



Discount Group Reports Record Results for 2022

2022 Net Income of NIS 3.5bn, ROE of 15.1% and Efficiency Ratio of 55.8%

4Q22 Net Income of NIS 939m, ROE of 15.4% and Efficiency Ratio of 53.8%

Discount Group reported record results completing 2022 with net income of NIS 3.5bn and ROE of 15.1%, reaching its 2025 strategic targets. The strong performance was largely driven by increase in revenues from core banking activity, with net interest income increased by 33% for the year and by 51% in Q4 vs. the parallel quarter in 2021. This material revenue growth drove an improvement in cost income ratio, that reached 55.8% on a year basis, and 53.8% in the fourth quarter.

Total credit grew by 13% YoY, with continued focus on targeted segments, with 21% YoY growth in mortgages and 16.6% growth in credit to medium enterprises. Credit growth in 4Q22 slowed down compared with previous quarters, to 1.8% QoQ, aligned with market conditions. Credit loss expenses stood at 0.38% in 4Q22, mainly due to group provision, and at 0.18% for FY22.

Discount announced a dividend of NIS 187 million in respect of 4Q22 earnings, in line with its distribution policy.

On top of the strong results generated by the traditional banking activity, Discount continues its journey to generate substantial value from disruptive initiatives. Less than 2 years after PayBox spinout, Discount is launching greenlend, a fintech company that will offer digital credit to clients of all banks.

Discount CEO, Uri Levin said, "Discount concludes 2022 with record results and is already today meeting the goals of the strategic plan set for 2025. Discount, which has determined to be the best bank for its customers, has made again this year extraordinary moves that provide real solutions to the needs of our customers. Alongside this, Discount continues to challenge the banking system through the establishment and expansion of independent ventures, such as Greenland and Paybox, which generate dramatic value for the customer and significant competition for the banking system"

4Q 2022 Main highlights:

- **Net income of NIS 939m and ROE of 15.4%** supported by increase in revenues from core banking activity, which outpace the growth in operating expenses, leading to **improving cost income ratio to 53.8%**.
- **Responsible credit growth of 13.0% YoY**, focusing on targeted segment. Continued focus on key segments: **Mortgage** balance grew by 21.0% YoY and **medium enterprises** balance grew by 16.6% YoY. QoQ credit growth was 1.8%.
- **Strong Asset Quality** with NPL from total loans ratio stable at 0.67% as the loan loss provision covers NPL by almost twice. Credit Loss Expenses Ratio for 4Q22 was 0.38% driven mainly by group provision to reflect worsening macro assumptions.
- **Solid execution at all subsidiaries** drives robust Group performance.
- **Dividend payout** of NIS 187m; 20% of 4Q22 net income.

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

Discount Group P&L and Selected Ratios

NIS m	4Q22	3Q22	4Q21	vs.3Q22	vs.4Q21	2022	2021	change
Net interest income	2,540	2,280	1,683	11.4%	50.9%	8,693	6,529	33.1%
Credit loss expenses (expenses release)	230	106	(10)	117.0%		407	(693)	
Non-interest financing income	248	151	180	64.2%	37.8%	417	765	(45.5%)
Commissions	857	871	809	(1.6%)	5.9%	3,404	3,125	8.9%
Other income	9	5	50	80.0%	(82.0%)	430	72	497.2%
Total non-interest income	1,114	1,027	1,039	8.5%	7.2%	4,251	3,962	7.3%
Total income	3,654	3,307	2,722	10.5%	34.2%	12,944	10,491	23.4%
Salaries and related expenses	988	881	970	12.1%	1.9%	3,568	3,468	2.9%
Maintenance & depreciation	313	309	293	1.3%	6.8%	1,232	1,187	3.8%
Other expenses	666	637	676	4.6%	(1.5%)	2,417	2,203	9.7%
Total operating and other expenses	1,967	1,827	1,939	7.7%	1.4%	7,217	6,858	5.2%
Income before taxes	1,457	1,374	793	6.0%	83.7%	4,326	5,320	(18.7%)
Provision for taxes on income	516	472	269	9.3%	91.8%	1,516	1,806	(16.1%)
Income after taxes	941	902	524	4.3%	79.6%	3,514	2,810	25.1%
Net income attributable to shareholders	939	893	529	5.2%	77.5%	3,495	2,773	26.0%
ROE	15.4	15.0%	9.8%			15.1%	13.6%	
Cost income ratio	53.8	55.2%	71.2%			55.8%	65.4%	
CET-1 ratio	10.25	10.17%	10.14%			10.25%	10.14%	
NIM	2.98%	2.74%	2.30%			2.69%	2.34%	
Rate of credit loss expenses	0.38%	0.18%	(0.02%)			0.18%	(0.34%)	
NPL ratio	0.64%	0.67%	0.59%					
Dividend per share (in Agurot)*	15.18	14.43	9.08					

