

FIRST INTERNATIONAL BANK OF ISRAEL

Financial Results 31.3.20

FIBI meets the crisis and is strong and stable

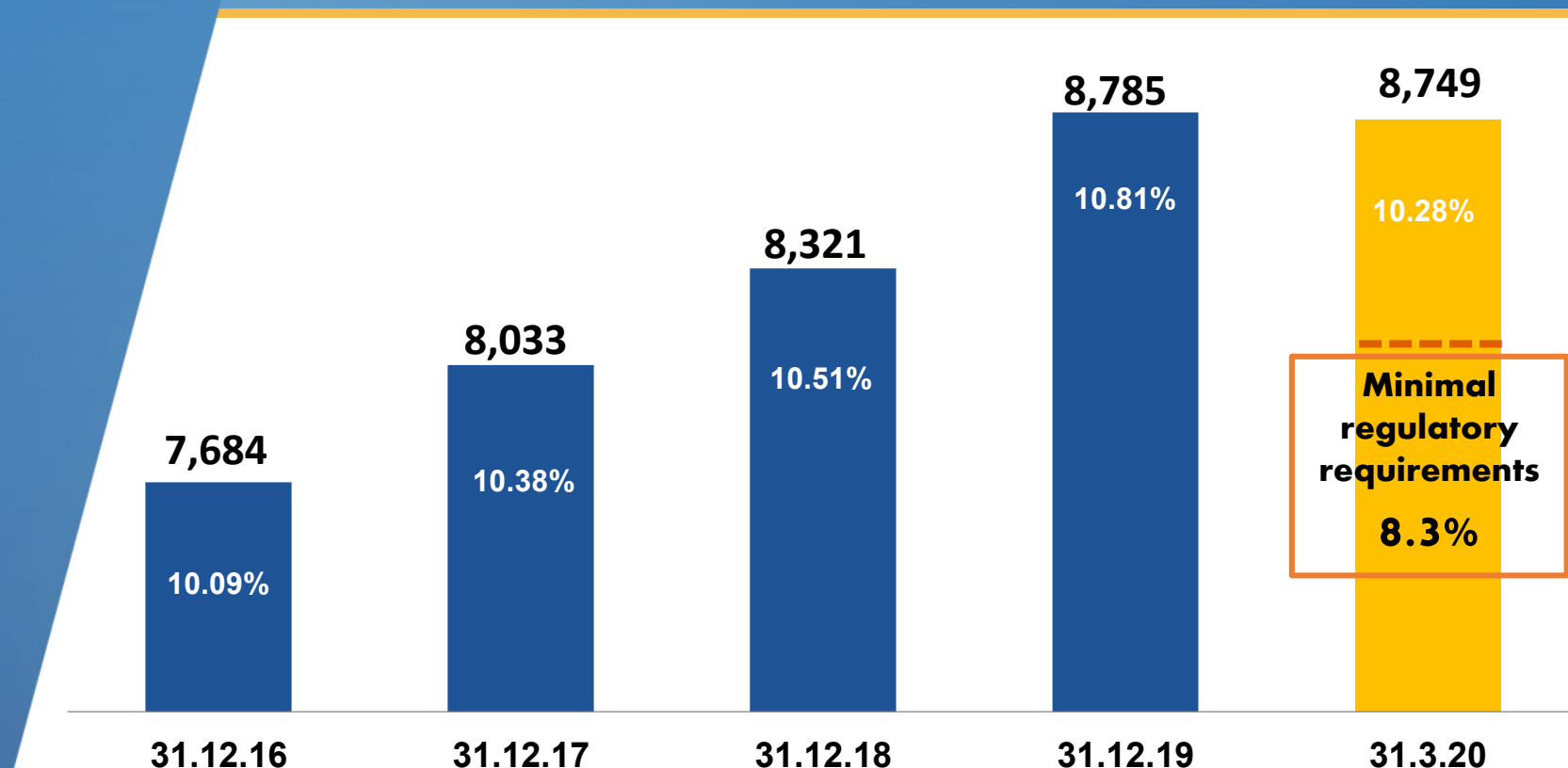
- ✓ High capital adequacy ratio - 2% above regulatory equity ratio (tier-1)
- ✓ High liquidity ratio and credit-deposit ratio
- ✓ High credit quality
- ✓ High credit diversification
- ✓ Strong digital capabilities –

(based on a Bank of Israel survey covering digital banking and customer satisfaction)



