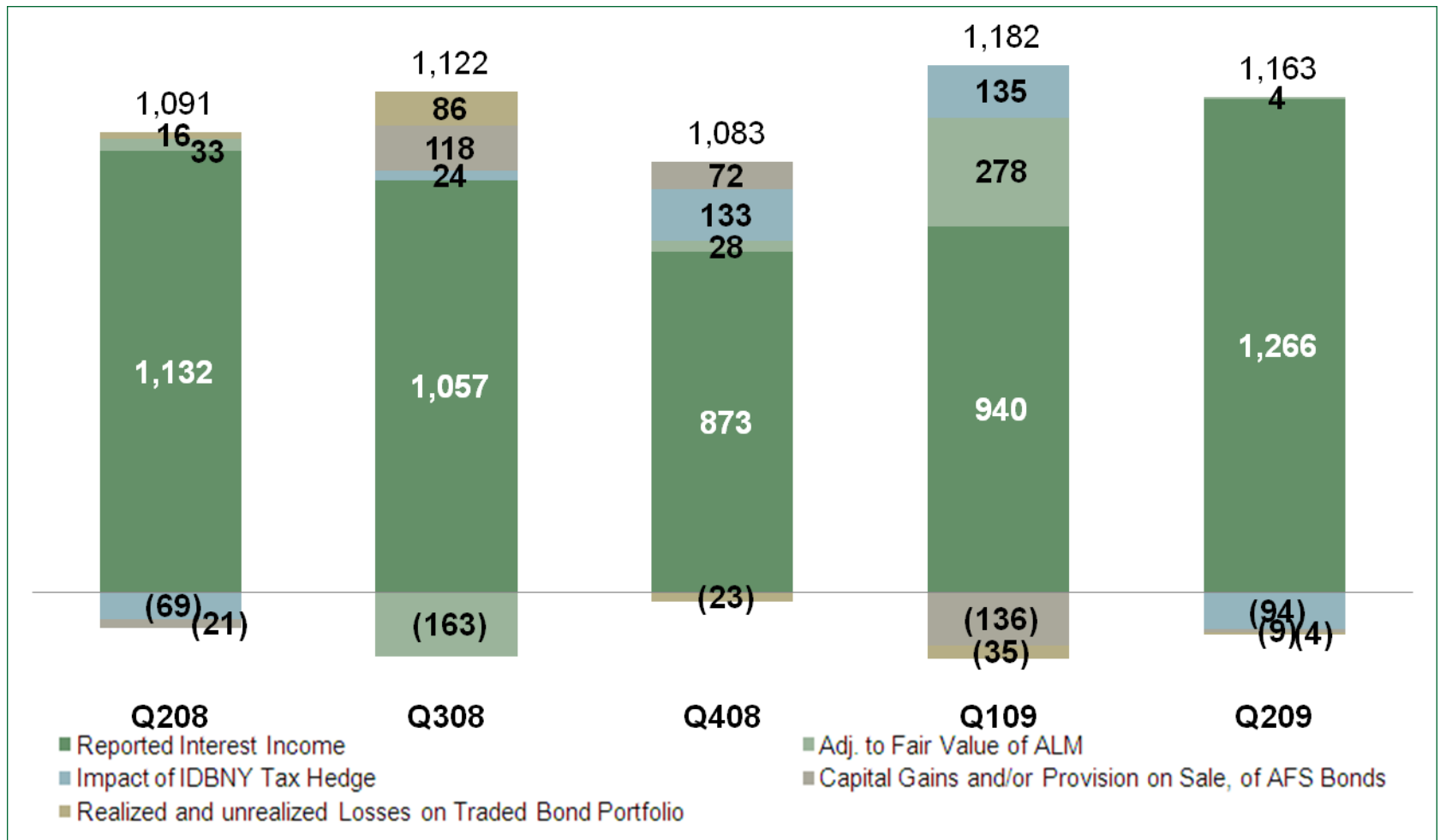
(NIS millions)



