



Israel Discount Group Reports FY 2021 and 4Q 2021 Results

Record Group Net Income of NIS 2.77bn and ROE of 13.6%

Adjusted-normalized results totaled net income of NIS 2.07bn and sustainable ROE of 10.1%

Sets 2025 Financial Targets of 12.5% ROE, NIS 3.5bn net income and Efficiency Ratio of 55%

Discount Group completed a very strong 2021 with record net income of NIS 2.77bn, ROE of 13.6% and a 12.3% increase in credit. Our adjusted, normalized, sustainable ROE was 10.1% in 2021. In addition to the solid results Discount announced ambitious financial targets for 2025 of 12.5% ROE, NIS 3.5 billion in net income and an efficiency ratio of 55%. The results were driven by success at Discount and solid execution by each of our subsidiaries. At the end of 2021 the Bank signed a new wage agreement with the union increasing management's flexibility and setting the stage for continued growth.

Discount CEO, Uri Levin said, "The record results in 2021 reflect the proven ability of the Group and its employees to lead extraordinary changes in the banking system, focusing on the customer and creating real competition. The Group's impressive performance in recent years gives us full confidence in our ability to accelerate growth and meet our ambitious 2025 financial targets that were announced today."

4Q 2021 Main 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 makes 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

Group Overview

Discount Group completed 2021 with net income of NIS 2.7 billion, ROE of 13.6% and increased its total gross balance of credit by 12.3% to NIS 216 billion. Group "normalized" ROE for 2021 was 10.1%. This emphasizes the underlying strength and ability of the Group to produce double digit ROE on the basis of strong core results even when adjusting the LLP ratio to match the Group's pre-COVID run-rate of LLP expense ratio of 0.37% in place of the reported credit loss reversal ratio.

We are already benefitting from the implementation of our strategy which saw significant growth and improvement of our traditional banking business with both mortgages, up 26.3% in 2021, and medium businesses, up 14.8% in 2021. These two focus areas accounted for the majority of the growth of our total credit portfolio. Mortgages now represent 25% of our total credit mix up from just under 22% as at the end of 2020.

Total income increased by 6.4% YoY with the drivers of this growth being the 10.6% increase in fees and 10.7% increase in NII. Salary expenses excluding bonuses were down 5.3% in 2021 highlighting the impact of our 2020 early retirement program that saw a reduction of 5.6% in average FTE to 7,957 as at the end of 2021 as compared with 8,431 as at the end of 2020. The resulting positive JAWS lead to another improvement in our adjusted efficiency ratio now down to 61.6% in 2021 compared with 62.5% in 2020.

As our loan book continues to grow our underwriting and risk management discipline remain in clear focus. This is emphasized by the lower levels of NPLs down 16.5% vs the end of 2020. Our NPL ratio of 0.59% is lower than pre-pandemic levels of 0.74% as at the end of 2019. Our credit loss allowance coverage ratio also continues to improve now near pre-COVID levels ending 2021 at 1.41%.

The strong results of the Group are driven by solid performance at each of the subsidiaries including Mercantile, IDBNY and CAL. All three saw an increase in customer activity, growing credit balances and improvements across main KPIs as they actively implemented their strategies and expanded their businesses. Discount Capital produced solid results as well and made \$200m in new investments bringing its portfolio of commitments to NIS 1.9 bn.

Discount announced new financial targets for 2025 including ROE of 12.5%, net income of NIS 3.5 billion and an efficient ratio target of 55%. These ambitious targets will be achieved through strict and effective implementation of our strategic plan that we announced in late 2020: Continued focus on winning in traditional banking, generating value through disruptive innovation and maximizing group value.

2021 was another strong year for Discount continuing on our journey of focus, implementation and delivery of our goals as we carry on with our main goal which is to be the best financial institution for our customer while delivering superior value for shareholders over time.

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

Discount Group P&L 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%)
Total income	2,722	2,672	2,415	1.9%	12.7%	10,491	9,905	5.9%
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%)
Total operating and other expenses	1,939	1,656	1,820	17.1%	6.5%	6,858	6,681	2.6%
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%
Net income attributable to shareholders	529	722	264	(26.7%)	100.4%	2,773	975	184.4%
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

Discount Group Adjusted P&L and Selected Ratios

	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	(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%)
Total income	2,674	2,672	2,415	0.1%	10.7%	10,443	9,817	6.4%
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%
Total operating and other expenses	1,661	1,649	1,588	0.7%	4.6%	6,432	6,132	4.9%
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%
Net income attributable to shareholders	674	726	421	(7.2%)	60.1%	3,016	1,287	134.3%
ROE	13.1%	14.6%	9.1%			14.8%	6.7%	
Cost income ratio	62.1%	61.7%	65.8%			61.6%	62.5%	
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

Discount Group Adjustments to P&L

NIS m	Gross	Gross	Gross	Net	Net	Net	Gross	Gross	Net	Net
	4Q21	3Q21	4Q20	4Q21	3Q21	4Q20	2021	2020	2021	2020
Retirement benefits	14	7	373	9	4	246	143	413	94	272
Early redemptions 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			(174)			(112)		65		43
Sale of VISA Inc. Share								(88)		(44)
Depreciation (NY Headquarters)			40			26	19	40	13	26
Total	230	7	232	145	4	157	378	461	243	312

Discount Group 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
Total Assets	335,088	313,411	293,969
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
Total Liabilities and Equity	335,088	313,411	293,969

* Including securities borrowed or purchased under agreements to resell

** Including deposits from governments

Overview of Subsidiaries

Mercantile:

Mercantile successfully implemented on it strategy in 2021 delivering robust year of year loan growth of 13.6% and 17.7% increase in deposits. Mortgages increased 31.6% in 2021. The 9.0% increase in total income coupled with a restrained increase in expenses of only 2.2% led to an efficiency ratio of 56.9%.

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%
Net income	91	120	40	(24.2%)	127.5%	562	211	166.4%
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%			

IDB NY:

In 2021, IDB NY achieved significant growth through the ongoing execution of our key strategic initiatives and long term strategy. Our growth came across all business areas with accelerated expansion in our Israeli related businesses, in High-Tech as well as in our traditional segments of CRE and C&I. IDB NY completed 2021 with loan growth of 17.7% and grew its balance sheet totaling just under \$13 billion as at 31.12.21.

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%
Total income	93	85	74	9.4%	25.7%	344	309	11.3%
Operating & other expenses	54	57	68	(5.3%)	(20.6%)	222	204	6.7%
Net income	30	27	1	11.1%	3000.0%	92	58	58.6%
Return on equity	10.4%	9.3%	91.9%			7.9%	5.1%	
Cost-income ratio	58.1%	67.1%	2.39%			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	9,001	10.5%	17.6%			
Loans, net	8,421	7,840	1,153	7.4%	17.7%			
Securities	2,829	2,716	59	4.2%	3.0%			
Deposits from the public	11,245	10,225	10	10.0%	24.9%			
Total equity	1,158	1,145	15	1.1%	0.4%			

CAL:

CAL's 2021 results reflected the strong rebound of the Israel economy in 2021. Transactions, loans and active cards all increased in 2021. Credit expenses releases of 9 million shekel also supported the record net income. CAL continues to execute on its long term strategy to be a leading payments player in Israel.

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%)
Total income	535	525	450	1.9%	18.9%	1,985	1,861	6.7%
Total expenses (excluding credit loss expenses)	462	467	382	(1.7%)	5.5%	1,603	1,493	7.4%
Net income	40	92	28	(56.5%)	42.9%	271	115	135.7%
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%			

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This document is not a substitute for the Bank's 2021 second 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

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