



# 2Q 22 REVIEW

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Investor Relations

August 11, 2022

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# AGENDA

## > Opening Remarks and Financial Review

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Barak Nardi, CFO

## > Q&A

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Barak Nardi, CFO

Yossi Beressi, Chief Accountant

# STRONG UNDERLYING PERFORMANCE ACROSS THE KEY INDICATORS

NET INCOME

680<sub>M</sub>

ROE

11.8%

YoY  
CREDIT GROWTH

16.4%

EFFICIENCY RATIO

59.2%

YoY MORTGAGE  
ORIGINATION GROWTH

47.5%

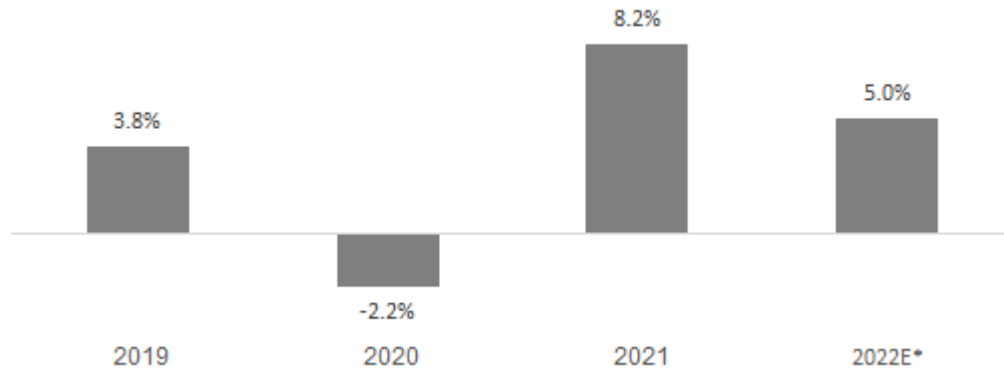
# 2Q AND 1H 2022 HIGHLIGHTS

- **Net income of 680m and ROE of 11.8%** supported by increase in revenues from core banking activity, which outpace the growth in operating expenses, leading to improving cost income ratio of **59.2%**.
- **Leverage of NIS 1.4 billion equity raise into NIS 14.8 billion credit growth (6.7% QoQ).**
- **Focus on key segments: Mortgage** balance grew by **28.9%** and **medium enterprises** balance grew by **22.0%** YoY. We **took advantage** of a market opportunity and grew in **corporate credit** by **10.3%** QoQ.
- **Net interest income** grew by **23% YoY** supported by credit growth and NIM improving to **2.63%**
- **Conservative management of credit portfolio:** Credit Loss Expenses Ratio stood at **0.23%** largely due to **increase in credit growth**, changes in **macro assumptions**, partially offset by **improvement in the quality of our loan book**.
- **Dividend payout** of NIS 136m; 20% of 2Q 22 net income

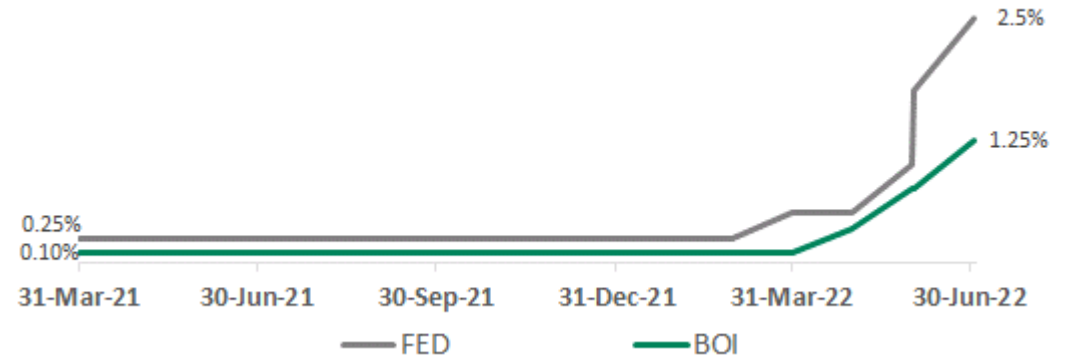
2Q22	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	1H22	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	NIS 680m 1Q22: NIS 983 m; 2Q21: NIS 860 m	11.8% 1Q22: 18.3%; 2Q21: 17.2%	59.2% 1Q22: 55.3%; 2Q21: 62.9%	0.23% 1Q22: (0.11%) 2Q21: (0.82%)		NIS 1,663m 1H21: NIS 1,522 m	14.9% 1H21: 15.5%	57.2% 1H21: 64.0%	0.06% 1H21: (-0.56%)

# WE EXPECT TO BENEFIT FROM MIXED IMPACT OF MACRO ENVIRONMENT

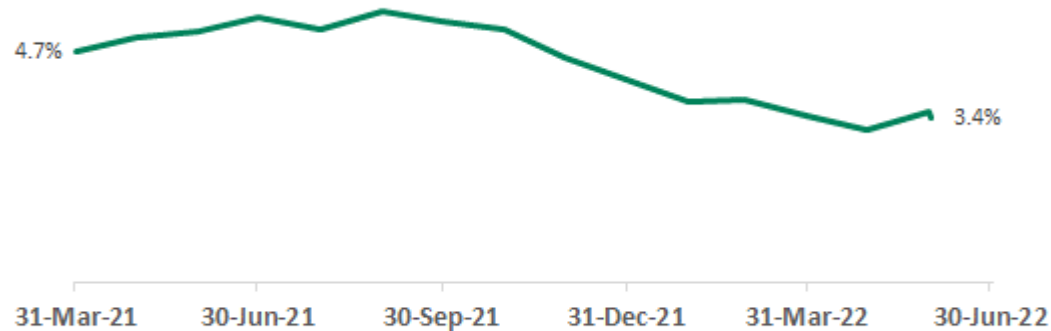
## Israel Actual and Projected\* GDP Growth



