

# Investor Presentation

Financial Statements  
of June 30, 2022



**ISRACARD GROUP**

# LEGAL DISCLAIMER

This presentation about Isracard Ltd. (the “**Company**”) and its consolidated companies (jointly: **the “Group”**) is intended for the sake of conciseness and convenience and does not exhaust all the information about the Group and its activity; it does not replace reading the Company’s financial statements for the year 2021, the Company’s statements for the first and second quarters of 2022 and the Company’s current immediate reports (the “**Reports**”), and it should be read together with the Reports. The information incorporated in this presentation may include data presented differently as to items or breakdowns from the data in the reports.

The presentation does not constitute an offer or invitation to purchase securities of the Company, and the stated herein does not constitute any recommendation or opinion or a substitute to the investor’s prudent discretion.

This presentation includes plans, targets, estimates, assessments and information referring to future events, among which is information on future actions and liquidity. This information constitutes forward-looking information, as defined in the Securities Act, 5728-1968, and may not materialize, in its entirety or in part, or may materialize substantially and differently than expected.

This forward-looking information is based on the Company’s subjective assessment, on the basis of facts and data regarding the current position of the Group’s businesses as such are known to the Company as of the date of preparation of this presentation, as well as on macro-economic facts and data, on which the Company relies without being able to verify them, inter alia, reports and publications made by various external entities, such as: the Bank of Israel and agents operating in the payments market (including credit card companies and other acquirers).

Materialization or lack thereof of the forward-looking information shall be affected, inter alia, by developments in the payments and credit market in Israel or outside of Israel, by changes in the Group’s working plan, by changes in market terms and external entities which affect the Group’s activity, by consumers behavior in Israel and the world in general, by the presence or absence of different resources available to the Group, by the actions of entities and agents in the payments and credit markets in Israel or outside of Israel, by decisions made by various international entities and organizations with which the Group engages or by which the Group is influenced, by changes in volumes of activity and the number of holders of cards of the Group, including regulatory changes, accounting changes and taxation law changes, changes in the terms of competition, technological developments, economic changes, changes in terms of financing and the materialization of all or some of the risk factors characterizing the Group’s activity. Moreover, it may be affected by the uncertainty surrounding the duration, the impact and the direct and indirect effects of the Coronavirus pandemic on the market position, the Group’s costumers, and the various fields of activity in which the Group operates.

The Company does not undertake to update or change any such assessment or information such that they reflect events or circumstances occurring after preparation date of this presentation.

# ISRACARD GROUP – June 30, 2022

Reported earnings Q2.2022	Pretax profit <b>53</b> million ILS	Net profit <b>32</b> million ILS	Return on equity <b>4.7%</b>
Adjusted profit <sup>(1)</sup> Q2.2022	Pretax profit <b>78</b> million ILS	Net profit <b>51</b> million ILS	Return on equity <b>7.4%</b>
Reported earnings H1.2022	Pretax profit <b>124</b> million ILS	Net profit <b>82</b> million ILS	Return on equity <b>5.9%</b>
Adjusted profit <sup>(1,2)</sup> H1.2022	Pretax profit <b>166</b> million ILS	Net profit <b>114</b> million ILS	Return on equity <b>8.2%</b>

App. ILS **28.6** million

Dividends announced to the shareholders  
from H1.2022 profits (about 35% of net profit)

(1) Net of an expense of about ILS 25 million (about ILS 19 million after tax), deriving from an increase in provision to VAT assessments, included in the operating expenses. For more information, see also Slides 14 and 15 in the appendices chapter of this presentation.

(2) Net of nonrecurring operating expenses of ILS 17 million (about ILS 13 million after tax). For more information, see also Slide 15 in the appendices chapter of this presentation.

# ISRACARD GROUP – June 30, 2022

Q2.2022			H1.2022		
Adjusted profit <sup>(1)</sup>	Pretax profit	Net profit	Adjusted profit <sup>(1,2)</sup>	Pretax profit	Net profit
78	51	7.4%	166	114	8.2%
million ILS	million ILS		million ILS	million ILS	

Total transactions in credit cards issued by the Group in H1.2022

**99.0**

ILS Billion

**13.4%**

growth over H1.2021

Credit portfolio as of June 30, 2022

Consumer credit

ILS **4.3** billion

App. **10%** growth in the past 12 months

Income from interest, net (Q2.2022)

ILS **92** million

App. **8.2%** growth over the corresponding period last year

Commercial credit

ILS **1.2** billion

App. **32%** growth in the past 12 months

Income from interest, net (Q2.2022)

