

Press release

August 15, 2018

First International Bank of Israel Presents Second Quarter 2018 Results

Highlights of the Second Quarter & First Half of 2018

- Net profit of NIS 219 million for the quarter, growth of 45% year-over-year;
- Return on equity for the quarter: 11.7%;
- Net profit of NIS 356 million for the first half of 2018, growth of 12.3% over the first half of last year;
- Return on equity for the first half of the year: 9.3%;
- Growth of 9.5% year-over-year in financing income from current operations for the quarter;
- The efficiency ratio improved: 68.8% in the first half of 2018, versus 69.2% in the corresponding period last year;
- The ratio of Tier I equity capital to risk assets amounted to 10.10%;
- The comprehensive capital ratio amounted to 13.35%;

Management Comment

Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group: "The results of the First International Group for the first half of 2018 reflect the ongoing implementation of the Bank's strategy over the past number of quarters. It shows continued growth while focusing on the target markets of the Bank, combined with consistent and gradual implementation of efficiency measures. Our growth was driven by the combination of the Bank's high level of professionalism and service, built on technological and digital progress. Furthermore, the Bank strictly maintains a high level of financial stability by holding extensive capital cushions as well as high quality assets."

Summary of the Results

Profitability

The financial results for the **second quarter** of 2018 reflected a **net profit** of NIS 219 million, a growth of 45% as compared with the corresponding quarter last year. **Return on equity** reached 11.7%.

After elimination of items of a nonrecurring nature, as detailed in the table presented below, net profit recorded growth of 27.8% and return on equity reached 10.2%, in comparison with 8.3% for the corresponding quarter of last year.

Net profit for the first half of 2018 amounted to NIS 356 million, representing growth of 12.3%. After elimination of items of a nonrecurring nature, as detailed in the Table presented below, net profit amounted to NIS 362 million, a growth of 25.3% over the corresponding half of last year.

Return on equity in the first half of the year amounted to 9.3%, and with the elimination of the items stated below – amounted to 9.5% in comparison to 8% in the corresponding period last year.

Table: Profitability after elimination of items of a nonrecurring nature

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	In NIS millions			
Net profit attributed to shareholders of the Bank – as reported	219	151	356	317
With the elimination of:				
Gain on sale of the building in Switzerland	-	-	(13)	-
Gain of sale of rights of Otzar Hachayal in the building serving its Management	(33)	-	(33)	-
Gain on sale of an office building in Tel Aviv	-	-	-	(28)
Provision for an award claim by employees	-	-	29	-
Provision for efficiency measures at a consolidated subsidiary	7	-	23	-
Net profit attributed to shareholders of the Bank after elimination of the above items	<u>193</u>	<u>151</u>	<u>362</u>	<u>289</u>
Return on equity	10.2%	8.3%	9.5%	8.0

Growth

Financing profit from current operations (net interest income and non-interest financing income) increased in the second quarter of 2018 by 9.5% in comparison with the corresponding quarter last year, and amounted to NIS 647 million, as a result of the growth in volume of operations.

Credit to the public as of June 30, 2018 was NIS 82,951 million, 4.8% higher than that of the corresponding date last year, 3.2% higher than that of December 31, 2017 and 1.3% higher than that of March 31, 2018.

The growth in credit was marked by the continuing spread of credit, and growth was mainly noted in the following credit segments (in relation to that of June 30, 2017):

- *Households and private banking* 9.7% (4.5% in the first half of the year)
- *Middle market businesses* 10.5% (3.6% in the first half of the year)
- *Small businesses* 8.2% (7.1% in the first half of the year)

Customer asset portfolio (deposits and securities) as of June 30, 2018, amounted to NIS 440 billion, 13% higher than that of the corresponding date last year.

Efficiency and Stability

The efficiency ratio improved to 68.8% in the first half of 2018, compared with 69.5% in the corresponding period in 2017.

Equity attributed to the shareholders of the Bank, continued its upward trend, reaching NIS 7,961 million as of June 30, 2018, 5.3% higher than that of June 30, 2017.

The ratio of **Tier I equity capital** reached 10.10%, and the ratio of **comprehensive capital** reached 13.35%.

The Board of Directors of the Bank resolved on a **dividend distribution** of NIS 100 million.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>For the six months ended</i>		<i>For the year ended</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>in %</i>		
<i>Execution indices</i>			
Return on equity ⁽¹⁾	9.3%	8.7%	9.1%
Return on assets ⁽¹⁾	0.5%	0.5%	0.5%
Ratio of equity capital tier 1	10.10%	10.25%	10.38%
Leverage ratio	5.61%	5.63%	5.50%
Liquidity coverage ratio	118%	125%	123%
Efficiency ratio	68.8%	69.2%	69.5%
Efficiency ratio excluding certain components (see below)	67.0%	70.8%	70.0%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.03%	1.06%	1.03%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.93%	1.20%	0.95%
Ratio of provision for credit losses to total impaired credit to the public	165%	112%	155%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.11%	0.23%	0.18%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.20%	0.22%	0.15%

