

Press release

19.5.2016

A growth of 17.6% in net profit in the first quarter of 2016 to NIS 147 million

Compared with profits of NIS 125 million in the corresponding period last year

Return on capital in the first quarter: 8.5%

Credit to the public: NIS 74,534 million

An increase of 5.4% in comparison to that of March 31, 2015

Deposits from the public: NIS 103,853 million

An increase of 6.8% in comparison to March 31, 2015

Equity attributed to the shareholders of the Bank: NIS 7,216 million

An increase of 4.5% over that of March 31, 2015

Ratio of Tier I equity capital to risk assets: 9.92%

Ratio of comprehensive capital to risk assets: 12.92%

Growth and efficiency

Credit to the public increased at the rate of 5.4%, amounting to 74,534 million in relation to the corresponding period last year. Most of the growth in credit is noticed in:

- The large businesses sector 2.5%
- Medium sized businesses 4.2%
- Households 9.8%

The volume of credit to the public increased by 2.7% in the first quarter of the year.

Growth is also noticed in the **net financing profit** (interest income, net, and non-interest financing income) which increased by 7.9%, amounting to NIS 560 million.

Operating and other expenses decreased by NIS 23 million, of which a decrease of NIS 14 million in **payroll expenses** in relation to the corresponding quarter last year (eliminating a nonrecurring effect in respect of Bank Leumi labor agreement in the corresponding period last year). The decrease in expenses stems from efficiency measures and is mainly the result of a reduction in the workforce of the group and a reduction in other expense items.

Operating and other expenses include the **amortization of the excess of cost of acquisition** in the amount of NIS 11 million, in respect of the acquisition of the subsidiaries Otzar Hachayal Bank and Massad Bank, which detracts 0.65% from the annual return on capital. The major part of the amortization, in the amount of NIS 36 million per year, would be completed in the third quarter of this year.

The provision for taxes on earnings amounted to NIS 118 million, in contrast to NIS 94 million in the corresponding quarter last year. The provision for taxes in this quarter includes a nonrecurring increase of NIS 16 million in the tax expense stemming from the change in legislation regarding the tax rates.

Financial stability

The upward trend in the equity of the **Group** continues, with a growth of NIS 143 million in the quarter to an amount of NIS 7,216. **The ratio of Tier I equity capital to risk assets** reached 9.92%. **The ratio of comprehensive capital to risk assets** reached 12.9%. The quality of the asset portfolio is reflected in the continuing decline in volume of **troubled debts** which decreased at the rate of 21.9%, in relation to the corresponding quarter last year, amounting to NIS 2,135 million, as well as in the low rate of provisions for credit losses.

Ms. Smadar Barber-Tsadik CEO of the First International group:

"The results for the first quarter of 2016 reflect the continuing growth trend of the First International Bank Group, a growth expressed in an increase in the credit portfolio of the Bank and an increase in financing income. The growth in the credit portfolio is the result of the implementation of the strategic program of the Bank. The move of merging UBank and PAGI Bank into the First International Bank, completed successfully in 2015, would also contribute to the continuing growth of the credit portfolio.

The First International Bank continues to implement efficiency and savings measures, reflected in the decrease in expenses of the Bank, including payroll costs. This, alongside the maintenance of the stability of the Group, which is noted in the capital and liquidity ratios, of the highest in the banking sector."

PRINCIPAL DATA

<i>Profit and profitability</i>	<i>For the three months ended</i>		<i>Change</i>
	<i>31.3.16</i>	<i>31.3.15</i>	
	NIS million		%
Net financing profit ⁽¹⁾	560	519	7.9
Fees and other income	339	363	(6.6)
Total income	899	882	1.9
Of which: Fees	327	357	(8.4)
Expenses (income) from credit losses	(67)	12	
Salaries and related expenses	434	376	15.4
Operating and other expenses (excluding salaries and related expenses)	264	273	(3.3)
Net profit attributed to the shareholders of the bank	147	125	17.6

