

May 4, 2021

To
Israeli Securities Authority
www.isa.gov.il

To
The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report in accordance with Regulations 1A and 1B of the Companies Regulations (Facilitation of Interested Parties’ Transactions), 5760-2000

Regulation 37A (5) of the Securities Regulations (Periodic and Immediate Reports), 5766-2006

A. Main points of the decision

1. On May 4, 2021, following the approval of the Remuneration Committee on May 2, 2021, the Board of Directors approved, in accordance with Regulation 1A of the Companies Regulations (Facilitation of Interested Parties’ Transactions), 5760-2000 (herein after: the “**Facilitation Regulations**”), an update of the annual remuneration and participation remuneration per meeting for external directors and other serving directors, and those who shall serve from time to time at the Bank, and who are expert directors, as an “Expert External Director” is defined in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 5760-2000 (hereinafter: the “**Remuneration Regulations**” and the “**Expert Director**”), except for the Chairman of the Board of Directors, who was approved a separate remuneration for fulfilling his role, so that following the update, the remuneration shall amount to the “Maximum Amount for an Expert External Director”, as set forth in the Fourth Amendment of the Remuneration Regulations (annual and per meeting) according to the Bank’s ranking (whereby said amount is rounded to the nearest amount that is a multiplier of NIS 5 and index-linked according to the Remuneration Regulations). VAT by law shall be added to the said amounts. Participation remuneration at the rate set forth in the Remuneration Regulations shall continue to be paid for resolutions without convening and for resolutions by way of the media. Additionally, the directors shall continue to be eligible for reimbursement of expenses as stated in Regulation 6 of the Remuneration Regulations.

Notwithstanding the foregoing, at the request of Mr. Tzadik Bino and Mr. Gil Bino, who are controlling shareholders in the Bank, the resolution regarding the remuneration update shall not apply to them, and they shall continue to receive remuneration in accordance with the present remuneration paid by the Bank, and this, further to the resolutions passed by the Remuneration Committee and by the Board of Directors with respect thereto in September 2020. For details, see the Bank’s immediate report dated September 15, 2020 (Reference No. 2020-01-0922554). Furthermore, the above resolution is not relevant to the Chairman of the Board of Directors, Mr. Ron Levkovich, who serves in accordance with the terms of office approved for him as Chairman of the Board of Directors.

2. The remuneration as aforesaid shall be paid to an Expert Director as of the date of extension of the term of office of an External Director at the Bank according to the Companies Law, in accordance with the Remuneration Regulations¹.

¹ The Bank shall publish a report summoning a General Meeting, which on its agenda, *inter alia*, shall be the extension of the term of office of an External Director at the Bank according to the Companies Law, together with publishing this report.

To date, all serving directors are Expert Directors, within the meaning of the Remuneration Regulations.

Nothing in that stated detracts from previous resolutions passed by the Bank in connection with the remuneration of directors, including in connection with the remuneration to a director who is not an Expert Directors, insofar as he serves from time to time at the Bank².

B. Summary of the Reasoning of the Remuneration Committee and Bank's Board of Directors

1. The remuneration in the Remuneration Regulations is determined in relation to the Bank's equity capital. The Bank is one of the five largest banks in the system, and according to the Remuneration Regulations, the Bank is a company ranked in Class E (the highest classification in terms of equity capital). In view of the scope of its activities, the challenges facing the Bank, and the many and stringent regulatory requirements that apply thereto, the directors are required to devote a great deal of time and effort to fulfilling the role.
2. The remuneration for the Expert Directors is in accordance with the compensation policy for bank officers³, and is consistent with the relevant market conditions and the remuneration paid by the other four major banking corporations. At the same time, the directors of a banking corporation have increasing responsibility.
3. Please note that all serving directors are Expert Directors, within the meaning of the Remuneration Regulations, the Bank shall pay all serving directors identical remuneration, except for Mr. Tzadik Bino and Mr. Gil Bino, who are controlling shareholders in the Bank, to whom the existing remuneration at the bank shall continue to be paid, with the exception of a director, who was approved a separate remuneration for fulfilling his role as Chairman of the Board of Directors.
4. Said remuneration is determined in accordance with the expertise of the director and does not exceed the maximum amount that can be paid to an Expert Director in accordance with the provisions of the Remuneration Regulations according to the ranking of the Bank. In light of the scope of business of the Bank, the area of activity of the Bank and that which is required of its serving directors, as well as all considerations described above, the remuneration is fair and reasonable.

Sincerely,

The First International Bank of Israel Ltd.
Adv. Aviad Biler
Bank Secretary

² For additional details, see immediate reports of the Bank dated August 5, 2008 and September 14, 2008 (Reference Nos: 2008-01-226830, 2008-01-226818 and 2008-01-263742).

³ For details regarding the compensation policy for officers, see the immediate report of the bank dated January 21, 2020 (Reference No.: 2020-01-008841) and General Meeting Summons Report, as stated in the Foot Note 1 above.