ILS **28** million

App. **27.3%** growth over the corresponding period last year

Additional payment to Bank Hapoalim from Q2.2022

App. ILS **47** million in Q2.2022

Effect of the update to the agreement with Bank Hapoalim, **included** in the reported and adjusted profit

Closed-Loop issuers

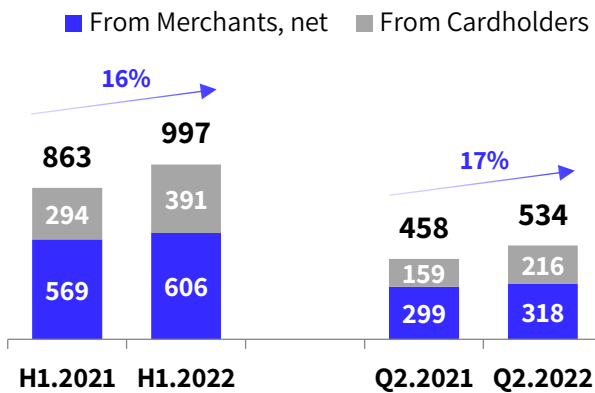
Preparations ahead of the Ministry of Finance's guideline in connection with the brand's closed-loop operation. (American Express & Diners)

(1) Net of an expense of about ILS 25 million (about ILS 19 million after tax), deriving from an increase in provision to VAT assessments, included in the operating expenses. For more information, see also Slides 14 and 15 in the appendices chapter of this presentation.

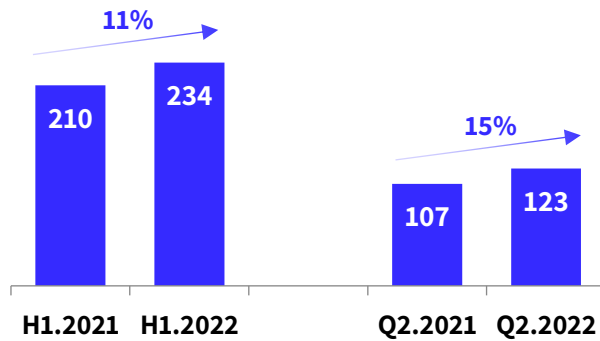
(2) Net of nonrecurring operating expenses of ILS 17 million (about ILS 13 million after tax). For more information, see also Slide 15 in the appendices chapter of this presentation.

# Key Financial Data (ILS millions)

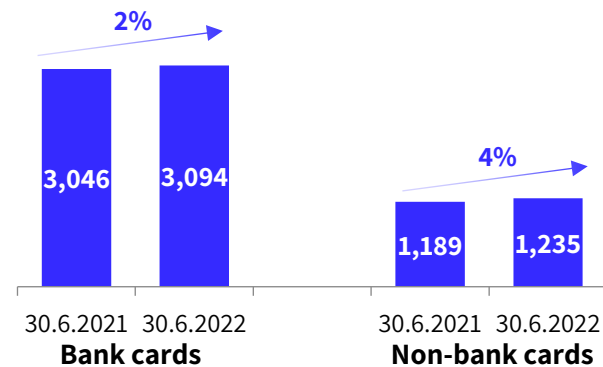
## Income from credit card operations (issuing and acquiring)



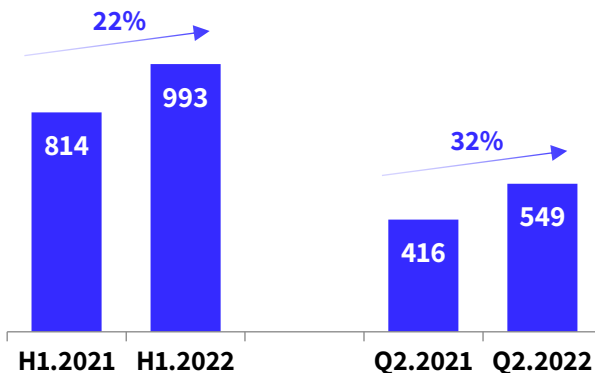
## Interest income, net



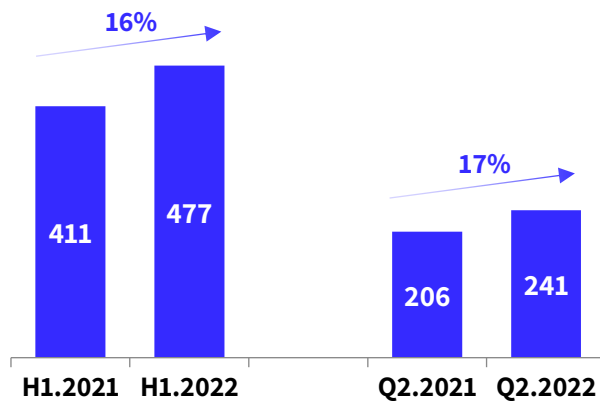
## Number of active credit cards (thousands)



