



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

August 19, 2009
2009-1663

Press Release

Finance Minister Receives Accountant-General Report on Activity of State-Backed Credit Funds:

State Credit Funds have Approved Over NIS 0.5 Billion in Loans

Minister of Finance Dr. Yuval Steinitz: "This is another step in implementing the economic plan. The government's unprecedented use of state guarantees has contributed to curbing the impact of the crisis on the Israeli economy"

Businesses and companies receiving loans from the funds employ a total of about 15,000 workers

Minister of Finance **Dr. Yuval Steinitz** has received a report from Finance Ministry Accountant-General **Shuky Oren** summarizing the activity of the state-backed credit funds – the Small Business Fund, the Medium-Sized Business Fund, and the Export Fund – in the first half of 2009. The funds' operations are based on deposits provided by the state and enlarged by the banks, according to rates determined by tender. The three funds in aggregate can extend credit of up to approximately NIS 4 billion.

The report indicates that **in the first half of 2009, the credit funds approved loans worth about NIS 400 million to 550 businesses and companies employing a total of approximately 15,000 workers.** As of mid-August 2009, the volume of credit approved for businesses and companies through the funds has grown to about NIS 550 million.

The credit fund for medium-sized businesses, a new fund established in February 2009 as part of the plan formulated to address the economic crisis, approved loans to companies and businesses worth about NIS 250 million by the end of June, and NIS 370 million by mid-August.

Minister of Finance **Dr. Yuval Steinitz** commented: "This is another step in implementing the economic plan. The government's unprecedented use of state guarantees, in credit funds, banking, and exports, has contributed to curbing the impact of the crisis on the Israeli economy. We are now seeing initial signs of stabilization in the economy, although we still face great challenges in returning to a trajectory of rapid growth."

Accountant-General **Shuky Oren** said: "The credit funds have proven to be an effective means of relieving the credit shortage in the Israeli economy. We have also



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witnessed a certain degree of expansion of the credit extended by the banking system, due to the alternative of state-backed credit funds, among other factors." Oren added: "The fact that the businesses and companies receiving credit from the state-backed funds employ over 15,000 workers highlights the significance of credit for employment during a time of crisis."

The Small Business Fund

The Small Business Fund, operated through Bank Otsar Hahayal and Mercantile-Discount Bank, approved loans worth approximately NIS 117 million by the end of June (NIS 164 million by mid-August). An analysis of the data for this fund indicates a significant increase in its activity, in terms of number of applications and volume of loans granted, compared to the same period in 2008. This expansion resulted from an increase in demand for credit due to the economic crisis, eased terms at the fund, and an increase in the maximum loan amount granted by the fund according to the applicant's annual turnover. A sectoral breakdown of the data demonstrates that most of the small businesses that apply to the fund are in industry, services, and commerce.

The Medium-Sized Business Fund

The new Medium-Sized Business Fund was established in February 2009 as part of the government's plan formulated to address the economic crisis. The fund, operated through Bank Otsar Hahayal, Mercantile-Discount Bank, and Bank Hapoalim, approved loans worth approximately NIS 256 million by the end of June (NIS 366 million by mid-August).

An analysis of the fund's data points to a consistent increase in its volume of activity over the months of its operation. The increase resulted from growing exposure of businesses and companies to the fund; improved working procedures at BDI, the coordinating company appointed by the state, and at the banks; and the adjustments made by the Accountant-General to the terms of the fund in order to improve its efficiency, boost its accessibility, and adapt it to market needs. The majority of loans approved by the fund were granted to companies with annual turnovers of around NIS 50 million. As with the Small Business Fund, most applicants to this fund are in the industrial and commercial sectors.

The Export Fund

The Export Fund was established in 2005, and underwent several changes in November 2008 aimed at significantly facilitating loan granting. The fund, operated through Bank Otsar Hahayal and Mercantile-Discount Bank, approved loans worth approximately NIS 21 million by the end of June (NIS 23 million by mid-August).

Attached is the report.



