

# OVERVIEW

30.9.19



# Growth and Streamlining - 1-9.2019 (NIS Millions)



**0.14%**



**64.9%**



**3,058**  
**+3.7%**



**643**  
**+13%**



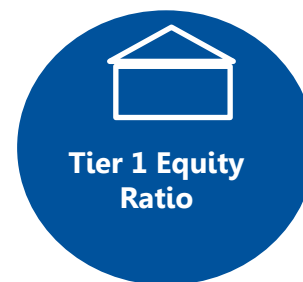
**10.6%**



**236**  
**+11%**



**11.7%**



**10.79%**

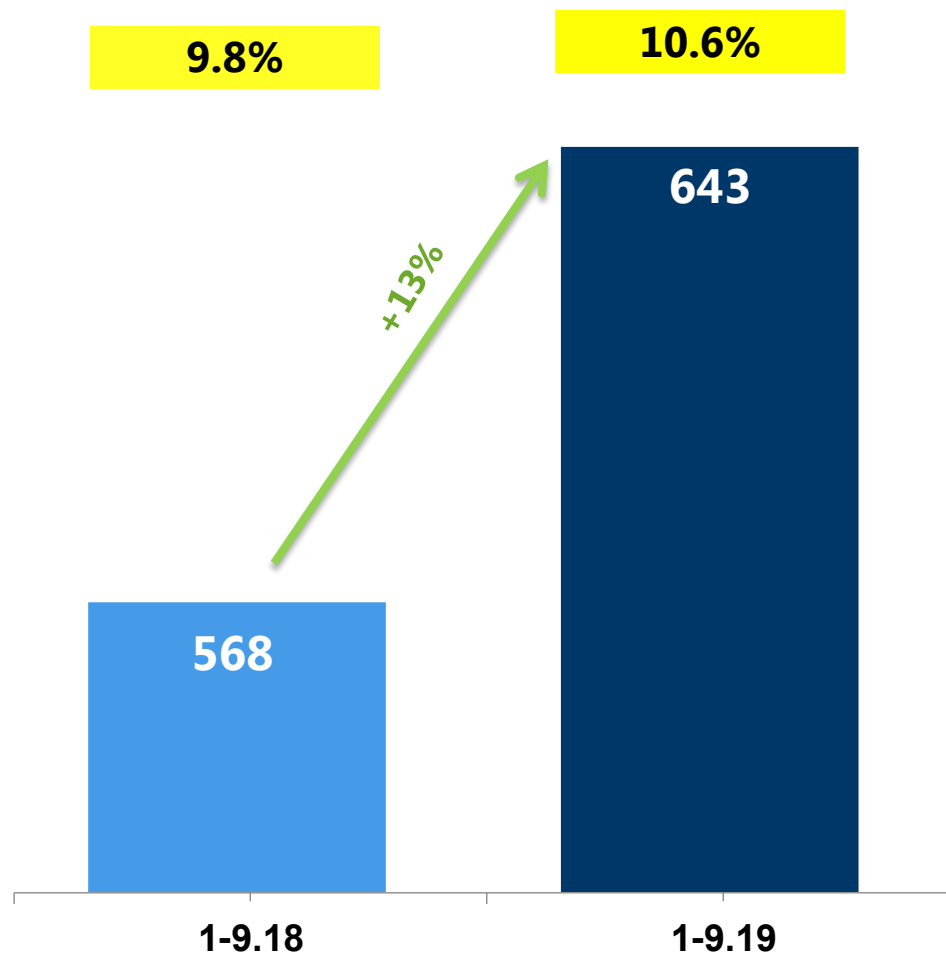
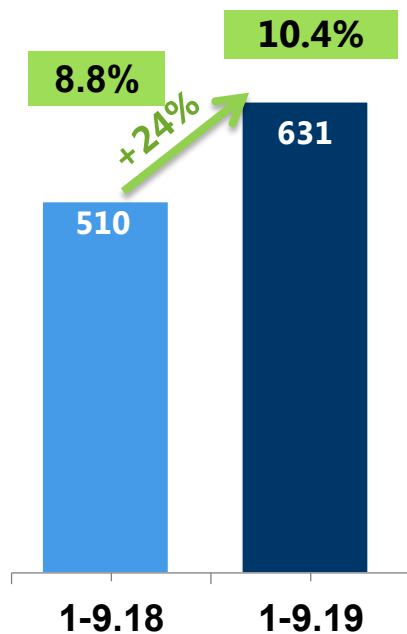


