

Condensed Consolidated Statements of Income

Reported amounts (in NIS millions)

	Note	For the three-months ended June 30		For the six-months ended June 30		For the year ended December 31
		2016	2015	2016	2015	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest income	2	278	283	509	475	974
Interest expenses	2	50	76	51	51	102
Net interest income		228	207	458	424	872
Expenses (income) for credit losses	6, 14	19	(8)	14	(10)	(67)
Net interest income after expenses (income) for credit losses		209	215	444	434	805
Non-interest income						
Non-interest financing income	3	3	4	5	47	37
Commissions		75	77	148	155	310
Other income		7	-	8	-	33
Total non-interest income		85	81	161	202	380
Operating and other expenses						
Salaries and related expenses	8	142	129	289	251	518
Maintenance and depreciation of buildings and equipment		39	37	78	73	152
Other expenses		44	44	87	84	171
Total operating and other expenses		225	210	454	408	841
Income before taxes		69	86	151	228	344
Provision for taxes on income		24	34	62	88	136
Income after taxes		45	52	89	140	208
Bank's equity in after-tax income of associates		-	1	1	1	2
Net income		45	53	90	141	210
Earnings per share (in NIS thousands)						
• Share of NIS 0.1 par value		0.36	0.43	0.72	1.13	1.69
• Share of NIS 0.01 par value		0.04	0.04	0.07	0.11	0.17

Yair Avidan
Chairman of the Board
of Directors

Shuki Burstein
General Manager

Avi Rishpan
Senior Deputy General
Manager, Chief Accountant

Date of approval of the financial statements: August 10, 2016.

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

Condensed Consolidated Statements of Comprehensive Income

Reported amounts (in NIS millions)

	Note	For the three- months ended June 30		For the six- months ended June 30		For the year ended December 31,
		2016	2015	2016	2015	2015
		(Unaudited)		(Unaudited)		(Audited)
Net income	4	45	53	90	141	210
Other comprehensive income (loss), before taxes						
Adjustments with respect to the presentation of available-for-sale securities at fair value, net		4	(37)	2	(30)	(49)
Adjustment of liabilities with respect to employee benefits, net ⁽¹⁾		(11)	75	(34)	18	13
Other comprehensive income (loss), before taxes		(7)	38	(32)	(12)	(36)
Related tax effect		3	(14)	11	5	13
Other comprehensive income (loss), after tax effect		(4)	24	(21)	(7)	(23)
Total comprehensive income		41	77	69	134	187

1. Mainly represents adjustments to the actuarial estimates with respect to severance pay provisions and post-employment, as well as the write down of amounts recorded in prior periods in other comprehensive income.

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

Condensed Consolidated Balance Sheets

Reported amounts (in NIS millions)

	Note	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)	December 31, 2015 (Audited)
Assets				
Cash and deposits with banks		4,338	4,894	5,502
Securities ^{(1) (2)}	5	4,227	2,868	3,432
Credit to the public	6, 14	21,859	20,399	20,754
Provision for credit losses	6, 14	(351)	(299)	(337)
Credit to the public, net		21,508	20,100	20,417
Investment in investee companies		8	6	7
Buildings and equipment		356	405	346
Assets with respect to derivative instruments	11	22	21	31
Other assets		355	341	341
Total assets		30,814	28,635	30,076
Liabilities and equity				
Deposits from the public	7	25,815	23,774	25,388
Deposits from banks		386	714	459
Deposits from the government		156	156	151
Debentures and subordinated capital notes		920	672	672
Liabilities with respect to derivative instruments	11	122	149	122
Other liabilities ⁽³⁾		1,243	1,120	1,181
Total liabilities		28,642	26,585	27,973
Equity		2,172	2,050	2,103
Total liabilities and equity		30,814	28,635	30,076

1. The balance includes securities pledged to lenders in an amount of NIS 372 million (June 30 2015 – NIS 394 million; December 31, 2015 – NIS 384 million).
2. The balance includes securities presented at fair value in an amount of NIS 3,918 million (June 30, 2015 – NIS 2,555 million; December 31, 2015 – NIS 3,120 million).
3. The balance includes a provision for credit losses with respect to off-balance-sheet credit instruments in an amount of NIS 34 million (June 30, 2015 – NIS 17 million; December 31, 2015 – NIS 29 million).

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

Statements of Changes in Shareholders' Equity

Reported amounts

For the three months ended June 30, 2016						
(Unaudited)						
	Paid-up share capital	Capital reserves	Total share capital and capital reserves	Cumulative other comprehensive income	Retained earnings	Total equity
In NIS millions						
Balance as at beginning of period	51	152	203	(62)	1,990	2,131
Net income for the period	-	-	-	-	45	45
Other comprehensive loss, net, after tax effect*	-	-	-	(4)	-	(4)
Balance as at end of period	51	152	203	(66)	2,035	2,172

For the three months ended June 30, 2015						
(Unaudited)						
	Paid-up share capital	Capital reserves	Total share capital and capital reserves	Cumulative other comprehensive income	Retained earnings	Total equity
In NIS millions						
Balance as at beginning of period	51	152	203	(53)	1,823	1,973
Net income for the period	-	-	-	-	53	53
Other comprehensive income, net, after tax effect*	-	-	-	24	-	24
Balance as at end of period	51	152	203	(29)	1,876	2,050

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

MERCANTILE DISCOUNT BANK LTD.

Statement of Changes in Equity (continued)

Reported amounts

For the six months ended June 30, 2016						
(Unaudited)						
	Paid-up share capital	Capital reserves	Total share capital and capital reserves	Cumulative other comprehensiv e income	Retained earnings	Total equity
	In NIS millions					
Balance as at beginning of period (audited)	51	152	203	(45)	1,945	2,103
Net income for the period	-	-	-	-	90	90
Other comprehensive loss, net, after tax effect*	-	-	-	(21)	-	(21)
Balance as at end of period	51	152	203	(66)	2,035	2,172

For the six months ended June 30, 2015						
(Unaudited)						
	Paid-up share capital	Capital reserves	Total share capital and capital reserves	Cumulative other comprehensiv e income	Retained earnings	Total equity
	In NIS millions					
Balance as at beginning of period (audited)	51	152	203	(22)	1,735	1,916
Net income for the period	-	-	-	-	141	141
Other comprehensive loss, net, after tax effect*	-	-	-	(7)	-	(7)
Balance as at end of period	51	152	203	(29)	1,876	2,050

For the year ended December 31, 2015						
(Audited)						
	Paid-up share capital	Capital reserves	Total share capital and capital reserves	Cumulative other comprehensive income	Retained earnings	Total equity
	In NIS millions					
Balance as at beginning of year	51	152	203	(22)	1,735	1,916
Net income for the year	-	-	-	-	210	210
Other comprehensive loss, net, after tax effect	-	-	-	(23)	-	(23)
Balance as at end of year	51	152	203	(45)	1,945	2,103

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