



# 3Q 22 REVIEW

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Investor Relations

November 23, 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

# CONTINUOUS STRONG UNDERLYING PERFORMANCE ACROSS THE KEY INDICATORS IN 3Q22

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NET INCOME

893<sub>M</sub>

ROE

15.0%

NET INTEREST INCOME GROWTH

(YOY)

37.6%

EFFICIENCY RATIO

55.2%

CREDIT LOSS EXPENSES

0.18%

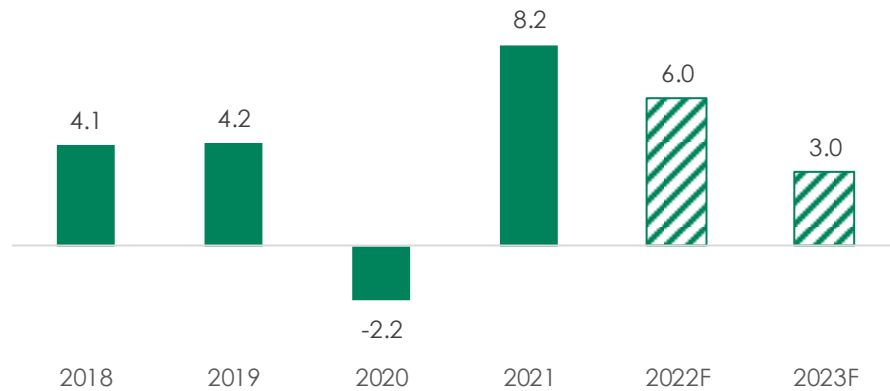
# 3Q AND 9M 2022 HIGHLIGHTS

- **Record profitability with 3Q22 net income of 893m and ROE of 15.0%** supported by increase in revenues from core banking activity.
- **Strong positive impact of interest rate increase:** Net interest income increased in 3Q to 2,280 million, 37.6% YoY increase and 10% increase from 2Q.22.
- **Operating efficiency materially improved to 55.2%**, bringing us closer to our strategic target of below 55%.
- **Continued focus on targeted segments: Mortgage** balance grew by **26.0%** YoY and **medium enterprises** balance grew by **18.1%** YoY. Credit growth in 3Q22 slowed down, aligned with market conditions.
- **Conservative management of credit portfolio:** Credit Loss Expenses Ratio stood at **0.18%** largely due to changes in **macro assumptions**, partially offset by **improvement in the quality of our loan book**.
- **Dividend payout of 20% of 3Q.22 net income:** NIS 178.6 million, in line with dividend policy.

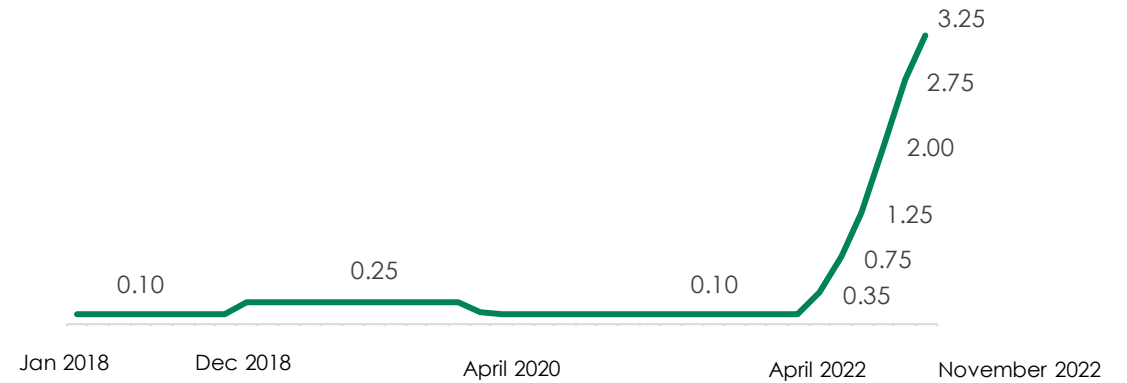
3Q.22	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	9M.22	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	<b>NIS 893</b> 2Q22: NIS 680 m; 3Q21: NIS 722 m	<b>15.0%</b> 2Q22: 11.8%; 3Q21: 13.8%	<b>55.2%</b> 2Q22: 59.2%; 3Q21: 62.0%	<b>0.18%</b> 2Q22: 0.23%; 3Q21: (0.25%)		<b>NIS 2,556m</b> 9M21: NIS 2,244m	<b>15.0%</b> 9M21: 14.9%	<b>56.5%</b> 9M21: 63.3%	<b>0.1%</b> 9M21: (0.46%)

# SIGNS OF ECONOMIC SLOWDOWN, YET MACRO FUNDAMENTALS ARE STILL SOLID

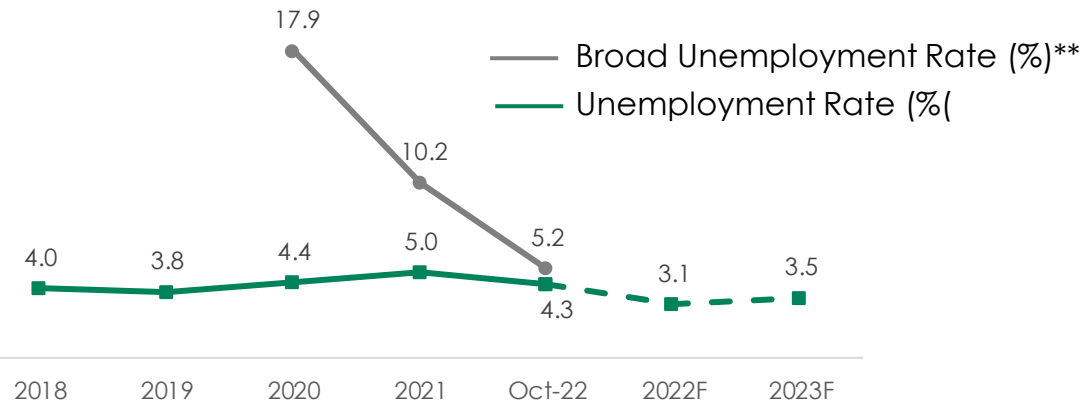
Israel's GDP Growth (%) to slowdown\* in 2023



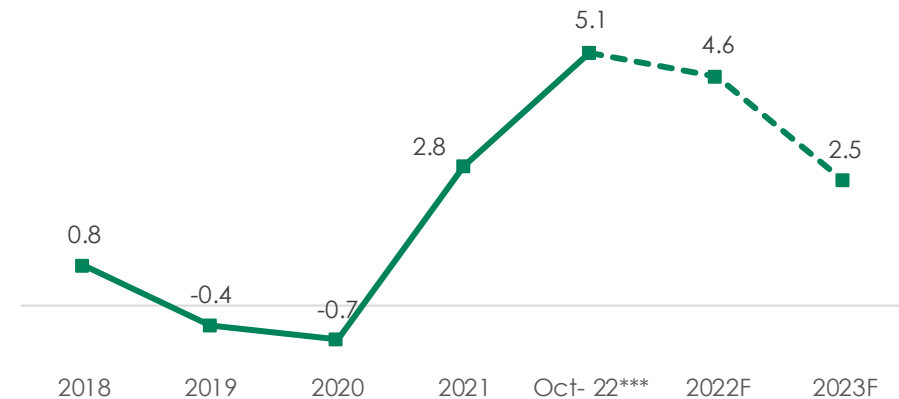
Bank of Israel's Rate reached 3.25% in November 2022



