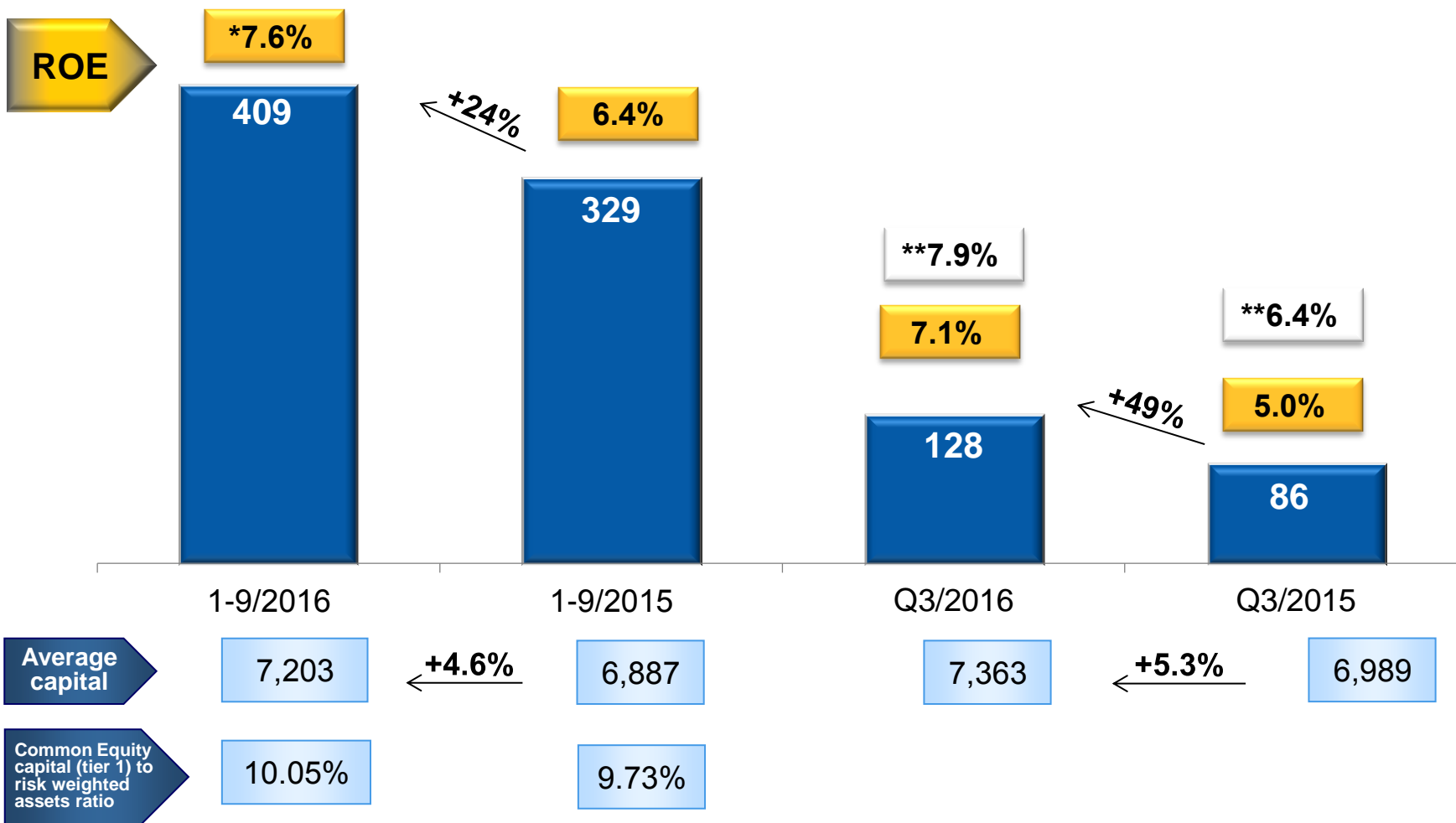


Overview 30/9/16



* Goodwill amortization amounts to 29 Million NIS in 1-9/16 and decreases ROE by 0.55% . The goodwill amortization of OTZAR HA-HAYAL was 23 million NIS in 1-9/16 (0.43% ROE) and 5.6 million NIS in the third quarter of the year (0.34% ROE). The goodwill amortization due to OTZAR HA-HAYAL had ended during 10/2016.
 ** without on-time expenses due to lawsuit in the Previous year.

