



1Q 2021 REVIEW

FINANCIAL AND STRATEGIC HIGHLIGHTS

Investor Relations

May 25, 2021

Disclaimer:

This document has been prepared by Israel Discount Bank Ltd. (the "Bank") solely for use by the Bank in its presentation of its 2021 First quarter report, as well as in strategic updates referred to in the Bank's reports.

This presentation is not a substitute for the Bank's 2021 first quarter financial statements which include the full financial information including forward-looking Information. The English version of the financial statements are available on the Bank's investor relations website at www.investors.discountbank.co.il

This presentation includes forward-looking information, as defined in the Israeli Securities Law, 5728 - 1968. Such information includes, among other things, projections, objectives, estimates and assessments of the Bank, which relate to future events or issues, the occurrence of which is not certain and is outside the control of the Bank. Forward-looking information does not constitute proven, factual information, and is based solely on the viewpoint of the Bank's management, which is based, among other things, on analysis of general information that is known to the Bank's management as of the date of this presentation. Forward-looking information, by definition, is subject to the substantial risk of not coming to fruition, and such information is not definite and cannot be estimated in advance and is at times even beyond the Bank's control. The fulfillment of forward-looking information is impacted by risk factors that are characteristic of the Bank's activities and also by developments in the general environment and external factors that affect the Bank's operations, which cannot be estimated in advance and that by their nature are beyond the control of the Bank. Therefore, readers of this presentation are hereby warned that the results and achievements of the Bank in the future may be significantly different than those presented in the forward-looking information included in this presentation. Similarly, forward-looking projections and estimations are based on assumptions and information in the possession of the Bank as of the time of the presentation, and the Bank shall not be required to update or revise any such projection or estimation in order to reflect events or conditions that transpire after the date of the presentation.

Disclaimer regarding unsponsored American Depositary Receipt (ADR):

U.S. depository institutions or banks may establish ADR programs in respect of the shares of certain non-U.S. issuers without the consent or participation of such issuers (the so called "Unsponsored ADRs"). An ADR or American Depositary Receipt, which is issued by a U.S. bank or depository to evidence a share of a non-U.S. issuer that has been deposited with the U.S. bank or depository. An Unsponsored ADR program is set up without the cooperation of the non-U.S. issuer or even without its consent. Israel Discount Bank does not support or encourage the creation of Unsponsored ADR programs in respect of its securities and, in any event, disclaims any liability in connection with an Unsponsored ADR.

Israel Discount Bank makes no representation regarding its compliance with Rule 12g3-2(b) of the U.S. Securities Exchange Act of 1934, as amended.

AGENDA

➤ **Financial and Strategic Review**

Barak Nardi, CFO

➤ **Q&A**

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

RECORD NET INCOME AND ROBUST PERFORMANCE HIGHLIGHT UNDERLYING POTENTIAL OF THE BANK

1Q21 ADJUSTED NET INCOME

738_M

1Q21 reported: NIS 662m;
1Q20 reported: NIS 279m

ADJUSTED ROE

16.2%

1Q21 reported: 14.5%;
1Q20 reported: 6.0%

Total Equity

20.4 bn

1Q20: 19.4bn

CREDIT GROWTH

(Gross)

5.7% YoY

2.3% QoQ

Total Assets

306 bn

FY 2020: NIS 294bn

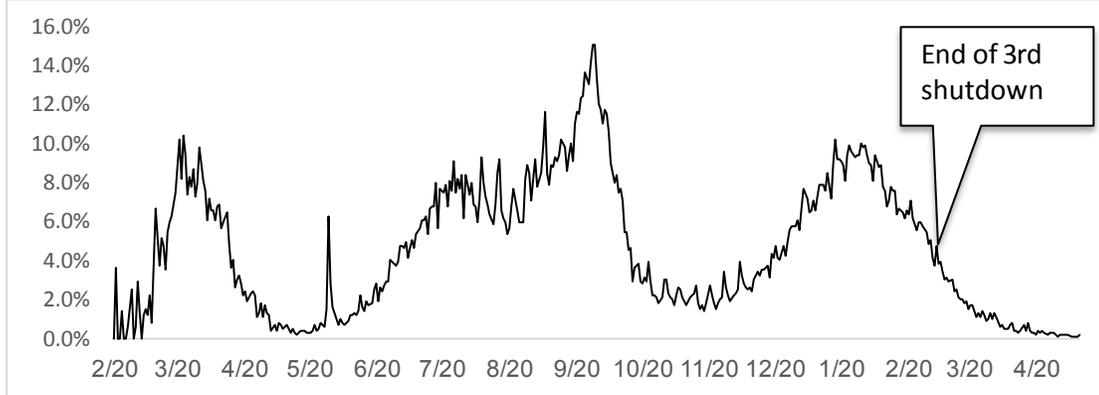
LLP

(0.30) %

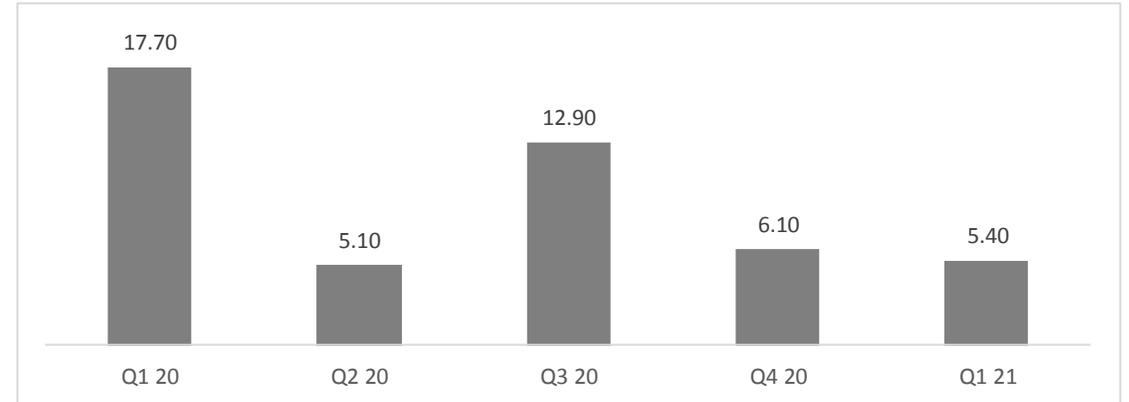
FY 2020: 0.91%

MACRO INDICATORS GIVE COMFORT THAT THE WORST OF THE ECONOMIC PANDEMIC IS BEHIND US

% Positive cases of COVID-19
(Ministry of Health data)



