



1Q 2023 REVIEW

Financial Highlights

Investor Relations

May 17, 2023

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AGENDA

> **Opening Remarks and Financial Review**

Barak Nardi, CFO

> **Q&A**

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

1Q 2023 – A QUARTER OF RECORD RESULTS

NET INCOME

1,269_M

ROE

20.1%

EFFICIENCY RATIO

46.1%

DIVIDEND PAYOUT

30%

NII GROWTH

QoQ / YoY

+7.9% / 52.2%

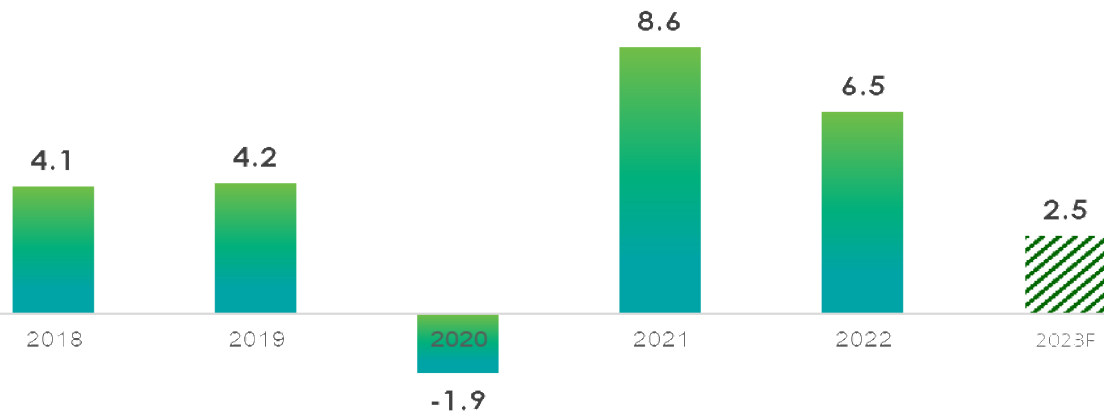
CREDIT GROWTH

QoQ / YoY

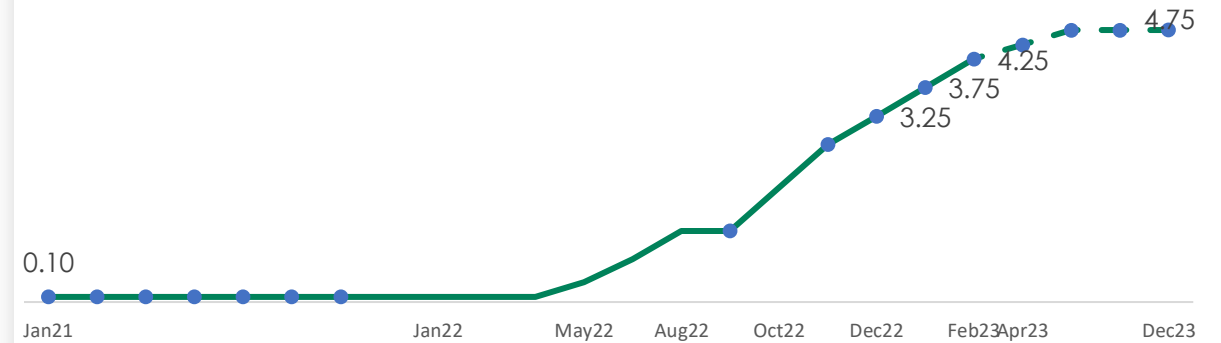
3.5% / 14.5%

SIGNS OF ECONOMIC SLOWDOWN, YET MACRO FUNDAMENTALS ARE STILL SOLID

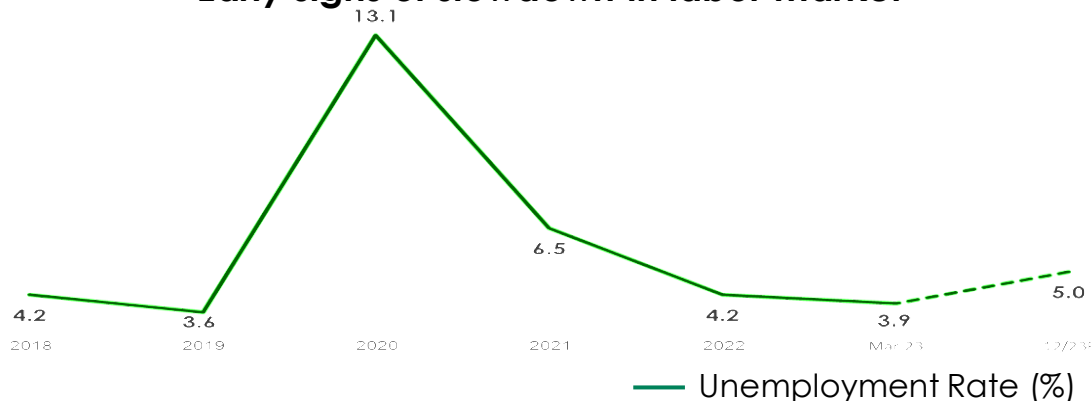
Israel's GDP Growth (%) is expected to slowdown in 2023



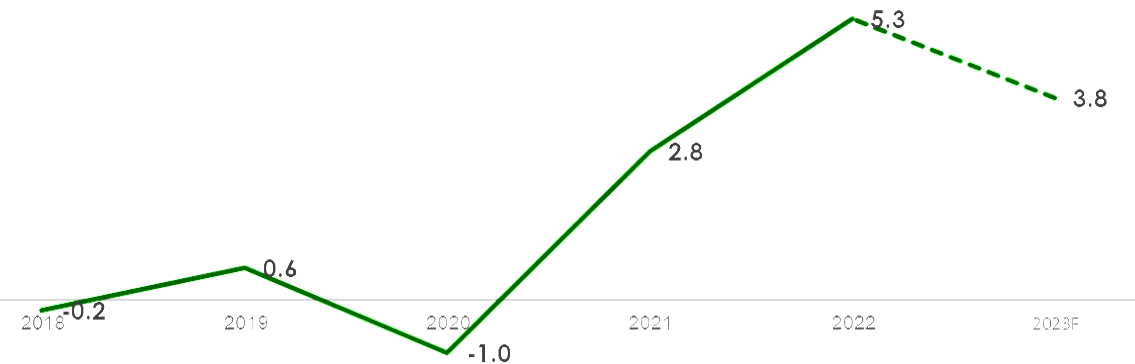
Bank of Israel's Rate has increased to 4.50% in April 2023 and expected to reach 4.75% by 1Q24



Early signs of slowdown in labor market



Inflation is expected to remain above target in 2023



1Q 2023 HIGHLIGHTS

- **Record profitability with net income of NIS1,269m (adj. NIS1,201m) and ROE of 20.1% (adj. 19.0%) in 1Q23**, driven by increase in revenue from core banking activity.
- **Strong positive impact of interest rate increase:** NII grew in 1Q23 by 7.9% compared with 4Q22 and by 52.2% compared with 1Q22. Net Interest Margin (NIM) improved to 3.18% compared with 2.98% in 4Q22 and 2.36% in 1Q22.
- **Operating efficiency materially improved to 46.1%**, compared with 55.3% in 1Q22
- **Responsible credit growth inline with market conditions:** Total credit grew by 3.5% in 1Q23 with corporates growing by 6.9%, medium enterprises growing by 5.6% and mortgage balance growing by 2.5%.
- **Conservative management of credit portfolio:** Credit Loss Expenses Ratio stood at 0.33% mostly due to group basis provisioning. Non Performing Loans (NPL) out of total credit remains relatively low at 0.63%, compared with 0.67% in 4Q22 and 0.71% in 1Q22.
- **Increase of Dividend payout to 30% of 1Q23 net income:** NIS 380.7 million, in line with dividend policy. Reflects our confidence in the robustness of our core business.

