



HEADLINE: ISRAEL DISCOUNT BANK EARNS NIS 158 million IN Q2 2010

Second Quarter Net Income decreases 53.1% to NIS 158 million, compared with NIS 337 million in second quarter 2009

Return on Shareholders' Equity 6.3% compared with 15.8% in 2009

Operating Income After Taxes decreases by 37.2 % to NIS 123 million, compared with NIS 196 million in 2009

Tel-Aviv, Israel August 31, 2010 – Israel Discount Bank Limited (TASE:DSCT), one of Israel's leading banks, today announced its financial results for the second quarter of 2010. Additional key results include:

- **Second Quarter Net Income - NIS 158 million**, compared with NIS 143 million in the first quarter of 2010 and compared with NIS 337 million in the corresponding quarter last year, a decrease of 53.1%.
- **Second Quarter Return on Shareholders' Equity - 6.3% on an annual basis**, compared with 5.8% in the first quarter of 2010 and compared with 15.8% in the corresponding quarter last year.
- **First Half 2010 Net Income - NIS 301 million**, compared with NIS 477 million in the corresponding period last year, a decrease of 36.9%.
- **First Half 2010 Return on Shareholders' Equity - 6.0% on an annual basis**, compared with 11.0% in the corresponding period last year and 9.8% for the whole of 2009.
- **Ratio of capital to risk assets at June 30, 2010:**

| | Basel II | Basel I |
|----------------------|----------|---------|
| Total capital ratio | 12.5 | 13.2 |
| Tier I capital ratio | 7.7 | 8.9 |
| Core capital ratio | 7.2 | 7.7 |

Commenting on the results, President & CEO, Giora Offer, noted, "The Net Income for the second quarter and the first half of 2010 totals NIS 158 million and NIS 301 million, respectively, and the return on shareholders' equity is 6.3% and 6%, respectively. The shareholders' equity of the Bank amounts to NIS 10.5 billion, representing 5.7% of total assets and a total capital adequacy ratio of 12.5%, in accordance with Basel II guidelines.

The weaker results, as compared with the corresponding period, is due mainly to changes in the income from affiliated companies, the impact of the markets on the investment portfolio yield and profits from the severance pay fund. We are experiencing a downturn in growth, which is impacting both the Israeli and global business environment. Nevertheless, the Group continues to achieve strong financing income in the retail banking sector and is maintaining a high level of operating income.

The Bank has launched the “Discount Key” marketing campaign in the credit cards sector, and this is producing exceptional results, with more than 170,000 credit cardholders having joined the various savings plans in a 3-month period.

The Group is preparing a multi-year business plan, with emphasis on the changes required by the changes in the economic and regulatory environment. The plan will continue to focus on ensuring a high level of liquidity and capital stability, and will maintain the conservative risk profile that characterizes the activities of the Discount Group, while striving for further improvement in the business results.

I would like to take this opportunity to wish all the Group’s stakeholders a “Happy, Healthy and Successful New Year.”

First Half 2010 Net Income - NIS 301 million, compared with NIS 477 million in the corresponding period last year, a decrease of 36.9%.

First Half 2010 Return on Shareholders’ Equity - 6.0% on an annual basis, compared with 11.0% in the corresponding period last year.

Main factors affecting the Group’s profits for the first half of 2010, compared with the corresponding period last year:

- A decrease of 21.7% in the provision for doubtful debts.
- An increase of 0.5% in income from financing activities before provision for doubtful debts.
- A decrease of 12.8% in operating and other income that was affected by a NIS 129 million reduction in other income, mainly from profits recognized on the severance pay fund, and also from a 3.4% reduction in operating commissions, arising primarily from the decrease in account management commissions, conversion differences and credit cards.
- A decrease of 65% in the Bank’s share in the operating income of affiliated companies, from NIS 190 million in the corresponding period last year (including NIS 130 million with respect to the reversal of a provision for taxes on the investment in The First International Bank of Israel) to NIS 67 million in the first half of 2010.
- An increase of 4.6% in operating and other expenses, due mainly to the revision of remuneration agreements and the higher depreciation expense.

Main Developments in Assets and Liabilities of the Discount Group in the First Half of 2010

- Total assets increased by 1.0% to NIS 189.6 billion, compared with NIS 187.8 billion at December 31, 2009.
- Credit granted to the public increased by 2.2% to NIS 116.9 billion, compared with NIS 114.4 billion at December 31, 2009.
- Deposits from the public decreased by 0.8% to NIS 140.7 billion, compared with NIS 141.8 billion at December 31, 2009.
- Shareholders’ equity increased by 5.1% to NIS 10.5 billion, compared with NIS 10.0 billion at December 31, 2009.

Data Regarding Subsidiaries

H1 2010

| | Net income | Return on Shareholders' Equity | Capital Adequacy Ratio |
|---|---------------|--------------------------------------|------------------------------|
| Discount Bancorp Inc. | USD 28 M | 7.9% | **14.9% |
| Mercantile Discount Bank | NIS 90 M | 10.7% | *13.5% |
| Discount Mortgage Bank | NIS 16 M | 2.9% | *18.1% |
| Israel Credit Cards ICC (the Bank holds 71.83% of the equity) | NIS 120 M | 23.2% | *16.3% |

* Computed according to Basel II guidelines.

