



[Press release](#)

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First International Bank of Israel Presents First Quarter 2019 Results

Tel Aviv, Israel – May 28, 2019. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the first quarter of 2019.

First Quarter 2019 Highlights

- 33.6% growth year-over-year in net earnings, amounting to NIS 183 million
- Return on equity: 9.3%
- Earnings from financing operations increased by 9.1% year-over-year
- Credit extended to the public increased by 2.4% in the quarter and by 5.4% over the previous year
- Ratio of Tier I equity to risk weighted assets: 10.53%

Profitability

Net profit at the First International Bank Group increased by 33.6%, compared with the first quarter of last year, and amounted to NIS 183 million. Return on equity was 9.3%. After elimination of non-recurring impacts (the expense provision related to the merger with Otsar Hachayal which amounted to NIS 4 million), the Bank return on equity was 9.5%.

Growth

Profit from financing operations increased by 9.1% in comparison with the corresponding period last year, and amounted to NIS 681 million. The growth of the Group is also demonstrated through the balance sheet data, both on the credit side and on the deposits side.

Deposits of the public increased by 3.3% compared with that of the end of 2018, amounting to NIS 115,349 million. **Credit to the public, net**, increased by 2.4% compared with that of the end of 2018, amounting to NIS 86,353 million. The growth in the credit portfolio was achieved while maintaining an appropriate risk level.

Efficiency

The Bank continues to improve its efficiency in accordance with its strategic outline: the efficiency ratio improved to 67.2% as compared with a ratio of 68.4% as at the end of 2018 and 74.8% in the corresponding quarter last year.

Operating and other expenses were reduced by 8.7% as compared with the corresponding quarter last year and amounted to NIS 673 million.

The first quarter of 2019, represents the first full quarter following the merger of Otzar Hachayal Bank with and into the Bank. Within this framework, a program of early retirement of employees was implemented and is expected to continue into the coming quarters. Expenses incurred in the first quarter include settlement expenses in respect of the retirement of employees, which amounted to NIS 18 million before tax.

Financial stability and dividend distribution

The Tier I equity capital ratio was 10.53%, and **the comprehensive capital ratio** increased to 13.77%. The Bank has a dividend distribution policy of up to 50% of net earnings, and in line with this policy, the previously announced **dividend distribution** payment of NIS 105 million was made in the first quarter. The dividend yield amounted to 4.5%. The Board of Directors of the Bank resolved to distribute a new dividend in respect of the first quarter results, amounting to NIS 85 million.

Ms. Smadar Berber-Tsadik CEO of the First International Bank stated that: “The first quarter was characterized by the completion of the merger with Otzar Hachayal Bank, which took effect at the start of the year and this led to a significant structural change. The results of this process, combined with additional actions that included material early retirement plans, we expect will be reflected in efficiency improvements at the Group in the coming quarters.

“In the current quarter, the Bank continued to develop and introduce innovative digital and technological products and services. Furthermore, for the first time in the Israeli banking system, the Bank performed a foreign trade transaction using ‘blockchain’ technology, making an API (application programming interface) accessible to our business customers as part of the early adoption of ‘open banking’ principles. At the same time, we continue our development and integration of the innovative ‘advise.me’ system, which provides investment consulting in a modern way, and attracts satisfied customers at a quicker pace.”

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the three months ended		For the year ended
	2019	2018	2018
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank ⁽¹⁾	9.3%	7.2%	9.3%
Return on average assets ⁽¹⁾	0.5%	0.4%	0.5%
Ratio of equity capital tier 1	10.53%	10.05%	10.51%
Leverage ratio	5.71%	5.56%	5.76%
Liquidity coverage ratio	132%	120%	122%
Ratio of total income to average assets ⁽¹⁾	3.0%	3.0%	3.1%
Efficiency ratio	67.2%	74.8%	68.4%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	1.02%	1.02%	1.02%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.92%	0.91%	0.83%
Ratio of provision for credit losses to total impaired credit to the public	156%	162%	186%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.06%	0.08%	0.16%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.17%	0.13%	0.20%
Principal data from the statement of income			
	For the three months ended		
	2019	2018	
			NIS million
Net profit attributed to shareholders of the Bank	183		137
Interest Income, net	635		584
Expenses from credit losses	36		27
Total non-Interest income	367		401
Of which: Fees	320		338
Total operating and other expenses	673		737
Of which: Salaries and related expenses	402		446
Dismissals expenses	18		3
Primary net profit per share of NIS 0.05 par value (NIS)	1.82		1.37
Principal data from the balance sheet			
	As of		
	31.3.19	31.3.18	31.12.18
			NIS million
Total assets	136,983	132,636	134,120
of which: Cash and deposits with banks	34,108	34,481	31,303
Securities	11,338	10,471	12,595
Credit to the public, net	86,353	81,904	84,292
Total liabilities	128,445	124,566	125,707
of which: Deposits from the public	115,349	111,913	111,697
Deposits from banks	1,064	359	1,150
Bonds and subordinated capital notes	4,270	4,980	4,989
Capital attributed to the shareholders of the Bank	8,208	7,772	8,093
Additional data			
	As of		
	31.3.19	31.3.18	31.12.18
Share price (0.01 NIS)	8,642	7,390	7,860
Dividend per share (0.01 NIS)	105	95	355
Ratio of interest income, net to average assets (in %) ⁽¹⁾	1.9%	1.8%	1.9%
Ratio of fees to average assets (in %) ⁽¹⁾	0.9%	1.0%	1.0%

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME
(NIS million)

