MOODY'S RATINGS

CREDIT OPINION
5 February 2026

Update

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RATINGS

First International Bank of Israel Ltd.

Domicile	Tel Aviv, Israel
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Withdrawn
Type	Senior Unsecured - Fgn Curr
Outlook	Not Assigned
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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First International Bank of Israel Ltd.

Update to credit analysis

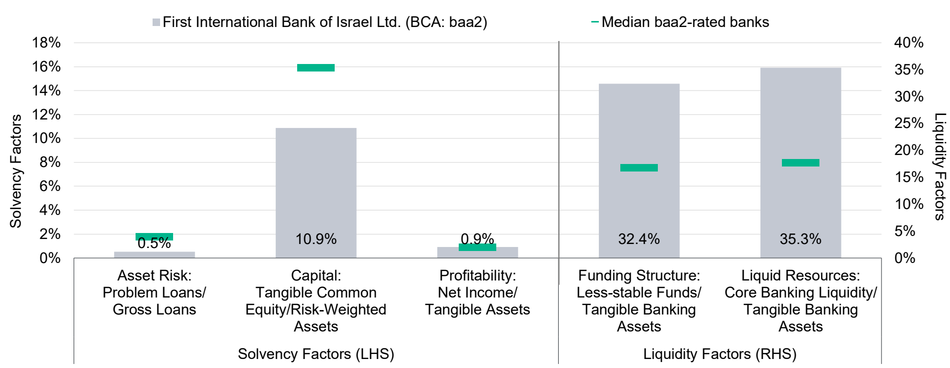
Summary

First International Bank of Israel Ltd. (FIBI)'s Baa1 long-term deposit ratings reflect the bank's baa2 Baseline Credit Assessment (BCA) and one notch of rating uplift based on our assessment of a very high likelihood of support from the Government of Israel (Baa1 stable), in case of need.

FIBI's baa2 BCA reflects the bank's low levels of problem loans and credit losses over past economic cycles, strong presence in niche segments, and ample liquidity against a relatively high share of non-operational deposits given its capital market activities.

The BCA also reflects downside risks from a significant exposure concentration to the Israeli property market and exposure to elevated geopolitical risks. The bank's risk-weighted capital buffers are adequate but modest compared similarly-rated international peers, although metrics have been consistently stable and driven by the use of the standardised approach and Bank of Israel (BoI)'s conservative risk-weights.

Exhibit 1
Rating Scorecard - Key financial ratios



These are our Banks Methodology scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.
Source: Moody's Ratings

Credit strengths

» Strong asset quality driven by relatively low-risk loan book structure

» Strong presence in niche segments

» Ample core liquid assets

» Very high likelihood of government support, in case of need

Credit challenges

» Elevated geopolitical risks

» Sector concentration in real estate

» Modest risk-weighted capitalisation and leverage

Outlook

The stable outlook on FIBI's long-term deposit ratings reflects our expectation that its solvency and liquidity will remain steady. The stable outlook is also aligned with the stable outlook on the Government of Israel's rating.

Factors that could lead to an upgrade

» FIBI's long-term deposit ratings could be upgraded in case the sovereign rating is upgraded.

» Without impacting deposit ratings, the bank's standalone BCA could be upgraded from a combination of (1) a further improvement in the operating environment from materially reduced geopolitical risk; (2) stronger capital buffers; (3) significantly higher sustained profitability without an increase in asset risk; and/or (4) materially lower sector concentration.

Factors that could lead to a downgrade

» FIBI's long-term deposit ratings could be downgraded if the sovereign rating is downgraded, or we consider that the government's willingness to provide extraordinary support has materially declined.

» The bank's BCA could be downgraded in case of (1) a deterioration in operating conditions, including from a resurgence of geopolitical risk or a material real estate price correction; (2) lower capital levels; (3) an increase in risk profile; (4) a persistent weakening in earning power; and/or (5) weakening funding profile.

