

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

Notice pertaining to summoning a special general meeting of the Shareholders

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 (Periodic and Immediate Reports), 5730 - 1970 (hereunder: “**The Reporting Regulations**”), the Companies Regulations (Notice of a General Meeting and Class Meeting in a Public Company and Adding a Topic to the Agenda), 5760 - 2000 (hereunder: “**the Notice Regulations**”), the Companies Regulations (Written Votes and Position Paper), 5766 - 2005 (hereunder: “**the Voting Regulations**”), and the Securities Regulations (Transaction Between a Company and Controlling Shareholder Therein), 5761 -2001 (hereunder: “**Controlling Shareholder Transaction Regulations**”), the Bank announces the convening of a Special General Meeting of the Bank’s Shareholders to convene on Wednesday, July 15 2020, at 14:00 at the Bank’s Offices at 42 Rothschild Blvd., Tel Aviv (14th Floor, Conference Room) (hereunder: “**the Meeting**”), whereby transactions between the Bank and the Controlling Shareholders in accordance with the Controlling Shareholder’s Transaction Regulations shall also be on the Agenda.

1. The Topics and Resolutions on the Agenda

- 1.1. To approve updates to the master transaction in existence in connection with the Bank engaging in directors and officers liability insurance policies and correcting the remuneration policy for officers accordingly.

For further particulars see Part B to this report.

- 1.2. To approve the re-awarding of the current letter of indemnification, attached to this Report as Appendix A, for directors who are controlling shareholders and/or their relatives and/or which the controlling shareholders may have a personal interest in awarding them the letter of indemnification, for a period of three additional years from the date of the Meeting’s approval, pursuant to the same terms and format of the letter of undertaking given to the rest of the directors and officers at the Bank.

For further particulars see Part C to this report.

- 1.3. To approve the terms in office for acting chairman of the Board of Directors of the Bank, Mr. Yaakov Sitt, commencing from March 8, 2020.

For further particulars see Part D to this report.

2. The Required Majority

- 2.1. The majority required to approve the topics in Sections 1.1 and 1.2 on the Agenda 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 they wish to vote, entitled to vote and voted at the meeting without taking into account the votes of abstainers, provided that one of the following exists:
 - 2.1.1. In the counting of the majority votes, at least the majority of all the shareholders votes participating in the vote and who do not have a personal interest in approving the resolution, participating in the vote, shall be included in the counting of the votes. The votes of abstainers shall not be taken into account upon counting all the votes of the said shareholders.
 - 2.1.2. The total votes of objectors among the shareholders mentioned in Section 2.1 above did not exceed two percent of all the voting rights in the Bank.
- 2.2. The majority required to approve the topic in Section 1.3 on the Agenda 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 they wish to vote, entitled to vote and voted at the Meeting without taking into account the votes of abstainers.

3. The Effective Date

The Effective Date with respect to a shareholder at the Bank's eligibility to participate and vote at the general meeting and at 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 trading on the Tel Aviv Securities Stock Exchange Ltd. to fall on Wednesday, June 17, 2020 (hereunder: "**the Effective Date**"). If there is no trading on the Effective Date then the effective day shall be the last day of trading preceding this date.

4. Method of Voting

- 4.1. The Bank's shareholders on the Effective Date may vote on the topics on the Agenda as detailed in Section 1 above, in person or by proxy or in 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 whose shares are listed with a TASE member (hereunder: "**An Unregistered Shareholder**") may also vote through the electronic voting system as detailed in Section 6 hereunder.
- 4.2. In accordance with the Companies Regulations (Proving Title to a Share for the purpose of Voting at a General Meeting), 5760- 2000 (hereunder: "**Proof of Title**"),

Regulations”), an unregistered shareholder, who is interested in voting at the General Meeting, shall furnish to the Bank approval from the TASE member with who its right to the share is registered pertaining to it owning the share on the Effective Date, as required under the Proof of Title Regulations (hereunder: **“Certificate of Title”**). Pursuant to the aforementioned Regulations, an approved email pursuant to Section 44K5 to the Securities Law concerning the users data in the electronic voting system - is the same as a certificate of title with respect to all the shareholders included therein.

