



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

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Press Release

Industrial Development Bank Privatization a Success

B.G.I. Investments Ltd. to buy the bank for NIS 572 million

B.G.I. Investments Ltd., a company controlled by businessman Zvika Barenboim, is to buy the Industrial Development Bank for NIS 572,000,000. The offer was selected as the winning bid following intensive negotiations that lasted until last night and this morning. This came after a dynamic on-line process in which B.G.I. submitted the winning bid of NIS 555,500,000 exceeding Bank Jerusalem's bid of NIS 555,000,000 and Bank Mizrahi's bid of NIS 505,000,000. The sale proceeds are in addition to the amount of NIS 313.5 million, in the form of a deposit that has already been repaid to the State.

Finance Minister Dr. Yuval Steinitz welcomed the sale of the Industrial Development Bank, and said that "it is a harbinger to the sale of the State's shares in Bank Leumi and Bank Discount, which will bring in billions of shekels to the State treasury and thereby reduce the State's debts".

Director-General of the Government Companies Authority CPA Doron Cohen said that the intensive and successful efforts of the bank's management and team of employees under the leadership of the Chairman of the Board of Management, Dr. Raanan Cohen, boosted the allure of an investment which, it had previously been feared, would have amounted to nothing due to the collapse of the bank in 2002. This productive outcome was achieved with the close support of both the Bank of Israel and the Ministry of Finance, the latter of which had extended a credit line of over two billion shekels. As a result of the successful privatization process managed by the Government Companies Authority and the Accountant-General's Department, Israeli citizens, the banks, institutional investors and hundreds of private individuals in Israel and abroad who invested their money in the bank can now retrieve their investment.

The process whereby the Development Bank's shares were sold was unique, because the Government Companies Authority managed the sale process in the name of all of the bank's shareholders. (The Industrial Development Bank is held by the State, the banks, and the public in Israel and abroad.) This was under an arrangement reached between the bank, the State, and the other shareholders and which was approved by



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the Tel Aviv District Court. Under the arrangement, the State undertook not to sell the bank at a price less than the average of two liquidation valuation assessments that were compiled on its behalf by two independent appraisers.

Within the framework of the arrangement compiled by the Government Companies Authority and the bank, the shareholders effectively gave their prior agreement to (1) the manner in which proceeds of the sale are to be distributed among the shareholders and to (2) the resolution of the entire range of problems and lawsuits with which the bank has had to cope during recent years.

In order to reach a consensus that would make it possible to formulate this arrangement, the State had to manage protracted negotiations with the other shareholders in the bank, which include the three largest banks in the economy, dozens of institutional investors, and private shareholders.

As a result of the arrangement's success, on December 31, 2008, the Development Bank was able to repay the credit line extended to it by the Bank of Israel when the bank collapsed in 2002. The successful arrangement also led to the end of a complex network of relationships between the State, the bank, and the shareholders in Israel and abroad.

Completion of the process is dependent on the receipt of the authorizations required under the sale procedure, including approval by the Antitrust Commissioner.

The Director-General of the Government Companies Authority noted that the fact that major organizations in the economy have recently expressed an interest in purchasing the bank's loan portfolio and have actually enlisted the support of international financial institutions in order to expedite the transaction, is a credit to the Israeli economy and an encouraging sign for the future.