

Q3-17 Financial Results Conference Call

November 15, 2017



Net income of NIS 313 m

ROE of 8.6%

Cost-income ratio of 67.1%

CET1 ratio of 9.8%

Q3-17 financial performance

- Total income up 2.1% QoQ driven by credit growth in all targeted segments and an increase in non interest financing income
- Continued cost restraint
- Ongoing improvement in asset quality
- Strong bottom line despite higher expenses for credit losses

Capital and liquidity

- Robust capital position
- LCR well above BOI target

Strategy execution

- Further deployment of our new CRM in branches
- Rollout of new tools, services and FinTech collaborations to improve customer satisfaction

Q3-17 Balance Sheet and Ratios



NIS bln	Sept. 17	Sept. 16	June 17	Change compared to	
				Sept. 16	June 17
Credit to the public, net	148.9	139.3	144.2	6.9%	3.3%
Deposits from the public	173.4	164.9	171.6	5.1%	1.0%
Total equity	15.8	14.6	15.4	8.1%	2.2%
Total assets	219.7	213.5	218.4	2.9%	0.6%

	Q3-17	Q3-16	Q2-17
Cost-income ratio	67.1%	76.9%	67.8%
ROE	8.6%	5.5%	7.5%
Common equity tier 1 capital ratio	9.8%	9.8%	9.8%
Leverage ratio	6.8%	6.7%	6.7%
Liquidity coverage ratio	134.1%	129.7%	137.3%
Interest spread	2.30%	2.34%	2.43%

Q3-17 Profit & Loss as Reported

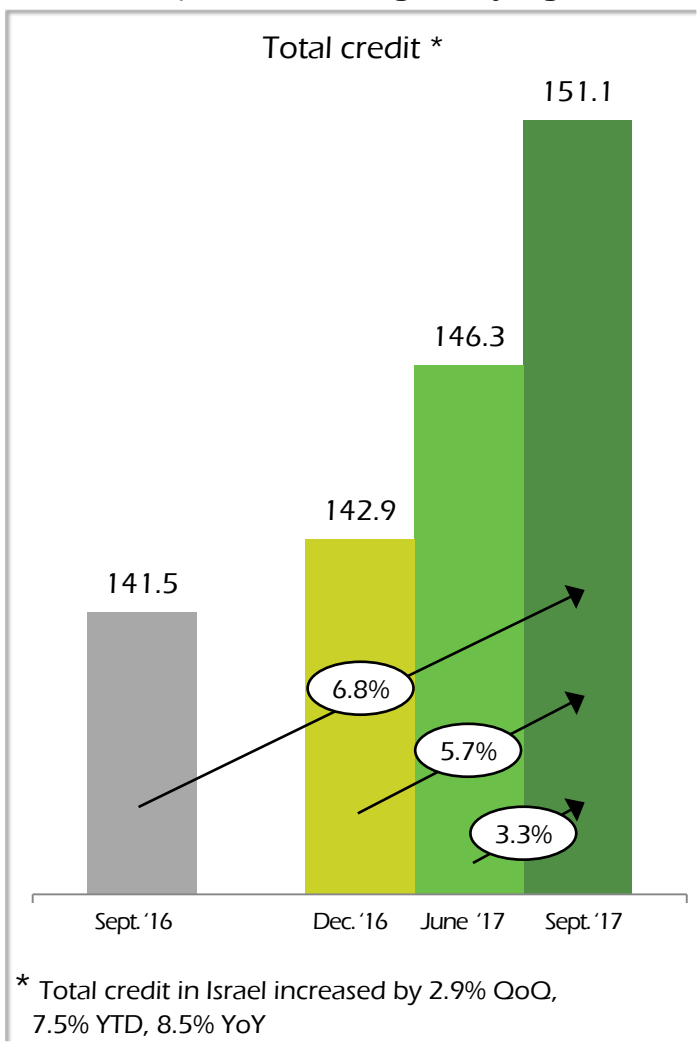


NIS m	Q3-17	Q3-16	Q2-17	Change compared to	
				Q3-16	Q2-17
Interest income, net	1,207	1,187	1,304	1.7%	(7.4%)
Credit loss expenses	187	141	211	32.6%	(11.4%)
Non-interest financing income	197	51	79	286.3%	149.4%
Commissions	694	675	661	2.8%	5.0%
Other income	9	5	19	80.0%	(52.6%)
Total non-interest income	900	731	759	23.1%	18.6%
Total income	2,107	1,918	2,063	9.9%	2.1%
Salaries and related expenses	837	830	814	0.8%	2.8%
Maintenance and depreciation of buildings and equipment	248	272	260	(8.8%)	(4.6%)
Other expenses	329	373	324	(11.8%)	1.5%
Total operating and other expenses	1,414	1,475	1,398	(4.1%)	1.1%
Income before taxes	506	302	454	67.5%	11.5%
Provision for taxes on income	180	126	163	42.9%	10.4%
Income after taxes	326	176	291	85.2%	12.0%
Net income attributable to bank's shareholders	313	188	272	66.5%	15.1%

