



# 1Q 22 REVIEW

## FINANCIAL AND STRATEGIC HIGHLIGHTS

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Investor Relations

May 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

# STRONG UNDERLYING SUSTAINABLE PERFORMANCE ACROSS KEY INDICATORS

1 Q 2022  
NET INCOME

**983<sub>M</sub>**

Adjusted NIS 668m

1 Q 2022  
ROE

**18.3%**

Adjusted 12.4%

YoY  
CREDIT GROWTH

**12.1%**

CET-1  
RATIO

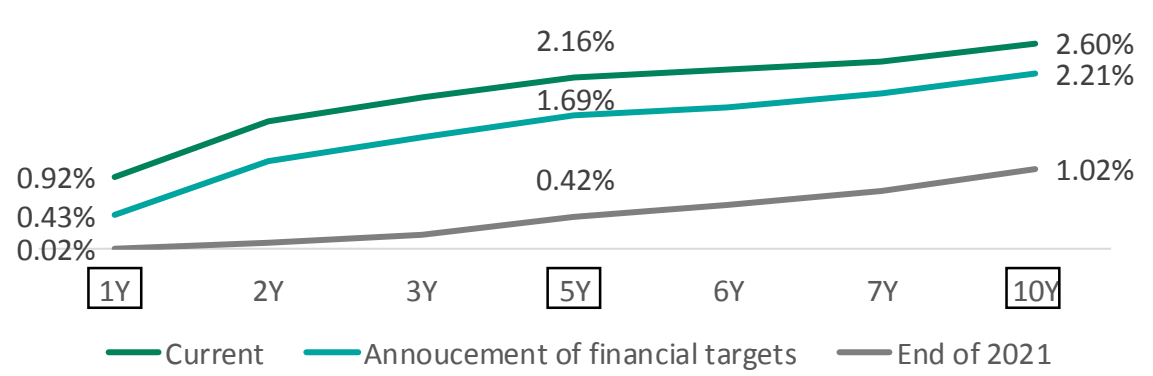
**10.55%**

YoY MORTGAGE  
ORIGINATION GROWTH

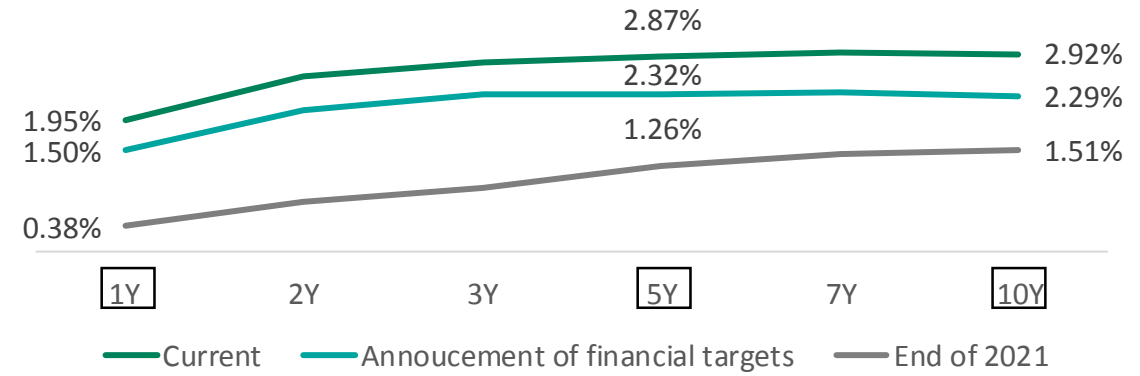
**77.0%**

# EXPECTATION FOR RATE INCREASE CONTINUE; LONGER-TERM POSITIVE FOR PROFITABILITY

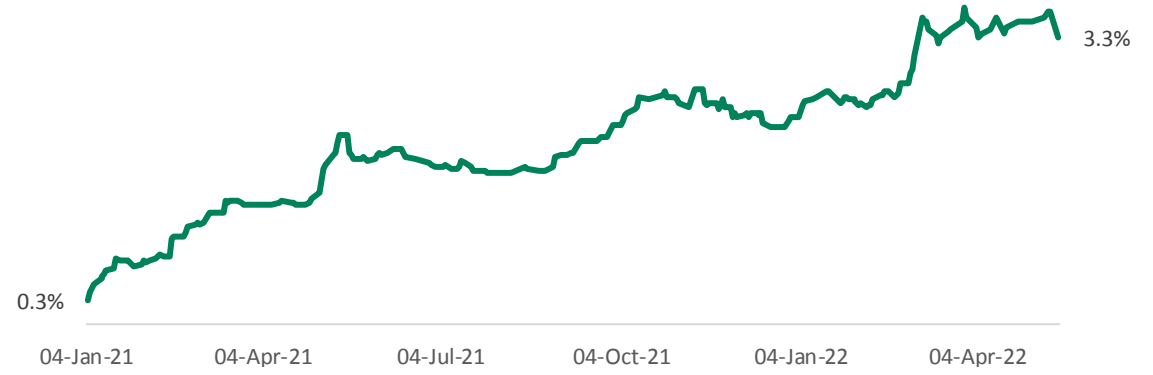
Israel Gov't Bonds Curve



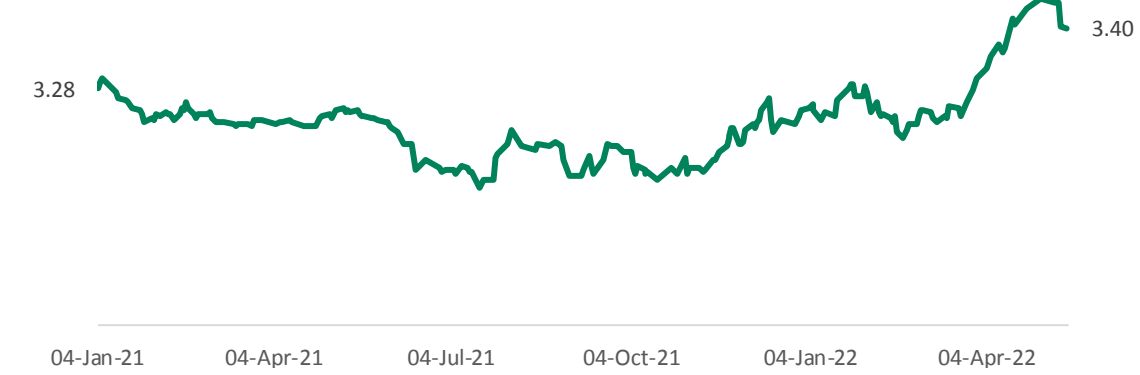
US Gov't Bond Curve



Israel CPI 1 Year Forward Expectations



ILS/USD



# 1Q 2022 HIGHLIGHTS

- Discount reported **strong results** with 983m in net profit and ROE of 18.3% supported by a strong underlying business and one-times associated from the sale of properties as we prepare to move to our new campus in early 2023. Adjusting for the sale of real estate properties net profit was NIS 668m and adjusted ROE was 12.4%.
- **Solid execution at all subsidiaries** driving a robust Group performance.
