

# OVERVIEW

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30.6.17



# MAIN EVENTS IN H1 2017

## GROWTH COMPARED TO H1 2016

### Growth in net profit

- Increase of **13%** in net profit to **317** NIS Million.
- ROE – **8.7%**, compared to **8.0%** at H1 2016-end, and **7.2%** at 2016-end.
- Increase of **13%** net profit in Q2 2017 to **151** NIS Million; ROE – **8.3%**.

growth compared  
to 30.6.16

growth compared  
to 31.12.16

### Credit Growth

Increase of **4%** in credit balance during past year (**1.4%** in Q2 2017)

• Private Clients -	5.6%	4.9%
• Mortgages -	6.1%	2.9%
• Large Businesses -	2.4%	(1.4%)
• Small/Medium Businesses -	1.6%	2.6%

### Continued growth in financing income despite low interest rates

Continuing growth in financing income – **8%** increase versus last year, mainly due to increase in margins and in volume of credit to public

# MAIN EVENTS IN H1.2017 –

## EFFICIENCY MEASURES COMPARED TO H1.2016

### Decrease in operating expenses

**3.8% decrease in operating and other expenses; across all expenses categories:**

- A decrease of approximately **2.1%** in salary expenses.
- A decrease of **6.0%** in maintenance and depreciation.
- A decrease of **2.0%** in other expenses.

### Income from efficiency measures in real estate

Efficiency measure: sale of a real estate property in central Tel Aviv (part of bank's HQ) was completed in Q1.17. Profit from the sale: 28 NIS million, after tax.

### Substantial improvement in efficiency ratio

In Q2 2017, efficiency ratio at **69.6%**.

Efficiency ratio in H1 2017 at **69.2%** vs 73.8% last year.

Excluding sale of real estate and share of sale of Visa Europe last year, efficiency ratio is 70.8% compared to 75.1%.



# MAIN EVENTS IN H1.2017 –

## HIGH FINANCIAL STABILITY COMPARED TO H1.2016

### Increase in equity

- High equity capital ratio (Tier 1) - **10.25%** (vs 10.12% ratio in 31.3.2017).  
High Positive gap (+1%) above required equity capital (Tier 1) target ratio; among highest in Israeli Banking system (as of 31.3.17).
- In Q3 2017, tax revenue of 32 NIS million expected in respect of prior years along with the closure of final tax assessments for previous years which were issued to the Bank in July of this year.

### High dividend yield

- Announced additional dividend distribution of **70** NIS Million.
- Dividend yield of **6.2%** based on average share value over year ended 30.6.17 – **highest dividend yield in Israeli Banking system.**

### Liquidity / Leverage

- Increase in average liquidity coverage ratio (**128%**) **and in Leverage Ratio (5.63%)** compared to end of 2016.



# MAIN EVENTS IN H1.2017 –

## HIGH FINANCIAL STABILITY COMPARED TO H1 2016 (continued)

### High quality credit portfolio

- Expenses for credit losses of 0.22%.
- Increase in Expenses from Credit Losses due to the general allowance for credit losses, due to the increase in credit and coefficients update.
- NPL coverage ratio above 100%.
- Problematic debt to credit ratio is low compared to the Israeli Banking system.
- Decrease in credit risk due to problematic debt.

