

Press release

17.11.2016

A growth of 48.8% in net earnings for the third quarter of 2016 to NIS 128 million.

A growth of 24.3% in net earnings for the first nine months of 2016 to NIS 409 million.

Return on equity in the third quarter: 7.1%
After eliminating the nonrecurring provision made by ICC
The return on equity - 7.9%

The return on equity in the first nine months: 7.6%

Credit to the public: NIS 78,079 million, a growth of 7.6% in the first nine months of the year and of 11.7% in the past twelve months

Net interest income: NIS 1,613 million, a growth of 11% in comparison with the corresponding period last year

Operating and other expenses: NIS 2,018 million, a reduction of 3.1% After elimination of a nonrecurring item,
In comparison with the corresponding period last year

Ratio of Tier I equity capital to risk assets: 10.05%
Ratio of comprehensive capital to risk assets: 13.43%

The Board of Directors of the Bank resolved on a dividend distribution in the amount of NIS 200 million. The dividend return amounts to 4.2%

Growth

Credit to the public continued to grow at the rate of 11.7% in the last twelve months, and at a rate of 2.6% in the third quarter. The growth in credit is in accordance with the outline of the strategic plan and is noticed in all segments of operation.

Net interest income increased by 11% (NIS 159 million) in comparison with the corresponding period last year, amounting to NIS 1,613 million.

Efficiency measures

Operating and other expenses recorded a reduction of NIS 64 million (3.1%) in comparison with the corresponding period last year, after elimination of the nonrecurring effect last year of the Bank Leumi labor agreement.

Following the efficiency measures adopted by the Bank in the past two years, the Board of Directors has approved a revision of the strategic plan with regards to efficiency measures. These measures include, inter alia, the continuation of expanding operations through digital means; a reduction in the number of branches and improvement in work procedures at the branches and at head office.

As a result of these efficiency measures, the Bank is expected to reduce the office space in use as well as to gradually reduce the manpower position of the Bank Group of an average of approximately 130 employees per year (of which a voluntary early retirement of about 45 employees which will continued on a basis of specific offer and with respect to the case in question). Total decrease of about 650 workers until the end of 2020.

The Supervisor of Banks has granted the Bank an approval in principle, with respect to the calculation of capital adequacy, for the spreading of the cost of the said measures over a period of five years on a "straight line" basis. The cost of the benefits to employees within the framework of the efficiency measures for the period from 2016 to 2020, is estimated at NIS 207 million, before the tax effect, of which, an amount of NIS 25 million, in respect of the gradual discontinuation of operations, was recognized as an expense in profit and loss in the second quarter of the year, the balance being recognized in the capital reserve (other comprehensive earnings).

Financial stability

The **equity capital** of the bank continued in its upwards trend, growing by 4.8% in the first nine months of the year to NIS 7,411 million. **The Tier I equity capital ratio** reached 10.05%, and **the comprehensive capital ratio** increased to 13.43%. The financial stability is also reflected in the high ratio of deposits to credit reaching 134%.

The quality of the Bank's asset portfolio is reflected in the continuing decline in the volume of **problematic debts**, which decreased by 24% in relation to the corresponding period last year, amounting to NIS 1,798 million, as well as in the ratio of the **credit loss expense** reaching 0.08%.

Mrs. Smadar Barber-Tsadik, CEO of the First International Bank Group: "The high primary capital ratio of the First International Group, which in the reported quarter even crossed the 10% line, approximately 0.8% over the minimum prescribed by Bank of Israel, indicates the high financial stability of the Group enabling it to grow, a growth reflected mostly in the continuing growth of the credit portfolio, resulting in the growth in financing income.

The First International Group revised its strategic plan this year, both as regards aspects of growth and as regards aspects of efficiency.

The planned efficiency measures comprise the continuation of a series of efficiency measures already implemented successfully in the recent years, and which stem from a long-term policy and strategy aimed at the growth of the Group, modifying it to developing technological means and customer needs alongside the improvement in efficiency of the Group. Thus for example, the mergers of UBank and PAGI Bank, successfully completed, led both to new openings regarding growth and to a reduction in the manpower position, reaching 5% in 2015.