	1-9/2016	1-9/2015	Gross change	Change in %
Interest Income	1,613	1,454	159	10.9%
Non-Interest Financing Income	91	117	(26)	(22.2%)
Expenses from Credit Losses (provision rate of 0.08%)	46	35	11	
Commissions (The main decrease is in capital markets commissions Due to the market decrease)	982	1,041	(59)	(5.7%)
Total Income after Expenses from Credit Losses	2,640	2,577	63	2.4%

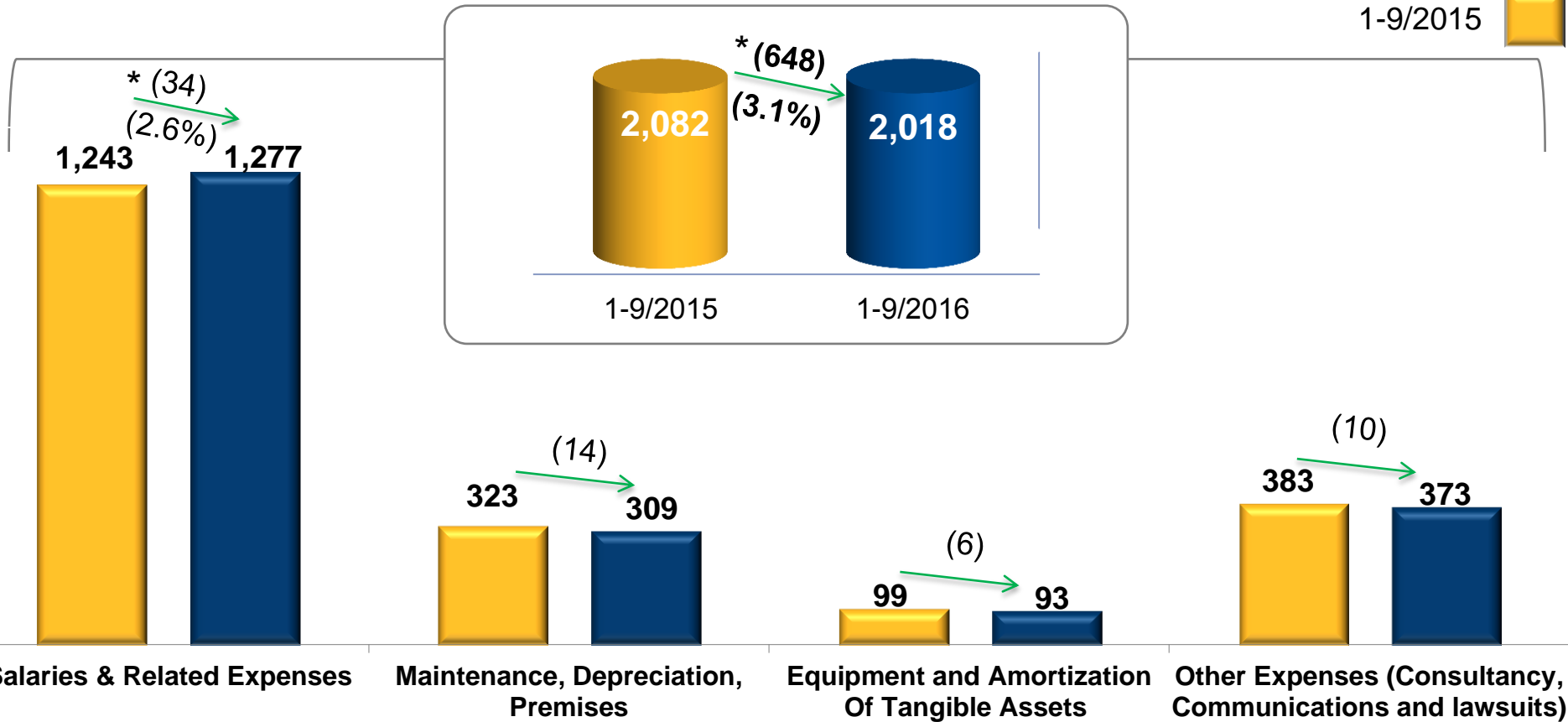
	1-9/2016	1-9/2015	Gross change	Change in %
Total Operating and Other Expenses (without Leumi Agreement last year)	2,018	2,082	(64)	(3.1%)
Salaries and Related Expenses (without Leumi Agreement last year)	1,243	1,277	(34)	(2.6%)
Decrease in Salaries due to Leumi Agreement- last year	-	(72)		
Maintenance of buildings and equipment, Depreciation and amortization	309	323	(14)	(4.3%)
Amortization and impairment of intangible assets	93	99	(6)	(6.1%)
Other Expenses	373	383	(10)	(2.6%)
Profit before taxes	681	580	101	17.4%
Bank's share in cal profit (Including 24 Millions NIS in respect of the Visa Europe deal)	62	28	34	
Net Profit	409	329	80	24.3%
Bank of Israel Average Interest Rate	0.10%	0.13%		(0.03%)

