

**A growth of 12.9% in net earnings for the first quarter of 2017 to NIS 166 million,  
as compared to the corresponding period last year.**

**Return on equity: 9.3%**

**Growth of 6.8% in net interest income**

**Reduction of 6.3% in operating and other expenses  
and improvement of 68.8% in the efficiency ratio**

**Growth of 4.6% in credit to the public**

Growth of 6.2% in credit to private customers

Growth of 7.4% in credit to small and middle-market businesses

**Ratio of Tier 1 equity capital to risk assets: 10.12%**

**The Board of Directors of the Bank resolved on a dividend distribution  
in the amount of NIS 70 million**

Following a dividend distribution of NIS 70 million in April 2017

## Profitability and growth

**Net profit** of the First International Bank Group increased in the first quarter of 2017 by 12.9% in relation to the corresponding quarter last year, amounting to NIS 166 million. **Return on equity** reached 9.3%.

The sale of an office property in the center of Tel Aviv, used by the Bank as its Head Office, was completed in the first quarter of the year. The sale was made possible by the merger of the banks in the Group being part of the efficiency measures. The gain on the sale amounts to approximately NIS 28 million, net after tax.

The growth of the Group is demonstrated both on the **credit** side and on the **deposit** side, which increased by 4.6% and 2.3%, respectively, in comparison with the corresponding quarter last year.

The growth in the credit portfolio is noticed in the segments of operation on which the Bank focuses : a growth of 6.2% in credit to private customers (2% for the quarter), a growth of 7.4% in credit to small and middle-market businesses (growth of 3.1% in the quarter).

**Net interest income** increased by 6.8%, an increase, stemming, inter alia, from the growth in the credit portfolio.

**Expenses in respect of credit losses** amounted to NIS 34 million (a ratio of 0.18% to total credit to the public, identical to the ratio of the previous quarter), and this in comparison with income of NIS 67 recorded in the corresponding period last year, stemming from a nonrecurring change in the collective provision for credit losses due to a new accounting rule.

The decline in the **troubled credit** risk, amounting to 7.2% as compared to the corresponding quarter last year.

## Efficiency

The Bank continues to improve efficiency in accordance with the strategic outline, and a reduction is noticed in all expense items:

**Payroll and related expenses** decreased by 4.6%, **maintenance and depreciation of buildings and equipment** decreased by 6.6%, and **Other expenses** decreased by 7.6%. In total **operating and other expenses** recorded a reduction of 6.3% amounting to NIS 44 million, totaling NIS 654 million.

The gradual and consistent improvement in the **efficiency ratio** continued, decreasing to 68.8%, as compared to 77.6% in the corresponding period last year and to 73.5% at the end of 2016. The efficiency ratio, after elimination of the effect of the gains on sale of the office

property, as described above, reached 71.9%, a significant improvement in relation to the corresponding period last year

### **Financial stability**

The **capital** attributed to the shareholders of the bank continued its upwards trend, growing by 3.3%, as compared to the corresponding quarter last year and amounted to NIS 7,456 million. **The Tier I equity capital ratio** reached 10.12%, and **the comprehensive capital ratio** increased to 13.63%. The financial stability is also reflected in the ratio of deposits to credit reaching 136%, and in the liquidity coverage ratio, which reached 128%.

**Mrs. Smadar Barber-Tsadik CEO of the First International Bank Group:** "The improvement in the results of the First International Bank Group in the first quarter of the year reflects a growth outline of the core operations of the Group, which continued also in the first quarter, with an appropriate distribution of credit and proportionate risk. The Bank focused also on growing sectors, such as the ultra-orthodox population, inter alia, as a result of the merger of PAGI Bank with the First International Bank, and the private banking sector, as a result of the merger of UBank with the First International Bank. These two successful mergers enable higher efficiency and continuing growth in these leading areas. Furthermore, the trend of reduction in expenses, typifying all expense items, continued in the first quarter of the year, a trend being the result of the efficiency measures. The high capital ratios of the Bank enable both the continuing growth as well as the continuing dividend policy"

## 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>31.3.17</i>	<i>31.3.16</i>	<i>31.12.16</i> in %
<i>Execution indices</i>			
Return on equity <sup>(1)</sup>	9.3%	8.5%	7.2%
Return on assets <sup>(1)</sup>	0.5%	0.5%	0.4%
Ratio of fees to assets <sup>(1)</sup>	1.0%	1.0%	1.0%
Ratio of equity capital tier 1	10.12%	9.92%	10.09%
Leverage ratio	5.54%	5.44%	5.52%
Liquidity coverage ratio	128%	105%	123%
Efficiency ratio	68.8%	77.6%	73.5%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.05%	1.04%	1.08%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.20%	1.30%	1.02%
Ratio of provision for credit losses to total impaired credit to the public	111%	104%	147%