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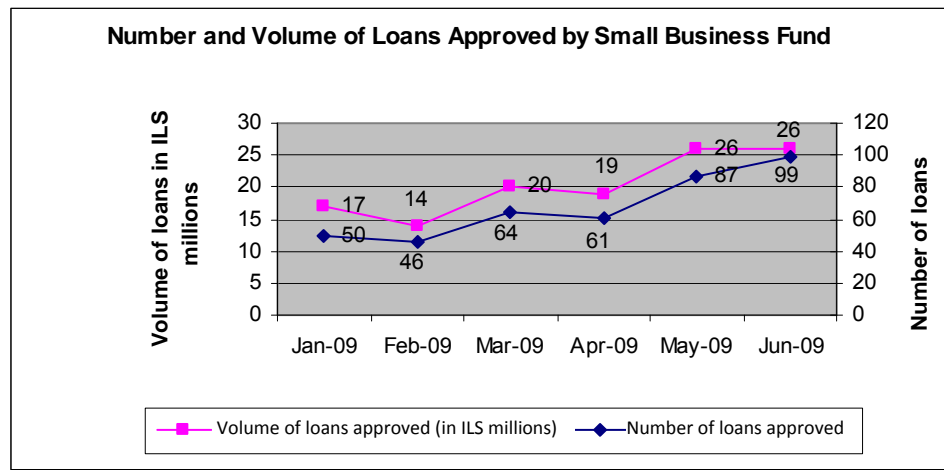
State-Backed Credit Funds: Semi-Annual Report, January-June 2009

Status of the credit funds as of the end of June 2009

	Export Fund			Small Business Fund			Medium-Sized Business Fund	
	Weekly average 2009 YTD	Cumulative 2009 YTD	Cumulative from start of operations	Weekly average 2009 YTD	Cumulative 2009 YTD	Cumulative from start of operations	Weekly average from February 2009	Cumulative
Total advance applications	6.5	162	392	105	2,629	12,826	34	711
Total full applications submitted	2.5	64	134	53	1,355	7,586	17.4	369
Applications approved	1	24	63	16	407	3,688	5.7	119
Amount of loans approved (in ILS millions)	0.9	20	55	4.7	122	1,091	12.2	256
Amount of loans granted (in ILS millions)	0.5	12	32	2.9	72	925	6.8	144

1. Small Business Fund:

	Monthly average since foundation	January	February	March	April	May	June	2009 cumulative
Number of full applications	109	203	211	242	149	247	303	1,355
Discussed by the committee after conclusion of processing by the bank	61	52	48	73	68	106	110	457
Number of loans approved	52	50	46	64	61	87	99	407
Volume of loans approved (in ILS millions)	16	17	14	20	19	26	26	122





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First-Half Comparison

	January-June 2009	January-June 2008	Growth rate
Full applications	1,355	440	303%
Full applications, processing completed	918	440	208%
Loans approved	407	191	213%
Applications denied	50	35	142%
Volume of loans approved (in ILS millions)	122	54	225%

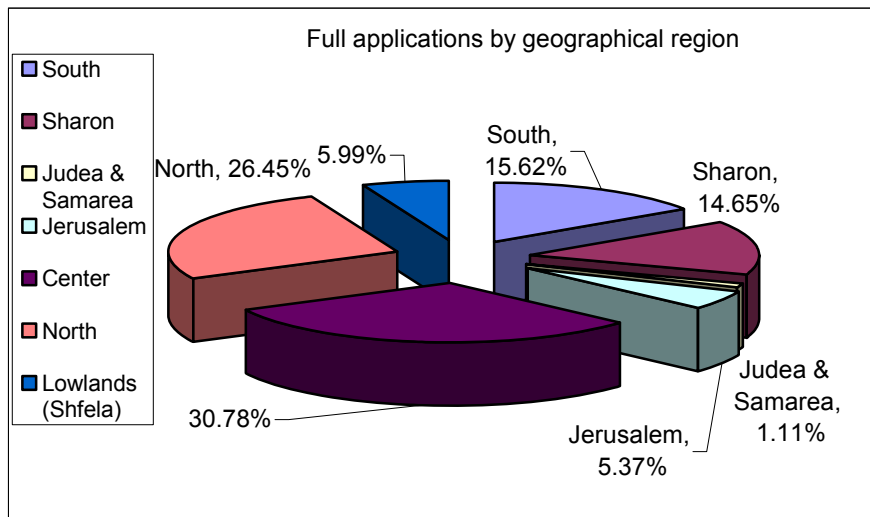
Distribution of Loans Approved, 2009 YTD, by Business Turnover

Turnover range in ILS millions	Rate of approvals out of total applications processed
New	26%
1-5	49%
5-10	45%
Over 10	58%

Distribution of Loans Approved, 2009 YTD, by Year of Foundation of the Business

	Rate of approvals out of total applications processed
Up to 1998	60%
1998-2005	55%
2006-2007	49%
2008-2009	34%