<i>Balance Sheet</i>	<i>As of</i>			<i>Change vs.</i>	
	<i>31.3.16</i>	<i>31.3.15</i>	<i>31.12.15</i>	<i>31.3.15</i>	<i>31.12.15</i>
	NIS million			%	
Total assets (Total Balance Sheet)	126,608	120,305	125,476	5.2	0.9
Credit to the public, net	74,534	70,746	72,555	5.4	2.7
Securities	16,599	13,614	16,439	21.9	1.0
Deposits from the public	103,853	97,277	103,262	6.8	0.6
Bonds and subordinated notes	5,697	6,106	5,862	(6.7)	(2.8)
Capital attributed to the shareholders of the bank	7,216	6,905	7,073	4.5	2.0
Problematic credit risk	2,135	2,735	2,219	(21.9)	(3.8)

<i>Main financial ratios</i>	<i>For the three months ended</i>		<i>For the year ended</i>
	<i>31.3.16</i>	<i>31.3.15</i>	<i>31.12.15</i>
Capital attributed to shareholders of the bank to total assets	5.7%	5.7%	5.6%
Expenses (income) from credit losses to credit the public, net	(0.36%)	0.07%	0.02%
Ratio of equity capital tier 1 to risk assets	9.92%	9.49%	9.81%
Ratio of total capital to risk assets	12.92%	13.57%	13.26%
Leverage ratio ⁽²⁾	5.44%		5.43%
Liquidity coverage ratio ⁽²⁾	105%		104%
Credit to the public, net to total assets	58.9%	58.8%	57.8%
Deposits from the public to total assets	82.0%	80.9%	82.3%
Deposits from the public to credit to the public, net	139.3%	137.5%	142.3%
Operating and other expenses to total income	77.6%	73.6%	77.6%
Net return on equity attributed to shareholders of the bank	8.5%	7.5%	6.5%

(1) Net financing profit includes net interest income and non-interest financing income.

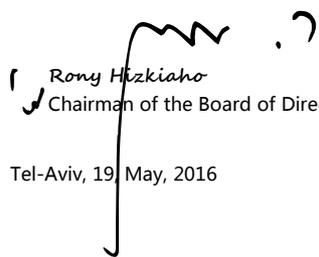
(2) According to instructions of the Bank of Israel the Leverage ratio and the Liquidity coverage ratio were calculated since the second quarter of 2015. Therefore no comparative data is stated.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended March 31		For the year Ended December 31
		2016 (unaudited)	2015 (unaudited)	2015 (audited)
Interest Income	2	547	382	2,260
Interest Expenses (income)	2	21	(62)	307
Interest Income, net		526	444	1,953
Expenses (income) from credit losses	6,12	(67)	12	18
Net Interest Income after expenses from credit losses		593	432	1,935
<i>Non Interest Income</i>				
Non Interest Financing income	3	34	75	149
Fees		327	357	1,378
Other income		12	6	14
Total non Interest income		373	438	1,541
<i>Operating and other expenses</i>				
Salaries and related expenses		434	376	1,629
Maintenance and depreciation of premises and equipment		106	108	428
Amortizations and impairment of intangible assets		31	31	131
Other expenses		127	134	522
Total operating and other expenses		698	649	2,710
Profit before taxes		268	221	766
Provision for taxes on profit		118	94	326
Profit after taxes		150	127	440
The bank's share in profit of equity-basis investee, after taxes		10	8	38
<i>Net profit:</i>				
Before attribution to noncontrolling interests		160	135	478
Attributed to noncontrolling interests		(13)	(10)	(32)
Attributed to shareholders of the Bank		147	125	446
				NIS
Primary profit per share attributed to the shareholders of the Bank				
Net profit per share of NIS 0.05 par value		1.46	1.25	4.45

