



PRESS RELEASE 1.12.2008

**CONDENSED FINANCIAL
STATEMENTS
AS AT SEPTEMBER 30, 2008**

FINANCIAL HIGHLIGHTS
FOR FIRST NINE
MONTHS OF 2008

NET INCOME FOR THE FIRST NINE MONTHS OF 2008 -
NIS 366 MILLION (\$107.0 MILLION)

For the corresponding period last year - NIS 1,224 million (\$357.8 million) including net gains of NIS 474 million (\$138.6 million) from sale of provident and training funds

NET INCOME FOR THE THIRD QUARTER OF 2008 -
NIS 110 MILLION (\$32.2 MILLION)

For the corresponding quarter last year - NIS 392 million (\$114.6 million) including net gains of NIS 80 million (\$23.4 million) from sale of provident and training funds

RETURN ON EQUITY FOR THE FIRST NINE MONTHS OF 2008 -
5.3% ON AN ANNUALIZED BASIS

For the corresponding period for 2007 - 19.9%
For all of 2007 - 14.7%

RETURN ON EQUITY FOR THE THIRD QUARTER OF 2008 -
4.8% ON AN ANNUALIZED BASIS

For the corresponding period for 2007 - 18.9%

CAPITAL ADEQUACY RATIO - 10.6%

At December 31, 2007 - 10.9%

In line with our long-term strategy, the board of directors has approved a comprehensive reorganization plan aimed at maximizing efficiencies.

The plan addresses lines of responsibility within two divisions - Assets under Management and Strategy and Marketing, with responsibilities being reallocated to other members of senior management, leading to a reduction in the number of senior management members.

The change will be executed during the coming months and is aimed at concentrating areas of expertise, focussing on best serving client needs and which, together with the changes in our IT and Operations unit, will lead to further savings and efficiencies.

GIORA OFFER
PRESIDENT & CHIEF
EXECUTIVE OFFICER



Israel Discount Bank's third quarter interim report bears testimony to the continued business growth of the group in traditional banking activity, despite the escalation of the global economic crisis during the past quarter.

The growth in credit, interest-yielding assets, recruitment of new clients and their contribution to revenues, coupled with containment of costs and reasonable levels of provisions for doubtful debt, are all the outcome of our strategy of prudent risk management whilst strengthening the franchise in the domestic bank sector. Nevertheless, the sharp declines in stock markets at home and abroad, together with the collapse of leading financial institutions, have required increased provisioning to reflect the decline in value of our securities portfolio and certain of our non-financial investments.

The strengthening of our capital base and liquidity during the past years, resulting from ongoing profitability and capital raising, the last totaling some NIS 1 billion just a few months ago, together with our strong deposit base, provide us with the necessary financial strength to weather this less favorable economic period, and at the same time, capable of meeting the needs of our customers.

In line with our long-term strategy, the Board of Directors has approved a new organizational change, detailed as follows - the dismantling of two divisions within the bank, a reduction in the number of senior management members and the merging of units within the bank. This change is aimed at concentrating areas of expertise, a focus on best serving our client needs, and, coupled with the changes taking place in our IT and back-office operations, will lead to material cost-efficiencies being achieved.

Discount Bank will continue to adapt, as necessary, to the prevailing economic reality, assessing and managing risks in a prudent manner, maintaining high levels of liquidity and capital adequacy, strengthening the franchise and with an emphasis aimed at achieving group operating efficiencies.

Best Regards,
Giora Offer
President & Chief Executive Officer

ON NOVEMBER 30, 2008, THE BOARD OF DIRECTORS OF ISRAEL DISCOUNT BANK APPROVED THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AS AT SEPTEMBER 30, 2008

Net income for the Discount Bank Group for the first nine months of 2008 amounted to NIS 366 million (\$107.0 million), compared with NIS 1,224 million (\$357.8 million) for the corresponding period last year, which includes net gains from the sale of provident funds and the employees' supplemental training fund in the amount of NIS 474 million (\$138.6 million), a decline of 70.1%.

Net income for the third quarter of 2008 amounted to NIS 110 million (\$32.2 million), compared with NIS 392 million (\$114.6 million) for the corresponding period last year, a decline of 71.9%.

