



# 2021 REVIEW

## FINANCIAL AND STRATEGIC HIGHLIGHTS

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Investor Relations

March 9, 2022

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# AGENDA

## > Opening Remarks

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Uri Levin, CEO

## > Financial Review

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Barak Nardi, CFO

## > Strategic Review and Guidance

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Barak Nardi, CFO

## > Q&A

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Uri Levin, CEO

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

# DISCOUNT GROUP ACHIEVED RECORD RESULTS THROUGH SOLID EXECUTION

2021 NET INCOME

**2,773** <sub>M</sub>

2021 ROE

**13.6** %

# STRONG UNDERLYING SUSTAINABLE PERFORMANCE ACROSS KEY INDICATORS

## 2021 NET INCOME

(adjusted and normalized)

2,070<sub>M</sub>

## 2021 ROE

(adjusted and normalized)

10.1%

## 2021 CREDIT GROWTH

+12.3%

## 2021 EMPLOYEE PRODUCTIVITY

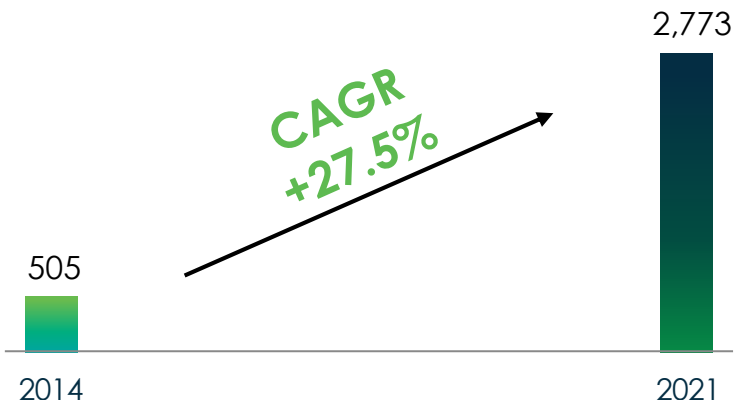
+12.2%

## 2021 MORTGAGE ORIGINATIONS

+69.3%

# SUCCESSFUL JOURNEY OF SUPERIOR EXECUTION

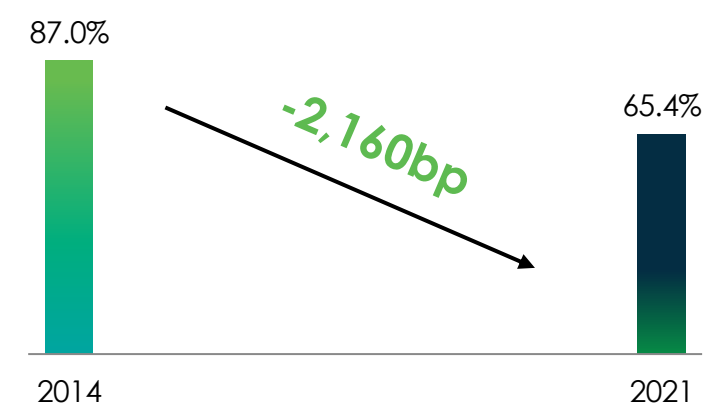
Net income (NIS m)



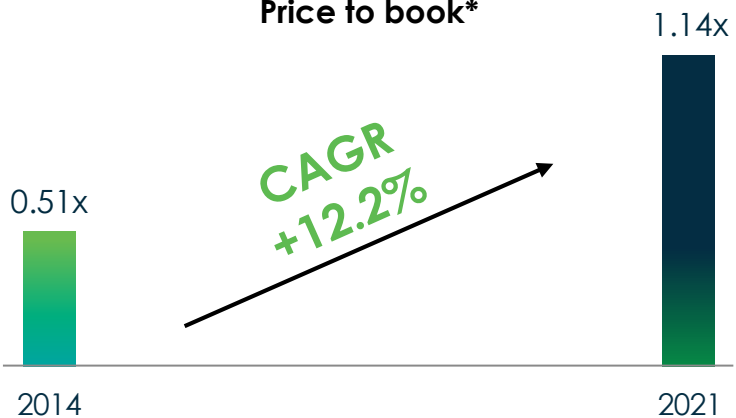
ROE



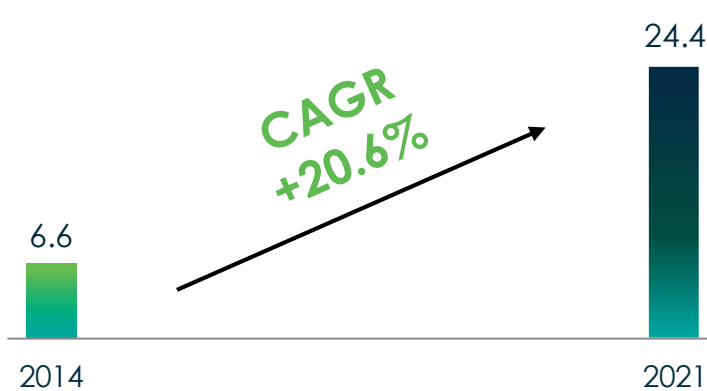
Efficiency Ratio



Price to book\*



Market Cap (NIS bn)



Average FTE



# HIGH CONFIDENCE IN OUR ABILITY TO INCREASE THE PACE AND DELIVER AMBITIOUS TARGETS

**2014**  
WHERE WE STARTED

**2021**  
WHERE WE ARE

**2025**  
WHERE WE GOING

**Net income**  
(Adjusted and normalized)

896m



2,070m



3,500m

**ROE**  
(Adjusted and normalized)

7.4%



10.1%



12.5%

**Efficiency Ratio**  
(Adjusted)

78.6%



61.6%



55.0%

7 \* Adjusted for certain items presented on slide 28

\*\* Normalized ROE = Replaces current credit loss expense ratio with the average credit loss expense ratio for the years 2016-2019 of 0.37%.