Geographical Distribution, Full Applications Submitted



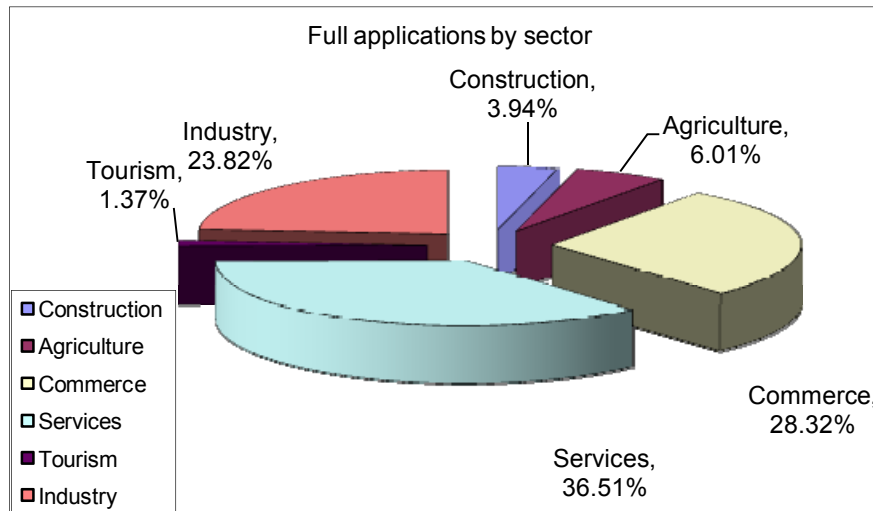


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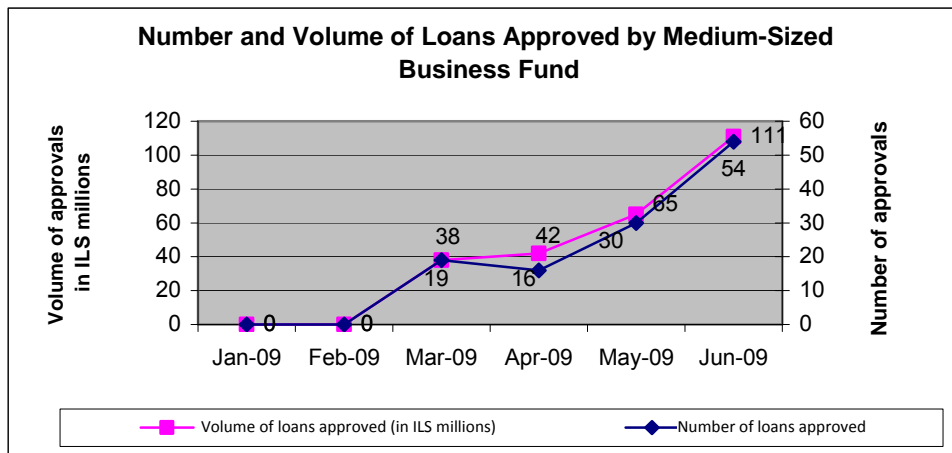
Sectoral Distribution, Full Applications Submitted



Number of employees of businesses granted loans by the fund in 1-6/09: 2,178.

2. Medium-Sized Business Fund:

	February	March	April	May	June	2009 cumulative
Number of advance applications	307	205	46	56	97	711
Number of full applications	33	126	65	75	70	369
Number of companies passed on to credit committee	0	57	56	84	116	313
Number of loans approved	-	19	16	30	54	119
Volume of loans approved (in ILS millions)	-	38	42	65	111	256





