

THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

(The “Bank” or the “Company”)

Notice of Summoning an Annual General Meeting of Shareholders

Part A - Summoning the General Meeting

In accordance with the Companies Act, 5759-1999 (hereinafter: the “**Companies Act**”), the Securities Act, 5728-1968 (hereinafter: the “**Securities Act**”), the Securities (Periodic and Immediate Reports) Regulations 5730-1970 (hereinafter: the “**Reporting Regulations**”), the Companies (Notice of a General Meeting and a Class Meeting at a Public Company and Adding an Item to the Agenda), Regulations 5760-2000, (hereinafter: the “**Notice Regulations**”), the Companies (Voting by Written Ballot and Position Statement) Regulations (hereinafter: the “**Voting Regulations**”), and the Securities (Transaction between a Company and a Controlling Shareholder Therein) Regulations, 5761-2001 (hereinafter: the “**Transactions with a Controlling Shareholder Regulations**”), the Bank hereby announces the convening of an Annual General Meeting of the Bank’s shareholders, which will convene on Thursday, December 20, 2018, at 14:00 at the Bank’s offices (14th Floor, conference room) (hereinafter: the “**Meeting**”), the agenda of which also includes transactions between the Bank and the controlling shareholders in accordance with the Transactions with a Controlling Shareholder Regulations.

1. The Subjects and Resolutions on the Agenda

- 1.1. A report that in accordance with the Bank’s articles of association, the following serving directors, will continue to serve: Zadik Bino, Gil Bino, and Jacob Sit.

The following directors who serve as external directors (in accordance with the Companies Act or the Proper Conduct of Banking Business Directive) will continue to serve until the end of the term of their tenure as external directors as aforesaid: Messrs. Ze’ev Ben-Asher, Yosef Horowitz, Ronen Harel, Ilan Ayash, Daniel Furman, Hanoch Dov Goldfreind and Menahem Inbar.

The Chairperson of the Board of Directors, Ms. Irit Isakson, will continue to serve until the end of her term of tenure, in accordance with the resolution passed by the general meeting on February 23, 2017.

For the resolution to appoint Mr. David Asia for a second term as an external director at the Bank, under the Proper Conduct of Banking Business Directive No. 301, see Clause 1.5 below.

- 1.2. Discussion of the December 31, 2017 financial statements, including the Board of Directors’ report, management review, and the auditors’ report to the shareholders.
- 1.3. Reporting the auditor’s remuneration for 2017.

- 1.4. Appointing Somekh Chaikin & Co. CPA as the Bank's auditor for 2018, and authorising the Board of Directors to set its remuneration in accordance with the scope of services it will provide.
- 1.5. Appointing Mr. David Asia for a third, three-year, term as an external director at the Bank, pursuant to the Proper Conduct of Banking Business Directive No. 301, commencing on December 24, 2018.

Topic Summary:

Mr. Asia's candidacy for an additional term as an external director under the Proper Conduct of Banking Business Directive No. 301, was approved by the Bank of Israel.

Mr. Asia has accounting and financial expertise as defined in the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualification) Regulations, 5766-2005.

Mr. Asia's terms and conditions of tenure and employment will remain unchanged. The terms of office and employment are identical to the terms applied to other directors at the Bank (excluding the Chairperson of the Board of Directors) and are consistent with the Bank's compensation policy for officers serving the Bank (hereinafter: the "**Officer Compensation Policy**"). For additional details see the Bank's Immediate Report (Ref. No. 2017-01-016098) and the resolution passed by the Bank's General Meeting on September 14, 2008, and Article 29A of the Bank's Periodic Report for 2017, published on March 6, 2018 (Ref. No.: 2018-01-017832).

Mr. Asia's Declaration, given in accordance with Section 224B of the Companies Act, is enclosed herewith as **Appendix A** hereto. For details regarding Mr. Asia, under Regulation 26 of the Reporting Regulations, see the Written Ballot enclosed herewith.

- 1.6. Approving the Bank's engagement under directors' and officers' insurance policies.

For further details, see Part B of this report.

2. The Required Majority

- 2.1. The majority required to approve the items on the agenda set out in Clauses 1.4 and 1.5 above is a simple majority of all the shareholders present at the meeting, in person or by proxy, or who sent the Bank a Written Ballot indicating the manner of their vote, who are entitled to vote, and did vote, at the Meeting, without counting the abstentions.
- 2.2. The majority required to approve the item on the agenda set out in Clauses 1.6 above is a simple majority of all the shareholders present at the meeting, in person or by proxy, or who sent the Bank a Written Ballot indicating the manner of their vote, who are entitled to vote, and did vote, at the Meeting, without counting the abstentions, provided that one of the following has been satisfied:
 - 2.2.1. The count of the majority's votes will include at least a majority of all the votes of shareholders participating in the vote, who do not have a personal interest in the resolution, who participate in the vote. In counting the votes of the aforesaid shareholders, abstaining votes shall not be taken into account.

