

OVERVIEW

31.3.19





Q1.19 - First quarter after the merger of Otsar Hahayal - Main data from the financial statement

Growth in Credit Balances in the quarter

↑+2.4%

Net Financing Earnings

↑+9%

Efficiency Ratio

67.2%
* (74.8%)

ROE

9.3%
* (7.2%)

Growth in Deposits in the quarter

↑+3.3%

Decrease in total operating expenses

↓-9%

Capital (Tier 1) to Risk Weighted Assets Ratio

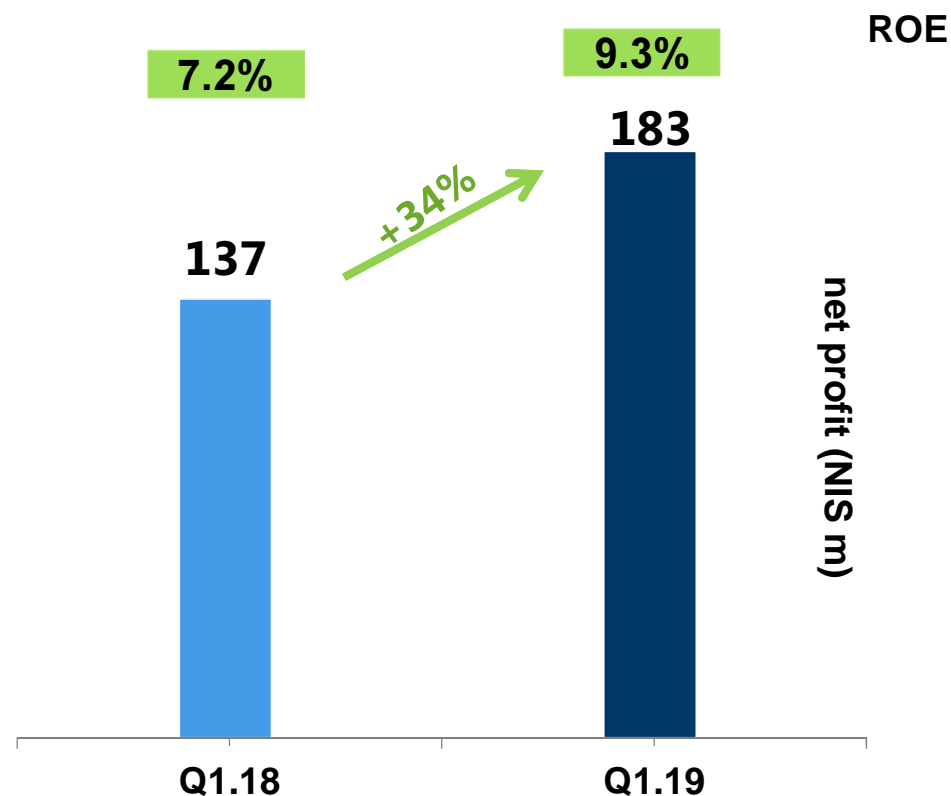
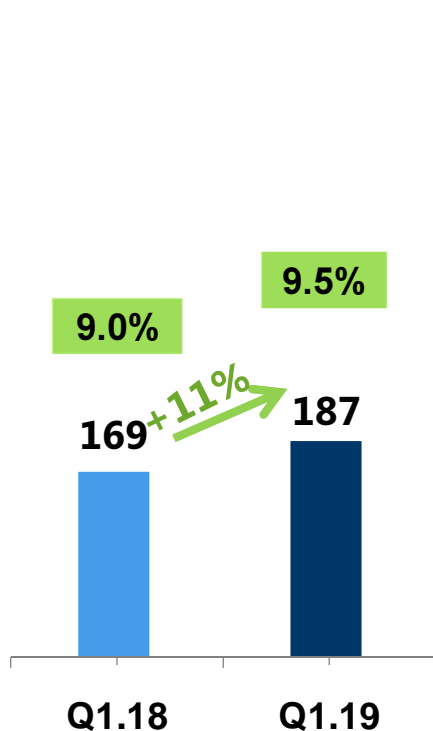
10.53%
* (10.05%)

Net profit

183
(NIS m)
↑+34%
* (137)

* () parallel quarter

Growth in net profit and ROE while maintaining financial stability






Capital (Tier 1) to Risk Weighted Assets Ratio 10.05%

10.53%

Capital to Risk Assets Total Ratio 13.33%

13.77%

Growth In profitability and increase in ROE Excluding non-recurring items - An
11% increase in net profit and continued improvement in the efficiency ratio

