



3Q 2021 REVIEW

FINANCIAL AND STRATEGIC HIGHLIGHTS

Investor Relations

November 23, 2021

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AGENDA

> Financial and Strategic Review

Barak Nardi, CFO

> Q&A

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

STRONG CREDIT AND TOTAL INCOME GROWTH DRIVE UNDERLYING NORMALIZED Q321 ROE OF 10.3%

3Q21 NET INCOME

722_M

2Q21: NIS 860m
3Q20: NIS 258m

3Q21 ROE

14.5%

Normalized* 3Q21 ROE: 10.3%
3Q20: 5.5%

CREDIT GROWTH (GROSS)

8.7% YoY

7.5% YTD
2.3% QoQ

TOTAL EQUITY

22.0_{Bn}

FY20: NIS 19.7bn

TOTAL DIVIDEND

144_M

20% of 3Q21 Net Income

3Q21 LLP ratio

(0.25)%

FY 2020: 0.91%

3Q AND 9M 2021 HIGHLIGHTS

- **ROE** of 15.2% in 9M21 and 14.5% in 3Q21 (compared with 18.3% in 2Q21; 5.5% in 2Q20 and 5.0% in 9M20) driven by:
 - **Total Financing income** (up 4.6% vs 2Q21 and 4.4% vs 3Q20) generated by core banking growth, positive CPI and trading gains.
 - **Negative LLP** of -0.25% driven by low levels of write-offs, high collections and a release of provisions
 - **Continued controlled salary expenses excluding bonuses** as early retirement plans of 2020 make an impact
- **Strong Credit growth** in strategically focused sectors of mortgages and medium businesses 18.0% and 11.8% YTD
- **Strong Asset Quality** with total problematic debt down 7.7% vs 2Q21 and NPL ratio of 0.69%
- **Solid execution at all subsidiaries** drives robust Group performance
- Discount **reintroduced a 20% dividend** of ongoing profits

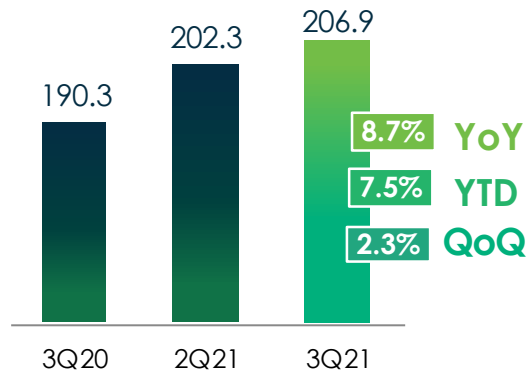
3Q21	Net income	ROE	Cost-income ratio	Credit loss expenses ratio	9M21	Net income	ROE	Cost-income ratio	Credit loss expenses ratio
	NIS 722m 2Q21: NIS 860 m; 3Q20: NIS 258 m	14.5% 2Q21: 18.3%; 3Q20: 5.5%	62.0% 2Q21: 62.9%; 3Q20: 70.4%	(0.25%) 2Q21: (0.82%) 3Q20: 0.70%		NIS 2,244m 9M20: NIS 711 m	15.2% 9M20: 5.0%	63.3% 9M20: 64.9%	(0.46%) 9M21: 1.08%
Adjusted	Net income	ROE	Cost-income ratio	Credit loss expenses ratio	Adjusted	Net income	ROE	Cost-income ratio	Credit loss expenses ratio
	NIS 726 m 2Q21: NIS 878 m; 3Q20: NIS 357 m	14.6% 2Q21: 18.7%; 3Q20: 7.7%	61.7% 2Q21: 61.9%; 3Q20: 63.3%			NIS 2,342m 9M20: NIS 866 m	15.8% 9M20: 6.1%	61.4% 9M20: 61.4%	

STRATEGICALLY FOCUSED SECTORS DRIVE STRONG LOAN GROWTH

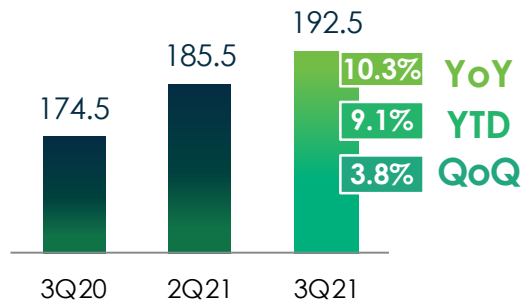
Credit to the public segments and composition*

in NIS Bn; growth %

Total credit

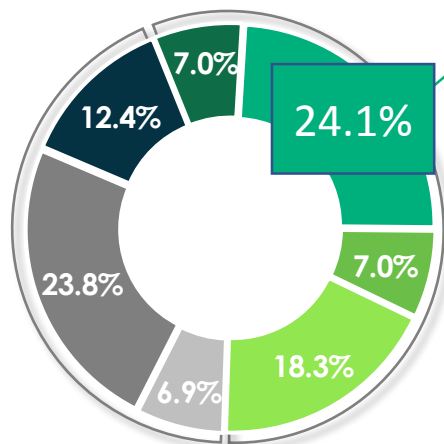


Total credit Excluding credit cards



Diversified credit book

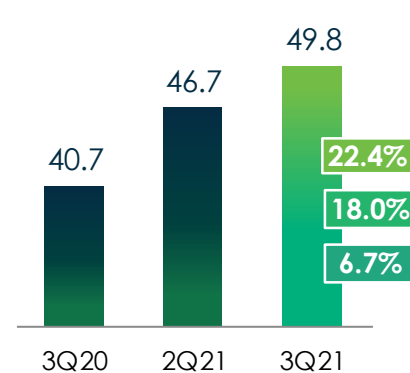
- Consumer **
- Mortgages
- Credit cards
- Small & micro enterprises
- Medium enterprises
- Corporate enterprises
- Abroad



Mortgages as % of total credit book as at Dec. '20 was 21.9%

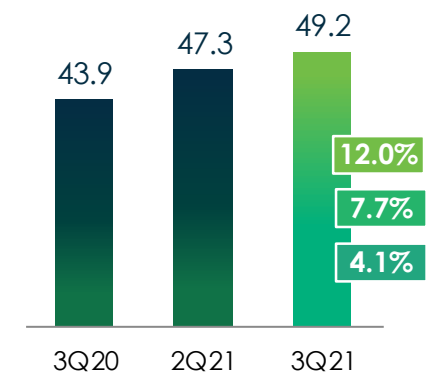
Mortgages (in households)