**+3.6%**

\*Total income before provision for credit loss and excluding certain components

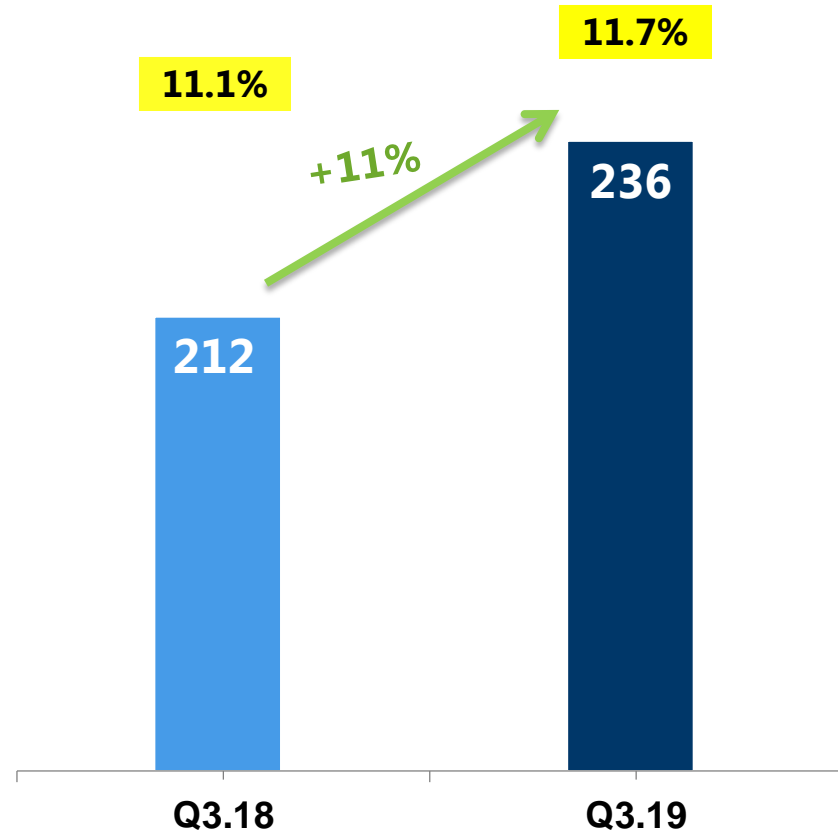
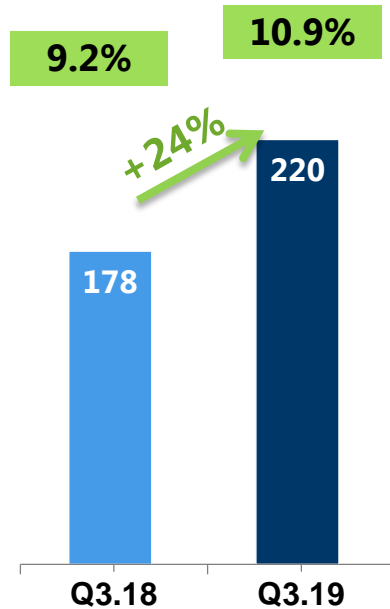
# Growth in Net Profit and ROE (NIS Millions)

Profit after  
eliminating of  
certain components



# Growth in Net Profit and ROE (NIS Millions)

Profit after eliminating of certain components



# Growth In Profitability and Increase in ROE

| (NIS Millions)   |           | 1-9.19 | 1-9.18 |           | Q3.19 | Q3.18 |
|--|-----------|--------|--------|-----------|-------|-------|
| Net profit for the period  |           | 643    | 568    |           | 236   | 212   |
| Breakdown of impacts(net of tax effects):                            |           |        |        |           |       |       |
| Gains from sale of buildings in consolidated subsidiary              |           | -      | 46     |           | -     | 33    |
| Expenses related to merger of Otsar Hahayal                          |           | (4)    | (53)   |           | -     | (31)  |
| Gains from revaluation and sale of shares in Tel Aviv Stock Exchange |           | 16     | 65     |           | 16    | 65    |
| Profit after eliminating certain components                          | +24%<br>↑ | 631    | 510    | +24%<br>↑ | 220   | 178   |
| ROE after eliminating certain components                             | ↑         | 10.4%  | 8.8%   |           | 10.9% | 9.2%  |
| Dismissal expenses in respect of early retirement                    | ↑         | 26     | 12     |           | 7     | 3     |

