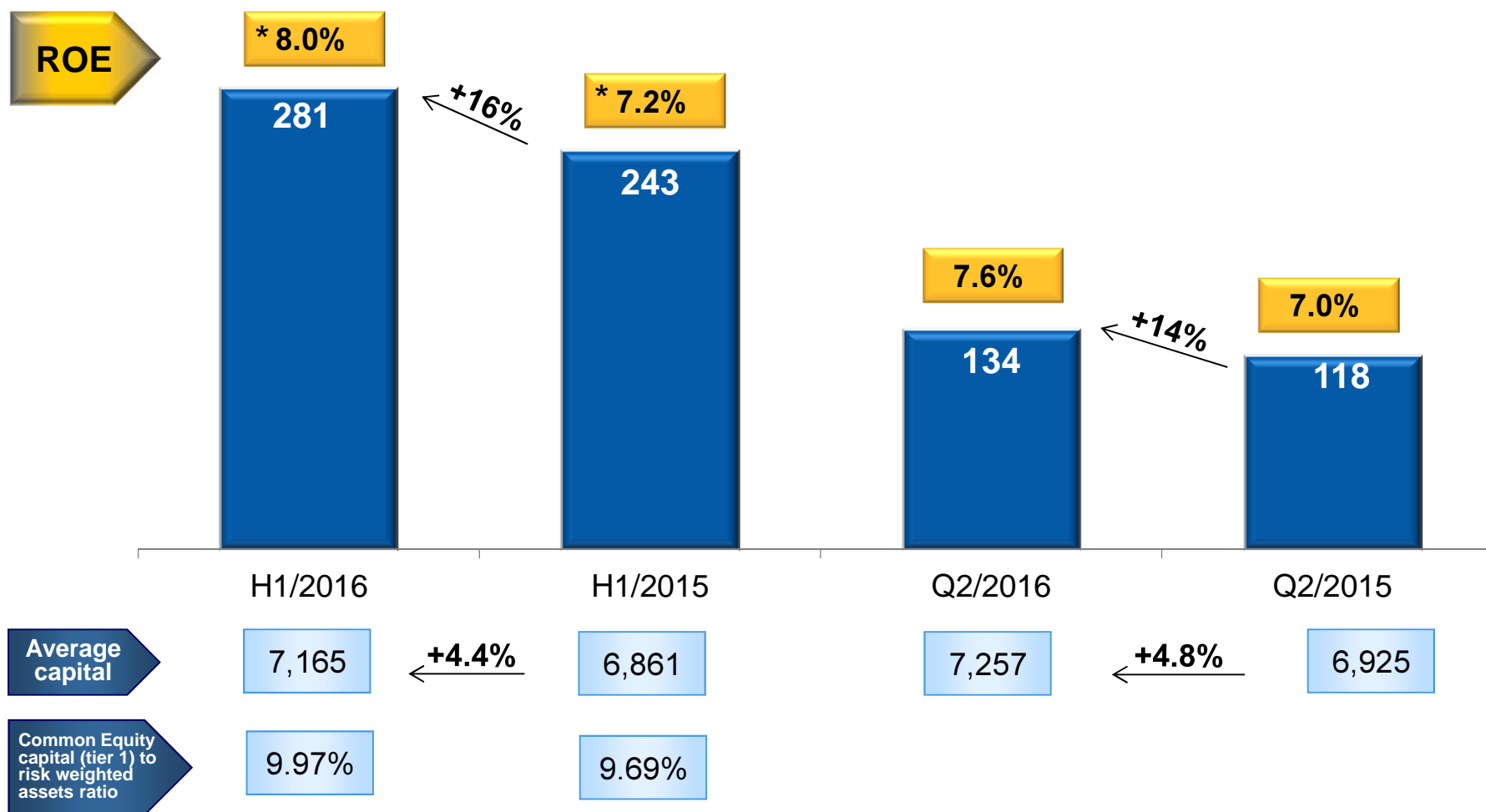

Overview 30/6/16

Net Profit and ROE (Millions NIS)



* Goodwill amortization amounts to 22 Million NIS in half a year and decreases ROE by 0.64% . In Q3/16 goodwill amortization of about 36 million NIS annually will end (positive impact of 0.5% in terms of yield).