5. Voting through Voting Ballots and Position Papers

- 5.1. In accordance with the Voting Regulations, the Bank shareholders may vote with respect to topics on the Agenda as detailed in Section 1 above by voting ballots. The format of the voting ballot and position papers (insofar as applicable) for the aforementioned resolution can be viewed on the Distribution Website of the Securities Authority at: www.magna.isa.gov.il (hereunder: **“The Distribution Website”**) and on the Tel Aviv Securities Stock Exchange Ltd website www.tase.co.il (**“TASE’s Website”**) . Shareholders may contact the Bank directly to receive the text of the voting ballot and the position paper from it.
- 5.2. A TASE member shall send, free of charge, by email, a link to the format of the voting ballot and position papers (insofar as applicable), on the Distribution Website, to every unregistered shareholder, unless a shareholder informed it that it was disinterested, and provided that the notice was given with respect to a specific securities 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 title from the TASE member through who it holds its shares, at the TASE member’s branch or by mail to its address, in consideration for paying postage only, if so requested, and such a request is made in advance for a specific securities account.
- 5.4. A shareholder participating in a vote in relation to the resolutions in Sections 1.1 and 1.2 on the Agenda, shall notify the Company before voting, and if the vote is through a voting ballot- shall mark Part B of the voting ballot at the place designated to do so, if considered a controlling shareholder, interested party, has a personal interest in approving the appointment or the resolution, senior officer or institutional investor, or not, and a description of the relevant nexus. A shareholder who fails to give notice or to mark Part B of the voting ballot in the designated place to do so, his vote 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 of November 30, 2011 with respect to disclosing the manner an interested party, senior officer and institutional bodies vote at meetings and the Voting Regulations (hereunder: **“the Directive”**), an interested party, senior officer and institutional investor (hereunder: **“the Voters”**), as defined in the Directive, voting at the Meeting on resolutions in Sections 1.1 and 1.2 on the Agenda as detailed above, shall submit to the Bank, within the framework of their vote, the particulars that are required in accordance with Regulation 36D(d) to the Reporting Regulations and to Section 2(b) to the Directive and if they voted by proxy, the Voter or agent shall

also submit the particulars in relation to the agent. Similarly, particulars pertaining to any connection (except a negligible connection) between the Voter or the agent (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 and the like and/or 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 delivered 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 deliver the voting ballot to the Bank, together with a photocopy of his identity card or photocopy of his passport or 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 after proving his identity to withdraw the voting ballot and his Certificate of Ownership up to 24 hours before the meeting is convened.
- 5.9. The deadline for delivery of position papers to the Bank shall be **up to Ten days before the Meeting date.**
- 5.10. The deadline for submitting a position paper on the Bank's behalf to include the Bank's Board of Directors Response to the position papers, on the shareholders behalf is **no later than Five days before the Meeting date.**

6. Voting by electronic voting ballot

- 6.1. As stated above, an unregistered shareholder may vote in relation 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 opened for voting at the end of the Effective Date. Voting through the Electronic Voting System **shall end 6 hours before the time for the Meeting** (i.e. on Wednesday, July 15, 2020, at 8:00) then the electronic voting system shall close.
- 6.3. The electronic voting can be changed or cancelled up to the system locking time, and after this time can no longer be changed through the system. If a shareholder votes through more than one method, his last vote shall count. In this respect, a vote by a shareholder in person or by proxy will 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 agent (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 fixed for the meeting, the meeting shall be deferred by one week, to the same time and

the same place, without there being any duty to give notice of this to the shareholders, or to another time and place 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 agent will 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 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 one) by Mr. Zadik Bino (also serving as a director in the Bank), Mr. Gil Bino (also serving as Chairman of FIBI Holdings Board of Directors and as a director in the Bank), Mrs. Hadar Bino Shmueli and Mrs. Daphna Bino Or (serving as director in FIBI Holdings). All FIBI Holdings shares owned by Binohon (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.
- 8.3. As on 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 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 bodies) by Messrs. Helen and Michael Avles. All FIBI Holdings shares owned by Instanz (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.
- 8.5. Dolphin is a company controlled (through a chain of Australian bodies) by Mrs. Lee Lieberman, Mr. Joshua Lieberman, Mrs. Casey Lieberman and Mrs. Berry Lieberman. All FIBI Holdings shares owned by Dolphin (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.
- 8.6. To the best of the Bank's knowledge, there is a voting agreement and collaboration between Binohon, Instanz, Instanz Holdings Ltd (formerly holding FIBI shares today held by Instanz) and Dolphin with respect to their holdings in FIBI and indirectly in the Bank.