(NIS Millions)		Q1.19	Q1.18
Net profit		183	137
<u>Net of tax effects below:</u>			
Gains from sale of buildings in subsidiary company		-	13
Provision for profit bonus to bank workers		-	(29)
Provision for merger expenses of Otsar Hahayal		(4)	(16)
Profit after eliminating non-recurring items	 +8%	187	169
ROE after eliminating non-recurring items		9.5%	9.0%
Efficiency ratio		67.2%	74.8%
Efficiency ratio after eliminating non-recurring items		66.7%	69.2%
Dismissal expenses in respect of early retirement (0.6% ROE)		11	2

Statement of Income

(NIS Millions)	Q1.19	Q1.18	Change before tax	Change in %
Total financing income	681	624	57	9%
Expenses from credit losses (Provision rate of 0.17%)	36	27	9	33%
Commission income	320	338	(18)	(6%)
Other income (Mainly the sale of properties last year)	1	23	(22)	
Total income (After deduction of non recurring items)	1,002	966	36	4%

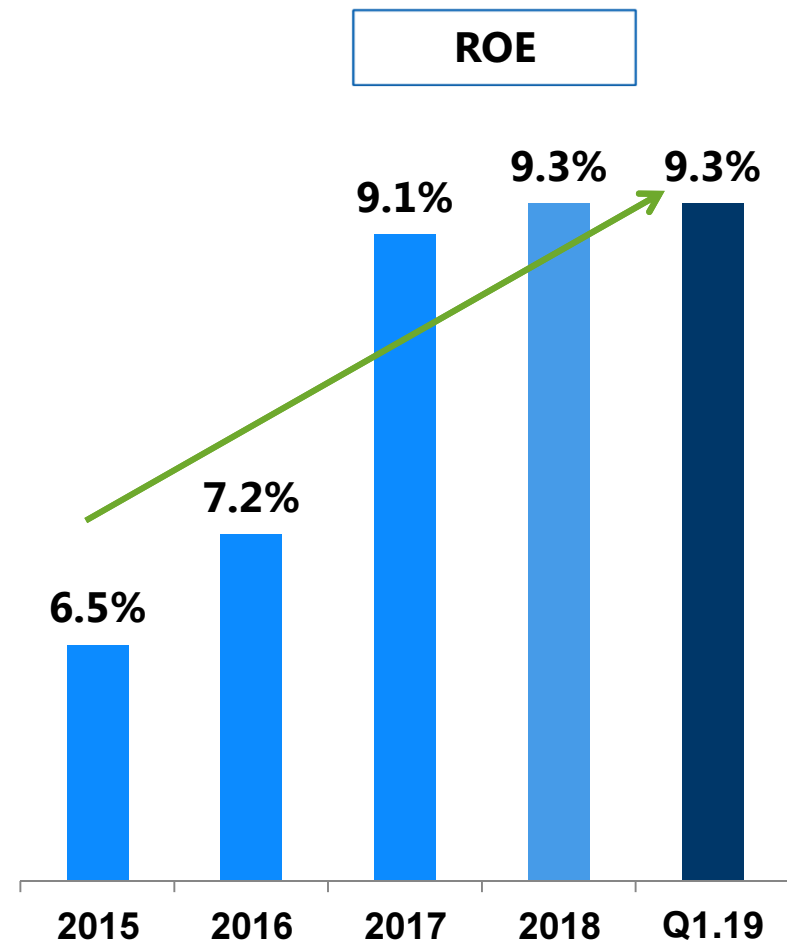
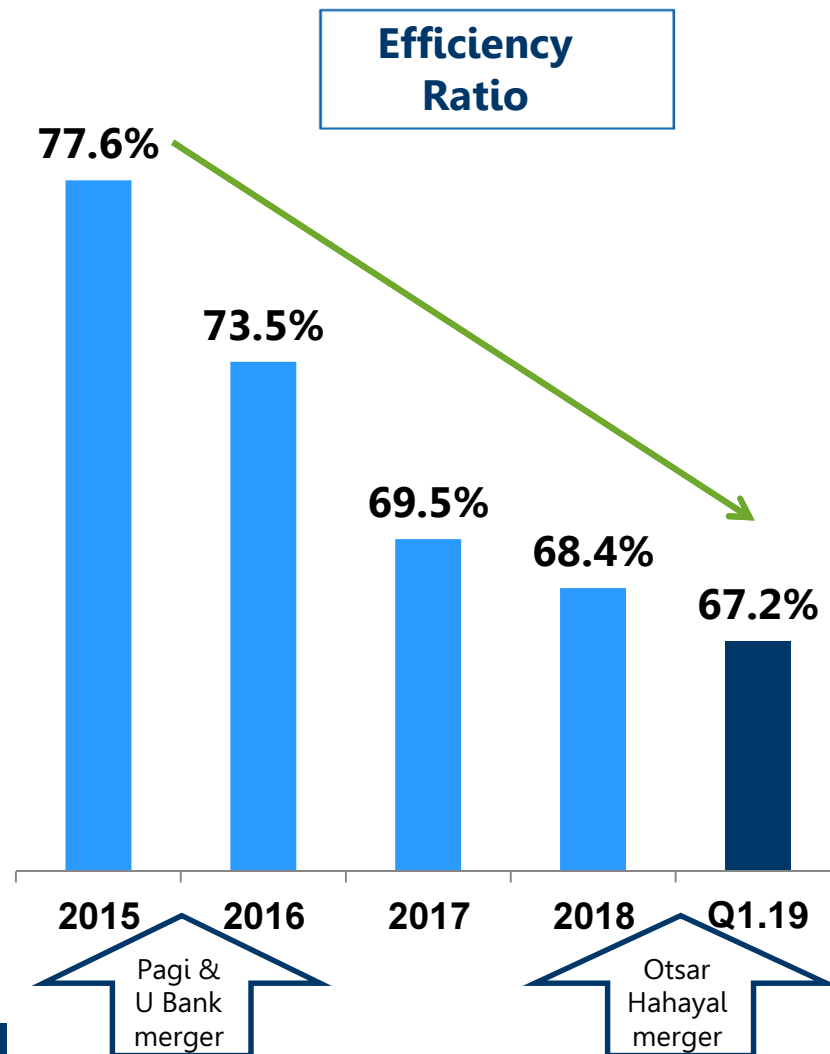


