



Discount Group reports strong results for the Second Quarter of 2023

2Q23 Net Income of NIS 1.19bn, ROE of 18.0% and Efficiency Ratio of 47.5%

Discount Group reported yet another record results, completing 2Q23 with net income of NIS 1.19bn and ROE of 18.0%. The strong performance was largely driven by increase in revenues from core banking activity, with net interest income increased by 41.5% YoY and by 7.1% QoQ. Cost income ratio was maintained at 47.5% in 2Q23. Total credit grew by 9.0% YoY and 1.6% QoQ.

Given our strong results and our confidence in the robustness of our core business, we have decided to raise the dividend policy to up to 40%. This reflects our long-term journey to increase value to our shareholders. Actual dividend payout of 30% in 2Q23.

Discount group settles into its new campus Outside of Tel-Aviv, assembling all head office units of Discount & Mercantile in an advanced 150,000sqm, green-standard, working space facility.

Greenlend – In August 2023, less than 5 months after announcing, the bank received the Bol approval to control and hold greenlend, a new fintech company to provide digital credit, in partnership with ezbob (UK). The bank continues to create value through disruptive innovation.

Discount CEO, Avi Levi said, "We conclude a strong quarter, which expresses continued determined and consistent implementation of the strategic plan in the bank and the group. Following the continuous improvement in results, it was decided to update the dividend payment policy and increase the distribution rate to up to 40%. Given the indicators expressing the slowdown in the local economy, we are closely monitor the developments and act responsibly alongside support and assistance to the bank's customers in the challenging environment. We are convinced that together with the dedicated employees of the Discount Group we will continue the momentum of growth in the future as well. "

2Q 2023 Main highlights:

- **Net income of NIS 1,187m and ROE of 18.0%** supported by 3.2% (adj.) QoQ increase in revenues from banking activity and restraint operating expenses, maintaining cost income ratio at 47.5% compared with 46.1% in 1Q23 and 59.2% in 2Q22.
- **Positive impact of interest rate increase:** NII grew in 2Q23 by 7.1% compared with 1Q23 and by 41.5% compared with 2Q22. Net Interest Margin (NIM) improved to 3.33% compared with 3.18% in 1Q23 and 2.63% in 2Q22.
- **Moderate credit growth of 1.6% QoQ**, in accordance with market demand, led by medium enterprises 3.8% QoQ and corporates by 2.6%.
- **Credit loss expenses are growing in line with market conditions**, with NPL from total loans ratio of 0.89% and allowance for Loan Loss Provisions from total credit of 1.39%. Credit Loss Expenses Ratio for 2Q23 was 0.49%, driven mainly by group provision to reflect higher interest rate environment and macro assumptions.
- **Dividend Policy raised to 40%**, actual dividend payout of NIS 356m; 30% of 2Q23 net income.

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

Discount Group P&L and Selected Ratios

| NIS m | 2Q23 | 1Q23 | 2Q22 | vs.1Q23 | vs.2Q22 | | 1H23 | 1H22 | change |
|--|--------------|--------------|--------------|---------------|--------------|--|--------------|--------------|--------------|
| Net interest income | 2,934 | 2,740 | 2,073 | 7.1% | 41.5% | | 5,674 | 3,873 | 46.5% |
| Credit loss expenses (expenses release) | 312 | 204 | 131 | 52.9% | N/A | | 516 | 71 | -158.7% |
| Non-interest financing income | 282 | 329 | (27) | (14.3%) | N/A | | 611 | 18 | -45.5% |
| Commissions | 869 | 887 | 851 | (2.0%) | 2.1% | | 1,756 | 1,676 | 8.9% |
| Other income | 0 | 301 | 0 | (100.0%) | N/A | | 301 | 416 | 497.2% |
| Total non-interest income | 1,151 | 1,517 | 824 | (24.1%) | 39.7% | | 2,668 | 2,110 | 7.3% |
| Total income | 4,085 | 4,257 | 2,897 | -4.0% | 41.0% | | 8,342 | 5,983 | 23.4% |
| Salaries and related expenses | 954 | 945 | 844 | 1.0% | 13.0% | | 1,899 | 1,669 | 2.9% |
| Maintenance & depreciation | 326 | 324 | 307 | 0.6% | 6.2% | | 650 | 610 | 3.8% |
| Other expenses | 659 | 693 | 565 | (4.9%) | 16.6% | | 1,352 | 1,114 | 9.7% |
| Total operating and other expenses | 1,939 | 1,962 | 1,716 | (1.2%) | 13.0% | | 3,901 | 3,423 | 5.2% |
| Income before taxes | 1,834 | 2,091 | 1,050 | (12.3%) | 74.7% | | 3,925 | 2,489 | -18.7% |
| Provision for taxes on income | 626 | 763 | 371 | (18.0%) | 68.7% | | 1,389 | 818 | -16.1% |
| Income after taxes | 1,208 | 1,328 | 679 | (9.0%) | 77.9% | | 2,536 | 1,671 | 25.1% |
| Net income attributable to shareholders | 1,187 | 1,269 | 680 | -6.5% | 74.6% | | 2,456 | 1,663 | 26% |
| ROE | 18.00% | 20.10% | 11.8% | | | | 19.0% | 14.9% | |
| Cost income ratio | 47.50% | 46.10% | 59.2% | | | | 46.8% | 57.2% | |
| CET-1 ratio | 10.35% | 10.22% | 10.16% | | | | 10.35% | 10.16% | |
| NIM | 3.33% | 3.17% | 2.63% | | | | 3.25% | 2.50% | |
| Rate of credit loss expenses | 0.49% | 0.33% | 0.23% | | | | 0.41% | 0.06% | |
| NPL ratio | 0.89% | 0.64% | 0.84% | | | | 0.89% | 0.84% | |
| Dividend per share (in Agurot)* | 28.79 | 30.78 | 10.99 | | | | | | |