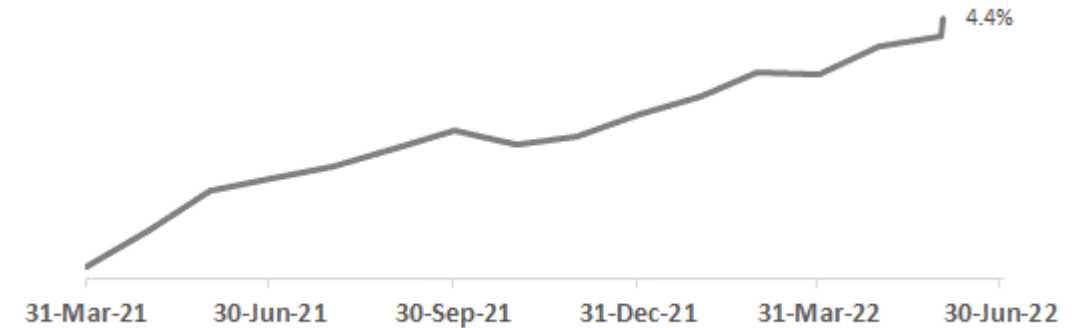
## Bank of Israel and Fed Rates Evolution



## “Narrow” Unemployment Rate

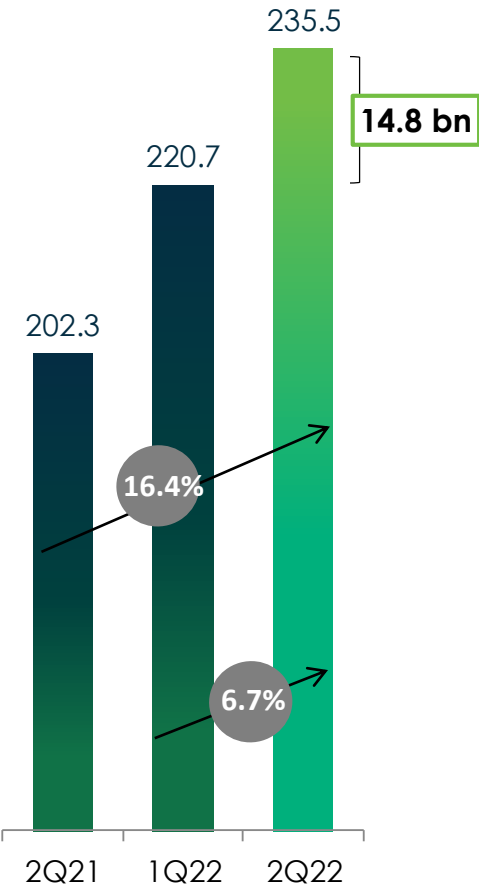


## Israel CPI Increase Annual Rate

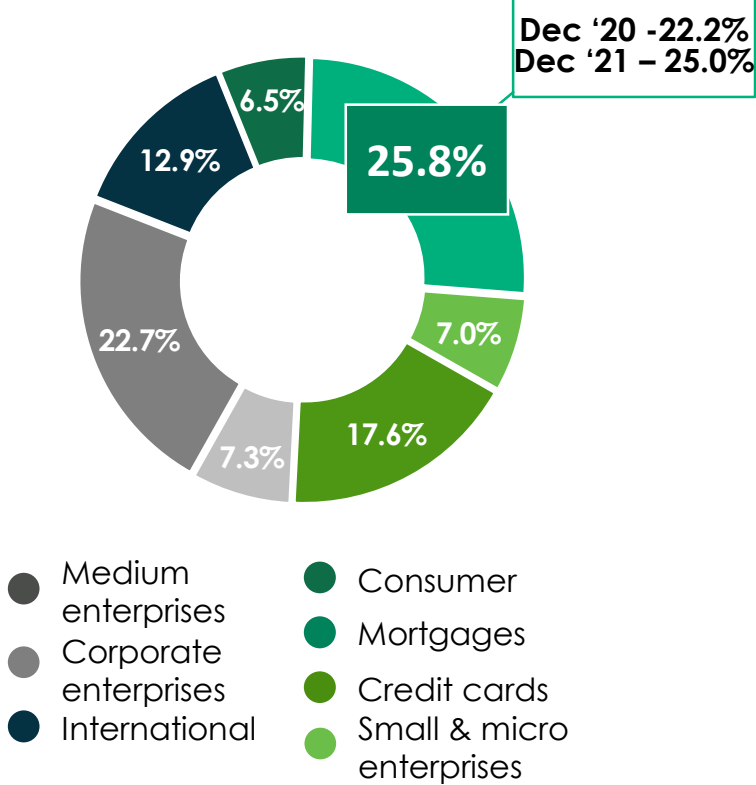


# LEVERAGE OF NIS 1.4 BN EQUITY RAISE TO RESPONSIBLE AND PROFITABLE NIS 14.8 BN CREDIT GROWTH

**Strong Credit Growth**  
in NIS bn; growth %

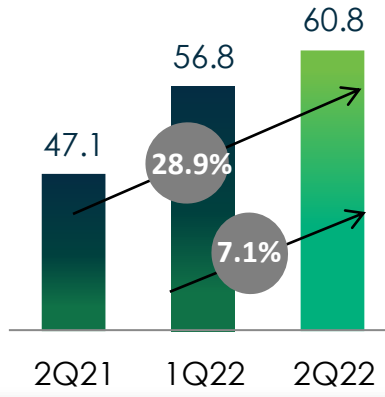


**Well Balanced Loan Book**

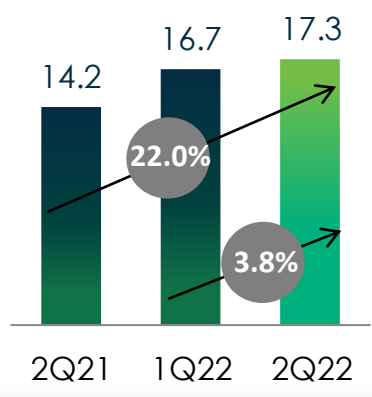


Dec '20 -22.2%  
Dec '21 - 25.0%

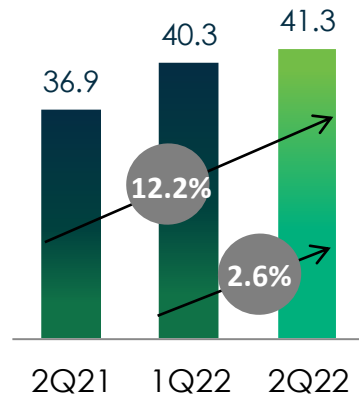
**Mortgages**  
in NIS bn; growth %



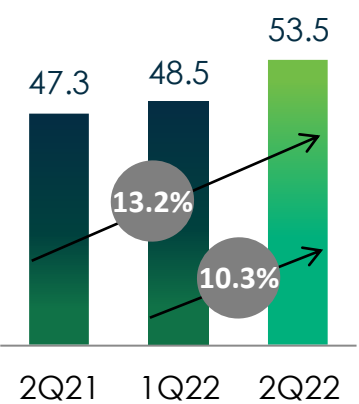
**Medium Enterprises**  
in NIS bn; growth %



