

FIRST INTERNATIONAL BANK OF ISRAEL

Financial Results 31.12.19



Strong Financial Stability, Growth, and Efficiency



ROE

10.5%
(9.3%)



Net income

865
+18%



Growth in total income*

4,097
+2.9%



Improvement in efficiency ratio

64.4%
(68.4%)



Losses to doubtful debt

0.16%
(0.20%)



Growth in credit from start of year

+4.3%



Tier 1 Equity Ratio

10.81%
(10.51%)



LCR

128%
(122%)



ROE 10-12/19

10.8%
(8.4%)



Net profit 10-12/19

222
+35%

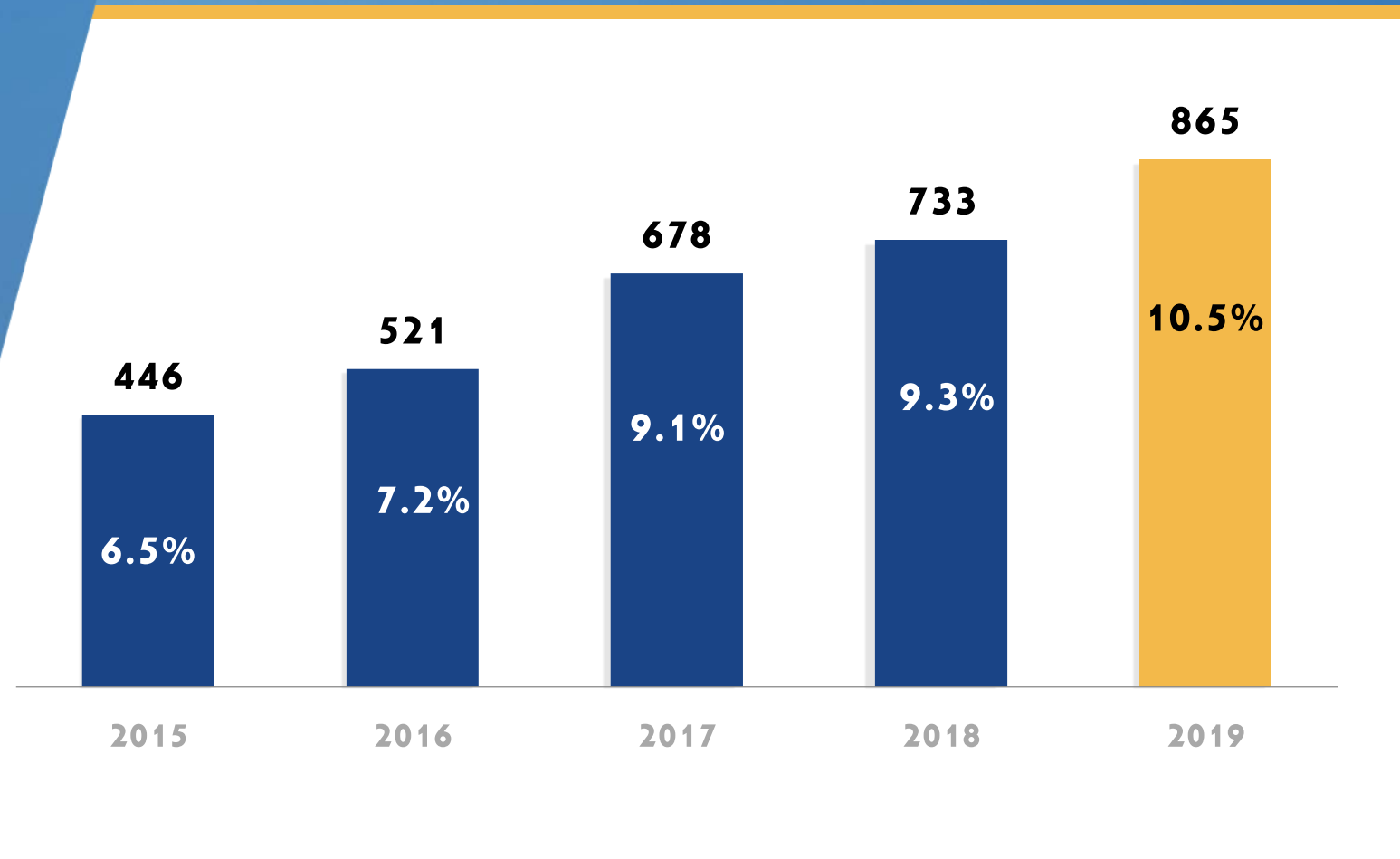
1-12/19
(NIS Millions)

() Parallel period last year

* Total revenue before provision for credit losses and neutralizing certain components



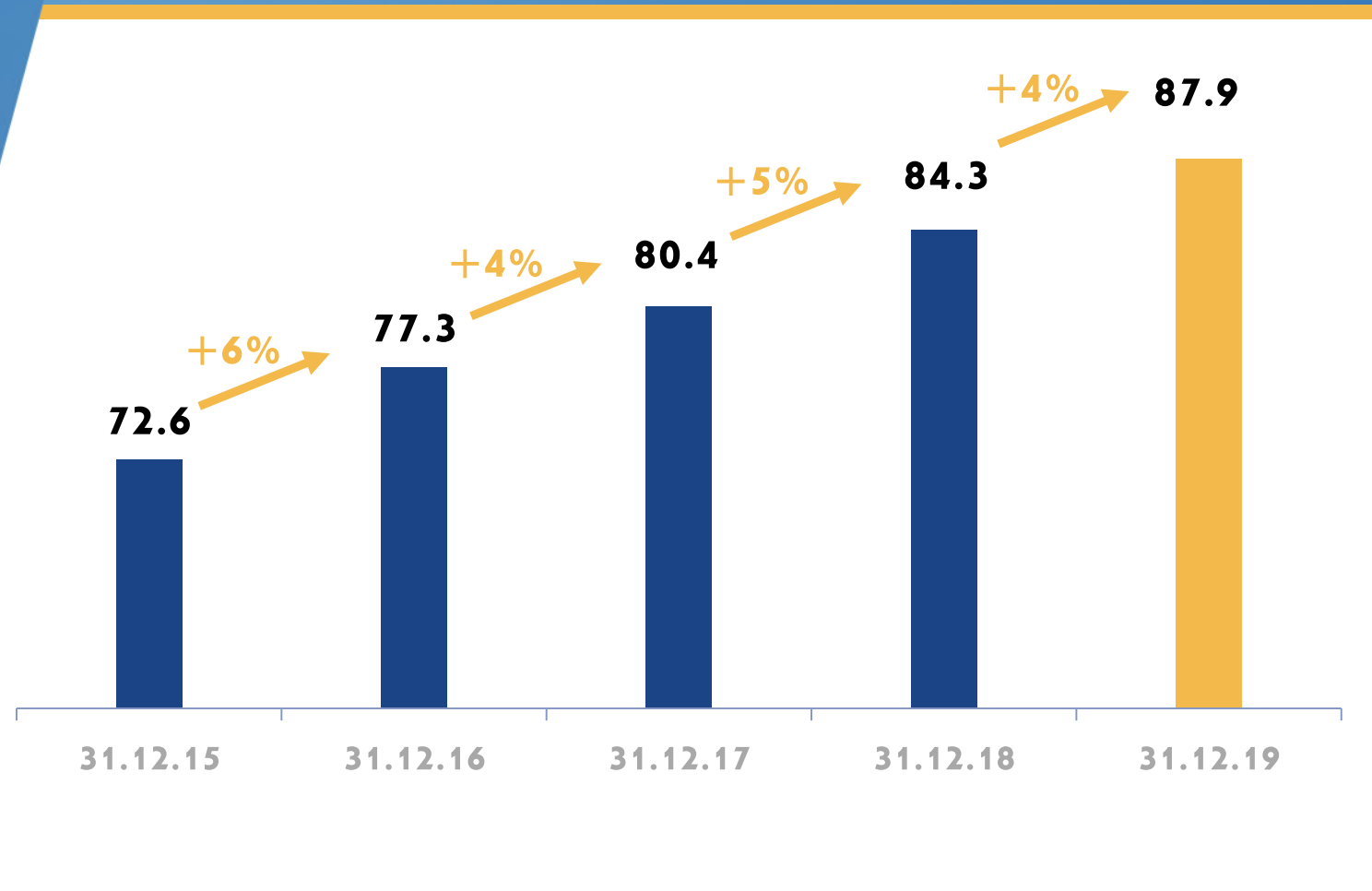
Consistent Growth in Net Profit and ROE (NIS Millions)





