

## **First International Bank of Israel Presents Full Year And Fourth Quarter 2017 Results**

### **Highlights for 2017**

- Increase of 30% in net earnings to NIS 678 million
- Return on equity: 9.1%
- Increase of 6.1% in net interest income
- Decrease of 2.8% in operating and other expenses
- Improvement to 69.5% in the efficiency ratio
- Ratio of Tier I capital to risk weighted assets: 10.38% at year-end 2017, compared with 10.09% at year-end 2016
- Ratio of total capital to risk weighted assets of 13.94%
- Distributed dividends of NIS 310 in 2017, representing an annual dividend yield of 4.9%
- Board of Directors declared dividend distribution of NIS 95 million for the fourth quarter of 2017

### **Profitability**

First International Bank Group's **net earnings** in the year 2017 increased by 30% in comparison to 2016, amounting to NIS 678 million. The return on equity was 9.1%.

**In the fourth quarter** of 2017, net earnings increased by 41% in comparison to the corresponding period in 2016, amounting to NIS 158 million. The return on equity was 8.4%.

### **Growth**

Net interest income increased in 2017 by 6.1% in comparison to the previous year, amounting to NIS 2,302 million, the growth was due to the increase in volume of operations, mostly from the growth in the credit portfolio.

The growth of the Group was also apparent in the balance sheet data, both on the credit side and on the deposit side. **The Bank's customer assets portfolio** grew by 12.8% (by approximately NIS 50 billion) and reached NIS 442 billion. **Deposits by the public** grew by 7.3% and **credit to the public** grew by 3.9%.

**The growth in the credit portfolio** was marked by the continued spread of credit. It was primarily noted in the private customer segment which grew by 8.5%. It was also noted in mortgages segment which grew by 5.1% and in credit granted to the small and middle business market segment, which grew by 6.0%.

The growth in the credit portfolio was achieved while maintaining an appropriate risk level: the ratio of **credit loss expenses** to total credit to the public in 2017 amounted to 0.15%.

## **Efficiency**

The First International Bank continued to improve efficiencies in line with its strategic goals, and a decrease of 2.8% was noted in **total operating and other expenses**, which amounted to NIS 2,607 million. The reduction in expenses was reflected across all expense items.

**Payroll and related expenses** amounted in 2017 to NIS 1,627 million, representing a reduction of 1.8%. The efficiency trend can be noted in the decrease in the number of positions, which declined in 2017 by 3.7%, as well as a reduction in the office space in use by the Bank, which decreased in 2017 by 9%.

This decrease in expenses supports the gradual and consistent improvement in the efficiency ratio, which improved to 69.5% in 2017 as compared with 73.5% in 2016.

In 2017, the Bank sold its operations in Switzerland. The sale process led to a temporary increase in expenses relating to the closing down process and due to the reduction in income from the Swiss operations. The results of the sale are expected to positively contribute to improvements in the efficiency ratio in 2018.

## **Financial Stability**

The upward trend relating to the **capital attributed to the shareholders of the Bank** continued, and grew by 5.9% (NIS 435 million) to NIS 7,756 million. The **Tier I equity capital ratio** increased to 10.38% in comparison to 10.09% as of December 31, 2016, and the **total capital ratio** increased to 13.94%.

In 2017, the Bank distributed **dividends** in the amount of NIS 310 million, representing a dividend yield of 4.9%. Furthermore, the Board of Directors of the Bank resolved on an additional **dividend** distribution of NIS 95 million for the fourth quarter.

## **Management Comment**

**Mrs. Smadar Berber-Tsadik, CEO of the First International Bank Group:** “The financial results of the First International Bank for 2017 reflect the ongoing growth of the Group, as apparent in the consistent growth of the credit portfolio, in the deposits of the public and in the customer assets portfolio. Our growth trend has continued for a number of years, and we have demonstrated an average growth rate of over 5% per annum in the credit portfolio. I emphasize that we are achieving this growth while maintaining the quality of the Bank assets, an appropriate risk level, a healthy mix in

the credit portfolio, and an increase in our loan book diversity. The strong capital ratios of the First International Bank enable this ongoing growth, while allowing us to continue to share dividends with our shareholders.

Continued Mrs. Berber-Tsadik, “Another positive trend reflected in our financial results, is the consistent and significant improvement in our efficiency ratios. This has been made possible by a combination of growing income with declining expenses. We continue to implement efficiency measures in accordance with our strategy of improvements in work procedures, merger of branches and Head Office units, and reduction in the number of positions. Looking ahead to 2018, we will continue to implement efficiency measures with the aim of ongoing gradual and consistent improvement in our efficiency ratios.