Financial stability

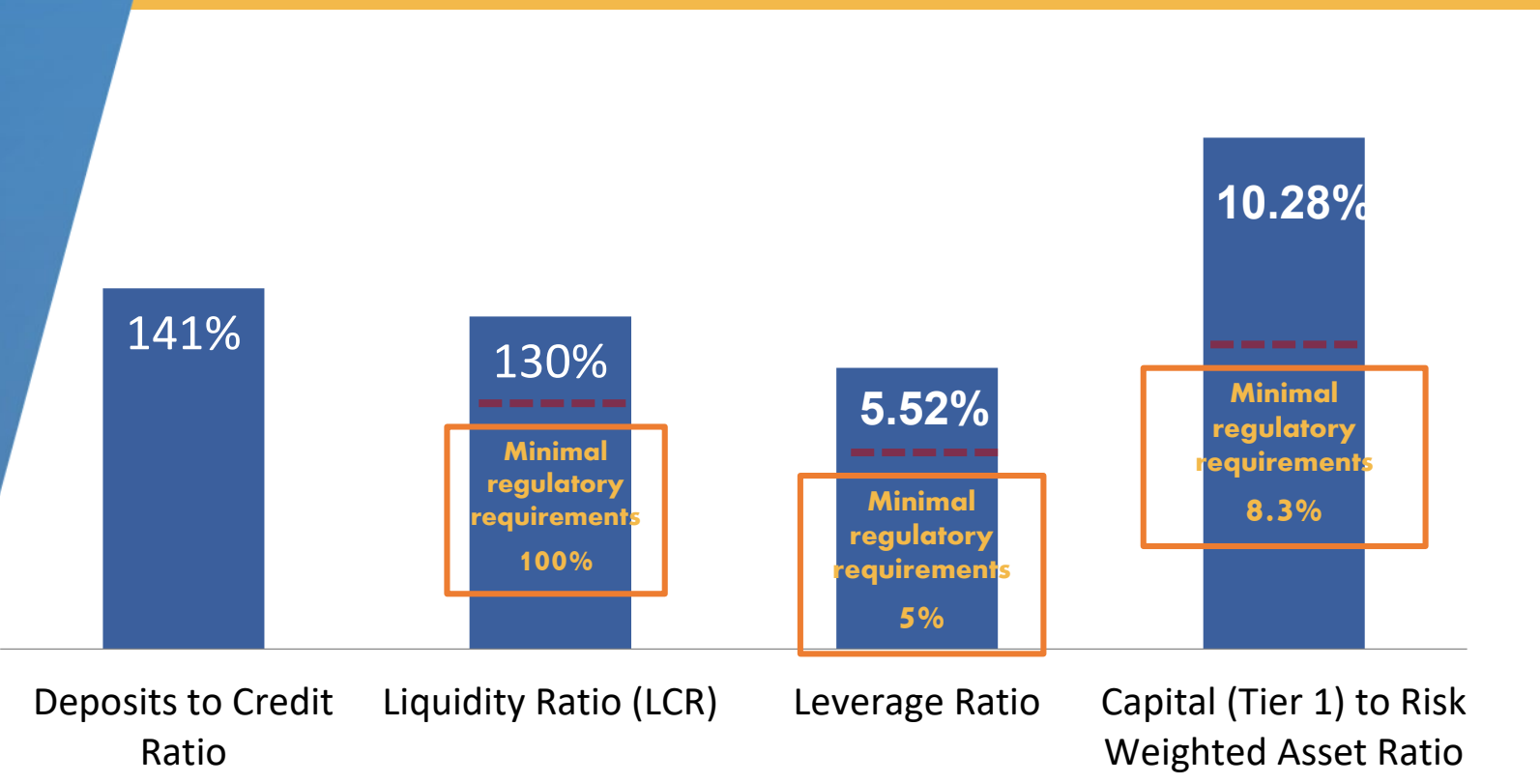
Tier 1 capital ratio



Positive 2% gap above minimum regulatory capital requirement



Entering the Corona Crisis with High Financial Strength



Business Continuity During Corona crisis

- Focus of management and Board in dealing with the process
Established dedicated emergency task team to provide functional response
- Maintained employee well-being and health to enable them to operate (masks, temperature measurement, hygiene)
- Split critical units at a number of facilities in the bank (transaction rooms, voice center, cyber)
- Created work capsules in most business units
- Provided infrastructure for employee remote-work
- Opened branches under Bank of Israel and Ministry of Health guidelines
- Maintained high-dollar liquidity levels
- Provided support for all customers at branches, via call center and digital



Strong Financial Stability, Growth, and Efficiency

1-3/2020
(NIS Millions)



ROE

8.2%
(9.3%)



Net income

171
(6.6%)



Improvement in efficiency ratio

62.2%
(67.2%)



Decline in Total operating expenses

637
-5%



Growth in total income*

1,024
+2%



Growth in credit from start of year

+2.5%



Growth in private deposits from year-start

+15.6%



Losses to doubtful debt

0.71%
(0.17%)



Tier 1 Equity Ratio

10.28%
(10.53%)



LCR

130%
(132%)