Consistent Growth in Credit to the Public

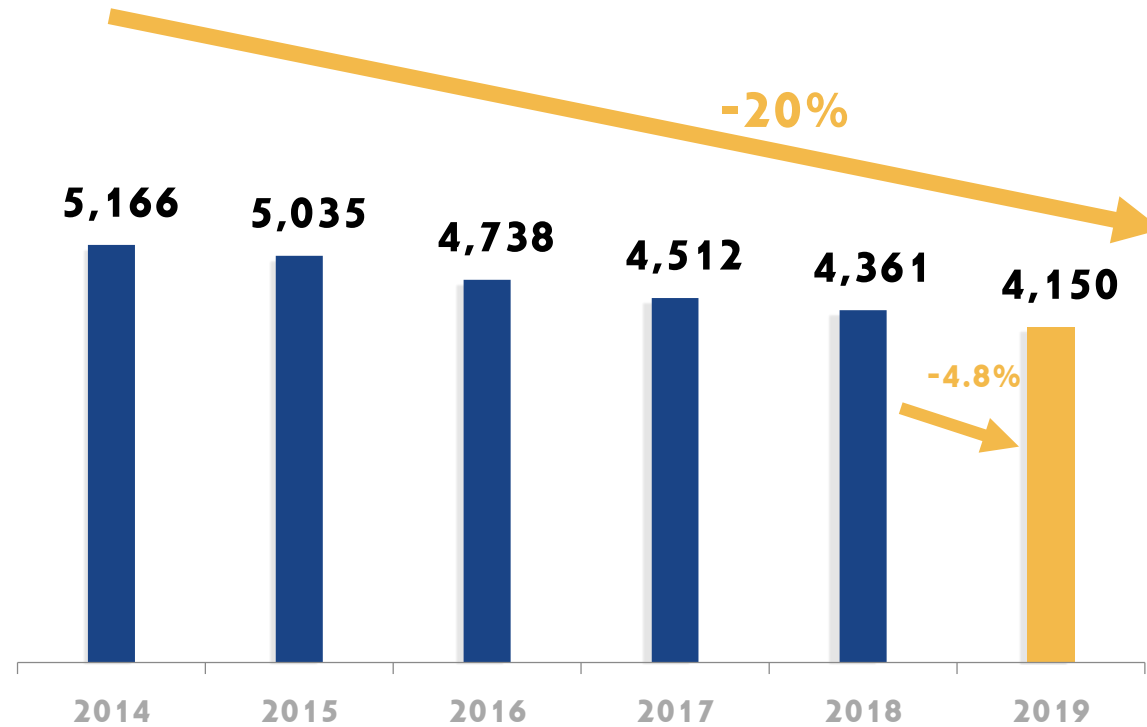
End of Period
(NIS Billions)





Decrease of 20% in Employees in past 5 years

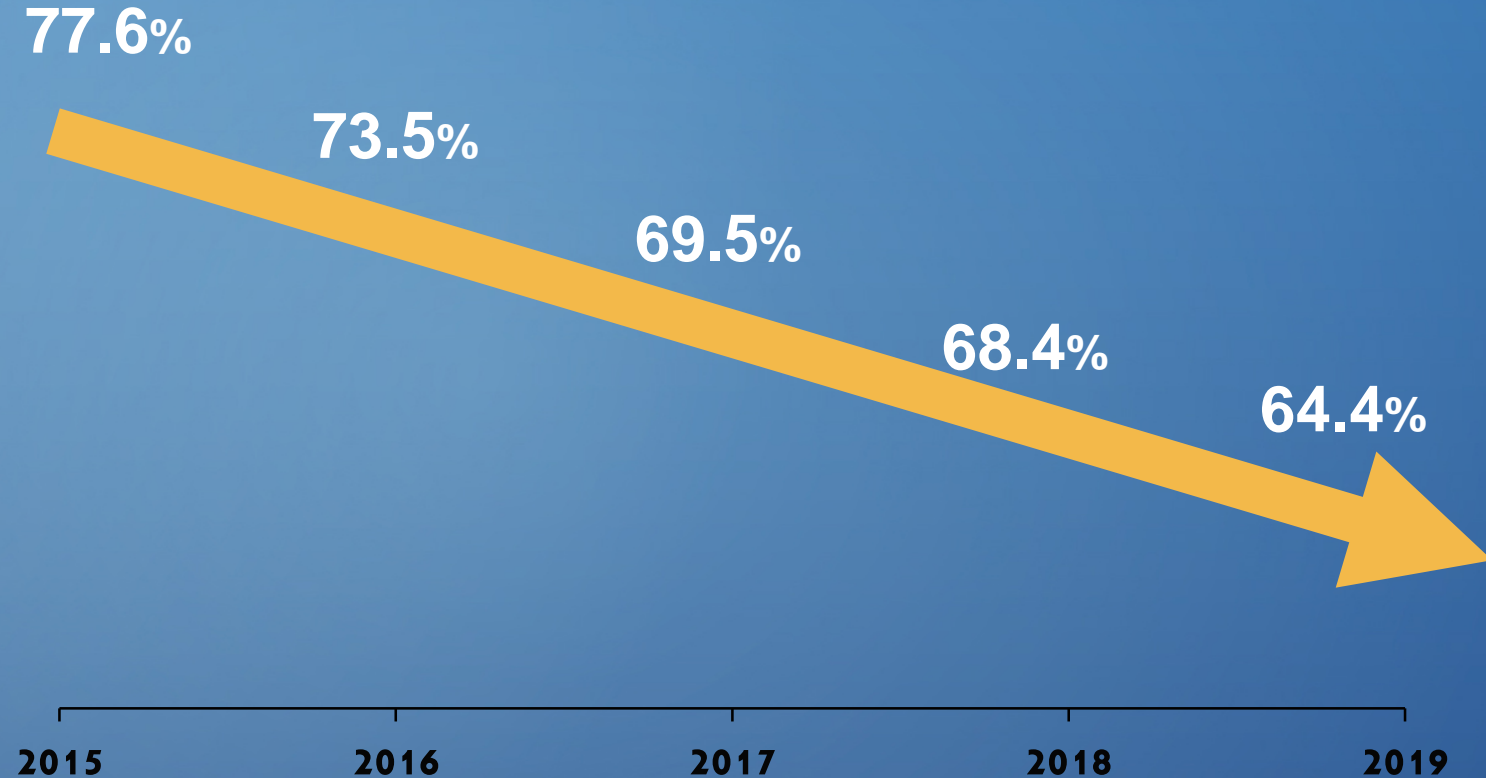
4.8% reduction in number of Group employees during 2019