One-time effects on financial results Q2/16 (Millions NIS)

Net Tax	Q2/16
Net income	134
Non-recurring profit from Visa Europe deal (excluding CAL special provision)	(57)
An increase in the provision due to the directives of the Bank of Israel (the Bank implemented the guidelines fully this quarter) - The rate of provision for doubtful debts In half a year is 0.07%.	36
A provision in respect of the future discontinuation of operations, being part of the adoption of efficiency measures(gross 25 million NIS).	16
Net income without one time effects	129

Statements of Income H1/2016 – H1/2015 (Millions NIS)

	H1/16	H1/15	Gross change	Change in %
Interest Income and Non-Interest Financing Income	1,127	1,060	67	6.3%
Expenses from Credit Losses (provision rate of 0.07% in H1/16)	25	26	(1)	
Commissions (The main decrease is in capital markets commissions Due to the market decrease)	656	701	(45)	(6.4%)
Total Income after Expenses from Credit Losses	1,812	1,744	68	3.9%

Statements of Income H1/2016 – H1/2015 (Millions NIS)

	H1/16	H1/15	Gross change	Change in %
Total Operating and Other Expenses (revenue of 72 million NIS in H1/15)	1,356	1,324	32	2.4%
Salaries and Related Expenses	814	858	(44)	* (5.1%)
Decrease in Salaries due to Leumi Agreement- last year	-	(72)	72	
Provision for a gradual closure of operations	25	-	25	
Maintenance of buildings and equipment, Depreciation and amortization	267	281	(14)	(5.0%)
Other Expenses	250	257	(7)	(2.7%)
Profit before taxes	456	420	36	8.6%
Provision for taxes on profit	212	178	34	
Net Profit	281	243	38	15.6%
Bank of Israel Average Interest Rate	0.10%	0.15%		(0.05%)
Efficiency Ratio (Total Operating Expenses to Total Income)	73.8%	74.8%		
Efficiency Ratio (excluding the effect of Visa Europe selling deal and Leumi agreement last year)	75.1%	78.9%		



* Resulting inter alia from reducing the number of employees , resulting from the exchange of group work long rights service bonus

Statements of financing income H1/2016 – H1/2015 (NIS Millions)

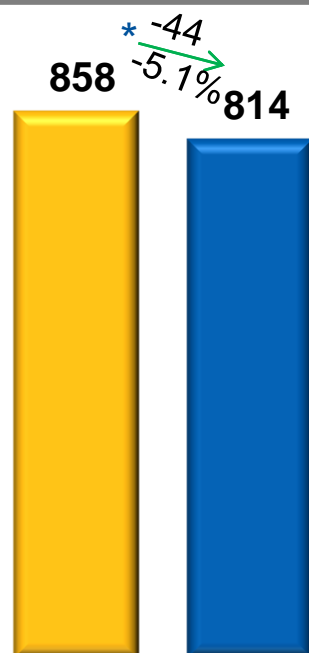
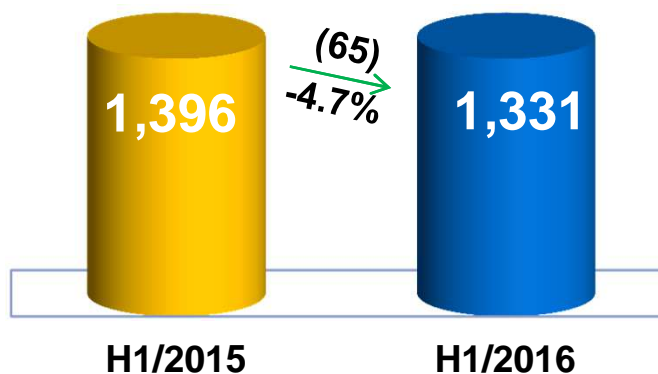
	H1/16	H1/15	Gross change	Net change
Total Interest income	1,060	957	103	10.8%
Total non-interest financing income	67	103	(36)	(35.0%)
Interest income and non-interest financing income	1,127	1,060	67	6.3%
Profits from the sale of bonds and trading portfolio	50	90	(40)	(44.4%)
Other financial income and financial intermediation free capital	1,077	970	107	11.0%
Bank of Israel average interest rate	0.10%	0.15%		(0.05%)

Operating & Other Expenses (Millions NIS)