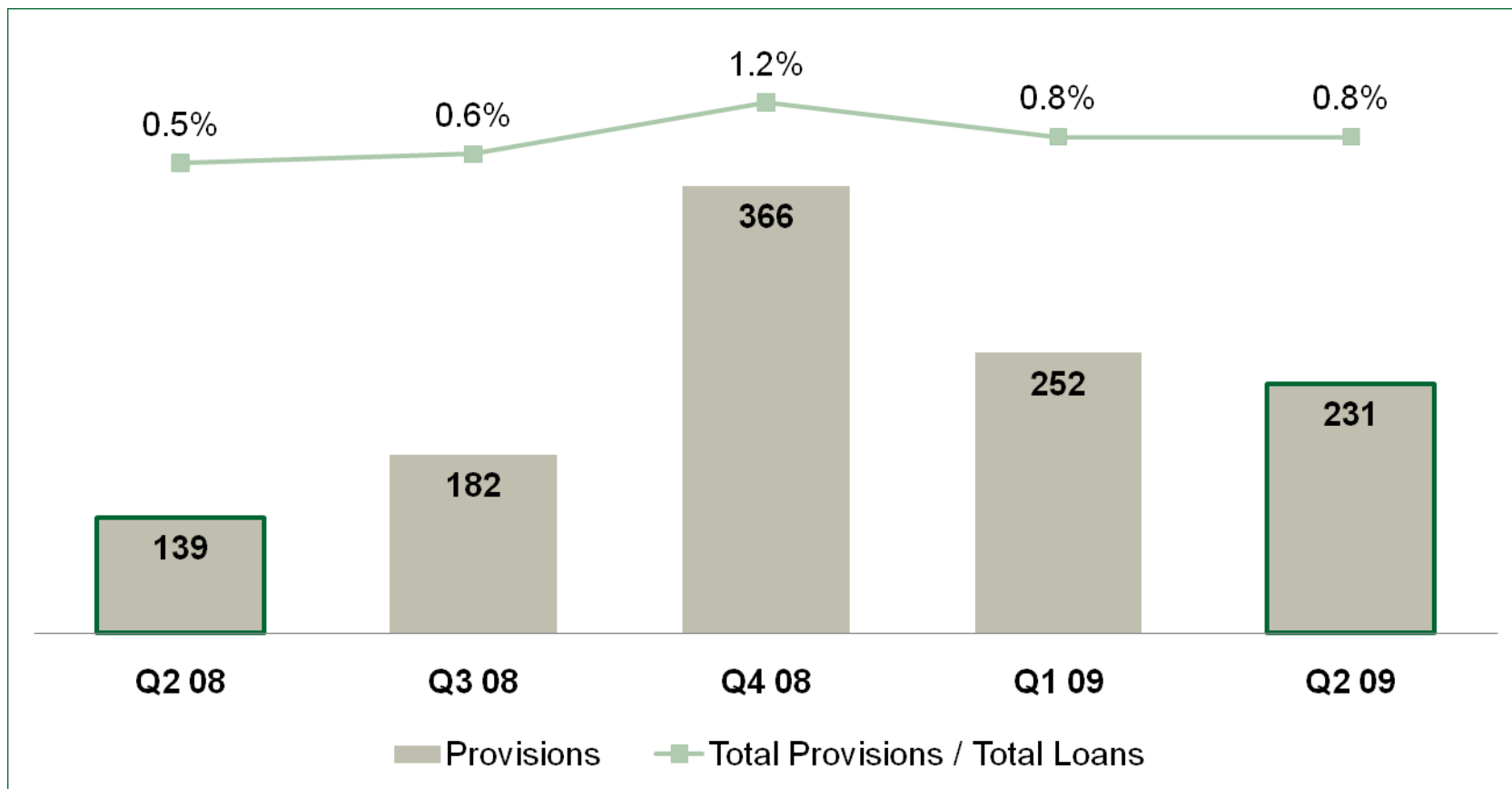
Interest Income at 12-Month High: up 35% from Q1 09; Up 12% over Q2 08

Interest Income – Reported and Adjusted

(NIS millions)



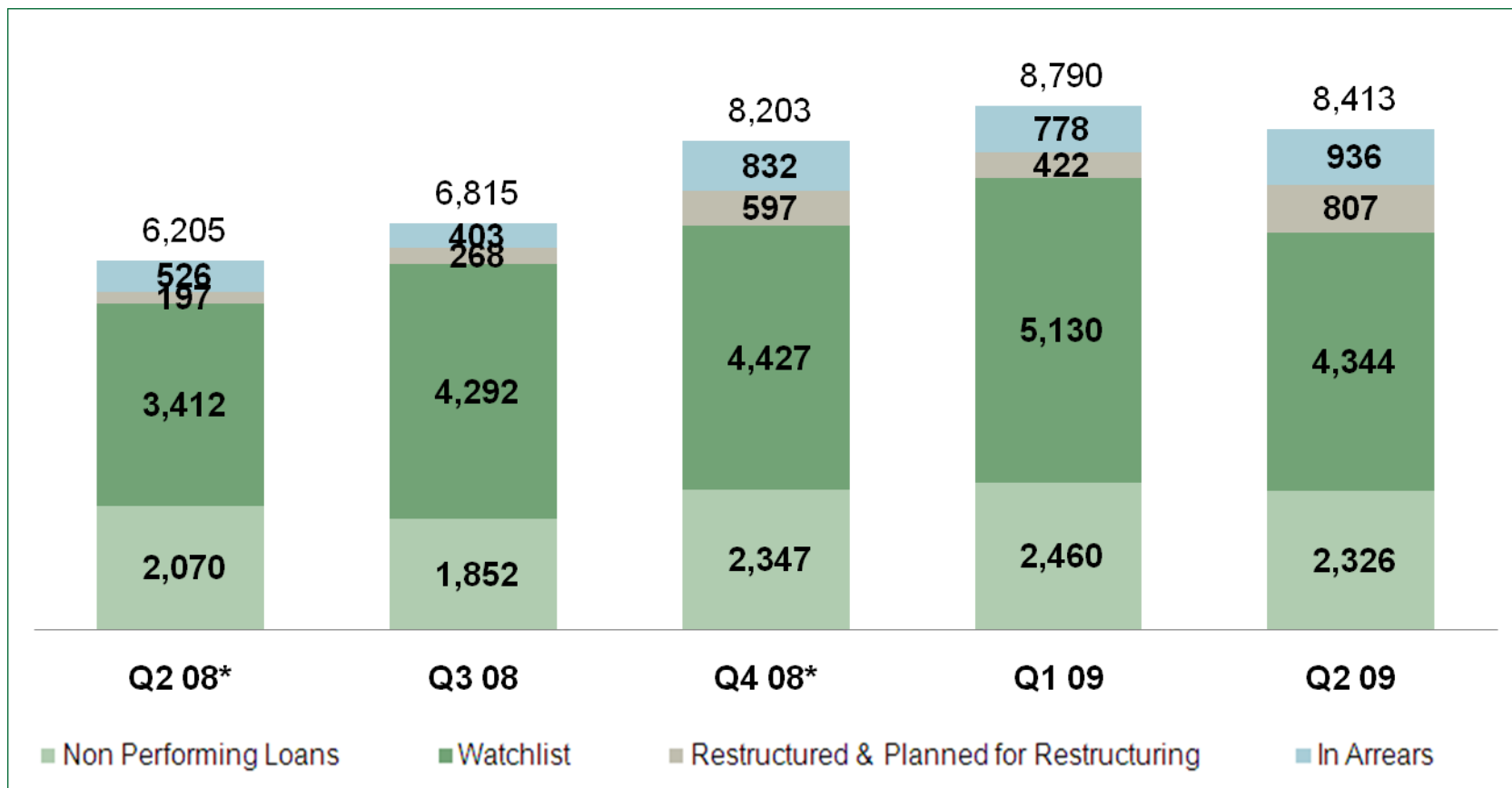
Provisions for Doubtful Debt (NIS millions)



