THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

June 29, 2021

To	To
Israel Securities Authority	**Tel Aviv Stock Exchange Ltd.**
www.isa.gov.il	www.tase.co.il

IMMEDIATE REPORT ON A TRANSACTION WITH A CONTROLLING SHAREHOLDER OR WITH A DIRECTOR THAT DOES NOT REQUIRE THE APPROVAL OF A GENERAL MEETING

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

Renewal of directors and officers liability insurance policy – summary of the key elements of the transaction

On December 20, 2018 the general meeting of the First International Bank of Israel Ltd. (hereinafter: "**the Bank**") approved the Bank's engagement, for itself and for the companies in the Bank group, as well as for FIBI Holdings Ltd., the holder of controlling interest in the Bank (hereinafter, collectively: "**the group**" and "**FIBI**", respectively), to renew a directors and officers liability insurance policy for a period of 6 years (as of January 1, 2019 and until December 31, 2024), including by way of extending the original policies and/or by purchasing new policies, and which shall apply to the officers, as they have served and/or shall serve in the Bank and in the Group from time to time, including the CEO of the Bank and officers who are holders of controlling interest and/or their relatives and/or who the holders of controlling interest may have a personal interest in including in the insurance policy, subject to the terms detailed in the framework transaction, including limitations with regard to the maximum insurance premium amounts and deductible amounts. For further details see the immediate report that the Bank published on November 6, 2018 (reference no. 2018-01-104847).[1]

[1] On July 15, 2020, the general meeting of the Bank approved updates to the framework transaction, in all matters pertaining to the liability limit, the scope of the insurance premiums and the deductible amounts (to be paid by the Group and not the officers), while the remaining terms of the framework transactions remain unchanged (including the duration of the existing framework transaction). For further details see the immediate report that the Bank published on June 30, 2020 (reference no. 2020-01-061465).

On June 10, 2021, the general meeting of the Bank approved updates to the framework transaction, including how the insurance coverage scope ceiling (liability limit) is to remain unchanged (and adding reasonable legal defense expenses above the liability limit), whereas the ceilings set in relation to the insurance premium and the deductible amounts are to be deleted (hereinafter: "**the existing framework transaction**"). For further details see the immediate report that the Bank published on May 4, 2021 (reference no.: 2021-01-077976). At the same time, the general meeting of the Bank further approved to make corresponding amendments also in the remuneration policy for the Bank's officers, which was approved by the general meeting on February 26, 2020 and includes a framework for purchasing an insurance policy in respect of director and officer liability. For further details regarding the remuneration policy, see the immediate report that the Bank published on January 21, 2020 (reference no. 2020-01-008841).

Furthermore, on June 29, 2021, the board of directors approved, following approvals of the remuneration committee and the audit committee, in accordance with Regulations 1(3), 1A1, 1B(5) and 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 5760-2000, the renewal of the directors and officers liability insurance policy for an additional period, for the Group companies (which include, *inter alia*, the holder of controlling interest in the Bank).

The key elements of the updated policy are: An insurance period of 12 months from July 1, 2021 to June 30, 2022; the liability limits for the entire group – USD 120 million per claim or in the aggregate (plus reasonable legal defense expenses above the liability limit); the insurance premiums for the policy for the entire group shall not exceed USD 1,650 thousand for a period of 12 months; a deductible for the Bank (in the case of a claim against the Bank) in the sum of USD 350 thousand or USD 500 thousand in respect of derivative claims or claims filed in the U.S. and Canada (the directors and the officers do not bear a deductible).

Such policy shall apply with respect to the officers, as they have served and/or shall serve in the Bank and in the Group from time to time, including the CEO of the Bank and officers who are holders of controlling interest and/or their relatives and/or who the holders of controlling interest may have a personal interest in including in the insurance policy.

The division of the insurance premium allocation between the group companies shall be made according to the parameters prescribed in the existing framework transaction.

Summary of the reasons of the remuneration committee, the audit committee and the board of directors for approving the engagement:

1. Directors and officers liability insurance is a common practice in companies of a size similar to that of the Bank and is necessary for the Bank's activity in order to allow the officers and the directors to operate freely in the best interests of the Bank, and this considering the risk involved with the activity of the officers within the fields of activity of the Bank group, the scope of said activity, the Bank being a banking corporation and a publicly traded company.

2. The engagement under a group policy allows each company in the group to expand the coverage limits while reducing the costs of the insurance premiums.

3. In light of the scope of activity of the group, and the significant price increase that has occurred 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 in the specific circumstances for an insurance policy of the type in question. The policy is under market conditions as prevailing on the date of renewal of the policy and the policy is not likely to materially affect the profitability, assets or liabilities of the Bank.

4. The manner of dividing the insurance premiums between the group companies, and including FIBI's share of the insurance premiums, is reasonable and equitable and reflects the approximate scope of the relative risk, which said company imposes on the group insurance, while giving weight to additional relevant parameters.

5. The terms of engagement with respect to the CEO and with respect to holders of controlling interest and/or their relatives and/or those whom the holders of controlling interest may have a personal interest in including in the insurance policy who are officers at the Bank, are identical to the terms of engagement in respect of the rest of the officers at the Bank, under market conditions, and they are not likely to materially affect the profitability, assets or liabilities of the Bank.

6. There is no reasonable concern that the engagement would prevent the Bank from complying with its existing and expected liabilities, when the time for fulfilling the same arrives.

7. In light of all the aforesaid, the engagement is in the best interests of the Bank and does not constitute a "distribution" as construed under the Companies Law.

Sincerely yours,

The First International Bank of Israel Ltd.

Adv. Aviad Biller

Bank Secretary