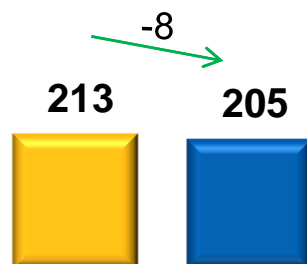
Continuing decrease in all operating expenses

H1/2016 
H1/2015 

Total Operating & Other Expenses



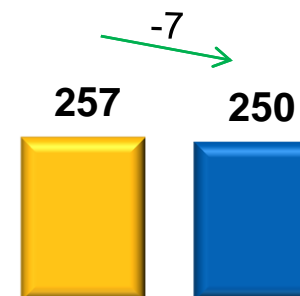
Salaries & Related Expenses



Maintenance, Depreciation, Premises



Equipment and Amortization Of Tangible Assets



Other Expenses

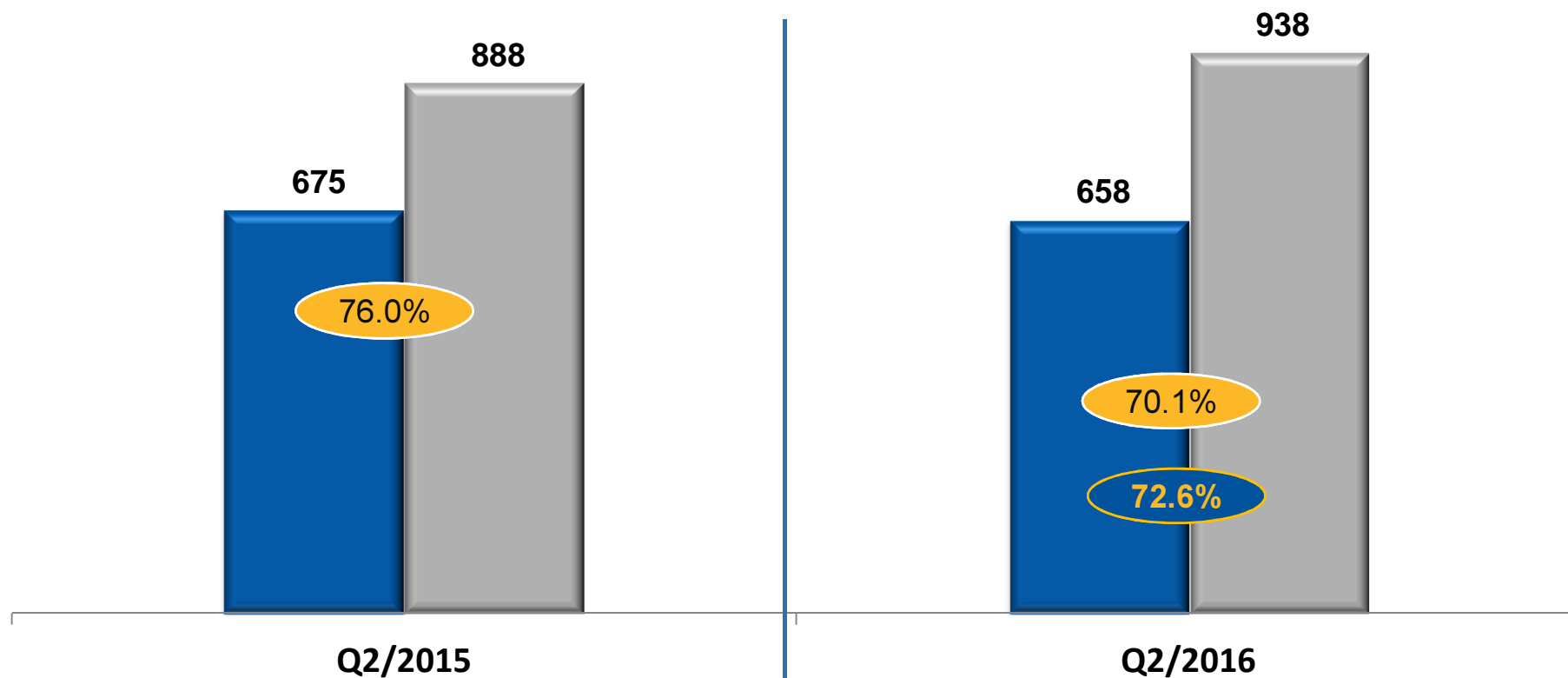
*Excluding Leumi agreement affect last year, and a provision this year in respect of a gradual closure of operations, the decrease mostly occurs from reducing the number of employees in the Group (including mergers last year) and a decrease in employee rights arising from cancellation of long service bonuses.