Statement of income : Expenses & Net profit

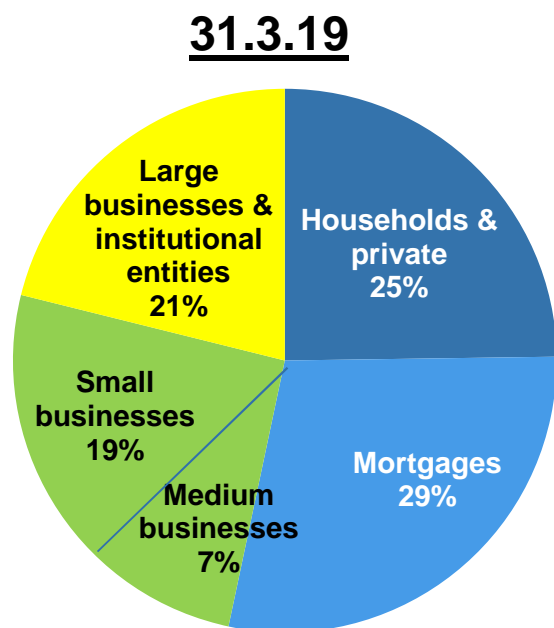
(NIS Millions)	Q1.19	Q1.18	Change before tax	Change in %
Total operating and other expenses	673	737	(64)	(9%)
Total operating and other expenses (After deduction of non recurring items)⁽¹⁾	649	665	(16)	(2%)
Salaries and related expenses	402	446	(44)	(9%)
Of which: Provision for profit bonus to bank workers ⁽¹⁾	-	45	(45)	
Maintenance of buildings and equipment & depreciation	92	96	(4)	(4%)
Depreciation and amortization of intangible assets	23	23	-	-
Other expenses	132	145	(13)	(9%)
Dismissal expenses (0.6% ROE negative contribution)(1) –growth mainly due to the retirement in FIBI	18	3	15	
Provision for merger expenses of Otsar Hahaval)(1)	6	24	(18)	
Profit before taxes	293	221	72	33%
Bank's share in CAL profit	10	6	4	59%
Net profit	183	137	46	34%

⁽¹⁾ Excluding Provision for profit bonus to bank workers, Dismissal expenses and Provision for merger expenses of Otsar Hahaval

