

May 4, 2021

**The First International Bank of Israel Ltd.**  
**(the “Bank” or the “Company”)**

**Notice Pertaining to Summoning an Extraordinary  
General Meeting of Shareholders, which on its Agenda is also a  
Transaction with a Controlling Shareholder**

**Part A - Summoning the General Meeting**

In accordance with the Companies Law, 5759 - 1999 (hereunder: the “**Companies Law**”), the Securities Law, 5728 - 1968 (hereunder: the “**Securities Law**”), the Securities Regulations (Immediate and Periodic Reports), 5730 - 1970 (hereunder: the “**Reporting Regulations**”), the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting in a Public Company and Adding a Topic to the Agenda), 5760 - 2000 (hereunder: “**the Notice Regulations**”), the Companies Regulations (Voting in Writing and Position Notices), 5766 - 2005 (hereunder: “**the Voting Regulations**”) and Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (hereunder: “**Controlling Shareholder’s Transaction Regulations**”), the Bank announces the convening of an Extraordinary General Meeting of the Bank’s Shareholders to convene on Thursday, June 10, 2021, at 14:00 at the Bank’s Offices at 42 Rothschild Blvd., Tel Aviv (14<sup>th</sup> Floor, Conference Room) (hereunder: “**the Meeting**”), and on its agenda also the transaction between the Bank and the controlling shareholders in accordance with the Controlling Shareholder’s Transaction Regulations.

**1. The Topics and Resolutions on the Agenda**

**1.1 Appointment of Mr. Ilan Aish for a third term of three years as an external director of the Bank, in accordance with the Proper Conduct of Banking Business Directive 301, commencing on June 10, 2021.**

**Summary of the Topic:**

Mr. Aish's candidacy for an additional term as an external director, in accordance with the Proper Conduct of Banking Business Directive 301, has been approved by the Bank of Israel.

As specified in Section 1.2 of the Bank’s Immediate Report dated May 5, 2015 (Reference No.2015-01-012888) and Section 1.1 of the Bank’s Immediate Report dated May 6, 2018 (Reference No.: 2018-01-035844) (hereunder: the “**2018 Summons Report**”), prior to the previous appointment of Mr. Aish as an external director in accordance with the Proper Conduct of Banking Business Directive 301, the Audit Committee approved that bank accounts that are routine retail relations between a bank and a customer, that are held between a bank and a person who may be considered Mr. Aish's partner, and had commenced prior to the initial appointment date of Mr. Aish as a director, do not constitute an "affiliation" as defined in Section 240(b) of the Companies Law, or in the alternative, for the sake of caution, these are negligible relations both for the candidate and for the Bank, that do not constitute an “affiliation” in accordance with the Companies' Regulations (Matters that do not Constitute an Affiliation), 5767-2007 (hereunder: the “**Lack of Affiliation Regulations**”). On April 20, 2021, the Audit

Committee of the Company approved that said accounts can continue to be classified as such, as well as with respect to the bank accounts of Mr. Aish's relative, that are considered routine retail relations between a bank and a customer, and which had commenced after his initial appointment date as an external director as stated, with respect to which Regulation 5(b) of the Lack of Affiliation Regulations also applies.

It shall be noted that on May 4, 2021, following the approval of the Bank's Remuneration Committee, and in accordance with Regulation 1A of the Companies Regulations (Facilitation of Interested Parties' Transactions), 5760-2000 (hereunder: the "**Facilitation Regulations**"), the Bank's Board of Directors approved 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 Mr. Tzadik Bino and Gil Bino, who are directors and controlling shareholders of the Bank and for the Chairman of the Board of Directors, 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. Said update shall apply as of the date of extension of Mr. Ronen Harel's term (i.e. June 10, 2021), subject to the approval of his term by this General Meeting, as specified in Section 1.3 below, and in accordance with Regulation 8C of the Remuneration Regulations. For additional details, see the Bank's Immediate Report dated May 4, 2021, published together with this Report. For additional details regarding the terms of office of the directors of the Bank, see Regulation 29A of the Bank's 2020 Periodic Report, which was published on March 17, 2021 (Reference No.: 2021-01-036555) (hereunder: the "**Bank's 2020 Periodic Report**").

The Bank's Board of Directors classified Mr. Aish as having accounting and financial proficiency as defined in the Companies Regulations (terms and tests for a director with accounting and financial expertise and for a director with professional competence), 5766-2005 (hereunder: the "**Expertise Regulations**").