2.2.2. The total number of votes opposing, from amongst the shareholders mentioned in Clause 2.2.1 above, will not exceed two percent of the total voting rights in the Bank.

3. The Date of Record

The date of record for the purposes of a Bank shareholder's entitlement to participate and vote at the General Meeting, and at any adjourned meeting, as provided for by Section 182(b) of the Companies Act and in Regulation 3 of the Voting Regulations, is the end of the trading day on the Tel Aviv Stock Exchange Ltd., which will be Thursday, November 22, 2018 (the "**Date of Record**"). If there is no trading on the Date of Record, the Date of Record shall be the last trading day prior to that date

4. The Method of Voting

4.1. The Bank's shareholders on the Date of Record, may vote on items on the agenda as specified in Clause 1 above, in person or by proxy, or by means of a Written Ballot (as detailed in Clause 5 hereinafter). A letter of appointment appointing a proxy to vote, or any power of attorney, must be deposited at the Bank's offices at 42 Rothschild Blvd., Tel Aviv, at least 48 hours before the time set for the Meeting or the adjourned meeting, as applicable. A shareholder who is not registered on the ledger of members, and whose shares are registered with a member of the Stock Exchange (hereinafter: an "**Unregistered Shareholder**") may also vote through the electronic voting system as specified in Clause 6 below.

4.2. In accordance with the Companies (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting) Regulations, 5760-2000 (hereinafter: the "**Proof of Ownership Regulations**"), an Unregistered Shareholder who wishes to vote at the General Meeting, will provide the Bank with proof from the member of the Stock Exchange with whom his right to the share is registered, that he owned the share on the Date of Record, as mandated under the Proof of Ownership Regulations (hereinafter: A "**Certificate of Ownership**"). According to said regulations, an electronic message approved under Section 44K5 of the Securities Act, which concerns the data of users of the electronic voting system – is legally indistinguishable from a Certificate of Ownership for each shareholder included in it.

4.3. Regarding the resolution at Clause 1.5 of the agenda, attention is called to the fact that Section 34(a1) of the Banking (Licensing) Act, 5741-1981, states as follows: "No person shall come to an agreement with any other person, regarding their vote with respect to the appointment of a director in a banking corporation or a banking holding corporation, including with respect to any vote terminating their tenure, except pursuant to a permit granted by the Governor of the Bank of Israel after consultation with the Licenses Committee; this provision will not apply to a group of holders as defined in section 11D(a)(3)(b) of the Ordinance, with respect to voting on the appointment of a director proposed by them as a candidate under that section, or to a holder of means of control who agreed with another, that said other will vote in his place and on his behalf, with no discretion, and as the holder of the means of control has ordered him to vote, provided that if the other person himself holds means of control in the banking corporation or the banking holding corporation, as applicable, he will not vote in the name of, and on behalf of, more than one other holder". Therefore, for the purposes of the resolution in

Clause 1.5 on the agenda, a proxy who is also a shareholder in the Bank, may vote in the name of, and on behalf of, one additional shareholder only.