During 2019, the early retirement plans that were declared, were completed

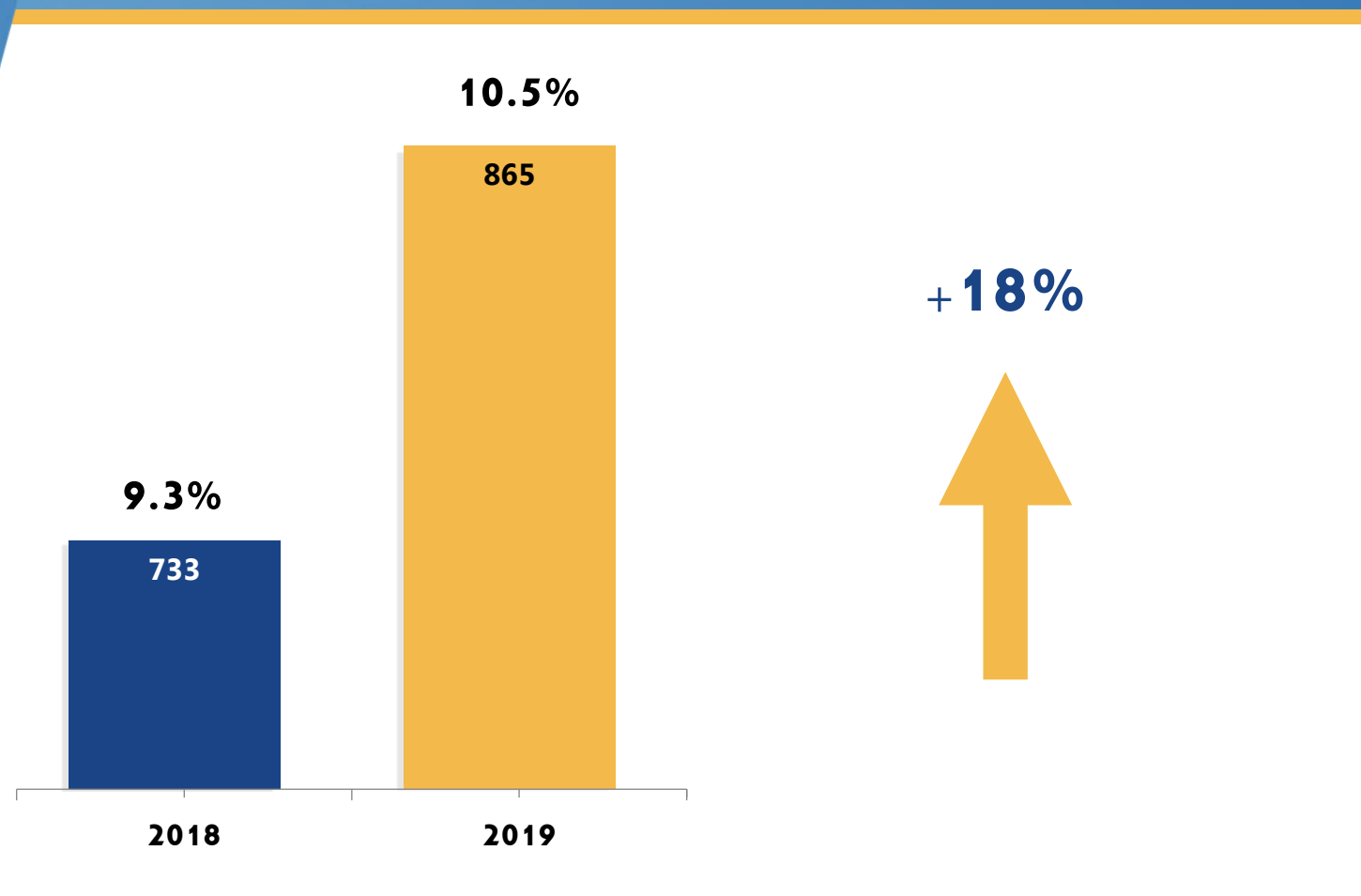


Consistent Improvement in Efficiency Ratio



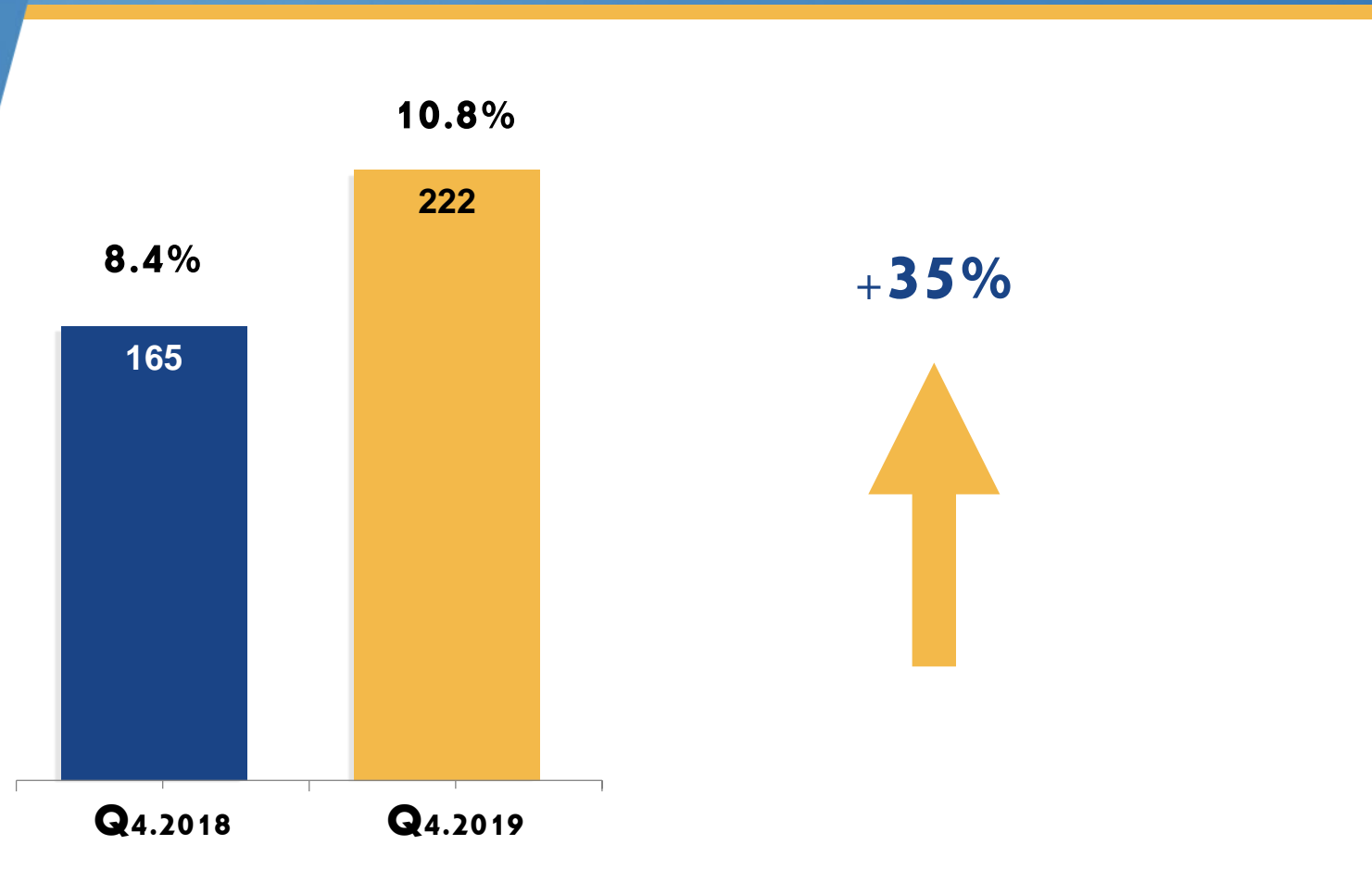


Growth in Net Profit and ROE (NIS Millions)





Growth in Net Profit and ROE in the last quarter of 2019 (NIS Millions)





Growth in Profitability

and increase in ROE

| (NIS Millions) | 2019 | 2018 | Q4.19 | Q4.18 |
|---|---------------|------|---------------|-------|
| Net profit for the period | 865 | 733 | 222 | 165 |
| <u>Breakdown of impacts (net of tax effects):</u> | | | | |
| Gains from sale of buildings in consolidated subsidiary | - | 46 | - | - |
| Otsar-Hahayal merger expenses | - | (53) | - | - |
| Gains from revaluation and sale of shares in Tel Aviv Stock Exchange | 16 | 65 | - | - |
| Profit after eliminating certain components | +26% ↑ 849 | 675 | +35% ↑ 222 | 165 |
| ROE after eliminating certain components | ↑ 10.3% | 8.6% | 10.8% | 8.4% |
| Dismissal expenses of early retirement | ↑ 33 | 21 | 3 | 9 |



Income Statement

2019

| (NIS Millions) | 2019 | 2018 | Change before tax | % Change |
|--|-------|-------|-------------------|----------|
| Total financing Income | 2,827 | 2,717 | 110 | 4.0% |
| Expenses from credit losses (Provision rate of 0.16%) | 138 | 166 | (28) | (16.9%) |
| Income from commissions | 1,286 | 1,325 | (39) | (2.9%) |
| Other income (2018 other income was primarily from sale of properties) | 9 | 81 | (72) | |
