



Discount Group reports results for the Third Quarter of 2023

3Q23 Net Income of NIS 817m, ROE of 12.0% and Efficiency Ratio of 51.8%

9M23 Net Income of 3,273m, 28.1% YoY increase and ROE of 16.6%

Discount Group reported results completing 3Q23 with net income of NIS 817m and ROE of 12.0%, compared with NIS 1,187 in 2Q23 and NIS 893m in 3Q22. The performance was mainly driven by increase in Group basis provisions for credit loss of NIS 596m, compared with NIS 312m in 2Q23 and NIS106m in 3Q22, to reflect a higher probability for an economic slowdown due to the war in Gaza. Net Interest income decreased in 7.7% QoQ, and grew by 18.7% YoY. Total credit grew 2.2% QoQ and by 9.3% YoY. Cost-income ratio was maintained at 51.8% in 3Q23, compared with 47.5% in 2Q23 and 55.2% 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.

Discount CEO, Avi Levi said, "Our current responsibility is to actively mobilize and provide substantial support to Israeli society, the affected communities, as well as our individual and business clients. To date, Discount has committed approximately 350 of a million shekels to benefit the residents in the south and our clients. We are committed to continue our assistance in the future. At the same time, we have curtailed the distribution of dividends for the reported quarter, demonstrating a conscientious approach to meeting the credit needs essential for sustaining both small and large businesses, many of whom are our clients. It's crucial to underscore that we entered this wartime period with a robust and secure financial position, boasting high capital adequacy and surplus liquidity. Our approach is characterized by careful and responsible conduct, accounting for various scenarios, and being fully prepared for each of them. "

3Q 2023 Main highlights:

- **Net income of NIS 817m and ROE of 12.0%** supported by 19.2% YoY increase in revenues from banking activity, maintaining cost income ratio at 51.8% compared with 47.5% in 2Q23 and 55.2% in 3Q22.
- **The impact of high interest rate environment:** NII decreased by 7.7% QoQ, an increase of 18.7% YoY. Net Interest Margin (NIM) reduced to 3.02% compared with 3.33% in 2Q23 and 2.74% in 3Q22.
- **Solid credit growth of 2.2%** QoQ, in accordance with market demand, led by corporates 2.9% QoQ, Medium Enterprises by 2.3% and mortgage balance by 1.6%.
- **Credit loss expenses are growing to 0.92% reflect expectations for slowdown in economy due to the war in Gaza,** NPL from total loans ratio remained steady at 0.84% and allowance for Loan Loss Provisions from total credit reached 1.54%. As expected, Credit Loss Expenses Ratio for 3Q23 mounted to 0.92%, driven mainly by collective allowance to reflect higher interest rate and uncertainty macro environment.
- **Dividend payout of 15%:** Discount announced a dividend of NIS 123m; 15% of 3Q23 net income, the dividend has been temporarily decreased to 15%, reflecting 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	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%
Total income	3,943	4,085	3,307	(3.5%)	19.2%	12,285	9,290	32.2%
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%
Total operating and other expenses	2,043	1,939	1,827	5.4%	11.8%	5,944	5,250	13.2%
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%
Net income attributable to shareholders	817	1,187	893	(31.2%)	(8.5%)	3,273	2,556	28.1%
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

Discount Group 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
Total Assets	399,202	391,815	379,074
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
Total liabilities	370,811	364,133	354,356
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
Total Liabilities and Equity	399,202	391,815	379,074

* Including securities borrowed or purchased under agreements to resell

Overview of Subsidiaries

Mercantile:

Mercantile reported 3rd Quarter results with a net income of NIS 197m, RoE of 17.1% and Cost Income ratio of 40.4%. Total credit growth of 2.1% QoQ and 6.5% YoY.

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%
Net income	197	258	185	(23.6%)	6.5%
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%
692	450	53.8%
21.2%	15.9%	
38.4%	49.3%	
0.98%	0.15%	
3.79%	2.76%	

IDBNY:

IDB Corp. finished the 3rd Quarter with Net Income of \$17m, RoE of 5.9% and Cost Income Ratio of 71.8%. Net interest income decreased by 4.7% QoQ, and Credit Loss Expenses ratio maintained low at 0.25%.

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%
Net Income	17	22	25	(22.7%)	(32.0%)
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%
69	82	(15.9%)
7.9%	9.8%	
69.4%	64.1%	
0.06%	(0.06%)	
2.95%	2.68%	

CAL:

CAL reported net income of NIS 79m and 13.2% RoE in 3Q23, income from credit card transactions grew by 7.4% in this quarter and consumer credit grew by 2.9% QoQ.

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%
Net income - Adjusted	79	89	86	(11.2%)	(8.1%)
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%
253	247	2.4%
14.9%	15.1%	
73.1%	77.4%	

Disclaimer:

This document has been prepared by Israel Discount Bank Ltd. (the "Bank") solely for use by the Bank in its document of its 3Q23 report, as well as in strategic updates referred to in the Bank's reports.

This document is not a substitute for the Bank's 3Q23 financial statements which include the full financial information including forward-looking information. The English version of the financial statements are available on the Bank's investor relations website at www.investors.discountbank.co.il

This document includes forward-looking information, as defined in the Israeli Securities Law, 5728 - 1968. Such information includes, among other things, projections, objectives, estimates and assessments of the Bank, which relate to future events or issues, the occurrence of which is not certain and is outside the control of the Bank. Forward-looking information does not constitute proven, factual information, and is based solely on the viewpoint of the Bank's management, which is based, among other things, on analysis of general information that is known to the Bank's management as of the date of this document. Forward-looking information, by definition, is subject to the substantial risk of not coming to fruition, and such information is not definite and cannot be estimated in advance and is at times even beyond the Bank's control. The fulfillment of forward-looking information is impacted by risk factors that are characteristic of the Bank's activities and also by developments in the general environment and external factors that affect the Bank's operations, which cannot be estimated in advance and that by their nature are beyond the control of the Bank. Therefore, readers of this document are hereby warned that the results and achievements of the Bank in the future may be significantly different than those presented in the forward-looking information included in this document. Similarly, forward-looking projections and estimations are based on assumptions and information in the possession of the Bank as of the time of the document, and the Bank shall not be required to update or revise any such projection or estimation in order to reflect events or conditions that transpire after the date of the document.