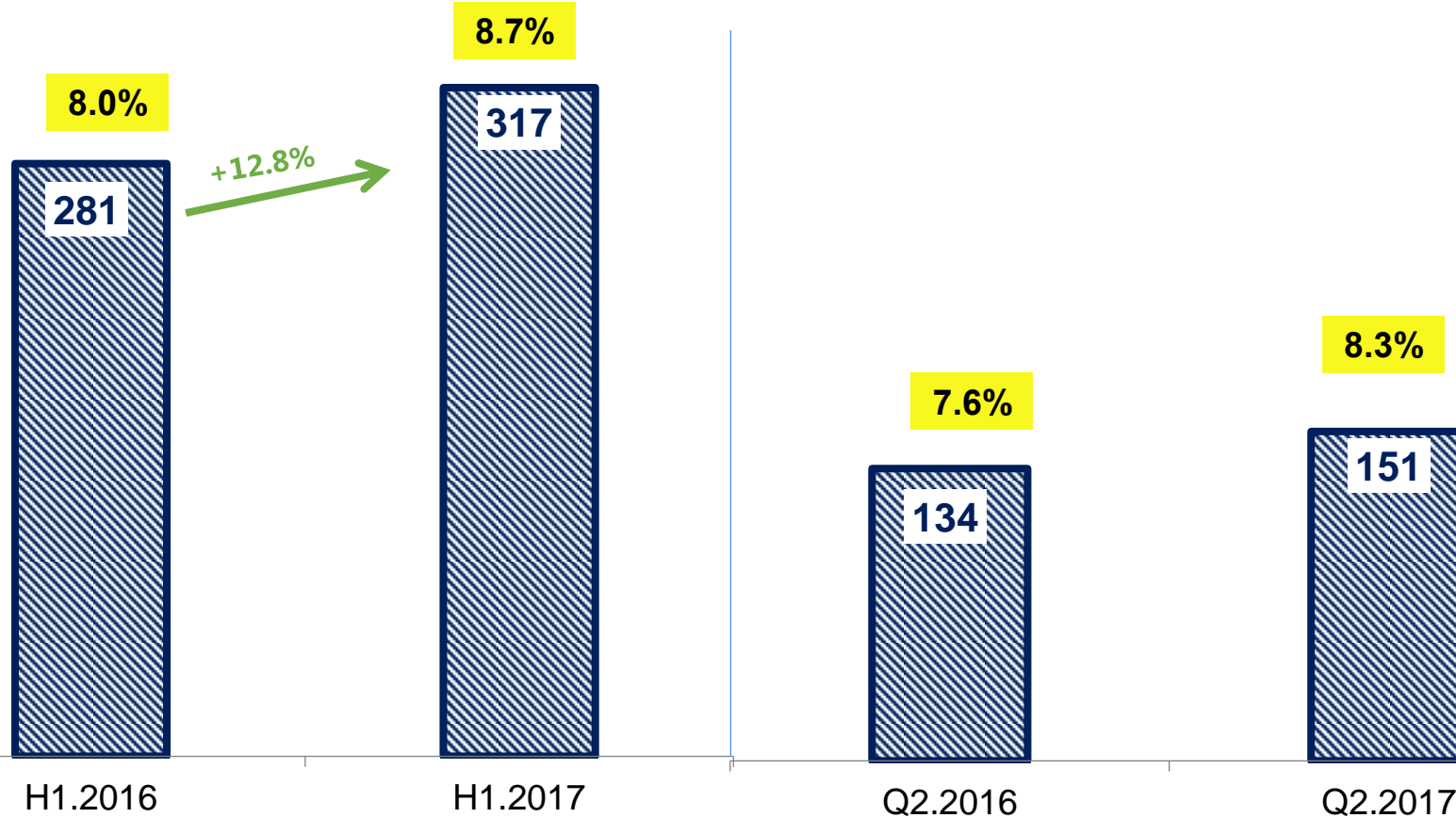
### Update rating Midrug

- *Midrug* rating agency, raised rating outlook **from stable to positive**; left assessment of Bank's financial stability unchanged at Aa3.

# ROE (%)

NET PROFIT (MILLIONS NIS)

(ROE)



H1.2016

H1.2017

Q2.2016

Q2.2017

Average capital

7,165

+3.4%

7,407

7,257

7,493

Common Equity  
Capital (Tier 1) to  
risk assets

9.97%

10.25%

# STATEMENTS OF INCOME

H1.2017 compared to H1.2016 (MILLION NIS)

Million NIS	H1.17	Change before tax	Change in %
Interest Income, Net	1,145	85	8.0%
Non-Interest Financing Income (Mainly a decrease in realization of Nostro)	33	(34)	(50%)
Expenses from Credit Losses (Provision rate of 0.22%)	87	62	248%
Commission income (Mainly due to decrease in \$ FX)	651	(5)	(0.7%)
Other Income (sale of real estate in Tel Aviv this year: 41; sale of FIBI Switzerland: 12; sale of Visa Europe last year: 32; gain from realization of buildings: 18)	55	1	0.2%
<b>Total Income before Expenses from Credit Losses</b>	<b>1,884</b>	<b>47</b>	<b>2.6%</b>