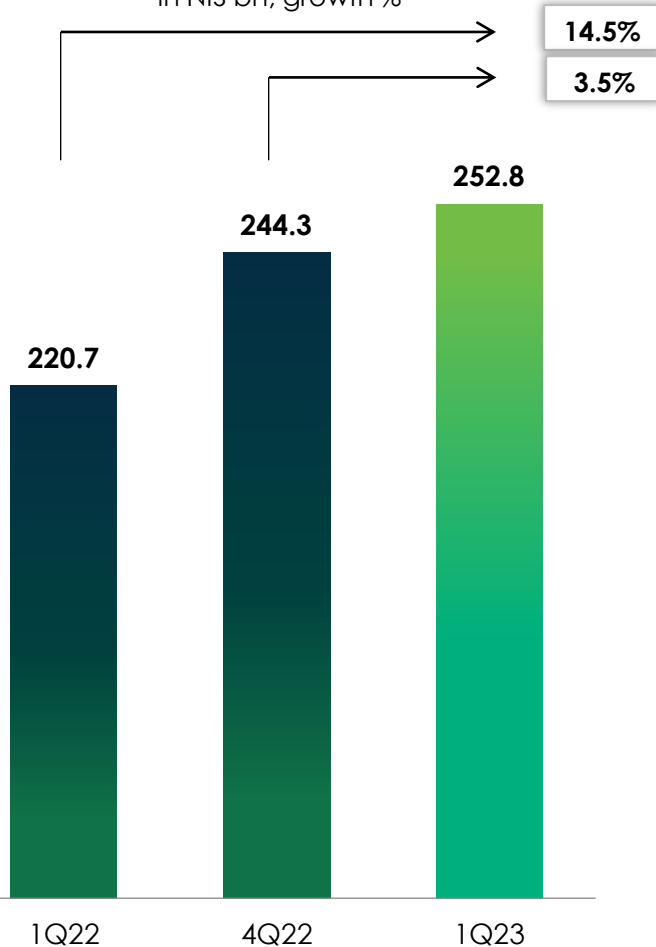
	Net Income	ROE	Cost-Income Ratio	Credit Loss Expenses Ratio	Leverage Ratio	LCR
1Q.23	NIS 1,269 4Q22: NIS 939 m; 1Q22: NIS 983 m	20.1% 4Q22: 15.4%; 1Q22: 18.3%	46.1% 4Q22: 53.8%; 1Q22: 55.3%	0.33% 4Q22: 0.38% 1Q22: (0.11%)	6.3% 4Q22: 6.2% 1Q22: 6.3%	137% 4Q22: 130% 1Q22: 125%
Adjusted	NIS 1,201 4Q22: NIS 958 m; 1Q22: NIS 668 m	19.3% 4Q22: 15.7%; 1Q22: 12.5%	47.9% 4Q22: 53.0%; 1Q22: 62.1%			