- **Continued robust YTD growth in targeted segments** of **mortgages** up 5.1% and **medium enterprises** up 12.9% (6.2% excluding the classification of corporate customers to medium).
- **Strong Asset quality** with negative LLP, low write-offs and 1.31% coverage ratio
- **Raised Equity of NIS 1.4 billion** driving CET-1 to 10.55% and facilitating future growth as we continue to focus on achieving long-term financial goals
- **Dividend payout** of NIS 196.6 m; 20% of 1Q 22 net income

1Q22

Net income	ROE	Cost-income ratio	Credit loss expenses ratio	Leverage Ratio	LCR
<b>NIS 983m</b> 4Q21: NIS 529 m; 1Q21: NIS 662 m	<b>18.3%</b> 4Q21: 9.8%; 1Q21: 13.8%	<b>55.3%</b> 4Q21: 71.2%; 4Q20: 65.1%	<b>(0.11%)</b> 4Q21: (0.02%) 1Q21: (0.30%)	<b>6.3%</b> 4Q21: 6.0% 1Q21: 6.1%	<b>124.8%</b> 4Q21: 123.1% 1Q21: 145.6%

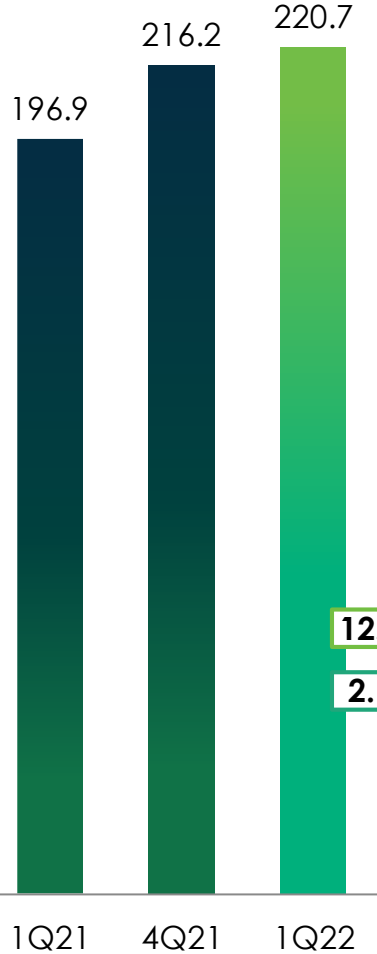
Adjusted

<b>NIS 668 m</b> 4Q21: NIS 674 m; 1Q21: NIS 738 m	<b>12.4%</b> 4Q21: 12.5%; 1Q21: 15.3%	<b>63.7%</b> 4Q21: 62.1%; 1Q21: 60.6%			
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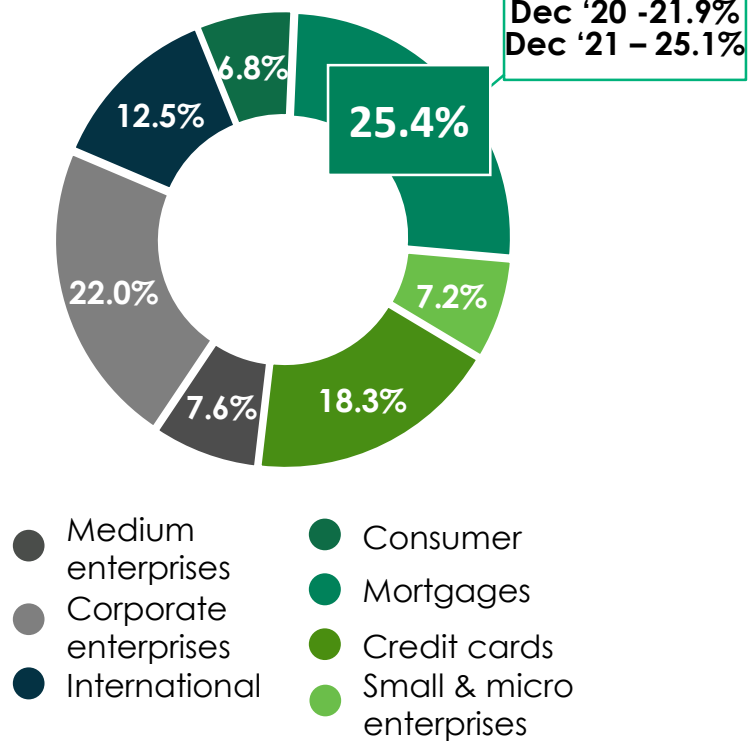
# ROBUST, SUSTAINABLE AND RESPONSIBLE GROWTH ACROSS ALL SECTORS ESPECIALLY TARGETED SEGMENTS