Operating & Other Expenses (Millions NIS)

Continuing decrease in all operating expenses

1-9/2016

1-9/2015

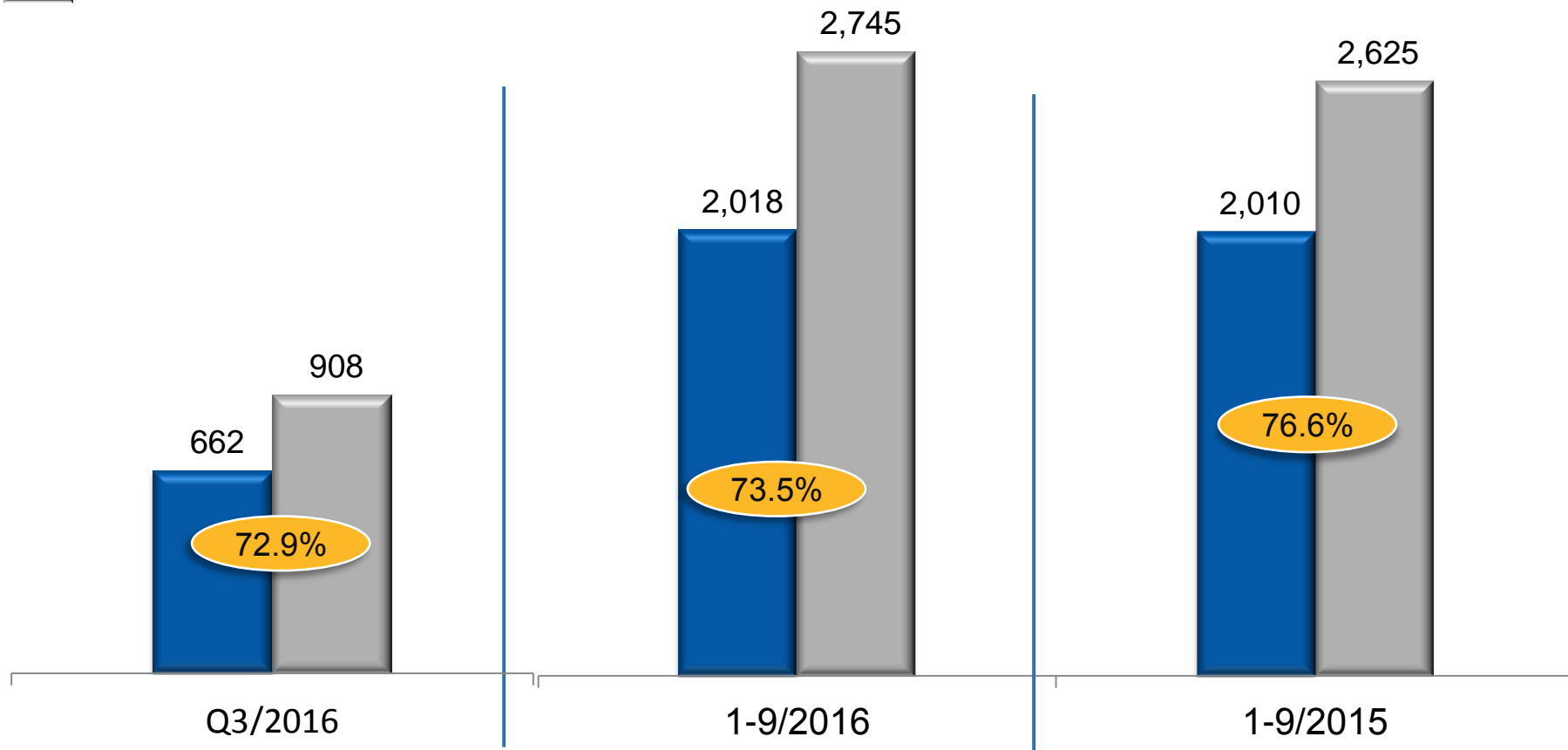


*Without the influence of Leumi agreement in the Previous year.

