

Press release

May 17, 2023

## **First International Bank of Israel Reports First Quarter of 2023 Financial Results**

**Tel Aviv, Israel – May 17, 2023.** First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the first quarter of 2023, ended March 31, 2023 which reflected continued growth in all areas of core operations of the Bank, while continuing to maintain financial stability.

### **Financial Highlights of the First Quarter of 2023**

- Net profit of NIS 631 million in the first quarter of 2023;
- Return on equity of 23.6%;
- Growth of 11.6% in credit to the public over the past year and growth of 2.2% over the first quarter;
- Deposits by the public grew by 12.6% over the past year and by 3% in the first quarter;
- Efficiency ratio of 42.6%;
- Ratio of Tier I equity capital to risk components of 10.55%;

**Credit to the public** increased by 11.6% over the past year, and by 2.2% over the first quarter of 2023, and amounted to NIS 119,769 million. **Growth in credit** was achieved while maintaining commensurate risk.

**Deposits by the public** grew by 12.6% in the past year and by 3% in the reported quarter, and amounted to NIS 173,390 million. Deposits by private customers and small businesses comprised of 61.2% of total deposits by the public.

**Net profit** of the First International Bank Group amounted to NIS 631 million in the first quarter of 2023, as compared to NIS 322 million in the corresponding quarter last year, representing an increase of 96%. **Return on equity** reached 23.6%.

**Total income** of the Bank in the first quarter of 2023 amounted to NIS 1,700 million, representing growth of 45% in comparison with the corresponding quarter last year.

**Financing profit from current operations** increased over the past year by 71.4% amounting to NIS 1,332 million in the first quarter of 2023. The increase was due to the

impact of growth in the volume of business operations, the impact in the rise of shekel and dollar interest rates, and by the impact of changes in the consumer price index (CPI).

**The Bank's share in the earnings of affiliated company ICC, net of taxes**, amounted to NIS 65 million in the first quarter of 2023, as compared to NIS 17 million in the corresponding quarter last year. Growth was mainly due to non-recurring gains from the sale of ICC's building.

**The equity attributed to the shareholders of the Bank** increased to NIS 10,888 million as of March 31, 2023, representing growth of 3.1% compared with December 31, 2022.

**Tier I equity capital ratio** increased to 10.55% as of quarter-end, 1.31% above the required regulatory ratio. As of December 31, 2022, the ratio was 10.42%. **The comprehensive capital ratio** amounted to 13.86% as of quarter-end, compared with 13.75% as of December 31, 2022, which is 1.3% higher than the required regulatory capital ratio.

**The liquidity coverage ratio** rose to a level of 131% as of the quarter-end, as compared with 127% as of year-end 2022.

Taking into consideration that the Bank's dividend distribution policy calls for an annual distribution of up to 50% of annual net earnings, and take into account the background of the uncertainty currently prevailing in Israeli and global markets, the Board of Directors decided to approve a **dividend distribution** totaling NIS 220 million, which amounts to 35% of the net profit of the first quarter of 2023. The Bank's return on dividend as of March 31, 2023, amounts to 6%.

The **Efficiency ratio** amounted to 42.6% in the first quarter of 2023, compared with 58.5% in the corresponding quarter last year and 50.9% for the full year of 2022. The Bank continued to invest in various efficiency measures, which include, among others, increasing the efficiency of work procedures, integrating automation into processes, as well as technological and digital innovation.

As a leading Bank in the finance and investment management arena, via its cooperation with Fintech companies, the Bank introduced innovative digital investment products and services, aimed at assisting customers in conducting business in the world of investments, and especially under current conditions of uncertainty. Offered for the first time to Israeli banking system customers, the Bank recently introduced an *AI Reports* system, which provides an automated analysis of over 40 thousand companies, leveraging artificial intelligence. This innovative product expands the advanced digital capabilities which

already exist at the Bank, including the *advise.me* service for digital investment consulting, the *SmarTrade* system for the formation of investment strategies, *News sentiment* and *Analyst recommendations* – which are various systems providing information and analysis of shares and securities, and more. At the same time, the Bank continues to leverage its data and develop advanced models, with a view to offering its customers which highly advanced, focused and efficient services.

**Expenses in respect of credit losses** was NIS 72 million in the first quarter of 2023 (comprising a rate of 0.25%). No expenses for credit losses were recognized in the corresponding quarter of last year. **The specific allowance** for credit losses recorded an **income** of NIS 14 million. **The collective allowance** recorded an increase of NIS 86 million, mainly due to an increase in the cushion of the collective allowance, due to concern regarding anticipated macro-economic impacts. This is in view of the uncertain macro-economic conditions following the effect of rising interest rates, developments in geopolitical conditions in Israel and globally, and the probability of an economic slowdown, among others.

