

Press release

November 25, 2020

First International Bank of Israel Presents Third Quarter and First Nine Months 2020 Results

Tel Aviv, Israel – November 25, 2020. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the third quarter and first nine months of 2020

Financial Highlights

- **Net earnings of NIS 540 million for the first nine months of 2020.
Return on equity: 8.4%**
- **Net earnings of NIS 201 million for the third quarter of 2020.
Return on equity: 9.5%**
- **Since the start of the year, there was a 2.2% growth in the credit to the public and 21.1% in deposits from the public by households and private banking.**
- **Expenses due to Credit loss in the third quarter were NIS 91 million, as compared to NIS 33 million in the corresponding period last year, and in the first nine months of 2020 were NIS 413 million as compared to NIS 92 million in the corresponding period last year**
- **The efficiency ratio reached 61.0%, as compared to 64.9% in the corresponding period last year**
- **Ratio of Tier I equity capital: 10.93%**
- **Ratio of comprehensive capital: 14.23%**



הונגש באמצעות
המרכז להנגשת מידע של
עמותת נגישות ישראל (עיר)

Profitability

Net earnings of the First International Bank Group in the third quarter of the year amounted to NIS 201 million. **Return on equity** reached 9.5%. In the first nine months of the year, net earnings amounted to NIS 540 million and return on equity reached 8.4%.

Earnings in the first nine months of the year and thereafter in the present quarter were affected by the impacts of the Corona crisis. This was mostly due to the sharp increase in credit loss expenses, mainly under the collective provision item, and this on the basis of the uncertainty surrounding the crisis and its impact on borrowers.

Implications of the Corona crisis on the Bank

Expenses in respect of credit losses in the first nine months of the year amounted to NIS 413 million, in contrast to NIS 92 million in the corresponding period last year. The rate of the **provision for credit losses** amounted to 0.62%, as compared to 0.14% in the corresponding period last year.

Credit loss expenses in the third quarter of the year amounted to NIS 91 million, compared to NIS 33 million in the corresponding quarter last year, a growth of 176%. The provision rate for credit losses in the third quarter of the year amounted to 0.41%, as compared with 0.15% in the corresponding quarter last year.

The growth in credit loss expenses was mostly due to the impact of the changes in the macro-economic environment, because of the Corona pandemic and the uncertainty with regard to the impact on the condition of borrowers. Due to the macro-economic uncertainty, the Bank decided to increase the **collective provision**, which in the first nine months of the year amounted to NIS 366 million, the majority of it (NIS 322 million) in respect of the crisis.

Until September 30, 2020, the Bank deferred repayment of loans to customers in an amount of NIS 144 million. **The outstanding balance of the loans, repayment of which had been deferred**, as of September 30, 2020, amounted to NIS 2,858 million, comprising 3.1% of total credit to the public. This rate is lower than the rate as reported in the second quarter, which amounted to 8.0%, and is significantly lower than the rate of deferred debts across the Israeli banking system as a whole.

Since the outbreak of the crisis, the Bank has implemented a series of measures, the aim of which is to assist customers and make banking services more accessible to customers, enabling them to overcome the challenges and implications of the crisis. Among other things, the Bank has provided a reprieve from loan repayments and mortgages, as well as offers and grants of credit to business customers out of loan funds guaranteed by the State. In addition, the Bank has introduced a series of assistance services for the older population, including courier service to their homes, avoiding lines at the branches, as well as introducing a series of new and advanced digital services. These include joining the Bank's advisory services, video meetings with investment consultants, prolonged business hours for telephone consultation, opening of an account digitally, fixing branch appointments using the online 'chat', and more.

Growth

In the first nine months of the year, **financing profit from current operations** increased by 1.2%, in comparison with the corresponding period last year. **Total commission income** increased by 7%. Most of the increase was due to the growth in capital market activity as a result of a growth in trading turnover on the Stock Exchange and from the growth in income from exchange spreads. This growth was partly offset by a decline in income from management fees and commissions on financing transactions, as a result of a decline in the volume of this activity resulting from the effect of the crisis.