Temporary unemployment
(BOI data)



Growth in credit by segments, Banking sector
(BOI data)

	Q2	Q1 2021
Total Credit	(0.5%)	2.4%
Consumer	(2.8%)	0.3%
Commercial	(3.0%)	3.8%
SME	3.2%	1.0%
Mortgages	1.9%	2.3%

Balance of loans for which the deferral period ended, Banking sector as of March, (BOI data)

	Balance of loans for which the deferral period ended / total deferred loans
Total	86%
Consumer	84%
Medium enterprises	88%
Corporate	77%
Small and Micro enterprises	92%
Mortgages	83%

1Q 2021 HIGHLIGHTS

- **Adjusted ROE of 16.2% and reported ROE of 14.5%** were propelled by:
 - **Solid NII** (up 3.4% vs 1Q20)
 - **Negative LLP** of -0.30% as the economic outlook starts to improve
 - **Lower salary expenses** (down 2.8% vs. 1Q20) as we completed our largest ever **early retirement plan**
- Adjusted **Efficiency Ratio** was 60.6% compared with adjusted 65.8% in Q4 20 and 58.4% in 1Q20
- **Positive quarterly Jaws Ratio** of 8.3% driven by 5.1% income growth and 3.2% cost reduction, on an adjusted basis
- **Loan book** growth of 5.7% YoY (**6.7% YoY in Israel**), driven by 15.7% **growth in mortgages** and 12.5% in **corporate** vs. 1Q20

Adjusted* 1Q21

<u>Net income</u>	<u>ROE</u>	<u>Cost-income ratio</u>	<u>LCR</u>	<u>Leverage Ratio</u>
NIS 662 m (4Q20: NIS 264m; 1Q20: NIS 279m)	14.5% (4Q20: 5.6%; 1Q20: 6.0%)	65.1% (4Q20: 75.4%; 1Q20: 58.6%)	145.6% (4Q20: 147.5%; 1Q20: 128.8%)	6.1% (4Q20: 6.3%; 1Q20: 6.5%)
NIS 738 m (4Q20: NIS 421m; 1Q20: NIS 283m)	16.2% (4Q20: 9.1%; 1Q20: 6.1%)	60.6% (4Q20: 65.8%; 1Q20: 58.4%)		