  

<i>Principal data from the statement of income</i>	<i>For the three months ended</i>		<i>Change</i>
	<i>31.3.17</i>	<i>31.3.16</i>	
	NIS million		%
Net profit attributed to shareholders of the Bank	166	147	12.9%
Interest Income, net	562	526	6.8%
Expenses (income) from credit losses	34	(67)	
Total non Interest income	388	373	4.0%
Of which: Fees	334	327	2.1%
Total operating and other expenses	654	698	(6.3%)
Of which: Salaries and related expenses	414	434	(4.6%)
Primary net profit per share of NIS 0.05 par value (NIS)	1.65	1.46	13.0%

  

<i>Principal data from the balance sheet</i>	<i>As of</i>			<i>Change vs.</i>	
	<i>31.3.17</i>	<i>31.3.16</i>	<i>31.12.16</i>	<i>31.3.16</i>	<i>31.12.16</i>
	NIS million				%
Total assets	128,518	126,608	127,907	1.5%	0.5%
of which: Cash and deposits with banks	30,255	29,336	29,150	3.1%	3.8%
Securities	14,675	16,599	15,776	(11.6%)	(7.0%)
Credit to the public, net	77,993	74,534	77,328	4.6%	0.9%
Total liabilities	120,442	118,800	119,973	1.4%	0.4%
of which: Deposits from banks	716	1,624	755	(55.9%)	(5.2%)
Deposits from the public	106,198	103,853	105,817	2.3%	0.4%
Bonds and subordinated capital notes	5,575	5,697	5,801	(2.1%)	(3.9%)
Capital attributed to the shareholders of the Bank	7,456	7,216	7,321	3.3%	1.8%

  

<i>Additional data</i>	<i>As of</i>		
	<i>31.3.17</i>	<i>31.3.16</i>	<i>31.12.16</i>
Share price (0.01 NIS)	5,895	4,657	5,650
Dividend per share (NIS)	0.70	-	1.99

(1) Annualized.

## CONSOLIDATED STATEMENT OF INCOME

(NIS million)

		For the three months ended March 31		For the year Ended December 31
	NOTE	2017 (unaudited)	2016 (unaudited)	2016 (audited)
Interest Income	2	640	547	2,526
Interest Expenses	2	78	21	357
Interest Income, net		562	526	2,169
Expenses (income) from credit losses	6,12	34	(67)	80
Net Interest Income after expenses from credit losses		528	593	2,089
<i>Non Interest Income</i>				
Non Interest Financing income	3	12	34	115
Fees		334	327	1,300
Other income		42	12	65
Total non Interest income		388	373	1,480
<i>Operating and other expenses</i>				
Salaries and related expenses		414	434	1,656
Maintenance and depreciation of premises and equipment		99	106	409
Amortizations and impairment of intangible assets		23	31	116
Other expenses		118	127	502
Total operating and other expenses		654	698	2,683
Profit before taxes		262	268	886
Provision for taxes on profit		97	118	398
Profit after taxes		165	150	488
The bank's share in profit of equity-basis investee, after taxes		10	10	72
<i>Net profit:</i>				
Before attribution to noncontrolling interests		175	160	560
Attributed to noncontrolling interests		(9)	(13)	(39)
Attributed to shareholders of the Bank		166	147	521
				NIS
<i>Primary profit per share attributed to the shareholders of the Bank</i>				
Net profit per share of NIS 0.05 par value		1.65	1.46	5.19

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, 23 May, 2017

## STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2017	2016	2016
	(unaudited)	(unaudited)	(audited)
Net profit before attribution to noncontrolling interests	175	160	560
Net profit attributed to noncontrolling interests	(9)	(13)	(39)
Net profit attributed to the shareholders of the Bank	166	147	521
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale securities to fair value, net	32	20	14
Adjustments from translation of financial statements <sup>(1)</sup> net after the effect of hedges <sup>(2)</sup>	-	-	(3)
Adjustments of liabilities in respect of employee benefits <sup>(3)</sup>	24	(39)	(131)
Other comprehensive income (loss) before taxes	56	(19)	(120)
Related tax effect	(19)	6	38
Other comprehensive income (loss) before attribution to noncontrolling interests, after taxes	37	(13)	(82)
Less other comprehensive loss (income) attributed to noncontrolling interests	(2)	-	10
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	35	(13)	(72)
Comprehensive income before attribution to noncontrolling interests	212	147	478
Comprehensive income attributed to noncontrolling interests	(11)	(13)	(29)
Comprehensive income attributed to the shareholders of the Bank	201	134	449

(1) Adjustments from translation of financial statements of foreign operations which their currency of operations is different from the currency of operation of the Bank.

