

Press release

November 23, 2022

First International Bank of Israel Reports Third Quarter 2022 Financial Results

Tel Aviv, Israel – November 23, 2022. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the third quarter of 2022 ended September 30, 2022.

Financial Highlights

Net income of NIS 1,131 million in the first nine months of 2022; **Return on equity – 15.1%**;

Net income of NIS 467 million in the third quarter of 2022; **Return on equity – 18.5%**;

Management Comment

Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group, stated, "The First International Bank presented another quarter of growth, via its strict and quality management of capital over the long-term, enabling growth in credit and in operations in general. The growth was evident across a broad range of our activity, while at the same time maintaining the balanced risk profile that characterizes the Bank, both during periods of growth, as well as periods of increased risk."

"The First International Bank continued to cement its position within its areas of market leadership: namely, investment management and capital markets, providing customers with a broad range of high-value offerings and innovative investment products which are tailored to customer needs and to changing trends in the financial markets, today marked by high volatility and rising interest rates."

Growth

The trend of improvement in First International Bank's third quarter results is evident across all the core operations of the Bank. The growth in activity, both in credit and deposits, combined with the impact of rising interest rates, contributed to the increase in profits from credit and deposits. **Financing income from current operations** in the third quarter of the year increased by 48.5%, as compared with the corresponding quarter last year and totaled NIS 1,075 million.

Commission income increased by 6.9% compared with the corresponding quarter last year, due to the growth in the activity of the Bank. Total income in the third quarter increased by 27%, and increased by 12.9% in the first nine months of the year.

Credit to the public increased by 19.3% in the past year (as compared with the corresponding period last year) and increased by 13.2% in the year-to-date, totaling NIS 115,708 million. The growth in credit is evident across all areas of operations: the **large business** segment grew by 54% over the past year; the **middle market business** segment grew by 36.4%; the **small business** segment grew by 8.7%; **household** credit grew by 7.5%; and **residential loans** grew by 13.4%. In the third quarter of the year, **credit to the public** grew by 1.6%. **Deposits by the public** grew by 11.2% compared with that of the corresponding period last year, totaling NIS 164,902 million.

Profitability

The **net income** of the First International Bank Group in **the third quarter** of the year was NIS 467 million, reflecting growth of 28.3% compared with that of the corresponding period of last year. **Return on equity** was 18.5%. **In the first nine months of the year**, net income was NIS 1,131 million, reflecting growth of 5.5% compared with the corresponding period of last year, with return on equity at 15.1%.

Credit loss expenses in the third quarter of the year were NIS 43 million, as compared to **income** of NIS 69 million in the corresponding quarter of last year, representing an increase of NIS 112 million. **In the first nine months of the year**, credit loss expenses were 74 million, as compared to income of NIS 206 million in the corresponding period last year, representing an increase of NIS 280 million.

The increase in the provision for credit losses was due to an increase in the collective provision, which was due to an increase in the volume of working credit, and the increase in the safety-cushion allowance, which was increased as a result of the potential implications from changes in the local and global economic environment, as well as the sharp increase in interest rates, an increase in inflation and fears of an economic slowdown, among other impacts.

In the corresponding period last year, it is noted that a **one-time income from credit losses** was recorded totaling NIS 183 million which was due to a decrease in the collective allowance, which in turn was due to an improvement in macro-economic indicators following the exit from the Corona downturn as well as improved indicators pointing at the level of risk inherent in the Bank's credit portfolio.

The volume of **problematic credit** was reduced by 18.5% as compared to that at the end of 2021.

Efficiency and Technology

The efficiency ratio continued to improve and was 47.7% in the third quarter of the year. In the first nine months of the year, the ratio improved to 53.3%, as compared to 57.9% in the corresponding period of last year. The Bank continued to invest in its efficiency measures, which included, among other aspects, automation, improved efficiency of work procedures, digital innovation and co-operation with fintech companies. The Bank leverages data and develops advanced models, in order to provide an advanced and efficient service to its customers.

Financial Stability

The shareholders equity of the Bank reached NIS 10,237 million, reflecting an increase of 2.3% in relation to that of December 31, 2021.

The Tier 1 equity capital ratio reached 10.17%, which is 0.93% higher than the required regulatory ratio.