## Credit to the public segments and composition

in NIS bn; growth %



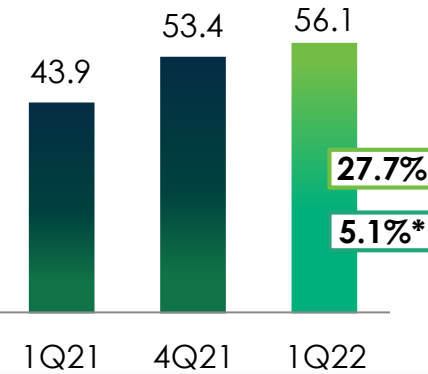
### Diversified credit book



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

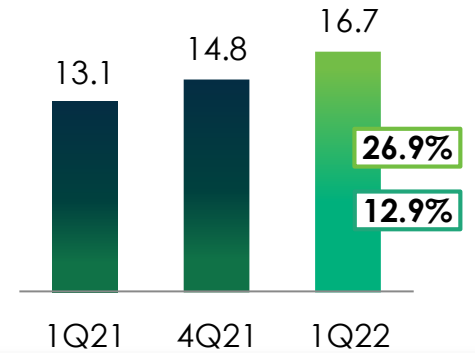
## Mortgages\*

in NIS bn; growth %



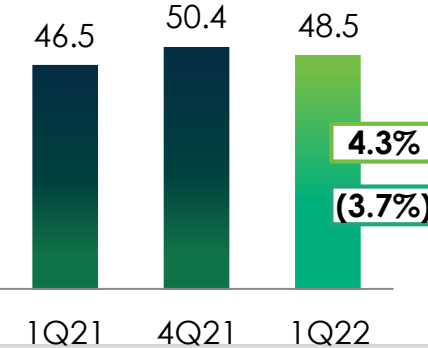
## Medium enterprises \*\*

in NIS bn; growth %



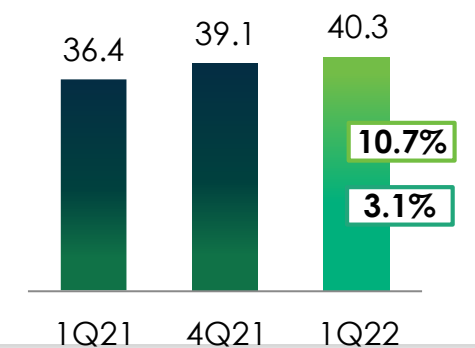
## Corporate \*\*

in NIS bn; growth %



## Small enterprises

in NIS bn; growth %

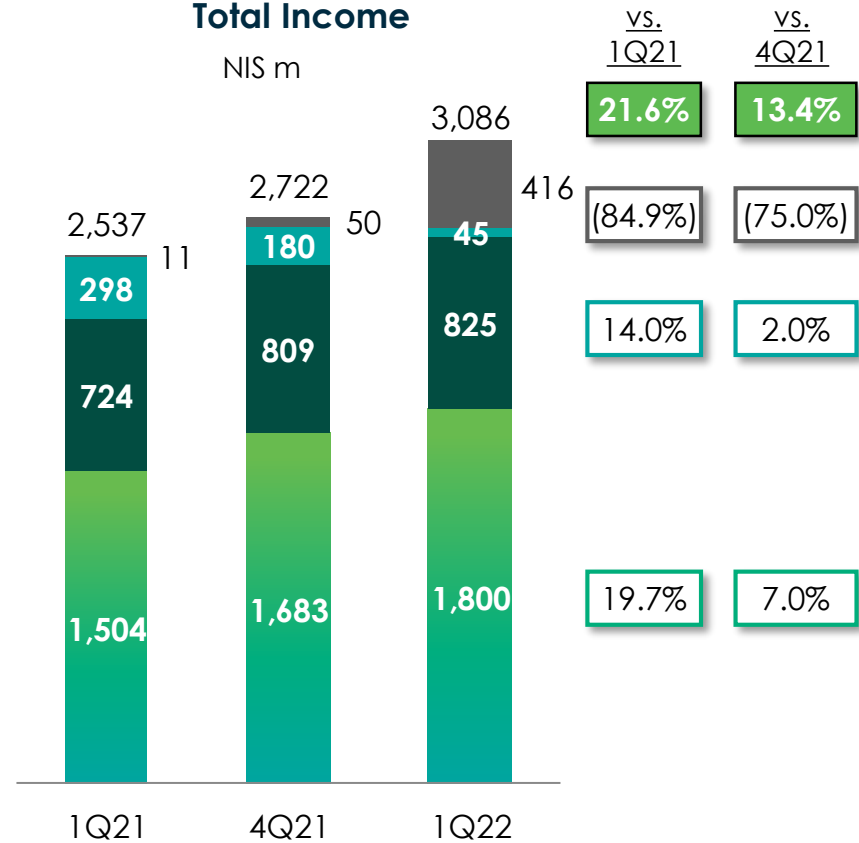


7 \* During 1Q22 Discount sold a portion of the mortgage portfolio; \*\* During 1Q22 NIS 993m, which now meet the regulatory definition as "Medium", were transferred from Corporate. Adjusted Corporate balances were +6.5% YoY and (1.7%) QoQ and Medium +19.4% and 6.2% respectively.

