



# 2022 REVIEW

## Financial & Strategic Highlights

Investor Relations

March 13, 2023

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# AGENDA

## > Opening Remarks

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Uri Levin, CEO

## > Financial and Strategic Review

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Barak Nardi, CFO

## > Q&A

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Uri Levin, CEO

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

# 2022 – YEAR OF RECORD RESULTS

NET INCOME

3,495<sub>M</sub>

ROE

15.1%

EFFICIENCY RATIO

55.8%

NII GROWTH

+33%

TOTAL EQUITY

25.5<sub>BN</sub>

CREDIT GROWTH

+13%

# REACHED 2025 TARGETS THROUGH ACCELERATED EXECUTION & SUPPORTIVE MACRO

	Net Income	ROE	Efficiency Ratio
<b>2014</b> WHERE WE STARTED <sup>(1)</sup>	505m	4.2%	87.1%
<b>2019</b> WHERE WE WERE	1,702m	9.4%	65.2%
<b>2022</b> WHERE WE ARE	3,495m	15.1%	55.8%
<b>2025</b> TARGETS	3,500m	12.5%	55.0%

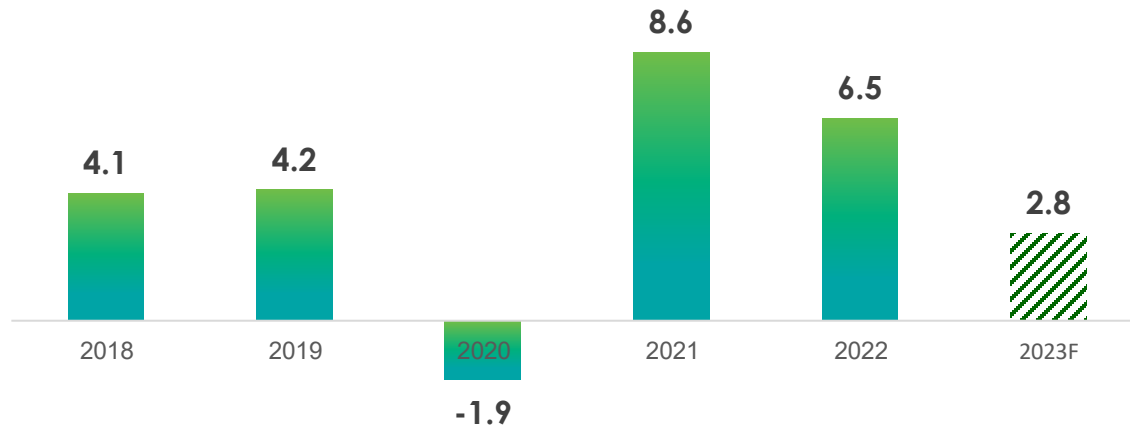
Source: Company filings.

Note: 2025 goals were set at the beginning of fiscal year 2021.

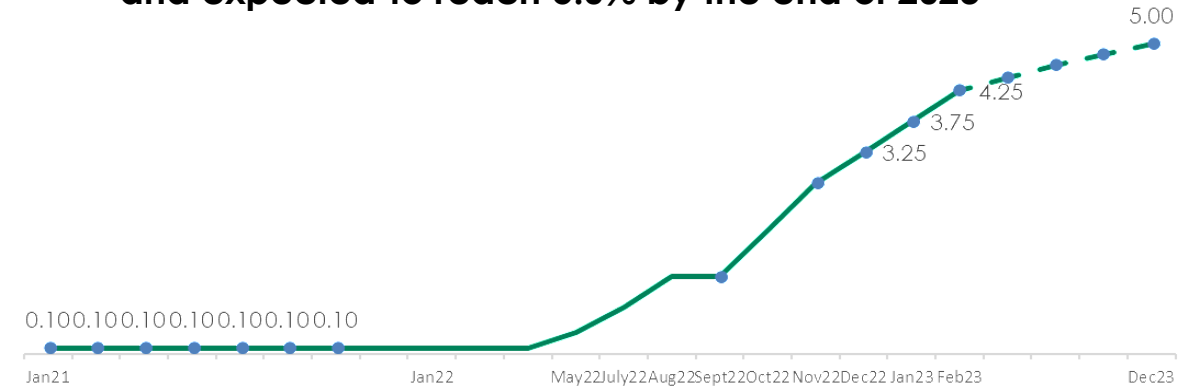
(1) In 2014 the Bank implemented its long-term strategic plan to improve its profitability and efficiency

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

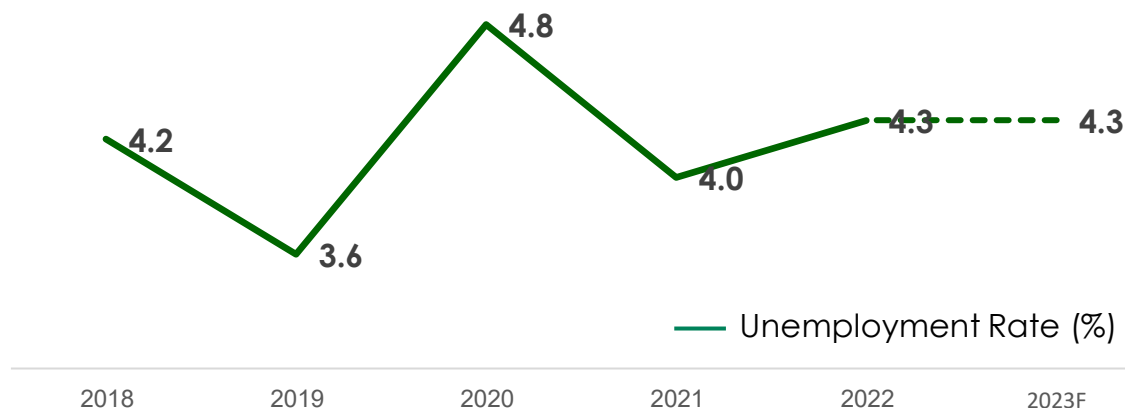
Israel's GDP Growth (%) to slowdown in 2023



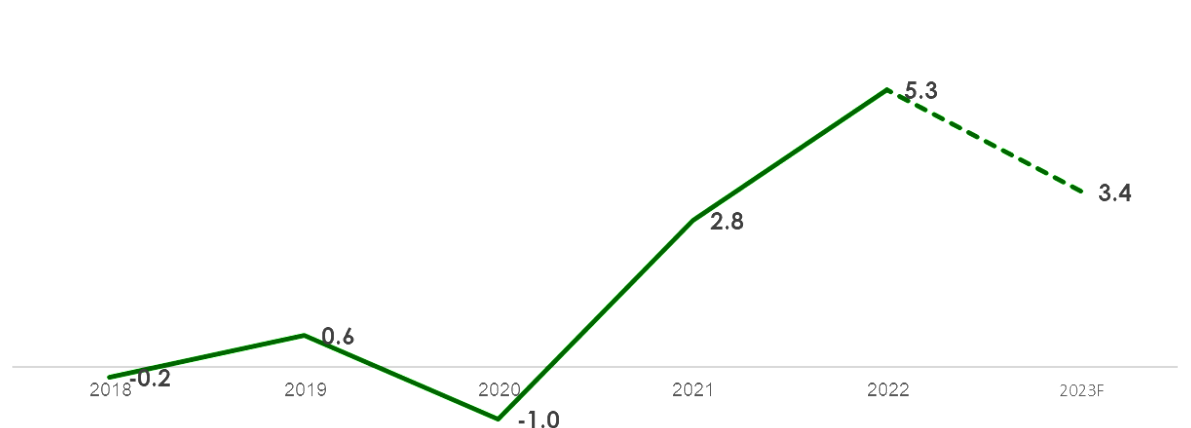
Bank of Israel's Rate reached 4.25% in February 2023 and expected to reach 5.0% by the end of 2023 \*\*



Early signs of slowdown in labor market



Inflation is rising and anticipated to remain high in 2023 \*\*



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# 2022 HIGHLIGHTS

- **Record profitability with net income of 3,495m and ROE of 15.1% in 2022, and net income of 939m and ROE of 15.4% in 4Q22**, driven by increase in revenue from core banking activity.
- **Strong positive impact of interest rate increase:** In 2022 NII grew by 33% to 8,693 million. In 4Q22 NII grew by 51% compared with 4Q21 to **2,540** million, an increase of 11.4% from 3Q22.
- **Operating efficiency materially improved to 55.8%**, bringing us close to our strategic target of below 55%. In 4Q22 operating efficiency ratio reached 53.8%
- **Continued focus on targeted segments: Mortgage** balance grew by **21.1%** YoY and **medium enterprises** balance grew by **16.6%** YoY. Credit growth in 4Q22 slowed down, aligned with market conditions.
- **Conservative management of credit portfolio:** Credit Loss Expenses Ratio stood at 0.18% in 2022, and 0.38% in 4Q22, mainly to reflect the worsening in macro conditions.
- **Dividend payout is 20% of 4Q22 net income:** NIS 187 million, in line with dividend policy.