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# 4Q AND FY 2021 HIGHLIGHTS

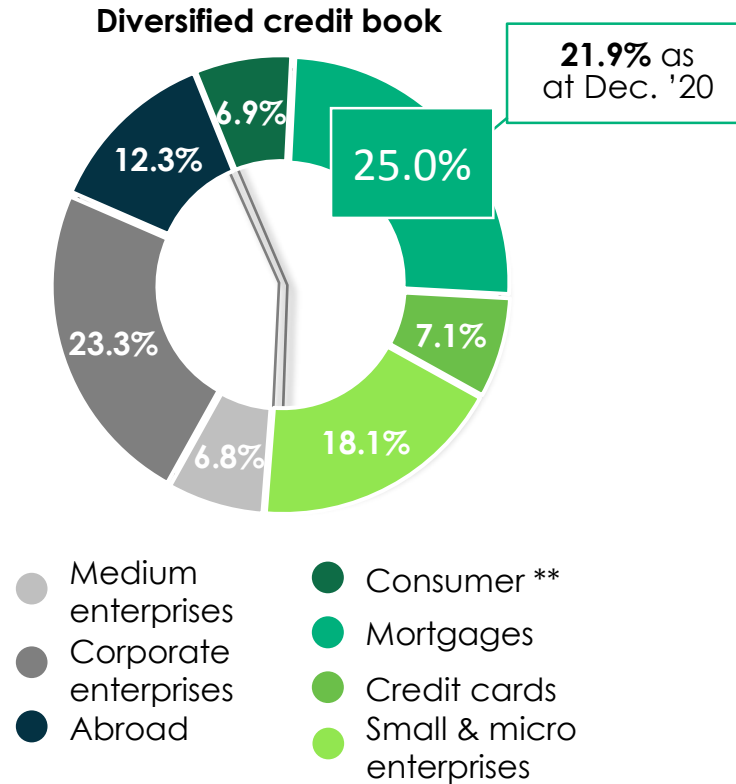
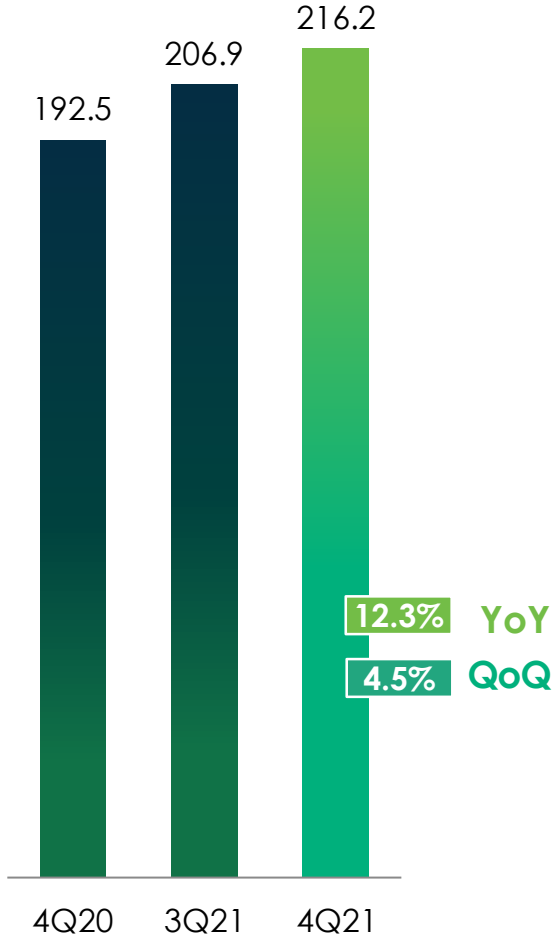
- **Adjusted ROE** of 14.8% in 2021 and 13.1% in 4Q21 driven by:
  - **Total Income strength** (up 5.9% in 2021, +12.7% vs. 4Q20 and +1.9% vs 3Q21) generated by core banking growth.
  - **Credit expense release** of (0.34%) in 2021 and (0.02%) in Q4 driven by low net write-offs and a release of provisions
  - **Continued controlled salary expenses excluding bonuses** as the early retirement plan of 2020 make an impact
- **Strong Total Credit growth** of 12.3% YoY and 4.5% in 4Q mainly in strategically focused sectors; mortgages and medium businesses
- **Strong Asset Quality** with write—offs as a percent of total average credit at 0.03% and an NPL ratio of 0.59% at the end of 2021
- **Solid execution at all subsidiaries** drives robust Group performance
- Reached ground breaking **new agreement with the union**
- **Dividend payout** of NIS 105.8 m; 20% of Q4 21 net income

4Q21	Net income	ROE	Cost-income ratio	Credit loss expenses ratio	2021	Net income	ROE	Cost-income ratio	Credit loss expenses ratio
	<b>NIS 529m</b> 3Q21: NIS 722 m; 4Q20: NIS 264 m	<b>10.2%</b> 3Q21: 14.5%; 4Q20: 5.6%	<b>71.2%</b> 3Q21: 62.0%; 4Q20: 75.4%	<b>(0.02%)</b> 3Q21: (0.25%) 4Q20: 0.42%		<b>NIS 2,773m</b> 2020: NIS 975 m	<b>13.6%</b> 2020: 5.1%	<b>65.4%</b> 2020: 67.5%	<b>(0.34%)</b> 2020: 0.91%
Adjusted	Net income	ROE	Cost-income ratio	Credit loss expenses ratio	Adjusted	Net income	ROE	Cost-income ratio	Credit loss expenses ratio
	<b>NIS 674 m</b> 3Q21: NIS 726 m; 4Q20: NIS 421 m	<b>13.1%</b> 3Q21: 14.6%; 4Q20: 9.1%	<b>62.1%</b> 3Q21: 61.7%; 4Q20: 65.8%			<b>NIS 3,016m</b> 2020: NIS 1,287 m	<b>14.8%</b> 2020: 6.7%	<b>61.6%</b> 2020: 62.5%	

# ROBUST, SUSTAINABLE AND RESPONSIBLE GROWTH ACROSS ALL SECTORS ESPECIALLY TARGETED SEGMENTS

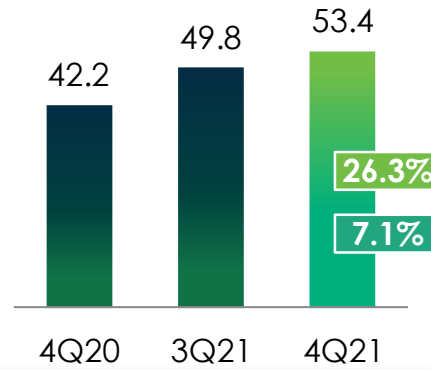
## Credit to the public segments and composition\*

in NIS bn; growth %



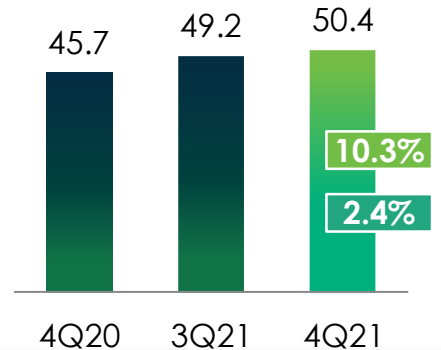
## Mortgages (in households)