 Total Operating Expenses / Total Income (Before Expenses for credit losses)

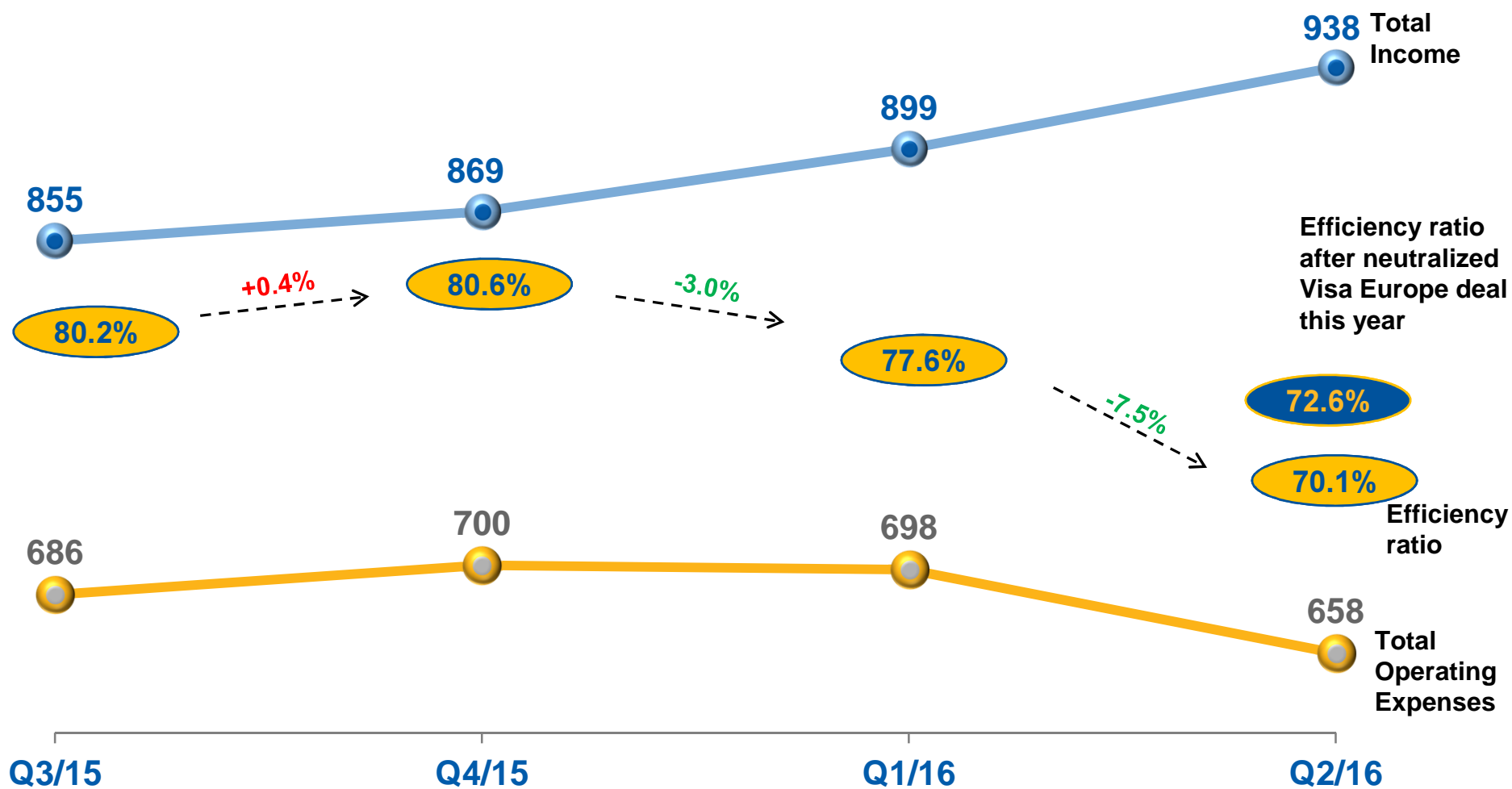
 Efficiency ratio neutralized Visa Europe deal this year

