



# 3Q 2023 REVIEW

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## Financial Highlights

Investor Relations

November 27, 2023

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# AGENDA



## Opening Remarks and Financial Review

Asaf Pasternak, CFO



## Q&A

Asaf Pasternak, CFO

Yossi Beressi, Chief Accountant

# 3Q 2023 – CONSISTENT PERFORMANCE AMIDST MARKET TURBULENCE

## NET INCOME

**817**  
M

## ROE

**12.0%**

## EFFICIENCY RATIO

**51.8%**

## DIVIDEND PAYOUT

**15%**

## NII GROWTH

QoQ / YoY

**-7.7% / 18.7%**

## CREDIT GROWTH

QoQ / YoY

**2.2% / 9.3%**

# OUR COMMITMENT - TO SUPPORT THE ISRAELI ECONOMY AND TO STAND BY OUR CUSTOMERS

## Discount extended BOI aid outline

The bank took proactive measures to offer substantial aid to its customers, implementing a range of benefits to alleviate financial hardships.

- Granted full exemption from the mortgage payments for 6 months\*
- Extended the BoI aid outline from 3 months to 6 months for all affected customers\*\*  
The total expenses till now are expected to amount to NIS 270-280 Million.

## Philanthropic activity

- Discount has inaugurated the " Keren-Or ", a specialized assistance fund with an initial allocation of NIS 50 million, dedicated to children and youths adversely affected by the war.
- Substantial contributions to vital emergency and rescue organizations, coupled with assistance to the residents of the southern regions and local communities.  
In the amount of NIS 20 million.



## Initial costs of the benefits, donations and activities – 350 NIS millions

5 \* Customers who live up to 7 km from the Gaza Strip.

\*\* Deferral and exemptions to customers who are directly affected by the war.



# THE BANK ENTERS THE CURRENT SITUATION WITH SOLID FUNDAMENTALS

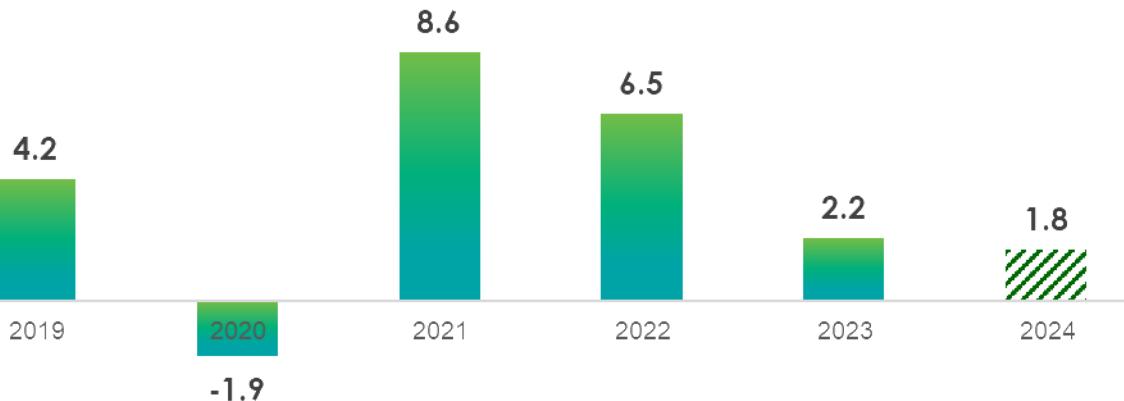
- Branches and banking services are fully operational.
- Ample liquidity- LCR 136% ; Solid CET-1 10.36%.
- Dividend payout has been temporarily reduced to 15%, to bolster future growth.

- The local capital market demonstrates resilience, largely thanks to the early intervention of the Bank of Israel in the forex & FX swap markets .

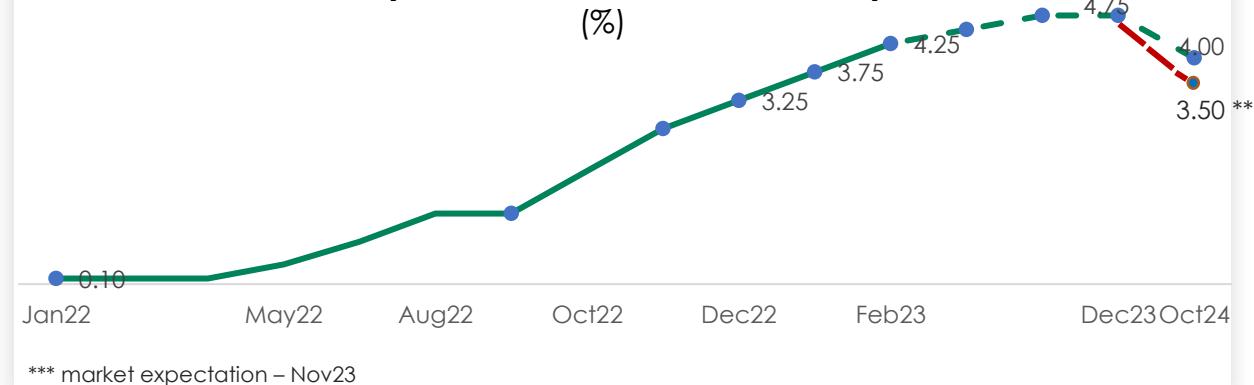


# POSSIBLE CONSEQUENCES OF THE WAR ON THE ECONOMY - INITIAL REFERENCE

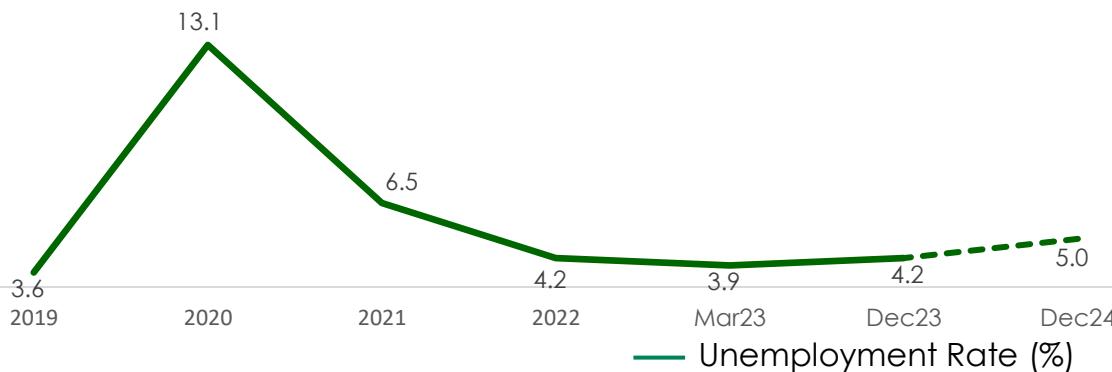
Israel's GDP Growth (%) is expected to slowdown in 2024\*



