

October 23, 2013



STATE OF ISRAEL
BOND ISSUANCE PROGRAMME

This document has been prepared for the purpose of giving information with regard to the issue of bonds ("**Bonds**") under the Bond Issuance Programme (the "**Programme**") of State of Israel (the "**Issuer**", "**Israel**" or the "**State of Israel**") during the period of twelve months after the date hereof.

Pages i to 69 (inclusive) of this document comprise an information memorandum (the "**Information Memorandum**"), which has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**" or "**UK Listing Authority**"), the United Kingdom competent authority for the purposes of the Prospectus Directive (as defined herein) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

Pages 70 to 95 (inclusive) of this document comprise an offering memorandum (the "**Offering Memorandum**"). The Offering Memorandum has been prepared by the Issuer in connection with the issuance of bonds under the Programme for which no prospectus is required to be published under the Prospectus Directive (the "**Exempt Bonds**").

No application has been or will be made for the Bonds to be admitted to trading on any exchange, market or other trading platform.

Application will be made for a certificate of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authorities in Belgium, France and Germany, together with translations of the Information Memorandum summary in French and German, for the purposes of making Public Offers (as defined herein) of the Bonds (other than Exempt Bonds (as defined herein) in such jurisdictions during the period of twelve months after the date hereof.

There are certain risks relating to any issue of Bonds under the Programme, which investors should ensure they fully understand (see the section of this Information Memorandum entitled "Risk Factors").

Distributor
Development Company for Israel (UK) Limited

IMPORTANT NOTICES

Responsibility for this Information Memorandum

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Final Terms

Each Tranche (as defined herein) of Bonds will be issued on the terms set out herein under "*Conditions of the Bonds*" (the "**Conditions**") as completed by a document called a final terms (the "**Final Terms**").

Exempt Bonds

Pages 70 to 95 (inclusive) of this document comprise the Offering Memorandum. The Offering Memorandum has not been reviewed or approved by the UK Listing Authority and does not constitute a prospectus for the purpose of the Prospectus Directive.

This Information Memorandum relates only to Bonds which are not Exempt Bonds. References in this Information Memorandum to "**Bonds**" are to Bonds other than Exempt Bonds.

Public Offers of Bonds in the European Economic Area

Tranches of Bonds (other than Exempt Bonds) may, subject as provided below, be offered in any Relevant Member State (as defined herein) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Information Memorandum as a "**Public Offer**".

This Information Memorandum has been prepared on a basis that permits Public Offers of Bonds in the United Kingdom, Belgium, France and Germany (each, a "**Public Offer Jurisdiction**"). Any person making or intending to make a Public Offer of Bonds in a Public Offer Jurisdiction on the basis of this Information Memorandum must do so only with the consent of the Issuer – see "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" below.

If, after the date of this Information Memorandum, the Issuer intends to add one or more Relevant Member States to the list of Public Offer Jurisdictions for any purpose, it will prepare a supplement to this Information Memorandum specifying such Relevant Member State(s) and any relevant additional information required by the Prospectus Directive. Such supplement will also set out provisions relating to the consent of the Issuer to the use of this Information Memorandum in connection with any Public Offer in any such additional Public Offer Jurisdiction(s).

Save as provided above, the Issuer and Development Company for Israel (UK) Limited (the "**Distributor**") have not authorised, nor do they authorise, the making of any Public Offer of Bonds in circumstances in which an obligation arises for the Issuer or the Distributor to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)

As described more fully in the following paragraphs, express consent is given by the Issuer, as the person responsible for drawing up this Information Memorandum, to the use of this Information Memorandum by the Distributor and the Issuer accepts responsibility for the content of this Information Memorandum also with respect to subsequent resale or final placement of Bonds by the Distributor.

In the context of any Public Offer of Bonds in a Public Offer Jurisdiction, the Issuer accepts responsibility in that Public Offer Jurisdiction for the content of this Information Memorandum in relation to any person (an "**Investor**") in that Public Offer Jurisdiction to whom an offer of any Bonds is made by the Distributor *provided that* the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under "*Consent*". The Issuer has no responsibility for any of the actions of the Distributor, including compliance by the Distributor with any applicable conduct of business rules or other local regulatory or securities law requirements in that Public Offer Jurisdiction in relation to such Public Offer.

Save as provided below, none of the Issuer and the Distributor has authorised the making of any Public Offer and the Issuer has not consented to the use of this Information Memorandum by any other person in connection with any Public Offer of Bonds. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor the Distributor accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Bonds by a person which is not the Distributor, the Investor should check with such person whether anyone is responsible for this Information Memorandum for the purposes of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Information Memorandum and/or who is responsible for its contents it should take legal advice.

Consent

The Issuer consents to the use of this Information Memorandum in connection with a Public Offer of Bonds in any Public Offer Jurisdiction by the Distributor, *provided that* such consent:

- (a) is only valid in respect of the relevant Tranche of Bonds;
- (b) is only valid during the Offer Period specified in the applicable Final Terms; and
- (c) only extends to the use of this Information Memorandum to make Public Offers of the relevant Tranche of Bonds in such of the Public Offer Jurisdictions as are specified in the applicable Final Terms.

The consent referred to above relates to Public Offers occurring within twelve months from the date of this Information Memorandum.

ARRANGEMENTS BETWEEN INVESTORS AND THE DISTRIBUTOR

IN THE EVENT OF AN OFFER OF BONDS BEING MADE BY THE DISTRIBUTOR, THE DISTRIBUTOR WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE OFFER AT THE TIME THE OFFER IS MADE.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY BONDS IN A PUBLIC OFFER FROM THE DISTRIBUTOR WILL DO SO, AND OFFERS AND SALES OF SUCH BONDS TO AN INVESTOR BY THE DISTRIBUTOR WILL BE MADE, IN ACCORDANCE WITH, ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN THE DISTRIBUTOR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS (OTHER THAN WITH THE DISTRIBUTOR) IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE BONDS CONCERNED AND, ACCORDINGLY, THIS INFORMATION MEMORANDUM AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE DISTRIBUTOR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE DISTRIBUTOR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE ISSUER DOES NOT HAVE ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

Other relevant information

This Information Memorandum must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Bonds, must be read and construed together with the relevant Final Terms.

Unauthorised information

No offering literature or advertisement in whatever form has been or shall be employed in the offering of the Bonds referred to in this Information Memorandum except for this Information Memorandum and any supplements hereto, the Final Terms, the Rate Sheets (as defined herein), any literature setting out the basic features of the Bonds prepared by the Distributor and the information relating to the Bonds made available on the Distributor's website (www.israelukbonds.com).

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any information supplied by the Issuer or the Distributor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Distributor.

Neither the delivery of this Information Memorandum or any Final Terms nor the offering, sale or delivery of any Bond shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or

financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Information Memorandum and any Final Terms and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Final Terms comes are required by the Issuer and the Distributor to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of this Information Memorandum or any Final Terms and other offering material relating to the Bonds, see "*Subscription and Sale*". In particular, Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Information Memorandum nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Bonds and should not be considered as a recommendation by the Issuer or the Distributor that any recipient of this Information Memorandum or any Final Terms should subscribe for or purchase any Bonds.

The Bonds may not be a suitable investment for all investors

No advice, recommendation or inducement to apply for a Bond is made or given by or on behalf of the State of Israel or the Distributor and in considering the purchase of a Bond you must rely wholly upon your own judgement and the advice of your professional adviser. Each recipient of this Information Memorandum or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

You must determine the suitability of investment in the Bonds in light of your own circumstances. In particular, you should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of your particular financial situation, an investment in the Bonds and the impact the Bonds will have on your overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from your currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect your

investment and your ability to bear the applicable risks; and

- (vi) understand that the Bonds are only transferable or assignable in limited circumstances and, as a result, Bond holders will need to hold their Bonds to maturity.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisors to determine whether and to what extent (1) the Bonds are lawful investments for you to make and (2) other restrictions apply to your purchase of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Supplements

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Information Memorandum which is capable of affecting the assessment of any Bonds, prepare a supplement to this Information Memorandum or publish a new Information Memorandum for use in connection with any subsequent issue of Bonds. The Issuer undertakes that it will comply with section 87G of the Financial Services and Markets Act 2000.

State of Israel debt instruments

The State of Israel issues debt instruments whose names, series, maturities, denominations, issue dates, interest commencement dates, maturity dates and/or other integral terms may be similar to those of the Bonds issued under this Programme. Such debt instruments may, on any given day, provide a greater yield to maturity than the Bonds being issued under this Information Memorandum.

The Bonds denominated in United States Dollars issued under this Programme under the designation "International Dollar Series" are considered a separate and distinct class of securities, for all purposes, from any other State of Israel debt instruments denominated in United States Dollars.

Definitions

Unless otherwise specified, all references in this Information Memorandum to:

- "**United States Dollars**", "**U.S. Dollars**", "**U.S. dollars**", "**U.S.\$**", "**USD**" and "**\$**" refer to the currency of the United States of America;
- "**New Israeli Shekels**", "**shekels**" and "**NIS**" refer to the currency of the State of Israel;
- "**Sterling**", "**British Pounds Sterling**" and "**£**" refer to the currency of the United Kingdom;
- "**euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;

- "**Prospectus Directive**" refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) *provided, however, that*, in relation to any Member State, references to the "Prospectus Directive" refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and include any relevant implementing measure in the relevant Member State;
- "**2010 PD Amending Directive**" refer to Directive 2010/73/EU;
- "**EEA**" refer to the European Economic Area;
- "**Member State**" refer to a member state of the EEA; and
- "**Relevant Member State**" refer to a Member State which has implemented the Prospectus Directive.