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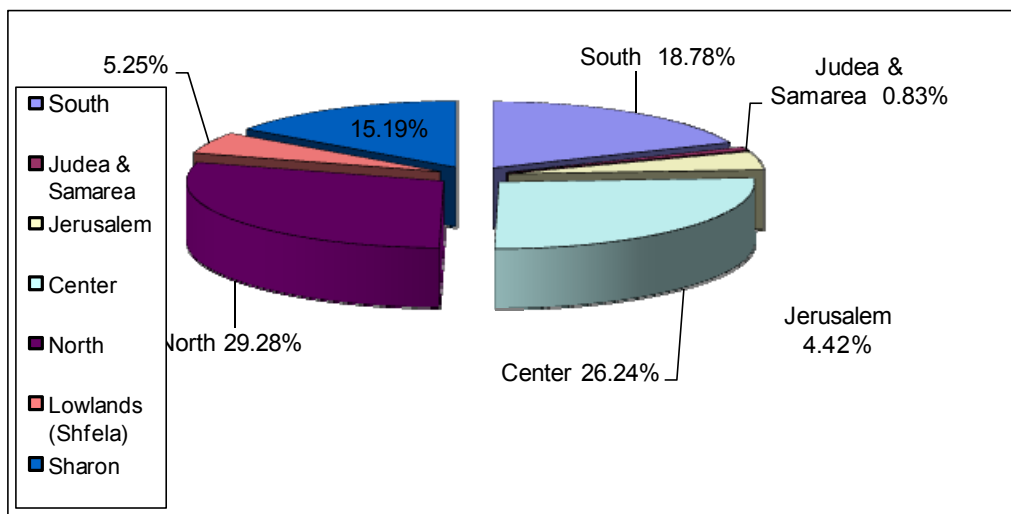
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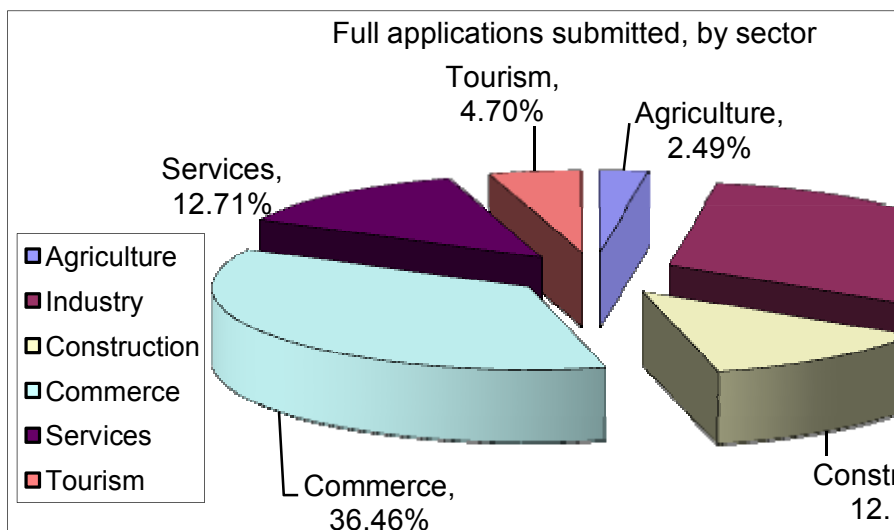
Distribution of Loans Approved, 2009 YTD, by Business Turnover

Turnover range in ILS millions	Rate of approvals out of total applications processed
Up to 22	14%
22-30	25%
30-50	30%
50-100	25%
Over 100	6%

Geographical Distribution, Full Applications Submitted



Sectoral Distribution, Full Applications Submitted



Number of employees of businesses granted loans by the fund in 1-6/09: 11,850.

3. Export Fund:

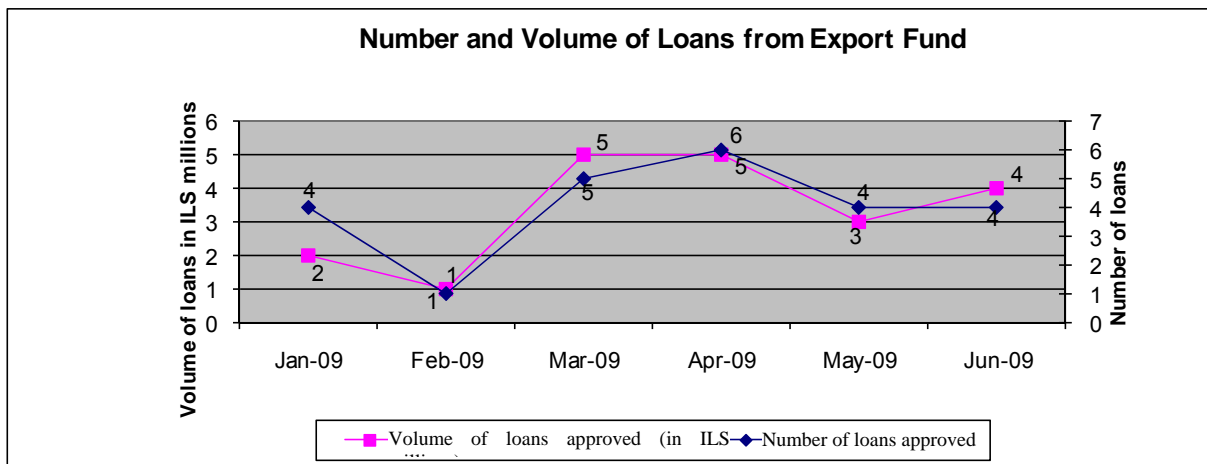


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	January	February	March	April	May	June	Cumulative total
Number of advance applications	34	44	37	8	20	19	162
Number of full applications	8	18	11	7	14	6	64
Number of companies passed on to credit committee	6	2	9	10	6	7	40
Number of loans approved	4	1	5	6	4	4	24
Volume of loans approved (in ILS millions)	2	1	5	5	3	4	20



Number of employees of businesses granted loans by the fund in 1-6/09: 870.