

[Press release](#)

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First International Bank of Israel Presents 2019 Results

Tel Aviv, Israel – March 15, 2020. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the fourth quarter and full year of 2019.

Highlights

- **18% growth year-over-year in net earnings for 2019 to NIS 865 million;**
- **Return on equity for 2019: 10.5%;**
- **34.5% growth year-over-year in net earnings for the fourth quarter to NIS 222 million;**
- **Return on equity for the fourth quarter: 10.8%;**
- **Net interest income in 2019 increased by 4.7% in comparison to 2018, amounting to 2,602 million;**
- **The Bank continued to improve efficiency – operating and other expenses decreased by 5.9%, and the efficiency ratio increased to 64.4%;**
- **Credit to the public increased by 4.3% to NIS 87,899 million;**
- **Deposits from the public increased by 7.5% to NIS 120,052 million;**
- **Ratio of Tier I equity capital to risk assets: 10.81%;**

Profitability

A year of record profit for the First International Bank: First International Bank Group increased **net earnings** in 2019 by 18% to NIS 865 million. Return on equity for 2019 reached 10.5%.

In the fourth quarter of the 2019, net earnings increased by 34.5% year-over-year, amounting to NIS 222 million. Return on equity in the fourth quarter reached 10.8%.

Growth

Net interest income for 2019 increased by 4.7% in comparison to 2018, amounting to NIS 2,602 million, the increase due primarily to growth in the volume of operations.

The broadening of the Group is also clear within the balance sheet data, both on the credit side and on the deposit side. **Deposits from the public** grew by 7.5% to NIS 120,052 million. The **net credit to the public** portfolio in 2019 grew by 4.3% year-over-year, amounting to NIS 87,899 million as of December 31, 2019. The growth in credit is marked by the continued distribution of credit and is noted in the **private customer** segment, which grew by 4.6%, in the **corporate and middle market** business segment, which grew by 3.2%, and in the **small business** segment, which grew by 3.3%.

The growth in the credit portfolio was achieved while maintaining a commensurate risk level: the ratio of **credit loss expenses** to total credit to the public in 2019 amounted to 0.16% in contrast to 0.20% in 2018.

Efficiency

The First International Bank continues to improve efficiency in accordance with its strategic goals and its efficiency ratio improved to 64.4% in 2019, in comparison to 68.4% in 2018. Operating and other expenses amounted to NIS 2,654 million in 2019, a decrease of 5.9% in relation to 2018.

The decrease in expenses stemmed from the various efficiency measures taken by the Bank and was noted across all expense items, including **Payroll and related expenses** and which, when compared with last year, were reduced by 5.6%, and **maintenance and depreciation of buildings and equipment expenses** which were reduced by 6.1%.

The efficiency trend is also reflected by the decrease in the **number of positions**, which declined by 5% in 2019, as well as by the decrease of 4% in office space in 2019.

Financial stability

The upward trend relating to the **capital attributed to the shareholders of the Bank** continued, and grew by 5.9% (NIS 475 million) to NIS 8,568 million. The **Tier I equity capital ratio** increased to 10.81% compared with 10.51% as of December 31, 2018, and the **comprehensive capital ratio** increased to 13.70%.

In 2019, the Bank distributed **dividends** in the amount of NIS 410 million. The return on dividend amounted to 4.5%.

The Board of Directors of the Bank resolved on an additional dividend distribution of NIS 125 million.

Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group stated:

"The financial results of the First International Bank Group for 2019 combine the three trends which has characterized the Bank over recent years: the growth in volume of operations, significant efficiency and maintenance of a commensurate level of risk and financial stability.

"Based on the performance of the Bank and its stability, in 2019 all the rating agencies (the local ones: *Midrug* and *Ma'alot*, as well as the international one: *Moody's*) raised the rating of our Bank to the rating which has been applied to the elite of the banking sector in Israel.

"At the end of 2019, the Bank approved a new strategic plan for the coming years, which comprises a direct continuation of our previous corporate strategy, the implementation of which had already been successfully completed some time ago. Furthermore, this year, our Bank initiated an IT infrastructure strategy in addition to its digital strategy, which was already implemented in 2018. These strategic plans are aimed at driving progress forward at the Bank given the changing competitive conditions within the local financial and banking sector. All the while, we are keeping a future vision of the banking world in a way that enables us to continue our growth and maintain our areas of leadership. The leitmotif principles underlying strategic plans are: a focus on customer needs, our pursuit of innovation and continuing our efficiency processes.