** In accordance with the obligatory US guidelines.

H1 2009

| | Net income | Return on Shareholders' Equity | Capital Adequacy Ratio |
|---|---------------|--------------------------------------|------------------------------|
| Discount Bancorp Inc. | USD 15 M | 4.9% | **12.0% |
| Mercantile Discount Bank | NIS 98 M | 13.1% | *12.7% |
| Discount Mortgage Bank | NIS 18.3 M | 4.1% | *10.5% |
| Israel Credit Cards ICC (the Bank holds 71.83% of the equity) | NIS 129 M | 32.6% | *21.0% |

* Computed according to Basel I guidelines.

** In accordance with the obligatory US guidelines.

2009

| | Net income | Return on Shareholders' Equity | Capital Adequacy Ratio |
|---|---------------|--------------------------------------|------------------------------|
| Discount Bancorp Inc. | USD 44 M | 6.6% | **14.9% |
| Mercantile Discount Bank | NIS 180 M | 11.1% | *12.2% |
| Discount Mortgage Bank | NIS 31 M | 3.4% | *18.8% |
| Israel Credit Cards ICC (the Bank holds 71.83% of the equity) | NIS 249 M | 26.3% | *13.7% |

* Computed according to Basel II guidelines.

** In accordance with the obligatory US guidelines.

Discount Group - Principal Data from the Financial Statements

Income and Profitability (in NIS millions)

| | Second Quarter | | | Half Year | | | Annual |
|--|----------------|-------|----------|-----------|-----------|----------|--------|
| | 2010 | 2009 | % change | June 2010 | June 2009 | % change | 2009 |
| Income from financing activities before provision for doubtful debts | 1,091 | 1,259 | [13.3] | 2,206 | 2,196 | 0.5 | 4,757 |
| Provision for doubtful debts | 261 | 231 | 13.0 | 378 | 483 | [21.7] | 998 |
| Operating and other income | 658 | 760 | [13.4] | 1,298 | 1,483 | [12.5] | 3,091 |
| Operating and other expenses | 1,358 | 1,281 | 6.0 | 2,755 | 2,635 | 4.6 | 5,486 |
| Operating income before taxes | 130 | 507 | [74.4] | 371 | 566 | [34.5] | 1,364 |
| Operating income after taxes | 123 | 196 | [37.2] | 241 | 341 | [29.3] | 857 |
| Net income | 158 | 337 | [53.1] | 301 | 477 | [36.9] | 923 |
| Return on net income in % | 6.3 | 15.8 | | 6.0 | 11.0 | | 9.8 |

Development of Assets and Liabilities (in NIS millions)

| | June 30 | | | December 31 | |
|------------------------------|---------|-------|----------|-------------|----------|
| | 2010 | 2009 | % change | 2009 | % change |
| Total Assets | 189.6 | 189.6 | - | 187.8 | 1.0 |
| Credit granted to the public | 116.9 | 116.8 | 0.1 | 114.4 | 2.2 |
| Securities | 38.0 | 37.8 | 0.7 | 36.3 | 4.6 |
| Deposits from the public | 140.7 | 143.1 | [1.6] | 141.8 | [0.8] |
| Shareholders' equity | 10.5 | 9.5 | 10.1 | 10.0 | 5.1 |

Principal Financial Ratios (in percentages)

| | June 30 | | December 31 |
|--|---------|------|-------------|
| | 2010 | 2009 | 2009 |
| Financial resources in relation to total assets | 5.7 | 5.2 | 5.5 |
| Credit granted to the public to deposits from the public | 83.1 | 81.7 | 80.7 |
| Total capital to risk assets (capital adequacy ratio) | 12.5 | - | 12.1 |
| Total capital to risk assets (capital adequacy ratio)* | 13.2 | 11.6 | 13.2 |
| Tier I capital to risk assets | 7.7 | - | 7.6 |
| Provision for doubtful debts to credit granted to the public | 0.61 | 0.79 | 0.83 |
| Interest margin | 1.29 | 1.21 | 1.39 |
| Operating expenses to total income (efficiency ratio) | 78.6 | 71.5 | 69.9 |

* Computed according to Basel I guidelines.

About Israel Discount Bank

Israel Discount Bank is a leading financial group in Israel. With nationwide coverage, and a fast-growing domestic franchise, Israel Discount Bank provides a full spectrum of corporate and retail financial products and services to its clients, both in Israel and key financial centers around the world. Israel Discount Bank is a member of and is traded on the Tel-Aviv Stock Exchange under the Ticker DSCT; Bloomberg: DSCT.IT
Reuters: DSCT.TA

For additional information, please visit the Company's investor relations website at

<http://www.discountbank.co.il/IR>

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The above constitutes an English convenience translation of the Hebrew Press Release issued by the Bank

It is hereby emphasized that no representation or warranty whatsoever is given as to the achievement or fulfillment of any forecasts regarding the future prospects of the Bank. The actual performance of the Bank may vary materially from any forecasts provided, due, among others, to changes in macro economic conditions, changes in capital markets, regulatory and other changes not within the control of the Bank. Such changes may contribute to certain risks and uncertainties regarding and predictions and or forecasts provided by the Bank, and which could lead to material differences between actual performance of the Bank and any forecasts provided. Forward-looking information is generally typified by terms such as "believe", "anticipate", "expect", "intend", "project" "forecast" and or similar expressions.

For further details, please refer to the "Forward Looking Information" section in the Bank's financial statements.