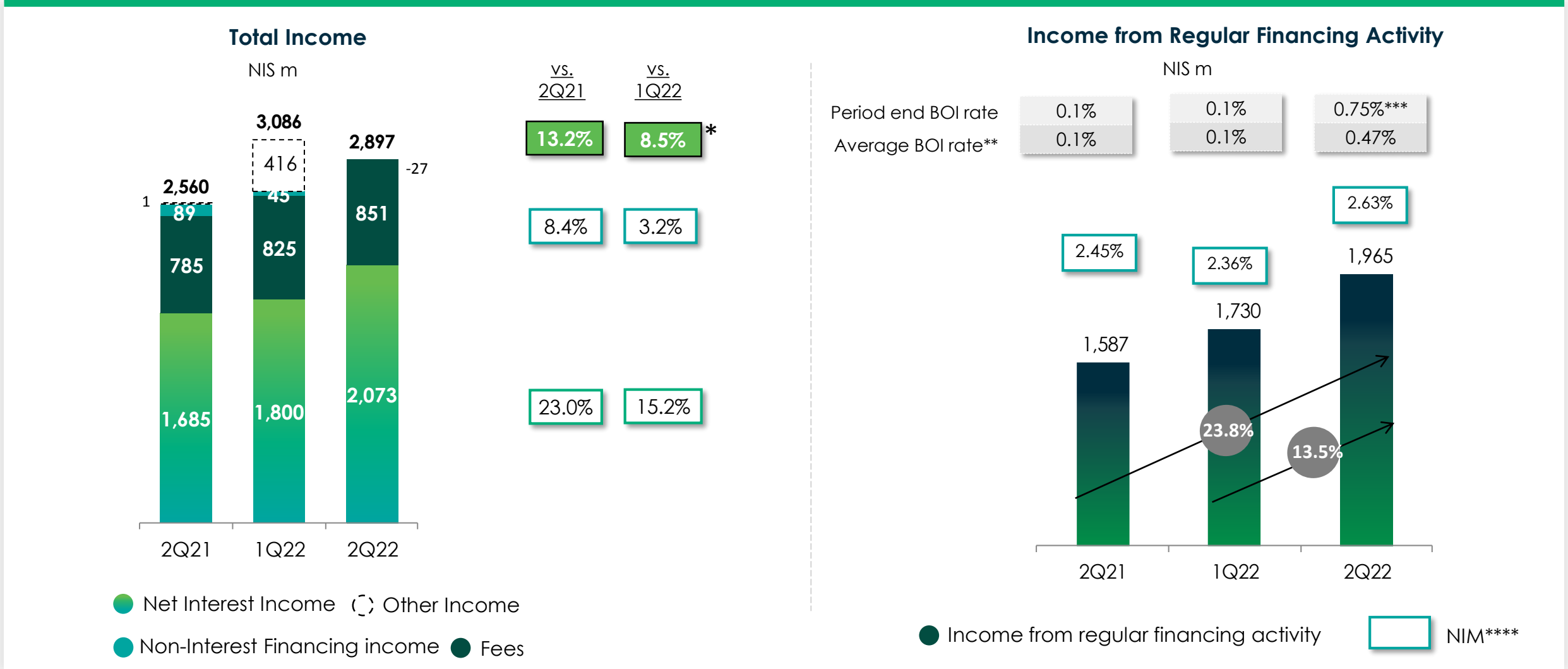
**Small Enterprises**  
in NIS bn; growth %