Key indicators

Exhibit 2
First International Bank of Israel Ltd. (Consolidated Financials) [1]

	09-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (ILS Million)	266,309.0	248,563.0	221,593.0	195,955.0	180,470.0	10.9[4]
Total Assets (USD Million)	80,614.2	68,218.1	61,538.2	55,534.9	58,119.6	9.1[4]
Tangible Common Equity (ILS Million)	14,111.0	13,114.0	11,806.0	10,436.0	9,620.0	10.8[4]
Tangible Common Equity (USD Million)	4,271.5	3,599.1	3,278.6	2,957.6	3,098.1	8.9[4]
Problem Loans / Gross Loans (%)	0.5	0.5	0.6	0.5	0.7	0.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	10.9	10.9	10.6	9.9	10.5	10.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.2	4.7	5.4	4.9	7.0	5.2[5]
Net Interest Margin (%)	1.9	2.0	2.4	2.0	1.6	2.0[5]
PPI / Average RWA (%)	3.2	3.3	3.5	2.7	2.2	3.0[6]
Net Income / Tangible Assets (%)	0.9	1.0	1.0	0.9	0.8	0.9[5]
Cost / Income Ratio (%)	43.7	43.2	42.8	49.8	56.7	47.2[5]
Gross Loans / Due to Customers (%)	61.1	61.0	62.7	70.0	66.7	64.3[5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	37.3	35.3	--	--	--	36.3[5]
Less-stable Funds (LCR) / Tangible Banking Assets (%)	40.2	32.4	--	--	--	36.3[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Profile

FIBI is the fifth-largest banking group in Israel by assets with a 9.3% market share and total consolidated assets of NIS269 billion (around $82 billion) as of September 2025. As a universal bank, FIBI provides banking services to individuals, small businesses, corporations and high net-worth clients. The bank also provides capital market, foreign currency, global trade and corporate finance services.

FIBI maintains a strong market presence in specific niche retail segments in Israel, including the armed forces, teachers and the ultra-orthodox. The bank also has a leading position in capital market services.

The bank's common stock trades on the Tel Aviv Stock Exchange (ticker: FIBI). As of September 2025, FIBI Holdings Ltd. held a 48.3% stake in FIBI, with the Bino-Liberman Group in turn, owning 51.9% of the shares in FIBI Holdings Ltd.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from the banks' reports and are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to Financial Statement Adjustments in the Analysis of Financial Institutions. We do not use the Bank of Israel's exchange rates in converting figures from Israeli shekel into US dollars, so US dollar figures may differ from bank reported figures.

Detailed credit considerations

Strong asset quality driven by relatively low-risk loan book, but geopolitical tensions and exposure to Israel's property market are risks

FIBI's asset risk is underpinned by the relatively low risk structure of its loan book, limited single-borrower concentrations (with no exposures exceeding 15% of its capital as of September 2025) and conservative underwriting standards along with close regulatory oversight. These characteristics have translated into low credit costs over past economic cycles, which were lower than most of its domestic peers. The average cost of risk in the period 2006-2019 (before the pandemic) was 0.21%.