in NIS bn; growth %



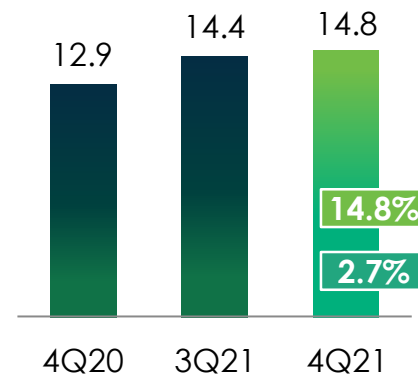
## Corporate

in NIS bn; growth %



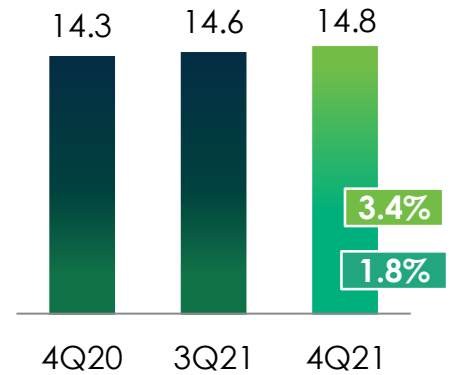
## Medium enterprises

in NIS bn; growth %



## Consumer \*\*

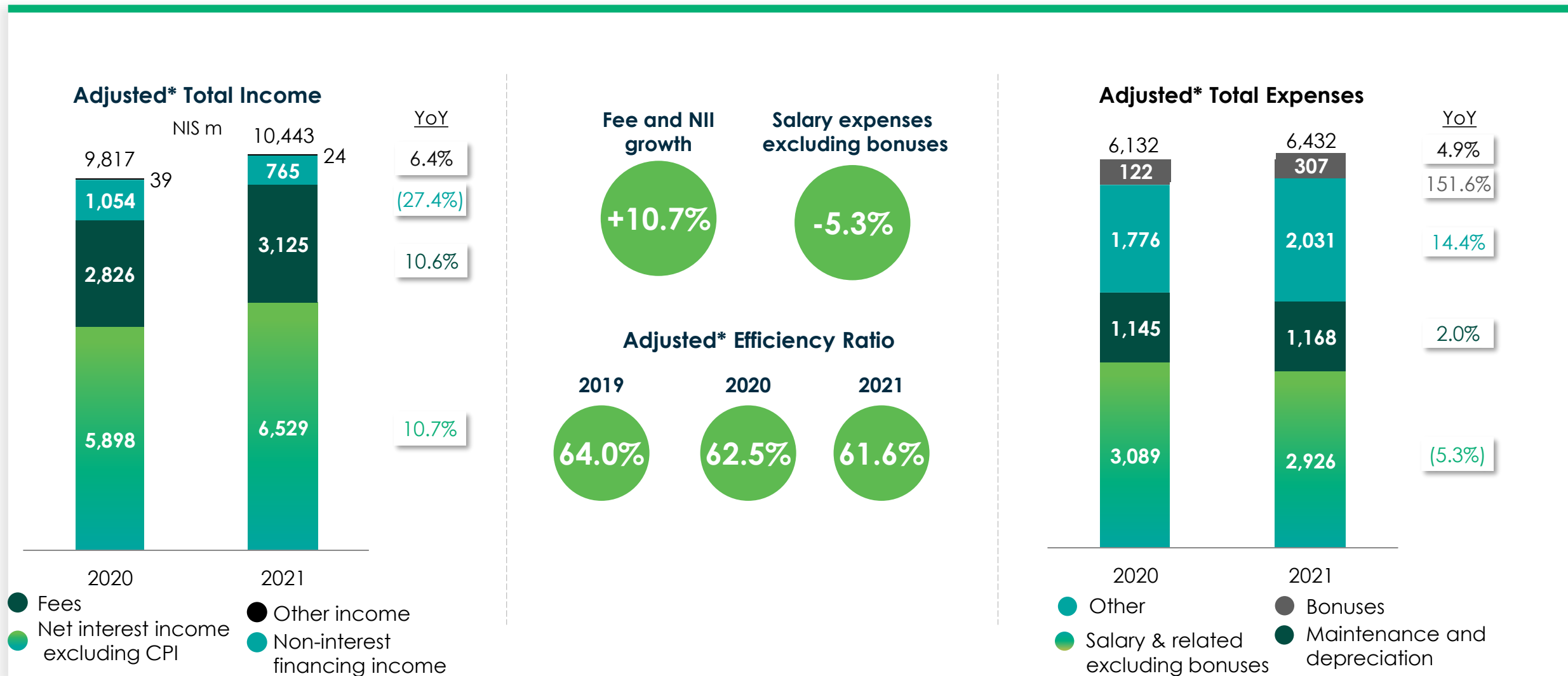
in NIS bn; growth %



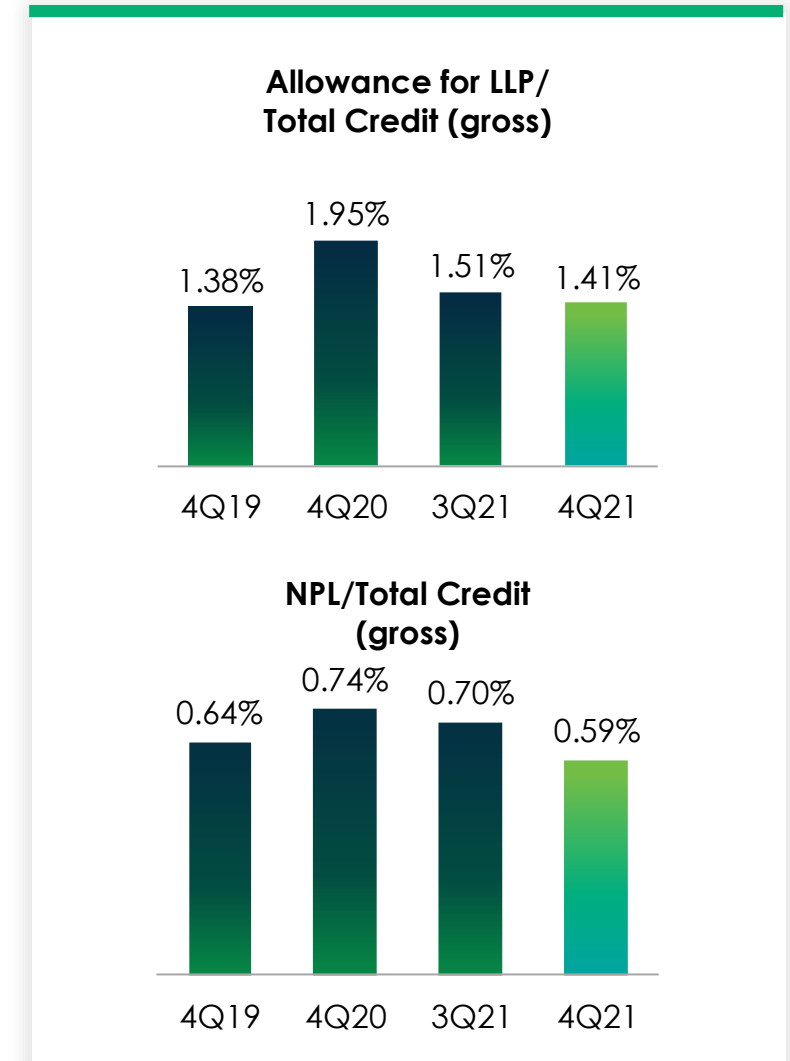
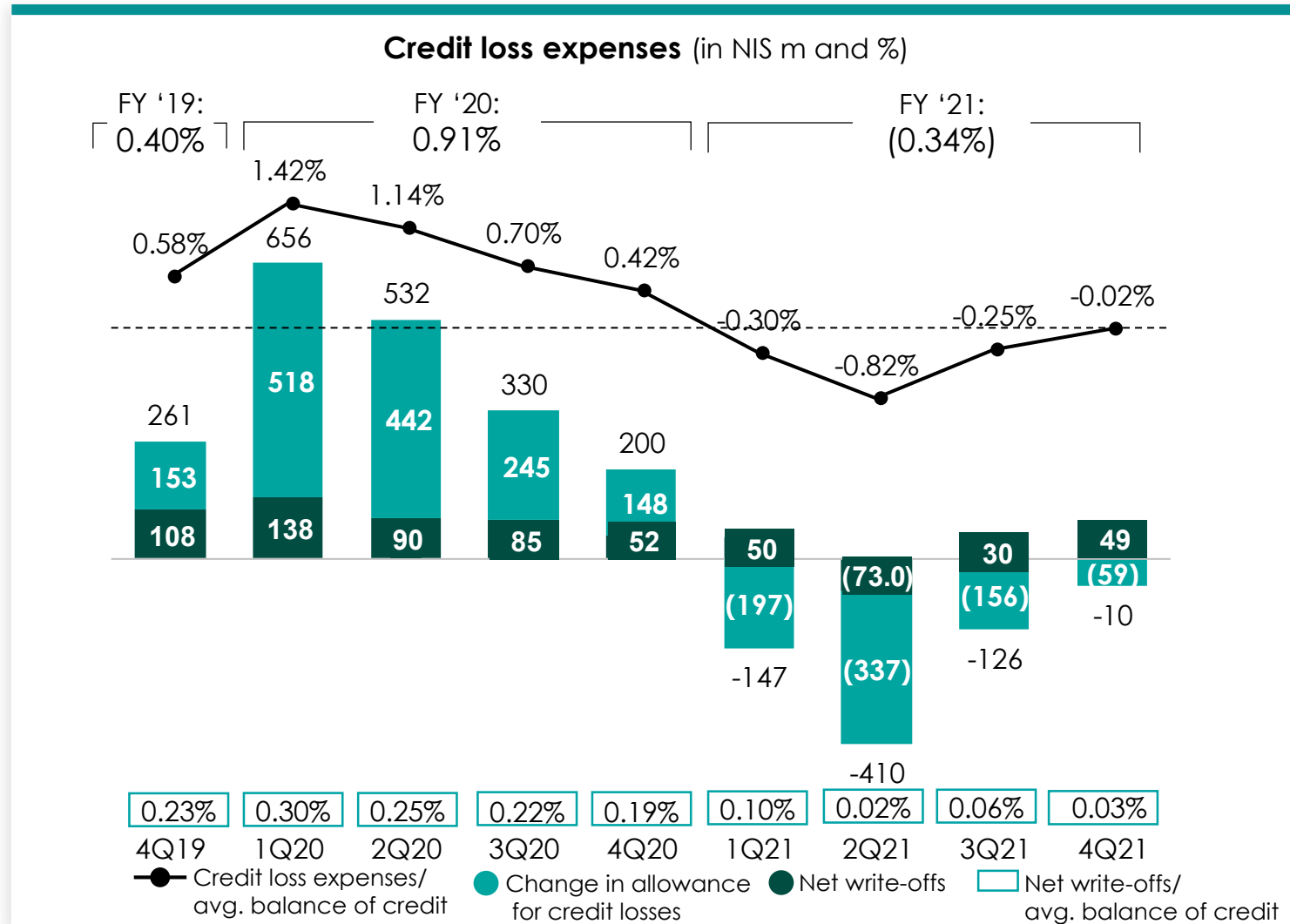
10 \* Regulatory segments, in Israel

