

ISRAEL DISCOUNT BANK LTD.

Registration no.: 520007030

FAO: Israel Securities Authority
www.isa.gov.il

FAO: The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

T121 (Public)

Magna transmission date: July 31, 2022
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IMMEDIATE REPORT

Explanation: This form is not to be used if a form exists that is suitable for the reported event

Nature of the event: Immediate Report

Reference numbers of previous reports relating to this topic: _____

We hereby announce that the Call Report (draft financial statement) of Israel Discount Bank of New York as at June 30, 2022 has been filed with the authorized agencies in the USA. As is customary, the aforesaid report is available to the public on the Internet site of the FDIC: <https://cdr.ffiec.gov/public/ManageFacsimiles.aspx> [Institution name: Israel Discount Bank of New York].

It should be noted that the aforesaid Report has not yet been approved by the authorized organs of the said subsidiary and certain changes may be made thereto. Filing of the above Call Report prior to its approval by the authorized organs is done as required by US reporting rules.

This Immediate Report is submitted according to the format agreed upon between the Banking Supervision Department and the Israel Securities Authority.

See Attachment - Enclosed is a Press Release published in connection with the above.

The Company is not a shell company as defined in the TASE Code

The date when the Corporation first learned of the event: July 31, 2022 at 08:00

Details of signatories authorized to sign in the name of the Corporation:

| | Name of Signatory | Position |
|----------|--------------------------|---|
| 1 | Joseph Beressi | Other Senior Executive Vice President, Chief Accountant, Head of Accounting Division |
| 2 | Limor Henn | Other Manager of Regulation and Control Department, Accounting Division |

Reference numbers of previous documents relating to this topic (their mention does not constitute their inclusion by way of reference): N/A

The securities of the Corporation are listed for trade on the Tel Aviv Stock Exchange Date of updating structure of form: 31/12/2020

Abbreviated name: Discount

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Email: michal.sd@discountbank.co.il

Prior names of the reporting entity:

Name of person making electronic report: Sokolov-Danoch, Michal Position: Corporate Secretary Name of Employing Company:

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Israel Discount Bank's Immediate Reports are published in Hebrew on the website of the Israel Securities Authority and the Tel Aviv Stock Exchange.

The English translation is prepared for convenience purposes only.

In the case of any discrepancy between the English and Hebrew versions, the Hebrew will prevail.

IDBNY Announces 2nd Quarter 2022 Results

2Q22 NET INCOME OF \$29.7 M AND ROE OF 10.7% COMPARED WITH NET INCOME OF \$25.2 M
AND ROE OF 8.8% IN 2Q21
YOY LOAN GROWTH OF 12.7%

New York, NY (July 31, 2022) – Israel Discount Bank of New York (“IDBNY”), the largest Israeli bank in the United States, today published a draft of its financial statements (Call Report) as of June 30, 2022.

IDBNY concluded another strong quarter, with notable activity across all major sectors and regions of operations. Net income increased by 17.6% year- over-year, to USD 29.7 million, driven by higher net interest margins, solid credit growth across all segments, and release of credit loss provisions. IDBNY has benefitted from the increase in federal fund rates, which resulted in a net interest margin increase of 26bps and a 26.7% growth in net interest income compared with 2Q21. The Bank continues to maintain strong liquidity despite growing competition over customer deposits and some pressures on deposit levels and cost of funds. Solid underwriting discipline continued to protect IDBNY's credit quality amid growing economic uncertainty, allowing the Bank to release provisions for credit losses by a further USD 2.3 million.

In addition to its financial results, in 2Q22 IDBNY announced several important milestones, signaling the Bank’s successful execution of its ongoing long-term growth strategy. The Bank oversaw the completion of its core banking system conversion, introducing effective IT infrastructure to streamline operations and support shifting client needs. Additionally, IDBNY finalized its transaction with Lido Advisors to create a joint venture, IDB Lido Wealth. These events, further enable the Bank to continue driving profitable growth, better define its market position and deliver more value to its clients.

IDBNY CEO, Ziv Biron said: “We are proud to report on another strong quarter, in which we delivered sound financial results and accomplished significant milestones, including the migration to our new core banking system. This will enable us to enhance our customer experience and introduce new products and services. As we look to the rest of 2022 and beyond, despite the uncertainty the current macro environment poses, we are well positioned and confident in our ability to remain on our strategic course.”

Financial Highlights for 2Q22

- **Net Income** increased to \$29.7 million compared to \$27.8 million in 1Q22 and \$25.2 million in 2Q21.
- **ROE** was 10.7%, up relative to 9.9% for 1Q22 and 8.8% in 2Q21.
- **Total Income** stood at \$99.5 million versus \$89.3 million for the previous quarter. In comparison with 2Q21, total income increased by 18.4%.
- **Release of Provisions for Credit Losses** for 2Q22 was \$2.3 million compared to a release of \$6.6 million in the previous quarter and a release of \$8.5 million in 2Q21.
- **Total Non-Interest Expense** was \$61.7 million in 2Q22, compared with \$58.4 million in the previous quarter and \$58.6 million in 2Q21.

Financial Review and Commentary

In 2Q22, IDB NY continued to display solid financial position in the U.S., across all of its lines of business and regions. Despite toughening operating conditions, the Bank delivered a robust bottom line, with a reported net income of \$29.7 million, 6.6% and 17.6% higher compared to the previous quarter and corresponding quarter in 2021, respectively.

Reported ROE of 10.7% reflects IDB NY's consistent execution of our strategic plan of continued profitable growth and enhanced customer experience.