The growth in the activity of the Group is noted also in the balance sheet data, both on the credit side and on the deposit side. **The average outstanding balance of credit to the public** amounted to NIS 89,475 million in the first nine months of the year, a growth of 4.9% in comparison with the corresponding period last year. **Deposits from the public** in the first nine months of the year increased by 13.2%, amounting to NIS 135,914 million, of which **deposits by households and private banking** increased by 21.1% amounting to NIS 71,816 million.

Efficiency

The Bank continued to increase efficiencies and the **efficiency ratio** continued to improve, reaching 61.0% as compared with 64.9% in the corresponding period last year. **Operating and other expenses** amounted to NIS 1,894 million, a reduction of 5.3% in relation to the corresponding period last year.

Financial stability

The capital attributed to the shareholders of the Bank reached NIS 8,944 million, a growth at the rate of 4.4% compared with that of the end of 2019. **The Tier I equity capital ratio** reached 10.93% (2.6 percentage points over the regulatory requirement) in comparison to 10.81% as at December 31, 2019, and **the comprehensive capital ratio** reached 14.23%.

The local credit rating companies have recently during the crisis period, reiterated the rating of the First International Bank, which is rated at **AAA**, the highest rating, similarly to that of the other large banks in Israel.

Ms. Smadar Barber-Tsadik, CEO of the First International Bank stated that: "The health crisis continues to affect economies and capital markets all over the world. Our Bank is confronting this new reality while demonstrating financial stability, noted across all stability indices: the capital ratio, being at a significantly higher level than that required by regulation, high liquidity, a high quality and broad credit portfolio, while continuing on our long-term efficiency measures. This stability enables us to continue to support our customers, both private and business, while maintaining functional and business continuity. The Bank continues to provide credit to its customers, also within the framework of funds guaranteed by the State, and even reached a leading rating compared with the other banks, under a survey conducted by the Ministry of Finance.

"The Bank continues its accelerated digital development across all banking areas, with a focus on advisory and investments areas. The usage rates, as well as customer satisfaction from the advanced digital channels, increased considerably during the crisis period."

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES


<i>Principal financial ratios</i>	<i>For the nine months ended September 30,</i>		<i>For the year ended</i>
	<i>2020</i>	<i>2019</i>	<i>December 31,</i>
			<i>2019</i>
			<i>in %</i>
<i>Execution indices</i>			
Return on equity attributed to shareholders of the Bank ⁽¹⁾	8.4%	10.6%	10.5%
Return on average assets ⁽¹⁾	0.48%	0.63%	0.63%
Ratio of equity capital tier 1	10.93%	10.79%	10.81%
Leverage ratio	5.39%	5.91%	5.81%
Liquidity coverage ratio	145%	124%	128%
Ratio of total income to average assets ⁽¹⁾	2.8%	3.0%	3.0%
Ratio of interest income, net to average assets ⁽¹⁾	1.8%	1.9%	1.9%
Ratio of fees to average assets ⁽¹⁾	0.9%	0.9%	0.9%
Efficiency ratio	61.0%	64.9%	64.4%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.35%	1.03%	1.05%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.10%	1.02%	1.08%
Ratio of provision for credit losses to total impaired credit to the public	168%	139%	131%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.15%	0.09%	0.10%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.62%	0.14%	0.16%
<i>Principal data from the statement of income</i>			
	<i>For the nine months ended September 30,</i>		
	<i>2020</i>	<i>2019</i>	
			<i>NIS million</i>
Net profit attributed to shareholders of the Bank	540	643	
Interest Income, net	1,980	1,942	
Expenses from credit losses	413	92	
Total non-Interest income	1,126	1,140	
Of which: Fees	1,027	960	
Total operating and other expenses	1,894	2,000	
Of which: Salaries and related expenses	1,138	1,215	
Dismissals expenses	5	41	
Primary net profit per share of NIS 0.05 par value (NIS)	5.38	6.41	
<i>Principal data from the balance sheet</i>			
	<i>30.9.20</i>	<i>30.9.19</i>	<i>31.12.19</i>
			<i>NIS million</i>
Total assets	159,370	136,988	141,110
of which: Cash and deposits with banks	52,366	34,516	37,530
Securities	12,174	10,453	10,995
Credit to the public, net	89,585	87,310	87,899
Total liabilities	150,042	128,178	132,186
of which: Deposits from the public	135,914	116,292	120,052
Deposits from banks	1,717	464	1,137
Bonds and subordinated capital notes	4,384	3,690	3,674
Capital attributed to the shareholders of the Bank	8,944	8,461	8,568
<i>Additional data</i>			
	<i>30.9.20</i>	<i>30.9.19</i>	<i>31.12.19</i>
Share price (0.01 NIS)	7,108	9,257	9,989
Dividend per share (0.01 NIS)	125	300	410

