

A Four Year Shekel Deposit participating in the Increase of the Technology Sector Index (XLK UP)

Capital invested guaranteed by Bank Leumi upon maturity.

24/02/2010

Product description:

A Four year NIS structured deposit that offers exposure to the Technology Sector Index (XLK UP) with no risk to capital invested. The product enables a 100% participation in the increase of the Technology Sector Index, with quarterly observations throughout the period of the deposit (16 observations). The Interest Income will be linked to Dollar-Shekel exchange rate.

Description

The deposit principal:	100% of the capital invested is guaranteed at maturity.
Deposit start date:	March 17, 2010
Maturity date:	March 17, 2014
Technology Sector Index, Underlying Asset	The Technology Sector SPDR Index follows the performance of the shares of the Technology Sector in the U.S. (on Bloomberg: XLK UP <Equity>)
Interest Income, linked to Dollar-Shekel:	<p>100% participation in the increase of the Final Index compared with the Initial Index.</p> <p>The Interest income is linked to the Dollar-Shekel exchange rate.</p> <p>In the event that the Final Index is equal to or lower than the Initial Index, no interest whatsoever shall be paid.</p>
Initial Index:	Closing price of the Underlying Asset on March 17, 2010
Final Index:	The arithmetic average of 16 quarterly observations closing level observations of the Underlying Asset starting on June 2010 and ending on March 2014.
Minimum deposit:	15,000 NIS
Withdrawal:	The deposit may be withdrawn only with the consent of the Bank.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.
Taxation:	<p>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.</p> <p>Taxation for Israeli citizens –20%</p> <p>Foreign residents – no tax withholding</p> <p>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.</p>
Final date for submission of deposit orders at Bank Leumi*: March 17, 2010, 12:00 Israel time	

Target Clientele

For clients who anticipate growth in the Technology Sector in the U.S. in the next four years with a potential for a higher yield than in a no risk investment, with no risk to capital invested.

Product no: 663/5

See Main Advantages and Main Risks on the third 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.

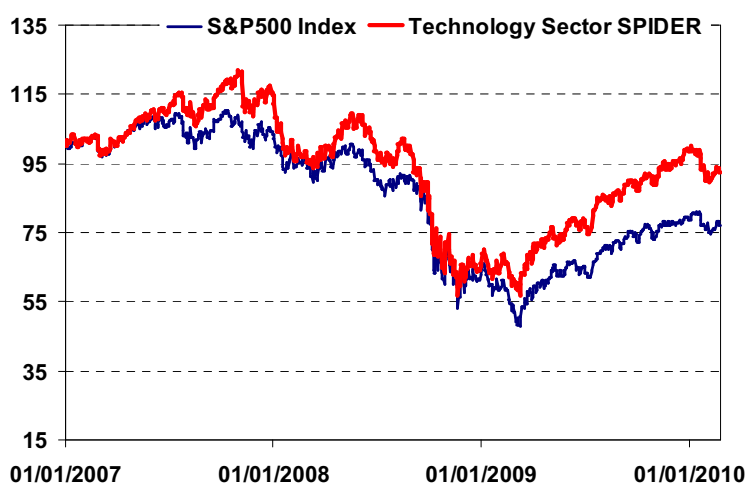
Background

The Technology Select Sector SPDR (XLK UP) or American ETF follows up on the performances of companies in the US technology sector. The ETF's reference index is the Technology Select Sector Index (IXT), which comprises the shares of the 83 largest companies in the US technology sector. Approx. 25% of the total market value, which represents the index, is invested in companies in the computer field, 25% in the telecom field, 20% in the software field and the remaining 30% is split up amongst the semiconductor companies (11%), Internet (10%), services (5%) and other.

The technology sector managed to cope with the recent crisis impressively, recording an average surplus annual return of approx. 5% in the 2007-2008 period, compared with the S&P500. The sales flow of the companies in the sector can be divided into two categories: One-time and recurring revenue sales. The software, content and services companies, which form approx. 35% of the Index, have a sales flow from license renewals and technical support services. This flow is defensive in nature and has assisted the success of companies such as IBM, a company in the Index, in presenting a surplus return for the market and sector.

On looking ahead, we believe that hardware companies such as HP and semiconductor companies will benefit from sales to companies, who delayed upgrades and new orders during the crisis. Microsoft, Apple, IBM, Google and Cisco are among this ETF's large holdings. These companies own well-known brands, which impart them with a sustainable competitive advantage over the long run. Therefore, over the long term, we believe that an investment in this sector would produce impressive returns.

The following sketch describes the development of the S&P 500 and XLK Indices since 2007:



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Disclaimer:

This study was carried out based solely on publicly available information. The aforementioned document should not be considered as a substitute for personal advice or the reader's own discretion. Customer investment decisions must be determined according to their natures, assets and each customer's risk level. It should be noted that significant deviations between the aforementioned assessments and actual results may occur. The data relating to returns attained in the past are not indicative of returns that will be obtained in the future. The Bank does not undertake to inform readers, either in advance or post facto, of the aforementioned fluctuations in any manner whatsoever. The Bank and/or its subsidiaries and/or affiliates and/or controlling interests and/or interested parties, whoever they might be, may from time to time have an interest in the information.

Main Advantages	Main Risks / Disadvantages
<ul style="list-style-type: none"> ▪ Potential to participate in the increase of the Technology Sector Index without risking the capital invested. ▪ Capital invested guaranteed upon maturity. 	<ul style="list-style-type: none"> ▪ The deposit is unsuitable for clients to whom liquidity is important. ▪ The possibility of losing income compared to a risk-free investment. For indication, the annual Shekel interest rate as published by Tel-Aviv Stock Exchange on 01.02.2010 is 1.0%. ▪ Exposure to the Technology Sector Index. ▪ The interest income is linked to Dollar-Shekel exchange rate. ▪ 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 Underlying Asset for the period of the deposit. ▪ The Deposit will not pay dividends, notwithstanding the fact that shares included in the Underlying Asset may pay dividends from time to time.

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