* See slide 17 for details on adjustments

STRONG TOTAL CREDIT GROWTH AS WE CONTINUE TO GAIN MARKET SHARE IN MORTGAGES

Credit to the public segments and composition*

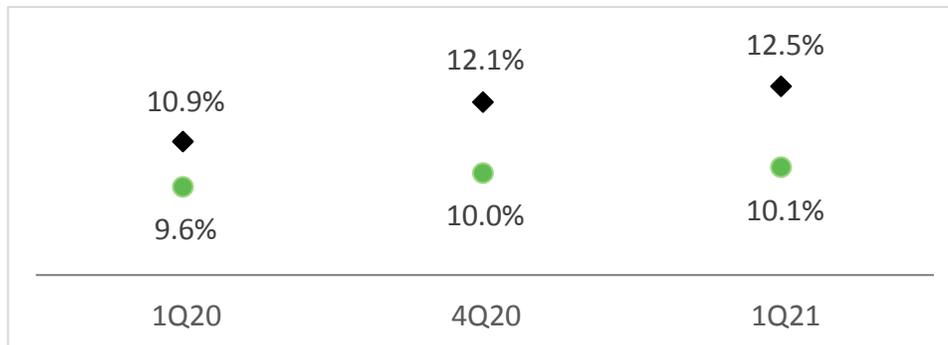
in NIS Bn; growth %



Market share of new mortgages

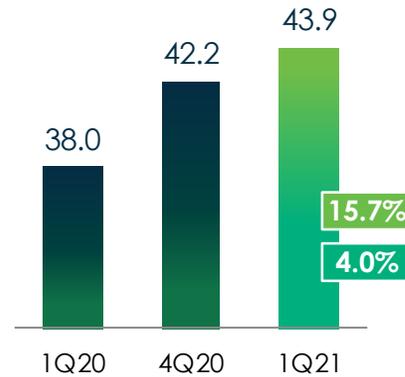
in %

- ◆ Market share of new mortgages
- Market share of total mortgages



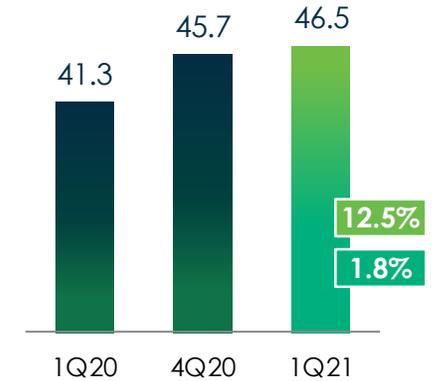
Mortgages

(in households)
in NIS Bn; growth %



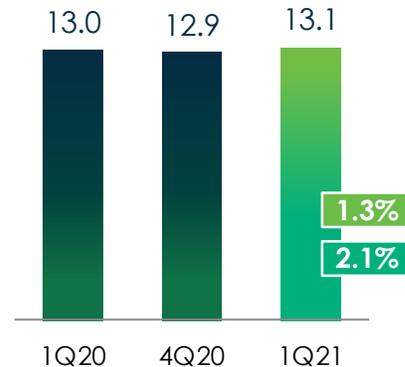