in NIS Bn; growth %



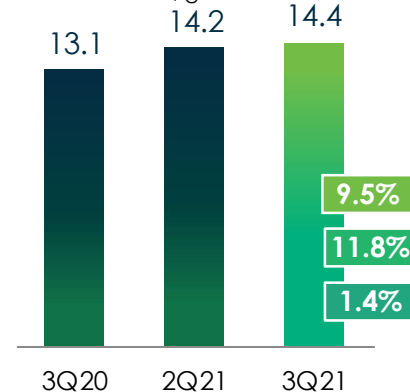
Corporate

in NIS Bn; growth %



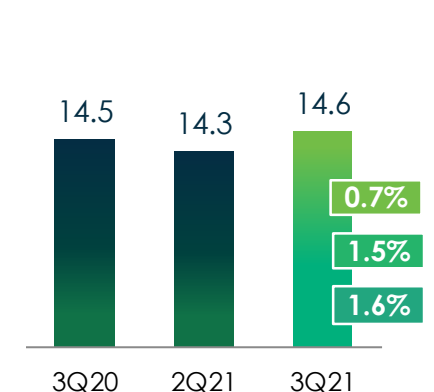
Medium enterprises

in NIS Bn; growth %



Consumer **

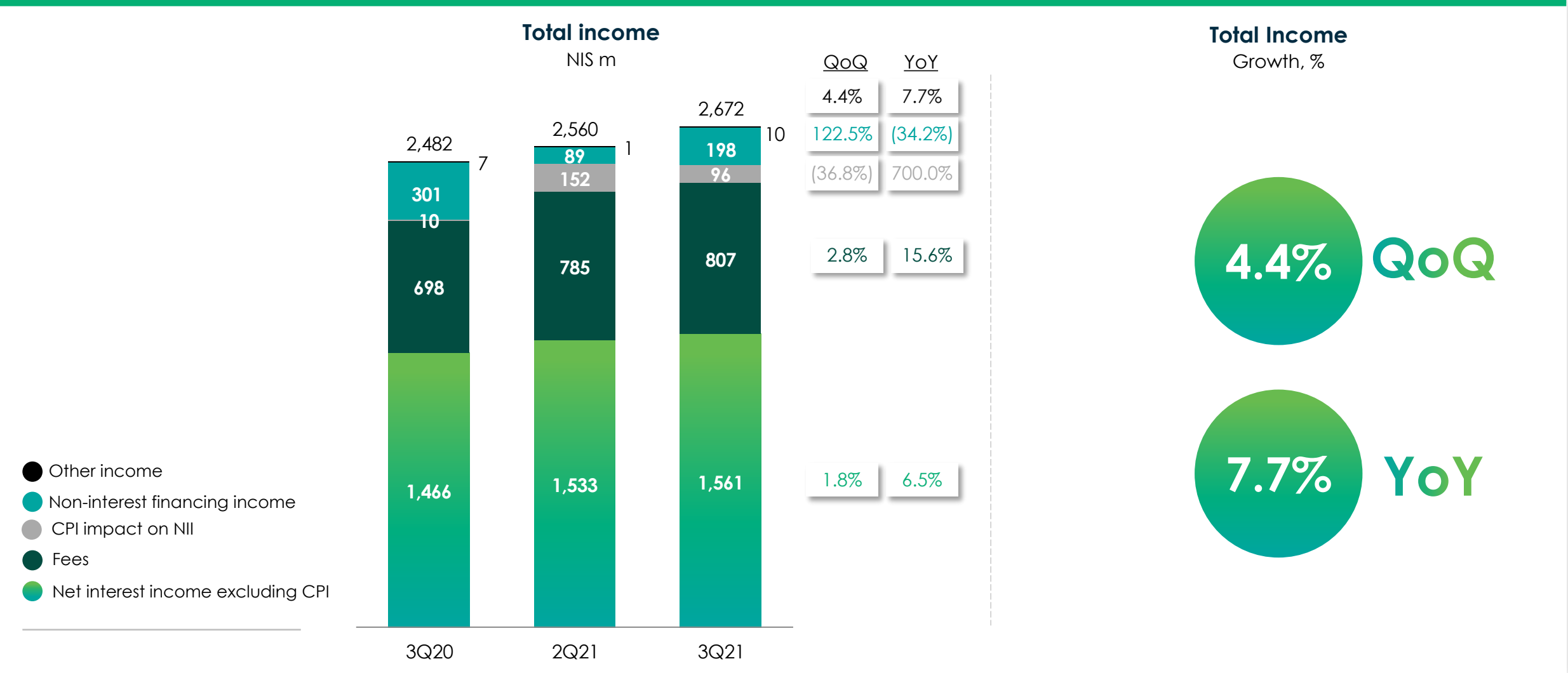
in NIS Bn; growth %



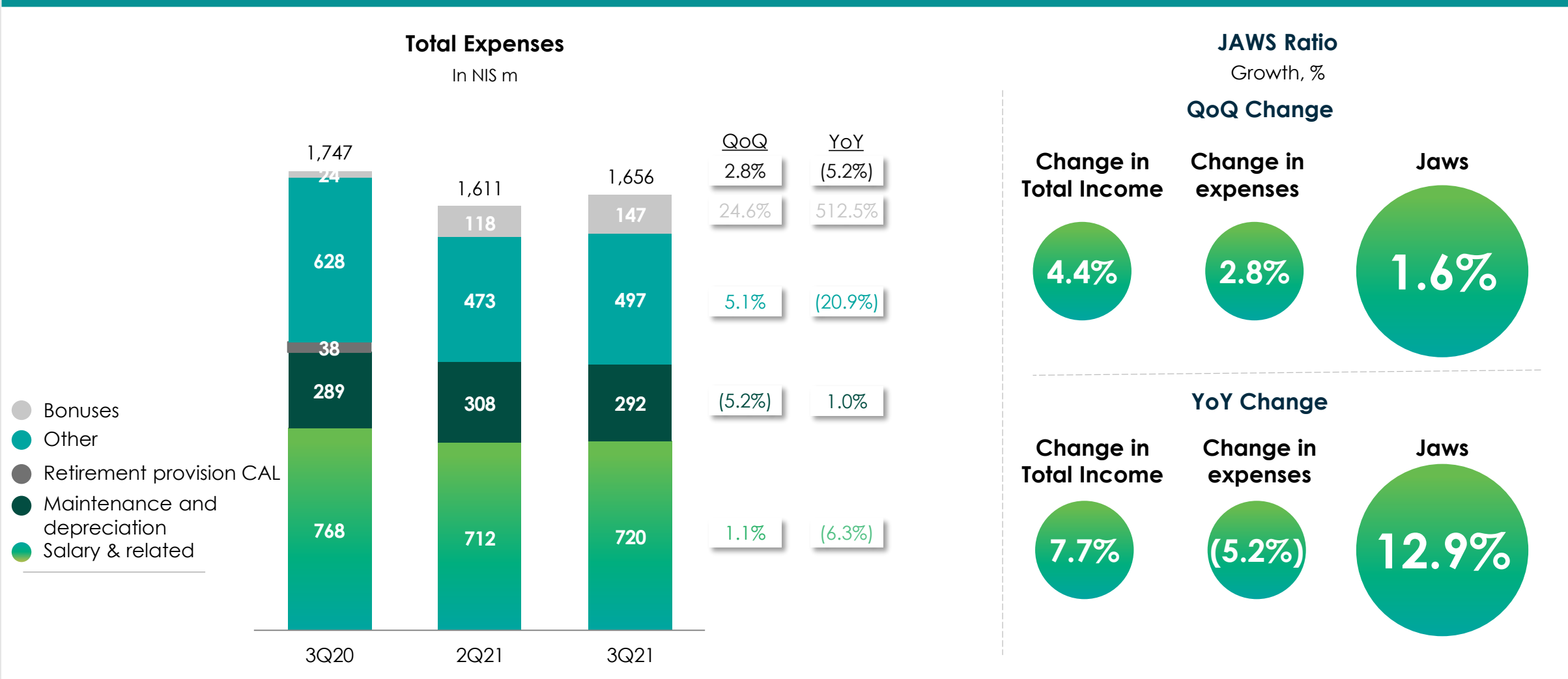
* Regulatory segments, in Israel

** Balance of household credit excluding mortgages and credit cards

INCOME GROWTH ACROSS ALL AREAS HIGHLIGHTS THE STRENGTH OF OUR CORE BANKING ACTIVITY