# HIGHER FEE AND NET INTEREST INCOME HIGHLIGHT STRENGTH OF CORE BUSINESS

## Total Income

NIS m



- Net interest income
- Non-interest financing income
- Other income
- Fees

Growing Credit Balances Helped Deliver Increase in NII

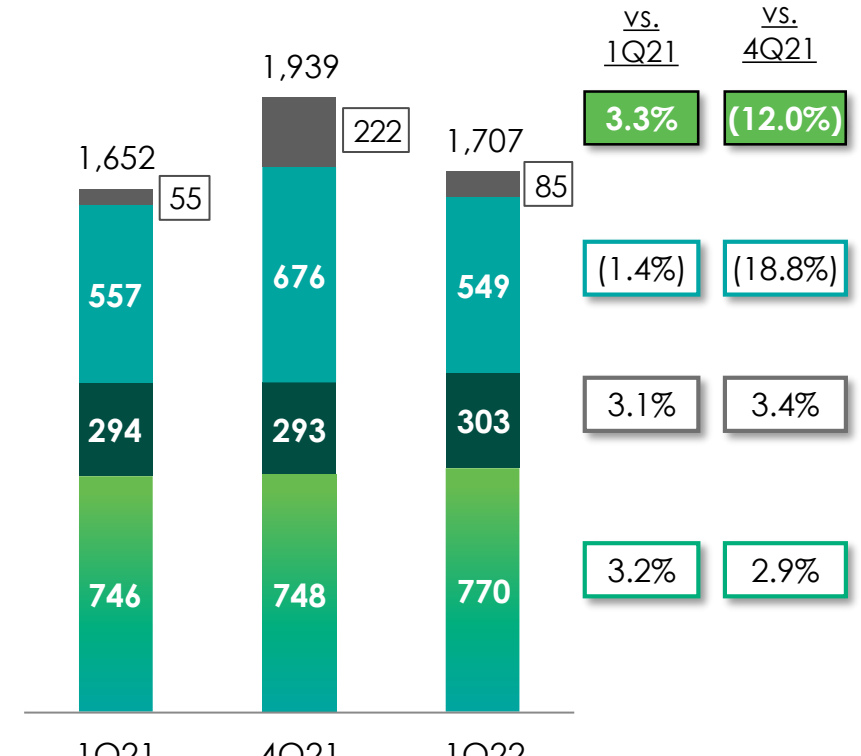
+19.7%

Increase in Customer Activity Drove Fee Growth

+14.0%

## Total Expenses

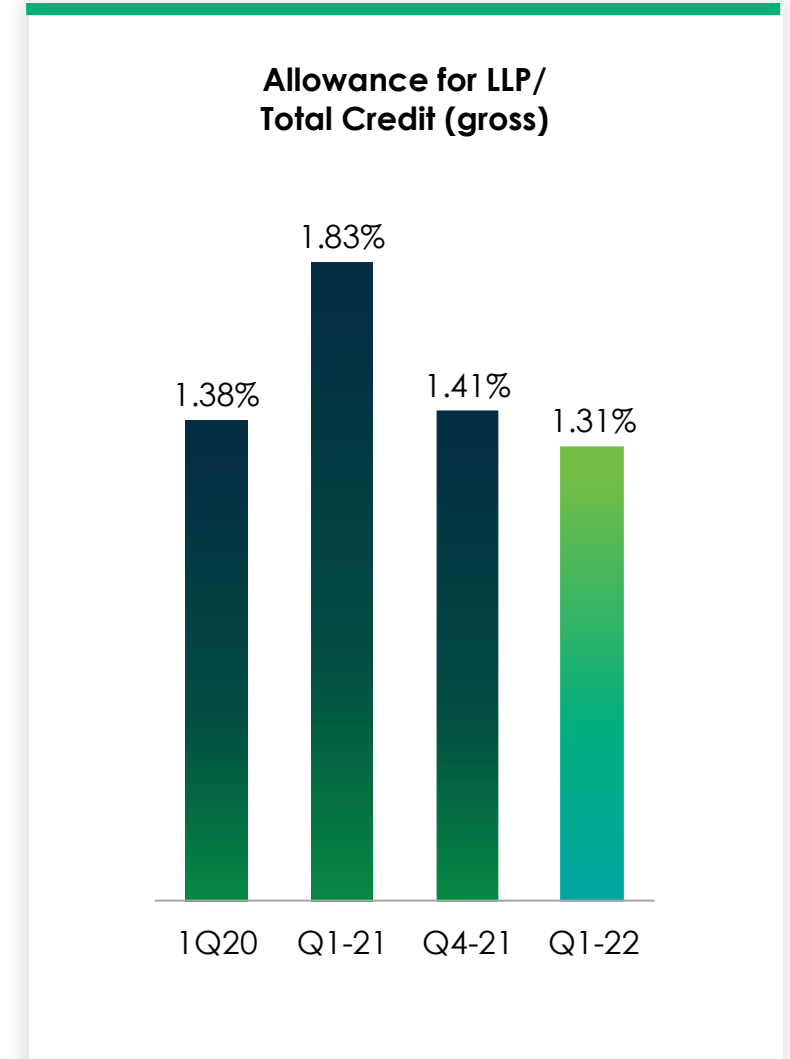
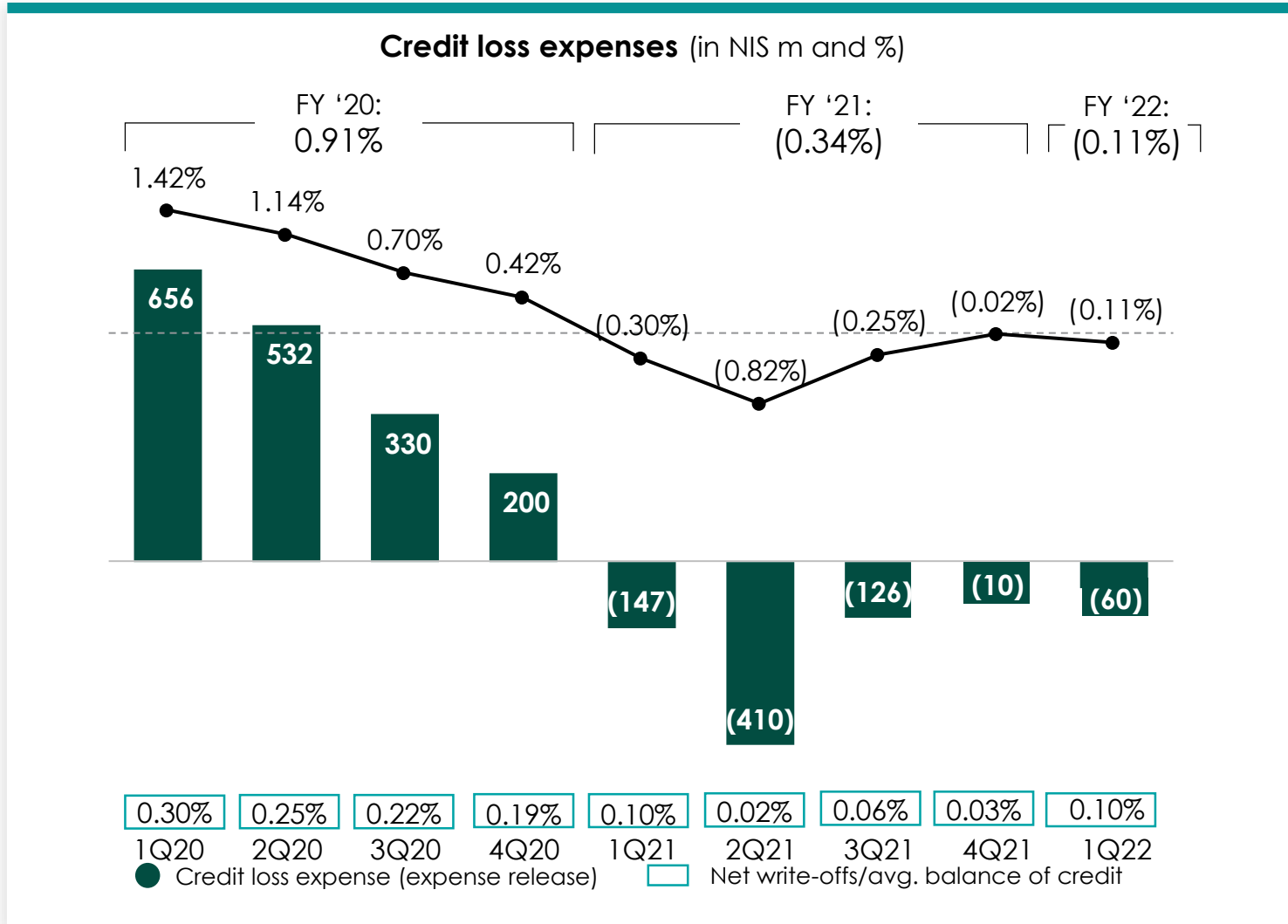
NIS m