9. Viewing documents and Details concerning the Bank's Representatives

The text of the proposed resolutions and the immediate report regarding the convening of the meeting and its appendices can be viewed at the Bank's offices at 42 Rothschild Boulevard Tel Aviv, on Sunday-Thursday, up to the date of the meeting during regular business hours, upon coordinating this 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, on the Tel Aviv Securities Stock Exchange Ltd website at: www.tase.co.il and on the Bank's website at: www.fibi.co.ilHYPERLINK ""HYPERLINK ""

Part B: Further Particulars pursuant to a Controlling Shareholder transaction with respect to approving the Bank's engagement in insurance policies

10. Background

- 10.1. On December 20, 2018, the Bank's General Meeting, after receiving the Audit Committee, Remuneration Committee and the Board of Directors approvals, approved the Bank engaging in an insurance policy insuring the liability of the directors and officers, for it and for the companies in the Bank's Group and for FIBI Holdings, the controlling shareholder in the Bank, and this for a period of 18 months commencing from January 1, 2019 and through until June 30, 2020 (hereunder: "**The First Insurance Period**"). Furthermore, the General Meeting approved in advance as a framework transaction as defined in Regulation 1(3) to the Companies Regulations (Leniencies in Transactions with Interested Parties), 5760-2000 (hereunder: "**The Leniencies Regulations**"), the Bank engaging in insurance policies for it and for the companies in the Group, including FIBI Holdings, after the end of the First Insurance Period, whether by extending the existing policies or by purchasing new policies, and up to December 31, 2024, subject to the terms defined therein (hereunder: "**The Existing Framework Transaction**").¹ For further particulars see the Bank's immediate report from November 6, 2018 (Reference No: 2018-01-104847).
- 10.2. The terms of the existing framework transaction as stated above were also included in the remuneration policy for officers in the Bank, as recently approved by the General Meeting of the Bank on February 26, 2020. For further particulars see the Bank's immediate report from January 21, 2020 (Reference No: 2020-01-008841).
- 10.3. In the existing framework agreement, the General Meeting also approved, at the recommendation of the Bank's insurance advisors, the manner to distribute the insurance premium for the directors and officers liability policy between FIBI Holdings and the Bank and the rest of the Group's companies, according to parameters detailed in the immediate report of November 6, 2018 mentioned above, whereby FIBI Holding's part in the insurance premium shall be 10%.

11. Updates to the Existing Framework Transaction

¹ In this respect, the Audit Committee approved that the engagement in the framework transaction for a period exceeding 3 years is reasonable under the circumstances at hand in accordance with Section 275(a)(1)(2) to the Companies Law since renewal of the policy and its terms, at the end of each insurance period, are tabled for review and approval by the Remuneration Committee, Audit Committee and the Board of Directors, the Supervisors and verify its compliance with each transaction to renew the policy pursuant to the framework transaction terms.

- 11.1. Of late there has been material increases in prices in the insurance premiums and increase in the deductible amounts for directors and officers liability insurance policies in light of a significant increase in the number of claims filed against insurance companies, the compensation amounts and the claim management expenses. In light of this it is proposed to approve the updates to the existing framework transaction insofar as the limits on liability, scope of insurance premiums and deductible amounts (the Group shall pay and not the officers) are concerned, whereby in the rest of the existing framework transaction terms no changes shall apply (including but not limited to the existing framework transaction period duration).
- 11.2. Therefore, it is requested that the General Meeting approve in advance the engagement by the Bank in the directors and officers liability insurance policies, for all or some of the Group's companies, after the end of the First Insurance Period, within the meaning thereof in the existing framework transaction (i.e. valid from July 1, 2020) and through until December 31, 2024, including but not limited to extending the policies for the First Insurance Period and/or by purchasing new policies, and which shall apply to the officers, as serving in the Bank and in the Group from time to time, including but not limited to the CEO and officers who are controlling shareholders and/or their relatives and/or which the controlling shareholders may have a personal interest in being included in the insurance policy, subject to the terms detailed hereunder:
 - 11.2.1. The limits on liability for the entire Group - up to 150 million Dollar per claim or accumulatively.
 - 11.2.2. The Remuneration Committee, Audit Committee and the Board of Directors of the Bank approved the renewal of the insurance policies and determined that no material changes applied to the insurance conditions, except the option of increasing the limit on liability, insofar as the increase in the insurance premium does not exceed the amount detailed in Section 11.2.3 hereunder.
 - 11.2.3. The insurance premiums for the policy for the entire Group shall not exceed 1,200 Thousand Dollar for a period of 12 months (in addition to the relative part for the insurance period exceeding 12 months).
 - 11.2.4. The Bank / relevant company in the Group deductible of a sum not to exceed 500 Thousand Dollar (the directors and the officers do not bear the deductible).
- 11.3. The resolutions above shall constitute updates to the existing framework transaction and a resolution pursuant to Section 267A to the Companies Law, as an amendment of Section 8.2 to the Remuneration policy for the officers of the Bank that were approved by the General Meeting on February 26, 2020 (hereunder: "**The Remuneration Policy**"), for the validity of the remuneration policy, which shall allow for renewal of the insurance policies also in relation to directors and officers who are controlling shareholders and/or their relatives and/or which the controlling shareholder may have a personal interest in including them in the insurance policy and in relation to the CEO, and this in accordance with Regulations 1(3), 1B(5), 1A1 and 1B1 to the Leniencies Regulations.