4Q.22	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	2022	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	<b>NIS 939</b> 3Q22: NIS 893 m; 4Q21: NIS 529 m	<b>15.4%</b> 3Q22: 15.0%; 4Q21: 9.8%	<b>53.8%</b> 3Q22: 55.2%; 4Q21: 71.2%	<b>0.38%</b> 3Q22: 0.18%; 4Q21: (0.02%)		<b>NIS 3,495m</b> 2021: NIS 2,773m	<b>15.1%</b> 2021: 13.6%	<b>55.8%</b> 2021: 65.4%	<b>0.18%</b> 2021: (0.34%)
Adjusted	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	Adjusted	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	<b>NIS 958</b> 3Q22: NIS 884 m; 4Q21: NIS 674 m	<b>15.7%</b> 3Q22: 14.9%; 4Q21: 12.5%	<b>53.0%</b> 3Q22: 55.5%; 4Q21: 62.1%			<b>NIS 3,190</b> 2021: NIS 3,016m	<b>13.8%</b> 2021: 14.8%	<b>57.4%</b> 2021: 61.6%	

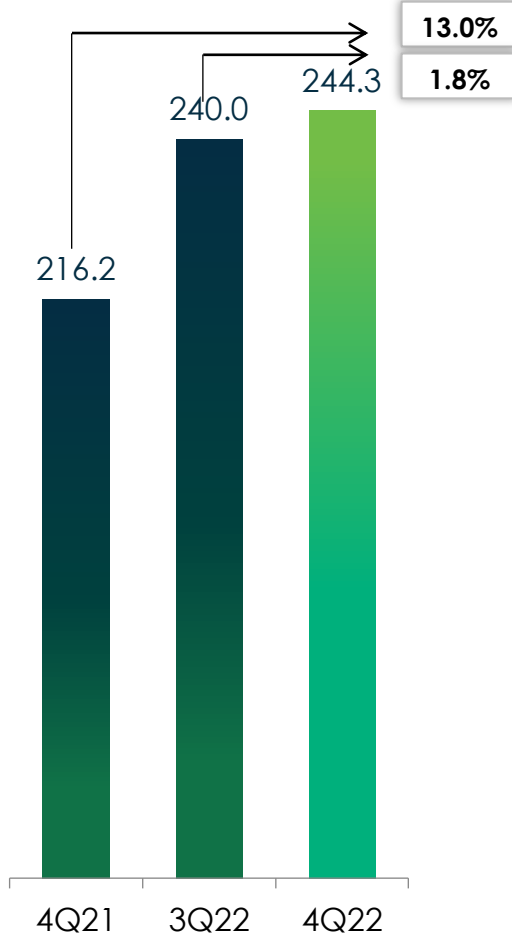
Adjusted for certain items presented in slide 27



