

Press Release

August 13, 2019

## **First International Bank of Israel Presents Second Quarter 2019 Results**

**Tel Aviv, Israel – August, 13, 2019. First International Bank of Israel (TASE: FIBI)** one of Israel's major banking groups, today announced its results for the second quarter and first half of 2019.

### **Financial Highlights**

- Second quarter net earnings of NIS 224 million, a growth of 2.3% year-over-year and return on equity of 11.3%
- First half 2019 net earnings of NIS 407 million, a growth of 14.3% year-over-year and return on equity of 10.2%;
- First half 2019 earnings from financing operations increased by 9.8% to NIS 1,412 million;
- Annual growth of 4.1% in the average balance of credit extended to the public;
- Tier I equity to risk weighted assets: 10.86%;
- S&P Ma'alot and Moody's Midrug raised the credit rating of the Bank to AAA;

### **Profitability**

In the first half of the 2019, net earnings of the First International Bank Group increased by 14.3% year-over-year, amounting to NIS 407 million. Return on equity reached 10.2% as compared with 9.3% in the corresponding period last year and for the whole of 2018.

In the second quarter of 2019, net earnings amounted to NIS 224 million, an increase of 2.3% year-over-year, and return on equity reached 11.3%. After elimination of certain components which are of one time nature, in the corresponding quarter last year (a gain of NIS 33 million on the sale of assets and expenses of NIS 7 million in respect of the merger with Otzar Hachayal Bank), net earnings for the quarter increased by 16.1%.

## **Growth**

Profit from financing operation increased in the first half of the year by 9.8% to NIS 1,412 million, and in the second quarter of the year, increased by 10.4% in comparison with the corresponding period last year. Credit to the public, net, increased in comparison with the corresponding period last year by 3.1% (a growth of 4.1% in average balances) amounting to NIS 85,549 million. Credit loss expenses amounted to 0.14% of the amount of credit to the public, in contrast to a rate of 0.20% in the corresponding period last year.

## **Efficiency**

The Bank continued to improve its efficiency parameters: cost income ratio improved to 65.9% in the first half of the year, as compared with a ratio of 68.8% in the corresponding period last year. Operating and other expenses decreased in the first half of the year by 2.9% as compared with the corresponding period last year, amounting to NIS 1,351 million.

The decrease in expenses can be seen across all the various expense items: payroll and related benefits – a decrease of 1.7%, depreciation and maintenance of buildings and equipment – a decrease of 5.3% and other expenses – a decrease of 5.6%.

## **Financial Stability and Dividend Distribution**

The Tier I equity ratio reached 10.86%, and the comprehensive capital ratio reached 13.86%.

The First International Bank has a dividend distribution policy of up to 50% of net earnings, and accordingly, since the beginning of the year the Bank has distributed a dividend of NIS 190 million. The dividend yield reached 4.6%. Subsequent to the date of the financial statements the Board of Directors of the Bank resolved to distribute a further dividend in the amount of NIS 110 million.

## **Management Comment**

**Ms. Smadar Barber-Tsadik**, CEO of the First International Bank stated that: "The results for the first half of the year reflect the continued trend by which we have seen for quite some time, demonstrating growth in income and reduction in expenses, with a strict maintenance of the high financial stability of the Bank. The improvement in the cost income ratio of the Bank is the outcome of the efficiency measures which we have taken. These are being reflected gradually, mainly following the merger with Otzar Hachayal Bank and the retirement of employees under voluntary retirement plans. Given our growth and efficiency processes, as well as our high and continuous financial stability recently, led to both credit rating agencies that rate the Bank, S&P Ma'alot and Midrug, to raise the deposit ratings of the Bank to a level of AAA."