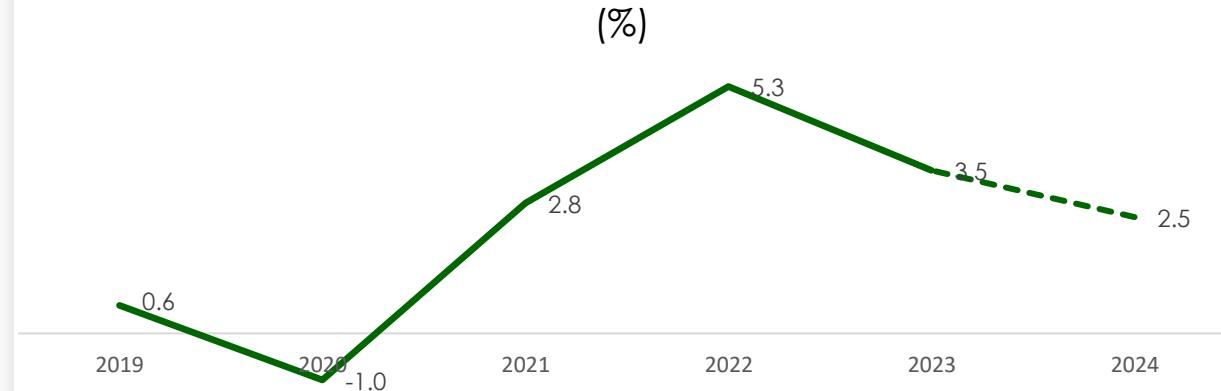
Bank of Israel's Rate has increased to 4.75% in May 2023 and expected to decrease in 75bps\*\*



Unemployment will rise in 2024\*



Inflation is expected to converge within range \*\*



# 3Q23 AND 9M23 HIGHLIGHTS

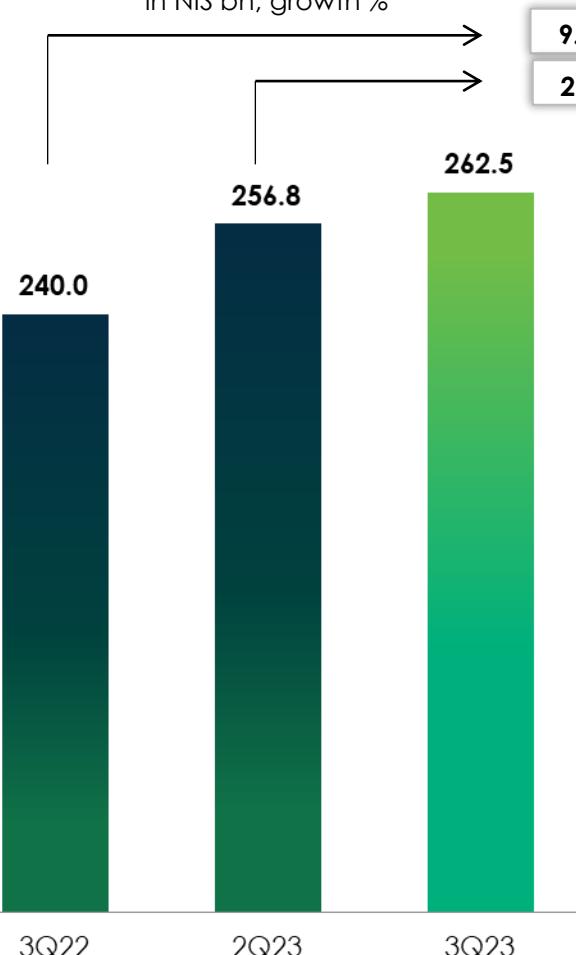
- **Net income of NIS 817m and ROE of 12.0% in 3Q23**, decrease in revenue from NII and higher group basis provision for credit loss expenses.
- **Higher group provisions**: As expected, credit loss expenses ratio mounted to 0.92% driven mainly by increase group provisioning to reflect our conservative credit risk approach. Non Performing Loans (NPL) out of total credit remained steady at 0.84%, compared with 2Q23 and 0.63% in 3Q22.
- **Stable credit growth within key segments**: Total credit grew by 2.2% in 3Q23 with corporates growing by 2.9%, medium enterprises grew by 2.3% and mortgage balance by 1.6%.
- **NII is impacted by increased CoF**: NII decline in 3Q23 by 7.7% compared with 2Q23 and grew by 18.7% compared with 3Q22. Net Interest Margin (NIM) reduced to 3.02% compared with 3.33% in 2Q23 and 2.74% in 3Q22.
- **Operating efficiency maintained at 51.8%**, compared with 47.5% in 2Q23 and 55.2% in 3Q22 as expenses grew by 5.4%, mainly due to Maintenance and depreciation.

Adjusted 3Q23	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	Adjusted 9M23	Net income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio
	NIS 817m 2Q23: NIS 1,187 m; 3Q22: NIS 893 m	12.0% 2Q23: 18.0%; 3Q22: 15.0%	51.8% 2Q23: 47.5%; 3Q22: 55.2%	0.92% 2Q23: 0.49%; 3Q22: 0.18%		NIS 3,273m 9M22: NIS 2,556 m	16.6% 9M22: 15.0%	48.4% 9M22: 56.5%	0.58% 9M22: 0.10%
	<b>NIS 817m</b> 2Q23: NIS 1,187 m;	<b>12.0%</b> 2Q23: 18.0%;	<b>51.8%</b> 2Q23: 47.5%;	<b>0.92%</b> 2Q23: 0.49%;		<b>NIS 3,205m</b> 9M22: NIS 2,232 m	<b>16.2%</b> 9M22: 13.1%	<b>49.1%</b> 9M22: 59.2%	

