



4Q & FY 2020 REVIEW

FINANCIAL AND STRATEGIC HIGHLIGHTS

Investor Relations

March 16, 2020

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AGENDA



Opening Remarks and Strategy

Uri Levin, CEO



Financial Overview & Detailed Strategy

Barak Nardi, CFO



Q&A

Uri Levin, CEO

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

2020: A YEAR OF ACCOMPLISHMENTS AGAINST A BACKDROP OF A GLOBAL CRISIS



Navigated the Group through the downturn while supporting our customers and employees:

- **Robust** risk management and credit portfolio.
- Maintained **strong capital and liquidity** positions.
- Presented **solid financial results**.
- Continued to **support our customers** in this challenging period.



Launched an **ambitious 5-year Strategic Plan** aimed at achieving our full potential.
Our goal: **to be the best financial institution for our customers, delivering superior value for shareholders, over time.**



Already started **executing on our strategy**:

- **the largest ever retirement plan** across the Group.
- **Substantial growth** in credit in targeted segments.
- Improvement in **customer satisfaction**.
- Launched a **cooperation** with Shufersal to offer **alternative financial services** through PayBox.

WE PRODUCED A SOLID SET OF UNDERLYING FINANCIAL RESULTS

ADJUSTED 2020 NET INCOME

1,287 M

NIS 421 m in 4Q20

ADJUSTED ROE

6.7 %

9.1% in 4Q20

CREDIT GROWTH

(Gross)

5.2%

14.8% mortgages growth
15.6% corporate credit growth

EMPLOYEE RETIREMENT

-739

-8% of workforce

RESERVE RATIO

1.95%

1.38% in 2019

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4Q & FY 2020 HIGHLIGHTS

- Results were impacted by a **provision for early retirement**. Adjusted **4Q ROE was 9.1%**, FY ROE was 6.7%.
- Loan book growth of 5.2% YoY (**6.1% YoY in Israel**), driven by 14.8% **growth in mortgages** and 15.6% in **corporate** vs. 4Q19.
- Further decline in quarterly loan loss provision, due to **improved economic factors** and vaccination rates in Israel.
- **Positive Jaws Ratio** of 2.4% driven by 1.6% growth in income and 0.8% reduction in costs, on an adjusted basis.
- 739 employees retired, mostly through the **largest retirement plans ever** across the Group.

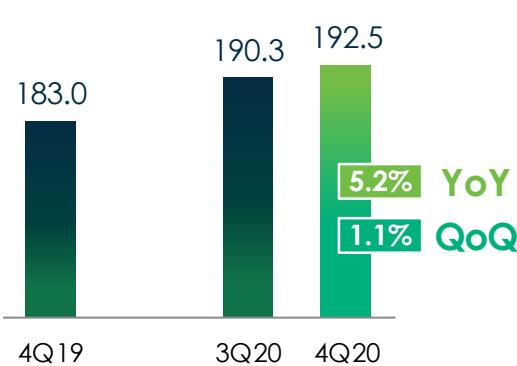
4Q20	Net income	ROE	Cost-income ratio	Credit loss expenses ratio	2020	Net income	ROE	Cost-income ratio	Credit loss expenses ratio
	NIS 264 m (3Q20: NIS 258 m)	5.6% (3Q20: 5.5%)	75.4% (3Q20: 70.4%)	0.42% (3Q20: 0.70%)		NIS 975 m (2019: NIS 1,702 m)	5.1% (2019: 9.4%)	67.5% (2019: 65.2%)	0.91% (2019: 0.40%)
Adjusted	NIS 421 m (3Q20: NIS 357 m)	9.1% (3Q20: 7.7%)	65.8% (3Q20: 63.3%)		Adjusted	NIS 1,287 m (2019: NIS 1,779 m)	6.7% (2019: 9.9%)	62.5% (2019: 64.0%)	

MORTGAGES AND CORPORATE LENDING ARE DRIVING CREDIT GROWTH

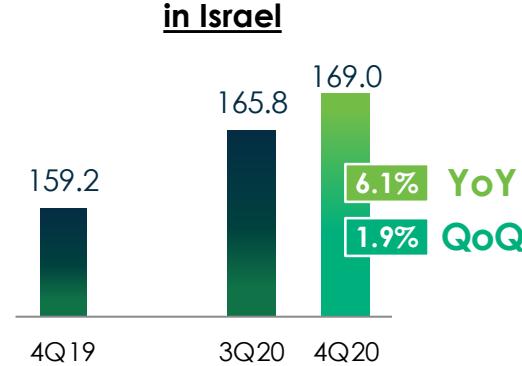
Credit to the public segments and composition*

