

July 27, 2018



## **Bank Leumi to Sell Leumi Card to Warburg Pincus for NIS 2.5 billion - approximately 30% above shareholders' equity**

**Subject to the transaction's completion, Bank Leumi is expected to record an after-tax profit of NIS 234 million**

**Leumi stands to receive an additional amount of up to NIS 273 million, as part of its operating agreement with the company, some of which will be calculated based on the company's achievements in coming years, and some at the company's discretion to extend its operating agreement with bank Leumi**

**Leumi's President & CEO, Rakefet Russak-Aminoach, said: "I am pleased with the excellent results of a responsible and professional process we have led over the past few months. Due to the importance of Leumi Card and its services to customers, we endeavored to find a reputable buyer with extensive experience in finance and payments, who will be committed to the development and success of Leumi Card in its new independent path. Warburg Pincus's experience will assist Leumi Card in realizing its business strategy and ensure innovative, high-quality and professional service to its customers. This is a great vote of confidence in the Israeli economy by one of the world's largest private equity funds, and is a source of great pride to us all."**

**Daniel Zilberman, Managing Director and Head of Europe, Warburg Pincus, commented: "We are excited to partner with Leumi Card in the next phase of the company's growth. The Israeli payments, consumer finance and SME lending markets present considerable opportunity, and we look forward to working closely with Chief Executive Officer Ron Fainaro and his talented management team. I'd like to thank Bank Leumi for a well-run and professional process, and to personally thank the Bank's President and CEO, Ms Rakefet Russak Aminoach, for her support and backing of this new and exciting partnership."**

**Tel Aviv – July 27, 2018** - Bank Leumi (TASE: LUMI) announced today it has entered into an agreement, together with the Azrieli Group, to sell Leumi Card to funds affiliated with Warburg Pincus, a global private equity fund focused on growth investing. The consideration to be paid to the sellers (Bank Leumi and Azrieli) for Leumi Card is NIS 2.5 billion, which shall be adjusted for a possible dividend distribution, and shall be paid in three installments: The first one - on the transaction's



completion date, the second - one year after the completion date, and the third - two years after the completion date.

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The agreement includes preconditions, including the receipt of regulatory approvals required by law.

According to the agreement, Bank Leumi may receive an additional income of up to NIS 273 million beyond the sale price, subject to meeting several terms and conditions to be included in the operating agreement to be signed between the Bank and Leumi Card (an additional amount of NIS 50 million to NIS 128 million to be paid 6 years from the signing date of the operating agreement); and subject to Leumi Card's overachieving the results outlined in the business model presented to the buyer (a total of up to NIS 145 million to be paid 5 years after the signing date of the operating agreement).

Due to the importance the buyer attaches to expanding Leumi Card's activity with Bank Leumi, the buyer granted 'Leumi Partners', a wholly-owned subsidiary of Bank Leumi, an option that will come into force upon completion of the transaction, to acquire up to 20% of the corporation through which the buyer shall purchase Leumi Card, under the same terms and conditions in which the buyer will purchase Leumi Card. The exercise of the option is subject, inter alia, to obtaining the required regulatory approvals.

Leumi's President & CEO, **Rakefet Russak-Aminoach**, expressed her great satisfaction with the agreement: "I am pleased with the excellent results of a responsible and professional process we have led over the past few months. Due to the importance of Leumi Card and its services to customers, we endeavored to find a reputable buyer with extensive experience in finance and payments, who will be committed to the development and success of Leumi Card in its new independent path. Warburg Pincus's experience will assist Leumi Card in realizing its business strategy and ensure innovative, high-quality and professional service to its customers. This is a great vote of confidence in the Israeli economy by one of the world's largest private equity funds, and is a source of great pride to us all." said Ms. Russak-Aminoach.

The sale of Leumi Card is in accordance with the Law for Increasing Competition and Reducing Concentration in Israel's Banking Market, which requires the Bank to sell its stake in the subsidiary (Leumi Card). After evaluating several alternatives, the Bank and the Azrieli Group chose the best and most attractive option available to them. The sale process, which lasted several months, involved 17 entities from Israel and abroad, which expressed interest in acquiring Leumi Card.



**Warburg Pincus** is a private equity firm founded in the US in 1966 by Eric M. Warburg and Lionel Pincus. In 1983, the firm made its first investments outside the US, in Europe, and in 1994 made its first investments in Asia. The firm currently employs over 500 people in 10 branches around the globe and is managed by two joint CEOs: Charles R. Kaye and Joseph P. Landy. Warburg Pincus has approximately \$45 billion in assets under management, and its portfolio includes more than 165 companies. Of the assets invested by the firm, about \$11 billion has been invested in various financial entities, of which 19 are banks and 24 are insurance companies and financial institutions, including regulated companies in the payments industry. In order to invest in some of the aforementioned financial entities, the firm holds permits from financial regulators in the countries of operation of those entities.

**Daniel Zilberman**, Managing Director and Head of Europe, Warburg Pincus, commented, “We are excited to partner with Leumi Card in the next phase of the company’s growth. The Israeli payments, consumer finance and SME lending markets present considerable opportunity, and we look forward to working closely with Chief Executive Officer Ron Fainaro and his talented management team.” He added, “I’d like to thank Bank Leumi for a well-run and professional process, and to personally thank the Bank’s President and CEO, Ms Rakefet Russak Aminoach, for her support and backing of this new and exciting partnership.”

Warburg Pincus has made several investments in Israel, including stakes in Cyren (2017), in Ness Technologies (1999-2008) and in Alliance Tire Company (2007-2013). The firm made a significant contribution to the growth and success of the companies throughout the entire investment period.