- 11.4. The distribution of the allocation of the insurance premiums between the Group's companies shall be done according to the criteria determined and approved as part of the existing framework transaction, including in relation to FIBI Holdings, and with respect to which no change shall apply.
- 11.5. Subject to the approval of the updates in the existing framework transaction and in the remuneration policy by the Meeting convened in this report, the Remuneration Committee, Audit Committee and the Board of Directors approved the Bank engaging in the directors and officers liability insurance policy for the insurance period commencing on July 1, 2020 and ending on ~~December-June 31~~30, 2021 (hereunder: "**The Current Insurance Period**"), and this in accordance with Sections 1(3), 1B(5), 1A1 and 1B1 to the Leniencies Regulations, including but not limited to it also applying with respect to the Bank's CEO and officers who are controlling shareholder and/or their relatives and/or which the controlling shareholders may have a personal interest in including them in the insurance policy. For further particulars see the immediate report published by the Bank in accordance with the Leniencies Regulations published concurrently with this supplemental report.

The gist of the aforementioned policy for the Current Insurance Period are: the limits on liability for the entire Group - 100 Million Dollar per claim or accumulatively; insurance premiums for the entire Group shall not exceed ~~620-750~~ Thousand Dollar for a period of 12 months ~~(in addition to the relative part for the insurance period exceeding 12 months)~~; deductible for the Bank (in case of a claim against the Bank) of a sum of 150 Thousand Dollar or 250 Thousand Dollar for claims filed in the US and in Canada (the directors and officers do not bear the deductible).

- 11.6. It noted that the Bank is addressing FIBI Holdings and the companies in the Group and is proposing that they participate in the insurance policies in which it is engaging pursuant to the master deal. If one of them do not participate in the insurance policy, then the share of the rest of the Group's companies shall increase in accordance with their relative share pursuant to the distribution parameters or that the Bank itself bears the part of the company in the insurance premium payment, at its discretion.

12. The name of controlling shareholders who have a personal interest in approving the resolutions and the nature of the personal interest

- 12.1. The controlling shareholders in the Bank, within the meaning of this phrase in Section 268 to the Companies Law, having a personal interest in approving the resolutions detailed in Section 11 above are Mr. Zadik Bino, serving as director in the Bank, Mr. Gil Bino serving as director in the Bank and as chairman of the Board of Directors in FIBI Holdings and Mrs. Daphna Bino Or serving as director in FIBI Holdings, as they shall be entitled to insurance cover as stated in the resolutions detailed in Section 11 above. Additionally, FIBI Holdings, the controlling shareholder in the Bank has a personal interest in it being included in the insured group within the framework of the policy being purchased and shall participate in the insurance premium pursuant to the provisions in Section 11 above.

- 12.2. For further particulars concerning the controlling shareholders in the Bank see Section 8 above.

13. The Manner the Consideration was determined

- 13.1. The insurance premium to be paid for the policy to insure the directors and officers liability was determined on the basis of acceptable insurance premiums to purchase insurance policies of the type under negotiations with brokers in the insurance field and upon consulting with the Bank's insurance advisors.
- 13.2. The distribution of the insurance premiums between the Group's companies did not change and it was fixed, *inter alia* according to the recommendations of the Bank's insurance advisors and in light of an analysis of the insurance risks in the Group's activity. In this respect see also Sections 11.2 and 11.3 to the existing framework transaction as stated in the immediate report of November 6, 2018 mentioned above.
- 13.3. It is noted that in the criteria approved by the Audit Committee, in accordance with Section 117(1B) to the Companies Law, it was determined that there is no obligation to conduct a competitive procedure within the meaning thereof in the Companies Law in connection with an engagement to purchase an insurance policy for directors and officers, and that it is unsuitable for a competitive process. This since the engagement in a policy is with an independent third party, and the personal interest of the controlling shareholder can derive from them being insured under the policy, however they do not have a personal interest in the premium amount to the insurance company. In any case, from time to time the Bank holds, at the Bank's insurance advisors recommendation, a competitive procedure between brokers for the purpose of choosing the preferred insurance arrangement. Similarly, the engagement in the policy together with FIBI Holdings reduces the cost for the rest of the companies in the Bank's Group.