% Expenses / Income (Before Expenses for credit losses)



 **Total Operating Expenses**

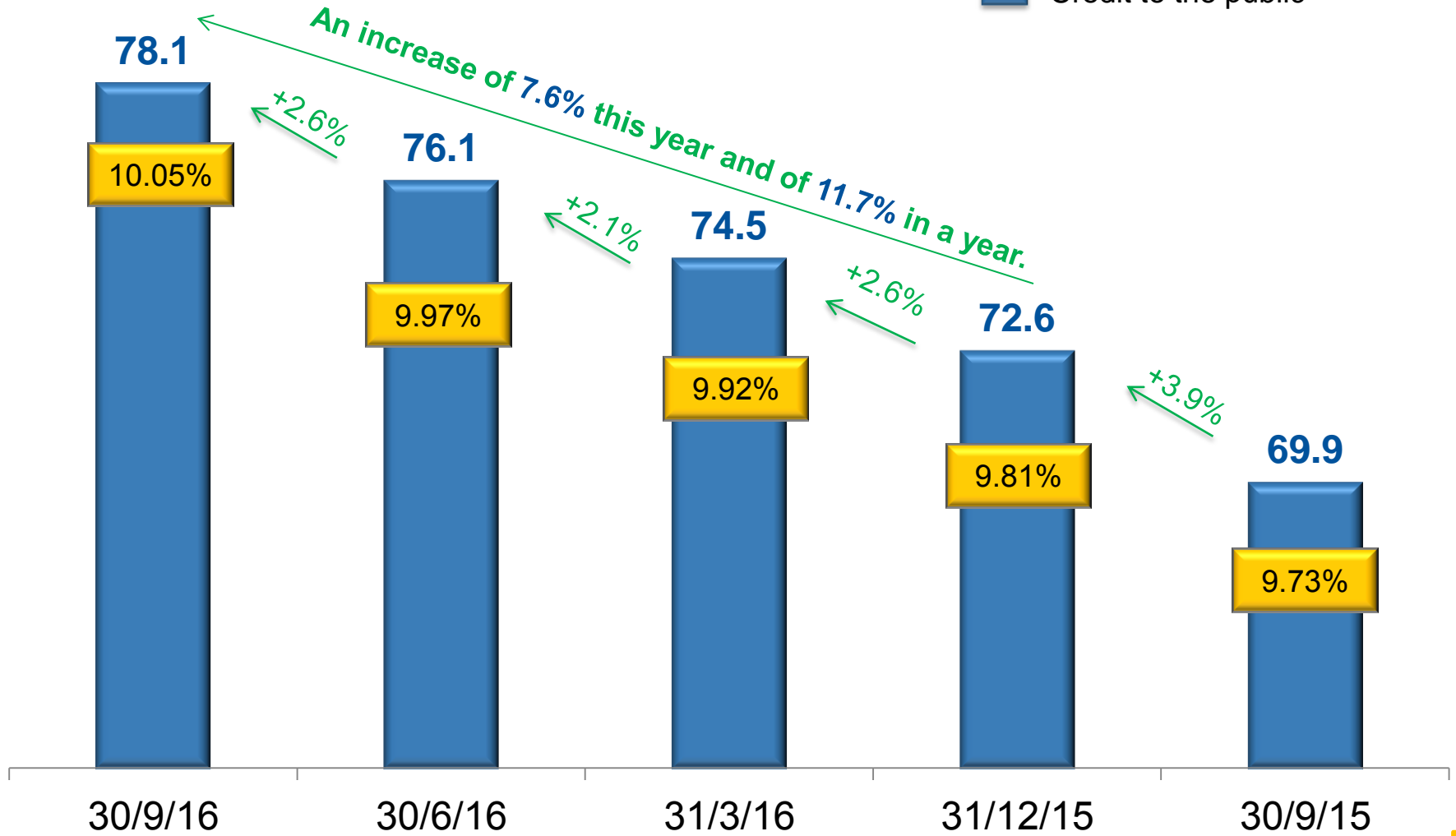
 **Total Income**



Growth in Credit to the public along with high Equity capital (core tier 1) ratio

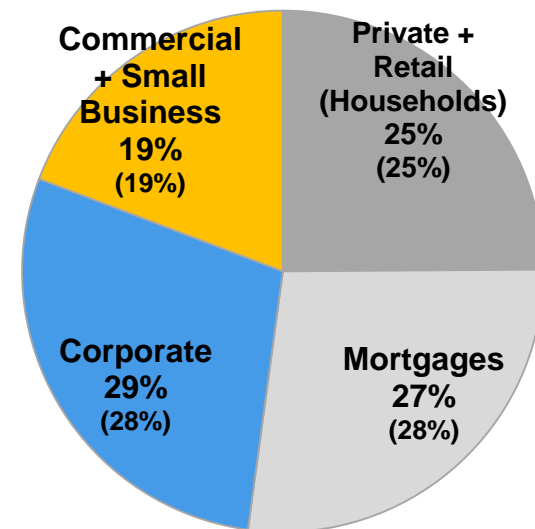
(Millions NIS)

