

Press release

August 19, 2020

## First International Bank of Israel Presents Second Quarter and First Half 2020 Results

Tel Aviv, Israel – August 19, 2020. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the second quarter and first half of 2020.

### First Half 2020 Highlights

- Net earnings of NIS 168 million and return on equity of 8.0% for the second quarter of 2020;
- Net earnings of NIS 339 million and return on equity of 8.1%;
- Earnings from current financing operations increased by 1.8% to NIS 1,409 million;
- Efficiency ratio reached 60.5%;
- Ratio of Tier I equity capital: 10.71%;
- Ratio of comprehensive capital: 14.01%;

### Profitability

First International Bank Group's **Net earnings** amounted to NIS 168 million in the second quarter of the year, in comparison to NIS 224 million in the corresponding period last year. **Return on equity** reached 8.0%. In the first half of the year, net earnings amounted to NIS 339 million and return on equity reached 8.1%.

Earnings in the first half of the year were impacted by the Corona pandemic crisis, mostly due to the steep increase in credit loss expenses primarily because of the crisis.

### Impact of the Corona Crisis on the Financial Statements of the Bank

**Expenses due to credit losses** amounted to NIS 165 million in the second quarter of the year, compared to NIS 23 million in the corresponding period last year, a growth of NIS 142 million. The rate of the **provision for credit losses** in the second quarter amounted to 0.74%, as compared with 0.11% in the corresponding period last year.

Credit loss expenses in the first half of the year amounted to NIS 322 million, compared to NIS 59 million in the first half of last year, a growth of NIS 263 million.

The rate of the provision for credit losses in the first half of the year amounted to 0.72%, as compared to 0.14% in the corresponding period last year.

The growth in credit loss expenses was primarily due to the impact of the changes in the macro-economic environment as a result of the Corona pandemic and the uncertainty affecting the condition of borrowers. Due to this uncertainty in the current environment, the Bank decided to increase the **collective provision**, which amounted to NIS 265 million in the first half of the year, with the majority of it amounting to NIS 234 million, in respect of the crisis.

In the first half of the year, due to the economic situation, the Bank recorded losses on investment in shares of NIS 44 million, most of it in unrealized losses due to a decline in the fair value of shares due to the Corona crisis. Likewise, a provision of NIS 17 million was recorded in respect of an impairment of bonds. Most of the losses and the decline in values were recorded in the first quarter of the year, while price increases in the capital markets were recorded in the second quarter.

Following the growth in customer activity in the financial markets, it is noted that there was an increase in income from capital market and foreign currency operations.

## **Growth**

**Financing profit from current operations** increased in the first half of the year by 1.8%, in comparison with the corresponding period last year, and amounted to NIS 1,409 million.

The profit from financing operations was negatively affected by a reduction in income from differences in the CPI linkage, totaling NIS 43 million, in comparison to the corresponding period last year.

**Total commission income** increased by 8.8% (approximately NIS 56 million) to NIS 691 million. Most of the growth was due to the increase in activity on the capital and foreign currency markets, areas in which the Bank specializes. However, the growth was partly offset by the reduction in income from ledger fees and credit cards, which was due to the decline in the volume of activity as a result 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. **Deposits from the public** increased by 7.6% in the first half of the year amounting to NIS 129,160 million; of which, **household and private banking deposits** increased by 26.8% amounting to NIS 69,261 million. **The average balance of credit to the public** amounted to NIS 89,465 million in the first half of the year, a growth of 1.7% in comparison with that of the end of 2019 and a growth of 5.2% in comparison with the end of the corresponding period, last year.

## Efficiency

The Bank continues to improve efficiency in accordance with its strategic outline, with the **efficiency ratio** improving in the first half of the year to 60.5% as compared with 64.4% in the corresponding period last year. **Operating and other expenses** amounted to NIS 1,254 million, 7.2% lower when compared with the corresponding period last year. This also represents a reduction of 1.9%, when excluding employee bonuses, employee severance and efficiency measures taken last year. The reduction in expenses is noted in most of the expense items, including **payroll and related expenses**, which declined by 3.6% after elimination of the employee bonuses, and **maintenance and depreciation of buildings and equipment** expenses, which decreased by 4.4%.

## Financial stability

**The capital attributed to the shareholders of the Bank** reached NIS 8,712 million. **The Tier I equity capital ratio** reached 10.71% (2.4 percentage points over the regulatory requirement) in comparison to 10.81% at December 31, 2019, and **the comprehensive capital ratio** reached 14.01%.

During the crisis period, the local credit rating companies recently ratified the rating of the First International Bank, at **AAA**, the highest rating in the banking system, similar to that of the other major banks.

## Management Comment

**Ms. Smadar Berber-Tsadik, CEO of the First International Bank** stated that: "Our financial stability, our measured and conservative risk management policy, our quick response as well as our advanced digital channels, have enabled the First International Bank to stand against the ongoing crisis brought about by the global pandemic, while continuing its growth and providing optimal service to its customers.