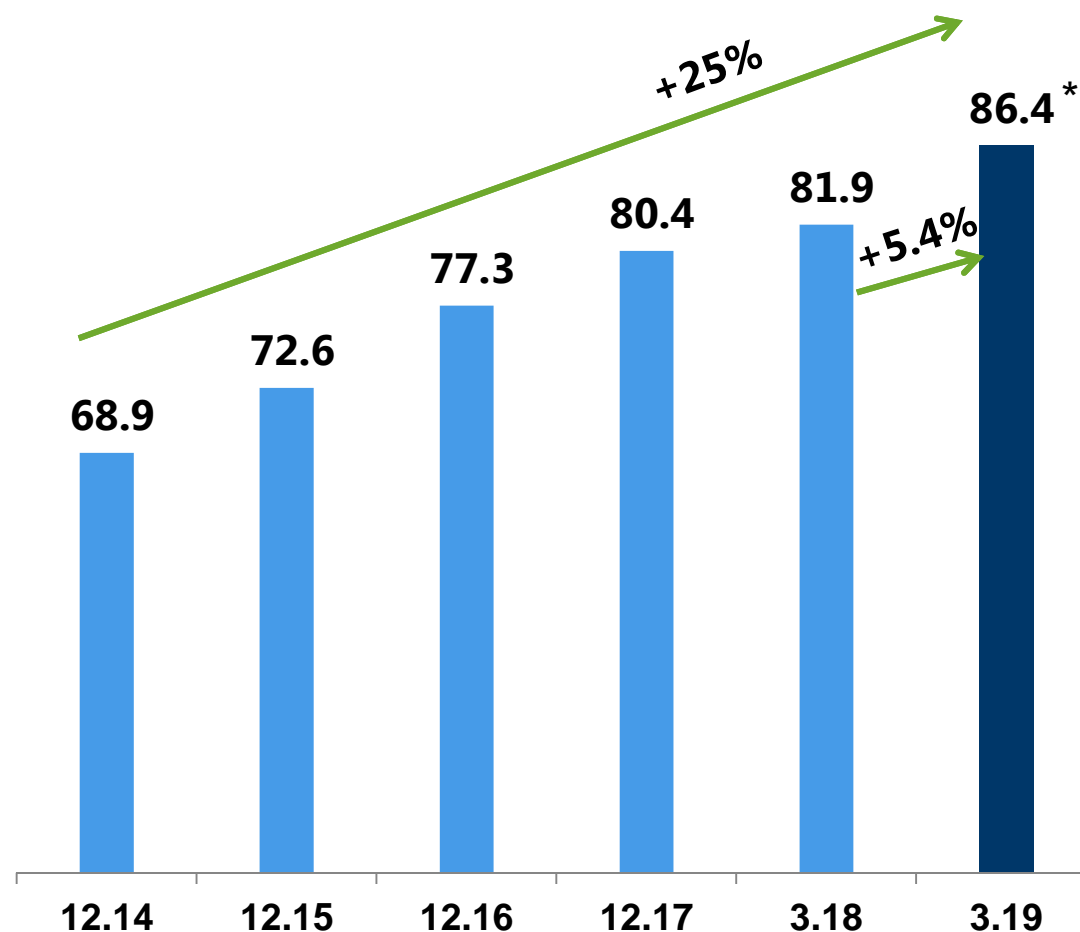
An improvement in the Group's profitability while improving the efficiency



Growth in credit balances End of period (NIS Billions)