 Total Operating Expenses

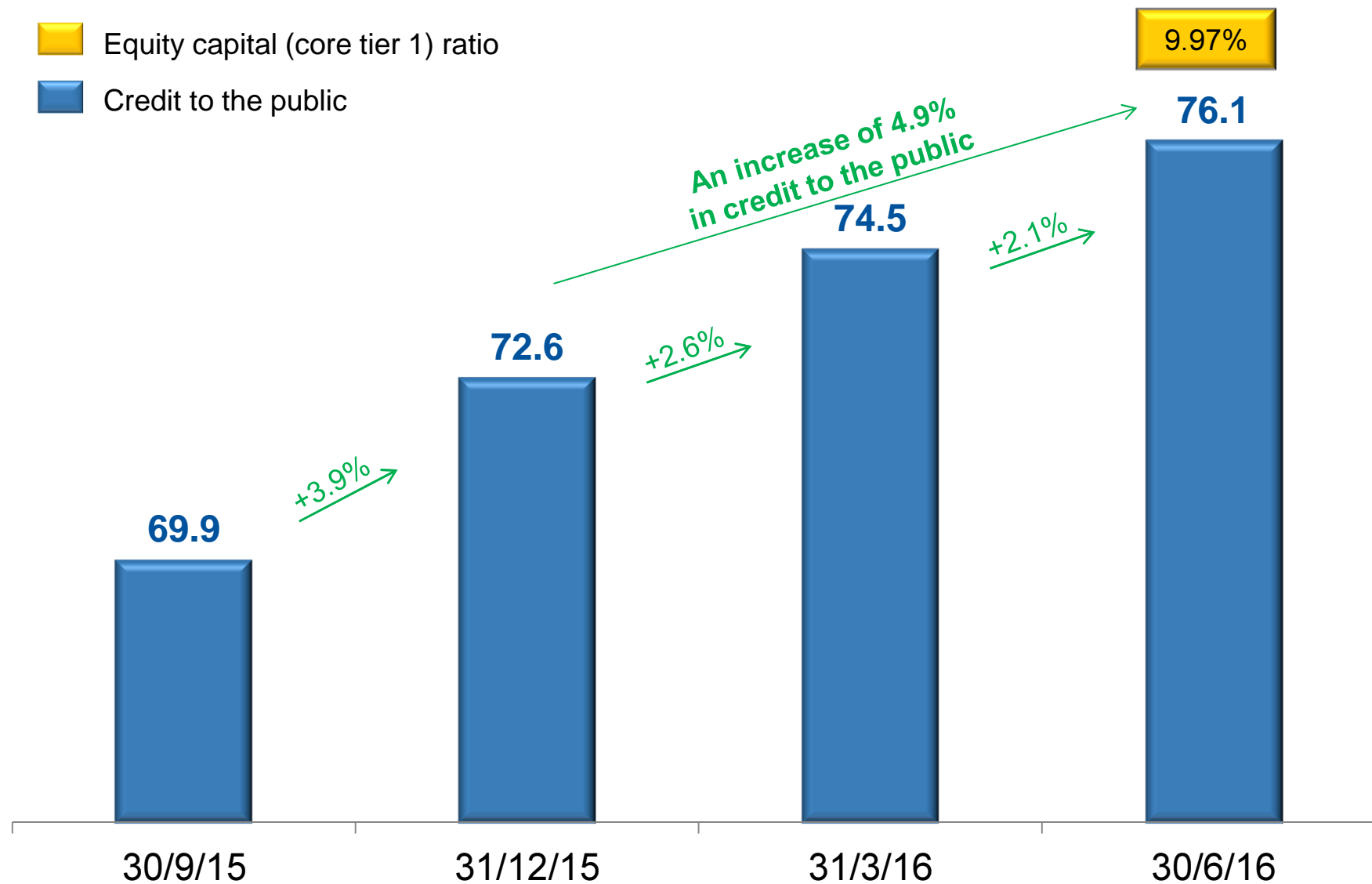
 Total Income



Improvement in Operational Efficiency Ratio Total Operating Expenses to Total Income (Millions NIS)

