

First International Bank of Israel Presents Third Quarter 2018 Results

Tel Aviv, Israel – November 21, 2018. First International Bank of Israel (TASE: FTIN) one of Israel's major banking groups, today announced its results for the third quarter and first nine month period, ending September 30, 2018.

Financial Highlights

- Net earnings of NIS 212 million in the third quarter of 2018, a year over year increase of 4.4%;
- Return on equity for the quarter of 11.1%, excluding certain non recurring items (see tables below)- 9.2%;
- Net earnings of NIS 568 million in the first nine months of the year, an increase of 9.2%;
- Return on equity of 9.8% in the first nine months of the year
- 12.2% year-over-year growth in interest income from ongoing operation in the third quarter;
- 3.1% growth in credit to the public in the third quarter of the year, and 6.5% growth compared with the same period last year;
- Efficiency ratio improved to 67.7% compared with 69.1% in the same period last year;
- Ratio of Tier I equity capital to risk weighted assets: 10.39%;
- The comprehensive capital ratio amounted to 13.80%;

Management Comment

Ms. Smadar Berber-Tsadik CEO of the First International Bank Group stated: "The results of the Bank for the quarter reflect the continuation of a trend we have seen over a long period: the trend of growth in activities and in income, while maintaining the financial stability of the Bank. In the quarter, the Board of Directors decided to fully integrate Otzar Hachayal Bank, while maintaining its strong and long-standing brand, with all its values and content, and maintaining its network of branches. The Bank also successfully carried out a voluntary retirement program. The cost of these initiatives, which we recognized in the current quarter, is in effect investment for the future, of which its benefits will be enjoyed in the future."

Summary of the Results

Profitability

Net earnings of the First International Bank Group in the first nine months of the year amounted to NIS 568 million, a growth of 9.2% in comparison with the corresponding period last year. **Return on equity** reached 9.8% in the period.

With the elimination of certain items (refer to the table below), net earnings in the nine-month period would have totaled NIS 510 million, showing growth of 10.9% with return on equity of 8.8%.

In the third quarter, net earnings totaled NIS 212 million, a growth of 4.4% in comparison with the corresponding quarter last year. **Return on equity** for the quarter reached 11.1%. With the elimination of certain items (refer to the table below), net earnings in the period would have totaled NIS 178 million, showing growth of 4.1% with return on equity of 9.2%.

Profitability with the elimination of certain items (in NIS millions)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net earnings attributed to the shareholders of the Bank, as reported	212	203	568	520
Eliminated items:				
Gain on sale of buildings of subsidiaries	-	-	(46)	-
Gain on sale of the Stock Exchange shares	(65)	-	(65)	-
Gain on sale of an office building in Tel Aviv-	-	-	-	(28)
Provision for merger expenses of Otzar Hachayal	31	-	53	-
Tax income of prior years	-	(32)	-	(32)
Net earnings attributed to the shareholders of the Bank after elimination of above items	<u>178</u>	<u>171</u>	<u>510</u>	<u>460</u>
Return on equity	9.2%	9.3%	8.8%	8.3%

Growth

Financing income from current operations (net interest income and non-interest financing income) in the third quarter of the year, increased by 12.2% year-over-year, and reached NIS 662 million. The growth was primarily due to the growth in the volume of operations.

Credit to the public as of September 30, 2018 totaled NIS 85,484 million, a growth of 6.5% in relation to September 30, 2017.

The growth in credit is marked by the continuing distribution in credit and is mainly noted in growth in the following credit segments:

- Households and private banking - 7.4%
- Small and middle market businesses - 5.1%
- Large businesses - 2.8%

In the third quarter (compared with that of June 30, 2018) credit to the public grew by 3.1%.

Customer asset portfolio (average balances of deposits and securities) amounted to NIS 445 billion as of September 30, 2018 an increase of 12% in relation to that of September 30, 2017.

Efficiency and Financial Stability

The efficiency ratio improved reaching 67.7% in the first nine months of the year, compared with 69.1% in the corresponding period last year. In the third quarter of the year, the efficiency ratio was 66%.

In the first nine months of the year, the Bank provided the full provision- in the amount of NIS 82 million, in respect of merger expenses with Otzar Hachayal Bank (of which NIS 48 million were provided for in the third quarter). An additional amount of NIS 82 million was provided in respect of awards to employees, mainly in connection with early retirement plans. This expenditure is expected to contribute to the efficiency of the Bank in the future.

