

FIRST INTERNATIONAL BANK OF ISRAEL

Financial Results 30.6.20

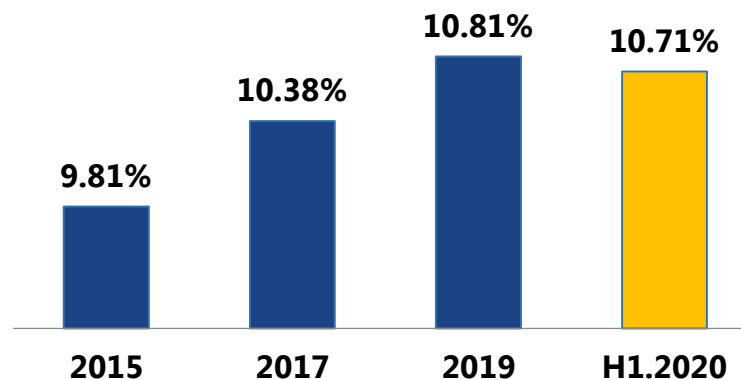
FIBI faces the crisis and is strong and stable

- ✓ **High capital adequacy ratio** – 2.4% above regulatory equity ratio (tier-1)
- ✓ **High liquidity ratio**
- ✓ **Highest deposit-credit ratio** in the Israeli banking system
- ✓ **High credit quality**
- ✓ **High credit diversification**
- ✓ The bank was ranked **1st in its alignment for service during the corona period** (according to MarketTest Institute survey).



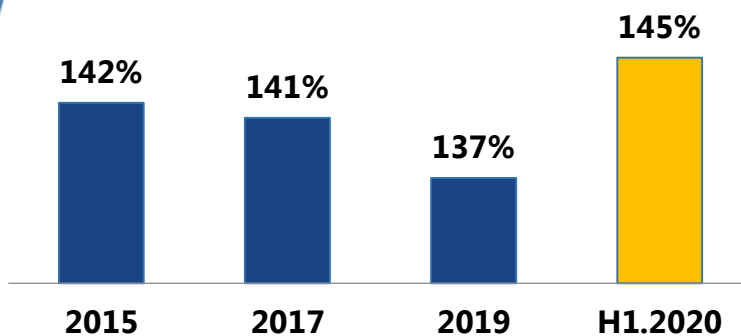
Maintaining high financial strength

capital adequacy ratio (tier-1)

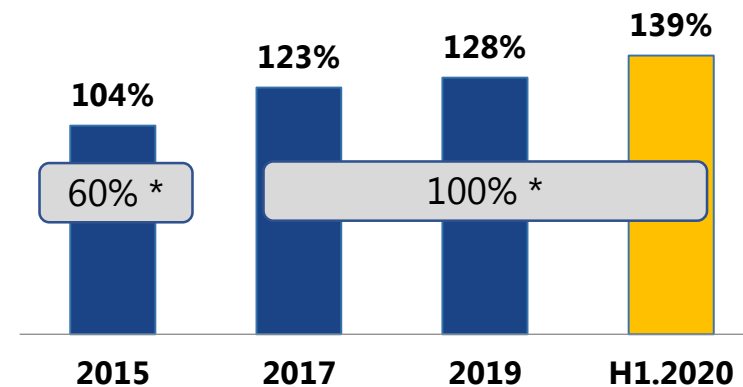


Tier 1 capital ratio is high above regulatory minimum (8.31%)