Early signs of slowdown in labor market



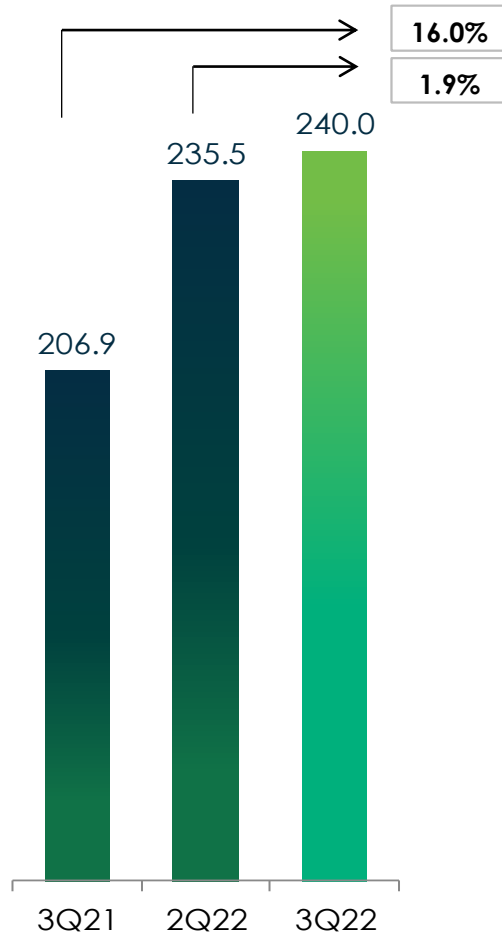
Inflation is rising but expected to remain lower than advanced economies



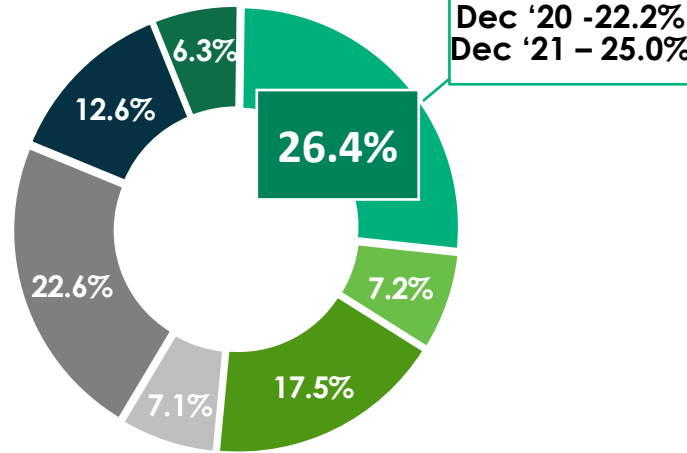
# RESPONSIBLE CREDIT GROWTH FOCUSED ON TARGETED SEGMENTS

## Evolution of Credit Growth

in NIS bn; growth %



## Well Balanced Loan Book With Growing Share of Mortgages

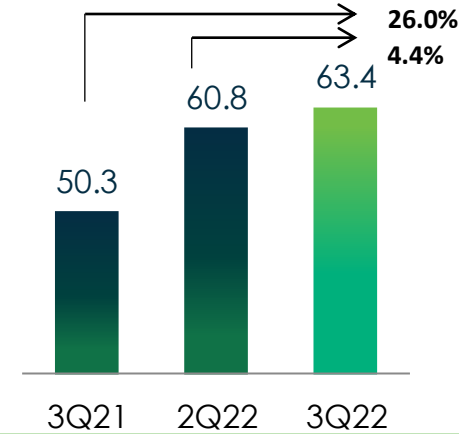


- Medium enterprises
- Corporate enterprises
- International
- Consumer
- Mortgages
- Credit cards
- Small & micro enterprises