“The First International Bank maintains its leadership position in the capital market, both in the professional field and in the digital field. In 2017, we focused on unique and innovative digital developments, such as the cellular consulting system ‘ADVISE ME’, an upgraded capital market website and more. 2017 was also characterized by a significant improvement in the digital field as well as in our innovation, both in regards to the capital market as well as in the range of banking operations we provide. Our goal is the upgrade of the customer experience by providing our customers with advanced and efficient service channels, which complement the personal and professional services that we provide at our branches.”

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

<i>Principal financial ratios</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	percent				
<i>Execution indices</i>					
Return on equity	9.1%	7.2%	6.5%	6.8%	8.4%
Return on assets	0.5%	0.4%	0.4%	0.4%	0.5%
Ratio of equity capital tier 1	10.38%	10.09%	9.81%	9.69%	9.98%
Leverage ratio <sup>(1)</sup>	5.50%	5.52%	5.43%		
Liquidity coverage ratio <sup>(1)</sup>	123%	123%	104%		
Efficiency ratio	69.5%	73.5%	77.6%	77.3%	74.3%
<i>Credit quality indices</i>					
Ratio of provision for credit losses to credit to the public	1.03%	1.08%	1.12%	1.25%	1.19%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.95%	1.02%	1.36%	1.50%	1.79%
Ratio of provision for credit losses to total impaired credit to the public	155%	147%	108%	110%	83%
Ratio of net write-offs to average total credit to the public	0.18%	0.09%	0.15%	0.05%	0.14%
<i>Principal data from the statement of income</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	NIS million				
Net profit attributed to shareholders of the Bank	678	521	446	455	538
Interest Income, net	2,302	2,169	1,953	2,101	2,187
Expenses from credit losses	121	80	18	89	97
Total non Interest income	1,450	1,480	1,541	1,667	1,664
Of which: Fees	1,305	1,300	1,378	1,375	1,418
Total operating and other expenses	2,607	2,683	2,710	2,912	2,860
Of which: Salaries and related expenses	1,627	1,656	1,629	1,780	1,746
Primary net profit per share of NIS 0.05 par value (NIS)	6.76	5.19	4.45	4.54	5.36
<i>Principal data from the balance sheet</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	NIS million				
Total assets	135,717	127,907	125,476	117,807	111,025
of which: Cash and deposits with banks	39,186	29,150	30,727	29,182	26,100
Securities	10,238	15,776	16,439	12,554	10,799
Credit to the public, net	80,378	77,328	72,555	68,931	68,680
Total liabilities	127,333	119,973	117,813	110,764	104,124
of which: Deposits from banks	1,133	755	1,565	1,469	1,335
Deposits from the public	113,511	105,817	103,262	95,155	89,122
Bonds and subordinated capital notes	5,249	5,801	5,862	4,903	5,702
Capital attributed to the shareholders of the Bank	7,756	7,321	7,073	6,797	6,673
<i>Additional data</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Share price (0.01 NIS)	7,202	5,650	4,594	4,990	4,766
Dividend per share (0.01 NIS)	309	199	130	284	199
Number of positions <sup>(2)</sup>	4,451	4,623	4,858	5,114	5,214
Ratio of fees to assets	1.0%	1.0%	1.1%	1.2%	1.3%

(1) According to instructions of the Bank of Israel the Leverage ratio and the Liquidity coverage ratio were calculated since 2015. Therefor no comparative data is stated.

(2) The number of positions includes conversion of overtime in terms of positions.

**STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31**  
(NIS million)

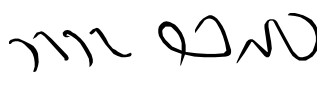
		<i>Consolidated</i>			<i>The Bank</i>		
	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Interest Income	2	2,704	2,526	2,260	2,060	1,873	1,521
Interest Expenses	2	402	357	307	397	342	283
Interest Income, net	2	2,302	2,169	1,953	1,663	1,531	1,238
Expenses from credit losses	13,29	121	80	18	47	45	11
Net Interest Income after expenses from credit losses		2,181	2,089	1,935	1,616	1,486	1,227
<i>Non Interest Income</i>							
Non Interest Financing income	3	83	115	149	94	99	95
Fees	4	1,305	1,300	1,378	973	954	839
Other income	5	62	65	14	176	188	193
Total non Interest income		1,450	1,480	1,541	1,243	1,241	1,127
<i>Operating and other expenses</i>							
Salaries and related expenses	6	1,627	1,656	1,629	1,215	1,227	1,054
Maintenance and depreciation of premises and equipment		380	409	428	278	299	269
Amortizations and impairment of intangible assets	17	94	116	131	83	82	86
Other expenses	7	506	502	522	450	427	416
Total operating and other expenses		2,607	2,683	2,710	2,026	2,035	1,825
Profit before taxes		1,024	886	766	833	692	529
Provision for taxes on profit	8	358	398	326	284	301	213
Profit after taxes		666	488	440	549	391	316
The bank's share in profit of equity-basis investee, after taxes	15	54	72	38	129	130	130
Net profit:							
Before attribution to noncontrolling interests		720	560	478	678	521	446
Attributed to noncontrolling interests		(42)	(39)	(32)	-	-	-
Attributed to shareholders of the Bank		678	521	446	678	521	446
<i>Consolidated and The Bank</i>							
	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>			
Primary profit per share attributed to the shareholders of the Bank	9				NIS		
Net profit per share of NIS 0.05 par value		6.76	5.19	4.45			

\* The data for 2015 does not include the data for PAGI and UBank, which were merged in 2015 with and into the Bank, and were included in that year in the consolidated data.