* Dividend in respect of the relevant period

Discount Group Selected Balance Sheet Items

| NIS m | 30.06.23 | 31.12.22 | 30.06.22 |
|---|----------------|----------------|----------------|
| Cash and deposits with banks | 56,696 | 65,713 | 63,449 |
| Securities | 54,537 | 44,794 | 43,926 |
| Securities borrowed or purchased under agreements to resell | 1,024 | 857 | 1,330 |
| Credit to the public | 256,768 | 244,288 | 235,510 |
| Provision for credit losses | 3,571 | 3,209 | (3,045) |
| Credit to the public, net | 253,197 | 241,079 | 232,465 |
| Credit to governments | 3,036 | 2,599 | 2,607 |
| Investment in investee companies | 483 | 486 | 493 |
| Buildings and equipment | 4,245 | 3,904 | 3,573 |
| Intangible assets and goodwill | 162 | 162 | 163 |
| Assets in respect of derivative instruments | 12,400 | 11,420 | 11,023 |
| Other assets | 6,035 | 5,740 | 5,392 |
| Total Assets | 391,815 | 376,754 | 364,421 |
| Deposits from the public | 292,656 | 292,293 | 283,423 |
| Deposits from banks and governments | 14,344 | 15,493 | 14,884 |
| Securities borrowed or sold via repo agreements* | 10,728 | 3,739 | 1,946 |
| Bonds and subordinated debt notes | 16,479 | 12,308 | 13,863 |
| Liabilities in respect of derivative instruments | 10,124 | 9,348 | 9,303 |
| Other liabilities | 19,802 | 18,095 | 16,909 |
| Total liabilities | 364,133 | 351,276 | 340,328 |
| Equity capital attributed to the Bank's shareholders | 27,016 | 24,880 | 23,490 |
| Non-controlling rights in consolidated companies | 666 | 598 | 603 |
| Total equity | 27,682 | 25,478 | 24,093 |
| Total Liabilities and Equity | 391,815 | 376,754 | 364,421 |

* Including securities borrowed or purchased under agreements to resell

Overview of Subsidiaries

Mercantile:

Mercantile successfully delivering a robust 2nd Quarter with a net income of NIS 258m, RoE of 23.7% and Cost Income ratio of 37.0%. Total credit growth of 1.0% QoQ and 6.9% YoY.

| NIS m | 2Q23 | 1Q23 | 2Q22 | Vs. 1Q23 | Vs. 2Q22 |
|------------------------------|------------|------------|------------|-------------|--------------|
| Net interest income | 608 | 563 | 414 | 8.0% | 46.9% |
| Non-interest income | 111 | 109 | 89 | 1.8% | 24.7% |
| Total income | 719 | 672 | 503 | 7.0% | 42.9% |
| Operating & other expenses | 266 | 255 | 247 | 4.3% | 7.7% |
| Net income | 258 | 237 | 144 | 8.9% | 79.2% |
| Return on equity | 23.7% | 23.0% | 15.5% | | |
| Cost-income ratio | 37.0% | 37.9% | 49.1% | | |
| Rate of credit loss expenses | 0.57% | 0.50% | 0.36% | | |
| NIM | 3.91% | 3.61% | 2.86% | | |
| Total assets | 63,137 | 64,417 | 63,081 | (2.0%) | 0.1% |
| Credit to the public, net | 44,163 | 43,718 | 41,306 | 1.0% | 6.9% |
| Securities | 6,872 | 7,109 | 7,001 | (3.3%) | (1.8%) |
| Deposits from the public | 49,637 | 50,741 | 49,466 | (2.2%) | 0.3% |
| Total equity | 4,531 | 4,262 | 3,777 | 6.3% | 20.0% |

| 1H23 | 1H22 | Change |
|------------|------------|--------------|
| 1,171 | 773 | 51.5% |
| 220 | 178 | 23.6% |
| 1,391 | 951 | 46.3% |
| 521 | 488 | 6.8% |
| 495 | 265 | 86.8% |
| 23.4% | 14.2% | |
| 37.5% | 51.3% | |
| 0.52% | 0.31% | |
| 3.76% | 2.68% | |