deposit-credit ratio



Liquidity coverage ratio

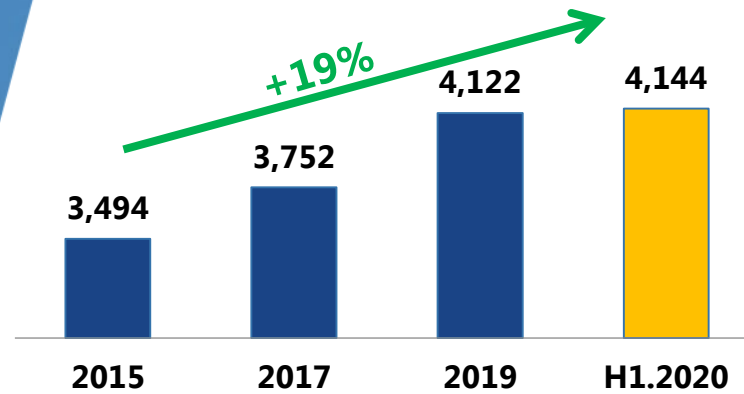


* Regulatory

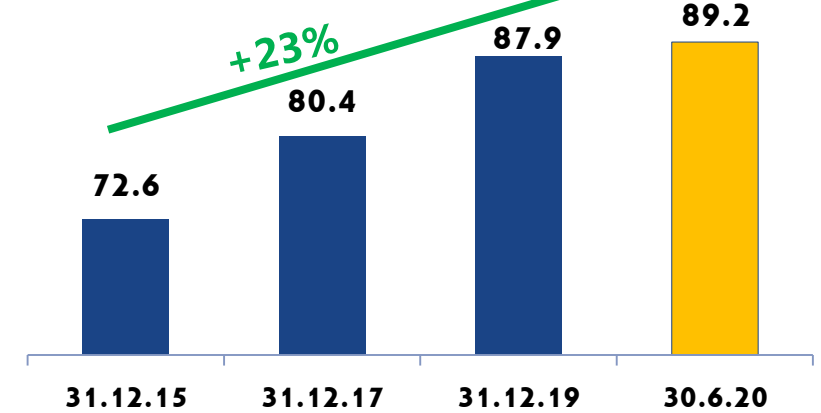


Growth while improving efficiency

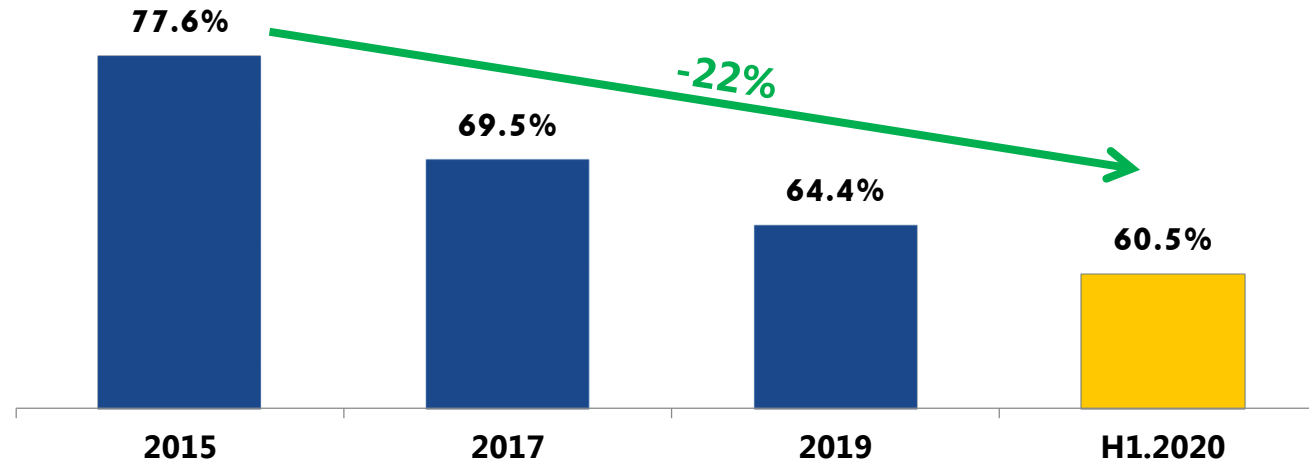
Total income before expenses for
credit losses (NIS Million)



Growth in credit to the public
(NIS Billion)



Continues improvement in the efficiency ratio





Strong Financial Stability, Growth, and Efficiency

1-6/2020
Main data
(NIS Millions)



ROE

8.1%
(10.2%)



Net income

339
-16.7%



Decline in Total operating expenses

1,254
-7.2%



Losses to doubtful debt

0.72%
(0.14%)



Growth in total income*

2,072
+1.1%



Tier 1 capital ratio

10.71%
(10.86%)



Growth in private deposits**

+13.6%
(In private deposits)
+17.7%



Growth in credit**

+4.6%
(+5.2% Average)



Improvement in efficiency ratio

60.5%
(65.9%)

() Parallel period last year

* Total income before provision for credit losses

** In relation to the end of Q2 .19 (annual)



Strong Financial Stability, Growth, and Efficiency

Q2/2020
(NIS Millions)



ROE

8.0%
*11.3%



Net income

NIS 168 Millions
-25% *



Decline in Total operating expenses

NIS 615
**Millions
-3% *



Losses to doubtful debt

0.74%
0.11%



Growth in private deposits**

+13.0%
In private deposits)
(+16%

+7%



Growth in credit**

+5.6%

+0.8%



Improvement in efficiency ratio

58.9%
(64.8%)

* Parallel period last year / change compared to parallel period

** In neutralizing grants, removal and reduction

Change compared to the first quarter of 2020



Income Statement

1-6/2020

(NIS Millions)	H1.20	H1.19	Change before tax	% Change
Interest Income	1,318	1,300	18	1%
Interest Expenses	61	112	(51)	(45%)
Interest Income, net	1,379	1,412	(33)	(2%)
Expenses from credit losses (Provision rate of 0.72% Of which, about 0.58% - NIS 259 million, due to corona crisis)	322	59	263	
Income from commissions	691	635	56	9%
Of which: Commissions from capital market	357	301	56	19%
Of which: Conversion differences	92	72	20	28%
Total Income (Before expenses related to credit losses)	2,072	2,049	23	1%



Income Statement

1-6/2020

(Continued)

(NIS Millions)	H1.20	H1.19	Change before tax	% Change
Total operating and other expenses	1,254	1,351	(97)	(7.2%)
Salaries and related expenses excluding provision for bonuses	752	780	(28)	(3.6%)
Maintenance of buildings and equipment & Depreciation & amortization of intangible assets	219	226	(7)	(3%)
Other expenses (Including commissions paid for capital market activity)	279	268	11	4.1%
Of which: Dismissal expenses and Provision for merger expenses of Otsar Hahayal	4	36	(32)	
Profit before taxes	496	639	(143)	(22.4%)
Tax Expenditures (tax revenues of NIS 37 million From previous years)	145	238	(93)	(39.1%)
Net profit	339	407	(68)	(16.7%)



