

OVERVIEW

31.3.17



MAIN EVENTS IN Q1.2017 – GROWTH

Compared to Q1.16

Growth in net
interest income

- An increase of **13%** in net profit to **166** NIS Million.
- ROE – **9.3%**.

Credit
Growth

An increase of 4.6% in credit balance in most segments of FIBI's Group:

- **5.3%** in Private Clients.
- **7.0%** in Mortgages.
- **(0.9%)** in Large Businesses.
- **7.4%** in **Small and Medium-sized Businesses.**

Accelerated growth rate in private clients and Small / Medium-sized Businesses in Q1.2017



MAIN EVENTS IN Q1.2017 - GROWTH

Compared to Q1.16

Continuation of Growth in net interest income despite the low interest rate environment

- An increase of **7%** in interest financing income.
- Interest income from financial intermediation and available capital has increased mainly due to the increase in the volume of the credit to public.

Growth in operating income

- An increase of **2.1%** in Income from fees.

Other income

- As part of the efficiency measures, the sale of a real estate property in central Tel Aviv was completed in Q1.17. This property served as part of the bank's headquarters. Profit from the sale amounts to 28 NIS Million, after tax.

Total income

- An increase of **5.7%** in the Total Income of the Group.



MAIN EVENTS IN Q1.2017 - EFFICIENCY MEASURES

Decrease in operating expenses

- A **6.3%** decrease in operating and other expenses. This decrease is seen in all categories of expenses.
- A decrease of approximately **4.6%** in salary expenses.
- A decrease of **6.6%** in maintenance and depreciation.
- A **3.8%** decrease in other expenses.

Substantial improvement in efficiency ratio

- The efficiency ratio (expenses/income) in Q1.17 has improved. It is **68.8%** (71.9% - Excluding the profit from the sale of an office building in central Tel Aviv), compared to 77.6% in Q1.16 and 73.5% in Q4.16.



MAIN EVENTS IN Q1.2017 - FINANCIAL STABILITY

Increase in equity

- Stability in equity capital ratio (Tier 1) - **10.12%** vs 10.09% ratio in 2016. The bank has the highest positive gap above the required equity capital Tier 1 target ratio (according to 31.12.16).

High dividend yield

- Dividend yield rate of **5.3%** based on the average share value over the year ended on 31.3.17. Dividend distribution of **200** NIS Million in 2016 and **70** NIS Million in Q1.17.
- We announced an additional **70** NIS Million dividend distribution.