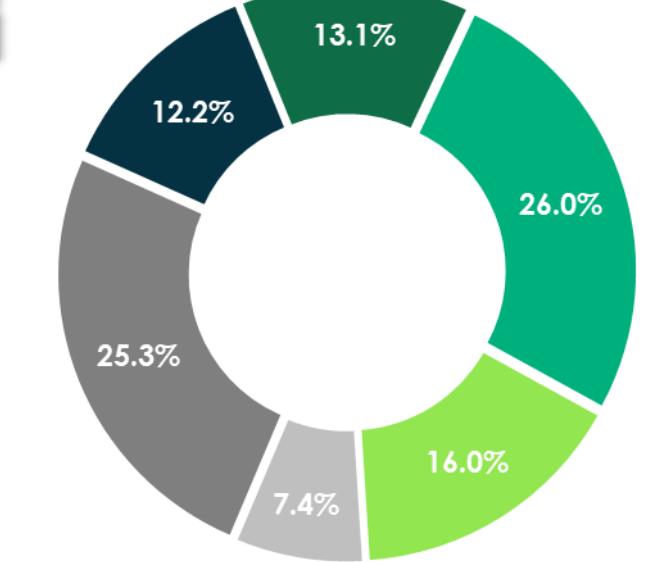
# WELL BALANCED CREDIT GROWTH IN FOCUSED SEGMENTS

## Total Credit

in NIS bn; growth %

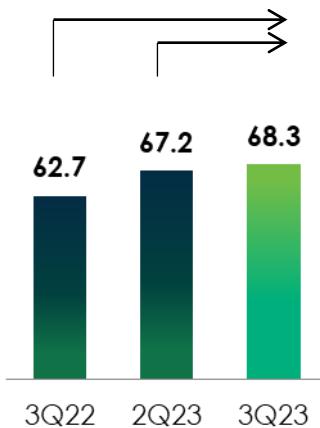


## Well Balanced Loan Book



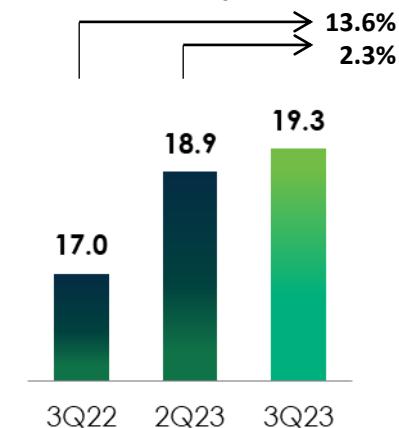
## Mortgages \*

in NIS bn; growth %



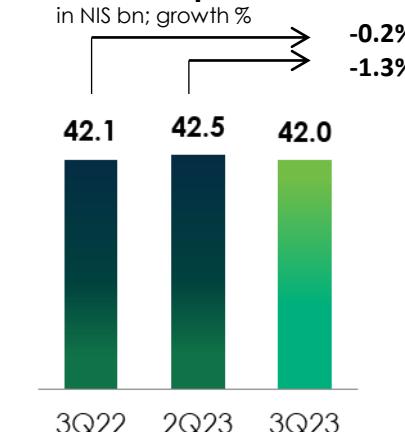
## Medium Enterprises

in NIS bn; growth %



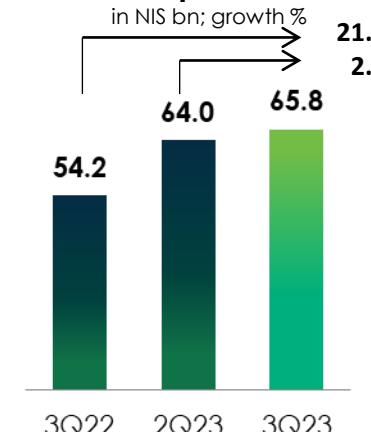
## Small Enterprises

in NIS bn; growth %



## Corporates

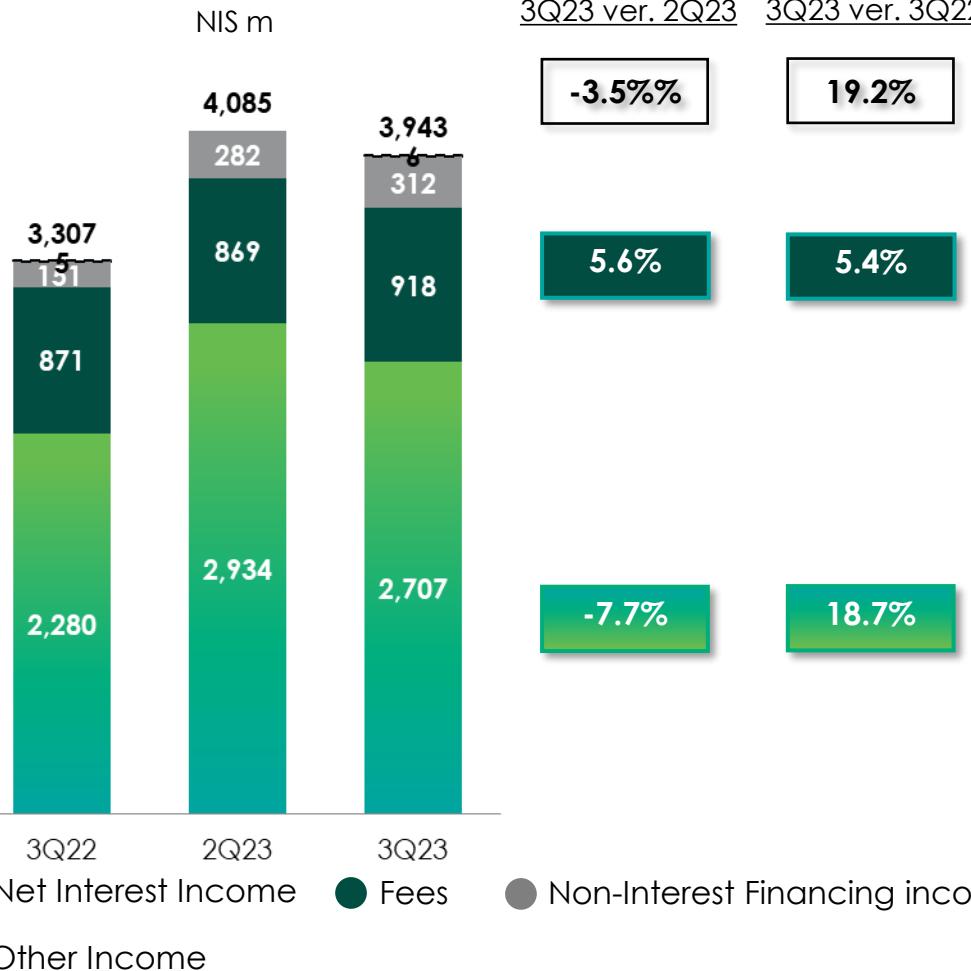
in NIS bn; growth %



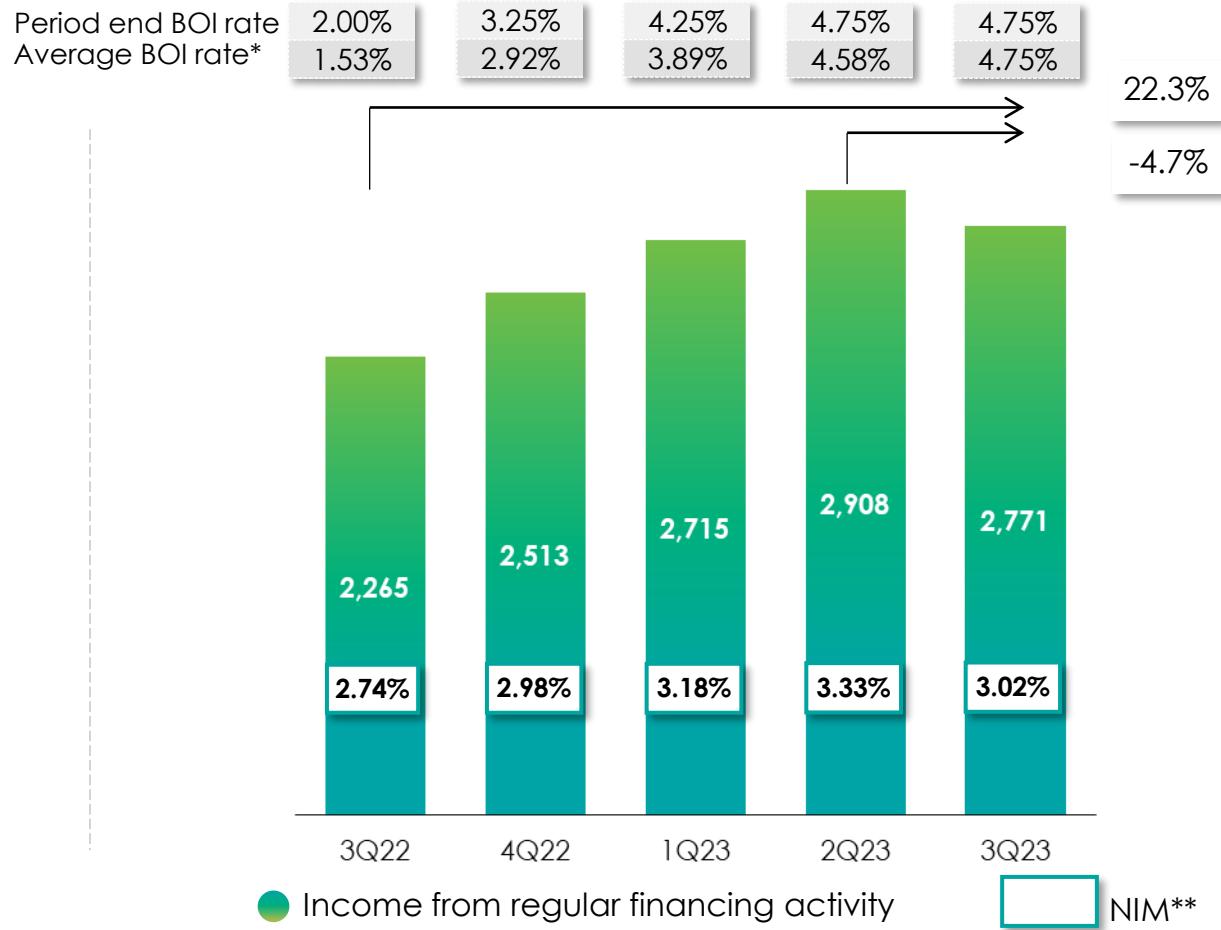