Ratings

As of the date of this Information Memorandum, the long-term foreign currency sovereign credit ratings of the Issuer are: A1 (Moody's Investors Service, Inc.), A+ (Standard & Poor's Credit Market Services Europe Limited) and A (Fitch Ratings Ltd). The Programme and the Bonds to be issued have not been rated.

Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd are both established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Moody's Investors Service, Inc. is not established in the EEA and is not certified under the CRA Regulation; however ratings issued by it are endorsed by Moody's Investors Service Ltd., which is established in the EEA and registered under the CRA Regulation.

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA, but which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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SUMMARY OF THE PROGRAMME AND THE BONDS

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	Introduction and Warnings.	<p>This summary must be read as an introduction to this information memorandum (the "Information Memorandum") and any decision to invest in the bonds (the "Bonds") under the Bond Issuance Programme (the "Programme") of State of Israel (the "Issuer" or the "State of Israel") should be based on a consideration of the Information Memorandum as a whole, including any information incorporated by reference.</p> <p>Following the implementation of Directive 2003/71/EC as amended (the "Prospectus Directive") in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Information Memorandum, including any information incorporated by reference or it does not provide, when read together with the other parts of this Information Memorandum, key information in order to aid Investors when considering whether to invest in the Bonds.</p> <p>Where a claim relating to the information contained in this Information Memorandum is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Information Memorandum before the legal proceedings are initiated.</p>
A.2	Consent to use of this Information Memorandum.	<p>Tranches of Bonds may, subject as provided below, be offered in any Relevant Member State (as defined herein) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Information</p>

		<p>Memorandum as a "Public Offer".</p> <p>The Issuer consents to the use of this Information Memorandum in connection with Public Offers of the Bonds by Development Company for Israel (UK) Limited (the "Distributor") in [Belgium, France, Germany and the United Kingdom] (the "Public Offer Jurisdictions"), <i>provided that</i> such consent:</p> <p>(a) is only valid in respect of the relevant Tranche of Bonds;</p> <p>(b) is only valid from the 1st of the month through the 14th of the month to the issue date (the "Issue Date") in the case of Bonds issued on the 15th of the month or from the 15th of the month preceding the Issue Date through the last day of that month in the case of Bonds issued on the 1st of the month; and</p> <p>(c) only extends to the use of this Information Memorandum to make Public Offers of the relevant Tranche of Bonds in the Public Offer Jurisdictions.</p> <p>The Distributor will provide information to investors on the terms and conditions of the Public Offer of the relevant Bonds at the time such Public Offer is made by the Distributor to the investor.</p>
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SECTION B – THE ISSUER		
B.17	Credit ratings.	<p>The long-term foreign currency sovereign credit ratings of the Issuer as at the date of this Information Memorandum are: A1 (Moody's Investors Service, Inc.), A+ (Standard & Poor's Credit Market Services Europe Limited) and A (Fitch Ratings Ltd). The Programme and the Bonds to be issued have not been rated.</p>
B.47	Description of the Issuer, including its economy.	<p>State of Israel is a sovereign issuer, located in the State of Israel.</p> <p>The Israeli economy grew at a pace of 3.2% in 2012, a lower rate of growth compared to 2010 and 2011, in which the annual gross domestic product ("GDP") growth rate stood at 5% and 4.6%, respectively. The growth rate began to moderate in the second half of 2011. This trend continued into 2012, during which GDP grew by 2.9%, 2.6%, 2.8% and 2.6% in the first, second, third and fourth quarters, respectively. The slowdown in growth rates that began in the second half of 2011 and continued throughout 2012 is attributable to the weakening of global demand and</p>

		<p>completion of large domestic infrastructure projects.</p> <p>The Ministry of Finance's current GDP growth forecast for 2013 is 3.8%. This forecast takes into account the contribution of natural gas production from the newly-operating Tamar natural gas field, which is estimated as accounting for 0.9 percentage points of GDP growth for the year.</p> <p>During the first quarter of 2013, GDP grew at an annual rate of 2.7%, a modest increase compared to the fourth quarter of 2012. This increase in growth is attributable to an increase in exports and private consumption. Business sector product (calculated as GDP less some general government services, services of private non-profit institutions and housing services) grew at an annual rate of 3.5% in the fourth quarter of 2012, compared to 3.2% in the first quarter of 2012 and 2.9% in both the second and third quarters of the same year. Business sector product grew at an annual rate of 2.2% in the first quarter of 2013. The decrease in the growth rate of business sector product compared to 2012 is attributable to a decline in investments. The growth in private consumption slowed in the second half of 2012, and fixed capital formation declined or was negative throughout 2012. In the first quarter of 2013, private consumption grew at an annual rate of 5%. However, fixed capital formation declined by 23.3% in the first quarter of 2013, as investments continued to decline after the completion of a number of large infrastructure projects, including the project for the Tamar reservoir and the upgrading of Intel's factory.</p>
B.48	Public finance and trade.	<p><i>Balance of Payments and Foreign Trade</i></p> <p>Israel had a current account surplus of 0.4% of GDP in 2012. This relatively small surplus follows almost a decade of a high surplus in the current account. The current account balance deteriorated steadily since the second half of 2010 and through the first quarter of 2013. This deterioration is partially attributable to the cessation of natural gas flowing from Egypt and the slowdown in the extraction of natural gas from Yam Tethis reservoir, the combined effect of which was to require Israel to import expensive alternative fuels during 2011 and 2012. The production of natural gas from the Tamar reservoir, which started in late March 2013, is expected to contribute to an improvement in the current account balance in 2013 and in future years.</p> <p>Israel is a party to free trade agreements with its major trading partners and it is one of the few nations that signed</p>

free trade agreements with both the United States and the European Union. During 2012, exports increased slightly while imports decreased slightly. In 2012, imports of consumption goods and raw materials increased, whereas imports of investment goods decreased. Israel recorded a net-export surplus of U.S.\$0.5 billion in 2012, compared to a deficit of U.S.\$1.3 billion in 2011, and following a high surplus during 2009 and 2010. Compared to 2011, exports in real terms were almost unchanged in 2012 (0.1% increase), whereas imports increased by 3.4%. Due in part to the reduction in global demand (particularly relating to high-tech products) and the appreciation of the NIS, exports decreased in the third and fourth quarters of 2012, by 13% and 7.1%, respectively (in annual terms, compared with the previous quarter). The lacklustre growth in exports during 2012 is reflected in the decrease of exports to the United States by 4.6% and to the European Union by 6.9%. Exports to other destinations (including Asia) grew by 1.4% in 2012, compared with growth of 15.3% in 2011. Due to the recessionary climate in the EU, the share of exports to the EU decreased by 1.7 percentage points during 2012 (from 32.7% in 2011 to 31% in 2012), while the share of exports to Asia increased by the same rate.

Fiscal Policy

The budget deficit amounted to 4.2% of GDP in 2012, well above the budget deficit target of 2% of GDP for the same year. In recent years, the budget deficit has been on a declining path, amounting to 5.1% of GDP in 2009 due to a decrease in tax revenues resulting from the global financial crisis (the 2009 budget deficit target was set at 6%); 3.8% of GDP in 2010 (the 2010 budget deficit target was set at 5.5%); and 3.3% in 2011 (the 2011 budget deficit target was set at 3%). Pursuant to recent legislation, the budget deficit target is set at 4.65% of GDP in 2013 and 3% of GDP in 2014. In accordance with the Government's long-term fiscal policy, Government expenditure is not to exceed the limit set forth in the Deficit Reduction and Budgetary Expenditure Limitation Law enacted by the Knesset in May 2010, and the Government aims to reach a 60% debt/GDP ratio in the medium-term.

Israel's gross public debt as a percentage of GDP has been on a declining path in the last decade. Israel's gross public debt as a percentage of GDP stood at 73.2% in 2012, 74.1% in 2011, 76.3% in 2010 and 79.5% in 2009.

In the first quarter of 2013, the deficit amounted to NIS 4.6 billion, compared to NIS 1.6 billion in the first quarter of 2012. Tax revenues in the first quarter of 2013 amounted to

		<p>NIS 57.5 billion, unchanged from the first quarter of 2012. The Government took certain immediate measures to improve fiscal conditions, even before the approval of the budget for 2013-2014. These measures include raising the VAT rate by one percentage point to 18% starting June 2013, and raising the tax rate on cigarettes, tobacco and alcoholic drinks.</p> <p>As a result of the Government's fiscal discipline, Israel's gross public debt as a percentage of GDP has been on a declining path in the last decade. Israel's gross public debt as a percentage of GDP stood at 73.2% in 2012.</p> <p><i>Inflation and Monetary Policy</i></p> <p>Measured at year end, the consumer price index ("CPI") rose by 1.6% in 2012, reflecting a rise in the prices of commodities, housing, and agricultural products. In the first few months of 2013, CPI remained within the target range. CPI rose by an average of 0.9% in the twelve month period prior to May 2013.</p> <p>In order to support further growth, the Bank of Israel has lowered its interest rate, most recently to 1.25% in June 2013.</p> <p>The NIS/USD exchange rate appreciated from the second half of 2012 and into 2013, after depreciating in 2011 and in the first half of 2012, averaging NIS 3.86 for 2012 (compared to NIS 3.58 in 2011). As of May 31, 2013, the NIS/USD exchange rate stood at NIS 3.683.</p>
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SECTION C – THE BONDS		
C.1	Type and class of the Bonds.	<p>Bonds may be issued as floating rate bonds ("Euro Floating Rate Bonds"). Euro Floating Rate Bonds are floating rate Bonds, and will be offered in Euro with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable semi-annually and upon maturity.</p> <p>Bonds may be issued as mazel tov savings bonds ("Mazel Tov Savings Bonds"). Mazel Tov Savings Bonds are fixed rate Bonds and will be offered in Euro ("Euro Mazel Tov Savings Bonds"), British Pound Sterling ("Sterling Mazel Tov Savings Bonds") or United States Dollars ("U.S. Dollar Mazel Tov Savings Bonds"), with interest payable upon maturity. U.S. Dollar Mazel Tov Savings Bonds will be offered with maturities of [5 and 10] years, and Euro Mazel Tov Savings Bonds and Sterling Mazel Tov Savings</p>