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


Rony Hizkiaho
Chairman of the Board of Directors


Smadar Barber-Tsadik
Chief Executive Officer


Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 19 May, 2016

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2016 (unaudited)	2015 (unaudited)	2015 (audited)
Net income before attribution to minority interests	160	135	478
Net income attributed to minority interests	(13)	(10)	(32)
Net income attributed to the shareholders of the Bank	147	125	446
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale securities to fair value, net	21	44	(75)
Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾	-	(6)	-
Adjustments of liabilities in respect of employee benefits ⁽³⁾	(39)	(80)	11
Other comprehensive loss before taxes	(18)	(42)	(64)
Related tax effect	6	20	24
Other comprehensive loss before attribution to minority interests, after taxes	(12)	(22)	(40)
Less other comprehensive (income) loss attributed to minority interests	(1)	-	2
Other comprehensive loss attributed to the shareholders of the Bank, after taxes	(13)	(22)	(38)
Comprehensive income before attribution to minority interests	148	113	438
Comprehensive income attributed to minority interests	(14)	(10)	(30)
Comprehensive income attributed to the shareholders of the Bank	134	103	408

(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)

		31.3.16	31.3.15	31.12.15
	NOTE	(unaudited)	(unaudited)	(audited)
<i>Assets</i>				
Cash and deposits with banks		29,336	29,314	30,727
Securities	5	16,599	13,614	16,439
Securities which were borrowed		726	479	353
Credit to the public	6,12	75,321	71,595(4)	73,379
Provision for Credit losses	6,12	(787)	(849)	(824)
Credit to the public, net		74,534	70,746	72,555
Credit to the government		645	669	669
Investments in investee company		450	404(4)	438
Premises and equipment		1,206	1,230	1,229
Intangible assets		255	313	272
Assets in respect of derivative instruments	10	1,872	2,452	1,636
Other assets ⁽²⁾		985	1,084(4)	1,158
Total assets		126,608	120,305	125,476
<i>Liabilities, temporary equity and Shareholders' Equity</i>				
Deposits from the public	7	103,853	97,277	103,262
Deposits from banks		1,624	1,271	1,565
Deposits from the Government		669	538	511
Bonds and subordinated capital notes		5,697	6,106	5,862
Liabilities in respect of derivative instruments	10	2,041	2,373	1,659
Other liabilities ⁽¹⁾⁽³⁾		4,916	5,267	4,954
Total liabilities		118,800	112,832	117,813
Temporary equity - noncontrolling interests		323	316	326
Capital attributed to the shareholders of the Bank		7,216	6,905(4)	7,073
Noncontrolling interests		269	252	264
Total equity		7,485	7,157	7,337
Total liabilities, temporary equity and shareholders' equity		126,608	120,305	125,476

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 56 million and NIS 95 million and NIS 85 million at 31.3.16, 31.3.15 and 31.12.15, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 261 million and NIS 170 million and NIS 317 million at 31.3.16, 31.3.15 and 31.12.15, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 444 million and NIS 732 million and NIS 495 million at 31.3.16, 31.3.15 and 31.12.15, respectively.

(4) Initial implementation of accounting standards and instructions of the Supervisor of Banks. See Note 1.D.4.

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, 2016 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive gain (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 three months ended March 31, 2015 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive gain (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance at the beginning of the year (audited)	927	(67)	5,937	6,797	246	7,043
Net profit for the period	-	-	125	125	6	131
Other comprehensive loss, after tax effect	-	(22)	-	(22)	-	(22)
Temporary equity - noncontrolling interest.	-	-	5	5	-	5
Balance as at March 31, 2015	927	(89)	⁽³⁾ 6,067	6,905	252	7,157

	<i>For the year ended December 31, 2015 (audited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive gain (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance at the beginning of the year	927	(67)	5,937	6,797	246	7,043
Net profit for the year	-	-	446	446	18	464
Dividend	-	-	(130)	(130)	-	(130)
Other comprehensive loss, after tax effect	-	(38)	-	(38)	-	(38)
Temporary equity - noncontrolling interest.	-	-	(2)	(2)	-	(2)
Balance as at December 31, 2015	927	(105)	6,251	7,073	264	7,337

(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.

(3) Initial implementation of accounting standards and instructions of the Supervisor of Banks. See Note 1.D.4.

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