\* In Households

# TOTAL INCOME FUNDAMENTALS REMAIN SOLID ALTHOUGH NII IS IMPACTED BY INCREASED COF

## Total Income



## Financing Income From Current Operations (NIS m)



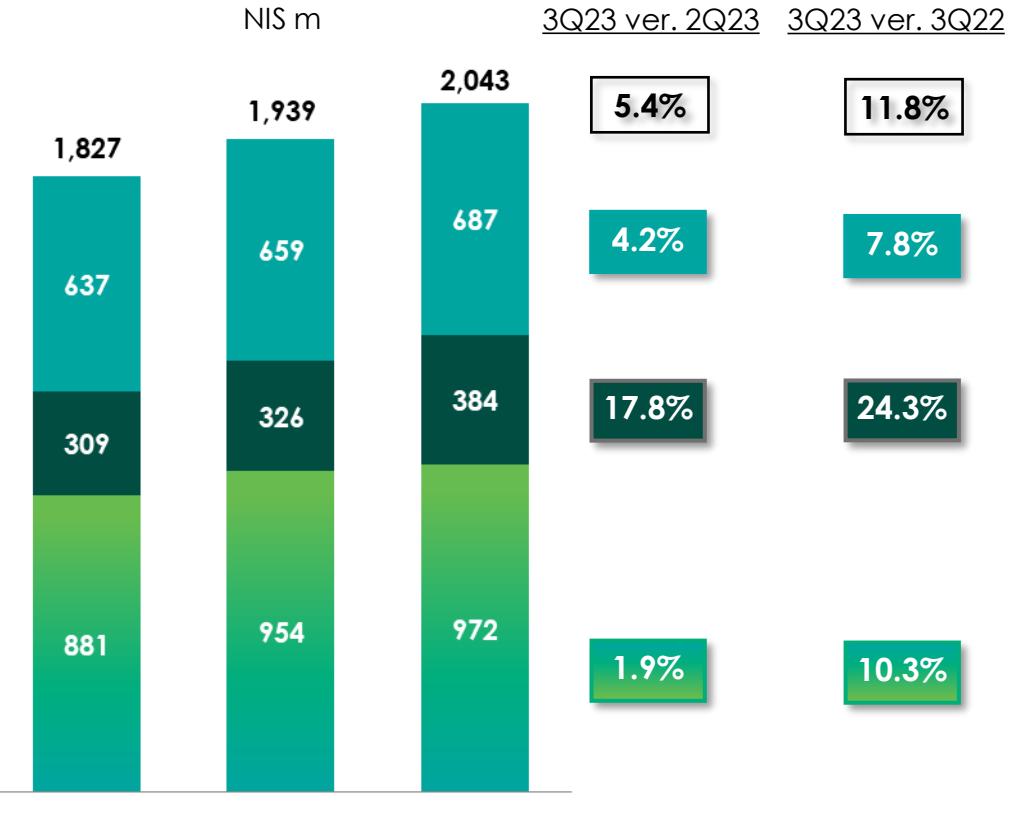
\* As calculated

\*\* Net yield on interest bearing assets

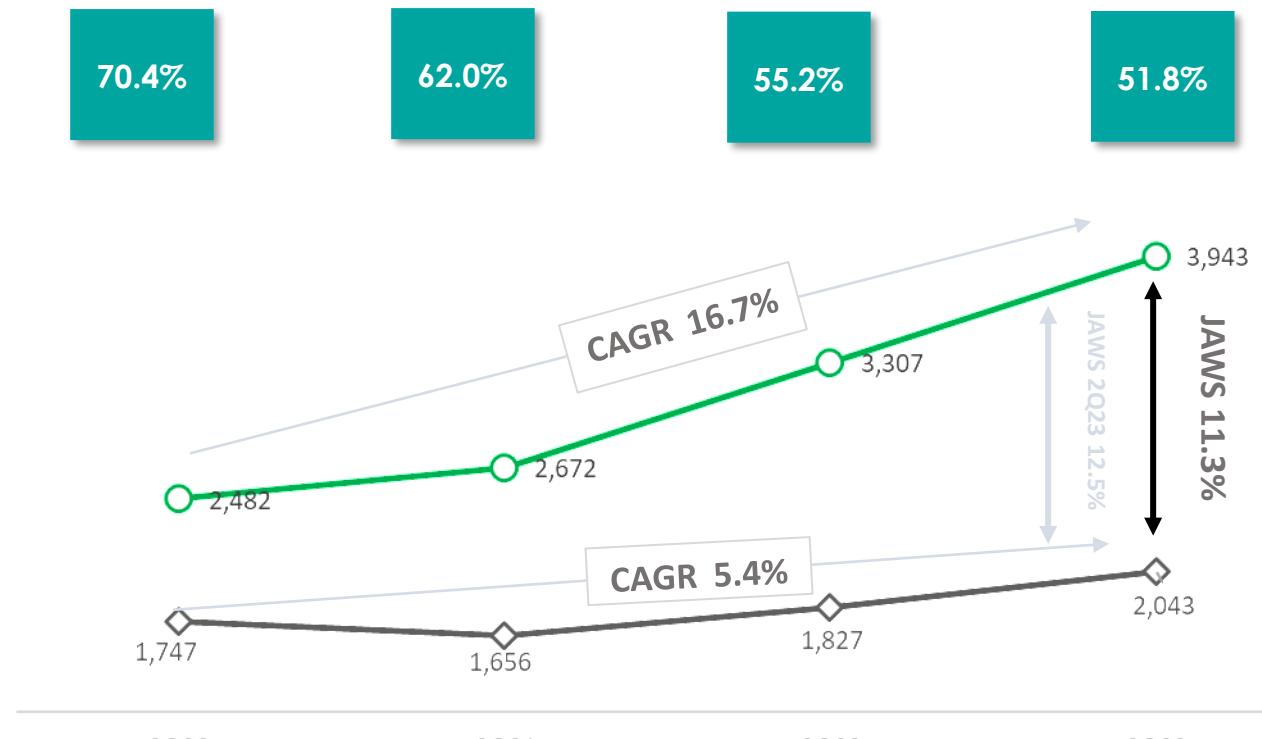
Financing Income from current operations is total net financing income excluding various items, such as CPI effect, net profit from realization and fair value adjustments, profit or loss from investments in shares, exchange rates differences, net profit on the sale of loans