Adjusted for certain items presented in slide 20

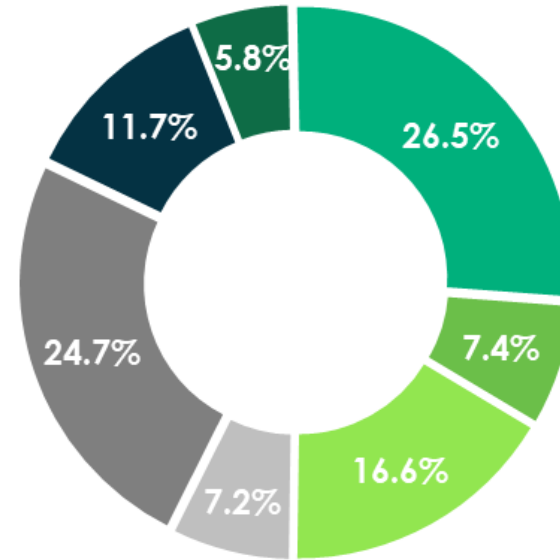
RESPONSIBLE CREDIT GROWTH INLINE WITH MARKET CONDITIONS

Total Credit Growth

in NIS bn; growth %



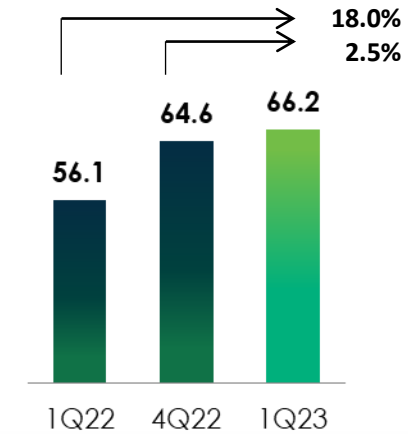
Well Balanced Loan Book



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

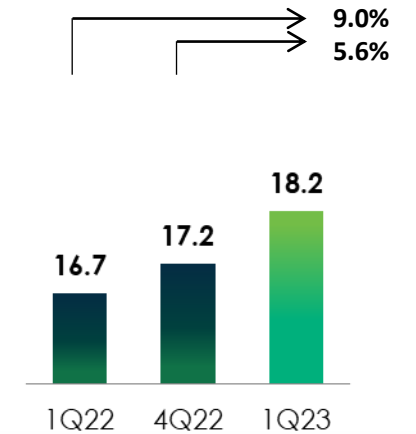
Mortgages *

in NIS bn; growth %



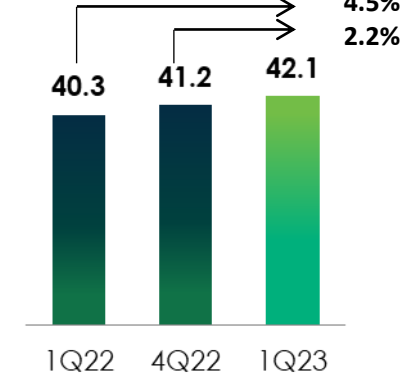
Medium Enterprises

in NIS bn; growth %



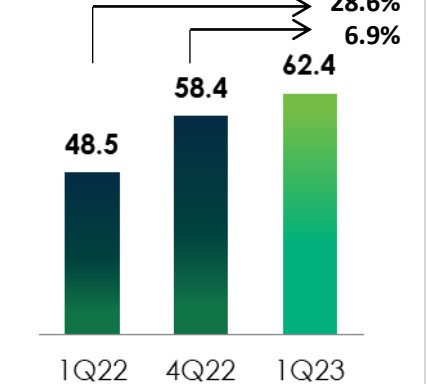
Small Enterprises

in NIS bn; growth %



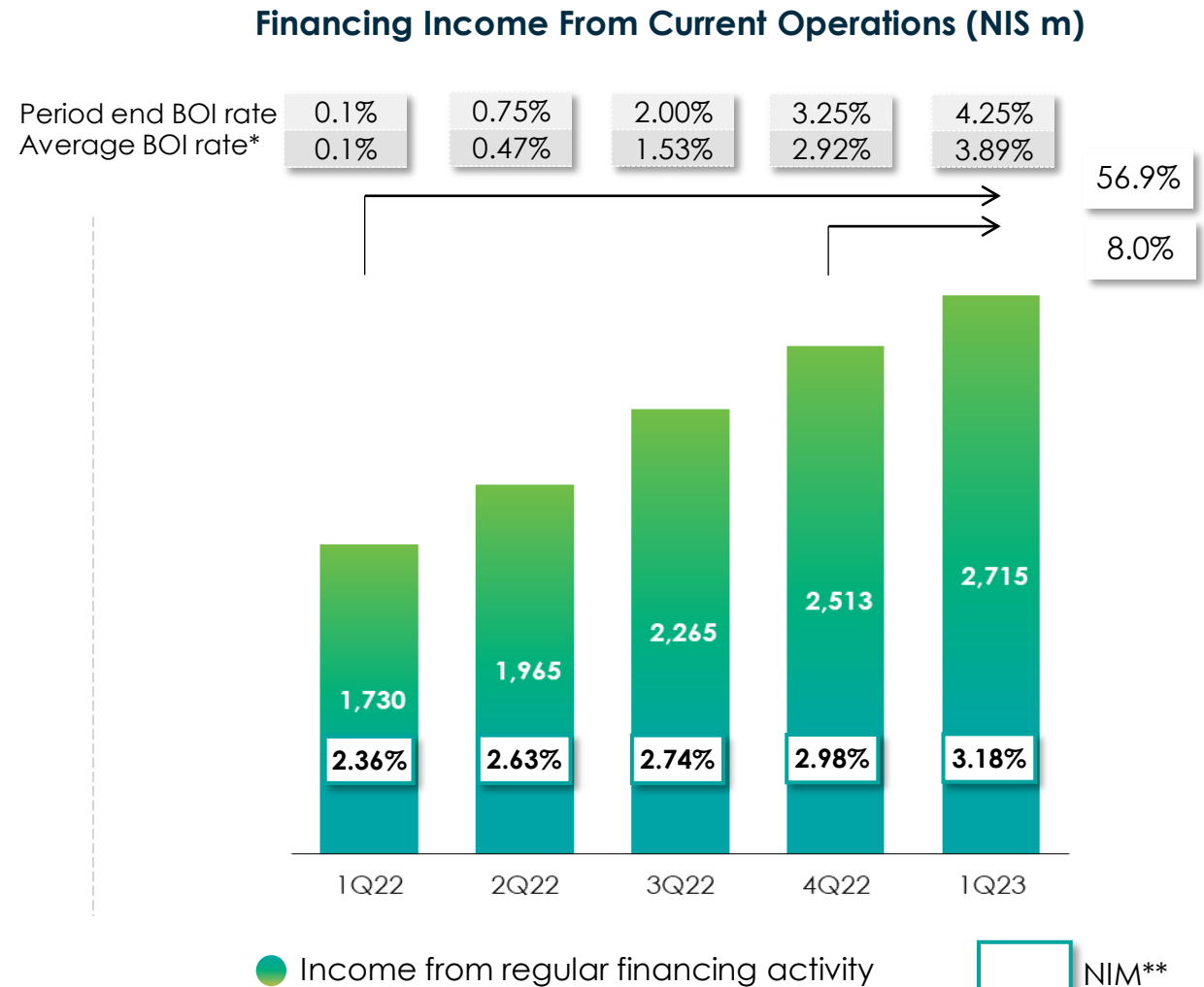
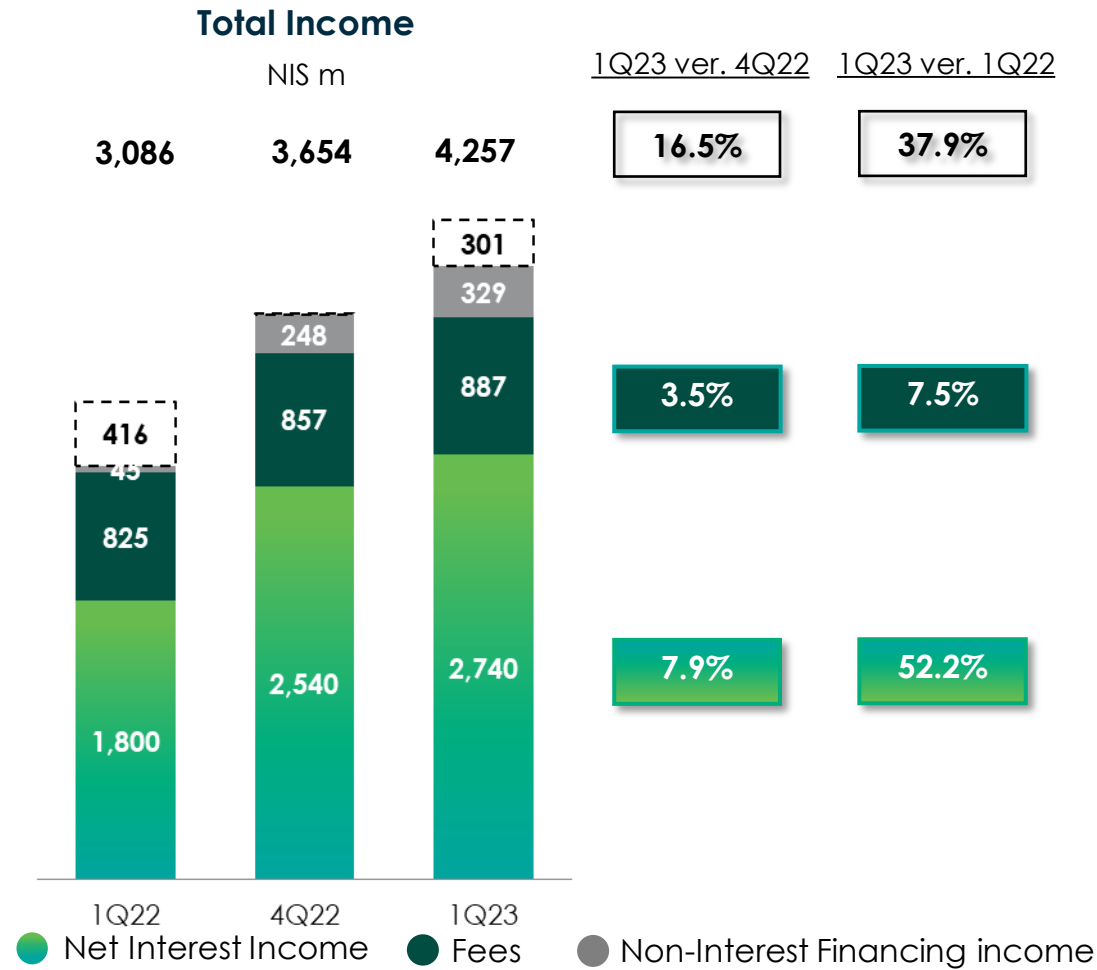
Corporates