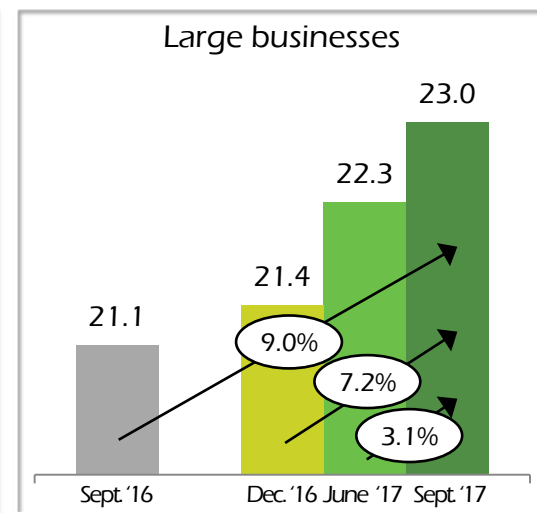
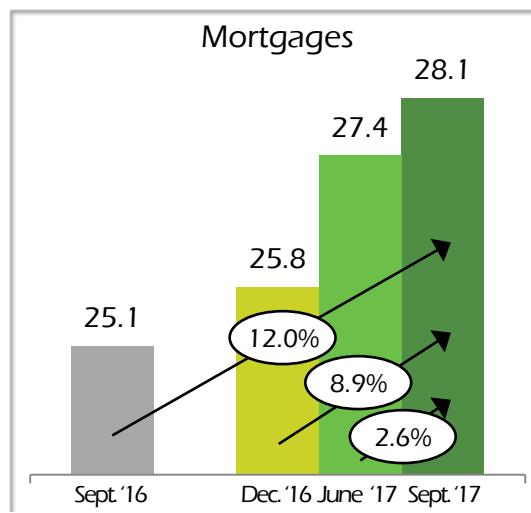
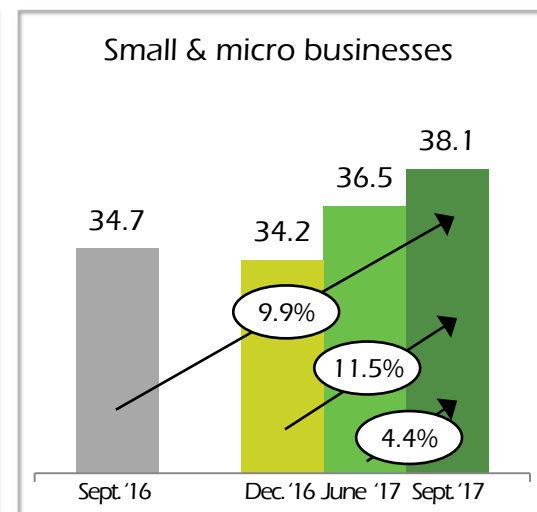
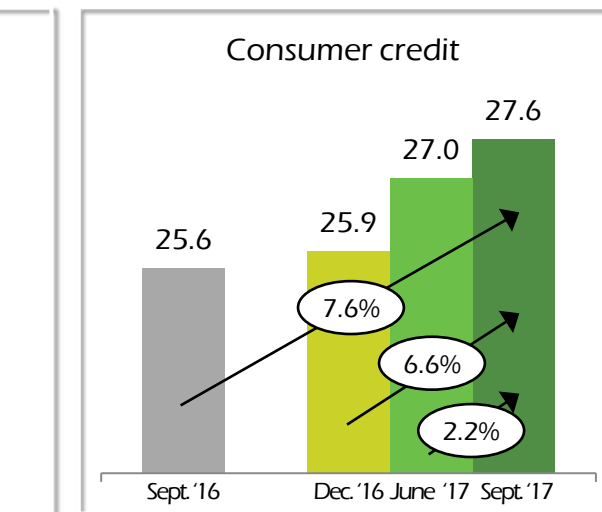
Robust Credit Growth



Credit to the public balances, gross, by segments



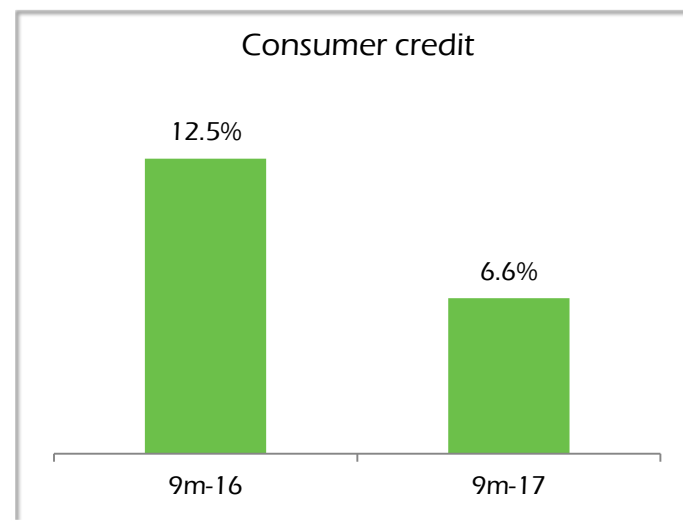
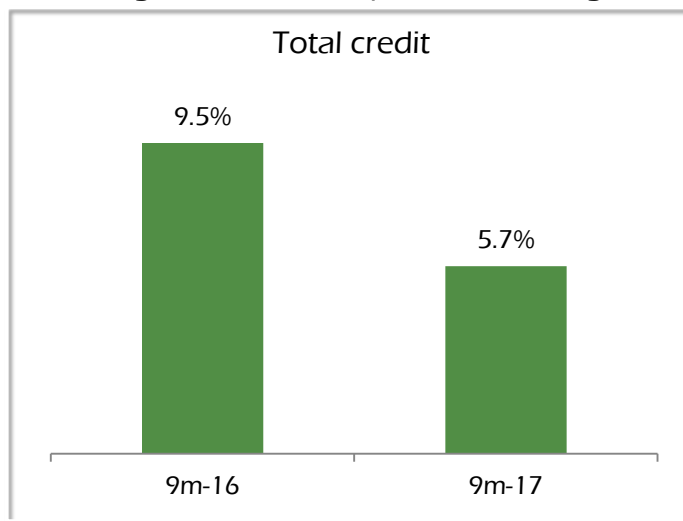
NIS bln