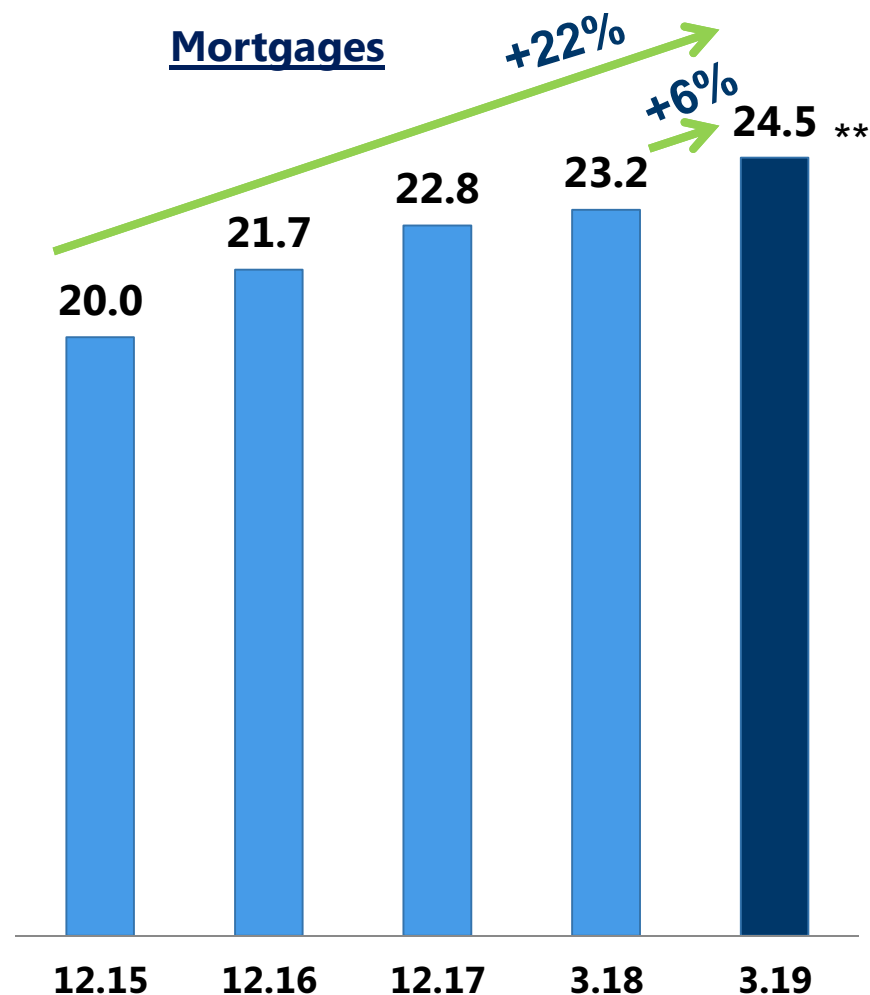
A qualitative and diverse mix of
Credit to Households & Private
53% of the credit portfolio



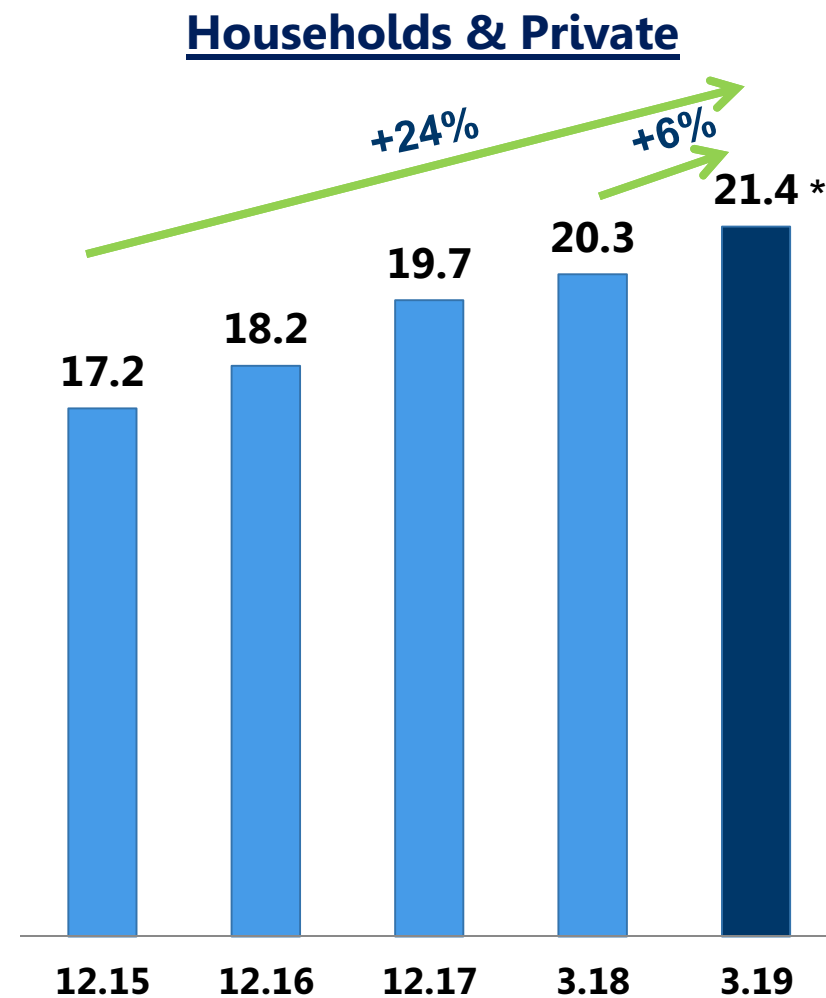
* In Q1.19 growth of about 2.4%

Households & Private credit

(NIS Billions)



** In Q1.19 growth of about 0.6%



* In Q1.19 growth of about 1.4%

Supervisory segment definitions:

