THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

June ~~9~~30, 2020

To
Israel Securities Authority
www.isa.gov.il

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

IMMEDIATE REPORT ON A TRANSACTION WITH A CONTROLLING SHAREHOLDER OR WITH A DIRECTOR THAT DOES NOT REQUIRE THE APPROVAL OF A GENERAL MEETING

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

Renewal of directors and officers liability insurance policy – summary of the key elements of the transaction

On December 20, 2018 the general meeting of the First International Bank of Israel Ltd. (hereinafter: "**the Bank**") approved the Bank's engagement, for itself and for the group companies (including the controlling shareholder, FIBI Holdings Ltd.) (hereinafter: "**the group**"), in renewing a directors and officers liability insurance policy (hereinafter: "**the policy**") and this for a period of 18 months as of January 1, 2019 and until June 30, 2020 (hereinafter: "**the first insurance period**"), as well as the Bank's engagement under insurance policies for the group companies, including by way of extending the original policies and/or by purchasing new policies on the terms prescribed there and all for a period of 6 years from the inception date of the first insurance policy, i.e. until December 31, 2024, and this as a framework transaction as defined in Regulation 1(3) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 5760-2000 (hereinafter: "**the Relief Regulations**" and "**the existing framework transaction**", respectively). For further details on the existing framework transaction see the immediate report that the Bank published on November 6, 2018 (reference no. 2018-01-104838).

~~In accordance with Regulations 1(3), 1A1, 1B(5) and 1B1 of the Relief Regulations, on~~On June 9, 2020, the board of directors approved, following the approvals of the remuneration committee and the audit committee of June 8, 2020, updates to the existing framework transaction[1], all as detailed in the immediate report for convening a special general meeting~~-~~, which the Bank ~~is publishing~~published on June 9, 2020, including a supplemental report being published simultaneously with the publication of this report, and subject to the approval of the meeting as stated, ~~and~~ also approved, in accordance with Regulations 1(3), 1A1, 1B(5) and 1B1 of the Relief Regulations, the renewal of a directors and officers liability insurance policy for ~~a period of 18 months as of July 1, 2020 and until December 31, 2021 (hereinafter: "**the current insurance period**"),~~an additional period, through an Israeli insurance company, for the group companies (which include, *inter ali*a, the controlling shareholder of the Bank). ~~Such aforesaid policy shall also apply to the CEO and officers who are controlling shareholders and/or their relatives and/or who the controlling shareholders may have a personal interest in including in the insurance policy.~~

~~The key elements of the policy for the current insurance period are:~~On June 30, 2020, the audit committee, the remuneration committee and the board of directors approved updates to the renewal of the officers and directors liability insurance policy for the additional period, in regard to the policy that was approved as stated on June, 9, 2020, where the key elements of the updated policy are: An insurance period of 12 months from July 1, 2020 to June 30, 2021 (in lieu of a period of 18 months); ~~The~~ the liability limits for the whole group – USD 100 million per claim or in the aggregate; the insurance premiums for the policy for the whole group shall not exceed USD ~~620~~ 750 thousand (in lieu of USD 620 thousand) for a period of 12 months ~~(plus a proportionate part for an insurance period that exceeds 12 months)~~; a deductible for the Bank (in the case of a claim against the Bank) in the sum of USD 150 thousand or USD 250 thousand in respect of claims filed in the U.S. and Canada (the directors and the officers do not bear a deductible).

Such policy shall also apply to the CEO and officers who are controlling shareholders and/or their relatives and/or who the controlling shareholders may have a personal interest in including in the insurance policy.

The division of the insurance premium allocation between the group companies shall be made according to the parameters prescribed in the existing framework transaction.

Summary of the reasons of the remuneration committee, the audit committee and the board of directors for approving the engagement:

[1] Including as an amendment to clause 8.2 of the remuneration policy for officers of the Bank pursuant to Section 267A of the Companies Law, 5759-1999. For further details on the remuneration policy see the immediate report that the Bank published on January 21, 2020 (reference no.: 2020-01-008841).

1. Directors and officers liability insurance is a common practice in companies of a size similar to that of the Bank and is necessary for the Bank's activity and in order to allow the officers and the directors to operate freely in the best interests of the Bank, and this considering the risk involved with the activity of the officers within the fields of activity of the Bank group, the scope of said activity, the Bank being a banking corporation and a publicly traded company. In view of this, and given the significant price increases in the insurance amounts for directors and officers liability insurance policies, it is necessary to update the terms of the insurance policy for the current insurance period.

2. The engagement under a group policy allows each company in the FIBI group to expand the coverage limits while reducing the costs of the insurance premiums.

3. In light of the scope of activity of the group, and the significant price increase that has occurred in connection with the insurance amounts for directors and officers liability insurance policies in the insurance market around the world and in Israel, the insurance premiums are reasonable in the specific circumstances for an insurance policy of the type in question.

4. The manner of dividing the insurance premiums between the group companies, and including FIBI Holding's share of the insurance premiums, is reasonable and equitable and reflects the approximate scope of the relative risk, which said company imposes on the group insurance, while giving weight to additional relevant parameters.

5. The terms of engagement with respect to the CEO and with respect to controlling shareholders and/or their relatives and/or those whom the controlling shareholders may have a personal interest in including in the insurance policy who are officers of the Bank, are identical to the terms of engagement in respect of the rest of the officers of the Bank, under market conditions, and they are not likely to materially affect the profitability, assets or liabilities of the Bank.

6. There is no reasonable concern that the engagement would prevent the Bank from complying with its existing and expected liabilities, when the time for fulfilling the same arrives.

7. In light of all the aforesaid, the engagement is in the best interests of the Bank and does not constitute a "distribution" as construed under the Companies Law.