

# Investor Presentation Q2 /2012

August, 2012



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TASE

DSCT

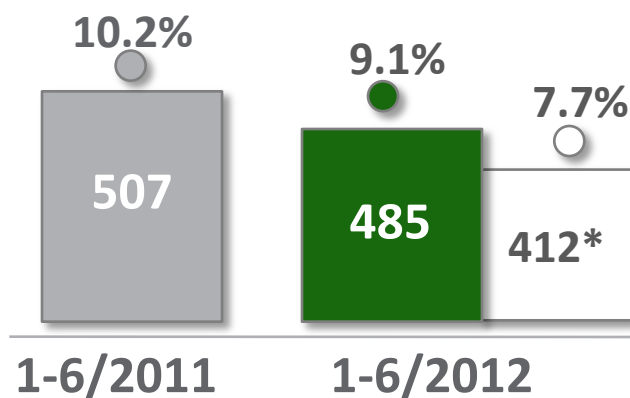
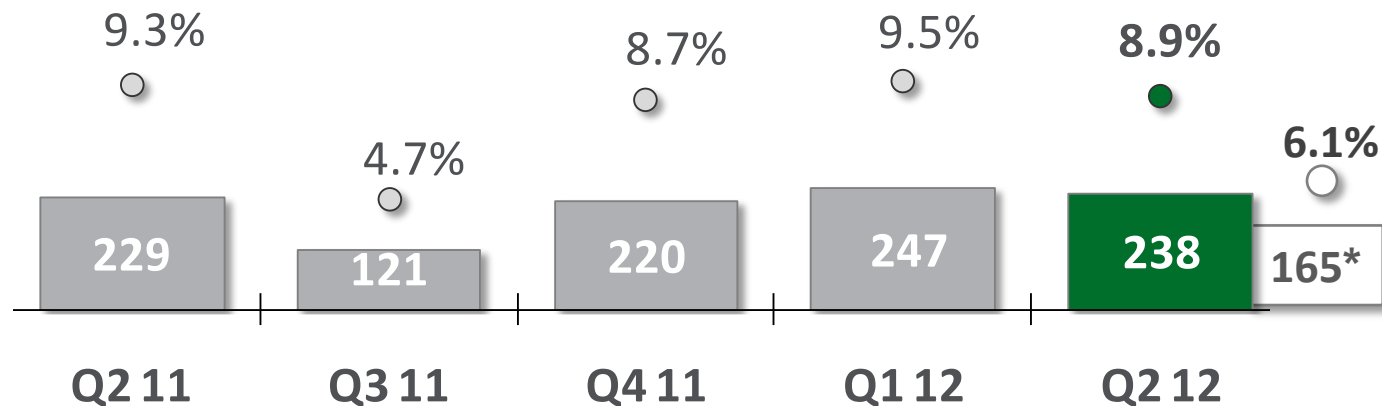
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# Net Income & ROE (NIS mm)



\* Q2/12 Net income including write-down in value of our investment in FIBI

# Income Statement Highlights & Key Ratios (NIS mm)

	Q2/12	Q1/12	% Change Vs. Q1/12	Q2/11	% Change Vs. Q2/12
Interest Income	2,213	1,924	+15.1%	2,294	-3.5%
Interest Expense	1,060	826	+28.3%	1,069	-0.8%
Net Interest Income	1,153	1,098	+5.1%	1,225	-6.1%
Non Interest Income	742	865	-14.2%	750	-1.1%
Total Income	1,895	1,963	-3.4%	1,975	-4.1%
Provisions for Loan Losses	118	123	-4.1%	188	-37.2%
Operating & Other Expenses	1,451	1,496	-3.0%	1,440	+0.8%
<b>Net Income</b>	<b>238   165*</b>	<b>247</b>	<b>-3.6%   -33.2%*</b>	<b>229</b>	<b>3.9%   -27.9%*</b>
<b>ROE</b>	<b>8.9%   6.1%*</b>	<b>9.5%</b>	<b>-</b>	<b>9.3%</b>	<b>-</b>

<b>Capital / Total Assets</b>	<b>5.8%</b>
<b>Capital Adequacy</b>	<b>14.1%</b>
<b>Loans / Deposits</b>	<b>79.2%</b>
<b>Adjusted Return on Risk Weighted Assets</b>	<b>8.3%</b>

\* Q2/12 Net income including write-down in value of our investment in FIBI

## Q2 2012 - Summary

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### Earnings

Net Income , excluding the decrease in the value of our FIBI investment was NIS 238m. Including the write-down in FIBI - NIS 165m.

### Revenues

Net Interest Income increased over Q1/12 (NIS1,153 vs. NIS 1,098m) but lower than Q2/11 (NIS 1,225m). Non-Interest Income decreased, primarily due to derivatives portfolio

### Asset Quality

Loan Loss Provisions decrease over Q1 to 0.39%; improvement in commercial credit risk and private individuals.

### Expenses

Decreased 3% over previous quarter and minor increase of 0.8% over Q2/11.

### Balance Sheet

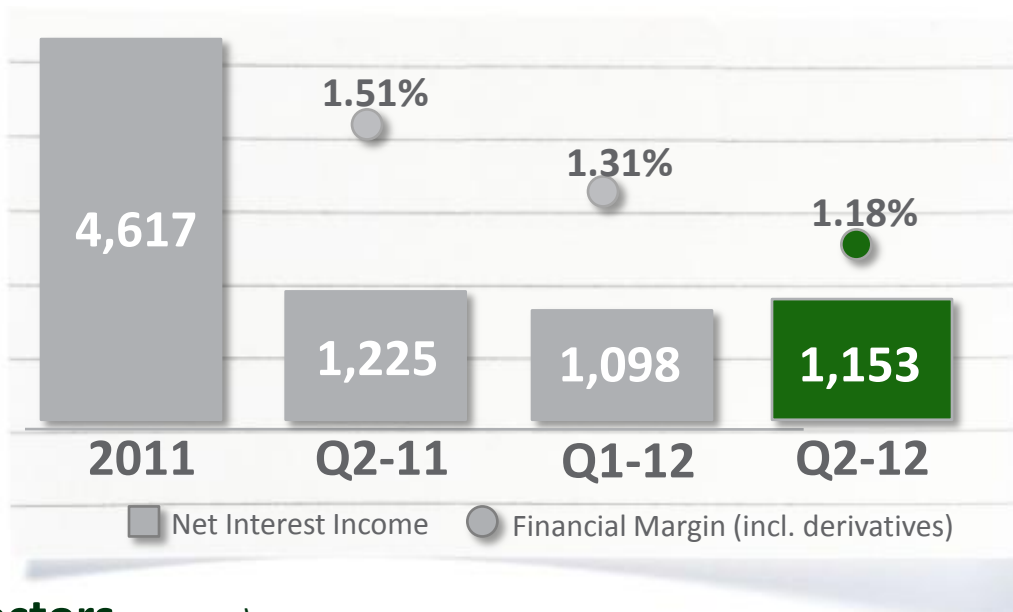
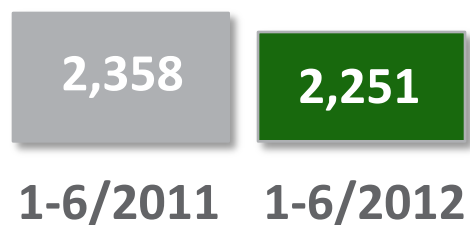
Net Loans increased 2.6% over YE 11 (mostly corporate & commercial); Deposits decreased 1.6% (mostly corporate reductions).

