

A Two Year Shekel Structured Deposit Linked to APPLE Share

Capital invested guaranteed by Bank Leumi upon maturity.

25/08/2010

Product description:

A Two years NIS structured deposit that offers exposure to APPLE Share's performance and volatility with no risk to capital invested. The Deposit enables a 100% participation in the increase of APPLE Share if it moves up by 54% (non inclusive) or a flat coupon of 3.0% if APPLE Share moves by 54% and up on any day as compared to the initial price.

Description

Deposit start date	September 07, 2010
Maturity date	September 07, 2012
APPLE Share or Underlying Asset	Apple Inc. traded on NYSE (On Bloomberg AAPL US)
Qualifying Rate Event:	The occurrence on any day during the Observation Period of a positive change of 54% or more in the closing price of the Underlying Asset as compared to the Initial Price.
Interest Income, linked to Dollar-Shekel:	<p>If NO Qualifying Rate Event occurs: the investor receives 100% participation in the increase of the Underlying Asset from Initial Price to Final Price.</p> <p>If Qualifying Rate Event occurs: the investor receives a 3.0% coupon paid at maturity, for the entire period of the deposit.</p> <p>The interest income is linked to the Dollar-Shekel exchange rate.</p> <p>In the event that the Final Price is equal to or lower than the Initial Price, and the Qualifying Rate Event has not occurred on any Day during the Observation Period, no interest shall be paid.</p>
Observation Period:	From September 07, 2010 until and including September 04, 2012
Initial Price:	Closing price of the Underlying Asset on September 07, 2010
Final Price:	Closing price of Underlying Asset on September 04, 2012
The deposit principal:	100% of the capital invested is guaranteed at maturity.
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Withdrawal:	The deposit may be withdrawn only with the consent of the Bank.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><u>If Qualifying Rate Event occurs:</u> Taxation for Israeli and foreign citizens: 15%</p> <p><u>If Qualifying Rate Event does not occur:</u> Taxation for Israeli citizens: 20% , 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*: September 07, 2010 12:00 Israel time	

Target Clientele

A relatively conservative investment for clients who anticipate growth in Apple Company with the possibility of a higher yield than a risk free investment, depending on the performance and volatility of Apple's share – without risking the principal of the investment.

PRODUCT NO: 693/2

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

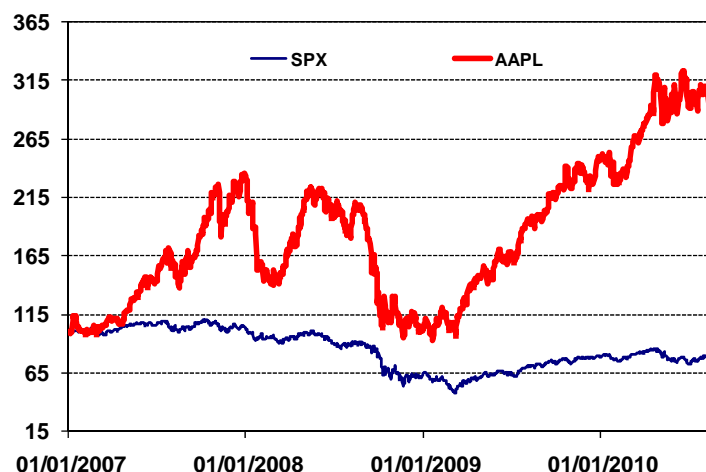
In the above structured deposit the Bank is engaged in marketing of investments. The Bank has a vested interest in the deposit and a financial interest in its marketing. Therefore it is possible that preference will be given to this structured product with regard to other similar products in respect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

Apple designs, produces and markets electronic products, computers and the in-house developed Mac OS X operating system, on which some of its products are based. The company's 2009 revenue was generated from Mac computer sales (40%), iPod players (20%), the iPhone (18%), revenue from music file sales on the iTunes platform and software and periphery products. From a geographic aspect, the company's sales were distributed between the US (45%), Europe (25%) and the rest of the world. Over recent years the company has managed to revolutionize the music and cellular communications field by developing the iPod and iPhone with their special designs, which are both exceptionally user friendly and innovative. Apple's leader and founder, who returned to the company as CEO in 1997, managed to raise the company's share price from \$3.50 to \$274 in June 2010. The company's sales lunged upwards at an average 18% per annum. During the crisis period of 2008-2009, the company presented growth rates of 52% and 14% respectively. It also increased its profitability during the same period. This achievement is credited to the sharp iPhone sales hikes. Recently, Apple introduced a revolutionary new product, the iPad, a mobile electronic book reader aimed at making book reading digital. In conclusion, Apple is a leading company in its field, headed by an exceptional CEO, which has managed to present consistently impressive growth figures. The loyalty of the company's target population, which continues to buy its' products even in difficult economic times, and the increase in electronic products consumption in the developing markets such as China, are beneficial to the company. Nevertheless, it would be worth noting that even though the company's profit margins are relatively high at approx. 25%, the company's share is traded at high P/E ratio levels both in to its competitors and in general. Furthermore, for the most part the comparison company's leading status and reputation rest firmly on one man – Steve Jobs. Consequently, we reiterate that an investment in the share would yield value for as long as the company and CEO meet the high expectations set by the investors.

The following graph outlines the development of the S&P 500 and Apple since 2007:



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Main Advantages	Main Risks / Disadvantages
<ul style="list-style-type: none"> ▪ Potential to participate in the increase of APPLE's share, without risking the capital. ▪ The principal of the investment is guaranteed. ▪ Medium term deposit ▪ Coupon, before linkage to Shekel/dollar exchange rate, calculated as 100% of an increase of up to 54% (not included), if no Qualifying Rate Event occurs 	<ul style="list-style-type: none"> ▪ 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 1.8.2010 is 2.0%. ▪ The deposit is unsuitable for clients to whom liquidity is important. ▪ Exposure to APPLE's prices and volatility. ▪ The Deposit will not pay dividends

Hypothetic Scenarios for receiving Interest in that Structured Deposit:**

Base Price of Apple US Share	240.000
Qualifying Rate Event	increase of 54% or more in AAPL US Share
Barrier for Qualifying Rate Event	369.60
Interest for the entire period if Qualifying Rate Event occurred	3.00%
Rate of participation in the increase of GE US Share	100%

	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Share Final Price	400	240	240	320	200
Change in Final Price compared to Base Price	66.67%	0.00%	0.00%	33.33%	-16.67%
Did Qualifying Rate Event occurred on any day?	yes	no	yes	no	no
Interest at maturity** (100% participation in the increase of AAPL US Share if no Qualifying Rate Event occurred)	3.00%	0.00%	3.00%	33.33%	0.00%

The scenarios are presented to demonstrate the interest income calculation only.

** The Interest is linked to the Dollar-Shekel Exchange Rate

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.

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I, Einat Skurnik, holder of license 4186, and a Bank Leumi employee, at 9 Ahad Haam St., Tel. 03-5147667, hereby declare that the opinions expressed in this analysis faithfully reflect my personal opinion on the securities reviewed and the corporation that issued these securities.

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