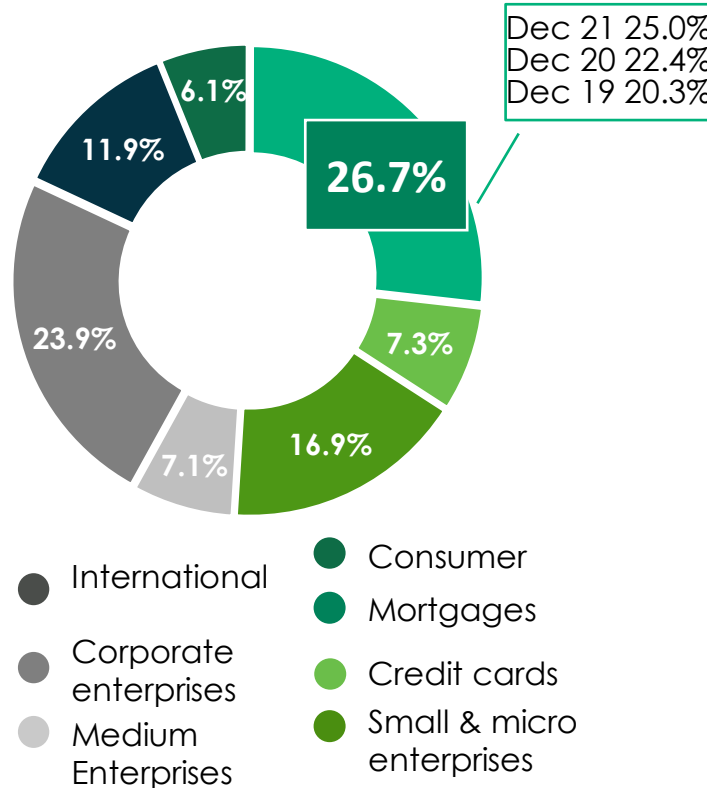
# RESPONSIBLE CREDIT GROWTH UNDER CHALLENGING MACRO CONDITIONS

## Evolution of Credit Growth

in NIS bn; growth %

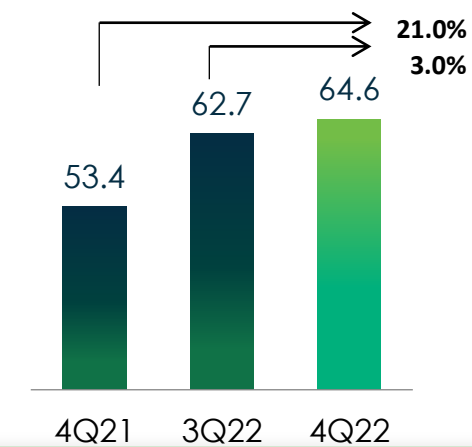


## Well Balanced Loan Book With Growing Share of Mortgages



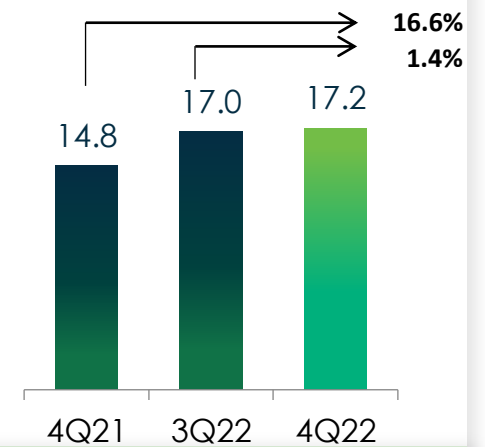
## Mortgages

in NIS bn; growth %



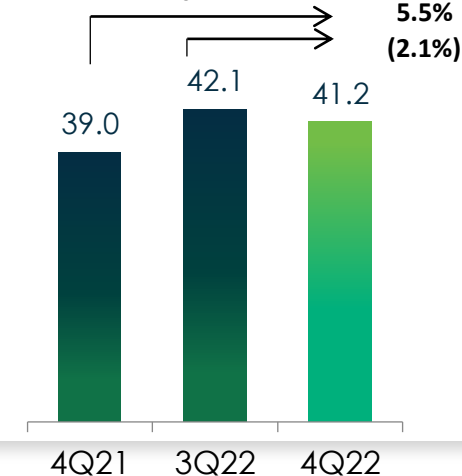
## Medium Enterprises

in NIS bn; growth %



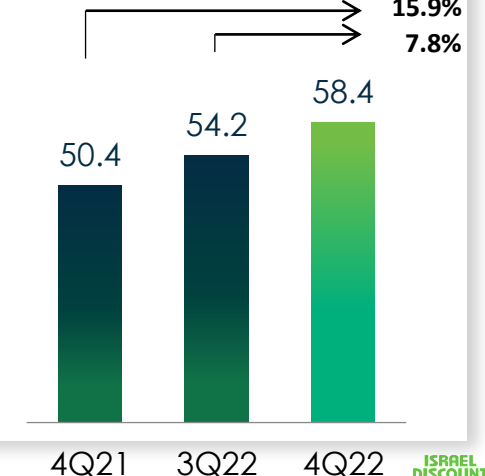
## Small Enterprises

in NIS bn; growth %

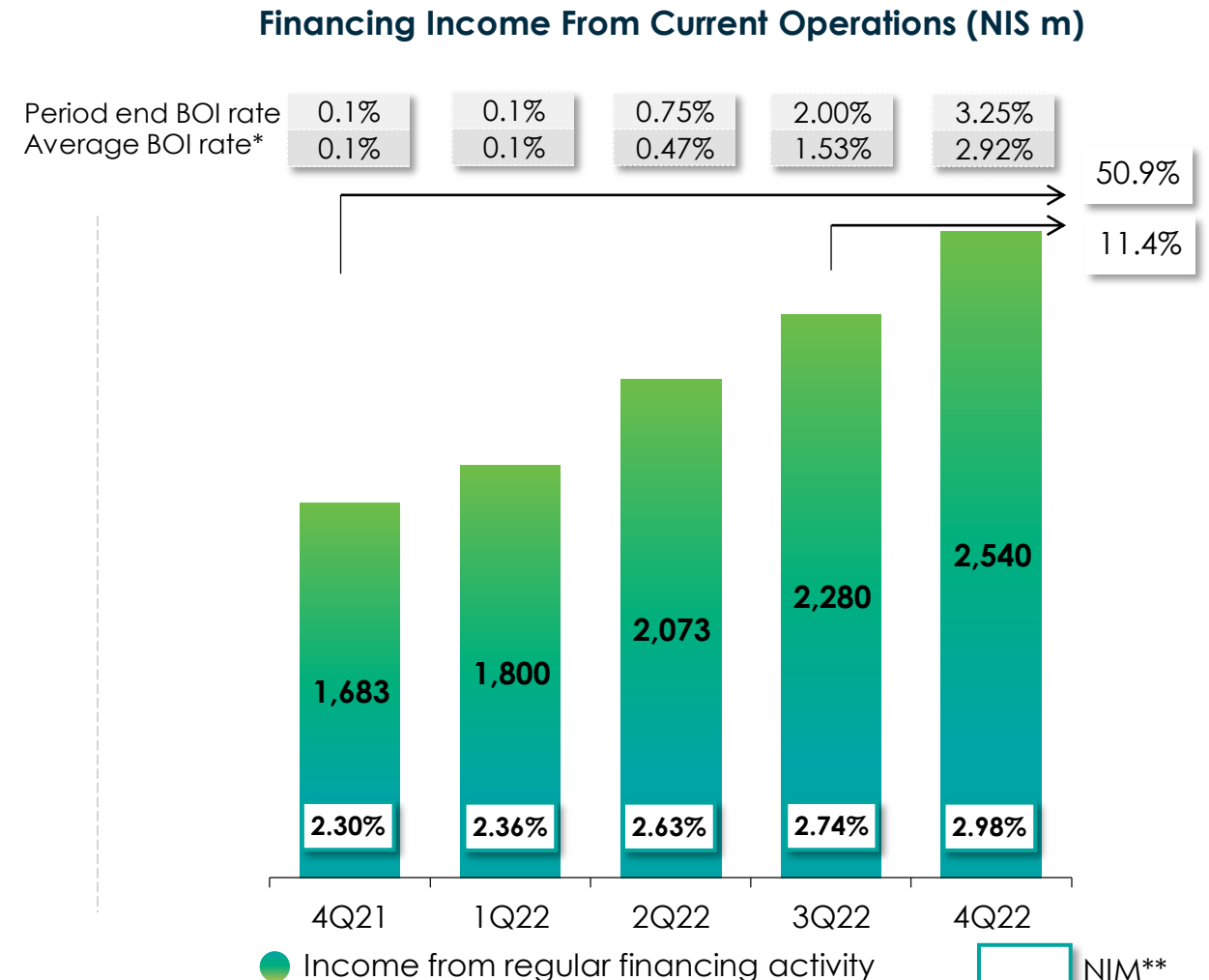
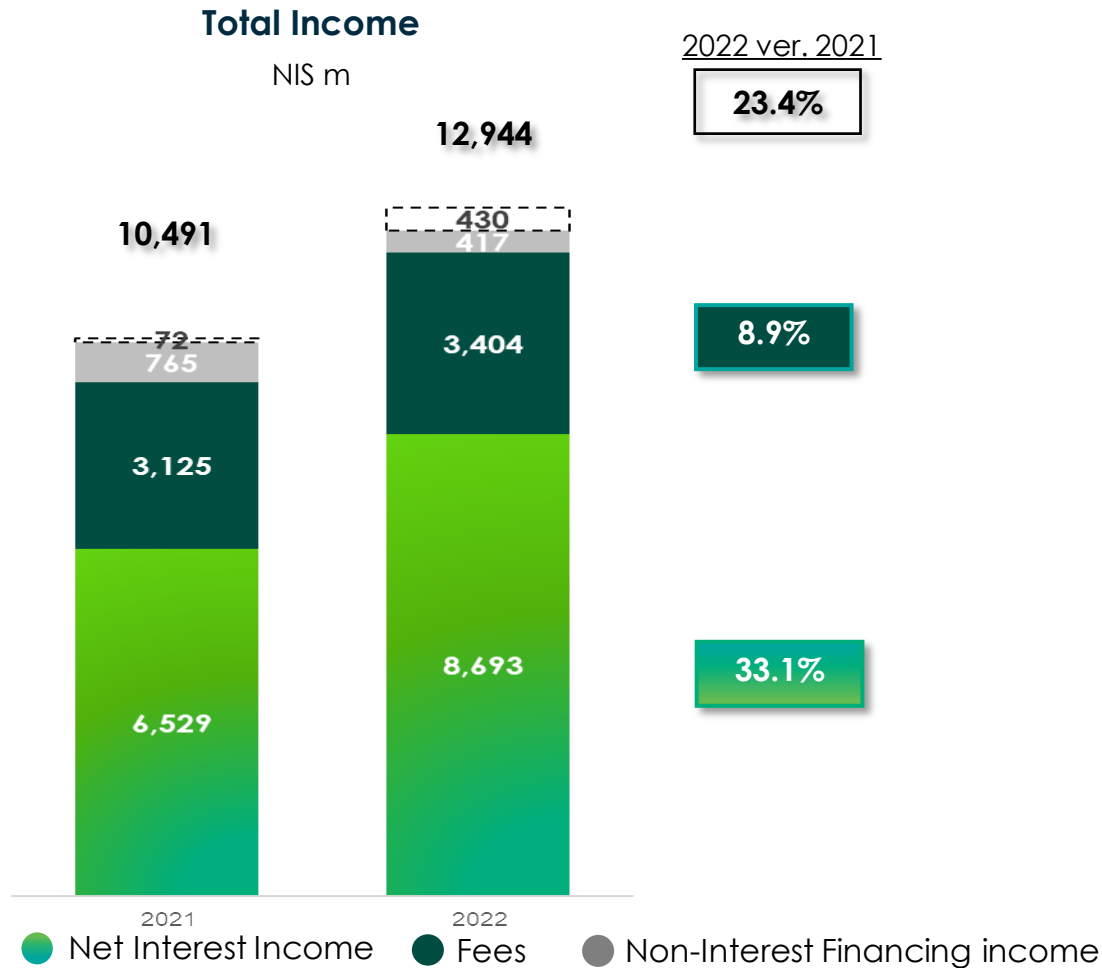