### Capital

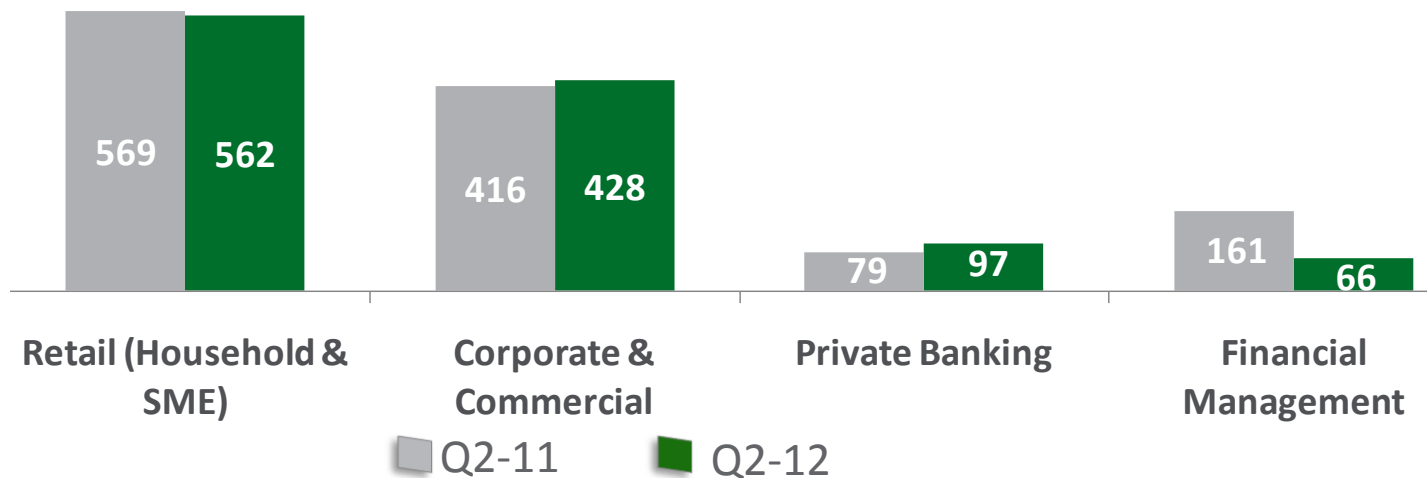
Core Tier-1 8.3% ; Capital Adequacy 14.1%

## Net Interest Income (NIS mm)

Increase in Net Interest Income attributed largely to corporate business.

