



PRESS RELEASE 31.8.2008

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

**FINANCIAL HIGHLIGHTS
FOR FIRST HALF
OF 2008**

**NET INCOME - NIS 221 MILLION (\$65.9 MILLION)
FOR THE SECOND QUARTER OF 2008**

compared with NIS 627 million (\$187.1 million)
for the corresponding quarter last year.

**NET INCOME - NIS 256 MILLION (\$76.4 MILLION)
FOR THE FIRST HALF OF 2008**

compared with NIS 832 million (\$248.2 million)
for the corresponding period for 2007.

**RETURN ON EQUITY - 9.9% ON AN ANNUALIZED BASIS
FOR THE SECOND QUARTER OF 2008**

compared with 33.6% for the corresponding period for 2007.

**RETURN ON EQUITY - 5.6% ON AN ANNUALIZED BASIS
FOR THE FIRST HALF OF 2008**

compared with 21.4% for the corresponding period for 2007
and 14.7% for all of 2007

THE CAPITAL ADEQUACY RATIO - 11.1%

Compared with 10.9% at December 31, 2007.

DISTRIBUTION OF DIVIDEND

The Board of Directors of the Bank decided
to recommend to the General Meeting of Shareholders
the distribution of a cash dividend of NIS 250 million
based on 2007 and 2008 profits.

GIORA OFFER
PRESIDENT & CHIEF
EXECUTIVE OFFICER



The results of the execution of our long-term strategy of "Accelerated Growth" is once again evident in our second quarter and first half 2008 report. The growth in revenues, loans and balance of interest yielding assets, coupled with the reduction in provisions cost control, are evident across almost all of our core businesses.

The continued progress in strategic projects, particularly the recruitment of public sector employees (over 27,000 new clients to date), together with the more than doubling of our mortgage market, all bear testimony to the strengthening of our retail franchise in the domestic market.

Our main subsidiaries, Mercantile Discount Bank, IDBNY and Israel Credit Cards, have all shown improved results, as well as having contributed to the diversity of our earnings.

Management of our agency-backed MBS portfolio in New York has proved itself. As of the present, and despite a year of turbulence in U.S. markets, there have been no write-offs nor fair market value adjustments that have adversely impacted our financial results.

In accordance with the bank's annual and strategic plan, the board has discussed the payment of a dividend and has decided to recommend to a general meeting, the distribution of a cash dividend of NIS 250 million, based on 2007 and 2008 earnings.

We will continue to adapt to the changing economic landscape, to prudently manage risk and adhere to capital adequacy requirements (11.1% as at 30.06.08), yet at the same time, ensure that we meet our strategic goals, improve in terms of operational efficiencies, and strengthen the group's core businesses.

Best Regards,
Giora Offer
President & Chief Executive Officer

**ON AUGUST 31, 2008,
THE BOARD OF
DIRECTORS OF ISRAEL
DISCOUNT BANK
APPROVED THE
UNAUDITED
CONSOLIDATED
FINANCIAL
STATEMENTS OF THE
BANK AS AT
JUNE 30, 2008**

Net Income for the Discount Bank Group for the first half of 2008 amounted to NIS 256 million (\$76.4 million), compared with NIS 832 million (\$248.2 million) for the corresponding period last year, a decline of 69.2%.

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

- A 13.4% increase in income from financing activities before provision for doubtful debts.
- An 8.7% decline in the provision for doubtful debts.
- A 13.4% decline in non-financing income, due to a decline in profits from investments in shares of NIS 61 million (\$18.2 million) (mainly from a decline of NIS 35 million (\$10.4 million) from a dividend from a company whose shares were used as collateral for a loan which a specific borrower received, and a provision for a decline in value of NIS 42 million (\$12.5 million) for reserve of hedge funds), from a decline of 76.0% from other income (which was mainly due to a decline in income from provident funds and a decline in profits from the severance pay fund), which was offset in part by a rise in operating commissions of 3.4%.
- A 5.5% rise in non-financing expenses, arising from a 5.6% increase in salaries and related expenses, a 12.2% increase in maintenance and depreciation of buildings and equipment, and a 0.7% increase in other expenses.
- The Bank's shares in the operating income of affiliated companies in the first half of 2008 amounted to NIS 34 million (\$10.1 million), compared with NIS 88 million (\$26.3 million) in the corresponding period last year, a decline of 61.4%.
- Net profit from the sale of the operations of the provident funds in the corresponding period the previous year totaling NIS 394 million (\$117.5 million).

Disregarding the following components, net income for the first half of 2008 would have amounted to NIS 299 million (\$89.2 million), compared with NIS 492 million (\$146.8 million) for the corresponding period last year, a decline of 39.2%.

The components that were disregarded above are:

Expenses for encouraging early retirement, the effect of half the provision in respect of the wage agreement on the increase in liabilities for the provision for related salaries expenses, the cost of carrying-out improvements and examinations at Israel Discount Bank of New York, and the profit from the sale of the provident funds.

