

Press release

March 21, 2023

First International Bank of Israel Reports Fourth Quarter and Full year 2022 Financial Results

Tel Aviv, Israel – March 21, 2023. First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the fourth quarter and full year 2022.

Financial Highlights

- Full year 2022 net income of NIS 1,677 million and return on equity of 16.6%;
- Fourth quarter 2022 net income of NIS 536 million and return on equity 20.7%;
- Credit to the public increased in 2022 by 14.7% with growth evident in all areas of operation;
- The Bank continued its drive for efficiency and the efficiency ratio for 2022 amounted to 50.9% and in the fourth the efficiency ratio amounted to 45.2%;
- The tier-1 equity capital ratio was 10.42%;
- The Board of Directors approved a dividend distribution of 50% of net earnings;

Growth

The growth trend presented in First International Bank's financial statements was evident across all areas of the core operation of the Bank:

Credit to the public increased by 14.7% in 2022 and amounted to NIS 117,156 million. The growth in credit was achieved while maintaining proportional risk and was evident across all areas of operation: **business credit** grew in 2022 by 22.7%, and credit to **households and residential loans** grew by 7.6%.

Net deposits by the public grew by 9.7% compared with that of the corresponding period last year and amounted to NIS 168,269 million.

Financing income from current operations in 2022 grew to NIS 4,016 million, representing an increase of 41.2% compared with that of 2021. The growth was due to an expansion of business activity, the impact of the rise of the Israeli shekel and US dollar interest rate, and the impact of inflation. **Income from commissions** increased by 3.1% over 2021 due to an increase in bank activity.

Profitability

Net income for 2022 of the First International Bank Group amounted to NIS 1,667 million, growth of 18.6% compared with 2021. Return on equity amounted to 16.6%.

Net income for the **fourth quarter** amounted to NIS 536 million, representing growth of 61% compared with the corresponding period of last year. Return on equity reached 20.7%.

Credit loss expenses amounted in 2022 to NIS 123 million (representing a rate of 0.11%) in comparison to **income** of 216 million in 2021, a growth of NIS 339 million, due to an increase in the **collective allowance** for credit losses. Expenses of NIS 168 million were recorded in 2022, due to growth in the collective allowance following an increase in the volume of performing credit, and due to an increase in the subjective allowance from an expansion of the cushions because of the potential implications of changes in the domestic and global economic environment.

Credit loss expenses in the **fourth quarter** amounted to NIS 49 million, as compared with income of NIS 10 million in the corresponding period of last year.

A reduction in the volume of troubled credit in 2022 was reported at a rate of 22.7%, in comparison with that of the end of 2021.

Efficiency and technology

The efficiency ratio continued to improve and in 2022 amounted to 50.9%, compared with 58.3% in 2021. In the fourth quarter of the year, the efficiency ratio reached a rate of 45.2%. The Bank continued to invest in efficiency measures that include, amongst others, efficiency in work processes and integration of automation in processes, technological and digital innovation, and cooperation with fin-tech companies. The Bank leverages its data and develops advanced models, with a goal to offer a more advanced, focused and efficient service to its customers.

Financial stability

The capital attributed to the Bank's shareholders reached NIS 10,559 million, comprising growth of 5.6% compared with that of December 31, 2021. The **Tier 1 equity capital ratio** amounted to 10.42%, higher by 1.18% than the required regulatory ratio. The ratio on December 31, 2021 amounted to 11.46%.

The year-over-year decline in the ratio was due to the growth of 16.5% in risk assets, stemming mostly from the growth in credit to the public.

Dividend

The Board of Directors of the Bank today approved a **dividend distribution** of 50% of net earnings, in the amount of NIS 268 million. Dividends of NIS 945 million were distributed in 2022. The annual **dividend return** as of December 31, 2022, reached 6.82%, comprising the highest dividend return in the Israeli banking system.

Management Comment

Ms. Smadar Berber-Tsadik, CEO of the First International Bank Group, stated: "The financial statements for 2022 of our Bank reflect growth and greater efficiency; all while maintaining high financial stability. We presented an improvement in profitability stemming from the continued growth in our diverse operations. This was both in credit – showing impressive growth, while maintaining commensurate risk, though growth, which slowed somewhat in the fourth quarter, mostly on the background of a decline in demand- and in the asset management field, while expanding the capital market operations. The rising interest rates in Israel and in most countries around the world, following many years of activity in a negligible interest-rate environment, also contributed to profitability. Today, we are gearing our offerings towards customers tailored toward the current interest rate environment, with a view of bringing them unique and rewarding investment products that include varied deposits, as well as capital markets activity in Israel and internationally."