Corporate

in NIS Bn; growth %



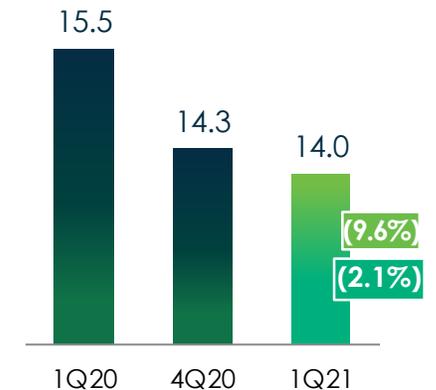
Medium enterprises

in NIS Bn; growth %



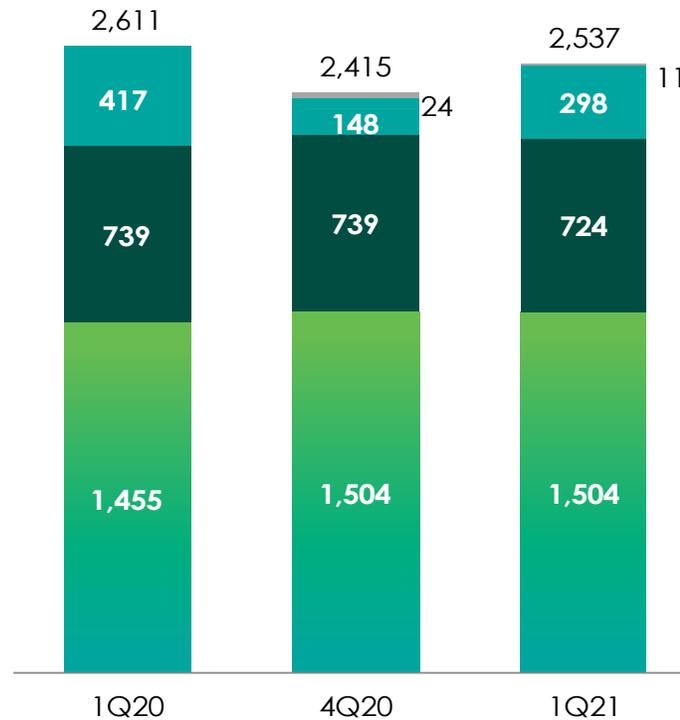
Consumer **

in NIS Bn; growth %



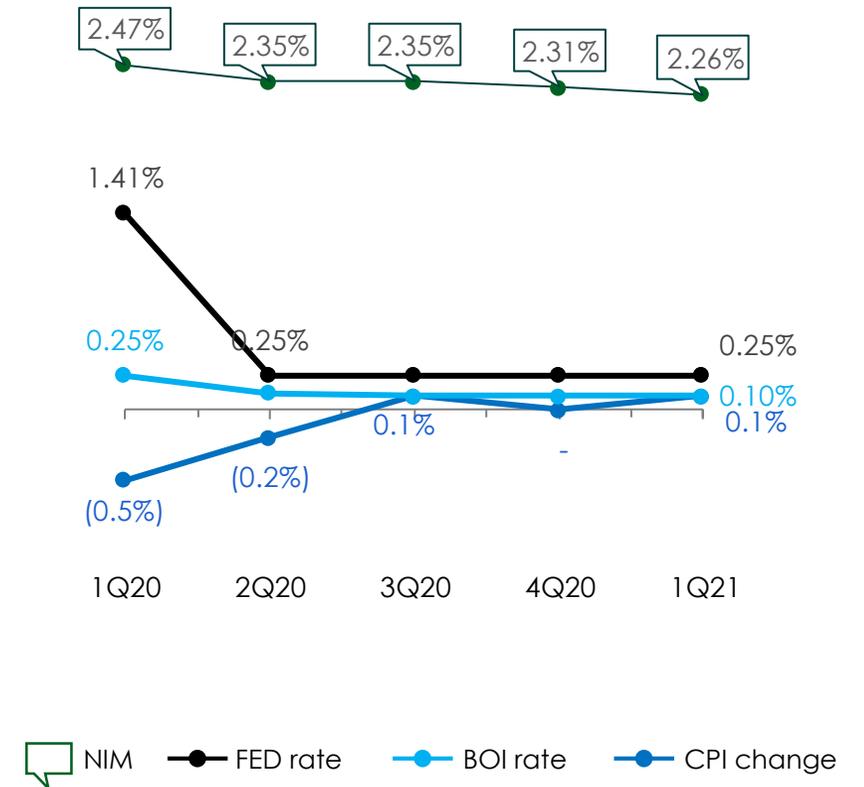
TOTAL REVENUE SUPPORTED BY CAPITAL MARKETS ACTIVITY AND CREDIT GROWTH

Total income
NIS m

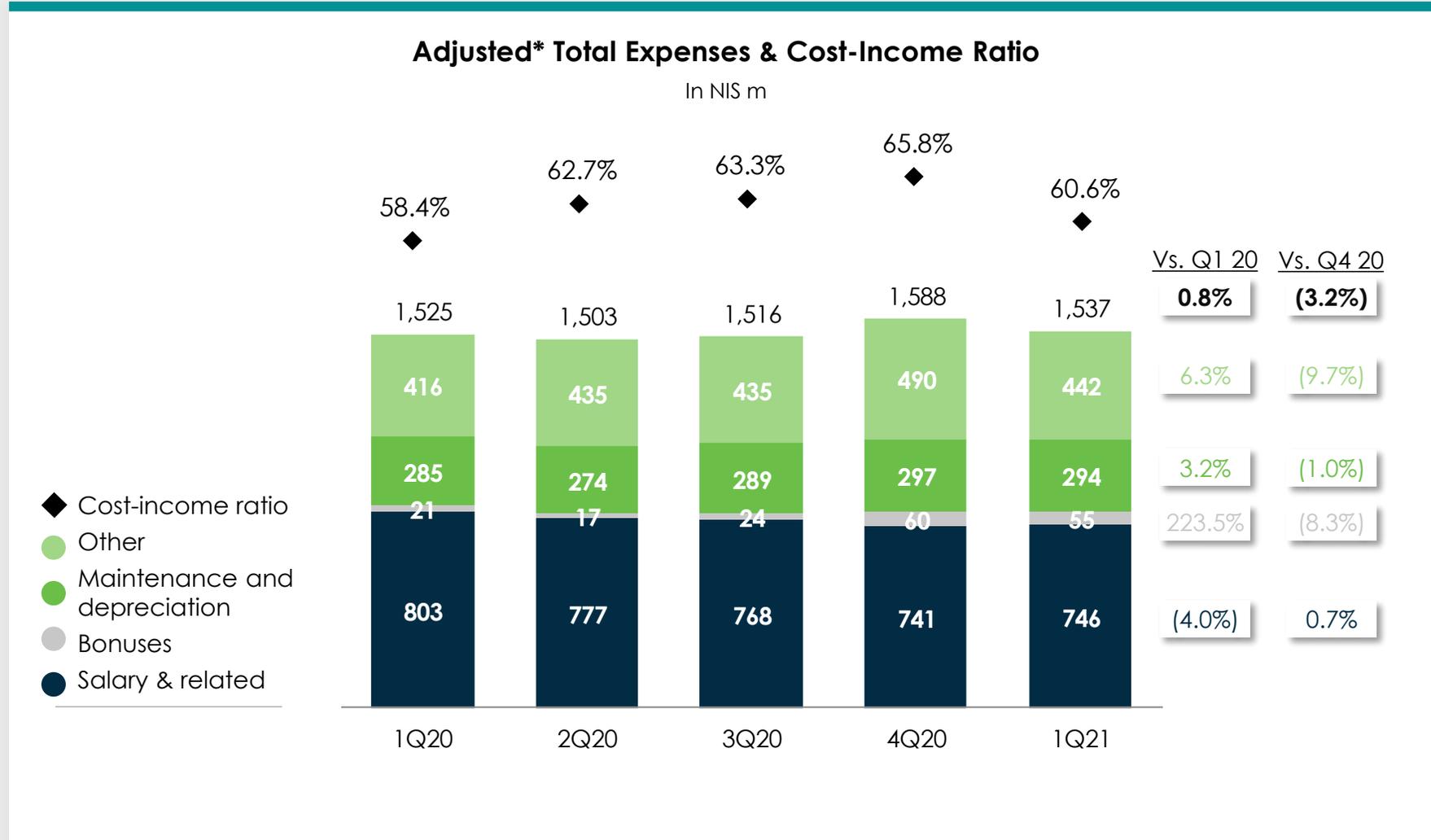


	YoY	QoQ
Total income	(2.8%)	5.1%
Net interest income	(28.5%)	101.4%
Fees	(2.0%)	(2.0%)
Non-interest financing income	3.4%	0.0%