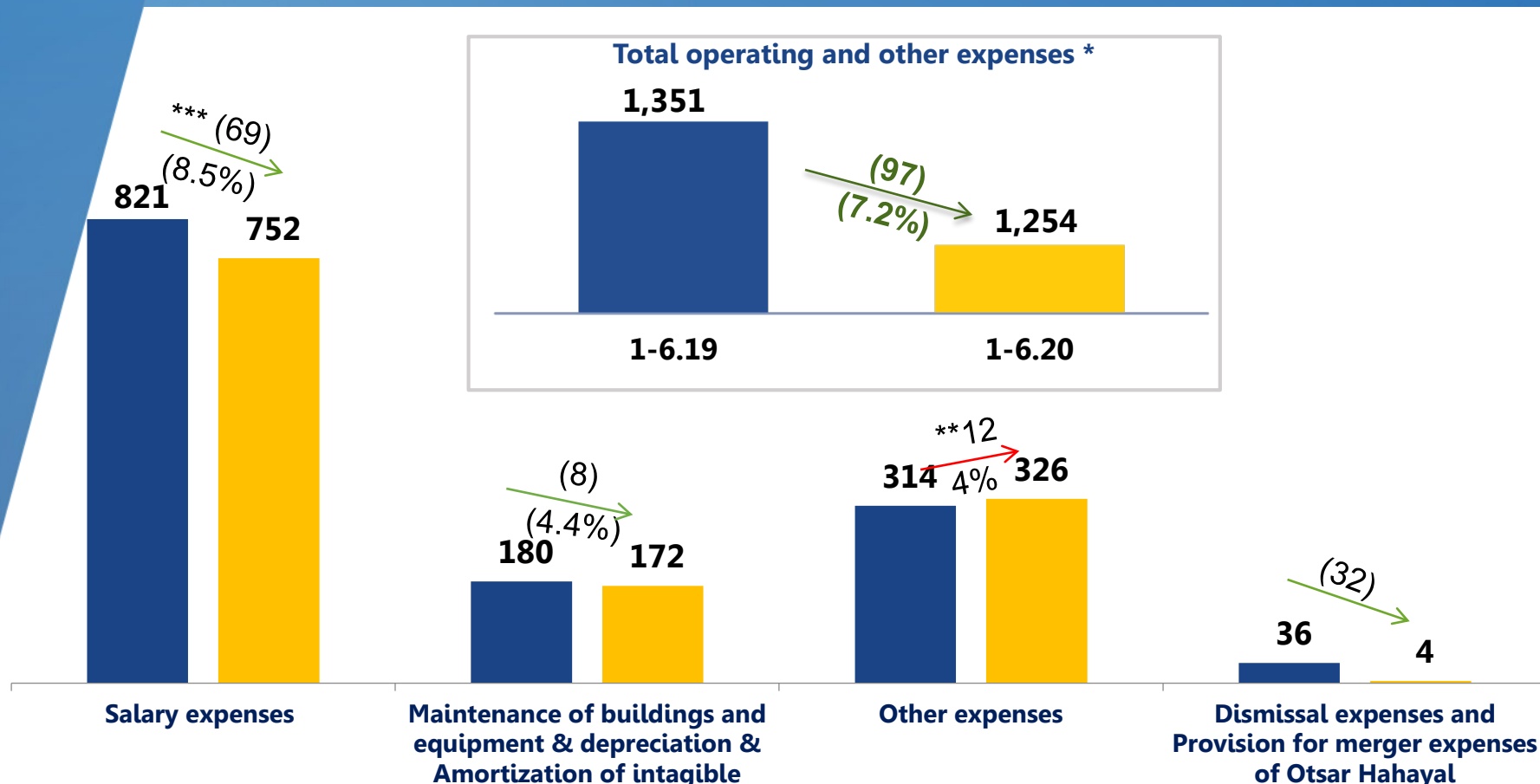
Increase in Profit from Current financing Activities

(NIS Millions)	H1.20	H1.19	Change before tax	% Change
Interest Income, net	1,318	1,300	18	1.4%
Non interest financing income	61	112	(51)	
Net financial earnings	1,379	1,412	(33)	(2.4%)
Reconciliation to fair value of derivative instruments	3	(3)	6	
Income from realization and reconciliations to fair value bonds	11	9	2	
Earnings from investments in shares	<u>(44)</u>	<u>22</u>	<u>(66)</u>	
Earnings from current financing activities	1,409	1,384	25	1.8%
The rate of change in the index (known in the period)	(0.7%)	1.2%		
Impact of change in the index (Neutralizing the effect of the index - an increase of 5%)	(23)	20	(43)	
Bank of Israel average interest rate for the period	0.18%	0.25%	(0.07%)	
Average dollar interest rate for the period	0.82%	2.50%	1.68%	



Decrease in Operating Expenses

1-6/2020



* Reduction of 1.9% excluding grants to employees, provision for the merging of Otzar Hahyal and without removal and reduction cost.

