



Press release

15.8.2017

First International Bank of Israel Announces Second Quarter 2017 Results

Tel Aviv, Israel, August 15th, 2017. First International Bank of Israel Ltd. (TASE: FTIN) today announced today its financial results for the second quarter and first half of 2017.

Financial Highlights

- **Growth of 12.7% in net earnings** year-over-year for the second quarter of 2017 to NIS 151 million; return on equity of 8.3%;
- **Growth of 12.8% in net earnings** year-over-year for the first half of 2017 to NIS 317 million; return on equity of 8.7%;
- **Growth of 8% in net interest income** as compared to the corresponding half of last year;
- **Reduction of 3.8% in operating and other expenses** as compared to the corresponding half of last year and an improvement to 69.2% in the efficiency ratio;
- **Growth of 2.3% in credit to the public** in the first half of 2017 and 4% in the twelve months ended June 30, 2017;
- **Ratio of Tier I equity to risk weighted assets at 10.25%;**
- The Board of Directors declared a **dividend distribution of NIS 70 million** for the second quarter of 2017;

Management Comment

Smadar Barber-Tsadik, CEO of First International Bank Group, commented, “The results of the First International Bank Group for the first half of the year reflect a continued growth in income due to ongoing growth in our credit portfolio and in our deposits, among other things. In line with our plans, we also continue to see a long-term downward trend in operating expenses which has led to a consistent and continuous improvement in our efficiency ratio. Our Bank has maintained a solid level of financial stability, reflected by an improvement in the capital adequacy, the liquidity ratio, and in the leverage ratio, which, among other factors has led to the recent upgrade in the Bank’s credit rating outlook to positive.”

Profitability and Growth

Net profit in the second quarter of 2017 increased by 12.7% amounting to NIS 151 million, compared with the corresponding quarter last year. **Return on equity** reached 8.3%. **Net profit for the first half of 2017** increased by 12.8%, amounting to NIS 317 million, as compared to the corresponding half of last year, and the return on equity reached 8.7%.

The growth in the Group's financials was demonstrated both on the **credit** side and on the **deposit** side. The credit to the public portfolio grew by 4% in the twelve months ended June 30, 2017, by 2.3% in the first half of 2017 and by 1.4% in the second quarter of 2017. The growth in the credit portfolio is marked by the continuing diversification of credit, focusing both on the private customer segment, which grew by 3.8% in the first half, and on the small and middle-market business segment, which grew by 2.6%.

Net interest income increased by 8% in the first half of the year, due to the growth in operations, primarily due to increases in the credit portfolio.

Expenses in respect of credit losses amounted to NIS 84 million in the first half of the year (0.22% out of the total credit to the public). Most of the expense was due to a collective allowance for credit losses. **The total amount of bad debts** decreased by 1.4% as compared with the level as of the end of 2016.

Efficiency

The Bank continued to improve its efficiency measures in accordance with its strategy, and a reduction was evident across all expense items: **Payroll and related expenses** decreased by 2.1%, **maintenance and depreciation of buildings and equipment** decreased by 6%, **amortization and reduction in value of intangible assets** decreased by 27% and **other expenses** decreased by 2%.

Overall **operating and other expenses** recorded a reduction of 3.8%, which amounted to NIS 52 million, totaling NIS 1,304 million.

The gradual and consistent improvement in the **efficiency ratio** continued, improving to 69.2% in the first half of the year, and to 69.6% in the second quarter of the year, as compared to 73.5% in 2016.

Financial Stability

The **capital** attributed to the shareholders of the Bank continued in its upward trend, growing by 3%, as compared to the end of corresponding period last year, and amounted to NIS 7,563 million.

Tier I equity ratio to risk weighted assets increased to 10.25%, as compared to 10.09% as at December 31, 2016, and **total equity ratio to risk weighted assets** increased to 13.8%. The financial stability is also reflected in the ratio of deposits to credit reaching 136%, and in the liquidity coverage ratio, which reached 125%.

The Board of Directors of the Bank decided to distribute a dividend of NIS 70 million for the second quarter, in addition to dividends which amounted to NIS 140 million which were distributed since the beginning of 2017.

