

ISRAEL DISCOUNT BANK LTD.
(the "Bank")

NOTICE TO SHAREHOLDERS:

Notice is hereby given that the Annual Meeting of Shareholders of the Bank will be held on Wednesday, June 3, 2009 at 11:00 A.M. at 23 Yehuda Halevi Street, Tel-Aviv (Seventeenth Floor). An adjourned meeting, if necessary, will be held on Wednesday, June 10, 2009, at the same place and time.

1. **A g e n d a**

1.1 Discussion of the Financial Statements of the Bank and the Report of the Board of Directors for the year ended December 31, 2008.

1.2 Approval of Interim Dividend to Preference Shareholders as Final Dividend.

To approve as final dividend for the year 2008, the interim dividend of 6% paid on December 30, 2008, to shareholders of 40,000, 6% Cumulative Preference shares, nominal value NIS 0.00504 each. The amount of the dividend was ₪24,000.

1.3 Appointment of Auditors and Authorization to Fix Their Fees.

1.3.1 To reappoint Ziv Haft as auditors and Somekh Chaikin as auditors and to authorize the Board of Directors to fix their fees.

1.3.2 Report concerning the fees to the auditors for 2008 for auditing activities and additional services pursuant to Sections 165 and 167 of the Companies Law, 5759 – 1999 (hereinafter, the "Companies Law").

1.4 Appointment of a Director.

To appoint Mr. Joseph Ciechanover - Itzhar as a Director of the Bank. The appointment is to commence at the time of approval at the Annual General Meeting. The nominee has provided the Bank with a declaration pursuant to Section 224b of the Companies Law. Mr. Ciechanover will be appointed to replace Prof. Eytan Sheshinski, who has advised that he will serve until the Annual General Meeting of the Bank.

1.5 Directors Continuing Their Tenure.

The following are continuing their tenure as directors: Shlomo Zohar, Chairman, Ilan (Eilon) Aish, Betzalel Eiger, Ilan Biran, Itshak Forer, Ben-Zion Granit, Edith Lusky, Dr. Arie Ovadia, Prof. Dafna Schwartz, Dr. Yitzhak Sharir, Zvi Streigold, Jorge Zafran, and Prof. Ben-Zion Zilberfarb.

1.6 Approval of Directors and Officers Liability Insurance.

To approve the purchase of an insurance policy to cover liabilities of directors and other Office Holders, including the Internal Auditor, who are today serving and who have previously served in the Bank and in companies in which the Bank holds, directly or indirectly, 50% of the equity or voting rights, including those who had served as Office Holders in companies in the Banking Group and are Controlling Shareholders of the Bank. Further, the policy covers Office Holders who have been nominated by the Bank to serve in a company in which the Bank holds less than 50% of the equity or voting rights. The principal terms of the policy are as follows: (a) the insurer under the policy is Clal Insurance Company Ltd. (the "Insurer"); (b) the period of insurance is for the period between April 1, 2009 and ending March 31, 2010; (c) the premium to be paid by the Banking Group for the policy for the period of insurance is approximately US\$900 thousand; (d) the limits of indemnity under the policy for the period of insurance is US\$100 million per claim and for the period of insurance; (e) in the event of a claim against one of the Office Holders, the deductible will not be borne by the Office Holders themselves. The Bank will carry the deductible of US\$75,000 per event; all as detailed in the Immediate Report which the Bank submitted for convening the meeting.

2. The matters stated in Items 1.2, 1.3.1, 1.4 and 1.6 on the Agenda shall be decided by a simple majority of votes of shareholders of Ordinary "A" shares voting at the meeting personally or by proxy and entitled to vote thereon, not including in the calculation abstentions.
3. The Record Date fixed for determining the right of shareholders to participate and vote at the meeting pursuant to Section 182 (c) of the Companies Law and Amendment 3 to the Companies Regulations, (Voting Paper and Statements of Position), 5765-2005, is May 5, 2009 (hereinafter, the "Record Date").

4. The text of the Voting Paper and Statement of Position, if published, according to their meaning in section 88 of the Companies Law will be found at the Distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/> (hereinafter, "**Distribution Site**") and at the website of the Tel-Aviv Stock Exchange Ltd.: <http://maya.tase.co.il/>.
5. Voting instructions may be given on the back of the second part of the Voting Paper as appears on the Distribution Site.
6. A shareholder may request directly from the Bank and receive from it the text of the Voting Paper and Statements of Position.
7. A shareholder, who is not registered in the Shareholders Register, is entitled to receive by electronic mail, without charge, a link to the text of the Voting Paper and the Statement of Position, if published, on the Distribution Site, from a Member of the Stock Exchange (hereinafter, "Member") with whom his/her shares held, unless the shareholder notified the Member that he/she is not interested in receiving a link as aforesaid, or that he/she is interested in receiving a Voting Paper by mail, upon payment of a delivery charge; notice regarding Voting Paper will also apply with regard to receipt of Statements of Position, if published
8. A shareholder whose shares are registered with a Member may receive the Confirmation of Ownership from the Member through whom he/she holds shares, at a branch of the Member or by mail, to his address upon payment of a delivery charge, if so requested. The said request is to be given in advance to the specific security account.
9. The last date for presenting Statements of Position to the Bank is 10 days following the Record Date.
10. A shareholder whose shares are held through a Member, and the said shares are registered in the Shareholders Register in the name of a Nominee Company, may vote at the meeting upon delivering to the Bank a Confirmation from the Member as to his/her ownership of the shares on the Record Date, pursuant to Form 1 which is an addendum to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at a General Meeting), 5760-2000.
11. A shareholder is authorized to participate and to vote at the Meeting, either personally or by proxy, and, in the case of a corporation, by a duly authorized representative. An instrument of appointment shall be in writing and signed by the shareholder making the appointment or by his/her attorney, or, if such shareholder is a corporation, under its common seal or the hands of its attorney. The instrument appointing a proxy shall be deposited at the registered office of the Bank not less than 48 hours before the time for the holding of the Meeting.
The instrument of appointment shall be in the form stated in the Articles of Association of the Bank or corresponding thereto as far as possible. The instrument of appointment shall not be effective after more than twelve months from the date of its signing.
12. With regard to Items 1.4 and 1.6 on the Agenda, a shareholder is authorized to vote at the Meeting by means of a Voting Paper.
13. The Voting Paper and the documents which are attached to it (the "Attached Documents"), as detailed in the Voting Paper, is to be presented to the offices of the Bank up to 72 hours prior to the time scheduled for holding the Meeting. In this regard, "time of presentation" is the time by which the Voting Paper and the Attached Documents must arrive at the offices of the Bank.

The text of the proposed resolutions to be brought for approval at the Meeting, the financial statements and the Report of the Board of Directors for 2008, will be available at the Office of the Secretary of the Bank, 23 Yehuda Halevi Street, Tel-Aviv, telephone no. 972-3-5145582, during regular business hours, from the date of publication of this notice. The text of the proposed resolutions may also be found on the MAGNA site of the Israel Securities Authority, www.magna.isa.gov.il.

April 28, 2009

THE BOARD OF DIRECTORS