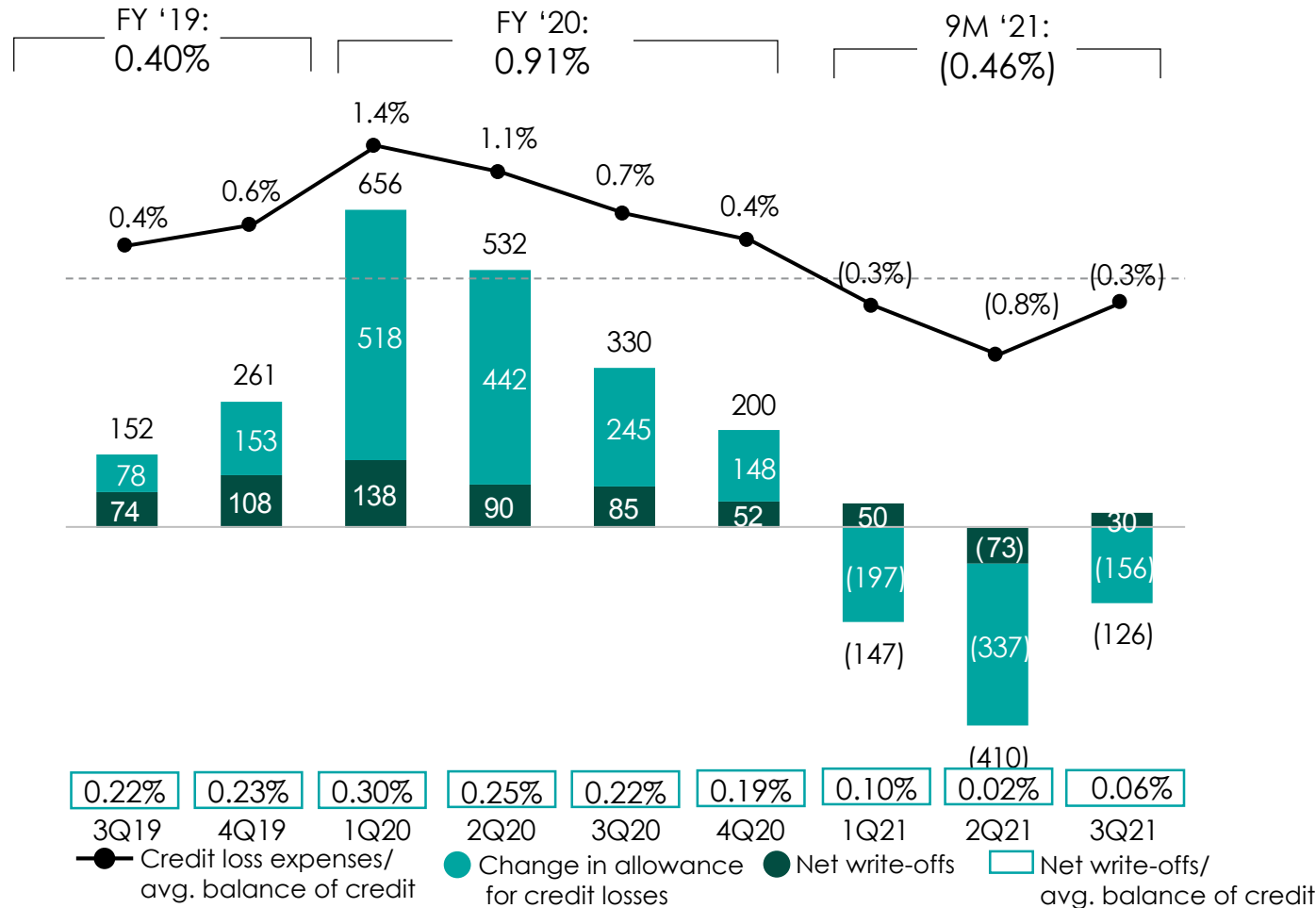


POSITIVE ADJUSTED JAWS RATIO A RESULT OF SUSTAINED COST RESTRAINT

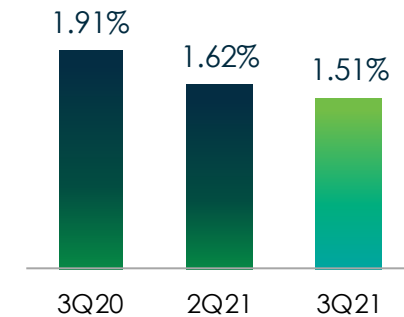


HIGH QUALITY LOANS AND CONSERVATIVE UNDERWRITING PRODUCE SOLID CREDIT METRICS

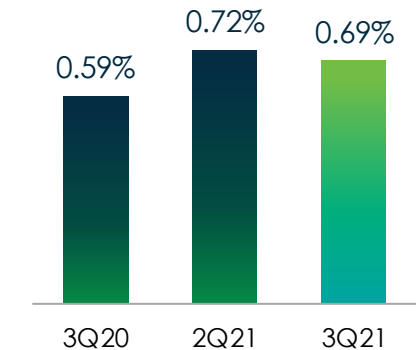
Credit loss expenses (in NIS m and %)



Allowance for LLP / Total Credit (gross)



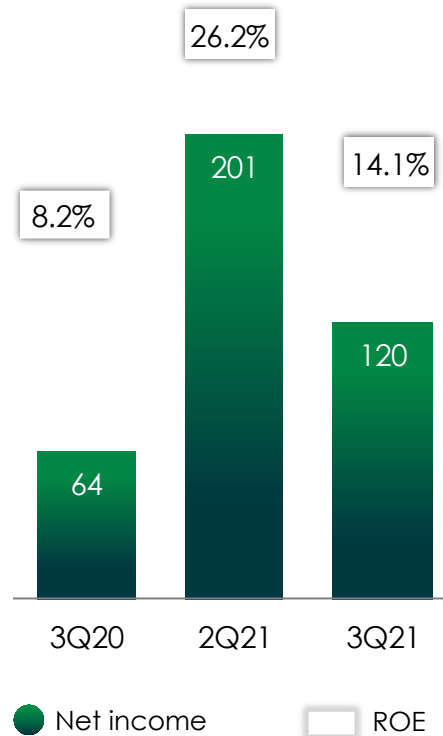
NPL/Total Credit (gross)



