

A growth of 15.6% in net earnings for the first half of 2016, to NIS 281 million,
In contrast to net earnings of NIS 243 million in the corresponding half of last year
Return on equity: 8%

A growth of 13.6% in net earnings for the second quarter of 2016, to NIS 134 million,
In contrast to net earnings of NIS 118 million in the corresponding quarter of last year

Several non-recurring items were recorded in the second quarter, the impact of which offsets one another: Special income from VISA Europe on the one hand, and a credit loss expense and a provision for efficiency measures on the other hand, as stated below.

The ratio of Tier I equity capital to risk assets: 9.97%
The ratio of comprehensive capital to risk assets: 13.65%

Credit to the public amounted to NIS 76,097 million,
An increase of **4.9%** in the first half of the year and of **7.8%** in the last year.

Net interest income amounted to NIS 1,060 million,
An increase of 10.8% in the first half of 2016.

Operating and other expenses amounted to NIS 1,356 million,
A decrease of 4.7% in the first half of the year (after elimination of non-recurring items).

The equity attributed to the shareholders of the Bank amounted to NIS 7,339 million,
An increase of 3.8% in the first half of the year and of 5.4% in the last year.

Growth and efficiency

Credit to the public increased in the first half of the year by 4.9% amounting to NIS 76,097 million. The growth in credit is noticeable in all principal segments of operation:

Large businesses:	8.8%
Households:	4.3%
Middle market:	2.3%
Small businesses:	3.7%

Net interest income increased in the first half of 2016 by 10.8% (NIS 103 million) amounting to NIS 1,060 million.

Operating and other expenses, after elimination of a provision for efficiency measures and after elimination of the effect of implementation last year of a special collective labor agreement, recorded a reduction of NIS 65 million (4.7%) in comparison with the corresponding half of the previous year, of which, a reduction of NIS 44 million in payroll expenses.

The efficiency ratio has improved reaching 70.1% in the second quarter of 2016. An improvement in the efficiency ratio is noticed also after elimination of the profit from the special income from VISA Europe, where it reached 72.6%.

Non-recurring impact of items not being part of current operations in the second quarter of 2016

Several non-recurring items were recorded in the second quarter, the impact of which offsets one another:

- A growth was recorded in the second quarter of the year in credit loss expenses, stemming from the guidelines to banking corporations of the Supervisor of Banks, whereby the year 2011 should be included in the average rate of loss serving as a basis for the determination of the collective provision for credit losses. The implementation of the guidelines resulted in an increase of NIS 57 million in the collective provision (**NIS 36 million**, net after the tax effect). The Bank has elected to recognize this provision in full in the second quarter. Stability was recorded in the first half of the year in the volume of expenses for credit losses in relation to the corresponding period last year, the rate of the provisions being 0.07%.
- In operating and other expenses in the second quarter was a provision of **NIS 25 million (NIS 16 million)**, in respect of the future discontinuation of operations, being part of the adoption of efficiency measures.
- A net profit of **NIS 57 million** was recognized in the second quarter. This amount includes the share of the Bank in the consideration received in respect of the acquisition of the shares in VISA Europe and the Bank's share in the gains of ICC on that transaction, net of special provision at Cal.

Financial stability

The trend of growth in the Bank's **equity** is continuing, reaching in the first half of the year NIS 266 million (3.8%), and amounting in total to NIS 7,339 million. **The ratio of Tier I equity capital** reached 9.97% and the **comprehensive capital ratio** increased to 13.65%, and this following a successful issue by the Bank in the second quarter, of deferred debt notes of the COCO class, experiencing excess demand. The quality of the asset portfolio of the Bank is noticed in the continuing decline in scope of **troubled debts**, which decreased by 16.6% in relation to the corresponding half of the previous year, amounting to NIS 1,850 million, as well as in the rate of **credit loss expenses**, which reached 0.07% in the first half of the year.

Mrs. Smadar Barber Tsadik CEO of the First International Group:

" The results for the first half of 2016, indicate growth of the First International Group, a growth noticed in the increase in credit to the public, both to business customers and to private individuals, and as a result thereof, a growth in financing income. All this, while maintaining the financial stability of the Bank, reflected, inter alia, in the high capital ratios that allow the First International Group to continue its growth outline.

The Bank continues and will continue improving its efficiency, which is reflected in a reduction in all expense items and in improvement in the efficiency ratios of the Bank".