## Corporates

in NIS bn; growth %



# GROWTH IN NET INTEREST INCOME AND IN FEES HIGHLIGHTS OUR CORE BUSINESS STRENGTH



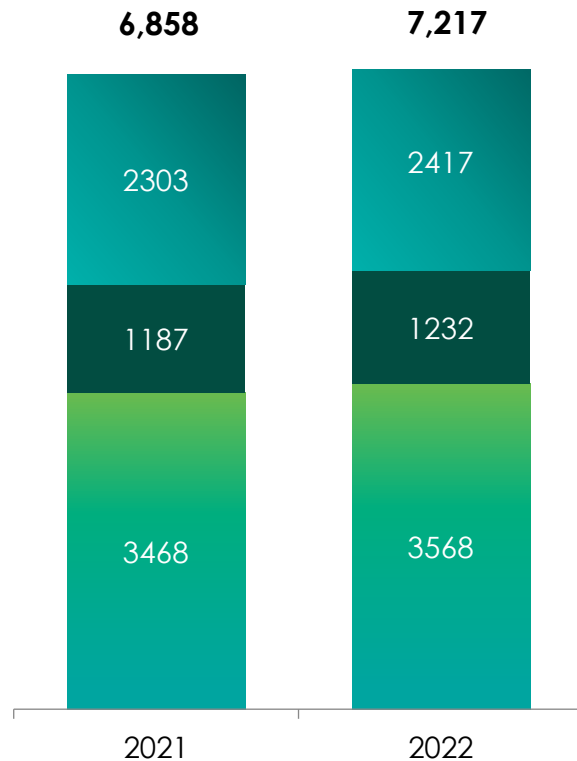
10 \* As calculated \*\* Net yield on interest bearing assets  
Financing Income from current operations is total net financing income excluding various items, such as CPI effect, net profit from realization and fair value adjustments, profit or loss from investments in shares, exchange rates differences, net profit on the sale of loans