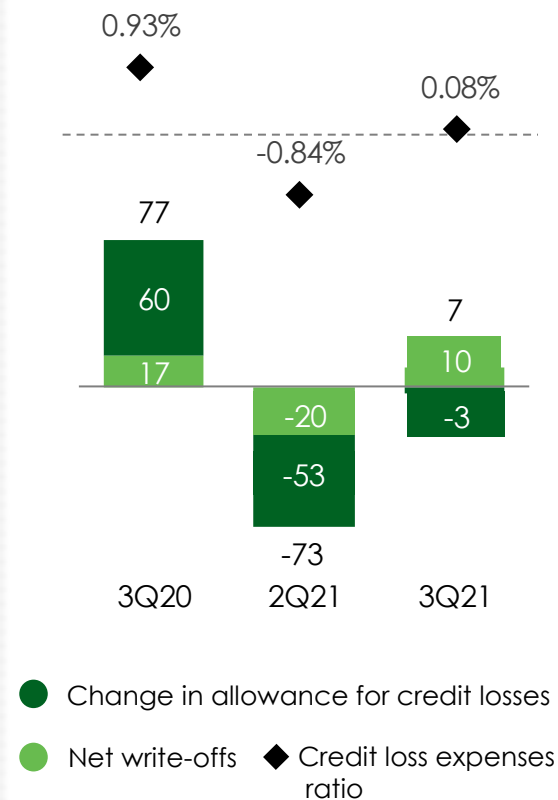
ROBUST INCOME GROWTH DELIVERS RECORD LEVEL NET INCOME AND ROE

- Mercantile's net income of NIS 120m and ROE of 14.1% during Q321 was driven by strong QoQ and YoY NII growth of 1.8% and 12.9% respectively, lower LLP and tight cost controls.
- Total loan book expanded 9.4% YoY driven by robust growth of 29.7% in mortgages.
- An improving economy, customer strength and conservative underwriting led to a low level of net write-offs and a 0.08% LLP ratio.
- Cost-income ratio of 54.3%, vs. adjusted 55.8% in 2Q21 and 57.9% in 3Q20.

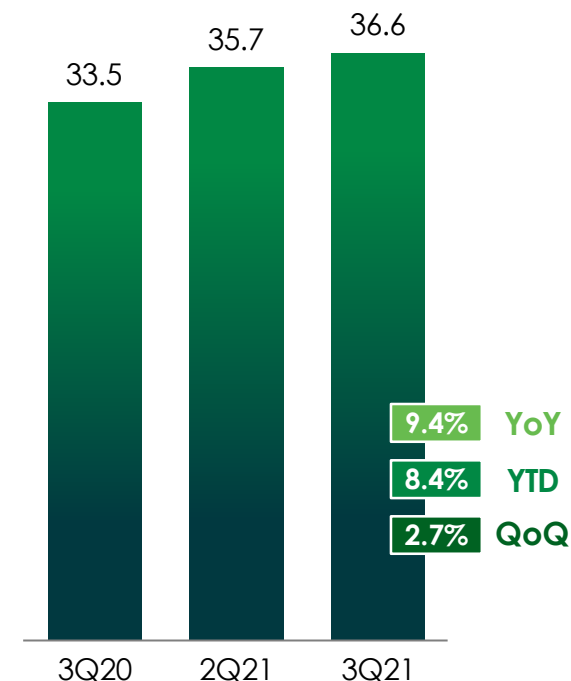
**Net income and ROE
in NIS m**



**Credit loss expenses breakdown
in NIS m and %**



**Total gross credit
in NIS Bn**



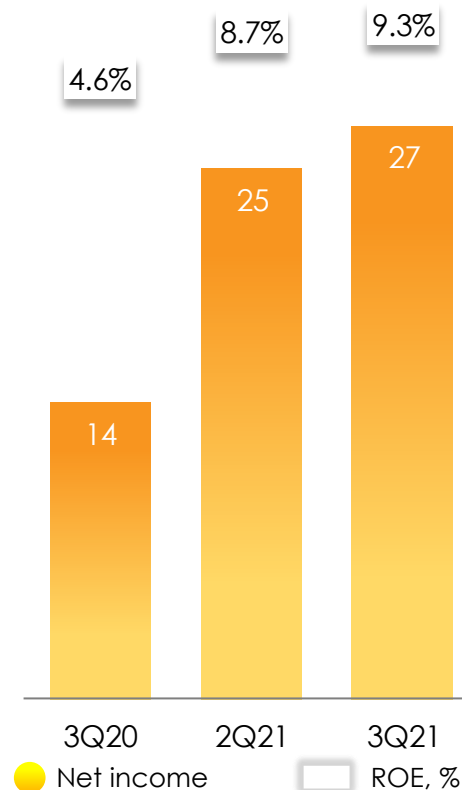
PROFITS AND LOANS ARE TRENDING HIGHER AS RISK DECLINES

→ Net income for 3Q21 was \$27.3 million reflecting the strong underlying performance of the bank that saw growth across all areas of the business.

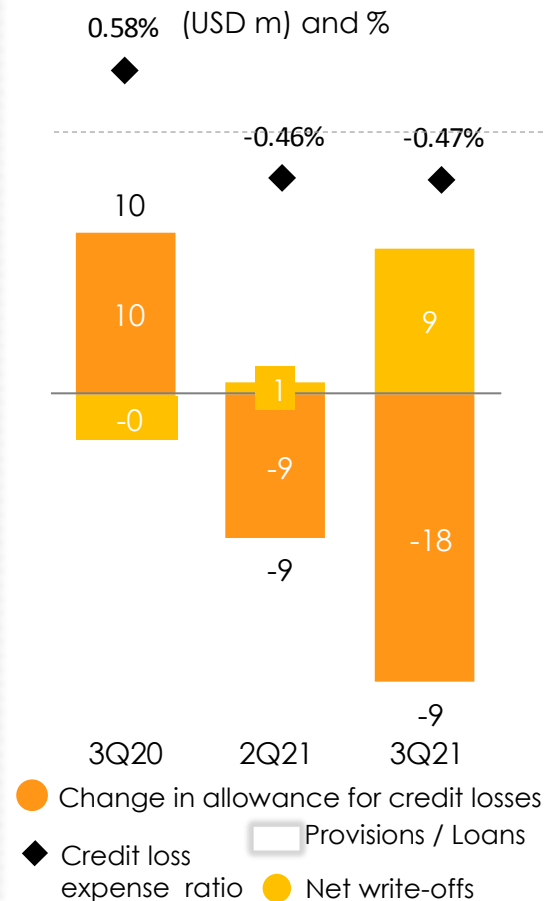
→ The gross loan book (pre allowance for loan losses) ended 3Q21 at \$7.9 billion, up 12.3% versus the third quarter of the prior year, and 3.1% relative to the balance at the end of 2Q21. The C&I and CRE sectors were both beneficiaries of increasing demand that saw balances grow 3.1% and 0.5% respectively for 3Q21 and 9.9% and 16.9% in the past 12 months.