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

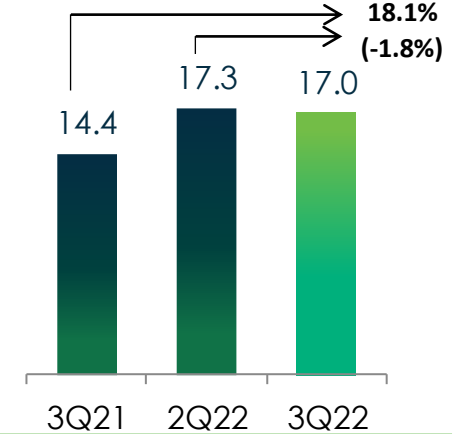
## Mortgages

in NIS bn; growth %



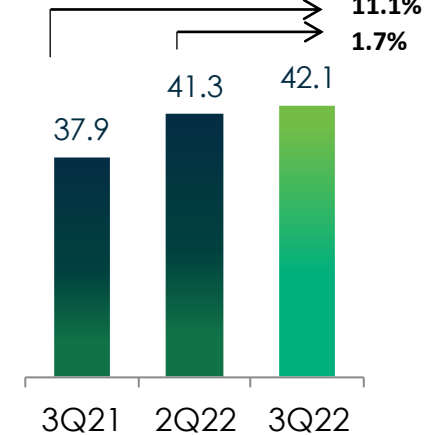
## Medium Enterprises

in NIS bn; growth %



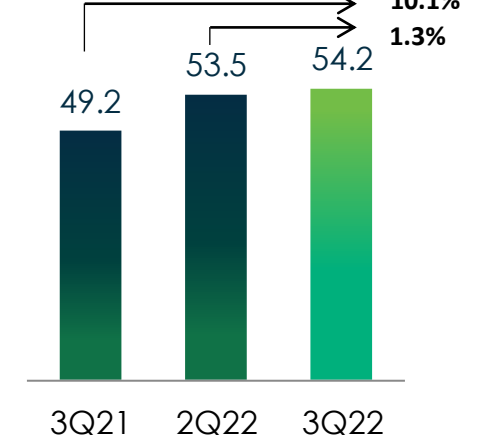
## Small Enterprises

in NIS bn; growth %



## Corporates

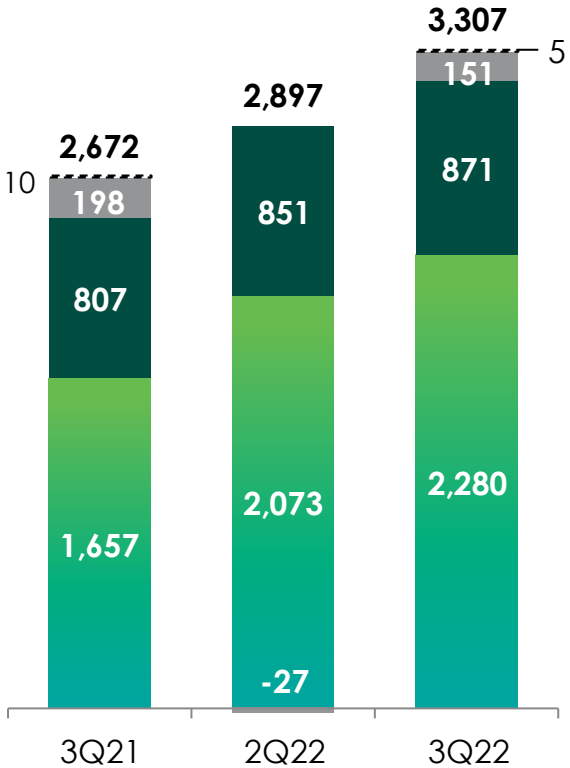
in NIS bn; growth %



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

## Total Income

NIS m



vs. 3Q21 vs. 2Q22

23.8% 14.2%

7.9% 2.4%

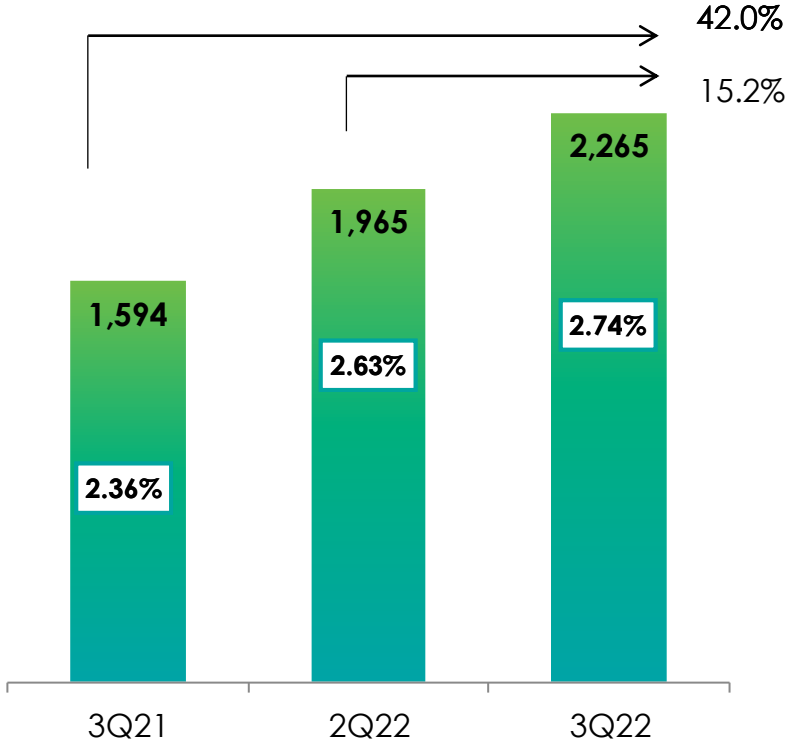
37.6% 10.0%

● Net Interest Income ● Fees ● Non-Interest Financing income

○ Other Income

## Financing Income From Current Operations (NIS m)

Period end BOI rate	0.1%	0.75%	2.00%
Average BOI rate*	0.1%	0.47%	1.50%



● Income from regular financing activity □ NIM\*\*

8 \* As calculated \*\* Net yield on interest bearing assets

Financing Income from current operations is total net financing income excluding various items, such as CPI effect, net profit from realization and fair value adjustments, profit or loss from investments in shares, exchange rates differences, net profit on the sale of loans