14. Required Approvals

The updates to the existing framework transaction as stated in Section 11 above were approved by the Audit Committee and the Remuneration Committee on June 8, 2020, and by the Bank's Board of Directors on June 9, 2020, and subject to approval by the General Meeting of the Bank of a special majority as detailed in Section 2 above.

15. The Names of the directors with a personal interest and nature of the personal interest

All the directors at the Bank may be considered as having a personal interest in the engagement due to them being entitled to the insurance cover under the insurance policy for directors and officers liability. Additionally, see the provisions in Section 12 above with respect to Mr. Zadik, Bino and Mr. Gil Bino's interests which may also derive from them being a controlling shareholder. Similarly, Mr. Gil Bino and Mr. Kobi Sitt serve as officers in FIBI Holdings.

16. The Names of the Directors who participated in the Remuneration Committee, Audit Committee and the Board of Directors discussions

- 16.1. In the discussion and the vote that were held in the Audit Committee's meeting of the Bank on June 8, 2020 Messrs. participated: Mr. Yosef Horowitz (Committee Chairman; External Director Pursuant to the Companies Law), Mr. Ilan Ayish, Mr. Dov Goldfriend and Mr. Ronen Harel (External Director pursuant to the Companies Law).
- 16.2. In the discussion and the vote that were held in the Remuneration Committee's meeting of the Bank on June 8, 2020 Messrs. participated: Mr. Yosef Horowitz (Committee Chairman; External Director Pursuant to the Companies Law), Mr. Ilan Ayish and Mr. Ronen Harel (External Director pursuant to the Companies Law).
- 16.3. In the discussion and the vote that were held in the Board of Directors meeting of the Bank on June 9, 2020 Messrs. participated: Mr. David Asiya, Mr. Yosef Horowitz (Committee Chairman; External Director Pursuant to the Companies Law), Mr. Dov Goldfriend, Mr. Menachem Inbar, Mr. Ilan Ayish, Mr. Daniel Forman and Mr. Ronen Harel (External Director pursuant to the Companies Law).

17. Similar Transactions in the last two years or which are still valid on the Board of Directors approval date

As stated in Section 10 above, the Bank purchased from time to time an insurance policy for directors and officers for the Bank and for the companies in the Group and this in accordance with the resolutions that were adopted by the Bank in the past. FIBI's part in the insurance premiums in the said engagements is the same as the proposed part pursuant to this report.

18. The Remuneration Committee, Audit Committee and Board of Directors reasons

- 18.1. The directors and officers liability insurance is a common practice in companies of a similar size to the Bank and necessary for the Bank's activity and to enable the officers and directors to act freely in favor of the Bank, and this upon considering the risks involved in the officers activity in the Bank Group fields of activity, its scope, the Bank being a banking corporation and a public company. In light of this and in view of the material increase in the insurance amounts for the directors and officers liability insurance policies, some of the existing framework transaction terms must be updated as approved in the past by the General Meeting.
- 18.2. The engagement in the group policy enables each company in the International Bank Group to broaden the cover limits while reducing the insurance premium costs.
- 18.3. In light of the scope of the Group's activity, and the material increase in costs applicable in connection with the insurance amounts for directors and officers liability insurance policies in the insurance market around the world and in

Israel, the insurance premiums are reasonable under the circumstances at hand for the insurance policy of the subject type.

- 18.4. The manner the insurance premium is distributed between the Group companies, including FIBI Holdings' part in the insurance premiums is reasonable and just and reflects the estimated scope of the relative risk that the company imposes upon insuring the Group, while considering additional relevant parameters.
- 18.5. The engagement terms with respect to the CEO and with respect to the controlling shareholders and/or their relatives and/or which the controlling shareholders may have a personal interest in including in the insurance policy who are officers in the Bank, are the same as the engagement terms in connection with the rest of the officers in the Bank, under market conditions and which are not meant to materially influence the Bank's profitability, property or liabilities.
- 18.6. There is no reasonable fear that the engagement shall prevent the Bank from withstanding its existing and expected liabilities at the time they are due.
- 18.7. In light of all of the above the engagement is in favor of the Bank and does not constitute a "distribution" within the meaning thereof in the Companies Law.