The main factors having an influence on the business results of the Group in the first nine months of 2008, compared with the corresponding period last year are as follows:

- A 3.3% increase in income from financing activities before provision for doubtful debts.
Third Quarter - A 12.8% decline.
- A 14.4% increase in the provision for doubtful debts.
Third Quarter - A 68.5% increase.
- A 9.4% decline in non-financing income, which was affected by a decline in gains from investments in shares of NIS 117 million (\$34.2 million) and by a decline of 68.2% from other income, which was offset in part by a rise in operating commissions of 6.1%.
Third Quarter - A 0.8% decline, which was affected by a 31.0% decline in other income, and a decline from profits from investments in shares of NIS 56 million (\$16.4 million), which was offset in part by a rise in operating commissions of NIS 64 million (\$18.7 million), constituting 11.4%.
- A 4.5% rise in non-financing expenses, which was affected by a 2.0% rise in salaries and related expenses, a 12.6% rise in maintenance and depreciation of buildings and equipment, and a 5.1% rise in other expenses.
Third Quarter - A 2.6% increase.

- The Bank's shares in the operating income of affiliated companies amounted to NIS 26 million (\$7.6 million), compared with NIS 144 million (\$42.1 million) in the corresponding period last year, a decline of 81.9%.
Third Quarter - Loss of NIS 8 million (\$2.3 million), compared to a profit of NIS 56 million (\$16.4 million) for the corresponding period last year.
- Net gains from the sale of the operations of the provident funds in the corresponding period the previous year totaling NIS 401 million (\$117.2 million) and from the sale of the employees' supplemental training fund of NIS 73 million (\$21.3 million).
Third Quarter - Net gains from the sale of the provident funds and employees' supplemental training fund in the corresponding period last year totaled NIS 80 million (\$23.4 million).

Return on equity for the first nine months of 2008 was 5.3% on an annualized basis, compared with 19.9% for the corresponding period last year, and 14.7% for all of 2007.

Return on equity for the third quarter of 2008 was 4.8% on an annualized basis, compared with 9.9% for second quarter and 18.9% for the corresponding quarter last year.

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 nine months of 2008 amounted to \$33.1 million, compared with \$26.4 million for the corresponding period last year, an increase of 25.4%, and \$38 million for all of 2007.

Return on equity for the first nine months of 2008 was 6.9% on an annualized basis, compared with 5.9% for the corresponding period last year and 6.3% for all of 2007.

The capital adequacy ratio (CAR) at September 30, 2008 was 10.6%, compared with 11.01% as at December 31, 2007.

The contribution of the investment of the Bank in Bancorp to the operating results was a loss of NIS 188 million (\$55.0 million) (after deducting a provision for taxes of NIS 18 million (\$5.3 million)), compared with a loss of NIS 9 million (\$2.6 million) (after deducting a provision for taxes of NIS 15 million (\$4.3 million)) for the corresponding period last year.

MERCANTILE DISCOUNT BANK LTD. is a wholly owned subsidiary of the Bank.

Net income for the first nine months of 2008 amounted to NIS 138 million (\$40.3 million), compared with NIS 155 million (\$45.3 million) for the corresponding period last year, a decline of 11.0%, and NIS 214 million (\$62.6 million) for all of 2007.

Return on equity was 13.0% on an annualized basis, compared with 17.2% for the corresponding period last year, and 17.2% for all of 2007.

The capital adequacy ratio at September 30, 2008 was 12.5%, compared with 13.2% at December 31, 2007.

DISCOUNT MORTGAGE BANK LTD. is a wholly owned subsidiary of the Bank.

Net income for the first nine months of 2008 amounted to NIS 25.4 million (\$7.4 million), compared with NIS 26.7 million (\$7.8 million) for the corresponding period last year, a decline of 4.6%, and compared with NIS 26.2 million (\$7.7 million) for all of 2007.

Return on equity was 3.9% on an annualized basis, compared with 4.2% for the corresponding period last year, and 3.0% for all of 2007.

The capital adequacy ratio at September 30, 2008 was 10.9%, compared with 10.6% at December 31, 2007.

**MAIN INVESTEE
COMPANIES
(CONTINUED)**

THE FIRST INTERNATIONAL BANK OF ISRAEL LTD. is an affiliated company in which, as at September 30, 2008, the Bank held 26.4% of the capital and 11.1% of the voting rights.

Net income for the first nine months of 2008 amounted to NIS 241 million (\$70.4 million), compared with NIS 509 million (\$148.8 million) for the corresponding period last year, a decline of 52.7%.