\*\* Balance of household credit excluding mortgages and credit cards

# FEE AND NII GROWTH COUPLED WITH REDUCTION IN SALARY EXPENSES LED TO IMPROVED EFFICIENCY



# HIGH QUALITY LOANS AND CONSERVATIVE UNDERWRITING PRODUCE SOLID CREDIT METRICS



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Uri Levin, CEO

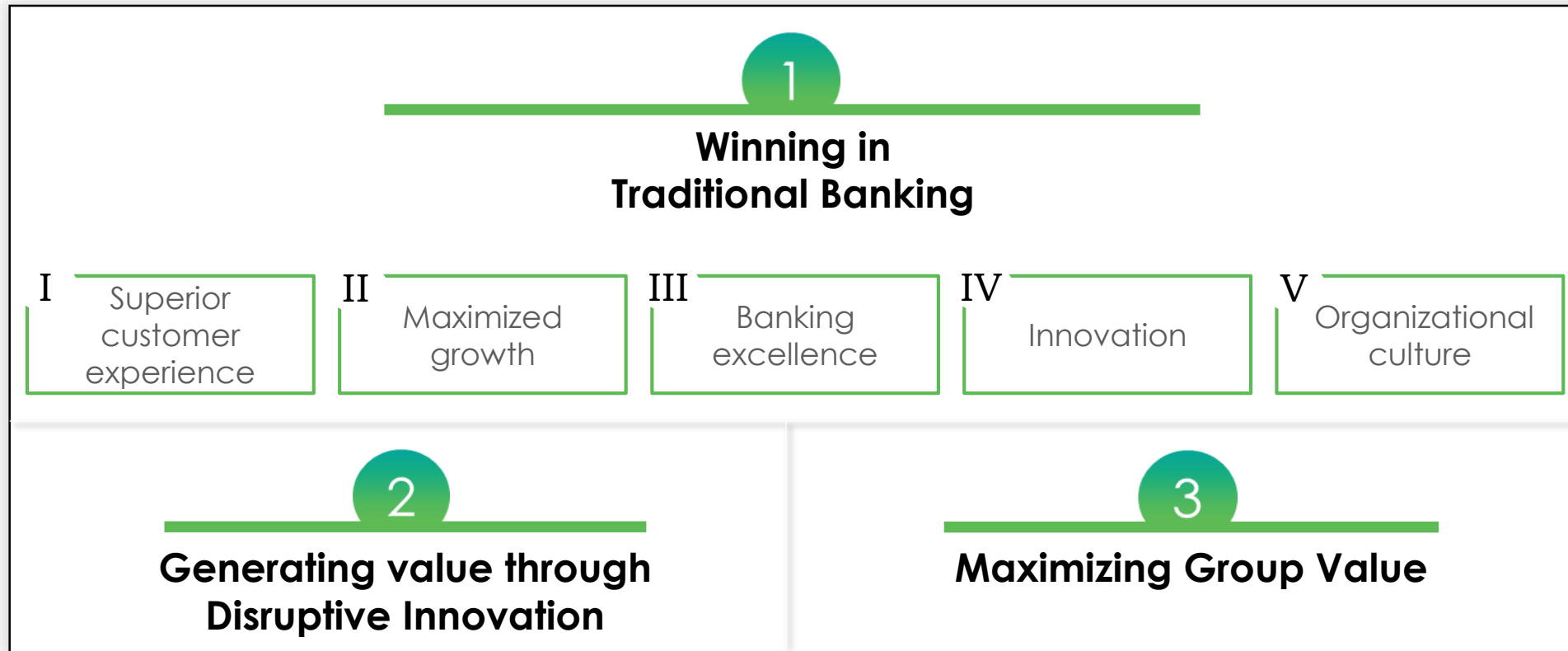
Barak Nardi, CFO

Yossi Beressi, Chief Accountant

# DRIVING VALUE THROUGH OUR AMBITIOUS 5-YEAR STRATEGIC PLAN

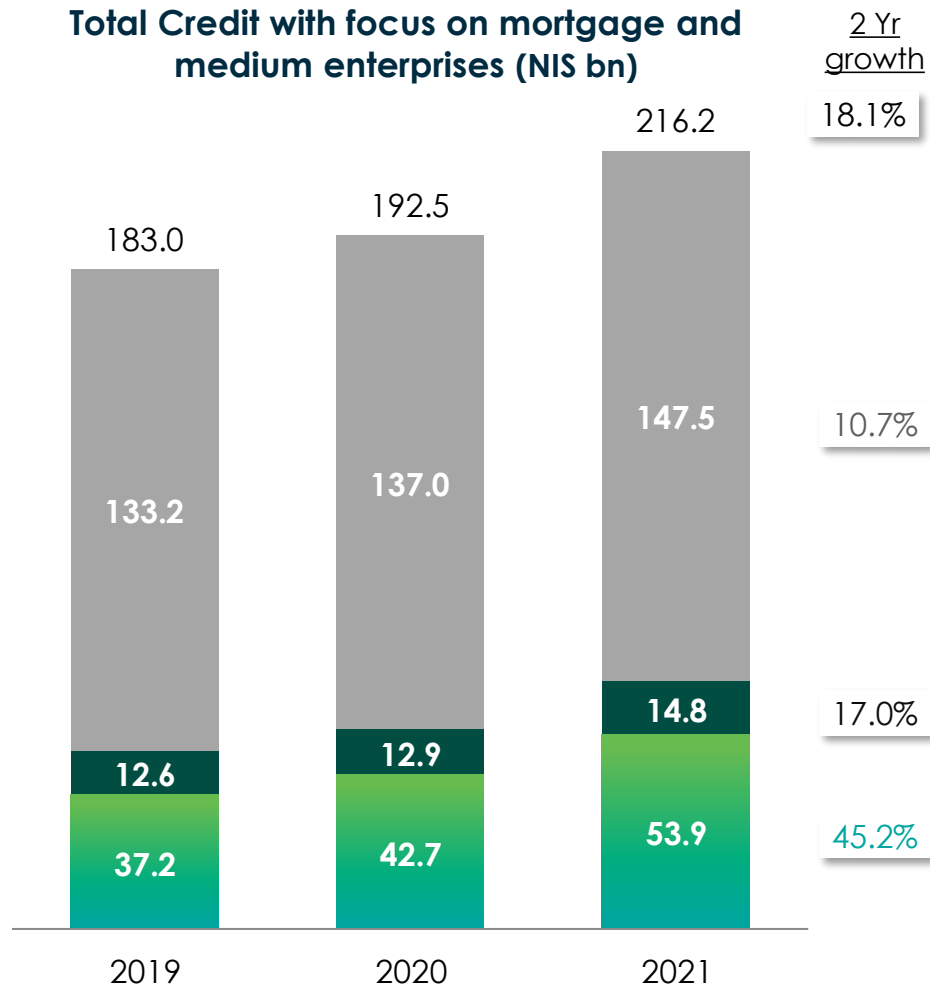
## ULTIMATE GOAL:

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

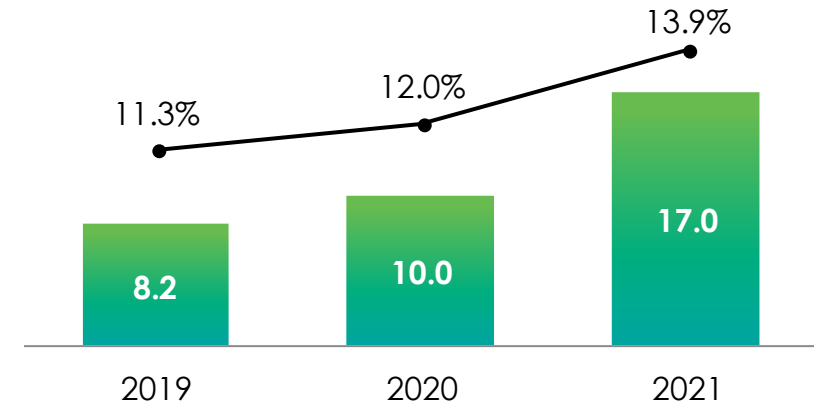


# EXPANDING CREDIT WITH ROBUST PERFORMANCE ESPECIALLY IN MORTGAGES AND MIDDLE MARKETS

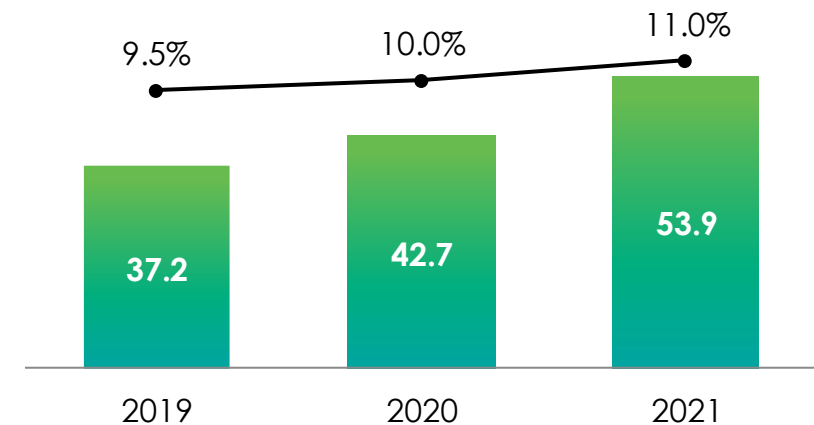