Downward to Stable Trend in Provisions for Doubtful Debt

Problem Loans Breakdown

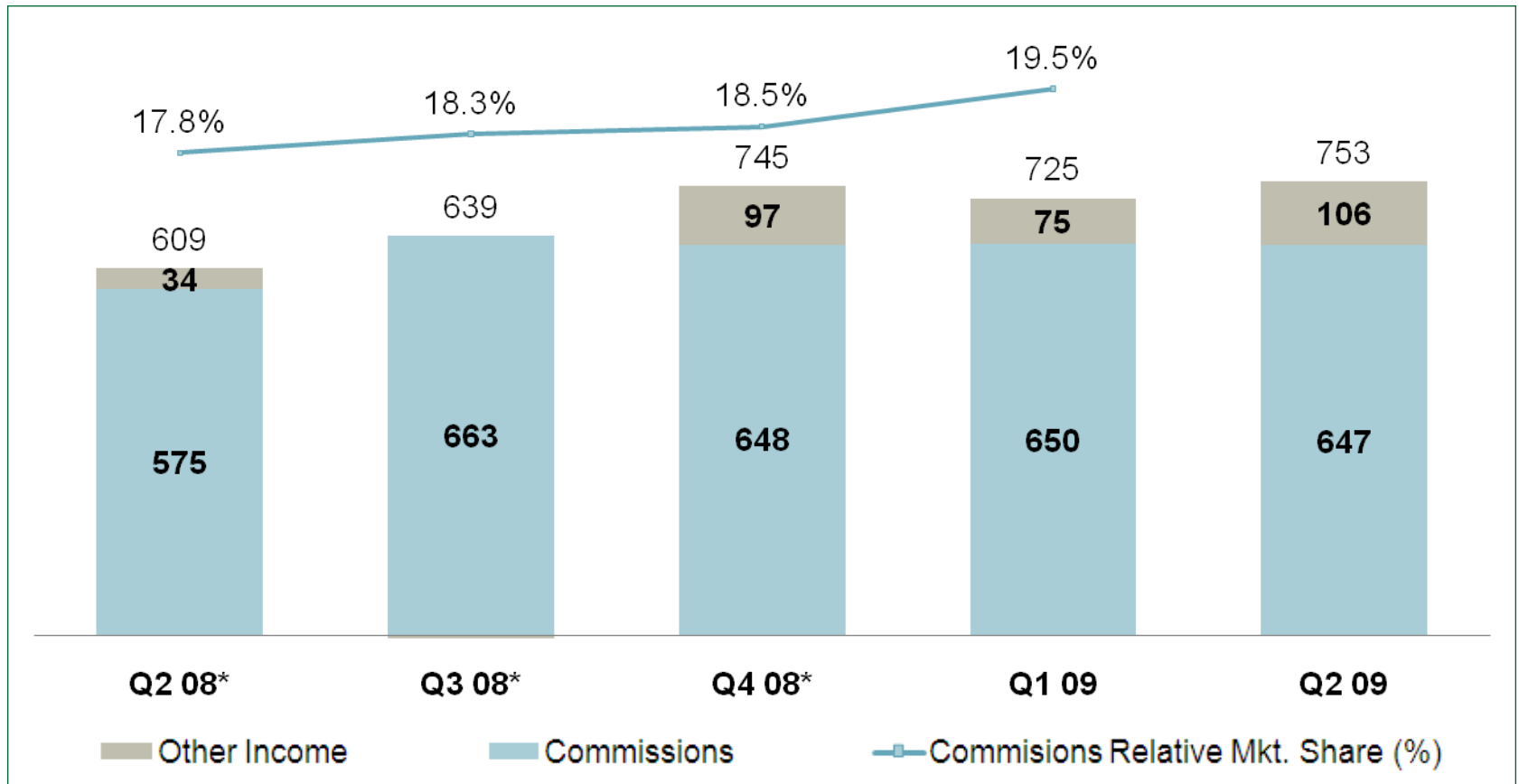
Quarterly Evolution (NIS millions)



Improving Asset Quality – Decline in NPLs and Watchlist Loans

* Reclassified

Operating & Other Income (incl. Cumulative Commission Market Share) (NIS millions)