Mr. Aish's affidavit, which was given in accordance with Section 224B of the Companies Law, is attached to this Report.

For additional details regarding Mr. Aish, see Regulation 26 of the Bank's 2020 Periodic Report. In accordance with Regulation 7(A)(5)(B) of the Voting Regulations, the following are the required details about the candidate for the position of director and any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Periodic Report, to the best of the Bank's knowledge:

Name:	Ilan (Aylon) Aish
Membership on Board Committees:	Audit Committee, Remuneration Committee, Risk Management Committee
The year his tenure as a director began:	2015
Any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Bank's 2020 Periodic Report:	Unchanged

1.2 Appointment of Mr. Hanoch Dov Goldfriend for a third term of three years as an external director of the Bank, in accordance with the Proper Conduct of Banking Business Directive 301, commencing on July 16, 2021.

Summary of the Topic:

Mr. Goldfriend's candidacy for an additional term as an external director, in accordance with the Proper Conduct of Banking Business Directive 301, has been approved by the Bank of Israel.

As specified in Section 1.5 of the Bank's Immediate Report dated June 10, 2015 (Reference No.: 2015-01-045429) and Section 1.3 of the 2018 Summons Report, prior to the previous appointment of Mr. Goldfriend as an external director in accordance with the Proper Conduct of Banking Business Directive 301, the Audit Committee approved that bank accounts of Mr. Goldfriend and/or his relatives are considered routine retail relations between a bank and a customer, that are held between the Bank and Mr. Goldfriend and/or a company in his control and/or his relatives, which had commenced prior to the appointment date of Mr. Goldfriend, do not constitute an "affiliation" as defined in Section 240(b) of the Companies Law, or in the alternative, for the sake of caution, these are negligible relations both for the candidate and for the Bank, that do not constitute an "affiliation" in accordance with the Lack of Affiliation Regulations. On April 20, 2021, the Audit Committee of the Company approved that said accounts can continue to be classified as such.

For details regarding the terms of office of directors at the Bank, including of Mr. Goldfriend, see Section 1.1 above.

The Bank's Board of Directors classified Mr. Goldfriend as having accounting and financial proficiency as defined in the Expertise Regulations.

Mr. Goldfriend's affidavit, which was given in accordance with Section 224B of the Companies Law, is attached to this Report.

For additional details regarding Mr. Goldfriend, see Regulation 26 of the Bank's 2020 Periodic Report. In accordance with Regulation 7(A)(5)(B) of the Voting Regulations, the following are the required details about the candidate for the position of director and any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Periodic Report, to the best of the Bank's knowledge:

Name:	Dov Goldfriend
Membership on Board Committees:	Audit Committee, Loans Committee, Risk Management Committee
The year his tenure as a director began:	2015
Any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Bank's 2020 Periodic Report:	Unchanged

1.3 Appointment of Mr. Ronen Harel for a second term of three years as an external director of the Bank, in accordance with the Companies Law, commencing on June 10, 2021.

Summary of the Topic:

Mr. Harel's candidacy for a second term as an external director, in accordance with the Companies Law, is proposed by the Bank's Board of Directors and has been approved by the Bank of Israel.

The Bank's Board of Directors classified Mr. Harel as having accounting and financial proficiency as defined in the Expertise Regulations.

For details regarding the terms of office of directors at the Bank, including of Mr. Harel, see Section 1.1 above.

Mr. Harel's affidavit, which was given in accordance with Section 241 of the Companies Law, is attached to this Report.

For additional details regarding Mr. Harel, see Regulation 26 of the Bank's 2020 Periodic Report. In accordance with Regulation 7(A)(5)(B) of the Voting Regulations, the following are the required details about the candidate for the position of director and any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Periodic Report, to the best of the Bank's knowledge:

Name:	Ronen Harel
Membership on Board Committees:	Chairman of the Remuneration Committee, Audit Committee, Loans Committee, Technology, Innovation and Administration Committee
The year his tenure as a director began:	2018
Any detail of the details required under Regulation 26 of the Reporting Regulations, insofar as there has been a change since the Bank's 2020 Periodic Report:	Unchanged

- 1.4 To approve amendments to the existing framework transaction in connection with the engagement of the Bank in liability insurance policies for directors and officers and accordingly, an amendment of the Remuneration Policy for officers.

For additional details, see Part B to this Report.

