

## **First International Bank Group Presents Results for the Third Quarter 2017**

### **Third Quarter Highlights**

- Growth of 58.6% in net earnings to NIS 203 million;
- Growth of 25% in pre-tax earnings to NIS 281 million;
- Return on equity: 11.1%; and with the elimination of income from taxes in respect of prior years – return on equity of 9.3%;
- Year-over-year growth of 4.5% in earnings from financing activities;
- Reduction of 3.3% in operating and other expenses, and improvement to 68.8% in the cost/income ratio;
- Growth of 3.8% in credit to the public in the first nine months of the year, mostly in the private customer segment (4.8%) and in the small business segment (4.9%);
- Ratio of Tier I equity capital to risk weighted assets: 10.32%;
- Dividend of NIS 100 million to be issued for the quarter.

### **Management Comment**

**Mrs. Smadar Barber-Tsadik, CEO of the First International Bank Group:** “The good results for the quarter reflect the growth trend of the Group which is evident in both the growth in credit to the public and in deposits by the public. This along continued and consistently improving efficiencies, which are reflected across all expense items, while maintaining a high level of financial stability.

“The First International Bank emphasizes the promotion of digital services and innovation combined with professional service to customers. We recently introduced new innovations to both our website and mobile banking applications, introducing *advise.me* – an investment advisory service accessible on the mobile phone, comprising a breakthrough in the world of investment consultation, which caters its service specifically to customer requirements.”

## **Profitability and Growth**

Net earnings in the third quarter increased by 58.6% in comparison to the corresponding quarter last year and amounted to NIS 203 million. Return on equity reached 11.1%.

In the third quarter of the year, the Bank recognized income from prior years' taxes which amounted to NIS 32 million. The pre-tax earnings in the third quarter increased by approximately 25% and amounted to NIS 281 million. The return on equity, with the elimination of income from taxes in respect of prior years, in the amount of NIS 32 million, reached 9.3% for the quarter.

In the first nine months of the year net earnings grew by 27.1% in comparison to the corresponding period last year and amounted to NIS 520 million. Return on equity reached 9.4%. Pre-tax earnings amounted to NIS 774 million, a year-over-year increase of 13.7%. Net interest income increased by 6% in the first nine months of the year, in comparison to the corresponding period last year, and amounted to NIS 1,710 million. The increase stemmed from operations, mostly from the growth in the credit portfolio.

The growth of the Group is apparent from both the credit and the deposit side. The credit to the public portfolio grew by 3.8% in the first nine months of the year. The growth in the credit portfolio is characterized by the continuous distribution of the credit granted and is most noticeable in the private customer segment, which grew by 4.8%, in the small business segment, which grew by 4.9%, and in the middle market and large businesses segment, which grew by 1.1%.

Credit loss expenses in the third quarter of the year amounted to a rate of 0.04% of total credit to the public, and in the first nine months of the year to 0.16%. The total amount of doubtful debts decreased by 12.7% in relation to the level as of the end of 2016.

## **Efficiency**

The First International Bank continues to improve efficiencies in accordance with its strategic outline and achieved a decrease of 3.3% (NIS 22 million) in total operating and other expenses for the quarter, in comparison to the corresponding quarter last year, and amounted to NIS 640 million. The reduction in expenses for the quarter is noted across all expense items, including payroll and related expenses, which decreased by 1.7%.

The gradual and consistent improvement in the efficiency ratio continued, and showed a third quarter improvement of the cost income ratio to 68.8%, in contrast to 69.6% in the second quarter of the current year.

## **Financial stability**

The growth trend of the capital attributed to the shareholders of the Bank continued, growing by 5.3% in comparison to the end of 2016, and amounting to NIS 7,706 million. The Tier I equity capital ratio increased reaching 10.32%, as compared to 10.09% at December 31, 2016, and the comprehensive capital ratio increased to 13.94%

The Board of Directors of the Bank decided on a dividend distribution of NIS 100 million. This is in addition to dividend distributions totaling NIS 210 million since the beginning of the year.