NIM and rates

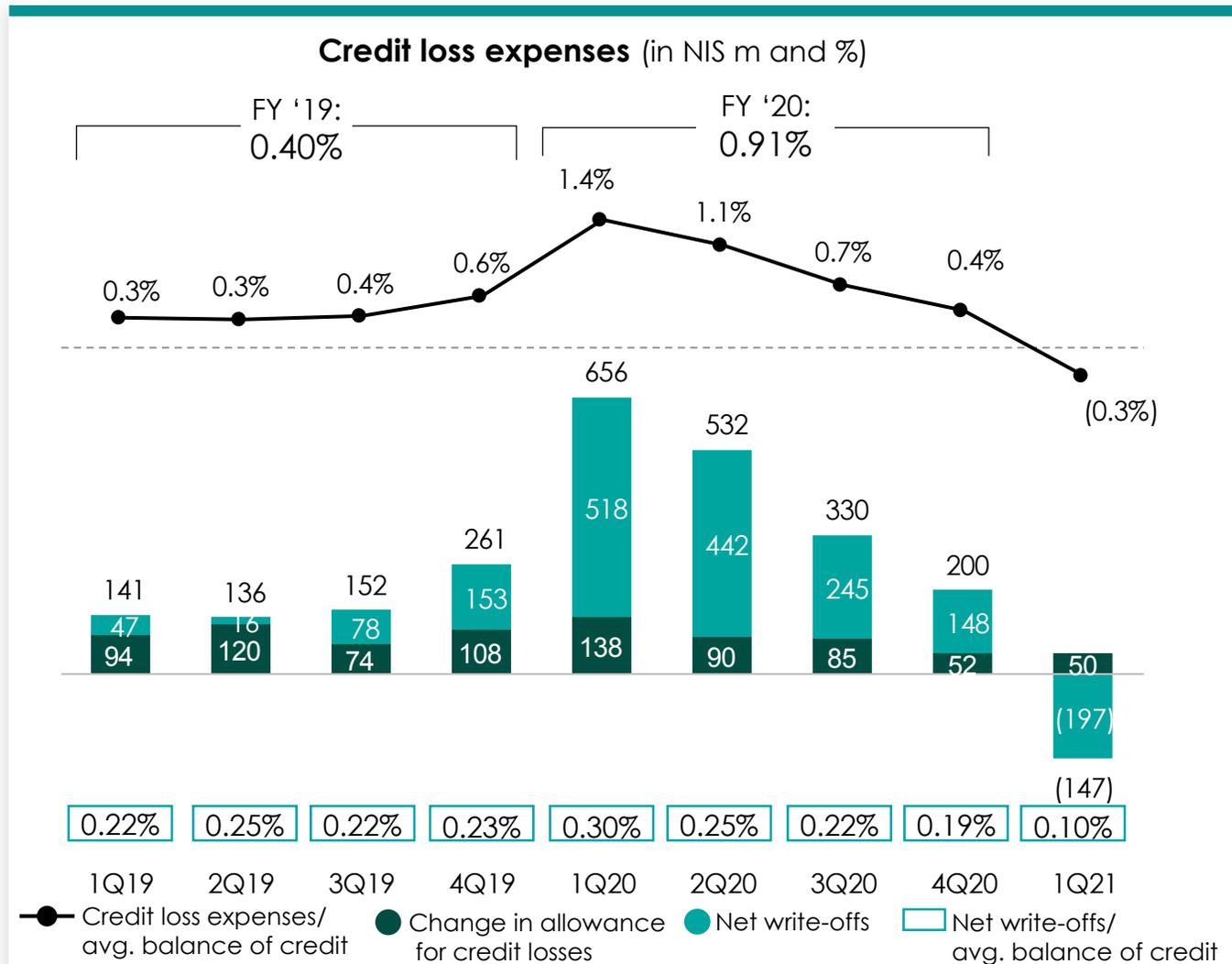


TIGHT EXPENSE CONTROL AND EFFICIENCY PROGRAM LED TO IMPROVED ADJUSTED COST-TO-INCOME RATIO

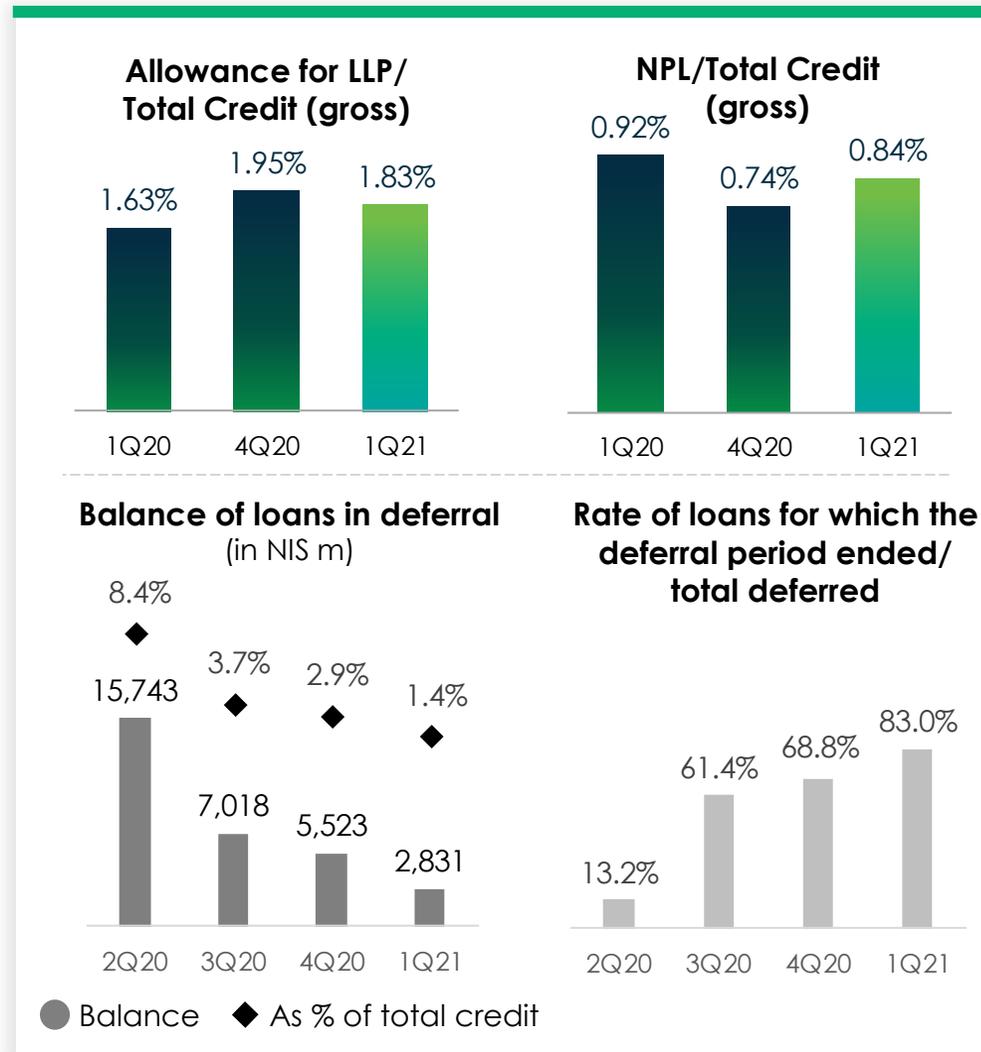


* See slide 17 for details on adjustments

REVERSAL OF PROVISIONS AND LOW LEVELS OF WRITE-OFFS SUPPORTED BY ROBUST ECONOMIC RECOVERY



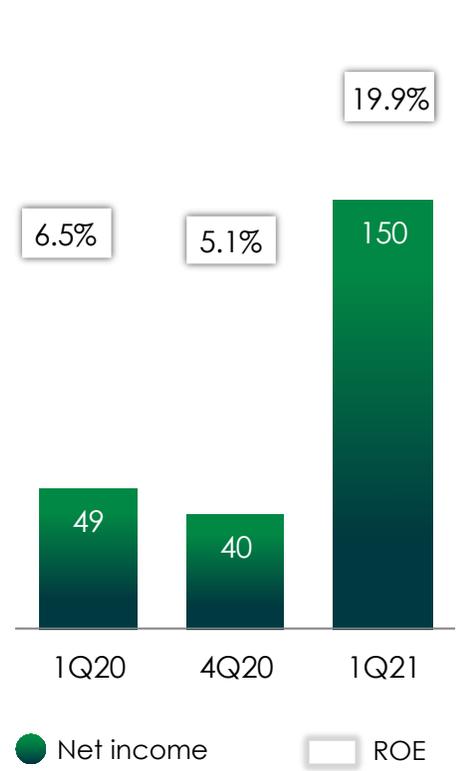
* Net write-offs are calculated as a percent of avg. balance of credit on an accumulated basis



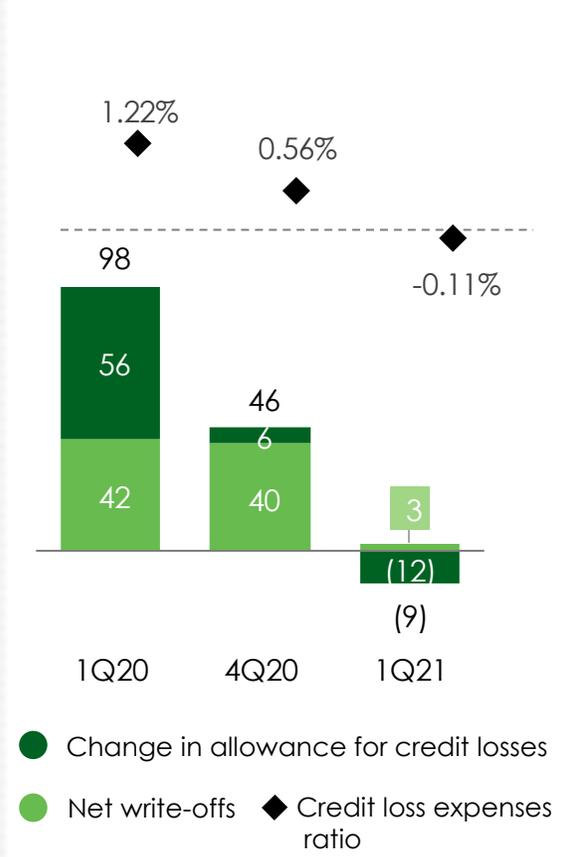
ROBUST INCOME GROWTH DELIVERS RECORD LEVEL NET INCOME AND ROE

- Mercantile's net income was positively impacted by negative provisions and a one-time net valuation gain on account of the marked to market gains of NIS 50 m.
- Loan book expansion of 2.7% in 1Q21 was mainly on account of growth in the mortgage sector. Small and medium business demand has not yet fully recovered.
- Negative loan loss provisions as Mercantile customers quickly recovered from the economic shutdowns.
- Cost-income ratio of 52.7%, vs. 58.1% in 1Q20 and 72.1% in 4Q20.