## 2. **The Required Majority**

- 2.1 The majority required for the approval of the topics on the agenda detailed in Sections 1.1 and 1.2 above is an ordinary majority of all of the votes of the shareholders present at the Meeting, in person or by proxy or who sent a voting ballot to the Bank stating the manner in which they wish to vote, who are entitled to vote and who had voted at the Meeting, without taking into account the votes of abstainers.
- 2.2 The majority required for the approval of the topic on the agenda detailed in Section 1.3 above is an ordinary majority of all of the votes of the shareholders present at the Meeting, in person or by proxy or who sent a voting ballot to the Bank stating the manner in which they wish to vote, who are entitled to vote and who had voted at the Meeting without taking into account the votes of abstainers, provided that one of the following exists:
- 2.2.1 The majority vote count shall include at least most of the non-controlling shareholders of the Bank or those that have a personal interest in the approval of the appointment, except a personal interest that is not a result of ties with the controlling shareholder, and who are participating in the vote. The votes of abstainers shall not be taken into account upon counting all the votes of said shareholders.
- 2.2.2 The total votes of objectors among the shareholders mentioned in Section 2.2.1 above shall not exceed a rate of two percent of all the voting rights in the Bank.
- 2.3 The majority required for the approval of the topic on the agenda detailed in Section 1.4 above is an ordinary majority of all of the votes of the shareholders present at the Meeting, in person or by proxy or who sent a voting ballot to the Bank stating the manner in which they wish to vote, who are entitled to vote and who had voted at the Meeting without taking into account the votes of abstainers, provided that one of the following exists:
- 2.3.1 The majority vote count shall include at least most of the shareholders that have no personal interest in the resolution, and who are participating in the vote. The votes of abstainers shall not be taken into account upon counting all the votes of said shareholders.
- 2.3.2 The total votes of objectors among the shareholders mentioned in Section 2.3.1 above shall not exceed a rate of two percent of all the voting rights in the Bank

## 3. **The Effective Date**

The Effective Date with respect to the eligibility of a shareholder at the Bank to participate and vote in the general meeting and in the adjourned meeting, as stated in Section 182(b) to the Companies Law and in Regulation 3 to the Voting Regulations is

the end of the trading day at the Tel Aviv Securities Stock Exchange Ltd. on Wednesday, May 5, 2021 (hereunder: “**the Effective Date**”). If there is no trading on the Effective Date, then the Effective Date shall be the last trading day preceding this date.

#### 4. **Method of Voting**

- 4.1 On the Effective Date, the Bank’s shareholders may vote on the topics on the agenda as detailed in Section 1 above, in person or by proxy or by a voting ballot (as detailed in Section 5 below). The proxy’s letter of appointment to vote or power-of-attorney must be deposited at the Bank’s offices at 42 Rothschild Blvd., Tel Aviv, at least 48 hours before the Effective Date for the Meeting or the adjourned meeting, as applicable. A shareholder who is not registered in the shareholders’ registry and whose shares are listed with a TASE member (hereunder: “**An Unregistered Shareholder**”), may also vote by way of the electronic voting system, as detailed in Section 6 hereunder.
- 4.2 In accordance with the Companies Regulations (Proof of Ownership of a Share for the purpose of Voting at a General Meeting), 5760- 2000 (hereunder: “**Proof of Ownership Regulations**”), an Unregistered Shareholder, who is interested in voting at the General Meeting, shall furnish to the Bank an approval from the TASE member with which his right to the share is registered, regarding his ownership of the share on the Effective Date, as required under the Proof of Ownership Regulations (hereunder: “**Certificate of Ownership**”). Pursuant to the aforementioned Regulations, an approved electronic message pursuant to Section 44(11)5 to the Securities Law concerning the users’ data in the electronic voting system - is the same as a Certificate of Ownership with respect to all the shareholders included therein.
- 4.3 With respect to the resolutions on the agenda detailed in Sections 1.1 through 1.3 above, please note that Section 34(A1) to the Banking Law (Licensing), 5741 - 1981, determines as follows - “A person shall not make an agreement with another person in regard to their vote for the appointment of a director in a banking corporation or in a bank holding corporation, including with respect to voting on the termination of the director’s term in office, except under a permit issued by the Governor, after consulting with the Licensing Committee; this provision shall not apply to a member - holders within its meaning under Section 11D(a)(3)(b) of the Ordinance, with respect to voting on the appointment of a director whom they proposed as a candidate pursuant to the same section. Furthermore, a holder of a controlling interest who agreed with another person that the other person shall vote in his name and on his behalf without discretion, as the holder of the controlling interest so instructs him, provided that the other person himself holds the means of control in a banking corporation or a bank holding corporation, as applicable, shall not vote in the name and on behalf of more than one other holder”. Therefore, with respect to the resolutions on the agenda, a proxy who is also a shareholder in the Bank can vote in the name and on behalf of one additional shareholder only.