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



# HIGH QUALITY LOANS AND CONSERVATIVE UNDERWRITING PRODUCE SOLID CREDIT METRICS



9 \* Net write-offs are calculated as a percent of avg. balance of credit on an accumulated basis

# SUBSIDIARIES

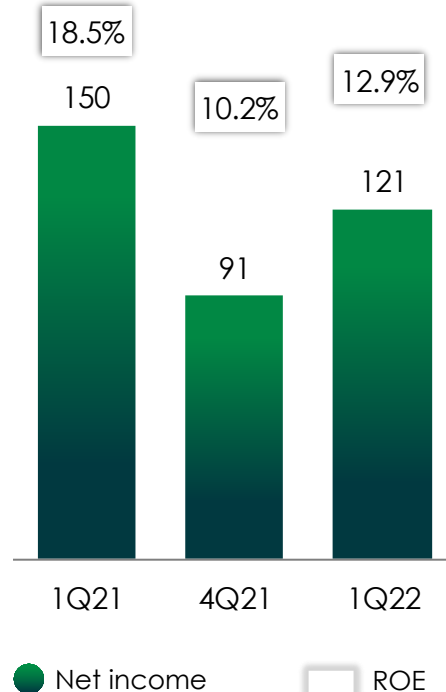
# ROBUST CREDIT GROWTH DELIVERS STRONG NET INCOME AND ROE

→ Strong ROE of 12.9% and solid net income of NIS 121 million at Mercantile were driven by credit growth, supportive CPI and carefully managed expenses.

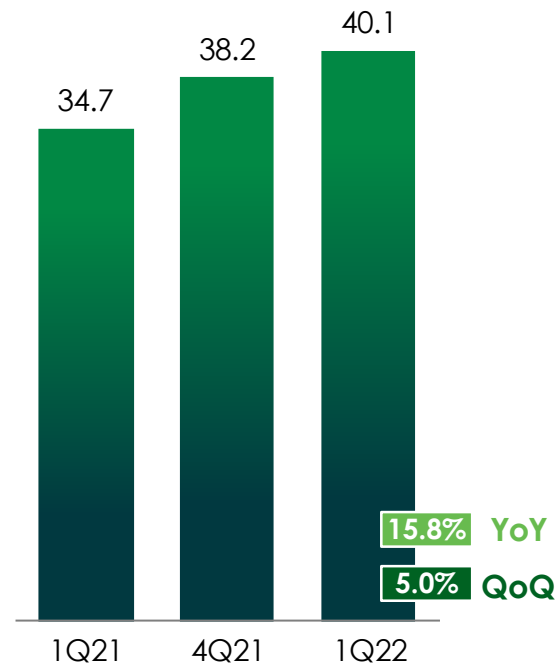
→ Loan book expansion of 5.0% in 1Q22 was mainly driven by significant growth across the entire loan book. Mortgages were up 7.5%, Commercial up 5.4% Small enterprises up 3.4% and Consumer up 2.8%.

→ Expenses were slightly lower producing a positive JAWS ratio in the quarter and Cost-income ratio of 53.8%.

