

ISRAEL DISCOUNT BANK LTD.

Registration no. 520007030

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Abbreviated name: Discount

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Israel Securities Authority
www.isa.gov.il

Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report

Nature of the event: *Israel Credit Cards Ltd. – Financial Statements*

We hereby announce that the subsidiary of the Bank, Israel Credit Cards Ltd., has approved its financial statements as at March 31, 2011.

Presented below are: *the Balance Sheet, Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows taken from the aforesaid financial statements.*

The date when the Corporation first learned of the event: *May 26, 2011 at 17:00*

Reference numbers of previous documents relating to this topic (their mention does not constitute their inclusion by way of reference): *N/A*

Prior names of the reporting entity:

Date of updating structure of form: March 13, 2011

Name of person making electronic report: Moshkovitz, Ruth; Position: Corporate Secretary

Name of Employing Company:

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Israel Discount Bank's Immediate Reports are published in Hebrew on the website of the Israel Securities Authority and the Tel Aviv Stock Exchange.

The English translation is prepared for convenience purposes only.

In the case of any discrepancy between the English and Hebrew versions, the Hebrew will prevail.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

Reported amounts
(in NIS millions)

	<u>Note</u>	<u>31.3.2011</u> <u>(Unaudited)</u>	<u>31.3.2010</u>	<u>31.12.2010</u> <u>(Audited)</u>
Assets:				
Cash and bank deposits		106	335	152
Accounts receivable on credit card transactions	3	8,053	*8,056	*8,417
Provision for credit losses	3	(100)	*(238)	*(221)
Accounts receivable on credit card transactions, net		7,953	7,818	8,196
Securities		-	68	25
Buildings and equipment		157	144	162
Investment in affiliated company		2	-	2
Other assets		129	*66	*109
Total assets		<u>8,347</u>	<u>8,431</u>	<u>8,646</u>
Liabilities:				
Credit from banks		1,035	1,059	1,095
Accounts payable on credit card transactions	4	5,865	5,732	6,033
Subordinated notes		55	35	62
Other liabilities (including: provision for off-balance sheet credit losses totaling NIS 9 million)		285	*451	*316
Total liabilities		<u>7,240</u>	<u>7,277</u>	<u>7,506</u>
Equity attributable to equity holders of the Company		1,095	*1,152	*1,131
Non-controlling interests		12	2	*9
Total equity		<u>1,107</u>	<u>1,154</u>	<u>1,140</u>
Total liabilities and equity		<u>8,347</u>	<u>8,431</u>	<u>8,646</u>

* On January 1, 2011, the Bank initially adopted the Supervisor of Banks' directive, "Measurement and Disclosure of Impaired Debts, Credit Risk and Provision for Credit Losses". The comparative data for prior years have not been restated and, hence, the data as at March 31, 2011 are not comparable to the data marked with a * in 2010. For further explanations of the effect of the initial adoption of the directive, see Note 1e below.

Reuven Spiegel
Chairman of the Board
of Directors

Israel David
Chief Executive Manager

Shaul Mizrahi
Chief Accountant

Date of approval of the financial statements: May 26, 2011

The notes to the condensed consolidated interim financial statements constitute an integral part thereof.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED MARCH 31, 2011**

Reported amounts
(in NIS millions)

	Note	<u>For the three-month period ended March 31</u>		<u>For the year ended December 31,</u>
		<u>2011</u>	<u>2010</u>	<u>2010</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
Income				
Credit card transactions ⁽¹⁾	7	207	217	853
Profit from financing activities before expenses for credit losses		58	54	228
Other		13	-	23
		<u>278</u>	<u>271</u>	<u>1,104</u>
Expenses				
For credit losses		9	10	27
Operating		87	87	388
Selling and marketing		39	31	150
Administrative and general		14	12	63
Payments to banks		36	35	151
		<u>185</u>	<u>175</u>	<u>779</u>
Operating profit before taxes		93	96	325
Provision for taxes on operating profit		26	31	103
Operating profit after taxes		67	65	222
Company's equity in net, after-tax operating profits of affiliated company		1	1	2
Net operating profit:				
Before attribution to non-controlling interests		68	66	224
Attributable to non-controlling interests		(4)	(2)	(9)
Attributable to equity holders of the Company		64	64	215
Basic and fully diluted earnings per ordinary share in NIS:				
Net operating profit attributable to equity holders of the Company		<u>58.7</u>	<u>58.5</u>	<u>195.3</u>

* Represents an amount of less than NIS 1 million.

⁽¹⁾ Income from merchants' commission is presented net of other issuers' fees (see Note 7).

