

First International Bank of Israel Presents First Quarter 2018 Results

Highlights of the First Quarter of 2018 (versus the first quarter of 2017)

- Net profit of NIS 137 million;
- Net profit, after elimination of non-recurring items of NIS 169 million, a 2.5% growth;
- The main eliminated items: non-recurring payroll expense of NIS 45 million representing a provision for an award claimed by employees of the Bank; expenses of NIS 24 million for efficiency measures implemented by *Otzar Ha- Haayal* Bank;
- Return on equity of 7.2% and return on equity after elimination of non-recurring items of 9%;
- Credit to the public grew by 1.9% during the first quarter (versus year-end 2017), and by 5% versus the corresponding period last year;
- The household and private banking segments grew 10.1%, middle market businesses segment grew 10.5% and small businesses grew 6.0%;
- Growth of 13.5% in the assets of the bank's customers;
- Growth of 9.6% in financing income from current operations;
- The efficiency ratio, excluding non-recurring items was 69.2% and this is compared with 71.9% over 2017. The ratio prior to the elimination of the non-recurring items was 74.8%;
- The ratio of Tier I equity capital to risk assets amounted to 10.07%;
- The comprehensive capital ratio amounted to 13.36%;

Ms. Smadar Berber-Tsadik, President and CEO of the First International Bank Group, commented, "The results for the first quarter reflect the continued growth of the Group. They also include a provision for future efficiency measures, which will enable us to continue to improve efficiencies at the Group, enhance our stability and better our ability to compete in the banking market."

Profitability

For the first quarter of 2018, **net profit** was NIS 137 million, a reduction of 17.5% as compared with the corresponding quarter last year. **Return on equity** reached 7.2%.

Net profit after elimination of non-recurring items was NIS 169 million, a growth of 22.5% over the corresponding quarter last year. **Return on equity** after elimination of the above-mentioned items reached 9% in comparison to 7.7% in the corresponding period last year.

Payroll expenses of a nonrecurring nature were NIS 45 million due to a provision for an award claimed by employees of the Bank. The Bank appealed a Court decision in the matter and also obtained a stay of execution order. The effect of this provision on the return on equity amounted to a reduction of 1.5%.

Furthermore, the Bank recognized a one-time expense of NIS 24 million in respect of a provision for efficiency measures taken at *Otzar Ha- Hayal*. The effect of this provision on the return on equity amounted to a further reduction of 0.8% in the return on equity.

The combined effect of these two non-recurring items on the return on equity amounted to 2.3%. With the offset from a gain on the sale of the building of the Group's bank based in Switzerland the net effect of the nonrecurring items on the return on equity amounts to 1.8%.

Profitability after elimination of items of a nonrecurring nature

	<u>Q1 2018</u>	<u>Q1 2017</u>
	In NIS millions	
Net profit for the period	137	166
Net after tax effect of:		
Gains on sale of the building in Switzerland and of the sale last year of floor space in an office building in Tel Aviv	13	28
Provision for an award claim by employees	(29)	-
Provision for efficiency measures at Otzar Hachayal	(16)	-
Profit after elimination on nonrecurring effects +22.5% ↑	169	138
	%	%
Return on equity (net of nonrecurring effects) ↑	9.0	7.7
Efficiency ratio	74.8	68.8
Efficiency ratio (Net of nonrecurring effects) ↓	69.2	71.9

Growth

Financing profit from current operations increased by 9.6% (NIS 54 million), amounting to NIS 618 million. This was due to growth in the volume of operations, mostly in the credit portfolio.

The growth of the Group is also reflected in **Credit to the Public**, which grew by 5% in comparison with the same period last year, and by 1.9% in the first quarter of the year versus year-end 2017, and amounted to a total of NIS 81,904 million.

The growth was characterized by the continued distribution of credit. In particular, it is noted in the growth of 10.1% in credit to the household and private banking segments over the same period last year (2.7% in the first quarter of the year); growth of 10.5% in credit to middle market businesses (0.7% in the first quarter of the year); and growth of 6% in credit to small businesses (5% in the first quarter of the year).

Efficiency

The efficiency ratio, after elimination of non-recurring items, improved to 69.2% at the end of the first quarter, compared with 71.9% in the corresponding period last year. Including the non-recurring expenses, the efficiency ratio amounted to 74.8%.

An agreement for the sale of the head office building of *Otzar Hachayal* was signed on May 23, 2018. The net gain on the sale of these rights amounted to NIS 37 million and is expected to be recognized in the second quarter upon conclusion of the transaction.

