

May 6, 2018

First International Bank of Israel Ltd.
(‘The bank’ or ‘the company’)

**Notice of the Convening of a Special General Meeting
of the Shareholders**

Part A – Convening the Special Meeting

Pursuant to the Companies Law, 5759-1999 (hereinafter: ‘**the Companies Law**’), the Securities Law, 5728-1968 (hereinafter: ‘**the Securities Law**’), the Securities (Periodic and Immediate Reports) Regulations, 5730-1970 (hereinafter: ‘**the Reporting Regulations**’), the Companies (Notice of a General Meeting and a Class Meeting in a Public Company and addition of a Matter to the Agenda) Regulations, 5760-2000 (hereinafter: ‘**the Notice Regulations**’), and the Companies (Written Voting and Position Papers) Regulations, 5766-2005 (hereinafter: ‘**the Voting regulations**’), the bank gives notice of the convening of a special general meeting of the bank’s shareholders that will take place on Sunday, June 10, 2018, at 2:00 p.m., at the bank’s offices at 42 Rothschild Boulevard, Tel-Aviv (floor 14, board room) (hereinafter: ‘**the meeting**’).

1. **The matters and resolutions on the agenda**

- 1.1 The appointment of Mr. Ilan (Eilon) Aish for a second term of office of three years as outside director of the bank, pursuant to Proper Bank Management Instruction 301, which comes into effect on June 10, 2018.

Summary of the matter:

The candidacy of Mr. Aish for an additional term of office as outside director pursuant to Proper Bank Management Instruction 301 was approved by the Bank of Israel.

As stated in section 1.2 of the bank’s immediate report of May 5, 2015 (ref. no. 2015-01-012888), prior to the previous appointment of Mr. Aish as outside

director pursuant to Proper Bank Management Instruction 301, the Audit Committee approved that bank accounts that constitute ordinary retail relationships between a bank and a customer, which take place between the bank and someone that may be regarded as a partner of Mr. Aish, which began before the date of the first appointment of Mr. Aish as director, do not constitute a 'relationship' as the term is defined in section 240(b) of the Companies Law, or alternatively, for the sake of caution, this is a negligible relationship both from the viewpoint of the candidate and from the viewpoint of the bank, which do not constitute a 'relationship' pursuant to the Companies (Matters that Do Not Constitute a Relationship) Regulations, 5767-2007 (hereinafter: '**Non-Relationship Regulations**'). On April 16, 2018, the Audit Committee of the bank approved that it is possible to continue to classify the aforesaid accounts as such, and with respect to the bank accounts of a relation of Mr. Aish, which constitute an ordinary retail relationship between a bank and a customer, which began after the date of his first appointment as outside director as aforesaid, which are also subject to regulation 5(b) of the Non-Relationship Regulations.

Mr. Aish's terms of office and employment will remain unchanged. The terms of office and employment are identical to the terms granted to the other directors of the bank (except for the chairman of the Board of Directors) and they are consistent with the remuneration policy for officers of the bank (hereinafter: '**The Officers' Remuneration Policy**'). For further details, see the bank's immediate report of February 14, 2017 (ref. no. 2017-01-016098), the resolution of the general meeting of the bank of September 14, 2008, and regulation 29A of the bank's 2017 Annual Report that was published on March 6, 2018 (ref. no. 2018-01-017832).

Mr. Aish's declaration, which was made pursuant to section 224B of the Companies Law, is attached to this report. For details regarding Mr. Aish, pursuant to regulation 26 of the Reporting Regulations, see the voting form attached to this report.

- 1.2 The appointment of Mr. Menachem Inbar for a second term of office as outside director of the bank, pursuant to Proper Bank Management Instruction 301, which will begin on June 10, 2018, and end on June 30, 2020.

Summary of the matter:

The candidacy of Mr. Inbar for an additional term of office as outside director pursuant to Proper Bank Management Instruction 301 was approved by the Bank of Israel.