# COST INCOME RATIO IS IMPROVING DUE TO SUBSTANTIAL POSITIVE JAWS

Total Expenses

NIS m

YoY 22



- Other
- Maintenance and depreciation
- Salary & related

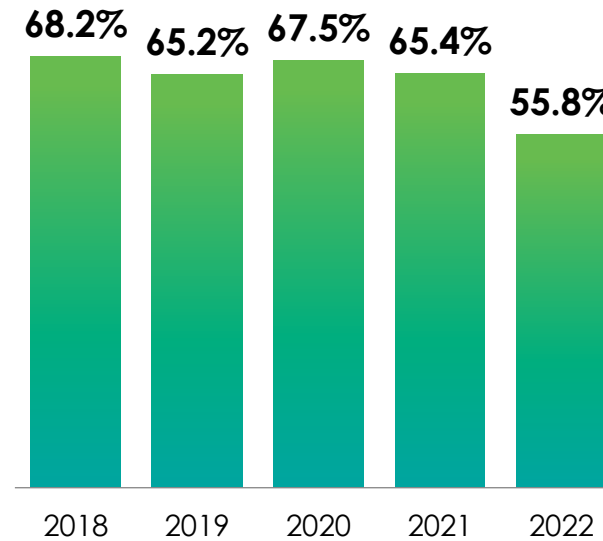
5.2%

9.7%

3.8%

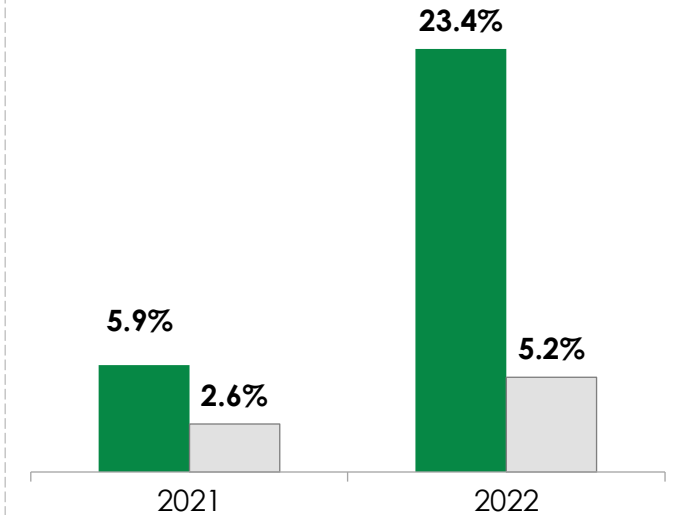
2.9%

Cost Income Ratio Is Improving Due To Positive Jaws



2022 Jaws \*

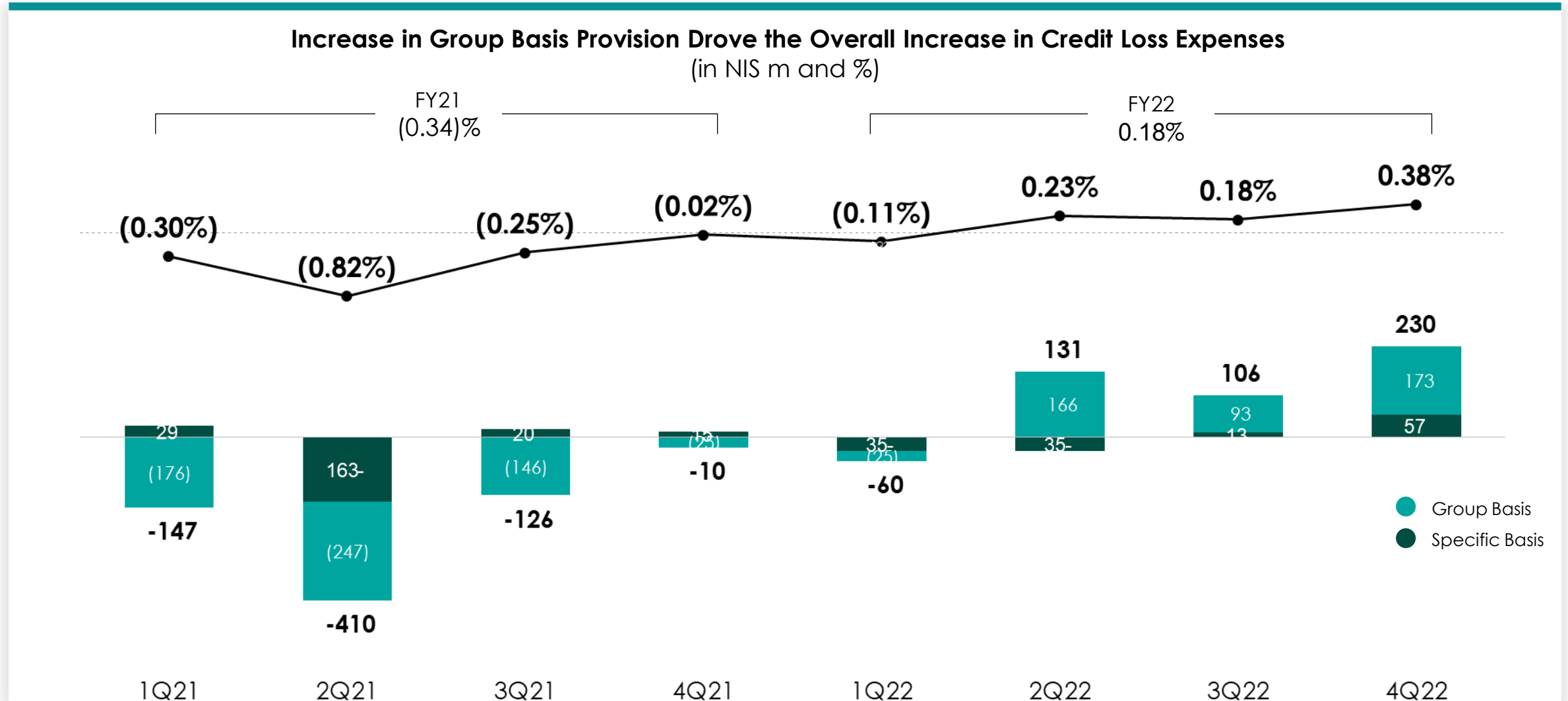
18.2%



- Revenues Growth
- Expenses Growth

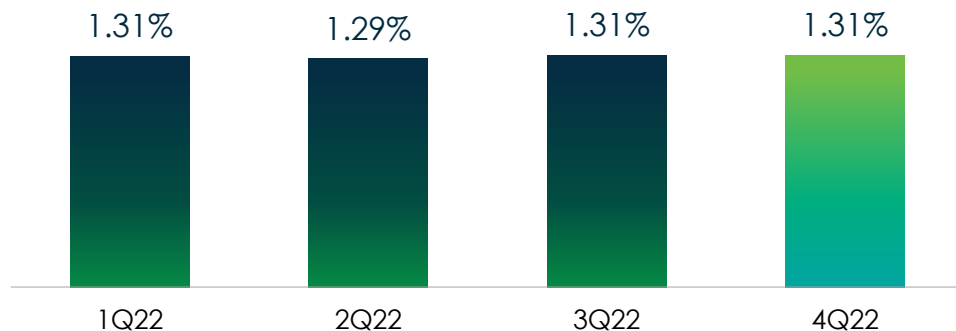
11 \* Jaws: Difference between revenues growth and expenses growth in the same period

# CREDIT PROVISION REFLECTS ROBUSTNESS OF OUR PORTFOLIO & MACRO POTENTIAL IMPACT

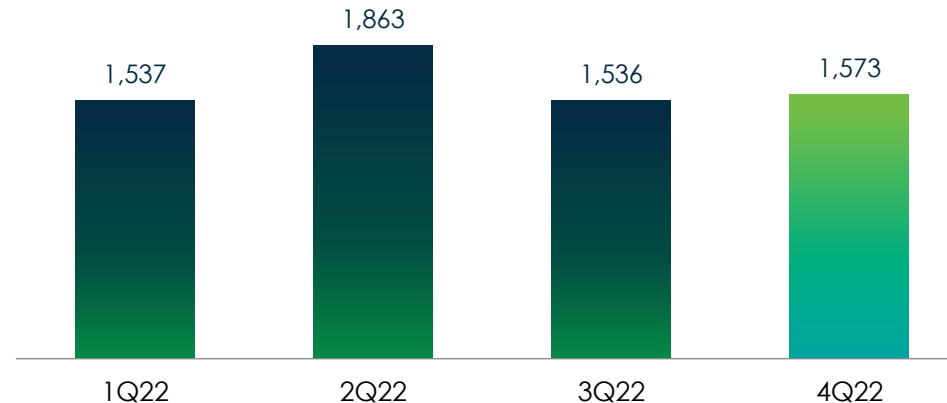


# ASSET QUALITY REMAINS STRONG WITH APPROPRIATE COVERAGE

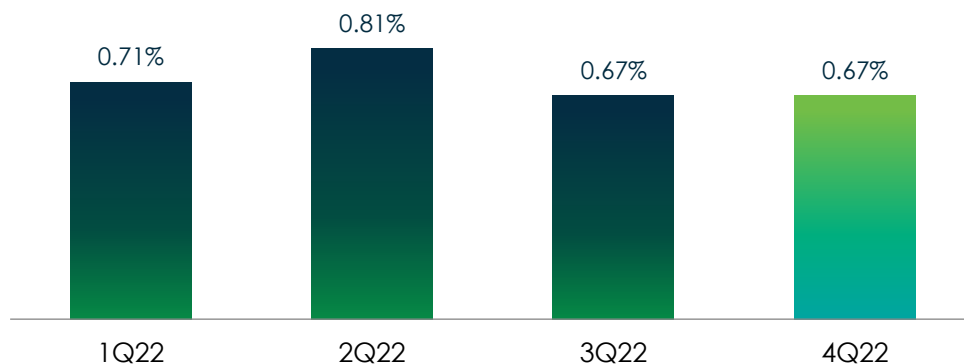
Allowance for Loan Loss Provisions from Total Credit\*



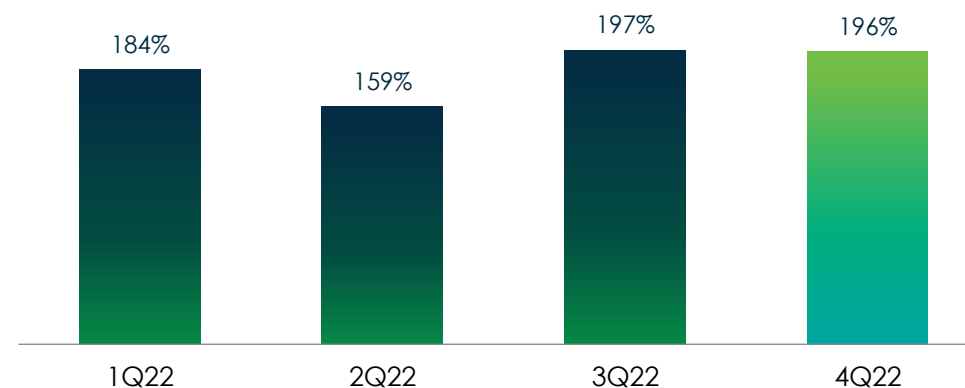
NPL remain stable (NIS m)



NPL/Total Credit\*\* remain relatively low



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



# CAL SEPARATION IS EXPECTED TO HAVE LIMITED IMPACT ON DISCOUNT ONGOING PROFITABILITY

- Record high results for CAL in 2022 - Net profit of 309 NIS million, ROE of 14.3% and Credit growth of 13%
- In light of strong results for Discount Group, CAL attributes only 5.4% to the consolidated net profit
- The future separation is expected to have a minor effect over net profit and ROE and a significant attribute to the Efficiency Ratio

2022 Group Results	With CAL	w/o CAL *
Net Income; NIS bn.	3,495	3,305
ROE	15.1%	14.8%
Efficiency Ratio	55.8%	51.5%
Credit loss expenses ratio	0.18%	0.14%

\* (1) The data for ICC has been totally eliminated, with no calculation in respect of the alternative use of the risk assets that would become available as a result of the separation as well as the yield produced by them and with no calculation of the gains produced by the realization of the holdings in ICC and the yield produced by the investment thereof in an alternative activity.

(2) In congruence of that stated above, the capital has been standardized so as to maintain the actually existing capital adequacy level, and accordingly, the return on equity has been standardized.

# DRIVING VALUE THROUGH OUR AMBITIOUS STRATEGIC PLAN

## ULTIMATE GOAL:

**TO BE THE BEST FINANCIAL INSTITUTION FOR ITS CUSTOMERS, DELIVERING SUPERIOR VALUE FOR SHAREHOLDERS, OVER TIME**

### Key Strategic Pillars

1

#### Accelerated Evolution of Traditional Banking

Focus on increasing the Group's competitiveness, market share and profitability

2

#### Groundbreaking Innovation

Establish new non-bank initiatives through collaboration with third party partners and Fintech companies

3

#### Maximizing Group Value

Maximize the underlying, standalone value of our subsidiaries, leverage synergies and increase the Group's economic value

# DRIVING PROFITABILITY & WINNING SHARE THROUGH ACCELERATED EXECUTION

## → Expanding credit focusing on Mortgages & Middle Markets

Credit Growth	2022 YoY	3 Year CAGR
Total Credit	13.0%	10.1%
Mortgages	21.0%	20.6%
Medium Ent.	16.6%	10.9%

## → Improving efficiency through higher productivity

	2020	2021	2022
Efficiency Ratio (%)	67.5%	65.4%	55.8%
Income per Employee, NIS m	1.164	1.312	1.535

## → Proactively acquiring new customers and increasing customer base

Customer acquisition through “switch with a click”

1.9X Net positive customer acquisition ratio (2022)

## → Achieving first place in customer NPS - continuous focusing on client needs

Net Performance Score NPS*	2020	2022
Discount NPS / Rank**	2% / 2	7% / 1
Peers average NPS	-9%	-6%