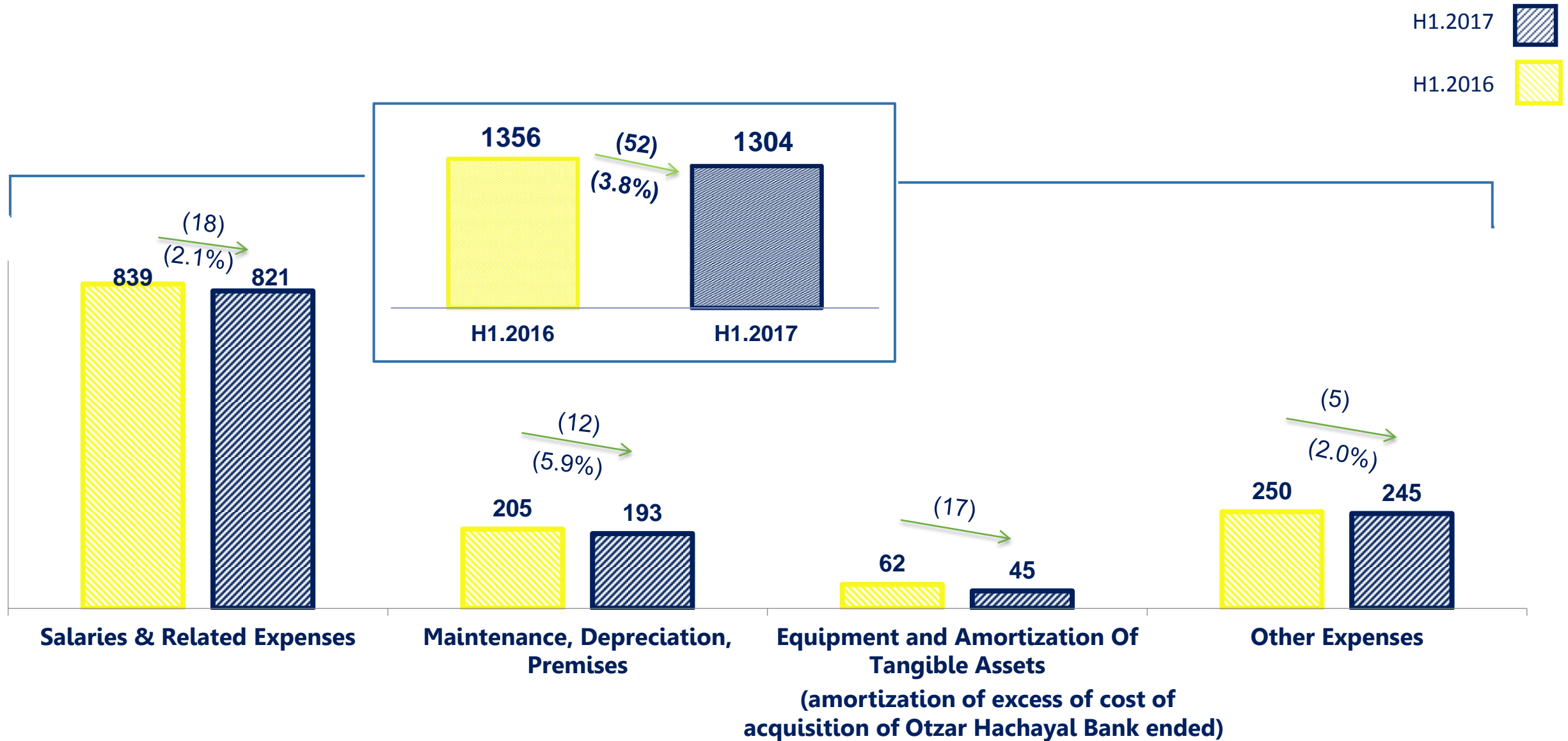
# STATEMENTS OF INCOME

H1.2017 compared to H1.2016 (MILLIONS NIS)