5. Voting by Written Ballot and Position Statements

- 5.1. In accordance with the Voting Regulations, the Bank's shareholders will be able to vote on matters on the agenda as set forth in Clause 1 above, by means of Written Ballots. The wording of the Written Ballots and Position Statements (if any) pertaining to said resolution, may be found on the Israel Securities Authority's Distribution Website at: www.magna.isa.gov.il (the "**Distribution Site**") and on the website of the Tel Aviv Stock Exchange Ltd. (the "**Stock Exchange Website**"). Shareholders will be entitled to apply directly to the Bank to receive the wording of the Written Ballots and Position Statements.
- 5.2. The member of the Stock Exchange will send, free of charge, by e-mail, a link to the wording of the Written Ballots and Position Statements (if any) on the Distribution Site, to any Unregistered Shareholder, unless said shareholder has given notice that he is not interested in same, provided that the notice was given in respect of a certain securities account prior to the Date of Record. The vote will be marked on the second part of the Written Ballot, as published on the Distribution Site.
- 5.3. An Unregistered Shareholder is entitled to receive his Certificate of Ownership from the member of the Stock Exchange through whom he holds his shares, at the branch of the member of the Stock Exchange, or by mail to his address in consideration of the postage fees only, if he so requests, and a request for this purpose will be given in advance with respect to a certain securities account.
- 5.4. A shareholder participating in the vote pertaining to the resolution on the agenda set forth in Clause 1.6 above, shall notify the Company prior to his vote, and if the vote is by means of a Written Ballot, he shall mark in Part B of the Written Ballot, in the designated place, if he is considered a controlling shareholder, an interested party, has any personal interest in confirming the appointment or passing the resolution, is a senior officer or institutional investor, or not, and provide a description of the relevant interest. If the shareholder fails to notify, or has not made any such mark, his vote will not be counted.
- 5.5. In accordance with Regulation 36D(d) of the Reporting Regulations, the Voting Regulations and the Securities Authority's Directive, dated November 30, 2011, regarding disclosure of the manner that interested parties, senior officers, and institutional investors vote at meetings, and the Voting Regulations (hereinafter: the "**Directive**"), an interested party, senior officer, and institutional investor (hereinafter: "**Voters**") as defined in the Directive, who vote at the Meeting with respect to the resolution in Clause 1.6 on the agenda as set out above, shall provide the Bank, in the setting of their vote, the details mandated by Regulation 36D(d) of the Reporting Regulations and Section 2(b) of the Directive, and if they have voted by agency of a proxy, the Voter or the proxy will also provide said details with respect to the proxy. Moreover, details will be provided regarding any connection (other than negligible ties) between the Voter or the proxy (who do not have a personal interest) and the Bank or any of the controlling shareholders, including employer-employee relations, business relations, etc., and/or any senior officer at the Bank, and details of the nature thereof.

- 5.6. An Unregistered Shareholder's Written Ballot will be delivered to the Bank together with the Certificate of Ownership, so that the Written Ballot will reach the Bank's offices **no later than four hours prior to the time the Meeting is to convene.**
- 5.7. A shareholder who is registered on the ledger of members, shall deliver the Written Ballot to the Bank, together with a photocopy of his identity card or passport, or a photocopy of its certificate of incorporation, so that the Written Ballot will reach the Company's registered office **no later than six hours prior to the time the Meeting is to convene.**
- 5.8. A shareholder may apply to the Company's registered office, and after proving his identity, withdraw the Written Ballot and his Certificate of Ownership, up to 24 hours prior to the time the Meeting is to convene.
- 5.9. The last date to deliver Position Statements to the Bank, is **up to ten days prior to the date the Meeting is to convene.**
- 5.10. The final date for submitting a Position Statement on behalf of the Bank, which will include the Bank's Board of Directors' reply to the Position Statement submitted on behalf of shareholders, is **no later than five days prior to the date the Meeting is to convene.**

6. Voting by Electronic Ballot

- 6.1. As stated above, an Unregistered Shareholder may vote in relation to the resolutions on the agenda as detailed above, by means of a Written Ballot to be transmitted by the electronic voting system, as defined in the Voting Regulations (hereinafter: An "**Electronic Ballot**").
- 6.2. The Electronic Ballot opens for voting at the end of the Date of Record. Voting through the electronic voting system **will end 6 hours before the time of the Meeting** (i.e., on Thursday, December 20, 2018 at 8:00), when the electronic voting system will be closed.
- 6.3. An Electronic Ballot may be changed or cancelled until the time the electronic voting system is closed but cannot be changed through the electronic voting system after such time. If a shareholder votes in more than one way, his last vote will be the one counted. For this purpose, a vote by a shareholder, in person or by proxy, shall be considered as being later than a vote by Electronic Ballot.

7. Legal Quorum and Adjourned Meeting

- 7.1. The legal quorum for the shareholder Meeting, is one or more shareholders, present in person or by proxy (including by means of a Written Ballot) who hold or represent more than 25% of the voting power in the Bank.
- 7.2. If no legal quorum is present at the Meeting after the passage of half an hour from the time set for the Meeting, the Meeting will automatically adjourn by one week, to the same time and place, without any duty to notify the shareholders thereof, or to such other time and place as the Board of Directors shall determine. At the adjourned meeting, discussion will take place of matters for which the Meeting was convened, and the shareholders present, in person or by proxy, shall constitute a legal quorum.