Total Credit with focus on mortgage and medium enterprises (NIS bn)



Mortgage origination (NIS bn) and market share



Mortgage Balance (NIS bn) and market share



# PROACTIVELY ACQUIRING NEW CUSTOMERS THROUGH UNIQUE VALUE OFFERINGS

Customer acquisition through  
“Switch with a Click”

2.4x

Net positive customer  
acquisition ratio

Actively Focused on winning share

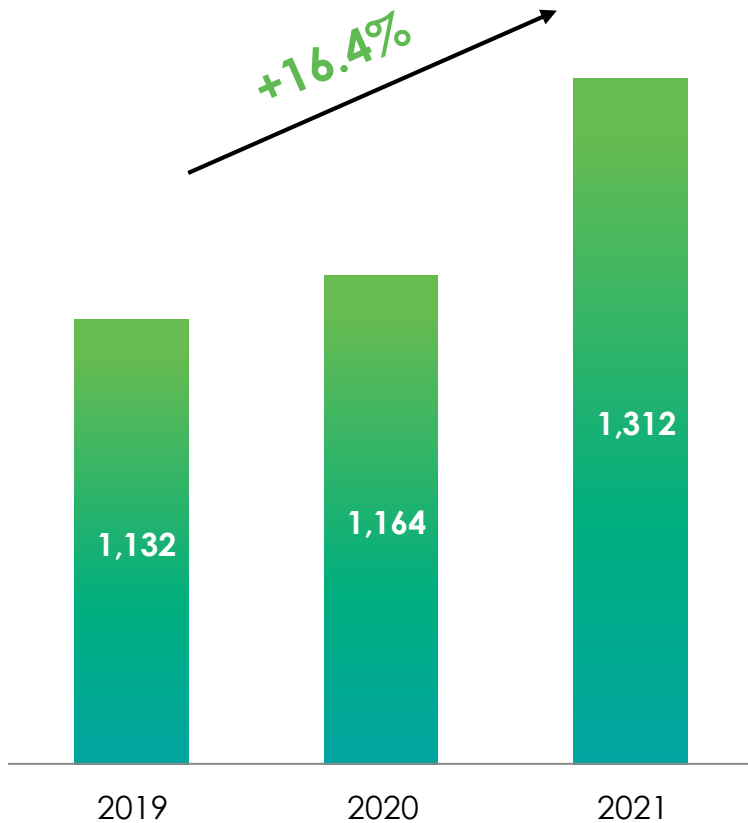
- No charge for first NIS 2,000 of **overdraft**
- “**We Want you More**” campaign
- Increasing “**NPS - net promoter score**”
- Attractive **mortgage** offerings





# INCREASING EFFICIENCY THROUGH HIGHER PRODUCTIVITY AND HEADCOUNT REDUCTION

Adjusted Income per employee (NIS m)



Managing our People

5.6%  
reduction  
Annual reduction  
in FTE in 2021

Adjusted Efficiency Ratio (%)