## 5. Voting by Voting Ballot and Position Notices

- 5.1 In accordance with the Voting Regulations, the Bank's shareholders may vote with respect to topics on the Agenda as detailed in Section 1 above by voting ballots. The wording of the voting ballot and position notices (insofar as applicable) for the aforementioned resolution can be found on the distribution website of the Securities Authority: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) ("The Distribution Website") and on the website of the Tel Aviv Securities Stock Exchange Ltd [www.tase.co.il](http://www.tase.co.il) ("Stock Exchange's Website"). Shareholders may contact the Bank directly to receive the wording of the voting ballot and the position notices.
- 5.2 A TASE member shall send by e-mail, free of charge, a link to the wording of the voting ballot and position writs (insofar as applicable) on the Distribution Website to every Unregistered Shareholder, unless the shareholder notified that he is not interested therein, and provided that the notice was given with respect to a specific security account and on a date preceding the Effective Date. The voting shall be effectuated on Part Two of the voting ballot, as published on the Distribution Website.
- 5.3 An Unregistered Shareholder is entitled to receive a Certificate of Ownership from the TASE member through which he holds his shares, at the TASE member's branch or by mail to his address, in consideration for paying postage only, if so requested, and such request is made in advance for a specific security account.
- 5.4 A shareholder participating in a vote in relation to resolutions on the agenda, as detailed in Sections 1.3 and 1.4 above, shall inform the Company before voting, and if the vote is through a voting ballot - shall mark the Part Two of the voting ballot in such designated place, if he is considered a controlling shareholder, interested party, owner of a personal interest in approving the appointment or the resolution, senior officeholder or institutional investor, or not, and a description of the relevant link. The vote of a shareholder, who fails to give notice or to mark as stated, shall not be counted.
- 5.5 In accordance with Regulation 36D(d) to the Reporting Regulations, the Voting Regulations and the Securities Authority's Directive dated November 30, 2011 with respect to disclosing the voting method of an interested party, senior officer and institutional entities at meetings (hereunder: the "**Directive**"), an interested party, senior officer and institutional investor (hereunder: the "**Voters**"), as defined in the Directive, voting at the Meeting on the resolutions in Sections 1.3 and 1.4 on the agenda as detailed above, shall furnish the Bank, within the framework of their vote, the details required in accordance with Regulation 36D(d) to the Reporting Regulations and Section 2(b) to the Directive and if they voted by proxy, the Voter or proxy shall also submit the details regarding the proxy. Additionally, details pertaining to any connection (except a negligible connection) between the Voter or the proxy (who is not an interested party) and the Bank or any of the controlling shareholders, including but not limited to an employee-employer relationship, business ties, etc. and/or between a senior officer at the Bank shall be given and shall detail the nature thereof.
- 5.6 A voting ballot of an Unregistered Shareholder shall be furnished to the Bank together with the Certificate of Ownership, ensuring that the voting ballot reaches the Bank's offices **no later than four hours before the time scheduled to convene the Meeting**.



- 5.7 A shareholder registered in the shareholders registry shall furnish the voting ballot to the Bank, together with a photocopy of his identity card or a photocopy of his passport or a photocopy of the certification of incorporation, ensuring that the voting ballot reaches the Company's registered office **up to six hours before the time scheduled to convene the Meeting**.
- 5.8 A Shareholder may contact the Company's registered office and after proving his identity, withdraw the voting ballot and the Certificate of Ownership up to 24 hours before the time scheduled to convene the Meeting.
- 5.9 The deadline for delivery of position notices to the Bank shall be **up to ten days before the time scheduled to convene the Meeting**.
- 5.10 The deadline for submitting a position notice on behalf of the Bank, that shall include the response of the Bank's Board of Directors to the position notices on the shareholders' behalf is **no later than five days before the time scheduled to convene the Meeting**.

6. **Voting by an Electronic Voting Ballot**

- 6.1 As stated above, an Unregistered Shareholder may vote with respect to resolutions on the Agenda as detailed above, by a voting ballot to be transmitted through the electronic voting system as defined in the Voting Regulations (hereunder: the "**Electronic Voting Ballot**").
- 6.2 The Electronic Voting Ballot is open for voting at the end of the Effective Date. Voting through the electronic voting system **shall end 6 hours before the time scheduled to convene the Meeting** (i.e. on Thursday, June 10, 2021, at 8:00) then the electronic voting system shall close.
- 6.3 The electronic voting can be modified or cancelled up to the system lock time, and thereafter, it can no longer be modified through the system. If a shareholder votes through more than one method, his later vote shall count. In this respect, a vote by a shareholder in person or by proxy shall be deemed later than the Electronic Voting Ballot.