The Bank's share in the income of The First International Bank amounted to NIS 64 million (\$18.7 million), compared with NIS 135 million (\$39.5 million) for the corresponding period last year.

Return on equity was 5.8% on an annualized basis, compared with 13.9% for the corresponding period last year, and 14.6% for all of 2007.

The capital adequacy ratio at September 30, 2008 was 11.4% the same as at December 31, 2007.

ISRAEL CREDIT CARDS LTD. ("ICC") is a subsidiary in which, as at September 30, 2008, the Bank held 71.8% of the share capital and 79.0% of the voting rights.

Net income was NIS 169 million (\$49.4 million), compared with NIS 146 million (\$42.7 million) for the corresponding period last year, an increase of 15.8%.

The contribution of ICC to the operating results of the Bank amounted to NIS 118 million (\$34.5 million), compared with NIS 70 million (\$20.5million) for the corresponding period last year.

The capital adequacy ratio at September 30, 2008 was 16.5% compared with 14.6% at the end of 2007.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2008

Reported amounts

NIS/US\$ millions

	Unaudited		Audited	Unaudited
	30.9.2008	30.9.2007	31.12.2007	30.9.2008
	NIS	NIS	NIS	US\$
Assets				
Cash and deposits with banks	15,325	23,238	19,850	4,479.7
Securities	29,860	*40,343	37,278	8,728.5
Borrowed securities or purchased under resale agreement	119	375	346	34.8
Credit granted to the public	113,775	*96,911	101,899	33,257.8
Credit granted to Governments	1,496	12	374	437.3
Investment in affiliated companies	1,960	1,527	2,008	572.9
Buildings and equipment	2,909	2,715	2,780	850.3
Other assets	5,129	*4,600	*4,184	1,499.3
Total assets	170,573	169,721	168,719	49,860.6
Liabilities and Shareholders' Equity				
Deposits from the public	126,917	*129,555	130,518	37,099.4
Deposits from banks	4,733	7,530	5,072	1,383.5
Deposits from the Government	507	124	125	148.2
Securities loaned or sold under buy-back arrangements	8,175	*6,273	5,895	2,389.6
Debentures and subordinated capital notes	9,538	6,730	7,437	2,788.1
Other liabilities	11,737	*10,205	*10,321	3,430.9
Total liabilities	161,607	160,417	159,368	47,239.7
Minority interest	194	136	147	56.7
Shareholders' equity	8,772	9,168	9,204	2,564.2
Total liabilities and shareholders' equity	170,573	169,721	168,719	49,860.6

* Reclassified.

Note: US Dollar figures have been converted from New Israel Shekels at the representative rate of exchange on September 30, 2008: NIS 3.421=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

November 30, 2008

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Reported amounts

NIS/US\$ millions

	Unaudited				Audited	Unaudited
	For the 3 months ended		For the 9 months ended		For the year ended	For the 9 months ended
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	31.12.2007	30.9.2008
	NIS	NIS	NIS	NIS	NIS	US\$
Financing Income						
Income from financing activities before provision for doubtful debts	1,057	1,212	3,254	3,150	4,225	951.2
Provision for doubtful debts	182	108	414	362	447	121.0
Income from financing activities after provision for doubtful debts	875	1,104	2,840	2,788	3,778	830.2
Non-Financing Income						
Operating commissions	624	560	1,730	*1,630	*2,214	505.7
Net income (loss) on investment in shares	(36)	20	(43)	74	58	(12.6)
Other income	29	42	77	*242	*300	22.5
Total non-financing income	617	622	1,764	1,946	2,572	515.6
Non-Financing Expenses						
Salaries and related expenses	733	768	2,241	2,196	3,030	655.1
Maintenance and depreciation of buildings and equipment	240	212	671	596	819	196.1
Other expenses	319	279	904	860	1,217	264.3
Total non-financing expenses	1,292	1,259	3,816	3,652	5,066	1,115.5
Operating income before taxes	200	467	788	1,082	1,284	230.3
Provision for taxes on operating income	65	195	397	431	566	116.0
Operating income after taxes	135	272	391	651	718	114.3
Bank's share in operating income of affiliated companies, net of tax effect	(8)	56	26	144	45	7.6
Net operating income before minority interest	127	328	417	795	763	121.9
Minority interest, after taxes, in the operating income of consolidated subsidiaries	(17)	(16)	(47)	(46)	(56)	(13.7)
Net operating income	110	312	370	749	707	108.2
Net gain (loss) from extraordinary items, net of taxes	-	80	(4)	475	558	(1.2)
Net income	110	392	366	1,224	1,265	107.0
Earnings per share of NIS 0.1 (in NIS/US\$):						
Net operating income	0.11	0.32	0.38	0.76	0.72	0.11
Net gain from extraordinary items, net of taxes ⁽¹⁾	-	0.08	(0.01)	0.49	0.57	(0.00)
Net income	0.11	0.40	0.37	1.25	1.29	0.11
Total number of shares used for the above computation (in thousands)	980,639	980,639	980,639	980,639	980,639	