<i>Principal data from the statement of income</i>	<i>For the six months ended</i>	
	<i>2018</i>	<i>2017</i>
	<i>NIS million</i>	
Net profit attributed to shareholders of the Bank	356	317
Interest Income, net	1,199	1,145
Expenses from credit losses	81	87
Total non-Interest income	825	739
Of which: Fees	663	651
Total operating and other expenses	*1,392	1,304
Of which: Salaries and related expenses	*835	797
Primary net profit per share of NIS 0.05 par value (NIS)	3.55	3.16

* Including provision in respect of claims by the Bank employees for an award, following the implications of a court verdict regarding the claim by the representative committee of managers.

<i>Principal data from the balance sheet</i>			<i>As of</i>
	<i>30.6.18</i>	<i>30.6.17</i>	<i>31.12.17</i>
	<i>NIS million</i>		
Total assets	134,254	128,836	135,717
of which: Cash and deposits with banks	33,090	30,969	39,186
Securities	11,919	13,047	10,238
Credit to the public, net	82,951	79,119	80,378
Total liabilities	125,989	120,661	127,333
of which: Deposits from banks	460	746	1,133
Deposits from the public	112,555	107,280	113,511
Bonds and subordinated capital notes	5,012	5,070	5,249
Capital attributed to the shareholders of the Bank	7,961	7,563	7,756

<i>Additional data</i>			<i>As of</i>
	<i>30.6.18</i>	<i>30.6.17</i>	<i>31.12.17</i>
	<i>NIS million</i>		
Share price (0.01 NIS)	7,635	6,326	7,202
Dividend per share (NIS)	155	140	310
Ratio of fees to assets (in %) ⁽¹⁾	1.0%	1.0%	1.0%

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME
(NIS million)

	NOTE	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
		2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)	2017 (audited)
Interest Income	2	819	753	1,473	1,393	2,704
Interest Expenses	2	204	170	274	248	402
Interest Income, net		615	583	1,199	1,145	2,302
Expenses from credit losses	6,12	54	53	81	87	121
Net Interest Income after expenses from credit losses		561	530	1,118	1,058	2,181
Non- Interest Income						
Non Interest Financing income	3	47	21	87	33	83
Fees		325	317	663	651	1,305
Other income		52	13	75	55	62
Total non- Interest income		424	351	825	739	1,450
<i>Operating and other expenses</i>						
Salaries and related expenses		389	*394	835	*797	*1,579
Maintenance and depreciation of premises and equipment		94	94	190	193	380
Amortizations and impairment of intangible assets		22	22	45	45	94
Other expenses		150	*140	322	*269	*554
Total operating and other expenses		655	650	1,392	1,304	2,607
Profit before taxes		330	231	551	493	1,024
Provision for taxes on profit		117	86	199	183	358
Profit after taxes		213	145	352	310	666
The bank's share in profit of equity-basis investee, after taxes		13	16	19	26	54
<i>Net profit:</i>						
Before attribution to noncontrolling interests		226	161	371	336	720
Attributed to noncontrolling interests		(7)	(10)	(15)	(19)	(42)
Attributed to shareholders of the Bank		219	151	356	317	678
						NIS
<i>Primary profit per share attributed to the shareholders of the Bank</i>						
Net profit per share of NIS 0.05 par value		2.18	1.51	3.55	3.16	6.76

(2) * Restated in view of the application of amendment No. 2017-07 of the Codification, regarding improvement of the presentation of pension and other post-retirement benefits. See also Note 1D.3 below.

(3)

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


Irit Izaks
Chairperson of the Board of Directors


Smadar Barber-Tsadik
Chief Executive Officer


Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 14 August, 2018

STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾
(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2018	2017	2018	2017	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to noncontrolling interests	226	161	371	336	720
Net profit attributed to noncontrolling interests	(7)	(10)	(15)	(19)	(42)
Net profit attributed to the shareholders of the Bank	219	151	356	317	678
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale securities to fair value, net	(28)	33	(70)	65	90
Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾	-	-	-	-	4
Adjustments of liabilities in respect of employee benefits ⁽³⁾	71	10	78	34	1
Other comprehensive income before taxes	43	43	8	99	95
Related tax effect	(14)	(16)	(3)	(35)	(35)
Other comprehensive income before attribution to noncontrolling interests, after taxes	29	27	5	64	60
Less other comprehensive income (loss) attributed to noncontrolling interests	(1)	1	(1)	3	3
Other comprehensive income attributed to the shareholders of the Bank, after taxes	30	26	6	61	57
Comprehensive income before attribution to noncontrolling interests	255	188	376	400	780
Comprehensive income attributed to noncontrolling interests	(6)	(11)	(14)	(22)	(45)
Comprehensive income attributed to the shareholders of the Bank	249	177	362	378	735

See note 4.