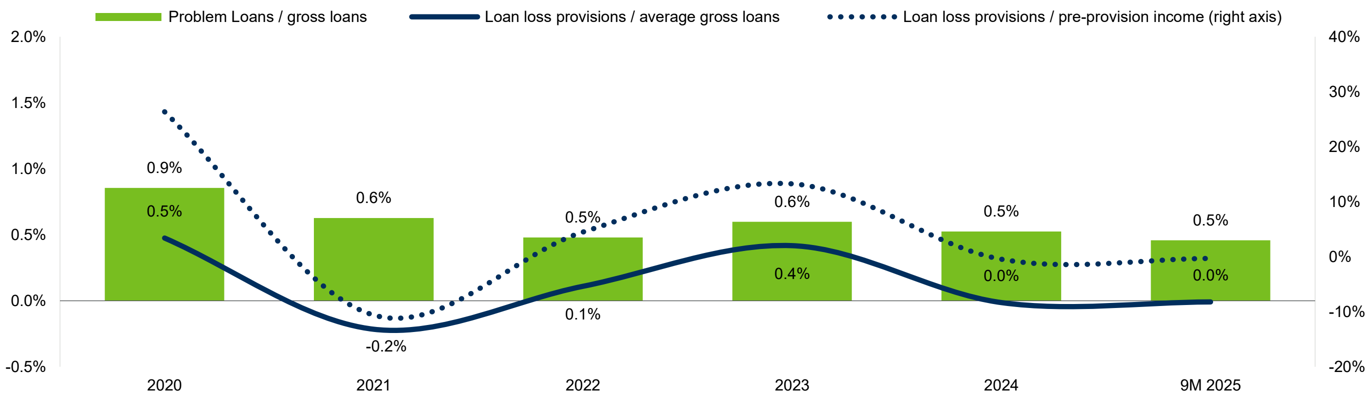
Therefore, in the absence of adverse geopolitical developments we expect loan quality to remain strong as the Israeli economy recovers. However, heightened geopolitical tensions remain a key source of risk to the economy and the bank's performance. Similarly to other Israeli banks, the bank's exposure concentration to Israel's property market is also a downside risk for its asset quality.

Problem loans (defined as non-accruing loans and accruing loans that are more than 90 days overdue) were 0.5% of gross loans as of September 2025 (see Exhibit 3) demonstrating significant resilience. The bank also reported loan loss reversals equivalent to 0.01% of average gross loans in the first nine months of 2025, mainly driven by recoveries from previously written off debt. In 2023, credit costs (loan loss provision expenses to average gross loans) were 0.4% as the bank built group provisions against the uncertainty around the implications of the conflict.

Exhibit 3

The bank has demonstrated strong asset quality performance over time

Evolution of problem loans ratio and credit costs



In 2022, Israeli banks implemented the US current expected credit losses (CECL) standard. Before this, we defined problem loans as impaired loans and loans in arrears of 90 days or more. Accruing loans previously classified as impaired were not included in non-accruing debts under the new standard. 2021 problem loans ratio reflects the restated figures under the new standard.

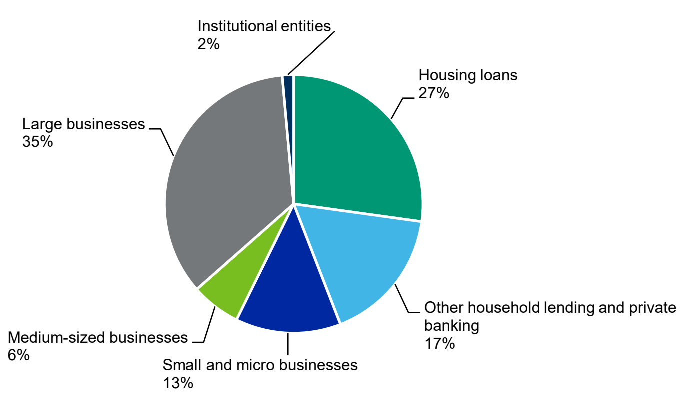
Source: Moody's Ratings

Strong asset quality is a reflection of the bank's loan book structure and underwriting standards. Relatively low risk residential mortgages accounted for 27% of total loans (see Exhibit 4), with 58% of outstanding credit granted at an original loan-to-value of up to 60% and 85% at a debt-income ratio of up to 35%. Medium and large businesses (including institutional entities) accounted for 43% as of September 2025. Other retail and consumer loans were 17% of total, but a significant portion of the unsecured retail portfolio is salary-assigned and the bank's client base is mainly higher-income, wealthier individuals. Loan growth remained strong at 12% year-over-year as of September 2025 (2024: 10%) after moderating to 2% in 2023, driving some unseasoned risk.

Exhibit 4

FIBI's loan book is relatively diversified by customer type

Loan book breakdown as of September 2025 (supervisory segments)



Figures do not add up to 100% due to rounding

Source: Bank's financial statements

Sector concentration to real estate is significant, although lower than domestic peers, which exposes the bank to the risk of weaker activity in the sector, where the number of real estate transactions has declined and prices are down from recent highs[1]. Lending to the construction and real estate sector made up 15% of FIBI's gross loans as of September 2025 and the bank's exposure grew by a high 16% as of September 2025 year-over--year. Most of the exposure to the sector is towards residential projects (45% of total credit risk as of September 2025) where risk is mitigated by close oversight of closed residential construction.