		<p>Bonds will be offered with a maturity of 5 years.</p> <p>Bonds may be issued as savings bonds ("Savings Bonds"). Savings Bonds are fixed rate Bonds, and will be offered in Euro ("Euro Savings Bonds"), British Pound Sterling ("Sterling Savings Bonds") or United States Dollars ("U.S. Dollar Savings Bonds") with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable upon maturity.</p> <p>Bonds may be issued as jubilee bonds ("Sterling Jubilee Bonds"). Sterling Jubilee Bonds are fixed rate Bonds, will be offered in British Pound Sterling and offered with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable semi-annually and upon maturity.</p> <p>Bonds may be issued as floating rate LIBOR bonds ("U.S. Dollar Floating Rate LIBOR Bonds"). U.S. Dollar Floating Rate LIBOR Bonds are floating rate Bonds, will be offered in United States Dollars and with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable semi-annually and upon maturity.</p> <p>Bonds may be issued as jubilee fixed rate bonds ("U.S. Dollar Jubilee Fixed Rate Bonds"). U.S. Dollar Jubilee Fixed Rate Bonds are fixed rate Bonds, will be offered in United States Dollars and with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable semi-annually and upon maturity.</p> <p>Bonds may be issued as maccabee fixed rate bonds ("U.S. Dollar Maccabee Fixed Rate Bonds"). U.S. Dollar Maccabee Fixed Rate Bonds are fixed rate Bonds, will be offered in United States Dollars and with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable semi-annually and upon maturity.</p> <p>Bonds may be issued as sabra savings bonds ("U.S. Dollar Sabra Savings Bonds"). U.S. Dollar Sabra Savings Bonds are fixed rate Bonds, will be offered in United States Dollars and with maturities of [1, 2, 3, 5 and 10] year[s], with interest payable upon maturity.</p> <p>Bonds will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Bonds of each Series will all be subject to identical terms, except for the issue dates, interest commencement dates and/or maturity dates of the respective Tranches. Tranches of the same Series may have different maturity dates and bear different interest rates.</p> <p>As used herein, "Tranche" means Bonds which are</p>
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		<p>identical in all respects including, without limitation, issue date, interest commencement date and maturity date, and "Series" means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which are identical in all respects except for their respective issue dates, interest commencement dates and/or maturity dates.</p> <p>The Bonds are issued in book-entry form. Certificates will be issued only to Registered Owners who are government agencies, pension funds, financial institutions and employee benefit schemes that so request at the time of purchase, or upon written consent of the State of Israel.</p> <p>Bonds, other than U.S. Dollar-denominated Bonds, will not be allocated any security identification numbers. Bonds denominated in United States Dollars will be allocated CUSIPs.</p>
C.2	Currencies.	<p>Currency: Bonds will be issued in Euro ("€" or "Euro"), British Pounds Sterling ("£" or "Sterling") or United States Dollars ("U.S.\$" or "U.S. Dollars").</p> <p>Denominations: Euro Floating Rate Bonds will be issued in denominations of €5,000. Mazel Tov Savings Bonds will be issued in denominations of €100 (and integral multiples of €10 in excess of €100), £100 (and integral multiples of £10 in excess of £100) and U.S.\$100 (and integral multiples of U.S.\$10 in excess of U.S.\$100). Savings Bonds will be issued in denominations of €5,000, £1,000 and U.S.\$2,500 (and integral multiples of U.S.\$2,500 in excess of U.S.\$2,500). Sterling Jubilee Bonds will be issued in denominations of £1,000. U.S. Dollar Floating Rate LIBOR Bonds will be issued in denominations of U.S.\$5,000 (and integral multiples of U.S.\$500 in excess of U.S.\$5,000). U.S. Dollar Jubilee Fixed Rate Bonds will be issued in denominations of U.S.\$25,000 (and integral multiples of U.S.\$5,000 in excess of U.S.\$25,000). U.S. Dollar Maccabee Fixed Rate Bonds will be issued in denominations of U.S.\$5,000 (and integral multiples of U.S.\$500 in excess of U.S.\$5,000). U.S. Dollar Sabra Savings Bonds will be issued in denominations of U.S.\$1,000 (and integral multiples of U.S.\$100 in excess of U.S.\$1,000).</p> <p>The maximum amount of 1-Year Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner is €5,000 or £5,000. The maximum amount of Mazel Tov Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one</p>

		Registered Owner, is €2,500, £2,500 or U.S.\$2,500.
C.5	Restrictions on free transferability of the Bonds.	The Distributor has agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.
C.8	Ranking of the Bonds, rights of the Bonds and any limitations to those rights.	<p><i>Status of the Bonds:</i> The Bonds are direct, unconditional and general unsecured obligations of the State of Israel and will rank on the same basis with all other general unsecured loan obligations of the State of Israel without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise.</p> <p><i>Taxation:</i> Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom).</p> <p><i>Governing law:</i> The Bonds will be governed by and construed in accordance with the laws of the State of New York.</p> <p><i>Limitations on the rights attaching to the Bonds:</i> This part of the Element is not applicable, as there are no such limitations on rights attaching to the Bonds.</p>
C.9	Interest, redemption, yield and representative of the Bondholders.	<p><i>Issue Price:</i> The issue price of the Bonds is 100% of their aggregate principal amount.</p> <p><i>Interest:</i> The Bonds are interest bearing. Interest will accrue at either a fixed rate or (in the case of the Euro Floating Rate Bonds and the U.S. Dollar Floating Rate LIBOR Bonds) a floating rate. The applicable interest rate is (in the case of the fixed Rate Bonds) a fixed percentage per annum, (in the case of the Euro Floating Rate Bonds) the Applicable EURIBOR Rate plus or minus a fixed number of basis points or (in the case of the U.S. Dollar Floating Rate LIBOR Bonds) the Applicable LIBOR Rate plus or minus a fixed number of basis points.</p> <p>The "Applicable EURIBOR Rate" is the applicable six</p>

month EURIBOR (as ascertained by the State of Israel from the Banking Federation of the European Union for the relevant period, displayed on Reuters page 248/249 or such other recognised quotation system as may be designated by the State of Israel from time to time, rounded upwards to the second decimal place (e.g., six month EURIBOR of 5.466% will be rounded upwards to 5.47%)) in effect on the relevant interest determination date. "**EURIBOR**" is the Eurozone interbank offered rate, a reference rate based on the averaged interest rates at which a panel of Eurozone banks offer to lend unsecured funds in Euro to other banks within the Eurozone.

The "**Applicable LIBOR Rate**" is the applicable six month LIBOR in effect on the relevant interest determination date as appears on Reuters Screen LIBO Page or such other recognised quotation system as may be designated by the State of Israel from time to time, rounded upwards to the next one-sixteenth (1/16) of one percent, if the quoted interest rate is not equivalent to one-sixteenth (1/16) of one percent. "**LIBOR**" is the London interbank offered rate, a reference rate based on the averaged interest rates at which a panel of London banks offer to lend unsecured funds in different currencies to other banks in London.

Interest shall accrue from (and including) the Issue Date of the Bond up to (but not including) the maturity date on the basis of a 365-day year and the number of days elapsed. The Bonds will not accrue interest after the maturity.

Interest Payment Dates are (in the case of the Savings Bonds, Mazel Tov Savings Bonds and U.S. Dollar Sabra Savings Bonds) the Maturity Date only, (in the case of the Euro Floating Rate Bonds and the U.S. Dollar Floating Rate LIBOR Bonds) June 1st and December 1st in each year and upon maturity, except that for Bonds issued on May 15th and November 15th in each year, the initial interest payment will be made on the second Interest Payment Date following the Issue Date or (in the case of the Sterling Jubilee Bonds, U.S. Dollar Jubilee Fixed Rate Bonds and U.S. Dollar Maccabee Fixed Rate Bonds) May 1st and November 1st in each year and upon maturity, except that for Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

Maturity: Euro Floating Rate Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. Mazel Tov Savings Bonds: [5-Year and (U.S. Dollar Mazel Tov Savings Bonds only) 10-

		<p>Year]. Savings Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. Sterling Jubilee Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. U.S. Dollar Floating Rate LIBOR Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. U.S. Dollar Jubilee Fixed Rate Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. U.S. Dollar Maccabee Fixed Rate Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year]. U.S. Dollar Sabra Savings Bonds: [1-Year, 2-Year, 3-Year, 5-Year and 10-Year].</p> <p>Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed on the first, second, third, fifth or tenth, as the case may be, anniversary of the Issue Date.</p> <p>Redemption: Subject to any purchase and cancellation or early redemption, Bonds will be redeemed on their Maturity Date at par.</p> <p>Early Redemption: The State of Israel is entitled to redeem any issued Bonds in whole or in part at any time. Redemption at the request of a Bond holder is not possible, except upon the death of the last surviving natural person who owned the Bond or upon the termination of an employee benefit scheme in accordance with the Conditions of the Bonds.</p> <p>Yield: Calculated on the basis of the formula set out below, the annual yield of each fixed rate Bond will be the same as applicable annual interest rate of such Bond.</p> $\text{Yield} = \frac{\text{Coupon}}{\text{Issue Price}} \quad (\text{i.e., } 100\%)$ <p>The yield in respect of a particular Bond will not be an indication of future yield.</p> <p>Representative of the Bondholders: This part of the Element is not applicable, as there is no trustee appointed to act on behalf of the Bond holders.</p>
C.10	Derivative components in interest payment.	Not Applicable. There is no derivative component in the interest payments made in respect of any Bond issued under the Programme.
C.11	Listing and admission to trading of the Bonds.	No application has been or will be made for the Bonds to be admitted to trading on any exchange, market or other trading platform.