 Equity capital (core tier 1) ratio
 Credit to the public



Growth in Credit to the Public in all Segments of activity (Millions NIS)

Net Credit to the Public by <u>Business Segments</u> of activity per day (Millions NIS)	30.9.16	Rates of Change compared to 31/12/15	Rates of Change compared to 30/09/15
Private Clients (excluding Housing loans)	19,438	5.0%	4.8%
Housing loans	21,271	6.8%	7.7%
Credit to Private Clients	40,709	5.9%	6.3%
Corporate	22,356	9.2%	20.8%
Commercial and Small Businesses	15,014	10.0%	14.7%
Total Credit to the Public	78,079	7.6%	11.7%



31/12/15 - ()

**Increase of
2.6% in
Q3/16**

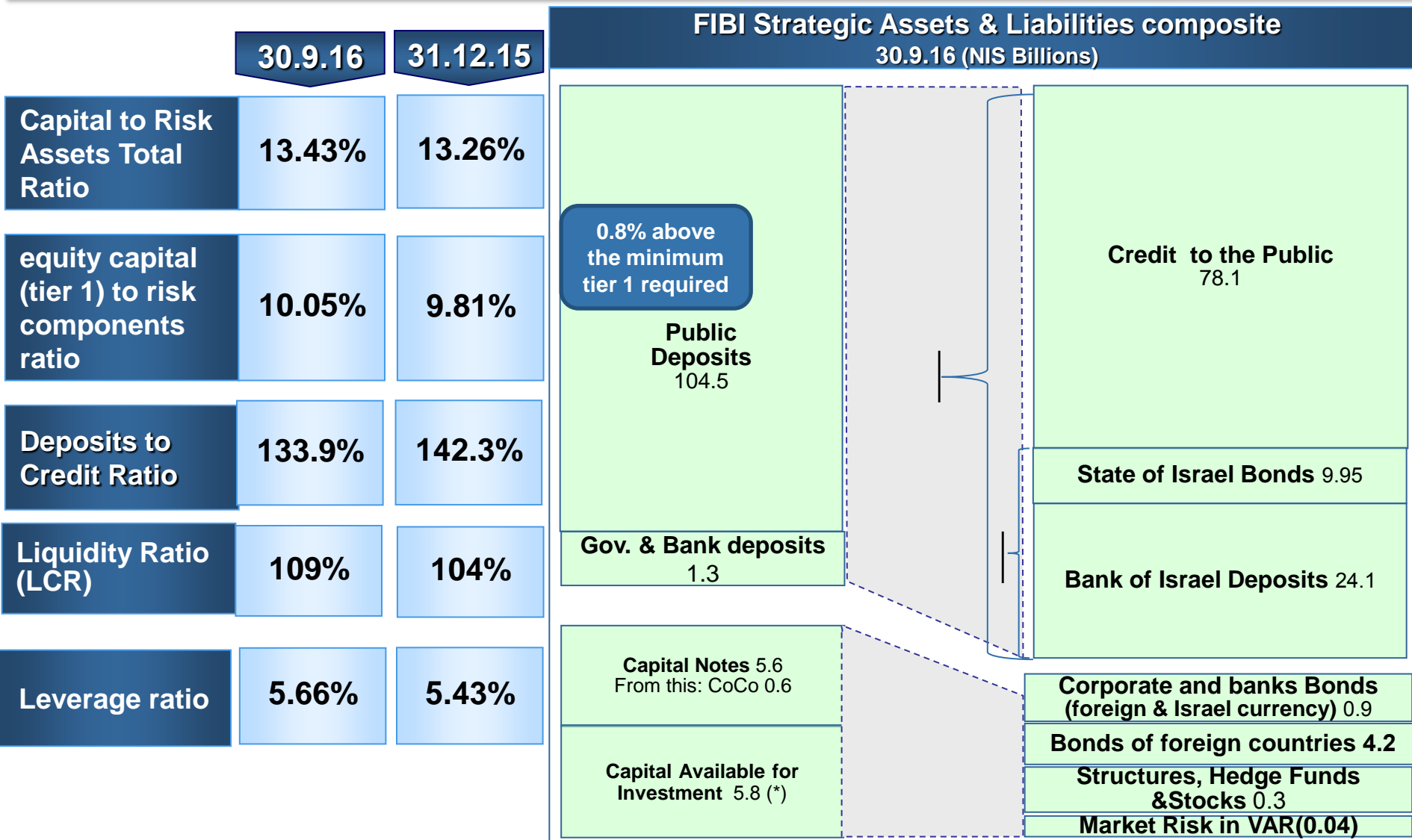
Statements of financing income Q3/2016 – Q3/2015 (NIS Millions)