Net interest income improved by 26.7% to \$79.4 million in the second quarter vs \$62.6 million in 2Q21, largely due to improved yields on interest bearing assets, following a series of interest rate hikes recently introduced by the Federal Reserve, which now outpace the cost of customer deposits, and further expansion of the loan balance portfolio. **Net interest margin increased** by 26 bps, compared with 2Q21 and **loan balances increased to \$8.7 billion**, reflecting a year-over-year increase of 12.7% compared with balance of \$7.7 billion on June 30, 2021.

Deposit-base growth and diversification remained a strategic imperative for IDB NY in 2Q22, as the Bank continued to expand its client base across market segments. Total deposits declined by \$480 million in 2Q22, primarily due to increased competition and tighter overall liquidity conditions. Despite this drawdown, year-over-year **deposit growth still remains healthy** with 2Q22 customer deposits increasing by 10.3% to \$10.8 billion, compared with the end of June 2021. The bank continues to expand and diversify its deposit base into new areas.

Credit Quality remains strong, largely due to an improvement in classified loans. Leveraging this strong position, IDB NY released a provision for credit losses of \$2.3 million in 2Q22.

Inflation continues to apply increasing pressure to the Bank's cost base, notably impacting expenses associated with human capital and the onboarding of new staff. In 2Q22, the Bank additionally incurred a significant one-off expense related to the recent sublet of floor space in its new Manhattan office, as well as the early termination of its contract relating to its legacy core banking system.

Following 2Q22 results, IDB NY continues its strong financial standing and market position, well positioned to move towards achieving its strategic goals, successfully executing on key initiatives to continue growing the business, introducing improved system technologies and investing in operational infrastructure.

As the Bank continues to harness strong 1H22 momentum to drive continued growth, IDB NY remains committed to the client-first practices. As the largest Israeli bank in the U.S., IDB NY is well positioned to continue serving its clients both in the U.S. and Israel, extending the wide range of products and services offerings for both Commercial and Private Banking clients.

Main highlights of P&L, Balance Sheet and Ratios
(USD millions)

Main P&L data

| The section | 2Q 2022 | 1Q 2022 | 2Q 2021 | Change vs. 1Q22 | Change vs. 2Q21 |
|--|------------|------------|------------|--------------------|--------------------|
| Total Interest and Dividend Income | 92.6 | 78.5 | 70.1 | 18.0% | 32.1% |
| Total Interest Expense | 13.3 | 6.9 | 7.5 | 92.6% | 77.1% |
| Net Interest Income | 79.4 | 71.6 | 62.6 | 10.8% | 26.7% |
| Release of Provisions for Credit Losses* | (2.3) | (6.6) | (8.5) | (65.5%) | (73.2%) |
| Total Non-Interest Income | 20.1 | 17.6 | 21.4 | 13.9% | (6.0%) |
| Total Income | 99.5 | 89.3 | 84.0 | 11.4% | 18.4% |
| Total Non-Interest Expense | 61.7 | 58.4 | 58.6 | 5.6% | 5.2% |
| Income before Taxes | 40.1 | 37.5 | 33.9 | 6.9% | 18.2% |
| Net Income | 29.7 | 27.8 | 25.2 | 6.6% | 17.6% |

Main Balance Sheet data

| | As of Jun 30, 2022 | As of Mar 31, 2022 | As of Jun 30, 2021 | Change vs. Mar 31, 2022 | Change vs. Jun 30, 2021 |
|--------------|-----------------------|-----------------------|-----------------------|----------------------------|----------------------------|
| Securities | 2,597 | 2,798 | 2,822 | (7.2%) | (7.9%) |
| Loans, net | 8,608 | 8,564 | 7,586 | 0.5% | 13.5% |
| Deposits | 10,830 | 11,310 | 9,821 | (4.2%) | 10.3% |
| Total Equity | 1,085 | 1,107 | 1,158 | (2.0%) | (6.3%) |
| Total Assets | 12,604 | 12,980 | 11,431 | (2.9%) | 10.3% |

Selected ratios

| | 2Q 2022 | 1Q 2022 | 2Q 2021 |
|---|---------|---------|---------|
| Efficiency Ratio | 62.0% | 65.4% | 69.8% |
| Return on Equity | 10.7% | 9.9% | 8.8% |
| Loan Loss Provision Ratio | (0.1%) | (0.3%) | (0.4%) |
| Common Equity Tier 1 | 12.9% | 12.5% | 13.6% |
| Allowance for Credit Losses ** as a % of Total Loans | 0.9% | 0.9% | 1.5% |

* Prior to 2022, reflect release and provisions for loan and lease losses

** Prior to 2022, ratio represents allowance for loan and lease losses to loans

About Israel Discount Bank of New York (“IDBNY” or “IDB Bank”)

IDB Bank is a New-York State-chartered commercial bank, a member of the FDIC, and a wholly owned subsidiary of Israel Discount Bank LTD., one of Israel's leading Banks. In addition to its Manhattan headquarters and branch offices in Brooklyn, N.Y, Staten Island, N.Y and Short Hills, N.J, the Bank maintains other full-service branches in South Florida and Southern California. The Bank provides a complete range of private banking and commercial banking services to U.S and international clients.

For 70 years IDB Bank has built its business by fostering deep relationships with its clients, rapid decision-making, and the ability to develop custom-tailored solutions for both its domestic and international clientele. To learn more about IDB Bank visit www.idbny.com

IDB Bank is a registered service mark of Israel Discount Bank of New York. MEMBER FDIC.

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