Dividend

The Board of Directors of the Bank today approved a **dividend** distribution of NIS 235 million. This distribution is in addition to dividends totaling NIS 710 million which have been distributed in the current year. **The annual dividend return** as of November 6, 2022, amounted to 7.75%, representing the highest dividend return in the Israeli banking system.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2021
	in %		
Execution indices			
Return on equity attributed to shareholders of the Bank ⁽¹⁾⁽³⁾	15.1%	15.1%	14.7%
Return on average assets ⁽¹⁾	0.82%	0.84%	0.82%
Ratio of equity capital tier 1	10.17%	11.64%	11.46%
Leverage ratio	5.10%	5.54%	5.34%
Liquidity coverage ratio	127%	133%	128%
Net stable funding ratio ⁽²⁾	134%		*139%
Ratio of total income to average assets ⁽¹⁾	2.7%	2.6%	2.6%
Ratio of interest income, net to average assets ⁽¹⁾	1.9%	1.6%	1.6%
Ratio of fees to average assets ⁽¹⁾	0.8%	0.8%	0.8%
Efficiency ratio	53.3%	57.9%	58.3%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	1.01%	1.12%	1.05%
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	0.47%	0.72%	**0.62%
Ratio of provision for credit losses to total non-accruing credit to the public	224%	222%	**244%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	0.03%	(0.02%)	(0.01%)
Ratio of expenses (income) for credit losses to average total credit to the public ⁽¹⁾	0.09%	(0.30%)	(0.23%)
Principal data from the statement of income			
	For the nine months ended September 30,		
	2022	2021	
	NIS million		
Net profit attributed to shareholders of the Bank	1,131	1,072	
Interest Income, net	2,613	2,090	
Expenses (income) from credit losses	74	(206)	
Total non-Interest income	1,194	1,281	
Of which: Fees	1,125	1,057	
Total operating and other expenses	2,028	1,953	
Of which: Salaries and related expenses	1,231	1,199	
Primary net profit per share of NIS 0.05 par value (NIS)	11.27	10.68	
Principal data from the balance sheet			
	30.9.22	30.9.21	31.12.21
	NIS million		
Total assets	194,987	173,758	180,470
of which: Cash and deposits with banks	56,012	57,083	57,370
Securities	15,331	14,803	15,091
Credit to the public, net	114,539	95,877	101,164
Total liabilities	184,290	163,301	170,033
of which: Deposits from the public	164,902	148,273	153,447
Deposits from banks	4,998	5,471	5,144
Bonds and subordinated capital notes	5,030	2,851	3,356
Capital attributed to the shareholders of the Bank	10,237	10,022	10,003
Additional data			
	30.9.22	30.9.21	31.12.21
Share price (0.01 NIS)	14,500	11,820	12,950
Dividend per share (0.01 NIS)	708	224	543

* Immaterial adjustment of comparative data.

** Restated.

*** Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.

(1) Annualized.


(2) According to instructions of the Bank of Israel the Net stable funding ratio was calculated since 2021. Therefore no comparative data for the nine months ended September 30, 2021 is stated.

(3) According to instructions of the Bank of Israel, beginning in 2022, the method for the conversion of return per period into annualized terms was changed, from exponential calculation to linear calculation. Comparative data have been restated.

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2022	2021	2022	2021	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	1,382	807	3,357	2,392	3,150
Interest Expenses	372	97	744	302	356
Interest Income, net	1,010	710	2,613	2,090	2,794
Expenses (income) from credit losses	43	(69)	74	(206)	(216)
Net Interest Income after expenses from credit losses	967	779	2,539	2,296	3,010
Non- Interest Income					
Non-Interest Financing income	48	63	60	214	303
Fees	370	346	1,125	1,057	1,444
Other income	1	6	9	10	9
Total non- Interest income	419	415	1,194	1,281	1,756
Operating and other expenses					
Salaries and related expenses	416	399	1,231	1,199	1,601
Maintenance and depreciation of premises and equipment	86	84	249	255	340
Amortizations and impairment of intangible assets	29	27	84	78	105
Other expenses	151	135	464	421	606
Total operating and other expenses	682	645	2,028	1,953	2,652
Profit before taxes	704	549	1,705	1,624	2,114
Provision for taxes on profit	249	193	597	570	728
Profit after taxes	455	356	1,108	1,054	1,386
The bank's share in profit of equity-basis investee, after taxes	27	21	64	57	69
Net profit:					
Before attribution to non-controlling interests	482	377	1,172	1,111	1,455
Attributed to non-controlling interests	(15)	(13)	(41)	(39)	(50)
Attributed to shareholders of the Bank	467	364	1,131	1,072	1,405
					NIS
Primary profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	4.65	3.62	11.27	10.68	14.00



Ron Levkovich
Chairman of the Board



Smadar Barber-Tsadik
Chief Executive Officer



Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 22 November 2022

STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2022	2021	2022	2021	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	482	377	1,172	1,111	1,455
Net profit attributed to non-controlling interests	(15)	(13)	(41)	(39)	(50)
Net profit attributed to the shareholders of the Bank	467	364	1,131	1,072	1,405
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	(95)	(8)	(472)	(4)	27
Adjustments of liabilities in respect of employee benefits ⁽¹⁾	42	12	238	58	(24)
Other comprehensive income (loss) before taxes	(53)	4	(234)	54	3
Related tax effect	18	-	80	(18)	(1)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	(35)	4	(154)	36	2
Less other comprehensive income (loss) attributed to non-controlling interests	(2)	1	(11)	2	-
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	(33)	3	(143)	34	2
Comprehensive income before attribution to non-controlling interests	447	381	1,018	1,147	1,457
Comprehensive income attributed to non-controlling interests	(13)	(14)	(30)	(41)	(50)
Comprehensive income attributed to the shareholders of the Bank	434	367	988	1,106	1,407

(1) 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 income.