# Income Statement 1-9.2019

| (NIS Millions)  | 1-9.19       | 1-9.18       | Change<br>before<br>tax | %<br>Change |
|---|--------------|--------------|-------------------------|-------------|
| <b>Total financing Income</b>   | <b>2,117</b> | <b>2,028</b> | <b>84</b>               | <b>4.4%</b> |
| Expenses from credit losses<br>(Provision rate of 0.14%)  | 92           | 130          | (38)                    |             |
| Income from commissions   | 960          | 985          | (25)                    | (2.5%)      |
| Other income<br>(2018 income was primarily from the sale of<br>properties last year)                                  | 5            | 77           | (72)                    | (93.5%)     |
| <b>Total Income</b><br><b>(Before expenses related to credit losses and<br/>after eliminating certain components)</b> | <b>3,058</b> | <b>2,949</b> | <b>109</b>              | <b>3.7%</b> |

# Income Statement: Expenses & Net Profit

| (NIS Millions)   | 1-9.19       | 1-9.18       | Change<br>before tax | % Change      |
|--|--------------|--------------|----------------------|---------------|
| <b>Total operating and other expenses</b>              | <b>2,000</b> | <b>2,093</b> | <b>(93)</b>          | <b>(4.4%)</b> |
| Salaries and related expenses                          | 1,215        | 1,241        | (26)                 | (2.1%)        |
| Maintenance of buildings and equipment & depreciation  | 270          | 285          | (15)                 | (5.3%)        |
| Depreciation and amortization of Intangible assets     | 68           | 67           | 1                    | 2.3%          |
| Other expenses   | 447          | 500          | (53)                 | (10.6%)       |
| Dismissal Expenses<br>(0.4% negative ROE contribution) | 41           | 18           | 23                   |               |
| Provision for merger expenses of<br>Otsar Hahayal      | 6            | 82           | (76)                 |               |
| <b>Profit before taxes</b>                             | <b>990</b>   | <b>867</b>   | <b>123</b>           | <b>14.2%</b>  |
| <b>Bank's share in profits of CAL</b>                  | 39           | 28           | 11                   | 39.3%         |
| <b>Net profit</b>                                      | <b>643</b>   | <b>568</b>   | <b>75</b>            | <b>13.2%</b>  |