■ September 16 ■ December 16 ■ June 17 ■ September 17

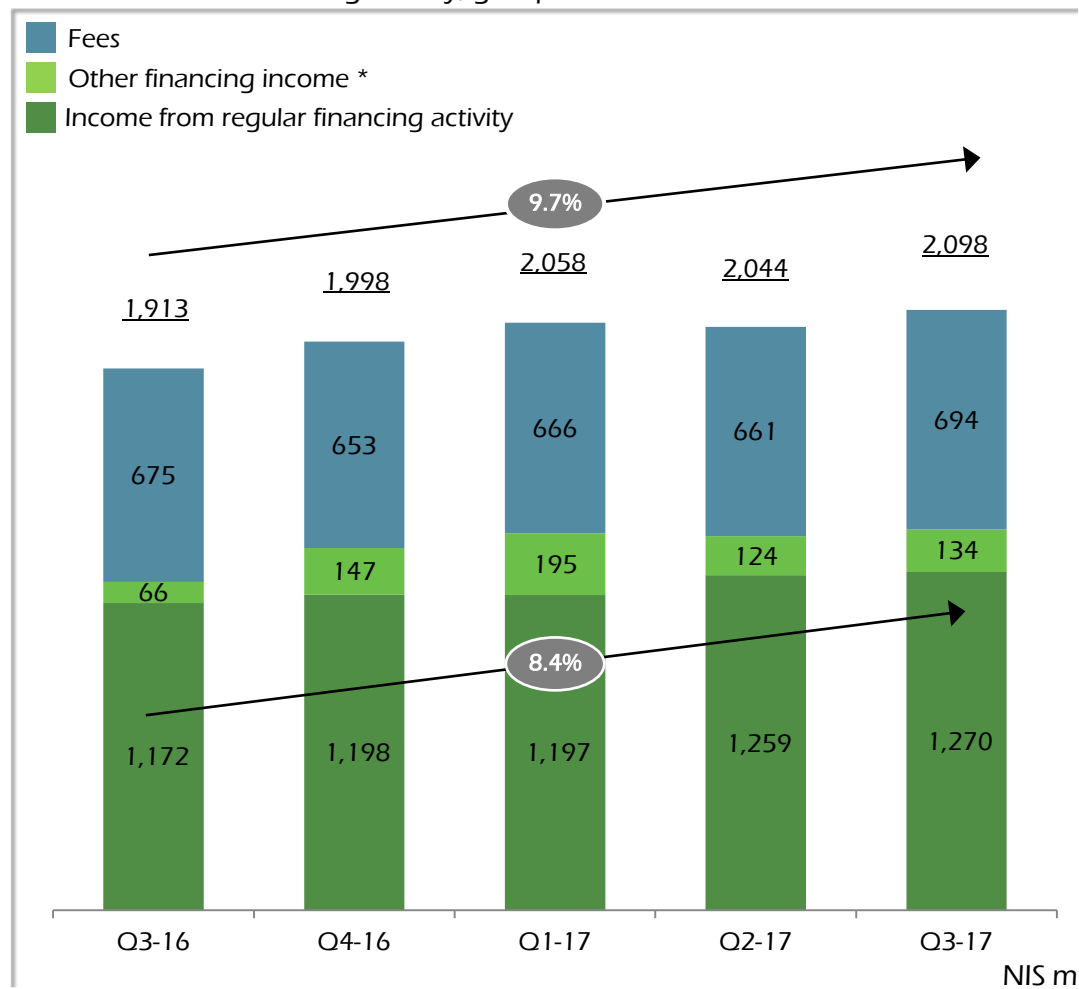
Expected Lower Credit Growth vs. 2016, as Planned