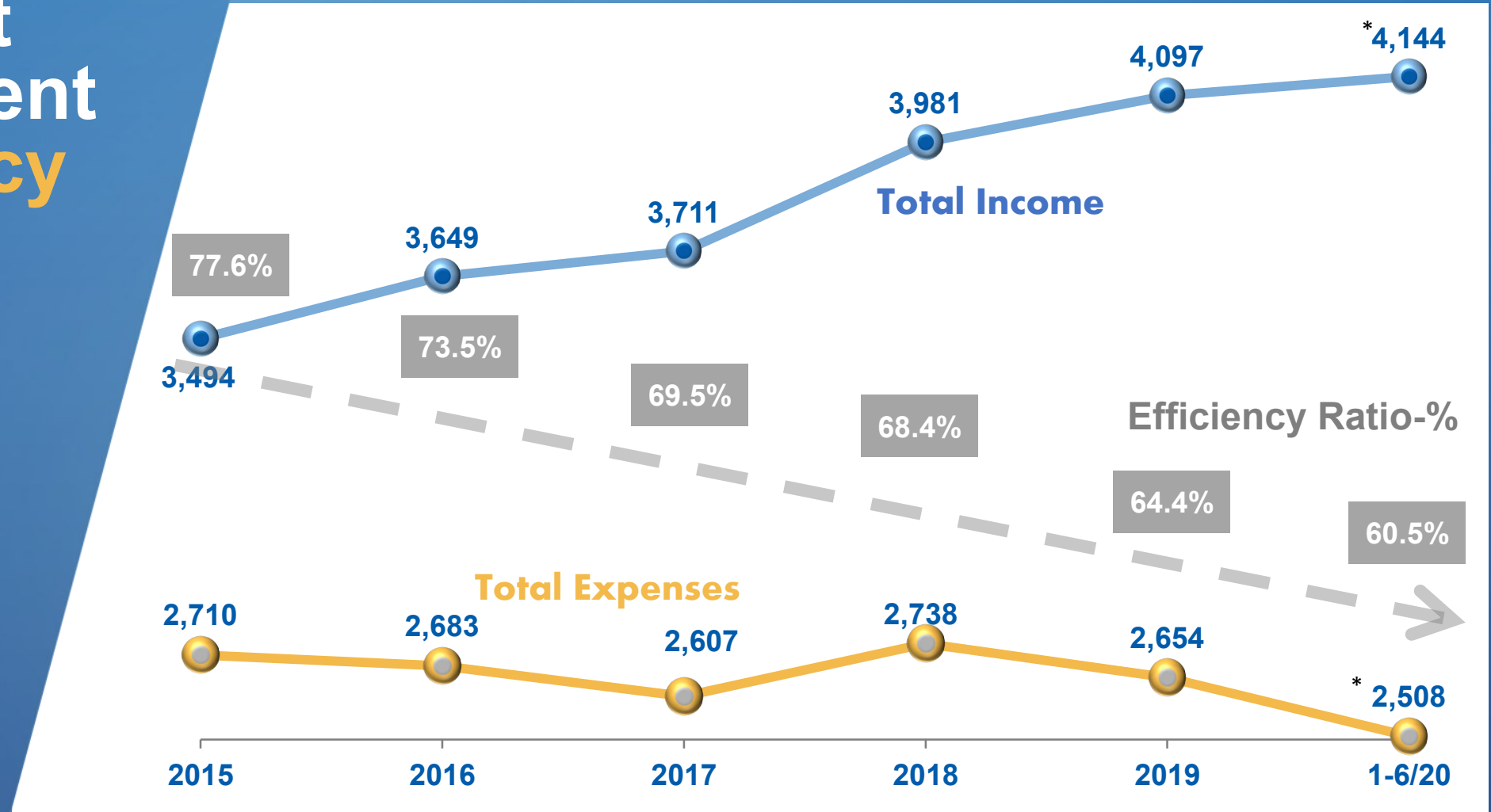
** Increase mainly due to an increase in commission expenses for the capital market due to an increase in operating cycles.

*** Excluding grants to employees last year, a decrease of about NIS 28 million (3.6%).



Consistent Improvement in Efficiency Ratio

(17% decrease in cost to income ratio since 2015)

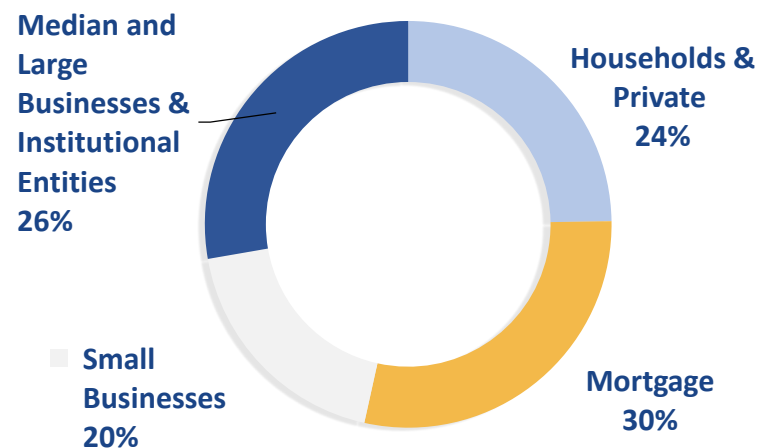


* In annual portrayal

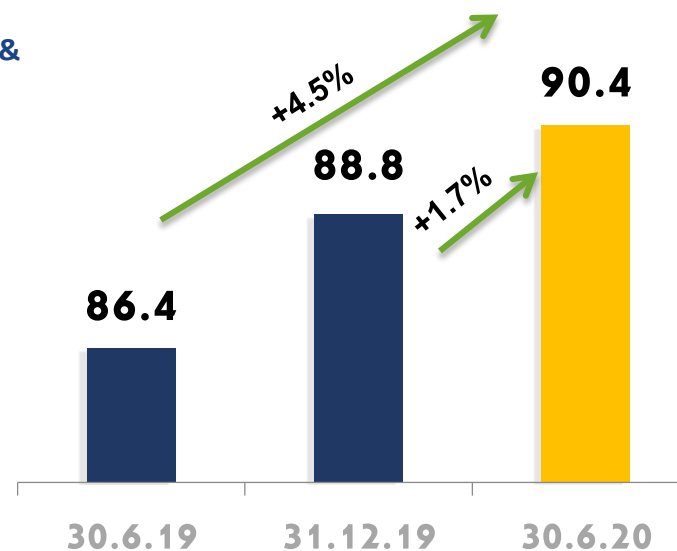


Growth in Credit Balances

End of Period
(NIS Billions)