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2020	2019	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	731	699	2,160	2,337	3,085
Interest Expenses	69	57	180	395	483
Interest Income, net	662	642	1,980	1,942	2,602
Expenses from credit losses	91	33	413	92	138
Net Interest Income after expenses from credit losses	571	609	1,567	1,850	2,464
<i>Non- Interest Income</i>					
Non-Interest Financing income	36	63	97	175	225
Fees	336	325	1,027	960	1,286
Other income	-	3	2	5	9
Total non- Interest income	372	391	1,126	1,140	1,520
<i>Operating and other expenses</i>					
Salaries and related expenses	386	394	1,138	1,215	1,601
Maintenance and depreciation of premises and equipment	89	90	261	270	353
Amortizations and impairment of intangible assets	24	22	71	68	92
Other expenses	141	143	424	447	608
Total operating and other expenses	640	649	1,894	2,000	2,654
Profit before taxes	303	351	799	990	1,330
Provision for taxes on profit	109	119	254	357	478
Profit after taxes	194	232	545	633	852
The bank's share in profit of equity-basis investee, after taxes	19	15	24	39	51
<i>Net profit:</i>					
Before attribution to non-controlling interests	213	247	569	672	903
Attributed to non-controlling interests	(12)	(11)	(29)	(29)	(38)
Attributed to shareholders of the Bank	201	236	540	643	865
					NIS
<i>Primary profit per share attributed to the shareholders of the Bank</i>					
Net profit per share of NIS 0.05 par value	2.00	2.35	5.38	6.41	8.62


 Ron Levkovich
 Chairman of the Board


 Smadar Barber-Tsadik
 Chief Executive Officer


 Nachman Nitzan
 Executive Vice President,
 Chief Accountant

Tel-Aviv, November 25, 2020

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2020	2019	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	213	247	569	672	903
Net profit attributed to non-controlling interests	(12)	(11)	(29)	(29)	(38)
Net profit attributed to the shareholders of the Bank	201	236	540	643	865
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	60	8	(30)	84	101
Adjustments of liabilities in respect of employee benefits ⁽¹⁾	(16)	(57)	(31)	(45)	(74)
Other comprehensive income (loss) before taxes	44	(49)	(61)	39	27
Related tax effect	(14)	17	21	(14)	(9)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	30	(32)	(40)	25	18
Less other comprehensive income (loss) attributed to non-controlling interests	(1)	(1)	(1)	-	(2)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	31	(31)	(39)	25	20
Comprehensive income before attribution to non-controlling interests	243	215	529	697	921
Comprehensive income attributed to non-controlling interests	(11)	(10)	(28)	(29)	(36)
Comprehensive income attributed to the shareholders of the Bank	232	205	501	668	885

(1) Mostly reflects adjustments in respect of actuarial assessments as of the end of the period regarding defined benefits pension plans, of amounts recorded in the past in other comprehensive profit.