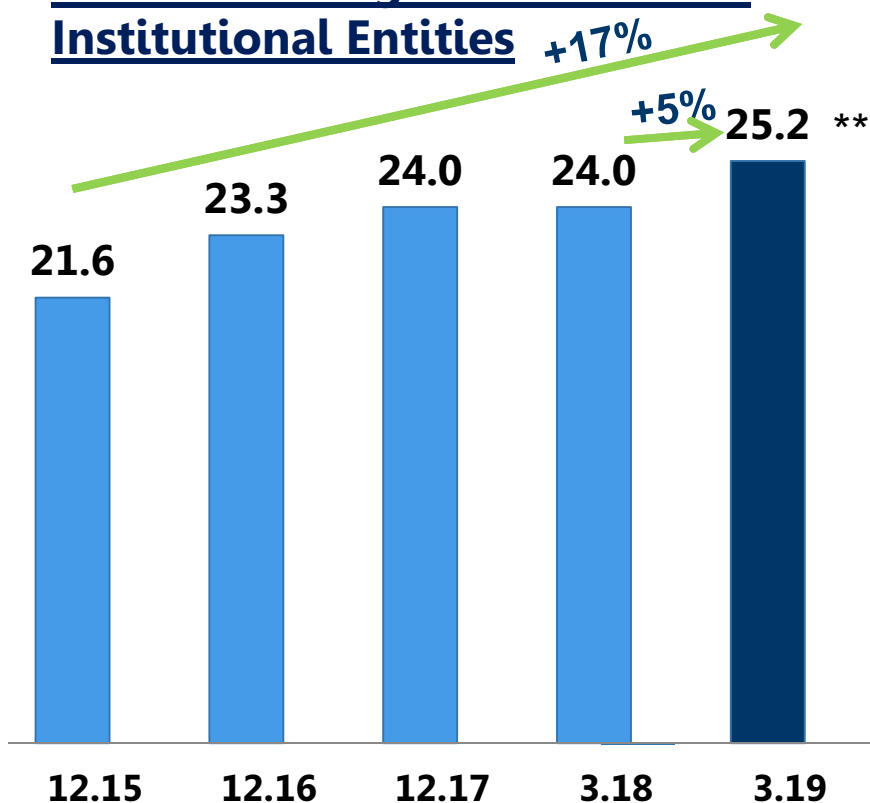
Private banking segment - private individuals with financial asset portfolios that exceed NIS 3 Million.

Households - private individuals, excluding customers included in the private banking segment.

Business Credit

(NIS Billions)

Medium & Large Businesses & Institutional Entities



** In Q1.19 growth of about **5.8%**

Supervisory segment definitions:

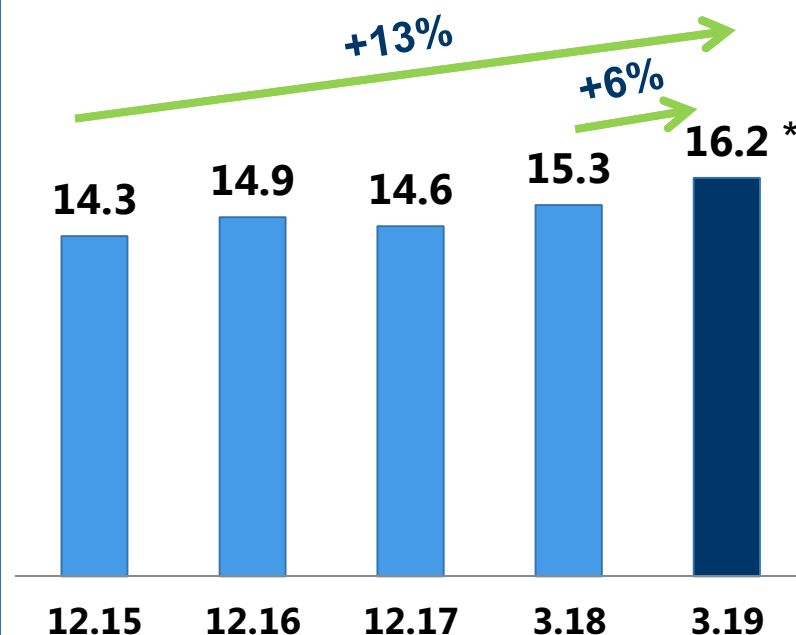
Minute business - a business with an annual turnover of \leq NIS 10 Million.

Small business - a business with an annual turnover of between NIS 10 \leq 50 Million.