Millions NIS	H1.17	Change before tax	Change in %
<b>Total Operating and Other Expenses</b>	<b>1,304</b>	(52)	<b>(3.8%)</b>
Salaries and Related Expenses	821	(18)	<b>(2.1%)</b>
Maintenance of Buildings and Equipment, Depreciation and Amortization	193	(12)	<b>(6.0%)</b>
Amortization and Impairment of Intangible Assets	45	(17)	<b>(26.9%)</b>
Other Expenses	245	(5)	<b>(2.0%)</b>
<b>Profit before taxes</b>	<b>493</b>	37	<b>8.1%</b>
<b>Bank's share in CAL profit (last year one-time profit)</b>	<b>26</b>	(33)	
<b>Net Profit</b>	<b>317</b>	<b>36</b>	<b>12.8%</b>
<b>EFFICIENCY RATIO</b>	<b>69.2%</b>		<b>(4.6%)</b>

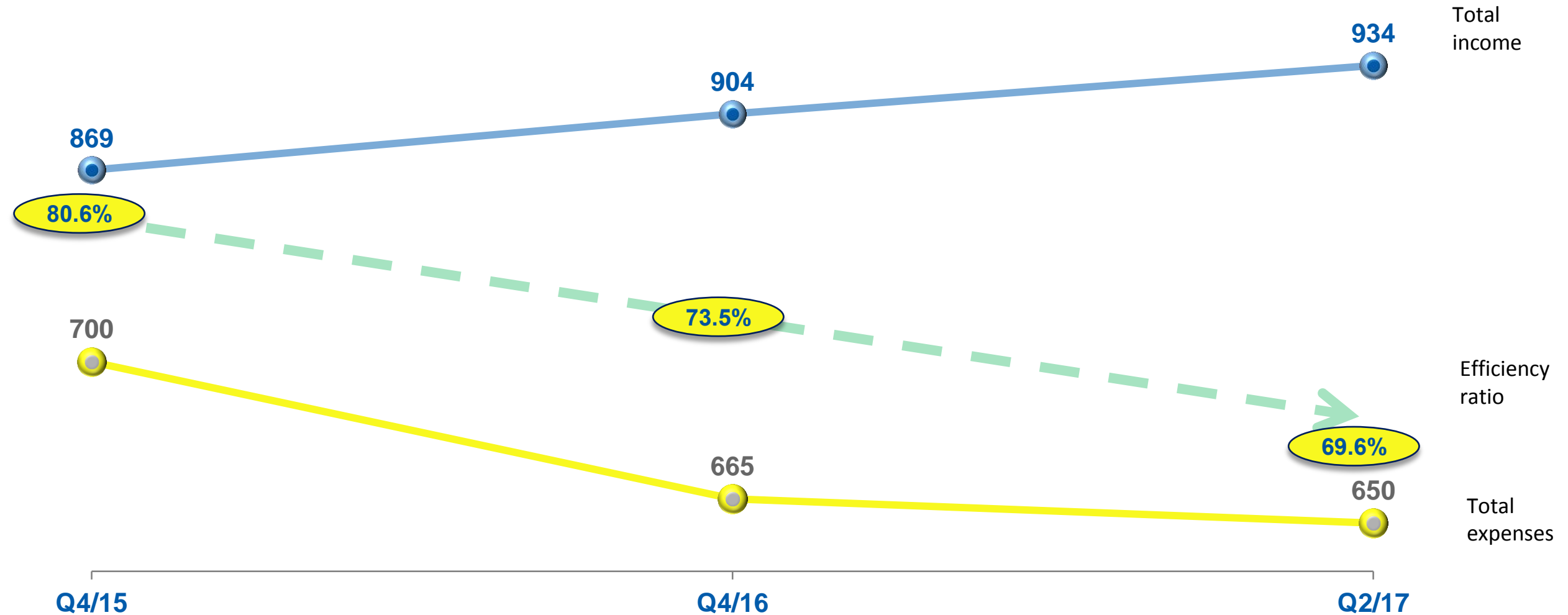


# A CONTINUING DECREASE IN OPERATING & OTHER EXPENSES (MILLIONS NIS)



# Continuous improvement in efficiency ratio

Operating expenses to income (MILLIONS NIS)



# FIBI'S STRATEGIC ASSETS & LIABILITIES STRUCTURE

30.6.2017 (NIS Billions)

31.12.2016

Capital to Risk Assets  
Total Ratio

**13.79%**

Equity Capital (Tier 1) to  
Risk Components Ratio

**10.09%**

Deposits from the  
Public to Credit Ratio

**136.8%**

Liquidity Ratio (LCR)