Liquidity coverage ratio

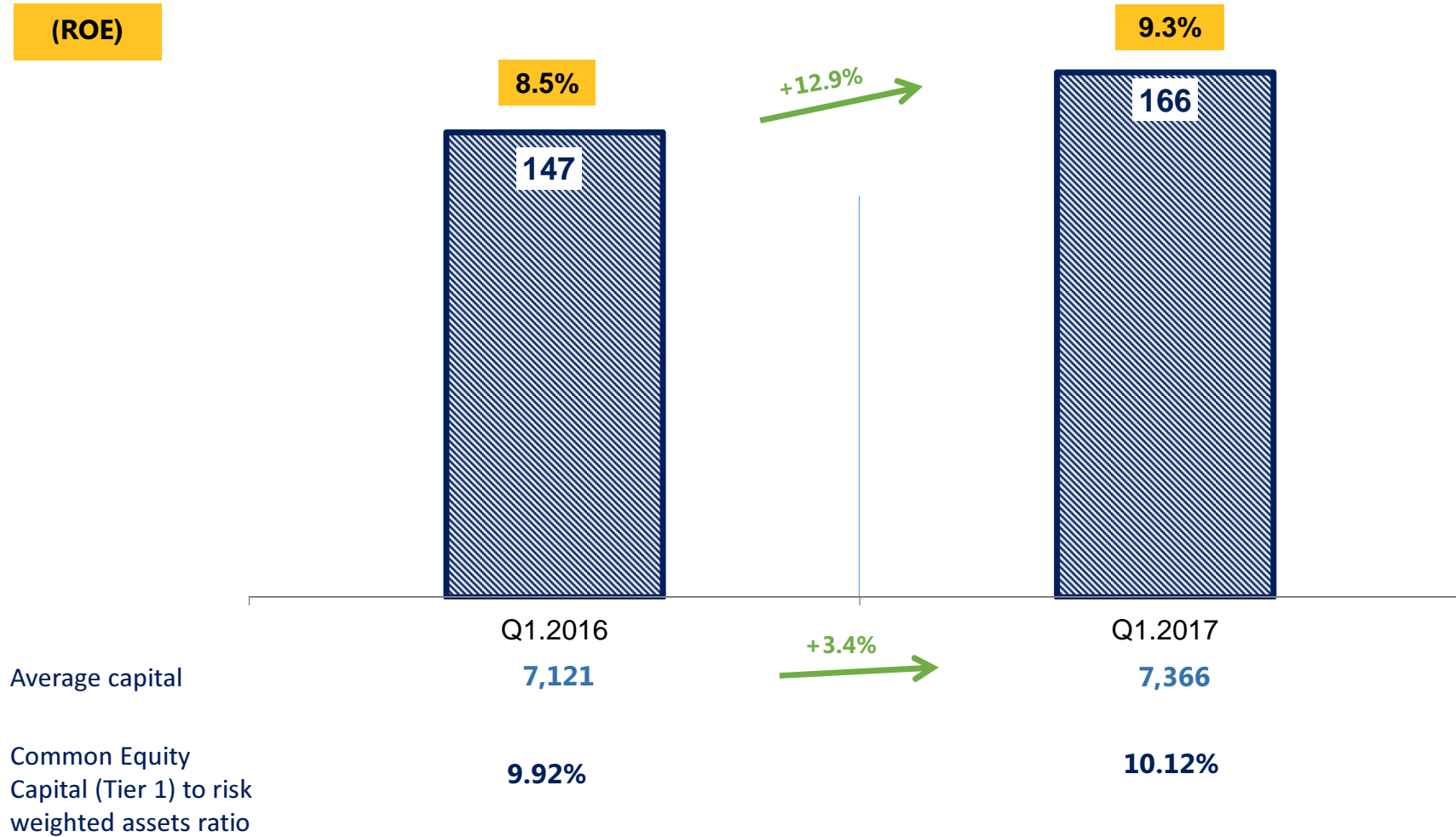
- Average liquidity coverage ratio in Q1.17 increased to **128%**.

High quality credit portfolio

- Expenses for credit losses of **0.18%**.
- **7.2%** decline in credit risk due to problematic debt vs 31.3.16.



NET PROFIT AND ROE (MILLIONS NIS)



STATEMENTS OF INCOME Q1.17 (MILLIONS NIS)