SECTION D – RISKS		
D.2	Key risks specific to the Issuer.	<p>Escalation of political volatility in the Middle East and North Africa region and worsening of global economic conditions may have an adverse effect, if these risks materialise, on Israel's economy and its financial condition and credit. By investing in the Bonds, an investor is exposed to the risk that some or all of these factors could negatively affect the Issuer, and in turn, negatively impact the value of the Bonds.</p>
D.3	Key risks specific to the Bonds.	<p>Investing in Bonds issued under the Programme involves risks. In particular:</p> <ul style="list-style-type: none"> • The Bonds are unlisted, transferability of the Bonds is limited and there is no secondary trading market for the Bonds. • A Public Offer of any Bonds may be cancelled or terminated early, meaning an applicant investor may not be issued any Bonds or may be issued a number of Bonds which is less than the amount for which such applicant investor applied. In such cases, there may be a time lag in the release of any such amounts to the applicant investor. • The Bonds constitute unsecured obligations of the State of Israel and Bond holders therefore have no recourse to any security. • The State of Israel may redeem the Bonds prior to their scheduled maturity dates and, upon such redemption, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed. • The conditions of the Bonds are based on the laws of the State of New York in effect as of the date of this Information Memorandum and no assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice. • The investment of investors whose financial activities are denominated in a currency other than the Specified Currency of the relevant Bonds may be adversely affected by changes in exchange rates or currency appreciation, or by the imposition of exchange controls. • Potential purchasers of the Bonds may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are purchased or transferred or other jurisdictions.

SECTION E – OFFER		
E.2b	Reasons for the offer and use of proceeds.	The net proceeds from the issue of the Bonds are intended to be used for the general financing purposes of the Issuer.
E.3	Terms and conditions of the offer.	<p>Any investor intending to acquire or acquiring any Bonds from the Distributor will do so, and offers and sales of the Bonds to an investor by the Distributor will be made, in accordance with any terms and other arrangements in place between the Distributor and such investor including as to price, allocation and settlement arrangements.</p> <p><i>Terms of the Public Offer of the Bonds:</i></p> <p><i>Distributor:</i> Development Company for Israel (UK) Limited.</p> <p><i>Offer Price:</i> 100% of the aggregate principal amount of the Bonds.</p> <p><i>Public Offer Jurisdiction(s):</i> [United Kingdom, Belgium, France and Germany].</p> <p><i>Offer Period(s):</i> From the 1st of the month through the 14th of the month to the Issue Date in the case of Bonds issued on the 15th of the month or from the 15th of the month preceding the Issue Date through the last day of that month in the case of Bonds issued on the 1st of the month.</p> <p><i>Conditions to which the Public Offer is subject:</i> The Issuer reserves the right to cancel or terminate early the Public Offer prior to its end date without giving notification of any such cancellation or early termination. For the avoidance of doubt, if any application to subscribe for the Bonds has been made by a potential investor and the Issuer exercises such right, each such potential investor shall not be entitled to subscribe or otherwise acquire the Bonds and any applications will be automatically cancelled and any purchase monies will be refunded to the applicant.</p> <p>The final amount of Bonds to be issued will be determined at the end of the Offer Period and will depend, among other things, on the total amount of received subscriptions in respect of the Bonds.</p> <p><i>Description of the application process:</i> Investors may subscribe for the Bonds through the Distributor prior to the end of the Offer Period. Application for Bonds should be made by completing an investment form. Investors will also be required to sign the Distributor's terms of business</p>

	<p>and complete a client information form. These forms are available on the Distributor's website or by contacting the Distributor directly. The State of Israel is not obliged to accept an investment form.</p> <p><i>Details of the possibility of reducing subscriptions and manner for refunding excess amount paid by applicants:</i> Prospective investors in the Bonds should contact the Distributor for details regarding the possibility of reducing subscriptions during the Offer Period and the manner for refunding any excess amount paid.</p> <p><i>Details of the minimum and/or maximum amount of application:</i> Euro Floating Rate Bonds - €5,000; Mazel Tov Savings Bonds - €100, £100 or U.S.\$100; Savings Bonds - €5,000, £1,000 or U.S.\$2,500; Sterling Jubilee Bonds - £1,000; U.S. Dollar Floating Rate LIBOR Bonds - U.S.\$5,000; U.S. Dollar Jubilee Fixed Rate Bonds - U.S.\$25,000; U.S. Dollar Maccabee Fixed Rate Bonds - U.S.\$5,000; and U.S. Dollar Sabra Savings Bonds - U.S.\$1,000. The maximum amounts of application are: 1-Year Savings Bonds - €5,000 or £5,000 and Mazel Tov Savings Bonds - €2,500, £2,500 or U.S.\$2,500.</p> <p><i>Details of the method and time limits for paying up and delivering the Bonds:</i> In order to purchase a Bond on a specific Issue Date, a purchaser's investment form must be accepted by or on behalf of the State of Israel and cleared funds in respect of the full purchase price of such Bond must be received and accepted in the account of Computershare Trust Company of Canada (the "Fiscal Agent") before such Issue Date (or before such other date announced by the State of Israel). The Bonds will be issued on the relevant Issue Date. If an investment form is accepted by or on behalf of the State of Israel and/or clear funds are accepted or received in the account of the Fiscal Agent on or after an Issue Date (or such other date), the relevant Bond will be issued on a subsequent Issue Date.</p> <p><i>Manner in and date on which results of the Public Offer are to be made public:</i> The Distributor, on behalf of the State of Israel, will announce the results of each Public Offer on its website as soon as practicable following the completion or termination of the Public Offer.</p> <p><i>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</i> Not Applicable.</p> <p><i>Categories of potential investors to which the Bonds are offered:</i> Any person in the Public Offer Jurisdiction(s).</p>
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		<p>The Bonds may have a special appeal to persons with an interest in the State of Israel.</p> <p><i>Whether Tranche(s) have been reserved for certain countries:</i> No Tranche(s) have been reserved for certain countries.</p> <p><i>Process for notification to applicants of the amount allotted:</i> Unless an application to purchase Bonds is not accepted by the State of Israel or a Public Offer is cancelled or terminated early, a prospective Bond holder will be allotted 100% of the Bonds applied for. The Fiscal Agent will post a confirmation of the allotment of Bonds to the prospective Bond holder within 7 Banking Days (being days, other than a Saturday, a Sunday or a public holiday, on which banks are open for business in both the United Kingdom and Canada) of the day on which the purchase is completed.</p> <p><i>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</i> Subscribers for Bonds will not be charged any fees in relation to the issue, transfer or assignment of a Bond by the Distributor, the Fiscal Agent or the State of Israel.</p> <p>Bond holders will be charged a fee (U.S.\$25 for Bonds of U.S.\$25,000 and under or U.S.\$100 for Bonds greater than U.S. \$25,000) to replace a Bond certificate by the Fiscal Agent.</p> <p><i>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:</i></p> <p>The Distributor:</p> <p>Development Company for Israel (UK) Limited Ort House 126 Albert Street London NW1 7NE United Kingdom</p> <p>Telephone: +44 (0)20 7446 8670 Email: info@israelukbonds.com Website: www.israelukbonds.com</p> <p><u>The Distributor's Paris office:</u></p> <p>Association de coopération économique France-Israël (A.C.E.F.I.) 43 rue Le Peletier</p>
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		<p>75009 Paris France</p> <p><u>The Distributor's Frankfurt office:</u></p> <p>Hebelstrasse 6, 2nd Floor 60318 Frankfurt/Main Germany</p> <p><i>Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: Not Applicable.</i></p>
E.4	Any interest(s) material to the issue/offer.	The Issuer is not aware of any interest(s) material to issues of Bonds under the Programme, other than any fees payable to Distributor for promoting and arranging subscriptions for the Bonds.
E.7	Expenses charged to the Investor.	<p>Subscribers for Bonds will not be charged any fees in relation to the issue, transfer or assignment of a Bond by the Distributor, the Fiscal Agent or the State of Israel.</p> <p>Bond holders will be charged a fee (U.S.\$25 for Bonds of U.S.\$25,000 and under or U.S.\$100 for Bonds greater than U.S. \$25,000) to replace a Bond certificate by the Fiscal Agent.</p> <p>Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom). Under Israeli law as presently in effect, payments made under the Bonds to Bond holders who are not residents of the State of Israel will be exempt from Israeli taxation, and there are no transfer, stamp or similar taxes under the laws of the State of Israel payable in connection with the issue or redemption of the Bonds. United Kingdom resident Bond holders will normally be liable to United Kingdom income tax on the interest. Repayment of principal is not a taxable event in the United Kingdom.</p> <p>The tax consequences for each investor in the Bonds can be different and therefore investors are advised to consult with their tax advisers as to their specific consequences.</p>

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Information Memorandum save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is subsequently incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), *provided that* such modifying or superseding statement is made by way of a supplement to this Information Memorandum pursuant to Article 16 of the Prospectus Directive:

Exhibit D to the Issuer's Annual Report on Form 18-K/A to the United States Securities and Exchange Commission for the fiscal year ended 31 December 2012 dated as of 28 June 2013 submitted to and filed with the UK Listing Authority on 8 August 2013:

Map of Israel	Page D-1
Currency Protocol	Page D-2
Fiscal Year	Page D-2
Forward-Looking Statements	Page D-3
Summary Information and Recent Developments	Pages D-4 to D-12 (inclusive)
State of Israel	Pages D-13 to D-21 (inclusive)
The Economy	Pages D-22 to D-46 (inclusive)
Balance of Payments and Foreign Trade	Pages D-47 to D-60 (inclusive)
The Financial System	Pages D-61 to D-72 (inclusive)
Public Finance	Pages D-73 to D-80 (inclusive)
Public Debt	Pages D-81 to D-87 (inclusive)
Debt Record	Pages D-88 to D-94 (inclusive)

For the period of 12 months following the date of this Information Memorandum, electronic copies of any documents incorporated by reference herein and in any supplements hereto will be available on the Distributor's website at www.israelukbonds.com and physical copies may also be inspected at its offices at the address specified on the last page of this Information Memorandum.