() Parallel period last year

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

Main Highlights of the First Quarter of 2020

- ✓ Increase in credit to the public (2.5%*)
- ✓ Total revenue increase (2%)
- ✓ Decrease in operating expenses (5%)
- ✓ Significant improvement in efficiency (62.2%)
- ✓ Tax revenues in regard to previous years (NIS 35 million)

Given the Background of the Corona Crisis

- ✓ Increase in public deposits (5.8%*), increase in private customer deposits of (15.6%*)
- ✓ Conversion difference revenue increase (54%)
- ✓ Increase in income from capital market activity (20%)
- ✓ Credit loss expense increase of NIS 121 million, credit loss expense ratio 0.71%
- ✓ Decrease in the proprietary portfolio. After the balance sheet date, there was a recovery in the financial markets, which reduced the decline.
- ✓ The Bank's portion in Visa CAL loss (NIS 12 million decrease)

* As at the first quarter



Income Statement

1-3/2020

(NIS Millions)	Q1.20	Q1.19	Change before tax	% Change
Interest Income	658	635	23	4%
Interest Expenses	(3)	46	(49)	(106%)
Interest Income, net	655	681	(26)	(4%)
Expenses from credit losses (Provision rate of 0.71%)	157	36	121	
Income from commissions	368	320	48	15%
Of which: Commissions from capital market	184	153	31	20%
Total Income (Before expenses related to credit losses)	1,024	1,002	22	2%