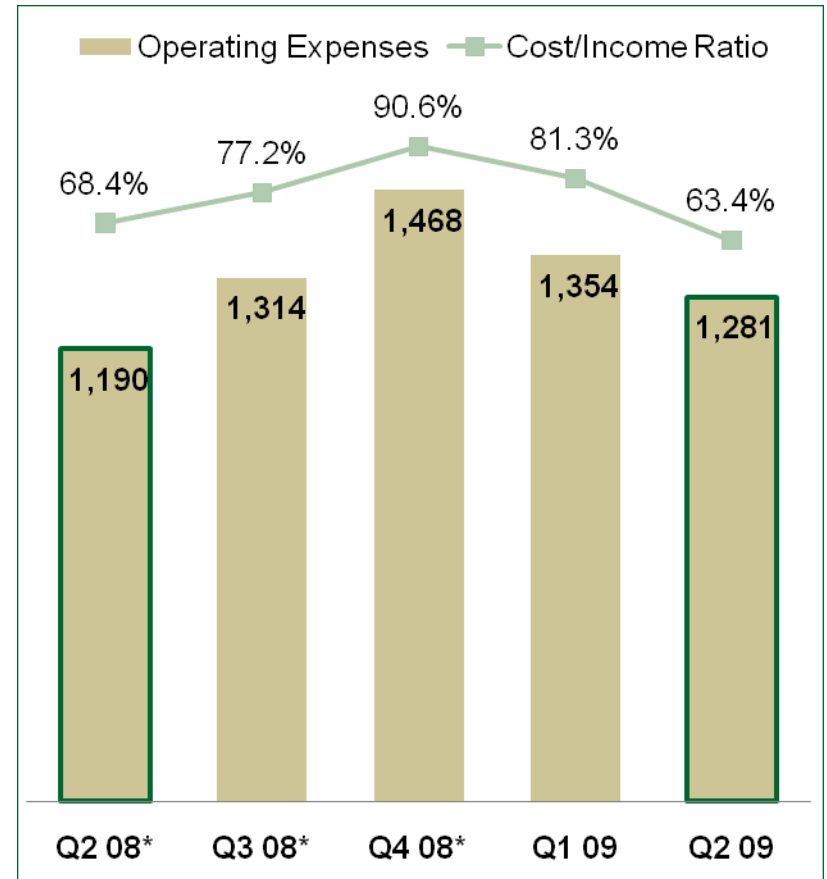
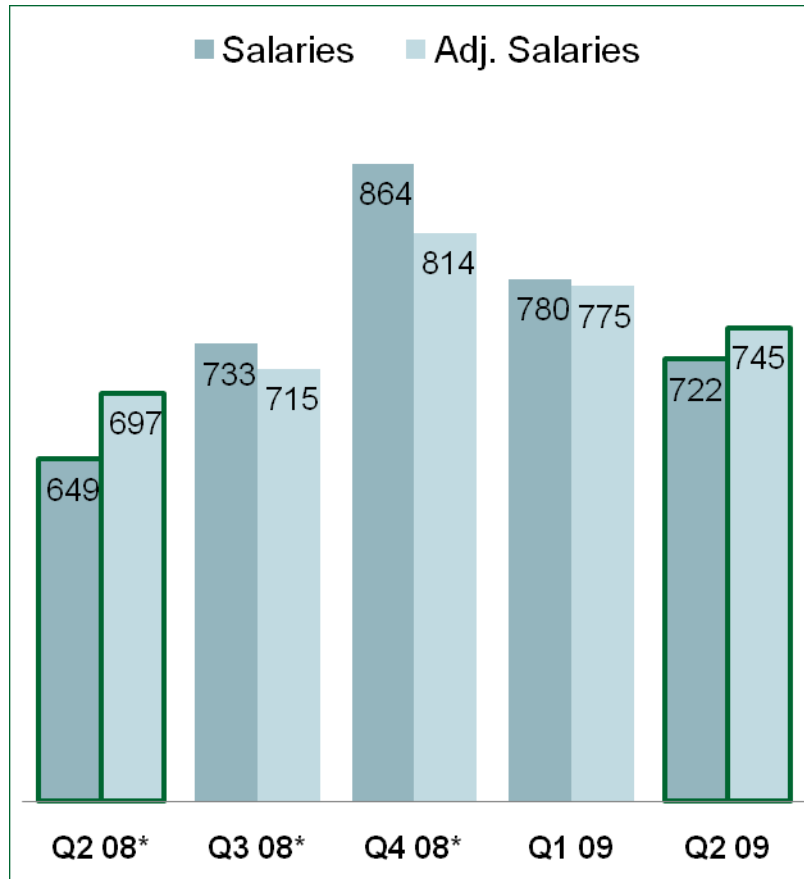


Strong Recurring Commissions;

Gain on Severance Compensation Funds of NIS 70m in both Q1/09 and Q2/09 (Other Income)

* Reclassified

Operating & Other Expenses (NIS millions)

