

Ministry of Finance

Spokesperson Unit

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Press Release

NIS 1.3 Billion Government Credit Fund for Mid-Sized Businesses Launched as Part of Acceleration Plan

Mercantile-Discount Bank, Bank Otsar Hahayal, and Bank Hapoalim chosen in Accountant General's tender to set up and operate the new fund

The fund will begin offering credit to mid-sized businesses within days

As part of the implementation of the acceleration plan, the Accountant General Division of the Ministry of Finance has selected three banks – Mercantile-Discount Bank, Bank Otsar Hahayal, and Bank Hapoalim – to establish a new fund at a volume of NIS 1.3 billion, which will offer loans to mid-sized businesses.

The fund is based on NIS 260 million in state funds, leveraged by the winning banks into a total of NIS 1.3 billion, and will be divided among the banks as follows: NIS 600 million at Mercantile-Discount Bank, NIS 400 million at Bank Otsar Hahayal, and NIS 300 million at Bank Hapoalim.

The new fund will help provide credit to finance the operations of mid-sized businesses with annual turnovers of NIS 22-100 million. As a reminder, credit sources in the loan fund for small businesses were also expanded to about NIS 440 million last week, as part of the acceleration plan, through Bank Otsar Hahayal, which once again won the Accountant General's tender to expand the fund. The fund is also operated through FIBI and Mercantile-Discount Bank.

Minister of Finance **Roni Bar-On** congratulated the Accountant General Division on the successful tender and on the establishment of the fund, and commented, "We accord high importance to assisting business owners and increasing the supply of credit in the economy to facilitate coping with the global economic crisis. This is another important step in the rapid implementation of the acceleration plan. So far, we have expanded the supply of credit available to the economy by about NIS 2 billion through the various funds." The Minister added that the tender drew a high rate of response from the banking system, and that he expects continued cooperation of the banking system in the challenges still facing the economy. He further stated, "**The State will enlarge its share of the fund as necessary in the future, according to the utilization rate of the current credit and based on conditions in the economy and market developments.**"

Accountant General of the Ministry of Finance **Shuky Oren** said that the tender was highly successful. "The fact that the operation of the fund will be divided between a large bank and two mid-sized banks will improve service to businesses, allow better terms for businesses, and strengthen competition over the provision of credit to businesses between the winning banks and the banks that did not win the tender." Oren added, "We have now completed the establishment of all of the credit funds for businesses to which we committed in the plan for

the acceleration of economic activity. As a result, there is currently new credit in the amount of more than NIS 2 billion available in the various funds."

The Finance Ministry estimates that this move will indirectly lead to an increase in credit extended to businesses by other banks as well, as the fund will allow partial refinancing of existing credit at these banks as well – which should provide an incentive for them to extend new credit as well.

The selection of three banks is aimed at generating competition among them over the terms and service offered to the mid-sized businesses, while still making it worthwhile for the banks to extend the loans, leading to high leverage. The banks selected are widely deployed nationwide, and are committed to offering the loans through their branches throughout Israel. In addition, the tender stressed the shortening of procedures and timeframes, so that loans from the fund will be approved within less than thirty days from the date of submission of the documents, following an external economic examination by the coordinating agency. The coordinating agency selected to organize applications to the fund is BDI, a company which also operates the government loan fund for exporters.

Loans granted to mid-sized businesses will be in amounts of up to 8% of the business' annual turnover; in other words, if the previous year's turnover was NIS 100 million, the business may receive a loan of up to NIS 8 million. The loan is to be repaid over five years, with a one-year postponement ("grace") period for repayment of the principal. The state will provide collateral for the loan at a rate of 70%, making it easier for the businesses to obtain collateral in order to receive the credit. Interest on the loan will be at the rate prevalent in the banking system for loans of this type, although it is likely that competition among the banks will lead to loans granted at relatively attractive terms.