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, 5 March, 2018

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31<sup>(1)</sup>**  
(NIS million)

			<i>Consolidated</i>
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Net profit before attribution to noncontrolling interests	720	560	478
Net profit attributed to noncontrolling interests	(42)	(39)	(32)
Net profit attributed to the shareholders of the Bank	678	521	446
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale securities to fair value, net	90	14	(75)
Adjustments from translation of financial statements <sup>(2)</sup> net after the effect of hedges <sup>(3)</sup>	4	(2)	-
Adjustments of liabilities in respect of employee benefits <sup>(4)</sup>	1	(131)	11
Other comprehensive income (loss) before taxes	95	(119)	(64)
Related tax effect	(35)	37	24
Other comprehensive income (loss) before attribution to noncontrolling interests, after taxes	60	(82)	(40)
Less other comprehensive income (loss) attributed to noncontrolling interests	3	(10)	(2)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	57	(72)	(38)
Comprehensive income before attribution to noncontrolling interests	780	478	438
Comprehensive income attributed to noncontrolling interests	(45)	(29)	(30)
Comprehensive income attributed to the shareholders of the Bank	735	449	408

(1) See Note 10.

(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.

## BALANCE SHEET AS AT DECEMBER 31

(NIS million)

		Consolidated		The Bank	
	Note	2017	2016	2017	2016
Assets					
Cash and deposits with banks	11	39,186	29,150	33,551	23,332
Securities	12, 26	10,238	15,776	8,685	13,523
Securities which were borrowed		813	414	813	414
Credit to the public	13, 29	81,216	78,175	63,523	61,746
Provision for Credit losses		(838)	(847)	(607)	(653)
Credit to the public, net		80,378	77,328	62,916	61,093
Credit to the government	14	675	654	-	7
Investments in investee companies	15	565	514	2,657	2,541
Premises and equipment	16	1,095	1,133	991	1,019
Intangible assets	17	235	243	222	219
Assets in respect of derivative instruments	27A, 27B	1,342	1,332	1,363	1,342
Other assets <sup>(2)</sup>	18	1,186	1,020	1,030	784
Assets held for sale	18A	4	343	2	45
Total assets		135,717	127,907	112,230	104,319
Liabilities, temporary equity and Shareholders' Equity					
Deposits from the public	19	113,511	105,817	91,035	84,403
Deposits from banks	20	1,133	755	4,168	3,576
Deposits from the Government		960	570	817	296
Bonds and subordinated capital notes	21	5,249	5,801	3,637	4,019
Liabilities in respect of derivative instruments	27A, 27B	1,318	1,356	1,322	1,356
Other liabilities <sup>(1)(3)</sup>	22	5,162	4,929	3,157	3,018
Liabilities held for sale	18A	-	745	-	-
Total liabilities		127,333	119,973	104,136	96,668
Temporary equity - noncontrolling interests		338	330	338	330
Capital attributed to the shareholders of the Bank		7,756	7,321	7,756	7,321
Noncontrolling interests		290	283	-	-
Total equity		8,046	7,604	7,756	7,321
Total liabilities, temporary equity and shareholders' equity		135,717	127,907	112,230	104,319

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 61 million and NIS 71 million (consolidated) and NIS 54 million and NIS 62 million (the Bank) as of December 31, 2017 and 2016, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 423 million consolidated and the Bank (31.12.16 - NIS 238 million consolidated and the Bank).

(3) Of which: other liabilities measured at fair value in the amount of NIS 521 million consolidated and the Bank (31.12.16 - NIS 491 million consolidated and the Bank).

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

## STATEMENT OF CHANGES IN EQUITY

(NIS million)

	Share capital and premium (1)	Accumulated other comprehensiv e loss	Retained earnings (2)	Total share- holders' equity	Non- controli ng interests	Total equity
Balance as at January 1, 2015	927	(67)	5,937	6,797	246	7,043
<i>Chanages during 2015</i>						
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 interest	-	-	(2)	(2)	-	(2)
Balance as at December 31, 2015	927	(105)	6,251	7,073	264	7,337
<i>Chanages during 2016</i>						
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
<i>Chanages during 2017</i>						
Net profit for the year	-	-	678	678	26	704
Dividend	-	-	(310)	(310)	(20)	(330)
Other comprehensive income, 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 - see note 24A.B.

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