in NIS Bn and %

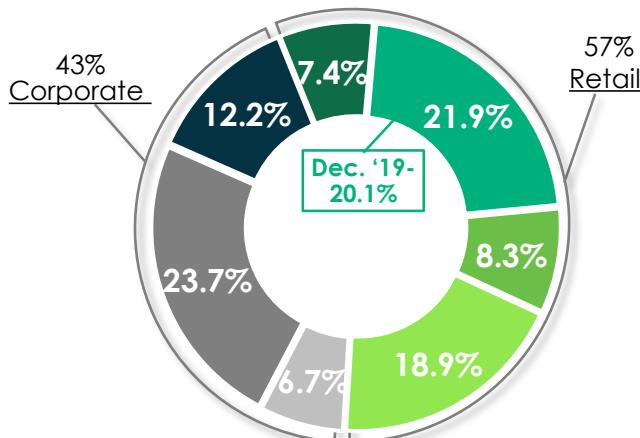
Total credit



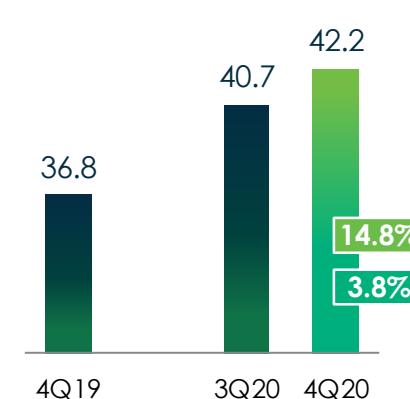
Total credit in Israel



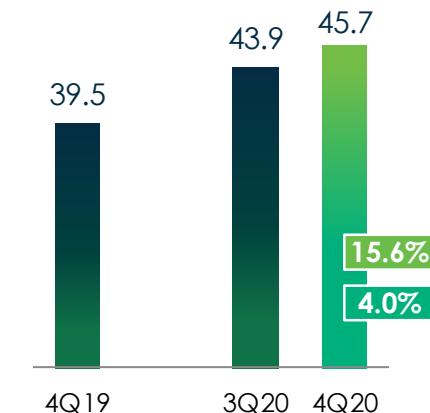
- Consumer **
- Mortgages
- Credit cards
- Small & micro enterprises
- Medium enterprises
- Corporate enterprises
- Abroad



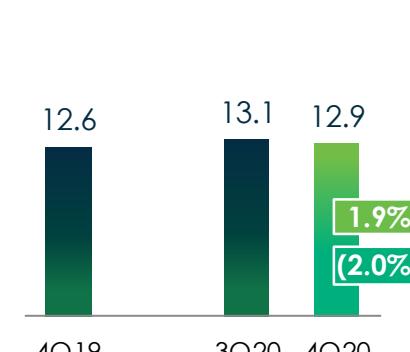
Mortgages (in households)