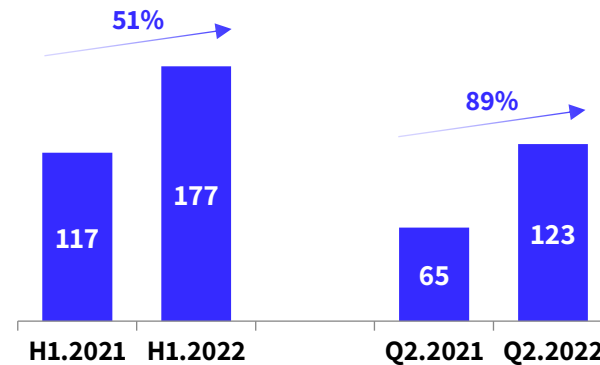
## Total expenses without provisions for credit losses<sup>(1)</sup>



## Operating expenses<sup>(1)</sup>



## Payments to banks



(1) Data are presented net of operating expenses, nonrecurring, in the amount of ILS 42 million and ILS 25 million in H1.2022 and Q2.2022, respectively. For more information, see also Slides 14 and 15 in the appendices chapter of this presentation.

# Consumer Credit<sup>(1,2)</sup> (ILS millions)

## Consumer credit portfolio

Continued growth in the portfolio size also at the time of signing the financial statements.

**3.3%**

Growth rate of the consumer credit portfolio during Q2.2022, which is about **13.8%** in annual growth.