The expected efficiency measures would also be conducted in a gradual and sensible manner, would be integrated into the core operations of the Group during its continued growth, and would lead to an improved efficiency ratio of the Bank".

PRINCIPAL DATA

Profit and profitability	For the nine months ended		
	30.9.16	30.9.15	Change
		NIS million	%
Net financing profit ⁽¹⁾	1,704	1,571	8.5
Fees and other income	1,041	1,054	(1.2)
Total income	2,745	2,625	4.6
Of which: Fees	982	1,041	(5.7)
Expenses from credit losses	46	35	31.4
Salaries and related expenses	1,243	1,205	3.2
Operating and other expenses (excluding salaries and related expenses)	775	805	(3.7)
Net profit attributed to the shareholders of the bank	409	329	24.3

Balance Sheet	As of			Change vs.	
	30.9.16	30.9.15	31.12.15	30.9.15	31.12.15
			NIS million		%
Total assets (Total Balance Sheet)	126,071	122,858	125,476	2.6	0.5
Credit to the public, net	78,079	69,878	72,555	11.7	7.6
Securities	16,127	13,605	16,439	18.5	(1.9)
Deposits from the public	104,549	100,652	103,262	3.9	1.2
Bonds and subordinated notes	5,597	5,950	5,862	(5.9)	(4.5)
Capital attributed to the shareholders of the bank	7,411	7,035	7,073	5.3	4.8
Problematic credit risk	1,798	2,362	2,219	(23.9)	(19.0)

Main financial ratios	For the nine months ended		For the year ended
	30.9.16	30.9.15	31.12.15
Capital attributed to shareholders of the bank to total assets	5.9%	5.7%	5.6%
Expenses (income) from credit losses to credit to the public, net ⁽²⁾	0.08%	0.07%	0.02%
Ratio of equity capital tier 1 to risk assets	10.05%	9.73%	9.81%
Ratio of total capital to risk assets	13.43%	13.24%	13.26%
Leverage ratio	5.66%	5.46%	5.43%
Liquidity coverage ratio	109%	99%	104%
Credit to the public, net to total assets	61.9%	56.9%	57.8%
Deposits from the public to total assets	82.9%	81.9%	82.3%
Deposits from the public to credit to the public, net	133.9%	144.0%	142.3%
Operating and other expenses to total income	73.5%	76.6%	77.6%
Net return on equity attributed to shareholders of the bank ⁽²⁾	7.6%	6.4%	6.5%

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

(2) Annualized.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	Note	Three months ended September 30		Nine months ended September 30		for the year Ended December 31
		2016	2015	2016	2015	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest Income	2	682	621	1,899	1,733	2,260
Interest Expenses	2	129	124	286	279	307
Interest Income, net		553	497	1,613	1,454	1,953
Expenses from credit losses	6, 12	21	9	46	35	18
Net Interest Income after expenses from credit losses		532	488	1,567	1,419	1,935
Non Interest Income						
Non Interest Financing income	3	24	14	91	117	149
Commissions		326	340	982	1,041	1,378
Other income		5	4	59	13	14
Total non Interest income		355	358	1,132	1,171	1,541
Operating and other expenses						
Salaries and related expenses		404	419	1,243	1,205	1,629
Maintenance and depreciation of premises and equipment		104	110	309	323	428
Amortizations and impairment of intangible assets		31	31	93	99	131
Other expenses		123	126	373	383	522
Total operating and other expenses		662	686	2,018	2,010	2,710
Profit before taxes		225	160	681	580	766
Provision for taxes on profit		91	77	303	255	326
Profit after taxes		134	83	378	325	440
The bank's share in profit of equity-basis investees, after taxes		3	10	62	28	38
Net profit:						
Before attribution to noncontrolling interests		137	93	440	353	478
Attributed to noncontrolling interests		(9)	(7)	(31)	(24)	(32)
Attributed to shareholders of the Bank		128	86	409	329	446
						NIS
Primary earnings per share attributed to the shareholders of the Bank						
Net earnings per share of NIS 0.05 par value		1.27	0.86	4.08	3.28	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, November 17, 2016