8. The Bank's Controlling Shareholders

- 8.1. To date, to the Bank's best knowledge, FIBI Holdings Ltd. (hereinafter – "**FIBI**") holds 48.34% of the rights to capital and voting rights in the Bank. FIBI is a public company whose shares are traded on the Tel Aviv Stock Exchange Ltd.
- 8.2. To date, to the Bank's best knowledge, BinoHon Ltd. ("**BinoHon**") holds approximately 38.29% of the rights to capital and voting rights in FIBI. BinoHon is a company held in equal shares (25% each) by Mr. Zadik Bino (who also serves as a director at the Bank) Mr. Gil Bino (who also serves as Chairman of FIBI's Board of Directors, and as a director at the Bank), Ms. Hadar Bino Shmueli and Ms. Daphna Bino Or (who serves as a director at FIBI). Of the FIBI shares held by BinoHon, 10,118,128 shares (constituting a controlling core of shares under permit from the Bank of Israel) are held on trust by Guy Trust and Management Company Ltd.
- 8.3. At the date of this report, to the Bank's best knowledge, Instanz No. 2 Ltd. (hereinafter: "**Instanz**") holds approximately 15.66% of the rights in capital and voting rights in FIBI, and Dolphin Energy Ltd. (hereinafter: "**Dolphin**") holds approximately 11.68% of the rights in capital and voting rights in FIBI.
- 8.4. Instanz is a wholly owned subsidiary of Sing Acquisitions Pte. Ltd., a corporation incorporated in Singapore, which is controlled (through Australian entities) by Helen and Michael Abeles. Of the FIBI shares held by Instanz, 4,139,233 shares (constituting a controlling core of shares under permit from the Bank of Israel) are held on trust by Guy Trust and Management Company Ltd.
- 8.5. Dolphin is a company which is controlled (through a chain of Australian entities) by Ms. Lee Lieberman, Mr. Joshua Lieberman, Ms. Cassie Lieberman Harris, and Ms. Brie Lieberman. All of FIBI's shares owned by Dolphin (constituting a controlling core of shares under permit from the Bank of Israel) are held on trust by Guy Trust and Management Company Ltd.
- 8.6. To the Bank's best knowledge, a voting and cooperation agreement exists between BinoHon, Instanz, Instanz Holdings Ltd. (which previously held FIBI shares currently held by Instanz) and Dolphin, regarding their holdings in FIBI and indirectly in the Bank.

9. Perusing Documents and Details Regarding Bank Representatives

The wording of the proposed Resolutions and the Immediate Report pertaining to the convention of the Meeting, and its appendices, may be reviewed at the Bank's offices at 42 Rothschild Blvd., Tel Aviv, Sunday through Thursday, until the day of the Meeting, during customary working hours, with prior coordination with the Bank's Secretary, Adv. Aviad Biller (Tel: 03-5196223) and on the Israel Securities Authority's Distribution Site – URL: <http://www.magna.isa.gov.il>, on the Tel Aviv Stock Exchange Ltd.'s Website – URL: <http://www.maya.tase.co.il>, and the Bank's Website – URL: www.fibi.co.il.

Part B: Additional Details: Additional Details Under the Transactions With A Controlling Shareholder Regulations With Respect to Approving the Bank's Contractual Engagement Under Insurance Policies

10. Introduction

- 10.1. On June 29, 2014, the Bank's General Meeting, after receiving the consent of the Audit Committee, the Remuneration Committee and the Board of Directors, approved the Bank's engagement under a directors' and officers' liability insurance policy, for itself, and for the companies in the Bank's Group, as well as for FIBI Holdings Ltd., the Bank's controlling shareholder (hereinafter: "**FIBI Holdings**"), for a period of 18 months commencing July 1, 2014. Due to the inclusion of FIBI Holdings on the policy, and its obligation to pay its proportional share of the insurance premium, the General Meeting further approved, in advance, as a "Framework Transaction" within the definition of that term in the Companies (Relief Regarding Transactions with Interested Parties) Regulations 5760-2000 (Hereinafter: the "**Relief Regulations**"), the Bank's engagement under insurance policies for itself and for the companies in the Group, including FIBI Holdings, after the end of the insurance period in question, either by extending the existing policies or by acquisition of new policies, and all for a period of five years until July 1, 2019, subject to the conditions set out therein. The effect of the existing insurance policy approved under the Framework Transaction is expected to end at the end of 2018. For further details, see the Bank's Immediate Report dated May 22, 2014 (Ref. No.: 2014-01-071067).
- 10.2. The terms of the Framework Transaction were also included in the Bank's Officer Compensation Policy, as recently approved by the Bank's General Meeting on February 23, 2017. For further details, see the Bank's Immediate Report dated February 14, 2017 (Ref. No.: 2017-01-016098).
- 10.3. In anticipation of the expiry of the aforementioned Framework Transaction, the Bank seeks to approve, for an additional period, the Bank's engagement in a directors' and officers' liability insurance policy with an Israeli insurer, for itself and for the companies in the Bank's Group [including Otsar HaHayal Bank Ltd., (hereinafter: "**Otsar HaHayal**")¹ Masad Bank Ltd., International Unique Investment Management Ltd., U-Bank Trust Co. Ltd., *Mataf* – Financial Computing and Operations Ltd. (and including merged companies or companies whose operations have been discontinued – U-Bank Ltd.², Poaley Agudat Israel Bank Ltd.³ FIBI Bank (UK)⁴, FIBI (Switzerland)