Modest risk-weighted capitalisation and leverage

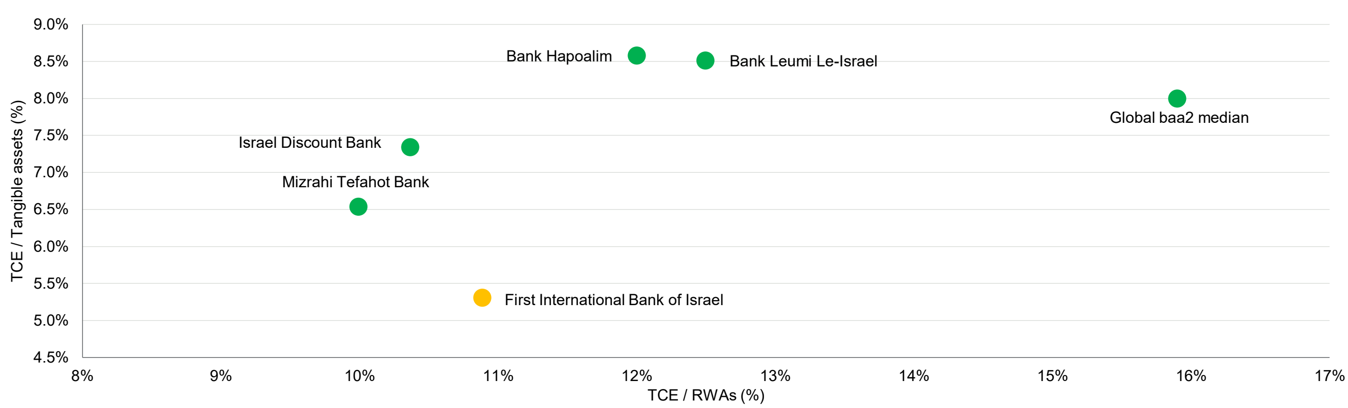
FIBI's risk-weighted capitalisation is modest. However, although capital metrics are below global peers, the bank's loss-absorption buffers are supported by the use of the standardised approach and more conservative regulatory risk-weights that result in higher loss-absorption buffers. Mortgages that are risk-weighted according to their loan-to-value, have an average risk weight of over 50% in Israel, which is higher than the 35% risk weight normally used in the standardised approach. The bank's capital ratios are also typically more stable compared to banks globally that use a model-based approach in calculating credit risk-weighted assets (RWAs). Additionally, FIBI has demonstrated its ability to maintain steady capital ratios over time and typically higher buffers to regulatory requirements compared to Israeli peers.

FIBI's tangible common equity (TCE)/RWAs ratio was 10.9% as of September 2025, below the global peer median (see Exhibit 5). The bank's TCE-to-tangible assets ratio was 5.3%, broadly at the same level as its 5.2% Basel III leverage ratio that was above the 4.5% minimum regulatory requirement that applied at that time. The bank's tighter leverage ratios compared to peers are in part driven by its high liquidity buffers, with a significant share of cash and equivalents.

Exhibit 5

FIBI's capitalisation is lower than global peers driven by conservative risk weight

Risk-weighted capitalisation and leverage of Israeli banks and the global median as of September 2025