\* Double blind survey by ipanel, Nov 2022

\*\* Among the 5 leading banks



# GENERATING VALUE THROUGH DISRUPTIVE INNOVATION

Two years after PayBox spinout, Discount is launching greenlend,  
A FinTech company that offers digital credit facilities to clients of all banks



## The key principals behind our disruptive initiatives

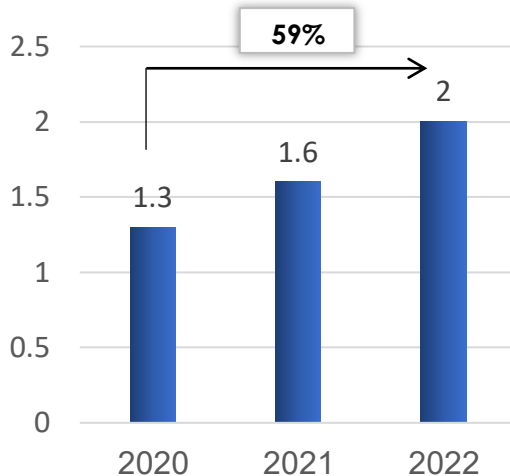
- Separate and independent company
- Collaborating with partners that have an entrepreneurial DNA
- Full mandate to compete all banks (incl. Discount)
- Focusing on substantial value creation



- Large and fast growing customer base reaching 1.27 million active accounts at the end of 2022 and a turnover of over 5B NIS
- Substantial competitive advantage being the only local E-wallet with balance storing abilities
- On a mission to become Israel's leading wallet for "Managing money outside the Bank"
- Strong support of stakeholder - Israel Discount bank and Shufersal Ltd.