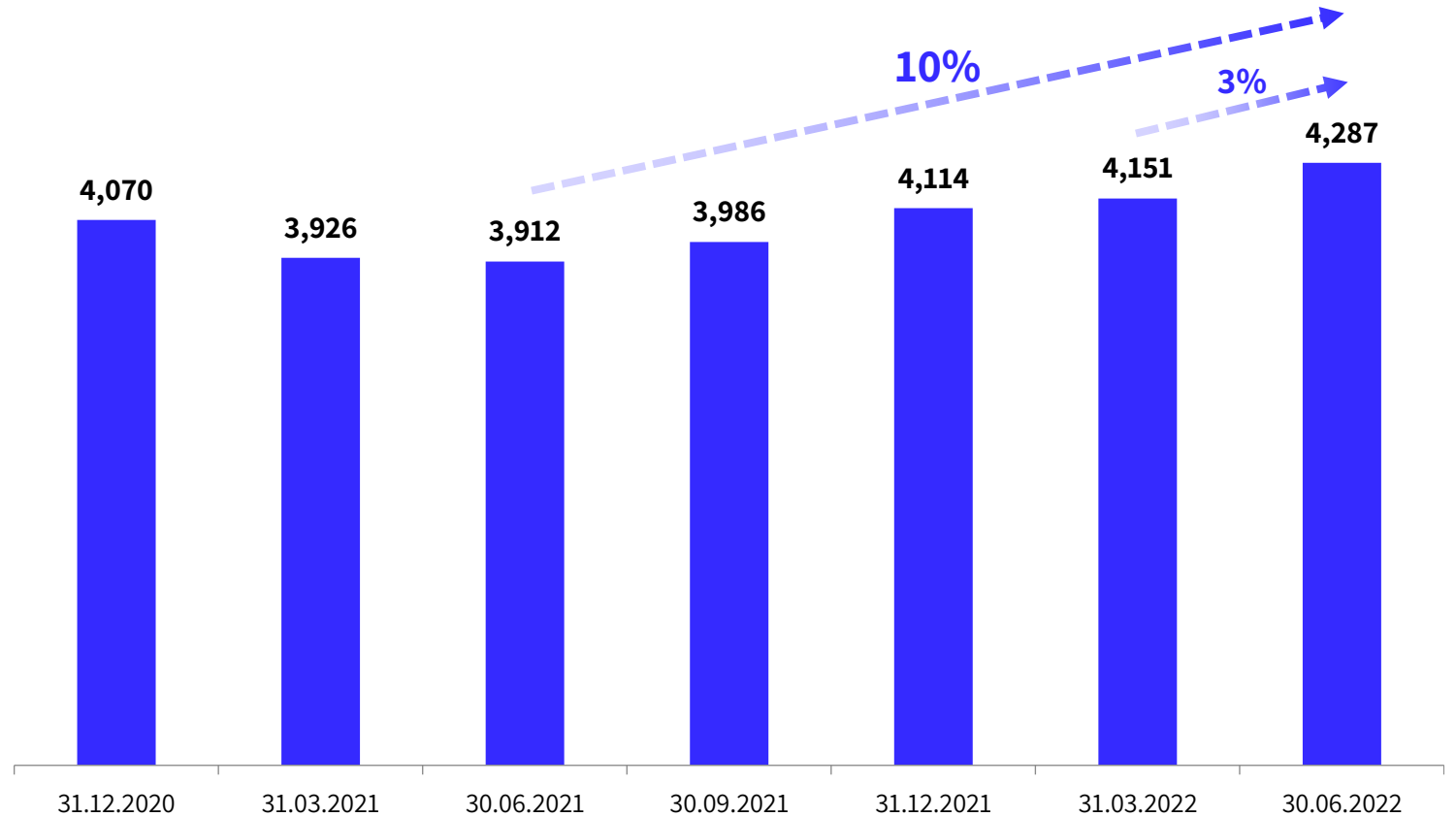
**9.3%**

Average annual interest rate of the consumer credit portfolio balance as of June 30, 2022

**ILS 92 million**

**Net interest Income in Q2.2022**

App. 8.2% increase over the corresponding quarter last year.



(1) Non-bank guaranteed credit (excluding purchases)

(2) Including vehicle-secured credit (App. ILS 104 million as of June 30, 2022)

# Commercial Credit (ILS millions)

## Commercial credit portfolio

Continued growth in the portfolio size also at the time of signing the financial statements.

**9.2%**

Growth rate of the commercial credit portfolio during Q2.2022, which is about 42% in annual growth.