"The First International Bank Group continues its consistent efficiency processes in accordance with its strategic outline, with the aim of continuing the trend of improvements in the expense structure and improvements in the efficiency ratio of the Group.

"The success of our Bank in focusing on customer needs, while combining a high level of service, professionalism and digital services, is reflected in our leadership in the results of customer surveys. Furthermore, a Bank of Israel survey recently published, which covered the entire local banking system, awarded First International Bank, first place in customer satisfaction with regard to the Bank's Internet website and mobile application. Likewise, the Bank was also considered outstanding, with regard to customer satisfaction of service at branches."

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

| <i>Principal financial ratios</i> | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|-------------|-------------|-------------|-------------|
| | | | | | percent |
| <i>Execution indices</i> | | | | | |
| Return on equity attributed to shareholders of the Bank | 10.5% | 9.3% | 9.1% | 7.2% | 6.5% |
| Return on average assets | 0.63% | 0.54% | 0.52% | 0.41% | 0.37% |
| Ratio of equity capital tier 1 | 10.81% | 10.51% | 10.38% | 10.09% | 9.81% |
| Leverage ratio | 5.81% | 5.76% | 5.50% | 5.52% | 5.43% |
| Liquidity coverage ratio | 128% | 122% | 123% | 123% | 104% |
| Ratio of total income to average assets | 3.0% | 3.1% | 2.9% | 2.9% | 2.9% |
| Ratio of interest income, net to average assets | 1.9% | 1.8% | 1.8% | 1.7% | 1.6% |
| Ratio of fees to average assets | 0.9% | 1.0% | 1.0% | 1.0% | 1.1% |
| Efficiency ratio | 64.4% | 68.4% | 69.5% | 73.5% | 77.6% |
| <i>Credit quality indices</i> | | | | | |
| Ratio of provision for credit losses to credit to the public | 1.05% | 1.02% | 1.03% | 1.08% | 1.12% |
| Ratio of impaired debts or in arrears of 90 days or more to credit to the public | 1.08% | 0.83% | 0.92% | 1.02% | 1.36% |
| Ratio of provision for credit losses to total impaired credit to the public | 131% | 186% | 155% | 147% | 108% |
| Ratio of net write-offs to average total credit to the public | 0.10% | 0.16% | 0.18% | 0.09% | 0.15% |
| Ratio of expenses for credit losses to average total credit to the public | 0.16% | 0.20% | 0.15% | 0.10% | 0.03% |
| <i>Principal data from the statement of income</i> | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | | | | | NIS million |
| Net profit attributed to shareholders of the Bank | 865 | 733 | 678 | 521 | 446 |
| Interest Income, net | 2,602 | 2,486 | 2,302 | 2,169 | 1,953 |
| Expenses from credit losses | 138 | 166 | 121 | 80 | 18 |
| Total non-interest income | 1,520 | 1,637 | 1,450 | 1,480 | 1,541 |
| Of which: Fees | 1,286 | 1,325 | 1,305 | 1,300 | 1,378 |
| Total operating and other expenses | 2,654 | 2,819 | 2,607 | 2,683 | 2,710 |
| Of which: Salaries and related expenses | 1,601 | 1,696 | 1,579 | 1,581 | 1,589 |
| Dismissal expenses | 48 | 35 | 16 | 57 | 27 |
| Primary net profit per share of NIS 0.05 par value (NIS) | 8.62 | 7.31 | 6.76 | 5.19 | 4.45 |
| <i>Principal data from the balance sheet</i> | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | | | | | NIS million |
| Total assets | 141,110 | 134,120 | 135,717 | 127,907 | 125,476 |
| of which: Cash and deposits with banks | 37,530 | 31,303 | 39,186 | 29,150 | 30,727 |
| Securities | 10,995 | 12,595 | 10,238 | 15,776 | 16,439 |
| Credit to the public, net | 87,899 | 84,292 | 80,378 | 77,328 | 72,555 |
| Total liabilities | 132,186 | 125,707 | 127,333 | 119,973 | 117,813 |
| of which: Deposits from the public | 120,052 | 111,697 | 113,511 | 105,817 | 103,262 |
| Deposits from banks | 1,137 | 1,150 | 1,133 | 755 | 1,565 |
| Bonds and subordinated capital notes | 3,674 | 4,989 | 5,249 | 5,801 | 5,862 |
| Capital attributed to the shareholders of the Bank | 8,568 | 8,093 | 7,756 | 7,321 | 7,073 |
| <i>Additional data</i> | | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Share price (0.01 NIS) | 9,989 | 7,860 | 7,202 | 5,650 | 4,594 |
| Dividend per share (0.01 NIS) | 410 | 355 | 310 | 199 | 130 |
| Average number of positions ⁽¹⁾ | 4,150 | 4,361 | 4,512 | 4,738 | 5,035 |