PRINCIPAL DATA

<i>Profit and profitability</i>	<i>For the six months ended</i>		<i>Change</i>
	<i>30.6.16</i>	<i>30.6.15</i>	
	NIS million		%
Net financing profit ⁽¹⁾	1,127	1,060	6.3
Fees and other income	710	710	-
Total income	1,837	1,770	3.8
Of which: Fees	656	701	(6.4)
Expenses from credit losses	25	26	(3.8)
Salaries and related expenses	839	786	6.7
Operating and other expenses (excluding salaries and related expenses)	517	538	(3.9)
Net profit attributed to the shareholders of the bank	281	243	15.6

<i>Balance Sheet</i>	<i>As of</i>			<i>Change vs.</i>	
	<i>30.6.16</i>	<i>30.6.15</i>	<i>31.12.15</i>	<i>30.6.15</i>	<i>31.12.15</i>
	NIS million			%	
Total assets (Total Balance Sheet)	127,307	121,424	125,476	4.8	1.5
Credit to the public, net	76,097	70,589	72,555	7.8	4.9
Securities	14,917	15,434	16,439	(3.3)	(9.3)
Deposits from the public	105,316	98,634	103,262	6.8	2.0
Bonds and subordinated notes	5,693	6,050	5,862	(5.9)	(2.9)
Capital attributed to the shareholders of the bank	7,339	6,966	7,073	5.4	3.8
Problematic credit risk	1,850	2,396	2,219	(22.8)	(16.6)

<i>Main financial ratios</i>	<i>For the six months ended</i>		<i>For the</i>
	<i>30.6.16</i>	<i>30.6.15</i>	<i>year ended</i>
			<i>31.12.15</i>
Capital attributed to shareholders of the bank to total assets	5.8%	5.7%	5.6%
Expenses (income) from credit losses to credit to the public, net ⁽²⁾	0.07%	0.07%	0.02%
Ratio of equity capital tier 1 to risk assets	9.97%	9.69%	9.81%
Ratio of total capital to risk assets	13.65%	13.56%	13.26%
Leverage ratio	5.49%	5.46%	5.43%
Liquidity coverage ratio	109%	93%	104%
Credit to the public, net to total assets	59.8%	58.1%	57.8%
Deposits from the public to total assets	82.7%	81.2%	82.3%
Deposits from the public to credit to the public, net	138.4%	139.7%	142.3%
Operating and other expenses to total income	73.8%	74.8%	77.6%
Net return on equity attributed to shareholders of the bank ⁽²⁾	8.0%	7.2%	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 June 30		Six months ended June 30		for the year Ended December 31
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	2015 (Audited)
Interest Income	2	670	730	1,217	1,112	2,260
Interest Expenses	2	136	217	157	155	307
Interest Income, net		534	513	1,060	957	1,953
Expenses from credit losses	6, 12	92	14	25	26	18
Net Interest Income after expenses from credit losses		442	499	1,035	931	1,935
<i>Non Interest Income</i>						
Non Interest Financing income	3	33	28	67	103	149
Commissions		329	344	656	701	1,378
Other income		42	3	54	9	14
Total non Interest income		404	375	777	813	1,541
<i>Operating and other expenses</i>						
Salaries and related expenses		405	410	839	786	1,629
Maintenance and depreciation of premises and equipment		99	105	205	213	428
Amortizations and impairment of intangible assets		31	37	62	68	131
Other expenses		123	123	250	257	522
Total operating and other expenses		658	675	1,356	1,324	2,710
Profit before taxes		188	199	456	420	766
Provision for taxes on profit		94	84	212	178	326
Profit after taxes		94	115	244	242	440
The bank's share in profit of equity-basis investees, after taxes		49	10	59	18	38
<i>Net profit:</i>						
Before attribution to noncontrolling interests		143	125	303	260	478
Attributed to noncontrolling interests		(9)	(7)	(22)	(17)	(32)
Attributed to shareholders of the Bank		134	118	281	243	446
						NIS
Primary earnings per share attributed to the shareholders of the Bank						
Net earnings per share of NIS 0.05 par value		1.34	1.17	2.81	2.42	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, August 15, 2016

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	Three months ended June 30		Six months ended June 30		for the year Ended December 31
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	2015 (Audited)
Net income before attribution to minority interests	143	125	303	260	478
Net income attributed to minority interests	(9)	(7)	(22)	(17)	(32)
Net income attributed to the shareholders of the Bank	134	118	281	243	446
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale securities to fair value, net	16	(104)	36	(60)	(75)
Adjustments from translation of financial statements ⁽¹⁾ net after the effect of hedges ⁽²⁾	-	2	-	(4)	-
Adjustments of liabilities in respect of employee benefits ⁽³⁾	(26)	113	(65)	33	11
Other comprehensive income (loss) before taxes	(10)	11	(29)	(31)	(64)
Related tax effect	3	(6)	9	14	24
Other comprehensive income (loss) before attribution to minority interests, after taxes	(7)	5	(20)	(17)	(40)
Less other comprehensive loss (income) attributed to minority interests	(1)	5	(1)	5	2
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	(8)	10	(21)	(12)	(38)
Comprehensive income before attribution to minority interests	136	130	283	243	438
Comprehensive income attributed to minority interests	(10)	(2)	(23)	(12)	(30)
Comprehensive income attributed to the shareholders of the Bank	126	128	260	231	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)