¹ On September 17, 2018, the Bank's Board of Directors and Otsar HaHayal's board of directors resolved to merge Otsar HaHayal with and into the Bank, subject to certain conditions precedent being satisfied. For additional details see the Bank's reports dated September 20, 2018 and October 3, 2018 (Ref. Nos.: 2018-01-085198 & 2018-01-091530, respectively). Should the merger be completed, the Bank will bear Otsar HaHayal's share of the insurance premiums.

² Merged into the Bank on October 1, 2015. The insurance policy covers the liability of the directors and officers who served in the company up to the merger.

³ Merged into the Bank on January 1, 2016. The insurance policy covers the liability of the directors and officers who served in the company up to the merger.

⁴ Its sale was completed on June 10, 2014. The insurance policy covers the liability of the directors and officers who served in the company up to the sale.

(in voluntary liquidation)⁵, and the First International & Co. Underwriting and Investments Ltd.⁶], and FIBI Holdings (hereinafter jointly: the “**Group**”), which will apply to officers, who served and/or will serve at the Bank and at the Group from time to time, including the Bank’s CEO and officers who are controlling shareholders and/or their relatives and/or who the controlling shareholders may have an interest in including them on the insurance policy. In addition, the scope of liability under the policies must be determined; as must a mechanism for renewing said insurance and approving the manner of division of insurance premiums between the companies in the Group and FIBI Holdings.

11. Highlights of the Transaction

11.1. Approving the engagement under a directors’ and officers’ insurance policy, which will be effective for 18 months from January 1, 2019 through June 30, 2020 (the “**Insurance Period**”) by means of an Israeli insurer, for the Group companies. Said policy will apply to officers, who served the Bank and the Group, and who shall serve the Bank and the Group during the Insurance Period, including the Bank’s CEO and officers who are controlling shareholders, or their relatives.

The highlights of the policy are as follows:

- 11.1.1. The limits of liability for the entire Group – up to \$120 million USD per claim or cumulatively;
 - 11.1.2. The Bank’s deductible (in the event of a claim against the Bank) will be \$50 thousand dollars or \$100 thousand dollars in respect of claims filed in the United States and Canada (the directors and officers do not bear the deductible);
 - 11.1.3. Premiums for the policy for the entire Group will not exceed \$300 thousand dollars for 18 months. The cost of insurance premiums for the Bank during the Insurance Period will not exceed said amount and will be divided amongst the Group according to the division parameters set forth in Clause 11.2 hereinafter.
- 11.2. Approving the method of division of insurance premiums with respect to the directors’ and officers’ liability insurance policies, between FIBI Holdings, the Bank, and its subsidiaries.

Pursuant to the recommendation of the Bank’s professional insurance consultants, the manner of dividing the premiums concerning the directors’ and officers’ liability insurance policy between the companies in the Group, will be derived from the following parameters:

⁵ On June 2, 2017, the main operations of the branch were sold to a third party. The branch discontinued all banking activities, and on February 28, 2018, returned its banking licence to the Swiss regulatory authorities. The company is in voluntary liquidation proceedings. The insurance policy will also cover the liability of directors and officers who served / will serve in the company up to the termination of activities and the company’s liquidation, and even following completion of the liquidation process.

⁶ Beginning on December 29, 2010, the company discontinued its underwriting activities, and on December 29, 2015, the company’s liquidation and winding up proceedings were completed. The insurance policy covers the liability of directors and officers who served in the company up to liquidation.