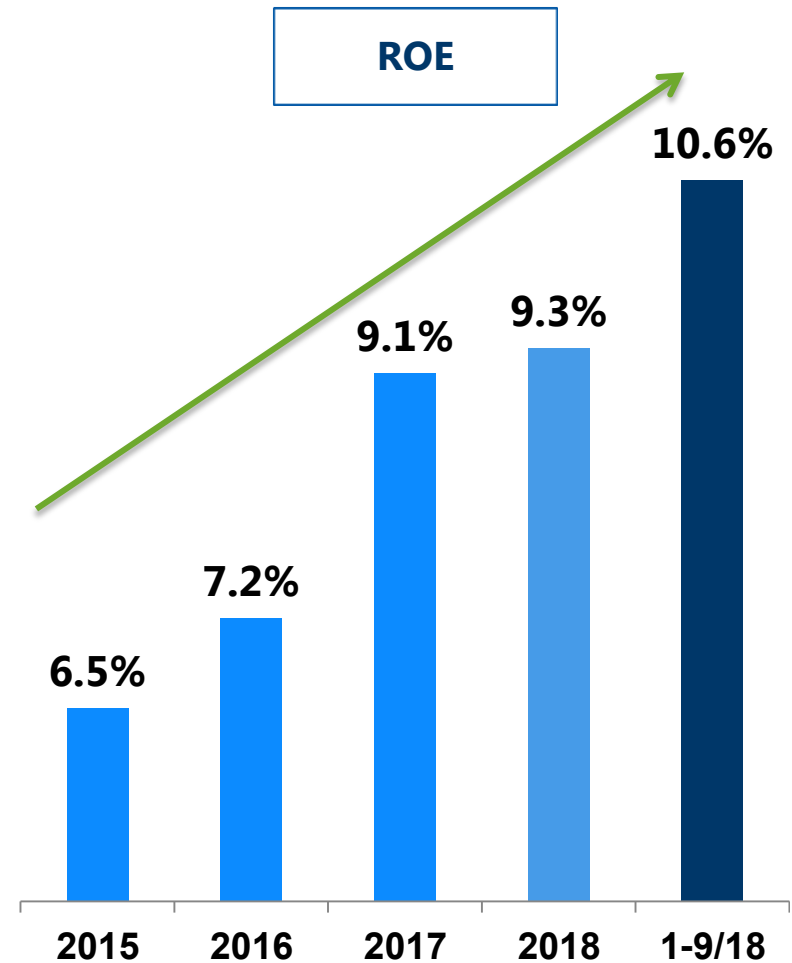
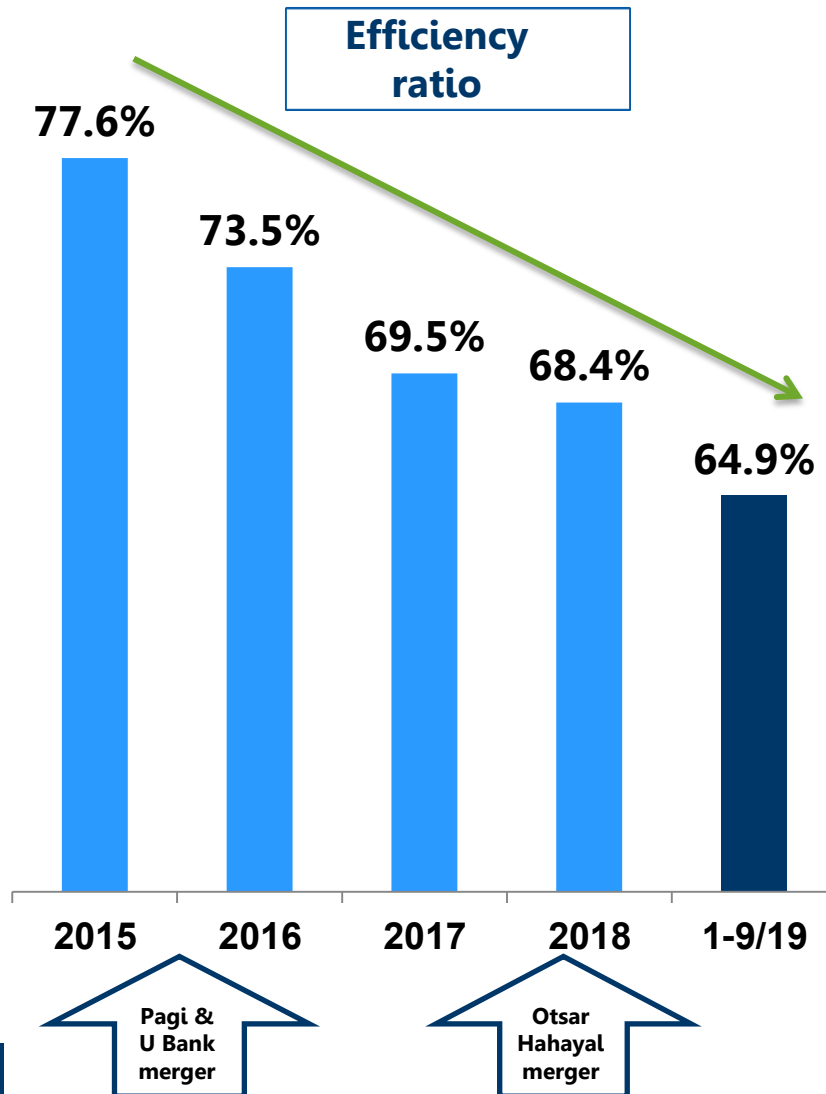
# Profit from Current financing Activities for Nine Months of 2019 -

| (NIS Millions)  | 1-9.19       | 1-9.18       | Change before tax | % Change    |
|---|--------------|--------------|-------------------|-------------|
| <b>Net financial earnings</b>                                     | 2,117        | 2,028        | 89                | 4.4%        |
| Reconciliation to fair value of derivative instruments            | (7)          | 15           | (22)              |             |
| Income from realization and reconciliation to fair value of bonds | 9            | 6            | 3                 |             |
| Earnings from shares investments                                  | 55           | 80           | (25)              |             |
| <b>Earnings from current financing activity</b>                   | <b>2,060</b> | <b>1,927</b> | <b>133</b>        | <b>6.9%</b> |
| Known CPI index   | 0.5%         | 1.1%         |                   |             |