(1) The number of positions includes conversion of overtime in terms of positions.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31

(NIS million)

| | <i>Consolidated</i> | | | <i>The Bank</i> | | |
|---|---------------------|-------------|-------------|-----------------|-------------|-------------|
| | <i>2019</i> | <i>2018</i> | <i>2017</i> | <i>2019</i> | <i>2018</i> | <i>2017</i> |
| Interest Income | 3,085 | 3,001 | 2,704 | 2,847 | 2,312 | 2,060 |
| Interest Expenses | 483 | 515 | 402 | 491 | 511 | 397 |
| Interest Income, net | 2,602 | 2,486 | 2,302 | 2,356 | 1,801 | 1,663 |
| Expenses from credit losses | 138 | 166 | 121 | 127 | 117 | 47 |
| Net Interest Income after expenses from credit losses | 2,464 | 2,320 | 2,181 | 2,229 | 1,684 | 1,616 |
| <i>Non-Interest Income</i> | | | | | | |
| Non-Interest Financing income | 225 | 231 | 83 | 233 | 203 | 94 |
| Fees | 1,286 | 1,325 | 1,305 | 1,144 | 995 | 973 |
| Other income | 9 | 81 | 62 | 54 | 151 | 176 |
| Total non-Interest income | 1,520 | 1,637 | 1,450 | 1,431 | 1,349 | 1,243 |
| <i>Operating and other expenses</i> | | | | | | |
| Salaries and related expenses | 1,601 | 1,696 | 1,579 | 1,487 | 1,303 | 1,179 |
| Maintenance and depreciation of premises and equipment | 353 | 376 | 380 | 326 | 282 | 278 |
| Amortizations and impairment of intangible assets | 92 | 91 | 94 | 89 | 86 | 83 |
| Other expenses | 608 | 656 | 554 | 583 | 508 | 486 |
| Total operating and other expenses | 2,654 | 2,819 | 2,607 | 2,485 | 2,179 | 2,026 |
| Profit before taxes | 1,330 | 1,138 | 1,024 | 1,175 | 854 | 833 |
| Provision for taxes on profit | 478 | 408 | 358 | 418 | 319 | 284 |
| Profit after taxes | 852 | 730 | 666 | 757 | 535 | 549 |
| The bank's share in profit of equity-basis investee, after taxes | 51 | 37 | 54 | 108 | 198 | 129 |
| <i>Net profit:</i> | | | | | | |
| Before attribution to non-controlling interests | 903 | 767 | 720 | 865 | 733 | 678 |
| Attributed to non-controlling interests | (38) | (34) | (42) | - | - | - |
| Attributed to shareholders of the Bank | 865 | 733 | 678 | 865 | 733 | 678 |
| <hr/> | | | | | | |
| <i>Consolidated and The Bank</i> | <i>Note</i> | <i>2019</i> | <i>2018</i> | <i>2017</i> | | |
| Primary profit per share attributed to the shareholders of the Bank | 9 | | | | NIS | |
| Net profit per share of NIS 0.05 par value | | 8.62 | 7.31 | 6.76 | | |


 Jacob Sitt
 Acting Chairman of the Board


 Smadar Barber-Tsadik
 Chief Executive Officer


 Nachman Nitzan
 Executive Vice President,
 Chief Accountant

Tel-Aviv, 17 March, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31
(NIS million)

| | 2019 | 2018 | <i>Consolidated</i> 2017 |
|---|-------------|-------------|------------------------------------|
| Net profit before attribution to non-controlling interests | 903 | 767 | 720 |
| Net profit attributed to non-controlling interests | (38) | (34) | (42) |
| Net profit attributed to the shareholders of the Bank | 865 | 733 | 678 |
| Other comprehensive income (loss) before taxes: | | | |
| Adjustments of available for sale securities to fair value, net | 101 | (102) | 90 |
| Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾ | - | - | 4 |
| Adjustments of liabilities in respect of employee benefits ⁽³⁾ | (74) | 37 | 1 |
| Other comprehensive income (loss) before taxes | 27 | (65) | 95 |
| Related tax effect | (9) | 22 | (35) |
| Other comprehensive income (loss) before attribution to non-controlling interests, after taxes | 18 | (43) | 60 |
| Less other comprehensive income (loss) attributed to non-controlling interests | (2) | (4) | 3 |
| Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes | 20 | (39) | 57 |
| Comprehensive income before attribution to non-controlling interests | 921 | 724 | 780 |
| Comprehensive income attributed to non-controlling interests | (36) | (30) | (45) |
| Comprehensive income attributed to the shareholders of the Bank | 885 | 694 | 735 |

(1) Adjustments from translation of financial statements of foreign operations which their currency of operations is different from the currency of operation of the Bank.