The increasing trend related to the **capital attributed to the shareholders** of the Bank continues, and amounted to NIS 8,096 million, growing by 4.4% in comparison to that at the end of 2017.

The ratio of the **Tier I equity capital** reached 10.39% and the **comprehensive capital** ratio reached 13.80%

Dividend Distribution to Shareholders

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

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended September 30		For the year ended December 31
	2018	2017	2017
			in %
Execution indices			
Return on equity ⁽¹⁾	9.8%	9.4%	9.1%
Return on assets ⁽¹⁾	0.6%	0.5%	0.5%
Ratio of equity capital tier 1	10.39%	10.32%	10.38%
Leverage ratio	5.63%	5.69%	5.50%
Liquidity coverage ratio	123%	122%	123%
Efficiency ratio	67.7%	69.1%	69.5%
Efficiency ratio excluding certain components	68.2%	70.1%	70.0%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	1.02%	1.05%	1.03%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.85%	0.95%	0.92%
Ratio of provision for credit losses to total impaired credit to the public	177%	150%	155%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.12%	0.16%	0.18%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.21%	0.16%	0.15%
Principal data from the statement of income			
	For the nine months ended September 30,		
	2018	2017	
			NIS million
Net profit attributed to shareholders of the Bank	568	520	
Interest Income, net	1,833	1,710	
Expenses from credit losses	130	96	
Total non-Interest income	1,257	1,104	
Of which: Fees	985	972	
Total operating and other expenses	2,093	1,944	
Of which: Salaries and related expenses	1,241	1,184	
Primary net profit per share of NIS 0.05 par value (NIS)	5.66	5.18	
Principal data from the balance sheet			
	As of		
	30.9.18	30.9.17	31.12.17
			NIS million
Total assets	135,851	129,888	135,717
of which: Cash and deposits with banks	32,835	33,205	39,186
Securities	11,880	10,590	10,238
Credit to the public, net	85,484	80,236	80,378
Total liabilities	127,441	121,563	127,333
of which: Deposits from banks	857	782	1,133
Deposits from the public	113,804	108,394	113,511
Bonds and subordinated capital notes	5,155	5,230	5,249
Capital attributed to the shareholders of the Bank	8,096	7,706	7,756
Additional data			
	As of		
	30.9.18	30.9.17	31.12.17
Share price (0.01 NIS)	8,209	6,599	7,202
Dividend per share (NIS)	255	210	310
Ratio of fees to assets (in %) ⁽¹⁾	1.0%	1.0%	1.0%

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME
(NIS million)

		For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	NOTE	2018	2017	2018	2017	2017
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	756	615	2,229	2,008	2,704
Interest Expenses	2	122	50	396	298	402
Interest Income, net		634	565	1,833	1,710	2,302
Expenses from credit losses	6,12	49	9	130	96	121
Net Interest Income after expenses from credit losses		585	556	1,703	1,614	2,181
<i>Non- Interest Income</i>						
Non-Interest Financing income	3	108	38	195	71	83
Fees		322	321	985	972	1,305
Other income		2	6	77	61	62
Total non- Interest income		432	365	1,257	1,104	1,450
<i>Operating and other expenses</i>						
Salaries and related expenses		406	*387	1,241	*1,184	*1,579
Maintenance and depreciation of premises and equipment		95	94	285	287	380
Amortizations and impairment of intangible assets		22	24	67	69	94
Other expenses		178	*135	500	*404	*554
Total operating and other expenses		701	640	2,093	1,944	2,607
Profit before taxes		316	281	867	774	1,024
Provision for taxes on profit		103	78	302	261	358
Profit after taxes		213	203	565	513	666
The bank's share in profit of equity-basis investee, after taxes		9	12	28	38	54
<i>Net profit:</i>						
Before attribution to non-controlling interests		222	215	593	551	720
Attributed to non-controlling interests		(10)	(12)	(25)	(31)	(42)
Attributed to shareholders of the Bank		212	203	568	520	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		2.11	2.01	5.66	5.18	6.76

* 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.