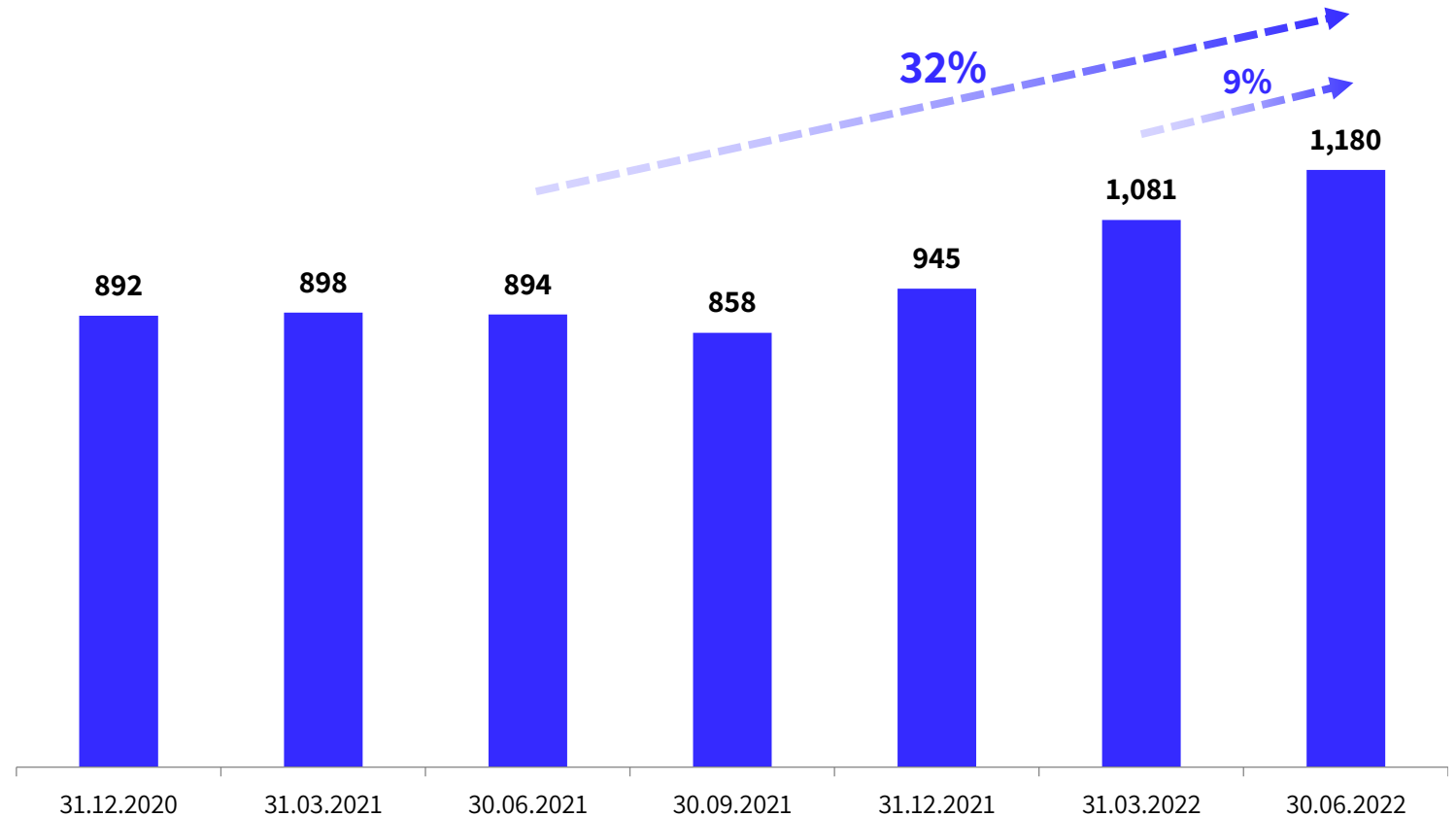
**6.1%**

Average annual interest rate of the commercial credit portfolio balance as of June 30, 2022

**ILS 28 million**

**Net interest Income\* in Q2.2022**

App. 27.3% increase over the corresponding quarter last year.



\* Including net interest income from discounting of sales slips for merchants.

# Provision for Credit Losses (ILS millions)

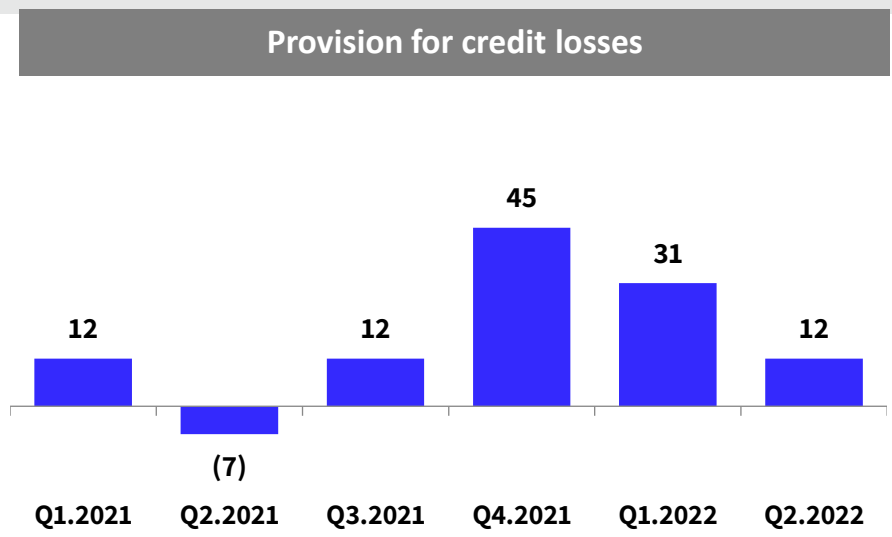
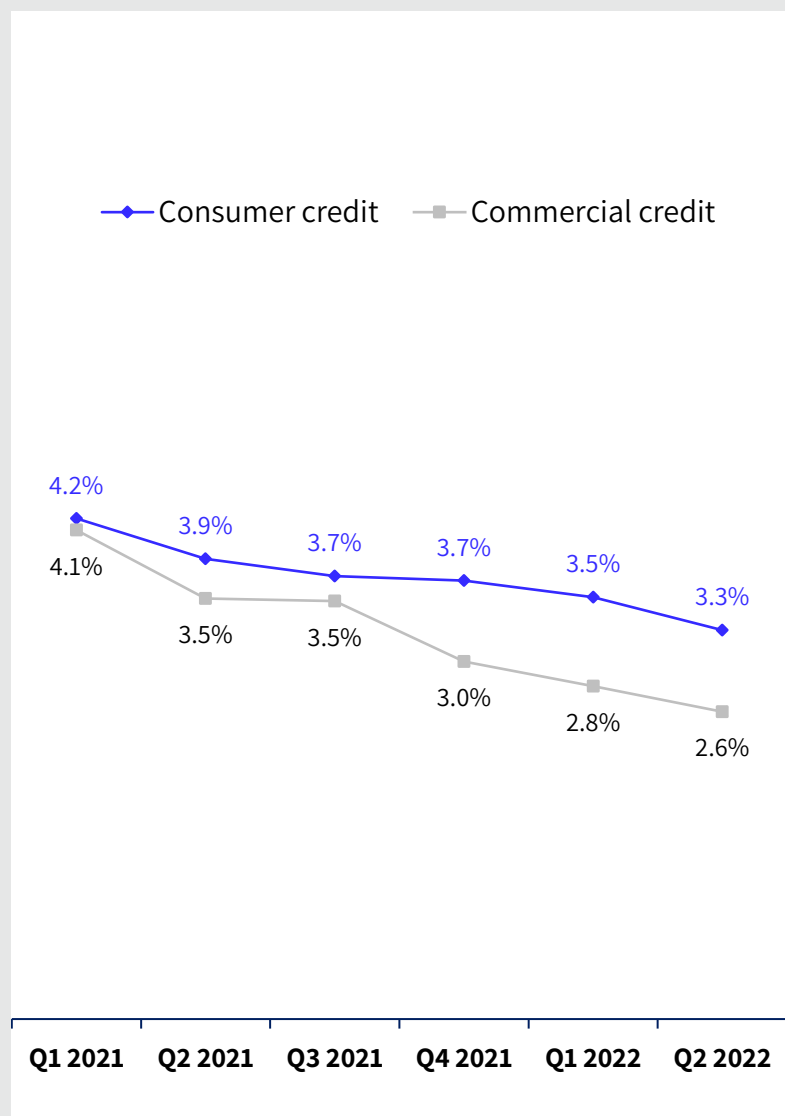
## Q2.2022