# COST INCOME RATIO IS IMPROVING DUE TO REVENUES GROWING FASTER THAN EXPENSES

## Total Expenses

NIS m

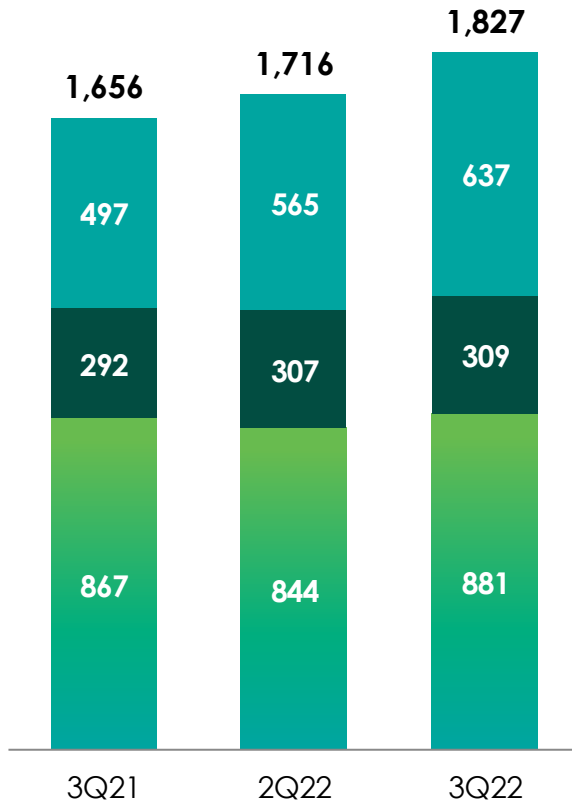
vs. 3Q21 vs. 2Q22

10.3% 6.5%

28.2% 12.7%

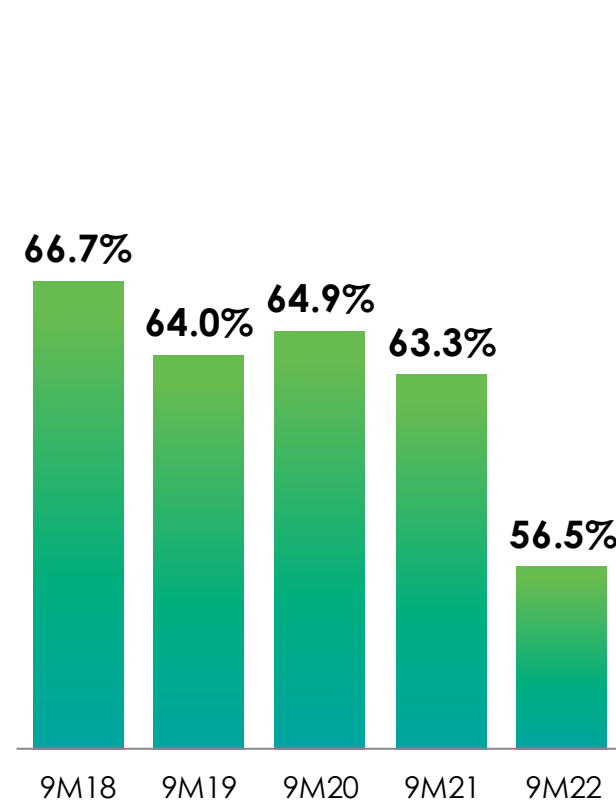
5.8% 0.7%

1.6% 4.4%

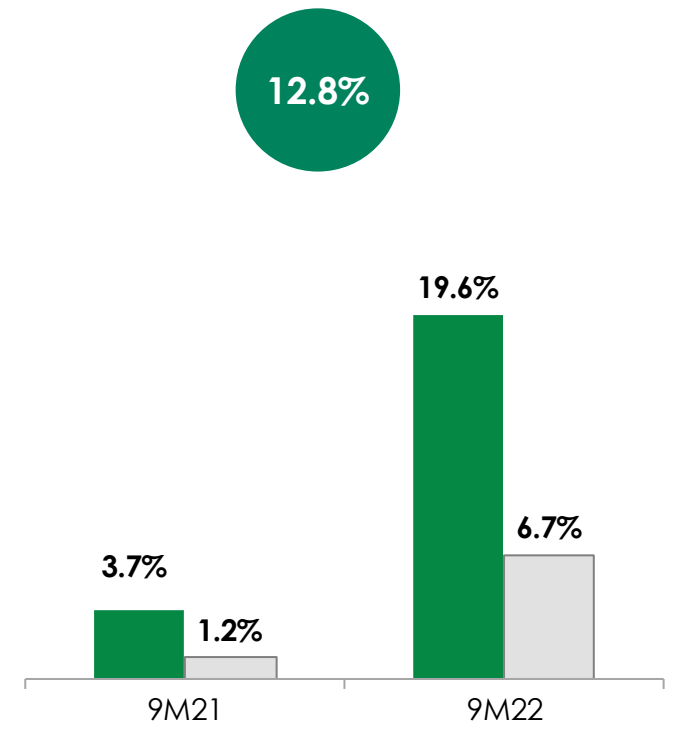


● Salary & related ● Maintenance and depreciation ● Other

## Cost Income Ratio Is Improving Due To Positive Jaws



## 9M.22 Jaws

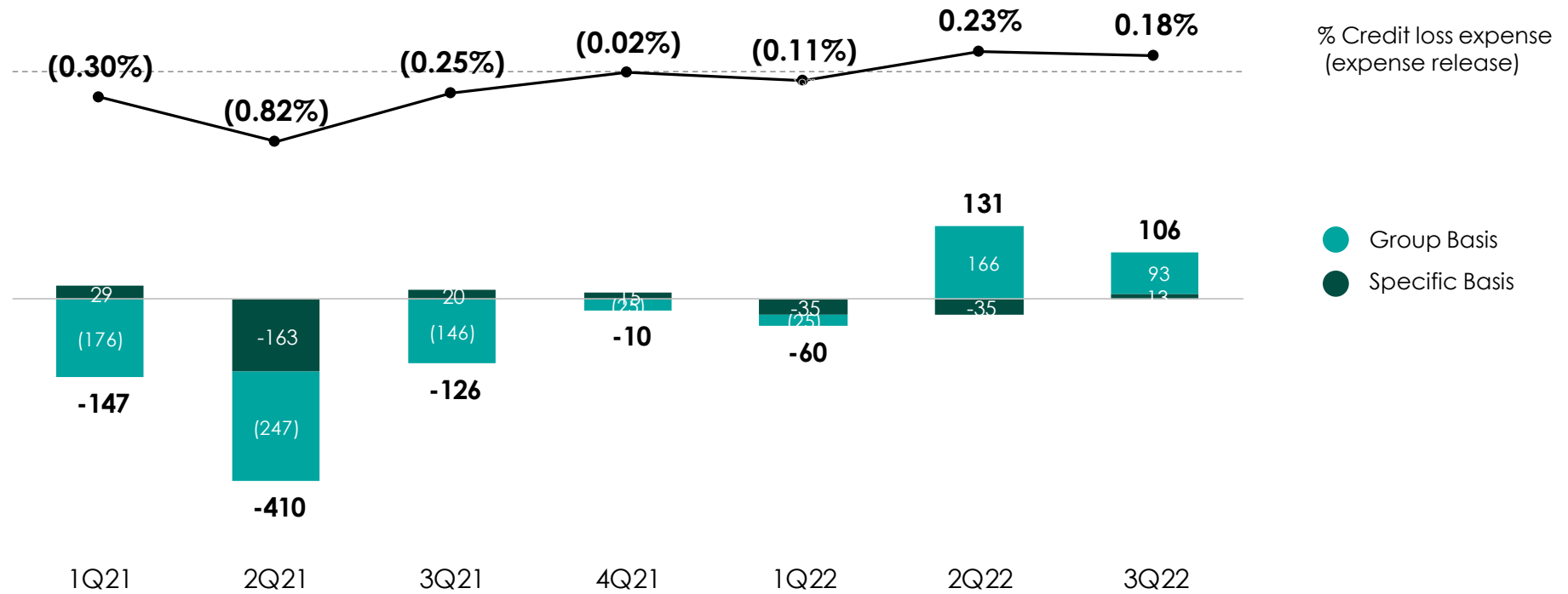


● Revenues Growth\* ● Expenses Growth\*

9 \* 9 months revenues and expenses change compared with same period in the previous year. Jaws: Difference between revenues growth and expenses growth in the same period

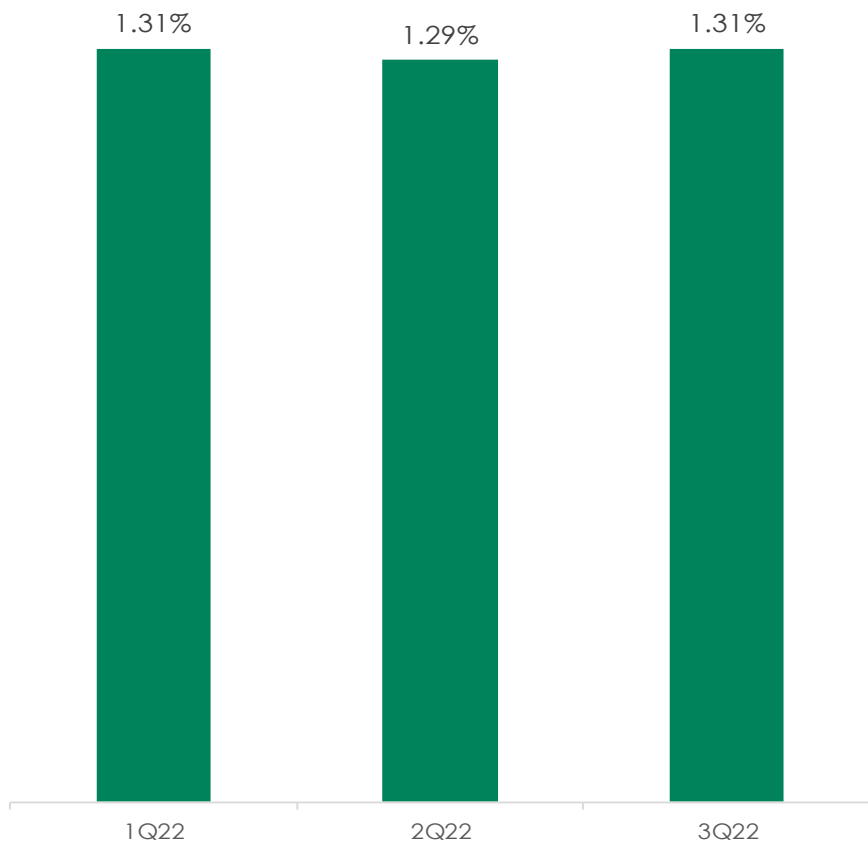
# HIGH QUALITY LOANS AND CONSERVATIVE UNDERWRITING PRODUCE SOLID CREDIT METRICS

Increase in Group Basis Provision Drove the Overall Increase in Credit Loss Expenses  
(in NIS m and %)