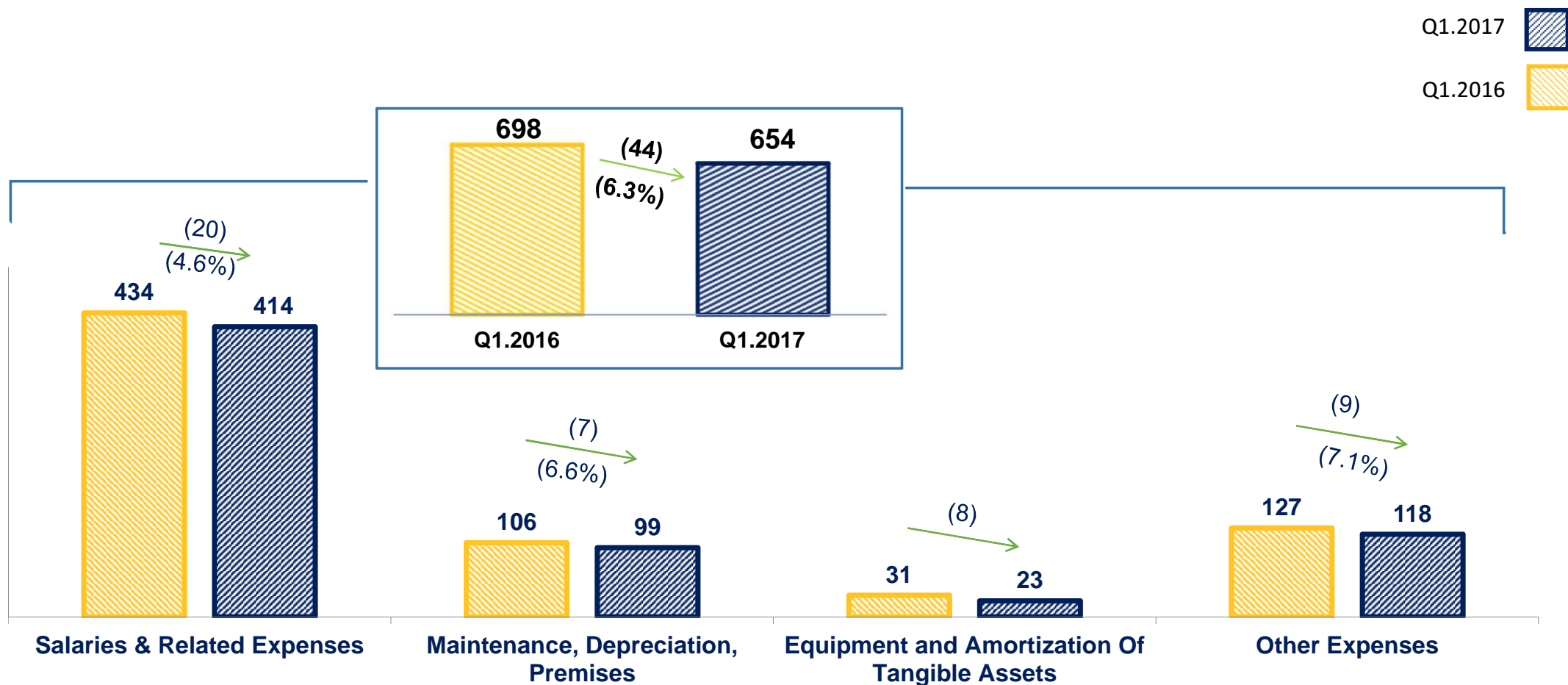
Millions NIS	Q1.17	Q1.16	Change vs. Q1.16	Change vs. Q1.16 after tax	Change in %
Interest Income, Net	562	526	36	23	6.8%
Non-Interest Financing Income (Mainly a decrease in realization of bonds & earnings from investments in shares)	12	34	(22)	(14)	
Fees	334	327	7	4	2.1%
Other Income	42	12	30	20	
Total Income before Expenses from Credit Losses	950	899	51	33	5.7%
Expenses from Credit Losses (Provision rate of 0.18%)	34	* (67)	101	65	

* Due to one-time change in collective provision as a result of an accounting instruction

STATEMENTS OF INCOME Q1.17 (MILLIONS NIS)