	Q3/2016	Q3/2015	Gross change	Net change
Total Interest income	553	497	56	11.2%
Total non-interest financing income	24	14	10	71.4%
Interest income and non-interest financing income	577	511	66	8.5%
Fair Value of Derivative Instruments	10	9	1	
Profits from the sale of bonds and trading portfolio	12	39	(27)	(69.2%)
Outcome due to Lawsuit last year	-	(37)	37	
Other financial income and financial intermediation free capital	555	500	55	11.0%
Bank of Israel average interest rate	0.10%	0.10%		-

	30/9/16	31/12/15	Gross Change compared to 31/12/15	Gross Change compared to 30/6/15
Impaired Credit Risk	886	922	(36)	(151)
Inferior Credit Risk	242	265	(23)	(75)
Credit Under Special Supervision Risk	670	1,032	(362)	(488)
Total Problematic Credit Risk	1,798	2,219	(421) (19%)	(564) (24%)
Ratio of the provision for credit losses to impaired credit to the public not accruing (Mortgage interest income (NPL coverage ratio) included)	134.5%	107.9%		
Ratio of the provision for credit losses to impaired credit to the public not accruing (Mortgage interest income (NPL coverage ratio) excluded)	(*) 118.0%	93.5%		
provision rate	0.08%	0.02%		

(*) Average of the other 4 banks – 81.4%

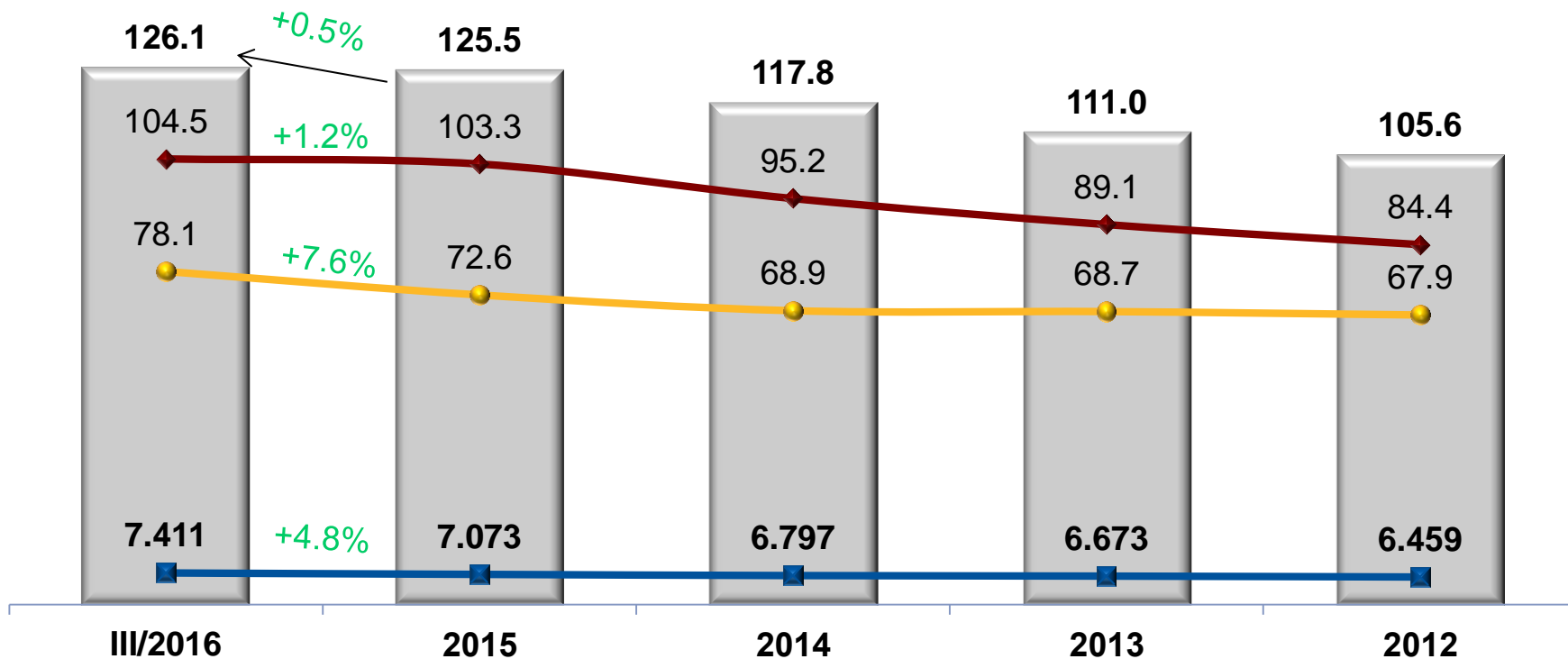
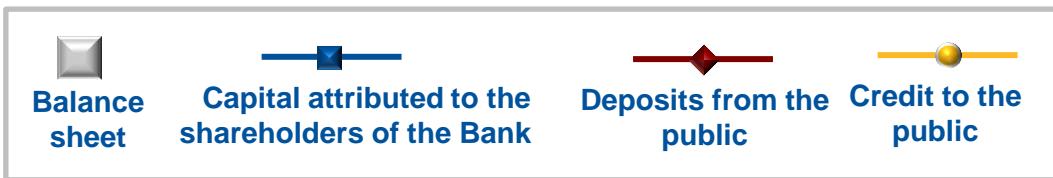
(NIS Billions)