**The total troubled credit risk** declined by 6.5% compared with that of the corresponding quarter last year. **The non-accrual troubled credit risk** declined by 18.2%. **The NPL ratio** (ratio of non-accrual debt balance or balance of debts in default of 90 days or over, to total credit to the public) is also low, and dropped to 0.47% compared with 0.6% in the corresponding quarter of last year.

### **Management Comment**

**Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group, stated:** "In the first quarter of 2023, the First International Bank continued its growth trend, while maintaining its strong levels of financial stability, which is clear through continued growth in the high capital adequacy levels and liquidity ratios of the Bank, among others.

The Bank continued on its improving efficiency trends and the development of digital innovation, with the aim of promoting high-value offerings and services to customers across various areas. These are all efforts, which create increased satisfaction of our customers via all service channels - both human and digital.

The Bank recently won a tender by the Ministry of Defense for the provision of banking services to members of the Defense Forces, and for the continuation of operating banking branches at military bases. Thus, the First International Bank through its brand name *Otzar Hachayal*, will continue to serve as the home of the defense forces for the next decade, as it has been in the past. This win strengthens the position of the First International Bank Group in the retail sector."

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the three months ended March 31,		For the year ended
	2023	2022	December 31, 2022
			in %
<b>Principal execution indices</b>			
Return on equity attributed to shareholders of the Bank <sup>(1)</sup>	23.6%	13.0%	16.6%
Return on average assets <sup>(1)</sup>	1.28%	0.71%	0.89%
Ratio of equity capital tier 1	10.55%	10.79%	10.42%
Leverage ratio	5.15%	5.26%	5.19%
Liquidity coverage ratio	131%	126%	127%
Net stable funding ratio	133%	137%	133%
Ratio of total income to average assets <sup>(1)</sup>	3.5%	2.6%	2.9%
Ratio of interest income, net to average assets <sup>(1)</sup>	2.6%	1.6%	2.0%
Ratio of fees to average assets <sup>(1)</sup>	0.8%	0.8%	0.8%
Efficiency ratio	42.6%	58.5%	50.9%
<b>Credit quality indices</b>			
Ratio of provision for credit losses to credit to the public	1.06%	1.01%	1.02%
Ratio of total provision for credit losses <sup>(2)</sup> to credit to the public	1.17%	1.14%	1.12%
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	0.47%	0.59%	0.48%
Ratio of provision for credit losses to total non-accruing credit to the public	232%	175%	220%
Ratio of net write-offs to average total credit to the public <sup>(1)</sup>	(0.04%)	(0.02%)	0.03%
Ratio of expenses for credit losses to average total credit to the public <sup>(1)</sup>	0.25%	-	0.11%
<b>Principal data from the statement of income</b>			
	For the three months ended March 31,		
	2023	2022	NIS million
Net profit attributed to shareholders of the Bank	631	322	
Interest Income, net	1,275	744	
Expenses from credit losses	72	-	
Total non-Interest income	425	426	
Of which: Fees	388	384	
Total operating and other expenses	724	684	
Of which: Salaries and related expenses	449	414	
Primary net profit per share of NIS 0.05 par value (NIS)	6.29	3.21	
<b>Principal data from the balance sheet</b>			
	31.3.23	31.3.22	31.12.22
	NIS million		
Total assets	204,312	182,013	195,955
of which: Cash and deposits with banks	57,763	53,979	57,130
Securities	19,756	14,850	16,010
Credit to the public, net	118,502	106,254	115,961
Total liabilities	192,923	171,725	184,920
of which: Deposits from the public	173,390	154,038	168,269
Deposits from banks	5,481	6,504	4,821
Bonds and subordinated capital notes	4,770	3,675	4,749
Capital attributed to the shareholders of the Bank	10,888	9,851	10,559
<b>Additional data</b>			
	31.3.23	31.3.22	31.12.22
Share price (0.01 NIS)	12,650	13,810	13,900
Dividend per share (0.01 NIS)	267	379	942


(1) Annualized.

(2) Including provision in respect of off-balance sheet credit instruments

## CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2023 (unaudited)	2022 (unaudited)	2022 (audited)
Interest Income	2,176	871	5,161
Interest Expenses	901	127	1,358
Interest Income, net	1,275	744	3,803
Expenses from credit losses	72	-	123
Net Interest Income after expenses from credit losses	1,203	744	3,680
<b>Non- Interest Income</b>			
Non-Interest Financing income	36	34	113
Fees	388	384	1,489
Other income	1	8	9
Total non- Interest income	425	426	1,611
<b>Operating and other expenses</b>			
Salaries and related expenses	449	414	1,680
Maintenance and depreciation of premises and equipment	84	81	332
Amortizations and impairment of intangible assets	30	27	113
Other expenses	161	162	630
Total operating and other expenses	724	684	2,755
Profit before taxes	904	486	2,536
Provision for taxes on profit	315	169	884
Profit after taxes	589	317	1,652
The bank's share in profit of equity-basis investee, after taxes	65	17	74
<b>Net profit:</b>			
Before attribution to non-controlling interests	654	334	1,726
Attributed to non-controlling interests	(23)	(12)	(59)
Attributed to shareholders of the Bank	631	322	1,667
			NIS
<b>Primary profit per share attributed to the shareholders of the Bank</b>			
Net profit per share of NIS 0.05 par value	6.29	3.21	16.62