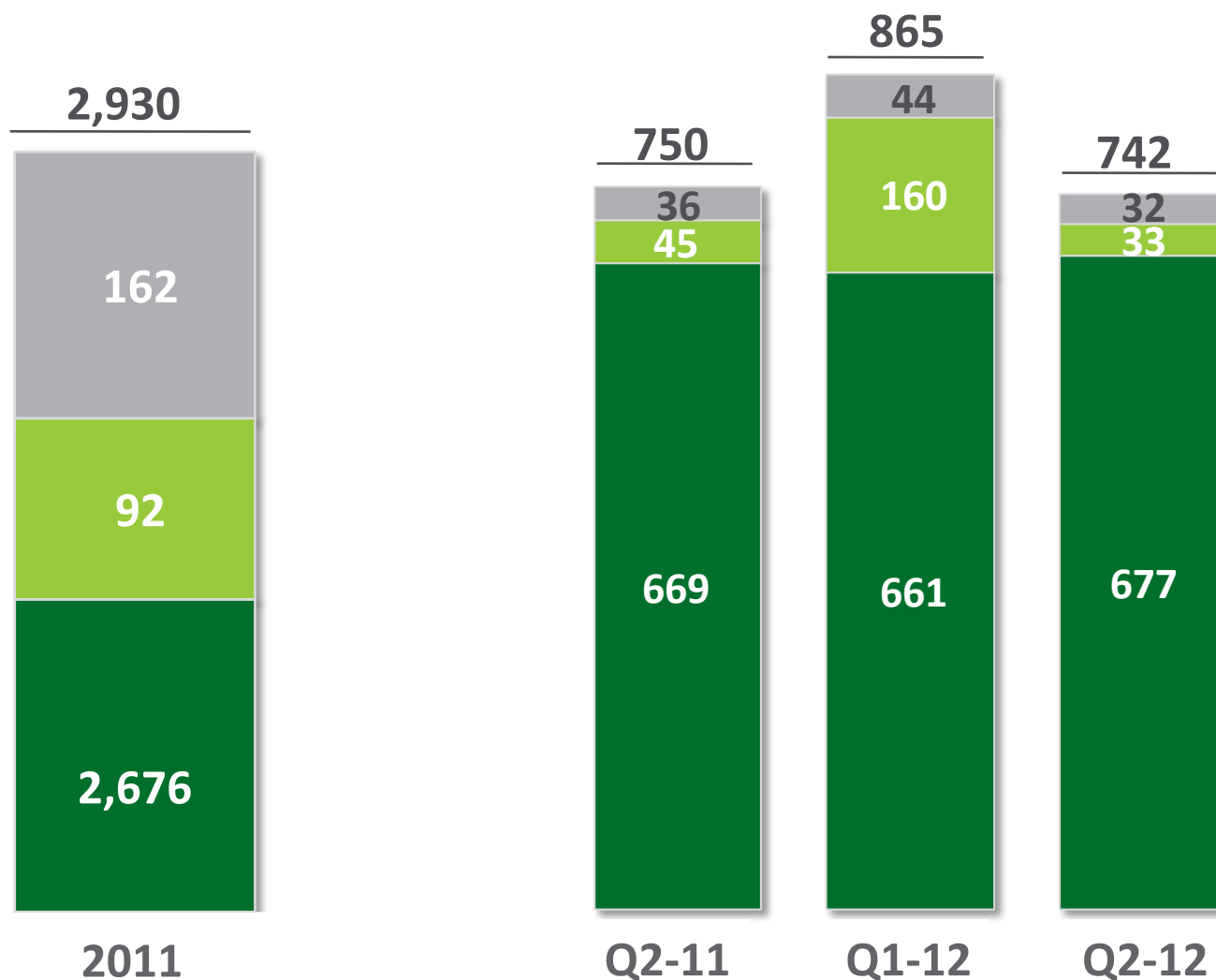


## Net Interest Income by Business Sectors (NIS mm)



# Non-Interest Income (NIS mm)

Moderate increase in commissions ; Weakness in non-interest financing income

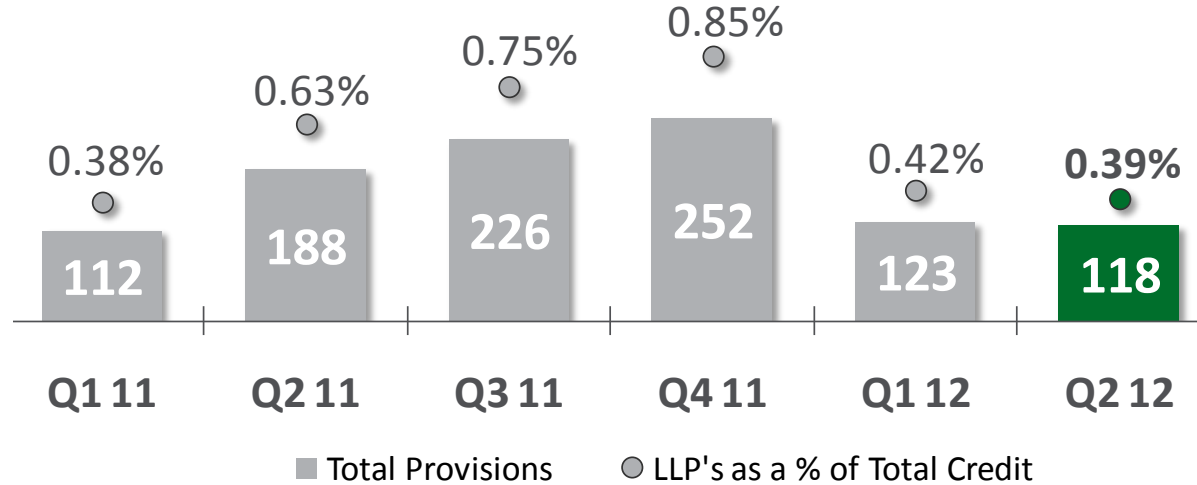


■ Commissions ■ Non-Interest Financing Income ■ Other Income

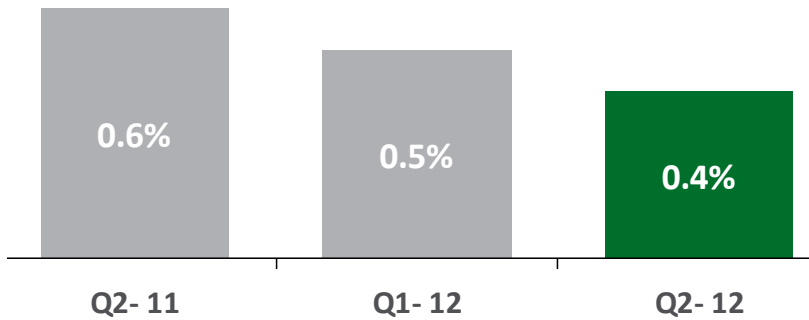
# Asset Quality (NIS m)

Second consecutive quarter of decrease in LLP's

## Loan Loss Provisions

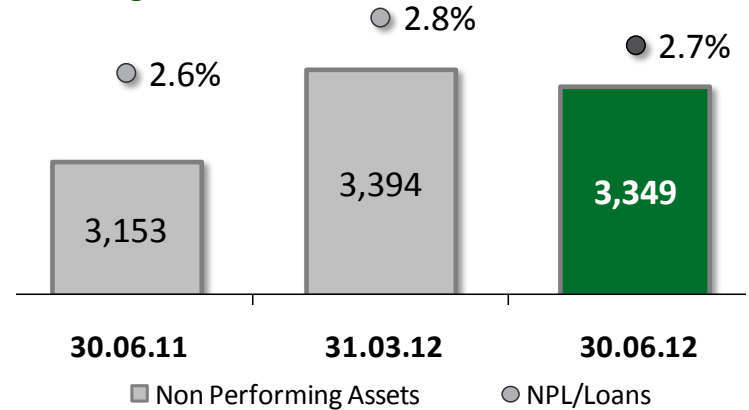


## Delinquent Debt 90+ days/Total Credit



## Non Performing Assets

NPL Coverage Ratio- 58.5%



# Asset Quality (NIS m)

Despite macro backdrop, improvements in credit risk to commercial & private individuals

	30.06.11	31.12.11	31.03.12	30.06.12
Impaired	5,485	5,765	5,567	5,369
Substandard	830	774	709	854
Special Supervision	2,127	2,683	2,812	2,740
Less Provisions For Loan Losses	849	897	871	798
<b>Total Problematic Debt Net of Provisions for Loan Losses</b>	<b>7,593</b>	<b>8,325</b>	<b>8,217</b>	<b>8,165</b>

	▽	▽	▽	▽
Commercial Credit Risk	7,485	8,410	8,307	8,208
Private Individuals Credit Risk	957	812	781	755