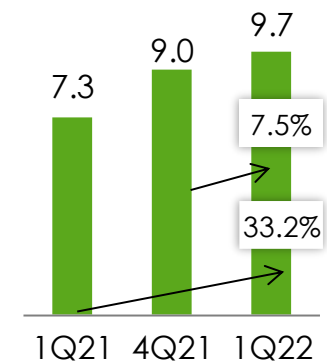
**Net income and ROE**  
in NIS m



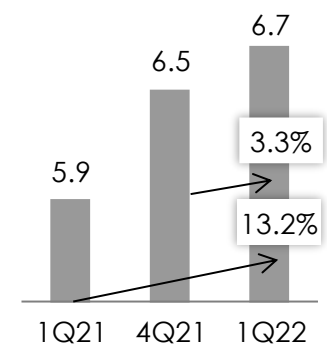
**Total credit**  
in NIS Bn



**Mortgage**  
in NIS Bn



**Medium Enterprises**  
in Bn

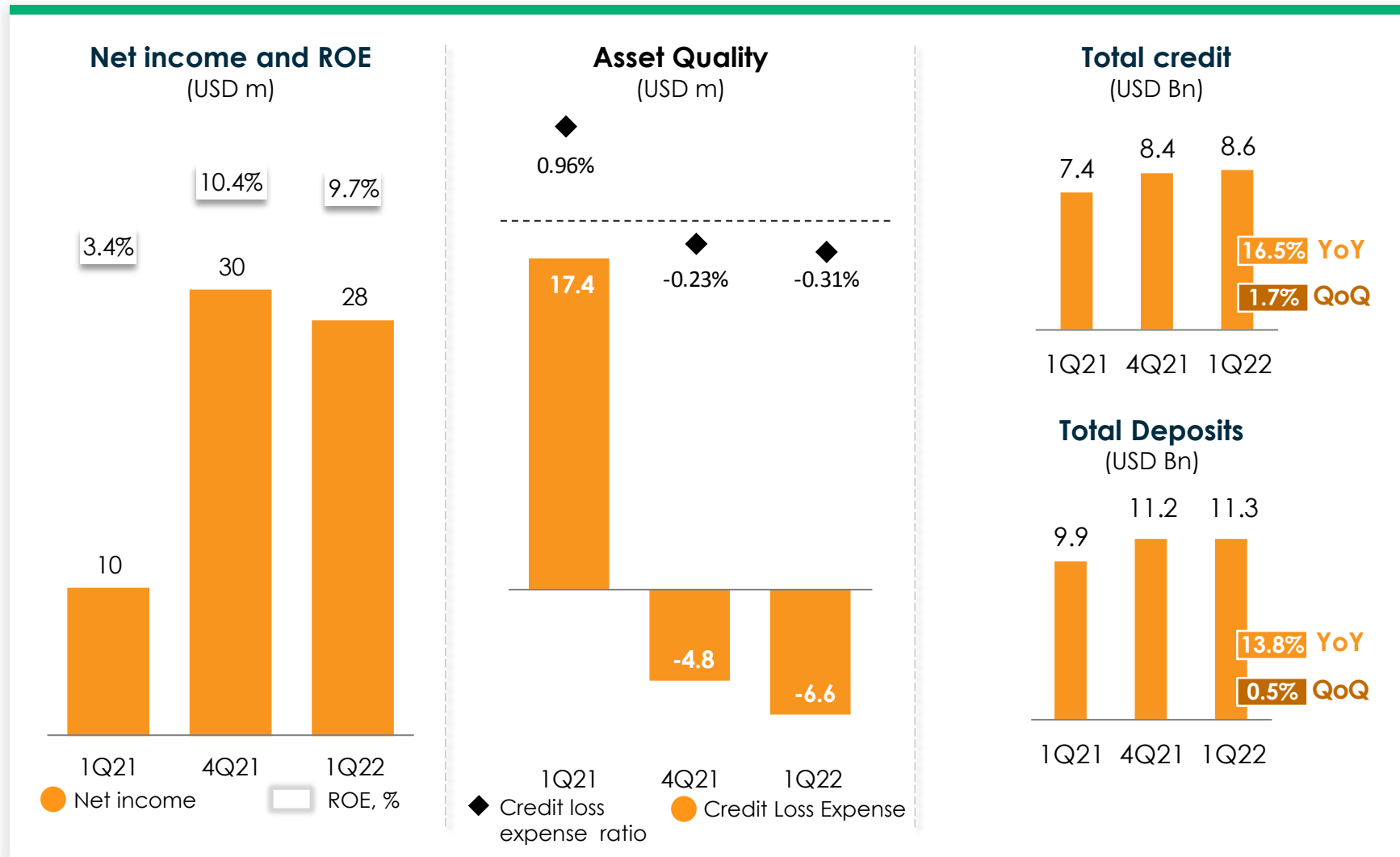


# DEMAND FOR CREDIT AND NEGATIVE LLP LED TO SOLID RESULTS

→ IDB NY solid net income of \$28 million is driven by strong credit growth, up 16.5% annually, across all regions, improved margins and a release of provisions.

→ Strong year over year deposit growth up 13.8% continued to provide liquidity for loan growth and disciplined management of cost of funds contributed to overall improvement in margins.

→ 1Q22 produced a release of provision for credit losses of \$6.6 million vs. a release of \$4.8m in 4Q 2021. On January 1st IDB NY adopted CECL accounting for the allowance for credit losses.



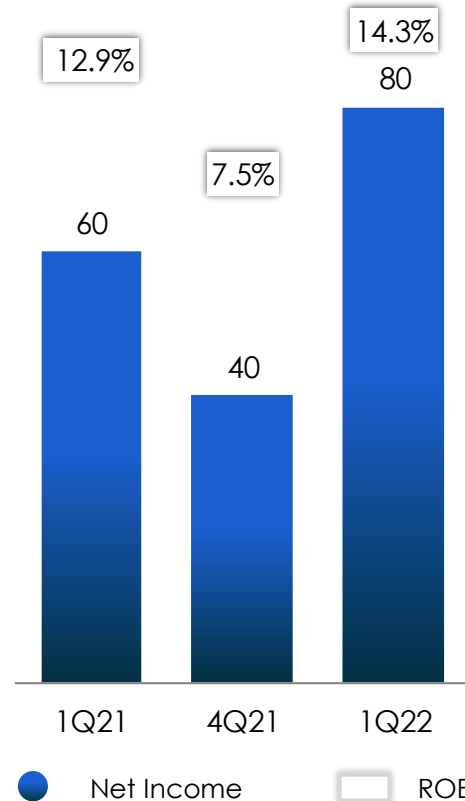
# A STRONG QUARTER ACROSS ALL INDICATORS WITH NEW STRATEGIC INITIATIVES

→ CAL produced robust net income of NIS 80 million and 14.3% ROE supported by a 22.9% increase in consumer credit and a 20.5% increase in transaction turnover.