**Decrease in provision for credit losses in the quarter compared to the previous quarter**

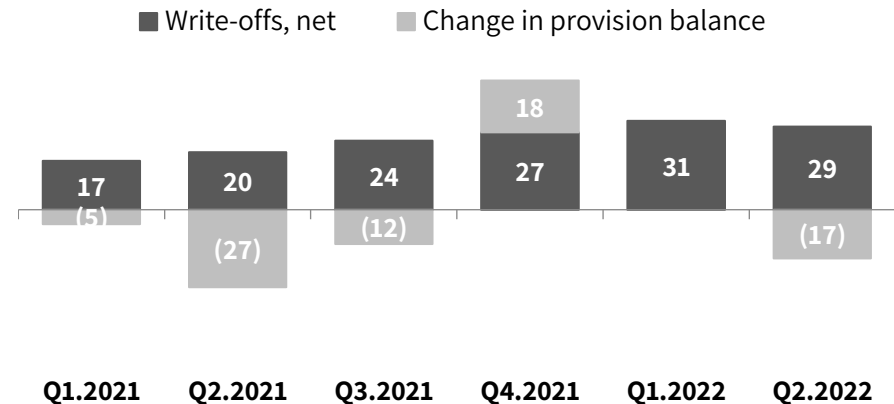
**Mainly as a result of:**

- Decrease in doubtful debts
- Continued reduction of the Group rates of collective allowance for credit losses in view of an improvement in indicators used to calculate the Group's collective allowance

**Maintaining high cover ratios**



**Provision for credit losses, by write-offs, net, and change in allowance for credit losses**







# Equity, Capital Adequacy and Return on Equity (as of June 30<sup>th</sup>, 2022)

## Shareholders' equity, ILS

App. **2.8 billion**

After dividend distribution of ILS 120 million in March 2022

## Total capital ratio

**15.3%**

(11.5% minimum regulatory requirement)