→ This quarter our high quality loan book and the continuing economic recovery resulted in the release of \$9.2 million in provisions for loan losses

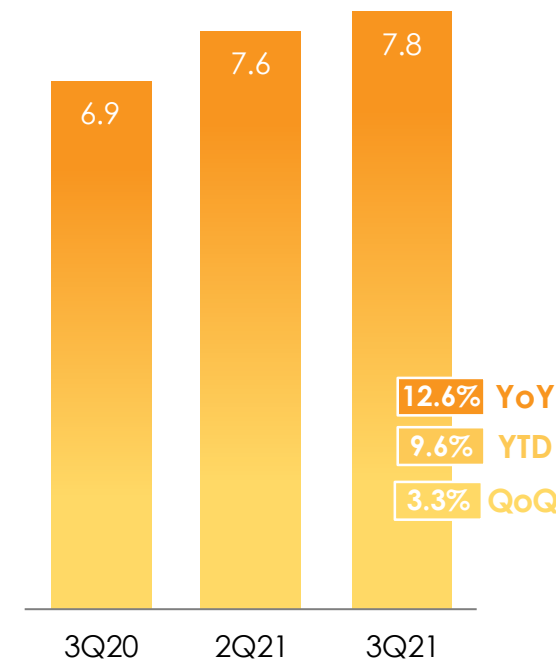
Net income and ROE
(USD m)



Credit loss expenses breakdown
(USD m) and %



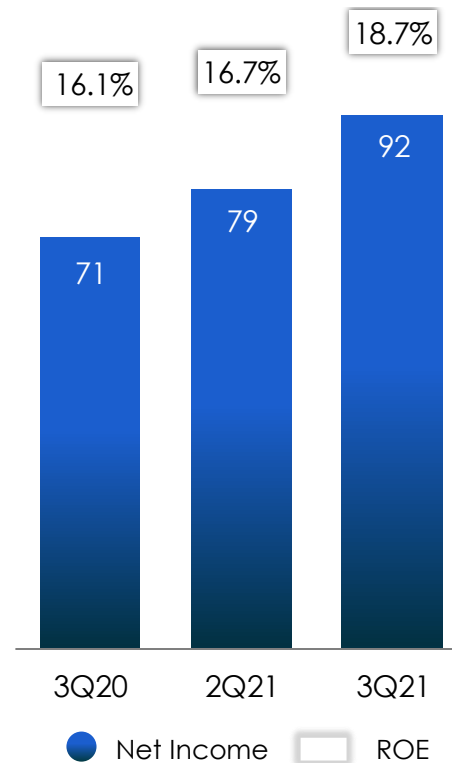
Total credit, net
(USD Bn)



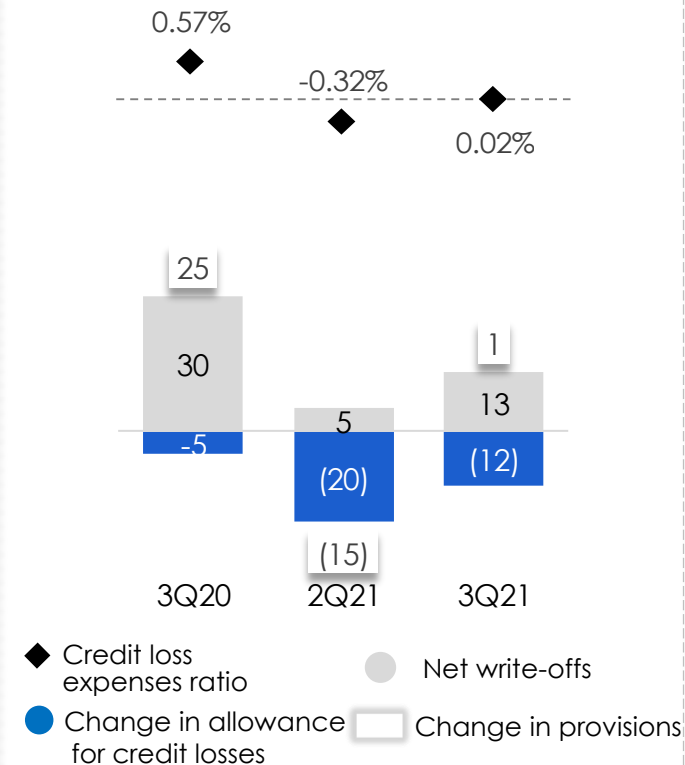
STRONG CONSUMER SPENDING AND NEGATIVE LLP DRIVES RECORD PROFITABILITY

- Another Record ROE and net income of 18.7% and NIS 92m.
- CAL produced strong performance across all key business drivers including transaction turnover up 17.9% QoQ and 17.8% YoY, consumer credit up 3.5% QoQ and 2.2% YoY and active cards up 1.5% vs. 2Q21 and 5.8% YoY.
- Low credit expense ratio driven by a reversal of provisions as consumer credit quality improves
- The performance highlights the strength of the activity in the local economy and a pick up in international travel, a key part of CAL's business, but still below pre-COVID highs.

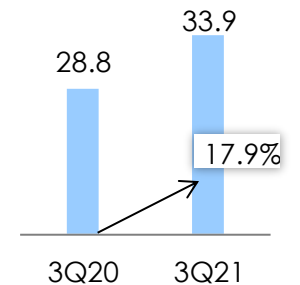
Net income and ROE
in NIS m



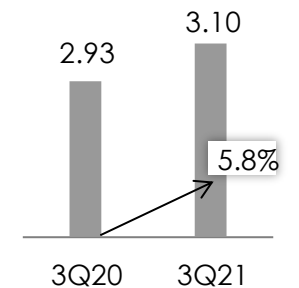
Credit loss expenses breakdown
in NIS m and %



Transaction turnover
in NIS Bn



Active credit cards
in m



OUR 5-YEAR STRATEGIC PLAN AIMED AT TAKING LEADERSHIP

ULTIMATE GOAL:

**TO BE THE BEST FINANCIAL INSTITUTION FOR ITS CUSTOMERS, DELIVERING SUPERIOR
VALUE FOR SHAREHOLDERS, OVER TIME**

1

Accelerate The Evolution of Traditional Banking

Increase the Group's
competitiveness, market
share and profitability

2

Lead Revolution in Banking Through Disruptive Innovation

Establish new non-bank
initiatives through
collaboration with third
party partners and fintech