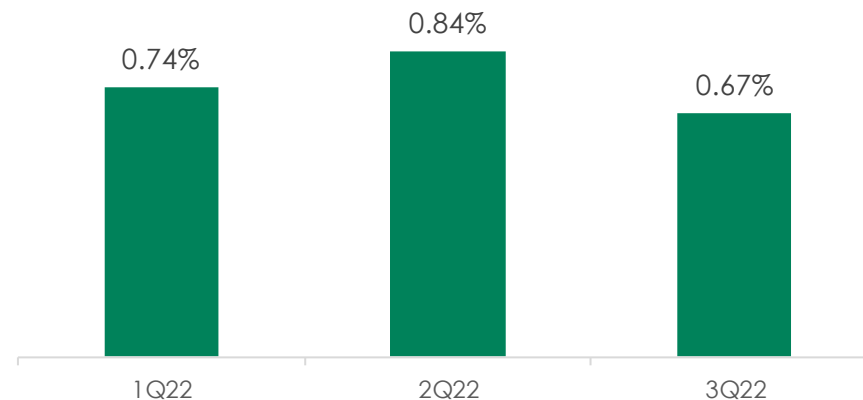


# ASSET QUALITY REMAINS STRONG WITH APPROPRIATE COVERAGE

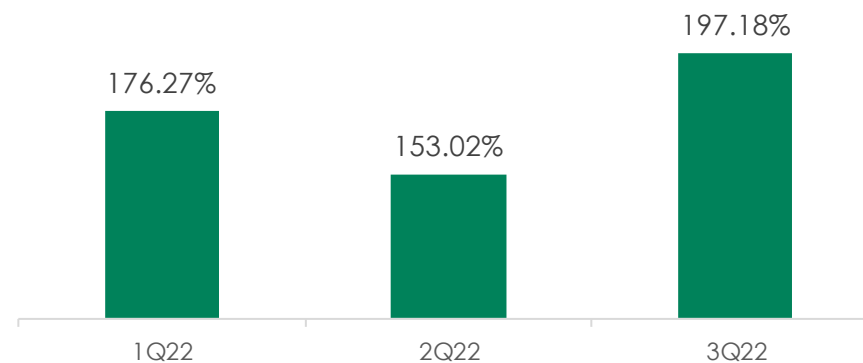
Allowance for Loan Loss Provisions from Total Credit\*



NPL/Total Credit\*\* remain relatively low



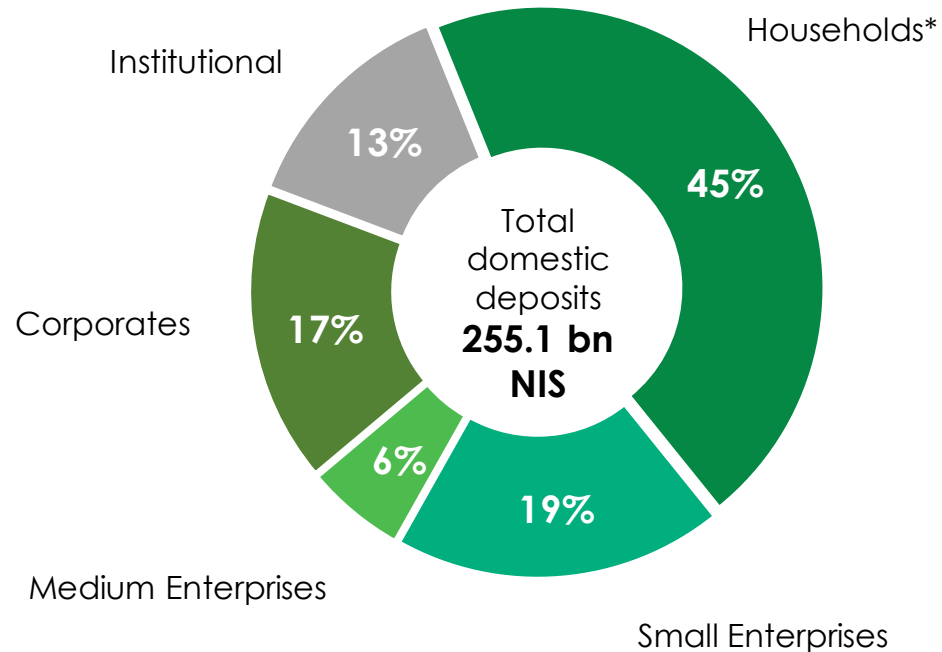
NPLs Are Well Covered by Loan Loss Provision\*\*\*



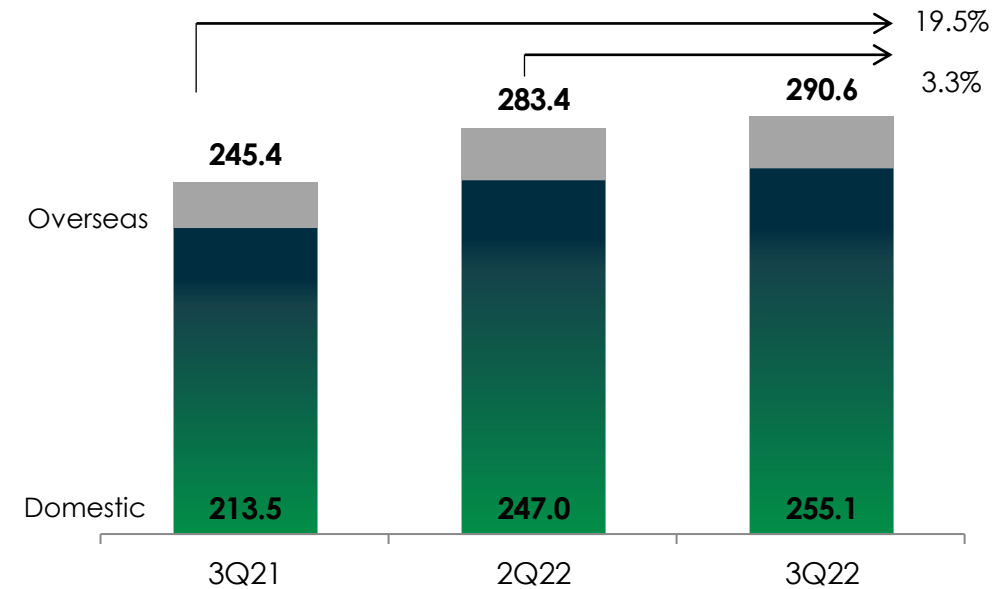
11 \* Calculated as percent of Loan Loss Provisions from total credit \*\*NPL: percent of non accrual and 90 days and above past due from gross total credit.. \*\*\*NPL coverage: percent of loan loss provision from non accrual and 90 days and above past due credit.

# SOLID FUNDING BASE AND AMPLE LIQUIDITY

## Diversified Domestic Public Deposit Base With High Share of Households Deposits 30.9.22



## Continuous Growth In Deposit Base



## Maintaining Solid LCR And NSFR Well Above The Regulatory Requirement (100%)



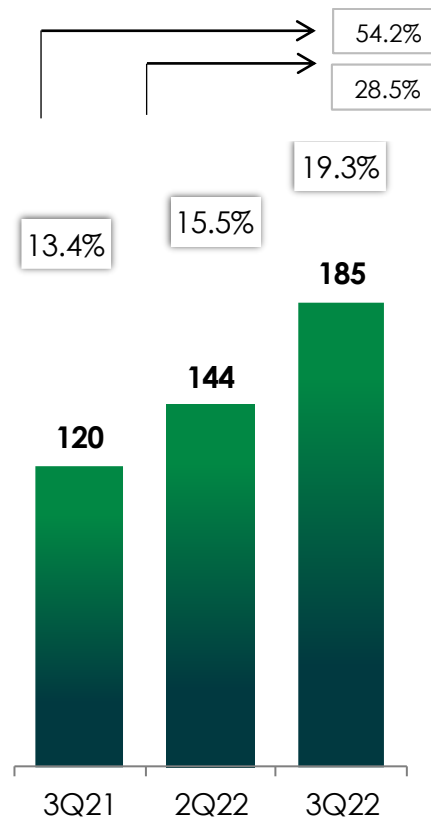
# MERCANTILE: INCREASE IN NET INTEREST INCOME LEADING TO STRONG NET INCOME AND ROE

→ 3Q22 Strong ROE of 19.3% and net income of NIS 185 million were driven by increase in net interest income, due to higher interest rates and higher inflation.