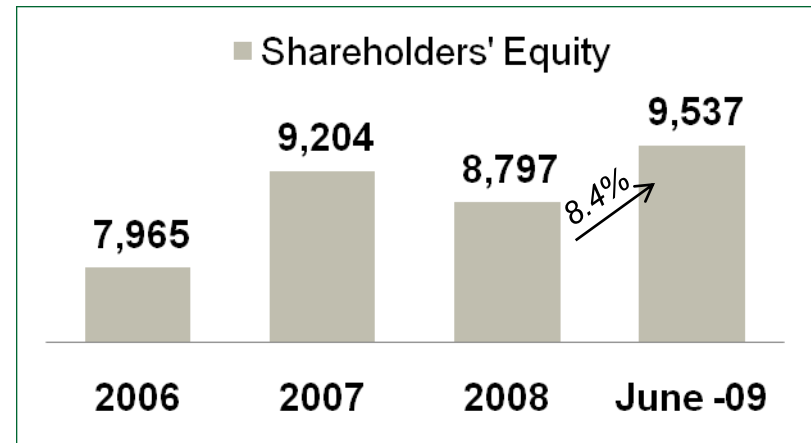
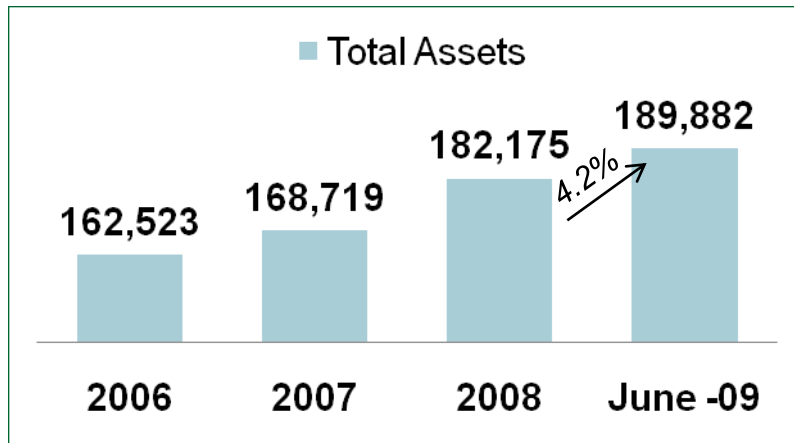
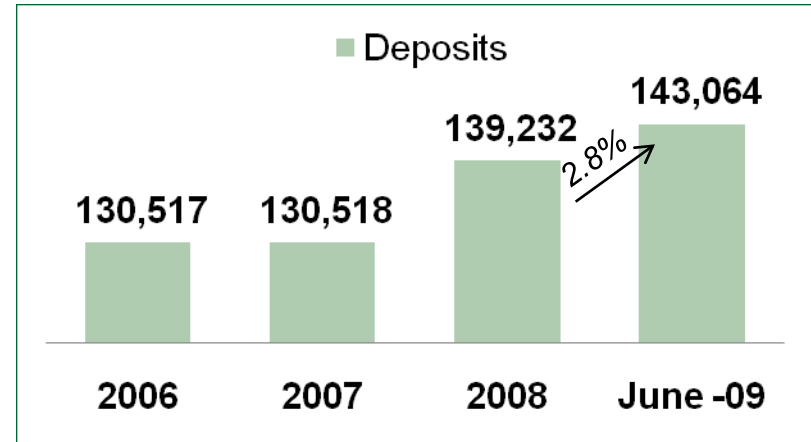
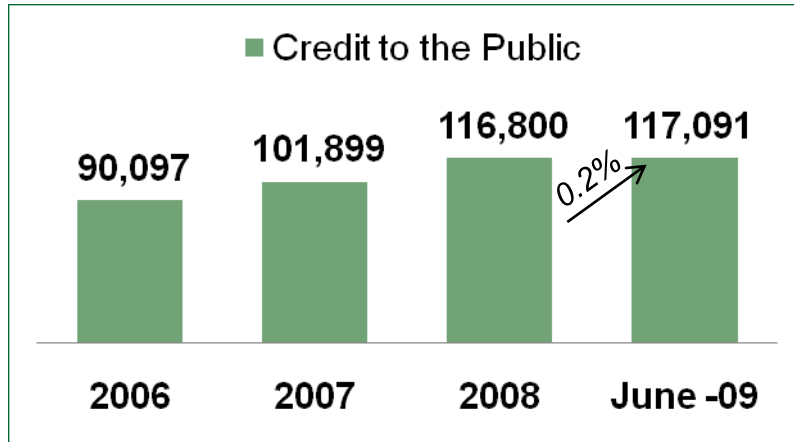


Maintaining Controlled Expense Environment

* Reclassified

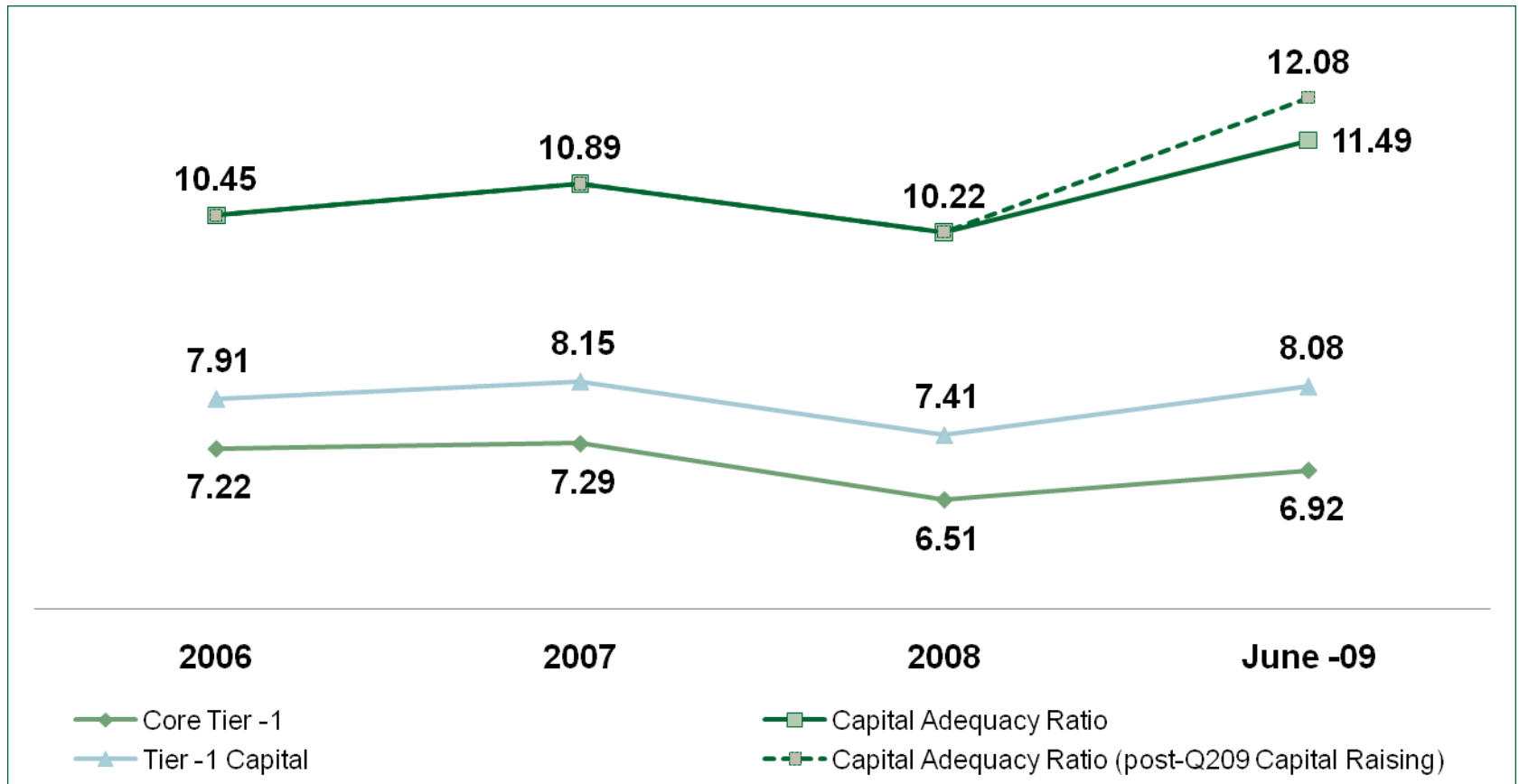
Balance Sheet Highlights

(NIS millions)



