

**THE INTERNATIONAL BANK**

**CENTRAL MANAGEMENT**

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March 7, 2022

To  
Israel Security Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To  
Tel Aviv Stock Exchange in Tel Aviv Ltd.  
[www.tase.co.il](http://www.tase.co.il)

**Re: Immediate Report Regarding a Dividend Distribution**

In accordance with the dividend distribution policy of the First International Bank of Israel Ltd. ("the Bank"), and further to that stated in the section "Capital and Capital Adequacy" in the Report of the Board of Directors of the Bank as of December 31, 2021, and taking into account the position of the Supervisor of Banks, dated December 27, 2021, regarding the Temporary Order (PCOBB 250), the Bank respectfully updates that on March 7, 2022, the Bank's Board of Directors resolved to approve a cash dividend distribution to shareholders of the Bank in the total amount of NIS **165** million gross (which reflects approximately 49.54% of the profits for Q4 2021, according to the financial reports of the Bank. The above distribution, together with the previous distributions, reflects a dividend distribution of approximately 50% of the current profits for the year 2021, in accordance with the Bank's dividend distribution policy.

The following are details regarding the examination conducted by the Bank's Board of Directors when approving the distribution of the dividend and the main reasons of the Board of Directors for the distribution:

1. The distribution meets the tests for distribution set forth in the Companies Law, 5769-1999 (the Profit Test and the Solvency Test).
2. The distribution meets the conditions of the Control Permit issued to the Bank's controlling shareholders by the Bank of Israel on August 27, 2003, which stipulates that no dividend will be distributed from profits accumulated at the Bank until March 31, 2003, which amounted to NIS 2,391 million. As of December 31, 2021, the surplus balance under the Companies Law amounted to NIS 9,257 million. After the distribution, the surplus balance under the Companies Law (after deducting the dividend in the amount of NIS 215 million paid in January 2022 and after deducting the current dividend in the amount of NIS 165 million), will amount to NIS 8,877 million.
3. The Board of Directors found that the distribution complies with regulatory restrictions set by the Supervisor of Banks, including Proper Conduct of Banking Business Directive No. 331 regarding restrictions on distribution as well as capital restrictions, leverage and other restrictions.
4. Dividend distribution was included as part of the quantitative working assumptions in the Bank's multi-year strategy and as a derivative of it in the Bank's work plan. Accordingly, the distribution of the dividend is not expected to affect the capital structure, or the compliance with the capital adequacy requirements, the leverage and liquidity ratios and the Bank's strategic plan.

5. There is no fear that the distribution of the dividend will prevent the Bank from meeting its existing and expected liabilities.
6. The dividend distribution is a way to share the profits and positive results of the Bank's operations with the shareholders. The Bank takes extra care in distributing the dividend, with a view for the long term and in accordance with its situation, capital targets, extreme scenarios and also taking into account that there is still a certain level of uncertainty in the markets due to the Corona virus.

The resolution of the Board of Directors was based on forward-looking information as defined in the Securities Law, 5728-1968. The Bank's assessments may not materialize, in whole or in part, or materialize in a materially different manner than expected, among other things, due to changes in market conditions, and the realization of one of the risks listed in the Bank's reports in the Report of the Board of Directors as of December 31, 2021 and in the Bank's Periodic Report for the year 2021.

In addition to the above, and after accepting the Bank of Israel's position on the matter, the Bank is considering an additional one-time dividend of approximately NIS 150 million (to supplement up to 50% of the 2020 profits in accordance with the dividend policy) and an additional amount of up to approximately NIS 350 million. It is clarified that no decision has yet been made on the matter and that as of the date of this report, there is no certainty regarding the distribution of such a one-time dividend, its timing and scope. Execution of the distribution is subject, among other things, to approval by the Bank's Board of Directors and the examination of the fulfillment of all the relevant conditions regarding the distribution of dividends. If the approval of the Board of Directors is given, a report will be published, in accordance with the provisions of the law, together with all the required details.

Sincerely yours,

The First International Bank of Israel Ltd.

Nachman Nitzan, VP  
Head of Chief Accounting Division

Aviad Biller, Advocate  
Bank Secretary