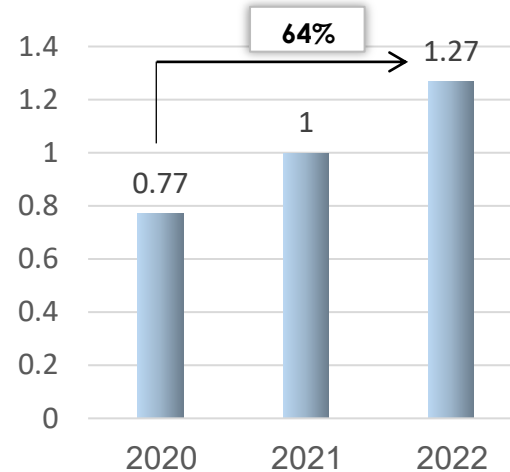
### Engaged subscribers

millions



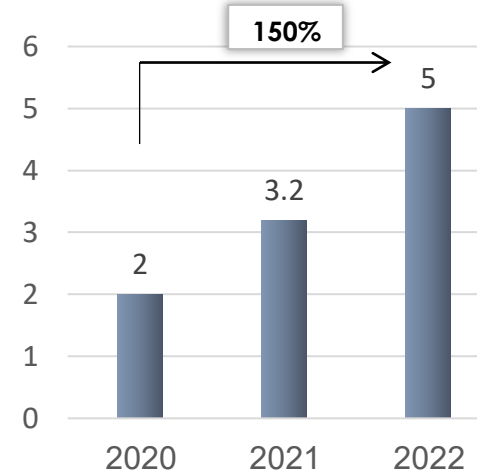
### Unique active users

90 days; millions



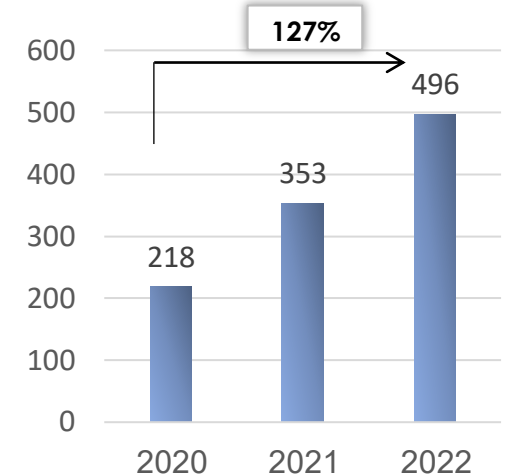
### Turnover

NIS billions



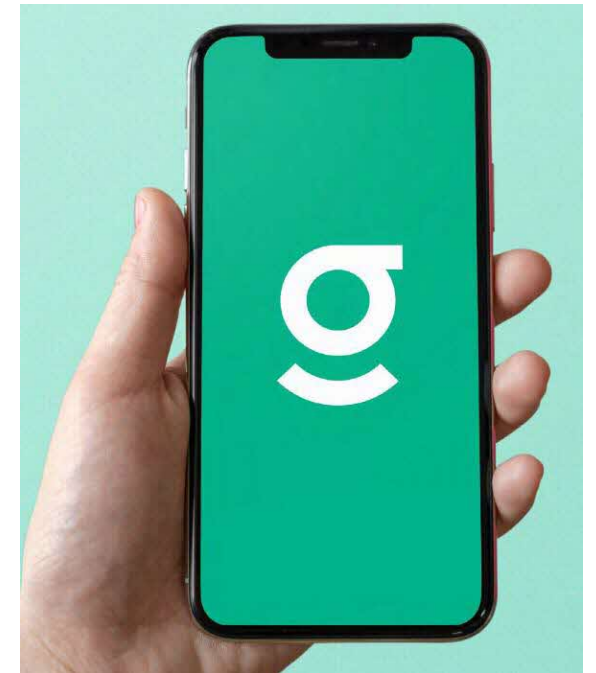
### Deposits

NIS millions

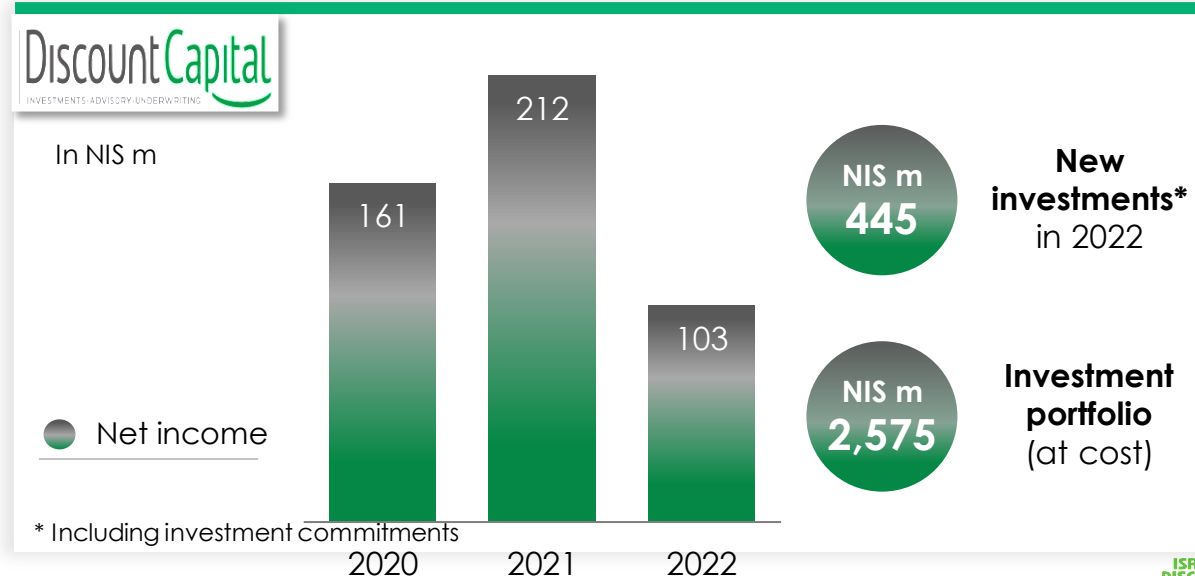
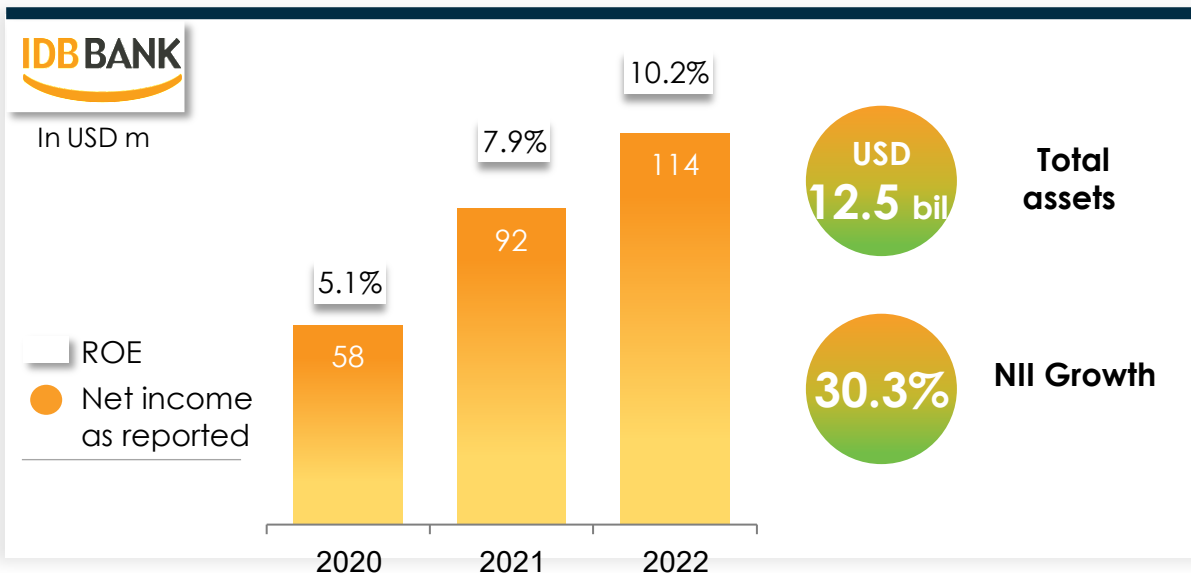
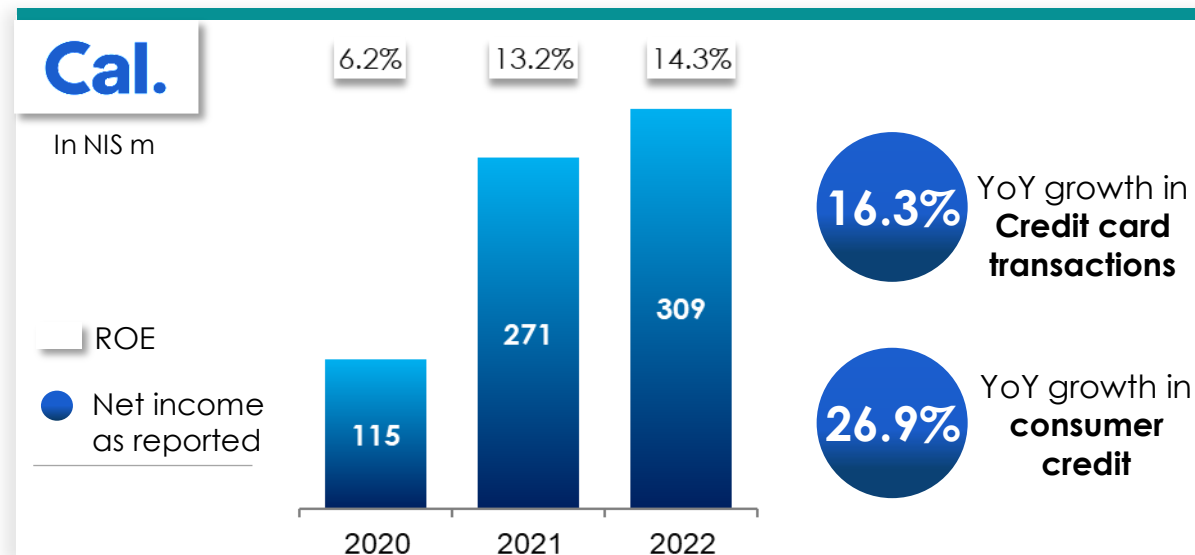
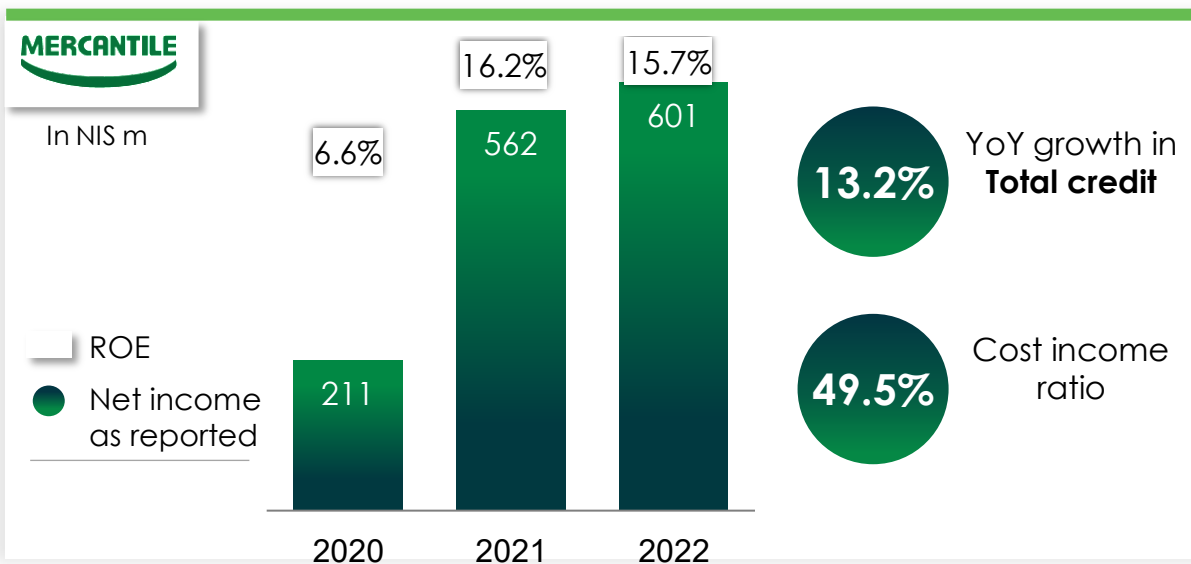


**Discount (70%) and ezbob (30%) are founding greenlend, a finTech company for fast emedded digital credit solutions, that will offer credit to clients of all banks**

- Fully Digital
- Based on top tier international platform
- Distributed via 3<sup>rd</sup> party channels
- Offering embedded finance solutions
- Capital guaranteed by Discount



# DELIVERING OUTSTANDING PERFORMANCE ACROSS OUR SUBSIDIARIES



# TO SUMMARIZE

- ➔ We delivered **record 2022 results**, with **net income of 3.5BN NIS**, **ROE of 15.1%** and **Cost Income of 55.8%**, and we **reached our 2025 strategic targets**.
- ➔ **Substantial revenue increase from core banking activity** – NII is growing by 33% in 2022, 51% in 4Q22 driven by credit growth & interest rate increase
- ➔ **Responsible credit growth** - 13% YoY, 1.8% QoQ – even given the challenging macro conditions
- ➔ Generating value through disruptive innovation - **Discount is launching greenlend**, a customized digital FinTech credit solution.
- ➔ Future separation of CAL **is expected to have a limited impact on Discount's ongoing profitability** – minor negative impact on net profit & ROE, substantial positive impact on CIR.