The change in credit to the public balances, gross



Income Growth From Banking Activity

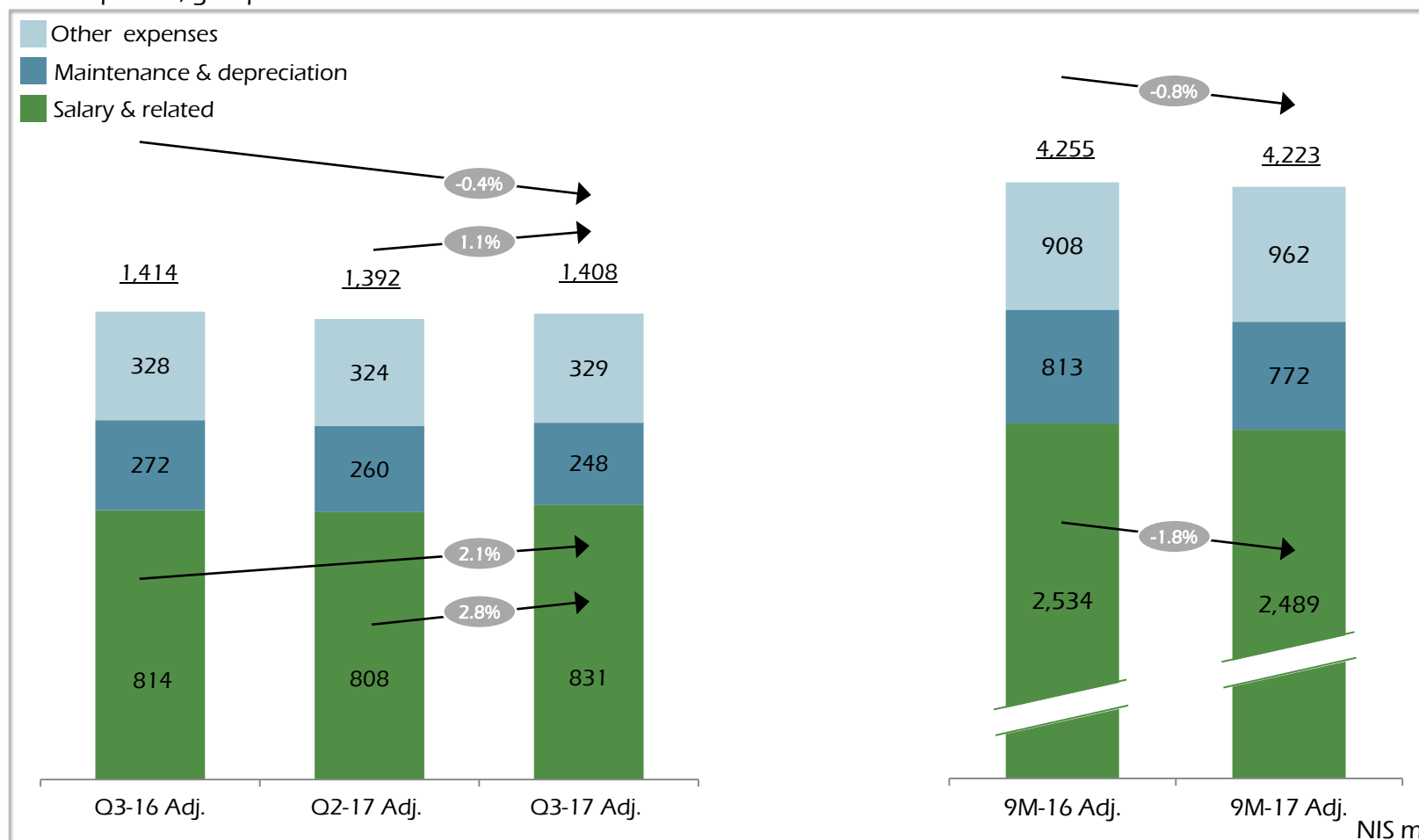
Total income from banking activity, group



* Includes: impact of CPI and income from - realization and adjustment to fair value of bonds, investment in shares, loans sold, adjustments to fair value of derivative instruments

Continuous Cost Restraint

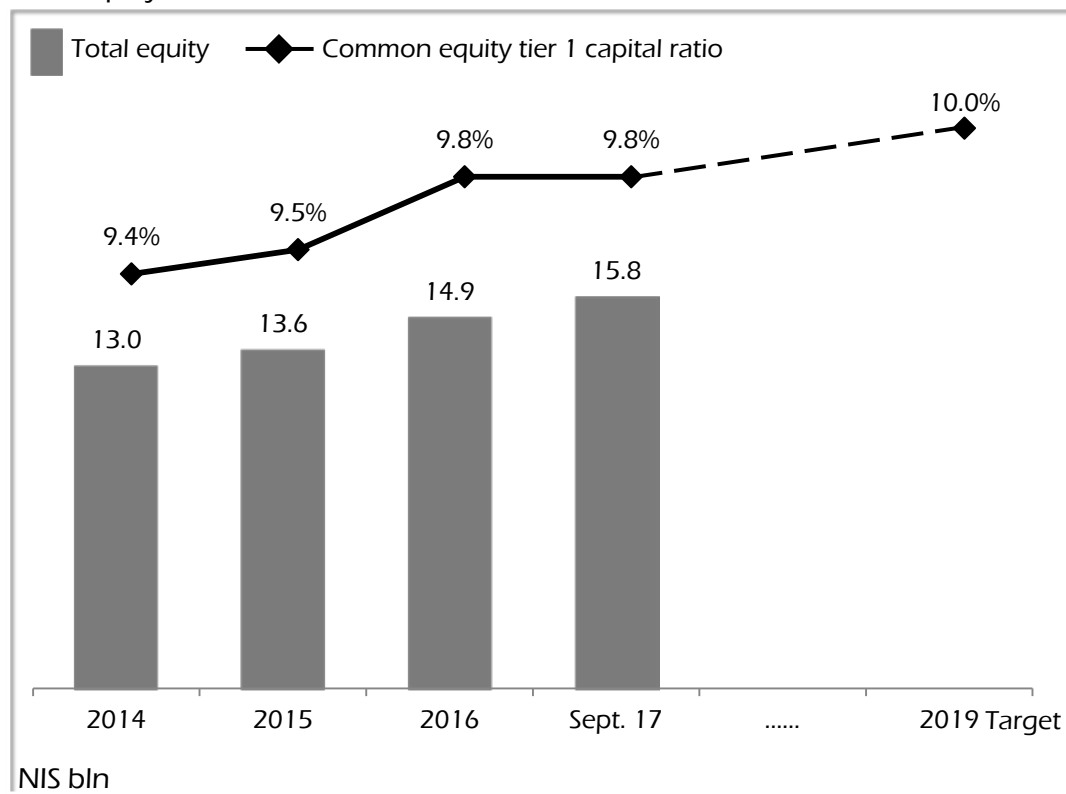
Total expenses, group:



- (1) Q3-17 adjustments: NIS 6 m expenses due to actuarial changes resulting from retirement
- (2) Q2-17 adjustments: NIS 6 m expenses due to actuarial changes resulting from retirement
- (3) Q3-16 adjustments: NIS 16 m expenses due to actuarial changes resulting from retirement and NIS 45 m provision at CAL
- (4) 9M-17 adjustments: NIS 21 m expenses due to actuarial changes resulting from retirement
- (5) 9M-16 adjustments: NIS 16 m expenses due to actuarial changes resulting from retirement and NIS 85 m provision at CAL

Robust Capital Position Allowed the Continuation of Growth

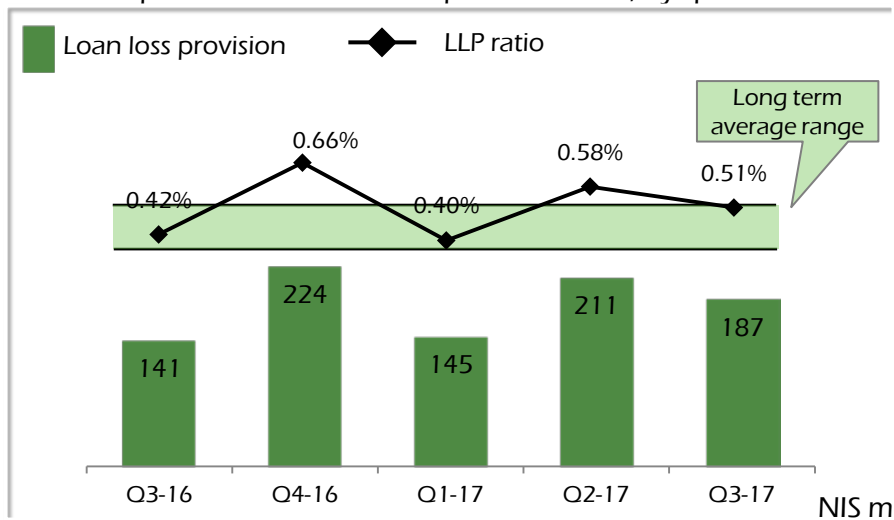
Total equity and Basel III CET-1 ratio



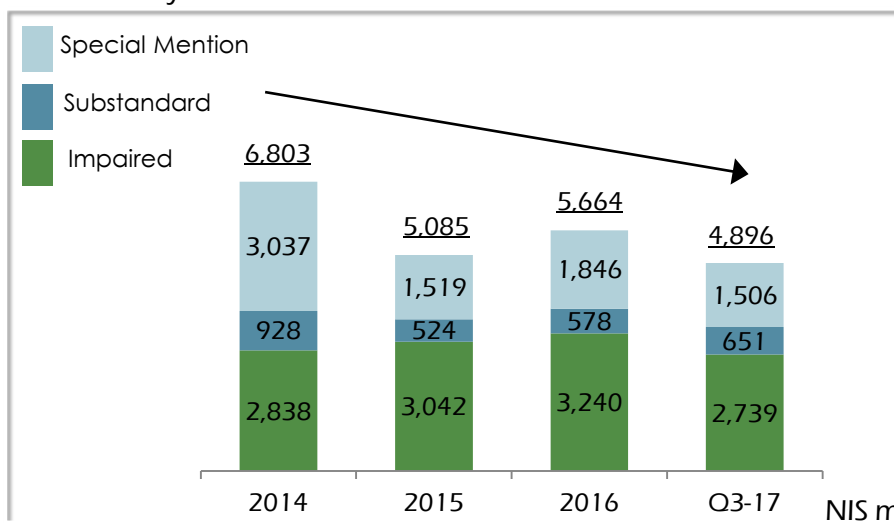
Credit Loss Expenses Within the Long Term Range, Credit Quality Indicators Continue to Improve