Source: Moody's Ratings

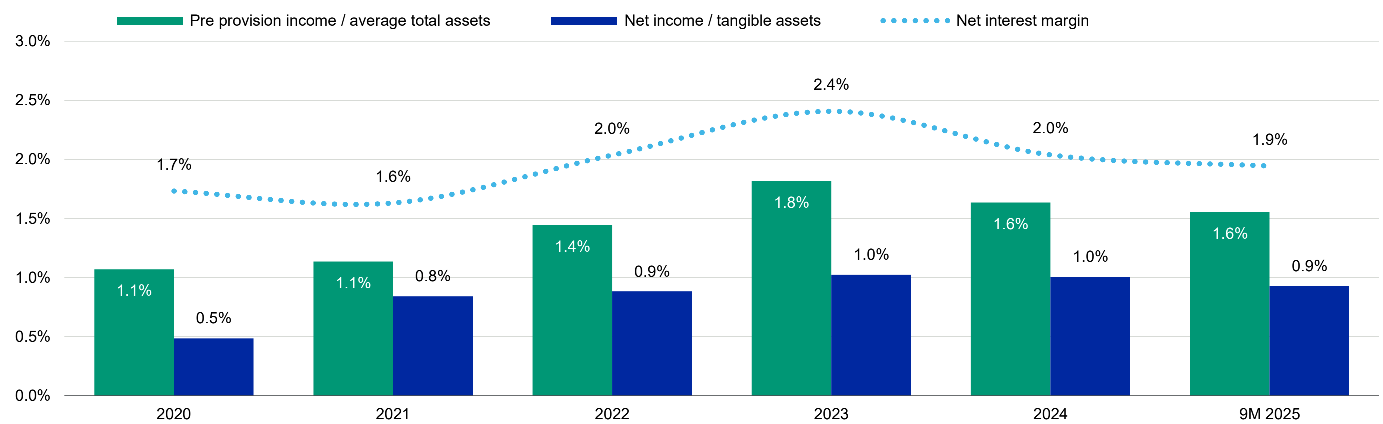
FIBI reported a Common Equity Tier 1 (CET1) capital ratio of 11.4% as of September 2025, higher than usual and well above the 9.2% minimum regulatory requirement that applied at that time. Similarly to other periods of uncertainty and in line with the BoI's guidance, FIBI strengthened its capital buffers by adjusting earnings distributions at the onset of the conflict. We expect FIBI's capital metrics to gradually return to historical levels.

Moderate profitability, which will decline from recent high levels

FIBI's recurring profitability is moderate but stable, supported by the bank's strong presence in niche markets (see Profile section), which coupled with high customer satisfaction have resulted in consistent credit and revenue growth in recent years. Continued cost-reduction initiatives have driven significant operating efficiency gains for FIBI and closed the gap with peers, paving the way for higher sustainable profitability and strengthening its ability to adapt and resist growing competition and its resiliency at times of stress. The bank's reported cost-to-income ratio improved to 45% in the first nine months of 2025, from 51% in 2022 and levels exceeding 60% in prior years.

FIBI reported net profits equivalent to 0.9% of tangible assets in the first nine months of 2025 (2024: 1.0%), well above historical levels (see Exhibit 6) on the back of resilient net interest margins, loan growth and flat credit costs. In the coming quarters, we expect profitability will decline from these exceptionally high levels. Lower interest rates as the BoI cuts benchmark rates and moderate inflation will curb financing income[2], while the authorities are considering the implementation of a levy on banks' profits. However, we expect net interest margins to remain relatively healthy, while ongoing business growth will support revenue. As the bank has retained collective provisions for more adverse developments, we also expect cost of risk to be contained.

Exhibit 6
FIBI's profitability is moderate, but has benefitted from a wider net interest margin



Source: Moody's Ratings

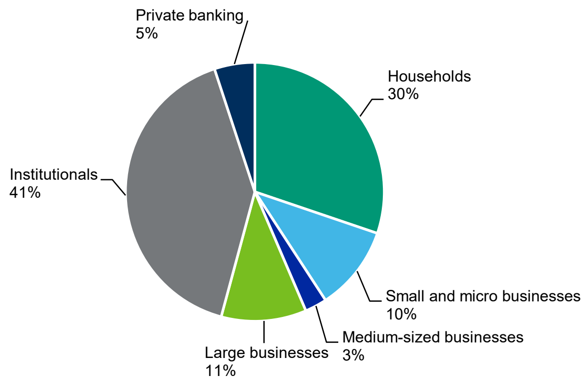
The bank's net interest margin narrowed to 1.9% in the first nine months of 2025, from 2.4% in 2023, driven by the customer shift to higher-yielding deposit accounts, with the bank's non-interest bearing deposits accounting for 22% of total deposits as of September 2025 compared to 33% at end-2022.