| Total income (Before expenses related to credit losses and after eliminating certain components) | 4,097 | 3,981 | 116 | 2.9% |



Income Statement

2019

| (NIS Millions) | 2019 | 2018 | Change before tax | % Change |
|--|--------------|--------------|-------------------|---------------|
| Total operating and other expenses | 2,654 | 2,819 | (165) | [5.9%] |
| Salaries and related expenses | 1,601 | 1,696 | (95) | [5.6%] |
| Maintenance of buildings and equipment & depreciation | 353 | 376 | (23) | [6.2%] |
| Depreciation and amortization of intangible assets | 92 | 91 | 1 | 1.4% |
| Other expenses | 609 | 656 | (47) | [7.2%] |
| Of which: dismissal expenses (0.4% negative ROE contribution) | 48 | 31 | 17 | |
| Provision for merger expenses of Otsar Hahayal (reduction) | 2 | 82 | (80) | |
| Profit before taxes | 1,330 | 1,138 | 192 | 16.9% |
| Net profit | 865 | 738 | 132 | 18.0% |



Profit from Current financing Activities

2019

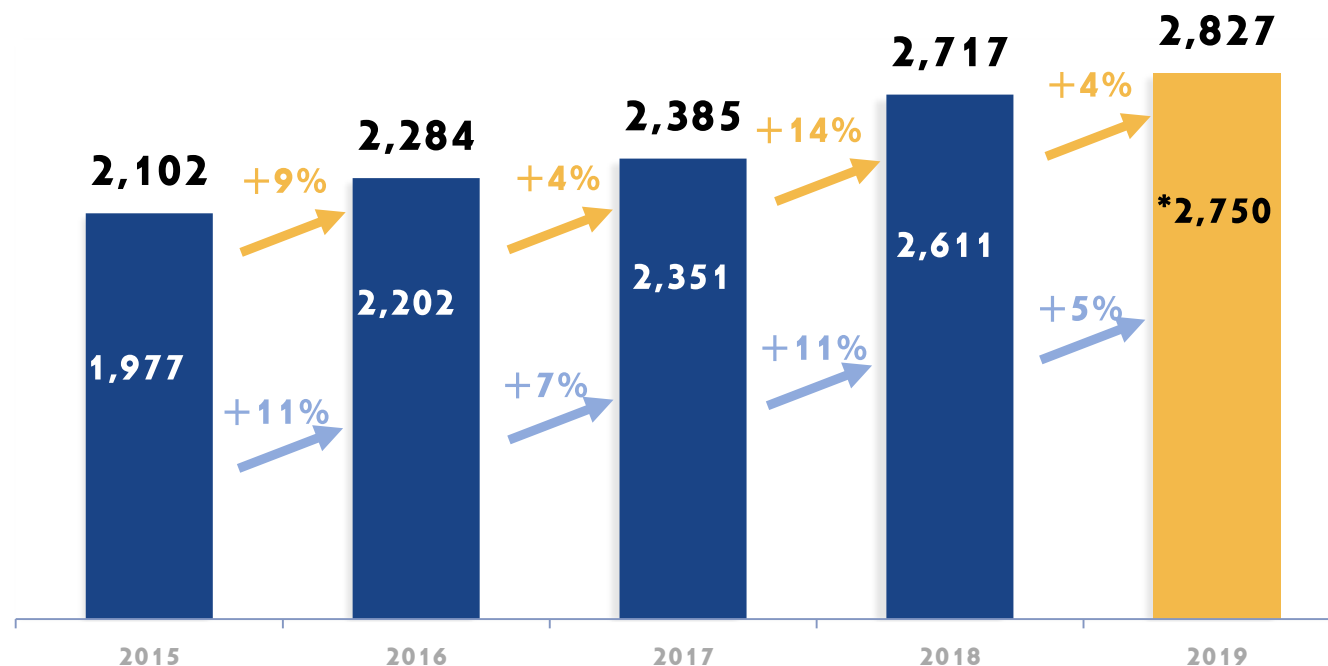
| (NIS Millions) | 2019 | 2018 | Change before tax | % Change |
|--|--------------|--------------|-------------------------|-------------|
| Net financial earnings | 2,827 | 2,717 | 110 | 4.0% |
| Reconciliation to fair value of derivative instruments | (6) | 18 | | |
| Income from realization and reconciliation to fair value of bonds* | 12 | 9 | | |
| Earnings from shares investments* | 46 | 2 | | |
| Gains from revaluation and sale of shares in Tel Aviv Stock Exchange | 25 | 77 | | |
| Earnings from current financing activities | 2,750 | 2,611 | 139 | 5.3% |
| Known CPI index | 0.3% | 1.2% | (0.9%) | |