"The Bank has recently approved the corporate strategy for the upcoming years of 2023 to 2025, a program whose purpose is to forge us ahead in an increasingly competitive banking environment. The program emphasizes growth, while providing our customers with added-value services in accordance with their needs, including in the digital and technological response fields. An additional emphasis in our program is maintaining our leadership in the capital market and in private banking, alongside continued development and innovation in these fields; we are placing an important emphasis on leading with efficiency measures and exposing ourselves to new areas, all the while cooperating and leveraging our data with a goal to provide an optimal and personal service to our customers, as well as adjusting our branch network to the new digital world."

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	2022	2021	2020	2019	2018
					percent
Execution indices					
Return on equity attributed to shareholders of the Bank	16.6%	14.7%	8.6%	10.5%	9.3%
Return on average assets	0.89%	0.82%	0.49%	0.63%	0.54%
Ratio of equity capital tier 1	10.42%	11.46%	11.18%	10.81%	10.51%
Leverage ratio	5.19%	5.34%	5.29%	5.81%	5.76%
Liquidity coverage ratio ⁽¹⁾	127%	128%	150%	128%	122%
Net stable funding ratio ⁽²⁾	133%	*139%			
Ratio of total income to average assets	2.9%	2.6%	2.7%	3.0%	3.0%
Ratio of interest income, net to average assets	2.0%	1.6%	1.7%	1.9%	1.8%
Ratio of fees to average assets	0.8%	0.8%	0.9%	0.9%	1.0%
Efficiency ratio	50.9%	58.3%	61.8%	64.4%	68.4%
Credit quality indices					
Ratio of provision for credit losses to credit to the public	1.02%	1.05%	1.38%	1.05%	1.02%
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	0.48%	**0.63%	0.86%	1.08%	0.83%
Ratio of provision for credit losses to total non-accruing credit to the public	220%	**244%	221%	131%	186%
Ratio of net write-offs to average total credit to the public	0.03%	(0.01%)	0.10%	0.10%	0.16%
Ratio of expenses (income) for credit losses to average total credit to the public	0.11%	(0.23%)	0.52%	0.16%	0.20%

Principal data from the statement of income	2022	2021	2020	2019	2018
					NIS million
Net profit attributed to shareholders of the Bank	1,667	1,405	750	865	733
Interest Income, net	3,803	2,794	2,637	2,602	2,486
Expenses (income) from credit losses	123	(216)	464	138	166
Total non-interest income	1,611	1,756	1,523	1,520	1,637
Of which: Fees	1,489	1,444	1,371	1,286	1,325
Total operating and other expenses	2,755	2,652	2,569	2,654	2,819
Of which: Salaries and related expenses	1,680	1,601	1,532	1,601	1,696
Dismissal expenses	4	36	26	48	35
Primary net profit per share of NIS 0.05 par value (NIS)	16.62	14.00	7.48	8.62	7.31

Principal data from the balance sheet	2022	2021	2020	2019	2018
					NIS million
Total assets	195,955	180,470	167,778	141,110	134,120
of which: Cash and deposits with banks	57,130	57,370	57,802	37,530	31,303
Securities	16,010	15,091	13,105	10,995	12,595
Credit to the public, net	115,961	101,164	90,970	87,899	84,292
Total liabilities	184,920	170,033	158,243	132,186	125,707
of which: Deposits from the public	168,269	153,447	141,677	120,052	111,697
Deposits from banks	4,821	5,144	2,992	1,137	1,150
Bonds and subordinated capital notes	4,749	3,356	4,394	3,674	4,989
Capital attributed to the shareholders of the Bank	10,559	10,003	9,141	8,568	8,093

Additional data	2022	2021	2020	2019	2018
Share price (0.01 NIS)	13,900	12,950	8,514	9,989	7,860
Dividend per share (0.01 NIS)	942	543	125	410	355
Average number of positions ⁽³⁾	3,676	3,715	3,895	4,086	4,285

* Restated.

** Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts, since January 1, 2022. Comparative data for 2018, 2019 and 2020 have not been restated.

(1) The ratio is computed in respect of the three months ended at the end of the reporting period.


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

(3) The number of positions includes conversion of overtime in terms of positions.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31

(NIS million)

	Consolidated			The Bank		
	2022	2021	2020	2022	2021	2020
Interest Income	5,161	3,150	2,878	4,833	2,907	2,647
Interest Expenses	1,358	356	241	1,339	358	253
Interest Income, net	3,803	2,794	2,637	3,494	2,549	2,394
Expenses (income) from credit losses	123	(216)	464	118	(213)	443
Net Interest Income after expenses from credit losses	3,680	3,010	2,173	3,376	2,762	1,951
Non-Interest Income						
Non-Interest Financing income	113	303	148	111	301	148
Fees	1,489	1,444	1,371	1,331	1,285	1,234
Other income	9	9	4	66	49	45
Total non-Interest income	1,611	1,756	1,523	1,508	1,635	1,427
Operating and other expenses						
Salaries and related expenses	1,680	1,601	1,532	1,564	1,491	1,429
Maintenance and depreciation of premises and equipment	332	340	344	306	313	316
Amortizations and impairment of intangible assets	113	105	96	111	103	94
Other expenses	630	606	597	604	584	570
Total operating and other expenses	2,755	2,652	2,569	2,585	2,491	2,409
Profit before taxes	2,536	2,114	1,127	2,299	1,906	969
Provision for taxes on profit	884	728	368	801	656	315
Profit after taxes	1,652	1,386	759	1,498	1,250	654
The bank's share in profit of equity-basis investee, after taxes	74	69	29	169	155	96
Net profit:						
Before attribution to non-controlling interests	1,726	1,455	788	1,667	1,405	750
Attributed to non-controlling interests	(59)	(50)	(38)	-	-	-
Attributed to shareholders of the Bank	1,667	1,405	750	1,667	1,405	750
Consolidated and The Bank						
		2022	2021	2020		
Primary profit per share attributed to the shareholders of the Bank						NIS
Net profit per share of NIS 0.05 par value		16.62	14.00	7.48		