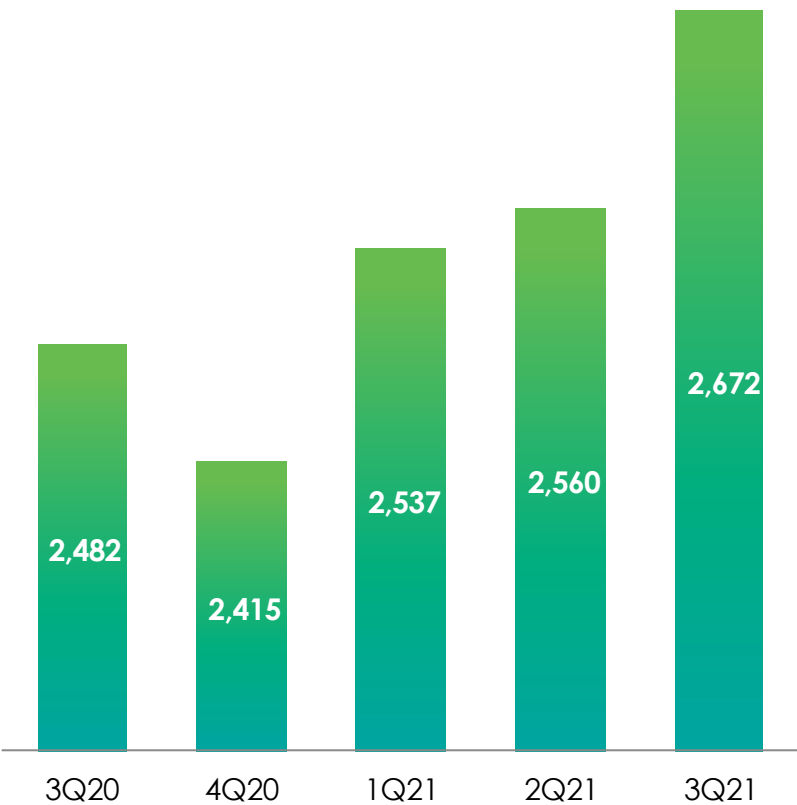
3

Maximize Group Value

Maximize the underlying,
stand-alone value of our
subsidiaries, leverage
synergies and increase the
Group's economic value