* The total securities balance on 31.12.19 amounted to 11 billion NIS ,including 90% government bonds, and bonds guaranteed by government



Consistent growth in financing income

(interest and non-interest income)
NIS Millions

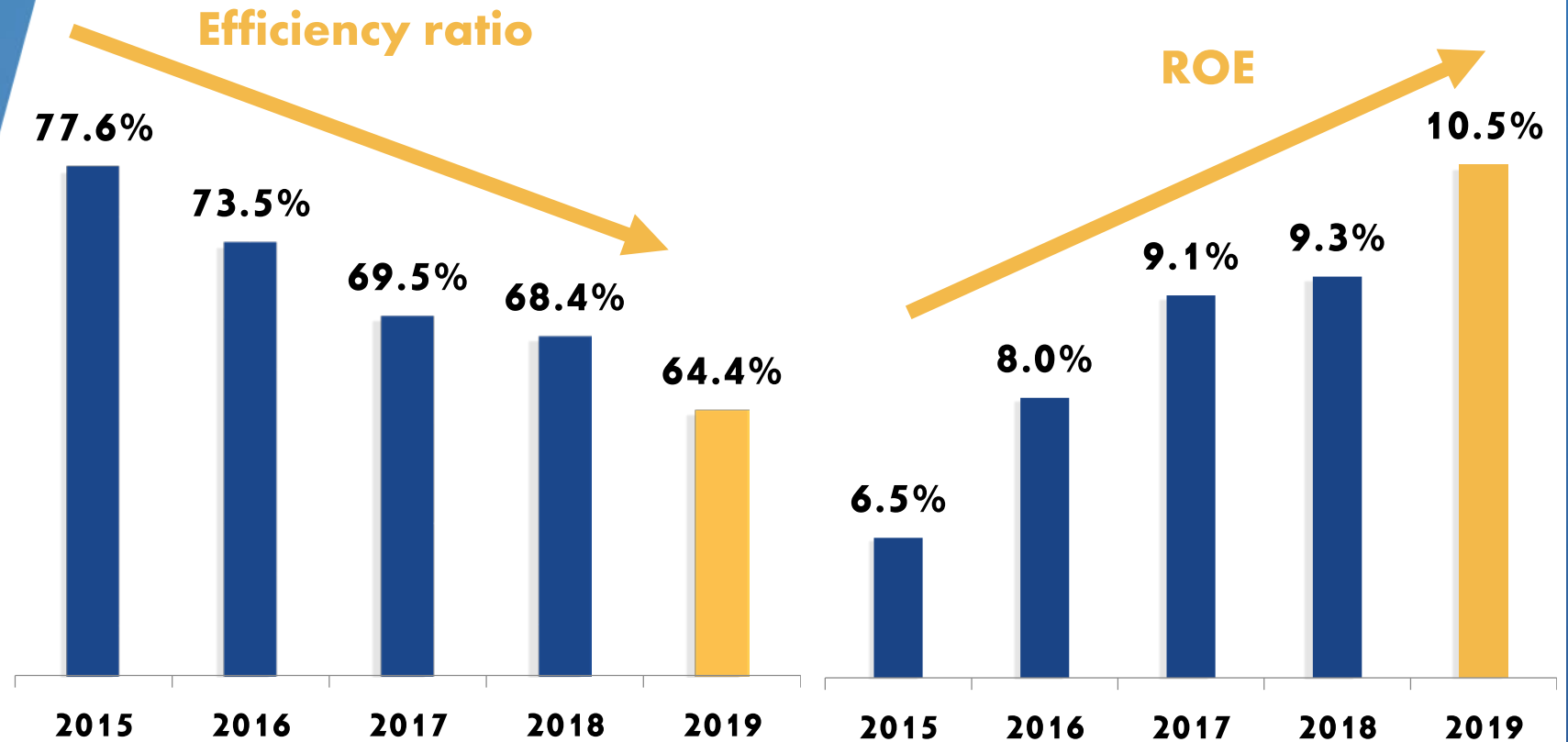


* Earnings from current activities= net financial earnings



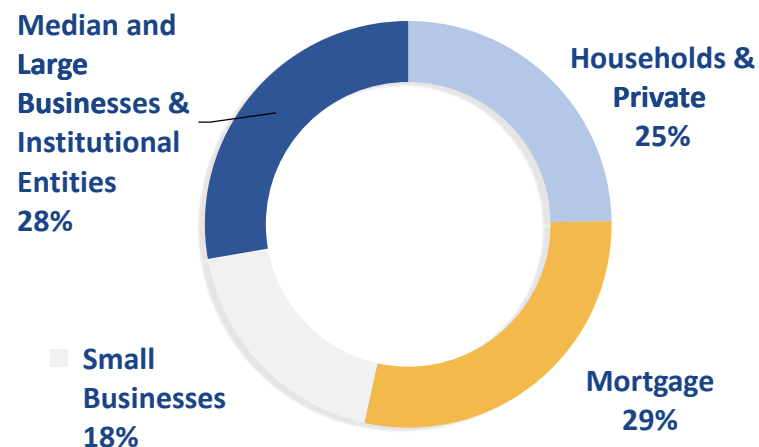
Growth in the Group Profit

while consistently
improving Group
efficiency



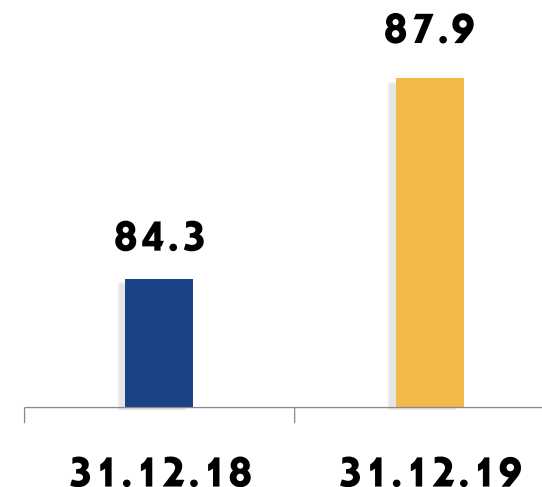


Growth in Credit Balances End of Period (NIS Billions)