in NIS bn; growth %



* In Households

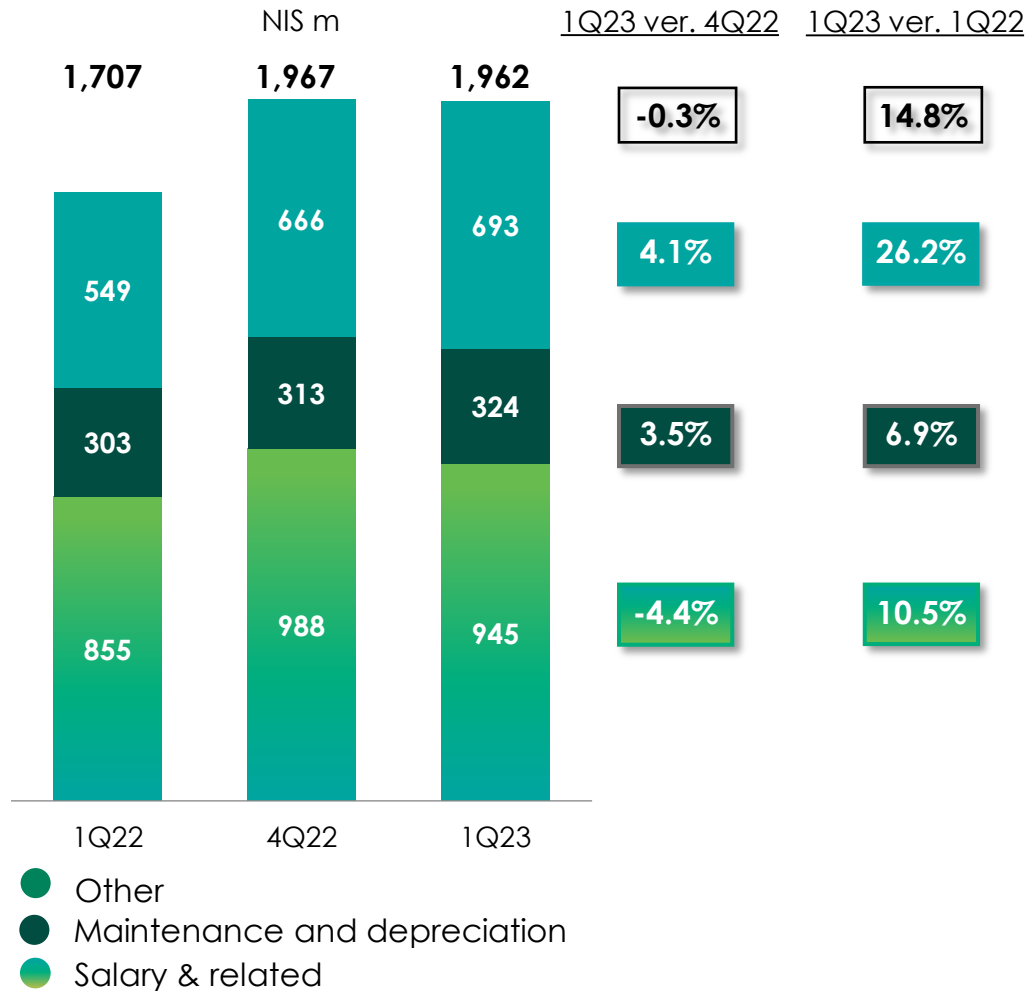
CONTINUED GROWTH IN NII & IN FEES HIGHLIGHTS OUR CORE BUSINESS STRENGTH



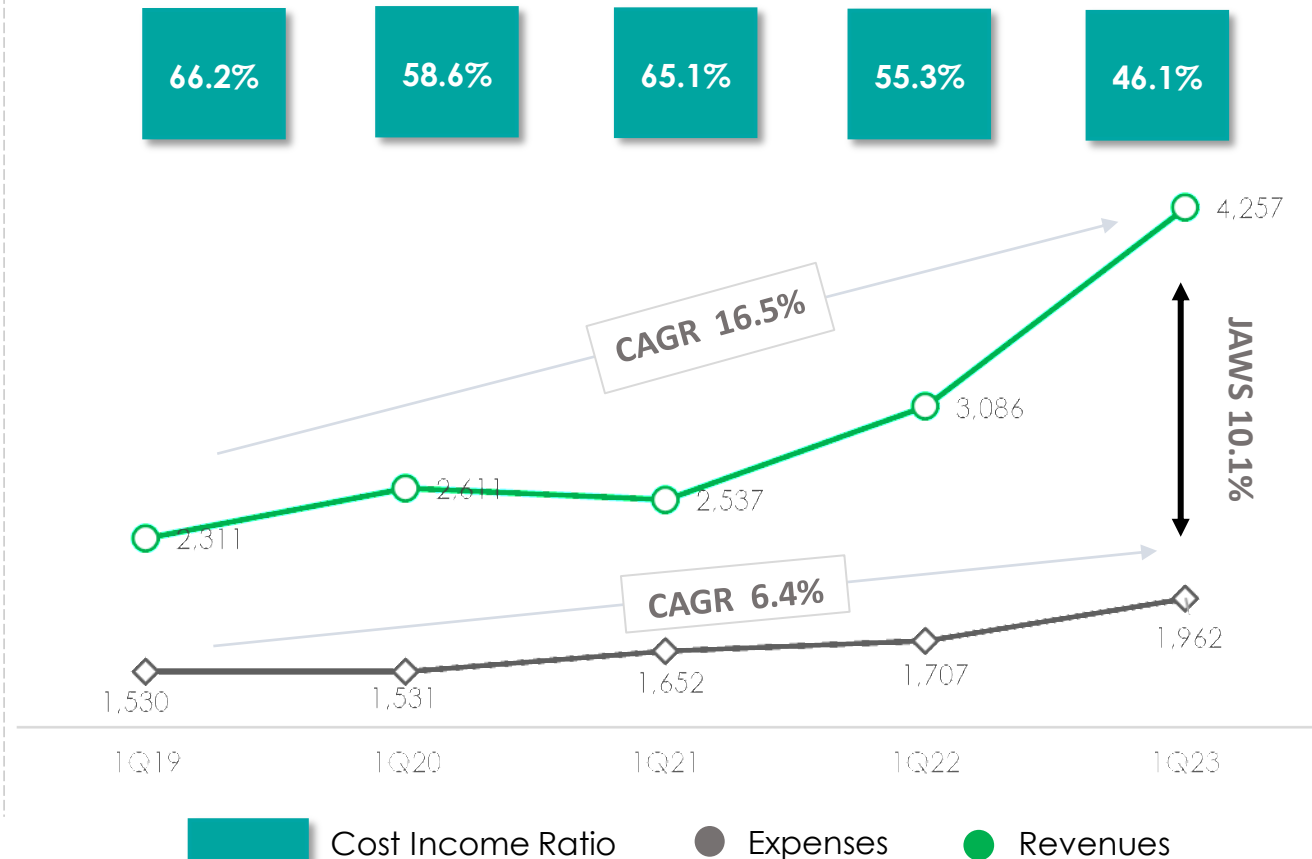
8 * As calculated ** Net yield on interest bearing assets
Financing Income from current operations is total net financing income excluding various items, such as CPI effect, net profit from realization and fair value adjustments, profit or loss from investments in shares, exchange rates differences,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