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended		For the year ended
	30.9.17	30.9.16	31.12.16
	in %		
<b>Execution indices</b>			
Return on equity <sup>(1)</sup>	9.4%	7.6%	7.2%
Return on assets <sup>(1)</sup>	0.5%	0.4%	0.4%
Ratio of fees to assets <sup>(1)</sup>	1.0%	1.0%	1.0%
Ratio of equity capital tier 1	10.32%	10.05%	10.09%
Leverage ratio	5.69%	5.66%	5.52%
Liquidity coverage ratio	122%	109%	123%
Efficiency ratio	69.1%	73.5%	73.5%
<b>Credit quality indices</b>			
Ratio of provision for credit losses to credit to the public	1.05%	1.10%	1.08%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.98%	1.07%	1.02%
Ratio of provision for credit losses to total impaired credit to the public	150%	135%	147%

Principal data from the statement of income	For the nine months ended		Change
	30.9.17	30.9.16	
	NIS million		%
Net profit attributed to shareholders of the Bank	520	409	27.1%
Interest Income, net	1,710	1,613	6.0%
Expenses from credit losses	96	46	108.7%
Total non Interest income	1,104	1,132	(2.5%)
Of which: Fees	972	982	(1.0%)
Total operating and other expenses	1,944	2,018	(3.7%)
Of which: Salaries and related expenses	1,218	1,243	(2.0%)
Primary net profit per share of NIS 0.05 par value (NIS)	5.18	4.08	27.0%

Principal data from the balance sheet	As of			Change vs.	
	30.9.17	30.9.16	31.12.16	30.9.16	31.12.16
	NIS million			%	
Total assets	129,888	126,071	127,907	3.0%	1.5%
of which: Cash and deposits with banks	33,205	26,672	29,150	24.5%	13.9%
Securities	10,590	16,127	15,776	(34.3%)	(32.9%)
Credit to the public, net	80,236	78,079	77,328	2.8%	3.8%
Total liabilities	121,563	118,054	119,973	3.0%	1.3%
of which: Deposits from banks	782	789	755	(0.9%)	3.6%
Deposits from the public	108,394	104,549	105,817	3.7%	2.4%
Bonds and subordinated capital notes	5,230	5,597	5,801	(6.6%)	(9.8%)
Capital attributed to the shareholders of the Bank	7,706	7,411	7,321	4.0%	5.3%

Additional data	As of		
	30.9.17	30.9.16	31.12.16
Share price (NIS 0.01)	6,599	4,790	5,650
Dividend per share (NIS)	2.09	-	1.99

(1) Annualized.

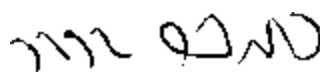
CONSOLIDATED STATEMENT OF INCOME  
(NIS million)

	NOTE	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
		2017	2016	2017	2016	2016
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	615	682	2,008	1,899	2,526
Interest Expenses	2	50	129	298	286	357
Interest Income, net		565	553	1,710	1,613	2,169
Expenses from credit losses	6,12	9	21	96	46	80
Net Interest Income after expenses from credit losses		556	532	1,614	1,567	2,089
<b>Non-Interest Income</b>						
Non Interest Financing income	3	38	24	71	91	115
Fees		321	326	972	982	1,300
Other income		6	5	61	59	65
Total non-Interest income		365	355	1,104	1,132	1,480
<b>Operating and other expenses</b>						
Salaries and related expenses		397	404	1,218	1,243	1,656
Maintenance and depreciation of premises and equipment		94	104	287	309	409
Amortizations and impairment of intangible assets		24	31	69	93	116
Other expenses		125	123	370	373	502
Total operating and other expenses		640	662	1,944	2,018	2,683
Profit before taxes		281	225	774	681	886
Provision for taxes on profit		78	91	261	303	398
Profit after taxes		203	134	513	378	488
The bank's share in profit of equity-basis investee, after taxes		12	3	38	62	72
<b>Net profit:</b>						
Before attribution to noncontrolling interests		215	137	551	440	560
Attributed to noncontrolling interests		(12)	(9)	(31)	(31)	(39)
Attributed to shareholders of the Bank		203	128	520	409	521
NIS						
<b>Primary profit per share attributed to the shareholders of the Bank</b>						
Net profit per share of NIS 0.05 par value		2.01	1.27	5.18	4.08	5.19

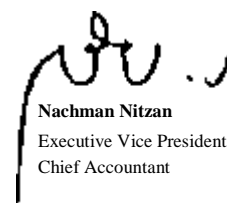
The notes to the financial statements are an integral part thereof.