TRADITIONAL BANKING – TOTAL INCOME GROWTH DRIVEN BY MAJOR BOOST IN MORTGAGE GENERATION

Group Total Income



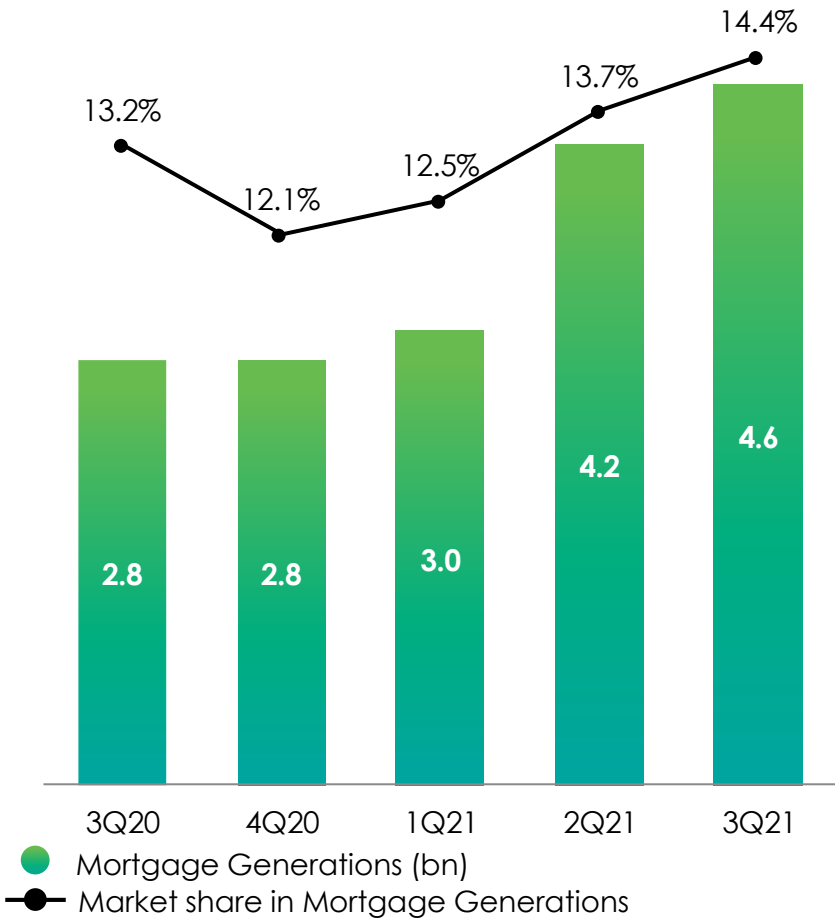
Mortgage Focus



3 Year CAGR
16.6%

Significant growth in
mortgage balance,
one of our targeted
segments

Mortgage Generation



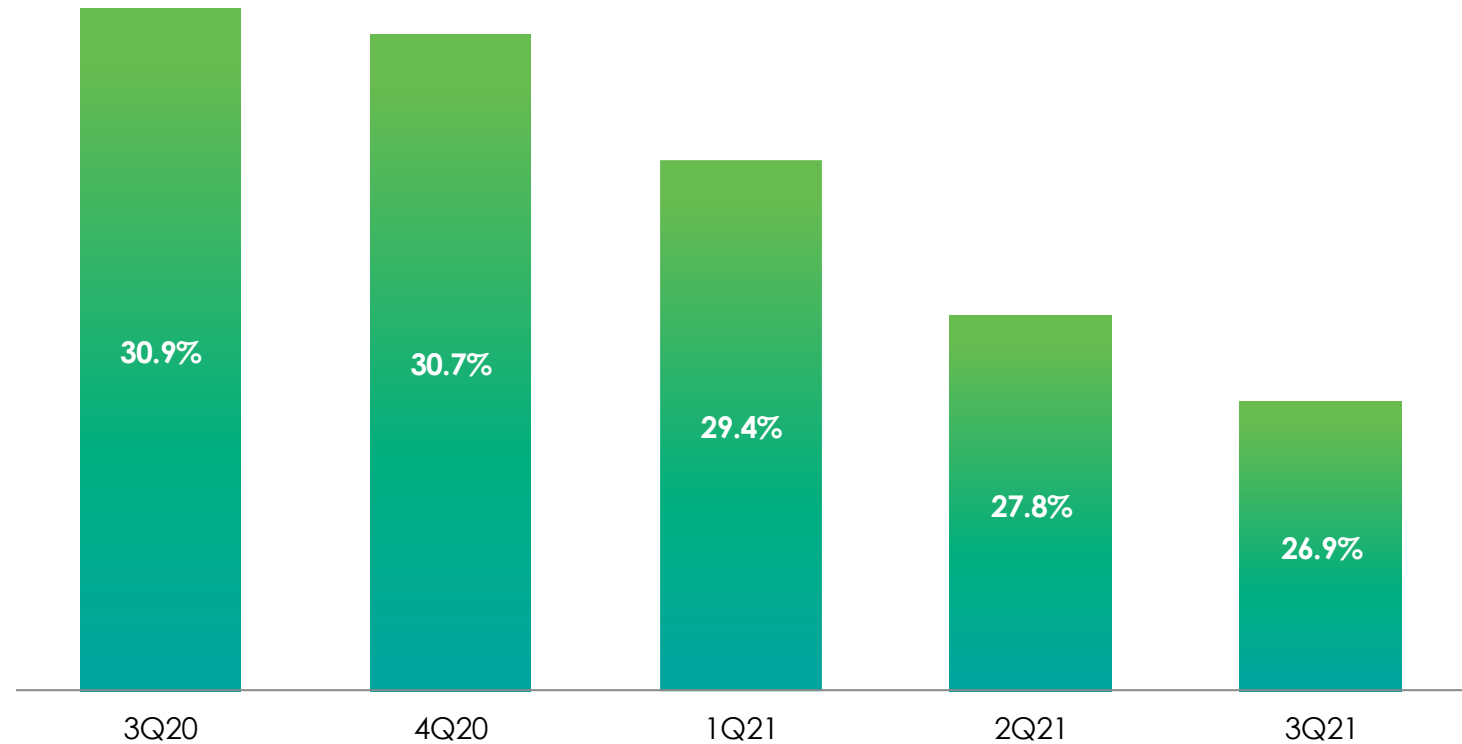
TRADITIONAL BANKING – 2020 EARLY RETIREMENT DRIVES IMPROVED UNDERLYING CIR IMPROVEMENT



8% of
workforce

Retired through the
largest ever
retirement plan in
2020

Salary Expense excluding Bonuses as a %
of Total Income



AGENDA

> Financial and Strategic Review

Barak Nardi, CFO

> Q&A

Barak Nardi, CFO

Yossi Beressi, Chief Accountant

APPENDICES

PROFIT & LOSS AND SELECTED RATIOS

NIS m	3Q21	2Q21	3Q20	Vs. 2Q21	Vs. 3Q20	9M21	9M20	Change
Net interest income	1,657	1,685	1,476	(1.7%)	12.3%	4,846	4,394	10.3%
Credit loss expenses (expenses release)	(126)	(410)	330	69.3%	n/a	(683)	1,518	n/a
Non-interest financing income	198	89	301	122.5%	(34.2%)	585	994	(41.1%)
Commissions	807	785	698	2.8%	15.6%	2,316	2,087	11.0%
Other income	10	1	7	900.0%	42.9%	22	15	46.7%
Total non-interest income	1,015	875	1,006	16.0%	0.9%	2,923	3,096	(5.6%)
Total income	2,672	2,560	2,482	4.4%	7.7%	7,769	7,490	3.7%
Salaries and related expenses	867	830	830	4.5%	4.5%	2,498	2,448	2.0%
Maintenance & depreciation	292	308	289	(5.2%)	1.0%	894	848	5.4%
Other expenses	497	473	628	5.1%	(20.9%)	1,527	1,565	(2.4%)
Total operating and other expenses	1,656	1,611	1,747	2.8%	(5.2%)	4,919	4,861	1.2%
Income before taxes	1,142	1,359	405	(16.0%)	182.0%	3,533	1,111	218.0%
Provision for taxes on income	401	493	134	(18.7%)	199.3%	1,247	390	219.7%
Income after taxes	741	866	271	(14.4%)	173.4%	2,286	721	217.1%
Net income attributable to shareholders	722	860	258	(16.0%)	179.8%	2,244	711	215.6%
ROE	14.5%	18.3%	5.5%			15.2%	5.0%	
Cost income ratio	62.0%	62.9%	70.4%			63.3%	64.9%	
CET-1 ratio	10.29%	10.28%	10.10%			10.29%	10.10%	
NIM	2.38%	2.48%	2.35%			2.36%	2.38%	
Rate of credit loss expenses	(0.25%)	(0.82%)	0.70%			(0.46%)	1.08%	
NPL ratio	0.69%	0.72%	0.59%			0.69%	0.59%	
Dividend per share (in Agurot)*	12.41	-	-			12.41	4.19	

* Dividend in respect of the relevant period

ADJUSTED PROFIT & LOSS & SELECTED RATIOS

NIS m	3Q21	2Q21	3Q20	Vs. 2Q21	Vs. 3Q20
Net interest income	1,657	1,685	1,476	(1.7%)	12.3%
Credit loss expenses (expenses release)	(126)	(410)	330	(69.3%)	n/a
Non-interest financing income	198	89	213	122.5%	(7.0%)
Commissions	807	785	698	2.8%	15.6%
Other income	10	1	7	900.0%	42.9%
Total non-interest income	1,015	875	918	16.0%	10.6%
Total income	2,672	2,560	2,394	4.4%	11.6%
Salaries and related expenses	867	830	792	4.5%	9.5%
Maintenance & depreciation	292	289	289	1.0%	1.0%
Other expenses	490	466	435	5.2%	12.6%
Total operating and other expenses	1,649	1,585	1,516	4.0%	8.8%
Income before taxes	1,149	1,385	548	(17.0%)	109.7%
Provision for taxes on income	404	501	185	(19.4%)	118.4%
Income after taxes	745	884	363	(15.7%)	105.2%
Net income attributable to shareholders	726	878	357	(17.3%)	103.4%
ROE	14.6%	18.7%	7.7%		
Cost income ratio	61.7%	61.9%	63.3%		
CET-1 ratio	10.29%	10.28%	10.10%		
NIM	2.38%	2.48%	2.35%		
Rate of credit loss expenses	(0.25%)	(0.82%)	0.70%		
NPL ratio	0.69%	0.72%	0.59%		
Dividend per share (in Agurot)*	12.41	-	-		

* Dividend in respect of the relevant period

9M21	9M20	Change
4,846	4,394	10.3%
(683)	1,518	n/a
585	906	(35.4%)
2,316	2,087	11.0%
22	15	46.7%
2,923	3,008	(2.8%)
7,769	7,402	5.0%
2,498	2,410	3.7%
875	848	3.2%
1,398	1,286	8.7%
4,771	4,544	5.0%
3,681	1,340	174.7%
1,297	471	175.4%
2,384	869	174.3%
2,342	866	170.4%
15.8%	6.1%	
61.4%	61.4%	
10.29%	10.10%	
2.36%	2.38%	
(0.46%)	1.08%	
0.69%	0.59%	
12.41	4.19	

