

**The First International Bank of Israel Ltd.**  
(The "Bank")

15 September 2020

To  
**The Securities Authority**  
[www.isa.gov.il](http://www.isa.gov.il)

**The Tel Aviv Stock Exchange Ltd.**  
[www.tase.co.il](http://www.tase.co.il)

**Immediate Report Regarding a Transaction with a Controlling Shareholder or with a Director,  
Which Does Not Require General Meeting Approval**

Regulation 37a (5) of the Securities Regulations (Periodic and Immediate Reports), 5766-2006

**Approval of Continued Payment of Compensation to Directors who are Controlling  
Shareholders of the Bank**

**A. Summary of the main points of the transaction**

1. On 19 September 2017, the Bank's Board of Directors – after the Bank's Compensation Committee had already given its approval – voted to approve the continued payment of compensation to the Directors who are controlling shareholders in the Bank, Mr. Zadik Bino and Mr. Gil Bino. The compensation approved for the said directors is identical to the compensation paid to the other Bank directors (other than the director who receives separate compensation for holding the position of Chairman of the Board of Directors), and includes an element of annual compensation which currently amounts to approximately NIS 117,770, and an element of compensation for participation in meetings, which currently amounts to approximately NIS 4,310 (with these amounts being linked to the Consumer Price Index, pursuant to Regulation 8 of the Companies Regulations (Rules Regarding Compensation and Expenses for an External Director), 5760-2000 (hereafter: "the **Compensation Regulations**")). The said amounts will have VAT added to them as required by law. With respect to resolutions that are adopted without the Board having been convened, and with respect to resolutions adopted through communication systems, the compensation for participation is paid at the rate established in the Compensation Regulations. Additionally, the said directors are entitled to reimbursement of expenses as stated in Regulation 6 of the Compensation Regulations. The above compensation terms will be referred to below as "the **Proposed Compensation**".
2. According to Sections 270(4) and 275(1a) of the Companies Law, 5759-1999 (hereafter: "the **Companies Law**"), transactions with a controlling shareholder or with a relation of a controlling shareholder regarding the terms of his service require renewed approval once every three years.
3. Accordingly, after the approval of the Compensation Committee, given on 13 September 2020, the Board of Directors gave its approval on 15 September 2020, for the continued payment of the Proposed Compensation to the directors who are controlling shareholders.
4. The Proposed Compensation which will be paid to the directors who are controlling shareholders is identical to the compensation that was paid to them prior to the resolution.

5. Additionally, the Proposed Compensation is identical to the compensation paid to the other directors at the Bank, other than to the director who receives separate compensation for holding the position of Chairman of the Board of Directors, and is in accordance with the compensation policy for officeholders at the Bank. For details regarding the compensation policy for officeholders, see the Bank's Immediate Report dated 21 January 2020 (Reference No. 2020-01-008841).
6. The Proposed Compensation will be paid to the directors who are controlling shareholders for a period of an additional three years, so long as they continue to serve as the Bank Directors.

**B. Summary of the reasons given by the Bank's Compensation Committee and the Board of Directors, for Approval of the transaction:**

1. The compensation to directors who are controlling shareholders, as described above, does not exceed the lowest compensation paid to a single director in the corporation and does not exceed the maximum amount that may be paid, pursuant to Regulations 4, 5 and 7 of the Compensation Regulations, regarding compensation that may be paid to expert external directors in a corporation of the type that corporation is (and is in fact lower than that amount). As was already established in the past by the Audit Committee and the Bank's Board of Directors, Mr. Zadik Bino and Mr. Gil Bino have expertise in accounting and finance.
2. The compensation set out in the Compensation Regulations is established in relation to the company's independent equity. The Bank is a company which, in terms of its independent equity, is ranked as having Classification E (the highest classification) pursuant to the Compensation Regulations, and it is a banking corporation, which has many strict regulatory requirements.
3. The Bank pays identical compensation to all of the directors who serve in it (other than the director who receives separate compensation for holding the position of Chairman of the Board of Directors), and wishes to continue paying such identical compensation. The Proposed Compensation is in accordance with the compensation policy for officeholders at the Bank.
4. Taking the above-mentioned reasons into consideration, and taking into consideration the fact that the Proposed Compensation does not exceed the maximum compensation that may be paid to expert external directors in a corporation pursuant to the Compensation Regulations, and conforms to the compensation policy for Bank officeholders and does not exceed the lowest compensation paid to any other director at the Bank – the Proposed Compensation does not include a "distribution" as defined in the Companies Law.
5. In light of the scope of the Bank's business, the Bank's area of business and what is required of the directors who serve in it, and in light of all the considerations described above - the Proposed Compensation is reasonable and appropriate.

Very respectfully,

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