Medium-market business - a business with an annual turnover of between NIS 50 \leq 250 Million.

Large business - a business with an annual turnover of \geq NIS 250 Million.

Small & Minute Businesses



* In Q1.19 growth of about **1.7%**

Credit risk due to problematic debt

(MILLIONS NIS)	31.3.19	31.12.18	<u>Gross Change</u>
Impaired credit risk	695	576	119
Inferior credit risk	159	165	(6)
Credit under special supervision risk	<u>1,000</u>	<u>1,079</u>	<u>(79)</u>
Total problematic credit risk	1,854	1,820	34
Ratio of credit loss expenses	0.17% *	0.22% (Lower = better)	
Ratio of provision for credit losses in respect of credit to the public to total impaired credit to the public	156%	135% (Higher = better)	
Ratio of provision for credit losses in respect of credit to the public to credit to the public	1.02%	1.19% (Lower = better)	
Ratio of impaired debt to the balance of credit to the public	0.59%	0.9% (Lower = better)	
Ratio of impaired debt or in arrears of 90 days or more to credit to the public	0.85%	1.24% (Lower = better)	

Comparison with the Israeli banking system as of 31.12.18:



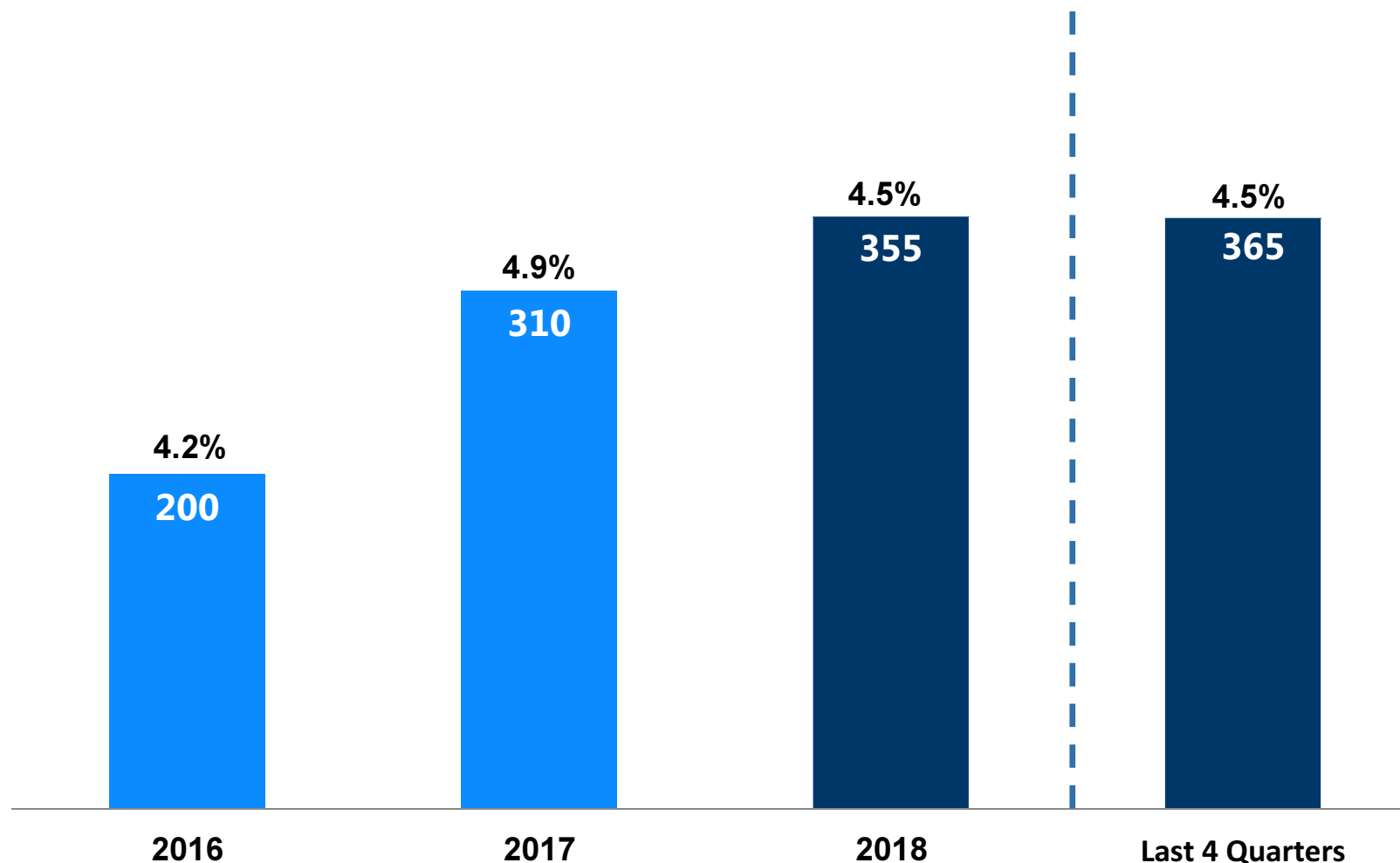
* compared 0.2% in 2018

Consistent improvement in financial strength and rating outlook

	31.3.19	2018	2017	2016	2015
Capital (Tier 1) to Risk Weighted Assets Ratio	10.53%	10.51%	10.38%	10.09%	9.81%
Leverage Ratio	5.71%	5.76%	5.50%	5.52%	5.43%
Liquidity Ratio (LCR)	132%	122%	123%	123%	104%
Deposits to Credit Ratio	134%	133%	141%	137%	142%

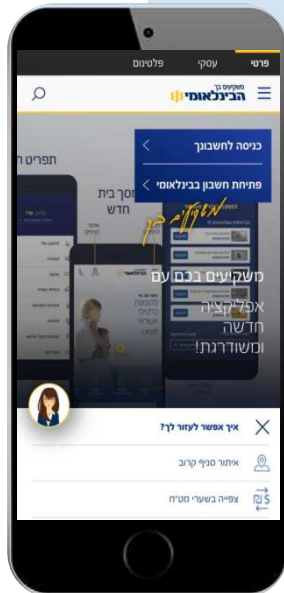
S&P Maalot, Moody's and Midroog recently raised the rating outlook of the bank to "positive"

Dividend yield (The bank distributed annual dividends of up to 50% of its profits) (NIS Millions)



Subsequent to 31.3.19 : an additional dividend distribution of NIS 85m

Introducing new digital products and services



- ✓ Introduced a new improved **WEB site and** an upgraded **banking app** with new features including credit card ordering, communication options with the bank, and more
- ✓ For the first time in Israel, we conducted a pilot using **blockchain** technology in a trade-finance transaction that included transfer of original documents and release of goods
- ✓ FIBI is the 1st bank in Israel to introduce secure **API** connectivity to corporate customers, enabling transmission of orders directly from the customer's ERP system to the bank
