

Mh/8 PRIVATIZATION OF THE INDUSTRIAL DEVELOPMENT  
BANK OF ISRAEL LTD

<u>RESOLVING</u>	
Further to Government Decision No. 2492 dated 1.9.2002, to Government Decision No.741 dated 21.8.2003 and to Government Decision No.4324 dated 26.10.2005:	
1.	The State's holdings in the Industrial Development Bank of Israel Ltd ("the Bank") will be sold, as one block, to one applicant, by way of private sale, to an investor or to a group of investors from Israel and/or from abroad ("the purchaser") and this as part of general sale outline for the transfer to the purchaser of all the Bank's shares including those held by the public, as detailed hereunder ("the sale").
2.	Government Corporations, including Government Companies and Mixed Companies, will not be permitted to participate in the sale process, either directly or indirectly, either alone or in conjunction with others.
3.	Until completion of the sale the Bank will continue to backup its credit portfolio.
4.	<u>Arrangement between Shareholders:</u>
(a)	Based on a document of principles signed between the Bank's shareholders on 18.3.2008, the Bank will submit an application for approval of an arrangement, pursuant to Section 350 of the Companies Law, 5759-1999 ("the Companies Law", "Arrangement under Section 350"). Pursuant to the arrangement, <i>inter alia</i> , the purchaser will purchase all Class C Preference Shares, Class CC Preference Shares, Class CC1 Preference Shares, ("Group C Shares") and the Bank's Ordinary Preferred Shares which are traded on the Tel Aviv Stock Exchange Ltd ("the Stock Exchange"), and these shares will be de-listed from trading on the Stock Exchange. In addition, the purchaser will purchase, as part of the Arrangement under Section 350, all Ordinary A Shares as well as all the State's Holdings of the various classes of shares.
(b)	Pursuant to the Arrangement under Section 350, the Bank will, pursuant to the prospectus for their issuance, redeem those Class D Shares and Class DD Shares of the Bank that are not held by the State.
(c)	As a condition for approval and implementation of the arrangement between the shareholders, the Bank's shareholders of all classes will, by virtue of their capacity as shareholders, waive their claims <i>vis a vis</i> the Bank, office-bearers in the Bank, employees of the Bank, the controlling shareholders of the Bank and interested

		parties in the Bank, as such terms are defined in the Companies Law. In addition, the Bank and the shareholders in Group C will waive any claim against the State in connection with the permanent deposit and its return to the Bank.
	(d)	<p>The Bank will repay, upon implementation of the Arrangement under Section 350, or by 31.12.2008, or by such later date as shall be approved by the Bank of Israel for an extension of the line of credit, the full amount of the special line of credit extended to it by the Bank of Israel in 2002.</p> <p>The Bank shall not pay any amount from the permanent deposit, to any third party of any kind or category, prior to full repayment to the Bank of Israel of the special line of credit. Pursuant to the foregoing, the Bank will take action, in coordination with the Accountant General and the Authority to procure the deferment of repayment of the special line of credit extended to it by the Bank of Israel, and also for an extension of the Bank's Guarantees given to the Bank of Israel as security for the repayment of such money.</p>
5.		To empower the Accountant General to take the following actions in order to facilitate implementation of this decision:
	(a)	To return to the Bank by 31.7.2008, or by the date of approval by the Court of the Arrangement under Section 350, whichever is the later, the permanent deposit made by the Bank with the Accountant General with the addition of linkage pursuant to the agreements between the State and the Bank concerning the permanent deposit ("the agreements"). The Accountant General, in coordination with the Government Companies Authority ("the Authority") and the Bank, may decide that the relative proportion of the permanent deposit in respect of proceeds of the issue of Class D and Class DD shares held by the public, shall be returned to the Bank on the date of return of the permanent deposit, as aforementioned, or on another date, and at the latest, by or about the time of completion of the sale or as and when the Bank is wound up. As a condition for the return of the permanent deposit, it shall be assured, to the satisfaction of the Accountant General that the deposit funds shall as a first priority, serve the Bank for the purpose of repayment of the balance of the special line of credit extended to the Bank by the Bank of Israel.
	(b)	To pay the Bank, for the purpose of redemption of Class D preference Shares and Class DD Preference shares not held by the State:
		<ol style="list-style-type: none"> <li>1. Interest in respect of the permanent deposit amounting to the accumulated dividend that has not been paid the Class D Preference shareholders and Class DD Preference shareholders, except the State, from 1.7.2002 up and until the date of redemption of the shares.</li> <li>2. A premium at the rate of 5.625% of the par value of Class D shares not held by the State.</li> </ol>

		3. Such interest and premium shall be paid to the Bank in the manner embodied as aforesaid in the agreements, to the effect that the net sums that will remain in the possession of the Bank shall be at the level of the amounts that it shall be bound to pay to the shareholders.
	(c)	To take action to procure that the Bank shall assign the balance of the unpaid loans made to the Israel Electric Corporation Ltd, to the credit of Accountant General, or to such other banking corporation as shall be stipulated by the Accountant General.
	(d)	To take action to terminate, in so far as it is possible to do so, the commercial relationships between the Bank and the State, and including guaranteed loans made by the Bank and at the State's responsibility, settlement of accounts in connection with expenses of capital bonds and shares and any other matter at the discretion of the Accountant General. The foregoing provisions of this subsection shall not apply to the State's deposits in connection with loans not guaranteed by the State.
6.		To empower the Accountant General, together with the Authority, to reach agreement with the Bank's shareholders, on various issues, as to division of the proceeds of sale, including having regard to the report of the designated economics expert (Professor Amir Barnea), and to put such matters on a firm legal footing in the Section 350 Arrangement that he shall submit to the Bank.
7.		To empower the Authority, at its discretion, to take all such actions as are necessary in order to implement this decision, and including:
	(a)	To prepare and/or submit any document and/or information or program that is required for the implementation of this decision, including any information in relation to the activities of the Bank, its assets, its right and its obligations.
	(b)	To obtain all such permits, approvals and make such arrangements that may be necessary for the implementation of this decision, including from and with the Bank of Israel.
	(c)	An application to the Court in relation to any matter that may be necessary for the implementation of the arrangement.
	(d)	To conduct the sale process and proceed with it with all that this entails including by way of giving instructions to the Bank by virtue of the power vested in the Authority pursuant to the Government Companies Law, 5735-1975.
	(e)	To take any other action that may be necessary for the implementation of this decision.

8.	The privatization compensation shall be paid to the employees of the Bank in accordance with the rules of the Authority. Such compensation shall be paid shortly after the sale, and subject to it being completed.
9.	This decision also constitutes Government ratification of all the provisions contained in it, as required pursuant to law.