**Corporates**  
in NIS bn; growth %



# GROWTH IN NET INTEREST INCOME AND IN FEES HIGHLIGHT THE STRENGTH OF OUR CORE BUSINESS

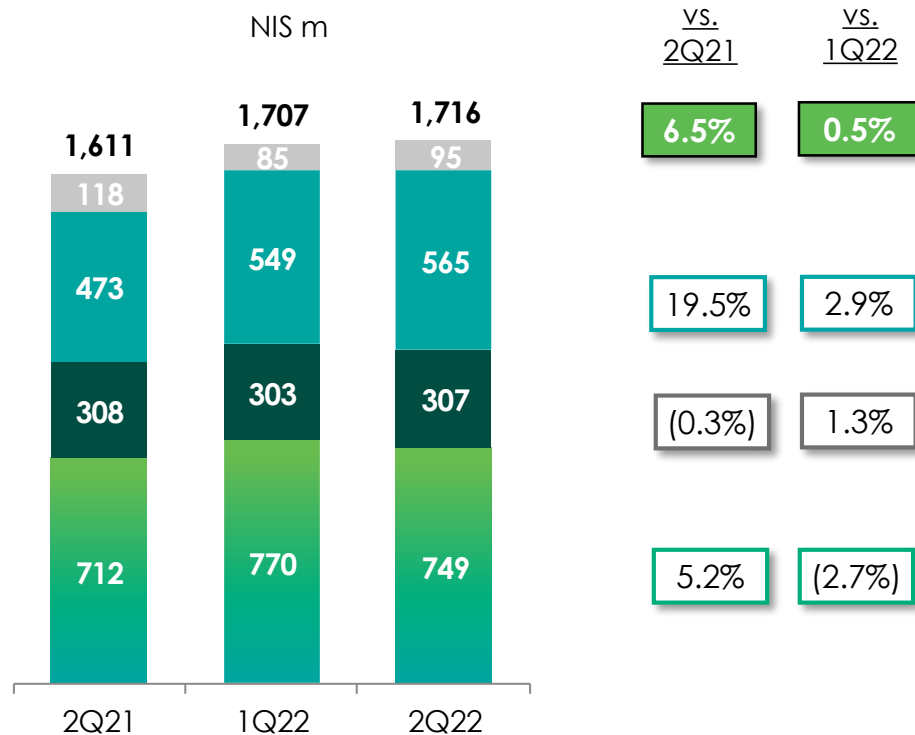




# DISCIPLINED COST MANAGEMENT AND INCREASE IN INCOME LED TO IMPROVING COST INCOME RATIO

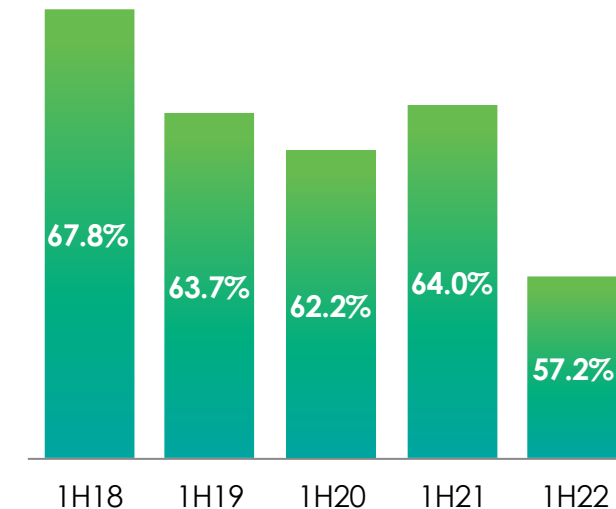
Total Expenses

NIS m



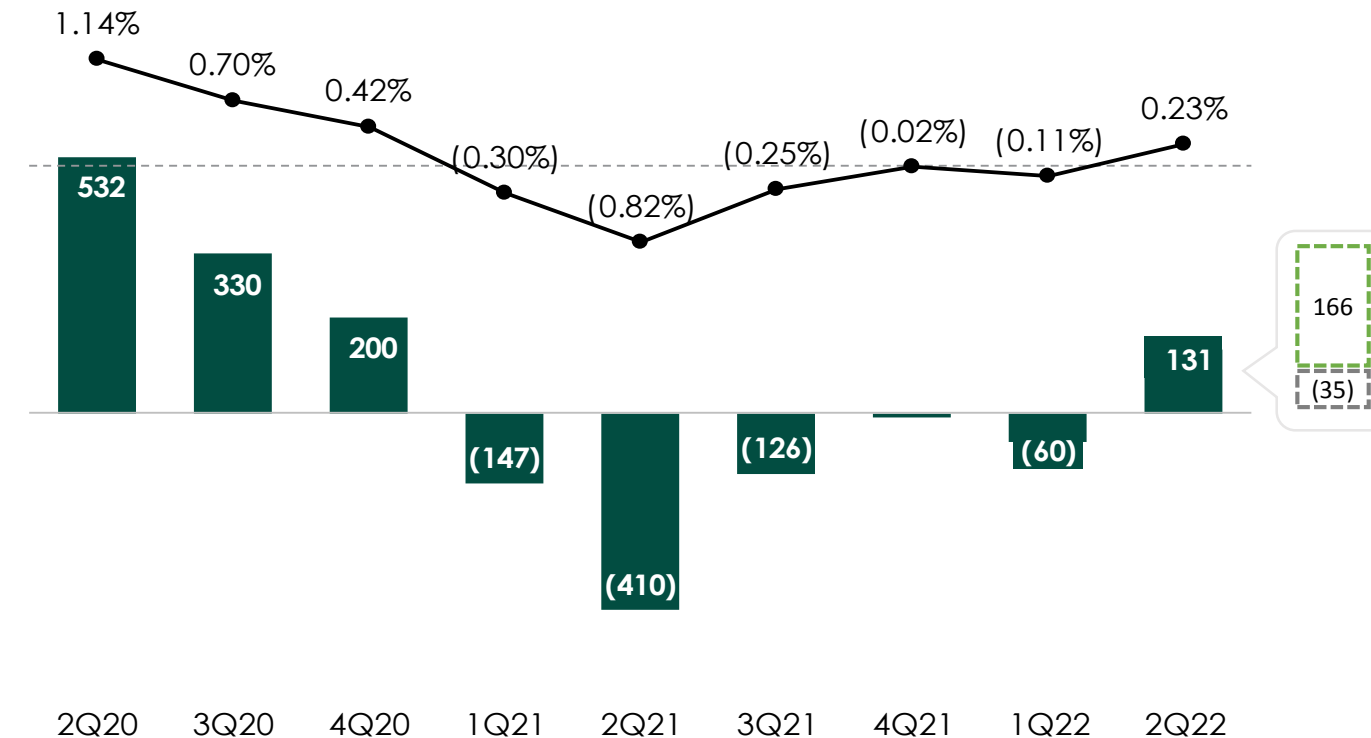
- Other
- Salary & related excluding bonuses
- Bonuses
- Maintenance and depreciation

Cost Income Ratio



# HIGH QUALITY LOANS AND CONSERVATIVE UNDERWRITING PRODUCE SOLID CREDIT METRICS

**Credit Loss Expenses** (in NIS m and %)



**Allowance for  
LLP/Gross Total  
Credit**

**1.29%**

**NPL\*/Gross Total Credit**

**0.84%**

**NPL Coverage\*\***

**153%**

**Net Write-Offs  
(Recoveries)\*\*\***

**(0.09%)**

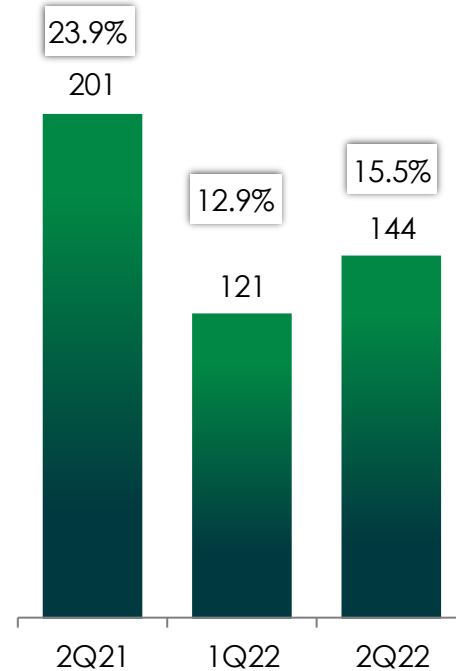
● Credit loss expense (expense release)       Group Basis       Specific Basis

10 \*NPL: percent of non accrual and 90 days and above past due from gross total credit \*\*NPL coverage: percent of loan loss provision from non accrual and 90 days and above past due credit \*\*\* Net write-offs: as percent of avg. balance of credit on an accumulated basis