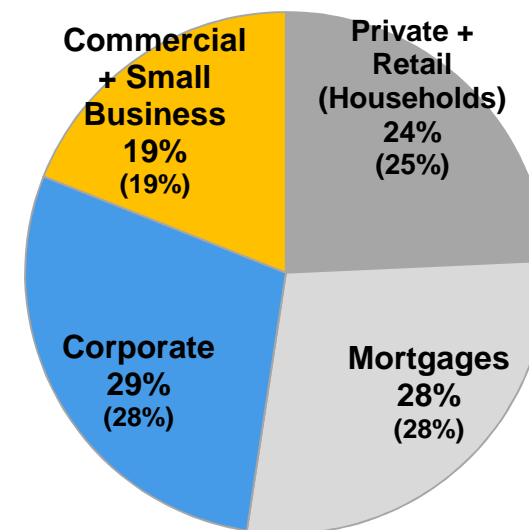


Growth in Credit to the public along with high Equity capital (core tier 1) ratio (Millions NIS)



Credit to the Public by Business Segments (Millions NIS)

Net Credit to the Public by <u>Business</u> Segments of activity per day (Millions NIS)	30.6.16	Rates of Change compared to 31/12/15	Rates of Change compared to 30/6/15
Private Clients (excluding Housing loans)	18,888	2.0%	4.7%
Housing loans	20,967	5.3%	8.6%
Credit to Private Clients	39,855	3.7%	6.7%
Corporate	21,625	5.6%	10.3%
Commercial and Small Businesses	14,617	7.0%	7.2%
Total Credit to the Public	76,097	4.9%	7.8%



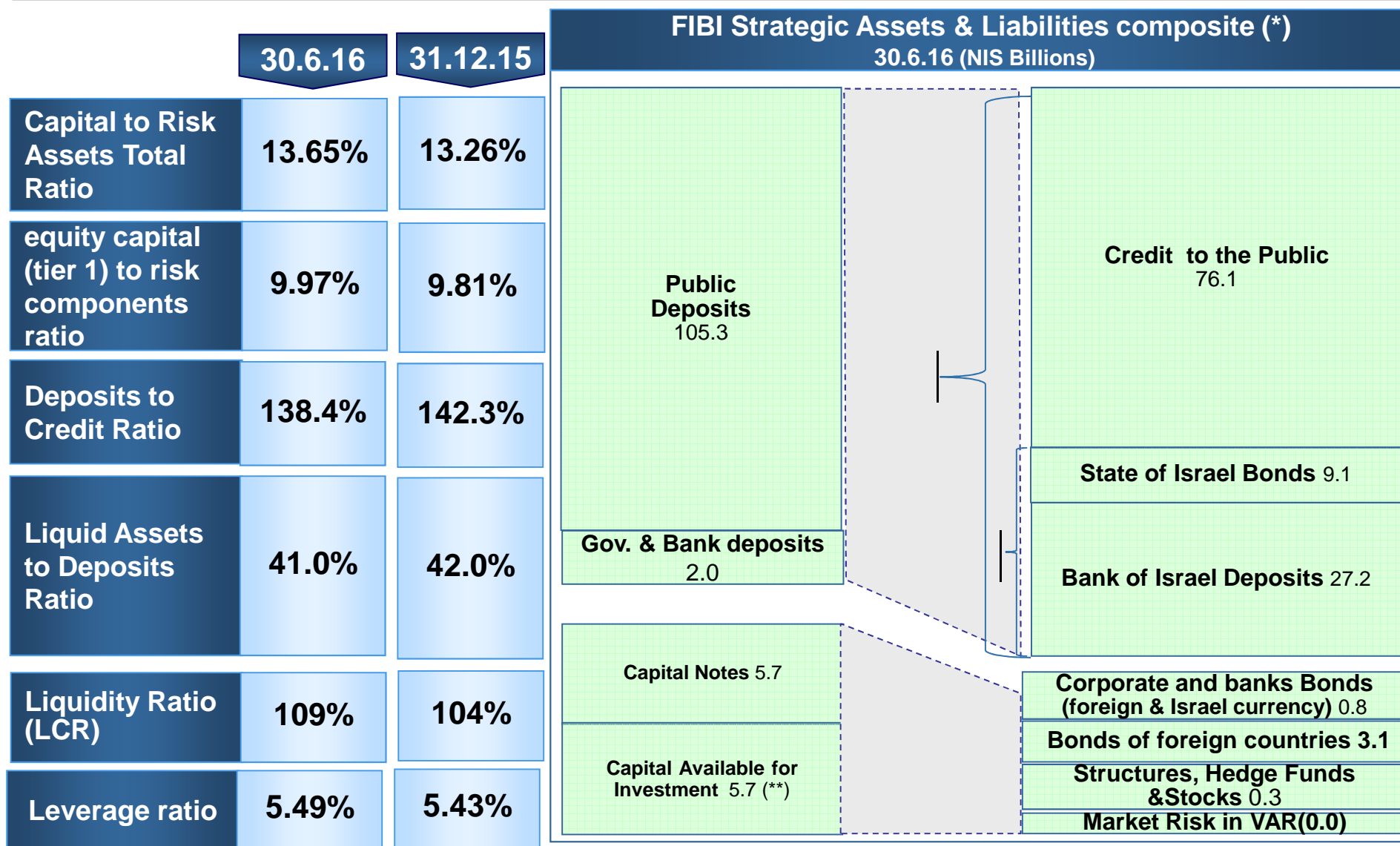
31/12/15 - ()
Credit to private Clients to total credit- 52%