# INCREASING MAINTENANCE COSTS WHILE MAINTAINING A POSITIVE LONG-TERM JAWS RATIO

## Total Expenses



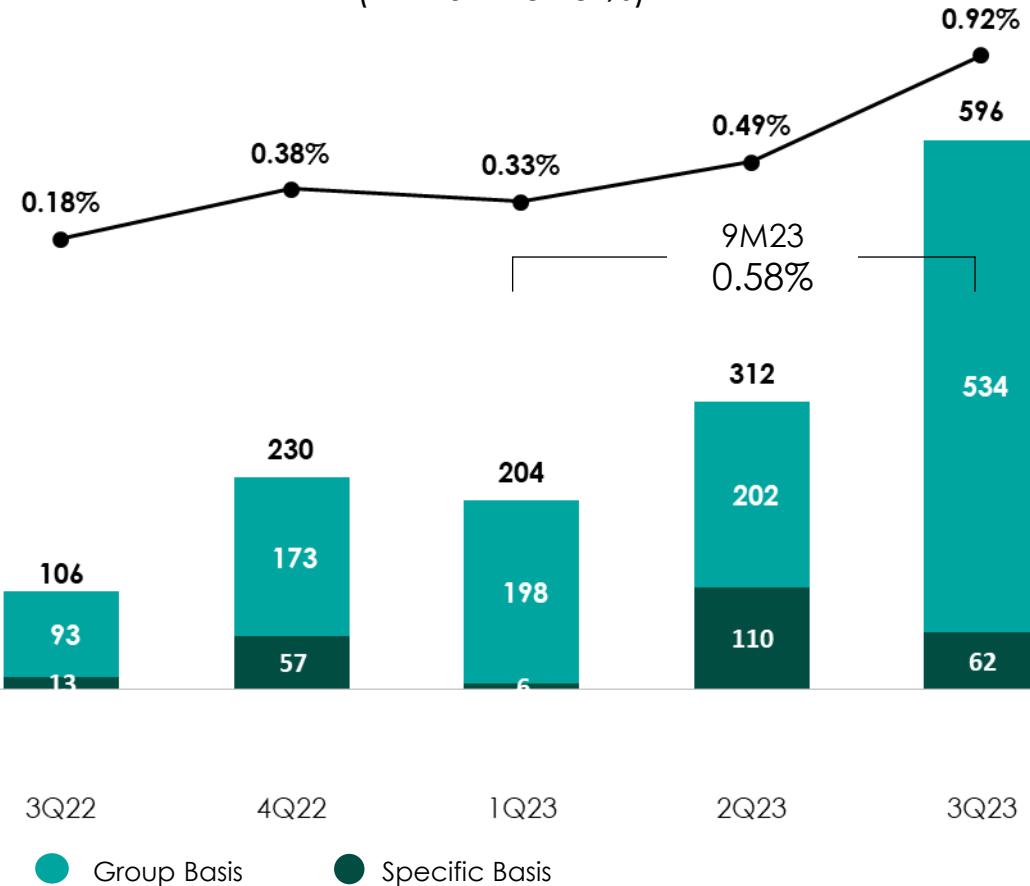
## Cost Income Ratio Is maintained low Due To Positive Jaws



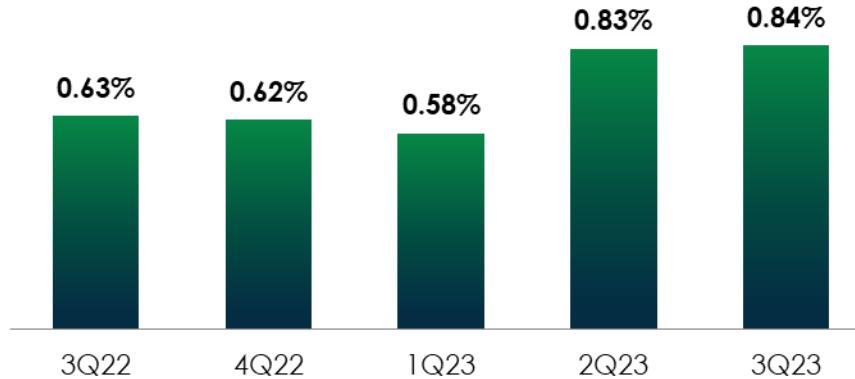
- Other
- Maintenance and depreciation
- Salary & related

# PRUDENT HANDLING OF CREDIT LOSS EXPENSES WHILE THE NPL RATIO REMAINS CONSISTENT

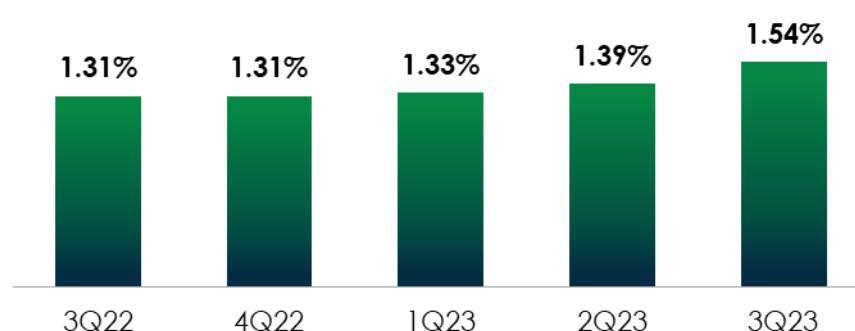
**Group Basis Provision drives most of the overall Credit Loss Expenses**  
(in NIS m and %)