(*)From this 20% is capital that used for investment purposes

The Development in Balance Sheet, Equity, Credit and Deposits - end of period

(Billions NIS)



Equity to capital

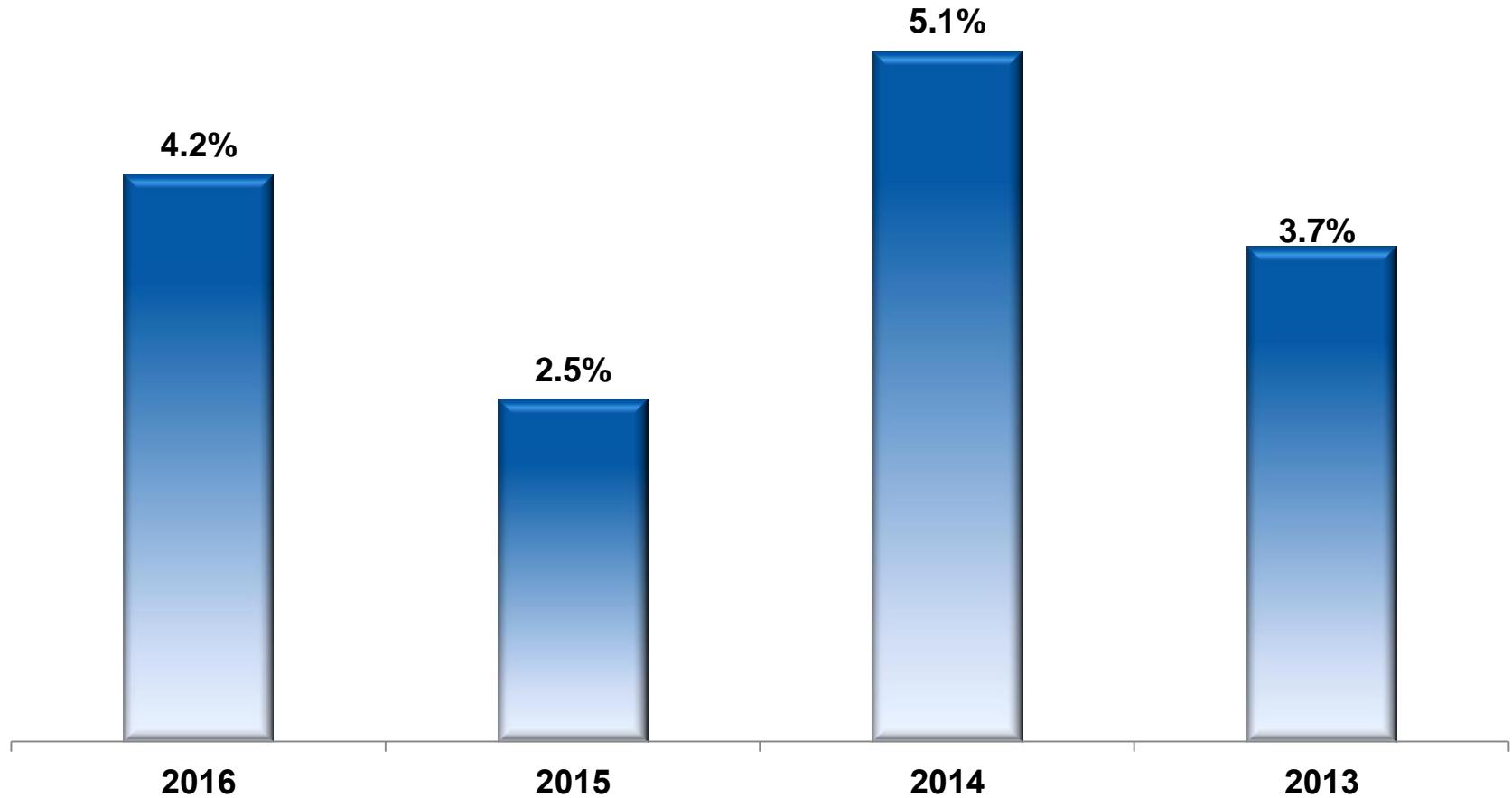
5.9%	5.6%	5.8%	6.0%	6.1%
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Equity to capital (excluding cash and deposits in bank of Israel)