7. **Quorum and Adjourned Meeting**

- 7.1 The quorum for a shareholders meeting is one or more shareholders present in person or by proxy (including but not limited to by way of a voting ballot), holding or representing more than 25% of the voting power at the Bank.
- 7.2 If a quorum is not present at the meeting within one-half hour of the time scheduled for the meeting, the meeting shall be postponed by one week, to the same time and the same location, without there being any duty to provide notice thereof to the shareholders, or to another time and location as the Board of Directors shall determine. At the adjourned meeting the matters to be discussed shall be those for which the meeting was convened and the shareholders present in person or by representative shall constitute a quorum.



## 8. Controlling Shareholders at the Bank

- 8.1 To date, to the best of the Bank's knowledge, F.I.B.I Holdings Ltd. (hereunder: "**FIBI Holdings**") holds 48.34% of the rights in the Bank's capital and voting. FIBI Holdings is a public company whose shares are traded on the Tel Aviv Securities Stock Exchange Ltd.
- 8.2 To date, to the best of the Bank's knowledge, Binohon Ltd. (hereunder: "**Binohon**") holds approximately 28.54% of the rights in FIBI Holdings' capital and voting. Binohon is a company held in equal parts (25% each) by Mr. Tzadik Bino (also serving as a director of the Bank), Mr. Gil Bino (also serving as Chairman of the Board of Directors of FIBI Holdings and as a director of the Bank), Mrs. Hadar Bino Shmueli and Mrs. Daphna Bino Or (serving as a director of FIBI Holdings). All shares of FIBI Holdings owned by Binohon (constituting core control shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Ltd.
- 8.3 As of the date of this report, to the best of the Bank's knowledge, Instanz No. 2 Ltd. (hereunder: "**Instanz**") holds approximately 11.68% of the rights in FIBI Holdings' capital and voting, and Dolphin Energies Ltd. (hereunder: "**Dolphin**") holds approximately 11.68% of the rights in FIBI Holdings' capital and voting.
- 8.4 Instanz is a company fully owned by Sing Acquisitions Pte. Ltd., a corporation that was incorporated in Singapore, controlled (through Australian entities) by Messrs. Helen and Michael Avles. All FIBI Holdings shares owned by Instanz (constituting core control shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Ltd.
- 8.5 Dolphin is a company controlled (through a chain of Australian entities) by Ms. Lee Lieberman, Mr. Joshua Lieberman, Ms. Casey Lieberman Harris and Ms. Berry Lieberman. All FIBI Holdings shares owned by Dolphin (constituting core control shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Ltd.
- 8.6 To the best of the Bank's knowledge, there is a voting and collaboration agreement between Binohon, Instanz, Instanz Holdings Ltd. (which formerly held FIBI Holdings shares, that are held today by Instanz) and Dolphin with respect to their holdings in FIBI Holdings and indirectly in the Bank.

## 9. Viewing Documents and Details concerning the Bank's Representatives

The wording of the proposed resolutions, candidates' statements and the immediate report regarding the convening of the meeting can be viewed at the Bank's offices at 42 Rothschild Blvd. Tel Aviv, between Sunday-Thursday, up to the date of the meeting during regular business hours, by scheduling an appointment in advance with the Secretary of the Bank, Adv. Aviad Biller (Tel. 03-5196223) and on the Securities Authority website at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il), on the Tel Aviv Securities Stock Exchange Ltd. website at: [www.tase.co.il](http://www.tase.co.il) and on the Bank's website at: [www.fibi.co.il](http://www.fibi.co.il)

**Part B - Additional details according to the Controlling Shareholder's Transaction Regulations regarding amendments to the existing framework transaction in connection with the engagement of the Bank in liability insurance policies for directors and officers and accordingly, an amendment to the Remuneration Policy for officers.**