# GAINING FLEXIBILITY THROUGH THE GROUND BREAKING NEW SALARY AGREEMENT



## Long term agreements

Agreed to **industrial calm** and a new **salary agreement** sets the focus on growth



## Greater flexibility

Management gained flexibility to **optimize the workforce** and better direct resources



## Increased ROE targets

Bonus structure designed to focus workforce on **generating profitability**



## Hybrid work model

Dynamic model with **on-site and remote working** as we move to the **state-of-the-art new campus**

# GENERATING VALUE THROUGH DISRUPTIVE INNOVATION

## Leveraging our competitive positioning

- 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.
- **Focused on generating value**



### Linked accounts

(as at 31.12.21)

**1.6m**

**+26% vs 2020**

### Active Users\*

(as at 31.12.21)

**1.0m**

**+32% vs 2020**

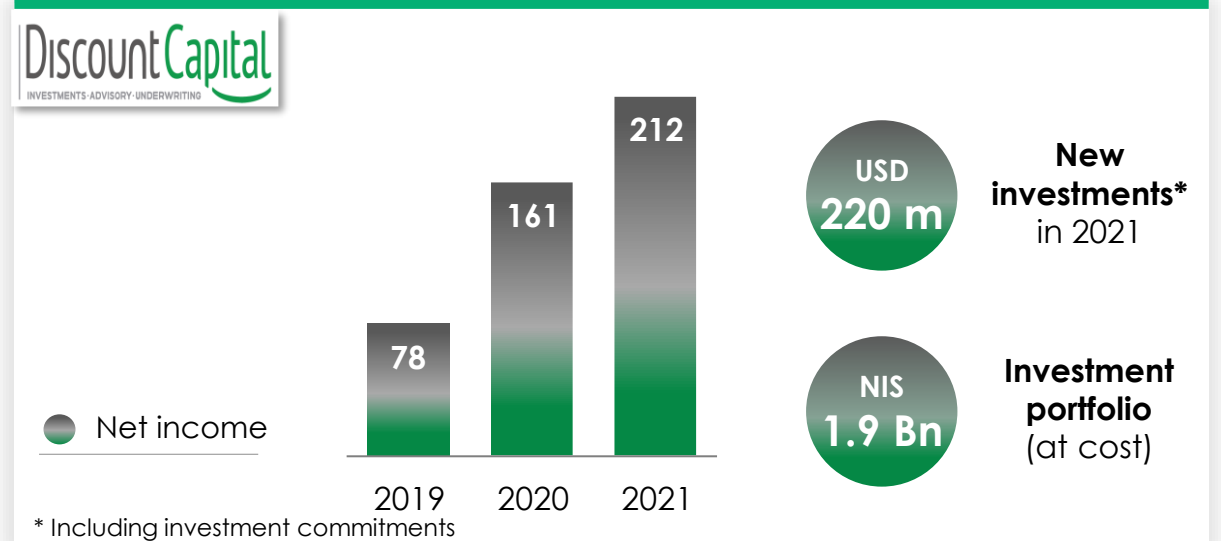
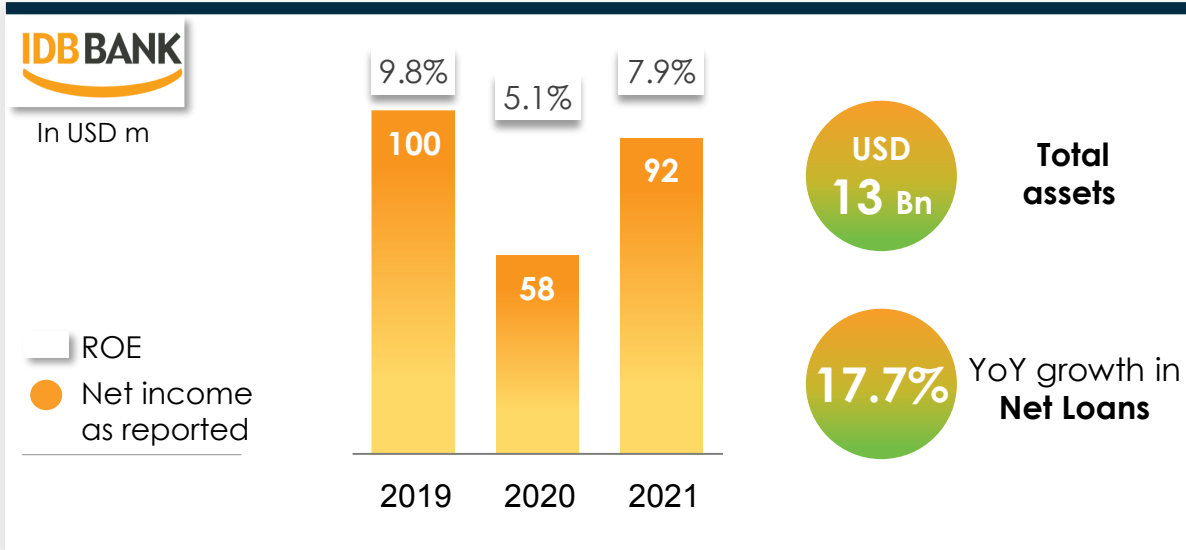
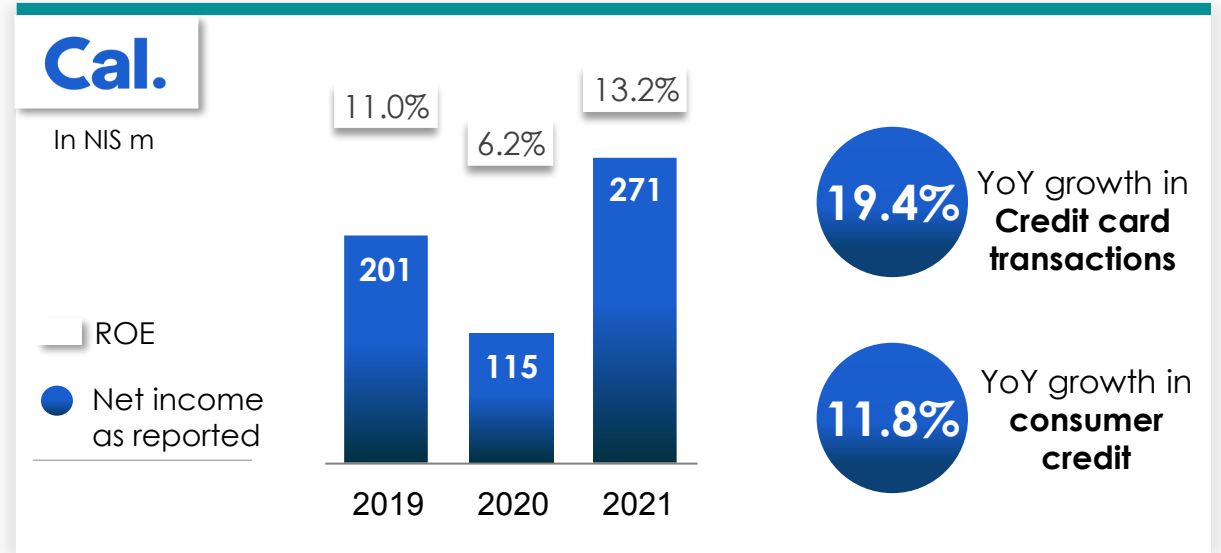
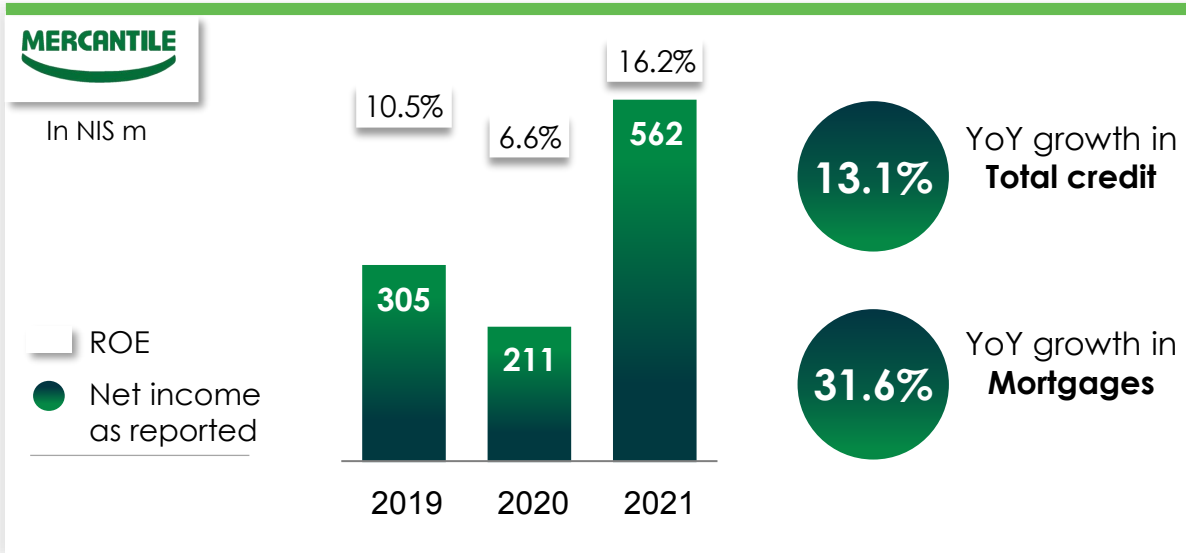
### Transaction volume