ADJUSTMENTS TO PROFIT & LOSS

NIS m	Gross			Net			Gross		Net		
	3Q21	2Q21	3Q20	3Q21	2Q21	3Q20	9M21	9M20	9M21	9M20	
Early retirement at Discount Bank and Mercantile	7	7	25	4	5	16	129	40	85	26	
Legal provision, net of insurance payment			168			109		239		155	
Cost associated with IDBNY change of headquarters location		19			13		19		13		
Income from the sale of Visa Inc. shares			(88)			(44)		(88)		(44)	
Early retirement at CAL			38			18		38		18	
Total	7	26	143	4	18	99	148	229	98	155	

SELECTED BALANCE SHEET ITEMS

NIS m	30.09.21	30.06.21	30.09.20
Cash and deposits with banks	46,334	47,405	40,469
Securities*	47,104	48,226	42,110
Credit to the public	206,944	202,258	190,300
Provision for credit loss	(3,117)	(3,272)	(3,644)
Credit to the public, net	203,827	198,986	186,656
Credit to governments	3,127	3,217	4,276
Investment in investee companies	392	345	269
Buildings and equipment	3,203	3,117	2,805
Intangible assets and goodwill	163	164	164
Assets in respect of derivative instruments	4,367	4,670	5,451
Other assets	4,894	4,604	5,478
Total Assets	313,411	310,734	287,678
Deposits from the public	245,393	240,691	225,108
Deposits from banks**	13,920	15,578	9,610
Securities lent or sold under agreements to repurchase	-	-	-
Bonds and subordinated debt notes	11,170	11,203	11,314
Liabilities in respect of derivative instruments	4,570	4,876	5,586
Other liabilities	16,352	17,040	16,361
Total liabilities	291,405	289,388	267,979
Equity capital attributed to the Bank's shareholders	21,346	20,704	19,160
Non-controlling rights in consolidated companies	660	642	539
Total equity	22,006	21,346	19,699
Total Liabilities and Equity	313,411	310,734	287,678

• Including securities borrowed or purchased under agreements to resell

• ** Including deposits from governments

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	3Q21	2Q21	3Q20	Vs. 2Q21	Vs. 3Q20	9M21	9M20	Change
Net interest income	341	335	302	1.8%	12.9%	982	918	7.0%
Credit loss expenses (expenses release)	7	(73)	77	n/a	n/a	(75)	274	(127.4%)
Non-interest income	79	141	114	(44.0%)	(30.7%)	375	336	11.6%
Total income	420	476	416	(11.8%)	1.0%	1,357	1,254	8.2%
Operating & other expenses	228	241	241	(5.4%)	(5.4%)	712	717	(0.7%)
Net income	120	201	64	(40.3%)	87.5%	471	171	175.4%
Net income excluding non-recurring items	123	172	64	(30.2%)	87.5%	412	171	69.0%

Return on equity	14.1%	26.2%	8.2%			18.9%	7.3%
Return on equity excluding non-recurring items	14.5%	22.1%	8.2%			16.5%	7.3%
Cost-income ratio	54.3%	50.6%	57.9%			52.5%	57.2%
Cost-income ratio excluding non-recurring items	53.8%	55.8%	57.9%			56.2%	57.2%
Rate of credit loss expenses	0.08%	(0.84%)	0.93%			(0.29%)	1.10%
NIM	2.69%	2.75%	2.71%			2.68%	2.81%

Total assets	54,058	52,952	49,498	2.1%	9.2%
Credit to the public, net	36,035	35,083	32,839	2.7%	9.7%
Securities	6,431	6,566	5,850	(2.1%)	9.9%
Deposits from the public	42,924	41,575	39,529	3.2%	8.6%
Total equity	3,650	3,539	3,199	3.1%	14.1%

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

USD m	3Q21	2Q21	3Q20	Vs. 2Q21	Vs. 3Q20	9M21	9M20	Change
Net interest income	64	63	57	1.6%	12.3%	186	178	4.5%
Credit loss expenses (expenses release)	(9)	(8)	9	12.5%	n/a	-	27	n/a
Non-interest income	21	21	14	-	50.0%	65	57	14.0%
Total income	85	84	71	1.2%	19.7%	251	235	6.8%
Operating & other expenses	57	59	44	(3.4%)	29.5%	168	136	23.5%
Net income	27	25	14	8.0%	92.9%	62	57	8.8%
Net income excluding non-recurring items	27	29	14	(6.9%)	92.9%	67	57	17.5%
Return on equity	9.3%	8.7%	4.6%			7.1%	6.7%	
Return on equity excluding non-recurring items	9.4%	10.3%	4.6%			7.8%	6.7%	
Cost-income ratio	67.1%	70.2%	62.0%			66.9%	57.9%	
Cost-income ratio excluding non-recurring items	67.1%	62.8%	62.0%			64.4%	57.6%	
Rate of credit loss expenses	(0.47%)	(0.46%)	0.58%			-	0.53%	
NIM	2.43%	2.38%	2.37%			2.36%	2.47%	
Total assets	11,725	11,431	10,669	2.6%	9.9%			
Loans, net	7,840	7,586	6,963	3.3%	12.6%			
Securities	2,716	2,827	2,676	(3.9%)	1.5%			
Deposits from the public	10,225	9,812	8,774	4.2%	16.5%			
Total equity	1,145	1,168	1,149	(2.0%)	(0.3%)			

FINANCIAL PERFORMANCE

Main P&L and Balance Sheet metrics and selected ratios

NIS m	3Q21	2Q21	3Q20	Vs. 2Q21	Vs. 3Q20
Income from credit card transactions	381	346	315	10.1%	21.0%
Net interest income	140	133	134	5.3%	4.5%
Credit loss expenses (expenses release)	1	(15)	25	n/a	(96.0%)
Non-interest financing income	4	(1)	68	n/a	(94.1%)
Total income	525	478	517	9.8%	1.5%
Total expenses (excluding credit loss expenses)	394	383	405	2.9%	(2.7%)
Net income	92	79	71	16.5%	29.6%
Net income excluding non-recurring items	92	79	51	16.5%	80.4%

Return on equity	18.7%	16.7%	16.1%
Return on equity excluding non-recurring items	18.7%	16.7%	11.3%
Cost-income ratio	75.0%	80.1%	78.3%
Cost-income ratio excluding non-recurring items	75.0%	80.1%	81.0%

Total assets	15,165	19,501	18,431	(22.2%)	(17.7%)
Interest bearing credit	6,245	6,079	6,129	2.7%	1.9%
Consumer credit	5,447	5,261	5,332	3.5%	2.2%
Total equity	2,159	2,068	1,908	4.4%	13.2%

9M21	9M20	Change
1,044	931	12.1%
402	402	-
(18)	190	n/a
4	74	(94.6%)
1,450	1,407	3.1%
1,141	1,111	2.7%
231	87	165.5%
231	67	244.8%

15.6%	6.3%
15.6%	4.9%
78.7%	79.0%
78.7%	79.9%