

Israel Discount Bank Ltd.**Conference Call****November 23, 2021**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Israel Discount Bank Third Quarter 2021 Results Conference Call. All participants are at present in listen-only mode. Following Management's formal presentation, instructions will be given for the question-and-answer session. For Operator assistance during the conference, please press star-zero. As a reminder, this conference is being recorded November 23rd, 2021. If you have not yet done so, please access the presentation on the bank's website, investors.discountbank.co.il. I would like to remind everyone that forward-looking statements for the respected company's business, financial condition, and results of its operations are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. Such forward-looking statements include but are not limited to product demand, pricing, market acceptance, changing economic conditions, risks and product and technology development, and the effect of the company's accounting policies, as well as certain other risk factors, which are detailed from time to time in the company's filings with the various securities authorities. Mr. Kaplan, would you like to begin?

David Kaplan: Sure. Thank you very much, Yoni, and thank you, everyone for joining us on the call today. I'm going to turn it over to Barak, who's going to run through the presentation and some comments on the quarter. Barak?

Barak Nardi: Thank you, David. Good afternoon, everyone, and I hope you are all well. Today, we once again reported strong results, with net income of

722 million shekels, ROE of 14.5%, and a credit growth of 8.7%. We once again provided our normalized ROE of 10.3% that uses the average ...[LLP?? 01:45] from the years 2016 to 2019, instead of the reported negative ...[LLT?? 01:51] of 0.25%. This gives an idea of where our underlying ROE currently stands, and highlights the strength of our core business. We are also happy to announce today that Discount is resuming our dividend payouts. Slide 5 lays out the major highlights of our results, and the main factors that led to our return on equity of 14.5%. First was the increase in Q3 total financing income, up 4.6% quarter over quarter, and 4.4% year over year, on the back of strong NII growth, solid non-interest financing income, and the positive impact of CPI. Second was the negative ...[LLP?? 02:32] ratio, which due to our responsible lending and risk management ... provisions and continuing low levels of write-offs. Last is our continued focused effort on controlling expenses, which were down in the quarter compared to Q3 of last year. These strong results led to the group ... the dividend totaling 144 million shekels, and equal to 20% of Q3 net income. Moving to slide 6, you can see that we delivered strong credit performance with overall credit growth of 8.7% year over year. In July, the competition commissioner implemented a change requiring the banks to move to daily clearing of credit card charges on bank issued card. This reduced the balances of consumer credit at the credit card companies while improving their cash flow. Excluding credit cards, our total credit grew 10.3% year on year. What stands out is the 22.4% year on year mortgage growth, writing a significant change in the mix of credit book with mortgages amounting to 24.1% of our total credit, up from 21.9% of the total credit at the end of 2020, and highlighting the effectiveness of our strategy and the ability

to execute on our plans. Slide 7 highlights our total income growth of 4.4% quarter over quarter, and 7.7% year on year, driven mostly by core banking activity that includes NII, excluding CPI and income from fees, which together increased 2.2% versus second quarter and 9.4% year on year. On slide 8, you can see how our effective management of expenses resulted in a positive ... ratio of 1.6% in Q3 and 12.9% over the past 12 months. Salaries excluding bonuses were down 6.3% versus last year, highlighting the positive impact of the retirement plan we executed in 2020. Our total expenses were up only slightly versus the previous quarter, and that is mainly on account of larger provisions for profit based bonuses, as well as higher revenue related expenses at Slide 9 highlights the LLP reversal brought about by the recovering economy. Underlying that is our high quality loan book and conservative underwriting that produced low write-offs and improving NPLs. Problematic debt was down 7.7% versus Q2, and our NPL ratio is down to 0.69%. Our subsidiaries all produced strong results, where we saw growing credit balances, continued low level of LLP, and above average ROE. This is highlighted in the following slides, starting with Mercantile on slide 10. Mercantile had a very strong quarter with net income of 120 million shekel, and a 14.1% ROE. LLP ratio continues to be well below historical levels, similar to the trends as a group. Mercantile total growth loan book expanded 9.4% year on year, with mortgages growing by 29.7%. In New York, presented on slide 11, credit demand remains strong, while negative LLP and non-interest financing income helped produce 27 million dollars in net income, and a 9.3% ROE. IDB New York achieved significant growth in both the C&I and CRE sectors, up 9.9 and 16.9% respectively in the past year. On slide 12, are Cal's record