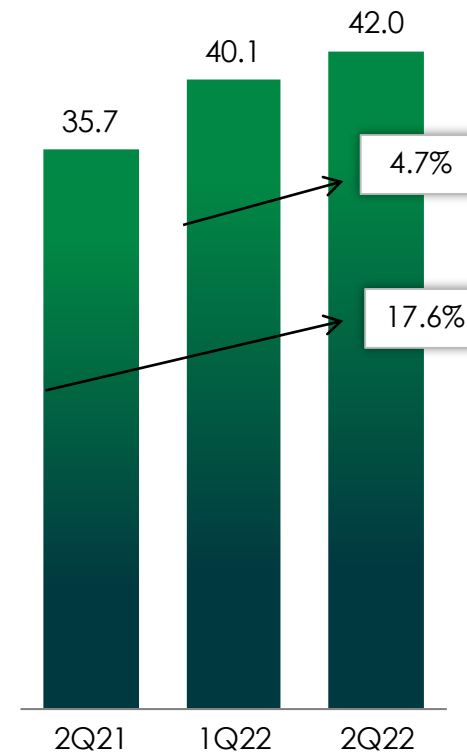
# MERCANTILE: ROBUST CREDIT GROWTH DELIVERS STRONG NET INCOME AND ROE

- Strong ROE of 15.5% and net income of NIS 144 million were driven by credit growth and carefully managed expenses.
- 17.6% YoY loan book growth was mainly driven by significant growth across all segments. Mortgages increased by 32.9%, Commercial by 21.6% Small enterprises increased by 11.5% and Consumer by 8.7%.
- Total income from core banking activity grew by 5.7% YoY and expenses slightly increased. Overall Cost Income ratio declined to 49.1%.

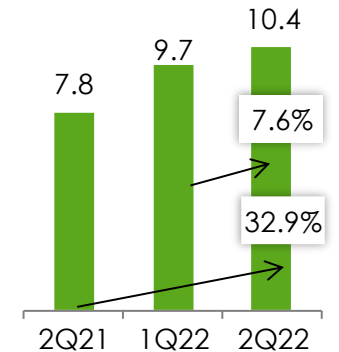
**Net Income and ROE**  
(NIS bn )



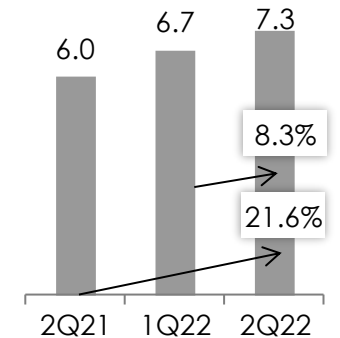
**Total Credit**  
(NIS bn )



**Mortgages**  
(NIS bn )



**Medium Enterprises**  
(NIS bn )



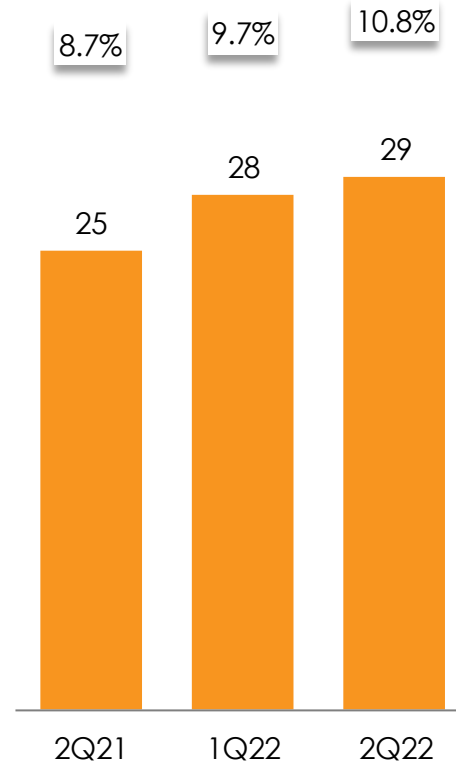
# IDBBANK: HIGHER NET INTEREST MARGINS AND NEGATIVE LLP LED TO SOLID RESULTS

→ IDB NY solid net income of \$29.7 million is driven by 26.7% increase in net interest income, 12.7% annual credit growth, and release of provisions.

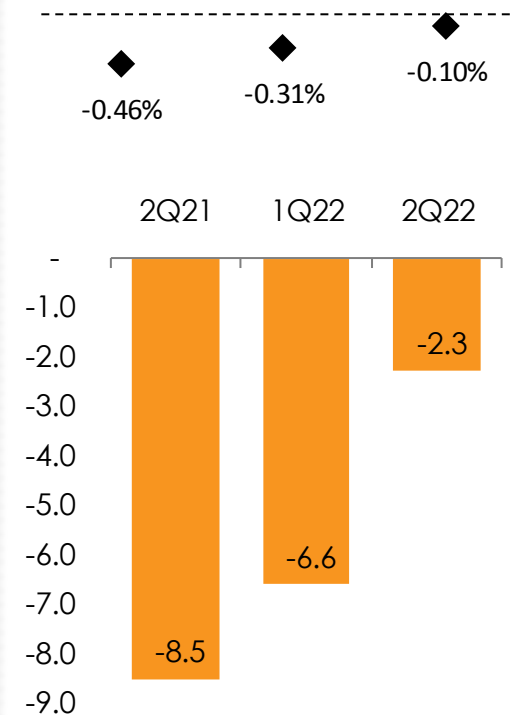
→ Net interest income growth was driven primarily by 26 bps increase in net interest margin, following a series of Fed rate hikes, which outpaced the deposits costs.

→ 2Q22 produced another release of provision for credit losses of \$2.3 million vs. a release of \$6.6m in 1Q 22. Credit quality remains strong largely due to an improvement in classified loans.

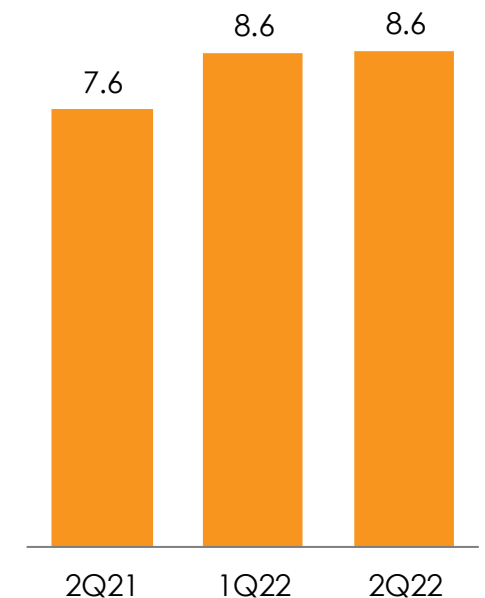
**Net Income and ROE**  
(USD m)