- ✓ State of the art trading site, implementation of new features to our personalized investment advice system **advise.me** and **SmarTrade** a unique digital interface for creating investment strategies and alerts with automatic execution

Results Highlights Q1.19

Otsar Hahayal merger & early retirements plans

This quarter includes the Otsar Hahayal merger and the beginning of early retirements plans in the group. These plans will continue to improve the group's Efficiency Ratio in the next quarters.

Net Profit & ROE

34% increase in the group's net profit this quarter compared to NIS 183 m in Q1.18. Net ROE was 9.3% and 9.5% after eliminating non-recurring items. The net profit includes dismissal expenses in respect of early retirement (0.6% ROE).

High capital adequacy & financial strength

The equity reached to 8.2 billion NIS. High capital adequacy ratio (Tier 1, March 31,2019): **10.53%** and a capital ratio of **13.77%**. Liquidity ratio **-132%**, Leverage ratio **-5.71%**

High dividend return

Group's dividend yield for the year ended March 31, 2019 and 2018 was **4.5%**

Growth in credit 5.4% YOY (2.4% last quarter)

Growth compared to:

	<u>31.3.18</u>
Private customers	5.6%
Housing loans -	5.7%
Small businesses	5.6%
Middle market businesses &	
Corporate businesses	
(including institutional bodies)	4.9%

Results Highlights Q1.19 (continue)

Growth in total income of the Group

Financing income - continuing growth in financing profits, up **9% (NIS 57 m)** in current financing profit on background of the growth in spread and in volume of operations.
Growth of **2%** in total income of the group. A 4% growth excluding gains from sale of buildings in a subsidiary company

Operating expenses

Operating expenses decreased by 9% (NIS **64m**) compared to Q1.18.
Excluding non-recurring effects in regard to Otsar Hahayal merger expenses, Dismissal expenses in respect of early retirement and Provision for profit bonus to bank workers last year, the operating expenses decreased by NIS 16 (2%).

Improved efficiency ratio

The efficiency ratio was **67.2%** (66.7% Excluding non-recurring effects in regard to Otsar Hahayal merger expenses) compared to 74.8% in Q1.18.

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