## Tier 1 capital ratio

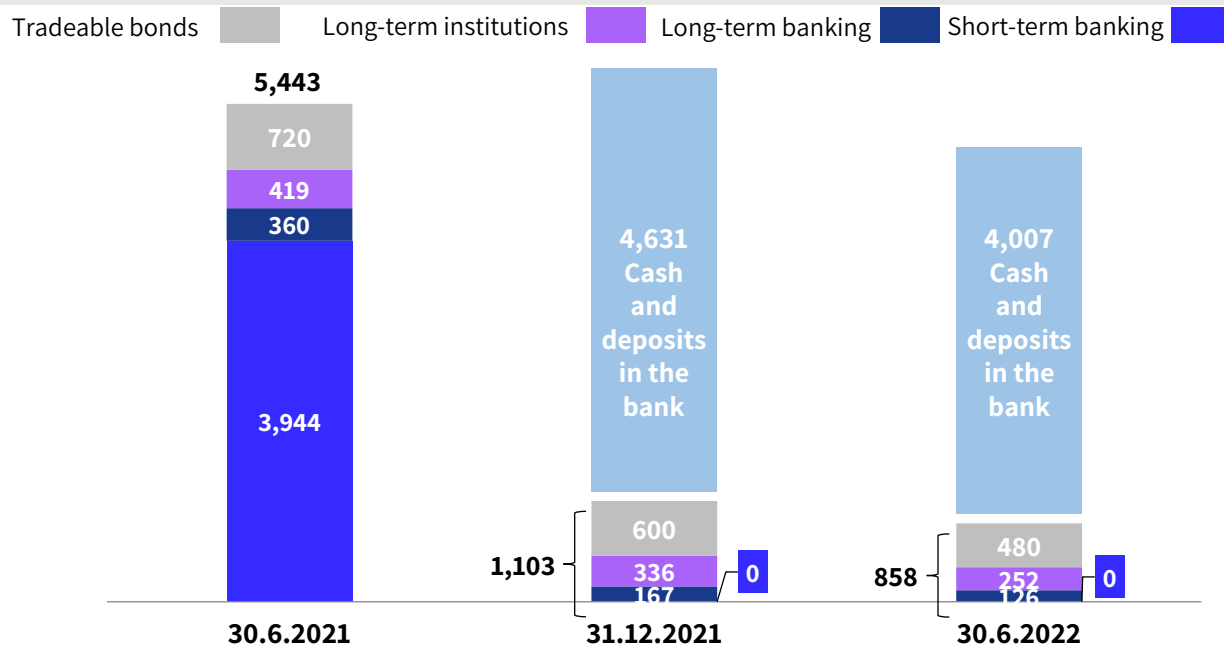
**14.2%**

(8% minimum regulatory requirement)

## Dividend announcement, ILS

App. **28.6 million**

About 35% of net profit reported for H1.2022



## Distribution of the financing balances sources

Banking and other as of June 30<sup>th</sup> 2022 (ILS millions)

**The Company presented a decrease of about 45% of financing expenses in the first half of 2022 compared to the corresponding period last year, mainly as a result of:**

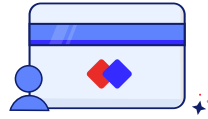
- Implementation of Proper Banking Provision 470 together with the Competition Commissioner's directive of daily payments between issuer and acquirer.
- Diversification in sources and creation of a competitive environment between financing entities and reduction of secured credit lines from banks.

# Strategic Collaboration with Bank Hapoalim



**8-year agreement provides long-term certainty**

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**The main partner for issuing and operating credit cards to Bank Hapoalim's customers**

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**The agreement positively contributes to the Group's profitability**

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**App. ILS 50 million quarterly increase in payments to the bank**

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**Enabling Isracard to continue operating as the company with the largest customer base for continued acceleration of the growth engines**

# Structuring an Efficiency Plan\*

**Annual savings of ILS 55-65 million**

The plan will be implemented by the end of 2023 with savings fully realized in 2024

**Digitization and automation**



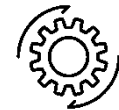
**Workforce**



**Streamlining operations and cost saving**



**Simplifying organizational structures**



\*As of the date of signing the report, no decisions have been made on the issue.

# Isracard – Accelerating to Continued Growth



**Closing H1.2022 with a net profit of ILS 114 million\***

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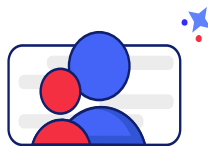
**Trending double-digit growth in consumer and commercial credit**

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**Specifying 3 business focal points for continued growth**

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**Assembling a highly professional management team to lead continued growth**

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**Signing long-term agreements with business partners**

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**Formulating a comprehensive efficiency plan\*\***

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**Resilient financial profile enabling growth engine acceleration**



\* Net of an ILS 25-million provision to VAT assessment and ILS 17 million for nonrecurring operating expenses, as described in slide 15 in the appendices chapter of this presentation.

\*\* As of the date of signing the report, no decisions have been made on the issue.



