



Discount Group Reports Record Results in 3Q 2022

3Q22 Net Income of NIS 893 million and ROE of 15.0% driven by 37.6% YoY Growth in Net Interest Income and Increase in NIM

9M22 Net Income of 2,556 million, 13.9% YoY increase and ROE of 15.0%

Discount Group reported record quarterly results completing the third quarter of 2022 with net income of NIS 893 million and ROE of 15.0%. In this quarter, average Bank of Israel interest rate was 1.5% compared with 0.1% in 3Q21, leading to material 37.6% increase in net interest income from core banking business. Fee income increased by 7.9% YoY. As a result, cost to income ratio improved to 55.2% in 3Q22, closer to the strategic target of 55%.

Total credit grew by 16.0% YoY, with continued focus on targeted segments, with 26.0% YoY growth in mortgage balance and 18.1% YoY growth in credit to medium enterprises. Credit growth in 3Q slowed down compared with previous quarter, to 1.9% QoQ, aligned with market conditions. Asset quality is robust with credit loss expenses of 0.18% in 3Q22 and 0.1% for 9M.22.

Discount announced a dividend of NIS 178.6 million in respect of 3Q22 earnings, in line with its distribution policy.

Uri Levin, Discount Group CEO, said: **"This is another quarter in which Discount Group displays excellent performance, which reflects the Bank's and the Group's resilience. Discount Group continues to successfully execute its 5 years strategic plan. Discount's strength is particularly important in these times, where we see signs of economic slowdown. Looking forward, we will continue to pursue competition in the banking sector and create significant value to our customers."**

3Q 2022 Main highlights:

- Net income of 893 and ROE of 15.0% supported by increase in revenues from core banking activity, which outpace the growth in operating expenses, leading to improving cost income ratio of 55.2%.
- 16.0% YoY credit growth, focusing on targeted segment, QoQ growth was 1.9%.
- Continued focus on key segments: Mortgage balance grew by 26.0% YoY and medium enterprises balance grew by 18.1% YoY.
- Total Income grew by 23.8% YoY to NIS 3.3 billion. Net interest income grew by 37.6% YoY and NIM improved to 2.74%. Fee income grew by 7.9% YoY.
- Credit Loss Expenses Ratio for 3Q22 was 0.18% largely due to worsening macro assumptions, partially offset by lower specific provision due to improvement in borrowers' classification.
- Dividend payout of NIS 178.6m; 20% of 3Q 22 net income

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

Discount Group P&L and Selected Ratios

NIS m	3Q22	2Q22	3Q21	Vs. 2Q22	Vs. 3Q21	9M22	9M21	Change
Net interest income	2,280	2,073	1,657	10.0%	37.6%	6,153	4,846	27.0%
Credit loss expenses (expenses release)	106	131	(126)	(19.1%)	--	177	(683)	--
Non-interest financing income	151	(27)	198	--	(23.7%)	169	585	(71.1%)
Commissions	871	851	807	2.4%	7.9%	2,547	2,316	10.0%
Other income	5	0	10	100.0%	(50.0%)	421	22	1813.6%
Total non-interest income	1,027	824	1,015	24.6%	1.2%	3,137	2,923	7.3%
Total income	3,307	2,897	2,672	14.2%	23.8%	9,290	7,769	19.6%
Salaries and related expenses	881	844	867	4.4%	1.6%	2,580	2,498	3.3%
Maintenance & depreciation	309	307	292	0.7%	5.8%	919	894	2.8%
Other expenses	637	565	497	12.7%	28.2%	1,751	1,527	14.7%
Total operating and other expenses	1,827	1,716	1,656	6.5%	10.3%	5,250	4,919	6.7%
Income before taxes	1,374	1,050	1,142	30.9%	20.3%	3,863	3,533	9.3%
Provision for taxes on income	472	371	401	27.2%	17.7%	1,290	1,247	3.4%
Income after taxes	902	679	741	32.8%	21.7%	2,573	2,286	12.6%
Net income attributable to shareholders	893	680	722	31.3%	23.7%	2,556	2,244	13.9%
ROE	15.0%	11.8%	13.8%			15.0%	14.9%	
Cost income ratio	55.2%	59.2%	62.0%			56.5%	63.3%	
CET-1 ratio	10.17%	10.16%	10.29%			10.17%	10.29%	
NIM	2.74%	2.63%	2.36%			2.58%	2.35%	
Rate of credit loss expenses	0.18%	(0.02%)	(0.25%)			0.10%	(0.46%)	
NPL ratio	0.67%	0.84%	0.87%			0.67%	0.87%	
Dividend per share (in Agurot)*	14.43	10.99	12.41			41.33	--	

* Dividend in respect of the relevant period

Discount Group Selected Balance Sheet Items

NIS m	30.09.22	31.12.21	30.09.21
Cash and deposits with banks	71,510	59,638	46,334
Securities*	43,904	45,076	47,104
Credit to the public	240,032	216,196	206,944
Provision for credit losses	-3,151	-3,040	-3,117
Credit to the public, net	236,881	213,156	203,827
Credit to governments	2,574	2,664	3,217
Investment in investee companies	502	462	392
Buildings and equipment	3,724	3,401	3,203
Intangible assets and goodwill	163	163	163
Assets in respect of derivative instruments	13,601	5,522	4,367
Other assets	6,215	5,006	4,894
Total Assets	379,074	335,088	313,411
Deposits from the public	290,646	260,907	245,393
Deposits from banks and governments	16,839	12,880	13,920
Securities borrowed or sold via repo agreements*	3,038		
Bonds and subordinated debt notes	13,491	15,071	11,170
Liabilities in respect of derivative instruments	11,718	6,323	4,570
Other liabilities	18,624	17,759	16,352
Total liabilities	354,356	312,940	291,405
Equity capital attributed to the Bank's shareholders	24,112	21,483	21,346
Non-controlling rights in consolidated companies	606	665	660
Total equity	24,718	22,148	22,006
Total Liabilities and Equity	379,074	335,088	313,411