**123%**

Leverage Ratio

**5.52%**

30.6.2017

Capital to Risk Assets  
Total Ratio

**13.81%**

Equity Capital (Tier 1) to  
Risk Components Ratio

**10.25%**

Deposits from the  
Public to Credit Ratio

**135.6%**

Liquidity Ratio (LCR)

**125%**



Leverage Ratio

**5.63%**



## Public Deposits

**107.3**

Bank Deposits **0.7**

Capital Notes & CoCo **5.1**

Of Which: CoCo **0.9**

Capital Available for Investment **6.0**

## Credit to the Public **79.1**

State of Israel Bonds **8.4**

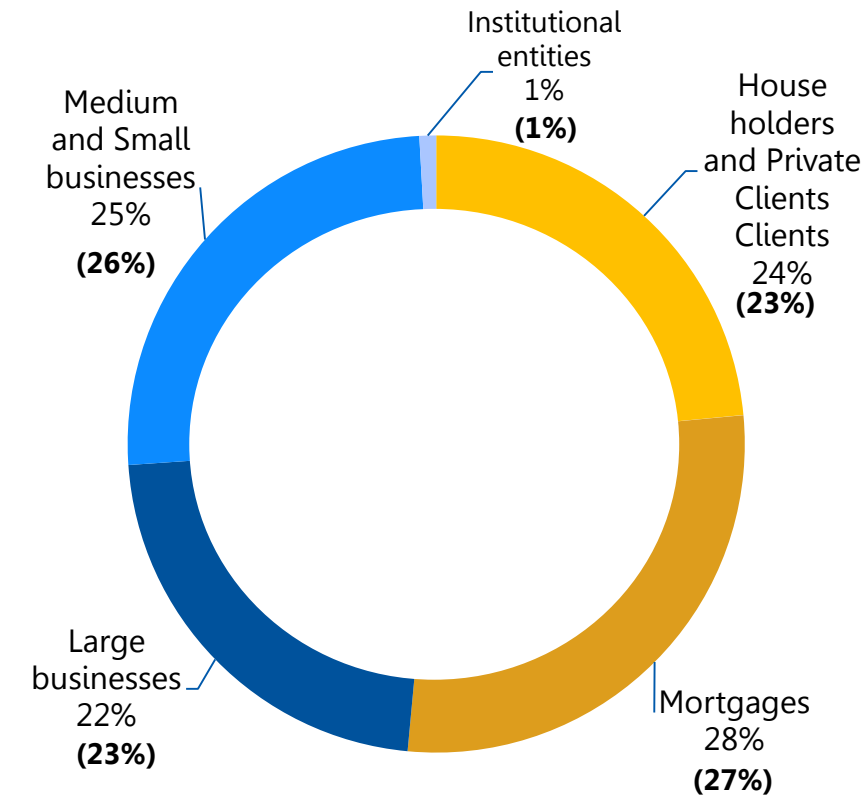
Bank of Israel Deposits **29.0**

Foreign Countries Bonds **3.0**

# CREDIT TO THE PUBLIC BY SEGMENT

balances of the end of the periods MILLIONS NIS

	30.6.17	% change compared to	
		31.12.16	30.6.16
House holders and Private Clients	18,793	4.9%	5.6%
Mortgages	22,373	2.9%	6.1%
Total Private Clients	41,166	3.8%	5.8%
Large Businesses (including capital markets clients)	17,940	(1.4%)	2.4%
Total Medium and Small businesses	20,158	2.6%	1.6%
Institutional Entities	700	2.3%	1.0%
Total Credit to the Public (net)	79,119	2.3%	3.9%



(Bracketed figures as of 30.6.16)

Total private credit is 52% of total credit to the public (50% at 30.6.16)

An increase of 1.4% in total credit in Q2.2017, While continuing the diversify of credit