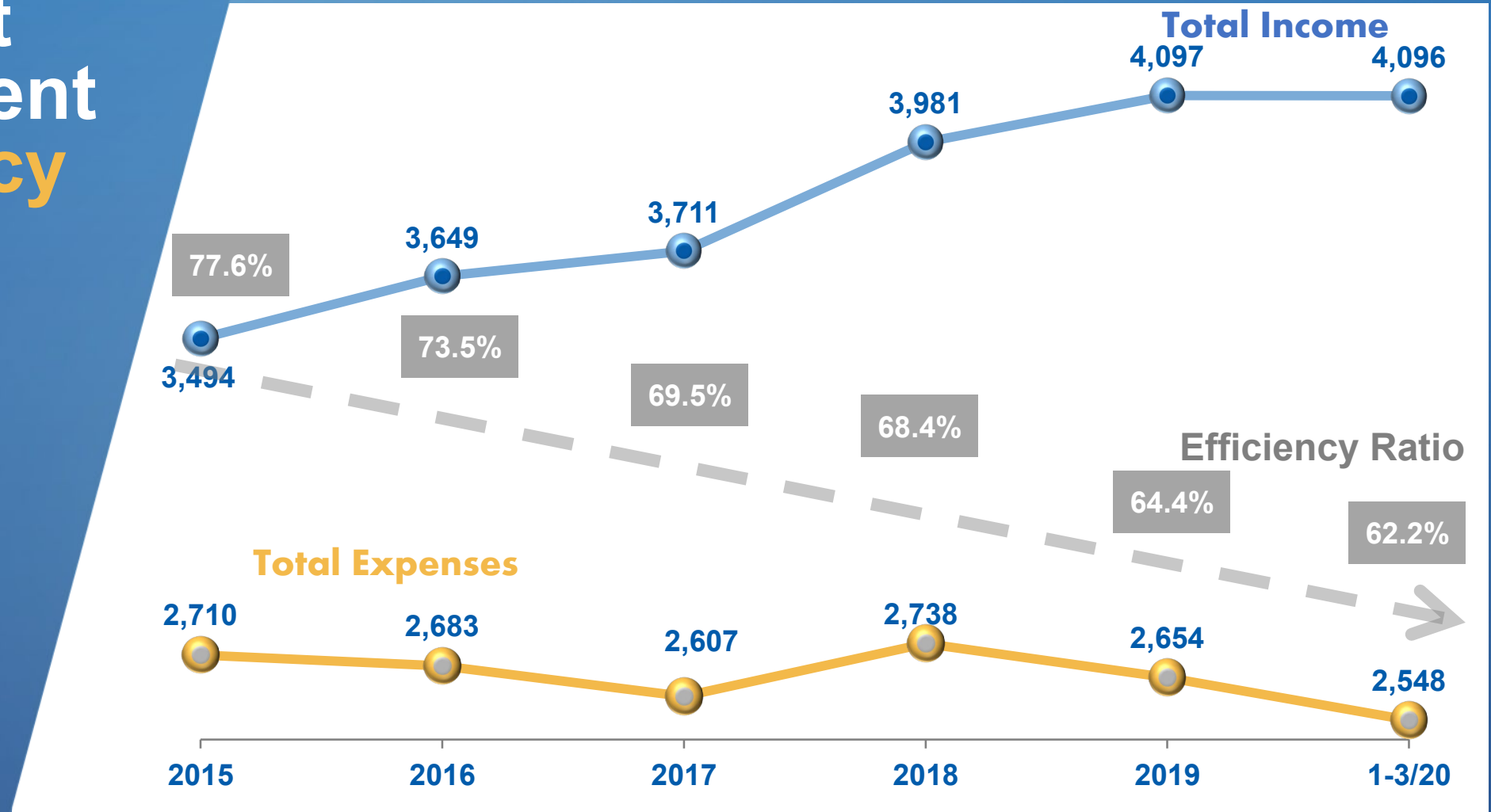
Income Statement

1-3/2020

(NIS Millions)	Q 1.20	Q 1.19	Change before tax	% Change
Total operating and other expenses	637	673	(36)	(5%)
Salaries and related expenses	379	392	(13)	(3%)
Maintenance of buildings and equipment & Depreciation & Depreciation and amortization of intangible assets	110	115	(5)	(4%)
Other expenses	148	156	(8)	(5%)
Of which: Dismissal expenses	2	18	(16)	
Provision for merger expenses of Otsar Hahayal	-	6	(6)	
Profit before taxes	230	293	(63)	(22%)
Tax Expenditures (tax revenues of NIS 35 million in Q 1.20- 1.6% return)	48	111	(63)	(55%)
Net profit	171	183	(12)	(6.6%)



Consistent Improvement in Efficiency Ratio



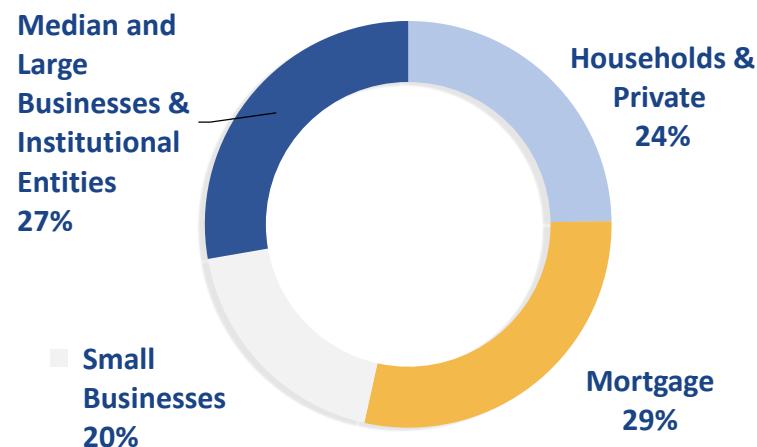


Increase in Profit from Current financing Activities

(NIS Millions)	Q1.20	Q1.19	Change before tax	% Change
Interest Income, net	658	635	23	3.6%
Non interest financing income	(3)	46	(49)	
Net financial earnings	655	681	(26)	(3.8%)
Reconciliation to fair value of derivative instruments	-	(5)	5	
Income from realization and reconciliations to fair value bonds	(9)	4	(13)	
Earnings from investments in shares	(48)	7	(55)	
Earnings from current financing activities	712	675	37	5.5%
Impact of change in the index	(16)	(4)	(12)	

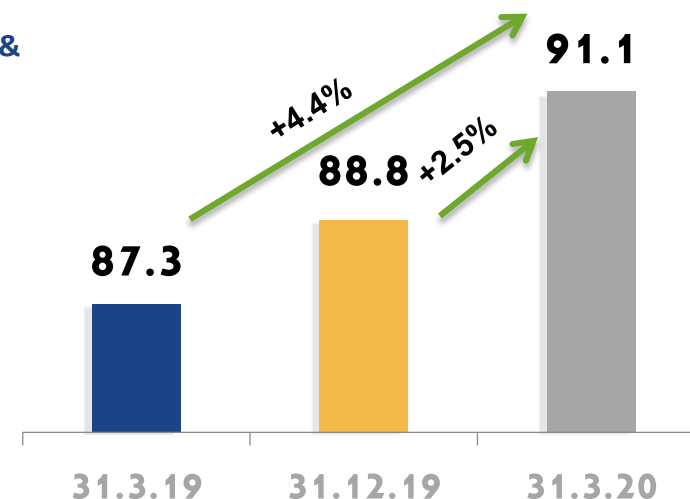


Growth in Credit Balances End of Period (NIS Billions)