Mr. Inbar's terms of office and employment will remain unchanged. For details regarding the terms of office and employment of the bank's directors, see section 1.1 above.

Mr. Inbar's declaration, which was made pursuant to section 224B of the Companies Law, is attached to this report. For details regarding Mr. Inbar, pursuant to regulation 26 of the Reporting Regulations, see the voting form attached to this report.

Pursuant to the provisions of the Bank Supervision Circular of the Bank of Israel no. C-2535-06, which concerns an update of Proper Bank Management Instruction 301, it was determined that the Board of Directors of a bank corporation shall comprise no more than 10 members (instead of up to 15 today) and that this provision will come into effect on July 1, 2020. Accordingly, the proposed appointment of Mr. Inbar is until June 30, 2020, prior to the date on which the aforesaid provision will come into effect, by arrangement with and with the approval of the Bank of Israel.

- 1.3 The appointment of Mr. Hanoach Dov Goldfreind for a second term of office of three years as outside director of the bank, pursuant to Proper Bank Management Instruction 301, which will commence on July 16, 2018.

Summary of the matter:

The candidacy of Mr. Goldfreind for an additional term of office as outside director pursuant to Proper Bank Management Instruction 301 was approved by the Bank of Israel.

As stated in section 1.5 of the bank's immediate report of June 10, 2015 (ref. no. 2015-01-045429), prior to the previous appointment of Mr. Goldfreind as outside director pursuant to Proper Bank Management Instruction 301, the Audit Committee of the bank approved that bank accounts of Mr. Goldfreind and/or his relations constitute ordinary retail relationships between a bank and a customer, which take place between the bank and Mr. Goldfreind and/or his relations and/or a company controlled by him and/or his relations, which began before the date of the appointment of Mr. Goldfreind, and do not constitute a 'relationship' as the term is defined in section 240(b) of the Companies Law, or alternatively, for the sake of caution, they are negligible relationships both from the viewpoint of the candidate and from the viewpoint of the bank, which do not constitute a 'relationship' pursuant to the Non-Relationship Regulations. On April 16, 2018, the Audit Committee of the bank approved that it is possible to continue to classify the aforesaid accounts as such.

Mr. Goldfreind's terms of office and employment will remain unchanged. For details regarding the terms of office and employment of the bank's directors, see section 1.1 above.

Mr. Goldfreind's declaration, which was made pursuant to section 224B of the Companies Law, is attached to this report. For details regarding Mr. Goldfreind, pursuant to regulation 26 of the Reporting Regulations, see the voting form attached to this report.

- 1.4 The appointment of Dr. Ronen Harel for a term of office of three years as outside director of the bank, pursuant to the Companies Law, which will begin on the date of approval of his appointment by the meeting.

Summary of the matter:

The candidacy of Dr. Ronen Harel for a term of office as outside director pursuant to the Companies Law is proposed by the Board of Directors of the bank and has been approved by the Bank of Israel.

The Board of Directors of the bank has approved that Dr. Harel has accounting and financial expertise according to the definition thereof in the Companies (Conditions and Criteria for a Director with Accounting and Financial Expertise and a Director with a Professional Qualification) Regulations, 5766-2005.

Dr. Harel's terms of office and employment will be identical to the terms granted to the other directors of the bank (except for the chairman of the Board of Directors). For further details regarding the terms of office and employment of the bank's directors, see section 1.1 above.

Dr. Harel's declaration, which was made pursuant to section 241 of the Companies Law, is attached to this report.

For details regarding Dr. Harel, pursuant to regulation 26 of the Reporting Regulations, see the voting form attached to this report.