Ron Levkovich
 Chairman of the Board


Smadar Barber-Tsadik
 Chief Executive Officer


Nachman Nitzan
 Executive Vice President,
 Chief Accountant

Tel-Aviv, March 21, 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31

(NIS million)

	Consolidated		
	2022	2021	2020
Net profit before attribution to non-controlling interests	1,726	1,455	788
Net profit attributed to non-controlling interests	(59)	(50)	(38)
Net profit attributed to the shareholders of the Bank	1,667	1,405	750
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	(441)	27	(4)
Adjustments of liabilities in respect of employee benefits ⁽¹⁾	235	(24)	(74)
Other comprehensive income (loss) before taxes	(206)	3	(78)
Related tax effect	71	(1)	26
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	(135)	2	(52)
Less other comprehensive loss attributed to non-controlling interests	(13)	-	-
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	(122)	2	(52)
Comprehensive income before attribution to non-controlling interests	1,591	1,457	736
Comprehensive income attributed to non-controlling interests	(46)	(50)	(38)
Comprehensive income attributed to the shareholders of the Bank	1,545	1,407	698

(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 profit.

BALANCE SHEET AS AT DECEMBER 31

(NIS million)

	Consolidated		The Bank	
	2022	2021	2022	2021
Assets				
Cash and deposits with banks	57,130	57,370	56,403	56,601
Securities	16,010	15,091	15,215	14,348
Securities which were borrowed	12	845	12	845
Credit to the public	117,156	102,240	111,019	96,599
Provision for Credit losses	(1,195)	(1,076)	(1,115)	(1,010)
Credit to the public, net	115,961	101,164	109,904	95,589
Credit to the government	866	811	158	48
Investment in equity-basis investees	687	713	1,403	1,351
Premises and equipment	902	931	879	906
Intangible assets	317	300	311	294
Assets in respect of derivative instruments	2,825	1,709	2,825	1,712
Other assets ⁽²⁾	1,245	1,536	1,166	1,460
Total assets	195,955	180,470	188,276	173,154
Liabilities and Shareholders' Equity				
Deposits from the public	168,269	153,447	161,540	147,012
Deposits from banks	4,821	5,144	7,223	7,578
Deposits from the Government	237	960	237	960
Bonds and subordinated capital notes	4,749	3,356	2,365	962
Liabilities in respect of derivative instruments	2,322	2,038	2,332	2,038
Other liabilities ⁽¹⁾⁽³⁾	4,522	5,088	4,020	4,601
Total liabilities	184,920	170,033	177,717	163,151
Capital attributed to the shareholders of the Bank	10,559	10,003	10,559	10,003
Non-controlling interests	476	434	-	-
Total equity	11,035	10,437	10,559	10,003
Total liabilities and shareholders' equity	195,955	180,470	188,276	173,154

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 117 million and NIS 79 million (consolidated) and NIS 112 million and NIS 76 million (the Bank) as of December 31, 2022 and 2021, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 26 million consolidated and the Bank (31.12.21 - NIS 333 million consolidated and the Bank).

(3) Of which: other liabilities measured at fair value in the amount of NIS 26 million consolidated and the Bank (31.12.21 - NIS 641 million consolidated and the Bank).

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	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 January 1, 2020	927	(131)	7,772	8,568	356	8,924
Changes during 2020 -						
Net profit for the year	-	-	750	750	38	788
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, after tax effect	-	(52)	-	(52)	-	(52)
Balance as at December 31, 2020	927	(183)	8,397	9,141	394	9,535
Changes during 2021 -						
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
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
Changes during 2022 -						
Net profit for the year	-	-	1,667	1,667	59	1,726
Dividend	-	-	(945)	(945)	-	(945)
Other comprehensive loss, after tax effect	-	(122)	-	(122)	(13)	(135)
Balance as at December 31, 2022	927	(303)	9,935	10,559	476	11,035

* Cumulative effect of the initial implementation of US accounting principles in the matter of financial instruments - credit losses (ASC-326). For details, see Note 1.c below.

(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.