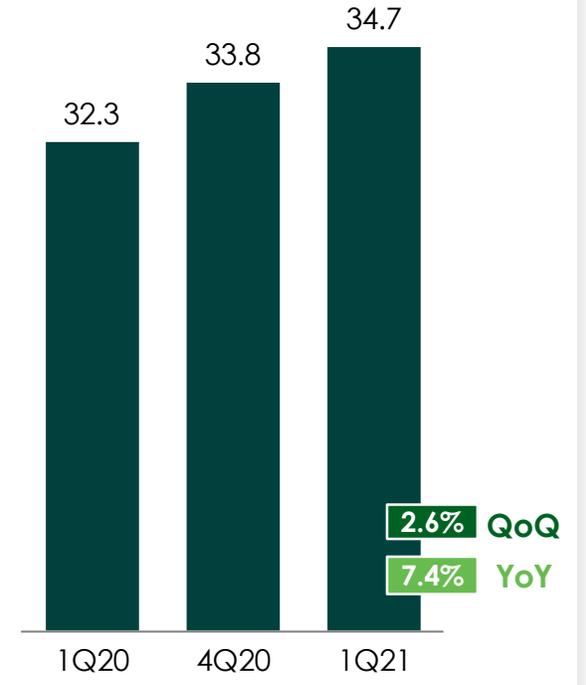
Net income and ROE in NIS m



Credit loss expenses breakdown in NIS m and %



Total credit in NIS Bn

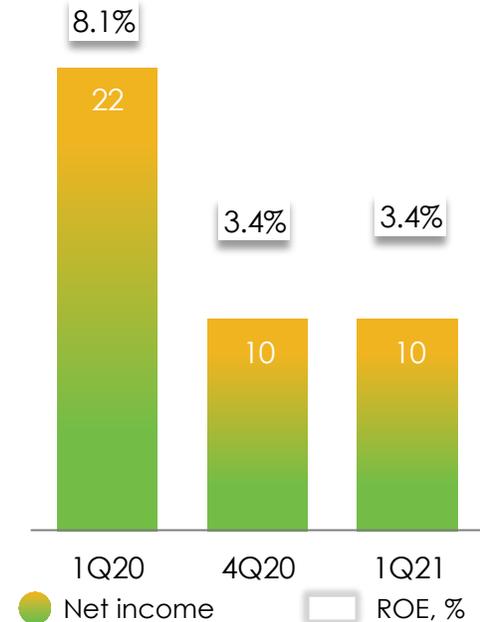


* Including Municipal balances

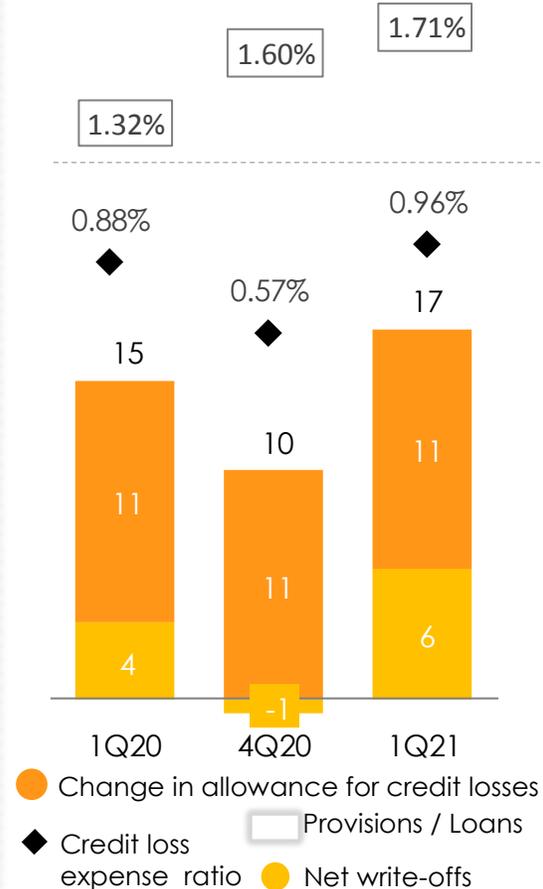
DEMAND FOR CREDIT CONTINUES TO RECOVER

- Demand for credit continues to recover, particularly in C&I sectors, as IDBNI's loan book grew 2.8% during 1Q21 and 5.9% since 1Q20.
- Yields on loans continue to face headwinds from lower LIBOR compressing NIM. NIM was 2.30% vs. 2.44% at the end of 2020 and 2.51% on 1Q20.
- Provisions for loan losses increased were general provisions due to continued reserve build primarily on account of qualitative factor adjustments for COVID.
- Cost-income ratio of 63.4% was negatively impacted due to costs associated with the move to its new headquarters in mid-town Manhattan

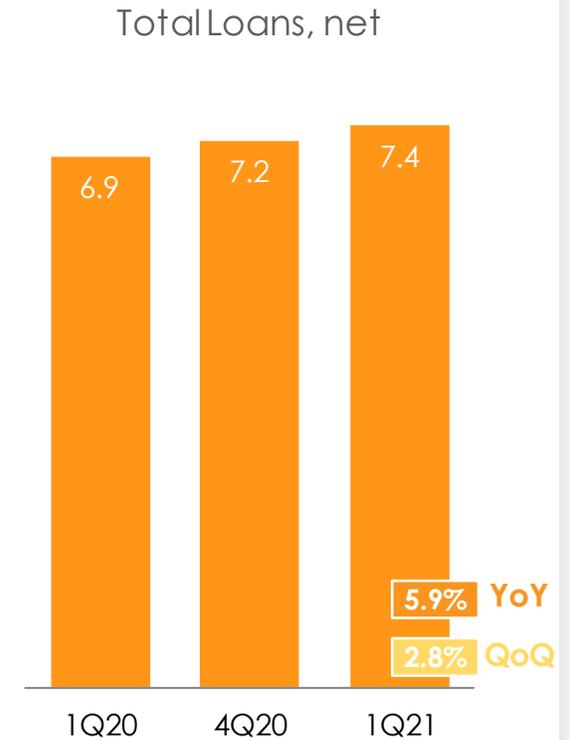
Adjusted Net income and ROE
(USD m)