Part C: Further Particulars pursuant to a Controlling Shareholder transaction Regulations with respect to renewing the awarding of the current letter of indemnification to directors from the controlling shareholders

19. Description of the Gist of the Resolution

- 19.1. On October 30, 2017, the General Meeting of the Bank resolved to approve the re-awarding of the current letters of indemnification, to directors who are controlling shareholders may have a personal interest in awarding them the letter of indemnification, for a period of three additional years to commence on October 30, 2017, pursuant to the same terms and format of the letter of undertaking approved on October 30, 2017 by the General Meeting in relation to directors at the Bank, serving in office and who shall serve from time to time at the Bank (hereunder: ‘**The Current Letter of Undertaking**’). The current letter of undertaking is attached to this proposal as **Appendix A**. For further particulars see the Bank’s immediate report from September 19, 2017 (Reference No: 2017-01-094239).
- 19.2. In accordance with Sections 270(4) and 275(A1) to the Companies Law, the resolution to award such letters of indemnification to the directors who are controlling shareholders and/or their relatives and/or others who the controlling shareholders may have a personal interest in the awarding of the letter of indemnification to them, requires re-approval once every three years. Accordingly, the Remuneration Committee’s approval, the Board of Directors approval and the approval of the Bank’s General Meeting of a special majority is required pursuant to Section 275(a) to the Companies Law.
- 19.3. On June 9, 2020, after receiving the Remuneration Committee’s approval from June 8, 2020, the Board of Directors approved the re-awarding for directors who are controlling shareholders and/or their relatives and/or which the controlling shareholders may have a personal interest in awarding them the letters of indemnification, the current letter of indemnification, for a period of three additional years from the date of the General Meeting’s approval pursuant to this report. As stated above, the current letter of indemnification is pursuant to the same terms and format of the letter of undertaking given to the rest of the directors and officers at the Bank as stated above.

20. The names of the controlling shareholders in the company who have a personal interest in approving the resolution and the nature of the personal interest

- 20.1. Messrs. Mr. Zadik Bino and Mr. Gil Bino, of the Bank’s controlling shareholders, within the meaning of this term in Section 268 to the Companies Law, also serve as directors in the Bank’s Board of Directors and have a personal interest in the resolution to award an amended letters of indemnification for directors from the controlling shareholders, due to the fact that the letters of indemnification are awarded to them.
- 20.2. For further particulars concerning the controlling shareholders in the Bank see Section 8 above.

21. The Manner the Consideration was determined

21.1. This resolution does not increase the maximum indemnification amount the Bank shall pay to all the directors and officers to whom the current letter of indemnification is awarded.

21.2. It is further noted that the current letter of indemnification coincides with the remuneration policy for officers and is in the same format and pursuant to the same conditions as the current letter of indemnification awarded to other directors and officers in the Bank as stated in Section 19 above.

22. Required Approvals

Re-awarding of the current letter of indemnification as stated in Section 19 above was approved by the Remuneration Committee on June 8, 2020, and by the Bank's Board of Directors on June 9, 2020, and subject to approval by the General Meeting of the Bank by a special majority as detailed in Section 2 above.

23. The Names of the directors with a personal interest and nature of the personal interest

Mr. Zadik Bino and Mr. Gil Bino are interested parties in approving the re-awarding of the letters of indemnification due to the fact that the letters of indemnification are awarded to them.

Similarly, it is noted that Mr. Gil Bino and Mr. Yaakov Sitt serve as officers in FIBI Holdings.

24. The Names of the Directors who participated in the Remuneration Committee and Board of Directors resolutions

All members of the Remuneration Committee participated in the Bank's Remuneration Committee resolution as stated in Section 16.2 above.

Members of the Board of Directors listed in Section 16.3 above participated in the Bank's Board of Directors resolution.

25. Similar Transactions in the last two years or which are still valid on the Board of Directors approval date

25.1. As stated in Section 19.1 above, the General Meetings of the Bank approved to award to all the directors, including Messrs. Mr. Zadik Bino and Mr. Gil Bino letters of indemnification in the format of the current letter of indemnification. These letters of indemnification are still valid.

25.2. For details concerning the Bank's engagements in the liability for directors and officers insurance policy, including Mr. Zadik Bino and Mr. Gil Bino, including but not limited to by way of the framework transaction see Part B to this report above.