**Credit Loss Expenses**  
(%, USD m)



**Total Credit**  
(USD m)



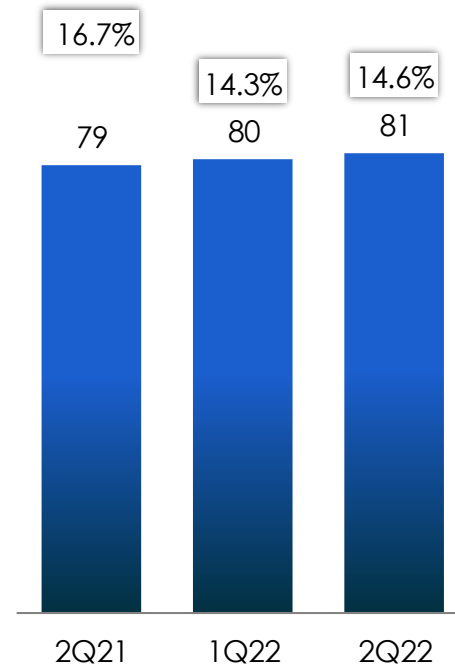
# CAL: A STRONG QUARTER ACROSS ALL INDICATORS; CONTINUE LEADING INNOVATION

→ CAL produced robust net income of NIS 81 million and 14.6% ROE.

→ The results were supported by 20.8% increase in consumer credit, 18.2% increase in credit cards transaction turnover and 6.2% increase in active cards.

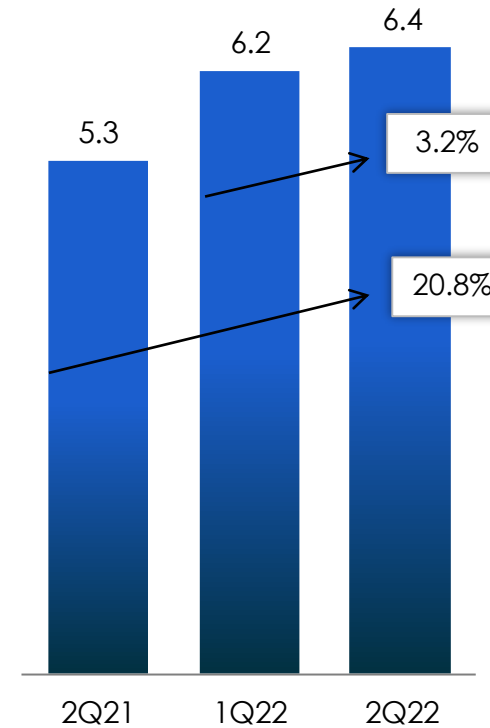
→ CAL's payments platform won 2 global Fintech Futures Payments Awards.

**Net Income and ROE**  
in NIS m

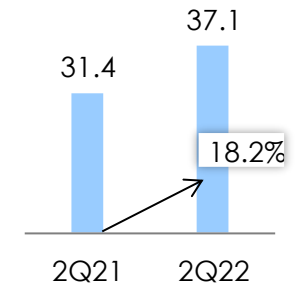


● Net Income      ROE

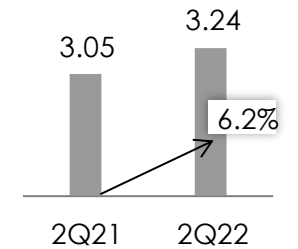
**Consumer Credit**  
in NIS m



**Transaction Turnover**  
in NIS bn



**Active Credit Cards**  
in millions



# OUR 5-YEAR STRATEGIC PLAN ENABLES US TO ACHIEVE AMBITIOUS TARGETS...

OUR STRATEGIC GOAL IS TO BE THE BEST FINANCIAL INSTITUTION FOR OUR CUSTOMERS AND  
TO DELIVER SUPERIOR VALUE TO OUR SHAREHOLDERS