**10. Background**

10.1 On December 20, 2018, as a framework agreement, as such term is defined in Regulation 1(3) of the Facilitation Regulations, the Bank's General Meeting approved the Bank's engagement in a liability insurance policy for directors and officers for the Bank, for the companies within the Bank group and for FIBI Holdings, the controlling shareholder of the Bank (hereunder jointly: the "**Group**"), which shall apply to the officers, who served and/or shall serve in the Bank and in the Group from time to time, including the Bank's CEO and officers who are controlling shareholders and/or their relatives and/or those controlling shareholders who may have a personal interest in their inclusion in the insurance policy, for a period of six years (commencing on January 1, 2019 until December 31, 2024), including by way of extending the original policies and/or by way of obtaining new policies, and which shall apply to the officers, who shall be serving in the Bank or in the Group from time to time, including the CEO and shareholders who are controlling shareholders and/or their relatives and/or those controlling shareholders who may have a personal interest in their inclusion in the insurance policy, subject to the terms specified in the framework agreement, including limitations restrictions on the amount of insurance premiums and the maximum deductible amount.

For additional details, see the Bank's Immediate Report dated November 6, 2018 (Reference No.: 2018-01-104847).

10.2 Under this framework, the General Meeting also approved, in accordance with the recommendation of the Bank's insurance consultants, the manner of distribution of the insurance premiums for the liability policy of the directors and officers between FIBI Holdings, the Bank and the other companies in the Group, according to parameters specified in the Immediate Report dated November 6, 2018 mentioned above, that in accordance therewith, the share of FIBI Holdings in the insurance premium shall amount to 10%.

10.3 On July 15, 2020, the Bank's General Meeting approved updates to the framework agreement with respect to the liability limit, scope of insurance premiums and deductible amounts (which the Group shall pay, not the officers), whereby no changes shall apply to the other terms of the framework agreement (including the duration of the existing framework agreement) (the framework agreement as updated in July 2020, hereunder: the "**Existing Framework Transaction**"). For additional details, see the Bank's Immediate Report dated June 20, 2020 (Reference No.: 2020-01-061465).

10.4 At the same time, the Bank's General Meeting further approved making consistent amendments also to the remuneration policy for the Bank officers, which was approved by the General Meeting on February 26, 2020 (hereunder: the "**Remuneration Policy**"), which includes a framework to purchase an insurance policy for directors' and officers' liability. For additional details regarding the Remuneration Policy, see the Bank's Immediate Report dated January 21, 2020 (Reference No.: 2020-01-008841).

11. **Amendments to the Existing Framework Transaction and the Remuneration Policy**

- 11.1 Further to the dramatic changes in the directors' and officers' liability insurance market, especially during the last year, also due to the COVID-19 crisis and its implications on the insurance market, in July 2020, the Securities Authority staff updated its legal position number 101-21: "Remuneration Policy (Best Practice)", and it determined that it is sufficient that the details provided in the Remuneration Policy regarding the framework for purchasing a directors' and officers' insurance policy, shall include reference to the scope of insurance coverage (liability limit), as long as the cost of the premium and the deductible limit shall be in accordance with the market terms on the date of drafting the policy, and that the cost is insignificant for the Bank.
- 11.2 In light of this, and further to the amendment of position of the Securities Authority's staff as stated above, the Remuneration Committee, the Audit Committee and the Bank's Board of Directors approved the amendment of both the Remuneration Policy (Section 8.2 – officers' insurance), according to Section 267A of the Companies Law, and the Existing Framework Transaction, subject to the approval of this General Meeting, in such a manner that the insurance coverage scope limit (liability limit) shall remain unchanged (plus reasonable legal defense expenses beyond the liability limit), and the limits determined with regards to the insurance premiums and the deductible amounts shall be deleted, as specified in Section 11.3 below. No changes shall apply to the other Remuneration Policy terms and Existing Framework Agreement terms (including the duration of the Existing Framework Transaction and the manner of distribution of the insurance premium).
- 11.3 Accordingly, this Meeting is requested to approve the amendments to the Existing Framework Transaction regarding the terms of renewal of the Bank's engagement in a directors' and officers' liability insurance policy (which is valid until December 31, 2024) and the insurance section of the Remuneration Policy as follows (the modifications regarding the Existing Framework Transaction and the Remuneration Policy are marked):