Loan loss provision and loan loss provision ratio, by quarters



Credit risk by classification

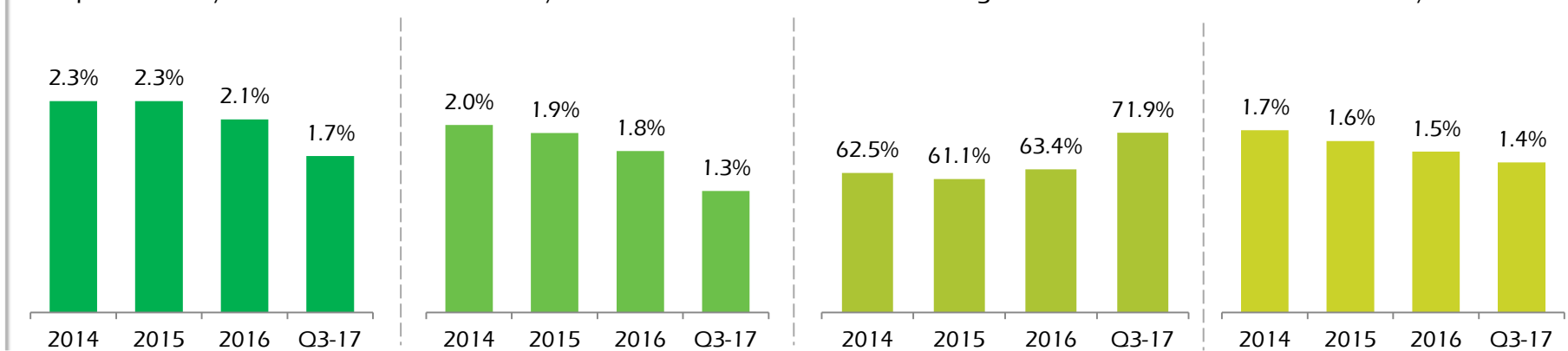


Impaired Debt/ Total Loans

NPL/ Total Loans

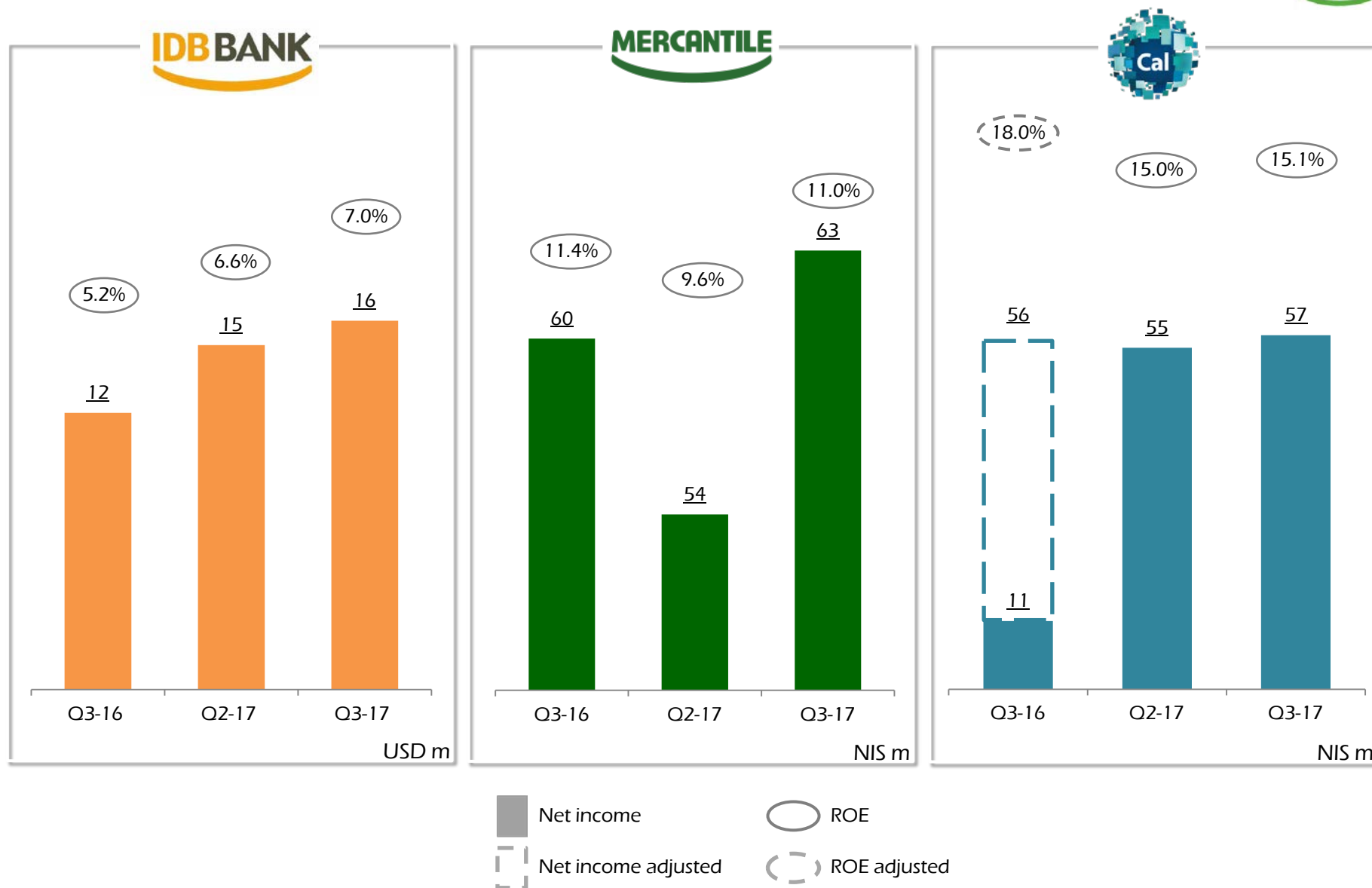
Coverage Ratio*

Allowance for LLP/ Total Loans



* Allowance for credit losses\ (Impaired credit + Non-impaired credit in arrears for 90 days and over)

Continued Robust Performance of Subsidiaries



Strategic Update

**Superior customer satisfaction
by adjusting to customer expectations and needs**

**Closing the
performance gap**

**Transforming
traditional banking**

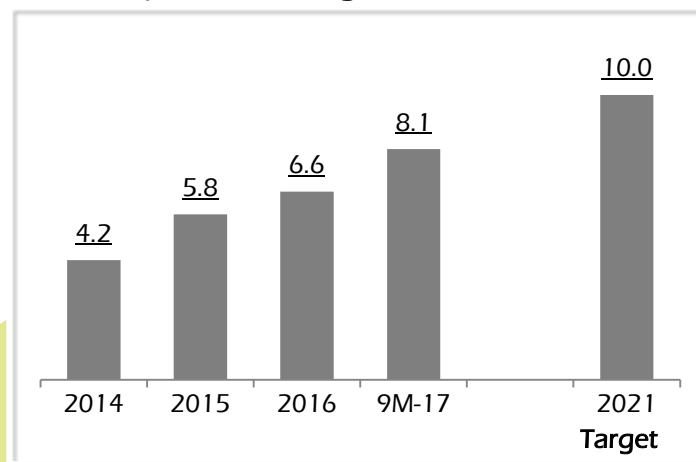
**Developing new
banking models**

We Continue to Close the Performance Gap, Toward Reaching our Financial Targets

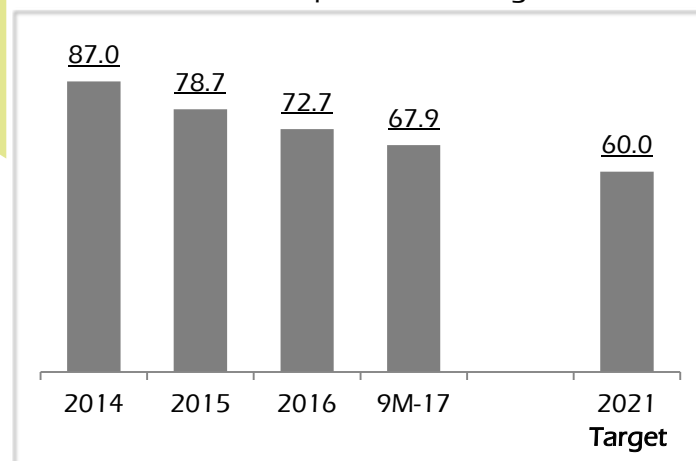
Closing the performance gap

- Cost
- Growth
- Infrastructure

ROE, as reported, and target, in %:



Cost-income ratio, as reported, and target, in %:



Transforming traditional banking

- Top class channels
- Unified service centers
- Technology-driven management platform
- Smart, Data-driven intelligence core



Microsoft Dynamics CRM

- ✓ Completed deployment in a number of branches
- ✓ Full deployment expected by year-end 2018 (at Discount and Mercantile)
- ✓ In the process of deploying new capabilities:
 - ✓ Email with bankers
 - ✓ One central screen for all client data, up-sale opportunities and real-time decision making



Chat with a banker