2021

**3.2bn**

**+60% vs 2020**

# DELIVERING OUTSTANDING PERFORMANCE ACROSS ALL OF OUR SUBSIDIARIES



# SETTING NEW AMBITIOUS TARGETS AS WE INCREASE THE PACE OF VALUE GENERATION

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2025 NET INCOME

3.5<sub>bn</sub>

2025 ROE

12.5%

2025 Efficiency Ratio

55.0%

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# APPENDICES

# PROFIT & LOSS AND SELECTED RATIOS

NIS m	4Q21	3Q21	4Q20	Vs. 3Q21	Vs. 4Q20	2021	2020	Change
Net interest income	1,683	1,657	1,504	1.6%	11.9%	6,529	5,898	10.7%
Credit loss expenses (expenses release)	(10)	(126)	200	(92.1%)	(105.0%)	(693)	1,718	(140.3%)
Non-interest financing income	180	198	148	(9.1%)	21.6%	765	1,142	(33.0%)
Commissions	809	807	739	0.2%	9.5%	3,125	2,826	10.6%
Other income	50	10	24	400.0%	108.3%	72	39	84.6%
Total non-interest income	1,039	1,015	911	2.4%	14.1%	3,962	4,007	(1.1%)
<b>Total income</b>	<b>2,722</b>	<b>2,672</b>	<b>2,415</b>	<b>1.9%</b>	<b>12.7%</b>	<b>10,491</b>	<b>9,905</b>	<b>5.9%</b>
Salaries and related expenses	970	867	794	11.9%	22.2%	3,468	3,242	7.0%
Maintenance & depreciation	293	292	337	0.3%	(13.1%)	1,187	1,185	0.2%
Other expenses	676	497	689	36.0%	(1.9%)	2,203	2,254	(2.3%)
<b>Total operating and other expenses</b>	<b>1,939</b>	<b>1,656</b>	<b>1,820</b>	<b>17.1%</b>	<b>6.5%</b>	<b>6,858</b>	<b>6,681</b>	<b>2.6%</b>
Income before taxes	793	1,142	395	(30.6%)	100.8%	4,326	1,506	187.3%
Provision for taxes on income	269	401	159	(32.9%)	69.2%	1,516	549	176.1%
Income after taxes	524	741	236	(29.3%)	122.0%	2,810	957	193.6%
<b>Net income attributable to shareholders</b>	<b>529</b>	<b>722</b>	<b>264</b>	<b>(26.7%)</b>	<b>100.4%</b>	<b>2,773</b>	<b>975</b>	<b>184.4%</b>
ROE	10.2%	14.5%	5.6%			13.6%	5.1%	
Cost income ratio	71.2%	62.0%	75.4%			65.4%	67.5%	
CET-1 ratio	10.14%	10.29%	10.20%			10.14%	10.20%	
NIM	2.32%	2.38%	2.31%			2.34%	2.35%	
Rate of credit loss expenses	(0.02%)	(0.25%)	0.42%			(0.34%)	0.91%	
NPL ratio	0.59%	0.69%	0.74%			0.59%	0.74%	
Dividend per share (in Agurot)*	9.08	12.41	-			21.49	4.19	

\* Dividend in respect of the relevant period



# ADJUSTED PROFIT & LOSS & SELECTED RATIOS

NIS m	4Q21	3Q21	4Q20	Vs. 3Q21	Vs. 4Q20	2021	2020	Change
Net interest income	1,683	1,657	1,504	1.6%	11.9%	6,529	5,898	10.7%
Credit loss expenses (expense release)	(10)	(126)	200	92.1%	(105.0%)	(693)	1,718	(140.3%)
Non-interest financing income	180	198	148	(9.1%)	21.6%	765	1,054	(27.4%)
Commissions	809	807	739	0.2%	9.5%	3,125	2,826	10.6%
Other income	2	10	24	(80.0%)	(91.7%)	24	39	(38.5%)
Total non-interest income	991	1,015	911	(2.4%)	8.8%	3,914	3,919	(0.1%)
<b>Total income</b>	<b>2,674</b>	<b>2,672</b>	<b>2,415</b>	<b>0.1%</b>	<b>10.7%</b>	<b>10,443</b>	<b>9,817</b>	<b>6.4%</b>
Salaries and related expenses	735	867	801	(15.2%)	(8.2%)	3,233	3,211	0.7%
Maintenance & depreciation	293	292	297	0.3%	(1.3%)	1,168	1,145	2.0%
Other expenses	633	490	490	29.2%	29.2%	2,031	1,776	14.4%
<b>Total operating and other expenses</b>	<b>1,661</b>	<b>1,649</b>	<b>1,588</b>	<b>0.7%</b>	<b>4.6%</b>	<b>6,432</b>	<b>6,132</b>	<b>4.9%</b>
Income before taxes	1,023	1,149	627	(11.0%)	63.1%	4,704	1,967	139.1%
Provision for taxes on income	354	404	236	(12.4%)	49.8%	1,651	707	133.4%
Income after taxes	669	745	391	(10.2%)	71.1%	3,053	1,260	142.3%
<b>Net income attributable to shareholders</b>	<b>674</b>	<b>726</b>	<b>421</b>	<b>(7.2%)</b>	<b>60.1%</b>	<b>3,016</b>	<b>1,287</b>	<b>134.3%</b>
ROE	13.1%	14.6%	9.1%			14.8%	6.7%	
Cost income ratio	62.1%	61.7%	65.8%			61.6%	62.5%	
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NPL ratio	0.59%	0.69%	0.74%			0.59%	0.74%	
Dividend per share (in Agurot)*	9.08	12.41	-			21.49	4.19	