In the third quarter of 2017, the Bank is expected to recognize income from taxes in respect of prior years, in the amount of NIS 32 million, following final tax assessments for those years which were issued to the Bank in July 2017.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the six months ended		For the year ended
	30.6.17	30.6.16	31.12.16
			in %
Execution indices			
Return on equity ⁽¹⁾	8.7%	8.0%	7.2%
Return on assets ⁽¹⁾	0.5%	0.4%	0.4%
Ratio of fees to assets ⁽¹⁾	1.0%	1.0%	1.0%
Ratio of equity capital tier 1	10.25%	9.97%	10.09%
Leverage ratio	5.63%	5.49%	5.52%
Liquidity coverage ratio	125%	109%	123%
Efficiency ratio	69.2%	73.8%	73.5%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	1.06%	1.11%	1.08%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.20%	1.25%	1.02%
Ratio of provision for credit losses to total impaired credit to the public	112%	115%	147%

Principal data from the statement of income	For the six months ended		Change
	30.6.17	30.6.16	
		NIS million	%
Net profit attributed to shareholders of the Bank	317	281	12.8%
Interest Income, net	1,145	1,060	8.0%
Expenses from credit losses	87	25	248.0%
Total non Interest income	739	777	(4.9%)
Of which: Fees	651	656	(0.8%)
Total operating and other expenses	1,304	1,356	(3.8%)
Of which: Salaries and related expenses	821	839	(2.1%)
Primary net profit per share of NIS 0.05 par value (NIS)	3.16	2.81	12.8%

Principal data from the balance sheet	As of			Change vs.	
	30.6.17	30.6.16	31.12.16	30.6.16	31.12.16
			NIS million		%
Total assets	128,836	127,307	127,907	1.2%	0.7%
of which: Cash and deposits with banks	30,969	30,635	29,150	1.1%	6.2%
Securities	13,047	14,917	15,776	(12.5%)	(17.3%)
Credit to the public, net	79,119	76,097	77,328	4.0%	2.3%
Total liabilities	120,661	119,367	119,973	1.1%	0.6%
of which: Deposits from banks	746	1,207	755	(38.2%)	(1.2%)
Deposits from the public	107,280	105,316	105,817	1.9%	1.4%
Bonds and subordinated capital notes	5,070	5,693	5,801	(10.9%)	(12.6%)
Capital attributed to the shareholders of the Bank	7,563	7,339	7,321	3.1%	3.3%

Additional data	As of		
	30.6.17	30.6.16	31.12.16
Share price (NIS 0.01)	6,326	4,715	5,650
Dividend per share (NIS)	1.40	-	1.99

(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
	NOTE	2017	2016	2017	2016	2016
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	753	670	1,393	1,217	2,526
Interest Expenses	2	170	136	248	157	357
Interest Income, net		583	534	1,145	1,060	2,169
Expenses from credit losses	6,12	53	92	87	25	80
Net Interest Income after expenses from credit losses		530	442	1,058	1,035	2,089
Non Interest Income						
Non Interest Financing income	3	21	33	33	67	115
Fees		317	329	651	656	1,300
Other income		13	42	55	54	65
Total non Interest income		351	404	739	777	1,480
Operating and other expenses						
Salaries and related expenses		407	405	821	839	1,656
Maintenance and depreciation of premises and equipment		94	99	193	205	409
Amortizations and impairment of intangible assets		22	31	45	62	116
Other expenses		127	123	245	250	502
Total operating and other expenses		650	658	1,304	1,356	2,683
Profit before taxes		231	188	493	456	886
Provision for taxes on profit		86	94	183	212	398
Profit after taxes		145	94	310	244	488
The bank's share in profit of equity-basis investee, after taxes		16	49	26	59	72
Net profit:						
Before attribution to noncontrolling interests		161	143	336	303	560
Attributed to noncontrolling interests		(10)	(9)	(19)	(22)	(39)
Attributed to shareholders of the Bank		151	134	317	281	521
						NIS
Primary profit per share attributed to the shareholders of the Bank						
Net profit per share of NIS 0.05 par value		1.51	1.34	3.16	2.81	5.19

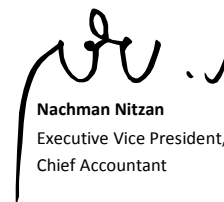
The notes to the financial statements are an integral part thereof.



