



Israel Discount Group Reports 1st Quarter 2021 Results

Record reported Net Income of NIS 662 million and adjusted net income of NIS 738 million

Reported ROE of 14.5% and adjusted ROE of 16.2%

Loan loss provision of negative 0.30% reflects the reopening of the economy and the strength of our portfolio

1Q 2021 Main 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 the last phase of 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
- **Credit to the public** increase of 5.7% YoY (6.7% YoY in Israel), driven by 15.7% growth in mortgages and 12.5% in corporate vs. 1Q20

Total equity and total assets crossed the NIS 20bn and NIS 300bn marks increasing 4.9% and 10.8% relative to a year ago reaching NIS 20.4 billion and NIS 306 billion

Group Overview

Discount Group completed the first quarter of 2021 with record adjusted net income of NIS 738m, strong adjusted ROE of 16.2%, total equity of over NIS 20bn, total assets of over NIS 300m and a conservative reserve ratio of 1.83%. This was, in part, driven by a recovering local economy that has benefitted from Israel's aggressive vaccination program and seen the number of positive cases fall to almost zero as well as by significant credit growth and continued strong non-interest financing income.

2020 saw consumers and businesses react quickly to COVID by modifying their behavior and adjusting their finances to the situation. One tool that they used was to request deferrals from the banking system as well as assistance from the government. Twelve months later we are seeing a return to normal with unemployment data trending lower and only a small percent of loans still in deferral. Discount's solid balance sheet and strong customer base have the Group well positioned to benefit as normalcy begins to return.

The Group's loan portfolio continues to grow increasing 5.7% YoY and 2.3% since the beginning of the year. We continue to execute on our strategy and achieved robust growth in both mortgages, up 15.7% YoY and 4.0% in the first quarter and in our corporate loan book, up 12.5% YoY and 1.8% QoQ. We continue to take a significant portion of mortgage generation market increasing our market share.

The growth of our loan book as well as our strong performance in non-interest income of NIS 298m up from NIS 148m in 4Q20 helped produce over NIS 2.5bn in Total Income in 1Q21. Our NII

of NIS 1.5bn was flat vs. 4Q20 and up 3.4% vs. 1Q20, this despite a continued benign interest rate and inflationary macro backdrop.

We maintained tight cost controls with total adjusted expenses reaching NIS 1.5bn down 3.2% QoQ and up only 0.8% YoY. Our salary expenses were lower on the back of the largest ever early retirement program operated by the Group that, coupled with natural retirement saw a total of 754 employees retire from the bank. Salary and related expenses (excluding bonuses) were NIS 746m similar to last quarter and down 4% YoY.

Negative provisions of NIS 147m that represents a negative 0.30% credit loss expense ratio is among the clearest examples of how the economy is beginning to recover from the health pandemic that affected the globe. As was true throughout the pandemic, net write-offs remain low at 0.10% of the average balance of credit as compared with 0.19% at 31 December 2020 and 0.30% in 1Q20.

The Group continues to focus on its five year strategic plan having hit a number of achievements during the quarter including, completing our early retirement program, maintain high loan growth in targeted sectors, receiving recognition for innovation in retail banking and lastly, readiness to launch tokenization of credit cards in our leading digital wallet, PayBox.

Main highlights of P&L, Balance Sheet and Selected Ratios

Discount Group P&L 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 (expenses release)	(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	764	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

Discount Group Adjusted P&L and Selected Ratios

	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	1,504	1,504	1,463	12.0%	15.2%
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		

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Discount Group Adjustments to P&L

NIS m	Gross	Gross	Gross	Net	Net	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

Discount Group Selected Balance Sheet Items

NIS m	31.03.21	31.12.20	31.03.20
Cash and deposits with banks	50,307	50,307	29,392
Securities*	45,347	43,859	43,093
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	5,612
Total Assets	306,142	293,969	276,404
Deposits from the public	240,787	226,118	213,667
Deposits from banks**	12,534	13,451	7,574
Securities lent or sold under agreements to repurchase	-	161	892
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	13,880
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

* Including securities borrowed or purchased under agreements to resell

** Including deposits from governments

Overview of Subsidiaries

Mercantile:

Mercantile produced a record result in 1Q21 of NIS 150m in net income. The quarter included an increase in non-interest financing income from marked to market gains of NIS 50m. Excluding the valuation gain Mercantile produced an ROE of 15.3% lifted by negative provisions and 7.4% YoY loan growth in targeted sectors.

NIS m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	306	301	317	1.7%	(3.5%)
Credit loss expenses (expenses release)	(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%

IDB NY:

IDB NY's 1Q21 results reflect signs of economic recovery in our core markets with robust loan growth, and an increase in fee income, specifically strong performance in client-related trading fees. These were partially offset by high provisions for loan losses related to the continuing impact of COVID. Our balance sheet remains strong with CET-1 of 13.9% enabling the bank to remain focused on executing its long-term strategy.

USD m	1Q21	4Q20	1Q20	Vs. 4Q20	Vs. 1Q20
Net interest income	59	59	59	0.0%	0.0%
Credit loss expenses (expenses release)	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%

CAL:

CAL, our credit card subsidiary, produced a record result with net income of NIS 60m and an ROE of 12.9%. Cal saw significant growth in transaction turnover of 6.1% and sustained growth in active cards of 2.2% that are the underlying factors that drive the business. Expenses were lower vs both the preceding and corresponding periods as CAL took steps to lower costs in-line with its strategy.

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 (expenses release)	(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%

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