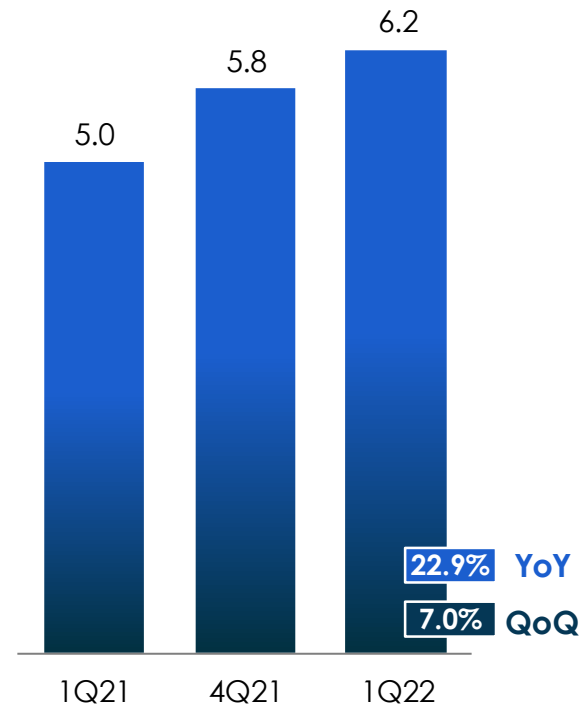
→ A negative change in allowance for credit losses on the back of an improving economy led to negative credit loss expenses.

→ A number of strategic initiatives were closed during 1Q22 including credit as a service agreements with PAZ and BIT. A new loyalty club with Electra Consumer and a 3 year extension with Shufesal and lastly a new payment as a service agreement with PayBox.

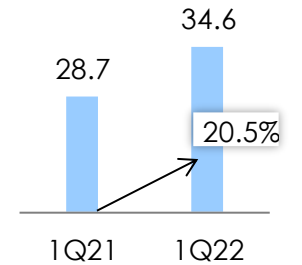
**Net income and ROE**  
in NIS m



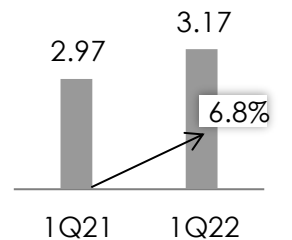
**Consumer Credit**  
in NIS m



**Transaction turnover**  
in NIS Bn



**Active credit cards**  
in m



# STRATEGY

# OUR FOCUSED 5-YEAR STRATEGIC PLAN ENABLES ACHIEVEMENT OF AMBITIOUS 2025 FINANCIAL TARGETS

## ULTIMATE GOAL:

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



2025 NET INCOME

3.5bn

2025 ROE

12.5%

2025 Efficiency Ratio

55.0%

# 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

# PROFIT & LOSS AND SELECTED RATIOS

NIS m	1Q22	4Q21	1Q21	Vs. 4Q21	Vs. 1Q21
Net interest income	1,800	1,683	1,504	7.0%	19.7%
Credit loss expenses (expenses release)	(60)	(10)	(147)	(500.0%)	59.2%
Non-interest financing income	45	180	298	(75.0%)	(84.9%)
Commissions	825	809	724	2.0%	14.0%
Other income	416	50	11	732.0%	3681.8%
Total non-interest income	1,286	1,039	1,033	23.8%	24.5%
<b>Total income</b>	<b>3,086</b>	<b>2,722</b>	<b>2,537</b>	<b>13.4%</b>	<b>21.6%</b>
Salaries and related expenses	855	970	801	(11.9%)	6.7%
Maintenance & depreciation	303	293	294	3.4%	3.1%
Other expenses	549	676	557	(18.8%)	(1.4%)
<b>Total operating and other expenses</b>	<b>1,707</b>	<b>1,939</b>	<b>1,652</b>	<b>(12.0%)</b>	<b>3.3%</b>
Income before taxes	1,439	793	1,032	81.5%	39.4%
Provision for taxes on income	447	269	353	66.2%	26.6%
Income after taxes	992	524	679	89.3%	46.1%
<b>Net income attributable to shareholders</b>	<b>983</b>	<b>529</b>	<b>662</b>	<b>85.8%</b>	<b>48.5%</b>
ROE	18.3%	9.8%	13.8%		
Cost income ratio	55.3%	71.2%	65.1%		
CET-1 ratio	10.55%	10.14%	10.20%		
NIM	2.36%	2.30%	2.25%		
Rate of credit loss expenses	(0.11%)	(0.02%)	(0.30%)		
NPL ratio	0.70%	0.59%	0.84%		
Dividend per share (in Agurot)*	15.89	9.08	-		

\* Dividend in respect of the relevant period

# ADJUSTED PROFIT & LOSS & SELECTED RATIOS

NIS m	1Q22	4Q21	1Q21	Vs. 4Q21	Vs. 1Q21
Net interest income	1,800	1,683	1,504	7.0%	19.7%
Credit loss expenses (expense release)	(60)	(10)	(147)	500.0%	(59.2%)
Non-interest financing income	45	180	298	(75.0%)	(84.9%)
Commissions	825	809	724	2.0%	14.0%
Other income	8	2	11	300.0%	(27.3%)
Total non-interest income	878	991	1,033	(11.4%)	(15.0%)
<b>Total income</b>	<b>2,678</b>	<b>2,674</b>	<b>2,537</b>	<b>0.1%</b>	<b>5.6%</b>
Salaries and related expenses	855	735	801	16.3%	6.7%
Maintenance & depreciation	303	293	294	3.4%	3.1%
Other expenses	549	633	442	(13.3%)	24.2%
<b>Total operating and other expenses</b>	<b>1,707</b>	<b>1,661</b>	<b>1,537</b>	<b>2.8%</b>	<b>11.1%</b>
Income before taxes	1,031	1,023	1,147	0.8%	(10.1%)
Provision for taxes on income	354	354	392	-	(9.7%)
Income after taxes	677	669	755	1.2%	(10.3%)
<b>Net income attributable to shareholders</b>	<b>668</b>	<b>674</b>	<b>738</b>	<b>(0.9%)</b>	<b>(9.5%)</b>
ROE	12.4%	12.5%	15.3%		
Cost income ratio	63.7%	62.1%	60.6%		
CET-1 ratio	10.52%	10.14%	10.20%		
NIM	2.36%	2.30%	2.25%		
Rate of credit loss expenses	(0.11%)	(0.02%)	(0.30%)		
NPL ratio	0.70%	0.59%	0.84%		
Dividend per share (in Agurot)*	15.89	9.08	-		