Growth in Deposits and Equity; Proactive Scale-Back in Credit

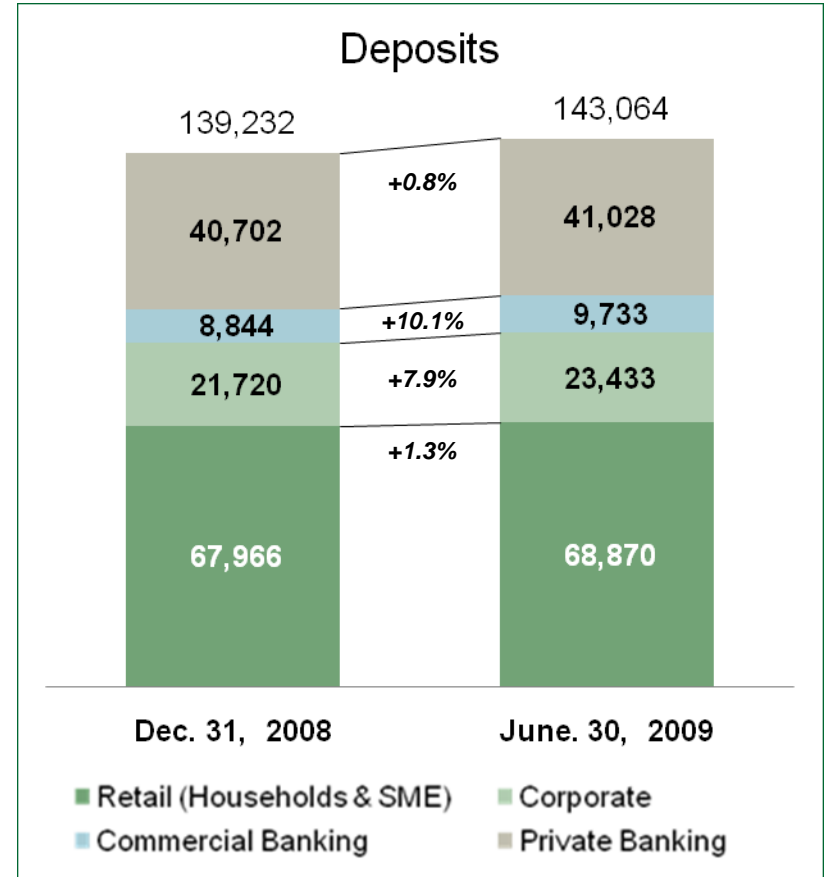
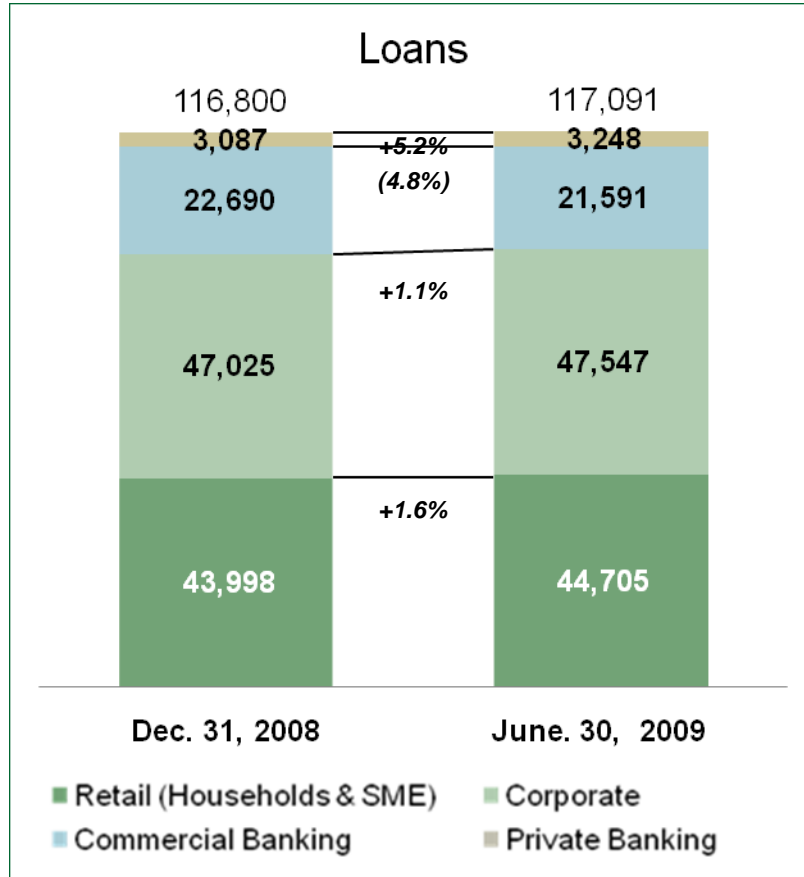
Capital Ratios



Reached 12% CAR in August 09; Focusing on Supplementing Core Tier-1 by additional 0.5% percent to 7% by YE 2009

Loans & Deposits by Business Sector

(NIS millions)