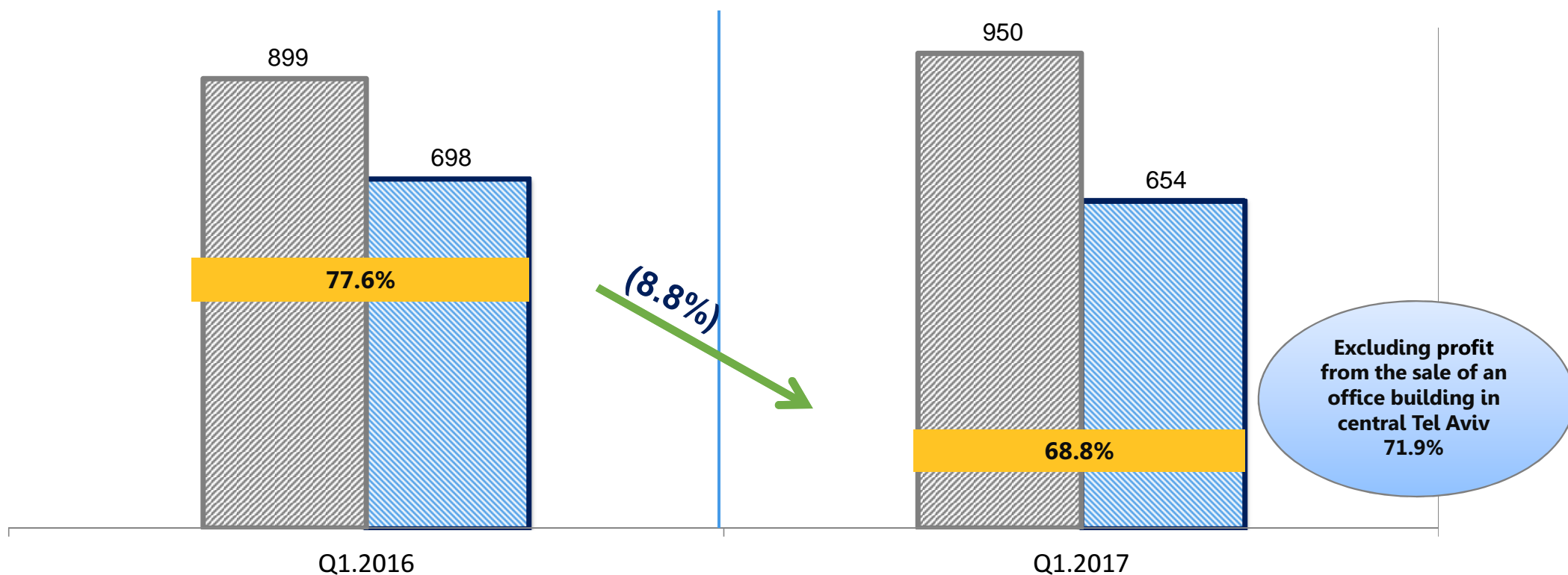
Millions NIS	Q1.17	Q1.16	Change vs. Q1.16	Change vs. Q1.16 after tax	Change in %
Total Operating and Other Expenses	654	698	(44)	(32)	(6.3%)
Salaries and Related Expenses	414	434	(20)	(13)	(4.6%)
Maintenance of Buildings and Equipment, Depreciation and Amortization	99	106	(7)	(5)	(6.6%)
Amortization and Impairment of Intangible Assets	23	31	(8)	(8)	
Other Expenses	118	127	(9)	(6)	(7.1%)
Profit before taxes	262	268	(6)	(4)	(2.2%)
Net Profit	166	147		19	12.9%

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



EFFICIENCY RATIO OPERATING EXPENSES TO INCOME (FINANCE AND OPERATION)

% Expenses / Income (Before Expenses for Credit Losses) Total Income Total Operating Expenses



FIBI'S STRATEGIC ASSETS & LIABILITIES STRUCTURE

31.3.2017 (NIS Billions)

31.12.2016	31.3.2017
Capital to Risk Assets Total Ratio 13.79%	Capital to Risk Assets Total Ratio 13.63%
Equity Capital (Tier 1) to Risk Components Ratio 10.09%	Equity Capital (Tier 1) to Risk Components Ratio 10.12%*
Deposits from the Public to Credit Ratio 136.8%	Deposits from the Public to Credit Ratio 136.2%
Liquidity Ratio (LCR) 123%	Liquidity Ratio (LCR) ↑ 128%
Leverage Ratio 5.52%	Leverage Ratio ↑ 5.54%