**Steady NPL/Total Credit\* Ratio**



**Ample allowance for Loan Loss Provisions from Total Credit\*\***

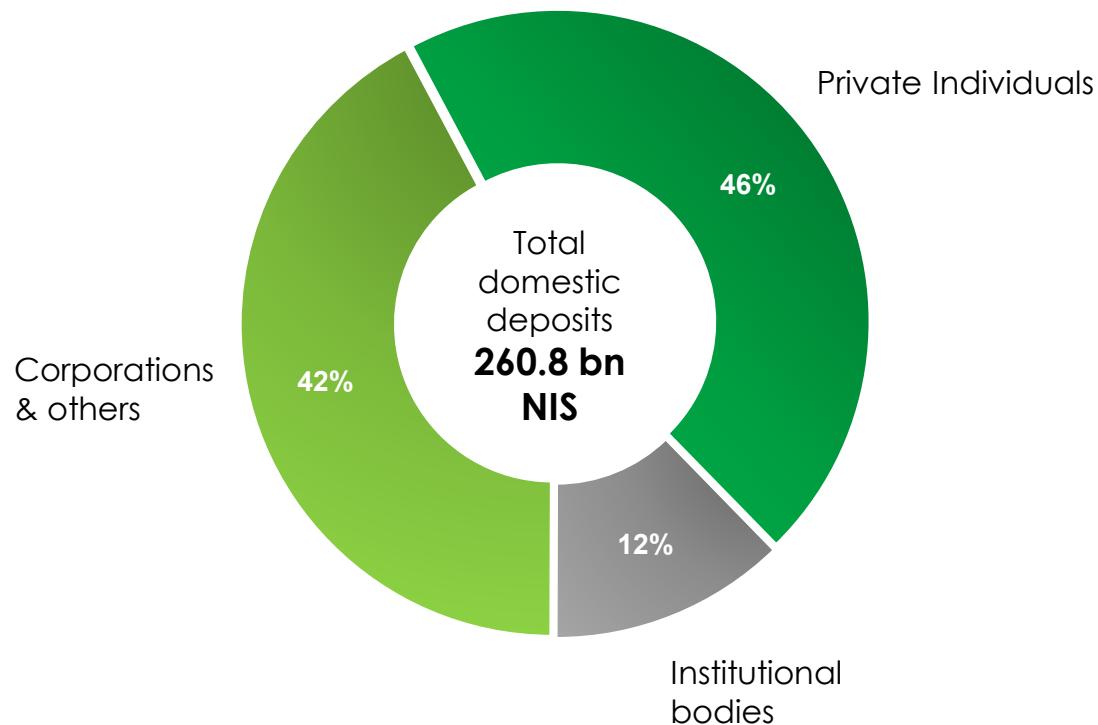


\* NPL: percent of non accrual from gross total credit.

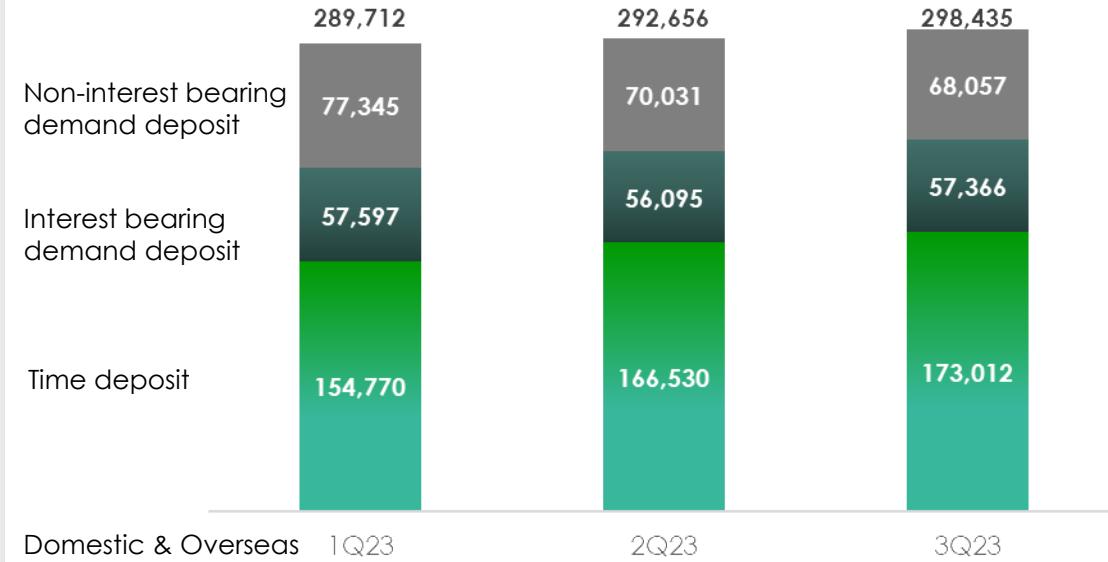
\*\* Calculated as percent of Loan Loss Provisions from total credit.

# ROBUST AND DIVERSIFIED FUNDING BASE AND AMPLE LIQUIDITY

Diversified domestic public deposit base with high share of households deposits 30.9.23



Shifting from non-bearing deposits to time-deposits  
NIS m



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

LCR

135.9%

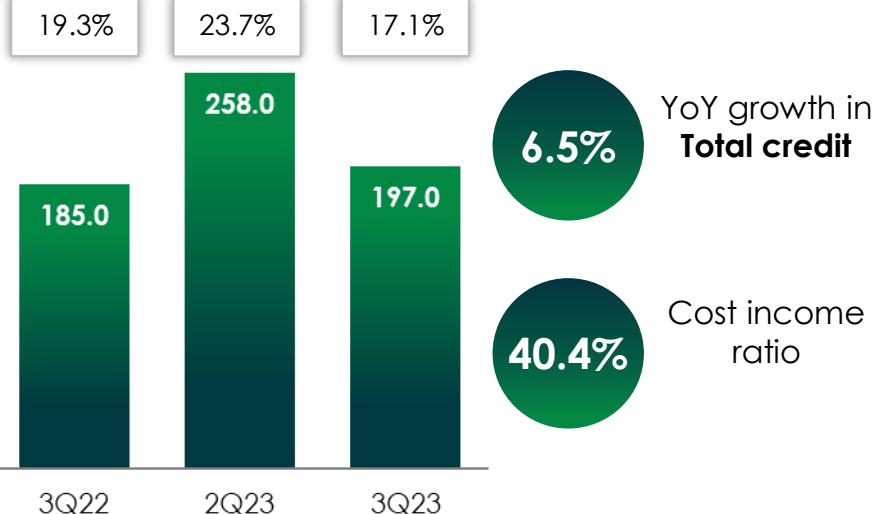
NSFR

120.8%

# SOLID PERFORMANCE ACROSS OUR SUBSIDIARY COMPANIES

## MERCANTILE

In NIS m



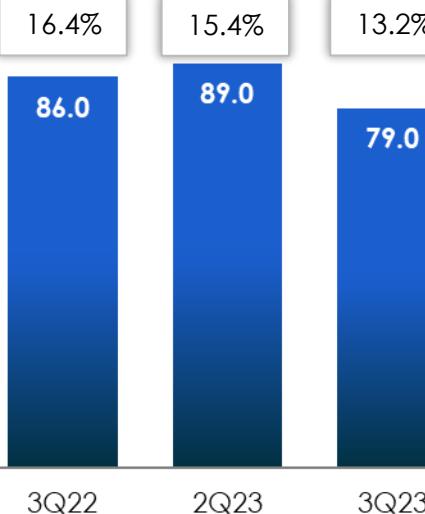
## Cal.

In NIS m

ROE

Net income as reported

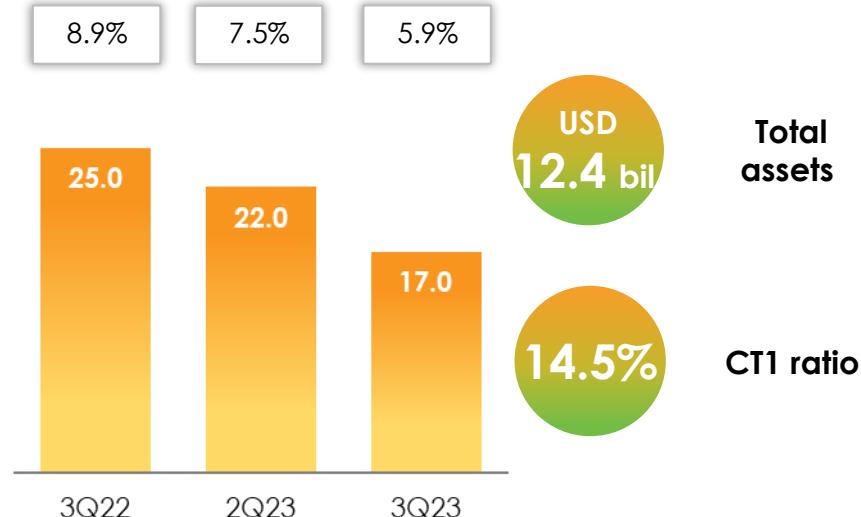
Adj.