* Including securities borrowed or purchased under agreements to resell

Overview of Subsidiaries

Mercantile:

Strong ROE of 19.3% and net income of NIS 185 million at Mercantile were driven by increase in net interest income, due to higher interest rates and higher inflation. 17.4% YoY Loan book growth was mainly driven by significant growth across all segments. On YoY basis, mortgages increased by 30.4%, corporates increased by 26.6% and medium enterprises by 18.4%. Total income from core banking activity grew by 31.7% YoY leading to improvement in cost income ratio to 49.3% for 9M.22

NIS m				Vs.				
	3Q22	2Q22	3Q21	2Q22	3Q21	9M22	9M21	change
Net interest income	452	414	341	9.2%	32.6%	1,225	982	24.7%
Credit loss expenses (expenses release)	16	36	7	(55.6%)	128.6%	77	(75)	--
Non-interest income	101	89	79	13.5%	27.8%	279	375	(25.6%)
Total income	553	503	420	9.9%	31.7%	1,504	1,357	10.8%
Operating & other expenses	253	247	228	2.4%	11.0%	741	712	4.1%
Net income	185	144	120	28.5%	54.2%	450	471	(4.5%)
Return on equity	19.3%	15.5%	13.4%			15.9%	18.5%	
Cost-income ratio	45.8%	49.1%	54.3%			49.3%	52.5%	
Rate of credit loss expenses	0.25%	0.36%	(0.29%)			0.25%	(0.29%)	
NIM	2.90%	2.86%	2.67%			2.76%	2.65%	
Total assets	65,485	63,081	54,058	3.8%	21.1%			
Credit to the public, net	42,325	41,306	36,035	2.5%	17.5%			
Securities	6,911	7,001	6,431	(1.3%)	7.5%			
Deposits from the public	51,507	49,466	42,924	4.1%	20.0%			
Total equity	3,928	3,777	3,650	4.0%	7.6%			

IDB NY:

IDB NY solid quarterly net income of \$25.0 million is largely driven by 72.7% increase in total interest and dividend income. Net interest income increased by 42.3% YoY driven primarily by 69 bps increase in net interest margin, following a series of Fed rate hikes. 3Q22 provision for credit losses was \$5.0 million, or 0.23% from total credit, reflecting the shifting economic conditions. Credit quality remains strong with further reduction in impaired loans and improvement of classified loans.

USD m	3Q22	2Q22	3Q21	Vs. 2Q22	Vs. 3Q21	9M22	9M21	change
Net Interest Income	92	79	64	16.5%	43.8%	243	186	30.6%
Credit Loss Expenses (Expenses Release)	5	-2	-9	--	--	-4	--	--
Non-Interest Income	17	20	21	(15.0%)	(19.0%)	55	65	(15.4%)
Total Income	109	99	85	10.1%	28.2%	298	251	18.7%
Operating & Other Expenses	71	62	57	14.5%	24.6%	191	168	13.7%
Net Income	25	29	27	(13.8%)	(7.4%)	82	62	32.3%
Return on Equity	8.9%	10.8%	9.3%			9.8%	7.1%	
Cost-Income Ratio	65.1%	62.6%	67.1%			64.1%	66.9%	
Credit Loss Expenses ratio (Expenses Release)	0.2%	(0.1%)	(0.5%)			(0.1%)	--	
NIM	3.1%	2.6%	2.4%			2.7%	2.4%	
Total Assets	12,369	12,604	11,725	(1.9%)	5.5%			
Loans, net	8,455	8,608	7,840	(1.8%)	7.8%			
Securities	2,571	2,607	2,716	(1.4%)	(5.3%)			
Deposits from the Public	10,462	10,821	10,225	(3.3%)	2.3%			
Total Equity	1,081	1,094	1,145	(1.2%)	(5.6%)			

CAL:

CAL reported strong net income of NIS 109 million and 20.9% ROE. The results were supported by a 24.1% increase in consumer credit, 16.2% increase in credit cards transaction turnover and 6.2% increase in active cards. In this quarter CAL also disposed shares of Visa Inc, which produced net income of NIS 30 million.

NIS m	3Q22	2Q22	3Q21	Vs. 2Q22	Vs. 3Q21
Income From Credit Card Transactions	434	412	381	5.3%	13.9%
Net Interest Income	170	172	140	(1.2%)	21.4%
Credit Loss Expenses (Expenses Release)	28	27	1	3.7%	--
Non-Interest Financing Income	61	31	4	96.8%	1,425.0%
Total Income	665	615	525	8.1%	26.7%
Total Expenses (excluding credit loss expenses)	482	475	394	1.5%	22.3%
Net income	109	81	92	34.6%	18.5%
Return on equity	20.9%	14.6%	18.7%		
Cost-income ratio	72.5%	77.2%	75.0%		
Total assets	18,564	17,698	15,165	4.9%	22.4%
Interest bearing credit	7,832	7,520	6,245	4.1%	25.4%
Consumer credit	6,709	6,416	5,447	4.6%	23.2%
Total equity	2,091	2,057	2,159	1.7%	(3.1%)

9M22	9M21	change
1,223	1,044	17.1%
502	402	24.9%
54	(18)	--
109	4	--
1,834	1,450	26.5%
1,397	1,141	22.4%
270	231	16.9%
16.5%	15.6%	
76.2%	78.7%	

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