Financial Stability

The growth trend continued in the **equity attributed to the shareholders**, which grew by 4.2% to NIS 7,772 million. The ratio of the **Tier I equity capital** was 10.07%, and the ratio of the **comprehensive capital** was 13.36%.

The rate of **credit loss expenses** to total credit to the public in the quarter was 0.13%.

The Board of Directors of the Bank resolved on a **dividend distribution** to shareholders of NIS 60 million.

Management Comment

Ms. Smadar Berber-Tsadik, CEO of the First International Bank Group, co “The results for the first quarter of the year reflect continued growth at the Group, improvements that are noted continuously for many quarters. The improvements are reflected both in the ongoing growth trend of the credit portfolio and of the customer asset portfolio. At the same time, the Bank strictly maintains its financial stability and an appropriate risk level, alongside with the growth in income of the Bank.

“The results for the quarter include a provision for future efficiency measures that will be implemented at *Otzar Ha- Hayal*, which will allow us to continue and improve the efficiency of the Group, improve stability and our ability to compete in the banking market, particularly in the household and small business segments.”

Contacts

Company

Dafna Zucker
Spokeswoman and IR Officer FIBI
Tel: +972-3-5196219
Email: zucker.d@fibi.co.il

Investor Relations

Ehud Helft/Gavriel Frohwein
Investor Relations
Tel: +1 646 688 3559
firstinternationalbank@gkir.com

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>For the three months ended</i>		<i>For the year ended</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
			<i>in %</i>
<i>Execution indices</i>			
Return on equity ⁽¹⁾	7.2%	9.3%	9.1%
Return on assets ⁽¹⁾	0.4%	0.5%	0.5%
Ratio of equity capital tier 1	10.07%	10.12%	10.38%
Leverage ratio	5.56%	5.54%	5.50%
Liquidity coverage ratio	120%	128%	123%
Efficiency ratio	74.8%	68.8%	69.5%
Efficiency ratio excluding certain components	69.2%	71.9%	70.0%
<i>Credit quality indices</i>			
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	0.91%	1.20%	0.95%
Ratio of provision for credit losses to total impaired credit to the public	162%	111%	155%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.08%	0.30%	0.18%
Ratio of expenses for credit losses to average total credit to the public ⁽¹⁾	0.13%	0.17%	0.15%
<i>Principal data from the statement of income</i>			
	<i>For the three months ended</i>		
	<i>2018</i>	<i>2017</i>	
			<i>NIS million</i>
Net profit attributed to shareholders of the Bank	137	166	
Interest Income, net	584	562	
Expenses from credit losses	27	34	
Total non Interest income	401	388	
Of which: Fees	338	334	
Total operating and other expenses	737	654	
Of which: Salaries and related expenses	*446	403	
Primary net profit per share of NIS 0.05 par value (NIS)	1.37	1.65	
* Including provision in respect of claims by the Bank employees for an award, following the implications of a court verdict regarding the claim by the representative committee of managers.			
<i>Principal data from the balance sheet</i>			
	<i>31.3.18</i>	<i>31.3.17</i>	<i>As of 31.12.17</i>
			<i>NIS million</i>
Total assets	132,636	128,518	135,717
of which: Cash and deposits with banks	34,481	30,255	39,186
Securities	10,471	14,675	10,238
Credit to the public, net	81,904	77,993	80,378
Total liabilities	124,566	120,442	127,333
of which: Deposits from banks	359	716	1,133
Deposits from the public	111,913	106,198	113,511
Bonds and subordinated capital notes	4,980	5,575	5,249
Capital attributed to the shareholders of the Bank	7,772	7,456	7,756
<i>Additional data</i>			
	<i>31.3.18</i>	<i>31.3.17</i>	<i>As of 31.12.17</i>
Share price (0.01 NIS)	7,390	5,895	7,202
Dividend per share (NIS)	95	70	309
Ratio of fees to assets (in %) ⁽¹⁾	1.0%	1.0%	1.0%

(1) Annualized.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

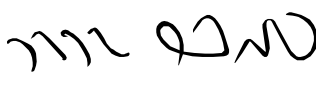
	NOTE	For the three months ended March 31		For the year Ended December 31
		2018 (unaudited)	2017 (unaudited)	2017 (audited)
Interest Income	2	654	640	2,704
Interest Expenses	2	70	78	402
Interest Income, net		584	562	2,302
Expenses from credit losses	6,12	27	34	121
Net Interest Income after expenses from credit losses		557	528	2,181
<i>Non Interest Income</i>				
Non Interest Financing income	3	40	12	83
Fees		338	334	1,305
Other income		23	42	62
Total non Interest income		401	388	1,450
<i>Operating and other expenses</i>				
Salaries and related expenses		446	*403	*1,579
Maintenance and depreciation of premises and equipment		96	99	380
Amortizations and impairment of intangible assets		23	23	94
Other expenses		172	*129	*554
Total operating and other expenses		737	654	2,607
Profit before taxes		221	262	1,024
Provision for taxes on profit		82	97	358
Profit after taxes		139	165	666
The bank's share in profit of equity-basis investee, after taxes		6	10	54
<i>Net profit:</i>				
Before attribution to noncontrolling interests		145	175	720
Attributed to noncontrolling interests		(8)	(9)	(42)
Attributed to shareholders of the Bank		137	166	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		1.37	1.65	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, 28 May, 2018

STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾
(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2018 (unaudited)	2017 (unaudited)	2017 (audited)
Net profit before attribution to noncontrolling interests	145	175	720
Net profit attributed to noncontrolling interests	(8)	(9)	(42)
Net profit attributed to the shareholders of the Bank	137	166	678
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale securities to fair value, net	(42)	32	90
Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾	-	-	4
Adjustments of liabilities in respect of employee benefits ⁽³⁾	7	24	1
Other comprehensive income (loss) before taxes	(35)	56	95
Related tax effect	11	(19)	(35)
Other comprehensive income (loss) before attribution to noncontrolling interests, after taxes	(24)	37	60
Less other comprehensive income attributed to noncontrolling interests	-	2	3
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	(24)	35	57
Comprehensive income before attribution to noncontrolling interests	121	212	780
Comprehensive income attributed to noncontrolling interests	(8)	(11)	(45)
Comprehensive income attributed to the shareholders of the Bank	113	201	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)

		31.3.18	31.3.17	31.12.17
	NOTE	(unaudited)	(unaudited)	(audited)
<i>Assets</i>				
Cash and deposits with banks		34,481	30,255	39,186
Securities	5	10,471	14,675	10,238
Securities which were borrowed		637	492	813
Credit to the public	6,12	82,745	78,820	81,216
Provision for Credit losses	6,12	(841)	(827)	(838)
Credit to the public, net		81,904	77,993	80,378
Credit to the government		677	648	675
Investments in investee company		571	518	565
Premises and equipment		1,046	1,113	1,095
Intangible assets		228	240	235
Assets in respect of derivative instruments	10	1,189	1,340	1,342
Other assets ⁽²⁾		1,397	1,002	1,186
Assets held for sale		35	242	4
Total assets		132,636	128,518	135,717
<i>Liabilities, temporary equity and Shareholders' Equity</i>				
Deposits from the public	7	111,913	106,198	113,511
Deposits from banks		359	716	1,133
Deposits from the Government		749	593	960
Bonds and subordinated capital notes		4,980	5,575	5,249
Liabilities in respect of derivative instruments	10	967	1,447	1,318
Other liabilities ⁽¹⁾⁽³⁾		5,598	5,222	5,162
Liabilities held for sale		-	691	-
Total liabilities		124,566	120,442	127,333
Temporary equity - noncontrolling interests		-	331	338
Capital attributed to the shareholders of the Bank		7,772	7,456	7,756
Noncontrolling interests		298	289	290
Total equity		8,070	7,745	8,046
Total liabilities, temporary equity and shareholders' equity		132,636	128,518	135,717

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 69 million and NIS 67 million and NIS 61 million at 31.3.18, 31.3.17 and 31.12.17, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 298 million and NIS 375 million and NIS 423 million at 31.3.18, 31.3.17 and 31.12.17, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 603 million and NIS 690 million and NIS 521 million at 31.3.18, 31.3.17 and 31.12.17, 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 March 31, 2018 (unaudited)</i>					
	Share capital and premium (1)	Accumulated other comprehensive 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	-	-	137	137	8	145
Dividend	-	-	(95)	(95)	-	(95)
Other comprehensive income, after tax effect	-	(24)	-	(24)	-	(24)
Temporary equity - noncontrolling interest.	-	-	(2)	(2)	-	(2)
Balance as at March 31, 2018	927	(144)	6,989	7,772	298	8,070

	<i>For the three months ended March 31, 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	-	-	166	166	6	172
Dividend	-	-	(70)	(70)	-	(70)
Other comprehensive loss, after tax effect	-	35	-	35	-	35
Temporary equity - noncontrolling interest.	-	-	4	4	-	4
Balance as at March 31, 2017	927	(142)	6,671	7,456	289	7,745

	<i>For the year ended December 31, 2017 (audited)</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	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 loss, after tax effect	-	57	-	57	1	58
Temporary equity - noncontrolling interest.	-	-	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 can not be distributed as dividend.

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