



## Discount Group reports Record results for 2023

**2023 Net Income of NIS 4.2bn, ROE of 15.7% and Efficiency Ratio of 49.6%**

**4Q23 Net Income of NIS 919m, ROE of 13.2% and Efficiency Ratio of 53.4%**

Discount Group reported record results completing 2023 with net income of NIS 4.2bn and ROE of 15.7%. The strong performance was largely driven by increase in revenues from core banking activity, with net interest income increased by 26% for the year and by 0.6% in 4Q23 vs. the parallel quarter in 2022. Additionally, due to the war, credit loss expenses ratio mounted to 0.59% in 2023 compared with 0.18% in 2022. In 4Q23 credit loss expenses ratio decreased to 0.59% compared with 0.91% in 3Q23 and 0.38% in 4Q22, driven mainly by increase in collective allowances to reflect our macro assumption due to the war in Gaza.

Solid credit growth within key segments, total credit grew by 7.6% YoY with medium enterprises growing by 16.4% YoY, corporates grew by 15.5% YoY and mortgage balance by 6.4% YoY. In 4Q23, there was a modest increase of 0.2% in growth, aligned with market conditions and the war. Cost-income ratio reached at 49.6% in 2023, compared with 55.8% in 2022 and 65.4% in 2021.

Dividend payout for 4Q23 is set at 20% distribution, in accordance with Bol directive, and reflecting the current conditions, our confidence in our capital capacity and to ensure future growth & expected demand for credit in the next quarters.

**Discount CEO, Avi Levi** said, "Today we are publishing the annual results for the year 2023 with high capital adequacy and excess liquidity that bring to light the strength and resilience of the group, while continuing responsible growth, in line with the challenges that the State of Israel is facing. During the year and despite the complexity, we managed to improve the efficiency indicators, form an experienced and professional management and lay the foundation for the formation of a long-term strategic plan that will accelerate processes of innovation and growth in the group. The management, alongside our committed staff, is steadfast in its resolve to further enhance our dedication to customers. We are committed to exerting even greater effort to propel the wheels of the economy and contribute to community support"

#### 4Q 2023 Main highlights:

- **Net income of NIS 919m and ROE of 13.2%** supported by 3.7% YoY increase in revenues from banking activity, maintaining cost income ratio at 53.4% compared with 51.8% in 3Q23 and 53.8% in 4Q22.
- **The impact of low CPI:** NII decreased by 5.6% compared with 3Q23 due to lower CPI, and increased by 0.6% compared with 4Q22. Net Interest Margin (NIM) reduced to 2.83% compared with 3.02% in 3Q23 and 2.98% in 4Q22.
- **Moderate credit growth of 0.2%** QoQ, in accordance with market demand, led by Medium Enterprises 3.9% QoQ, corporates by 2.6% and Mortgages by 0.7%.
- **Credit loss expenses are growing to 0.59% reflect expectations for slowdown in economy due to the war in Gaza,** NPL from total loans ratio slightly increased to 0.91%, and allowance for Loan Loss Provisions from total credit reached 1.60%. Credit Loss Expenses Ratio for 4Q23 decreased to 0.59%, driven mainly in collective allowance to reflect the war and uncertainty macro environment.
- **Dividend payout of 20%:** Discount announced a dividend of NIS 184m; 20% of 4Q23 net income, the dividend payout is increased to a 20% distribution, in accordance with Bol directive and to reflect our confidence in our robust capital capacity and to ensure future growth & expected demand for credit.