Return on equity for the first half of 2008 reached 5.6% on an annualized basis, compared with 21.4% for the corresponding period last year, and 14.7% for all of 2007.

Disregarding the said components, return on equity for the first half of 2008 would have been 6.6%, compared with 12.4% for the corresponding period last year, and 10.7% for all of 2007.

Net income for the second quarter of 2008 amounted to NIS 221 million (\$65.9 million), compared with NIS 35 million (\$10.4 million) for the first quarter of 2008, a rise of 531.4%, and compared with NIS 627 million (\$187.1 million) for the corresponding quarter last year, a decline of 64.8%

Disregarding the said components, net income would have been NIS 206 million (\$61.5 million), compared with NIS 93 million (\$27.7 million) for the first quarter of 2008, a rise of 121.5%, and compared with NIS 229 (\$68.3 million) for the corresponding period last year, a decline of 10.0%.

Return on equity for the second quarter of 2008 was 9.9%, on an annualized basis, compared with 1.5% for the first quarter of 2008, and compared with 33.6% for the corresponding quarter last year.

Disregarding the said components, return on equity would have been 9.2%, on an annualized basis, compared with 4.1% for the first quarter of 2008, and compared with 11.4% for the corresponding period 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 half of 2008 amounted to \$30.6 million, compared with \$14.4 million for the corresponding period last year, an increase of 112%, and compared with \$38 million for all of 2007.

Return on equity for the first half of 2008 was 9.6% on an annualized basis, compared with 4.9% for the corresponding period last year and 6.3% for all of 2007.

The capital adequacy ratio (CAR) at June 30, 2008 was 10.96%, 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 223 million (\$66.5 million) (after deducting a provision for taxes of NIS 14 million (\$4.2 million)), compared with a profit of NIS 82 million (\$24.5 million) (after deducting a provision for taxes of NIS 9 million (\$2.7 million)) for the corresponding period last year.

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

Net income for the first half of 2008 amounted to NIS 98 million (\$29.2 million), compared with NIS 88 million (\$26.3 million) for the corresponding period last year, an increase of 11.4%.

Return on equity was 14.4% on an annualized basis, compared with 15.2% for the corresponding period last year, and 17.2% for all of 2007.

The capital adequacy ratio at June 30, 2008 was 12.8%, 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 half of 2008 amounted to NIS 15.2 million (\$4.5 million), compared with NIS 17.8 million (\$5.3 million) for the corresponding period last year, a decline of 14.6%, and compared with NIS 26.2 million (\$7.8 million) for all of 2007.

Return on equity was 3.5% 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 June 30, 2008 was 10.2%, 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 June 30, 2008, the Bank held 26.4% of the capital and 11.1% of the voting rights of The First International Bank.

Net income was NIS 186 million (\$55.5 million), compared with NIS 294 million (\$87.7 million) for the corresponding period last year, a decline of 36.7%.

The Bank's share in the income of The First International Bank amounted to NIS 47 million (\$14.0 million), compared with NIS 78 million (\$23.3 million) for the corresponding period last year.

Return on equity was 6.8% on an annualized basis, compared with 12.5% for the corresponding period last year, and 14.6% for all of 2007.

The capital adequacy ratio at June 30, 2008 was 11.7% compared with 11.4% at December 31, 2007.

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

Net income was NIS 108 million (\$32.2 million), compared with NIS 90 million (\$26.8 million) for the corresponding period last year, an increase of 20.0%.

The Bank's share in the net income of ICC amounted to NIS 54 million (\$16.1 million), compared with NIS 42 million (\$12.5 million) for the corresponding period last year.

The capital adequacy ratio at June 30, 2008 was 16.3% compared with 14.6% at the end of 2007.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2008

Reported amounts

NIS/US\$ millions

	Unaudited		Audited	Unaudited
	30.6.2008	30.6.2007	31.12.2007	30.6.2008
	NIS	NIS	NIS	US\$
Assets				
Cash and deposits with banks	13,649	26,135	19,850	4,071.9
Securities	34,679	*39,825	37,278	10,345.8
Borrowed securities or purchased under resale agreement	2	*488	346	0.6
Credit granted to the public	107,395	*95,000	101,899	32,039.1
Credit granted to Governments	1,448	*25	374	432.0
Investment in affiliated companies	2,025	1,450	2,008	604.1
Buildings and equipment	2,908	2,678	2,780	867.5
Other assets	4,849	*4,405	*4,184	1,446.6
Total assets	166,955	170,006	168,719	49,807.6
Liabilities and Shareholders' Equity				
Deposits from the public	126,154	*133,189	130,518	37,635.4
Deposits from banks	4,395	8,157	5,072	1,311.2
Deposits from the Government	373	123	125	111.3
Securities loaned or sold under buy-back arrangements	6,668	*2,768	5,895	1,989.3
Debentures and subordinated capital notes	8,473	6,614	7,437	2,527.7
Other liabilities	11,460	*10,167	*10,321	3,418.9
Total liabilities	157,523	161,018	159,368	46,993.8
Minority interest	177	120	147	52.8
Shareholders' equity	9,255	8,868	9,204	2,761.0
Total liabilities and shareholders' equity	166,955	170,006	168,719	49,807.6

* Reclassified.