# Loan Portfolio Breakdown (NIS m)

	30.06.12		31.12.11		% Change
	Total Credit Risk	% Total Credit	Total Credit Risk	% Total Credit	
Private Individuals - Other	37,174	20.7%	36,851	20.9%	0.9%
R/E & Construction	33,481	18.6%	33,630	19.1%	(0.4%)
Industry	25,992	14.5%	25,051	14.2%	3.8%
Private Individuals Mortgages	19,988	11.1%	20,094	11.4%	(0.5%)
Commerce	19,985	11.1%	19,240	10.9%	3.9%
Financial Services	15,911	8.9%	14,997	8.5%	6.1%
Other*	27,105	15%	26,248	15%	3.3%
<b>Total</b>	<b>179,636</b>	<b>100%</b>	<b>176,111</b>	<b>100%</b>	<b>2.0%</b>

## Leveraged Finance Exposure

Industry	NIS 913m
R/E & Construction	NIS 724 m
Financial Services	NIS 546m
<b>Total Leveraged Finance Exposure</b> (2.3% of total credit)	<b>NIS 2,791 m</b>

## Material Exposure to Borrower Groups

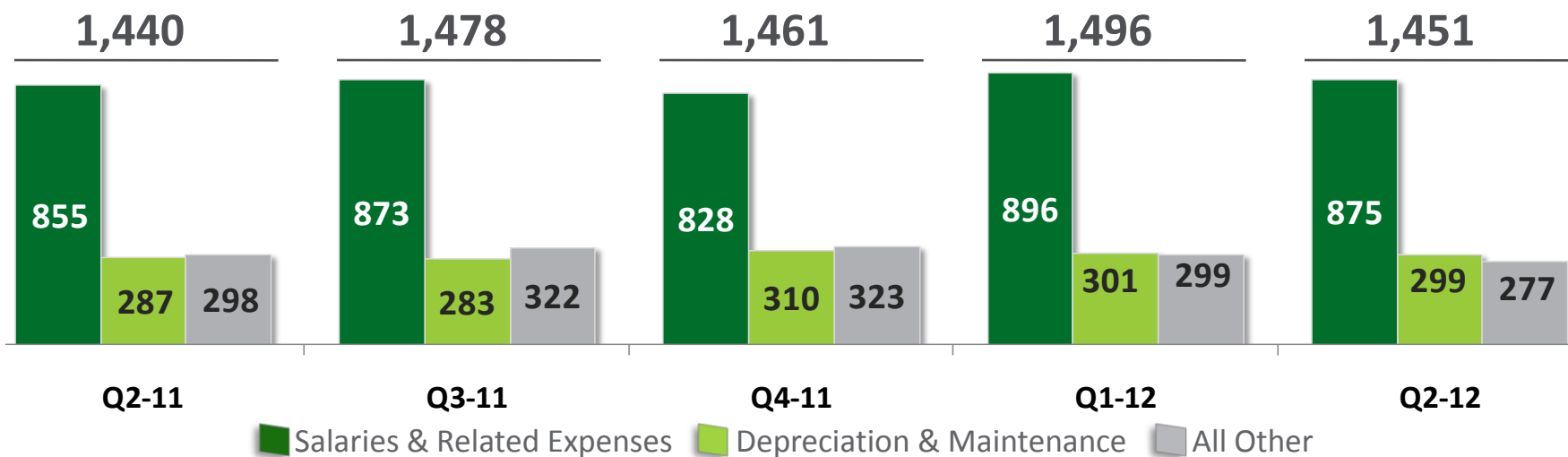
### Exposure to 1 Borrower Group

B/S Exposure	NIS 2,975 bln
Off B/S Exposure	NIS 248 bln
<b>Total Exposure</b> (2.7% of total credit)	<b>NIS 3,223 bln</b>

\*Other- business services, utilities, tourism, communication& IT, public services, agriculture

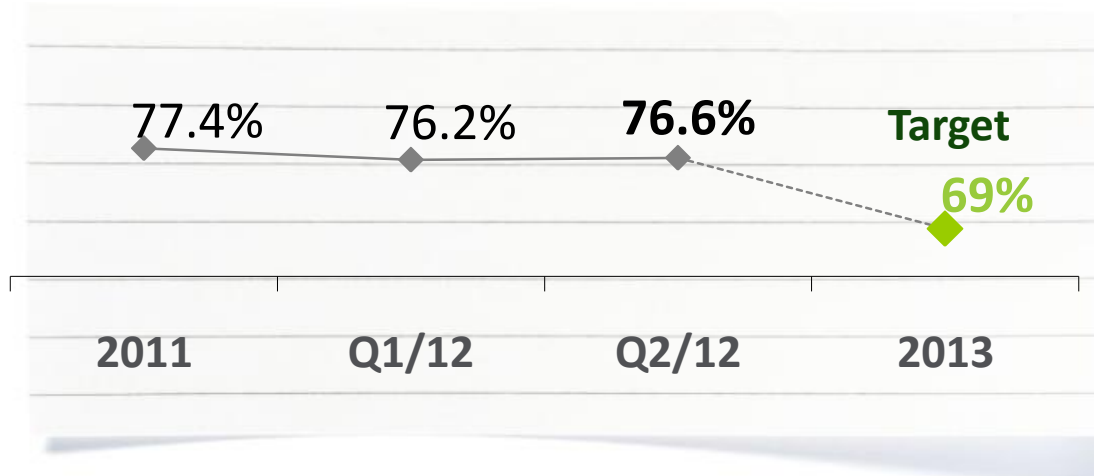
## Operating & Other Expenses (NIS m)