**A diverse and quality mix of
Credit to Households & Private:**

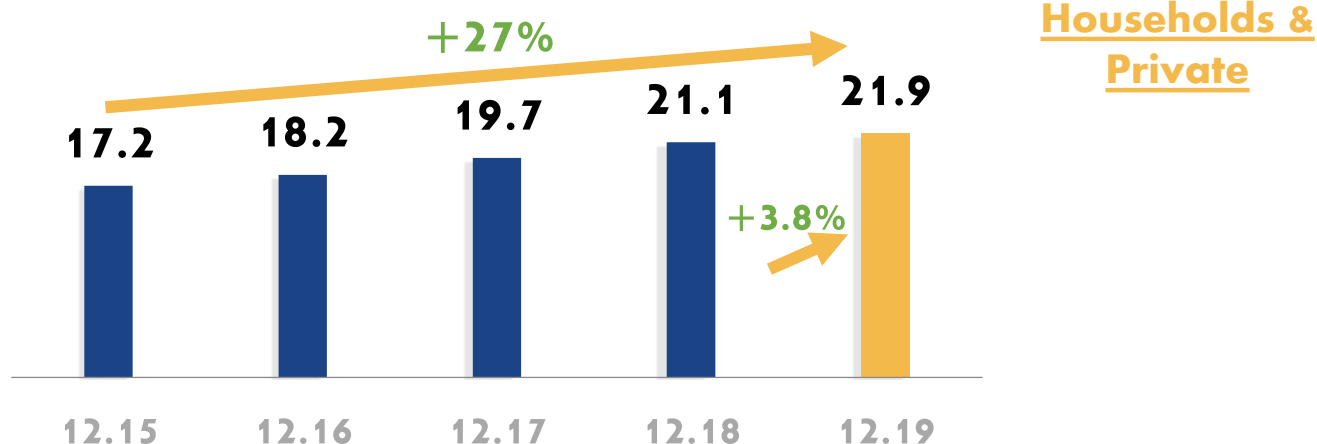
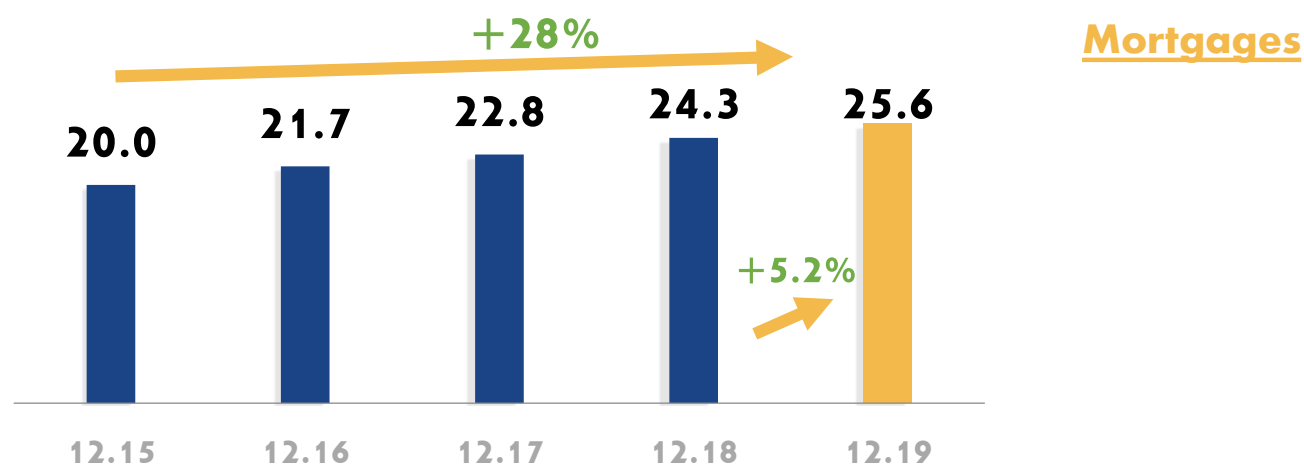
54% of Credit Portfolio



Growth
+4.3%



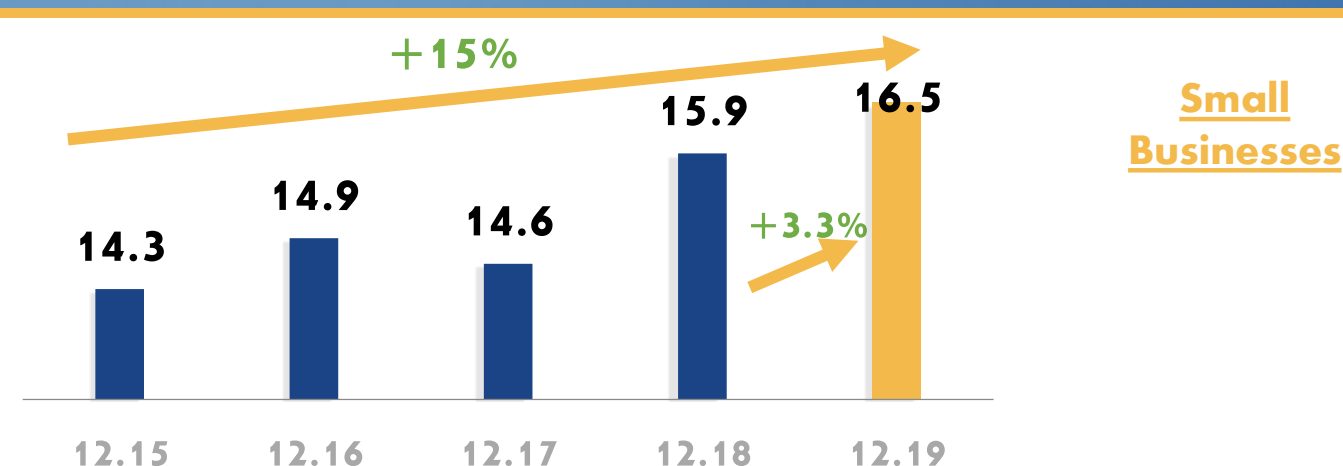
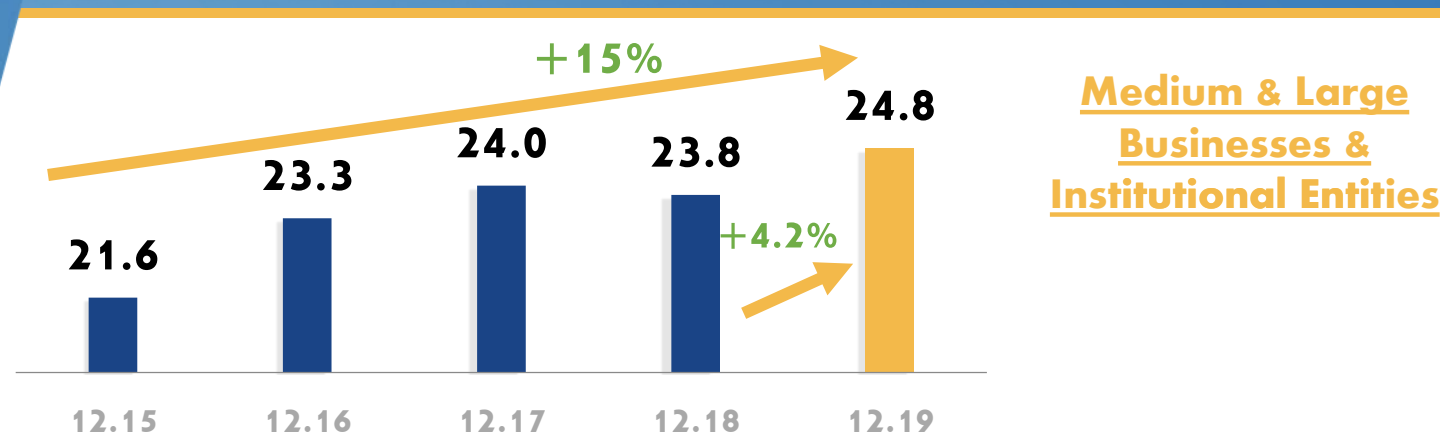
Consistent Growth in Retail Credit End of Period (NIS Billions)