Liquidity profile driven by ample core liquid assets

FIBI benefits from a large customer deposit base in Israel, which comfortably funds its loan portfolio, helped by Israel's strong savings culture. FIBI's net loans-to-deposits ratio stood at 60% as of September 2025. The bank has a higher share of less-stable funds than its peers, accounting for 40% of tangible banking assets as of September 2025, because of its large capital market activity and therefore higher proportion of non-operational deposits. Against these deposits the bank maintains excess liquidity, with core banking liquidity (HQLAs) equivalent to 37% of tangible banking assets as of September 2025, the highest across its domestic peers.

As of September 2025, 41% of total deposits from the public were relatively granular household and small business deposits (excluding private banking deposits; see Exhibit 7). As of the same date, 41% of total deposits from the public were sourced from institutional and capital markets investors, that could be more vulnerable to a loss in depositor confidence. However, FIBI's deposit base has proven to be stable during past systemic shocks.

Exhibit 7
Granular household and small business deposits make up the bulk of FIBI's deposit base
Breakdown of deposits by segment as of September 2025



Source: Bank's financial statements

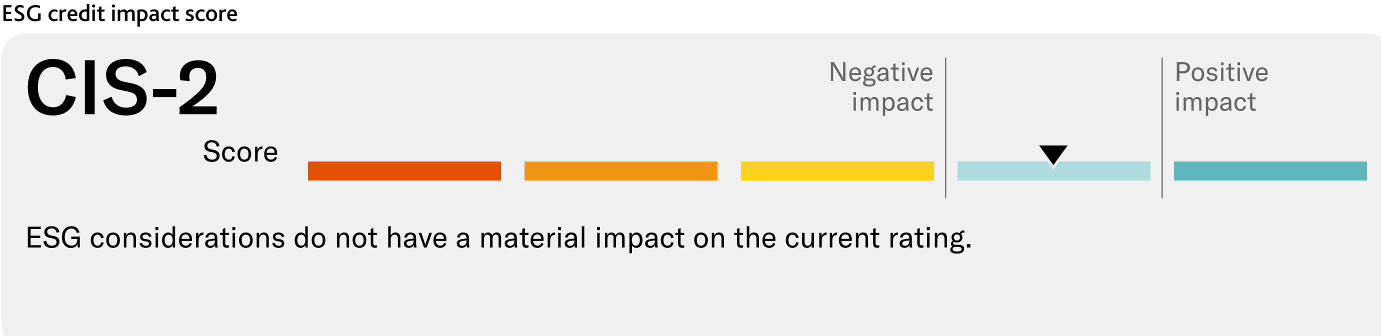
The bank's access to the local capital market and a domestic investor base, mainly in the form of longer-term senior unsecured and subordinated notes, complements its deposit funding and allows tor better matching of assets and liabilities maturities.

As mentioned above, the bank maintains high liquidity, and has a large share of cash and deposits with banks at 30% of total assets. In terms of its securities portfolio, 59% is made up of Israeli government securities. FIBI reported a healthy liquidity coverage ratio of 131% as of September 2025.