"Since the beginning of the crisis, the Bank has adopted a series of measures intended to be responsive to customer needs, helping them confront the new reality. This includes extending loans in large volume while providing a quick and professional response within the framework of State funds, deferral of loan and mortgage repayments, and increasing accessibility for customers through digital and telephonic means. Our focus toward technological innovation is reflected in a series of new initiatives: the opening of accounts online, obtaining investment consulting services by digital means advanced digital consultation, and a range of digital innovations that will be introduced in the near future.

"In addition, the Bank continues its efficiency strategy with the efficiency ratio of the Bank improving significantly to a level of 60%.

"Recently, the Bank achieved leadership in a competitive survey conducted among bank customers in Israel, reaching first place in a series of categories, in which customers rated the First International Bank in first place with regard to satisfaction from service. The Ministry of Finance also rated the First International Bank in first place among banks in Israel based on loan sizes granted to small businesses within the framework of the State secured fund guarantee.

"The implications of the current crisis are reflected primarily in the increase in the collective provision, creating a reserve cushion, and in the reduction in the shekel and dollar interest rates. Despite these implications, the Bank succeeds in offsetting a part of these implications on profitability, by means of the continuing reduction in expenses and improvement in the efficiency ratio, which has reached 60%, presenting a return of 8%.

"The First International Bank continues its preparedness given the ongoing crisis, while strictly maintaining high financial stability, efficiency, quality of assets and high capital and liquidity ratios."

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>For the six months ended June 30,</i>		<i>For the year ended December 31,</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>in %</i>		
<i>Execution indices</i>			
Return on equity attributed to shareholders of the Bank <sup>(1)</sup>	8.1%	10.2%	10.5%
Return on average assets <sup>(1)</sup>	0.46%	0.60%	0.63%
Ratio of equity capital tier 1	10.71%	10.86%	10.81%
Leverage ratio	5.49%	5.92%	5.81%
Liquidity coverage ratio	139%	123%	128%
Ratio of total income to average assets <sup>(1)</sup>	2.8%	3.0%	3.0%
Ratio of interest income, net to average assets <sup>(1)</sup>	1.8%	1.9%	1.9%
Ratio of fees to average assets <sup>(1)</sup>	0.9%	0.9%	0.9%
Efficiency ratio	60.5%	65.9%	64.4%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.28%	1.03%	1.05%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.18%	0.89%	1.08%
Ratio of provision for credit losses to total impaired credit to the public	151%	168%	131%
Ratio of net write-offs to average total credit to the public <sup>(1)</sup>	0.18%	0.09%	0.10%
Ratio of expenses for credit losses to average total credit to the public <sup>(1)</sup>	0.72%	0.14%	0.16%
<i>Principal data from the statement of income</i>			
	<i>For the six months ended June 30,</i>		
	<i>2020</i>	<i>2019</i>	
	<i>NIS million</i>		
Net profit attributed to shareholders of the Bank	339	407	
Interest Income, net	1,318	1,300	
Expenses from credit losses	322	59	
Total non-Interest income	754	749	
Of which: Fees	691	635	
Total operating and other expenses	1,254	1,351	
Of which: Salaries and related expenses	752	821	
Dismissals expenses	4	31	
Primary net profit per share of NIS 0.05 par value (NIS)	3.38	4.06	
<i>Principal data from the balance sheet</i>			
	<i>30.6.20</i>	<i>30.6.19</i>	<i>31.12.19</i>
	<i>NIS million</i>		
Total assets	152,719	135,067	141,110
of which: Cash and deposits with banks	46,144	33,900	37,530
Securities	11,715	10,587	10,995
Credit to the public, net	89,215	85,549	87,899
Total liabilities	143,634	126,362	132,186
of which: Deposits from the public	129,160	113,716	120,052
Deposits from banks	1,881	954	1,137
Bonds and subordinated capital notes	4,375	4,034	3,674
Capital attributed to the shareholders of the Bank	8,712	8,366	8,568
<i>Additional data</i>			
	<i>30.6.20</i>	<i>30.6.19</i>	<i>31.12.19</i>
Share price (0.01 NIS)	7,310	8,960	9,989
Dividend per share (0.01 NIS)	125	190	410


(1) Annualized.

## CONSOLIDATED STATEMENT OF INCOME


(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2020	2019	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	714	911	1,429	1,638	3,085
Interest Expenses	54	246	111	338	483
Interest Income, net	660	665	1,318	1,300	2,602
Expenses from credit losses	165	23	322	59	138
Net Interest Income after expenses from credit losses	495	642	996	1,241	2,464
<i>Non- Interest Income</i>					
Non-Interest Financing income	64	66	61	112	225
Fees	323	315	691	635	1,286
Other income	1	1	2	2	9
Total non- Interest income	388	382	754	749	1,520
<i>Operating and other expenses</i>					
Salaries and related expenses	373	419	752	821	1,601
Maintenance and depreciation of premises and equipment	86	88	172	180	353
Amortizations and impairment of intangible assets	23	23	47	46	92
Other expenses	135	148	283	304	608
Total operating and other expenses	617	678	1,254	1,351	2,654
Profit before taxes	266	346	496	639	1,330
Provision for taxes on profit	97	127	145	238	478
Profit after taxes	169	219	351	401	852
The bank's share in profit of equity-basis investee, after taxes	7	14	5	24	51
<i>Net profit:</i>					
Before attribution to non-controlling interests	176	233	356	425	903
Attributed to non-controlling interests	(8)	(9)	(17)	(18)	(38)
Attributed to shareholders of the Bank	168	224	339	407	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	1.68	2.24	3.38	4.06	8.62

The notes to the financial statements are an integral part thereof.