26. **The Remuneration Committee and Board of Directors reasons**

- 26.1. Awarding the letters of indemnification constitutes an acceptable protection in public companies and financial corporations, and is designed to allow the directors and officers to act freely in favor of the Bank, and this upon considering the risks involved in the officers activity in the Bank Group fields of activity, its scope, the Bank being a banking corporation and a public company. The awarding of the letters of indemnification contributes to the fact that the officers and directors fulfill their roles appropriately considering the risks involved in doing so.
- 26.2. The current letter of indemnification is totally identical to the letter of indemnification awarded to the rest of the directors and officers in the Bank, as approved by the General Meeting on October 30, 2017, and obviously the terms of the letters of indemnification which the directors who are controlling shareholders in the Bank are entitled to shall not be inferior to the rest of the directors serving on the Bank's Board of Directors.
- 26.3. The reapproving of the awarding of the current letter of indemnification for directors who are controlling shareholders, their relatives or others whereby a controlling shareholder has a personal interest in the awarding of the letter of indemnification, does not increase the maximum indemnification amount the Bank may pay to officers entitled to indemnification by virtue of the current letter of indemnification. Moreover, the terms of the current letter of indemnification are fair and reasonable under the circumstances, considering the size, type, scope, complexity and the rest of the characteristics of the Bank's fields of activity, considering the extensive responsibility and considerable liabilities imposed upon the officers and directors.
- 26.4. The undertaking for indemnification is limited to events which in the Remuneration Committee and the Bank's Board of Directors opinion can be expected considering the Bank's activity and circumstances at hand, and is also limited by an amount which in the Remuneration Committee and the Bank's Board of Directors opinion is reasonable and acceptable and customary in the market.
- 26.5. Re-awarding as stated above of the current letter of indemnification does not include a "distribution" within the meaning thereof in the Companies Law and there is no reasonable fear that the transaction shall prevent the Bank the ability to meet its existing and expected liabilities, on their due date.
- 26.6. The current letter of indemnification corresponds with the Bank's remuneration policy for officers in the Bank.

Part D: Further Particulars pursuant to the Terms in Office Approval for Acting Chairman of the Board of Directors

27. Description of the Gist of the Resolution

- 27.1. Mr. Yaakov Sitt (hereunder: “**The Acting Chairman**”) serves as acting chairman of the Board of Directors of the Bank, since March 8, 2020 (hereunder: “**The Term in Office Commencement Date**”). For details relating to the Acting Chairman’s education and professional experience see Regulation 26 to the Bank’s periodic report for 2019, as published on March 15, 2020 (Reference No.: 2020-01-021223).
- 27.2. For his term in office as director the Acting Chairman is entitled to annual **remuneration** and a participation in meetings remuneration in accordance with the previous resolutions adopted by the Bank in connection with the directors remuneration (hereunder: “**The Director’s Remuneration**”).²
- 27.3. In light of the scope of time required to fulfil his role as acting chairman (estimated **to** be approximately 50% of his time), on June 9, 2020, after receiving the Remuneration Committee’s approval from June 8, 2020, the Bank’s Board of Directors approved the conditions of the term in office of the acting chairman, thus commencing from the date his term in office starts (March 8, 2020), the acting chairman shall be entitled to a fixed monthly payment of a sum of NIS 90,000 per month together with VAT so long as he serves as Acting Chairman (hereunder: “**The Monthly Payment**”), and this also instead of the payment to a director thus he shall not be paid an annual payment or payment for meetings during the period he is acting chairman. The monthly payment shall be linked in full and regularly to the increase in the Consumer Prices Index (hereunder: “**The Index**”). The Basic Index shall be the index recorded on the date the term in office starts, i.e. the index published on February 14, 2020 for the month of January 2020. The monthly payment shall be paid in return for issuing tax invoices to the Bank by the Acting Chairman or a company owned by him to the Bank (hereunder: “**The Average Terms in Office**”).
- 27.4. Insofar as the proposed terms in office are approved by the Meeting, the Acting Chairman **shall** return the monies he received as payment to a director from the Bank to the Bank, and this commencing from the term in office commencement date (including but not limited to by way of offsetting).
- 27.5. The Acting Chairman shall continue to be entitled to an exemption from the duty of care, **liability** insurance for officers, advance undertaking to indemnify as acceptable for Bank officers.
- 27.6. Hereunder is the representative annual payment for the Acting Chairman, in annual **terms**, insofar as the proposed terms in office are approved by the Meeting, even though in 2020 the payment shall only be paid commencing from March 8, 2020 and until the termination of his term in office as Acting Chairman (in terms of cost, in Thousands NIS):

²For further particulars see the Bank’s immediate reports from August 5, 2008 (Reference No: 2008-01-226818 and 2008-01-226830).

