



# 2Q 2023 REVIEW

## Financial Highlights

Investor Relations

August 14, 2023

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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

# 2Q 2023 – ANOTHER QUARTER OF RECORD RESULTS

NET INCOME

1,187<sub>M</sub>

ROE

18.0%

EFFICIENCY RATIO

47.5%

DIVIDEND PAYOUT / DIVIDEND POLICY

30% / 40%

NII GROWTH

QoQ / YoY

7.1% / 41.5%

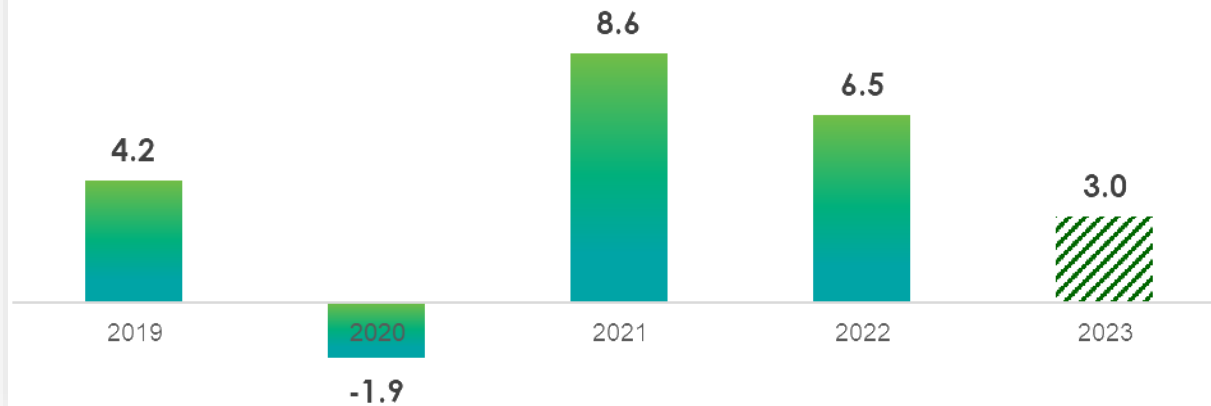
CREDIT GROWTH

QoQ / YoY

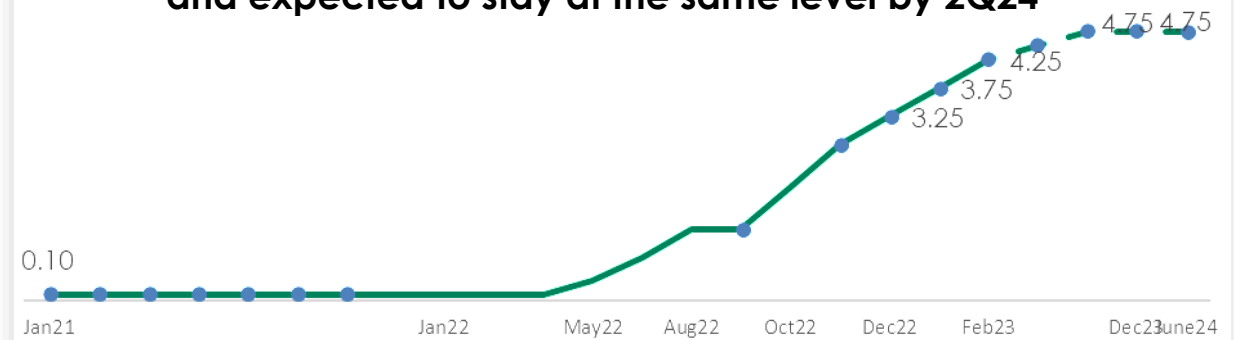
1.6% / 9.0%

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

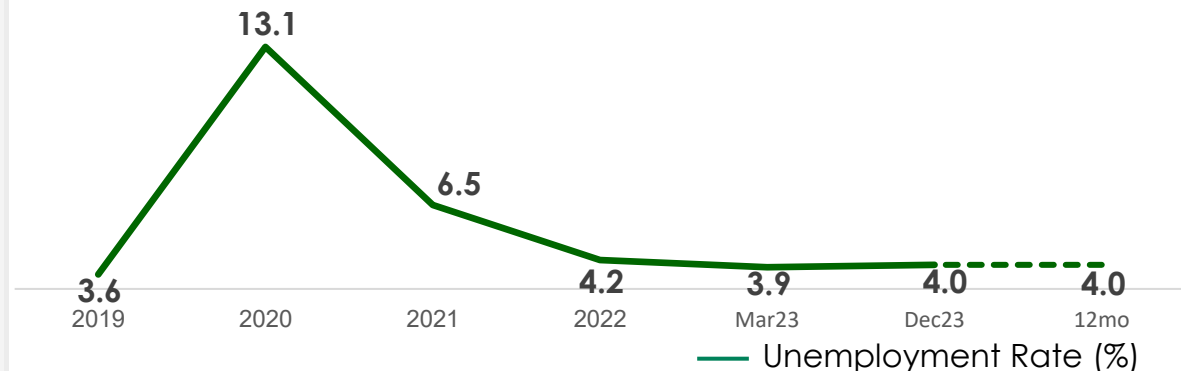
Israel's GDP Growth (%) is expected to slowdown in 2023



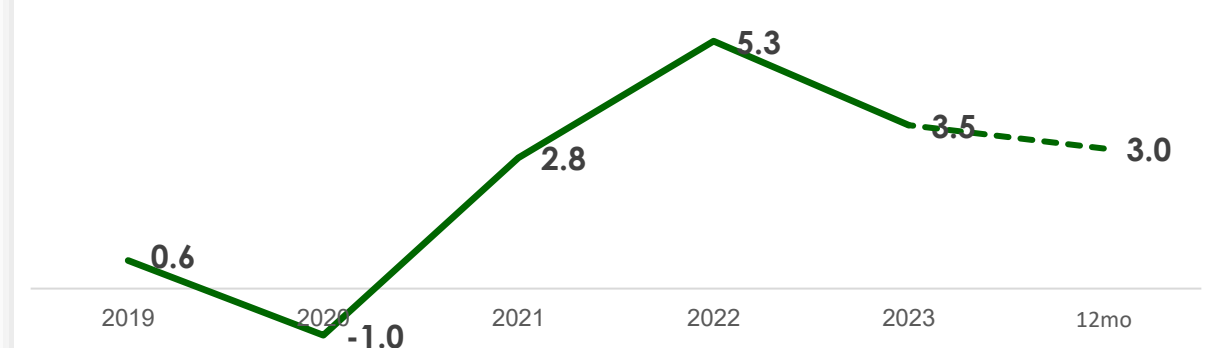
Bank of Israel's Rate has increased to 4.75% in May 2023 and expected to stay at the same level by 2Q24