Note: US Dollar figures have been converted from New Israel Shekels at the representative rate of exchange on June 30, 2008: NIS 3.352=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

August 31, 2008

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Reported amounts

NIS/US\$ millions

	Unaudited				Audited	Unaudited
	For the		For the		For the	For the 6
	3 months ended	3 months ended	6 months ended	6 months ended	year ended	months ended
	30.6.2008	30.6.2007	30.6.2008	30.6.2007	31.12.2007	30.6.2008
	NIS	NIS	NIS	NIS	NIS	US\$
Financing Income						
Income from financing activities before provision for doubtful debts	1,132	916	2,197	1,938	4,225	655.4
Provision for doubtful debts	139	158	232	254	447	69.2
Income from financing activities after provision for doubtful debts	993	758	1,965	1,684	3,778	586.2
Non-Financing Income						
Operating commissions	538	540	1,106	*1,070	*2,214	330.0
Net income (loss) on investment in shares	23	4	(7)	54	58	(2.1)
Other income	28	131	48	*200	*300	14.3
Total non-financing income	589	675	1,147	1,324	2,572	342.2
Non-Financing Expenses						
Salaries and related expenses	649	641	1,508	1,428	3,030	449.9
Maintenance and depreciation of buildings and equipment	215	194	431	384	819	128.6
Other expenses	306	328	585	581	1,217	174.5
Total non-financing expenses	1,170	1,163	2,524	2,393	5,066	753.0
Operating income before taxes	412	270	588	615	1,284	175.4
Provision for taxes on operating income	199	69	332	236	566	99.0
Operating income after taxes	213	201	256	379	718	76.4
Bank's share in operating income of affiliated companies, net of tax effect	24	47	34	88	45	10.1
Net operating income before minority interest	237	248	290	467	763	86.5
Minority interest, after taxes, in the operating income of consolidated subsidiaries	(15)	(13)	(30)	(30)	(56)	(8.9)
Net operating income	222	235	260	437	707	77.6
Net gain (loss) from extraordinary items, net of taxes	(1)	392	(4)	395	558	(1.2)
Net income	221	627	256	832	1,265	76.4
Earnings per share of NIS 0.1 (in NIS/US\$):						
Net operating income	0.23	0.24	0.27	0.45	0.72	0.08
Net gain from extraordinary items, net of taxes ⁽¹⁾	-	0.40	(0.01)	0.40	0.57	0.00
Net income	0.23	0.64	0.26	0.85	1.29	0.08
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 June 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	3,848	5,346	-	9,194	3,820	4,418	8,238
Effect of initial application for IFRS in affiliated companies	-	1	-	1	-	-	-
Net income for the period	-	221	-	221	-	627	627
Dividend declared after balance sheet date	-	(250)	250	-	-	-	-
Benefit in respect of equity based compensation transactions	4	-	-	4	**-	-	**-
Net adjustment for the presentation of available-for-sale securities at fair value	-	(253)	-	(253)	-	*38	38
Net adjustment for the presentation of available-for-sale securities reclassified to the income statement	-	(11)	-	(11)	-	*(31)	(31)
Related tax effect	-	107	-	107	-	(4)	(4)
Translation adjustments for affiliated companies	-	(8)	-	(8)	-	-	-
Balance at end of period	3,852	5,153	250	9,255	3,820	5,048	8,868
	For the six months ended June 30						
	2008				2007		
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	-	256	-	256	-	832	832
Dividend declared after balance sheet date	-	(250)	250	-	-	-	-
Benefit in respect of equity based compensation transactions	8	-	-	8	3	-	3
Net adjustment for the presentation of available-for-sale securities at fair value	-	(231)	-	(231)	-	*153	153
Net adjustment for the presentation of available-for-sale securities reclassified to the income statement	-	(79)	-	(79)	-	*(53)	(53)
Related tax effect	-	115	-	115	-	(32)	(32)
Translations adjustments for affiliated companies	-	(16)	-	(16)	-	-	-
Balance at end of period	3,852	5,153	250	9,255	3,820	5,048	8,868

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

* Reclassified.

** An amount below NIS 1 million.

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

(2) Retained earnings include:

- Translation adjustments on investments in autonomous units and translation adjustments on the source of finance for such investments and the related tax effect:
 - as of June 30, 2008 - NIS (250) million
 - as of June 30, 2007 - NIS (233) million
 - as of December 31, 2007 - NIS 197 million.
- Adjustments in respect of the presentation of available-for-sale securities at fair value, net:
 - as of June 30, 2008 - NIS 2 million
 - as of June 30, 2007 - NIS 317 million
 - as of December 31, 2007 - NIS (234) million.
- Net loss, on hedging of cash flow:
 - as of June 30, 2008 - NIS (1) million
 - as of December 31, 2007 - NIS (1) million.



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