Details of the Recipient of the Remuneration				Remuneration for Services in terms of Cost (in NIS Thousand) *	
Name	Position	Position Size (%)	Holdings Rate in Corporation's Capital (%)	Services Fee	Total
Mr. Yaakov Sitt	Acting Chairman of the Board of Directors	50%	-	1,080	1,080

* The amounts in the table do not include VAT.

27.7. The Acting Chairman also serves as CEO of FIBI Holdings Ltd, the controlling shareholder in the Bank, thus approving the terms in office may be considered a transaction which the controlling shareholder in the Bank has a personal interest therein. In light of this, and for the sake of caution, the Audit Committee examined the matter and found that the proposed terms in office are during the regular course of business, pursuant to market conditions and will probably not have a material affect on the Bank's profitability, property and/or its liabilities and therefore do not constitute an exceptional transaction which the controlling shareholder has a personal interest therein in accordance with Section 270(4) to the Companies Law. See also Section 28.5 hereunder.

27.8. Inter alia, the following data and information was reviewed and examined by the Audit Committee, Remuneration and the Board of Directors:

27.8.1. The relevant provisions in the Bank's remuneration policy for officers.

27.8.2. The Proper Conduct of Banking Business Directive 301A provisions the Chairman of the Board of Directors remuneration.

27.8.3. The average remuneration for a director at the Bank (for one full term in office of one year) for 2019.

27.8.4. The comparative remuneration data for Chairmen of the Board of Directors in the five largest banks (including the Bank's previous Chairman of the Board of Directors).

27.8.5. The annual representative cost of the proposed terms in office of the acting chairman (in annual terms and in the Articles for a full-time position) which is approximately 7 times the average cost and approximately 8.4 of the external cost of the remuneration paid to the rest of the Bank's employees and contractors employees³.

27.9. The directors as stated in Section 16 above participated in the Audit Committee, Remuneration Committee and Board of Directors meetings.

³ The said relations were calculated in the following manner:

The remuneration expenses of officers in 2019 were taken for the numerator.

In the denominator the remuneration expenses paid to the rest of the Bank's employees and the contractor's employees (without the officers) were taken for 2019 who worked a full year in a full time position.

28. The Audit Committee, Remuneration and Board of Directors reasons

- 28.1. The proposed terms in office correspond with the remuneration policy for officers at the Bank and with the Proper Conduct of Banking Business Directive 301A.
- 28.2. The proposed terms in office for the Acting Chairman *inter alia* take into account the size of the Bank, the complexity of its activities and the scope of the office he is filling instead of the Chairman of the Board of Directors, after the Remuneration Committee and the Board of Directors gave their opinions also in respect to the payment to the Board of Directors members and the differences between the roles remitted to the Acting Chairman of the Board of Directors and the roles remitted to a director in office and are of the opinion that the distinction in the scope of the payment reasonably reflects the difference in the scope of a full time position required and the resources invested by the Acting Chairman within the framework of his current role.
- 28.3. In accordance with the Bank of Israel's directives, the payment to an Acting Chairman does not include payment conditional upon performance but rather only fixed payment.
- 28.4. The terms in office and employment approval process of the chairman of the Board of Directors included an examination and address to the ratio between the terms in office for an acting chairman and the remuneration paid to the Bank's employees (including the contractor's employees) and an expression of this examination was included above. The Remuneration Committee and the Board of Directors are of the opinion that the said gaps do not materially affect the work relations at the Bank.
- 28.5. An examination of the terms in office of the chairmen of the Board of Directors at parallel Banks in the banking system shows that the proposed terms in office for the acting chairman are reasonable bearing in mind the acceptable terms in office of chairmen of the Board of Directors and the size of the Bank, complexity of its activity and are even lower bearing in mind the partial scope in office of the Acting Chairman and him being an acting chairman of the Board of Directors.

As stated above, in light of the Acting Chairman also serving as CEO controlling shareholder in the Bank, hence for the sake of caution, the Audit Committee examined the matter and found that the proposed terms in office are during the regular course of business, pursuant to market conditions and will probably not have a material affect on the Bank's profitability, property and/or its liabilities and therefore do not constitute an exceptional transaction.

- 28.6. The terms in office that are offered are materially different from the former chairman of the Board of Directors terms in office bearing in mind that the office is that of an acting Chairman of the Board of Directors which is not full time.

Sincerely,

Aviad Biller, Adv., Secretary of the Bank

The First International Bank of Israel Ltd