7.3%	7.2%	7.3%	7.9%	7.5%
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Average Dividend yield in the last 4 years – 4% per year

The Board of Directors approved a dividend of 200 NIS million. rate dividend yield of 4.2%. The average annual rate dividend yield in the last 4 years is around 4%



Measures ended

- Merge of Banking in the Group – PAGI and UBANK merged in 2015
- Reduction in abroad operations and focusing operations in Israel (FIBI London sale)
- Merge of Areas Banking Division while improving work processes

Continuing Measures

- Upgrading the Digital application / website and automating processes at branches
- Optimization of the branch network and Continuing of work processes Optimization at the branches
- Examination and exit from activity fields that are not generating enough profits (such as the decision on the gradual closing of operations as part of efficiency measures - Provision of 25 million NIS)
- Continuing examination of synergy in the Back office activity and optimizing complex processes

Headquarters / IT

- Improving changes in processes and optimizing the computer unit
- Optimization the Group headquarters and the branch network.
- Investing in a unique Fintech (increasing revenues and Continuing work processes)

Expected impact resulting from efficiency proses

- Optimization in branch distribution, branch areas (**further reducing the 7 branches in 2015**) and Group headquarters.
- Gradual decrease of approximately 650 net employees in the number of positions in the Group between 2016 to 2020 (approximately 130 positions in average for year of witch 45 positions in early retirement), **in addition to a 5.1% decline in the number of jobs in 2015.**
- Continuing gradual improvement in the efficiency ratio of the group.
- The effect of efficiency measures to the ratio of capital risk is estimated at the decrease of 0.19% and will be recorded as stated for 5 years.

Net Profit

- An increase of 24% in net profit in 1-9/16 amounted to **409** Millions NIS. ROE in 1-9/16 is **7.6%**.
- Net income of **128** Millions NIS in Q3/16 (ROE of **7.1%**), compared to 86 Millions NIS in Q3/15 increase of 49%. Without the Group's one-time provision recorded in connection with visa arrangement with the prosecution, the net profit was concluded to **141** Millions NIS (ROE of **7.9%**).
- Goodwill amortization of about 23 Millions NIS in 1-9/16 detracts about 0.4% from the ROE. Full Amortization of stopping the goodwill amortization will be in Q4/16.

Dividend distribution

- The Bank announced on dividend distribution of 200 Millions NIS. **4.2% estimated ROE** on the average value of stock in the last year. The average ROE in the last 4 years – 4%.

Credit Growth

An annually growth of **11.7%** in credit balances and **7.6%** on 1-9/16. Growth in all customers segments:

- Private banking and households **4.8%**
- Housing loans **7.7%**
- Commercial and small business **14.7%**
- Corporate banking **20.8%**

Continuation of financing income growth

- **An 11% increase of the Bank's financing income** - Finance income in financial brokerage and free capital (without selling securities from the Nostro) mainly due to the increase in volumes of activity (credit and mortgages).

A 3.1% decrease in Total group Expenses

- Continuing trend of decrease in the Bank expenses, in scale of 64 Million NIS decrease of 3.1% (excluding LEUMI agreement last year) the reduction was in all of the expenses sections.

Improvement in efficiency ratio

- The efficiency ratio in 1-9/16 is 73.5% compared to 76.6% in 1-9/15.
- The efficiency ratio in Q3/16 is 72.9% compared to 80.2% in Q3/15.

expenses for credit losses

- The rate of provision from credit losses in 1-9/16 is approximately 0.08%, compared to 0.07% in 1-9/15.
- NPL coverage ratio - Ratio of provision for credit losses to impaired credit to the public 134.5% (Mortgage included), 118% (Mortgage excluded).

Equity Capital (tier 1) Ratio

- In parallel to credit growth, there was an Increase in equity capital ratio (tier 1) 10.05% compared to the ratio of 9.81% in 12/2015. The ratio at the end of the period exceeds at 0.77% from the Required.

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