- 11.2.1. Banking insurance component – The division of insurance premiums between the Group’s companies that are banks in Israel, will be performed according to the ratio of the number of employees in each company.
- 11.2.2. Professional liability component – The division of insurance premiums between the Group’s companies that are banks in Israel will be carried out in accordance with the weight of total revenues (interest income, net and total non-interest income).
- 11.2.3. Additional components that will be used to determine the manner of dividing the insurance premiums among the Group’s companies will be as follows:
- 11.2.3.1. The nature and environment of the Company’s activity – A company with riskier activities, and whose activity favours the capital markets, will receive a higher weighting (25%).
- 11.2.3.2. Quality of behaviour – The weighting of this component is based on the number of claims in the past five years. A company that only has one claim over the past five years, will pay an additional 10%, and a company that has more than one claim will pay an additional 25% (calculating the number of claims will include both pending and finalised claims, with no distinction being drawn between claims that were finalised and actually paid, and those rejected without payment).
- 11.2.3.3. Public / private company – An 10% increment will be added only for public companies.
- 11.2.4. Minimum threshold (fixed) – One cannot, naturally, attribute the banking insurance component and the professional liability component set forth in Clauses 11.2.1 and 11.2.2 above to companies in the Group (including FIBI Holdings), whose structure and mix of operations differs from that of the commercial banks in Israel which are Group members. The parameters used to charge the premium between the banking company members of the Group in Israel, such as the number of employees and the weight of income, are not comparable between banking and non-bank companies, and are not a reasonable parameter as compared with banks abroad. Therefore, and in accordance with the assessment of the insurance consultants, a minimum (fixed) threshold was set for some of the companies in the Group.
- 11.3. In view of the aforementioned parameters, and in accordance with the opinion of the insurance consultants, FIBI Holdings’ share of the premium for “directors and officers insurance” should be 10%, noting its characteristics, including it being a public company. In the professional assessment of the insurance consultants, this rate is fair and reasonable.

It is further noted, that the Bank approached FIBI Holdings and the Bank’s subsidiaries and proposed that they participate in the insurance policy and bear their respective share of the premium. If any of them fail to participate in the directors’ and officers’ liability insurance policy, the share of the remaining companies in the Group will increase according to the proportionate rate, in accordance with the division criteria, or

the Bank will bear said company's share of the premium. In any event, the share of the Group's companies, including FIBI Holdings, which have been set a minimum (fixed) threshold for their participation in the insurance premiums, will not be changed as a result of the non-participation of any of the companies in the Group in the insurance policy.

Assuming that the rest of the Group will participate in the insurance, the Bank's share of the insurance premiums for the Insurance Period will not exceed 75% of the premiums (this rate may change in the following insurance periods in the event of any change in the companies' data per the relevant criteria)⁷; Assuming that FIBI Holdings participates in the insurance, the shares of the Bank and its subsidiaries in the insurance premiums, for the Insurance Periods, should jointly be 90% of the premiums.

For the sake of completeness, it should be noted that the Bank purchases, from time to time, an "Integrated Banking" insurance policy for the Bank and for members of the Group. "Integrated Banking" insurance, is insurance that insures entities engaged in banking activity etc., against risks related to such activity, such as bank insurance, professional liability insurance and safe deposit box insurance. This insurance is purchased in the ordinary course of business, and on market terms and conditions. The manner of dividing the combined banking insurance premiums between the Group's companies is based on parameters similar to the parameters described above in connection with the directors' and officers' liability insurance premiums. For the avoidance of doubt, it is hereby clarified, that FIBI Holdings is not included on the "Integrated Banking" insurance policy.

- 11.4. Prior approval of the Bank's contractual engagement under the insurance policy as stated at Clause 11.1 above, for all or part of the Group's companies, after the end of the Insurance Period and for a period of up to six years from the date of commencement of the Insurance Period, including by way of extending the original policies and/or by acquiring new policies, which shall apply to officers that shall serve at the Bank and for the Group from time to time, including the CEO and officers who are controlling shareholders and/or their relatives, and/or who the controlling shareholders shall have a personal interest in including them on the insurance policy, subject to the terms and conditions set forth hereinafter (hereinafter: the "**Framework Transaction**"):
 - 11.4.1. The Bank's Compensation Committee, Audit Committee and Board of Directors, have approved the renewal of the policies, and determined that there were no material changes in the insurance conditions, except for the possibility of increasing the liability limit if the increase in premiums does not exceed the rate detailed in Clause 11.4.2 below.
 - 11.4.2. The premiums for the policy for the entire Group will not exceed \$400 thousand dollars per insurance period, and the increase in the sum of the premiums paid for a given period as compared with the insurance premiums paid for the preceding period, or for the first Insurance Period that began on January 1, 2019, proportionally throughout the terms

⁷ And also, subject to the provisions of Footnote 1 above.