Corporate



Medium enterprises



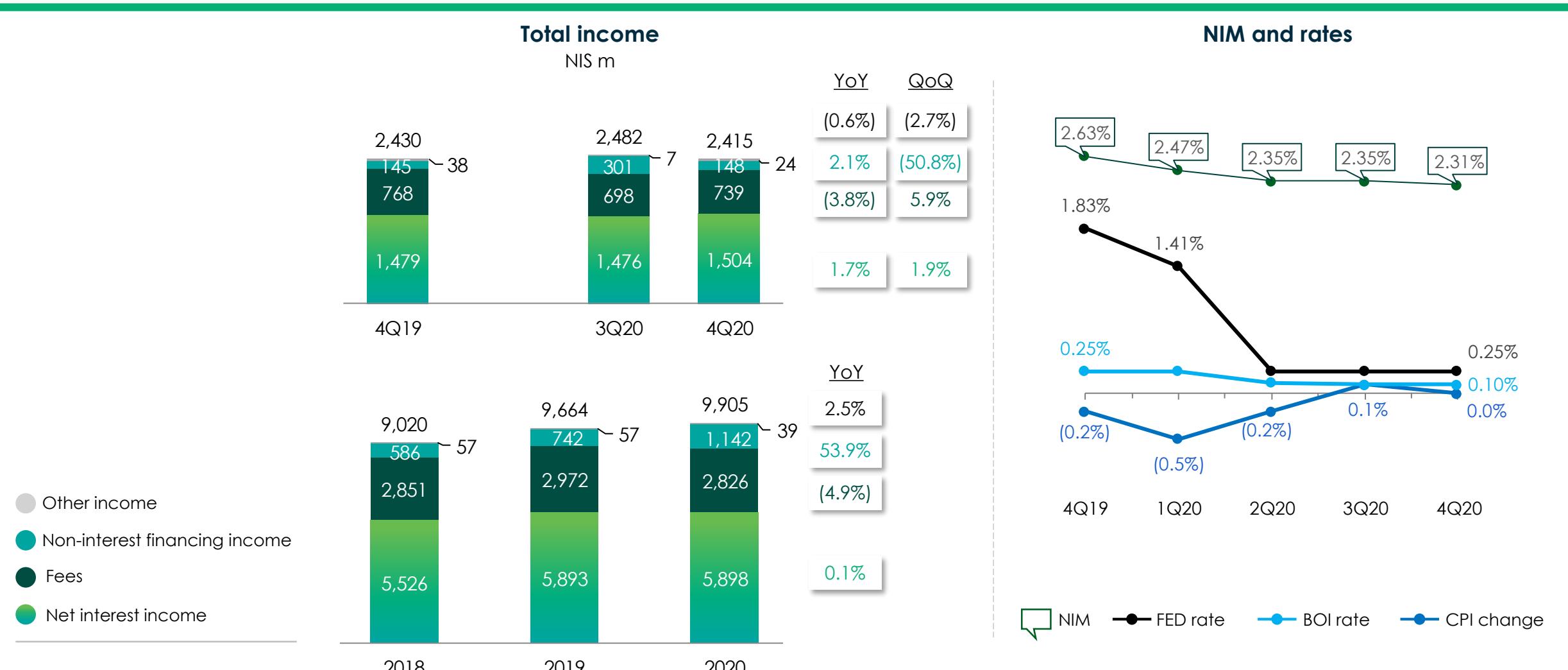
Consumer **



* Regulatory segments, in Israel

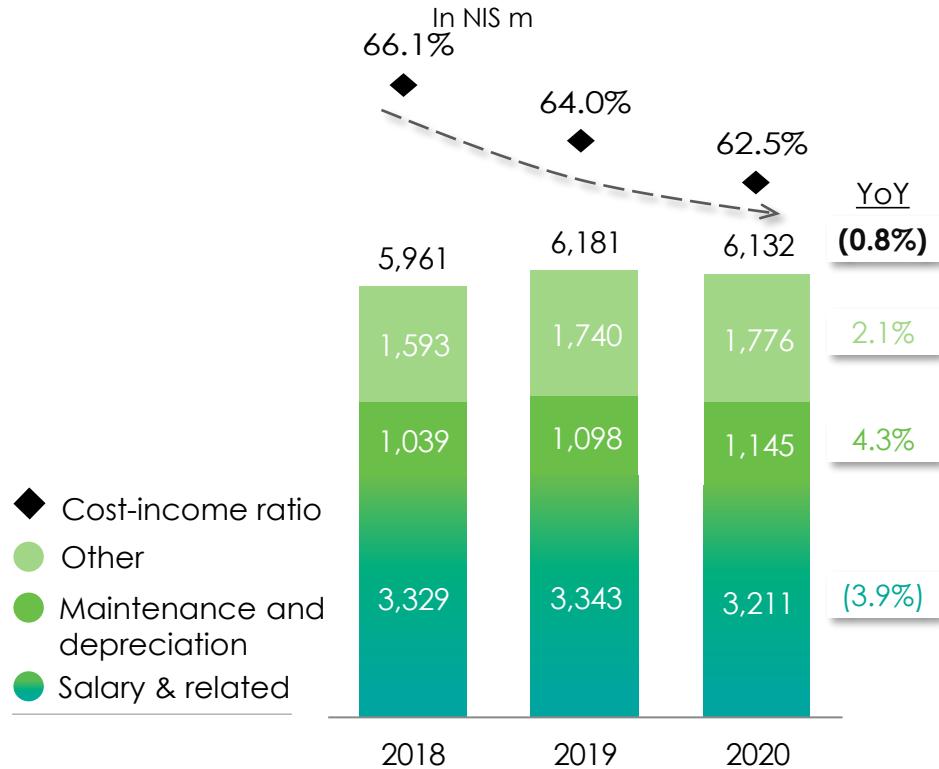
** Balance of household credit excluding mortgages and credit cards

RESILIENT NIM AND CREDIT GROWTH SUPPORTED AN INCREASE IN INCOME



LARGEST EVER RETIREMENT PLAN TO ENHANCE ONGOING COST RESTRAINT

Adjusted Total Expenses & Cost-Income Ratio

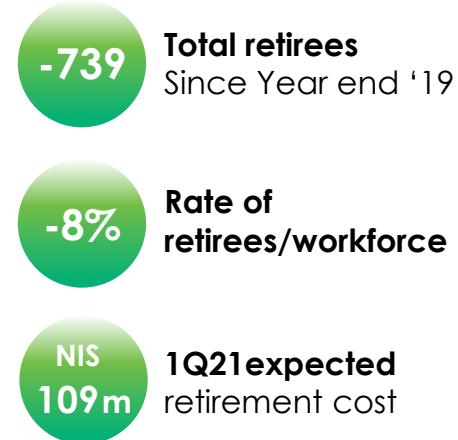
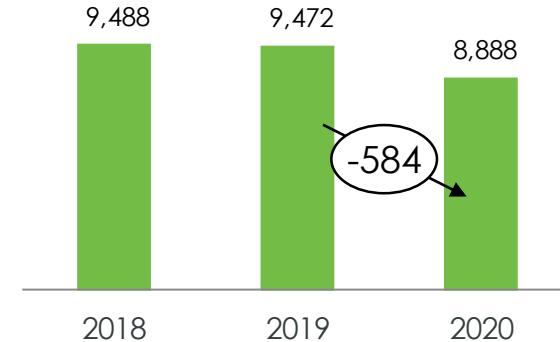


2020 adjustments: NIS 65 m for legal proceedings, NIS 31 m for early retirement at CAL, NIS 413 m for early retirement at Discount Bank and Mercantile, NIS 40 m cost associated with IDBNY change of headquarters location.

2019 adjustments: NIS 60 m for legal proceedings, NIS 46 m for early retirement at Discount Bank and NIS 12 m for pension liabilities at IDBNY.

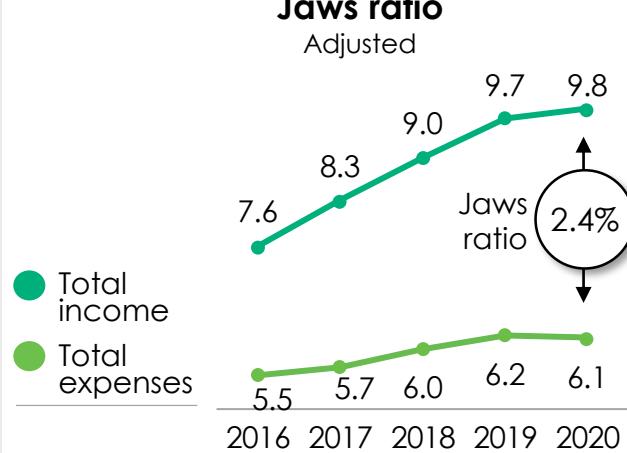
2018 adjustments: NIS 88 m for early retirement at Discount Bank and a NIS 56 m one-time bonus to employees at Mercantile and 43 m for legal proceedings