2. The required majority

- 2.1 The majority required for approval of the matters on the agenda stated in sections 1.1, 1.2 and 1.3 above is an ordinary majority of all the shareholders that are present at the meeting in person or by proxy or who sent the bank a voting form indicating the way in which they are voting, who are entitled to vote and who voted at the meeting, without taking abstentions into account.
- 2.2 The majority required for approval of the matter on the agenda stated in section 1.4 above is an ordinary majority of all the shareholders that are present at the meeting in person or by proxy or who sent the bank a voting form indicating

the way in which they are voting, who are entitled to vote and who voted at the meeting, without taking abstentions into account, provided that one of the following is fulfilled:

2.2.1 The majority vote shall include at least a majority of all the shareholders who are not controlling owners of the bank or persons that have a personal interest in the approval of the appointment, except for a personal interest that is not a result of a relationship with the controlling owner, who take part in the vote. The votes of the aforesaid shareholders shall not take abstentions into account.

2.2.2 The number of votes against from among the shareholders stated in section 2.2.1 above did not exceed an amount of two percent of all the voting rights in the bank.

3. **The effective date**

The effective date for the purpose of the entitlement of a shareholder to take part and vote at the general meeting and the deferred meeting, as stated in section 182(b) of the Companies Law and in regulation 3 of the Voting Regulations, is the end of the trading day on the Tel-Aviv Stock Exchange Ltd. that will take place on Sunday, May 13, 2018 ('the effective date'). If there is no trading on the effective date, then the effective date shall be the last trading day that preceded that date.

4. **Method of voting**

4.1 The bank's shareholders on the effective date may vote on the matters on the agenda as stated in section 1 above, in person or by proxy or by means of a voting form (as stated in section 5 below). A proxy appointment form or a power of attorney should be delivered to the bank's office at 31 Rothschild Boulevard, Tel-Aviv, at least 48 hours before the effective date for the meeting or the deferred meeting, as applicable. A shareholder who is not registered in the Register of Shareholders and whose shares are registered with a

stockbroker (hereinafter: **‘an unregistered shareholder’**) may also vote by means of the electronic voting system as stated in section 6 below.

4.2 Pursuant to 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 is interested in voting at the general meeting shall submit to the bank a confirmation from the stockbroker with which he holds his right to the share, regarding his ownership of the share on the effective date, as required pursuant to the Proof of Ownership Regulations (hereinafter: **‘ownership confirmation’**). Pursuant to the aforesaid regulations, an approved electronic communication pursuant to section 44K5 of the Securities Law concerning the details of the users of the electronic voting system is tantamount to an ownership confirmation with respect to each shareholder included in it.

4.3 For the purpose of the resolutions on the agenda, please note that section 34(a1) of the Banking (Licensing) Law, 5741-1981, provides as follows: ‘A person shall not make an agreement with another with regard to their vote to appoint a director in a bank corporation or in a bank holding corporation, including with regard to their vote to terminate his holding of office, except pursuant to a permit that the Governor gave after consulting the Licenses Committee; this provision shall not apply to a group of holders according to the meaning thereof in section 11D(a)(3)(b) of the Ordinance, with respect to voting for the appointment of a director who was proposed by them as a candidate pursuant to that section, and to the holders of means of control who agreed with another person that the other person will vote in his stead and on his behalf without discretion, as the holder of the means of control instructed him, provided that if the other person himself holds means of control in the bank corporation or in the bank holding corporation, as applicable, he shall not vote instead of and on behalf of more than one other holder.’ Therefore, with respect to the resolutions on the agenda, someone holding a power of attorney

who is also a shareholder of the bank can vote on his own behalf and on behalf of one additional shareholder only.