Irit Izakson  
Chairperson of the Board of Directors



Smadar Barber-Tsadik  
Chief Executive Officer



Nachman Nitzan  
Executive Vice President,  
Chief Accountant

Tel-Aviv, 15 November, 2017

STATEMENT OF COMPREHENSIVE INCOME<sup>(1)</sup>  
(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2017	2016	2017	2016	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to noncontrolling interests	215	137	551	440	560
Net profit attributed to noncontrolling interests	(12)	(9)	(31)	(31)	(39)
Net profit attributed to the shareholders of the Bank	203	128	520	409	521
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale securities to fair value, net	18	4	83	40	14
Adjustments from translation of financial statements <sup>(1)</sup> net after the effect of hedges <sup>(2)</sup>	-	(1)	-	(1)	(3)
Adjustments of liabilities in respect of employee benefits <sup>(3)</sup>	(9)	(93)	25	(158)	(131)
Other comprehensive income (loss) before taxes	9	(90)	108	(119)	(120)
Related tax effect	(3)	31	(38)	40	38
Other comprehensive income (loss) before attribution to noncontrolling interests, after taxes	6	(59)	70	(79)	(82)
Less other comprehensive (income) loss attributed to noncontrolling interests	-	11	(3)	10	10
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	6	(48)	67	(69)	(72)
Comprehensive income before attribution to noncontrolling interests	221	78	621	361	478
Comprehensive income attributed to noncontrolling interests	(12)	2	(34)	(21)	(29)
Comprehensive income attributed to the shareholders of the Bank	209	80	587	340	449

(1) See note 4.

(2) Adjustments from translation of financial statements of foreign operation which its currency of operation 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)

		30.9.17	30.9.16	31.12.16
	NOTE	(unaudited)	(unaudited)	(audited)
<i>Assets</i>				
Cash and deposits with banks		33,205	26,672	29,150
Securities	5	10,590	16,127	15,776
Securities which were borrowed		895	505	414
Credit to the public	6,12	81,091	78,944	78,175
Provision for Credit losses	6,12	(855)	(865)	(847)
Credit to the public, net		80,236	78,079	77,328
Credit to the government		652	653	654
Investments in investee company		549	505	514
Premises and equipment		1,097	1,144	1,133
Intangible assets		226	223	243
Assets in respect of derivative instruments	10	1,203	1,139	1,332
Other assets <sup>(2)</sup>		1,235	980	1,020
Assets held for sale		-	44	343
Total assets		129,888	126,071	127,907
<i>Liabilities, temporary equity and Shareholders' Equity</i>				
Deposits from the public	7	108,394	104,549	105,817
Deposits from banks		782	789	755
Deposits from the Government		846	515	570
Bonds and subordinated capital notes		5,230	5,597	5,801
Liabilities in respect of derivative instruments	10	1,160	1,300	1,356
Other liabilities <sup>(1)(3)</sup>		5,151	5,304	4,929
Liabilities held for sale		-	-	745
Total liabilities		121,563	118,054	119,973
Temporary equity - noncontrolling interests		336	329	330
Capital attributed to the shareholders of the Bank		7,706	7,411	7,321
Noncontrolling interests		283	277	283
Total equity		7,989	7,688	7,604
Total liabilities, temporary equity and shareholders' equity		129,888	126,071	127,907

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 64 million and NIS 72 million and NIS 71 million at 30.9.17, 30.9.16 and 31.12.16, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 319 million and NIS 260 million and NIS 238 million at 30.9.17, 30.9.16 and 31.12.16, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 607 million and NIS 569 million and NIS 491 million at 30.9.17, 30.9.16 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 September 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 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 - noncontrolling interests.	-	-	4	4	-	4
Balance as of September 30, 2017	927	(110)	6,889	7,706	283	7,989

	<i>For the three months ended September 30, 2016 (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 June 30, 2016	927	(126)	6,538	7,339	275	7,614
Net profit for the period	-	-	128	128	4	132
Other comprehensive income (loss), after tax effect	-	(48)	-	(48)	(2)	(50)
Temporary equity - noncontrolling interests.	-	-	(8)	(8)	-	(8)
Balance as of September 30, 2016	927	(174)	6,658	7,411	277	7,688

	<i>For the nine months ended September 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	-	-	520	520	19	539
Dividend	-	-	(210)	(210)	(20)	(230)
Other comprehensive income, after tax effect	-	67	-	67	1	68
Temporary equity - noncontrolling interests.	-	-	8	8	-	8
Balance as of September 30, 2017	927	(110)	6,889	7,706	283	7,989

	<i>For the nine months ended September 30, 2016 (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	(105)	6,251	7,073	264	7,337
Net profit for the period	-	-	409	409	14	423
Other comprehensive income (loss), after tax effect	-	(69)	-	(69)	(1)	(70)
Temporary equity - noncontrolling interests.	-	-	(2)	(2)	-	(2)
Balance as of September 30, 2016	927	(174)	6,658	7,411	277	7,688

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

	<i>For the year ended December 31, 2016 (audited)</i>					
	<i>Share capital and premium (1)</i>	<i>Accumulated other comprehensive 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	(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 interests.	-	-	(1)	(1)	-	(1)
<b>Balance as of December 31, 2016</b>	<b>927</b>	<b>(177)</b>	<b>6,571</b>	<b>7,321</b>	<b>283</b>	<b>7,604</b>

(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.

The full reports will be made accessible during the following days.