SHARP IMPROVEMENT IN COST INCOME RATIO DUE TO A SUBSTANTIAL POSITIVE JAWS

Total Expenses

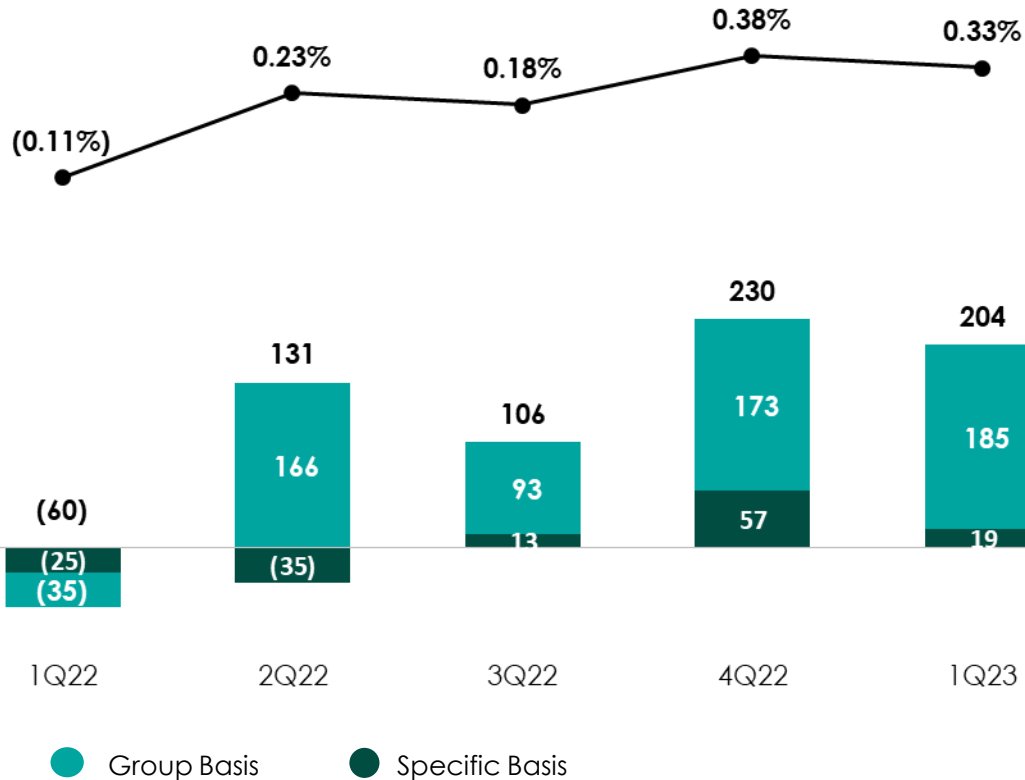


Cost Income Ratio Is Improving Due To Positive Jaws

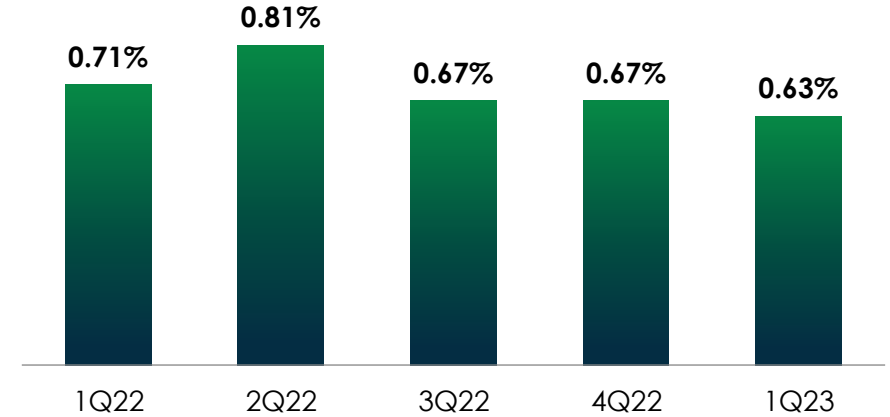


ASSET QUALITY MATRIX REFLECTS THE ROBUSTNESS OF OUR PORTFOLIO

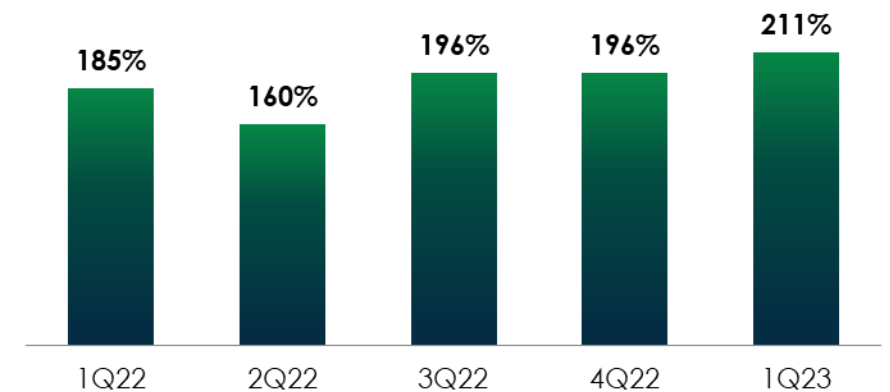
Group Basis Provision drives the overall Credit Loss Expenses (in NIS m and %)



