

Press release

August 15, 2023

## **First international bank of Israel Reports Second Quarter 2023 Financial Results**

**Tel Aviv, Israel – August 15, 2023.** First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the second quarter and first half of 2023, ended June 30, 2023.

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

- **Net profit of the First International Bank for the second quarter 2023 was NIS 587 million;**
- **Return on equity - 21.3%;**
- **Credit to the public grew by 5.4% year-over-year and by 2.5% in the first half of 2023**
- **Deposits by the public grew by 8.8% year-over-year and by 6.4% in the first half of 2023;**
- **Credit loss expenses increased in the first half of the year to NIS 171 million, as of a result of a NIS 198 million increase in the collective allowance;**
- **Efficiency ratio in the first half of 2023 - 42.6%;**
- **Ratio of Tier 1 equity capital to risk components - 10.64%;**

**The First International Bank published its financial statements for the second quarter of 2023, reflecting continuing growth in all core operations of the Bank, while continuing to maintain financial stability.**

**Credit to the public** grew by 5.4% year-over-year (in relation that of June 30, 2022) amounting to NIS 120,028 million. In the first half of 2023 (in relation that of June 30, 2022) credit to the public grew by 2.5%. Growth in credit was achieved while maintaining commensurate risk.

**Deposits by the public** grew by 8.8% year-over-year, to NIS 179,013 million. In the first half of the year deposits by the public grew by 6.4%. **The customer assets portfolio** grew by 8.8%, to NIS 612 billion.

**Net profit** in the second quarter of 2023 for the First International Bank Group, was NIS 587 million, as compared to net profit of NIS 342 million in the corresponding period last year, an increase of 71.6%. Return on equity was 21.3%.

In the first half of the year, net profit was NIS 1,218 million, an increase of 83.4% as compared to the corresponding first half of last year. The return on equity for the first half of the year was 22.6%.

**Total revenue** at the Bank in the first half of the year was NIS 3,435 million, an increase of 44.4% compared with the corresponding period last year. Growth was due to the impact of the appreciation of the shekel and dollar interest rates, by the effect of changes in the consumer price index (CPI) and by growth in the volume of business operations.

**Operating and other expenses** in the first half of the year were NIS 1,464 million, representing an increase of 8.8%, mostly because of an increase in payroll expenses due to a provision for bonus payments and an increase ongoing payroll. The increase in payroll expenses was due, among others, to the signing of employment agreements for the years 2023-2026.

**The Bank's share in earnings of an affiliated company (ICC), net of the taxes**, was NIS 84 million for the first half of the year, as compared to NIS 37 million in the corresponding period last year, with the increase mostly due to non-recurring gains in the first quarter off 2023 on the sale of the ICC building.

**Equity attributed to the shareholders of the Bank** increased to NIS 11,292 million, an increase of 6.9% in relation to that of December 31, 2022.

**The Tier 1 equity capital ratio** increased to 10.64%, higher by 1.4 percentage points than that of the required regulatory ratio. As of December 31, 2022, the ratio amounted to 10.42%.

**The comprehensive capital ratio** also increased to 13.92% compared with 13.75% as at December 31, 2022, 1.42 percentage points over the required regulatory ratio.

**The liquidity coverage ratio** increased to 134% as compared with 127% in 2022.

Taking into consideration that the dividend distribution policy calls for an annual distribution of up to 50% of the annual net profit, and given the background of uncertainty existing in global markets as well as in Israel, the Board of Directors of the Bank resolved to approve a **dividend distribution** totaling NIS 220 million, similar to that of the first quarter of 2023.

The **efficiency ratio** in the first half of the year was 42.6%, compared with 56.6% in the corresponding half of last year and 50.9% for 2022. The Bank continues to invest in efficiency measures, which include, among others, increasing efficiency of work procedures, integration of automation into work processes and technological innovations.

**Total credit loss expenses** in the first half of the year were NIS 171 million, as compared to NIS 31 million in the corresponding period last year, a growth of 450%. This growth was as a result of the group provision for credit losses.

In the first six months of the year, the collective provision increased by NIS 198 million, mainly due to adjustments in the collective provision following envisioned macro-economic concerns in light of the uncertainty relating to economic conditions, due to, among others, the impact of the rise in interest rates, developments in geopolitical conditions in Israel and globally, and the probability of an economic slowdown. The Bank continues to reinforce its cushions due to economic uncertainty. **The specific provision for credit losses** in the first half of the year was NIS 27 million, as compared to NIS 13 million in the corresponding period last year.

The low **non-performing loan (NPL) ratio** of the Bank, a ratio indicating the quality of the credit portfolio (the ratio of balance of nonaccrual debts or debts in arrears of 90 days and over, as a portion of total credit to the public), improved and descended to 0.49%, in relation to 0.55% in the corresponding period last year. The ratio of the balance of allowance for credit losses to total nonaccrual credit reached 238%

The First International Bank announced a set of measures taken to assist customers in view of the rising interest rate in the economy, publishing a **benefit package** for private customers, which includes, among others: payment of interest on credit balances on current accounts at a rate of 1.8%-2.2%, reducing the interest charged on overdrafts by 2%, and granting a special interest credit of NIS 1,400 to borrowers of its *prime* track mortgage loans. The package is valid for a period of one year and applies automatically to customers that meet the criteria set out in the program.

**Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group, stated:** "The First International Bank continues on its growth trend across the banks strategic business areas, including in the fields of fund and investment management, capital markets, business banking and retail banking, while focusing on various target populations.

"The growth is accompanied by continuing our orderly and consistent efficiency measures. All this while maintaining a high level of financial stability, commensurate risk management

and building security cushions – both in respect of credit losses and in respect of capital, given the rise in the level of economic uncertainty in Israel and globally.”

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the six months ended June 30,		For the year ended December 31,	
	2023	2022	2022	
			in %	
<b>Execution indices</b>				
Return on equity attributed to shareholders of the Bank <sup>(1)</sup>	22.6	13.3	16.6	
Return on average assets <sup>(1)</sup>	1.22	0.73	0.89	
Ratio of equity capital tier 1	10.64	10.15	10.42	
Leverage ratio	5.20	5.02	5.19	
Liquidity coverage ratio	134	125	127	
Net stable funding ratio	134	134	133	
Ratio of total income to average assets <sup>(1)</sup>	3.4	2.6	2.9	
Ratio of interest income, net to average assets <sup>(1)</sup>	2.6	1.8	2.0	
Ratio of fees to average assets <sup>(1)</sup>	0.8	0.8	0.8	
Efficiency ratio	42.6	56.6	50.9	
<b>Credit quality indices</b>				
Ratio of provision for credit losses to credit to the public	1.12	0.98	1.02	
Ratio of total provision for credit losses <sup>(2)</sup> to credit to the public	1.23	1.08	1.12	
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	0.49	0.55	0.48	
Ratio of provision for credit losses to total non-accruing credit to the public	237.9	184.7	219.7	
Ratio of net write-offs to average total credit to the public <sup>(1)</sup>	-	0.04	0.03	
Ratio of expenses for credit losses to average total credit to the public <sup>(1)</sup>	0.29	0.06	0.11	
<b>Principal data from the statement of income</b>				
		For the six months ended June 30,		
		2023	2022	
		NIS million		
Net profit attributed to shareholders of the Bank		1,218	664	
Interest Income, net		2,593	1,603	
Expenses from credit losses		171	31	
Total non-Interest income		842	775	
Of which: Fees		756	755	
Total operating and other expenses		1,464	1,346	
Of which: Salaries and related expenses		915	815	
Primary net profit per share of NIS 0.05 par value (NIS)		12.14	6.62	
<b>Principal data from the balance sheet</b>				
		30.6.23	30.6.22	31.12.22
		NIS million		
Total assets		208,130	192,026	195,955
of which: Cash and deposits with banks		58,553	56,305	57,130
Securities		22,963	15,349	16,010
Credit to the public, net		118,686	112,811	115,961
Total liabilities		196,313	181,606	184,920
of which: Deposits from the public		179,013	164,539	168,269
Deposits from banks		4,145	5,429	4,821
Bonds and subordinated capital notes		4,713	4,187	4,749
Capital attributed to the shareholders of the Bank		11,292	9,973	10,559
<b>Additional data</b>				
		30.6.23	30.6.22	31.12.22
Share price (0.01 NIS)		14,420	13,010	13,900
Dividend per share (0.01 NIS)		486	538	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 June 30		For the six months ended June 30		For the year Ended December 31
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)	2022 (audited)
Interest Income	2,523	1,104	4,699	1,975	5,161
Interest Expenses	1,205	245	2,106	372	1,358
Interest Income, net	1,318	859	2,593	1,603	3,803
Expenses from credit losses	99	31	171	31	123
Net Interest Income after expenses from credit losses	1,219	828	2,422	1,572	3,680
<b>Non- Interest Income</b>					
Non-Interest Financing income (expenses)	43	(22)	79	12	113
Fees	368	371	756	755	1,489
Other income	6	-	7	8	9
Total non- Interest income	417	349	842	775	1,611
<b>Operating and other expenses</b>					
Salaries and related expenses	466	401	915	815	1,680
Maintenance and depreciation of premises and equipment	83	82	167	163	332
Amortizations and impairment of intangible assets	30	28	60	55	113
Other expenses	161	151	322	313	630
Total operating and other expenses	740	662	1,464	1,346	2,755
Profit before taxes	896	515	1,800	1,001	2,536
Provision for taxes on profit	307	179	622	348	884
Profit after taxes	589	336	1,178	653	1,652
The bank's share in profit of equity-basis investee, after taxes	19	20	84	37	74
<b>Net profit:</b>					
Before attribution to non-controlling interests	608	356	1,262	690	1,726
Attributed to non-controlling interests	(21)	(14)	(44)	(26)	(59)
Attributed to shareholders of the Bank	587	342	1,218	664	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	5.85	3.41	12.14	6.62	16.62