The labor market will remain tight



Inflation is expected to converge within range 3.0%



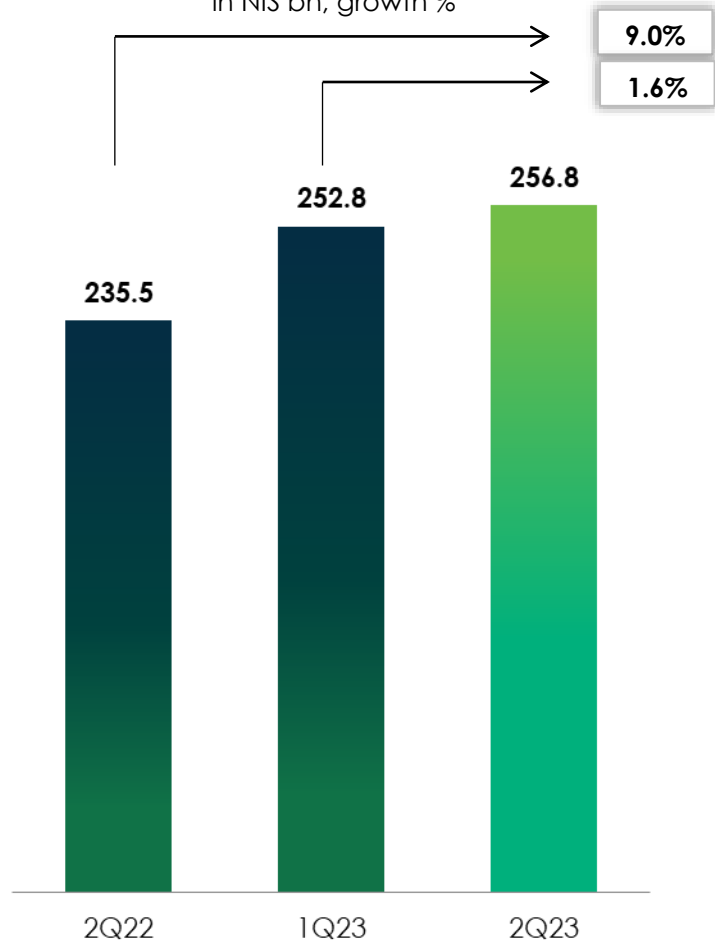
# 2Q23 AND 1H23 HIGHLIGHTS

- **Strong profitability with net income of NIS 1,187m and ROE of 18.0% in 2Q23**, driven by increase in revenue from core banking activity.
- **Positive impact of interest rate increase**: NII grew in 2Q23 by 7.1% compared with 1Q23 and by 41.5% compared with 2Q22. Net Interest Margin (NIM) improved to 3.33% compared with 3.18% in 1Q23 and 2.63% in 2Q22.
- **Operating efficiency maintained at 47.5%**, compared with 46.1% in 1Q23 and 59.2% in 2Q22
- **Moderate credit growth in line with market conditions**: Total credit grew by 1.6% in 2Q23 with corporates growing by 2.6%, medium enterprises growing by 3.8%, and mortgage balance growing by 1.5%.
- **Higher provisions & NPL**: As expected, credit loss expenses ratio mounted to 0.49% driven by increase in specific & group provisioning. Non Performing Loans (NPL) out of total credit increased to 0.89%, compared with 0.63% in 1Q23 and 0.81% in 2Q22.
- **Dividend policy increases to 40% of net income**: Actual dividend payout of 30% in 2Q23 (NIS 356 million) in line with dividend policy.

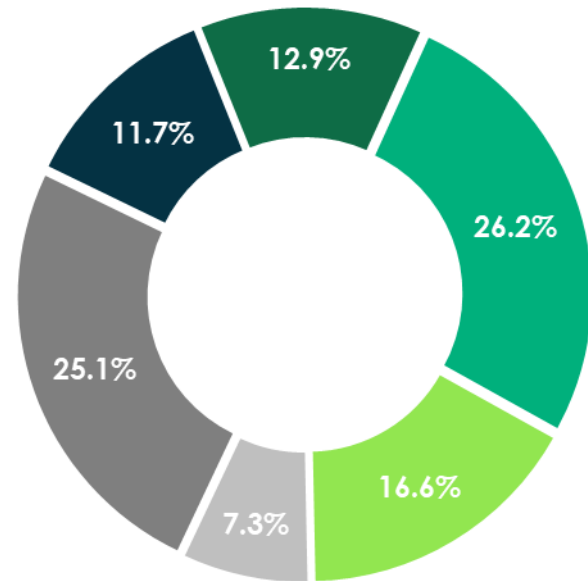
Adjusted 2Q23	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	Adjusted 1H23	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	NIS 1,187m	18.0%	47.5%	0.49%		NIS 2,456m	19.0%	46.8%	0.41%
	1Q23: NIS 1,269 m; 2Q22: NIS 680 m	1Q23: 20.1%; 2Q22: 11.8%	1Q23: 46.1%; 2Q22: 59.2%	1Q23: 0.33%; 2Q22: 0.23%		1H22: NIS 1,663 m	1H22: 14.9%	1H22: 57.2%	1H22: 0.06%
Adjusted 2Q23	NIS 1,187m	18.0%	47.5%		Adjusted 1H23	NIS 2,388	18.5%	47.8%	
	1Q23: NIS 1,201 m;	1Q23: 19.0%;	1Q23: 48.1%;			1H22: NIS 1,348 m	1H22: 12.1%	1H22: 61.4%	

# RESPONSIBLE CREDIT GROWTH IN ACCORDANCE WITH MARKET DEMAND

**Total Credit**  
in NIS bn; growth %

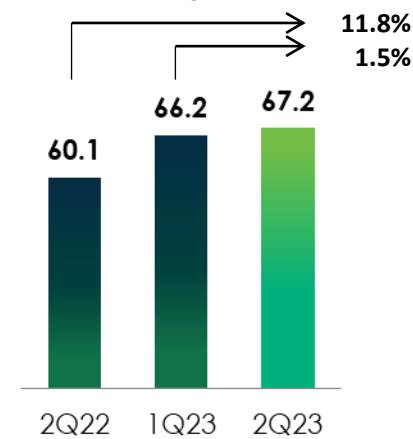


**Well Balanced Loan Book**

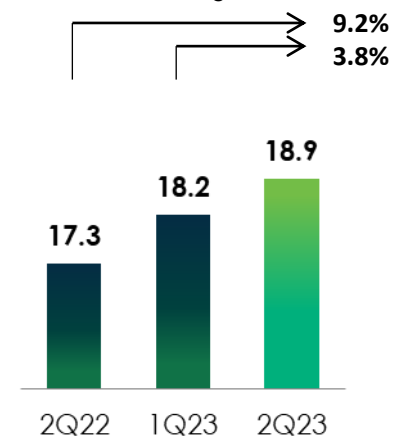


- International
- Consumer & Private
- Corporate enterprises
- Medium Enterprises
- Mortgages
- Small & micro enterprises