NPL/Total Credit* remain relatively low



NPLs are well covered by Loan Loss Provision **

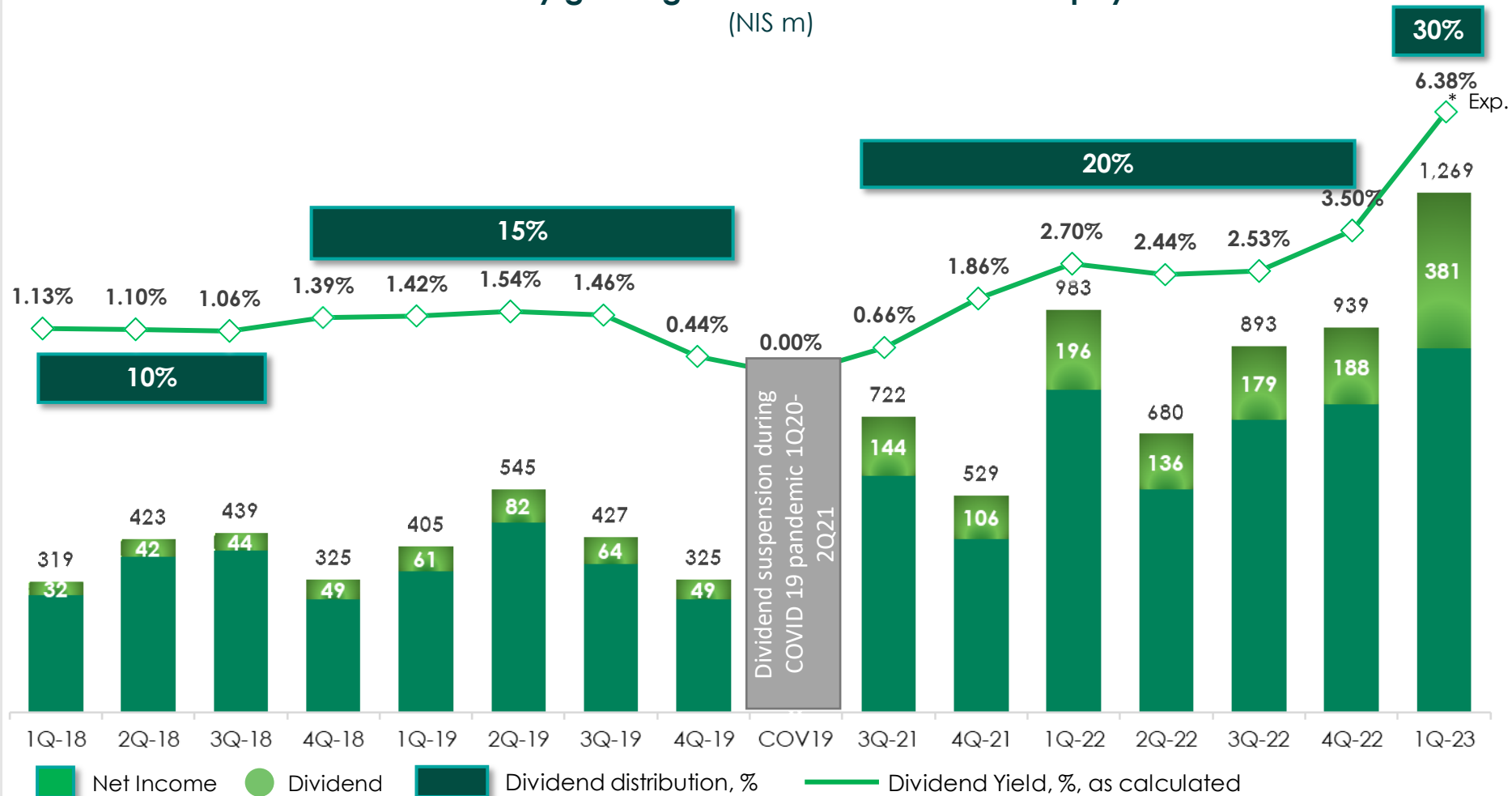


* NPL: Percent of non accrual and 90 days and above past due from gross total credit.

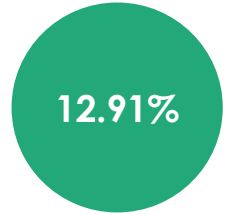
**NPL coverage: Percent of allowance for LLP from NPL.

DIVIDEND PAYOUT INCREASED TO 30% REFLECTING OUR SUCCESSFUL JOURNEY

Continuously growing net income and dividend payout
(NIS m)



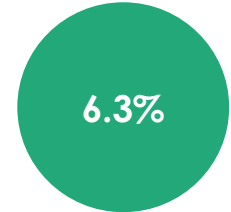
Total Capital Ratio



Tier I Capital Ratio



Leverage Ratio





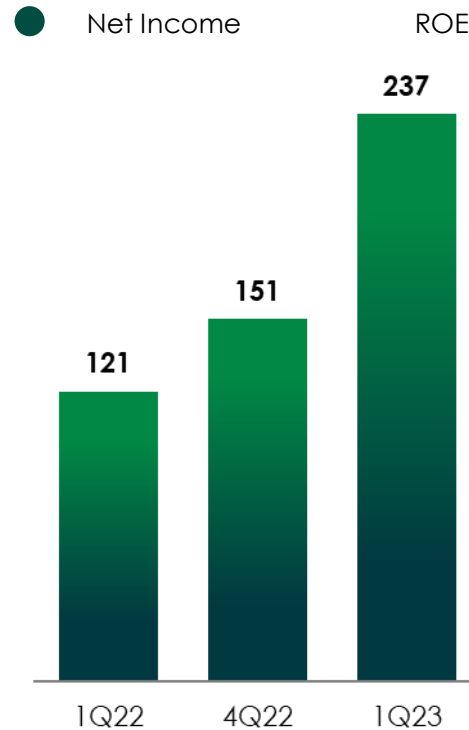
MERCANTILE: RECORD RESULTS DRIVEN BY SUBSTANTIAL NII INCREASE

→ 1Q23 Strong ROE of 23% and net income of NIS 237 million were driven by increase in net interest income (8.1% QoQ, 56.8% YoY), mainly due to higher interest rates.

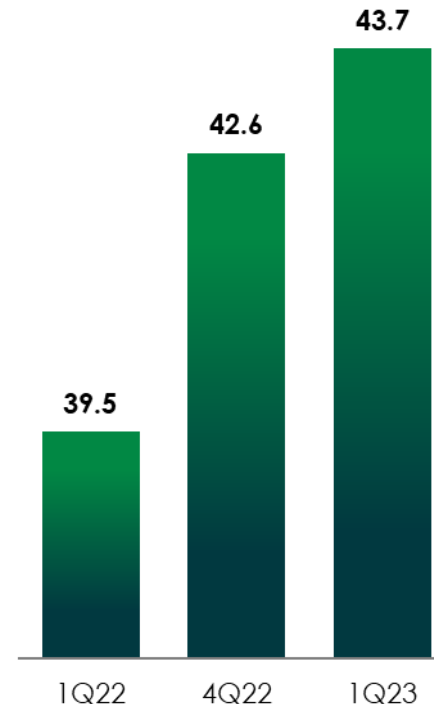
→ Cost to Income ratio substantially improved to 37.9%, compared with 53.8% in 1Q22.

→ Loan Book grew by 2.6% QoQ and 10.6% YoY, driven by balanced growth across most segments, while maintaining credit loss expenses at 0.48%

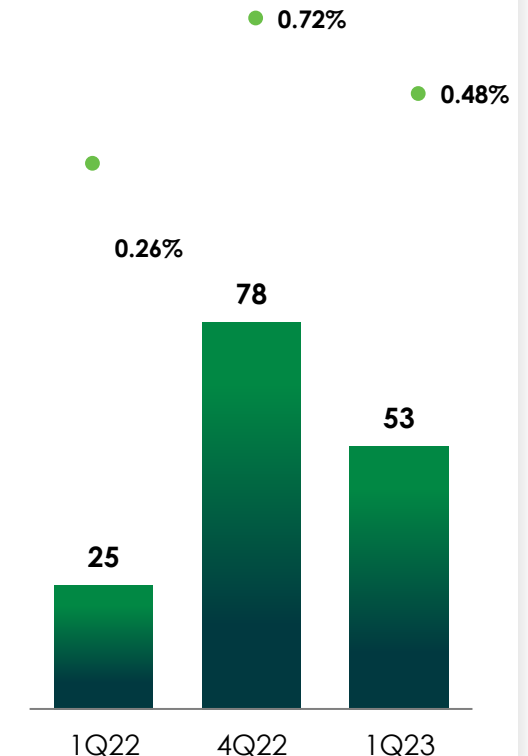
Net Income and ROE
(NIS m)

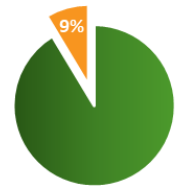


Total Credit
(NIS bn)



Credit Loss Expenses
(in NIS m and %)