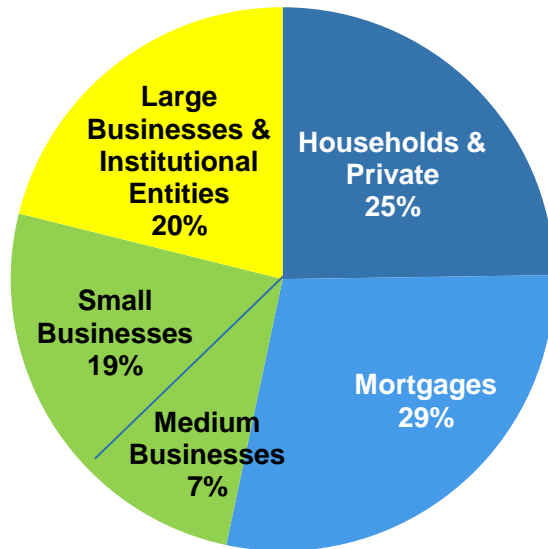
# Improvement in Group Profitability

While improving efficiencies



# Growth in Credit Balances End of Period (NIS Billions)

**30.9.19**



**A diverse and quality mix of Credit to Households & Private: 54% of Credit Portfolio**

**84.3**

**+3.6%**

**87.3**

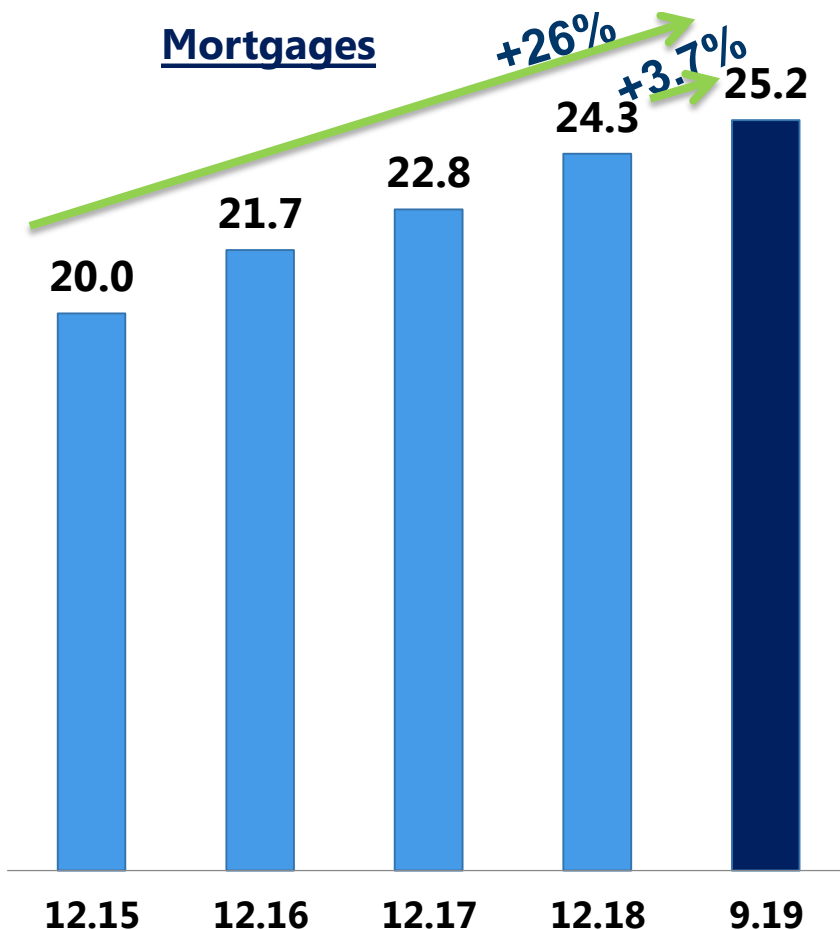
**31.12.18**

**30.9.19**

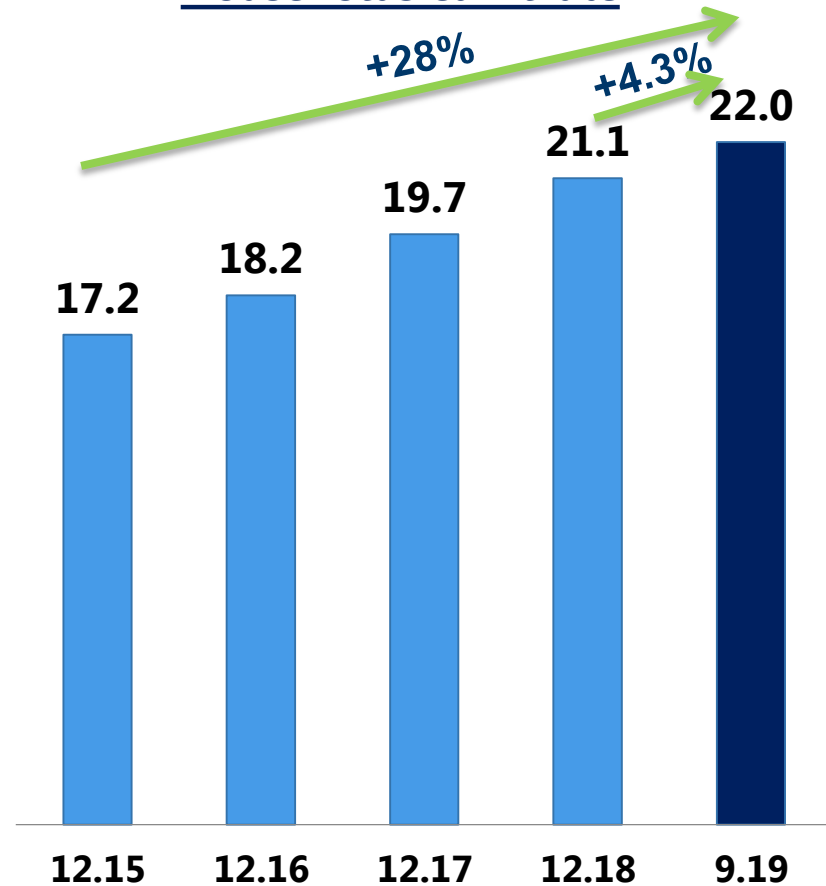
**Average Credit Balance 1-9.19** increased by **3.1%** (**2.6 NIS billions**), compared with corresponding period last year