(whichever is higher) in New Israeli Shekels, shall not exceed a rate of 20%, plus the rate of depreciation in the NIS against the US Dollar (insofar as there was depreciation compared to the relevant period).

11.4.3. This resolution will remain in effect for a period of six years from the date of commencement of the Insurance Period, as defined in Clause 11.1 above.

11.5. The resolutions mentioned in Clause 11.4 above, will also constitute a resolution to approve a Framework Transaction, as defined in Regulation 1(3) of the Relief Regulations, and a resolution under section 267A of the Companies Act, as an amendment to Clause 8.2 of the Bank's Compensation Policy (for the duration of the Bank's existing compensation policy), as provided for by Regulation 1b1 of the Relief Regulations, which will enable the renewal of the insurance policy also with respect to directors and officers who are controlling shareholders in the Bank, or their relatives, as well as in relation to the CEO, also in accordance with Regulations 1(3), 1B(5), 1A1 and 1B1 of the Relief Regulations.

12. The Names of the Controlling Shareholders Who Have a Personal Interest in Passing the Resolutions, and the Nature of That Personal Interest

12.1. The Bank's controlling shareholders, within the definition of that term in Section 268 of the Companies Act, who have a personal interest in passing the resolutions set out in Clause 11 above are Mr. Zadik 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 at FIBI Holdings, and Ms. Daphna Bino Or, who serves as a director at FIBI Holdings, since they will be entitled to the aforementioned insurance coverage detailed in the resolutions at Clause 11 above. In addition, FIBI Holdings, the Bank's controlling shareholder, has a personal interest, in that it will be included in the insured group as part of the purchased policy, and will participate in the payment of insurance premiums according to the provisions of Clause 11 above.

12.2. For further details regarding the Bank's controlling shareholders, see Clause 8 above.

13. The Manner in Which the Consideration was Fixed

13.1. The premiums paid for the directors' and officers' liability insurance policy, were determined on the basis of the customary insurance premiums to purchase insurance policies of the type contemplated, in negotiations with the insurance company, and in consultation with the Bank's insurance consultants.

13.2. The division of the insurance premiums amongst the Group's companies was determined, *inter alia*, per the recommendations of the Bank's insurance consultants, and in light of an analysis of the insurance risks pertaining to the Group's activity, performed by the insurance company and the insurance consultants. On this point, see also Clauses 11.2 and 11.3 above.

13.3. It is noted, that the criteria approved by the Audit Committee in accordance with Section 117(1)(b) of the Companies Act, stipulate that there is no obligation to hold a competitive process, as defined in the Companies Act, in connection with the

contractual engagement to purchase directors' and officers' insurance policy, and that same is not suitable for a competitive process. This is because the engagement under the policy is with an independent third party, and the controlling shareholders' personal interest may derive from their being among the entities insured under the policy, but they have no personal interest in the level of premium paid to the insurance company. In any event, in accordance with the opinion of the Bank's insurance consultants, other insurance alternatives to the proposed policy were more expensive and yet inferior in nature. Moreover, the contractual engagement under the policy, together with FIBI Holdings, reduces the cost to the other companies in the Bank's Group.

14. Required Approvals

- 14.1. The resolutions proposed in Clause 11 above, were approved by the Audit Committee and the Compensation Committee on November 1, 2018 and by the Bank's Board of Directors on November 6, 2018. The resolutions require the approval of the Bank's General Meeting by a special majority, as specified in Clause 2.2 above.
- 14.2. It is noted, that the participation of the other companies in the Group, including FIBI Holdings, in the Framework Transaction, is also subject to receipt of the necessary approvals in those companies.
- 14.3. Since it is proposed that the Framework Transaction be approved for a period of more than 3 years, in accordance with Section 275(a)1(2) of the Companies Act, the Audit Committee's confirmation that the Bank's engagement in the Framework Transaction for a period of six years from the date of the commencement of the Insurance Period is reasonable in the circumstances, is required.

15. The Names of the Directors Who Have a Personal Interest, and the Nature of That Personal Interest

All of the directors at the Bank may be considered as having a personal interest in the engagement, because they are entitled to the aforementioned insurance coverage under the directors' and officers' liability insurance policy. Furthermore, see the provisions of Clause 12 above regarding the interests of Mr. Zadik Bino, Mr. Gil Bino, and Ms. Daphna Bino Or, which may also arise due to their being controlling shareholders. In addition, Mr. Gil Bino and Mr. Kobi Sit serve as officers in FIBI Holdings.