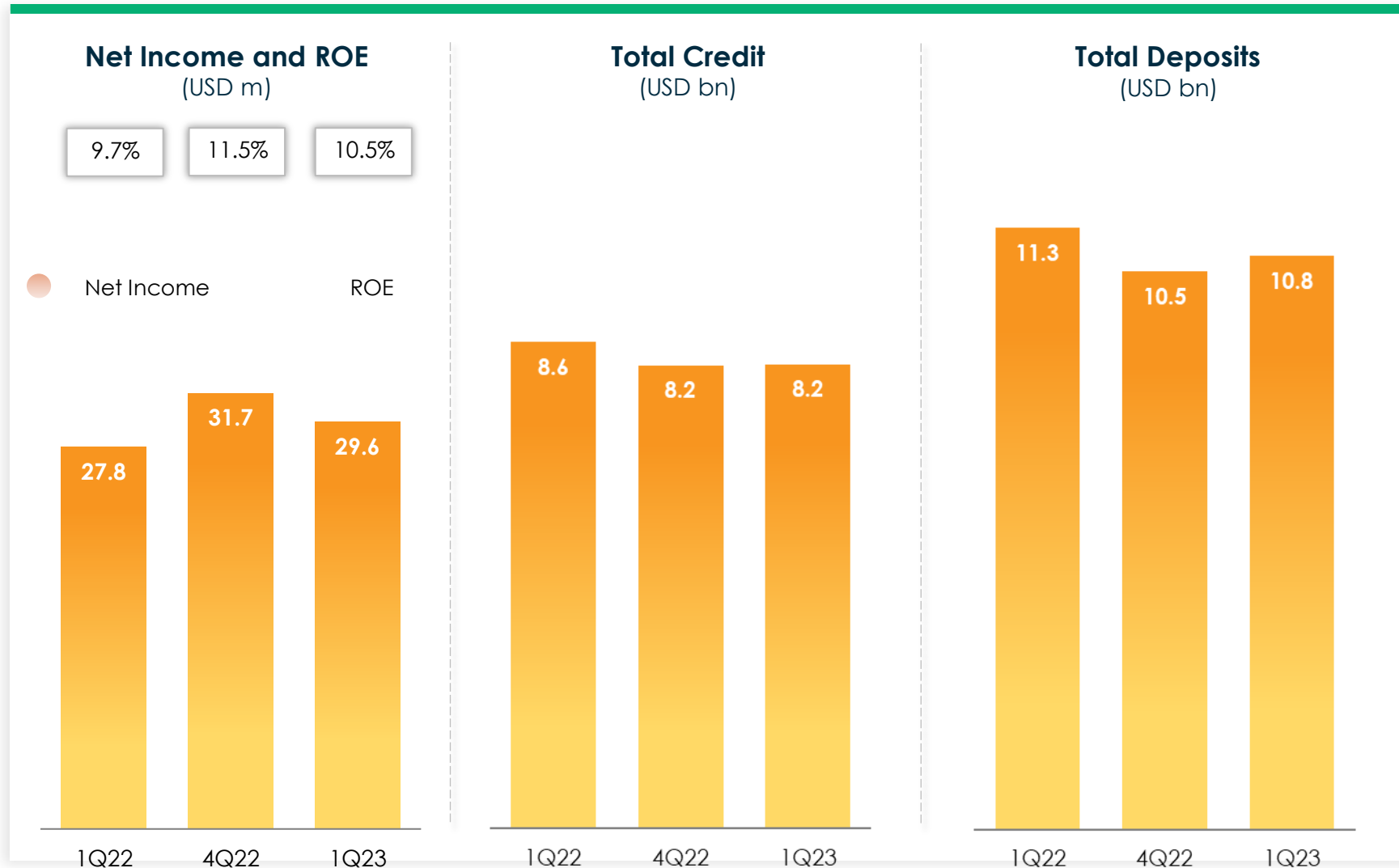


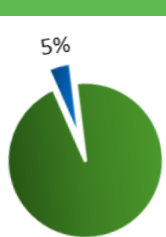
IDBBANK: SOLID PERFORMANCE AND DEPOSIT GROWTH EXHIBIT THE BANK'S RESILIENCE

→ IDBNY presents solid performance in 1Q23 with net income of \$29.6m and ROE of 10.5%, compared with net income of \$27.8m and ROE of .in 1Q22 9.7%

→ Asset quality remains solid, with credit loss provision release of \$3.7m. Deposits grew by 2.8% QoQ to \$10.8bn and Loans remained at .(\$8.1bn (-0.8% QoQ

→ IDBNY is expected to sign consent orders with U.S. regulators. The consent orders do not include restrictions on the ongoing activity of IDBNY or on the implementation of its strategic plan, nor include .penalties.





CAL: GROWING CONSUMER CREDIT AND TRANSACTION TURNOVER SUPPORT STRONG RESULTS

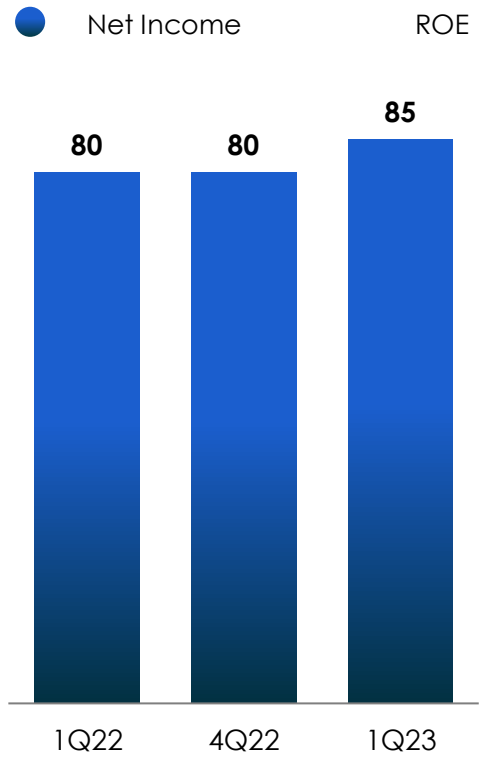
→ CAL reported strong results in 1Q23 with adjusted net income of NIS 85m and 16.2% ROE. Reported net income of NIS 257m includes a one time asset realization.

→ The results were supported by increase in consumer credit (6.5% QoQ, 14.3% YoY) and in credit cards transaction turnover (2.3% QoQ, 14.7% YoY).

→ CAL separation is expected to have a limited impact on Discount ongoing profitability – a minor negative impact on net profit and ROE, and a substantial positive impact on the efficiency Ratio.

Net Income and ROE (Adj.)
in NIS m

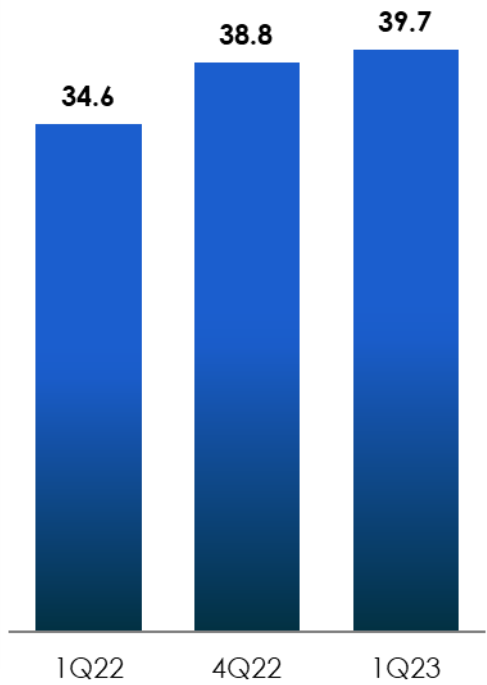
14.3% 13.3% 16.2%



Consumer Credit
in NIS bn



Transaction Turnover
in NIS bn



TO SUMMARIZE

- ➔ We delivered yet again **record results for 1Q23**, with **net income of 1.27BN NIS**, and **ROE of 20.1%**.
- ➔ **Substantial revenue increase from core banking activity** – NII is growing by 7.9% QoQ, and by 52.2% YoY. Net Interest Margin (NIM) reached 3.18% compared with 2.98% in 4Q22 and 2.36% in 1Q22.
- ➔ **Significant improvement in Cost Income Ratio to 46.1%**, compared with 55.3% in 1Q22.
- ➔ **Responsible credit growth, with asset quality remaining strong** – Credit growth of 3.5%, in line with market conditions. Credit quality matrix reflects robustness of our portfolio with NPL to total credit remains low at 0.63%.
- ➔ **Dividend Payout raised to 30%**, as we continue our long-term journey to increase value for our shareholders and taking into account the resilience of our core business.

