

Press release

May 31, 2020

First International Bank of Israel Presents First Quarter 2020 Results

Tel Aviv, Israel – May 31, 2020. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the first quarter of 2020.

First Quarter 2020 Highlights

- **Net earnings : NIS 171 million;**
- **Return on equity: 8.2%;**
- **Financing profits from current operations increased by 5.5% to NIS 712 million;**
- **The Bank continues to improve efficiency: operating and other expenses decreased by 5.3% and efficiency ratio improved to 62.2%;**
- **2.5% growth in credit to the public and 4.4% growth when compared to the corresponding period last year;**
- **Ratio of Tier I equity capital to risk assets: 10.28%**

Profitability

The net earnings of the First International Bank Group in the first quarter of 2020 were NIS 171 million in comparison with NIS 183 million in the corresponding quarter last year. Return on equity reached 8.2%. Earnings for the quarter were affected by the impact of the spread of the Corona pandemic, mainly from increasing of expenses of credit losses by NIS 121 million, most of it related from the crises, as well as by tax income in respect of prior years, amounting to NIS 35 million.

Implications of the Corona pandemic crisis on the statements of the Bank

Expenses in respect of credit losses amounted to NIS 157 million, as compared to NIS 36 million in the corresponding period last year, and to NIS 138 million for the full year of 2019. The rate of the provision for credit losses amounted to 0.71%, as compared to 0.17% in the corresponding period last year.

This increase was due mostly to the effect of changes in the macro-economic environment due the Corona pandemic and resulting from uncertainty regarding its effect on the financial condition of borrowers and was seen in growth in the collective expense for credit losses. The expense for credit losses which related to the Corona pandemic crises amounted by NIS 129 million in the Quarter. The first quarter of the year reflects unrealized losses on investment in shares in the amount of NIS 41 million, due to the decline in the market value of shares on the capital market, as well as an impairment provision in respect of bonds amounting to NIS 18 million.

Subsequent to the balance sheet date, market prices have risen, reducing the volume of unrealized losses.

Conversely, there was an increase in income due to the activity in the capital and foreign currency markets.

Growth

Financing profits from current operations increased by 5.5%, amounting to NIS 712 million. Total commission income increased by 15% (NIS 48 million) amounting to NIS 368 million. Most of the growth was due to increased activity on the capital and foreign currency markets, being specialized areas of the Bank. The growth in activity of the Group was also clear in balance sheet data, both on the credit side and on the deposit side.

Deposits of the public grew by 5.8% in the first quarter and by 10.1% over the past year, amounting to NIS 126,997 million. Deposits by private customers grew by 15.6% in the first quarter of the year and by 17.4% over the past year. The credit to the public portfolio grew by 2.5% in the first quarter and by 4.4% over the past year, amounting to NIS 91,075 million.

The growth in credit during the first quarter (in relation to that of the end of 2019) is marked by the continuing diversification of the credit: the household segment (excluding residential loans and credit cards) grew by 1%; the large and middle market businesses segment grew by 5.3%; and the small business segment grew by 3.8%.

Efficiency

The First International Bank continues to improve its efficiency in accordance with its strategic objectives, and the efficiency ratio improved to 62.2% as compared to 64.4% at the end of 2019, and to 67.2% in the corresponding period last year. Operating and other expenses amounted to NIS 637 million, a reduction of 5.3% in relation to the corresponding quarter last year.

The reduction in expenses is clear across most expense items, including payroll and related benefits, which decreased by 5.7% and depreciation and maintenance of buildings and equipment which decreased by 6.5%.

Financial stability

The equity attributed to the shareholders of the Bank amounted to NIS 8,542 million. The Tier I equity capital ratio amounted to 10.28%, in comparison to 10.81% at December 31, 2019, and the comprehensive capital ratio amounted to 13.09%.

Crisis management and support of the Bank's customers during the Coronavirus period

With the outbreak of the Coronavirus pandemic in Israel, Management of the Bank and the Board of Directors focused on the management the crisis and on providing response to the changing reality. The bank adopted a series of measures aimed at business continuity, while maintaining the health of its employees and customers, strictly adhering to the rules set by the Ministry of Health and the Bank of Israel. These measures included establishing of an infrastructure for distance working, maintaining social distance and the split-up of business units, all these while continuing to service its customers, also during the period in which economic activity has been reduced, and while expanding the call-center and the digital services.

