

The First International Bank of Israel

Central Management

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20 November 2018

To:

Israel Securities Authority
www.isa.gov.il

Tel Aviv Securities Exchange, Ltd.
www.tase.co.il

re: Immediate Report Concerning the Distribution of a Dividend

The First International Bank of Israel Ltd. (hereinafter: "**the Bank**") is pleased to report that on 20 November 2018, the Bank's Board of Directors approved the distribution of a cash dividend to the Bank's shareholders, in a total amount of NIS 100 million, gross.

The following is a description of the examination carried out by the Bank's Board of Directors when approving the distribution of the dividend, as well as the Board of Directors' main reasons for approving the distribution:

1. The distribution satisfies the tests for distribution established in the Companies Law, 5759-1999 (the profits test and the solvency test).
2. The distribution satisfies the conditions set out in the control permit given to the controlling shareholders of the Bank by the Bank of Israel on 27 August 2003, according to which the Bank may not distribute dividends from profits accumulated at the Bank before the 31st of March 2003. As of 30 September 2018, the Bank has a surplus pursuant to the Companies Law in the amount of NIS 7,260 million. In light of the above-mentioned restriction in the control permit, the Bank has a surplus from which it is permitted to distribute a dividend in the amount of NIS 4,869 million (i.e., the surplus as of 30 September 2018, less the surplus accumulated as of 31 March 2003). After the distribution, the surplus pursuant to the Companies Law will be NIS 7,160 million.
3. The Board of Directors found that the distribution is in compliance with the provisions of Proper Banking Directive No. 331, concerning the restrictions placed on distributions,

and is consistent with the provisions of the Supervisor of Banks' Proper Banking Directive and with his letters concerning the minimal capital ratios that banking corporations are required to maintain.

4. The distribution of the dividend has been incorporated as a part of the quantitative working assumptions within the Bank's multi-year strategy, and it is consequently also incorporated within the Bank's working plan for 2018. Accordingly, the distribution of the dividend is not expected to impact on the Bank's activity in its current format, nor on its ability to carry out its work plan for 2018, either with respect to the maintenance of the required capital to risk assets ratio, or in terms of its compliance with regulatory restrictions; it is also not expected to have an adverse impact on the Bank's strategy plan.
5. The Board of Directors was shown, *inter alia*, the Bank management's data and its analysis of the impact of the distribution on the Bank's activity; on its capital structure - taking note of the regulating agency's instructions and positions; on the credit restrictions (in terms of maximum liabilities); on compliance with the restrictions on non-financial investments; and on compliance with various internal restrictions of the Bank, such as compliance with restrictions concerning the exposure to market risks, the policy concerning the use of capital for investment, and the credit policy.
6. In connection with the satisfaction of the solvency test, the Board of Directors was presented with the Bank's financial condition, the scope of its liabilities (including deposits of the public), the Bank's liquidity management data – including the running of various scenarios based on the Bank's liquidity model – and the impact of the distribution on the capital adequacy ratios and on the Bank's leverage ratio.
7. The dividend distribution will allow the shareholders to participate in the Bank's profits and the positive results of the Bank's operations. It should be noted that in accordance with the distribution policy, as approved on 30 August 2010, and as amended in the Board of Directors' resolutions dated 9 June 2015 and 14 August 2017, the Bank will distribute an annual dividend of up to 50% of its annual profit for the current year which is available for distribution subject to the Bank's ratio of capital to risk components not falling below the targets established by the Bank's Board of Directors or which may be established from time to time by the Board of Directors, and subject to such distribution being carried out in accordance with the legal requirements and the provisions of the

Proper Banking Directive, and so long as there are no changes for the worse in the Bank's profits and/or its business and/or financial condition, and/or regarding the condition of the general economy and/or of the statutory environment.

8. In light of all the above, including the reservations stated above and the regulatory environment regarding capital requirements, the Board of Directors has found that the amount that can properly be distributed as of the current time is NIS 100 million.

Sincerely,

The First International Bank of Israel Ltd.

Smadar Barber-Tsadik

CEO

Aviad Biller, Adv.

Corporate Secretary