# 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	4Q22	3Q22	4Q21	vs.3Q22	vs.4Q21	2022	2021
Net interest income	2,540	2,280	1,683	11.4%	50.9%	8,693	6,529
Credit loss expenses (expenses release)	230	106	(10)	117.0%		407	(693)
Non-interest financing income	248	151	180	64.2%	37.8%	417	765
Commissions	857	871	809	(1.6%)	5.9%	3,404	3,125
Other income	9	5	50	80.0%	(82.0%)	430	72
Total non-interest income	1,114	1,027	1,039	8.5%	7.2%	4,251	3,962
<b>Total income</b>	<b>3,654</b>	<b>3,307</b>	<b>2,722</b>	<b>10.5%</b>	<b>34.2%</b>	<b>12,944</b>	<b>10,491</b>
Salaries and related expenses	988	881	970	12.1%	1.9%	3,568	3,468
Maintenance & depreciation	313	309	293	1.3%	6.8%	1,232	1,187
Other expenses	666	637	676	4.6%	(1.5%)	2,417	2,203
<b>Total operating and other expenses</b>	<b>1,967</b>	<b>1,827</b>	<b>1,939</b>	<b>7.7%</b>	<b>1.4%</b>	<b>7,217</b>	<b>6,858</b>
Income before taxes	1,457	1,374	793	6.0%	83.7%	4,326	5,320
Provision for taxes on income	516	472	269	9.3%	91.8%	1,516	1,806
Income after taxes	941	902	524	4.3%	79.6%	3,514	2,810
<b>Net income attributable to shareholders</b>	<b>939</b>	<b>893</b>	<b>529</b>	<b>5.2%</b>	<b>77.5%</b>	<b>3,495</b>	<b>2,773</b>
ROE	15.4	15.0%	9.8%			15.1%	13.6%
Cost income ratio	53.8	55.2%	71.2%			55.8%	65.4%
CET-1 ratio	10.25	10.17%	10.14%			10.25%	10.14%
NIM	2.98%	2.74%	2.30%			2.69%	2.34%
Rate of credit loss expenses	0.38%	0.18%	(0.02%)			0.18%	(0.34%)
NPL ratio	0.64%	0.67%	0.59%				
Dividend per share (in Agurot)*	15.18	14.43	9.08				

\* Dividend in respect of the relevant period



# ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	31.12.22	30.09.22	31.12.21
Cash and deposits with banks	65,713	71,510	59,638
Credit to the public	244,288	240,032	216,196
Provision for credit losses	(3,209)	(3,151)	(3,040)
Credit to the public, net	241,079	236,881	213,156
Credit to governments	2,599	2,574	2,664
Investment in investee companies	486	502	462
Buildings and equipment	3,904	3,724	3,401
Intangible assets and goodwill	162	163	163
Assets in respect of derivative instruments	11,420	13,601	5,522
Other assets	5,740	6,215	5,006
<b>Total Assets</b>	<b>376,754</b>	<b>379,074</b>	<b>335,088</b>
Deposits from the public	292,293	290,646	260,907
Deposits from banks and governments	15,493	16,839	12,880
Securities borrowed or sold via repo agreements*	3,739	3,038	
Bonds and subordinated debt notes	12,308	13,491	15,071
Liabilities in respect of derivative instruments	9,348	11,718	6,323
Other liabilities	18,095	18,624	17,759
<b>Total liabilities</b>	<b>351,276</b>	<b>354,356</b>	<b>312,940</b>
Equity capital attributed to the Bank's shareholders	24,880	24,112	21,483
Non-controlling rights in consolidated companies	598	606	665
Total equity	25,478	24,718	22,148
<b>Total Liabilities and Equity</b>	<b>376,754</b>	<b>379,074</b>	<b>335,088</b>

# ISRAEL DISCOUNT BANK: Adjustment to P&L

NIS m	year ended at 31 December NIS m		
	2022	2021	2020
Income from the sale of Visa Inc. shares	(20)		(44)
Realization of Assets	(315)	(38)	
Provisions for salary agreement		155	
Early retirement in a subsidiary			15
Early redemption of long term benefits		19	
Effect of settlement	30	94	272
Cost associated with IDBNY change of headquarters location		13	26
Legal provision, net of insurance payment			43
Total	(305)	243	312

# MERCANTILE: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q22	3Q22	4Q21	Vs. 3Q22	Vs. 4Q21	2022	2021	change
Net interest income	521	452	342	15.3%	52.3%	1,746	1,324	31.9%
Non-interest income	97	101	94	(4.0%)	3.2%	376	469	(19.8%)
Total income	618	553	436	11.8%	41.7%	2,122	1,793	18.3%
Operating & other expenses	310	253	309	22.5%	0.3%	1,051	1,021	2.9%
<b>Net income</b>	<b>151</b>	<b>185</b>	<b>91</b>	<b>(18.4%)</b>	<b>65.9%</b>	<b>601</b>	<b>562</b>	<b>6.9%</b>
Return on equity	15.10%	19.3%	9.80%			15.7	16.2	
Cost-income ratio	50.2%	45.8%	70.9%			49.5%	56.9%	
Rate of credit loss expenses	0.73%	0.25%	(0.06%)			0.38%	(0.2%)	
NIM	3.39%	2.90%	2.57%			2.92	2.63%	
Total assets	64,786	65,485	59,894	(1.1%)	8.2%			
Credit to the public, net	42,569	42,325	37,636	0.6%	13.1%			
Securities	6,988	6,911	6,883	1.1%	1.5%			
Deposits from the public	51,047	51,507	48,070	(0.9%)	6.2%			
Total equity	4,055	3,928	3,771	3.2%	7.5%			

# IDBBANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	4Q22	3Q22	4Q21	Vs. 3Q22	Vs. 4Q21	2022	2021	change
Net Interest Income	92	92	71	0.2%	29.9%	335	257	30.4%
Non-Interest Income	12	17	22	(29.4%)	(45.5%)	67	87	(23.0%)
Total Income	104	109	93	(4.6%)	11.8%	402	344	16.9%
Operating & Other Expenses	64	71	54	(9.9%)	18.5%	255	222	14.9%
<b>Net Income</b>	<b>32</b>	<b>25</b>	<b>30</b>	<b>28.0%</b>	<b>6.7%</b>	<b>114</b>	<b>92</b>	<b>23.9%</b>
Return on Equity	11.50%	8.9%	10.4%	29.2%	10.6%	10.3%	7.9%	30.4%
Cost-Income Ratio	61.50%	65.1%	58.1%	(5.5%)	5.9%	63.4%	64.7%	(2.0%)
Credit Loss Expenses ratio (Expenses Release)	0.06%	0.2%	(0.2%)	(73.9%)	(130.0%)	(0.0%)	(0.1%)	(40.0%)
NIM	3.16%	3.1%	2.4%	1.9%	31.7%	2.8%	2.3%	21.7%
Total Assets	12,512	12,369	12,952	1.2%	(3.4%)	12,512	12,952	(3.4%)
Loans, net	8,154	8,455	8,421	(3.6%)	(3.2%)	8,154	8,421	(3.2%)
Securities	2,460	2,571	2,829	(4.3%)	(13.0%)	2,460	2,829	(13.0%)
Deposits from the Public	10,479	10,462	11,245	0.2%	(6.8%)	10,479	11,245	(6.8%)
Total Equity	1,121	1,081	1,158	3.7%	(3.2%)	1,121	1,158	(3.2%)

# CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	4Q22	3Q22	4Q21	Vs. 3Q22	Vs. 4Q21	2022	2021
Income From Credit Card Transactions	428	434	388	(1.4%)	10.3%	1,651	1,432
Credit Loss Expenses (Expenses Release)	43	28	9	53.6%	377.8%	97	(9)
Non-Interest Financing Income	(7)	61	1			102	5
<b>Total Income</b>	<b>599</b>	<b>665</b>	<b>535</b>	<b>(9.9%)</b>	<b>12.0%</b>	<b>2,433</b>	<b>1,985</b>
<b>Total Expenses</b> (excluding credit loss expenses)	<b>498</b>	<b>482</b>	<b>462</b>	<b>3.3%</b>	<b>7.8%</b>	<b>1895</b>	<b>1603</b>
<b>Net income</b>	<b>39</b>	<b>109</b>	<b>40</b>	<b>(64.2%)</b>	<b>(2.5%)</b>	<b>309</b>	<b>271</b>
Return on equity	7.4	20.9%	7.5%			14.3%	13.2%
Cost-income ratio	83.1%	72.5%	86.4%			77.9%	80.8%
Total assets	18,547	18,564	16,076			18,547	16,076
Interest bearing credit	8,183	7,832	6,717			8,183	6,717
Total equity	2,120	2,091	2,216			2,120	2,216