# ... WHILE INCREASING RATES ALLOW US TO ACCELERATE THE PACE TOWARDS REACHING OUR 2025 TARGETS

NET INCOME

3.5bn

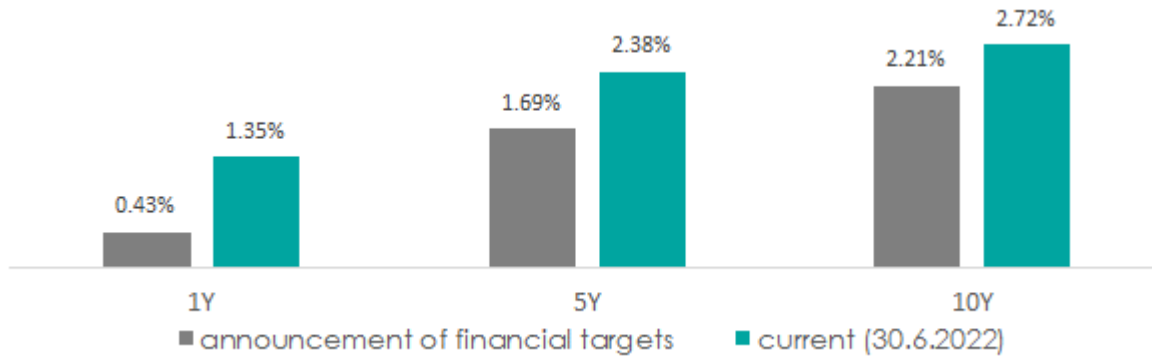
ROE

12.5%

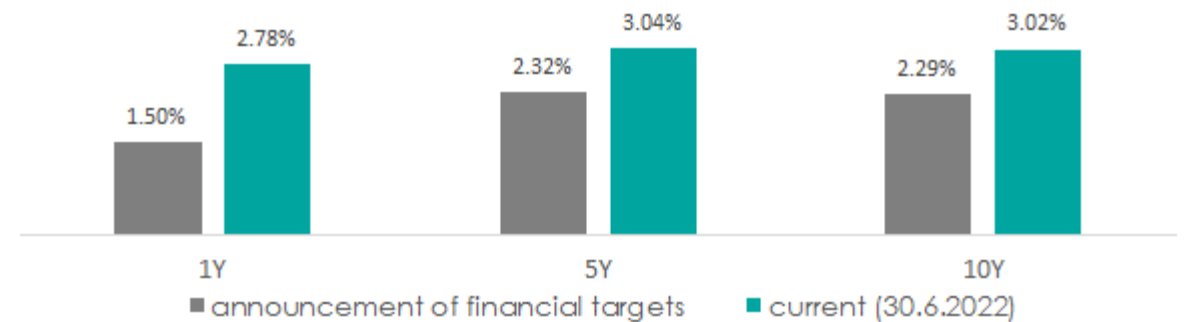
Efficiency Ratio

55.0%

Israel Gov't Bonds Yields



US Gov't Bonds Yields



## TO SUMMARIZE

- ➔ We delivered **strong 2Q22 results**, which reflect continuous execution of our strategic initiatives, while at this stage we **only partially benefitted** from rising interest rates.
- ➔ We leveraged **NIS 1.4 billion equity raise to NIS 14.8 credit growth** (6.7% QoQ), focusing on our targeted sectors: **mortgages** and **medium enterprises** which grew 28.9% and 22.0% YoY respectively. We took advantage of the market opportunity and grew in **corporate credit by 10.3% QoQ**.
- ➔ We remain focused on **increasing** revenues from **core banking** activity and on tight **costs control**, leading us to **improve cost income ratio** to 59.2%.
- ➔ **Interest rate increases** allows us to **accelerate** the pace towards reaching our NIS 3.5 billion Net Income, 12.5% ROE and 55% Cost Income Ratio targets.



# AGENDA

> Opening Remarks and Financial Review

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Barak Nardi, CFO

> Q&A

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Barak Nardi, CFO

Yossi Beressi, Chief Accountant

# APPENDICES

# ISRAEL DISCOUNT BANK: P&L AND SELECTED RATIOS

NIS m	2Q22	1Q22	2Q21	Vs. 1Q22	Vs. 2Q21
Net interest income	2,073	1,800	1,685	15.2%	23.0%
Credit loss expenses (expenses release)	131	-60	-410	--	--
Non-interest financing income	-27	45	89	-160.0%	-130.3%
Commissions	851	825	785	3.2%	8.4%
Other income	0	416	1	--	--
Total non-interest income	824	1,286	875	-35.9%	-5.8%
<b>Total income</b>	<b>2,897</b>	<b>3,086</b>	<b>2,560</b>	<b>-6.1%</b>	<b>13.2%</b>
Salaries and related expenses	844	855	830	-1.3%	1.7%
Maintenance & depreciation	307	303	308	1.3%	-0.3%
Other expenses	565	549	473	2.9%	19.5%
<b>Total operating and other expenses</b>	<b>1,716</b>	<b>1,707</b>	<b>1,611</b>	<b>0.5%</b>	<b>6.5%</b>
Income before taxes	1,050	1,439	1,359	-27.0%	-22.7%
Provision for taxes on income	371	447	493	-17.0%	-24.7%
Income after taxes	679	992	866	-31.6%	-21.6%
<b>Net income attributable to shareholders</b>	<b>680</b>	<b>983</b>	<b>860</b>	<b>-30.8%</b>	<b>-20.9%</b>
ROE	11.8%	18.3%	17.2%		
Cost income ratio	59.2%	55.3%	62.9%		
CET-1 ratio	10.16%	10.55%	10.28%		
NIM	2.63%	2.36%	2.45%		
Rate of credit loss expenses	0.23%	-0.11%	(0.82%)		
NPL ratio	0.84%	0.70%	0.89%		
Dividend per share (in Agurot)*	10.99	15.89	-		

1H22	1H21	change
3,873	3,189	21.4%
71	-557	--
18	387	-95.3%
1,676	1,509	11.1%
416	12	--
2,110	1,908	10.6%
<b>5,983</b>	<b>5,097</b>	<b>17.4%</b>
1,699	1,631	4.2%
610	602	1.3%
1,114	1,030	8.2%
<b>3,423</b>	<b>3,263</b>	<b>4.9%</b>
2,489	2,391	4.1%
818	846	-3.3%
1,671	1,545	8.2%
<b>1,663</b>	<b>1,522</b>	<b>9.3%</b>
14.9%	15.5%	
57.2%	64.0%	
10.16%	10.28%	
2.50%	2.35%	
0.06%	-0.56%	
0.84%	0.89%	
26.89	--	

\* Dividend in respect of the relevant period

# ISRAEL DISCOUNT BANK: ADJUSTED P&L & SELECTED RATIOS

NIS m	2Q22	1Q22	2Q21	Vs. 1Q22	Vs. 2Q21
Net interest income	2,073	1,800	1,685	15.2%	23.0%
Credit loss expenses (expense release)	131	-60	-410	--	--
Non-interest financing income	-27	45	89	--	--
Commissions	851	825	785	3.2%	8.4%
Other income	0	8	1	--	--
Total non-interest income	824	878	875	-6.2%	-5.8%
<b>Total income</b>	<b>2,897</b>	<b>2,678</b>	<b>2,560</b>	<b>8.2%</b>	<b>13.2%</b>
Salaries and related expenses	844	855	830	-1.3%	1.7%
Maintenance & depreciation	307	303	289	1.3%	6.2%
Other expenses	565	549	466	2.9%	21.2%
<b>Total operating and other expenses</b>	<b>1,716</b>	<b>1,707</b>	<b>1,585</b>	<b>0.5%</b>	<b>8.3%</b>
Income before taxes	1,050	1,031	1,385	1.8%	-24.2%
Provision for taxes on income	371	354	501	4.8%	-25.9%
Income after taxes	679	677	884	0.3%	-23.2%
<b>Net income attributable to shareholders</b>	<b>680</b>	<b>668</b>	<b>878</b>	<b>1.8%</b>	<b>-22.6%</b>
ROE	11.8%	12.4%	17.5%		
Cost income ratio	59.2%	63.7%	61.9%		
CET-1 ratio	10.16%	10.55%	10.28%		
NIM	2.63%	2.36%	2.45%		
Rate of credit loss expenses	0.23%	-0.11%	(0.82%)		
NPL ratio	0.84%	0.70%	0.89%		
Dividend per share (in Agurot)*	10.99	15.89	-		

1H22	1H21	change
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71	-557	--
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8	12	-33.3%
1,702	1,908	-10.8%
<b>5,575</b>	<b>5,097</b>	<b>9.4%</b>
1,699	1,631	4.2%
610	583	4.6%
1,114	908	22.7%
<b>3,423</b>	<b>3,122</b>	<b>9.6%</b>
2,081	2,532	-17.8%
725	893	-18.8%
1,356	1,639	-17.3%
<b>1,348</b>	<b>1,616</b>	<b>-16.6%</b>
12.1%	16.4%	
61.4%	61.3%	