Where a document incorporated by reference in turn incorporates information by reference, such information does not form part of the Information Memorandum for the purposes of the Prospectus Directive.

Those parts of the document incorporated by reference which are not incorporated by reference into this Information Memorandum are either not relevant for prospective

investors in the Bonds or the relevant information is included elsewhere in this Information Memorandum.

If the terms of the Programme are modified or amended in a manner which would make this Information Memorandum, as supplemented, inaccurate or misleading, a new Information Memorandum will be prepared to the extent required by law.

Any websites referred to herein do not form part of this Information Memorandum and are not incorporated by reference in this Information Memorandum.

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, you should carefully consider risk factors associated with any investment in the Bonds and the Issuer together with all other information contained in this Information Memorandum, including, in particular the risk factors described below. Words and expressions defined in the Conditions or elsewhere in this Information Memorandum have the same meanings in this section.

You should note that the risks relating to the Issuer and the Bonds summarised in the section of this Information Memorandum headed "Summary" are the key risks to an assessment by a prospective investor of whether to consider an investment in the Bonds. While the risks that the Issuer considers to be material are described below, the risks that the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, so you should consider not only the information on the key risks summarised in the section of this Information Memorandum headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. The inability of the State of Israel to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons and the State of Israel does not represent that the statements below regarding the risks of holding Bonds are exhaustive. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Issuer and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment.

You should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Information Memorandum and their personal circumstances. You should make your own inquiries as you deem necessary without relying on the State of Israel and should consult with your financial, tax, legal, accounting and other advisors, prior to deciding whether to make an investment in the Bonds. You should consider, among other things, the following:

Risks related to the State of Israel and the geopolitical and economic environment

The State of Israel's access to credit is affected by external factors such as regional and international political and economic conditions.

The State of Israel's access to credit in the international capital markets is affected by regional and international political and economic conditions, including interest rates in financial markets outside the State of Israel, the impact of changes in the credit rating of the State of Israel, the security situation, the economic growth and stability of the State of Israel's major trading partners, and the global high-tech market. As a result, political, economic or market factors, which may be outside the State of Israel's control, may impact the debt dynamics of the State of Israel and could adversely affect the State of Israel's cost of funds in the international capital markets and the demand for the State of Israel's debt securities.

Israel's political, economic and military environment may continue to be volatile.

Israel has from time to time experienced political volatility and has been subject to

ongoing security concerns. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbours. Political instability in the Middle East has increased since the terrorist attacks of September 11, 2001, the U.S. intervention in Iraq and news of Iran's reported nuclear programme. Since 2005, when Israel withdrew from the Gaza Strip, terrorist violence from Gaza has increased. If the level of instability and violence increases in the future, Israel's capital markets, the level of tourism in Israel and foreign investment in Israel, among other things, may suffer. The conflicts with Hamas in the Gaza Strip and with Hezbollah in Lebanon may worsen and potentially affect Israel's economic condition. In addition, political volatility may affect the stability of the Israeli economy.

Since January 2011, there has been political instability and civil disobedience, termed the Arab Spring, in numerous Middle East and North African countries, including Bahrain, Libya, Egypt, Iran, Tunisia, Yemen and Syria. The Arab Spring has ousted long-standing leadership in several of the aforementioned countries and created turbulent political situations in others. As Israel is situated in the centre of this region, it closely monitors these events, aiming to protect its economic, political and security interests. The delicate relations between Israel and its neighbours could become even more fragile with the change in regimes.

There can be no assurance that such instability in the region will not escalate in the future, that such instability will not spread to additional countries in the region, that current or new governments in the region will be successful in maintaining domestic order and stability, or that Israel's economic or political situation will not thereby be affected.

Israel is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

Israel is a sovereign state. Although the State of Israel has waived its sovereign immunity in respect of the Bonds, except for its sovereign immunity in connection with any actions arising out of or based on United States federal or state securities laws, enforcement in the event of a default may nevertheless be impracticable by virtue of legal, commercial, political or other considerations.

Because the State of Israel has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or state securities laws, it will not be possible to obtain a United States judgment against Israel based on such laws unless a court were to determine that the State of Israel is not entitled under the United States Foreign Sovereign Immunities Act of 1976, as amended, to sovereign immunity with respect to such actions.

The current global economic climate and continued economic disruption in Europe may have an adverse effect on Israel's economy.

Israel's economy is affected by current global economic conditions, including regional and international rates of economic growth. Recent downturns in the global economy, stemming most recently from the sovereign debt crisis in Europe, have led to increased market volatility, decreased consumer confidence and a widespread reduction of business activity generally. The potential impact of such global economic pressure on Israel is uncertain. Although Israel's economy has shown moderate rates of growth

throughout and since the global financial crisis, there can be no assurance that Israel's economy will continue to grow in a prolonged negative global economic climate.

As a result of the sovereign debt crisis in Europe, there has been significant price volatility in the secondary market for sovereign debt of European and other nations. If such price volatility continues or worsens, it could lead to a decline in the recoverability and value of the market price of the State of Israel's debt securities, including the Bonds. Risks and ongoing concerns about the sovereign debt crisis in Europe, as well as the possible default by, or exit from the Eurozone of, one or more European states and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economy, thereby adversely affecting Israel's economy, financial condition and credit. In addition, the continued stagnation or decline in economic growth of the European Union, which is one of Israel's major trading partners, could have a material adverse impact on Israel's balance of trade and adversely affect Israel's financial condition.

The successful development of Israel's natural gas reserves involves certain risks that may make expected natural gas production levels unobtainable.

There are numerous uncertainties associated with estimating quantities of natural gas reserves and projecting future rates of production and the level of revenue the State of Israel will recover from its natural gas fields.

These items are, in part, dependent on the reliability of seismic measurement technologies, the future international market for natural gas and other energy substitutes, as well as future development and operating costs, all of which may in fact vary considerably from Israel's current assumptions concerning royalties and tax revenues. Moreover, certain of the State of Israel's neighbouring countries have asserted mineral rights with respect to certain natural gas reserves to which the State of Israel currently lays claim. Any failure to meet expected natural gas production targets on the forecasted timelines, or at all, could have a negative impact on Israel's progress towards energy independence or the revenues that will be received by the State of Israel.

There can be no assurance that the State of Israel's credit ratings will not change.

As at the date of this Information Memorandum, the long-term foreign currency sovereign credit ratings of the State of Israel are: A1 (Moody's Investors Service, Inc.), A+ (Standard & Poor's Credit Market Services Europe Limited) and A (Fitch Ratings Ltd). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

No credit ratings will be assigned to the Programme or the Bonds. This means no independent assessment has been made about the risk of investors losing all or part of an investment in the Bonds and this is a risk each potential investor should consider when deciding if such an investment is appropriate for its needs in light of its own circumstances. The State of Israel's credit ratings may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Bonds.

Risks related to the Bonds

The Bonds are unlisted, transferability of the Bonds is limited and there is no secondary trading market for the Bonds.

The Bonds are unlisted and will not be traded on any exchange, market or other trading platform. Additionally, Bonds may only be sold, transferred or assigned in limited circumstances. As a result, no secondary market can develop for the Bonds meaning that investors may not be able to sell or transfer their Bonds and will instead need to hold such Bonds to maturity. Therefore, in establishing their investment strategy, investors should expect to hold Bonds to maturity and ensure that the term of their Bonds is in line with their future liquidity requirements.

Certain considerations applying in relation to Public Offers of Bonds.

Bonds may be distributed by means of a Public Offer made during the Offer Period specified in the applicable Final Terms. During such Offer Period, the Distributor, on behalf of the Issuer, reserves the right to cancel or terminate early the Public Offer of any Tranche or Series of Bonds, or all Public Offers of Bonds being offered at a particular time, prior to its end date. In such circumstances, an applicant investor may not be issued any Bonds or may be issued a number of Bonds which is less than the amount for which such applicant investor applied. Any amounts segregated by the Distributor as intended payments of the Offer Price by an investor will be released back to the relevant investor by the distributor with or without accrued interest, depending on the agreements between the investor and the Distributor or depending on the policies applied by the distributor in this regard. There may be a time lag in the release of any such amounts and, unless otherwise agreed with the Distributor, no amount will be payable as compensation and the applicant investor may be subject to reinvestment risk.