A diverse and quality mix of Credit



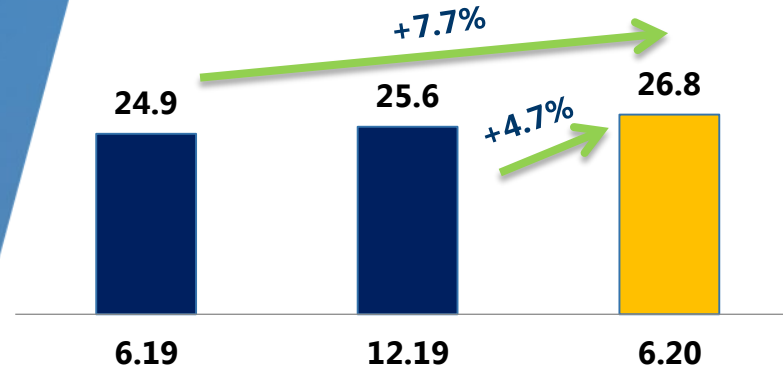
Annual Average growth

+5.2%

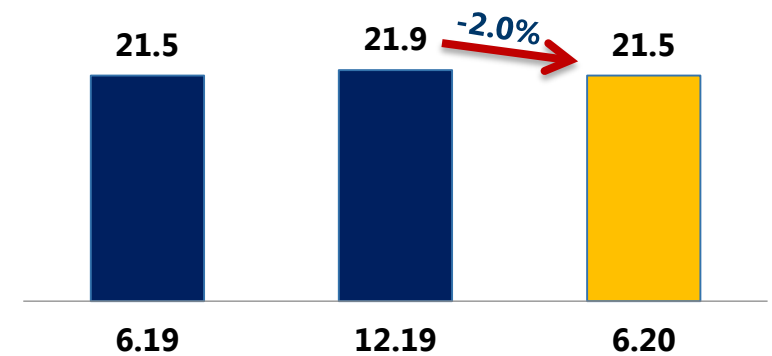
Credit to the public as of 30.6.20

(NIS Billions)

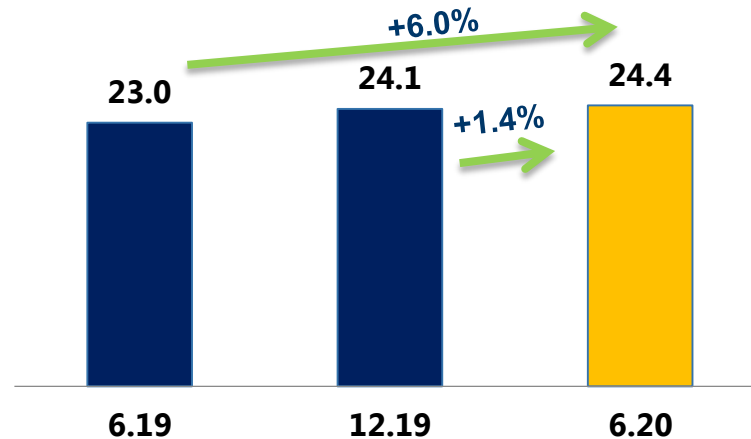
Mortgages



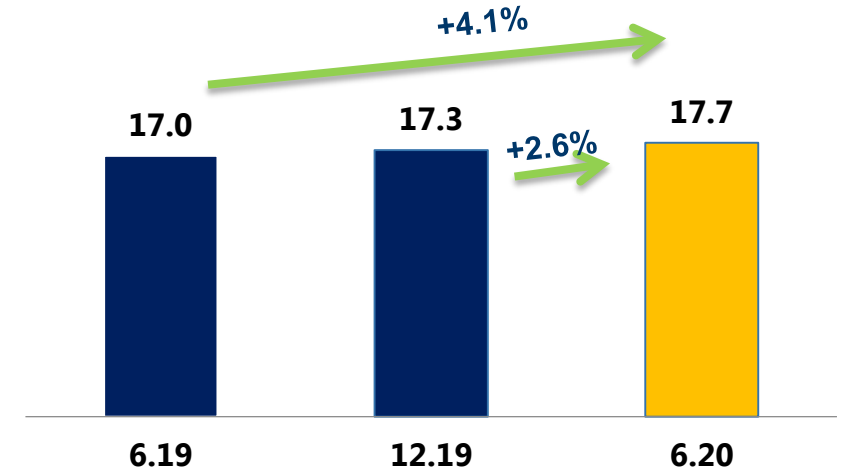
Households & Private



Medium & Large Businesses & Institutional Entities



Small Businesses



Deferral of credit payments due to corona - Compared to other Israeli Banks

(NIS Millions) as of 30.6.20	Households & Private	Mortgage	Small Businesses	Median and Large Businesses	Total
The balance of payments actually deferred	27	102	71	35	235
The balance of the credit for which the payments were deferred	417	4,977	1,151	335	6,880
The balance of the credit balance for which payments have been deferred out of the total credit - Bank	2.0%	(*)19.3%	5.9%	3.4%	8.0%
The balance of the credit balance for which payments were deferred from the total credit - banking system	8.8%	24.1%	19.7%	6.1%	14.8%

(*) After the balance sheet date (31.7.20), the share of the balance of Mortgage credit for which deferred payments were deferred decreased significantly from a level of 19.3% to approximately 8.4%.