Change in Group Workforce



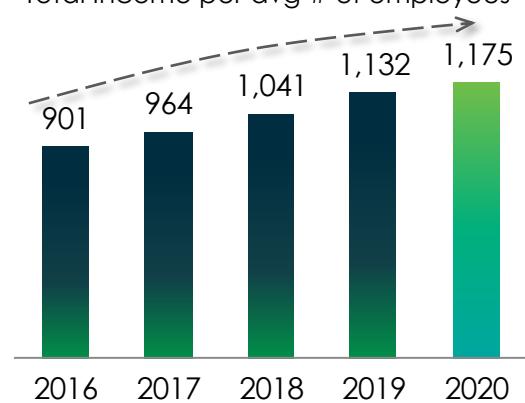
Jaws ratio

Adjusted

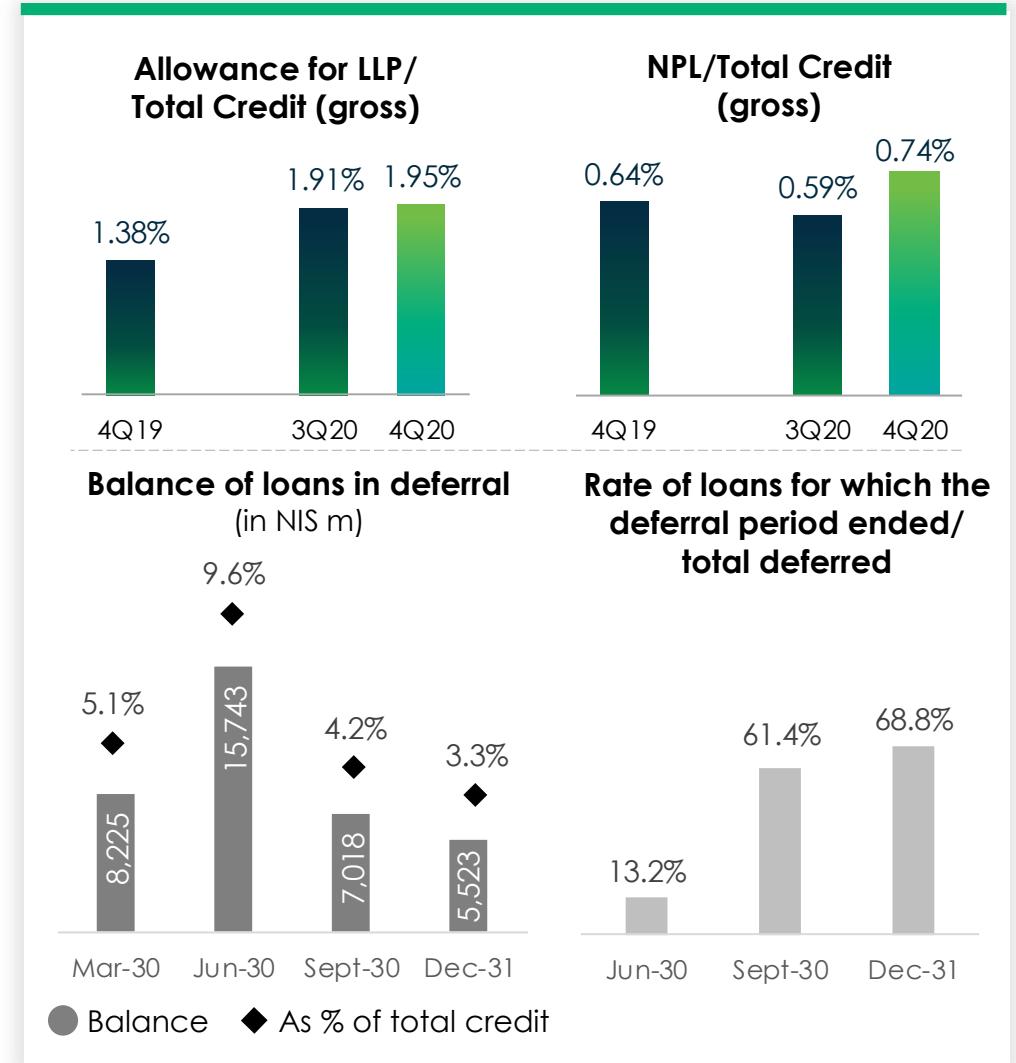
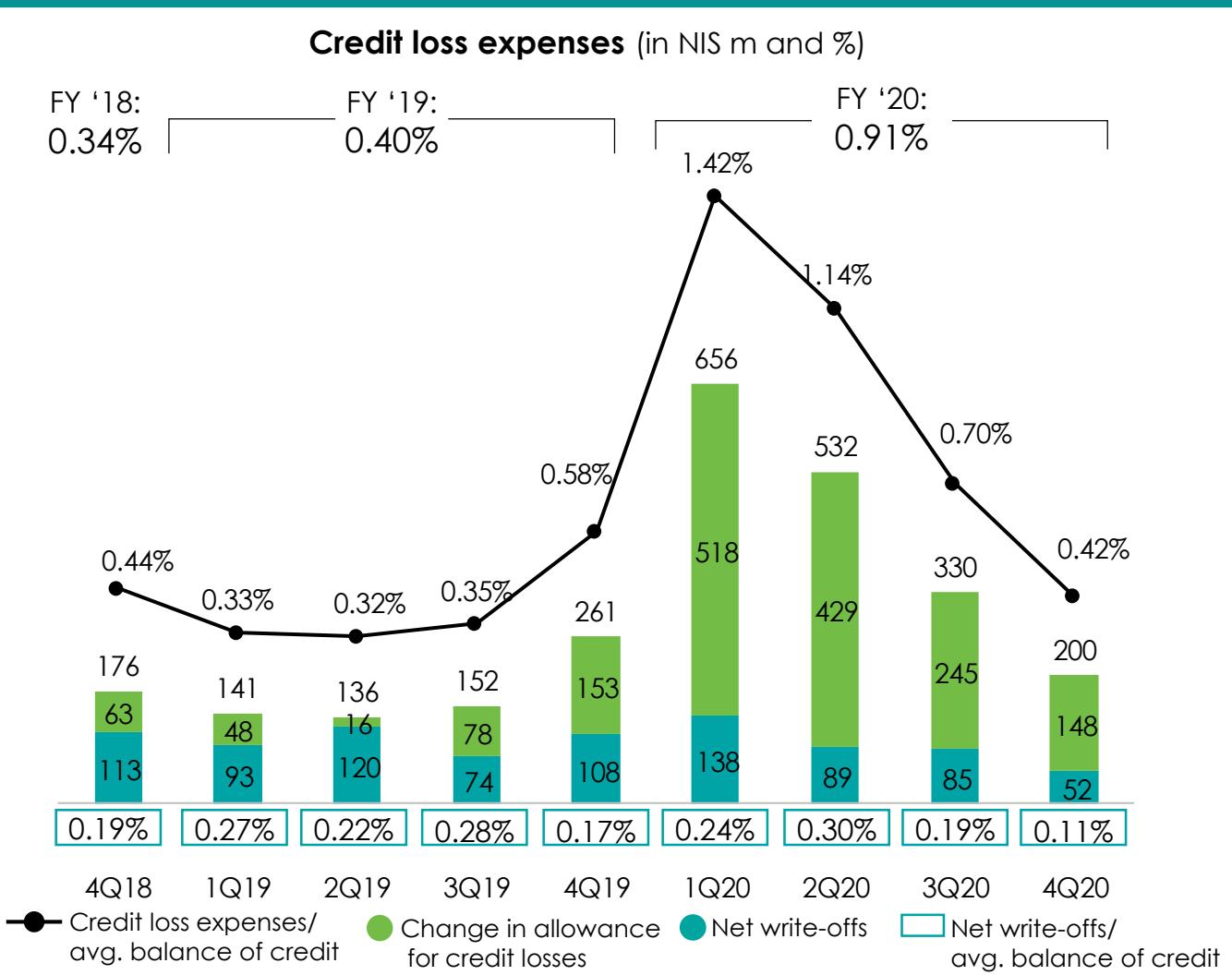