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

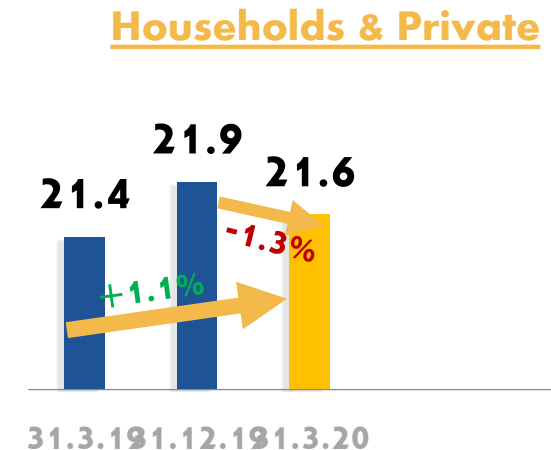
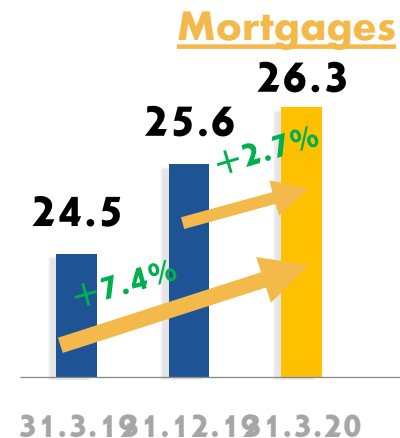
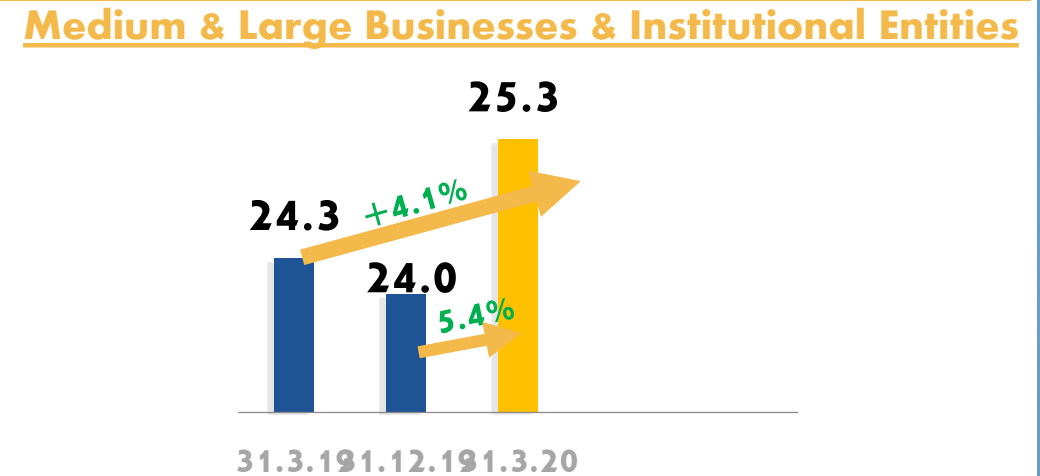
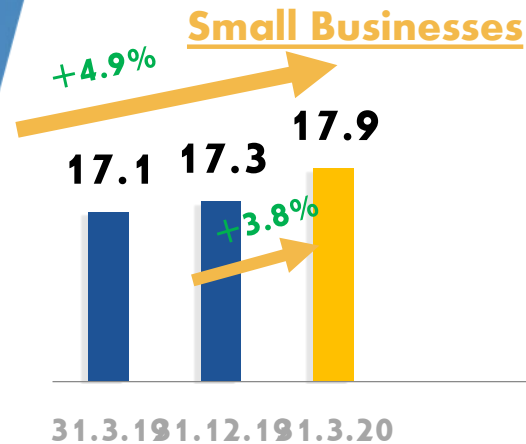
53% of Credit Portfolio



**Growth from
the beginning
of the year**


+2.5%

Consistent Growth in Credit End of Period (NIS Billions)





Credit Risk due to Problematic Debt- High Quality Credit Portfolio

(NIS Millions)	31.3.20	31.12.19	Change before tax
Impaired credit risk	882*	837	45
Inferior credit risk	162	170	(8)
Credit risk under special supervision	<u>1,033</u>	<u>852</u>	<u>181</u>
Total problematic credit risk	2,077	1,859	218
Ratio of total Expense to total credit to the public	0.71%	0.16%	1.17%
Ratio of provision for credit losses in respect of credit to the public	1.15%	1.05%	1.51%
Ratio of provision for credit losses to total impaired credit to the public - NPL coverage ratio (including mortgages)	146%	131%	
Ratio of impaired debt or in arrears of 90 days or more to credit to the public	1.07%	1.08%	
			Other Israeli Banks data 31.3.20 (excludes Mizrahi Bank)

* Including defective bonds that accrue interest income of NIS 40 million.