# Households & Private Credit (NIS Billions)

## Mortgages

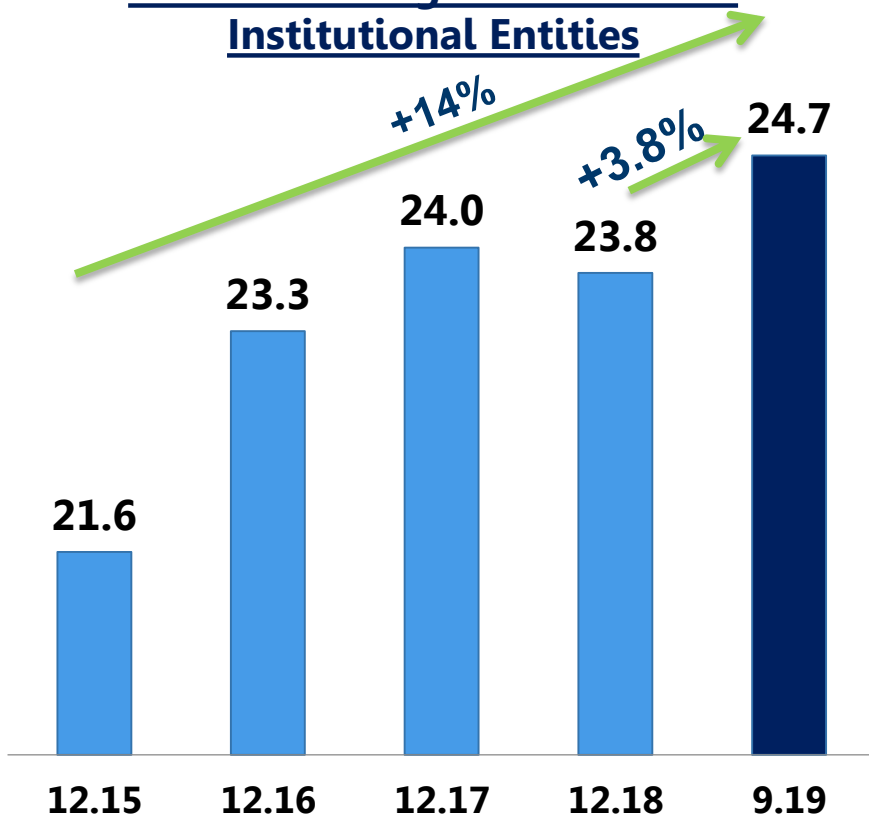


## Households & Private

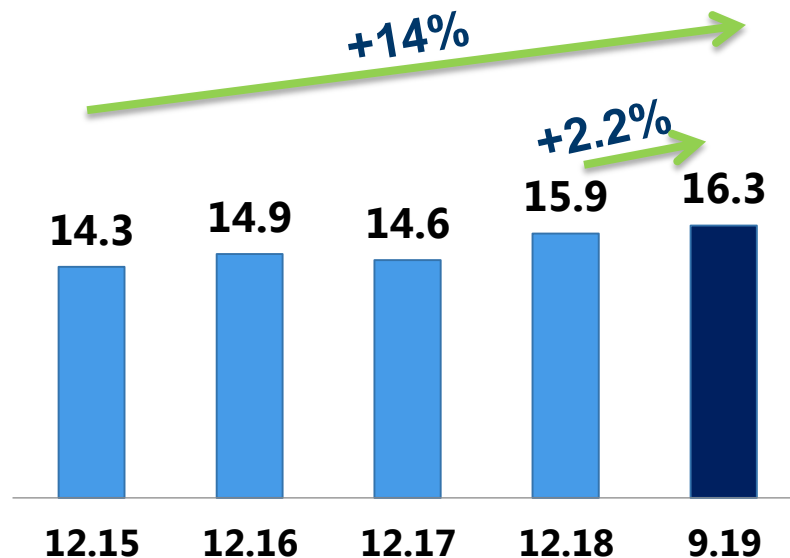


# Business Credit (NIS Billions)

## Medium & Large Businesses & Institutional Entities



## Small & Minute Businesses



# Credit Risk due to Problematic Debt- High Asset Quality

| (NIS millions)  | <u>Changes as of</u> |              |              |                               |              |
|---|----------------------|--------------|--------------|-------------------------------|--------------|
|   | 30.9.19              | 31.12.18     | 30.9.18      | 31.12.18                      | 30.9.18      |
| Impaired credit risk  | 770                  | 576          | 601          | 194                           | 169          |
| Inferior credit risk  | 168                  | 165          | 162          | 3                             | 6            |
| Credit under special supervision risk   | <u>927</u>           | <u>1,079</u> | <u>1,030</u> | <u>(152)</u>                  | <u>(103)</u> |
| <b>Total problematic credit risk</b>  | <b>1,865</b>         | <b>1,820</b> | <b>1,793</b> | <b>45</b>                     | <b>72</b>    |
| <u>Comparison with Israeli banking system*</u>  |                      |              |              |                               |              |
| Ratio of expenses to credit loss<br>(increase in the collective provision )   | <b>0.14%</b>         | 0.20%        | 0.21%        | <b>0.25%</b> (Lower = better) |              |
