



Central Management

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23 November 2021

To
The Securities Authority
www.isa.gov.il

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

Re: Immediate Report regarding the Distribution of a Dividend

Further to Section "Capital and Capital Adequacy" in the report of the Board of Directors of the First International Bank of Israel Ltd. ("**the Bank**") as of September 30, 2021 (hereinafter: "**Report of the Board of Directors**"), published in conjunction with this report, including the Supervisor of Banks' position that a distribution greater than 30% of the Bank's profits (in 2020 and 2021) will not be considered prudent and conservative capital planning, the Bank is honored to update that, although there is no change in the Bank's dividend distribution policy each year of up to 50% of the net profit under the conditions set out in the Board of Directors' report (Section "Dividend Distribution Policy"), the Bank's Board of Directors decided on November 23, 2021, that at this stage, in light of the Supervisor's response, to approve a cash dividend distribution to the Bank's shareholders in the total amount of NIS 320 million (gross), constituting approximately 30% of the net profit according to the Bank's financial statements for the nine months ended on September 30, 2021.

The Bank's Board of Directors will continue to discuss the implementation of the Bank's dividend distribution policy in light of developments in the Corona crisis and its impact on the economy and the Bank, and subject to the Supervisor of Banks' directives.

The following are details regarding the examination conducted by the Bank's Board of Directors when approving the distribution of the dividend and the main reasons for the Board of Directors' distribution:

1. The distribution meets the tests for distribution set forth in the Companies Law, 5769-1999 (profit test and solvency test).
2. The distribution meets the conditions of the control permit granted to the controlling shareholders of the Bank by the Bank of Israel on August 27, 2003, which stipulates that no dividend will be distributed from profits accumulated in the Bank until March 31, 2003, amounting to NIS 2,391 million. The Bank has a surplus balance according to the Companies Law in the amount of NIS **9,244** million. After the distribution, the balance of the surplus under the Companies Law will amount to NIS **8,924** million.
3. The Board of Directors has found that the distribution complies with regulatory restrictions established by the Supervisor of Banks, including Proper Conduct of Banking Business Directive No. 331 regarding restrictions on distribution as well as capital restrictions, leverage, and other restrictions.
4. Dividend distribution was included as part of the quantitative working assumptions in the Bank's multi-year strategy and as a derivative thereof in the Bank's work plan for 2021. Accordingly, the dividend distribution is not expected to affect capital structure, compliance with capital adequacy, leverage and liquidity requirements and the Bank's strategic plan.
5. There is no fear that the distribution of the dividend will prevent the Bank from meeting its existing and expected liabilities.

6. The distribution of a dividend is a way to share with shareholders the profits and positive results of the Bank's operations. The Bank takes extra care in distributing the dividend, in a long-term view and in accordance with its situation, capital targets, extreme scenarios and also taking into account the ongoing uncertainty regarding the possible future effects arising from the Corona crisis.

The Board of Directors' decision was based on forward-looking information as defined in the Securities Law, 5728-1968. The Bank's assessments may not materialize, in whole or in part, or materialize in a materially different manner than expected, due in part to changes in market conditions, and the realization of one of the risks listed in the Bank's reports in the Board of Directors report as of September 30, 2021, and in the Bank's periodic report for the year 2020. S

Sincerely,

The First International Bank of Israel Ltd.

Nachman Nitzan, Deputy CEO
Head of the Chief Accounting Division

Aviad Biller, Adv.
Secretary of the Bank