## IDB BANK

In USD m

ROE  
Net income as reported



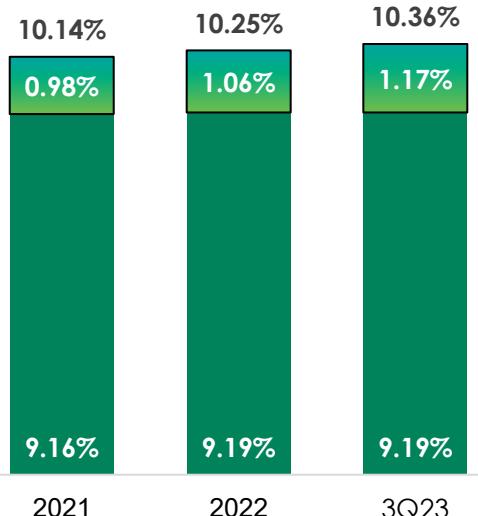
9M23 Group Results	With CAL	w/o CAL *
Net Income; NIS bn.	3,273	3,062
ROE	16.6%	16.1%
Efficiency Ratio	48.4%	44.8%

\* (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.

# CET-1 CAPITAL RATIO IS EFFECTIVELY PROTECTED AGAINST MARKET VOLATILITY

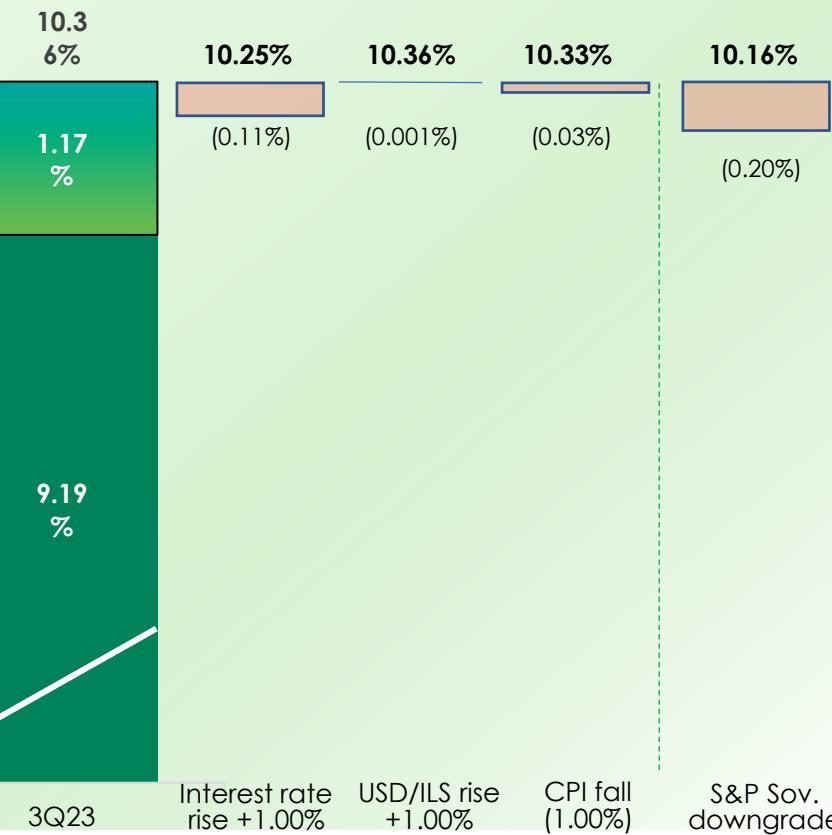
## Growing our buffer & Tier I Capital Ratio



● Buffer  
■ Minimum capital required by BoI

## Effect of 1.00% change on CET-1 ratio\*

(% , selected, separated scenarios)



\* As calculated

## Total Capital Ratio

13.13%  
QoQ  
-0.02%

## Tier I Capital Ratio

10.36%  
QoQ  
+0.01%

## Leverage Ratio

6.4%  
QoQ  
+0.00%

# TO SUMMARIZE

- **Stable results for 3Q23**, with **net income of 817M NIS**, and **ROE of 12.0%**.
- **Responsible credit growth**, with **asset quality remaining solid** – Credit growth of 2.2%, in targeted segments. Increase in group credit loss expenses reflects our prudent risk approach, while credit portfolio quality matrix remains stable.
- **Higher credit loss expense**: Conservative credit risk approach and collective allowance increase, has driven our credit loss expense to 0.92%. Yet, the Non Performing Loans (NPL) out of total credit remained steady at 0.84%, reflecting the quality of the loan portfolio.
- **NII declines as CoF is rising** – NII is declining by 7.7% QoQ, and increased by 18.7% YoY. Net Interest Margin (NIM) reached 3.02% compared with 3.33% in 2Q23 and 2.74% in 3Q22.
- **Dividend payout** has been temporarily decreased to 15%, reflecting our confidence in our robust capital capacity and to ensure future growth & expected demand for credit.

# AGENDA

## ➤ Opening Remarks and Financial Review

Asaf Pasternak, CFO

## ➤ Q&A

Asaf Pasternak, CFO

Yossi Beressi, Chief Accountant

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# APPENDICES

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

NIS m	3Q23	2Q23	3Q22	vs.2Q23	vs.3Q22	9M23	9M22	change
Net interest income	2,707	2,934	2,280	(7.7%)	18.7%	8,381	6,153	36.2%
Credit loss expenses	596	312	106	91.0%	462.3%	1,112	177	528.2%
Non-interest financing income	312	282	151	10.6%	106.6%	923	169	446.2%
Commissions	918	869	871	5.6%	5.4%	2,674	2,547	5.0%
Other income	6	-	5	N/A	20.0%	307	421	(27.1%)
Total non-interest income	1,236	1,151	1,027	7.4%	20.4%	3,904	3,137	24.5%
<b>Total income</b>	<b>3,943</b>	<b>4,085</b>	<b>3,307</b>	<b>(3.5%)</b>	<b>19.2%</b>	<b>12,285</b>	<b>9,290</b>	<b>32.2%</b>
Salaries and related expenses	972	954	881	1.9%	10.3%	2,871	2,580	11.3%
Maintenance & depreciation	384	326	309	17.8%	24.3%	1,034	919	12.5%
Other expenses	687	659	637	4.2%	7.8%	2,039	1,751	16.4%
<b>Total operating and other expenses</b>	<b>2,043</b>	<b>1,939</b>	<b>1,827</b>	<b>5.4%</b>	<b>11.8%</b>	<b>5,944</b>	<b>5,250</b>	<b>13.2%</b>
Income before taxes	1,304	1,834	1,374	(28.9%)	(5.1%)	5,229	3,863	35.4%
Provision for taxes on income	457	626	472	(27.0%)	(3.2%)	1,846	1,290	43.1%
Income after taxes	847	1,208	902	(29.9%)	(6.1%)	3,383	2,573	31.5%
<b>Net income attributable to shareholders</b>	<b>817</b>	<b>1,187</b>	<b>893</b>	<b>(31.2%)</b>	<b>(8.5%)</b>	<b>3,273</b>	<b>2,556</b>	<b>28.1%</b>
ROE	12.0%	18.0%	15.0%			16.6%	15.0%	
Cost income ratio	51.8%	47.5%	55.2%			48.4%	56.5%	
CET-1 ratio	10.36%	10.35%	10.17%			10.36%	10.17%	
NIM	3.02%	3.33%	2.74%			3.17%	2.58%	
Rate of credit loss expenses	0.92%	0.49%	0.18%			0.58%	0.10%	
NPL ratio	0.84%	0.83%	0.63%			0.84%	0.63%	
Dividend per share (in Agurot)*	9.91	28.79	14.44					