Decrease of 3% over Q1/12 ; Salary expenses decrease 2.3%



## Cost Income Ratio

Lower Income levels limiting progress towards reaching target in 2013



# Balance Sheet Highlights



## Balance Sheet Highlights (NIS mm)

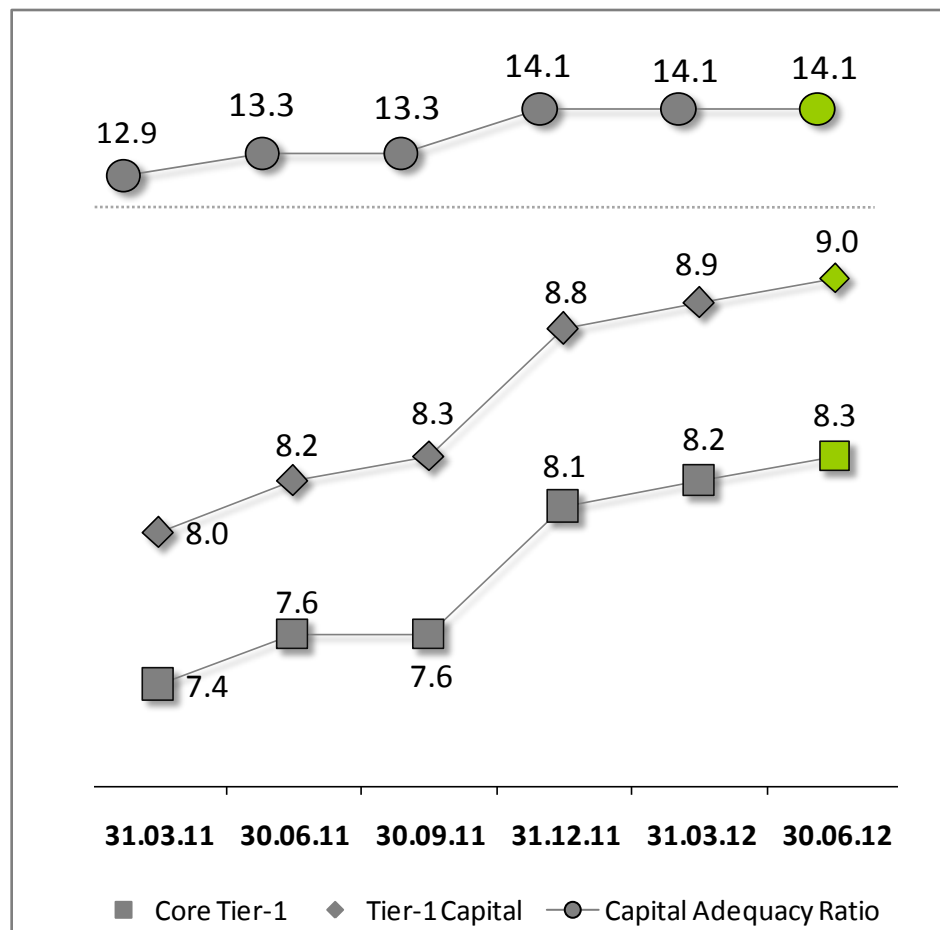
	30.06.12	31.12.11	Change
Securities	45,455	42,898	+6.0%
Net Loans	119,412	116,383	+2.6%
Deposits	150,862	153,368	-1.6%
Loan Deposit Ratio	79.2%	75.9%	-
Shareholders' Equity	11,632	11,020	+5.6%
Total Assets	200,641	202,471	-0.9%
Capital / Total Assets	5.8%	5.4%	-

# Capital Ratios and Risk Weighted Assets<sup>(NIS mm)</sup>

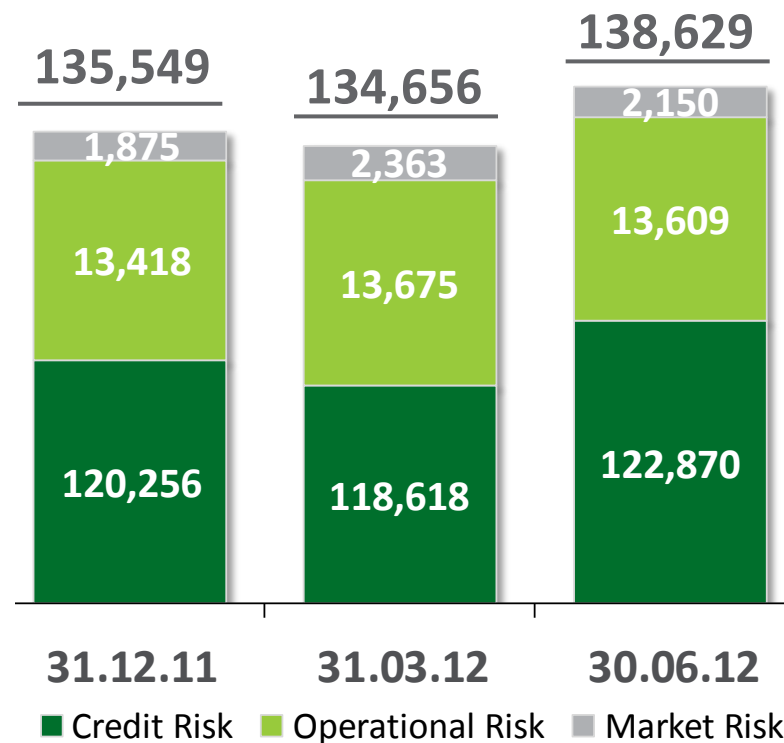
Core Tier-1 Capital ahead of YE 11 despite increase in RWA's and decrease in value of FIBI investment.

(Basel II Reporting)