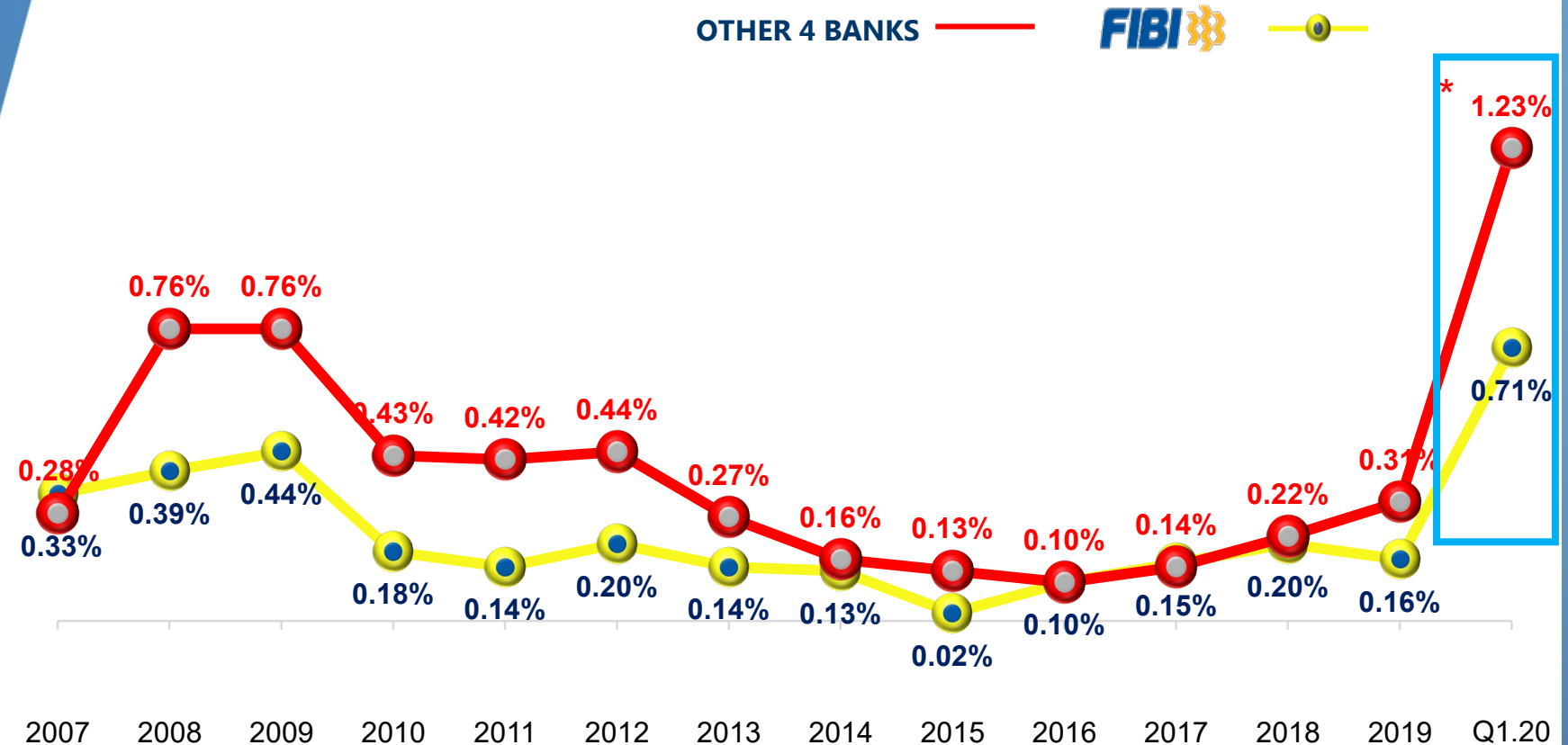
Provision for individual and collective credit losses

	Q1.20	Q1.19	2019
Collective provision	130	26	119
Individual provision	<u>27</u>	<u>10</u>	<u>19</u>
Total	157	36	138
Of that: Provisions for the Corona crisis (most of them in collective Provision)	129	-	-
Collective provision rate	0.59%	0.12%	0.14%
Individual provision rate	0.12%	0.05%	0.02%
Expense to total credit to the public Ratio	0.71%	0.17%	0.16%

Due to the uncertainty effects of the Corona crisis on the economy and the increasing risk, the Group provision was increased.