\* Dividend in respect of the relevant period

# ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	30.09.23	30.06.23	30.09.22
Cash and deposits with banks	57,552	56,696	71,510
Securities	52,380	54,537	42,633
Securities borrowed or purchased under agreements to resell	1,150	1,024	1,271
Credit to the public	262,463	256,768	240,032
Provision for credit losses	(4,034)	(3,571)	(3,151)
Credit to the public, net	258,429	253,197	236,881
Credit to governments	3,313	3,036	2,574
Investment in investee companies	468	483	502
Buildings and equipment	4,502	4,245	3,724
Intangible assets and goodwill	162	162	163
Assets in respect of derivative instruments	14,857	12,400	13,601
Other assets	6,389	6,035	6,215
<b>Total Assets</b>	<b>399,202</b>	<b>391,815</b>	<b>379,074</b>
Deposits from the public	298,435	292,656	290,646
Deposits from banks and governments	14,668	14,344	16,839
Securities borrowed or sold via repo agreements*	11,007	10,728	3,038
Bonds and subordinated debt notes	16,225	16,479	13,491
Liabilities in respect of derivative instruments	11,445	10,124	11,718
Other liabilities	19,031	19,802	18,624
<b>Total Liabilities</b>	<b>370,811</b>	<b>364,133</b>	<b>354,356</b>
Equity capital attributed to the Bank's shareholders	27,621	27,016	24,112
Non-controlling rights in consolidated companies	770	666	606
Total equity	28,391	27,682	24,718
<b>Total Liabilities and Equity</b>	<b>399,202</b>	<b>391,815</b>	<b>379,074</b>

\* Including securities borrowed or purchased under agreements to resell

# ISRAEL DISCOUNT BANK: ADJUSTMENTS TO P&L

Quarter ended at 30 September

NIS m

NIS m	3Q23	2Q23	3Q22
<b>Reported net income</b>	<b>817</b>	<b>1,187</b>	<b>893</b>
Profit from the sale of rights in Visa Europe	-	-	(20)
Effect of settlement			11
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11</b>
Adjusted net income	817	1,187	884

# MERCANTILE: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	3Q23	2Q23	3Q22	Vs. 2Q23	Vs. 3Q22
Net interest income	577	608	452	(5.1%)	27.7%
Non-interest income	104	111	101	(6.3%)	3.0%
Total income	681	719	553	(5.3%)	23.1%
Operating & other expenses	275	266	253	3.4%	8.7%
<b>Net income</b>	<b>197</b>	<b>258</b>	<b>185</b>	<b>(23.6%)</b>	<b>6.5%</b>
Return on equity	17.1%	23.7%	19.3%		
Cost-income ratio	40.4%	37.0%	45.8%		
Rate of credit loss expenses	0.68%	0.57%	0.25%		
NIM	3.83%	3.91%	2.90%		
Total assets	61,388	63,137	65,485	(2.8%)	(6.3%)
Credit to the public, net	45,081	44,163	42,325	2.1%	6.5%
Securities	6,881	6,872	6,911	0.1%	(0.4%)
Deposits from the public	48,788	49,637	51,507	(1.7%)	(5.3%)
Total equity	4,725	4,531	3,928	4.3%	20.3%

9M23	9M22	Change
1,748	1,225	42.7%
324	279	16.1%
2,072	1,504	37.8%
796	741	7.4%
<b>692</b>	<b>450</b>	<b>53.8%</b>
21.2%	15.9%	
38.4%	49.3%	
0.98%	0.15%	
3.79%	2.76%	

# IDBBANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	3Q23	2Q23	3Q22	Vs. 2Q23	Vs. 3Q22
Net Interest Income	82	86	92	(4.7%)	(10.9%)
Non-Interest Income	21	17	17	23.5%	23.5%
Total Income	103	103	109	-	(5.5%)
Operating & Other Expenses	74	73	71	1.4%	4.2%
<b>Net Income</b>	<b>17</b>	<b>22</b>	<b>25</b>	<b>(22.7%)</b>	<b>(32.0%)</b>
Return on Equity	5.9%	7.5%	8.9%	(21.3%)	(33.7%)
Cost-Income Ratio	71.8%	70.9%	65.1%	1.3%	10.3%
Credit Loss Expenses ratio	0.25%	0.10%	0.23%	N/A	N/A
NIM	2.86%	2.96%	3.10%	(3.4%)	(7.7%)
Total Assets	12,443	12,224	12,369	1.8%	0.6%
Loans, net	8,236	7,982	8,455	3.2%	(2.6%)
Securities	2,714	2,705	2,571	0.3%	5.6%
Deposits from the Public	10,318	10,266	10,462	0.5%	(1.4%)
Total Equity	1,169	1,167	1,081	0.2%	8.1%

9M23	9M22	Change
255	243	4.9%
55	55	-
310	298	4.0%
215	191	12.6%
<b>69</b>	<b>82</b>	<b>(15.9%)</b>
7.9%	9.8%	
69.4%	64.1%	
0.06%	(0.06%)	
2.95%	2.68%	

# CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	3Q23	2Q23	3Q22	Vs. 2Q23	Vs. 3Q22
Income From Credit Card Transactions	480	447	434	7.4%	10.6%
Credit Loss Expense	93	53	28	75.5%	232.1%
Non-Interest Financing Income	9	-	61	N/A	N/A
Total Income	701	650	665	7.8%	5.4%
Total Expenses (excluding credit loss expenses)	502	483	482	3.9%	4.1%
<b>Net income - Adjusted</b>	<b>79</b>	<b>89</b>	<b>86</b>	<b>(11.2%)</b>	<b>(8.1%)</b>
Return on equity - Adjusted	13.2%	15.4%	16.4%		
Cost-income ratio - Adjusted	71.6%	72.9%	75.9%		
Total assets	20,454	19,633	18,564	4.2%	10.2%
Interest bearing credit	9,103	8,762	7,831	3.9%	16.2%
Consumer credit	7,770	7,549	6,708	2.9%	15.8%
Total equity	2,444	2,358	2,091	3.6%	16.9%

9M23	9M22	Change
1,350	1,223	10.4%
187	54	246.3%
310	109	N/A
2,269	1,834	23.7%
1,527	1,397	9.3%
<b>253</b>	<b>247</b>	<b>2.4%</b>
14.9%	15.1%	
73.1%	77.4%	