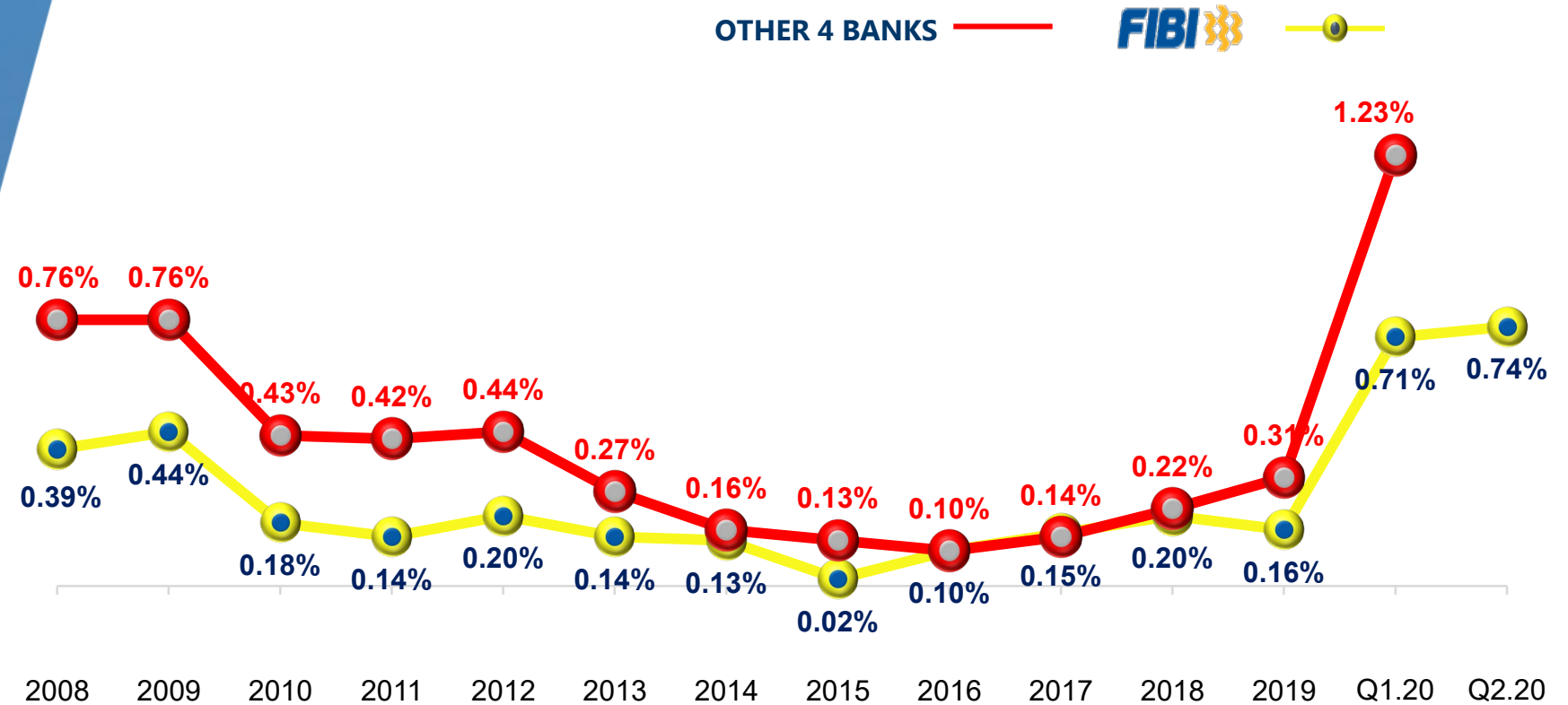
Provision for individual and collective credit losses

	1-6/20	Q2.20	Q1.20	1-6/19	2019
Collective provision	265	135	130	63	119
Individual provision	57	30	27	(4)	<u>19</u>
Total	322	165	157	59	138
Increase in total provision during the period	+263	+8			
Of that: Provisions for the Corona crisis (most of them in collective Provision)	259	130	129	-	-
Collective provision rate	0.59%	0.60%	0.59%	0.15%	0.14%
Individual provision rate	0.13%	0.14%	0.12%	(0.01%)	0.02%
Expense to total credit to the public Ratio	0.72%	0.74%	0.71%	0.14%	0.16%