16. The Names of the Directors Who Participated in the Discussions in the Compensation Committee, the Audit Committee, and at the Board of Directors

- 16.1. In the discussions and voting held by the Bank's Audit Committee's meeting dated November 1, 2018 the following persons participated: Mr. Joseph Horowitz (Chairman of the Committee, external director under the Companies Act), Mr. Ze'ev Ben-Asher (an external director under the Companies Act), Mr. Ilan Ayash, Mr. Dov Goldfreiner, and Mr. Ronen Harel (an external director under the Companies Act).
- 16.2. In the discussions and voting held by the Bank's Compensation Committee's meeting dated November 1, 2018 the following persons participated: Mr. Joseph Horowitz (Chairman of the Committee, external director under the Companies Act),

Mr. Ze'ev Ben-Asher (an external director under the Companies Act), Mr. Ilan Ayash, and Mr. Ronen Harel (an external director under the Companies Act).

- 16.3. In the discussions and voting held by the Bank's Board of Directors' meeting dated November 6, 2018 the following persons participated: Ms. Irit Isakson (Chairperson), Mr. David Asia, Mr. Joseph Horowitz (external director under the Companies Act), Mr. Dov Goldfreind, Mr. Ze'ev Ben-Asher (an external director under the Companies Act), Mr. Menahem Inbar, Mr. Ilan Ayash, Mr. Daniel Furman, and Mr. Ronen Harel (an external director under the Companies Act).

17. Similar Transactions from the Past Two Years or Which Are Still in Effect at the Date of the Board of Directors' Approval

As stated in Clause 10 above, the Bank purchased, from time to time, an insurance policy to insure directors' and officers' liability, for the Bank and for the members of the Group, in accordance with resolutions passed previously by the Bank. FIBI's share of the insurance premiums under these contractual engagements is identical to its share as proposed hereunder.

18. The Reasons Given by the Compensation Committee, the Audit Committee and the Board of Directors for the Resolution Approving the Bank's Contractual Engagement by Means of Insurance Policies

The Bank's Audit Committee, Compensation Committee, and Board of Directors approved the engagement under an insurance policy for directors and officers, as aforesaid, for the following reasons:

- 18.1. Directors' and officers' liability insurance is required for the Bank's activities, and to enable officers and directors to act freely for the Bank's benefit, taking into account the risks involved in officers' activities in the areas of the Bank's Group's activities, its scope, and the Bank being a banking corporation and a public company.
- 18.2. Directors' and officers' liability insurance is common practice at companies of a similar size to the Bank, and the sum of the proposed insurance is no higher than as customary under the circumstances.
- 18.3. The engagement by way of group policies, enables each company in the Group to expand coverage limits, while reducing the costs of insurance premiums.
- 18.4. In light of the scope of the Group's activity, the insurance premiums are reasonable and customary for insurance policies of the type in question.
- 18.5. The manner in which insurance premiums are divided among the Group's companies, including FIBI Holdings' share of the premiums, is reasonable and fair, and reflects the estimated extent of the relative risk that that company imposes on the Group's insurance, while giving weight to other relevant parameters.
- 18.6. The terms and conditions of the engagement under the insurance policy regarding the Bank's CEO, and regarding a controlling shareholder or his relatives who are officers at the Bank, are identical to the terms and conditions of the engagement with respect to the other officers at the Bank, and the engagement under the

aforesaid insurance policy is on market terms, and is not supposed to materially affect the Bank's profitability, assets, or liabilities.

- 18.7. Owing to the fact that the renewal of the policy and its terms and conditions (whether by continuing an existing policy or by way of purchasing a new policy) are presented at the end of each insurance period for examination and approval by the Bank's Compensation Committee, Audit Committee and Board of Directors, which supervise and ensure that each transaction for renewal satisfies the terms and conditions of the Framework Transaction, the engagement under the Framework Transaction for a period exceeding 3 years from the date of its approval, is a reasonable period under the circumstances.
- 18.8. The engagement under the directors' and officers' liability insurance policy is in line with the Bank's officer compensation policy.
- 18.9. In view of all the above, the engagement under the insurance policy and the aforementioned Framework Transaction, is in the Bank's best interests, and the Audit Committee and the Board of Directors have confirmed that it does not constitute a "distribution" within the meaning of that term in the Companies Act.

Yours truly,

Adv. Aviad Biller, the Bank's Secretary

The First International Bank of Israel Ltd.