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

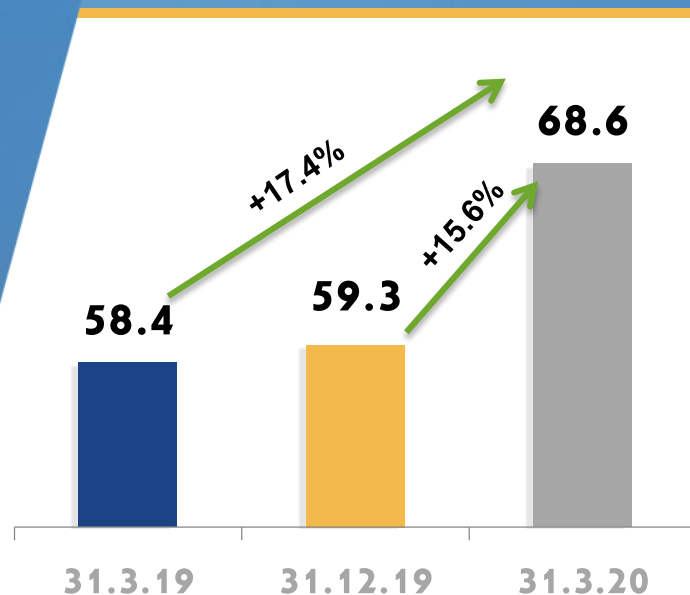


* Other 4 Israeli Banks (without Bank Mizrahi)– 31.3.20

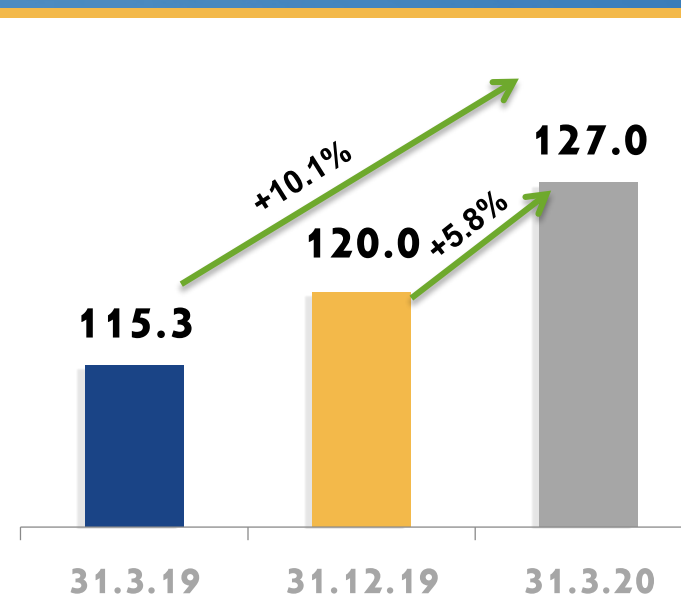


Growth in Total Public Deposits

End of Period
(NIS Billions)