  
Jacob Sitt  
Acting Chairman of the Board

  
Smadar Barber-Tsadik  
Chief Executive Officer

  
Nachman Nitzan  
Executive Vice President,  
Chief Accountant

Tel-Aviv, 18 August, 2020

## STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended June 30		For the six months ended June 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	176	233	356	425	903
Net profit attributed to non-controlling interests	(8)	(9)	(17)	(18)	(38)
Net profit attributed to the shareholders of the Bank	168	224	339	407	865
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	157	10	(90)	76	101
Adjustments of liabilities in respect of employee benefits <sup>(1)</sup>	(154)	20	(15)	12	(74)
Other comprehensive income (loss) before taxes	3	30	(105)	88	27
Related tax effect	(1)	(11)	35	(31)	(9)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	2	19	(70)	57	18
Less other comprehensive income (loss) attributed to non-controlling interests	-	-	-	1	(2)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	2	19	(70)	56	20
Comprehensive income before attribution to non-controlling interests	178	252	286	482	921
Comprehensive income attributed to non-controlling interests	(8)	(9)	(17)	(19)	(36)
Comprehensive income attributed to the shareholders of the Bank	170	243	269	463	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.

The notes to the financial statements are an integral part thereof.

## CONSOLIDATED BALANCE SHEET

(NIS million)

	June 30,		December
	2020	2019	31,
	(unaudited)	(unaudited)	2019
			(audited)
<i>Assets</i>			
Cash and deposits with banks	46,144	33,900	37,530
Securities	11,715	10,587	10,995
Securities which were borrowed	45	416	9
Credit to the public	90,371	86,436	88,829
Provision for Credit losses	(1,156)	(887)	(930)
Credit to the public, net	89,215	85,549	87,899
Credit to the government	852	684	1,039
Investments in investee company	611	589	605
Premises and equipment	979	1,001	996
Intangible assets	244	228	248
Assets in respect of derivative instruments	1,671	938	1,091
Other assets <sup>(2)</sup>	1,243	1,175	698
<b>Total assets</b>	<b>152,719</b>	<b>135,067</b>	<b>141,110</b>
<i>Liabilities Shareholders' Equity</i>			
Deposits from the public	129,160	113,716	120,052
Deposits from banks	1,881	954	1,137
Deposits from the Government	495	466	353
Bonds and subordinated capital notes	4,375	4,034	3,674
Liabilities in respect of derivative instruments	1,940	1,104	1,247
Other liabilities <sup>(1)(3)</sup>	5,783	6,088	5,723
<b>Total liabilities</b>	<b>143,634</b>	<b>126,362</b>	<b>132,186</b>
Capital attributed to the shareholders of the Bank	8,712	8,366	8,568
Non-controlling interests	373	339	356
<b>Total equity</b>	<b>9,085</b>	<b>8,705</b>	<b>8,924</b>
<b>Total liabilities and shareholders' equity</b>	<b>152,719</b>	<b>135,067</b>	<b>141,110</b>

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 73 million and NIS 65 million and NIS 57 million at 30.6.20, 30.6.19 and 31.12.19, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 87 million and NIS 543 million and NIS 42 million at 30.6.20, 30.6.19 and 31.12.19, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 133 million and NIS 847 million and NIS 47 million at 30.6.20, 30.6.19 and 31.12.19, respectively.

The notes to the financial statements are an integral part thereof.



**STATEMENT OF CHANGES IN EQUITY**  
(NIS million)

	<i>For the three months ended June 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 March 31, 2020	927	(203)	7,818	8,542	365	8,907
Net profit for the period	-	-	168	168	8	176
Other comprehensive income, after tax effect	-	2	-	2	-	2
Balance as at June 30, 2020	927	(201)	7,986	8,712	373	9,085

	<i>For the three months ended June 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 March 31, 2019	927	(114)	7,395	8,208	330	8,538
Net profit for the period	-	-	224	224	9	233
Dividend	-	-	(85)	(85)	-	(85)
Other comprehensive income, after tax effect	-	19	-	19	-	19
Balance as at June 30, 2019	927	(95)	7,534	8,366	339	8,705

	<i>For the six months ended June 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	-	-	339	339	17	356
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, after tax effect	-	(70)	-	(70)	-	(70)
Balance as at June 30, 2020	927	(201)	7,986	8,712	373	9,085

	<i>For the six months ended June 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 <sup>(3)</sup>	-	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	-	-	407	407	18	425
Dividend	-	-	(190)	(190)	-	(190)
Other comprehensive income, after tax effect	-	56	-	56	1	57
Balance as at June 30, 2019	927	(95)	7,534	8,366	339	8,705

**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 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 <sup>(3)</sup>	-	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).

The notes to the financial statements are an integral part thereof.