**Regulatory CT-1 Target Basel 3: 9% YE 2014**



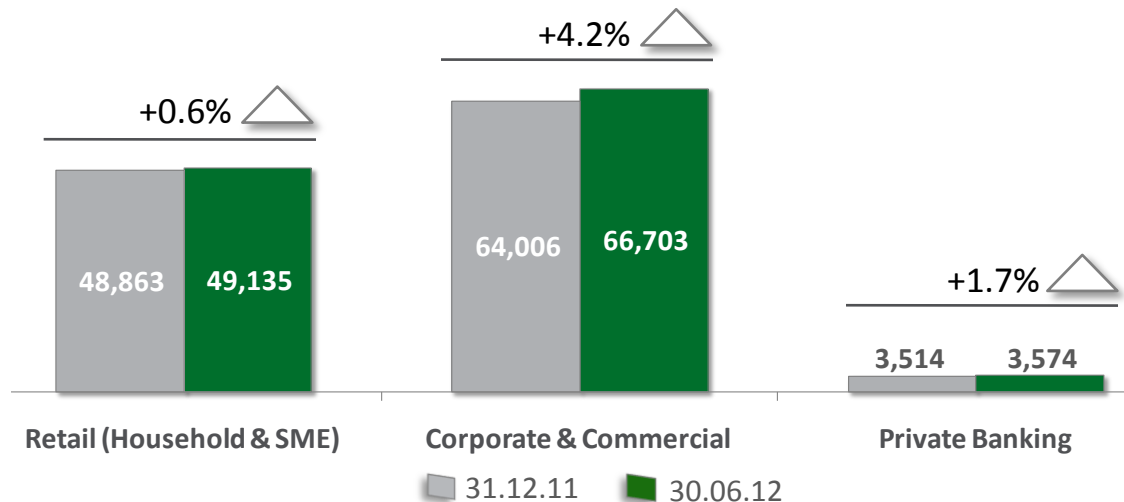
## Risk Weighted Assets



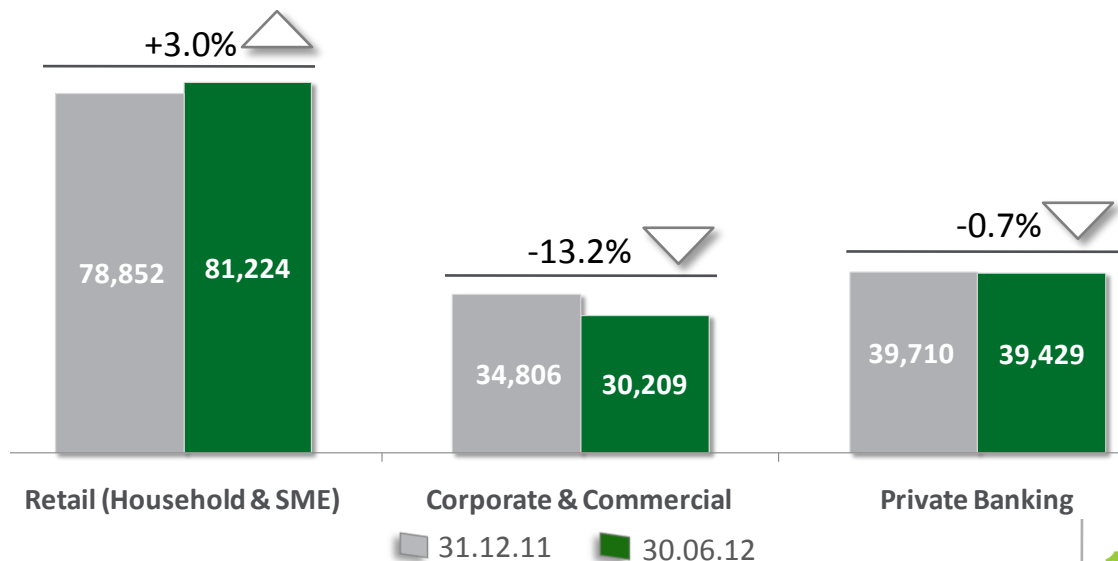
# Loans & Deposits (NIS mm)

Loan/Deposit Ratio- 79.2%. Loan growth driven mostly by corporate & commercial ;  
Deposit decrease due to corporate reductions

## Loans



## Deposits



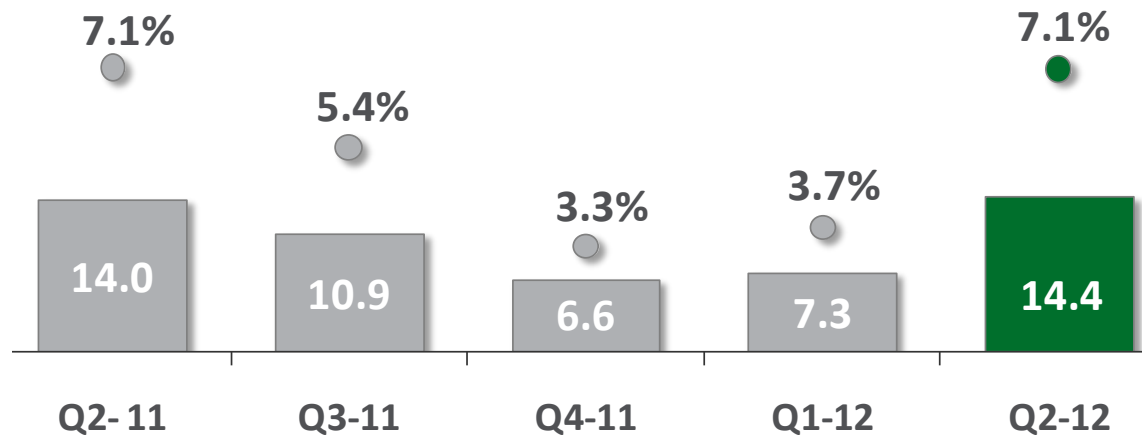
# Sector and Subsidiary Highlights



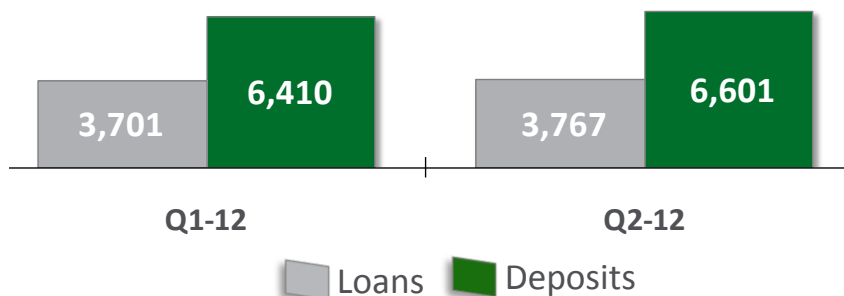
# Discount Bancorp.

Earnings driven mostly by improved LLP levels

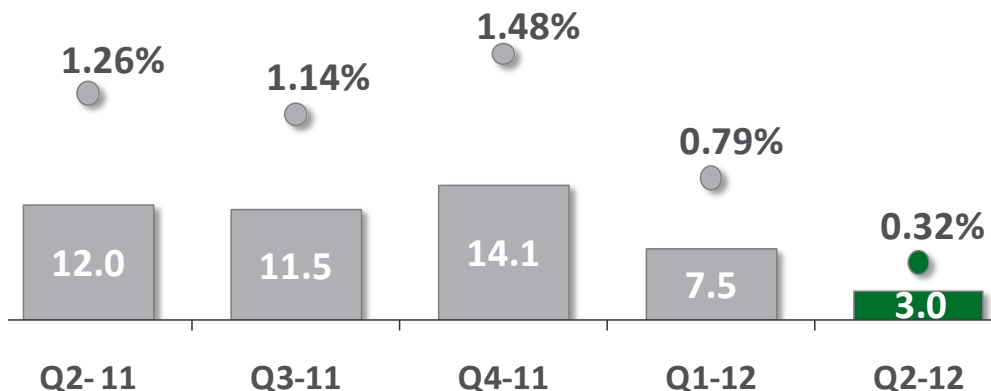
## Net Income & ROE (mil \$)