		30.6.16	30.6.15	31.12.15
	NOTE	(unaudited)	(unaudited)	(audited)
<i>Assets</i>				
Cash and deposits with banks		30,635	28,827	30,727
Securities	5	14,917	15,434	16,439
Securities which were borrowed		602	549	353
Credit to the public	6,12	76,955	(4)71,423	73,379
Provision for Credit losses	6,12	(858)	(834)	(824)
Credit to the public, net		76,097	70,589	72,555
Credit to the government		647	664	669
Investments in investee company		505	416	438
Premises and equipment		1,200	1,241	1,229
Intangible assets		237	292	272
Assets in respect of derivative instruments	10	1,480	2,146	1,636
Other assets ⁽²⁾		987	(4)1,266	1,158
Total assets		127,307	121,424	125,476
<i>Liabilities, temporary equity and Shareholders' Equity</i>				
Deposits from the public	7	105,316	98,634	103,262
Deposits from banks		1,207	1,233	1,565
Deposits from the Government		841	575	511
Bonds and subordinated capital notes		5,693	6,050	5,862
Liabilities in respect of derivative instruments	10	1,564	2,274	1,659
Other liabilities ⁽¹⁾⁽³⁾		4,746	5,117	4,954
Total liabilities		119,367	113,883	117,813
Temporary equity - noncontrolling interests		326	322	326
Capital attributed to the shareholders of the Bank		7,339	(4)6,966	7,073
Noncontrolling interests		275	253	264
Total equity		7,614	7,219	7,337
Total liabilities, temporary equity and shareholders' equity		127,307	121,424	125,476

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 73 million and NIS 107 million and NIS 85 million at 30.6.16, 30.6.15 and 31.12.15, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 253 million and NIS 325 million and NIS 317 million at 30.6.16, 30.6.15 and 31.12.15, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 429 million and NIS 774 million and NIS 495 million at 30.6.16, 30.6.15 and 31.12.15, respectively.

(4) Initial implementation of accounting standards and instructions of the Supervisor of Banks. See Note 1.D.4.

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, 2016 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	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 income (loss), net, after tax effect	-	(8)	-	(8)	1	(7)
Temporary equity - noncontrolling interest	-	-	(3)	(3)	-	(3)
Balance as of June 30, 2016	927	(126)	6,538	7,339	275	7,614

	For the three months ended June 30, 2015 (unaudited)					
	Share capital and premium ⁽¹⁾	Other comprehensive income (loss)	Accumulated earnings ⁽²⁾	Total	Non-controlling interests	Total equity
Balance as of March 31, 2015	927	(89)	6,067	6,905	252	7,157
Net profit for the period	-	-	118	118	3	121
Dividend	-	-	(60)	(60)	-	(60)
Other comprehensive income (loss), net, after tax effect	-	10	-	10	(2)	8
Temporary equity - noncontrolling interest	-	-	(7)	(7)	-	(7)
Balance as of June 30, 2015	927	(79)	(3)6,118	6,966	253	7,219

	For the six months ended June 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	-	-	281	281	10	291
Other comprehensive loss, net, after tax effect	-	(21)	-	(21)	1	(20)
Temporary equity - noncontrolling interest	-	-	6	6	-	6
Balance as of June 30, 2016	927	(126)	6,538	7,339	275	7,614

	For the six months ended June 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	-	-	243	243	9	252
Dividend	-	-	(60)	(60)	-	(60)
Other comprehensive loss, net, after tax effect	-	(12)	-	(12)	(2)	(14)
Temporary equity - noncontrolling interest	-	-	(2)	(2)	-	(2)
Balance as of June 30, 2015	927	(79)	(3)6,118	6,966	253	7,219

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

	<i>For the year ended December 31, 2015 (audited)</i>					
	<i>Share capital and premium (1)</i>	<i>Accumulated other comprehensive gain (loss)</i>	<i>Retained earnings (2)</i>	<i>Total share-holders' equity</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
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 interest.	-	-	(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.

(3) Initial implementation of accounting standards and instructions of the Supervisor of Banks. See Note 1.D.4.

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