Ron Levkovich  
Chairman of the Board



Smadar Barber-Tsodik  
Chief Executive Officer



Nachman Nitzan  
Executive Vice President,  
Chief Accountant

Tel-Aviv, August 15, 2023

## STATEMENT OF COMPREHENSIVE INCOME

(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2023	2022	2023	2022	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	608	356	1,262	690	1,726
Net profit attributed to non-controlling interests	(21)	(14)	(44)	(26)	(59)
Net profit attributed to the shareholders of the Bank	587	342	1,218	664	1,667
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	56	(161)	26	(377)	(441)
Adjustments of liabilities in respect of employee benefits <sup>(1)</sup>	6	65	3	196	235
Other comprehensive income (loss) before taxes	62	(96)	29	(181)	(206)
Related tax effect	(22)	32	(11)	62	71
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	40	(64)	18	(119)	(135)
Less other comprehensive income (loss) attributed to non-controlling interests	3	(4)	5	(9)	(13)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	37	(60)	13	(110)	(122)
Comprehensive income before attribution to non-controlling interests	648	292	1,280	571	1,591
Comprehensive income attributed to non-controlling interests	(24)	(10)	(49)	(17)	(46)
Comprehensive income attributed to the shareholders of the Bank	624	282	1,231	554	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)

	June 30,		December 31,
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
<b>Assets</b>			
Cash and deposits with banks	58,553	56,305	57,130
Securities	22,963	15,349	16,010
Securities which were borrowed	104	289	12
Credit to the public	120,028	113,932	117,156
Provision for Credit losses	(1,342)	(1,121)	(1,195)
Credit to the public, net	118,686	112,811	115,961
Credit to the government	961	939	866
Investment in investee company	751	669	687
Premises and equipment	880	904	902
Intangible assets	309	300	317
Assets in respect of derivative instruments	3,588	2,880	2,825
Other assets <sup>(2)</sup>	1,335	1,580	1,245
<b>Total assets</b>	<b>208,130</b>	<b>192,026</b>	<b>195,955</b>
<b>Liabilities and Shareholders' Equity</b>			
Deposits from the public	179,013	164,539	168,269
Deposits from banks	4,145	5,429	4,821
Deposits from the Government	608	570	237
Bonds and subordinated capital notes	4,713	4,187	4,749
Liabilities in respect of derivative instruments	3,184	2,412	2,322
Other liabilities <sup>(1)(3)</sup>	4,650	4,469	4,522
<b>Total liabilities</b>	<b>196,313</b>	<b>181,606</b>	<b>184,920</b>
Capital attributed to the shareholders of the Bank	11,292	9,973	10,559
Non-controlling interests	525	447	476
<b>Total equity</b>	<b>11,817</b>	<b>10,420</b>	<b>11,035</b>
<b>Total liabilities and shareholders' equity</b>	<b>208,130</b>	<b>192,026</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 137 million and NIS 109 million and NIS 117 million at 30.6.23, 30.6.22 and 31.12.22, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 12 million and NIS 283 million and NIS 26 million at 30.6.23, 30.6.22 and 31.12.22, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 24 million and NIS 337 million and NIS 26 million at 30.6.23, 30.6.22 and 31.12.22, respectively.



## STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended June 30, 2023 (unaudited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive income (loss)	Retained earnings <sup>(2)</sup>	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of March 31, 2023	927	(327)	10,288	10,888	501	11,389
Net profit for the period	-	-	587	587	21	608
Dividend	-	-	(220)	(220)	-	(220)
Other comprehensive income, after tax effect	-	37	-	37	3	40
Balance as at June 30, 2023	927	(290)	10,655	11,292	525	11,817

	For the three months ended June 30, 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 March 31, 2022	927	(231)	9,155	9,851	437	10,288
Net profit for the period	-	-	342	342	14	356
Dividend	-	-	(160)	(160)	-	(160)
Other comprehensive loss, after tax effect	-	(60)	-	(60)	(4)	(64)
Balance as at June 30, 2022	927	(291)	9,337	9,973	447	10,420

	For the six months ended June 30, 2023 (unaudited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive income (loss)	Retained earnings <sup>(2)</sup>	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at 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 investee company*	-	-	(10)	(10)	-	(10)
Adjusted balance at January 1, 2022, following initial implementation	927	(303)	9,925	10,549	476	11,025
Net profit for the period	-	-	1,218	1,218	44	1,262
Dividend	-	-	(488)	(488)	-	(488)
Other comprehensive income, after tax effect	-	13	-	13	5	18
Balance as at June 30, 2023	927	(290)	10,655	11,292	525	11,817

	For the six months ended June 30, 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 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	-	-	664	664	26	690
Dividend	-	-	(540)	(540)	-	(540)
Other comprehensive loss, after tax effect	-	(110)	-	(110)	(9)	(119)
Balance as at June 30, 2022	927	(291)	9,337	9,973	447	10,420

## STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2022 (audited)					
	Share capital and premium <sup>(1)</sup>	Accumulated other comprehensive loss	Retained earnings <sup>(2)</sup>	Total	Non- controlling interests	Total equity
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
Net profit for the period	-	-	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.