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	Three months ended		Nine months ended		for the year
	September 30		September 30		Ended
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net profit before attribution to noncontrolling interests	137	93	440	353	478
Net profit attributed to noncontrolling interests	(9)	(7)	(31)	(24)	(32)
Net profit attributed to the shareholders of the Bank	128	86	409	329	446
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale securities to fair value, net	4	(10)	40	(70)	(75)
Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾	(1)	1	(1)	(3)	-
Adjustments of liabilities in respect of employee benefits ⁽³⁾	(93)	(13)	(158)	20	11
Other comprehensive loss before taxes	(90)	(22)	(119)	(53)	(64)
Related tax effect	31	8	40	22	24
Other comprehensive loss before attribution to noncontrolling interests, after taxes	(59)	(14)	(79)	(31)	(40)
Less other comprehensive loss (income) attributed to noncontrolling interests	11	(3)	10	2	2
Other comprehensive loss attributed to the shareholders of the Bank, after taxes	(48)	(17)	(69)	(29)	(38)
Comprehensive income before attribution to noncontrolling interests	78	79	361	322	438
Comprehensive loss (income) attributed to noncontrolling interests	2	(10)	(21)	(22)	(30)
Comprehensive income attributed to the shareholders of the Bank	80	69	340	300	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)

		30.9.16	30.9.15	31.12.15
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		26,672	33,046	30,727
Securities	5	16,127	13,605	16,439
Securities which were borrowed		505	332	353
Credit to the public	6,12	78,944	70,726	73,379
Provision for Credit losses	6,12	(865)	(848)	(824)
Credit to the public, net		78,079	69,878	72,555
Credit to the government		653	662	669
Investments in investee company		505	427	438
Premises and equipment		1,144	1,220	1,229
Intangible assets		223	273	272
Assets in respect of derivative instruments	10	1,139	2,189	1,636
Other assets ⁽²⁾		980	1,226	1,158
Assets held for sale		44	-	-
Total assets		126,071	122,858	125,476
Liabilities, temporary equity and Shareholders' Equity				
Deposits from the public	7	104,549	100,652	103,262
Deposits from banks		789	938	1,565
Deposits from the Government		515	402	511
Bonds and subordinated capital notes		5,597	5,950	5,862
Liabilities in respect of derivative instruments	10	1,300	2,149	1,659
Other liabilities ⁽¹⁾⁽³⁾		5,304	5,149	4,954
Total liabilities		118,054	115,240	117,813
Temporary equity - noncontrolling interests		329	324	326
Capital attributed to the shareholders of the Bank		7,411	7,035	7,073
Noncontrolling interests		277	259	264
Total equity		7,688	7,294	7,337
Total liabilities, temporary equity and shareholders' equity		126,071	122,858	125,476

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 72 million and NIS 102 million and NIS 85 million at 30.9.16, 30.9.15 and 31.12.15, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 260 million and NIS 331 million and NIS 317 million at 30.9.16, 30.9.15 and 31.12.15, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 569 million and NIS 676 million and NIS 495 million at 30.9.16, 30.9.15 and 31.12.15, 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, 2016 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	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 loss, net, 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

	For the three months ended September 30, 2015 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	Non-controlling interests	Total equity
Balance as of June 30, 2015	927	(79)	6,118	6,966	253	7,219
Net profit for the period	-	-	86	86	4	90
Other comprehensive income (loss), net, after tax effect	-	(17)	-	(17)	2	(15)
Temporary equity - noncontrolling interests	-	-	-	-	-	-
Balance as of September 30, 2015	927	(96)	6,204	7,035	259	7,294

	For the nine months ended September 30, 2016 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	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 loss, net, 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

	For the nine months ended September 30, 2015 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	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	-	-	329	329	13	342
Dividend	-	-	(60)	(60)	-	(60)
Other comprehensive loss, net, after tax effect	-	(29)	-	(29)	-	(29)
Temporary equity - noncontrolling interests	-	-	(2)	(2)	-	(2)
Balance as of September 30, 2015	927	(96)	6,204	7,035	259	7,294

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2015 (audited)					
	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 interests	-	-	(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.

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