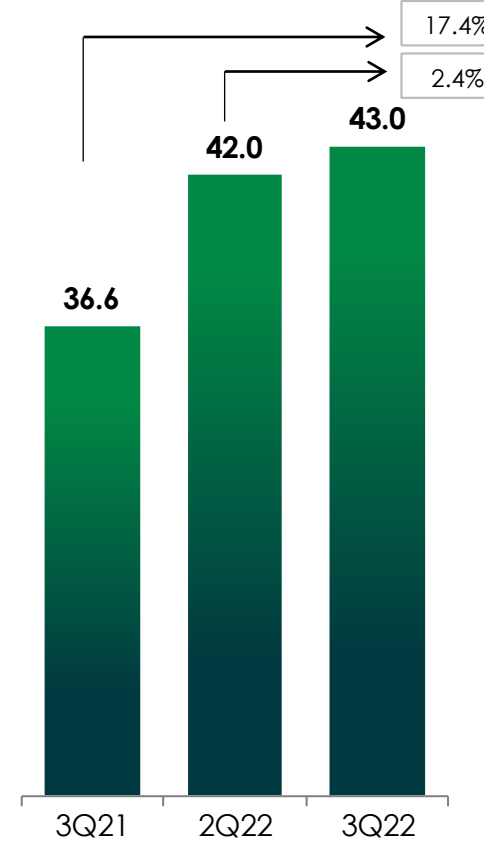
→ 17.4% YoY loan book growth was mainly driven by significant growth across all segments. Mortgages increased by 30.4%, and medium enterprises increased by 18.4%.

→ Total income from core banking activity grew by 31.7% in 3Q22 compared with 3Q21. Cost income ratio continued to improve and stood at 49.3% for 9M.22.

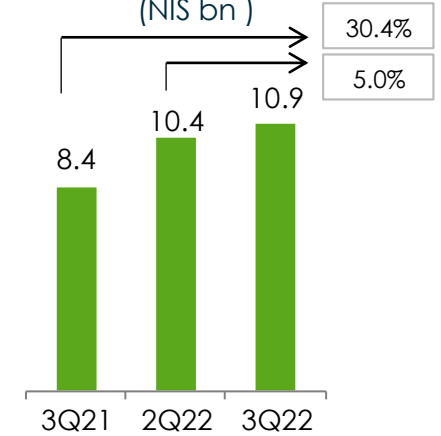
**Net Income and ROE**  
(NIS m)



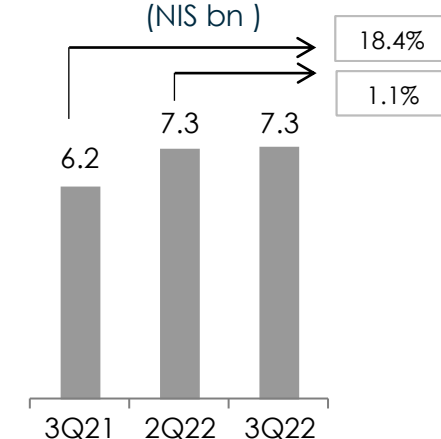
**Total Credit**  
(NIS bn)



**Mortgages**  
(NIS bn)



**Medium Enterprises**  
(NIS bn)



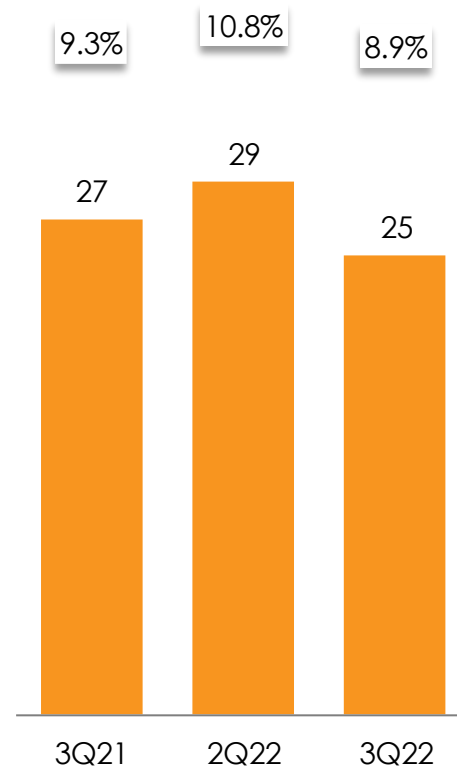
# IDBBANK: INCREASE IN REVENUES OFFSET BY SHIFT TO POSITIVE CREDIT LOSS EXPENSES

→ IDB NY solid net income of \$25 million in 3Q22 is driven by 42.3% YoY increase in net interest income,, after further increase in Fed Funds rates.

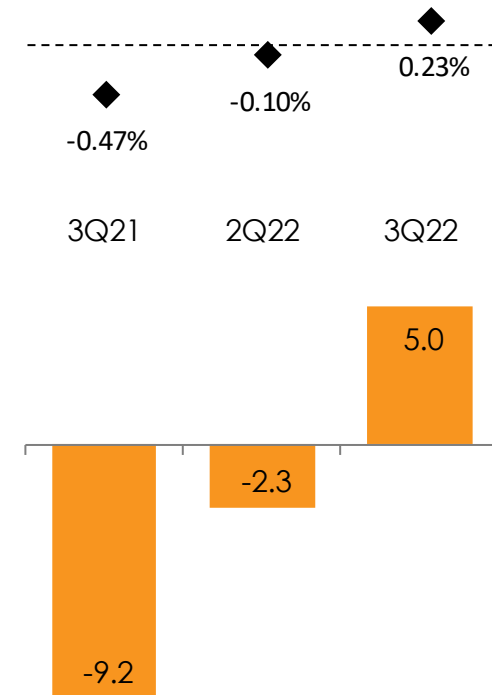
→ Net interest income growth was driven primarily by 69bps increase in NIM .

→ After 5 consecutive quarters of credit loss provision release, credit losses were positive at \$5 million, 0.23% from total credit, reflecting the shifting economic environment.