**Growth in Private
Deposits**

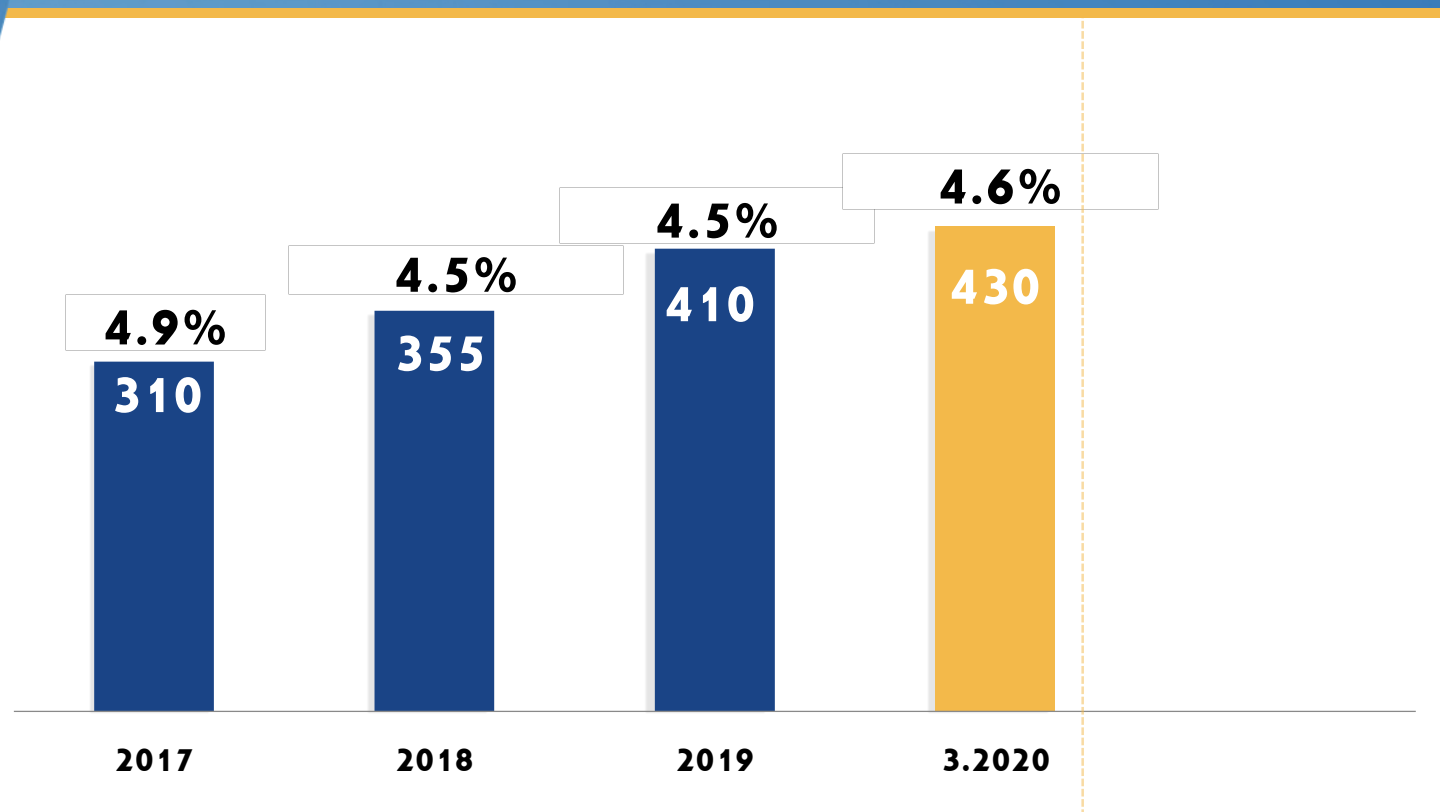


**Growth in Total
Public Deposits**



High Dividend Yield

(NIS Millions)



According to BOI instructions' the Bank decided not to distribute a dividend until September 30, 2020 due to the Corona crisis (The Board of Directors of the Bank may review its decision on dividend distributions and can change it later at its discretion).



Banks Proprietary Portfolio Diversified and solid portfolio (NIS Millions)

	31.3.20		31.12.19		Change
Government bonds	9,513	88%	9,739	89%	(226)
...of which: Israeli Government bonds	7,589	70%	6,424	58%	1,165
Average duration	4.79		4.84		
Bank bonds	121	1%	33	0%	88
Average duration	2.78		2.49		
Corporate bonds	871	8%	885	8%	(12)
Average duration	3.27		3.28		
Stocks and investments in funds	319	3%	339	3%	(20)
Total Stocks and Investments Portfolio	10,824	100%	10,995	100%	(170)*

* Including unrealized losses for shares available for sale (NIS 41m). As of May 26, 20, the total unrealized loss amounted to NIS 24m.

** The balance of the available-for-sale securities as of March 31, 20, NIS 110 million in debt (NIS 29 million as of 20.5.20).



Highlights for Q1.2020

Strengths

FIBI met the corona crisis in a robust financial state with a high quality and diversified credit portfolio and strong capital ratios.

Net Income and Return On Equity

The Bank net profit in Q1.2020 amounted to NIS 171 million, compared with NIS 183 million in Q1.2019, a decrease of NIS 12 million (mainly due to the impact of the Corona crisis).
Net ROE amounted to 8.2% in the period, compared with 9.3% in Q1.2019 and 10.5% in the whole of 2019.

High Capital Adequacy High Financial Resilience

Stability in shareholder equity 8.6 NIS billion

Primary capital adequacy ratio at 10.28% (2% over regulatory required)



Highlights for Q1.2020

Growth in average credit balances of 4.7% and a 2.5% increase since start of year	<u>Change in % compared to</u>	31.3.19	31.12.19
	Households & private	1.1%	[1.3%]
	Mortgages	7.4%	2.7%
	Small & tiny businesses	4.9%	3.8%
	Medium businesses	3.3%	6.2%
	Large businesses & institutional entities	4.1%	4.5%

Growth in Deposits

The balance of public deposits amounted to approximately NIS 127 billion, an increase of 5.8% (approximately NIS 7 billion) since the beginning of the year. Growth of 15.6% in private customer deposits.

Group Revenues grew by 2% and 5.5% of financing income from current operations

Continued growth in financing profits from ongoing operations (approximately NIS 37 million, + 5.5%) and income from capital market commissions and conversion differences . Tax revenue of NIS 35 million for closing previous years' assessments.

Reduction in operating expense and improvement in efficiency

Reduction of 5% (36 NIS million).
Current efficiency ratio improved to 62.2% [compared to 64.4% in 2019].

APPENDIX



Supporting the Bank's Customers During the Corona Pandemic

- ✓ Continued to service customers even during reduced economic activity
- ✓ Supported both business and private clients
- ✓ Postponed mortgage and loan payments to retail and small business customers and extended new loans
- ✓ Broadened computing infrastructure to support expansion of digital channels, ease-of-use of these channels and strengthened call center
- ✓ Eased and provided benefits to senior citizens for example service priority, active approach by telephone, and issuing of debit cards, etc.
- ✓ Quick response to saturation in the capital markets through extended consulting services and proactive calls, and dealing room services
- ✓ Large scale loans to businesses, among others, through the Government Corona fund.

Israel growth forecast during the Corona crisis

	2019	2020	2021
Growth Rate of GDP *	3.5	(4.5)	6.8
Unemployment *	3.4	6.3	6.7
Inflation *	0.4	(0.5)	0.7
Bank of Israel Interest Rate (end of year)	0.25	0 – 0.1	0 – 0.25

* Bank of Israel Forecast 5/2020



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