## Loans and Deposits (mil.\$)



## Provisions for Loan Losses (mil.\$)

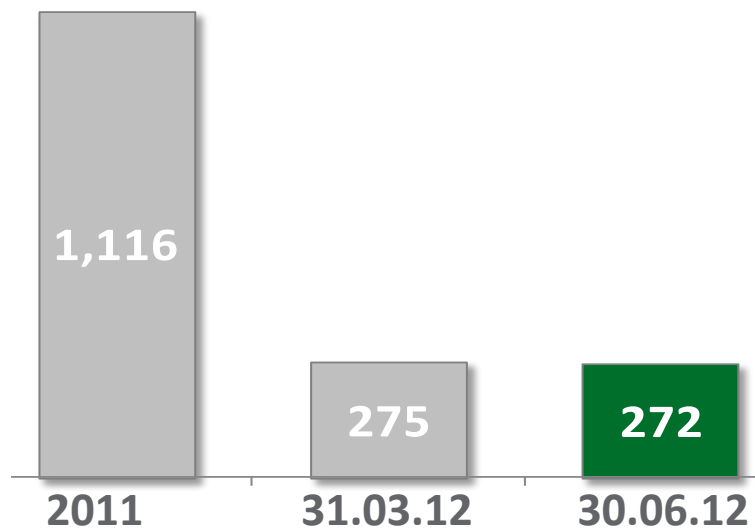




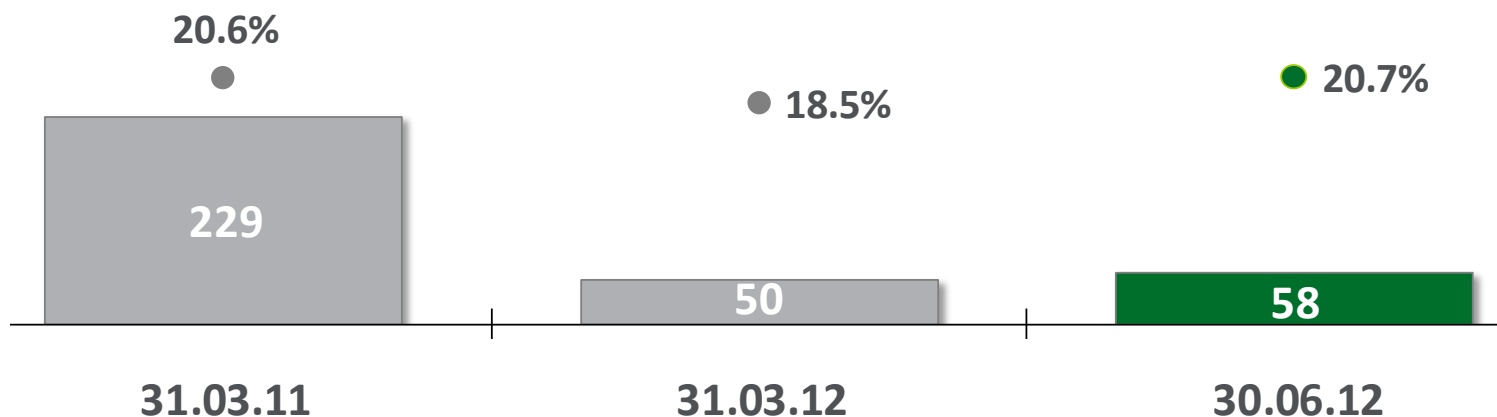
# Israel Credit Cards

Solid results despite macro & regulatory pressures

## Total Revenues (NIS mm)

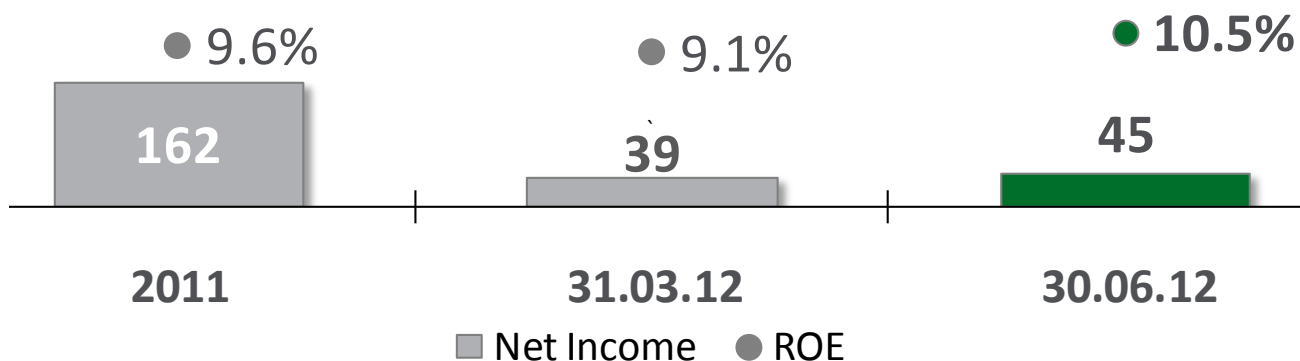


## Net Income & ROE (NIS mm)

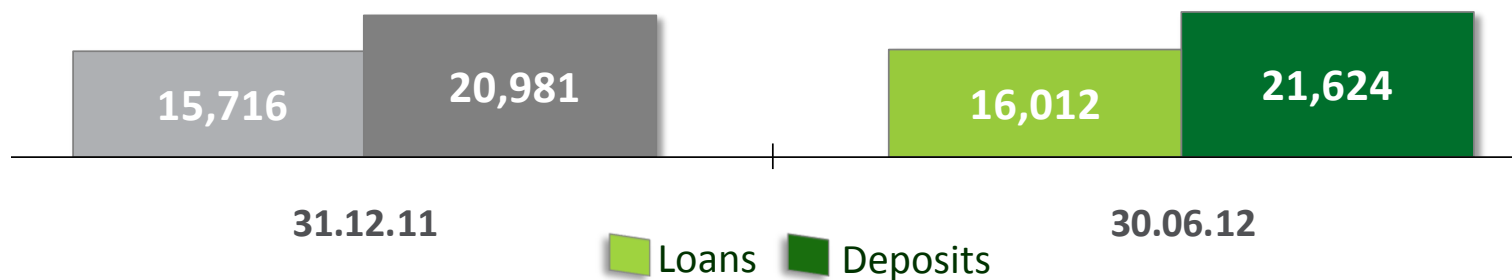


# Mercantile Discount Bank

## Net Income & ROE (mm NIS)



## Loans & Deposits (mm NIS)



# Summing Up & Outlook

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Continued progress in key areas of strategic focus – yet another quarter displaying cost control & discipline in our Operating Expenses.