| Ratio of provision for credit losses to<br>total impaired credit to the public -<br>NPL coverage ratio (including<br>mortgages) | <b>139%</b>          | 186%         | 177%         | <b>139%</b> (Higher = better) |              |
| Ratio of provision for credit losses in<br>respect of credit to the public  | <b>1.03%</b>         | 1.02%        | 1.02%        | <b>1.19%</b> (Lower = better) |              |
| Ratio of impaired debt to credit to the<br>public   | <b>0.74%</b>         | 0.55%        | 0.58%        | <b>0.87%</b> (Lower = better) |              |
| Ratio of impaired debt or in arrears of<br>90 days or more to credit to the public  | <b>1.02%</b>         | 0.83%        | 0.85%        | <b>1.27%</b> (Lower = better) |              |



# Consistent Improvement in Financial Strength

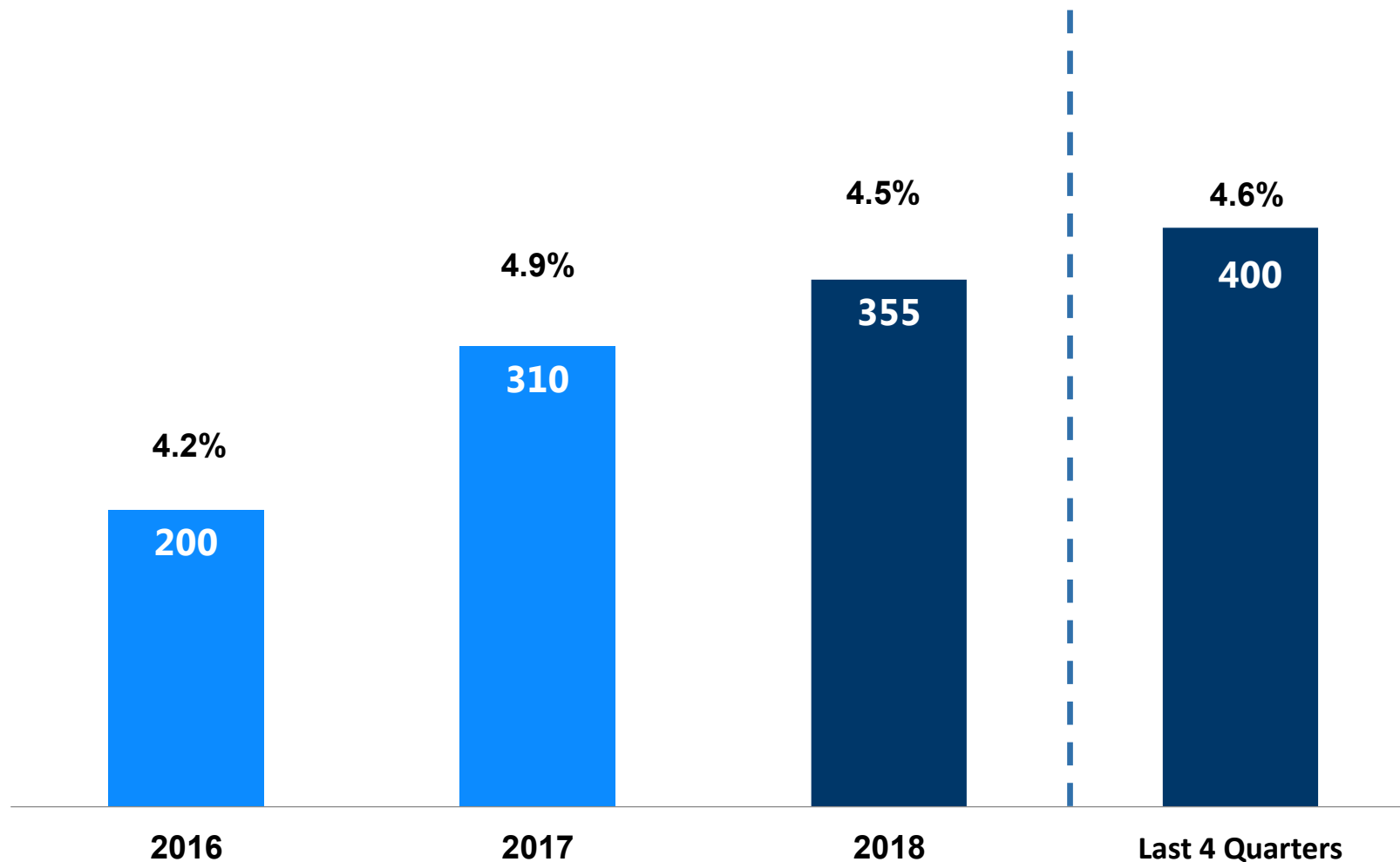
|  | 30.9.19        | 2018   | 2017   | 2016   | 2015  |
|--|----------------|--------|--------|--------|-------|
| <b>Capital (Tier 1) to Risk Weighted Asset Ratio</b> | <b>10.79%*</b> | 10.51% | 10.38% | 10.09% | 9.81% |
| <b>Leverage Ratio</b>                                | <b>5.91%</b>   | 5.76%  | 5.50%  | 5.52%  | 5.43% |
| <b>Liquidity Ratio (LCR)</b>                         | <b>124%</b>    | 122%   | 123%   | 123%   | 104%  |
| <b>Deposits to Credit Ratio</b>                      | <b>133%</b>    | 133%   | 141%   | 137%   | 142%  |