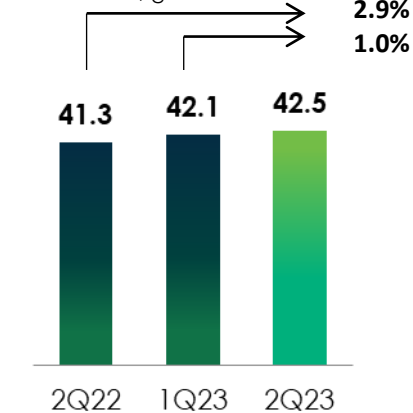
**Mortgages \***  
in NIS bn; growth %



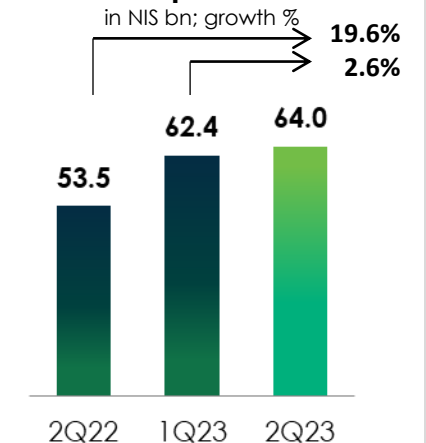
**Medium Enterprises**  
in NIS bn; growth %