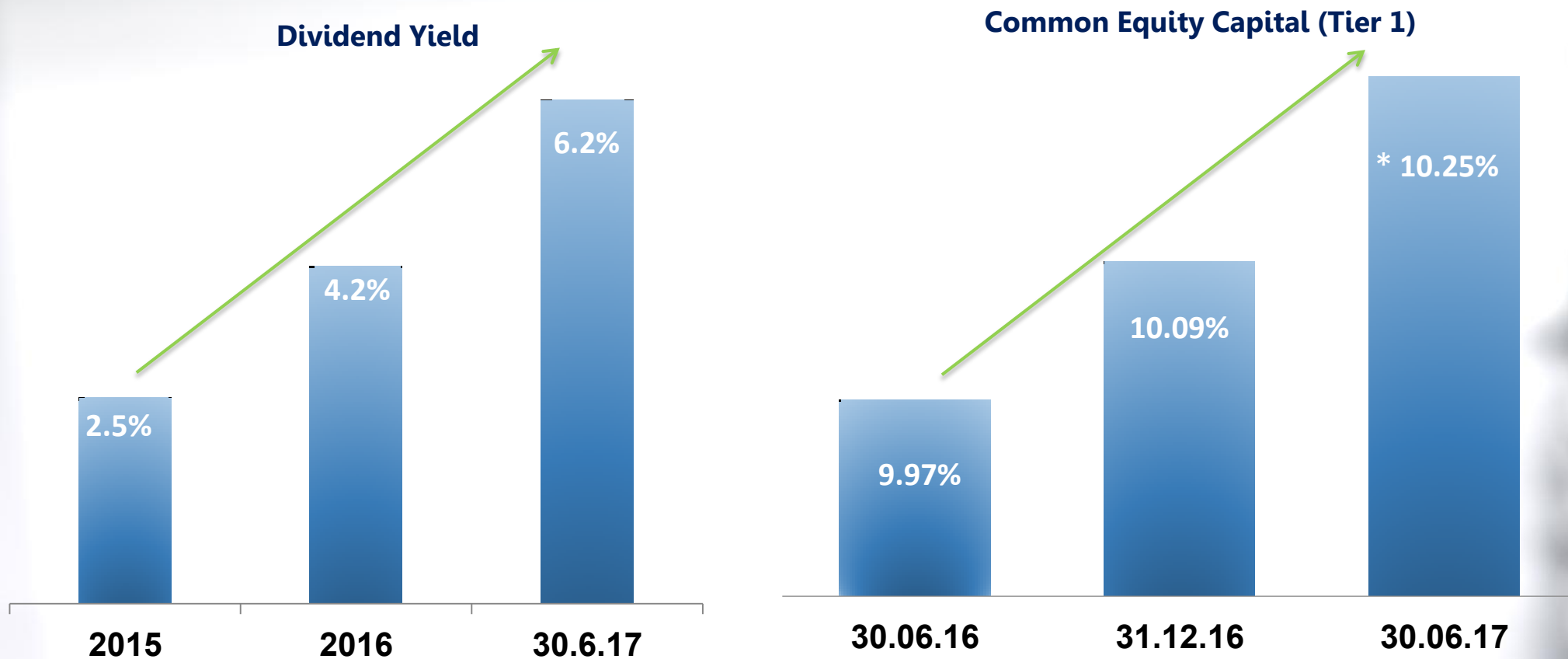
# DECREASE IN CREDIT RISK DUE TO PROBLEMATIC DEBT (MILLIONS NIS)

	Balance sheet	30.6.17 Off balance sheet	Total	Balance sheet	31.12.16 Off balance sheet	Total	Gross Change
Impaired Credit Risk	757	137	894	582	174	756	138
Inferior Credit Risk	197	9	206	475	21	496	(290)
Credit Under Special Supervision Risk	847	93	940	740	77	817	123
<b>Total Problematic Credit Risk</b>	<b>1,801</b>	<b>239</b>	<b>2,040</b>	<b>1,797</b>	<b>272</b>	<b>2,069</b>	<b>(29) (1.4%)</b>

	30.6.17	Average of other 4 big banks' First quarter 2017
Provision for credit losses to impaired credit - NPL (Excluding mortgages) coverage ratio	100.4%	92.5%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	1.20%	1.55%



# THE HIGHEST DIVIDEND YIELD IN THE ISRAELI BANKING SYSTEM, WHILE MAINTAINING A HIGH CAPITAL ADEQUACY



Subsequent to publication of Financial Report of Q2.2017, Bank declared additional **70 NIS Million Dividend Distribution** (total amount **210 NIS Million** since start of 2017)

\* **0.96%** above the minimal required ratio

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