5. Voting by means of voting forms and position papers

- 5.1 Pursuant to the Voting Regulations, the shareholders of the bank can vote on matters on the agenda as stated in section 1 above by means of voting forms. The wording of a voting form and position papers (insofar as there will be any) with respect to the aforesaid resolution may be found on the distribution site of the Israel Securities Authority at the address www.magna.isa.gov.il ('**the distribution site**') and on the Internet site of the Tel-Aviv Stock Exchange Ltd at the address www.tase.co.il ('**the Stock Exchange's Internet site**'). The shareholders shall be entitled to contact the bank directly and receive from it the wording of the voting form and the position papers.
- 5.2 The stockbroker shall send by email, for no consideration, a link to the wording of the voting form and the position papers (insofar as there will be any), on the distribution site, to each unregistered shareholder unless the shareholder gave notice that he is not interested in this, provided that the notice is given with respect to a specific securities account and on a date prior to the effective date. The vote shall be cast on the second part of the voting form, as published on the distribution site.
- 5.3 An unregistered shareholder is entitled to receive the confirmation of ownership from the stockholder through which he holds his shares, at the branch of the stockbroker or by mail to his address in return for postage only, if he so requests, and a request for this purpose shall be given in advance for a specific securities account.
- 5.4 A shareholder who takes part in voting on a resolution on the agenda as stated in section 1.4 above shall give notice to the company, before he votes, and if the vote is by means of a voting form, he shall indicate in the second part of the voting form, in the place designated for this purpose, whether he is regarded as

a controlling owner, someone with a personal interest in the approval of the appointment or the resolution, a senior officer or an institutional investor, or not, with a description of the relevant relationship. If a shareholder does not give notice or does not make an indication as aforesaid, his vote shall not be counted.

- 5.5 Pursuant to regulation 36D(d) of the Reporting Regulations, the Voting Regulations and the Securities Authority's Instruction of November 30, 2011, regarding the Subject of Disclosure of the Manner of Voting of Interested Parties, Senior Officers and Financial Institutions at Meetings and the Voting Regulations (hereinafter: **'the Instruction'**), an interested party, a senior officer and an institutional investor (hereinafter: **'the voters'**), as defined in the Instruction, who vote at a meeting on the resolution in section 1.4 of the agenda as stated above, shall submit to the bank, within the framework of their vote, the details required pursuant to regulation 36D(d) of the Reporting Regulations and section 2(b) of the Instruction, and if they voted by means of the person holding a power of attorney, the voter or the person holding a power of attorney shall also submit the details of the person holding the power of attorney. Moreover, details shall be given with respect to any relationship (except for a negligible relationship) between the voter or the person holding the power of attorney (who do not have a personal interest) and the bank or any of the controlling owners, including employment relationships, business relationships, etc., and/or a senior officer in the bank, and details of the nature thereof.
- 5.6 A voting form of an unregistered shareholder shall be submitted to the bank together with the ownership confirmation, so that the voting form shall reach the bank's offices **no later than four hours before the time of holding the meeting.**
- 5.7 A shareholder who is registered in the Register of Shareholders shall submit to the bank the voting form, together with a photocopy of an identity card or a

photocopy of his passport or a photocopy of a certificate of incorporation, so that the voting form shall reach the registered office of the company **up to six hours before the time of holding the meeting.**

5.8 A shareholder may contact the registered office of the company, and after he has proved his identity, he may withdraw his voting form and ownership confirmation up to 24 hours before the time of holding the meeting.

5.9 The last date for submitting position papers to the bank is **ten days before the date of holding the meeting.**

5.10 The last date for the submission of position papers by the bank, which will include the response of the Board of Directors of the bank to the position papers of the shareholders is **no later than five days before the date of holding the meeting.**

6. Voting by means of an electronic voting form

6.1 As stated above, an unregistered shareholder may vote with respect to a resolution on the agenda as stated above by means of a voting form that will be sent via the electronic voting system as defined in the Voting Regulations (hereinafter: **'the electronic voting form'**).

6.2 The electronic voting form is open for voting at the end of the effective date. The voting by means of the electronic voting system **will end six hours before the time of the meeting** (i.e., on Sunday, June 10, 2018, at 8:00 a.m.), when the electronic voting system will be closed.

6.3 The electronic vote may be changed or cancelled up to the date of closing the electronic voting system, but it may not be changed by means of the electronic voting system after that time. If a shareholder voted in more than one way, his later vote shall be counted. For this purpose, a vote of a shareholder in person or by proxy shall be regarded as later than a vote by means of the electronic voting form.