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

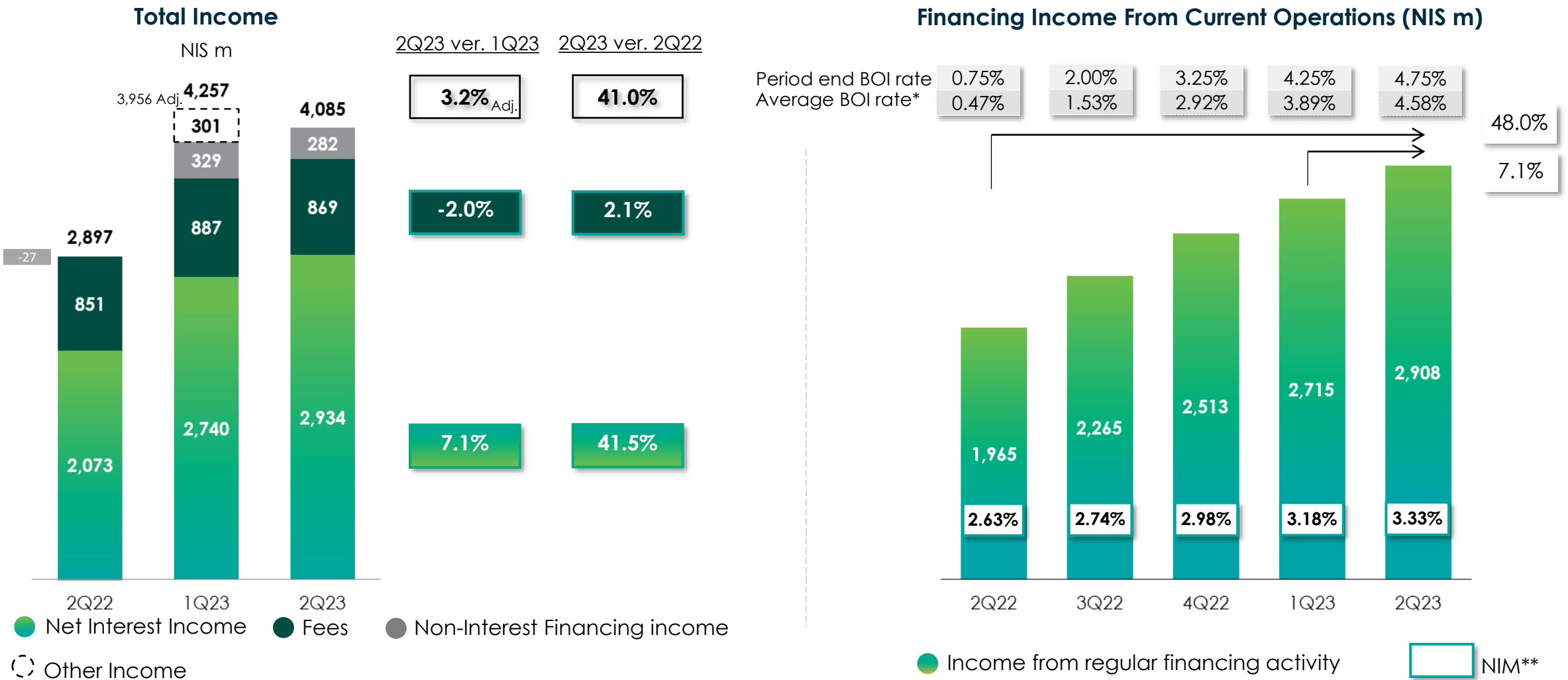


**Corporates**  
in NIS bn; growth %



\* In Households

# CONTINUED GROWTH IN NII & IN NIM HIGHLIGHTS OUR CORE BUSINESS STRENGTH





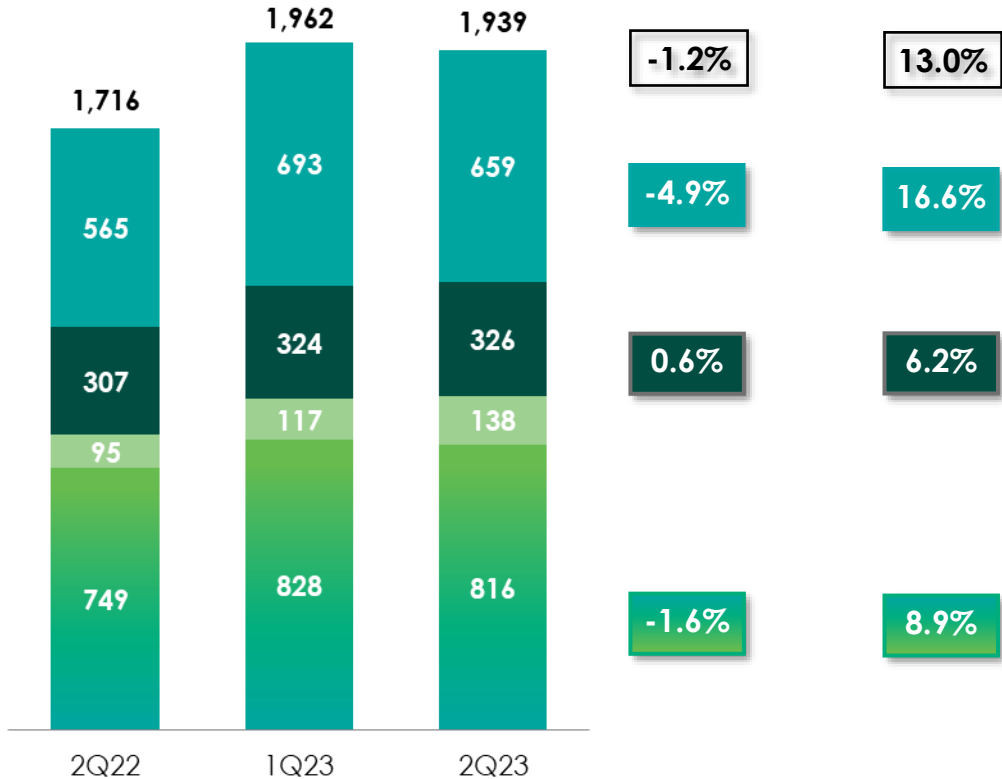
# KEEPING COST INCOME RATIO LOW AND MAINTAINING POSITIVE JAWS

## Total Expenses

NIS m

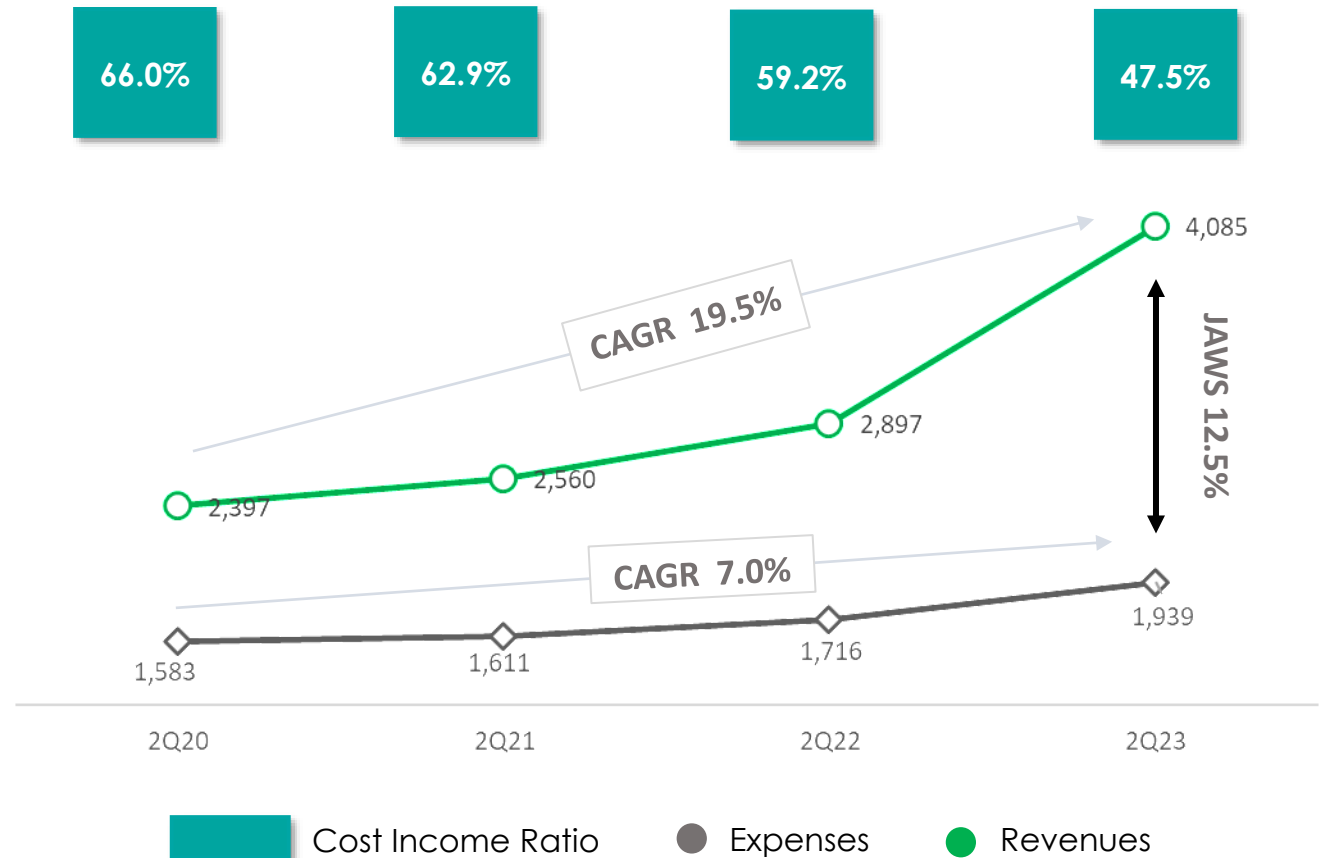
2Q23 ver. 1Q23

2Q23 ver. 2Q22



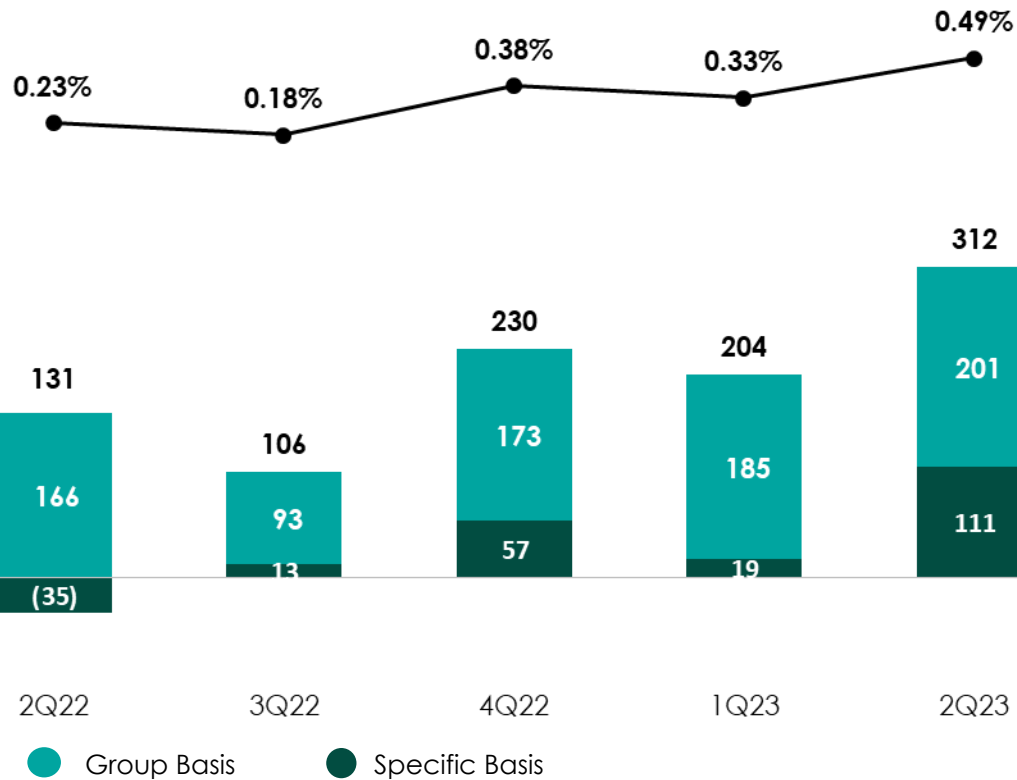
- Other
- Maintenance and depreciation
- Awards
- Salary & related