	For the three months ended March 31		For the year ended December 31
	2019 (unaudited)	2018 (unaudited)	2018 (audited)
Interest Income	727	654	3,001
Interest Expenses	92	70	515
Interest Income, net	635	584	2,486
Expenses from credit losses	36	27	166
Net Interest Income after expenses from credit losses	599	557	2,320
Non- Interest Income			
Non Interest Financing income	46	40	231
Fees	320	338	1,325
Other income	1	23	81
Total non- Interest income	367	401	1,637
Operating and other expenses			
Salaries and related expenses	402	446	1,696
Maintenance and depreciation of premises and equipment	92	96	376
Amortizations and impairment of intangible assets	23	23	91
Other expenses	156	172	656
Total operating and other expenses	673	737	2,819
Profit before taxes	293	221	1,138
Provision for taxes on profit	111	82	408
Profit after taxes	182	139	730
The bank's share in profit of equity-basis investee, after taxes	10	6	37
Net profit:			
Before attribution to non-controlling interests	192	145	767
Attributed to non-controlling interests	(9)	(8)	(34)
Attributed to shareholders of the Bank	183	137	733
			NIS
Primary profit per share attributed to the shareholders of the Bank			
Net profit per share of NIS 0.05 par value	1.82	1.37	7.31

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



Irit Izakson
Chairperson of the Board of Directors



Smadar Barber-Tsadik
Chief Executive Officer



Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 28 May, 2019

STATEMENT OF COMPREHENSIVE INCOME
(NIS million)

	For the three months ended March 31		For the year ended
	2019	2018	December 31
	(unaudited)	(unaudited)	2018 (audited)
Net profit before attribution to non-controlling interests	192	145	767
Net profit attributed to non-controlling interests	(9)	(8)	(34)
Net profit attributed to the shareholders of the Bank	183	137	733
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds (2018 - securities) to fair value, net	66	(42)	(102)
Adjustments of liabilities in respect of employee benefits ⁽¹⁾	(8)	7	37
Other comprehensive income (loss) before taxes	58	(35)	(65)
Related tax effect	(20)	11	22
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	38	(24)	(43)
Less other comprehensive income (loss) attributed to non-controlling interests	1	-	(4)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	37	(24)	(39)
Comprehensive income before attribution to non-controlling interests	230	121	724
Comprehensive income attributed to non-controlling interests	(10)	(8)	(30)
Comprehensive income attributed to the shareholders of the Bank	220	113	694

(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)

	31.3.19	31.3.18	31.12.18
	(unaudited)	(unaudited)	(audited)
Assets			
Cash and deposits with banks	34,108	34,481	31,303
Securities	11,338	10,471	12,595
Securities which were borrowed	664	637	863
Credit to the public	87,246	82,745	85,160
Provision for Credit losses	(893)	(841)	(868)
Credit to the public, net	86,353	81,904	84,292
Credit to the government	676	677	700
Investments in investee company	617	571	606
Premises and equipment	1,011	1,046	1,023
Intangible assets	231	228	239
Assets in respect of derivative instruments	941	1,189	1,399
Other assets ⁽²⁾	1,044	1,397	1,100
Assets held for sale	-	35	-
Total assets	136,983	132,636	134,120
Liabilities and Shareholders' Equity			
Deposits from the public	115,349	111,913	111,697
Deposits from banks	1,064	359	1,150
Deposits from the Government	779	749	982
Bonds and subordinated capital notes	4,270	4,980	4,989
Liabilities in respect of derivative instruments	1,021	967	1,294
Other liabilities ⁽¹⁾⁽³⁾	5,962	5,598	5,595
Total liabilities	128,445	124,566	125,707
Capital attributed to the shareholders of the Bank	8,208	7,772	8,093
Non-controlling interests	330	298	320
Total equity	8,538	8,070	8,413
Total liabilities and shareholders' equity	136,983	132,636	134,120

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 62 million and NIS 69 million and NIS 64 million at 31.3.19, 31.3.18 and 31.12.18, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 312 million and NIS 298 million and NIS 426 million at 31.3.19, 31.3.18 and 31.12.18, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 536 million and NIS 603 million and NIS 586 million at 31.3.19, 31.3.18 and 31.12.18, respectively.

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

STATEMENT OF CHANGES IN EQUITY
(NIS million)

	For the three months ended March 31, 2019 (unaudited)					
	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 principles ⁽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, after tax effect	-	37	-	37	1	38
Balance as at March 31, 2019	927	(114)	7,395	8,208	330	8,538

	For the three months ended March 31, 2018 (unaudited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive loss	Retained earnings ⁽²⁾	Total	Non-controlling interests	Total equity
Balance as at December 31, 2017 (audited)	927	(120)	6,949	7,756	290	8,046
Net profit for the period	-	-	137	137	8	145
Dividend	-	-	(95)	(95)	-	(95)
Other comprehensive loss, after tax effect	-	(24)	-	(24)	-	(24)
Temporary equity – non-controlling interest.	-	-	(2)	(2)	-	(2)
Balance as at March 31, 2018	927	(144)	6,989	7,772	298	8,070

	For the year ended December 31, 2018 (audited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive loss	Retained earnings ⁽²⁾	Total	Non-controlling interests	Total equity
Balance as at December 31, 2017	927	(120)	6,949	7,756	290	8,046
Net profit for the year	-	-	733	733	34	767
Dividend	-	-	(355)	(355)	-	(355)
Other comprehensive loss, after tax effect	-	(39)	-	(39)	(4)	(43)
Temporary equity – non-controlling interest.	-	-	(2)	(2)	-	(2)
Balance as at December 31, 2018	927	(159)	7,325	8,093	320	8,413

(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 of US banks accepted accounting principles regarding financial instruments (ASU 2016-01).

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