Investors in the fixed rate Bonds may be subject to interest rate risks.

Investment in fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Bonds. An adverse impact on value may affect the price at which an investor could sell his fixed rate Bonds.

Risks relating to floating rate Bonds.

Investment in Bonds which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Bonds but there will be a periodic adjustment of the reference rate (e.g., every six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Bonds may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Bonds upon the next periodic adjustment of the relevant reference rate.

Risks relating to inverse floating rate Bonds.

Inverse floating rate Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse

floating rate Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Bonds.

The Bonds are unsecured.

The Bonds constitute unsecured obligations of the State of Israel. This means that Bond holders will not have recourse to any security or other assets of the State of Israel should the State of Israel default on its payment obligations in respect of any Bond.

The Bonds are subject to optional redemption by the State of Israel.

The State of Israel may redeem the Bonds prior to their scheduled maturity dates. The State of Israel may redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. Upon such redemption, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and might only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

There can be no assurance that the laws of the State of New York in effect as of the date of this Information Memorandum will not be modified.

The conditions of the Bonds are based on the laws of the State of New York in effect as of the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of this Information Memorandum.

Principal and interest payments will be subject to exchange rate risks and exchange controls.

The State of Israel will pay principal and interest on the Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor subscribes for Bonds in a currency (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Bonds and (2) the Investor's Currency-equivalent value of the principal payable on the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Tax consequences of holding the Bonds.

Potential purchasers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are purchased or transferred or other jurisdictions. Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Bonds in its

particular circumstances, which could follow from, amongst others, the EU Savings Directive. See "*Taxation*".

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is not a summary for the purposes of the Prospectus Directive (for such a summary, please refer to "Summary of the Programme"). The following overview is qualified in its entirety by the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Bonds, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "Conditions of the Bonds" shall have the same meanings in this overview.

Issuer: State of Israel.

Programme: Bond Issuance Programme.

Programme Amount: Unlimited.

The final amount of Bonds to be issued will be determined at the end of the relevant Offer Period and will depend, among other things, on the total amount of received subscriptions in respect of the Bonds.

The Distributor, on behalf of the State of Israel, will announce the results of each Public Offer on its website as soon as practicable following the completion or termination of the Public Offer.

Distributor: Development Company for Israel (UK) Limited.

Fiscal Agent: Computershare Trust Company of Canada.

Bonds: The Bonds are debt instruments issued by the Issuer. Bonds may be Euro Floating Rate Bonds, Mazel Tov Savings Bonds (Euro Mazel Tov Savings Bonds, Sterling Mazel Tov Savings Bonds or U.S. Dollar Mazel Tov Savings Bonds), Savings Bonds (Euro Savings Bonds, Sterling Savings Bonds or U.S. Dollar Savings Bonds), Sterling Jubilee Bonds, U.S. Dollar Floating Rate LIBOR Bonds, U.S. Dollar Jubilee Fixed Rate Bonds, U.S. Dollar Maccabee Fixed Rate Bonds or U.S. Dollar Sabra Savings Bonds.

See the chart below for further details regarding the features of these types of Bonds.

Currencies: British Pounds Sterling, Euro and United States Dollars.

When purchasing a Bond, investors may tender funds in Euro, British Pounds Sterling or United States Dollars.

See "*Conditions of the Bonds — Purchase of Bonds*".

Issue Date: 15th of the month (for Bonds offered from the 1st of the month through the 14th of the month) or 1st of the month (for Bonds offered from the 15th of the month preceding the Issue Date through the last day of that month) or (in the case of the Mazel Tov Savings Bonds only) the 1st of the month.

Maturity Dates: Bonds will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond occurs.

Interest: The Bonds will accrue interest from (and including) the Issue Date until (but not including) the maturity date.

Interest may be paid on an annual or semi-annual basis, or may be only paid on the maturity date of the relevant Bond, as the case may be.

Details of historic EURIBOR rates can be obtained from www.euribor-ebf.eu/euribor-org/euribor-rates.html and historic LIBOR rates can be obtained from www.bbalibor.com/rates/historical.

Risk Factors: There are certain risks relating to the Bonds, which investors should ensure they fully understand before purchasing any Bond. See "*Risk Factors*".

Form of Bonds: The Bonds are issued in book-entry form. Certificates will be issued only to government agencies, pension funds, financial institutions and employee benefit plans that so request at the time of purchase.

Transfer of Bonds: Bonds may be assigned or transferred in the instances specified under "*Conditions of the Bonds — Transferability*".

Redemption: Subject to any purchase and cancellation or early redemption, Bonds will be redeemed on their Maturity Date at par.

Early Redemption: The State of Israel is entitled to redeem any issued Bonds in whole or in part at any time. See "*Conditions of the Bonds — Early Redemption – At the Option of the State of Israel*".

Redemption at the request of a Bond holder is not possible, except upon the death of the last surviving natural person who owned the Bond or upon the termination of an employee benefit scheme in accordance with the Conditions. See "*Conditions of the Bonds —*

Early Redemption – At the Request of a Bond holder".

Use of proceeds:	The net proceeds from the issue of the Bonds are intended to be used for the general financing purposes of the Issuer.
Interests of natural and legal persons involved in the issue/offer:	The Issuer is not aware of any interest(s) material to the issue of the Bonds, other than any fees payable to Distributor for promoting and arranging subscriptions for the Bonds.
Listing:	No application has been or will be made for the Bonds to be admitted to trading on any exchange, market or other trading platform.
Taxation:	<p>Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom).</p> <p>For a discussion of tax consequences associated with the Bonds, see "<i>Taxation</i>". Investors should consult their own tax advisors in determining the tax consequences to them of the purchase, ownership and disposition of the Bonds.</p>
Governing Law:	The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by the laws of the State of New York
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, the Netherlands and Japan see " <i>Subscription and Sale</i> ".
Application for Bonds:	<p>Bonds may be offered to any person in the relevant Public Offer Jurisdiction(s). No Tranche(s) of Bonds have been reserved for certain countries. The Bonds may have a special appeal to persons with an interest in the State of Israel.</p> <p>In order to purchase a Bond on a specific Issue Date, your Investment Form must be accepted by or on behalf of the State of Israel and cleared funds in respect of the full purchase price of such Bond must be received and accepted in the account of the Fiscal Agent before such Issue Date (or before such other date announced by the State of Israel). Investors will also be required to sign the Distributor's Terms of Business and complete a Client Information Form. These forms are available on the</p>

Distributor's website or by contacting the Distributor directly. The State of Israel is not obliged to accept your Investment Form. See "*Conditions of the Bonds — Purchase of Bonds*".

The Bonds will be issued on the relevant Issue Date. If an Investment Form is accepted by or on behalf of the State of Israel and/or clear funds are accepted or received in the account of the Fiscal Agent on or after an Issue Date (or such other date), the relevant Bond will be issued on a subsequent Issue Date.

Unless an application to purchase Bonds is not accepted by the State of Israel or a Public Offer is cancelled or terminated early, a prospective Bond holder will be allotted 100% of the Bonds applied for. The Fiscal Agent will post a confirmation of the allotment of Bonds to the prospective Bond holder within 7 Banking Days (being days, other than a Saturday, a Sunday or a public holiday, on which banks are open for business in both the United Kingdom and Canada) of the day on which the purchase is completed.

Type of Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
Euro Floating Rate Bonds	Euro	1-Year 2-Year 3-Year 5-Year 10-Year	€5,000	Variable floating rate equal to the Applicable EURIBOR Rate for the each interest period plus the applicable Spread.	June 1st and December 1st in each year and upon maturity, except that for Bonds issued on May 15th and November 15th in each year, the initial interest payment will be made on the second Interest Payment Date following the Issue Date.	Two sales periods per month: Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
Mazel Tov Savings Bonds ⁽¹⁾	British Pounds Sterling	5-Year	£100 (and integral multiples of £10 in excess of £100)	Fixed percentage per annum.	Interest will only be paid at maturity.	One sales period per month: from the 1st of the month preceding the Issue Date through the last day of that month.
	Euro	5-Year	€100 (and integral multiples of €10 in excess of €100)			
	United States Dollars	5-Year 10-Year	U.S.\$100 (and integral multiples of U.S.\$10 in excess of U.S.\$100)			
Savings Bonds ⁽²⁾	British Pounds Sterling	1-Year 2-Year 3-Year 5-Year	£1,000	Fixed percentage per annum.	Interest will only be paid at maturity.	Two sales periods per month: Bonds issued on the 15th of the month will be

Type of Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
		10-Year				
	Euro	1-Year 2-Year 3-Year 5-Year 10-Year	€5,000			offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
	United States Dollars	1-Year 2-Year 3-Year 5-Year 10-Year	U.S.\$2,500 (and integral multiples of U.S.\$2,500 in excess of U.S.\$2,500)			
Sterling Jubilee Bonds	British Pounds Sterling	1-Year 2-Year 3-Year 5-Year 10-Year	£1,000	Fixed percentage per annum.	May 1st and November 1st in each year and upon maturity, except that for Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.	Two sales periods per month: Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
U.S. Dollar Floating Rate LIBOR Bonds	United States Dollars	1-Year 2-Year 3-Year	U.S.\$5,000 (and integral multiples of U.S.\$500 in excess	Variable floating rate equal to the Applicable LIBOR	June 1st and December 1st in each year and upon	Two sales periods per month: Bonds issued on the 15th of

Type of Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
		5-Year 10-Year	of U.S.\$5,000)	Rate for the each interest period plus the applicable Spread.	maturity, except that for Bonds issued on May 15th and November 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.	the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
U.S. Dollar Jubilee Fixed Rate Bonds	United States Dollars	1-Year 2-Year 3-Year 5-Year 10-Year	U.S.\$25,000 (and integral multiples of U.S.\$5,000 in excess of U.S.\$25,000)	Fixed percentage per annum.	May 1st and November 1st in each year and upon maturity, except that for Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.	Two sales periods per month: Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
U.S. Dollar Maccabee Fixed	United States Dollars	1-Year 2-Year 3-Year	U.S.\$5,000 (and integral multiples of U.S.\$500 in excess	Fixed percentage per annum.	May 1st and November 1st in each year and upon	Two sales periods per month: Bonds issued on the 15th of

Type of Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
Rate Bonds		5-Year 10-Year	of U.S.\$5,000)		maturity, except that for Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.	the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
U.S. Dollar Sabra Savings Bonds	United States Dollars	1-Year 2-Year 3-Year 5-Year 10-Year	U.S.\$1,000 (and integral multiples of U.S.\$100 in excess of U.S.\$1,000)	Fixed percentage per annum.	Interest will only be paid at maturity.	Two sales periods per month: Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Notes:

⁽¹⁾ The maximum amount of Mazel Tov Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any

one Registered Owner, is €2,500, £2,500 or U.S.\$2,500.