Productivity ratio

Total Income per avg # of employees



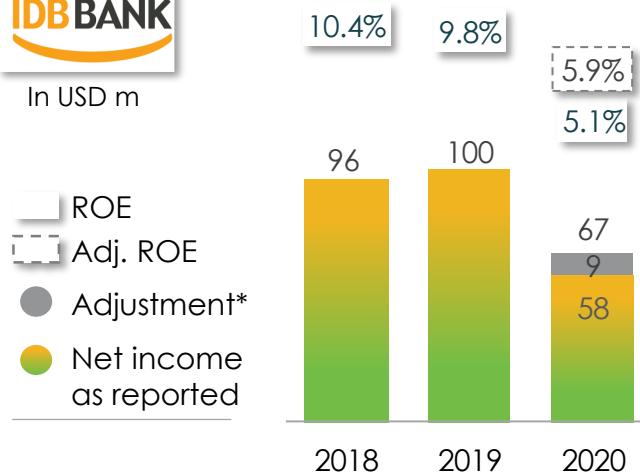
DECLINE IN LOAN LOSS PROVISION WHILE RESERVE IS INCREASING; WRITE-OFFS ARE STILL STABLE



OUR SUBSIDIARIES NAVIGATED SUCCESSFULLY THROUGH THE STORM



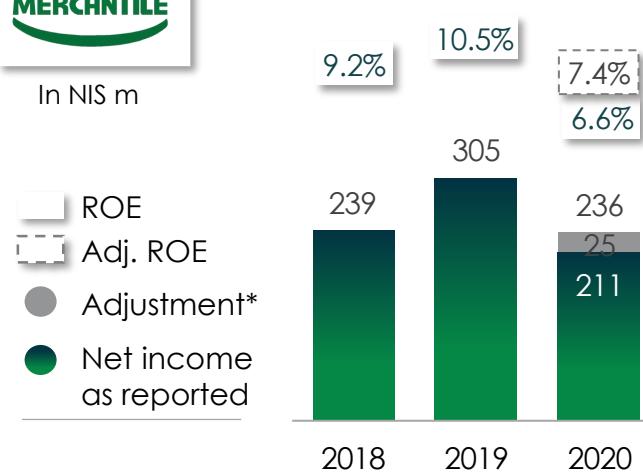
In USD m



* Cost associated with change of headquarters location



In NIS m



Adjusted Cost-income ratio

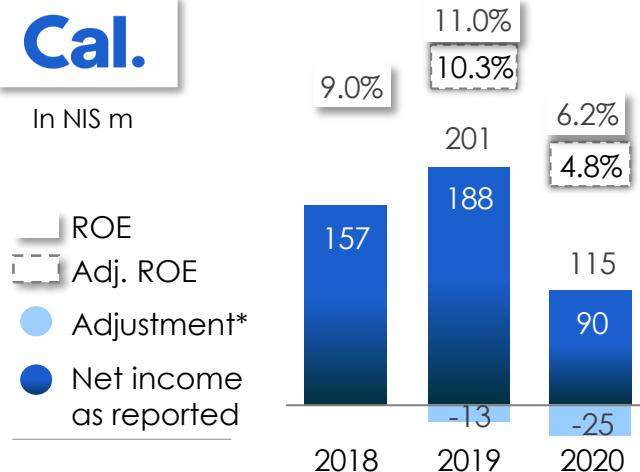
58.4%

YoY growth in Mortgages

24.0%



In NIS m



* 2020: income from the sale of shares of VISA inc, and provisions for early retirement;
2019: reversal of provisions



INVESTMENTS-ADVISORY-UNDERWRITING

Net income

* Including investment commitments

USD 192 m

New investments* in 2020

NIS 1.4 Bn

Investment portfolio (at cost)

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OUR 5-YEAR STRATEGIC PLAN AIMED AT TAKING LEADERSHIP

ULTIMATE GOAL:

**TO BE THE BEST FINANCIAL INSTITUTION FOR ITS CUSTOMERS, DELIVERING SUPERIOR
VALUE FOR SHAREHOLDERS, OVER TIME**

1

Accelerate The Evolution of Traditional Banking

Increase the Group's competitiveness, market share and profitability.

2

Lead Revolution in Banking Through Disruptive Innovation

Establish new non-bank initiatives through collaboration with third party partners and fintechs.

3

Maximize Group Value

Maximize the underlying, stand-alone value of our subsidiaries, leverage synergies and increase the Group's economic value.