## Cost Income Ratio Is maintained low Due To Positive Jaws

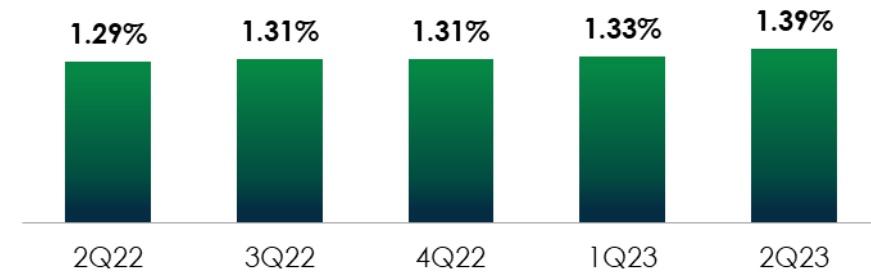


# CREDIT LOSS EXPENSES ARE GROWING IN LINE WITH MARKET CONDITIONS

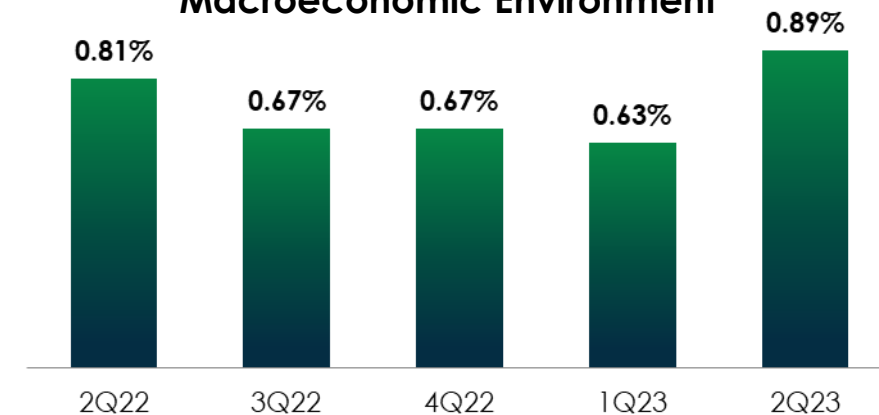
Specific Provision is growing, but Group Basis Provision drives most of the overall Credit Loss Expenses  
(in NIS m and %)



Ample allowance for Loan Loss Provisions from Total Credit\*



NPL/Total Credit\*\* Ratio rises amid challenging Macroeconomic Environment

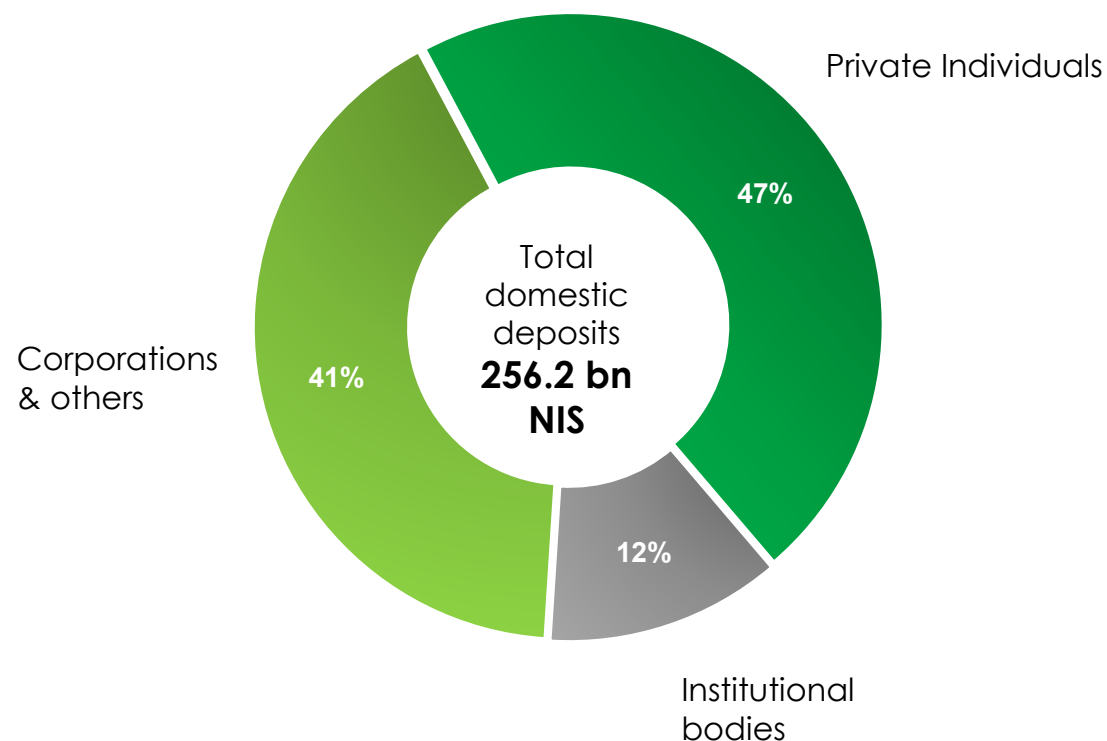


\* Calculated as percent of Loan Loss Provisions from total credit.

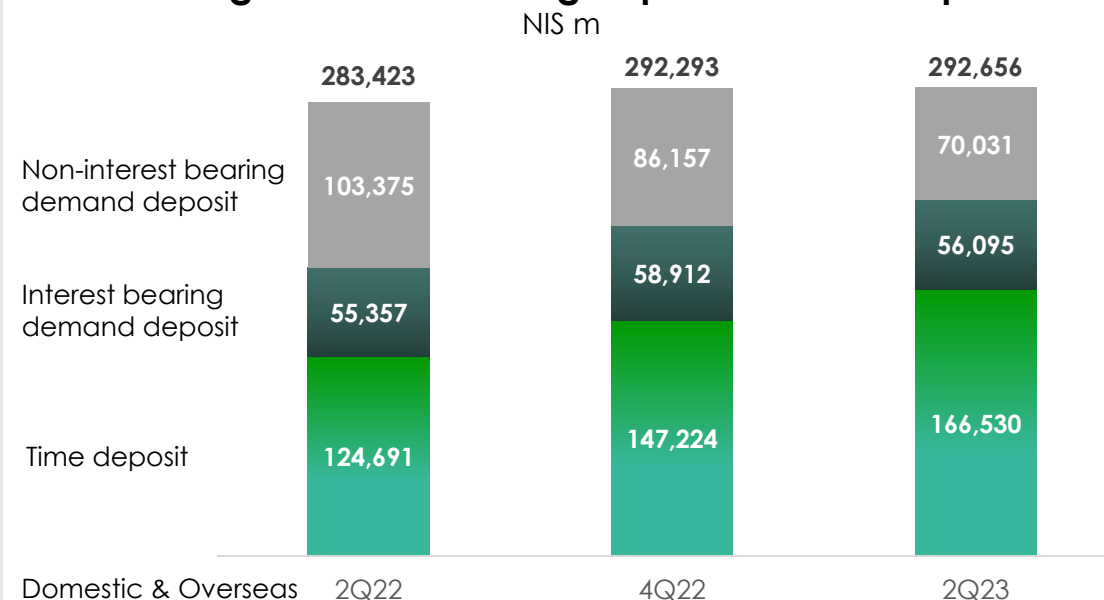
\*\* NPL: percent of non accrual and 90 days and above past due from gross total credit.