Credit risk due to Problematic Debt (Millions NIS)

	30/6/16	31/12/15	Gross Change compared to 31/12/15	Gross Change compared to 30/6/15	Average of the banks other 4 (30/6/16)
Impaired Credit Risk	983	922	61	43	
Inferior Credit Risk	202	265	(63)	(64)	
Credit Under Special Supervision Risk	665	1,032	(367)	(525)	
Total Problematic Credit Risk	1,850	2,219	(369) (17%)	(546) (23%)	
Ratio of the provision for credit losses to impaired credit to the public not accruing interest income (NPL coverage ratio) (Mortgage included)	115.5%	107.9%			94.8%
Ratio of the provision for credit losses to impaired credit to the public not accruing interest income (NPL coverage ratio) (Mortgage excluded)	101.1%	93.5%			80.9%

FIBI Strategic Assets & Liabilities Structure

(NIS Billions)



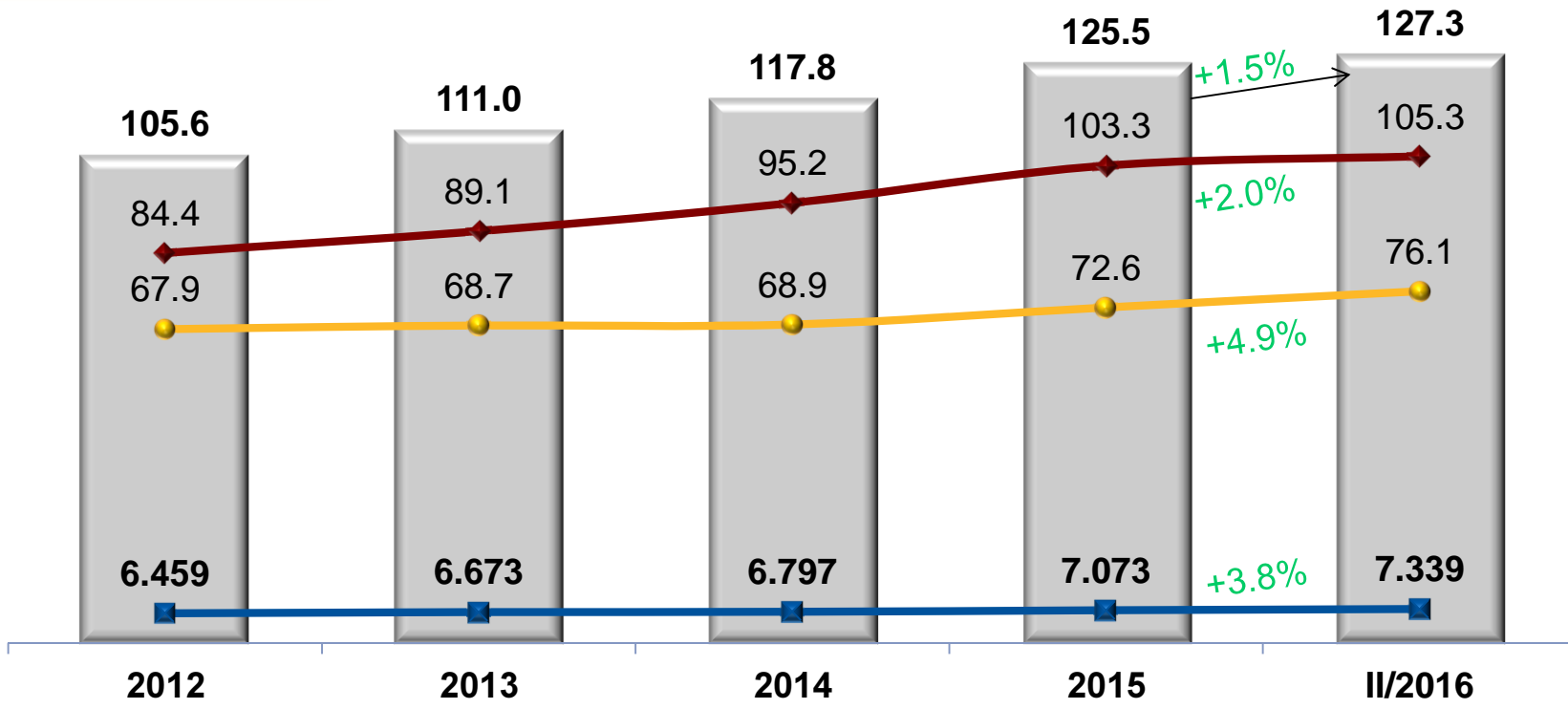
(*) For illustration only – not to scale