CONSOLIDATED BALANCE SHEET
(NIS million)

		September 30,	December 31,
	2020	2019	2019
	(unaudited)	(unaudited)	(audited)
<i>Assets</i>			
Cash and deposits with banks	52,366	34,516	37,530
Securities	12,174	10,453	10,995
Securities which were borrowed	14	126	9
Credit to the public	90,810	88,218	88,829
Provision for Credit losses	(1,225)	(908)	(930)
Credit to the public, net	89,585	87,310	87,899
Credit to the government	651	680	1,039
Investments in investee company	629	607	605
Premises and equipment	970	988	996
Intangible assets	249	227	248
Assets in respect of derivative instruments	1,438	1,078	1,091
Other assets ⁽²⁾	1,294	1,003	698
Total assets	159,370	136,988	141,110
<i>Liabilities and Shareholders' Equity</i>			
Deposits from the public	135,914	116,292	120,052
Deposits from banks	1,717	464	1,137
Deposits from the Government	426	368	353
Bonds and subordinated capital notes	4,384	3,690	3,674
Liabilities in respect of derivative instruments	1,669	1,298	1,247
Other liabilities ⁽¹⁾⁽³⁾	5,932	6,066	5,723
Total liabilities	150,042	128,178	132,186
Capital attributed to the shareholders of the Bank	8,944	8,461	8,568
Non-controlling interests	384	349	356
Total equity	9,328	8,810	8,924
Total liabilities and shareholders' equity	159,370	136,988	141,110

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 77 million and NIS 60 million and NIS 57 million at 30.9.20, 30.9.19 and 31.12.19, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 90 million and NIS 49 million and NIS 42 million at 30.9.20, 30.9.19 and 31.12.19, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 100 million and NIS 170 million and NIS 47 million at 30.9.20, 30.9.19 and 31.12.19, respectively.

STATEMENT OF CHANGES IN EQUITY
(NIS million)

	<i>For the three months ended September 30, 2020 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2020	927	(201)	7,986	8,712	373	9,085
Net profit for the period	-	-	201	201	12	213
Other comprehensive income (loss), after tax effect	-	31	-	31	(1)	30
Balance as at September 30, 2020	927	(170)	8,187	8,944	384	9,328

	<i>For the three months ended September 30, 2019 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2019	927	(95)	7,534	8,366	339	8,705
Net profit for the period	-	-	236	236	11	247
Dividend	-	-	(110)	(110)	-	(110)
Other comprehensive loss, after tax effect	-	(31)	-	(31)	(1)	(32)
Balance as at September 30, 2019	927	(126)	7,660	8,461	349	8,810

	<i>For the nine months ended September 30, 2020 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2019 (audited)	927	(131)	7,772	8,568	356	8,924
Net profit for the period	-	-	540	540	29	569
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, after tax effect	-	(39)	-	(39)	(1)	(40)
Balance as at September 30, 2020	927	(170)	8,187	8,944	384	9,328

	<i>For the nine months ended September 30, 2019 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2018 (audited)	927	(159)	7,325	8,093	320	8,413
Cumulative effect of the initial implementation of US accepted accounting principals ⁽³⁾	-	8	(8)	-	-	-
Adjusted balance as at January 1, 2019 after the initial implementation	927	(151)	7,317	8,093	320	8,413
Net profit for the period	-	-	643	643	29	672
Dividend	-	-	(300)	(300)	-	(300)
Other comprehensive income, after tax effect	-	25	-	25	-	25
Balance as at September 30, 2019	927	(126)	7,660	8,461	349	8,810

STATEMENT OF CHANGES IN EQUITY (CONT'D)
(NIS million)

	<i>For the year ended December 31, 2019 (audited)</i>					
	<i>Share capital and premium (1)</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Retained earnings (2)</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance as at December 31, 2018	927	(159)	7,325	8,093	320	8,413
Cumulative effect of the initial implementation of US accepted accounting principals ⁽³⁾	-	8	(8)	-	-	-
Adjusted balance as at January 1, 2019 after the initial implementation	927	(151)	7,317	8,093	320	8,413
Net profit for the year	-	-	865	865	38	903
Dividend	-	-	(410)	(410)	-	(410)
Other comprehensive income (loss), after tax effect	-	20	-	20	(2)	18
Balance as at December 31, 2019	927	(131)	7,772	8,568	356	8,924

(1) Including share premium of NIS 313 million (as from 1992 onwards).

(2) Including an amount of NIS 2,391 million which cannot be distributed as dividend.

(3) Cumulative effect of the initial implementation regarding financial instruments of US accepted accounting standards at banks in respect of financial instruments (ASU 2016-01).