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

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

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)

		June 30,		December
		2018	2017	31,
	NOTE	(unaudited)	(unaudited)	2017
				(audited)
<i>Assets</i>				
Cash and deposits with banks		33,090	30,969	39,186
Securities	5	11,919	13,047	10,238
Securities which were borrowed		550	903	813
Credit to the public	6,12	83,811	79,964	81,216
Provision for Credit losses	6,12	(860)	(845)	(838)
Credit to the public, net		82,951	79,119	80,378
Credit to the government		681	646	675
Investments in investee company		585	535	565
Premises and equipment		1,031	1,105	1,095
Intangible assets		227	232	235
Assets in respect of derivative instruments	10	1,263	1,295	1,342
Other assets ⁽²⁾		1,950	968	1,186
Assets held for sale		7	17	4
Total assets		134,254	128,836	135,717
<i>Liabilities, temporary equity and Shareholders' Equity</i>				
Deposits from the public	7	112,555	107,280	113,511
Deposits from banks		460	746	1,133
Deposits from the Government		613	1,038	960
Bonds and subordinated capital notes		5,012	5,070	5,249
Liabilities in respect of derivative instruments	10	1,124	1,341	1,318
Other liabilities ⁽¹⁾⁽³⁾		6,225	5,170	5,162
Liabilities held for sale		-	16	-
Total liabilities		125,989	120,661	127,333
Temporary equity – non-controlling interests		-	336	338
Capital attributed to the shareholders of the Bank		7,961	7,563	7,756
Noncontrolling interests		304	276	290
Total equity		8,265	7,839	8,046
Total liabilities, temporary equity and shareholders' equity		134,254	128,836	135,717

(5)

(6) (1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 74 million and NIS 69 million and NIS 61 million at 30.6.18, 30.6.17 and 31.12.17, respectively.

(7) (2) Of which: other assets measured at fair value in the amount of NIS 1,289 million and NIS 341 million and NIS 423 million at 30.6.18, 30.6.17 and 31.12.17, respectively.

(8) (3) Of which: other liabilities measured at fair value in the amount of NIS 1,485 million and NIS 577 million and NIS 521 million at 30.6.18, 30.6.17 and 31.12.17, respectively.

(9)

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

(11)

STATEMENT OF CHANGES IN EQUITY
(NIS million)

	<i>For the three months ended June 30, 2018 (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 as of March 31, 2018 (unaudited)	927	(144)	6,989	7,772	298	8,070
Net profit for the period	-	-	219	219	7	226
Dividend	-	-	(60)	(60)	-	(60)
Other comprehensive income (loss), after tax effect	-	30	-	30	(1)	29
Balance as at June 30, 2018 (12)	927	(114)	7,148	7,961	304	8,265

	<i>For the three months ended June 30, 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 as of March 31, 2017 (unaudited)	927	(142)	6,671	7,456	289	7,745
Net profit for the period	-	-	151	151	6	157
Dividend	-	-	(70)	(70)	(20)	(90)
Other comprehensive income, after tax effect	-	26	-	26	1	27
Balance as at June 30, 2017	927	(116)	6,752	7,563	276	7,839

	<i>For the six months ended June 30, 2018 (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	(120)	6,949	7,756	290	8,046
Net profit for the period	-	-	356	356	15	371
Dividend	-	-	(155)	(155)	-	(155)
Other comprehensive income (loss), after tax effect	-	6	-	6	(1)	5
Temporary equity – non-controlling interest.	-	-	(2)	(2)	-	(2)
Balance as at June 30, 2018	927	(114)	7,148	7,961	304	8,265

	<i>For the six months ended June 30, 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	-	-	317	317	12	329
Dividend	-	-	(140)	(140)	(20)	(160)
Other comprehensive income, after tax effect	-	61	-	61	1	62
Temporary equity – non-controlling interest.	-	-	4	4	-	4
Balance as at June 30, 2017	927	(116)	6,752	7,563	276	7,839

STATEMENT OF CHANGES IN EQUITY (CONT'D)
(NIS million)

	<i>For the year ended December 31, 2017 (audited)</i>					
	<i>Share capital and premium (1)</i>	<i>Accumulated other comprehen- sive income (loss)</i>	<i>Retaine d earnings (2)</i>	<i>Total share- holders' equity</i>	<i>Non- controll- ing interests</i>	<i>Total equity</i>
Balance at the beginning of the year	927	(177)	6,571	7,321	283	7,604
Net profit for the year	-	-	678	678	26	704
Dividend	-	-	(310)	(310)	(20)	(330)
Other comprehensive income, after tax effect	-	57	-	57	1	58
Temporary equity – non-controlling interest.	-	-	10	10	-	10
Balance as at December 31, 2017	927	(120)	6,949	7,756	290	8,046

(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.

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