# SOLID AND DIVERSIFIED FUNDING BASE AND AMPLE LIQUIDITY

Diversified domestic public deposit base with high share of households deposits 30.6.23



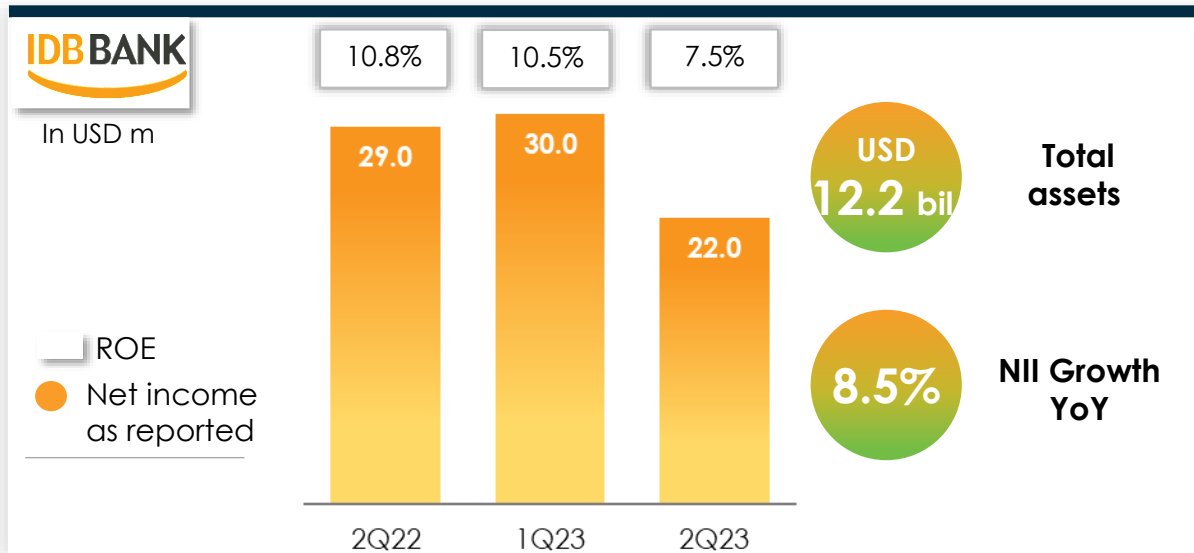
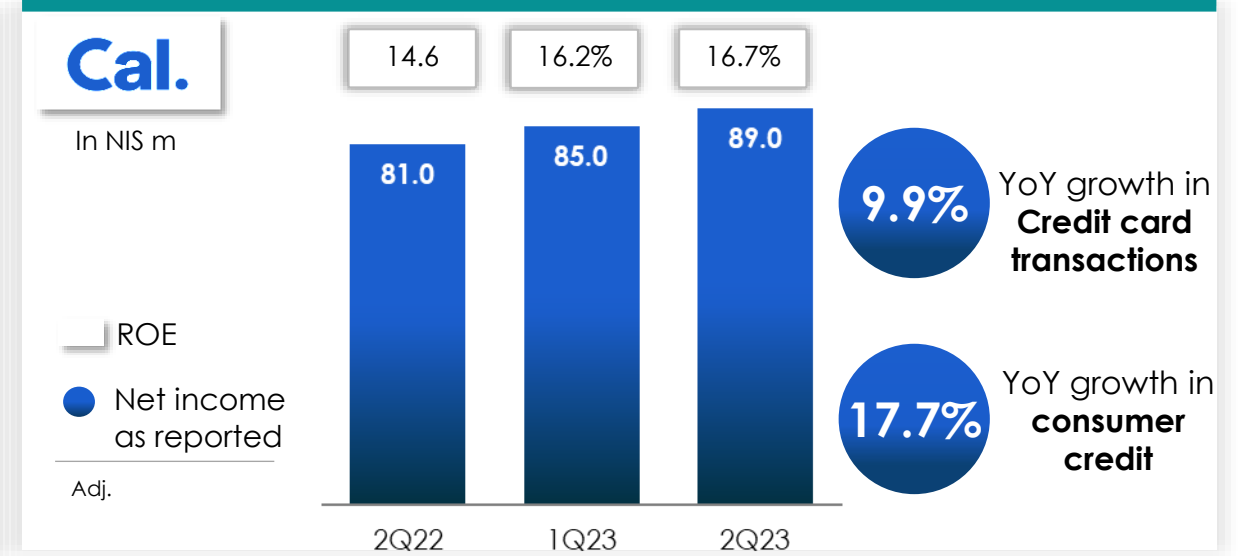
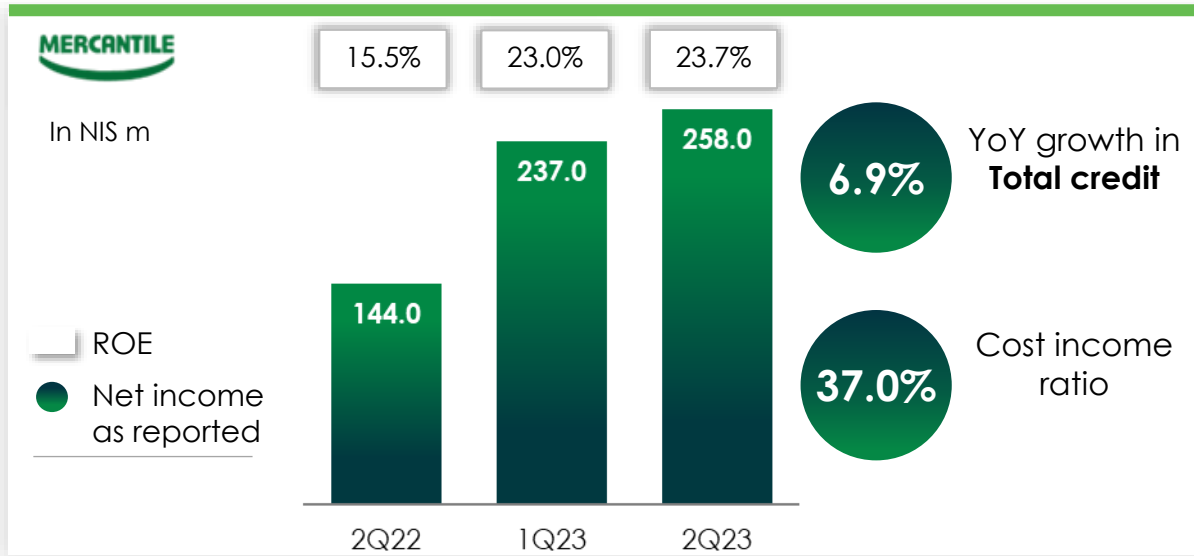
Shifting from non-bearing deposits to time-deposits



Maintaining solid LCR And NSFR well above the regulatory requirement (100%)