- 11.3.1 Liability Limit: liability limits for the entire Group – up to \$150 million per claim or cumulatively, plus reasonable legal defense expenses beyond the liability limit.
- 11.3.2 The Audit Committee, Remuneration Committee and the Bank's Board of Directors approved the renewal of the Policy for a new insurance period and determined that it is within market terms and may not significantly affect the Bank's profitability, property or undertakings.
- 11.3.3 The Audit Committee, Remuneration Committee and the Bank's Board of Directors approved the annual insurance premium amounts and the deductible in accordance with the market terms, as existed on the policy renewal date (the directors and officers are not subject to a deductible) ~~renewal of the policies, and determined that no significant modifications applied to the insurance terms, except for the possibility of increasing the liability limit, so long as the insurance premiums shall not exceed the rate specified in Section 2.4.3 above.~~
- 11.3.4 ~~The insurance premiums for the policy for the entire Group shall not exceed \$1,200 thousand for a period of 12 months (plus a relative share for the insurance period exceeding 12 months).~~
- 11.3.5 ~~The deductible for the Bank/relevant company in the Group in an amount that does not exceed \$500 thousand (the directors and officers are not subject to a deductible).~~
- 11.4 Subject to the approval of this General Meeting, the above resolutions shall constitute updates to the Existing Framework Transaction, as defined in Regulation 1(3) of the Facilitation Regulations, as well as a resolution according to Section 267A of the Companies Law, as an amendment to Section 8.2 of the Remuneration Policy for the duration of the Remuneration Policy, which shall allow for the renewal of the insurance policy also with respect to directors and officers who are controlling shareholders and/or their relatives and/or those controlling shareholders who may have a personal interest in their inclusion in the insurance policy, as well as with respect to the CEO, without an additional approval of the General Meeting, in accordance with Regulations 1(3), 1B(5), 1A1 and 1B1 of the Facilitation Regulations. For the removal of doubt, the other provisions of the Existing Framework Transaction remain unchanged, including in relation to the period of the transaction and the distribution of the insurance premium expenses.
- 12. **Names of the Controlling Shareholders who have a Personal Interest in the Approval of the Resolution and the Essence of the Personal Interest**
  - 12.1 The controlling shareholders of the Bank, within the meaning of such term in Section 268 of the Companies Law, who have a personal interest in the approval of the resolution specified in this Section, are Mr. Tzadik Bino, who serves as a director at the Bank, Mr. Gil Bino, who serves as a director at the Bank and as the Chairman of the Board of Directors of FIBI Holdings, and Ms. Dafna Bino Or, who serves as a director at FIBI Holdings, as they shall be entitled to the insurance coverage that shall be determined in accordance with the Existing Framework Transaction and the Remuneration Policy, as specified above. In addition, FIBI Holdings, the controlling shareholder of the Bank, has a personal interest because it shall be included in the insured group in the policy

framework to be purchased in accordance with the Existing Framework Transaction and the Remuneration Policy, and shall participate in the insurance premium payment as stated in Section 10.2 above.

12.2 For additional details regarding the Bank's controlling shareholders, see Section 8 above.

13. **The Manner in which the Consideration was Determined**

13.1 The insurance premiums that shall be paid for the directors' and officers' liability insurance policies in accordance with the terms of the Existing Framework Transaction and the Remuneration Policy, and shall be determined on the basis of the acceptable insurance premiums for the purchase of insurance policies of the type discussed during negotiations with brokers in the insurance field and in consultation with the Bank's insurance consultants.

13.2 The amendments to the Remuneration Policy and the Existing Framework Transaction are in line with the position of the Securities Authority as detailed in Section 11.1 above and is currently acceptable in the market, in light of the many recent changes in the insurance market.

13.3 The distribution of the insurance premiums between the companies of the Group shall not change, and it was determined, *inter alia*, according to the recommendations of the Bank's insurance consultants, and in light of the analysis of the insurance risks of the Group's activities. In this regard, see also Sections 11.2 and 11.3 of the Existing Framework Transaction as stated in the Immediate Report dated November 6, 2018, as abovementioned.

13.4 It shall be noted that the criteria approved by the Audit Committee, in accordance with Section 117(1B) of the Companies Law, stipulate that there is no obligation to conduct a competitive proceeding within its meaning in the Companies Law in connection with the engagement to purchase a directors 'and officers' insurance policy, and that it is not suitable for a competitive proceeding. This is because the engagement in the policy is with an independent third party and the personal interest of the controlling shareholders can result from being among the insured persons in the policy, but they have no personal interest in the premium amount to the insurance company. In any case, from time to time, upon the recommendation of the Bank's insurance consultants, the Bank conducts a competitive procedure between brokers for the purpose of selecting the preferred insurance arrangement. Furthermore, engagement in a policy together with FIBI Holdings reduces the cost to the other companies in the Bank Group.