## Main highlights of P&L, Balance Sheet and Selected Ratios

### Discount Group P&L and Selected Ratios

NIS m	4Q23	3Q23	4Q22	vs.3Q23	vs.4Q22	2023	2022	change
Net interest income	2,555	2,707	2,540	(5.6%)	0.6%	10,936	8,693	25.8%
Credit loss expenses	390	596	230	(34.6%)	69.6%	1,502	407	269.0%
Non-interest financing income	295	312	248	(5.4%)	19.0%	1,218	417	192.1%
Commissions	821	918	857	(10.6%)	(4.2%)	3,495	3,404	2.7%
Other income	118	6	9			425	430	(1.2%)
Total non-interest income	1,234	1,236	1,114	(0.2%)	10.8%	5,138	4,251	20.9%
<b>Total income</b>	<b>3,789</b>	<b>3,943</b>	<b>3,654</b>	<b>(3.9%)</b>	<b>3.7%</b>	<b>16,074</b>	<b>12,944</b>	<b>24.2%</b>
Salaries and related expenses	979	972	988	0.7%	(0.9%)	3,850	3,568	7.9%
Maintenance & depreciation	363	384	313	(5.5%)	16.0%	1,397	1,232	13.4%
Other expenses	680	687	666	(1.0%)	2.1%	2,719	2,417	12.5%
<b>Total operating and other expenses</b>	<b>2,022</b>	<b>2,043</b>	<b>1,967</b>	<b>(1.0%)</b>	<b>2.8%</b>	<b>7,966</b>	<b>7,217</b>	<b>10.4%</b>
Income before taxes	1,377	1,304	1,457	5.6%	(5.5%)	6,606	5,320	24.2%
Provision for taxes on income	470	457	516	2.8%	(8.9%)	2,316	1,806	28.2%
Income after taxes	907	847	941	7.1%	(3.6%)	4,290	3,514	22.1%
<b>Net income attributable to shareholders</b>	<b>919</b>	<b>817</b>	<b>939</b>	<b>12.5%</b>	<b>(2.1%)</b>	<b>4,192</b>	<b>3,495</b>	<b>19.9%</b>
ROE	13.2%	12.0%	15.4%			15.7%	15.1%	
Cost income ratio	53.4%	51.8%	53.8%			49.6%	55.8%	
CET-1 ratio	10.71%	10.36%	10.25%			10.71%	10.25%	
NIM	2.83%	3.02%	2.98%			3.08%	2.69%	
Rate of credit loss expenses	0.59%	0.91%	0.38%			0.59%	0.18%	
NPL ratio	0.91%	0.84%	0.62%			0.91%	0.62%	
Dividend per share (in Agurot)*	14.86	9.91	15.18					

\* Dividend in respect of the relevant period

### Discount Group Selected Balance Sheet Items

NIS m	31.12.23	30.09.23	31.12.22
Cash and deposits with banks	51,115	57,552	65,713
Securities	59,268	52,380	44,794
Securities borrowed or purchased under agreements to resell	851	1,150	857
Credit to the public	262,941	262,463	244,288
Provision for credit losses	(4,214)	(4,034)	(3,209)
Credit to the public, net	258,727	258,429	241,079
Credit to governments	3,073	3,313	2,599
Investment in investee companies	471	468	486
Buildings and equipment	4,535	4,502	3,904
Intangible assets and goodwill	161	162	162
Assets in respect of derivative instruments	11,106	14,857	11,420
Other assets	6,417	6,389	5,740
<b>Total Assets</b>	<b>395,724</b>	<b>399,202</b>	<b>376,754</b>
Deposits from the public	297,597	298,435	292,293
Deposits from banks and governments	11,404	14,668	15,493
Securities borrowed or sold via repo agreements*	12,642	11,007	3,739
Bonds and subordinated debt notes	15,491	16,225	12,308
Liabilities in respect of derivative instruments	10,469	11,445	9,348
Other liabilities	18,883	19,031	18,095
<b>Total liabilities</b>	<b>366,486</b>	<b>370,811</b>	<b>351,276</b>
Equity capital attributed to the Bank's shareholders	28,474	27,621	24,880
Non-controlling rights in consolidated companies	764	770	598
Total equity	29,238	28,391	25,478
<b>Total Liabilities and Equity</b>	<b>395,724</b>	<b>399,202</b>	<b>376,754</b>

\* Including securities borrowed or purchased under agreements to resell

## Overview of Subsidiaries

### **Mercantile:**

Mercantile successfully delivering a robust 2023 year with an adj. net income of NIS 880m, adj. RoE of 19.7% and adj. cost income ratio of 38.8%. Total credit growth of 1.4% QoQ and 7.7% YoY.

NIS m	4Q23	3Q23	4Q22	Vs. 3Q23	Vs. 4Q22
Net interest income	536	577	521	(7.1%)	2.9%
Non-interest income	209	104	97	101.0%	115.5%
Total income	745	681	618	9.4%	20.6%
Operating & other expenses	252	275	310	(8.4%)	(18.7%)
<b>Net income - Adjusted</b>	<b>188</b>	<b>197</b>	<b>151</b>	<b>(4.6%)</b>	<b>24.5%</b>
Return on equity - Adjusted	15.5%	17.1%	15.1%		
Cost-income ratio - Adjusted	40.1%	40.4%	50.2%		
Rate of credit loss expenses	0.76%	0.68%	0.73%		
NIM	3.64%	3.83%	3.39%		
Total assets	63,789	61,388	64,786	3.9%	(1.5%)
Credit to the public, net	45,678	45,081	42,569	1.3%	7.3%
Securities	7,410	6,881	6,988	7.7%	6.0%
Deposits from the public	50,306	48,788	51,047	3.1%	(1.5%)
Total equity	4,977	4,725	4,055	5.3%	22.7%