Asset Quality, while reflecting the deterioration in the macro environment, shows improvement over the past year, particularly in retail. Exposure to Leveraged Finance loans and large Borrower Groups at acceptable levels (just over 2% of total credit)

Core Tier-1 Capital ahead of YE 11 despite increase in RWA's and decrease in value of FIBI investment.

# Appendix



- **Branches across the country** (as per annual report 2011)
  - Discount Bank : 149 Branches throughout Israel
  - Mercantile Discount Bank: 79 branches
- **Domestic Emphasis** on Retail , Corporate Banking as well as Capital Markets and Domestic Private Banking
- **Emphasis outside of Israel on Commercial and Private Banking**
- **Key overseas operations in U.S., Switzerland and London with Representative Offices throughout Latin America**
- **Market Cap ~ NIS 4.2 bln ~ \$1 bln** (26.08.2012)

## Main Shareholders

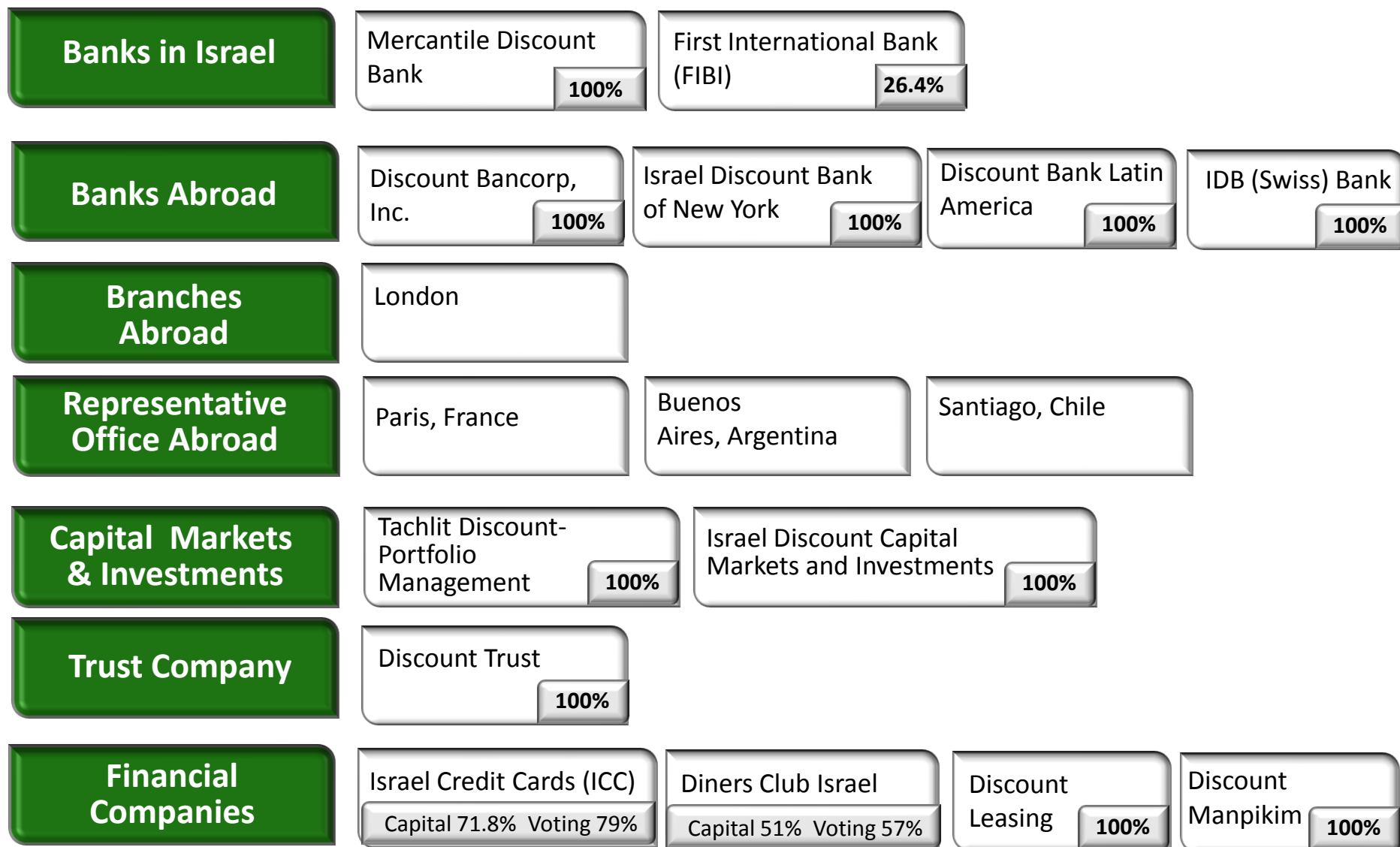
**75%**

Public Float  
(TASE:DSCT)

**25%**

Controlling  
Shareholders

# Group Structure



# Relative Share of the Israeli Banking Sector

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	31.12.11	31.03.12
Total Assets	17.2%	17.2%
Loans	14.8%	14.6%
Deposits	17.2%	17.0%
Net Interest Income	18.5%	17.8%
Non Interest Income	14.2%	20.0%

# Key Components of Group Assets/ Capital (NIS m/ \$)

(as of 30<sup>th</sup> June, 2012)

Bank	Assets	Capital	Basel 2 Total Capital Ratio
<b>Israel Discount Bank</b> (Consolidated)	<b>200,641</b>	<b>11,632</b>	<b>14.1%</b>
<b>Discount Bancorp</b> (US)	9,400(\$m)	811(\$m)	15.5%*
<b>Mercantile Discount Bank</b>	25,718	1,719	14.2%
<b>Israel Credit Cards</b> (71.8%)	8,854	1,156	18.7%

*\*According to US Reporting Standards*



# Corporate Social & Environmental Responsibility



# Disclaimer

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For further details see Forward Looking Information section in the Bank's financial statements.



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