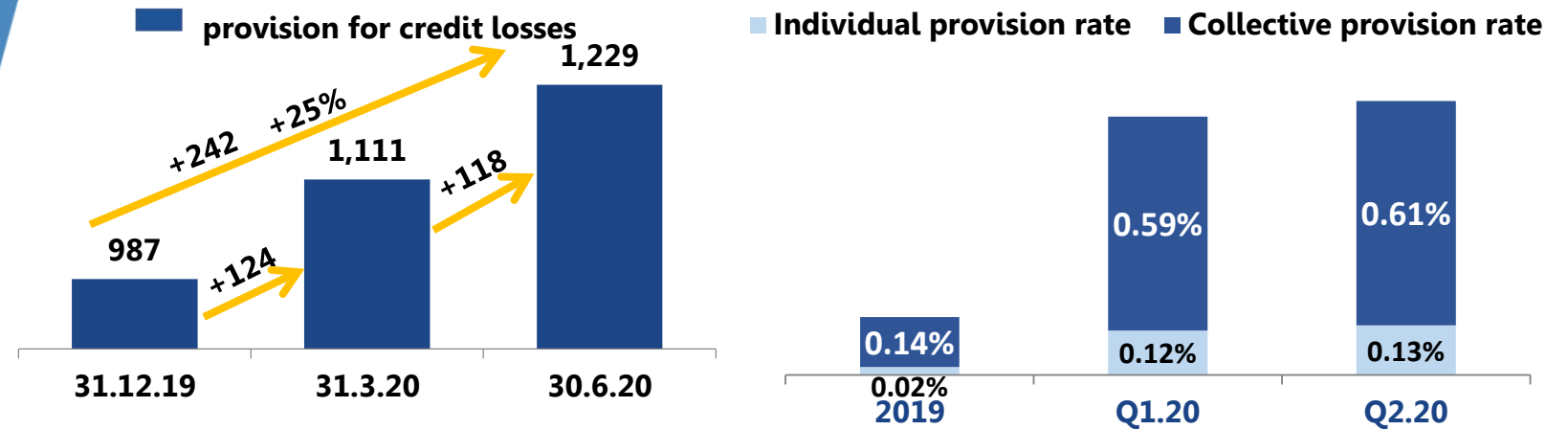
Ratio of total Expense to total credit to the public – Compared to other Israeli Banks

- Discharge rates are low over time
- Proportional credit policy - a quality credit portfolio