\*1.48% above regulatory requirement

On 5/9/19, the Bank completed the raising of a new series of AAA-linked CPI and 6-year bonds with a total volume of approximately 700 NIS Millions and a negative real yield of 0.1%.

## Dividend Yield

(Bank distributed annual dividends of up to **50%** of profits) (NIS Millions)



Subsequent to 30.9.19 : additional dividend distribution of **110 NIS millions**

# Highlights for 1-9.2019

**Reflect the continued process of mainly growth and streamlining.  
The merger of Otsar Hahayal led to both cost savings and growth in areas of activity.**

## Net Income and Return On Equity

**Net income** grew 13.2% to **643 NIS million**, vs 568 NIS million last year

ROE of **10.6%**; profit for non-recurring effects increased by 24%

**Q3 2019: net income of 236 NIS million**, up 11.3% YoY, with ROE at 11.7%,  
vs ROE of 11.1% in Q3 last year

## High Capital Adequacy High Financial Resilience

Increase in shareholder equity to 8.5 NIS billion

Primary capital adequacy ratio at **10.79%** (1.48% over regulatory required 9.31%)

Total capital adequacy ratio at **13.71%** (0.9% over regulatory required 12.81%)

Liquidity ratio of **124%** ;Leverage ratio of **5.91%**

## High Dividend Yield

**Dividend yield** for the twelve months ended September 30, 2019 was **4.6%**.



# Highlights for First 9 Months of 2019 (Cont.)

## Growth in Credit

Growth in credit balances **3.1%** for average balances for the year and **3.6%** from the beginning of the year

| <u>Change in % compared to</u>            | <u>31.12.18</u> |
|---|-----------------|
| Households & private                      | <b>4.3%</b>     |
| Mortgages                                 | <b>3.6%</b>     |
| Small & minute businesses                 | <b>2.1%</b>     |
| Medium businesses                         | <b>1.9%</b>     |
| Large businesses & Institutional entities | <b>4.5%</b>     |

**Group Revenues grew by 3.3%**  
(ex. gain from realized buildings last year)

**Continued growth in Interest Income (133 NIS million, or +6.9%)**

## Growth in Deposits

**Public deposits grew by 4.1% since beginning of year**

## Improve in Efficiency Ratio

Efficiency ratio improved to **64.9%** vs 68.4% last year

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