# STRONG PERFORMANCE ACROSS OUR SUBSIDIARIES

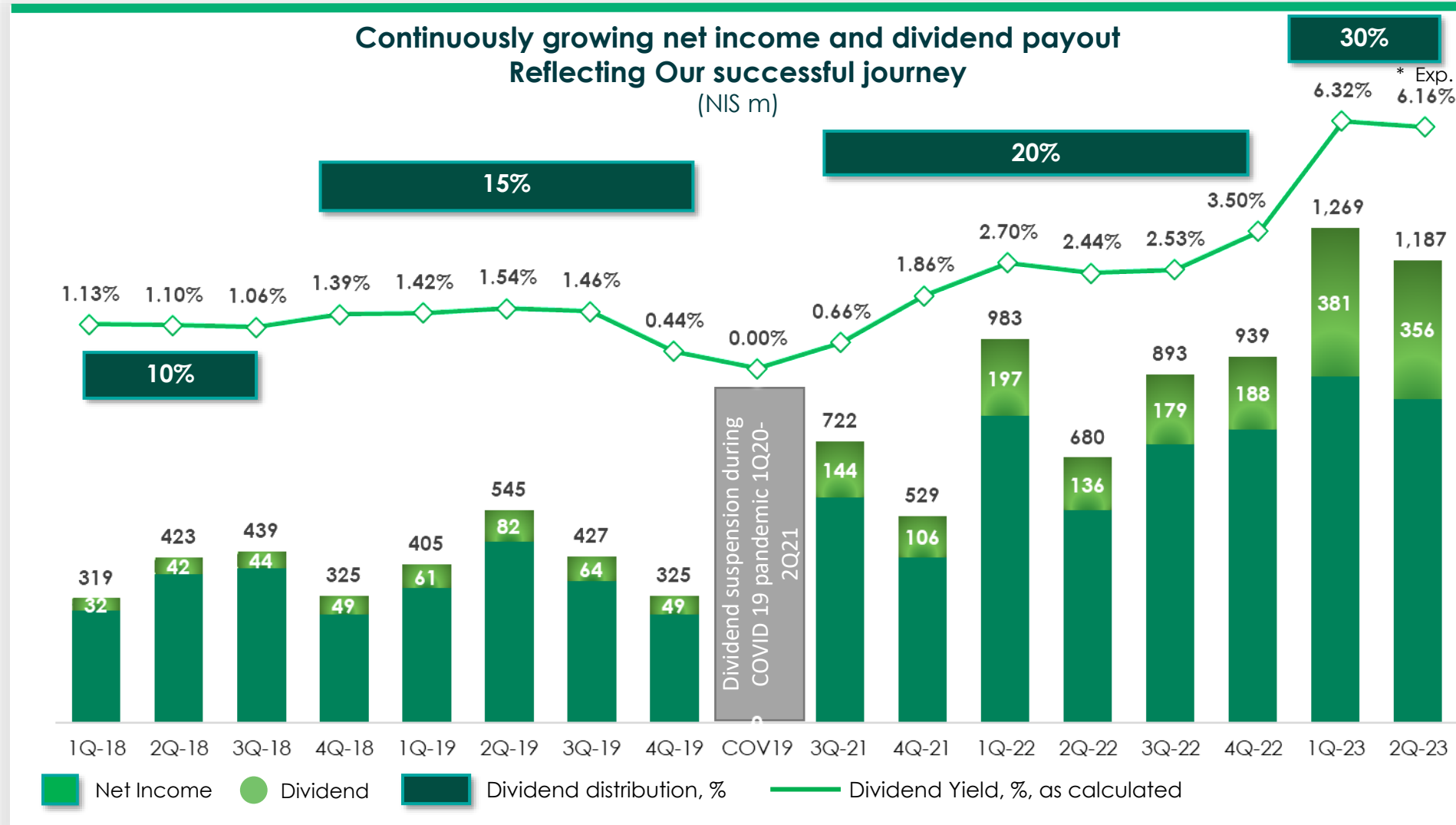


1H23 Group Results	With CAL	w/o CAL *
Net Income; NIS bn.	2,456	2,294
ROE	19.0%	18.5%
Efficiency Ratio	46.8%	43.1%

\* (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.

# DIVIDEND POLICY RAISED TO 40% IN LINE WITH OUR HIGH PROFITABILITY; ACTUAL PAYOUT IS 30%



## Total Capital Ratio

13.15%  
QoQ  
+0.24%

## Tier I Capital Ratio

10.35%  
QoQ  
+0.13%

## Leverage Ratio

6.4%  
QoQ  
+0.10%

# DISCOUNT GROUP SETTLES INTO ITS NEW CAMPUS OUTSIDE OF TEL-AVIV

- An advanced 150,000sqm green-standard working space facility.
- Assembling all Head Office units of Discount & Mercantile in a joint campus.
- Moving from 18 separate sites to a single new building.
- Supports new way of work that will enable organizational culture transition.
- Following the regulatory decision to divest CAL, Discount acquires CAL's share of the campus.



# CONTINUE OUR JOURNEY OF GROUND BREAKING INNOVATION



- **March 2023** – Discount (70%) and ezbob (30%) announced the foundation of greenlend, a fintech company for fast embedded 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
- **August 2023** – The bank received the Bol approval to control and hold greenlend in partnership with ezbob



# TO SUMMARIZE

- ➔ We delivered yet again **strong results for 2Q23**, with **net income of 1.19BN NIS**, and **ROE of 18.0%**.
- ➔ **Substantial revenue increase from core banking activity** – NII is growing by 7.1% QoQ, and by 41.5% YoY. Net Interest Margin (NIM) reached 3.33% compared with 3.18% in 1Q23 and 2.98% in 2Q22.
- ➔ **Maintaining low Cost Income Ratio at 47.5%**, compared with 46.1% in 1Q23 and 59.2% in 2Q22.
- ➔ **Responsible credit growth, with asset quality remaining solid** – Credit growth of 1.6%, in line with market conditions. Increase in credit loss expenses reflects higher risk, in line with market conditions.
- ➔ **Dividend Policy raised to 40%**, as we continue our long-term journey to increase value for our shareholders; **Actual Payout remains at 30%**.



# Agenda 2

# 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: ADJUSTED P&L & SELECTED RATIOS

NIS m	2Q23	1Q23	2Q22	vs.1Q23	vs.2Q22	1H23	1H22	change
Net interest income	2,934	2,740	2,073	7.1%	41.5%	5,674	3,873	46.5%
Credit loss expenses	312	204	131	52.9%	138.2%	516	71	626.8%
Non-interest financing income	282	329	(27)	(14.3%)	N/A	611	18	N/A
Commissions	869	887	851	(2.0%)	2.1%	1,756	1,676	4.8%
Other income	0	301	0	N/A	N/A	301	416	(27.6%)
Total non-interest income	1,151	1,517	824	(24.1%)	39.7%	2,668	2,110	26.4%
<b>Total income</b>	<b>4,085</b>	<b>4,257</b>	<b>2,897</b>	<b>(4.0%)</b>	<b>41.0%</b>	<b>8,342</b>	<b>5,983</b>	<b>39.4%</b>
Salaries and related expenses	954	945	844	1.0%	13.0%	1,899	1,669	13.8%
Maintenance & depreciation	326	324	307	0.6%	6.2%	650	610	6.6%
Other expenses	659	693	565	(4.9%)	16.6%	1,352	1,114	21.4%
<b>Total operating and other expenses</b>	<b>1,939</b>	<b>1,962</b>	<b>1,716</b>	<b>(1.2%)</b>	<b>13.0%</b>	<b>3,901</b>	<b>3,423</b>	<b>14.0%</b>
Income before taxes	1,834	2,091	1,050	(12.3%)	74.7%	3,925	2,489	57.7%
Provision for taxes on income	626	763	371	(18.0%)	68.7%	1,389	818	69.8%
Income after taxes	1,208	1,328	679	(9.0%)	77.9%	2,536	1,671	51.8%
<b>Net income attributable to shareholders</b>	<b>1,187</b>	<b>1,269</b>	<b>680</b>	<b>(6.5%)</b>	<b>74.6%</b>	<b>2,456</b>	<b>1,663</b>	<b>47.7%</b>
ROE	18.0%	20.1%	11.8%			19.0%	14.9%	
Cost income ratio	47.5%	46.1%	59.2%			46.8%	57.2%	
CET-1 ratio	10.35%	10.22%	10.16%			10.35%	10.16%	
NIM	3.33%	3.18%	2.63%			3.25%	2.50%	
Rate of credit loss expenses	0.49%	0.33%	0.23%			0.41%	0.06%	
NPL ratio	0.89%	0.63%	0.81%			0.89%	0.81%	
Dividend per share (in Agurot)*	28.79	30.78	10.99					