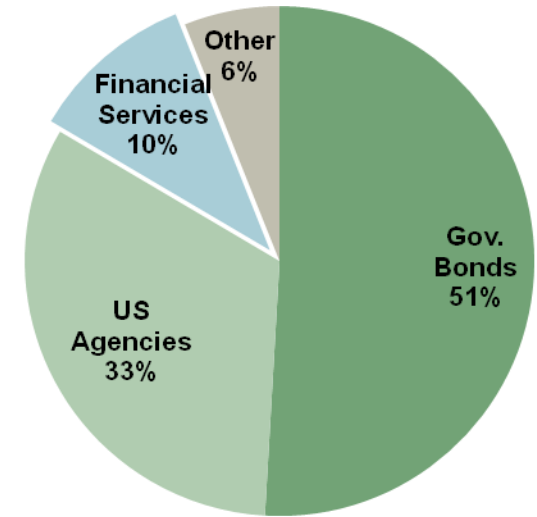


Growth in Deposits Fueled by Commercial and Corporate Banking; with Proactive Scale-Back in Credit, mainly Commercial Banking

Group Securities

(As of 30.6.09, NIS millions)

	Total	HTM	AFS	Tradable
Gov. Bonds	19,206	1,633	15,283	2,290
US Agencies	12,282	169	12,107	6
Financial Services	3,949	412	3,511	26
Other	2,284	36	2,128	120
Total Fair Value	37,721	2,250	33,029	2,442
Depreciated Value	37,737	2,280	33,083	2,374



Total Fair Value: NIS 37,721m
 Depreciated Value: NIS 37,737m

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

*** Mark-to-Mkt. difference down from 1.2% in Q1/09 to negligible 0.04% in Q2/09**

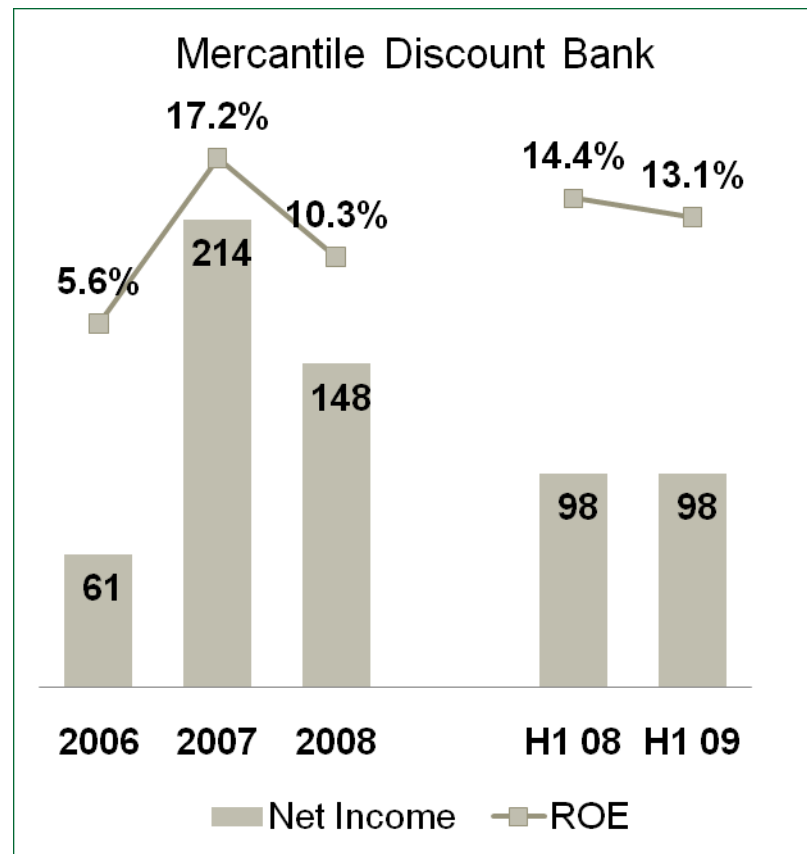
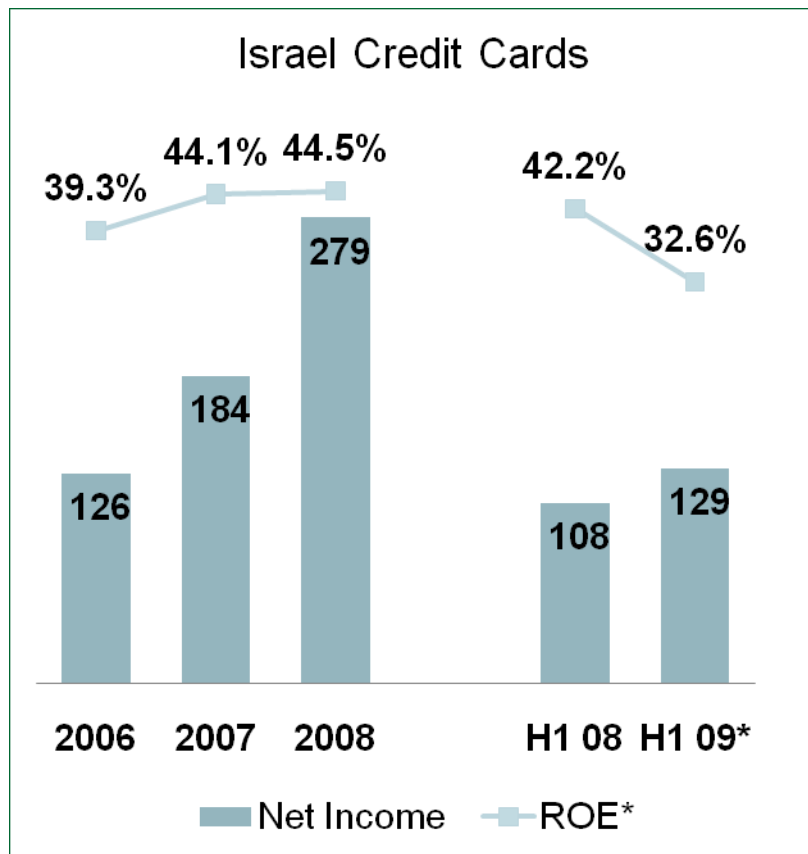
*** Increase in Capital Fund from (NIS 196m) end-2008 to NIS 42m end-Q2**