⁽²⁾ The maximum amount of 1-Year Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner is €5,000 or £5,000.

CONDITIONS OF THE BONDS

The following are the terms and conditions (the "**Conditions**") of the bonds described under paragraph 2 below (the "**Bonds**") issued by State of Israel (the "**Issuer**" or the "**State of Israel**") under its Bond Issuance Programme (the "**Programme**").

Each Tranche of Bonds will be issued on the terms set out in these Conditions, as completed by a document called a final terms (the "**Final Terms**").

As used herein, "**Tranche**" means Bonds which are identical in all respects and "**Series**" means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which are identical in all respects except for their respective Issue Dates, Interest Commencement Dates and/or Maturity Dates.

Copies of the applicable Final Terms are available for viewing at and copies may be obtained from the website of Development Company for Israel (UK) Limited (the "**Distributor**") at www.israelukbonds.com or from its offices at Ort House, 126 Albert Street, London NW1 7NE, United Kingdom. Bond holders are deemed to have notice of the applicable Final Terms.

1. **Defined Terms**

The following terms are used in these Conditions:

" Authorised Institutional Lender "	an entity primarily engaged in the business of making secured loans to institutional and non-institutional borrowers, authorised in writing by the State of Israel to accept bonds as collateral security
" Banking Day "	any day, other than a Saturday, a Sunday or a public holiday, on which banks are open for business in both the United Kingdom and Canada.
" Computershare " or the " Fiscal Agent "	Computershare Trust Company of Canada.
" EURIBOR "	the Eurozone interbank offered rate, a reference rate based on the averaged interest rates at which a panel of Eurozone banks offer to lend unsecured funds in Euro to other banks within the Eurozone.
" Euro ", " EUR " and " € "	the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.
" Euro Floating Rate Bonds "	Bonds which have a floating interest rate calculated on the basis of EURIBOR (as specified in the relevant Final Terms).

"Euro Mazel Tov Savings Bonds"	Mazel Tov Savings Bonds which are denominated in Euro.
"Euro Savings Bonds"	Savings Bonds which are denominated in Euro.
"Interest Determination Date"	in relation to a given Bond, the date (or dates or series of dates) on which the State of Israel will determine the interest rate applicable to that Bond.
"Interest Payment Date"	in relation to a given Bond, the date (or dates or series of dates) on which the State of Israel will pay interest under the terms of that Bond to the Registered Owner (as specified in the relevant Final Terms).
"Investment Form"	the form published by the Distributor for provision of relevant subscription and other information by persons seeking to purchase Bonds.
"Issue Date"	in relation to a given Bond, the date on which it is issued by the State of Israel (as specified in the relevant Final Terms).
"LIBOR"	the London interbank offered rate, a reference rate based on the averaged interest rates at which a panel of London banks offer to lend unsecured funds in different currencies to other banks in London.
"Mazel Tov Savings Bonds"	Bonds which are mazel tov rate Bonds (as specified in the relevant Final Terms).
"Prospectus Directive"	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) <i>provided, however, that</i> , in relation to any Member State, references to the "Prospectus Directive" refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State of the European Economic Area) and include any relevant implementing measure in the relevant Member State of the European Economic Area.
"Rate Sheet"	the rate sheet for a given Bond, as made available from time to time by the Distributor, in which details of the rate(s) of interest for that Bond (among other details) are stated.
"Reference Bank"	a major bank operating in the Eurozone interbank market (in the case of EURIBOR) or, as the case may be, London interbank market (in the case of LIBOR).

"Relevant Date"	the date on which a payment of principal and/or interest first becomes due, except that, if the full amount of the monies payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of the relevant monies having been so received (or, if such date is not a Banking Day, the next day which is a Banking Day), such payment is made to the Bondholders.
"Relevant Screen Page"	Reuters page 248/249 (in the case of EURIBOR) or any successor thereto, Reuters Screen LIBO Page (in the case of LIBOR) or any successor thereto, or such other recognised quotation system as may be designated by the State of Israel from time to time.
"Registered Owner"	the person (or group of persons jointly) whom the Fiscal Agent is asked by the purchaser of a Bond to register as the person(s) legally entitled to that Bond.
"Savings Bonds"	Bonds which are savings Bonds (as specified in the relevant Final Terms).
"Specified Currency"	in relation to a given Bond, the currency of that Bond (as specified in the relevant Final Terms).
"Sterling", "British Pounds Sterling" and "£"	the currency of the United Kingdom.
"Sterling Jubilee Bonds"	Bonds which are jubilee Bonds (as specified in the relevant Final Terms).
"Sterling Mazel Tov Savings Bonds"	Mazel Tov Savings Bonds which are denominated in Sterling.
"Sterling Savings Bonds"	Savings Bonds which are denominated in Sterling.
"UK Registered Pension Scheme"	has the definition given in section 150(2) of the Finance Act 2004.
"U.S. Dollars", "United States Dollars", "U.S. dollars" or "U.S.\$"	the currency of the United States of America.
"U.S. Dollar Floating Rate LIBOR Bonds"	Bonds which have a floating interest rate calculated on the basis of LIBOR (as specified in the relevant Final Terms).

"U.S. Dollar Jubilee Fixed Rate Bonds"	Bonds which are jubilee fixed rate Bonds (as specified in the relevant Final Terms).
"U.S. Dollar Maccabee Fixed Rate Bonds"	Bonds which are maccabee fixed rate Bonds (as specified in the relevant Final Terms).
"U.S. Dollar Mazel Tov Savings Bonds"	Mazel Tov Savings Bonds which are denominated in U.S. Dollars.
"U.S. Dollar Savings Bonds"	Savings Bonds which are denominated in U.S. Dollars.
"U.S. Dollar Sabra Savings Bonds"	Bonds which are U.S. Dollar Sabra Savings Bonds (as specified in the relevant Final Terms).

2. **Type of Bonds**

Bonds issued under the Programme may be Euro Floating Rate Bonds, Mazel Tov Savings Bonds (Euro Mazel Tov Savings Bonds, Sterling Mazel Tov Savings Bonds or U.S. Dollar Mazel Tov Savings Bonds), Savings Bonds (Euro Savings Bonds, Sterling Savings Bonds or U.S. Dollar Savings Bonds), Sterling Jubilee Bonds, U.S. Dollar Floating Rate LIBOR Bonds, U.S. Dollar Jubilee Fixed Rate Bonds, U.S. Dollar Maccabee Fixed Rate Bonds or U.S. Dollar Sabra Savings Bonds.

2.1 ***Bonds denominated in Euros***

2.1.1 *The Euro Floating Rate Bonds*

Each State of Israel 1-Year Euro Floating Rate Bond, 2-Year Euro Floating Rate Bond, 3-Year Euro Floating Rate Bond, 5-Year Euro Floating Rate Bond and 10-Year Euro Floating Rate Bond, subscribed for a minimum amount of €5,000, will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for Euro Floating Rate Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Euro Floating Rate Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date up to (but not including) the maturity date of the Euro Floating Rate Bond.

Interest on the Euro Floating Rate Bonds will be paid semi-annually in arrear. The initial interest period shall be from (and including) the Issue Date of the Euro Floating Rate Bond up to (but not including) the next following June 1st or December 1st (in the same calendar year as the Issue Date of the Euro Floating Rate Bond), except that for Bonds issued on May 15th and November 15th in each year, the initial interest payment will be made on the second Interest Payment Date following the Issue Date. Thereafter the interest periods shall be the successive periods of six calendar months commencing on (and including) June 1st or December 1st in each year. The final interest period shall end on (but not include) the date of maturity of the Euro Floating Rate Bonds commencing on (and including) whichever of the June 1st or the December 1st (in the same calendar year as the maturity date) shall immediately precede the maturity date.

The initial rate of interest shall be equal to the applicable six month EURIBOR (as ascertained by the State of Israel from the Banking Federation of the European Union for the relevant period, displayed on the Relevant Screen Page, rounded upwards to the second decimal place (e.g., six month EURIBOR of 5.466% will be rounded upwards to 5.47%)) (the "**Applicable EURIBOR Rate**") at 11.00 a.m. (Brussels time) on the first Interest Determination Date, which is three Banking Days before the Issue Date of the Euro Floating Rate Bonds, plus or minus a fixed number of basis points (the "**Spread**") to be determined prior to the issue of the Euro Floating Rate Bond and published in the relevant Rate Sheet and on the Distributor's website. The Spread shall remain fixed until maturity. After the initial interest period, the interest rate will be adjusted semi-annually in accordance with the Applicable EURIBOR Rate in effect on subsequent Interest Determination Dates, which will be three Banking Days prior to June 1st or December 1st in each year.