- ✓ Chat with a banker through the Bank's App, for a wide range of banking services
- ✓ Available in 50 branches, full roll out expected before year end



- ✓ Artificial intelligence-based digital assistant named "Didi"
- ✓ Soft launch for ~20k customers
- ✓ Full roll out in the coming months

Get Ready for Didi



Developing new banking models

- FinTech collaboration
- Innovative banking models



Our new online accounting platform for SME

(signed in Q2-17)

- Launched a pilot with selected customers
- Staged rollout starting 2018



Our new P2P and group payments platform

(signed in Q1-17)

- Growing active userbase (current – ~300k users)
- New UI rollout with updated features by year-end 2017

Closing the gap with our peers

- Robust, higher than market growth, focused on untapped potential with our own customers
- Disciplined cost management
- Targeting 10% ROE and 60% CIR by 2021

Creating a differentiated value proposition for our customers

- Further upgrade of existing channels and development of new channels, implementation of unified service center, data-driven management platform, smart technology-based core (AI)
- Examination of several additional engagements with FinTech entities to provide innovative products and services

Thank you



Appendices

9M-17 Balance Sheet and Ratios

NIS bln	Sept. 17	Sept. 16	% Change
Credit to the public, net	148.9	139.3	6.9%
Deposits from the public	173.4	164.9	5.1%
Total equity	15.8	14.6	8.1%
Total assets	219.7	213.5	2.9%