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, 20 November, 2018

STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾
(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2018	2017	2018	2017	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	222	215	593	551	720
Net profit attributed to non-controlling interests	(10)	(12)	(25)	(31)	(42)
Net profit attributed to the shareholders of the Bank	212	203	568	520	678
Other comprehensive income before taxes:					
Adjustments of available for sale securities to fair value, net	22	18	(48)	83	90
Adjustments from translation of financial statements ⁽²⁾ net after the effect of hedges ⁽³⁾	-	-	-	-	4
Adjustments of liabilities in respect of employee benefits ⁽⁴⁾	13	(9)	91	25	1
Other comprehensive income before taxes	35	9	43	108	95
Related tax effect	(12)	(3)	(15)	(38)	(35)
Other comprehensive income before attribution to non-controlling interests, after taxes	23	6	28	70	60
Less other comprehensive income (loss) attributed to non-controlling interests	-	-	(1)	3	3
Other comprehensive income attributed to the shareholders of the Bank, after taxes	23	6	29	67	57
Comprehensive income before attribution to non-controlling interests	245	221	621	621	780
Comprehensive income attributed to non-controlling interests	(10)	(12)	(24)	(34)	(45)
Comprehensive income attributed to the shareholders of the Bank	235	209	597	587	735

(1) See note 4.

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

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

(4) 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)

		September 30,		December 31,
		2018	2017	2017
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		32,835	33,205	39,186
Securities	5	11,880	10,590	10,238
Securities which were borrowed		904	895	813
Credit to the public	6,12	86,367	81,091	81,216
Provision for Credit losses	6,12	(883)	(855)	(838)
Credit to the public, net		85,484	80,236	80,378
Credit to the government		672	652	675
Investments in investee company		596	549	565
Premises and equipment		1,025	1,097	1,095
Intangible assets		223	226	235
Assets in respect of derivative instruments	10	1,009	1,203	1,342
Other assets ⁽²⁾		1,223	1,235	1,186
Assets held for sale		-	-	4
Total assets		135,851	129,888	135,717
Liabilities, temporary equity and Shareholders' Equity				
Deposits from the public	7	113,804	108,394	113,511
Deposits from banks		857	782	1,133
Deposits from the Government		948	846	960
Bonds and subordinated capital notes		5,155	5,230	5,249
Liabilities in respect of derivative instruments	10	942	1,160	1,318
Other liabilities ⁽¹⁾⁽³⁾		5,735	5,151	5,162
Total liabilities		127,441	121,563	127,333
Temporary equity – non-controlling interests		-	336	338
Capital attributed to the shareholders of the Bank		8,096	7,706	7,756
Non-controlling interests		314	283	290
Total equity		8,410	7,989	8,046
Total liabilities, temporary equity and shareholders' equity		135,851	129,888	135,717

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 68 million and NIS 64 million and NIS 61 million at 30.9.18, 30.9.17 and 31.12.17, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 392 million and NIS 319 million and NIS 423 million at 30.9.18, 30.9.17 and 31.12.17, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 720 million and NIS 607 million and NIS 521 million at 30.9.18, 30.9.17 and 31.12.17, respectively.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended September 30, 2018 (unaudited)					
	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 June 30, 2018	927	(114)	7,148	7,961	304	8,265
Net profit for the period	-	-	212	212	10	222
Dividend	-	-	(100)	(100)	-	(100)
Other comprehensive income, after tax effect	-	23	-	23	-	23
Balance as at September 30, 2018	927	(91)	7,260	8,096	314	8,410

	For the three months ended September 30, 2017 (unaudited)					
	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 June 30, 2017	927	(116)	6,752	7,563	276	7,839
Net profit for the period	-	-	203	203	7	210
Dividend	-	-	(70)	(70)	-	(70)
Other comprehensive income, after tax effect	-	6	-	6	-	6
Temporary equity – non-controlling interests	-	-	4	4	-	4
Balance as at September 30, 2017	927	(110)	6,889	7,706	283	7,989

	For the nine months ended September 30, 2018 (unaudited)					
	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	-	-	568	568	25	593
Dividend	-	-	(255)	(255)	-	(255)
Other comprehensive income (loss), after tax effect	-	29	-	29	(1)	28
Temporary equity – non-controlling interests	-	-	(2)	(2)	-	(2)
Balance as at September 30, 2018	927	(91)	7,260	8,096	314	8,410

	For the nine months ended September 30, 2017 (unaudited)					
	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	-	-	520	520	19	539
Dividend	-	-	(210)	(210)	(20)	(230)
Other comprehensive income, after tax effect	-	67	-	67	1	68
Temporary equity – non-controlling interests	-	-	8	8	-	8
Balance as at September 30, 2017	927	(110)	6,889	7,706	283	7,989

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 comprehensive income (loss)</i>	<i>Retained earnings (2)</i>	<i>Total share-holders' equity</i>	<i>Non-controlling 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 interests	-	-	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.