  
**Ron Levkovich**  
 Chairman of the Board

  
**Smadar Barber-Tsadik**  
 Chief Executive Officer

  
**Nachman Nitzan**  
 Executive Vice President,  
 Chief Accountant

Tel-Aviv, 17 May 2023

## STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	654	334	1,726
Net profit attributed to non-controlling interests	(23)	(12)	(59)
Net profit attributed to the shareholders of the Bank	631	322	1,667
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	(30)	(216)	(441)
Adjustments of liabilities in respect of employee benefits <sup>(1)</sup>	(3)	131	235
Other comprehensive loss before taxes	(33)	(85)	(206)
Related tax effect	11	30	71
Other comprehensive loss before attribution to non-controlling interests, after taxes	(22)	(55)	(135)
Less other comprehensive income (loss) attributed to non-controlling interests	2	(5)	(13)
Other comprehensive loss attributed to the shareholders of the Bank, after taxes	(24)	(50)	(122)
Comprehensive income before attribution to non-controlling interests	632	279	1,591
Comprehensive income attributed to non-controlling interests	(25)	(7)	(46)
Comprehensive income attributed to the shareholders of the Bank	607	272	1,545

(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)

		March 31,	December 31,
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
<b>Assets</b>			
Cash and deposits with banks	57,763	53,979	57,130
Securities	19,756	14,850	16,010
Securities which were borrowed	45	322	12
Credit to the public	119,769	107,342	117,156
Provision for Credit losses	(1,267)	(1,088)	(1,195)
Credit to the public, net	118,502	106,254	115,961
Credit to the government	935	843	866
Investment in investee company	730	740	687
Premises and equipment	899	912	902
Intangible assets	307	297	317
Assets in respect of derivative instruments	4,047	2,332	2,825
Other assets <sup>(2)</sup>	1,328	1,484	1,245
<b>Total assets</b>	<b>204,312</b>	<b>182,013</b>	<b>195,955</b>
<b>Liabilities and Shareholders' Equity</b>			
Deposits from the public	173,390	154,038	168,269
Deposits from banks	5,481	6,504	4,821
Deposits from the Government	828	476	237
Bonds and subordinated capital notes	4,770	3,675	4,749
Liabilities in respect of derivative instruments	3,572	2,360	2,322
Other liabilities <sup>(1)(3)</sup>	4,882	4,672	4,522
<b>Total liabilities</b>	<b>192,923</b>	<b>171,725</b>	<b>184,920</b>
Capital attributed to the shareholders of the Bank	10,888	9,851	10,559
Non-controlling interests	501	437	476
<b>Total equity</b>	<b>11,389</b>	<b>10,288</b>	<b>11,035</b>
<b>Total liabilities and shareholders' equity</b>	<b>204,312</b>	<b>182,013</b>	<b>195,955</b>

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 129 million and NIS 134 million and NIS 117 million at 31.3.23, 31.3.22 and 31.12.22, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 15 million and NIS 261 million and NIS 26 million at 31.3.23, 31.3.22 and 31.12.22, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 21 million and NIS 435 million and NIS 26 million at 31.3.22, 31.3.21 and 31.12.21, respectively.

## STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended March 31, 2023 (unaudited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive loss	Retained earnings <sup>(2)</sup>	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2022 (audited)	927	(303)	9,935	10,559	476	11,035
Adjustment of the opening balance, net of tax, due to the effect of initial implementation in equity-basis investee*	-	-	(10)	(10)	-	(10)
Adjusted balance at January 1, 2023, following initial implementation	927	(303)	9,925	10,549	476	11,025
Net profit for the period	-	-	631	631	23	654
Dividend	-	-	(268)	(268)	-	(268)
Other comprehensive income (loss), after tax effect	-	(24)	-	(24)	2	(22)
Balance as at March 31, 2023	927	(327)	10,288	10,888	501	11,389

	For the three months ended March 31, 2022 (unaudited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive loss	Retained earnings <sup>(2)</sup>	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of 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	-	-	322	322	12	334
Dividend	-	-	(380)	(380)	-	(380)
Other comprehensive loss, after tax effect	-	(50)	-	(50)	(5)	(55)
Balance as at March 31, 2022	927	(231)	9,155	9,851	437	10,288

	For year ended December 31, 2021 (audited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive loss	Retained earnings <sup>(2)</sup>	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of 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
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).

(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.