IDBNY:

IDBNY finished 2nd Quarter with Net Income of \$22m, RoE of 7.5% and Cost Income Ratio of 70.9%. Net interest income increased by 9.1% YoY, and Credit Loss Expenses ratio maintained low at 0.10%.

| USD m | 2Q23 | 1Q23 | 2Q22 | Vs. 1Q23 | Vs. 2Q22 |
|----------------------------|-----------|-----------|-----------|----------------|----------------|
| Net Interest Income | 86 | 87 | 79 | (1.1%) | 9.1% |
| Non-Interest Income | 17 | 17 | 20 | (2.9%) | (16.5%) |
| Total Income | 103 | 104 | 99 | (1.4%) | 3.8% |
| Operating & Other Expenses | 73 | 68 | 62 | 6.9% | 17.7% |
| Net Income | 22 | 30 | 30 | (25.7%) | (25.9%) |
| Return on Equity | 7.5% | 10.5% | 10.8% | (28.6%) | (30.6%) |
| Cost-Income Ratio | 70.9% | 65.4% | 62.6% | 8.4% | 13.3% |
| Credit Loss Expenses ratio | 0.10% | (0.18%) | (0.10%) | N/A | N/A |
| NIM | 2.96% | 3.03% | 2.62% | (2.3%) | 13.0% |
| Total Assets | 12,224 | 12,830 | 12,604 | (4.7%) | (3.0%) |
| Loans, net | 7,982 | 8,086 | 8,608 | (1.3%) | (7.3%) |
| Securities | 2,705 | 2,679 | 2,607 | 1.0% | 3.8% |
| Deposits from the Public | 10,266 | 10,773 | 10,821 | (4.7%) | (5.1%) |
| Total Equity | 1,167 | 1,161 | 1,094 | 0.5% | 6.7% |

| 1H23 | 1H22 | Change |
|-----------|-----------|---------------|
| 173 | 151 | 14.8% |
| 34 | 38 | (10.8%) |
| 207 | 189 | 9.6% |
| 141 | 120 | 17.3% |
| 52 | 57 | (9.5%) |
| 9.0% | 10.3% | |
| 68.1% | 63.5% | |
| (0.04%) | (0.21%) | |
| 2.99% | 2.48% | |

CAL:

CAL reported strong net income of NIS 89m and 16.7% RoE in 2Q23, income from credit card transactions grew by 5.7% in this quarter

| NIS m | 2Q23 | 1Q23 | 2Q22 | Vs. 1Q23 | Vs.2Q22 |
|---|-----------|-----------|-----------|-------------|-------------|
| Income From Credit Card Transactions | 447 | 423 | 412 | 5.7% | 8.5% |
| Credit Loss Expense | 53 | 41 | 27 | 29.3% | 96.3% |
| Non-Interest Financing Income | - | 301 | 31 | N/A | N/A |
| Total Income | 650 | 918 | 615 | (29.2%) | 5.7% |
| Total Expenses (excluding credit loss expenses) | 483 | 542 | 475 | (10.9%) | 1.7% |
| Net income – Adjusted | 89 | 85 | 81 | 4.7% | 9.9% |
| Return on equity – Adj. | 16.7% | 16.2% | 14.6% | | |
| Cost-income ratio – Adj. | 74.3% | 75.2% | 77.2% | | |
| Total assets | 19,633 | 19,435 | 17,698 | 1.0% | 10.9% |
| Interest bearing credit | 8,762 | 8,416 | 7,518 | 4.1% | 16.5% |
| Consumer credit | 7,549 | 7,216 | 6,414 | 4.6% | 17.7% |
| Total equity | 2,358 | 2,278 | 2,057 | 3.5% | 14.6% |

| 1H23 | 1H22 | Change |
|------------|------------|-------------|
| 870 | 789 | 10.3% |
| 94 | 26 | 261.5% |
| 301 | 48 | N/A |
| 1,568 | 1,169 | 34.1% |
| 1,025 | 915 | 12.0% |
| 174 | 161 | 8.1% |
| 16.5% | 14.4% | |
| 74.0% | 78.3% | |

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This document is not a substitute for the Bank's 2Q23 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

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