(2) Hedges-gains (losses) regarding the hedging of investment in foreign currency.

(3) 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)

		31.3.17	31.3.16	31.12.16
	NOTE	(unaudited)	(unaudited)	(audited)
<b>Assets</b>				
Cash and deposits with banks		30,255	29,336	29,150
Securities	5	14,675	16,599	15,776
Securities which were borrowed		492	726	414
Credit to the public	6,12	78,820	75,321	78,175
Provision for Credit losses	6,12	(827)	(787)	(847)
Credit to the public, net		77,993	74,534	77,328
Credit to the government		648	645	654
Investments in investee company		518	450	514
Premises and equipment		1,113	1,206	1,133
Intangible assets		240	255	243
Assets in respect of derivative instruments	10	1,340	1,872	1,332
Other assets <sup>(2)</sup>		1,002	985	1,020
Assets held for sale		242	-	343
<b>Total assets</b>		<b>128,518</b>	<b>126,608</b>	<b>127,907</b>
<b>Liabilities, temporary equity and Shareholders' Equity</b>				
Deposits from the public	7	106,198	103,853	105,817
Deposits from banks		716	1,624	755
Deposits from the Government		593	669	570
Bonds and subordinated capital notes		5,575	5,697	5,801
Liabilities in respect of derivative instruments	10	1,447	2,041	1,356
Other liabilities <sup>(1)(3)</sup>		5,222	4,916	4,929
Liabilities held for sale		691	-	745
<b>Total liabilities</b>		<b>120,442</b>	<b>118,800</b>	<b>119,973</b>
Temporary equity - noncontrolling interests		331	323	330
Capital attributed to the shareholders of the Bank		7,456	7,216	7,321
Noncontrolling interests		289	269	283
<b>Total equity</b>		<b>7,745</b>	<b>7,485</b>	<b>7,604</b>
<b>Total liabilities, temporary equity and shareholders' equity</b>		<b>128,518</b>	<b>126,608</b>	<b>127,907</b>

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 67 million and NIS 56 million and NIS 71 million at 31.3.17, 31.3.16 and 31.12.16, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 375 million and NIS 261 million and NIS 238 million at 31.3.17, 31.3.16 and 31.12.16, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 690 million and NIS 444 million and NIS 491 million at 31.3.17, 31.3.16 and 31.12.16, 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, 2017 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance at the beginning of the year (audited)	927	(177)	6,571	7,321	283	7,604
Net profit for the period	-	-	166	166	6	172
Dividend	-	-	(70)	(70)	-	(70)
Other comprehensive income, after tax effect	-	35	-	35	-	35
Temporary equity - noncontrolling interest.	-	-	4	4	-	4
Balance as at March 31, 2017	927	(142)	6,671	7,456	289	7,745

	<i>For the three months ended March 31, 2016 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance at the beginning of the year (audited)	927	(105)	6,251	7,073	264	7,337
Net profit for the period	-	-	147	147	5	152
Other comprehensive loss, after tax effect	-	(13)	-	(13)	-	(13)
Temporary equity - noncontrolling interest.	-	-	9	9	-	9
Balance as at March 31, 2016	927	(118)	6,407	7,216	269	7,485

	<i>For the year ended December 31, 2016 (audited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance at the beginning of the year	927	(105)	6,251	7,073	264	7,337
Net profit for the year	-	-	521	521	21	542
Dividend	-	-	(200)	(200)	-	(200)
Other comprehensive loss, after tax effect	-	(72)	-	(72)	(2)	(74)
Temporary equity - noncontrolling interest.	-	-	(1)	(1)	-	(1)
Balance as at December 31, 2016	927	(177)	6,571	7,321	283	7,604

(1) Including share premium of NIS 313 million (as from 1992 onwards).

(2) Including an amount of NIS 2,391 million which can not be distributed as dividend.

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