

## A Four Years Dollar Deposit participating in the Increase of the MSCI Asia Excluding Japan index

Capital invested guaranteed by Bank Leumi upon maturity.

24/02/2010

### Product description:

A four years USD structured deposit that offers exposure to the MSCI Asia Excluding Japan Index with no risk to capital invested. The product enables a 70% participation in the increase of MSCI Asia Ex Japan Index, with quarterly observations throughout the period of the deposit (16 observations).

### Description

<b>The deposit principal:</b>	100% of the capital invested is guaranteed at maturity.
<b>Deposit start date:</b>	March 17, 2010
<b>Maturity date:</b>	March 17, 2014
<b>MSCI Asia Ex Japan Index, Underlying Asset</b>	The MSCI All Country Asia Excluding Japan Index follows the performance of stocks from Asia Ex Japan (on Bloomberg: MXASJ Index)
<b>Interest Income:</b>	<b>70% participation in the increase of the Final Index compared with the Initial Index.</b> In the event that the Final Index is equal to or lower than the Initial Index, no interest whatsoever shall be paid.
<b>Initial Index:</b>	Closing price of the Underlying Asset on March 17, 2010
<b>Final Index:</b>	The arithmetic average of 16 quarterly observations closing level observations of the Underlying Asset starting on June 2010 and ending on March 2014.
<b>Minimum deposit:</b>	\$10,000
<b>Withdrawal:</b>	The deposit may be withdrawn only with the consent of the Bank. It is emphasized that in the event of withdrawal, the client will receive a sum that is less than the initial investment.
<b>Taxation:</b>	Taxes, levies and compulsory payments pursuant to any law or provision to which the depositors are obligated will be deducted at source by the Bank. Taxation for Israeli citizens –20% Foreign residents – no tax withholding The rates of the tax have been determined according to the provisions of law and the directives of the Israel tax authorities as known at the time of opening the deposit and are subject to changes according to the provisions of law and any new directives that may be published from time to time.
<b>Final date for submission of deposit orders at Bank Leumi*:</b> March 16, 2010, 16:00 Israel time	

### Target Clientele

Clients who anticipate growth in the Asia ex Japan economy in the next four years, with the possibility of higher yield than that of a risk free investment, depending on the performance of the Asian ex Japan stock index, with no risk to capital invested.

**Product no: 734**

**See Main Advantages and Main Risks on the last page**

#### **It is hereby Clarified That This Deposit is Deemed a Transaction with Special Risk.**

In the above structured deposit the Bank is engaged in marketing of investments. The Bank has a vested interest in the deposit and a financial interest in its marketing. Therefore it is possible that preference will be given to this structured product with regard to other similar products in respect of their suitability to the customer.

This document is for information purposes only. The exact and binding terms of the structured deposit are as specified in the Terms and Conditions of the deposit. **\*The Bank may at its discretion not open the structured deposit and may, at any time, at its discretion, stop accepting new deposits.** The information in this document does not represent a recommendation and/or offer to invest in this structured deposit. The content above is not a substitute for personal advice. The client's investment decisions will be determined according to his character, his assets and the level of risk of each and every client. It should be noted that there may be substantial deviations between the estimations expressed herein and actual results. The yields achieved in the past, do not constitute and indication of yield that may be achieved in the future.

## Background:

### Asia ex-Japan

Real GDP Growth (Annual)	Weight in the Index	2008	2009	Average Economists' Forecasts for 2010 Growth
Hong Kong	20%	2.1%	2.7%-	3.6%
South Korea	20%	2.2%	0.2%	5.0%
China	18%	9.6%	8.7%	9.5%
Taiwan	15%	0.73%	1.9%-	4.4%
India	10%	7.48%	6.9%*	8%
Singapore	8%	1.25%	1.98%-	5.5%
Indonesia	4%	6.08%	4.55%	5.6%
Thailand	3%	2.5%	2.3%-	4.0%
The Philippines	1%	3.9%	0.9%	4.4%
Malaysia	1%	4.6%	1.7%-	5.0%

\*According to economists' assessments

The MSCI All Country Asia ex-Japan Index follows up on the performance of approx. 200 companies from the aforementioned East Asian countries. By sectorial division, 30% of the total market value of the Index is invested in the financial companies, approx. 25% in technology, 10% in energy, 10% in the telecommunications field and the remaining 25% is split up between industrial (7%), discretionary (6%), commodities (5%), infrastructure (4%) and consumption goods (3%).

Despite the severe blow to exports during the global economic crisis, it appears that the growth and recovery potential of the developing nations in East Asia still prevail. Just as they managed to recover from the severe economic crisis that hit East Asia at the end of the 1990's and after many had lamented their economic model based on exports, this is likely to repeat itself. First, during an economic slowdown, the manufacturing sector and especially discretionary goods production, in which the East Asian countries specialize, suffers the most damage. The first products that consumers are prepared to forgo during a recession include cars and sophisticated electronic appliances etc. However, the demand for such goods is cyclical in nature, thus demand will increase again with signs of an economic recovery.

Second, the financial aid that governments provided in the large countries in the area, apart from India, in GDP terms exceeded 4%, compared with 2% in the US and 1% in the Euro Zone. This aid, which for the most part is intended for projects in the infrastructure field, will be used as a growth engine for these economies over the forthcoming years.

Third, the firms and citizens of the developing countries of East Asia are not immersed in heavy debts, compared with the situation in the US (a slightly negative exception is South Korea). Consequently, any sum of money infused by the governments as a part of the aid package, should, in principle, be directed towards consumption and not to covering debts.

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Fourth, even given the economic forecast of slow and gradual recovery, an exports slowdown during the forthcoming years and moderate growth rates in internal consumption, according to economists' assessments, most of the relevant countries are expected to present average annual growth rates exceeding 4%. Although this represents a decrease in comparison to the annual growth rates during the period 2003-7, it is still a growth rate that will be higher than those forecasted in developed countries.

We reiterate that the markets included in the Index are emerging markets characterized with a degree of sensitivity to both internal and external shocks. Up until the recent crisis, we were witness to a positive sentiment towards emerging markets, but with the outbreak of the crisis these markets recorded the sharpest price declines.

The following diagram describes the development of the Morgan Stanley Asia Ex Japan Index commencing from 2008.

MSCI All Country Asia Ex Japan



Main Advantages	Main Risks / Disadvantages
<ul style="list-style-type: none"> <li>▪ Potential to participate in the increase of MSCI Asia Ex Japan Index without risking the capital invested.</li> <li>▪ Capital invested guaranteed upon maturity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The deposit is unsuitable for clients to whom liquidity is important.</li> <li>▪ The possibility of losing income compared to a risk-free investment. For indication, the annual Dollar interest rate as published by Bank Leumi for one year deposits higher than 250,000\$ is 0.25%.</li> <li>▪ Exposure to MSCI Asia Ex Japan Index.</li> <li>▪ The calculation of the Final Index based upon the Observations Dates may cause that the return of the Final Index and the Structured Product will be significantly lower than the return of the MSCI Asia Ex Japan Index for the period of the deposit. In addition, the percentage of the participation in the Structured Product is lower than the full increase of the share index.</li> <li>▪ The Deposit will not pay dividends, notwithstanding the fact that shares included in the Underlying Asset may pay dividends from time to time.</li> </ul>

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