AGENDA

> **Opening Remarks and Financial Review**

Barak Nardi, CFO

> **Q&A**

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

APPENDICES

ISRAEL DISCOUNT BANK: P&L AND SELECTED RATIOS

NIS m	1Q23	4Q22	1Q22	vs.4Q22	vs.1Q22
Net interest income	2,740	2,540	1,800	7.9%	52.2%
Credit loss expenses (expenses release)	204	230	(60)	(11.3%)	N/A
Non-interest financing income	329	248	45	32.7%	631.1%
Commissions	887	857	825	3.5%	7.5%
Other income	301	9	416	3,244.4%	(27.6%)
Total non-interest income	1,517	1,114	1,286	36.2%	18.0%
Total income	4,257	3,654	3,086	16.5%	37.9%
Salaries and related expenses	945	988	855	(4.4%)	10.5%
Maintenance & depreciation	324	313	303	3.5%	6.9%
Other expenses	693	666	549	4.1%	26.2%
Total operating and other expenses	1,962	1,967	1,707	(0.3%)	14.9%
Income before taxes	2,091	1,457	1,439	43.5%	45.3%
Provision for taxes on income	763	516	447	47.9%	70.7%
Income after taxes	1,328	941	992	41.1%	33.9%
Net income attributable to shareholders	1,269	939	983	35.1%	29.1%
ROE	20.10%	15.40%	18.3%		
Cost income ratio	46.10%	53.80%	55.3%		
CET-1 ratio	10.22%	10.25%	10.55%		
NIM	3.18%	2.98%	2.36%		
Rate of credit loss expenses	0.33%	0.38%	(0.11%)		
NPL ratio	0.64%	0.67%	0.71%		
Dividend per share (in Agurot)*	30.78	15.18	14.43		

* Dividend in respect of the relevant period

ISRAEL DISCOUNT BANK: SELECTED BALANCE SHEET ITEMS

NIS m	31.03.23	31.12.22	31.03.22
Cash and deposits with banks	60,040	65,713	60,997
Securities	51,215	44,794	42,918
Securities borrowed or purchased under agreements to resell	1,251	857	1,156
Credit to the public	252,845	244,288	220,733
Provision for credit losses	(3,362)	(3,209)	(2,882)
Credit to the public, net	249,483	241,079	217,851
Credit to governments	2,912	2,599	2,553
Investment in investee companies	491	486	455
Buildings and equipment	4,031	3,904	3,441
Intangible assets and goodwill	162	162	163
Assets in respect of derivative instruments	11,959	11,420	5,732
Other assets	5,928	5,740	5,392
Total Assets	387,472	376,754	340,658
Deposits from the public	289,712	292,293	267,731
Deposits from banks and governments	17,648	15,493	13,342
Securities borrowed or sold via repo agreements*	7,787	3,739	
Bonds and subordinated debt notes	15,097	12,308	12,211
Liabilities in respect of derivative instruments	10,005	9,348	5,892
Other liabilities	20,473	18,095	17,773
Total liabilities	360,722	351,276	316,949
Equity capital attributed to the Bank's shareholders	26,096	24,880	23,027
Non-controlling rights in consolidated companies	654	598	682
Total equity	26,750	25,478	23,709
Total Liabilities and Equity	387,472	376,754	340,658

ISRAEL DISCOUNT BANK: Adjustment to P&L

NIS m	1Q23	4Q22	1Q22
Reported net income	1,269	939	983
Realization of Assets	(142)		(315)
Effect of settlement		19	
Cost associated with the separation of CAL	74		
Total	(68)	19	(315)
Adjusted net income	1,201	958	668

MERCANTILE: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q23	4Q22	1Q22	Vs. 4Q22	Vs. 1Q22
Net interest income	563	521	359	8.1%	56.8%
Non-interest income	109	97	89	12.4%	22.5%
Total income	672	618	448	8.7%	50.0%
Operating & other expenses	255	310	241	(17.7%)	5.8%
Net income	237	151	121	57.0%	95.9%
Return on equity	23.0%	15.1%	12.9%		
Cost-income ratio	37.9%	50.2%	53.8%		
Rate of credit loss expenses	0.49%	0.73%	0.26%		
NIM	3.61%	3.39%	2.51%		
Total assets	64,417	64,786	60,900	(0.6%)	5.8%
Credit to the public, net	43,718	42,569	39,494	2.7%	10.7%
Securities	7,109	6,988	7,035	1.7%	1.1%
Deposits from the public	50,741	51,047	48,881	(0.6%)	3.8%
Total equity	4,262	4,055	3,691	5.1%	15.5%

IDBBANK: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	1Q23	4Q22	1Q22	Vs. 4Q22	Vs. 1Q22
Net Interest Income	87	92	72	(5.4%)	21.8%
Non-Interest Income	17	12	18	44.5%	(2.3%)
Total Income	104	104	90	0.2%	15.9%
Operating & Other Expenses	68	64	58	7.1%	17.0%
Net Income	30	32	28	(5.1%)	8.0%
Return on Equity	10.5%	11.5%	9.7%	(8.7%)	8.2%
Cost-Income Ratio	65.4%	61.5%	64.4%	6.3%	1.6%
Credit Loss Expenses ratio	(0.18%)	0.06%	(0.31%)	N/A	N/A
NIM	3.03%	3.19%	2.34%	(5.0%)	29.5%
Total Assets	12,830	12,512	12,980	2.5%	(1.2%)
Loans, net	8,086	8,154	8,564	(0.8%)	(3.2%)
Securities	2,659	2,460	2,804	8.1%	(13.0%)
Deposits from the Public	10,773	10,479	11,301	2.8%	(6.8%)
Total Equity	1,161	1,121	1,116	3.6%	4.0%

CAL: FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	1Q23	4Q22	1Q22	Vs. 4Q22	Vs. 1Q22
Income From Credit Card Transactions	423	428	377	(1.2%)	12.2%
Credit Loss Expenses (Expenses Release)	41	43	(1)	(4.7%)	N/A
Non-Interest Financing Income	301	(7)	17	N/A	N/A
Total Income	918	599	554	53.3%	65.7%
Total Expenses (excluding credit loss expenses)	542	498	440	8.8%	23.2%
Net income - Adjusted	85	80	80	6.3%	6.3%
Return on equity - Adjusted	16.2%	13.3%	14.3%		
Cost-income ratio - Adjusted	75.2%	78.9%	79.4%		
Total assets	19,435	18,547	16,867		
Interest bearing credit	8,416	8,183	7,188		
Consumer credit	7,216	7,034	6,177		
Total equity	2,278	2,120	2,305		