

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

March 29, 2023

Press Release:

The Bank of Israel publishes its financial statements for 2022

* The Bank of Israel fulfills the functions imposed on it as a central bank, and acts to achieve the objectives established for it under the Bank of Israel Law, 5770-2010: maintaining price stability and supporting growth, employment, the reducing of social gaps, and the stability of the financial system. The Bank’s activity to attain its objectives and to carry out its functions is not intended only to maximize profits, but rather to achieve these economy-wide economic goals.
* In 2022, the Bank of Israel recorded total profit for the year of NIS 14.9 billion.

Revenue derived mainly from high income from exchange rate differentials totaling NIS 58 billion on balances denominated in foreign currency, the result of the shekel’s depreciation vis-à-vis most foreign currencies this year.

* In 2022, the Bank’s financial results were impacted by an exceptional economic and financial environment. The global exit from the COVID-19 crisis and a series of significant global events that occurred in 2022, led to an increase in the inflation rate worldwide. As a result, central banks raised interest rates sharply, after many years in which they were at very low levels. There were also steep declines in the prices of equities, with considerable volatility, and significant increases in yields to maturity on government bonds, which led to capital losses for those which invested in them. These developments impacted on most types of financial assets, including assets in which the foreign exchange reserves are invested.

In contrast, a sharp depreciation of the shekel against the dollar and against most currencies in the reserves portfolio led to high profits from exchange rate differentials.

* Expenses in respect of foreign currency activity abroad totaled NIS 36.5 billion this year, most of which was from a negative revaluation of the fair value of the foreign exchange reserves, a result of the steep declines in bond and equity prices worldwide. In contrast, there was an increase in interest income from the reserves, due to an increase in interest rates around the world.
* Interest expenses in respect of activity in Israel totaled NIS 5.5 billion, against the background of an increase in the shekel interest rate this year.
* The Bank’s balance sheet at the end of 2022 totaled NIS 826.3 billion, an increase of approximately NIS 17 billion (2 percent) compared to its 2021 level.
* Most of the growth on the assets side derived from the increase in the shekel value of the assets in the foreign exchange reserves, due to the depreciation of the shekel during the year against most foreign currencies in the reserves portfolio.
* The Bank’s liabilities balance totaled approximately NIS 873.8 billion at the end of 2022, similar to 2021 (an increase of NIS 0.9 billion, or 0.1 percent, compared to 2021). This was in view of the end of the market intervention programs, reflected in a significant increase in monetary absorption instruments in 2020–21.
* The capital deficit and the revaluation funds contracted in the year, totaling NIS 47.5 billion at the end of 2022, compared to NIS 63.5 billion at the end of 2021, the result of the profit recorded this year.
* The revaluation funds, which primarily include unrealized profits included in the Bank’s net income in accordance with law, totaled NIS 73.7 billion this year. Most of the balance, a total of NIS 57 billion, derives from the revaluation fund in respect of unrealized exchange rate differentials on the balances denominated in foreign currency, and NIS 19 billion that originated in the revaluation fund from adjustments to fair value, most of which were unrealized profits in respect of equities that accumulated in previous years.
* The capital deficit in accordance with the Bank of Israel Law, 5770-2010, which does not include unrealized profits attributed to the revaluation funds, was NIS 121.1 billion in 2022, an increase of approximately NIS 21.5 billion compared with 2021.