\* Dividend in respect of the relevant period

# ISRAEL DISCOUNT BANK: ADJUSTMENTS TO P&L

	2Q22	1Q22	2Q21	1H22	1H21
NIS m					
net income attributable to shareholders	680	983	860	1663	1522
Income from real estate sale		-315		-315	
early redemption of long term benefits			5		81
Cost associated with IDBNY change of headquarters location			13		13
net income after adjustments	680	668	878	1348	1616

# ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	30.06.22	31.12.21	30.06.21
Cash and deposits with banks	63,449	59,638	47,405
Securities*	45,256	45,075	48,226
Credit to the public	235,510	216,196	202,258
Provision for credit losses	-3,045	-3,040	-3,272
Credit to the public, net	232,465	213,156	198,986
Credit to governments	2,607	2,664	3,217
Investment in investee companies	493	462	345
Buildings and equipment	3,573	3,401	3,117
Intangible assets and goodwill	163	163	164
Assets in respect of derivative instruments	11,023	5,522	4,670
Other assets	5,392	5,006	4,604
<b>Total Assets</b>	<b>364,421</b>	<b>335,088</b>	<b>310,734</b>
Deposits from the public	283,423	260,907	240,691
Deposits from banks and governments	14,884	12,880	15,578
Securities borrowed or sold via repo agreements*	1,946		
Bonds and subordinated debt notes	13,863	15,071	11,203
Liabilities in respect of derivative instruments	9,303	6,323	4,876
Other liabilities	16,909	17,759	17,040
Total liabilities	340,328	312,940	289,388
Equity capital attributed to the Bank's shareholders	23,490	21,483	20,704
Non-controlling rights in consolidated companies	603	665	642
Total equity	24,093	22,148	21,346
<b>Total Liabilities and Equity</b>	<b>364,421</b>	<b>335,088</b>	<b>310,734</b>

\* Including securities borrowed or purchased under agreements to resell

# MERCANTILE: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	2Q22	1Q22	2Q21	Vs. 1Q22	Vs. 2Q21
Net interest income	414	359	335	15.3%	23.6%
Credit loss expenses (expenses release)	36	25	-73	44.0%	--
Non-interest income	89	89	141	0.0%	-36.9%
Total income	503	448	476	12.3%	5.7%
Operating & other expenses	247	241	241	2.5%	2.5%
<b>Net income</b>	<b>144</b>	<b>121</b>	<b>201</b>	<b>19.0%</b>	<b>-28.4%</b>
Return on equity	15.5%	12.9%	23.9%		
Cost-income ratio	49.1%	53.8%	50.6%		
Rate of credit loss expenses	0.36%	0.30%	(0.84%)		
NIM	2.86%	2.51%	2.74%		
Total assets	63,081	60,900	52,952	3.6%	19.1%
Credit to the public, net	41,306	39,494	35,083	4.6%	17.7%
Securities	7,001	7,035	6,566	-0.5%	6.6%
Deposits from the public	49,466	48,881	41,575	1.2%	19.0%
Total equity	3,777	3,691	3,539	2.3%	6.7%

1H22	1H21	change
773	641	20.6%
61	-82	--
178	296	-39.9%
951	937	1.5%
488	484	0.8%
<b>265</b>	<b>351</b>	<b>-24.5%</b>
14.2%	21.3%	
51.3%	51.7%	
0.30%	-0.48%	
2.68%	2.64%	

# IDBBANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	2Q22	1Q22	2Q21	Vs. 1Q22	Vs. 2Q21
Net Interest Income	79	72	63	9.7%	25.4%
Credit Loss Expenses	-2	-7	-8	-71.4%	-75.0%
Non-Interest Income	20	18	21	11.1%	-4.8%
Total Income	99	90	84	10.0%	17.9%
Operating & Other Expenses	62	58	59	6.9%	5.1%
<b>Net Income</b>	<b>29</b>	<b>28</b>	<b>25</b>	<b>3.6%</b>	<b>16.0%</b>
Return on Equity	10.8%	9.7%	8.7%		
Cost-Income Ratio	62.6%	63.4%	70.2%		
Credit Loss Expenses ratio	-0.10%	-0.31%	-0.46%		
NIM	2.62%	2.34%	2.38%		
Total Assets	12,604	12,980	11,431	-2.9%	10.3%
Loans, net	8,608	8,564	7,586	0.5%	13.5%
Securities	2,607	2,804	2,827	-7.0%	-7.8%
Deposits from the Public	10,821	11,301	9,812	-4.2%	10.3%
Total Equity	1,094	1,116	1,168	-2.0%	-6.3%

1H22	1H21	change
151	122	23.8%
-9	9	-200.0%
38	44	-13.6%
189	166	13.9%
120	111	8.1%
<b>57</b>	<b>35</b>	<b>62.9%</b>
10.3%	6.1%	
63.5%	66.9%	
-0.21%	0.24%	
2.48%	2.33%	



# CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	2Q22	1Q22	2Q21	Vs. 1Q22	Vs. 2Q21
Income From Credit Card Transactions	412	377	346	9.3%	19.1%
Net Interest Income	172	160	133	7.5%	29.3%
Credit Loss Expenses (Expenses Release)	27	-1	-15	--	--
Non-Interest Financing Income	31	17	-1	82.4%	-3200.0%
<b>Total Income</b>	<b>615</b>	<b>554</b>	<b>478</b>	<b>11.0%</b>	<b>28.7%</b>
<b>Total Expenses</b> (excluding credit loss expenses)	<b>475</b>	<b>440</b>	<b>383</b>	<b>8.0%</b>	<b>24.0%</b>
<b>Net income</b>	<b>81</b>	<b>80</b>	<b>79</b>	<b>1.3%</b>	<b>2.5%</b>
Return on equity	14.6%	14.3%	16.7%		
Cost-income ratio	77.2%	79.4%	80.1%		
Total assets	17,698	16,867	19,501	4.9%	-9.2%
Interest bearing credit	7,520	7,188	6,079	4.6%	23.7%
Consumer credit	6,414	6,180	5,030	3.8%	27.5%
Total equity	2,057	2,305	2,068	-10.8%	-0.5%

1H22	1H21	change
789	663	19.0%
332	262	26.7%
26	-19	--
48	--	--
1169	925	26.4%
<b>915</b>	<b>747</b>	<b>22.5%</b>
<b>161</b>	<b>139</b>	<b>15.8%</b>
14.4%	14.6%	
78.3%	80.8%	