ACCELERATE THE EVOLUTION OF TRADITIONAL BANKING

The goal:

Increase the Group's competitiveness, market share and profitability

I

Superior
customer experience

Striving to become the bank that offers the best customer experience and has the leading Net Promoter Score (NPS)

II

Maximized growth

Driving above-market targeted growth, in revenue and credit book

III

Banking excellence

Creating an effective organizational platform based on operational excellence, execution excellence and efficiency

IV

Innovation

Accelerating value proposition to customers by expanding digital services, leveraging data capabilities and deepening collaboration with fintech players

V

Organizational culture

Empowering managers and employees to enhance the organizational culture to focus on performance, excellence and continuous improvement

LEAD REVOLUTION IN BANKING THROUGH DISRUPTIVE INNOVATION

Leveraging our competitive positioning

The goal:
To be a leading player in the world of future Banking



- Discount Group benefits from **unique competitive position** of being large enough to lead change, while being small enough to **not fear cannibalization**.
- Significant opportunity to increase market share by establishing new **non-banking ventures** with third parties and fintech.



- Discount will **spin-out PayBox**, its P2P payment App, into a separate company and allocate 49.9% of its shares to Shufersal, the leading consumer retail player in Israel, to create a **powerful new force in the world of disruptive banking**, payments, and more.
- PayBox will become a **digital wallet** and will be the exclusive app for digital payments, to earn loyalty points and use gift cards at all of Shufersal Group's locations and more merchants.
- In the next stage, PayBox will become a **marketplace for financial products and services** intended **for customers of all banks**, by partnering with Israel's strong fintech ecosystem.

~1.5 million PayBox customers

~2 million Shufersal customers

Marketplace for all Bank customers

MAXIMIZE GROUP VALUE

The goal:

Leveraging the synergies between the Group's subsidiaries and maximizing their value

I

Ambitious strategic plan for each of our subsidiaries

The Bank, as a holding company, will direct its main subsidiaries – IDB New York, Mercantile Discount Bank, CAL and Discount Capital in implementing their unique strategies.

II

Leverage synergies

Leverage synergies between the Group's companies, in terms of both income and expenditure, to significantly contribute to the Group's economic value.



A leading investment banking, real investment, underwriting and advisory firm



A leading credit card, payments and non-bank credit solutions company



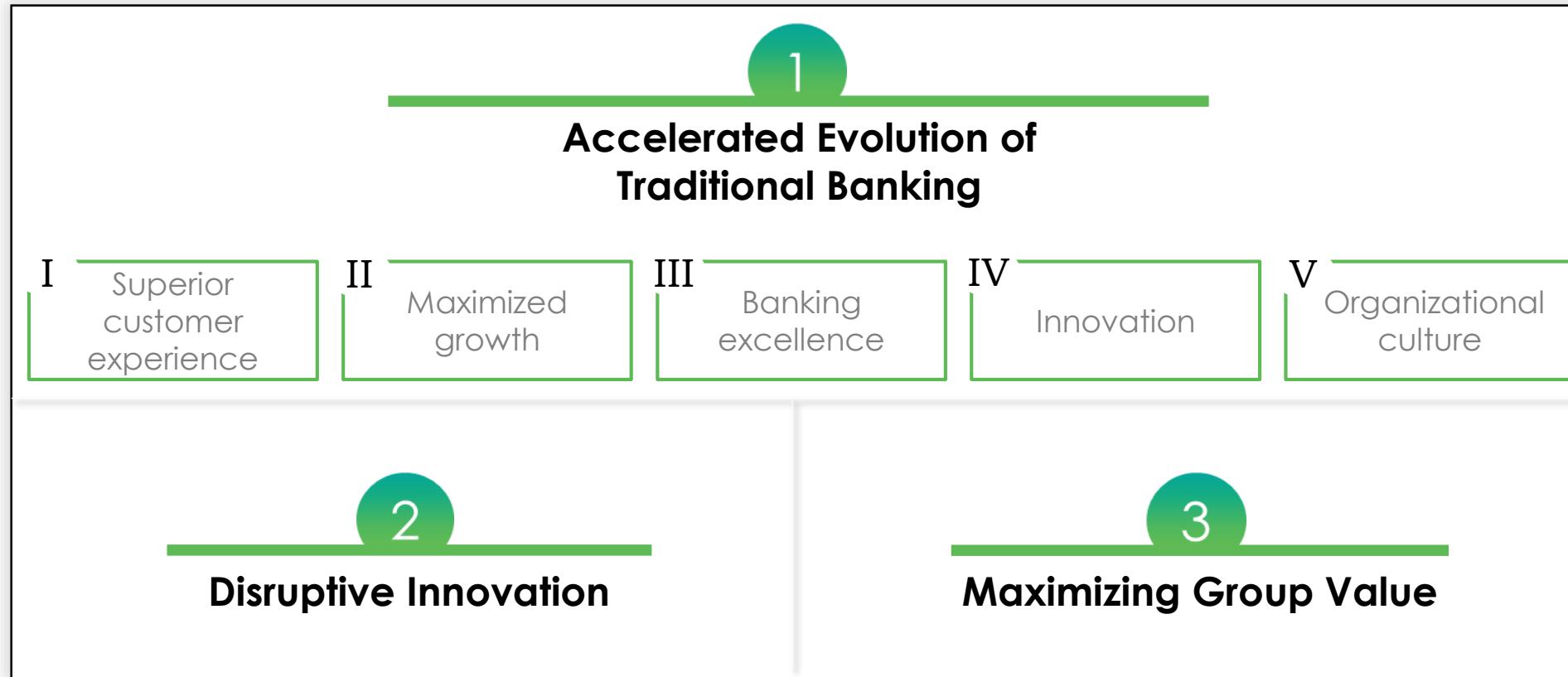
A Niche Bank specializing in retail, SME and Municipal banking



A Full service commercial Bank, specializing in middle-market and private banking

OUR AMBITIOUS 5-YEAR STRATEGIC PLAN

ULTIMATE GOAL:
**TO BE THE BEST FINANCIAL INSTITUTION FOR ITS CUSTOMERS, DELIVERING SUPERIOR
VALUE FOR SHAREHOLDERS, OVER TIME**