Consistent Growth in Business Credit

End of Period
(NIS Billions)



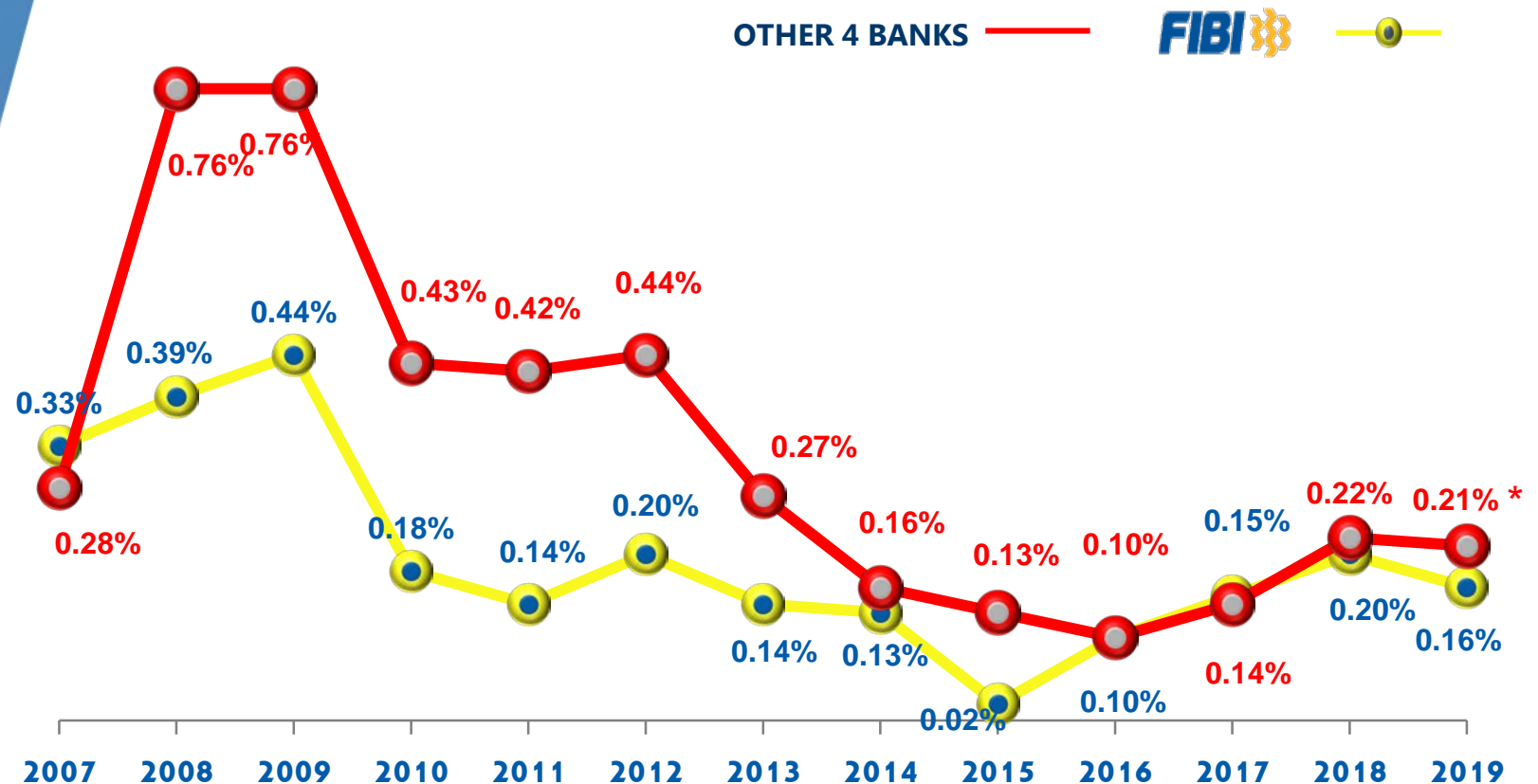


Credit Risk due to Problematic Debt- High Quality Credit Portfolio

| (NIS Millions) | 2019 | 2018 | Change before tax |
|--|--------------|--------------|-------------------------|
| Impaired credit risk | 837 | 576 | 261 |
| Inferior credit risk | 170 | 165 | 5 |
| Credit under special supervision | <u>852</u> | <u>1,079</u> | <u>[227]</u> |
| Total problematic credit risk | 1,859 | 1,820 | 39 |
| Ratio of total Expense to total credit to the public | 0.16% | 0.20% | |
| Ratio of provision for credit losses in respect of credit to the public | 1.05% | 1.02% | |
| Ratio of provision for credit losses to total impaired credit to the public - NPL coverage ratio (including mortgages) | 131% | 186% | |
| Ratio of impaired debt or in arrears of 90 days or more to credit to the public | 1.08% | 0.83% | |



Ratio of total Expense to total credit to the public – Compared to other Israeli Banks



* Other 4 Israeli Banks – 30.9.19

Consistent Improvement in **Financial Strength** ratios

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|--------------|
| Capital (Tier 1) to Risk Weighted Asset Ratio * | 10.81% | 10.51% | 10.38% | 10.09% | 9.81% |
| Leverage Ratio | 5.81% | 5.76% | 5.50% | 5.52% | 5.43% |
| Liquidity Ratio (LCR) | 128% | 122% | 123% | 123% | 104% |
| Deposits to Credit Ratio | 137% | 133% | 141% | 137% | 142% |

*1.5% over regulatory requirements



The Bank's international rating raised by rating agencies

Maalot to **AAA**

Midroog (Moody's) to **A2**

2019 Midroog Report on FIBI

In June 2019, *Midroog* (Moody's) increased the rating on FIBI's long-term deposits and senior debts to **AAA**:

"The upgrade is due to a continuous improvement in profitability, supported by the implementation of streamlining processes alongside the potential for growth in the credit portfolio. Certain positive risk ratios stand out in the credit portfolio."