The notes to the condensed consolidated interim financial statements constitute an integral part thereof.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2011**

Reported amounts
(in NIS millions)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Adjustments with respect to presentation of available-for- sale securities at fair value</u>	<u>Total</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
For the three-month period ended March 31, 2011 (unaudited)						
Balance as at December 31, 2010 (audited)	*-	1,121	10	1,131	9	1,140
Cumulative effect, net of tax, of initial implementation on January 1, 2011 of the directive regarding the measurement of impaired debts and provision for credit losses (**)	-	(15)	-	(15)	(1)	(16)
Balance as at December 31, 2010 after adjustments for implementation of new directives	*-	1,106	10	1,116	8	1,124
Adjustments with respect to presentation of available- for-sale securities reclassified to statement of profit and loss	-	-	(13)	(13)	-	(13)
Related tax effect	-	-	3	3	-	3
Dividend	-	(75)	-	(75)	-	(75)
Net profit for the period	-	64	-	64	4	68
Balance as at March 31, 2011	*-	1,095	-	1,095	12	1,107

* Represents an amount of less than NIS 1 million.

** See Note 3B below.

The notes to the condensed consolidated interim financial statements constitute an integral part thereof.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2011 (CONT'D)**

Reported amounts
(in NIS millions)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Adjustments with respect to presentation of available-for-sale securities at fair value</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
For the three-month period ended March 31, 2010 (unaudited)						
Balance as at December 31, 2009 (audited)	*-	1,056	-	1,056	-	1,056
Adjustments with respect to presentation of available-for-sale securities reclassified to statement of profit and loss	-	-	42	42	-	42
Related tax effect	-	-	(10)	(10)	-	(10)
Net profit for the period	-	64	-	64	2	66
Balance as at March 31, 2010	*-	1,120	32	1,152	2	1,154
For the year ended December 31, 2010 (audited)						
Balance as at December 31, 2009	*-	1,056	-	1,056	-	1,056
Adjustments with respect to presentation of available-for-sale securities reclassified to statement of profit and loss	-	-	34	34	-	34
Adjustments with respect to presentation of available-for-sale securities reclassified to statement of profit and loss	-	-	(21)	(21)	-	(21)
Related tax effect	-	-	(3)	(3)	-	(3)
Dividend	-	(150)	-	(150)	-	(150)
Net profit for the year of	-	215	-	215	9	224
Balance as at December 31, 2010	*-	1,121	10	1,131	9	1,140

* Represents an amount of less than NIS 1 million.

The notes to the condensed consolidated interim financial statements constitute an integral part thereof.

**CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2011**

Reported amounts
(in NIS millions)

	For the three- month period ended March 31		For the year ended December 31,
	2011	2010	2010
	(Unaudited)		(Audited)
Cash flows from operating activities			
Net profit for the period	68	66	224
Adjustments necessary to present cash flows from operating activities:			
Company's equity in retained earnings of affiliated company	(1)	(1)	(2)
Depreciation of buildings and equipment	10	10	41
Amortization	-	-	1
Expenses for credit losses	9	10	27
Deferred taxes, net	9	7	(7)
Realized gain on available-for-sale securities	(13)	-	(21)
Severance pay (increase in surplus of amount funded over liability)	(3)	(6)	(3)
Revaluation of credit from banks and subordinated notes	2	*-	(5)
Other assets	(21)	8	(21)
Other liabilities	(28)	(64)	(186)
Net cash flows provided by operating activities	<u>32</u>	<u>30</u>	<u>48</u>
Cash flows from asset transactions			
Credit granted to cardholders and merchants, net	61	11	(39)
Proceeds from sale of available-for-sale securities	25	-	34
Decrease (increase) in accounts receivable on credit card transactions, net	152	(62)	(407)
Acquisition of buildings and equipment	(5)	(4)	(53)
Net cash flows provided by (used in) asset transactions	<u>233</u>	<u>(55)</u>	<u>(465)</u>
Cash flows from liability and equity transactions			
Repayment of long-term credit from banks	(1)	(2)	(20)
Dividend paid to shareholders	(75)	-	(150)
Short-term credit from banks, net	(59)	(11)	43
Increase (decrease) in accounts payable on credit card transactions, net	(168)	(167)	134
Issuance of subordinated notes	-	-	30
Redemption of subordinated notes	(8)	(6)	(14)
Net cash flows provided by (used in) liability and equity transactions	<u>(311)</u>	<u>(186)</u>	<u>23</u>
Decrease in cash and cash equivalents	(46)	(211)	(394)
Balance of cash and cash equivalents at beginning of period	<u>152</u>	<u>546</u>	<u>546</u>
Balance of cash and cash equivalents at end of period	<u><u>106</u></u>	<u><u>335</u></u>	<u><u>152</u></u>

* Represents an amount of less than NIS 1 million.

The notes to the condensed consolidated interim financial statements constitute an integral part thereof.