WE ARE ALREADY RELENTLESSLY DELIVERING ON OUR NEW STRATEGIC PLAN



-8%

Reduction in workforce through the largest ever retirement plan



14.8%

Growth in mortgages, one of our targeted segments



#1

First in the market in **customer satisfaction** according to “Marketest” survey



PayBox

Disruptive collaboration to build a leading **digital wallet and marketplace**

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APPENDICES

PROFIT & LOSS AND SELECTED RATIOS

NIS m	4Q20	3Q20	4Q19	Vs. 3Q20	Vs. 4Q19	2020	2019	Change
Net interest income	1,504	1,476	1,479	1.9%	1.7%	5,898	5,893	0.1%
Credit loss expenses	200	330	261	(39.4%)	(23.4%)	1,718	690	149.0%
Non-interest financing income	148	301	145	(50.8%)	2.1%	1,142	742	53.9%
Commissions	739	698	768	5.9%	(3.8%)	2,826	2,972	(4.9%)
Other income	24	7	38	242.9%	(36.8%)	39	57	(31.6%)
Total non-interest income	911	1,006	951	(9.4%)	(4.2%)	4,007	3,771	6.3%
Total income	2,415	2,482	2,430	(2.7%)	(0.6%)	9,905	9,664	2.5%
Salaries and related expenses	794	830	815	(4.3%)	(2.6%)	3,242	3,343	(3.0%)
Maintenance & depreciation	337	289	294	16.6%	14.6%	1,185	1,098	7.9%
Other expenses	689	628	557	9.7%	23.7%	2,254	1,858	21.3%
Total operating and other expenses	1,820	1,747	1,666	4.2%	9.2%	6,681	6,299	6.1%
Income before taxes	395	405	503	(2.5%)	(21.5%)	1,506	2,675	(43.7%)
Provision for taxes on income	159	134	168	18.7%	(5.4%)	549	932	(41.1%)
Income after taxes	236	271	335	(12.9%)	(29.6%)	957	1,743	(45.1%)
Net income attributable to shareholders	264	258	325	2.3%	(18.8%)	975	1,702	(42.7%)
ROE	5.6%	5.5%	7.2%			5.1%	9.4%	
Cost income ratio	75.4%	70.4%	68.6%			67.5%	65.2%	
CET-1 ratio	10.20%	10.10%	10.31%			10.20%	10.31%	
NIM	2.31%	2.35%	2.63%			2.35%	2.67%	
Rate of credit loss expenses	0.42%	0.70%	0.58%			0.91%	0.40%	
NPL ratio	0.74%	0.59%	0.64%			0.74%	0.64%	
Dividend per share (in Agurot)*	-	-	5.5			4.19	21.92	

* Dividend in respect of the relevant period

ADJUSTED PROFIT & LOSS & SELECTED RATIOS

NIS m	4Q20	3Q20	4Q19	Vs. 3Q20	Vs. 4Q19	2020	2019	Change
Net interest income	1,504	1,476	1,479	1.9%	1.7%	5,898	5,893	0.1%
Credit loss expenses	200	330	261	(39.4%)	(23.4%)	1,718	690	149.0%
Non-interest financing income	148	213	145	(30.5%)	2.1%	1,054	742	42.0%
Commissions	739	698	768	5.9%	(3.8%)	2,826	2,972	(4.9%)
Other income	24	7	38	242.9%	(36.8%)	39	57	(31.6%)
Total non-interest income	911	918	951	(0.8%)	(4.2%)	3,919	3,771	3.9%
Total income	2,415	2,394	2,430	0.9%	(0.6%)	9,817	9,664	1.6%
Salaries and related expenses	801	792	815	1.1%	(1.7%)	3,211	3,343	(3.9%)
Maintenance & depreciation	297	289	294	2.8%	1.0%	1,145	1,098	4.3%
Other expenses	490	435	503	12.6%	(2.5%)	1,776	1,740	2.1%
Total operating and other expenses	1,588	1,516	1,611	4.7%	(1.5%)	6,132	6,181	(0.8%)
Income before taxes	627	548	558	14.5%	12.4%	1,967	2,793	(29.6%)
Provision for taxes on income	234	178	187	31.6%	25.4%	698	973	(28.3%)
Income after taxes	393	370	371	6.2%	5.9%	1,269	1,820	(30.3%)
Net income attributable to shareholders	421	357	361	17.9%	16.6%	1,287	1,779	(27.7%)
ROE	9.1%	7.7%	8.0%			6.7%	9.9%	
Cost income ratio	65.8%	63.3%	66.3%			62.5%	64.0%	
CET-1 ratio	10.20%	10.10%	10.31%			10.20%	10.31%	
NIM	2.31%	2.35%	2.63%			2.35%	2.67%	
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Dividend per share (in Agurot)*	-	-	5.5			4.19	21.92	

* Dividend in respect of the relevant period

ADJUSTMENTS TO PROFIT & LOSS

NIS m	Gross			Net			Gross		Net	
	Q420	Q320	Q419	Q420	Q320	Q419	2020	2019	2020	2019
Early retirement at Discount Bank and Mercantile	373	25	18	246	16	12	413	58	272	38
Legal provision, net of insurance payment	(174)	168	38	(112)	109	24	65	60	43	39
Cost associated with IDBNY change of headquarters location	40			26			40		26	
Income from the sale of Visa Inc. shares	(88)	-		(44)			(88)	-	(44)	
Early retirement at CAL	(7)	38	-	(3)	18		31	-	15	
Total	232	143	56	157	99	36	461	118	312	77