* Reclassified.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

NIS millions

	Unaudited						
	For the three months ended September 30						
	2008				2007		
	Total capital & reserves	Retained earnings ⁽¹⁾⁽²⁾	Declared dividend	Total shareholders' equity	Total capital & reserves	Retained earnings ⁽¹⁾⁽²⁾	Total shareholders' equity
Balance at beginning of period	3,852	5,153	250	9,255	3,820	5,048	8,868
Net income for the period	-	110	-	110	-	392	392
Dividend declared	-	-	(250)	(250)	-	-	-
Benefit in respect of equity based compensation transactions	4	-	-	4	20	-	20
Net adjustment for the presentation of available-for-sale securities at fair value	-	(657)	-	(657)	-	*(164)	(164)
Net adjustment for the presentation of available-for-sale securities reclassified to the income statement	-	156	-	156	-	*(9)	(9)
Related tax effect	-	182	-	182	-	61	61
Translation adjustments for affiliated companies	-	(28)	-	(28)	-	-	-
Balance at end of period	3,856	4,916	-	8,772	3,840	5,328	9,168

	For the nine months ended September 30						
	2008				2007		
	Total capital & reserves	Retained earnings ⁽¹⁾⁽²⁾	Declared dividend	Total shareholders' equity	Total capital & reserves	Retained earnings ⁽¹⁾⁽²⁾	Total shareholders' equity
Balance at beginning of period	3,844	5,360	-	9,204	3,817	4,148	7,965
Initial application for IFRS in affiliated companies	-	1	-	1	-	-	-
Initial application of an accounting standard by a subsidiary abroad	-	(3)	-	(3)	-	-	-
Net income for the period	-	366	-	366	-	1,224	1,224
Dividend declared after balance sheet date	-	(250)	-	(250)	-	-	-
Benefit in respect of equity based compensation transactions	12	-	-	12	23	-	23
Net adjustment for the presentation of available-for-sale securities at fair value	-	(881)	-	(881)	-	*18	18
Net adjustment for the presentation of available-for-sale securities reclassified to the income statement	-	70	-	70	-	*(91)	(91)
Related tax effect	-	297	-	297	-	29	29
Translations adjustments for affiliated companies	-	(44)	-	(44)	-	-	-
Balance at end of period	3,856	4,916	-	8,772	3,840	5,328	9,168

Notes: see next page.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**NIS millions**

	Audited		
	For the year ended December 31, 2007		
	Total capital & reserves	Retained earnings ⁽¹⁾⁽²⁾	Total shareholders' equity
Balance at December 31, 2007	3,817	4,148	7,965
Income for the year	-	1,265	1,265
Benefit in respect of equity based compensation transactions	27	-	27
Net adjustment for the presentation of available-for-sale securities at fair value	-	10	10
Net adjustment for the presentation of available-for-sale securities reclassified to the income statement	-	(92)	(92)
Related tax effect	-	30	30
Financial statements translation adjustments	-	(1)	(1)
Balance at December 31, 2007	3,844	5,360	9,204

(1) Retained earnings include:

- Translation adjustments on investments in autonomous units (primarily from a 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 an autonomous unit. Accordingly, this item included the financing sources of this investment and the related tax effect until that date.):
 - as of September 30, 2008 - NIS (278) million
 - as of September 30, 2007 - NIS (233) million
 - as of December 31, 2007 - NIS (234) million.
- Adjustments in respect of the presentation of available-for-sale securities at fair value, net:
 - as of September 30, 2008 - NIS (317) million
 - as of September 30, 2007 - NIS 205 million
 - as of December 31, 2007 - NIS 197 million.
- Net loss, on hedging of cash flow:
 - as of September 30, 2008 - NIS (1) million
 - as of September 30, 2007 - NIS (1) million
 - as of December 31, 2007 - NIS (1) million.

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



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