Public Deposits

106.2

Gov. & Bank Deposits	1.3
Capital Notes & CoCo	5.6
Of Which: CoCo	0.9
Capital Available for Investment	5.9

Credit to the Public 78.0

State of Israel Bonds 9.2

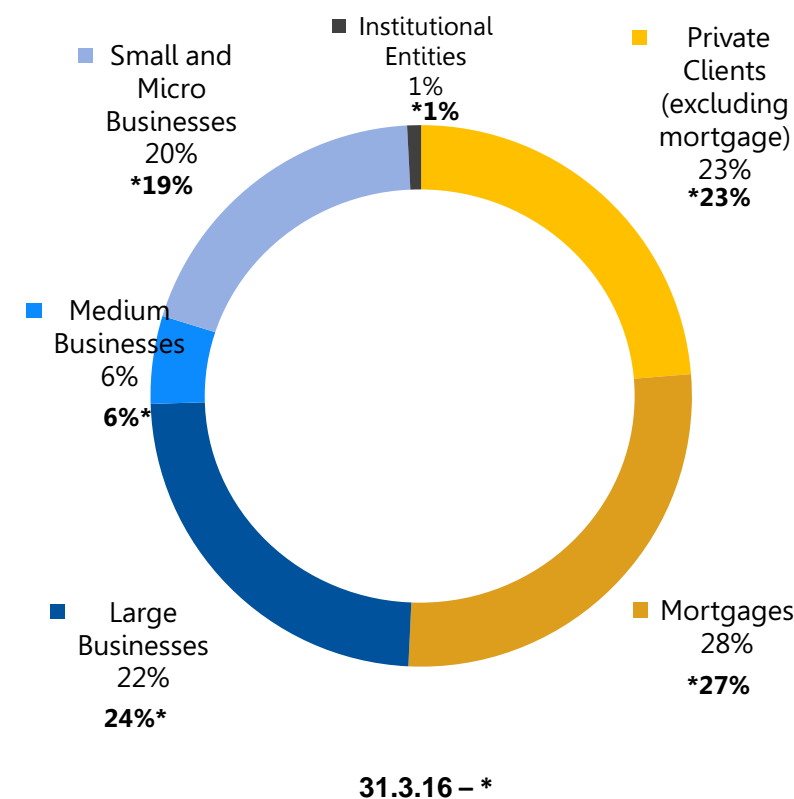
Bank of Israel Deposits 28.0

Foreign Countries Bonds 2.0

* The bank has the highest positive gap above the required equity capital tier 1 target ratio (according to 31.12.16) of 0.8%.

CREDIT TO THE PUBLIC BY SEGMENT (MILLIONS NIS)

Average balances of the credit portfolio - Operational supervision segment	Rates of Change compared to		
	31.3.17	31.12.16	31.3.16
Private Clients (excluding mortgage)	18,400	2.7%	5.3%
Mortgages	22,058	1.5%	7.0%
Credit to Private Clients	40,458	2.0%	6.2%
Large Businesses	17,560	(3.4%)	(0.9%)
Medium-sized Businesses	4,553	0.8%	3.3%
Small and Micro Businesses	15,712	3.8%	8.6%
Total Medium and Small businesses	20,265	3.1%	7.4%
Institutional Entities	537	(21.5%)	(16.2%)
Total Credit to the Public	78,820	0.8%	4.6%
Neutralizing Provision for Credit Losses	(827)	(2.4%)	5.1%
Total Credit to the Public (net)	77,993	0.9%	4.6%