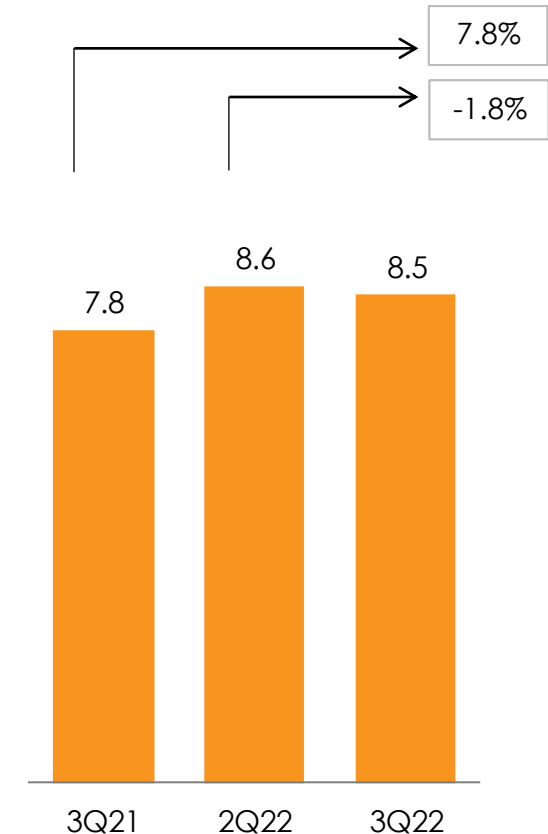
**Net Income and ROE**  
(USD m)



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



**Total Credit**  
(USD m)



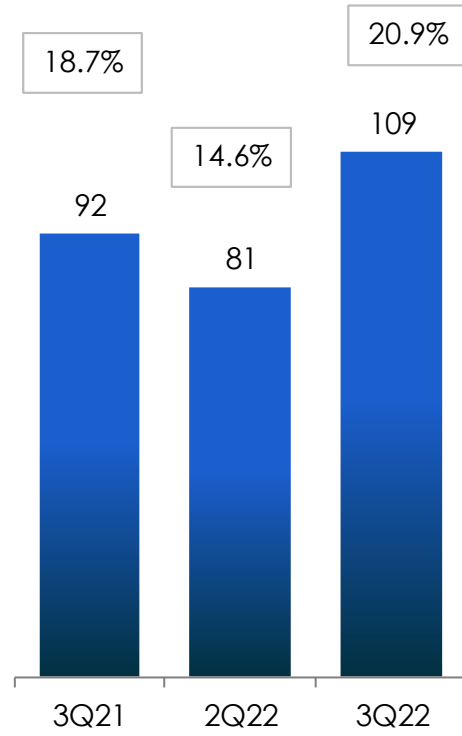
# CAL: GROWING CONSUMER CREDIT AND TRANSACTION TURNOVER SUPPORT STRONG RESULTS

→ In 3Q22 CAL reported strong net income of NIS 109 million and 20.9% ROE.

→ The results were supported by 24.1% increase in consumer credit, 16.2% increase in credit cards transaction turnover and 6.5% increase in active cards.

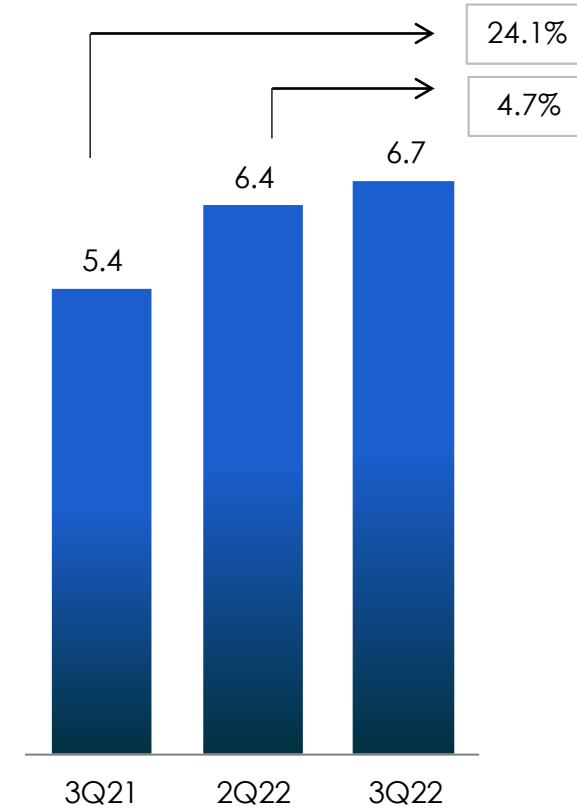
→ In 3Q22 CAL disposed shares of Visa Inc. which produced income of NIS 30 million.

**Net Income and ROE**  
in NIS m

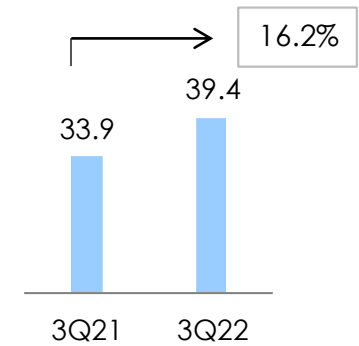


● Net Income      ROE

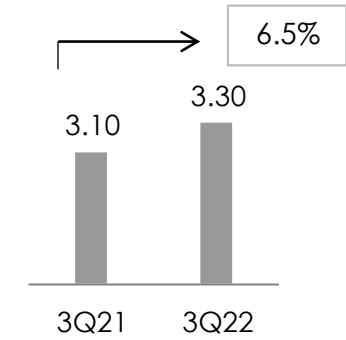
**Consumer Credit**  
in NIS m



**Transaction Turnover**  
in NIS bn







**Active Credit Cards**  
in millions



## TO SUMMARIZE

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-  We delivered **record 3Q22 results**, with **ROE of 15%** and **Cost Income of 55.2%**, as we remained focused on continuous execution of our strategic initiatives.
-  We benefited from increase in interest rate, which became evident during the quarter and led to **increase of 37.6% in net interest income** to 2,280 million in 3Q22.
-  Credit growth in 3Q22 slowed down aligned to market conditions. **We remained focused on our targeted segments** and grew by 26.0% YoY in mortgages and 18.1% YoY in medium enterprises.
-  Loan book continues to display resilience with **solid asset quality metrics**. We reflect worsening macro indicators in increasing group basis provisioning.



# 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

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# APPENDICES

# ISRAEL DISCOUNT BANK: P&L AND SELECTED RATIOS

NIS m	3Q22	2Q22	3Q21	Vs. 2Q22	Vs. 3Q21	9M22	9M21	Change
Net interest income	2,280	2,073	1,657	10.0%	37.6%	6,153	4,846	27.0%
Credit loss expenses (expenses release)	106	131	(126)	(19.1%)	--	177	(683)	--
Non-interest financing income	151	(27)	198	--	(23.7%)	169	585	(71.1%)
Commissions	871	851	807	2.4%	7.9%	2,547	2,316	10.0%
Other income	5	0	10	100.0%	(50.0%)	421	22	1813.6%
Total non-interest income	1,027	824	1,015	24.6%	1.2%	3,137	2,923	7.3%
<b>Total income</b>	<b>3,307</b>	<b>2,897</b>	<b>2,672</b>	<b>14.2%</b>	<b>23.8%</b>	<b>9,290</b>	<b>7,769</b>	<b>19.6%</b>
Salaries and related expenses	881	844	867	4.4%	1.6%	2,580	2,498	3.3%
Maintenance & depreciation	309	307	292	0.7%	5.8%	919	894	2.8%
Other expenses	637	565	497	12.7%	28.2%	1,751	1,527	14.7%
<b>Total operating and other expenses</b>	<b>1,827</b>	<b>1,716</b>	<b>1,656</b>	<b>6.5%</b>	<b>10.3%</b>	<b>5,250</b>	<b>4,919</b>	<b>6.7%</b>
Income before taxes	1,374	1,050	1,142	30.9%	20.3%	3,863	3,533	9.3%
Provision for taxes on income	472	371	401	27.2%	17.7%	1,290	1,247	3.4%
Income after taxes	902	679	741	32.8%	21.7%	2,573	2,286	12.6%
<b>Net income attributable to shareholders</b>	<b>893</b>	<b>680</b>	<b>722</b>	<b>31.3%</b>	<b>23.7%</b>	<b>2,556</b>	<b>2,244</b>	<b>13.9%</b>
ROE	15.0%	11.8%	13.8%			15.0%	14.9%	
Cost income ratio	55.2%	59.2%	62.0%			56.5%	63.3%	
CET-1 ratio	10.17%	10.16%	10.29%			10.17%	10.29%	
NIM	2.74%	2.63%	2.36%			2.58%	2.35%	
Rate of credit loss expenses	0.18%	(0.02%)	(0.25%)			0.10%	(0.46%)	
NPL ratio	0.67%	0.84%	0.87%			0.67%	0.87%	
Dividend per share (in Agurot)*	14.43	10.99	12.41			41.33	--	

