

Ministry of Finance

**Spokesperson Unit**

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## **Press Release**

### **Additional Stage of Acceleration Plan Rolled Out**

## **Finance Ministry Provides Banking System with NIS 6 Billion in State Guarantees for Capital Raising**

**Finance Minister: The guarantees will enable banks to raise capital and extend credit worth tens of billions of shekels, easing the credit crunch**

Today, Accountant General Shuky Oren delivered the format of the state guarantee documents to be provided to the banking system, at a volume of NIS 6 billion. The state guarantees will be offered to the banks for issues of subordinated notes, which will be recognized by the Supervisor of Banks as upper secondary capital.

Minister of Finance Roni Bar-On: "The guarantees will enable banks to raise capital and extend credit worth tens of billions of shekels, easing the credit crunch in the market and helping the private and business sectors come through this difficult period and face the challenges posed by the global economic crisis. The Ministry of Finance will continue to formulate action plans and take further steps to boost the Israeli economy during the crisis."

The provision of the guarantees to banks represents the implementation of an additional component of the Finance Ministry's acceleration plan. Over recent weeks, the aid fund for small businesses was enlarged to about NIS 440 million, and an aid fund of approximately NIS 1.3 billion was established for mid-sized businesses. In addition, the early screening stage of a tender for the establishment of leverage funds was published, budgeted at NIS 5 billion.

Banks interested in issuing subordinated notes based on the guarantees must notify the Ministry of Finance by March 1, 2009. In the first stage, the guarantee will be in effect for issues performed up to September 30, 2009.

The state will undertake a guarantee towards the holders of the subordinated notes for principal and interest payments for a period of ten years from the issuance date of the notes. The state guarantee will be at a rate of 95%, gradually decreasing as of the end of the third year.

Banks issuing these subordinated notes will pay a fee to the state for the guarantee. The fee will include a mechanism encouraging the banks to increase the supply of credit, by establishing remission of part of the fee to the bank as a function of the increase in credit supplied by the bank to its customers.