\* Dividend in respect of the relevant period

# ADJUSTMENTS TO PROFIT & LOSS

NIS m	Gross			Net			Gross		Net	
	4Q21	3Q21	4Q20	4Q21	3Q21	4Q20	2021	2020	2021	2020
Retirement benefits	14	7	373	9	4	246	143	413	94	272
Early redemption of long term benefits	29			19			29		19	
Provisions for new salary agreement	235		(7)	155		(3)	235	31	155	15
Income from real estate sales	-48			(38)			(48)		(38)	
Australia			(174)			(112)		65		43
Sales of Visa Inc. shares								(88)		(44)
Depreciation (NY Headquarters)			40			26	19	40	13	26
Total	230	7	232	145	4	157	378	461	243	312

# SELECTED BALANCE SHEET ITEMS

NIS m	31.12.21	30.09.21	31.12.20
Cash and deposits with banks	59,638	46,334	42,936
Securities*	45,076	47,104	43,859
Credit to the public	216,196	206,944	192,479
Provision for credit loss	(3,040)	(3,117)	(3,761)
Credit to the public, net	213,156	203,827	188,718
Credit to governments	2,664	3,127	3,473
Investment in investee companies	462	392	348
Buildings and equipment	3,401	3,203	2,995
Intangible assets and goodwill	163	163	164
Assets in respect of derivative instruments	5,522	4,367	6,400
Other assets	5,006	4,894	5,076
<b>Total Assets</b>	<b>335,088</b>	<b>313,411</b>	<b>293,969</b>
Deposits from the public	260,907	245,393	226,118
Deposits from banks**	12,880	13,920	13,451
Securities lent or sold under agreements to repurchase	-	-	161
Bonds and subordinated debt notes	15,071	11,170	10,201
Liabilities in respect of derivative instruments	6,323	4,570	7,365
Other liabilities	17,759	16,352	16,946
Total liabilities	312,940	291,405	274,242
Equity capital attributed to the Bank's shareholders	21,483	21,346	19,182
Non-controlling rights in consolidated companies	665	660	545
Total equity	22,148	22,006	19,727
<b>Total Liabilities and Equity</b>	<b>335,088</b>	<b>313,411</b>	<b>293,969</b>

• Including securities borrowed or purchased under agreements to resell

• \*\* Including deposits from governments

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q21	3Q21	4Q20	Vs. 3Q21	Vs. 4Q20	2021	2020	Change
Net interest income	342	341	301	0.3%	13.6%	1,324	1,219	8.6%
Credit loss expenses (expenses release)	(6)	7	46	n/a	n/a	(81)	320	n/a
Non-interest income	94	79	90	19.0%	4.4%	469	426	10.1%
Total income	436	420	391	3.8%	11.5%	1,793	1,645	9.0%
Operating & other expenses	309	228	282	35.5%	9.6%	1,021	999	2.2%
<b>Net income</b>	<b>91</b>	<b>120</b>	<b>40</b>	<b>(24.2%)</b>	<b>127.5%</b>	<b>562</b>	<b>211</b>	<b>166.4%</b>
Return on equity	10.2%	14.1%	5.1%			16.2%	6.6%	
Cost-income ratio	70.9%	54.3%	72.1%			56.9%	60.7%	
Rate of credit loss expenses	(0.06%)	0.08%	0.56%			(0.23%)	0.98%	
NIM	2.60%	2.69%	2.54%			2.63%	2.71%	
Total assets	59,894	54,058	50,935	10.8%	17.6%			
Credit to the public, net	37,636	36,035	33,118	4.4%	13.6%			
Securities	6,883	6,431	6,300	7.0%	9.3%			
Deposits from the public	48,070	42,924	40,842	12.0%	17.7%			
Total equity	3,771	3,650	3,239	3.3%	16.4%			

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	4Q21	3Q21	4Q20	Vs. 3Q21	Vs. 4Q20	2021	2020	Change
Net interest income	71	64	59	10.9%	20.3%	257	237	8.4%
Credit loss expenses (expenses release)	(5)	(9)	10	n/a	n/a	(5)	37	n/a
Non-interest income	22	21	15	4.8%	46.7%	87	72	20.8%
<b>Total income</b>	<b>93</b>	<b>85</b>	<b>74</b>	<b>9.4%</b>	<b>25.7%</b>	<b>344</b>	<b>309</b>	<b>11.3%</b>
<b>Operating &amp; other expenses</b>	<b>54</b>	<b>57</b>	<b>68</b>	<b>(5.3%)</b>	<b>(20.6%)</b>	<b>222</b>	<b>204</b>	<b>6.7%</b>
<b>Net income</b>	<b>30</b>	<b>27</b>	<b>1</b>	<b>11.1%</b>	<b>3000.0%</b>	<b>92</b>	<b>58</b>	<b>58.6%</b>
Return on equity	10.4%	9.3%	0.4%			7.9%	5.1%	
Cost-income ratio	58.1%	67.1%	91.9%			64.5%	66.0%	
Rate of credit loss expenses	(0.23%)	(0.47%)	0.57%			(0.07%)	0.54%	
NIM	2.43%	2.43%	2.39%			2.33%	2.44%	
Total assets	12,952	11,725	11,010	10.5%	17.6%			
Loans, net	8,421	7,840	7,155	7.4%	17.7%			
Securities	2,829	2,716	2,746	4.2%	3.0%			
Deposits from the public	11,245	10,225	9,001	10.0%	24.9%			
Total equity	1,158	1,145	1,153	1.1%	0.4%			

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q21	3Q21	4Q20	Vs. 3Q21	Vs. 4Q20	2021	2020	Change
Income from credit card transactions	388	381	323	1.8%	20.1%	1,432	1,254	14.2%
Net interest income	146	140	128	4.3%	14.1%	548	534	2.6%
Credit loss expenses (expenses release)	9	1	33	800.0%	(72.7%)	(9)	223	n/a
Non-interest financing income	1	4	(1)	(75.0%)	(200.0%)	5	73	(93.2%)
<b>Total income</b>	<b>535</b>	<b>525</b>	<b>450</b>	<b>1.9%</b>	<b>18.9%</b>	<b>1,985</b>	<b>1,861</b>	<b>6.7%</b>
<b>Total expenses</b> (excluding credit loss expenses)	<b>462</b>	<b>467</b>	<b>382</b>	<b>(1.7%)</b>	<b>5.5%</b>	<b>1,603</b>	<b>1,493</b>	<b>7.4%</b>
<b>Net income</b>	<b>40</b>	<b>92</b>	<b>28</b>	<b>(56.5%)</b>	<b>42.9%</b>	<b>271</b>	<b>115</b>	<b>135.7%</b>
Return on equity	7.5%	18.7%	6.0%			13.2%	6.2%	
Cost-income ratio	86.4%	75.0%	84.9%			80.8%	80.4%	
Total assets	16,076	15,165	18,535	6.0%	(13.3%)			
Interest bearing credit	6,717	6,245	5,959	7.6%	12.7%			
Consumer credit	5,777	5,447	5,165	6.1%	11.8%			
Total equity	2,216	2,159	1,930	2.6%	14.8%			