	9M-17	9M-16
Cost-income ratio	67.9%	72.7%
Cost-income ratio adjusted	67.6%	72.9%
ROE	8.1%	7.6%
ROE adjusted	8.2%	6.9%
Common equity tier 1	9.8%	9.8%
Leverage ratio	6.8%	6.7%
Liquidity coverage ratio	134.1%	129.7%
Interest margin	2.29%	2.24%

* 9M-17 adjustments: NIS 21 m expenses due to actuarial changes resulting from retirement

* 9M-16 adjustments: NIS 360 m (NIS 178 m net) income from the sale of rights in VISA Europe, a NIS 85 m (NIS 54 m net) provision at CAL, NIS 16 m (NIS 10 m net) expenses due to actuarial changes resulting from retirement and NIS 50 m net impact of the change in tax rate

9M-17 Profit & Loss

NIS m	9M-17	9M-16	% Change
Interest income, net	3,678	3,391	8.5%
Credit loss expenses	543	245	121.6%
Non-interest financing income	501	575	(12.9%)
Commissions	2,021	1,932	4.6%
Other income	50	94	(46.8%)
Total non-interest income	2,572	2,601	(1.1%)
Total income	6,250	5,992	4.3%
Salaries and related expenses	2,510	2,550	(1.6%)
Maintenance and depreciation of buildings and equipment	772	813	(5.0%)
Other expenses	962	993	(3.1%)
Total operating and other expenses	4,244	4,356	(2.6%)
Income before taxes	1,463	1,391	5.2%
Provision for taxes on income	525	573	(8.4%)
Income after taxes	938	818	14.7%
Net income attributable to bank's shareholders	888	760	16.8%
Net income attributable to bank's shareholders adjusted	902	696	29.6%

9M-17 adjustments: NIS 14 m expenses due to actuarial changes resulting from retirement

9M-16 adjustments: NIS 178 m net impact of the sale of VISA rights, a NIS 54 m net provision at CAL, NIS 10 m expenses due to actuarial changes resulting from retirement and a NIS 50 m net impact of the change in tax rate

	Q3-17	Q3-16	Q2-17	Change compared to	
USD m				Q3-16	Q2-17
Net interest income	53	48	52	11.7%	2.8%
Credit loss expenses	7	12	5	(41.7%)	37.3%
Non-interest income	15	17	13	(11.5%)	17.0%
Operating & other expenses	39	37	39	7.0%	2.2%
Income before tax	22	16	21	39.1%	4.2%
Net income	16	12	15	41.5%	9.9%
ROE	7.0%	5.2%	6.6%		
CIR	57.8%	57.1%	59.8%		
USD bln					
Total assets	9.2	9.4	9.1	(2.2%)	0.6%
Loans, net	5.9	5.7	5.7	2.9%	4.2%
Securities	2.7	2.7	2.6	(2.2%)	0.9%
Deposits	7.3	7.4	7.2	(1.3%)	1.4%
Total equity	0.9	0.9	0.9	2.5%	0.1%

Mercantile

	Q3-17	Q3-16	Q2-17	Change compared to	
NIS m				Q3-16	Q2-17
Net interest income	256	238	256	7.6%	0.0%
Credit loss expenses	22	7	23	214.3%	(4.3%)
Non-interest income	82	89	74	(7.9%)	10.8%
Operating & other expenses	217	223	221	(2.7%)	(1.8%)
Income before tax	99	97	86	2.1%	15.1%
Net income	63	60	54	5.0%	16.7%
ROE	11.0%	11.4%	9.6%		
CIR	64.2%	68.2%	67.0%		
NIS bln					
Total assets	33.4	31.4	32.8	6.1%	1.9%
Credit to the public, net	23.9	21.9	23.2	8.9%	2.8%
Securities	5.2	6.1	5.6	(15.0%)	(7.1%)
Deposits from the public	28.3	26.4	27.8	7.3%	1.9%
Total equity	2.4	2.2	2.4	10.1%	2.3%

CAL

NIS m	Q3-17	Q3-16 *	Q2-17	Change compared to	
				Q3-16	Q2-17
Credit card transactions	280	262	263	6.9%	6.5%
Net interest income	104	95	108	9.5%	(3.7%)
Non-interest financing income	4	4	0	0.0%	N/A
Total income	388	361	371	7.5%	4.6%
Credit loss expenses	37	17	31	117.6%	19.4%
Total expenses	310	280	299	10.7%	3.7%
Income before tax	78	81	72	(3.7%)	8.3%
Net income	57	56	55	1.8%	3.6%
ROE	15.1%	18.0%	15.0%		
CIR	63.7%	61.8%	65.2%		
NIS bln					
Total assets	13.3	12.6	13.1	6.1%	1.8%
Consumer credit	4.0	3.4	3.9	16.5%	2.4%
Total equity	1.6	1.5	1.6	11.1%	3.5%
Total active cards (in m)	2.1	1.9	2.0	7.1%	2.4%
Transactions turnover	21.0	18.9	19.4	10.6%	7.9%

* Q3-16 adjustments: NIS 45 m provision for legal proceedings



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