SELECTED BALANCE SHEET ITEMS

NIS m	31.12.20	30.9.20	31.12.19
Cash and deposits with banks	42,936	40,469	26,044
Securities	42,785	41,431	37,745
Credit to the public	192,479	190,300	182,991
Provision for credit loss	(3,761)	(3,644)	(2,524)
Credit to the public, net	188,718	186,656	180,467
Credit to governments	3,473	4,276	3,515
Investment in investee companies	348	269	171
Buildings and equipment	2,995	2,805	2,577
Intangible assets and goodwill	164	164	164
Assets in respect of derivative instruments	6,400	5,451	4,545
Other assets	5,076	5,478	4,064
Total Assets	293,969	287,678	259,823
Deposits from the public	226,118	225,108	201,450
Deposits from banks	13,107	9,384	6,419
Bonds and subordinated debt notes	10,201	11,314	13,129
Liabilities in respect of derivative instruments	7,365	5,586	4,839
Other liabilities	16,946	16,361	14,266
Total liabilities	274,242	267,979	240,630
Equity capital attributed to the Bank's shareholders	19,182	19,160	18,678
Non-controlling rights in consolidated companies	545	539	515
Total equity	19,727	19,699	19,193
Total Liabilities and Equity	293,969	287,678	259,823

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	4Q20	3Q20	4Q19	Vs. 3Q20	Vs. 4Q19	2020	2019	Change
Net interest income	59	57	61	3.5%	(3.3%)	237	250	(5.2%)
Credit loss expenses	10	9	1	11.1%	900.0%	37	9	311.1%
Non-interest income	15	14	19	7.1%	(21.1%)	72	77	(6.5%)
Total income	74	71	80	4.2%	(7.5%)	309	327	(5.5%)
Operating & other expenses	68	44	51	54.5%	33.3%	204	190	7.4%
Net income	1	14	21	(92.9%)	(95.2%)	58	100	(42.0%)
Net income excluding non-recurring items	10	14	21	(28.6%)	(52.4%)	67	100	(33.0%)
Return on equity	0.4%	4.6%	7.9%			5.1%	9.8%	
Return on equity excluding non-recurring items	3.4%	4.6%	7.9%			5.9%	9.8%	
Cost-income ratio	91.9%	62.0%	63.8%			66.0%	58.1%	
Cost-income ratio excluding non-recurring items	75.1%	62.0%	63.8%			62.0%	58.1%	
Rate of credit loss expenses	0.57%	0.58%	0.09%			0.54%	0.14%	
NIM	2.39%	2.37%	2.63%			2.44%	2.74%	
Total assets	11,010	10,669	9,777	3.2%	12.6%			
Loans, net	7,155	6,963	6,778	2.8%	5.6%			
Securities	2,746	2,676	2,440	2.6%	12.5%			
Deposits from the public	9,001	8,774	8,164	2.6%	10.3%			
Total equity	1,153	1,149	1,078	0.3%	7.0%			

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q20	3Q20	4Q19	Vs. 2Q20	Vs. 3Q19	2020	2019	Change
Net interest income	301	302	313	(0.3%)	(3.8%)	1,219	1,201	1.5%
Credit loss expenses	46	77	58	(40.3%)	(20.7%)	320	188	70.2%
Non-interest income	90	114	97	(21.1%)	(7.2%)	426	367	16.1%
Total income	391	416	410	(6.0%)	(4.6%)	1,645	1,568	4.9%
Operating & other expenses	282	241	233	17.0%	21.0%	999	913	9.4%
Net income	40	64	77	(37.5%)	(48.1%)	211	305	(30.8%)
Net income excluding non-recurring items	63	66	77	(4.5%)	(18.2%)	236	305	(22.6%)

Return on equity	5.1%	8.2%	10.6%	6.6%	10.5%
Return on equity excluding non-recurring items	8.3%	8.5%	10.6%	7.4%	10.5%
Cost-income ratio	72.1%	57.9%	56.8%	60.7%	58.2%
Cost-income ratio excluding non-recurring items	63.2%	57.1%	58.4	58.4%	58.2%
Rate of credit loss expenses	0.56%	0.94%	0.83%	0.98%	0.69%
NIM	2.54%	2.71%	3.49%	2.71%	3.40%

Total assets	50,935	49,498	44,434	2.9%	14.6%
Credit to the public, net	33,118	32,839	31,967	0.8%	3.6%
Securities	6,300	5,850	4,806	7.7%	31.1%
Deposits from the public	40,842	39,529	36,232	3.3%	12.7%
Total equity	3,239	3,199	3,058	1.3%	5.9%

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q20	3Q20	4Q19	Vs. 3Q20	Vs. 4Q19	2020	2019	Change
Income from credit card transactions	323	315	352	2.5%	(8.2%)	1,254	1,356	(7.5%)
Net interest income	128	134	130	(4.5%)	(1.5%)	530	505	5.0%
Credit loss expenses	33	25	30	32.0%	10.0%	223	147	51.7%
Non-interest financing income	(1)	68	2	(101.5%)	(150.0%)	73	2	3550.0%
Total income	450	517	484	(13.0%)	(7.0%)	1,857	1,863	(0.3%)
Total expenses (excluding credit loss expenses)	382	405	382	(5.7%)	0.0%	1,493	1,440	3.7%
Net income	28	71	52	(60.6%)	(46.2%)	115	201	(42.8%)
Net income excluding non-recurring items	23	51	52	(55.9%)	(55.7%)	90	188	(52.3%)
Return on equity	6.0%	16.1%	11.8%			6.2%	11.0%	
Return on equity excluding non-recurring items	5.0%	11.3%	11.8%			4.8%	10.3%	
Cost-income ratio	84.9%	78.3%	78.9%			80.4%	77.3%	
Cost-income ratio excluding non-recurring items	86.4%	71.0%	78.9%			81.5%	78.2%	
Total assets	18,535	18,431	19,159	0.6%	(3.3%)			
Interest bearing credit	5,959	6,129	6,502	(2.8%)	(8.4%)			
Consumer credit	5,165	5,332	5,471	(3.1%)	(5.6%)			
Total equity	1,930	1,908	1,821	1.2%	6.0%			