Asset Quality
(USD m)



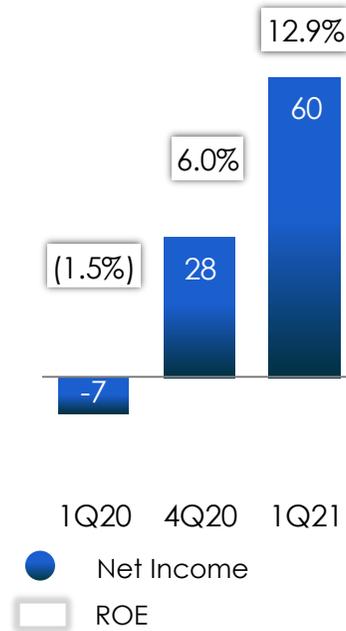
Total credit
(USD Bn)



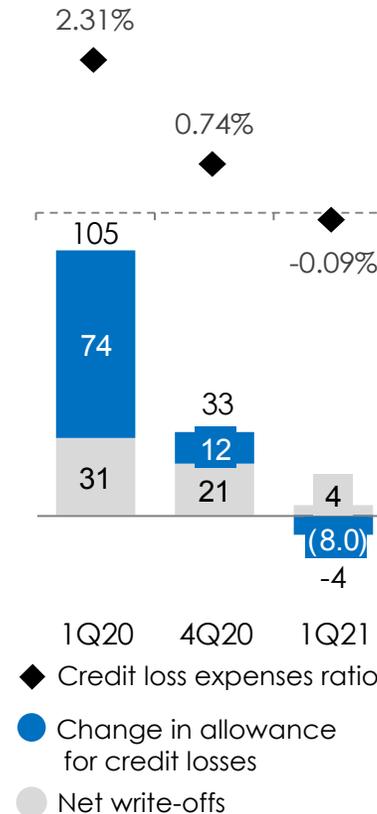
BEGINNING OF ECONOMIC RECOVERY DRIVES RECORD PROFITABILITY

- CAL continues to increase transaction turnover and active card growth which combined with negative provisions drove record net income and ROE.
- Lower write-offs and improving economy led to negative credit loss expenses.
- The reduction in air travel continues to weigh on fees generation and income growth
- Cost-income ratio of 81.4% in 1Q21 vs. 80.3% in 1Q20.

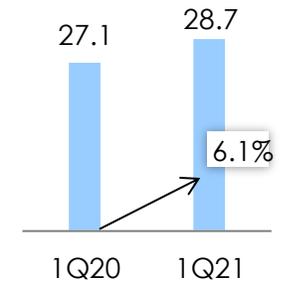
Net income and ROE
in NIS m



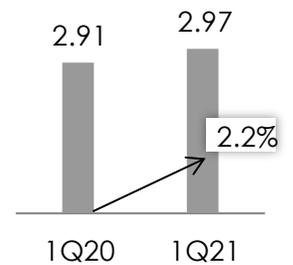
Credit loss expenses breakdown
in NIS m and %



Transaction turnover
in NIS Bn



Active credit cards
in m



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 fintech

3

Maximize Group Value

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

WE ARE ALREADY RELENTLESSLY DELIVERING ON OUR NEW STRATEGIC PLAN



754 Retirees

Reduction in workforce in the largest ever retirement plan completed in 1Q21



15.7%
Growth

Winning market share in mortgages, one of our targeted segments



IDB
SmartSave

Special honors recognition for **innovation in retail banking** from "Global Finance: The Innovators 2021"



PayBox

Launching tokenization in our leading **digital wallet**

AGENDA

> **Financial and Strategic Review**

Barak Nardi, CFO

> **Q&A**

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

APPENDICES

PROFIT & LOSS AND SELECTED RATIOS

NIS m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	1,504	1,504	1,455	0.0%	3.4%
Credit loss expenses	(147)	200	656	(173.5%)	(122.4%)
Non-interest financing income	298	148	417	101.4%	(28.5%)
Commissions	724	739	739	(2.0%)	(2.0%)
Other income	11	24	0	(54.2%)	-
Total non-interest income	1,033	911	1,156	13.4%	(10.6%)
Total income	2,537	2,415	2,611	5.1%	(2.8%)
Salaries and related expenses	801	794	824	0.9%	(2.8%)
Maintenance & depreciation	294	337	285	(12.8%)	3.2%
Other expenses	557	689	422	(19.2%)	32.0%
Total operating and other expenses	1,652	1,820	1,531	(9.2%)	7.9%
Income before taxes	1,032	395	424	161.3%	143.4%
Provision for taxes on income	353	159	151	122.0%	133.8%
Income after taxes	679	236	273	187.7%	148.7%
Net income attributable to shareholders	662	264	279	150.8%	137.3%
ROE	14.5%	5.6%	6.0%		
Cost income ratio	65.1%	75.4%	58.6%		
CET-1 ratio	10.20%	10.20%	9.99%		
NIM	2.26%	2.31%	2.47%		
Rate of credit loss expenses	(0.30%)	0.42%	1.42%		
NPL ratio	0.84%	0.74%	0.92%		
Dividend per share (in Agurot)*	-	-	4.19		