\* Dividend in respect of the relevant period

# ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	30.06.23	31.12.22	30.06.22
Cash and deposits with banks	56,696	65,713	63,449
Securities	54,537	44,794	43,926
Securities borrowed or purchased under agreements to resell	1,024	857	1,330
Credit to the public	256,768	244,288	235,510
Provision for credit losses	(3,571)	(3,209)	(3,045)
Credit to the public, net	253,197	241,079	232,465
Credit to governments	3,036	2,599	2,607
Investment in investee companies	483	486	493
Buildings and equipment	4,245	3,904	3,573
Intangible assets and goodwill	162	162	163
Assets in respect of derivative instruments	12,400	11,420	11,023
Other assets	6,035	5,740	5,392
<b>Total Assets</b>	<b>391,815</b>	<b>376,754</b>	<b>364,421</b>
Deposits from the public	292,656	292,293	283,423
Deposits from banks and governments	14,344	15,493	14,884
Securities borrowed or sold via repo agreements*	10,728	3,739	1,946
Bonds and subordinated debt notes	16,479	12,308	13,863
Liabilities in respect of derivative instruments	10,124	9,348	9,303
Other liabilities	19,802	18,095	16,909
<b>Total liabilities</b>	<b>364,133</b>	<b>351,276</b>	<b>340,328</b>
Equity capital attributed to the Bank's shareholders	27,016	24,880	23,490
Non-controlling rights in consolidated companies	666	598	603
Total equity	27,682	25,478	24,093
<b>Total Liabilities and Equity</b>	<b>391,815</b>	<b>376,754</b>	<b>364,421</b>

\* Including securities borrowed or purchased under agreements to resell

# ISRAEL DISCOUNT BANK: ADJUSTMENTS TO P&L

NIS m	2Q23	1Q23	2Q22
<b>Reported net income</b>	<b>1,187</b>	<b>1,269</b>	<b>680</b>
Realization of Assets	-	(142)	-
Cost associated with the separation of CAL	-	74	-
<b>Total</b>	<b>-</b>	<b>(68)</b>	<b>-</b>
Adjusted net income	1,187	1,201	680

# MERCANTILE: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	2Q23	1Q23	2Q22	Vs. 1Q23	Vs. 2Q22
Net interest income	608	563	414	8.0%	46.9%
Non-interest income	111	109	89	1.8%	24.7%
Total income	719	672	503	7.0%	42.9%
Operating & other expenses	266	255	247	4.3%	7.7%
<b>Net income</b>	<b>258</b>	<b>237</b>	<b>144</b>	<b>8.9%</b>	<b>79.2%</b>
Return on equity	23.7%	23.0%	15.5%		
Cost-income ratio	37.0%	37.9%	49.1%		
Rate of credit loss expenses	0.57%	0.50%	0.36%		
NIM	3.91%	3.61%	2.86%		
Total assets	63,137	64,417	63,081	(2.0%)	0.1%
Credit to the public, net	44,163	43,718	41,306	1.0%	6.9%
Securities	6,872	7,109	7,001	(3.3%)	(1.8%)
Deposits from the public	49,637	50,741	49,466	(2.2%)	0.3%
Total equity	4,531	4,262	3,777	6.3%	20.0%

1H23	1H22	Change
1,171	773	51.5%
220	178	23.6%
1,391	951	46.3%
521	488	6.8%
<b>495</b>	<b>265</b>	<b>86.8%</b>
23.4%	14.2%	
37.5%	51.3%	
0.52%	0.31%	
3.76%	2.68%	

# IDBBANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	2Q23	1Q23	2Q22	Vs. 1Q23	Vs. 2Q22
Net Interest Income	86	87	79	(1.1%)	9.1%
Non-Interest Income	17	17	20	(2.9%)	(16.5%)
Total Income	103	104	99	(1.4%)	3.8%
Operating & Other Expenses	73	68	62	6.9%	17.7%
<b>Net Income</b>	<b>22</b>	<b>30</b>	<b>30</b>	<b>(25.7%)</b>	<b>(25.9%)</b>
Return on Equity	7.5%	10.5%	10.8%	(28.6%)	(30.6%)
Cost-Income Ratio	70.9%	65.4%	62.6%	8.4%	13.3%
Credit Loss Expenses ratio	0.10%	(0.18%)	(0.10%)	N/A	N/A
NIM	2.96%	3.03%	2.62%	(2.3%)	13.0%
Total Assets	12,224	12,830	12,604	(4.7%)	(3.0%)
Loans, net	7,982	8,086	8,608	(1.3%)	(7.3%)
Securities	2,705	2,679	2,607	1.0%	3.8%
Deposits from the Public	10,266	10,773	10,821	(4.7%)	(5.1%)
Total Equity	1,167	1,161	1,094	0.5%	6.7%

1H23	1H22	Change
173	151	14.8%
34	38	(10.8%)
207	189	9.6%
141	120	17.3%
<b>52</b>	<b>57</b>	<b>(9.5%)</b>
9.0%	10.3%	
68.1%	63.5%	
(0.04%)	(0.21%)	
2.99%	2.48%	

# CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	2Q23	1Q23	2Q22	Vs. 1Q23	Vs. 2Q22
Income From Credit Card Transactions	447	423	412	5.7%	8.5%
Credit Loss Expense	53	41	27	29.3%	96.3%
Non-Interest Financing Income	-	301	31	N/A	N/A
Total Income	650	918	615	(29.2%)	5.7%
Total Expenses (excluding credit loss expenses)	483	542	475	(10.9%)	1.7%
<b>Net income - Adjusted</b>	<b>89</b>	<b>85</b>	<b>81</b>	<b>4.7%</b>	<b>9.9%</b>
Return on equity - Adjusted	16.7%	16.2%	14.6%		
Cost-income ratio - Adjusted	74.3%	75.2%	77.2%		
Total assets	19,633	19,435	17,698	1.0%	10.9%
Interest bearing credit	8,762	8,416	7,518	4.1%	16.5%
Consumer credit	7,549	7,216	6,414	4.6%	17.7%
Total equity	2,358	2,278	2,057	3.5%	14.6%

1H23	1H22	Change
870	789	10.3%
94	26	261.5%
301	48	N/A
1,568	1,169	34.1%
1,025	915	12.0%
<b>174</b>	<b>161</b>	<b>8.1%</b>
16.5%	14.4%	
74.0%	78.3%	