CONSOLIDATED BALANCE SHEET

(NIS million)

	September 30,		December 31,
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
Assets			
Cash and deposits with banks	56,012	57,083	57,370
Securities	15,331	14,803	15,091
Securities which were borrowed	630	232	845
Credit to the public	115,708	96,965	102,240
Provision for Credit losses	(1,169)	(1,088)	(1,076)
Credit to the public, net	114,539	95,877	101,164
Credit to the government	862	859	811
Investment in investee company	679	699	713
Premises and equipment	894	929	931
Intangible assets	297	275	300
Assets in respect of derivative instruments	3,800	1,565	1,709
Other assets ⁽²⁾	1,943	1,436	1,536
Total assets	194,987	173,758	180,470
Liabilities and Shareholders' Equity			
Deposits from the public	164,902	148,273	153,447
Deposits from banks	4,998	5,471	5,144
Deposits from the Government	891	417	960
Bonds and subordinated capital notes	5,030	2,851	3,356
Liabilities in respect of derivative instruments	3,303	1,751	2,038
Other liabilities ⁽¹⁾⁽³⁾	5,166	4,538	5,088
Total liabilities	184,290	163,301	170,033
Capital attributed to the shareholders of the Bank	10,237	10,022	10,003
Non-controlling interests	460	435	434
Total equity	10,697	10,457	10,437
Total liabilities and shareholders' equity	194,987	173,758	180,470

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 101 million and NIS 86 million and NIS 79 million at 30.9.22, 30.9.21 and 31.12.21, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 738 million and NIS 263 million and NIS 333 million at 30.9.22, 30.9.21 and 31.12.21, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 808 million and NIS 440 million and NIS 641 million at 30.9.22, 30.9.21 and 31.12.21, respectively.

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended September 30, 2022 (unaudited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive loss	Retained earnings ⁽²⁾	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2022	927	(291)	9,337	9,973	447	10,420
Net profit for the period	-	-	467	467	15	482
Dividend	-	-	(170)	(170)	-	(170)
Other comprehensive loss, after tax effect	-	(33)	-	(33)	(2)	(35)
Balance as at September 30, 2022	927	(324)	9,634	10,237	460	10,697

	For the three months ended September 30, 2021 (unaudited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive income (loss)	Retained earnings ⁽²⁾	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2021	927	(152)	*9,105	9,880	421	10,301
Net profit for the period	-	-	364	364	13	377
Dividend	-	-	(225)	(225)	-	(225)
Other comprehensive income, after tax effect	-	3	-	3	1	4
Balance as at September 30, 2021	927	(149)	9,244	10,022	435	10,457

	For the nine months ended September 30, 2022 (unaudited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive loss	Retained earnings ⁽²⁾	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2021 (audited)	927	(181)	9,257	10,003	434	10,437
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(44)	(44)	(4)	(48)
Adjusted balance at January 1, 2022, following initial implementation	927	(181)	9,213	9,959	430	10,389
Net profit for the period	-	-	1,131	1,131	41	1,172
Dividend	-	-	(710)	(710)	-	(710)
Other comprehensive loss, after tax effect	-	(143)	-	(143)	(11)	(154)
Balance as at September 30, 2022	927	(324)	9,634	10,237	460	10,697

	For the nine months ended September 30, 2021 (unaudited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive income (loss)	Retained earnings ⁽²⁾	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2020 (audited)	927	(183)	8,397	9,141	394	9,535
Net profit for the period	-	-	1,072	1,072	39	1,111
Dividend	-	-	(225)	(225)	-	(225)
Other comprehensive income, after tax effect	-	34	-	34	2	36
Balance as at September 30, 2021	927	(149)	9,244	10,022	435	10,457

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2021 (audited)					
	Share capital and premium ⁽¹⁾	Accumulated other comprehensive income (loss)	Retained earnings ⁽²⁾	Total	Non- controlling interests	Total equity
Balance as at December 31, 2020	927	(183)	8,397	9,141	394	9,535
Net profit for the year	-	-	1,405	1,405	50	1,455
Dividend	-	-	(545)	(545)	(10)	(555)
Other comprehensive income, after tax effect	-	2	-	2	-	2
Balance as at December 31, 2021	927	(181)	9,257	10,003	434	10,437

* Cumulative effect of the initial implementation of US accounting principles in the matter of financial instruments – credit losses (ASC-326).

(1) Including share premium of NIS 313 million (as from 1992 onwards).

(2) Including an amount of NIS 2,391 million which cannot be distributed as dividend.