results, with net income of 92 million shekels and 18.7% ROE. Cal produced strong performance across all key business drivers, including transaction turnover, consumer credit, and acquisition of new active cards. That closes out the finance section of the presentation, and on slide 13 we move on to talk a bit about our strategy. As we have laid out in the past, we are fully focused on being the best financial institution for our customers, and delivering superior value to our shareholders over time. Our strategy has three main pillars. First, to accelerate the evolution of traditional banking. Second, to lead the revolution in banking through disruptive innovation. And third, to maximize Group value. Focusing on the pillar of traditional banking, the next two slides will drill down on our strategy's impact on both income and expenses. On slide 14, you can see the growth of total income as a group. This is in large way generated by our focus on mortgages which continue to boom for us, as we grow at a 3-year CAGR of 16.3%. We continue to take a large share of generation, increase our market share, and as we mentioned earlier, increase the portion of mortgages in our total credit book mix. Slide 15 presents the cost side and highlights the effectiveness of the 2020 early retirement program, as at the completion of the plan in early 2021, 8% of the group's workforce retired. The lower total salary costs excluding bonuses and the early retirement provision was down 6.3% year on year. Combining this with the 7.7% increase in total income, is improving profitability as a group, with salary expenses as a percent of total income, down to 26.9% in Q3, from 30.9% in Q3-20. We present the figures excluding bonuses to give a better picture of the underlying salary cost as a percent of total income. To summarize the presentation, Q3 was yet another quarter where we executed on our strategy, achieved robust and

responsible growth, driving 14.5% ROE, and announcing a reinstated dividend. With that, let's open it up for questions.

Operator: Thank you. Ladies and gentlemen, at this time we will begin the question-and-answer session. If you have a question, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for your questions. *[pause]* The first question is from Tavy Rosner of Barclay's. Please go ahead.

Chris Reimer: Yeah, hi, this is Chris Reimer on for Tavy. Thank you for taking my questions. And congratulations on the strong results. I wanted to get your comments on the Bank of Israel draft directive aimed at increasing transparency and competition for mortgages. Do you think this might have an impact on the bank?

Barak Nardi: Well, thanks for the question. Indeed the mortgages, as you know, we are focused a lot on mortgages, and the issue we had was the capacity issue. Now that we have solved, or mostly solved the capacity issue, we can see that we increase the mortgage generation, more than double the mortgage generation. Regarding to your question about the Bank of Israel new regulation, or new ideas, we are happy with it. I think we are, as the challengers in the mortgage market, and we are very happy with transparency. We think we have a lot to gain from it. We adopt competition, and happy with this competition, and we believe that with all the steps we are taking, together with this new element, we will be able to continue and substantially grow our mortgage business.

Chris Reimer: Mm-hmm. Okay. And on loan growth, loans continue to grow at a high pace. Do you see this as sustainable heading into 2022?

Barak Nardi: Yeah, the current ... that we see market wise, that the growth and the demand will continue to grow into 2022. And we believe that in the targeted sectors that we are targeting, especially around mortgages, and mid-market, we will be able to outgrow the market. So we do see that the pace, the high pace, or the high growth rate pace, will continue into 2022.

Chris Reimer: Mm-hmm. Okay. Thank you very, very much. That's it from me. I'll go back to the queue.

Operator: *[pause]* I repeat. If you have additional – any questions, please press star-one. *[pause]* If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by while we poll for more questions. *[pause]* There are no further questions at this time. Mr. Kaplan, would you like to make your concluding statement?

David Kaplan: Thank you, everyone, for joining us on the call today. Just a note, we are going to be in New York on December 15th, and are available for meetings. If anyone in the area is interested, please feel free to reach out to me. I can be reached at david.kaplan – k-a-p-l-a-n at dbank.co.il. Thanks.

Operator: Thank you. This concludes the Israel Discount Bank Third Quarter 2021 Results Conference Call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call.]