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

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

(Billions NIS)

Leverage ratio at 30/6/16 is 5.49%



Equity to capital

Equity to capital (excluding cash and deposits in bank of Israel)

Equity to capital	6.1%	6.0%	5.8%	5.6%	5.8%
Equity to capital (excluding cash and deposits in bank of Israel)	7.5%	7.9%	7.3%	7.2%	7.3%

Equity Capital (core tier 1) Ratio- Capital Adequacy *



* The data is updated to 30/6/16.

** The Big Banks are required to Tier 1 equity capital ratio of 10% at the beginning of 2017. to this requirement added a Capital requirement in respect of the balance housing loans, that resulted the required capital ratio at beginning of 2017 to 10.2% in Hapoalim and 10.27% in Leumi. The efficiency measures which implemented by Leumi Bank gained him easement in the required capital ratio (0.18% at the beginning of 2017, and 0.15% at the end of 2017) So the required ratio at the beginning of 2017 Would be 10.09%. and at the end of 2017 10.35%.

Net Profit

- An increase of 16% in net profit in H1/16 amounted to **281** Millions NIS.
- The ROE in H1/16 is **8.0%**.
- Net income of **134** Millions NIS in Q2/16, compared to 118 Millions NIS in Q2/15. (ROE of 7.6% this quarter compared to 7.0%) Several non-recurring items were recorded in Q2/16, the impact of which offsets one another.
- Goodwill amortization of about 22 Millions NIS in half a year (44 Millions NIS annual) detracts about 0.64% from the ROE. Amortization of goodwill amount of 36 Million NIS a year will end in the third quarter (a positive impact in terms of ROE of approximately 0.5%).

Credit Growth

An annually growth of **7.8%** in credit balances and **4.9%** on H1/16. Growth in all customers segments:

- Private banking and households **5.0%**
- Housing loans **8.6%**
- Commercial and small business **7.2%**
- Corporate banking **10.3%**

Continuation of Other financing income growth

- Other financing income Growth - other financial income and financial intermediation free capital (without Nostro Realizations) increased by approximately 11% following the increase in activity volume.

A 4.7% decrease in Total group Expenses

- Continuing trend of decrease in the bank expenses, in scale of 65 Million NIS. (excluding Leumi agreement last year and efficiency measures Provision this year) .A reduction in all of the expenses sections.

expenses for credit losses

- The rate of provision from credit losses in H1/16 is around 0.07%, Similar to the same period last year.
- NPL coverage ratio - Ratio of provision for credit losses to impaired credit to the public 115.5% (Mortgage included), 101.1% (Mortgage excluded).

Equity Capital (tier 1) Ratio

- Increase in equity capital ratio (tier 1) 9.97% vs. a ratio of 9.81% in 12/2015.

Improvement in efficiency ratio

- The efficiency ratio in Q2/16 is 70.1%. After neutralizing non-recurring income from Visa Europe deal that were written in the section of other income this quarter, the ratio is estimated to 72.6% vs. 76% in Q2/15.

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