Irit Izakson
Chairperson of the Board of Directors



Smadar Barber-Tsadik
Chief Executive Officer



Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 14 August, 2017

STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾
(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2017	2016	2017	2016	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to noncontrolling interests	161	143	336	303	560
Net profit attributed to noncontrolling interests	(10)	(9)	(19)	(22)	(39)
Net profit attributed to the shareholders of the Bank	151	134	317	281	521
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale securities to fair value, net	33	16	65	36	14
Adjustments from translation of financial statements ⁽²⁾ net after the effect of hedges ⁽³⁾	-	-	-	-	(3)
Adjustments of liabilities in respect of employee benefits ⁽⁴⁾	10	(26)	34	(65)	(131)
Other comprehensive loss before taxes	43	(10)	99	(29)	(120)
Related tax effect	(16)	3	(35)	9	38
Other comprehensive income (loss) before attribution to noncontrolling interests, after taxes	27	(7)	64	(20)	(82)
Less other comprehensive loss (income) attributed to noncontrolling interests	(1)	(1)	(3)	(1)	10
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	26	(8)	61	(21)	(72)
Comprehensive income before attribution to noncontrolling interests	188	136	400	283	478
Comprehensive income attributed to noncontrolling interests	(11)	(10)	(22)	(23)	(29)
Comprehensive income attributed to the shareholders of the Bank	177	126	378	260	449

(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)

		30.6.17	30.6.16	31.12.16
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		30,969	30,635	29,150
Securities	5	13,047	14,917	15,776
Securities which were borrowed		903	602	414
Credit to the public	6,12	79,964	76,955	78,175
Provision for Credit losses	6,12	(845)	(858)	(847)
Credit to the public, net		79,119	76,097	77,328
Credit to the government		646	647	654
Investments in investee company		535	505	514
Premises and equipment		1,105	1,200	1,133
Intangible assets		232	237	243
Assets in respect of derivative instruments	10	1,295	1,480	1,332
Other assets ⁽²⁾		968	987	1,020
Assets held for sale		17	-	343
Total assets		128,836	127,307	127,907
Liabilities, temporary equity and Shareholders' Equity				
Deposits from the public	7	107,280	105,316	105,817
Deposits from banks		746	1,207	755
Deposits from the Government		1,038	841	570
Bonds and subordinated capital notes		5,070	5,693	5,801
Liabilities in respect of derivative instruments	10	1,341	1,564	1,356
Other liabilities ⁽¹⁾⁽³⁾		5,170	4,746	4,929
Liabilities held for sale		16	-	745
Total liabilities		120,661	119,367	119,973
Temporary equity - noncontrolling interests		336	326	330
Capital attributed to the shareholders of the Bank		7,563	7,339	7,321
Noncontrolling interests		276	275	283
Total equity		7,839	7,614	7,604
Total liabilities, temporary equity and shareholders' equity		128,836	127,307	127,907

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 69 million and NIS 73 million and NIS 71 million at 30.6.17, 30.6.16 and 31.12.16, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 341 million and NIS 253 million and NIS 238 million at 30.6.17, 30.6.16 and 31.12.16, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 577 million and NIS 429 million and NIS 491 million at 30.6.17, 30.6.16 and 31.12.16, respectively.

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

STATEMENT OF CHANGES IN EQUITY
(NIS million)

For the three months ended June 30, 2017 (unaudited)						
	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, 2017	927	(142)	6,671	7,456	289	7,745
Net profit for the period	-	-	151	151	6	157
Dividend	-	-	(70)	(70)	(20)	(90)
Other comprehensive income, after tax effect	-	26	-	26	1	27
Temporary equity - noncontrolling interest	-	-	-	-	-	-
Balance as at June 30, 2017	927	(116)	6,752	7,563	276	7,839

For the three months ended June 30, 2016 (unaudited)						
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive loss	Retained earnings ⁽²⁾	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of March 31, 2016	927	(118)	6,407	7,216	269	7,485
Net profit for the period	-	-	134	134	5	139
Other comprehensive loss, after tax effect	-	(8)	-	(8)	1	(7)
Temporary equity - noncontrolling interest	-	-	(3)	(3)	-	(3)
Balance as at June 30, 2016	927	(126)	6,538	7,339	275	7,614

For the six months ended June 30, 2017 (unaudited)						
	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	-	-	317	317	12	329
Dividend	-	-	(140)	(140)	(20)	(160)
Other comprehensive income, after tax effect	-	61	-	61	1	62
Temporary equity - noncontrolling interest	-	-	4	4	-	4
Balance as at June 30, 2017	927	(116)	6,752	7,563	276	7,839

For the six months ended June 30, 2016 (unaudited)						
	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	(105)	6,251	7,073	264	7,337
Net profit for the period	-	-	281	281	10	291
Other comprehensive loss, after tax effect	-	(21)	-	(21)	1	(20)
Temporary equity - noncontrolling interest	-	-	6	6	-	6
Balance as at June 30, 2016	927	(126)	6,538	7,339	275	7,614

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

For the year ended December 31, 2016 (audited)						
	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	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 interest.	-	-	(1)	(1)	-	(1)
Balance as at December 31, 2016	927	(177)	6,571	7,321	283	7,604

(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.