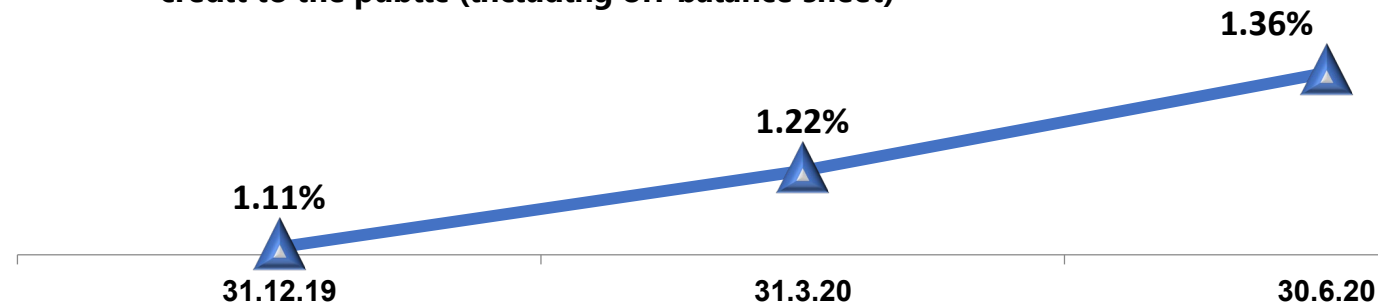




Build additional reserves To credit losses Due to the corona crisis



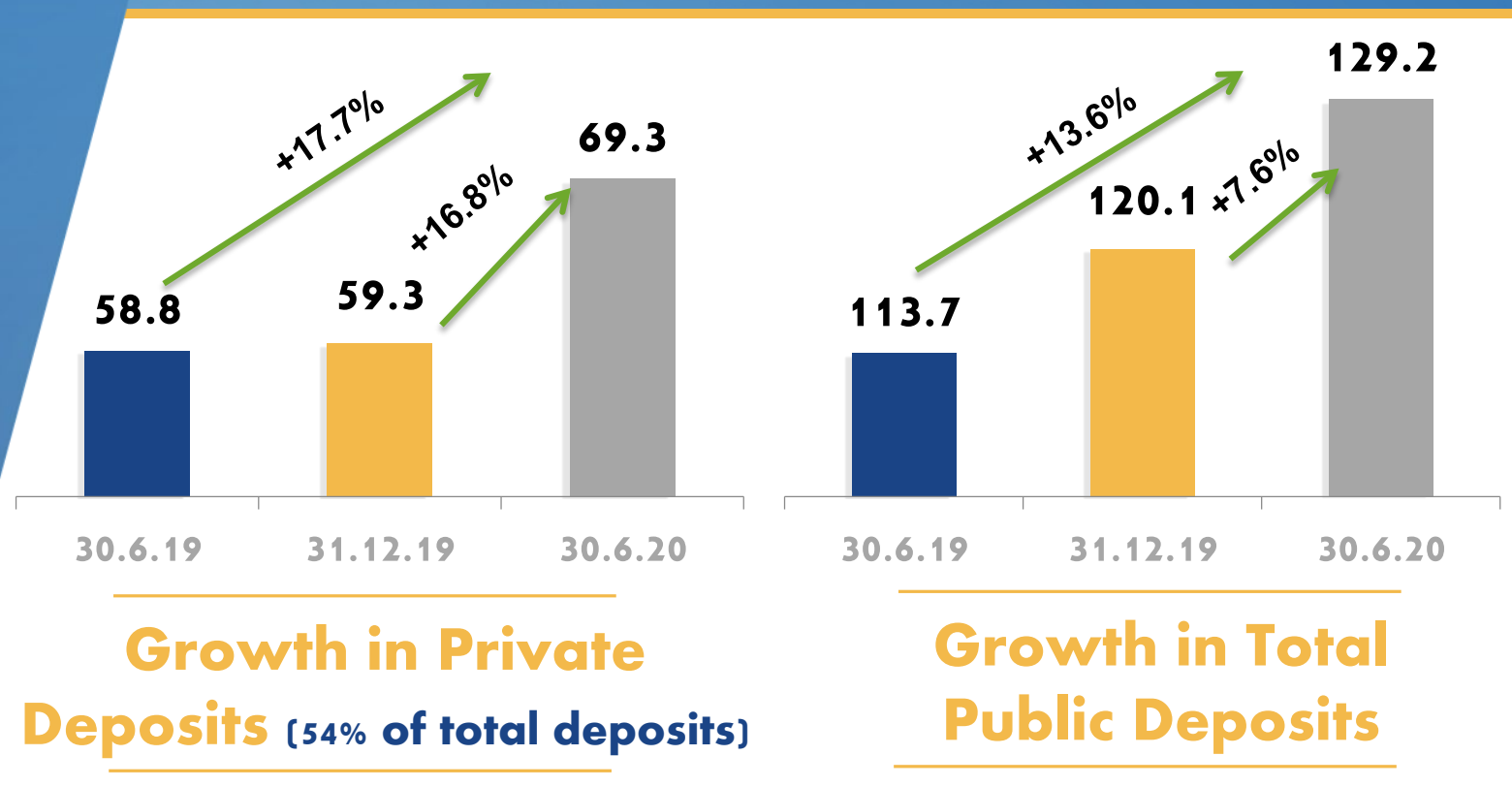
Ratio of provision for credit losses in respect of credit to the public (including off-balance sheet)





Growth in Total Public Deposits

End of Period
(NIS Billions)





Banks Proprietary Portfolio Diversified and solid portfolio (NIS Millions)

	30.6.20		31.12.19	
Government bonds and government guarantees	10,404	89%	9,739	89%
of which: Israeli Government bonds	8,996	77%	6,424	58%
Average duration	4.58		4.84	
Bank bonds	234	2%	33	0%
Average duration	2.81		2.49	
Corporate bonds	836	7%	885	8%
Average duration	3.24		3.28	
Stocks and investments in funds	239	2%	339	3%
Total Stocks and Investments Portfolio	11,715	100%	10,995	100%

- The balance of the (net) negative capital fund as of 30.6.20 in the amount of NIS 7 (net) compared to a negative capital fund of approximately NIS 105 million net on 31.3.20
- As of August 5, 2020, the balance of the (net) positive capital fund in respect of available bonds in the amount of approximately NIS 16 million.



Highlights for H1.2020

Strengths

FIBI faced 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 H1.2020 amounted to NIS **339** million, compared with NIS 407 million in H1.2019, a decrease of 17% (mainly due to the impact of the Corona crisis). Net ROE amounted to **8.1%** in the period, compared with 10.2% in H1.2019 and 10.5% in the whole of 2019.

High Capital Adequacy High Financial Resilience

Stability in shareholder equity **8.7** NIS billion

Primary capital adequacy ratio at **10.71%** (2.4% over regulatory required)



Highlights for H1.2020

Growth in average credit balances of 5.2% and a 1.7% increase since start of year	Change in % compared to	31.12.19
	Households & private	(2.0%)
	Mortgages	4.7%
	Small & tiny businesses	2.6%
	Medium & Large businesses & institutional entities	1.4%
Growth in Deposits	The balance of public deposits amounted to NIS 129 billion, an increase of 7.6% (NIS 9 billion) since the beginning of the year. Growth of 16.8% in private customer deposits.	
Growth of 1.8% in financing income from current operations	Continued growth in financing profits from ongoing operations (NIS 25 million, + 1.8%) and income from capital market commissions (NIS 56 million, + 19%) and conversion differences (NIS 20 million, + 28%) .	
Expenses for credit losses	Increase in expenses for credit losses (NIS 263 million) mostly due to a group provision due to economic uncertainty and macro economic data (provision rate of 0.72%)	
Reduction in operating expense and improvement in efficiency	Reduction of 7% (97 NIS million). Current efficiency ratio improved to 60.5% (compared to 64.4% in 2019). In Q2.20 the efficiency ratio amounted to 58.9%	

Survey by the **MARKETEST** CONSULTING & RESEARCH Institute in the matter of private customer satisfaction

7.2020

According to the MARKETEST Index looking at preparations made by the bank for the providing of services during the Corona period
The First International Bank is rated **in first place!**



In addition The First International Bank reached first place in a number of categories, among which are:

- ✓ The extent of loyalty and readiness to continue being a customer
- ✓ High satisfaction from given costs
- ✓ Readiness and initiative to assist in obtaining response compatible to needs
- ✓ Willingness to recommend to friends
- ✓ General satisfaction of the Bank's Internet website
- ✓ Among customers of the First International Bank, the majority of customers made use of digital services
- ✓ An increase in the potential for joining the Bank (has doubled in relation to the prior year)



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