#### **14. Required Approvals**

Approval by the Remuneration Committee dated May 2, 2021, by the Audit Committee dated May 4, 2021, and by the Bank's Board of Directors dated May 4, 2021, and subject to the approval of the Bank's General Meeting by a special majority vote, as specified in Section 2 above.

#### **15. Names of Directors who have Personal Interest and the Essence of their Personal Interest**

All of the Bank directors may be considered as having personal interest in the engagement because they are entitled to insurance coverage as stated in the directors' and officers' liability insurance policy, which shall be determined in accordance with the Existing Framework Transaction and the Remuneration Policy as amended in this report. In addition, see that stated in Section 12 above regarding the matter of Mr. Tzadik Bino and Mr. Gil Bino, which may result also from them being controlling shareholders. Furthermore, Mr. Gil Bino and Mr. Kobi Siet serve as officers at FIBI Holdings.

#### **16. Names of Directors who Participated in Discussions of the Remuneration Committee, Audit Committee and the Board of Directors**

- 16.1 In the discussion and vote held at the Bank's Remuneration Committee meeting on May 2, 2021, the following participated: Mr. Ronen Harel (Committee Chairman; external director according to the Companies Law), Mr. Ilan Aish (independent director) and Ms. Pnina Biterman (external director according to the Companies Law).
- 16.2 In the discussion and vote held at the Bank's Audit Committee meeting on May 4, 2021, the following participated: Ms. Pnina Biterman (Committee Chairman; external director according to the Companies Law), Mr. Ilan Aish (independent director), Mr. Dov Goldfriend (independent director), Mr. Ronen Harel (external director according to the Companies Law) and Mr. Zvi Levron.
- 16.3 In the discussion and vote held at the Bank's Board of Directors meeting on May 4, 2021, the following participated: Mr. Ron Levkowitz (Chairman), Mr. David Asia (independent director), Ms. Pnina Biterman Cohen (external director according to the Companies Law), Mr. Dov Goldfriend (independent director), Mr. Zvi Levron, Mr. Ilan Aish (independent director) and Mr. Ronen Harel (external director according to the Companies Law).

#### **17. Similar Transactions in the Last Two Years or that are Still in Effect on the Approval Date of the Board of Directors**

As stated in Section 10 above, the Bank formerly approved the Existing Framework Transaction and the Remuneration Policy for officers and approved similar updates to the Existing Framework Transaction and the Remuneration Policy for officers during 2020. FIBI Holdings' share in the insurance premiums in accordance with the Existing Framework Transaction remains unchanged.

#### **18. Reasons of the Remuneration Committee, Audit Committee and Board of Directors**

- 18.1 Directors' and officers' liability insurance is a common practice in companies of a similar size to that of the Bank and is required for the Bank's activities in order to allow officers and directors to act freely in favor of the Bank, given the risk involved in the activities



of officers in the Bank Group's operations, its scope, and being that the Bank is a banking corporation and a public company.

- 18.2 The proposed amendment to the Remuneration Policy and the Existing Framework Transaction, in the framework of which the limits set forth therein shall be deleted with respect to the insurance premiums and the deductibles, results from the market conditions that current exist in the directors' and officers' insurance market, which have toughened lately. It is intended to allow the Bank to adapt the engagement approval procedures in a directors' and officers' liability insurance policy to the changing market conditions, and in accordance with the law and the position of the Securities Authority, taking into account the directors' and officers liability insurance characteristics, whose terms are largely determined by sub-insurers abroad, with the understanding that insurance premiums and deductibles are usually derived from what is common in the market.
- 18.3 No change shall apply to the other terms of the Remuneration Policy and the Existing Framework Transaction, including the manner of distribution of the insurance premiums between the companies of the Group, including the share of FIBI Holdings in the insurance premiums or the duration of the Existing Framework Transaction.
- 18.4 The terms of engagement regarding the CEO and the controlling shareholders and/or their relatives and/or those controlling shareholders who may have a personal interest in their inclusion in the insurance policy and who are Bank officers, are and shall be identical to the terms of engagement of the other Bank officers, at market conditions, and are not supposed to significantly affect the profitability of the Bank, its property or undertakings.
- 18.5 There is no reasonable concern that the proposed amendment to the Framework Transaction shall prevent the Bank from meeting its existing and expected obligations, upon the date of their fulfillment.
- 18.6 In light of all the aforesaid, the proposed amendment Framework Transaction is in favor of the Bank and does not constitute a "distribution" within the meaning of the Companies Law.

**Sincerely,**

**Adv. Aviad Biller, Secretary of the Bank**  
**The First International Bank of Israel Ltd.**