(2) Hedges-gains (losses) regarding the hedging of investment in foreign currency.

(3) 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.

BALANCE SHEET AS AT DECEMBER 31

(NIS million)

| | <i>Consolidated</i> | | <i>The Bank</i> | |
|--|---------------------|----------------|-----------------|----------------|
| | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| <i>Assets</i> | | | | |
| Cash and deposits with banks | 37,530 | 31,303 | 36,528 | 30,905 |
| Securities | 10,995 | 12,595 | 10,736 | 10,620 |
| Securities which were borrowed | 9 | 863 | 9 | 863 |
| Credit to the public | 88,829 | 85,160 | 83,713 | 66,846 |
| Provision for Credit losses | (930) | (868) | (871) | (654) |
| Credit to the public, net | 87,899 | 84,292 | 82,842 | 66,192 |
| Credit to the government | 1,039 | 700 | 415 | 7 |
| Investment in equity-basis investees | 605 | 606 | 1,278 | 2,878 |
| Premises and equipment | 996 | 1,023 | 964 | 960 |
| Intangible assets | 248 | 239 | 238 | 226 |
| Assets in respect of derivative instruments | 1,091 | 1,399 | 1,096 | 1,416 |
| Other assets ⁽²⁾ | 698 | 1,100 | 667 | 929 |
| Total assets | 141,110 | 134,120 | 134,773 | 114,996 |
| <i>Liabilities and Shareholders' Equity</i> | | | | |
| Deposits from the public | 120,052 | 111,697 | 114,836 | 87,038 |
| Deposits from banks | 1,137 | 1,150 | 2,640 | 10,852 |
| Deposits from the Government | 353 | 982 | 353 | 777 |
| Bonds and subordinated capital notes | 3,674 | 4,989 | 2,055 | 3,455 |
| Liabilities in respect of derivative instruments | 1,247 | 1,294 | 1,247 | 1,298 |
| Other liabilities ⁽¹⁾⁽³⁾ | 5,723 | 5,595 | 5,074 | 3,483 |
| Total liabilities | 132,186 | 125,707 | 126,205 | 106,903 |
| Capital attributed to the shareholders of the Bank | 8,568 | 8,093 | 8,568 | 8,093 |
| Non-controlling interests | 356 | 320 | - | - |
| Total equity | 8,924 | 8,413 | 8,568 | 8,093 |
| Total liabilities and shareholders' equity | 141,110 | 134,120 | 134,773 | 114,996 |

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 57 million and NIS 64 million (consolidated) and NIS 55 million and NIS 57 million (the Bank) as of December 31, 2019 and 2018, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 42 million consolidated and the Bank (31.12.18 - NIS 426 million consolidated and the Bank).

(3) Of which: other liabilities measured at fair value in the amount of NIS 47 million consolidated and the Bank (31.12.18 - NIS 586 million consolidated and the Bank).

STATEMENT OF CHANGES IN EQUITY

(NIS million)

| | 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 January 1, 2017 | 927 | (177) | 6,571 | 7,321 | 283 | 7,604 |
| <i>Changes during 2017</i> | | | | | | |
| Net profit for the year | - | - | 678 | 678 | 26 | 704 |
| Dividend | - | - | (310) | (310) | (20) | (330) |
| Other comprehensive income, after tax effect | - | 57 | - | 57 | 1 | 58 |
| Temporary equity - non-controlling interest | - | - | 10 | 10 | - | 10 |
| Balance as at December 31, 2017 | 927 | (120) | 6,949 | 7,756 | 290 | 8,046 |
| <i>Changes during 2018</i> | | | | | | |
| Net profit for the year | - | - | 733 | 733 | 34 | 767 |
| Dividend | - | - | (355) | (355) | - | (355) |
| Other comprehensive loss, after tax effect | - | (39) | - | (39) | (4) | (43) |
| Temporary equity - non-controlling interest | - | - | (2) | (2) | - | (2) |
| 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 |
| <i>Changes during 2019</i> | | | | | | |
| 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).