\* Dividend in respect of the relevant period

# ADJUSTMENTS TO PROFIT & LOSS

NIS m	Gross			Net		
	1Q22	4Q21	1Q21	1Q22	4Q21	1Q21
Retirement benefits		14	115		9	76
Early redemption of long term benefits		29			19	
Provisions for new salary agreement		235			155	
Income from real estate sales	(408)	(48)		(315)	(38)	
<b>Total</b>	<b>(408)</b>	<b>230</b>	<b>115</b>	<b>(315)</b>	<b>145</b>	<b>76</b>

# SELECTED BALANCE SHEET ITEMS

NIS m	31.03.22	31.12.21	31.03.21
Cash and deposits with banks	60,997	59,638	50,307
Securities*	44,074	45,076	45,347
Credit to the public	220,733	216,196	196,901
Provision for credit loss	(2,882)	(3,040)	(3,609)
Credit to the public, net	217,851	213,156	193,292
Credit to governments	2,553	2,664	3,520
Investment in investee companies	455	462	355
Buildings and equipment	3,441	3,401	3,012
Intangible assets and goodwill	163	163	164
Assets in respect of derivative instruments	5,732	5,522	5,099
Other assets	5,392	5,006	5,046
<b>Total Assets</b>	<b>340,658</b>	<b>335,088</b>	<b>306,142</b>
Deposits from the public	267,731	260,907	240,787
Deposits from banks**	13,342	12,880	12,534
Bonds and subordinated debt notes	12,211	15,071	10,136
Liabilities in respect of derivative instruments	5,892	6,323	4,919
Other liabilities	17,773	17,759	17,368
Total liabilities	316,949	312,940	285,744
Equity capital attributed to the Bank's shareholders	23,027	21,483	19,836
Non-controlling rights in consolidated companies	682	665	562
Total equity	23,709	22,148	20,398
<b>Total Liabilities and Equity</b>	<b>340,658</b>	<b>335,088</b>	<b>306,142</b>

\* Including securities borrowed or purchased under agreements to resell

\*\* Including deposits from governments

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q22	4Q21	1Q21	Vs. 4Q21	Vs. 1Q21
Net interest income	359	342	306	5.0%	17.3%
Credit loss expenses (expenses release)	25	(6)	(9)	n/a	n/a
Non-interest income	89	94	155	(5.3%)	(42.6%)
Total income	448	436	461	2.8%	(2.8%)
Operating & other expenses	241	309	243	(22.0%)	(0.8%)
<b>Net income</b>	<b>121</b>	<b>91</b>	<b>150</b>	<b>33.0%</b>	<b>(19.3%)</b>
Return on equity	12.9%	10.2%	18.5%		
Cost-income ratio	53.8%	70.9%	52.7%		
Rate of credit loss expenses	0.30%	(0.06%)	(0.10%)		
NIM	2.51%	2.60%*	2.54%		
Total assets	60,900	59,894	51,363	1.7%	18.6%
Credit to the public, net	39,494	37,636	34,022	4.9%	16.1%
Securities	7,035	6,883	5,733	2.2%	22.7%
Deposits from the public	48,881	48,070	41,476	1.7%	17.9%
Total equity	3,691	3,771	3,337	(2.1%)	10.6%

\* Calculated using previous methodology

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	1Q22	4Q21	1Q21	Vs. 4Q21	Vs. 1Q20
Net interest income	72	71	59	1.0%	21.2%
Credit loss expenses (expenses release)	(7)	(5)	17	n/a	n/a
Non-interest income	18	21	23	(17.7%)	(22.7%)
<b>Total income</b>	<b>89</b>	<b>92</b>	<b>82</b>	<b>(3.9%)</b>	<b>9.0%</b>
<b>Operating &amp; other expenses</b>	<b>58</b>	<b>55</b>	<b>52</b>	<b>7.2%</b>	<b>12.7%</b>
<b>Net income</b>	<b>28</b>	<b>30</b>	<b>10</b>	<b>(6.9%)</b>	<b>183.9%</b>
Return on equity	9.7%	10.4%	3.4%		
Cost-income ratio	64.4%	58.1%	63.4%		
Rate of credit loss expenses	(0.31%)	(0.23%)	0.96%		
NIM	2.34%	2.41%	2.28%		
Total assets	12,980	12,952	11,667	0.2%	11.3%
Loans, net	8,564	8,421	7,354	1.7%	16.5%
Securities	2,804	2,829	2,966	(0.9%)	(5.5%)
Deposits from the public	11,301	11,245	9,928	0.5%	13.8%
Total equity	1,116	1,158	1,148	(3.6%)	(2.8%)

# FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q22	4Q21	1Q21	Vs. 4Q21	Vs. 1Q21
Income from credit card transactions	377	388	317	(2.8%)	18.9%
Net interest income	160	146	129	9.6%	24.0%
Credit loss expenses (expenses release)	(1)	9	(4)	n/a	75%
Non-interest financing income	17	1	1	1600.0%	1600.0%
<b>Total income</b>	<b>554</b>	<b>535</b>	<b>447</b>	<b>3.6%</b>	<b>23.9%</b>
<b>Total expenses</b> (excluding credit loss expenses)	<b>440</b>	<b>462</b>	<b>364</b>	<b>(4.8%)</b>	<b>20.9%</b>
<b>Net income</b>	<b>80</b>	<b>40</b>	<b>60</b>	<b>100%</b>	<b>33.3%</b>
Return on equity	14.3%	7.5%	12.9%		
Cost-income ratio	79.4%	86.4%	81.4%		
Total assets	16,867	16,076	19,385	4.9%	(13.0%)
Interest bearing credit	7,188	6,717	5,822	7.0%	23.5%
Consumer credit	6,180	5,777	5,030	7.0%	22.9%
Total equity	2,305	2,216	1,989	4.0%	15.9%