# APPENDICES



**ISRACARD GROUP**

# Financial Data for the Second Quarter of 2022

ILS millions	4-6.2022			4-6.2021
	Reported	Nonrecurring effects	Net of nonrecurring effects	Reported
<b>Income</b>				
Income from merchants, net	318	-	318	299
Income from credit card holders	216	-	216	159
Interest income, net	123	-	123	107
other incomes (expenses)	(18)	-	(18)	* -
<b>Total income</b>	<b>639</b>	<b>-</b>	<b>639</b>	<b>565</b>
<b>Expenses</b>				
Provision for credit losses (income)	12	-	12	(7)
Operational expenses	266	<sup>(1)</sup> (25)	241	206
Sales and marketing expenses	156	-	156	120
General and Administrative expenses	29	-	29	25
Payments to banks	123	-	123	65
<b>Total Expenses</b>	<b>586</b>	<b>(25)</b>	<b>561</b>	<b>409</b>
<b>Pretax Profit</b>	<b>53</b>	<b>25</b>	<b>78</b>	<b>156</b>
Provision for taxes on profit	(21)	(6)	(27)	(45)
Company share in profit of associates	* -	-	* -	2
<b>Net Profit</b>	<b>32</b>	<b>19</b>	<b>51</b>	<b>113</b>

\* Less than ILS 0.5 million

(1) The results of the activity in the second quarter of 2022 were affected by an increase in the provision for VAT assessments of about ILS 25 million according to the principles being established in the settlement, in such a way that no additional provision will be required as long as the settlement is approved.

# Financial Data for the First Half of 2022

ILS millions	1-6.2022			1-6.2021
	Reported	Nonrecurring effects	Net of nonrecurring effects	Reported
<b>Income</b>				
Income from merchants, net	606	-	606	569
Income from credit card holders	391	-	391	294
Interest income, net	234	-	234	210
other incomes (expenses)	(29)	-	(29)	(1)
<b>Total income</b>	<b>1,202</b>	<b>-</b>	<b>1,202</b>	<b>1,072</b>
<b>Expenses</b>				
Provision for credit losses	43	-	43	5
Operational expenses	519	(1,2)(42)	477	411
Sales and marketing expenses	278	-	278	233
General and Administrative expenses	61	-	61	53
Payments to banks	177	-	177	117
<b>Total Expenses</b>	<b>1,078</b>	<b>(42)</b>	<b>1,036</b>	<b>819</b>
<b>Pretax Profit</b>	<b>124</b>	<b>42</b>	<b>166</b>	<b>253</b>
Provision for taxes on profit	(43)	(10)	(53)	(69)
Company share in profit of associates	1	-	1	3
<b>Net Profit</b>	<b>82</b>	<b>32</b>	<b>114</b>	<b>187</b>

(1) The results of the activity in the second quarter of 2022 were affected by an increase in the provision for VAT assessments of about ILS 25 million according to the principles being established in the settlement, in such a way that no additional provision will be required as long as the settlement is approved.

(2) The results of operations Q1.2022 were significantly affected by nonrecurring events and their accounting treatment, including: app. ILS 10 million expense resulting from shortening the contractual lease period at the old "Isracard House" at 40 Hamasger street, Tel Aviv (as of the report signing date, the Company has no financial liability remaining there) and an expenditure of about ILS 7 million resulting from the Company's decision, as part of implementing the multi-year strategic plan, to discontinue a public transport payment app.

# Balance Sheet

ILS millions	30.6.2022	31.12.2021	30.6.2021
<b>Assets</b>			
Cash and deposits in banks	4,007	4,631	154
Receivables due to credit card activity	17,272	16,951	24,534
Allowance to credit losses	(339)	(357)	(351)
<b>Receivables due to credit card activity, net</b>	<b>16,933</b>	<b>16,594</b>	<b>24,183</b>
Securities	64	64	67
Investments in associated companies	46	42	33
Buildings and equipment	424	408	328
Other assets	804	697	492
Assets held for sale	-	-	68
<b>Total assets</b>	<b>22,278</b>	<b>22,436</b>	<b>25,325</b>
<b>Liabilities</b>			
Credit from banks and others	378	503	4,723
Creditors due to credit card activity	17,745	17,615	16,551
Tradeable bonds	480	600	720
Other liabilities	921	941	683
<b>Total liabilities</b>	<b>19,524</b>	<b>19,659</b>	<b>22,677</b>
<b>Equity attributable to Company shareholders</b>	<b>2,754</b>	<b>2,777</b>	<b>2,648</b>
<b>Assets</b>	<b>22,278</b>	<b>22,436</b>	<b>25,325</b>



**THANK YOU!**

Statements as of June 30, 2022



**ISRACARD GROUP**