2023	2022	2022
2,284	1,746	30.8%
533	376	41.8%
2,817	2,122	32.8%
1,048	1,051	(0.3%)
<b>880</b>	<b>601</b>	<b>46.4%</b>
19.7%	15.7%	
38.8%	49.5%	
0.70%	0.38%	
3.75%	2.92%	

### **IDBNY:**

IDB Corp. finished 2023 with Net Income of \$64m, a decrease of 44%. The decrease is attributed to realized losses on available-for-sale debt securities amounted to \$30.0 million. RoE for 2023 stands at 5.5% and Cost Income Ratio of 76.8%. Net interest income for the year 2023 remained without change with \$335 million and Credit Loss Expenses ratio maintained low at 0.10%.

USD m	4Q23	3Q23	4Q22	Vs. 3Q23	Vs. 4Q22
Net Interest Income	80	82	92	(2.4%)	(13.0%)
Non-Interest income (expense)	(10)	21	12	N/A	N/A
Total Income	70	103	104	(32.0%)	(32.7%)
Operating & Other Expenses	77	74	64	4.1%	20.3%
<b>Net Income</b>	<b>(5)</b>	<b>17</b>	<b>32</b>	<b>(129.4%)</b>	<b>(115.6%)</b>
Return on Equity	(1.8%)	5.9%	11.5%	(130.5%)	(115.7%)
Cost-Income Ratio	110.0%	71.8%	61.5%	53.2%	78.9%
Credit Loss Expenses ratio	0.24%	0.25%	0.06%	N/A	N/A
NIM	2.77%	2.86%	3.19%	(3.1%)	(13.2%)
Total Assets	12,219	12,443	12,512	(1.8%)	(2.3%)
Loans, net	8,102	8,236	8,154	(1.6%)	(0.6%)
Securities	2,608	2,714	2,460	(3.9%)	6.0%
Deposits from the Public	10,316	10,318	10,479	(0.0%)	(1.6%)
Total Equity	1,222	1,169	1,121	4.5%	9.0%

2023	2022	Change
335	335	-
45	68	(33.8%)
380	403	(5.7%)
292	255	14.5%
<b>64</b>	<b>114</b>	<b>(43.9%)</b>
5.5%	10.2%	
76.8%	63.4%	
0.10%	(0.03%)	
2.90%	2.80%	

## CAL:

CAL reported adj. net income of NIS 277m and 12% adj. RoE in 2023. The results were supported by a 10.1% increase in consumer credit, 14.8% increase in credit cards transaction and 4.1% increase in active cards.

NIS m	4Q23	3Q23	4Q22	Vs. 3Q23	Vs. 4Q22
Income from Credit Card Transactions	401	480	428	(16.5%)	(6.3%)
Credit Loss Expense	98	93	43	5.4%	127.9%
Non-Interest Financing Expenses	-	9	(7)	N/A	N/A
Total Income	614	701	599	(12.4%)	2.5%
Total Expenses (excluding credit loss expenses)	474	502	498	(5.6%)	(4.8%)
<b>Net income - Adjusted</b>	<b>24</b>	<b>79</b>	<b>39</b>	<b>(69.6%)</b>	<b>(38.5%)</b>
Return on equity - Adjusted	3.8%	13.3%	7.6%		
Cost-income ratio - Adjusted	77.5%	71.6%	83.1%		
Total assets	19,378	20,454	18,547	(5.3%)	4.5%
Interest bearing credit	9,005	9,103	8,183	(1.1%)	10.0%
Consumer credit	7,741	7,770	7,034	(0.4%)	10.1%
Total equity	2,447	2,444	2,120	0.1%	15.4%

2023	2022	Change
1,751	1,651	6.1%
285	97	193.8%
310	102	203.9%
2,883	2,433	18.5%
2,001	1,895	5.6%
<b>277</b>	<b>286</b>	<b>(3.1%)</b>
12.0%	13.2%	
74.3%	78.9%	

### Disclaimer:

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