* Dividend in respect of the relevant period

ADJUSTED PROFIT & LOSS & SELECTED RATIOS

NIS m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	1,504	1,504	1,455	0.0%	3.4%
Credit loss expenses	(147)	200	656	(173.5%)	(122.4%)
Non-interest financing income	298	148	417	101.4%	(28.5%)
Commissions	724	739	739	(2.0%)	(2.0%)
Other income	11	24	0	(54.2%)	N/A
Total non-interest income	1,033	911	1,156	13.4%	(10.6%)
Total income	2,537	2,415	2,611	5.1%	(2.8%)
Salaries and related expenses	801	801	824	0.0%	(2.8%)
Maintenance & depreciation	294	297	285	(1.0%)	3.2%
Other expenses	442	490	416	(9.7%)	6.3%
Total operating and other expenses	1,537	1,588	1,525	(3.2%)	0.8%
Income before taxes	1,147	627	430	82.8%	166.7%
Provision for taxes on income	392	234	153	67.3%	156.2%
Income after taxes	755	393	277	92.1%	176.6%
Net income attributable to shareholders	738	421	283	75.3%	160.7%
ROE	16.2%	9.1%	6.1%		
Cost income ratio	60.6%	65.8%	58.4%		
CET-1 ratio	10.24%	10.20%	9.99%		
NIM	2.26%	2.31%	2.47%		
Rate of credit loss expenses	(0.30%)	0.42%	1.42%		
NPL ratio	0.84%	0.74%	0.92%		
Dividend per share (in Agurot)*	-	-	4.19		

* Dividend in respect of the relevant period

ADJUSTMENTS TO PROFIT & LOSS

NIS m	Gross			Net		
	1Q21	4Q20	1Q20	1Q21	4Q20	1Q20
Early retirement at Discount Bank and Mercantile	115	373	6	76	246	4
Legal provision / net of insurance payment		(174)			(112)	
Cost associated with IDBNY change of headquarters location		40			26	
Income from the sale of Visa Inc. shares						
Early retirement at CAL		(7)			(3)	
Total	115	232	6	76	157	4

SELECTED BALANCE SHEET ITEMS

NIS m	31.03.21	31.12.20	31.03.20
Cash and deposits with banks	50,307	42,936	29,392
Securities	44,212	42,785	42,605
Credit to the public	196,901	192,479	186,215
Provision for credit loss	(3,609)	(3,761)	(3,028)
Credit to the public, net	193,292	188,718	183,187
Credit to governments	3,520	3,473	4,406
Investment in investee companies	355	348	152
Buildings and equipment	3,012	2,995	2,641
Intangible assets and goodwill	164	164	164
Assets in respect of derivative instruments	5,099	6,400	7,757
Other assets	5,046	5,076	4,612
Total Assets	306,142	293,969	276,404
Deposits from the public	240,787	226,118	213,667
Deposits from banks	12,241	13,107	7,339
Bonds and subordinated debt notes	10,136	10,201	13,069
Liabilities in respect of derivative instruments	4,919	7,365	7,878
Other liabilities	17,368	16,946	13,367
Total liabilities	285,744	274,242	256,960
Equity capital attributed to the Bank's shareholders	19,836	19,182	18,929
Non-controlling rights in consolidated companies	562	545	515
Total equity	20,398	19,727	19,444
Total Liabilities and Equity	306,142	293,969	276,404

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	306	301	317	1.7%	(3.5%)
Credit loss expenses	(9)	46	98	(119.6%)	(109.2%)
Non-interest income	155	90	98	72.2%	58.2%
Total income	461	391	415	17.9%	11.1%
Operating & other expenses	243	282	241	(13.8%)	0.8%
Net income	150	40	49	275.0%	206.1%
Net income excluding non-recurring items	117	63	49	138.1%	206.1%

Return on equity	19.9%	5.1%	6.5%
Return on equity excluding non-recurring items	15.3%	8.3%	6.5%
Cost-income ratio	52.7%	72.1%	58.1%
Cost-income ratio excluding non-recurring items	59.1%	63.2%	58.1%
Rate of credit loss expenses	(0.11%)	0.56%	1.22%
NIM	2.54%	2.54%	2.99%

Total assets	51,363	50,937	44,781	0.8%	14.7%
Credit to the public, net	34,022	33,118	31,792	2.7%	7.0%
Securities	5,733	6,300	4,715	(9.0%)	21.6%
Deposits from the public	41,476	40,842	35,844	1.6%	15.7%
Total equity	3,337	3,239	3,133	3.0%	6.5%

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	59	59	59	0.0%	0.0%
Credit loss expenses	17	10	15	70.0%	13.3%
Non-interest income	23	15	32	53.3%	(28.1%)
Total income	82	74	91	10.8%	(9.9%)
Operating & other expenses	52	68	47	(23.5%)	10.6%
Net income	10	1	22	900.0%	(54.5%)
Net income excluding non-recurring items	10	10	22	0.0%	(52.4%)

Return on equity	3.4%	0.4%	8.1%
Return on equity excluding non-recurring items	3.4%	3.4%	8.1%
Cost-income ratio	63.4%	91.9%	51.6%
Cost-income ratio excluding non-recurring items	63.4%	75.2%	51.6%
Rate of credit loss expenses	0.96%	0.57%	0.88%
NIM	2.30%	2.39%	2.51%

Total assets	11,667	11,010	10,998	6.0%	6.1%
Loans, net	7,354	7,155	6,945	2.8%	5.9%
Securities	2,966	2,746	2,672	9.1%	12.1%
Deposits from the public	9,928	9,001	8,365	10.3%	18.7%
Total equity	1,148	1,153	1,081	(0.4%)	6.2%

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Income from credit card transactions	317	323	330	(1.9%)	(3.9%)
Net interest income	129	128	134	0.8%	(3.7%)
Credit loss expenses	(4)	33	105	(112.1%)	(103.8%)
Non-interest financing income	1	(1)	8	(200.0)	(87.5%)
Total income	447	450	472	(0.7%)	(5.3%)
Total expenses (excluding credit loss expenses)	364	382	379	(4.7%)	(4.0%)
Net income	60	28	(7)	114.3%	957.1%
Net income excluding non-recurring items	60	23	(7)	160.9%	957.1%

Return on equity	12.9%	6.0%	(1.5%)
Return on equity excluding non-recurring items	12.9%	5.0%	(1.5%)
Cost-income ratio	81.4%	84.9%	80.3%
Cost-income ratio excluding non-recurring items	81.4%	86.4%	80.3%

Total assets	19,385	18,535	18,359	4.6%	5.6%
Interest bearing credit	5,024	5,159	5,650	(2.6%)	(11.1%)
Consumer credit	5,030	5,165	5,659	(2.6%)	(11.1%)
Total equity	1,989	1,933	1,823	2.9%	9.1%