2019 Maalot Report on FIBI

In July 2019, *Maalot* (S&P) raised FIBI's rate and unsecured senior debt rating to **AAA**

"Raising the rating due to a supportive business environment and anticipation of further improvement in the bank's profitability and efficiency."

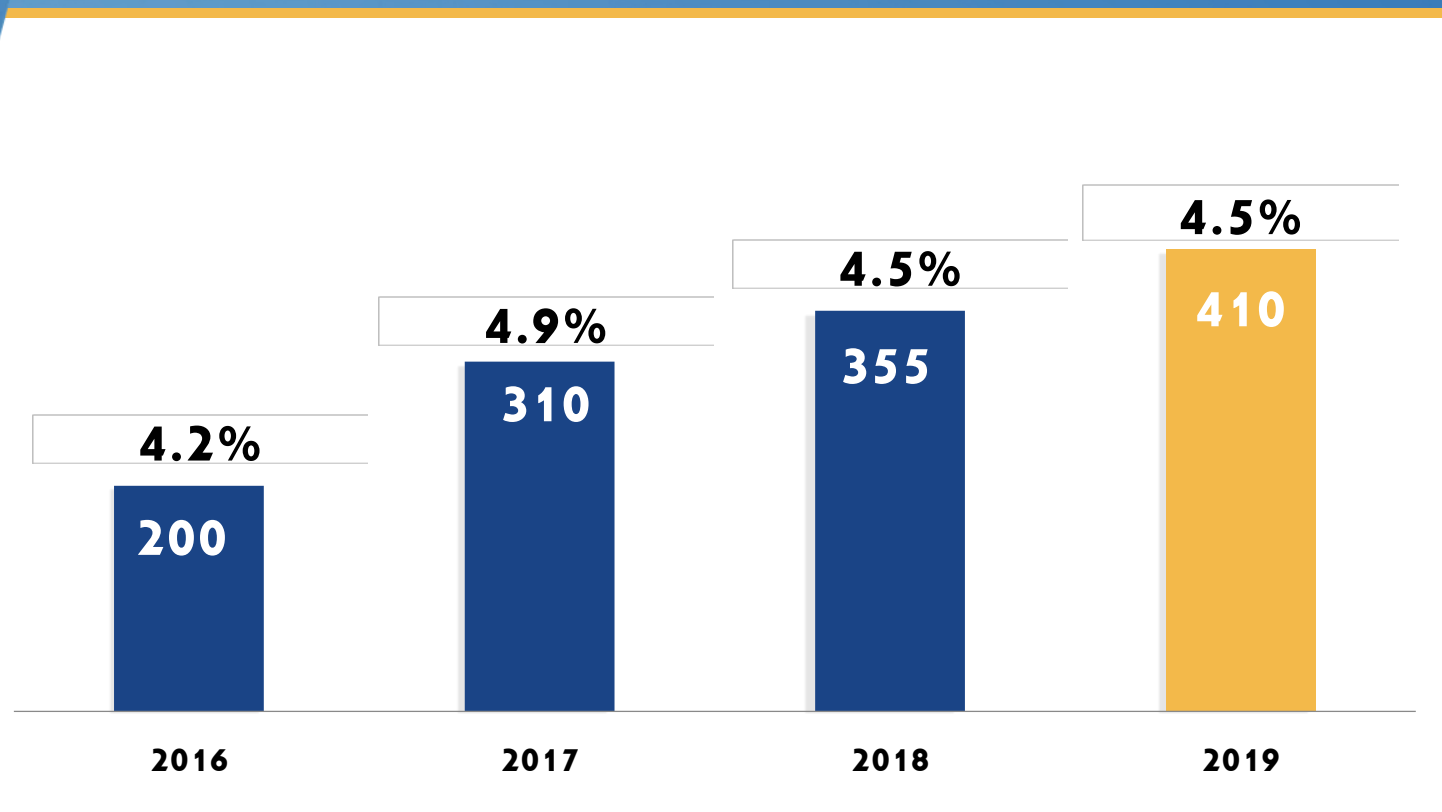
2019 Moody's report on FIBI

In December 2019, the International Rating Company *Midroog* (Moody's) raised FIBI's rating to **A2**, changing the Outlook to Stable:

Midroog (Moody's) economists refer to the low asset risk, the decreased credit concentration, high capital adequacy and improvement in efficiency as a result of the Bank's streamlining policy.



High Dividend Yield



Subsequent to 31.12.19: additional dividend distribution of **NIS 125 million**



Highlights for 2019

The 2019 results reflect continued trends - primarily growth and streamlining

Results of the merger with OTSAR HA-HAYAL - one of the most important measures taken recently - are visible in both cost cutting and expansion in activities; In the future, this merger will serve as a growth engine in different areas of activity;



Net Income and Return On Equity

Net income grew **18%** to **865 NIS** million, vs **733 NIS** million last year.

ROE of **10.5%** vs **9.3%** last year; profit for non-recurring effects increased by **26%**

High Capital Adequacy High Financial Resilience

Increase in shareholder equity to **8.6 NIS** billion

Primary capital adequacy ratio at **10.81%** (1.5% over regulatory required)

High Dividend Yield

Dividend yield full year 2019 was **4.5%**.

FIBI rating Increase

In 2019 international rating was raised by rating agencies *Maalot* to **AAA**, and *Midroog (Moody's)* to **A2**.



Highlights for 2019

| Growth in Credit 4% for the year | Change in % compared to | 31.12.18 |
|---|---|----------|
| | Households & private | 3.8% |
| | Mortgages | 5.2% |
| | Small & tiny businesses | 3.3% |
| | Medium and large businesses & institutional entities | 4.2% |

Growth in Deposits

Total deposit balance of 120 NIS billion, growth of 7.5% (NIS 8 billion) since beginning of year

Group Revenues grew by 2.9%
(ex. gain from realized buildings last year)

Continued growth in Interest Income
(139 NIS million, or +5%)

Reduction in operating expense

Reduction of 6% (165 NIS million)

Improvement in Efficiency Ratio

Efficiency ratio improved to 64.4% vs 68.4% last year
Efficiency ratio Q4 19 – 62.9%

High level of Customer Satisfaction

LEADERS IN SERVICE AND DIGITAL

The **Bank of Israel** Survey of Small Businesses shows:

- FIBI is in **FIRST PLACE** for satisfaction rating for its **App**
- FIBI is in **FIRST PLACE** for satisfaction rating for its **Website**

In addition, in two **Bank of Israel Surveys** conducted recently amongst **Households** and **Small Businesses**, **FIBI** is the leader in additional areas:

- FIBI is 2nd place **in customer satisfaction**
- FIBI is 2nd place **for customer service in its Branches.**
- FIBI is 2nd place **in recommendation of the bank**



* על פי סקר בנק ישראל שפורסם בינואר 2020



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