The bank adopted and initiated a serious of measures and relief for the benefit of its customers, both private and household customers as well as small and large business customers. Among the benefits granted to households, the Bank allowed the possibility of deferring payment of mortgages and loans, increasing overdraft facilities, and ease in digital services allowing the joining and wider use of the online services.

Special emphasis has been put on the senior citizen population, which were granted special benefits and singular services helping them in obtaining banking services while maintaining the social distance rules, such as: initiated telephone calls, priority in providing service, issue of debit cards, and more.

For the benefit of its business customers, the Bank extends loans in large volumes also within the framework of the Corona Fund, guaranteed by the State and allows deferral of loans.

As a Bank which specializes in the capital market and in investment consulting services, the Bank reacted quickly to the fierce fluctuations in the capital markets. Reinforced consulting services were put at the disposal of customers during this period, including extended service through the dealing rooms and the supporting infrastructure. As part of this, the Bank initiated consultation calls to customers in order to help them to better face the market volatility and uncertainty at this crisis period.

Management Comment

Ms. Smadar Barber-Tsadik, CEO of the First International Bank, stated that: "The First International Bank meets the economic crisis caused by the impact of the Corona pandemic with high financial stability and strength. The financial strength of the First International Bank is reflected across its high capital ratios, its high level of liquidity and in its qualitative and measured credit portfolio. This strength enables our Bank to confront the crisis and its impact, while assisting its customers in facing the new situation.

"With the beginning of the crisis, the bank adopted a series of measures intended to maintain business continuity at the Bank, while assisting its private and business customers.

"There is no doubt that global developments following this health crisis have created a climate of uncertainty which has to be faced, and our Bank is prepared for the different scenarios, while continuing on its efficiency strategy, the results of which are clear given the improved efficiency ratios of our Bank.

"In the first quarter of 2020, our Bank continued the trends which have characterized it over a number of years. That is: a growth in income while applying a strategy of focusing on our core businesses, and a reduction in expenses following the efficiency measures adopted by the Bank; a fact that has led to the improvement in the efficiency of the Bank, as well as its stability."

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>For the three months ended</i>		<i>For the year ended</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 ⁽¹⁾	8.2%	9.3%	10.5%
Return on average assets ⁽¹⁾	0.47%	0.54%	0.63%
Ratio of equity capital tier 1	10.28%	10.53%	10.81%
Leverage ratio	5.52%	5.71%	5.81%
Liquidity coverage ratio	130%	132%	128%
Ratio of total income to average assets ⁽¹⁾	2.8%	3.0%	3.0%
Ratio of interest income, net to average assets ⁽¹⁾	1.8%	1.9%	1.9%
Ratio of fees to average assets ⁽¹⁾	1.0%	0.9%	0.9%
Efficiency ratio	62.2%	67.2%	64.4%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.15%	1.02%	1.05%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.07%	0.92%	1.08%
Ratio of provision for credit losses to total impaired credit to the public	146%	156%	131%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.15%	0.06%	0.10%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.71%	0.17%	0.16%
<i>Principal data from the statement of income</i>			
	<i>For the three months ended</i>		
	<i>2020</i>	<i>2019</i>	
			<i>NIS million</i>
Net profit attributed to shareholders of the Bank	171	183	
Interest Income, net	658	635	
Expenses from credit losses	157	36	
Total non-Interest income	366	367	
Of which: Fees	368	320	
Total operating and other expenses	637	673	
Of which: Salaries and related expenses	379	402	
Dismissals expenses	2	18	
Primary net profit per share of NIS 0.05 par value (NIS)	1.70	1.82	
<i>Principal data from the balance sheet</i>			
	<i>As of</i>		
	<i>31.3.20</i>	<i>31.3.19</i>	<i>31.12.19</i>
			<i>NIS million</i>
Total assets	149,531	136,983	141,110
of which: Cash and deposits with banks	41,933	34,108	37,530
Securities	10,824	11,338	10,995
Credit to the public, net	90,028	86,353	87,899
Total liabilities	140,624	128,445	132,186
of which: Deposits from the public	126,977	115,349	120,052
Deposits from banks	1,129	1,064	1,137
Bonds and subordinated capital notes	3,754	4,270	3,674
Capital attributed to the shareholders of the Bank	8,542	8,208	8,568
<i>Additional data</i>			
	<i>As of</i>		
	<i>31.3.20</i>	<i>31.3.19</i>	<i>31.12.19</i>
Share price (0.01 NIS)	8,676	8,642	9,989
Dividend per share (0.01 NIS)	125	105	410