Unrealized Losses on AFS Corp Bonds at IDBNY (>12mos) down from \$105m Q1/09 to \$65m

*** 84% in Government or US government agency-backed securities**

Net Income & ROE

Israel Credit Cards and Mercantile Discount Bank (NIS millions)

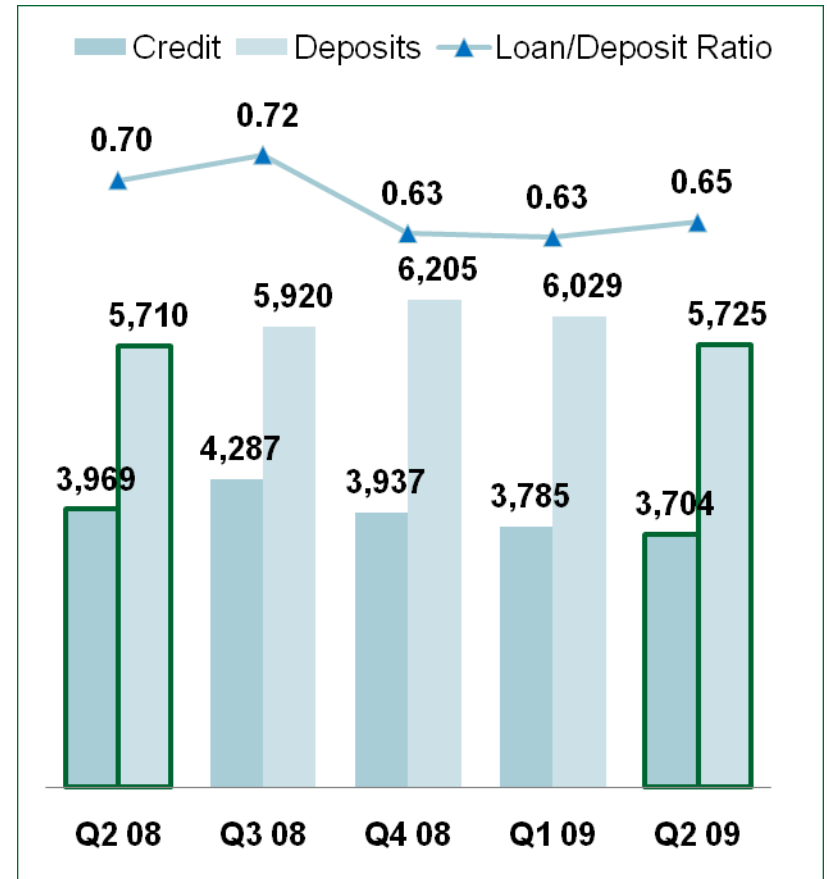
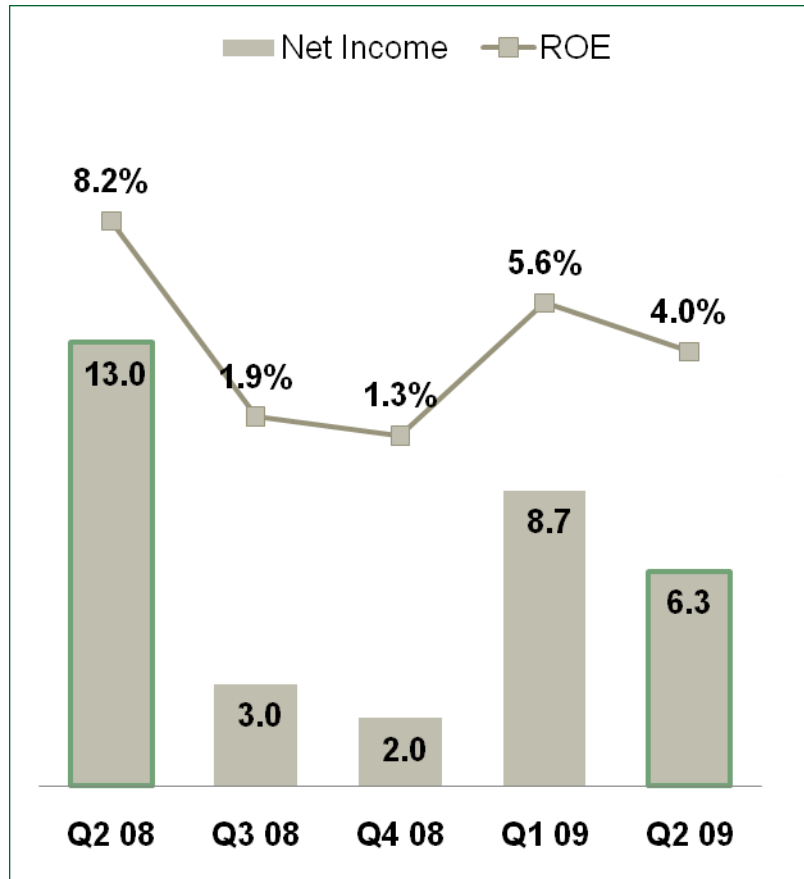


* Following BOD decision, Company not distributing dividend driving higher Equity

Return to Growth in Net Income at Subsidiary Level

Discount Bancorp

(US\$ millions)



Lifting of Cease and Desist enables Bank to Move Forward on Strategic Initiatives

In Summary.....

Proven Capacity to Generate High Recurring Revenues

Maintaining Controlled Expense Environment

Improved Asset Quality (vs. Q109)

CAR Reaches 12% Regulatory Requirement August 09

Thank You



August 31, 2009