\* Dividend in respect of the relevant period

# ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	30.09.22	31.12.21	30.09.21
Cash and deposits with banks	71,510	59,638	46,334
Securities*	43,904	45,076	47,104
Credit to the public	240,032	216,196	206,944
Provision for credit losses	-3,151	-3,040	-3,117
Credit to the public, net	236,881	213,156	203,827
Credit to governments	2,574	2,664	3,217
Investment in investee companies	502	462	392
Buildings and equipment	3,724	3,401	3,203
Intangible assets and goodwill	163	163	163
Assets in respect of derivative instruments	13,601	5,522	4,367
Other assets	6,215	5,006	4,894
<b>Total Assets</b>	<b>379,074</b>	<b>335,088</b>	<b>313,411</b>
Deposits from the public	290,646	260,907	245,393
Deposits from banks and governments	16,839	12,880	13,920
Securities borrowed or sold via repo agreements*	3,038		
Bonds and subordinated debt notes	13,491	15,071	11,170
Liabilities in respect of derivative instruments	11,718	6,323	4,570
Other liabilities	18,624	17,759	16,352
<b>Total liabilities</b>	<b>354,356</b>	<b>312,940</b>	<b>291,405</b>
Equity capital attributed to the Bank's shareholders	24,112	21,483	21,346
Non-controlling rights in consolidated companies	606	665	660
Total equity	24,718	22,148	22,006
<b>Total Liabilities and Equity</b>	<b>379,074</b>	<b>335,088</b>	<b>313,411</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	3Q22	2Q22	3Q21	Vs. 2Q22 Vs. 3Q21		9M22	9M21	change
Net interest income	452	414	341	9.2%	32.6%	1,225	982	24.7%
Credit loss expenses (expenses release)	16	36	7	(55.6%)	128.6%	77	(75)	--
Non-interest income	101	89	79	13.5%	27.8%	279	375	(25.6%)
Total income	553	503	420	9.9%	31.7%	1,504	1,357	10.8%
Operating & other expenses	253	247	228	2.4%	11.0%	741	712	4.1%
<b>Net income</b>	<b>185</b>	<b>144</b>	<b>120</b>	<b>28.5%</b>	<b>54.2%</b>	<b>450</b>	<b>471</b>	<b>(4.5%)</b>
Return on equity	19.3%	15.5%	13.4%			15.9%	18.5%	
Cost-income ratio	45.8%	49.1%	54.3%			49.3%	52.5%	
Rate of credit loss expenses	0.25%	0.36%	(0.29%)			0.25%	(0.29%)	
NIM	2.90%	2.86%	2.67%			2.76%	2.65%	
Total assets	65,485	63,081	54,058	3.8%	21.1%			
Credit to the public, net	42,325	41,306	36,035	2.5%	17.5%			
Securities	6,911	7,001	6,431	(1.3%)	7.5%			
Deposits from the public	51,507	49,466	42,924	4.1%	20.0%			
Total equity	3,928	3,777	3,650	4.0%	7.6%			

# IDB BANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	3Q22	2Q22	3Q21	Vs. 2Q22	Vs. 3Q21	9M22	9M21	change
Net Interest Income	92	79	64	16.5%	43.8%	243	186	30.6%
Credit Loss Expenses (Expenses Release)	5	-2	-9	--	--	-4	--	--
Non-Interest Income	17	20	21	(15.0%)	(19.0%)	55	65	(15.4%)
Total Income	109	99	85	10.1%	28.2%	298	251	18.7%
Operating & Other Expenses	71	62	57	14.5%	24.6%	191	168	13.7%
<b>Net Income</b>	<b>25</b>	<b>29</b>	<b>27</b>	<b>(13.8%)</b>	<b>(7.4%)</b>	<b>82</b>	<b>62</b>	<b>32.3%</b>
Return on Equity	8.9%	10.8%	9.3%			9.8%	7.1%	
Cost-Income Ratio	65.1%	62.6%	67.1%			64.1%	66.9%	
Credit Loss Expenses ratio (Expenses Release)	0.2%	(0.1%)	(0.5%)			(0.1%)	--	
NIM	3.1%	2.6%	2.4%			2.7%	2.4%	
Total Assets	12,369	12,604	11,725	(1.9%)	5.5%			
Loans, net	8,455	8,608	7,840	(1.8%)	7.8%			
Securities	2,571	2,607	2,716	(1.4%)	(5.3%)			
Deposits from the Public	10,462	10,821	10,225	(3.3%)	2.3%			
Total Equity	1,081	1,094	1,145	(1.2%)	(5.6%)			

# CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m				Vs. 2Q22 Vs. 3Q21		9M22 9M21 change		
	3Q22	2Q22	3Q21			9M22	9M21	change
Income From Credit Card Transactions	434	412	381	5.3%	13.9%	1,223	1,044	17.1%
Net Interest Income	170	172	140	(1.2%)	21.4%	502	402	24.9%
Credit Loss Expenses (Expenses Release)	28	27	1	3.7%	--	54	(18)	--
Non-Interest Financing Income	61	31	4	96.8%	1,425.0%	109	4	--
<b>Total Income</b>	<b>665</b>	<b>615</b>	<b>525</b>	<b>8.1%</b>	<b>26.7%</b>	1,834	1,450	26.5%
<b>Total Expenses</b> (excluding credit loss expenses)	<b>482</b>	<b>475</b>	<b>394</b>	<b>1.5%</b>	<b>22.3%</b>	<b>1,397</b>	<b>1,141</b>	<b>22.4%</b>
<b>Net income</b>	<b>109</b>	<b>81</b>	<b>92</b>	<b>34.6%</b>	<b>18.5%</b>	<b>270</b>	<b>231</b>	<b>16.9%</b>
Return on equity	20.9%	14.6%	18.7%			16.5%	15.6%	
Cost-income ratio	72.5%	77.2%	75.0%			76.2%	78.7%	
Total assets	18,564	17,698	15,165	4.9%	22.4%			
Interest bearing credit	7,832	7,520	6,245	4.1%	25.4%			
Consumer credit	6,709	6,416	5,447	4.6%	23.2%			
Total equity	2,091	2,057	2,159	1.7%	(3.1%)			