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	For the three months ended March 31		For the year ended December 31
	2020 (unaudited)	2019 (unaudited)	2019 (audited)
Interest Income	715	727	3,085
Interest Expenses	57	92	483
Interest Income, net	658	635	2,602
Expenses from credit losses	157	36	138
Net Interest Income after expenses from credit losses	501	599	2,464
<i>Non- Interest Income</i>			
Non-Interest Financing income (expenses)	(3)	46	225
Fees	368	320	1,286
Other income	1	1	9
Total non- Interest income	366	367	1,520
<i>Operating and other expenses</i>			
Salaries and related expenses	379	402	1,601
Maintenance and depreciation of premises and equipment	86	92	353
Amortizations and impairment of intangible assets	24	23	92
Other expenses	148	156	608
Total operating and other expenses	637	673	2,654
Profit before taxes	230	293	1,330
Provision for taxes on profit	48	111	478
Profit after taxes	182	182	852
The bank's share in profit (loss) of equity-basis investee, after taxes	(2)	10	51
<i>Net profit:</i>			
Before attribution to non-controlling interests	180	192	903
Attributed to non-controlling interests	(9)	(9)	(38)
Attributed to shareholders of the Bank	171	183	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	1.70	1.82	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, 31 May, 2020

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended March 31		For the year ended December 31
	2020 (unaudited)	2019 (unaudited)	2019 (audited)
Net profit before attribution to non-controlling interests	180	192	903
Net profit attributed to non-controlling interests	(9)	(9)	(38)
Net profit attributed to the shareholders of the Bank	171	183	865
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds (2018 - securities) to fair value, net	(247)	66	101
Adjustments of liabilities in respect of employee benefits ⁽¹⁾	139	(8)	(74)
Other comprehensive income (loss) before taxes	(108)	58	27
Related tax effect	36	(20)	(9)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	(72)	38	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	(72)	37	20
Comprehensive income before attribution to non-controlling interests	108	230	921
Comprehensive income attributed to non-controlling interests	(9)	(10)	(36)
Comprehensive income attributed to the shareholders of the Bank	99	220	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)

	31.3.20	31.3.19	31.12.19
	(unaudited)	(unaudited)	(audited)
<i>Assets</i>			
Cash and deposits with banks	41,933	34,108	37,530
Securities	10,824	11,338	10,995
Securities which were borrowed	82	664	9
Credit to the public	91,075	87,246	88,829
Provision for Credit losses	(1,047)	(893)	(930)
Credit to the public, net	90,028	86,353	87,899
Credit to the government	1,114	676	1,039
Investments in investee company	603	617	605
Premises and equipment	989	1,011	996
Intangible assets	246	231	248
Assets in respect of derivative instruments	2,551	941	1,091
Other assets ⁽²⁾	1,161	1,044	698
Total assets	149,531	136,983	141,110
<i>Liabilities and Shareholders' Equity</i>			
Deposits from the public	126,977	115,349	120,052
Deposits from banks	1,129	1,064	1,137
Deposits from the Government	553	779	353
Bonds and subordinated capital notes	3,754	4,270	3,674
Liabilities in respect of derivative instruments	2,586	1,021	1,247
Other liabilities ⁽¹⁾⁽³⁾	5,625	5,962	5,723
Total liabilities	140,624	128,445	132,186
Capital attributed to the shareholders of the Bank	8,542	8,208	8,568
Non-controlling interests	365	330	356
Total equity	8,907	8,538	8,924
Total liabilities and shareholders' equity	149,531	136,983	141,110

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 64 million and NIS 62 million and NIS 57 million at 31.3.20, 31.3.19 and 31.12.19, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 78 million and NIS 312 million and NIS 42 million at 31.3.20, 31.3.19 and 31.12.19, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 111 million and NIS 536 million and NIS 47 million at 31.3.20, 31.3.19 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 March 31, 2020 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total	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	-	-	171	171	9	180
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, net after tax effect	-	(72)	-	(72)	-	(72)
Balance as at March 31, 2020	927	(203)	7,818	8,542	365	8,907

	<i>For the three months ended March 31, 2019 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total	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 ⁽³⁾	-	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	-	-	183	183	9	192
Dividend	-	-	(105)	(105)	-	(105)
Other comprehensive income, net after tax effect	-	37	-	37	1	38
Balance as at March 31, 2019	927	(114)	7,395	8,208	330	8,538

	<i>For the year ended December 31, 2019 (audited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total	Non-controlling interests	Total equity
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
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.