ESG considerations

First International Bank of Israel Ltd.'s ESG credit impact score is CIS-2

Exhibit 8
ESG credit impact score

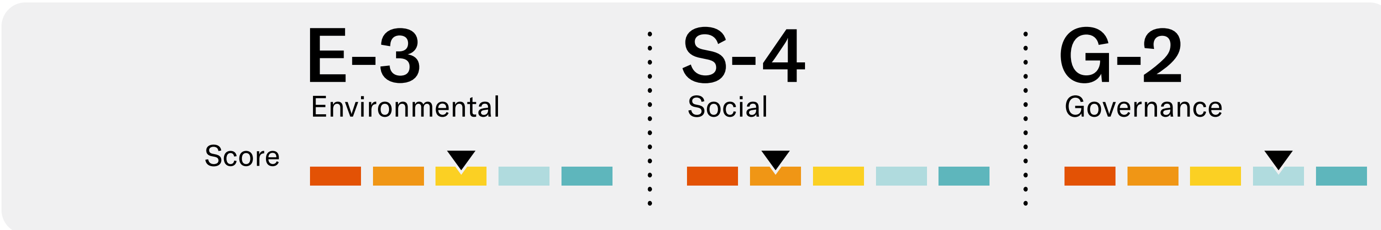


Source: Moody's Ratings

First International Bank of Israel's (FIBI) **CIS-2** indicates that ESG factors are not material to the current ratings, despite some still elevated social risks stemming from geopolitical developments and the high customer relations risks in Israel.

Exhibit 9

ESG issuer profile scores



Source: Moody's Ratings

Environmental

FIBI faces moderate exposure to environmental risks, mainly because of its portfolio exposure to carbon transition risks as a diversified bank and one of Israel's five largest banks with a significant corporate exposure. In line with its peers, FIBI faces growing business risks and stakeholder pressure to meet broader carbon transition goals. FIBI is engaging in further developing its climate risk and relevant portfolio management capabilities and increasing its green financing.

Social

FIBI faces high social risks, related to societal and demographic trends as well as customer relations. While geopolitical risk has eased from very high levels, the geopolitical and security environments remain fragile, with the potential for military tensions to re emerge. High customer relations risk reflects the considerable focus on consumer protection in Israel, exposing banks to potential regulatory fines and litigation from customers. High cyber and personal data risks are mitigated by a sound IT framework. However, a relatively young and growing population in Israel is a mitigating factor, affording business opportunities for the bank.

Governance

FIBI faces low governance risks, and its risk management, policies and procedures are in line with industry practices and commensurate with its universal banking model, while the bank provides timely and detailed external reporting. Although FIBI is publicly listed, its ownership is dominated by a controlling group of shareholders, but this does not result in incremental governance risks. The large presence of independent directors, and the domestic legal and regulatory framework mitigate associated risks. Furthermore, the bank's financial strategy is conservative, under the oversight of a proactive and hands-on regulator.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

FIBI's Baa1 deposit ratings incorporate one notch of government support uplift from the bank's baa2 Adjusted BCA because of our expectation of a very high probability of support from the Israeli authorities, in case of need. This assumption is based on FIBI's systemic importance as one of the country's five large banking groups and the Israeli government's long standing practice of supporting systemically important banks in case of need.

Methodology and scorecard

About Moody's Bank scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity

Rating methodology and scorecard factors

Exhibit 10

First International Bank of Israel Ltd.

Macro Factors						
Weighted Macro Profile	**Strong -**	**100%**				

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.5%	aa3	↓↓	baa2	Sector concentration	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	10.9%	ba2	↔	ba1	Recognition of risk-weighted assets	
Profitability						
Net Income / Tangible Assets	0.9%	baa3	↔	baa3	Expected Trend	
Combined Solvency Score		baa1		baa3		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	32.4%	baa3	↓	ba1	Market funding quality	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	35.3%	a3	↔	a1	Quality of liquid assets	
Combined Liquidity Score		baa2		baa1		
Financial Profile		baa1		baa2		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				0		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa1		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	baa1	0	Baa1	Baa1
Counterparty Risk Assessment	1	0	baa1 (cr)	0	Baa1(cr)	
Deposits	0	0	baa2	1	Baa1	Baa1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 11

Category	Moody's Rating
FIRST INTERNATIONAL BANK OF ISRAEL LTD.	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)

Source: Moody's Ratings

Endnotes

1 House prices reached historical highs in early 2025, but have declined 3% since then based on data from Israel's Central Bureau of Statistics.

2 FIBI has a long CPI position because of CPI-linked mortgages, which is partly offset by CPI-linked liabilities. Therefore the bank benefits when inflation is higher.

REPORT NUMBER 1471285

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454