7. **Quorum and deferred meeting**

7.1 The quorum for the shareholders' meeting is one or more shareholders who are present in person or by proxy (including by means of a voting form), who hold or represent more than 25% of the voting power in the bank.

7.2 If a quorum is not present at the meeting half an hour after the time scheduled for the meeting, the meeting shall be automatically deferred by one week, to the same time and the same place, without there being an obligation to give notice of this to the shareholders, or to any other day, time and place as the Board of Directors shall determine. At the deferred meetings, the matters for which the meeting was convened shall be considered and the shareholders who are present in person or by proxy shall constitute a quorum.

8. **The bank's controlling owners**

8.1 As of this date, to the best of the bank's knowledge, F.I.B.I. Holdings Ltd. (hereinafter: '**FIBI**') holds 48.34% of the bank's capital and voting rights. FIBI is a public company, whose shares are traded on the Tel-Aviv Stock Exchange Ltd.

8.2 As of this date, to the best of the bank's knowledge, Binohon Ltd. (hereinafter: '**Binohon**') holds approximately 38.29% of the capital and voting rights in FIBI. Binohon is a company that is held in equal shares (25% each) by Mr. Zadik Bino (who also holds office as a director of the bank), Mr. Gil Bino (who also holds office as chairman of the Board of Directors of FIBI and as a director of the bank), Mrs. Hadar Bino Shmueli and Mrs. Dafna Bino Or (who holds office as a director of FIBI). Of the shares of FIBI owned by Binohon, 10,118,128 shares (which constitute control core shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Company Ltd.

- 8.3 As of the date of this report, to the best of the bank's knowledge, Instanz No. 2 Ltd. (hereinafter: '**Instanz**') holds approximately 15.66% of the capital and voting rights in FIBI and Dolphin Energies Ltd. (hereinafter: '**Dolphin**') holds approximately 11.68% of the capital and voting rights in FIBI.
- 8.4 Instanz is a company that is fully owned by Sing Acquisitions Pte. Ltd., a corporation that was incorporated in Singapore, which is controlled (through Australian entities) by Helen and Michael Abeles. Of the shares of FIBI owned by Instanz, 4,139,233 (which constitute control core shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Company Ltd.
- 8.5 Dolphin is a company that is controlled (by means of a chain of Australian entities) by Mrs. Lee Lieberman, Mr. Joshua Lieberman, Mrs. Kassie Lieberman Harris and Mrs. Barry Lieberman. All the shares of FIBI owned by Dolphin (which constitute core control shares pursuant to a permit of the Bank of Israel) are held in trust by Guy Trust and Management Company Ltd.
- 8.6 To the best of the bank's knowledge, there is a voting and cooperation agreement between Binohon, Instanz, Instanz Holdings Ltd. (which in the past held shares of FIBI that are today held by Instanz) and Dolphin with respect to their holdings in FIBI and indirectly in the bank.

9. Inspection of documents and details of the bank's representatives

It is possible to inspect the proposed resolutions, the declarations of the candidates, and the immediate report of the convening of the meeting at the bank's offices at 42 Rothschild Boulevard, Tel-Aviv, on Sundays-Thursdays, before the date of the meeting during normal working hours, by prior arrangement with the bank's secretary, Adv. Aviad Biller (tel. 03-5196223) and on the distribution site of the Securities Authority at the address www.magna.isa.gov.il, on the Internet site of the Tel-Aviv Stock Exchange Ltd. at the address www.tase.co.il and on the bank's site at the address www.fibi.co.il.

First International Bank of Israel Ltd.



Central Management

Bank House, 42 Rothschild Boulevard, Tel. 03-5196223, Fax: 03-5100316

Sincerely,
Aviad Biller, Adv. Corporate Secretary
First International Bank of Israel Ltd.