* Dividend in respect of the relevant period

Discount Group Selected Balance Sheet Items

NIS m	31.12.22	30.09.22	31.12.21
Cash and deposits with banks	65,713	71,510	59,638
Credit to the public	244,288	240,032	216,196
Provision for credit losses	(3,209)	(3,151)	(3,040)
Credit to the public, net	241,079	236,881	213,156
Credit to governments	2,599	2,574	2,664
Investment in investee companies	486	502	462
Buildings and equipment	3,904	3,724	3,401
Intangible assets and goodwill	162	163	163
Assets in respect of derivative instruments	11,420	13,601	5,522
Other assets	5,740	6,215	5,006
Total Assets	376,754	379,074	335,088
Deposits from the public	292,293	290,646	260,907
Deposits from banks and governments	15,493	16,839	12,880
Securities borrowed or sold via repo agreements*	3,739	3,038	
Bonds and subordinated debt notes	12,308	13,491	15,071
Liabilities in respect of derivative instruments	9,348	11,718	6,323
Other liabilities	18,095	18,624	17,759
Total liabilities	351,276	354,356	312,940
Equity capital attributed to the Bank's shareholders	24,880	24,112	21,483
Non-controlling rights in consolidated companies	598	606	665
Total equity	25,478	24,718	22,148
Total Liabilities and Equity	376,754	379,074	335,088

Overview of Subsidiaries

Mercantile:

Mercantile successfully delivering a robust 2022 year with a net income of NIS 601m, RoE of 15.7% and Cost Income ratio of 49.5%. Total credit growth of 13.1%.

NIS m	4Q22	3Q22	4Q21	Vs. 3Q22	Vs. 4Q21	2022	2021	change
Net interest income	521	452	342	15.3%	52.3%	1,746	1,324	31.9%
Non-interest income	97	101	94	(4.0%)	3.2%	376	469	(19.8%)
Total income	618	553	436	11.8%	41.7%	2,122	1,793	18.3%
Operating & other expenses	310	253	309	22.5%	0.3%	1,051	1,021	2.9%
Net income	151	185	91	(18.4%)	65.9%	601	562	6.9%
Return on equity	15.10%	19.3%	9.80%			15.7	16.2	
Cost-income ratio	50.2%	45.8%	70.9%			49.5%	56.9%	
Rate of credit loss expenses	0.73%	0.25%	(0.06%)			0.38%	(0.2%)	
NIM	3.39%	2.90%	2.57%			2.92	2.63%	
Total assets	64,786	65,485	59,894	(1.1%)	8.2%			
Credit to the public, net	42,569	42,325	37,636	0.6%	13.1%			
Securities	6,988	6,911	6,883	1.1%	1.5%			
Deposits from the public	51,047	51,507	48,070	(0.9%)	6.2%			
Total equity	4,055	3,928	3,771	3.2%	7.5%			

IDBNY:

IDBNY finished 2022 with Net Income of \$114m, RoE of 10.2% and Cost Income Ratio of 63.4%. Net interest income is increased by 30.4% YoY, primarily driven by 50 bps increase in net interest margin, following a series of Fed rate hikes.

USD m	4Q22	3Q22	4Q21	Vs. 3Q22	Vs. 4Q21	2022	2021	change
Net Interest Income	92	92	71	0.2%	29.9%	335	257	30.4%
Non-Interest Income	12	17	22	(29.4%)	(45.5%)	67	87	(23.0%)
Total Income	104	109	93	(4.6%)	11.8%	402	344	16.9%
Operating & Other Expenses	64	71	54	(9.9%)	18.5%	255	222	14.9%
Net Income	32	25	30	28.0%	6.7%	114	92	23.9%
Return on Equity	11.50%	8.9%	10.4%	29.2%	10.6%	10.3%	7.9%	30.4%
Cost-Income Ratio	61.50%	65.1%	58.1%	(5.5%)	5.9%	63.4%	64.7%	(2.0%)
Credit Loss Expenses ratio	0.06%	0.2%	(0.2%)	(73.9%)	(130.0%)	(0.0%)	(0.1%)	(40.0%)
NIM	3.16%	3.1%	2.4%	1.9%	31.7%	2.8%	2.3%	21.7%
Total Assets	12,512	12,369	12,952	1.2%	(3.4%)	12,512	12,952	(3.4%)
Loans, net	8,154	8,455	8,421	(3.6%)	(3.2%)	8,154	8,421	(3.2%)
Securities	2,460	2,571	2,829	(4.3%)	(13.0%)	2,460	2,829	(13.0%)
Deposits from the Public	10,479	10,462	11,245	0.2%	(6.8%)	10,479	11,245	(6.8%)
Total Equity	1,121	1,081	1,158	3.7%	(3.2%)	1,121	1,158	(3.2%)

CAL:

CAL reported strong net income of NIS 309m and 14.3% RoE. The results were supported by a 26.9% increase in consumer credit, 16.2% increase in credit cards transaction turnover and 6.5% increase in active cards.

NIS m	4Q22	3Q22	4Q21	Vs 3Q22	Vs. 4Q21	2022	2021	change
Income From Credit Card Transactions	428	434	388	(1.4%)	10.3%	1,651	1,432	15.3%
Credit Loss Expenses (Expenses Release)	43	28	9	53.6%	377.8%	97	(9)	
Non-Interest Financing Income	(7)	61	1			102	5	1,940.0%
Total Income	599	665	535	(9.9%)	12.0%	2,433	1,985	22.6%
Total Expenses (excluding credit loss expenses)	498	482	462	3.3%	7.8%	1895	1603	18.2%
Net income	39	109	40	(64.2%)	(2.5%)	309	271	14.0%
Return on equity	7.4	20.9%	7.5%			14.3%	13.2%	
Cost-income ratio	83.1%	72.5%	86.4%			77.9%	80.8%	
Total assets	18,547	18,564	16,076			18,547	16,076	
Interest bearing credit	8,183	7,832	6,717			8,183	6,717	
Consumer credit	7034	6,709	5,746			7,034	5,746	
Total equity	2,120	2,091	2,216			2,120	2,216	

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