Total private credit is 51% of total credit to the public

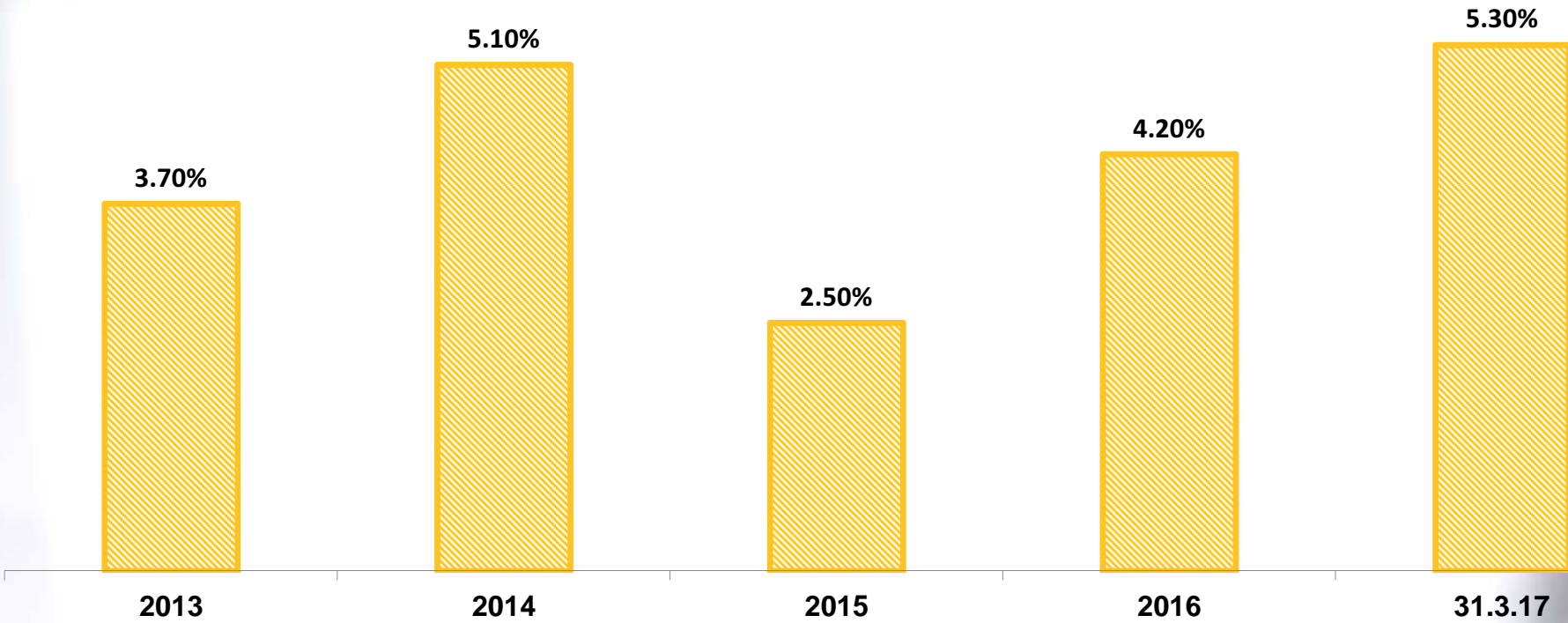
7% DECREASE IN CREDIT RISK DUE TO PROBLEMATIC DEBT (MILLIONS NIS)

	31.3.17			31.3.16			Gross Change
	Balance sheet	Off balance sheet	Total	Balance sheet	Off balance sheet	Total	
Impaired Credit Risk	749	143	892	767	204	971	(79)
Inferior Credit Risk	235	19	254	158	20	178	76
Credit Under Special Supervision Risk	764	71	835	775	211	986	(151)
Total Problematic Credit Risk	1,748	233	1,981	1,700	435	2,135	(154) (7.2%)

Provision for credit losses to impaired credit (Including mortgages) - NPL coverage ratio	111%	104%
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Provision for credit losses to impaired credit (Excluding mortgages) - NPL coverage ratio	97%	90%
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GROUP'S DIVIDEND YIELD IS THE HIGHEST IN THE ISRAELI BANKING SYSTEM, WHILE MAINTAINING A HIGH CAPITAL ADEQUACY



Subsequent to the publication of the Financial Report, the Bank declared an additional -70 NIS Million Dividend Distribution

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