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>For the six months ended June 30,</i>		<i>For the year ended</i>
	<i>2019</i>	<i>2018</i>	<i>December 31,</i>
			<i>2018</i>
			<i>in %</i>
<i>Execution indices</i>			
Return on equity attributed to shareholders of the Bank <sup>(1)</sup>	10.2%	9.3%	9.3%
Return on average assets <sup>(1)</sup>	0.6%	0.5%	0.5%
Ratio of equity capital tier 1	10.86%	10.10%	10.51%
Leverage ratio	5.92%	5.61%	5.76%
Liquidity coverage ratio	123%	118%	122%
Ratio of total income to average assets <sup>(1)</sup>	3.0%	3.0%	3.1%
Efficiency ratio	65.9%	68.8%	68.4%
<i>Credit quality indices</i>			
Ratio of provision for credit losses to credit to the public	1.03%	1.03%	1.02%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.89%	0.93%	0.83%
Ratio of provision for credit losses to total impaired credit to the public	168%	165%	186%
Ratio of net write-offs to average total credit to the public <sup>(1)</sup>	0.09%	0.11%	0.16%
Ratio of expenses for credit losses to average total credit to the public <sup>(1)</sup>	0.14%	0.20%	0.20%
<i>Principal data from the statement of income</i>			
		<i>For the six months ended June 30,</i>	
		<i>2019</i>	<i>2018</i>
		<i>NIS million</i>	
Net profit attributed to shareholders of the Bank		407	356
Interest Income, net		1,300	1,199
Expenses from credit losses		59	81
Total non-Interest income		749	825
Of which: Fees		635	663
Total operating and other expenses		1,351	1,392
Of which: Salaries and related expenses		821	835
Dismissals expenses		31	14
Primary net profit per share of NIS 0.05 par value (NIS)		4.06	3.55
<i>Principal data from the balance sheet</i>			
			<i>As of</i>
	<i>30.6.19</i>	<i>30.6.18</i>	<i>31.12.18</i>
			<i>NIS million</i>
Total assets	135,067	134,254	134,120
of which: Cash and deposits with banks	33,900	33,090	31,303
Securities	10,587	11,919	12,595
Credit to the public, net	85,549	82,951	84,292
Total liabilities	126,362	125,989	125,707
of which: Deposits from the public	113,716	112,555	111,697
Deposits from banks	954	460	1,150
Bonds and subordinated capital notes	4,034	5,012	4,989
Capital attributed to the shareholders of the Bank	8,366	7,961	8,093
<i>Additional data</i>			
	<i>30.6.19</i>	<i>30.6.18</i>	<i>31.12.18</i>
Share price (0.01 NIS)	8,960	7,635	7,860
Dividend per share (0.01 NIS)	190	155	355
Ratio of interest income, net to average assets (in %) <sup>(1)</sup>	1.9%	1.8%	1.9%
Ratio of fees to average assets (in %) <sup>(1)</sup>	0.9%	1.0%	1.0%

(1) Annualized.

## CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)	2018 (audited)
Interest Income	911	819	1,638	1,473	3,001
Interest Expenses	246	204	338	274	515
Interest Income, net	665	615	1,300	1,199	2,486
Expenses from credit losses	23	54	59	81	166
Net Interest Income after expenses from credit losses	642	561	1,241	1,118	2,320
<i>Non- Interest Income</i>					
Non-Interest Financing income	66	47	112	87	231
Fees	315	325	635	663	1,325
Other income	1	52	2	75	81
Total non- Interest income	382	424	749	825	1,637
<i>Operating and other expenses</i>					
Salaries and related expenses	419	389	821	835	1,696
Maintenance and depreciation of premises and equipment	88	94	180	190	376
Amortizations and impairment of intangible assets	23	22	46	45	91
Other expenses	148	150	304	322	656
Total operating and other expenses	678	655	1,351	1,392	2,819
Profit before taxes	346	330	639	551	1,138
Provision for taxes on profit	127	117	238	199	408
Profit after taxes	219	213	401	352	730
The bank's share in profit of equity-basis investee, after taxes	14	13	24	19	37
<i>Net profit:</i>					
Before attribution to non-controlling interests	233	226	425	371	767
Attributed to non-controlling interests	(9)	(7)	(18)	(15)	(34)
Attributed to shareholders of the Bank	224	219	407	356	733
					NIS
<i>Primary profit per share attributed to the shareholders of the Bank</i>					
Net profit per share of NIS 0.05 par value	2.24	2.18	4.06	3.55	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, 13 August, 2019

## STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)	2018 (audited)
Net profit before attribution to non-controlling interests	233	226	425	371	767
Net profit attributed to non-controlling interests	(9)	(7)	(18)	(15)	(34)
Net profit attributed to the shareholders of the Bank	224	219	407	356	733
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds (2018 - securities) to fair value, net	10	(28)	76	(70)	(102)
Adjustments of liabilities in respect of employee benefits <sup>(1)</sup>	20	71	12	78	37
Other comprehensive income (loss) before taxes	30	43	88	8	(65)
Related tax effect	(11)	(14)	(31)	(3)	22
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	19	29	57	5	(43)
Less other comprehensive income (loss) attributed to non-controlling interests	-	(1)	1	(1)	(4)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	19	30	56	6	(39)
Comprehensive income before attribution to non-controlling interests	252	255	482	376	724
Comprehensive income attributed to non-controlling interests	(9)	(6)	(19)	(14)	(30)
Comprehensive income attributed to the shareholders of the Bank	243	249	463	362	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)

	June 30,		December 31,
	2019	2018	2018
	(unaudited)	(unaudited)	(audited)
<i>Assets</i>			
Cash and deposits with banks	33,900	33,090	31,303
Securities	10,587	11,919	12,595
Securities which were borrowed	416	550	863
Credit to the public	86,436	83,811	85,160
Provision for Credit losses	(887)	(860)	(868)
Credit to the public, net	85,549	82,951	84,292
Credit to the government	684	681	700
Investments in investee company	589	585	606
Premises and equipment	1,001	1,031	1,023
Intangible assets	228	227	239
Assets in respect of derivative instruments	938	1,263	1,399
Other assets <sup>(2)</sup>	1,175	1,950	1,100
Assets held for sale	-	7	-
<b>Total assets</b>	<b>135,067</b>	<b>134,254</b>	<b>134,120</b>
<i>Liabilities and Shareholders' Equity</i>			
Deposits from the public	113,716	112,555	111,697
Deposits from banks	954	460	1,150
Deposits from the Government	466	613	982
Bonds and subordinated capital notes	4,034	5,012	4,989
Liabilities in respect of derivative instruments	1,104	1,124	1,294
Other liabilities <sup>(1)(3)</sup>	6,088	6,225	5,595
<b>Total liabilities</b>	<b>126,362</b>	<b>125,989</b>	<b>125,707</b>
Capital attributed to the shareholders of the Bank	8,366	7,961	8,093
Non-controlling interests	339	304	320
<b>Total equity</b>	<b>8,705</b>	<b>8,265</b>	<b>8,413</b>
<b>Total liabilities and shareholders' equity</b>	<b>135,067</b>	<b>134,254</b>	<b>134,120</b>

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 65 million and NIS 74 million and NIS 64 million at 30.6.19, 30.6.18 and 31.12.18, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 543 million and NIS 1,289 million and NIS 426 million at 30.6.19, 30.6.18 and 31.12.18, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 847 million and NIS 1,485 million and NIS 586 million at 30.6.19, 30.6.18 and 31.12.18, 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 June 30, 2019 (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, 2019	927	(114)	7,395	8,208	330	8,538
Net profit for the period	-	-	224	224	9	233
Dividend	-	-	(85)	(85)	-	(85)
Other comprehensive income, after tax effect	-	19	-	19	-	19
Balance as at June 30, 2019	927	(95)	7,534	8,366	339	8,705

	<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	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	927	(114)	7,148	7,961	304	8,265

	<i>For the six months ended June 30, 2019 (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 at December 31, 2018 (audited)	927	(159)	7,325	8,093	320	8,413
Cumulative effect of the initial implementation of US accepted accounting principals <sup>(3)</sup>	-	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	-	-	407	407	18	425
Dividend	-	-	(190)	(190)	-	(190)
Other comprehensive income, after tax effect	-	56	-	56	1	57
Balance as at June 30, 2019	927	(95)	7,534	8,366	339	8,705

	<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 as at December 31, 2017 (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

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

	<i>For the year ended December 31, 2018 (audited)</i>					
	<i>Share capital and premium (1)</i>	<i>Accumulated other comprehensive loss</i>	<i>Retained earnings (2)</i>	<i>Total</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
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 regarding financial instruments of US accepted accounting standards at banks in respect of financial instruments (ASU 2016-01). See also Note 1.D.(1).

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