In no event will the interest rate payable on the Euro Floating Rate Bonds be less than 0% per year. EURIBOR changes during an interest period this will not affect the rate of interest for that period. The rate of interest may vary (both upwards and downwards) from interest period to interest period as EURIBOR changes.

The Spread and the initial interest rate applicable to each Euro Floating Rate Bond will be determined by the State of Israel and specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website not less than one Banking Day prior to the first day of the sales period of such Bond. Subsequent interest rates applicable to each Euro Floating Rate Bond will be announced by the State of Israel one Banking Day prior to June 1st or December 1st in each year.

2.1.2 *The Euro Mazel Tov Savings Bonds*

Each State of Israel 5-Year Euro Mazel Tov Savings Bond, subscribed for a minimum amount of €100 (and integral multiples of €10 in excess of €100), will mature on the first calendar day of the month during which

the fifth (5th) anniversary of the Issue Date of the relevant Bond shall fall. The maximum amount of Euro Mazel Tov Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner, is €2,500. Euro Mazel Tov Savings Bonds will be issued on the 1st of the month. These Bonds will be sold in one sales period per month: from the 1st of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the Euro Mazel Tov Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the Euro Mazel Tov Savings Bond.

The interest rate applicable to each Euro Mazel Tov Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.1.3 *The Euro Savings Bonds*

Each State of Israel 1-Year Euro Savings Bond, 2-Year Euro Savings Bond, 3-Year Euro Savings Bond, 5-Year Euro Savings Bond and 10-Year Euro Savings Bond, subscribed for a minimum amount of €5,000, or any amount over €5,000, will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall. The maximum amount of 1-Year Euro Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner is €5,000.

Issue Dates for Euro Savings Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Euro Savings Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the Euro Savings Bond up to (but not including) the maturity date but shall only be payable at maturity of the Euro Savings Bond.

The interest rate applicable to each Euro Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be

specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.2 ***Bonds denominated in British Pounds Sterling***

2.2.1 *The Sterling Jubilee Bonds*

Each State of Israel 1-Year Sterling Jubilee Bond, 2-Year Sterling Jubilee Bond, 3-Year Sterling Jubilee Bond, 5-Year Sterling Jubilee Bond and 10-Year Sterling Jubilee Bond, subscribed for a minimum amount of £1,000, will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for Sterling Jubilee Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Sterling Jubilee Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the Sterling Jubilee Bond up to (but not including) the maturity date. Except in the cases described in this Memorandum, interest will be paid every May 1st, November 1st and on maturity of the Sterling Jubilee Bond.

Interest Payment Dates for the Sterling Jubilee Bonds, on which interest will be paid semi-annually in arrear, are May 1st and November 1st in each year and upon maturity, except that for Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The interest rate applicable to each Sterling Jubilee Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.2.2 *The Sterling Mazel Tov Savings Bonds*

Each State of Israel 5-Year Sterling Mazel Tov Savings Bond, subscribed for a minimum amount of £100 (and integral multiples of £10 in excess of £100), will mature on the first calendar day of the month during which the fifth (5th) anniversary of the Issue Date of the relevant Bond shall fall. The maximum amount of Sterling Mazel Tov Savings Bonds that may be purchased by any person on any purchase date,

registered in the name of any one Registered Owner, is £2,500. Sterling Mazel Tov Savings Bonds will be issued on the 1st of the month. These Bonds will be sold in one sales period per month: from the 1st of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the Sterling Mazel Tov Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the Sterling Mazel Tov Savings Bond.

The interest rate applicable to each Sterling Mazel Tov Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.2.3 *The Sterling Savings Bonds*

Each State of Israel 1-Year Sterling Savings Bond, 2-Year Sterling Savings Bond, 3-Year Sterling Savings Bond, 5-Year Sterling Savings Bond and 10-Year Sterling Savings Bond, subscribed for a minimum amount of £1,000, will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall. The maximum amount of 1-Year Sterling Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner is £5,000.

Issue Dates for Sterling Savings Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Sterling Savings Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the Sterling Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the Sterling Savings Bond.

The interest rate applicable to each Sterling Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.3 *Bonds denominated in United States Dollars*

2.3.1 *The U.S. Dollar Floating Rate LIBOR Bonds*

Each State of Israel 1-Year U.S. Dollar Floating Rate LIBOR Bond, 2-Year U.S. Dollar Floating Rate LIBOR Bond, 3-Year U.S. Dollar Floating Rate LIBOR Bond, 5-Year U.S. Dollar Floating Rate LIBOR Bond and 10-Year U.S. Dollar Floating Rate LIBOR Bond, subscribed for a minimum amount of U.S.\$5,000 (and integral multiples of U.S.\$500 in excess of U.S.\$5,000), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

In addition, if you have purchased a minimum of U.S.\$5,000 of 2-Year U.S. Dollar Floating Rate LIBOR Bonds, 3-Year U.S. Dollar Floating Rate LIBOR Bonds, 5-Year U.S. Dollar Floating Rate LIBOR Bonds, or 10-Year U.S. Dollar Floating Rate LIBOR Bonds in a single purchase during the twelve (12) month period immediately preceding the additional purchase, you may purchase such additional U.S. Dollar Floating Rate LIBOR Bonds of the same maturity period in denominations of U.S.\$500 and integral multiples of U.S.\$500. Additional Bonds must be registered in the same name as the Bonds satisfying the minimum purchase requirement.

Issue Dates for U.S. Dollar Floating Rate LIBOR Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Floating Rate LIBOR Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date up to (but not including) the maturity date of the Floating Rate LIBOR Bond.

Interest Payment Dates for the U.S. Dollar Floating Rate LIBOR Bonds, on which interest will be paid semi-annually in arrear, are June 1st and December 1st in each year and upon maturity, except that for U.S. Dollar Floating Rate LIBOR Bonds issued on May 15th and November 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The initial interest rate is equal to the six month LIBOR in effect on the first Interest Determination Date, which is three Banking Days prior to the first day of the sales period of such Bond, as appears on the Relevant Screen Page, rounded upwards to the next one-sixteenth (1/16) of one percent, if the quoted interest rate is not equivalent to one-sixteenth

(1/16) of one percent (the "**Applicable LIBOR Rate**"), plus or minus a fixed number of basis points determined by the State of Israel (the "**Spread**"). The Spread of each Bond shall remain fixed until maturity. After the initial interest period, the interest rate will be adjusted semi-annually in accordance with the Applicable LIBOR Rate in effect on subsequent Interest Determination Dates, which will be three Banking Days prior to June 1st and December 1st in each year.

In no event will the interest rate payable on the U.S. Dollar Floating Rate LIBOR Bonds be less than 0% per year. LIBOR changes during an interest period this will not affect the rate of interest for that period. The rate of interest may vary (both upwards and downwards) from interest period to interest period as LIBOR changes.

The Spread and the initial interest rate applicable to each U.S. Dollar Floating Rate LIBOR Bond will be determined by the State of Israel and specified in the applicable Final Terms and published in the relevant Rate Sheet and on the Distributor's website not less than one Banking Day prior to the first day of the sales period of such Bond. Subsequent interest rates applicable to each U.S. Dollar Floating Rate LIBOR Bond will be announced by the State of Israel one Banking Day prior to June 1st or December 1st in each year.

2.3.2 *The U.S. Dollar Jubilee Fixed Rate Bonds*

Each State of Israel 1-Year U.S. Dollar Jubilee Fixed Rate Bond, 2-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond, 3-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond, 5-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond and 10-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond, subscribed for a minimum amount of U.S.\$25,000 (and integral multiples of U.S.\$5,000 in excess of U.S.\$25,000), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

In addition, if you have purchased a minimum of U.S.\$25,000 of U.S. Dollar Jubilee Fixed Rate Bonds of a certain maturity period in a single purchase during the twelve (12) month period immediately preceding the additional purchase, you may purchase such additional U.S. Dollar Jubilee Fixed Rate Bonds of the same maturity period in denominations of U.S.\$5,000 or integral multiples of U.S.\$5,000. Additional Bonds must be registered in the same name as the Bonds satisfying the minimum purchase requirement.

Issue Dates for U.S. Dollar Jubilee Fixed Rate Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Jubilee Fixed Rate Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and

- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Jubilee Fixed Rate Bond up to (but not including) the maturity date. Except in the cases described in this Memorandum, interest will be paid every May 1st, November 1st and on maturity of the U.S. Dollar Jubilee Fixed Rate Bond.

Interest Payment Dates for the U.S. Dollar Jubilee Fixed Rate Bonds, on which interest will be paid semi-annually in arrear, are May 1st and November 1st in each year and upon maturity, except that for U.S. Dollar Jubilee Fixed Rate Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The interest rate applicable to each U.S. Dollar Jubilee Fixed Rate Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.3.3 *The U.S. Dollar Maccabee Fixed Rate Bonds*

Each State of Israel 1-Year U.S. Dollar Maccabee Fixed Rate Bond, 2-Year U.S. Dollar Maccabee Fixed Rate Bond, 3-Year U.S. Dollar Maccabee Fixed Rate Bond, 5-Year U.S. Dollar Maccabee Fixed Rate Bond and 10-Year U.S. Dollar Maccabee Fixed Rate Bond, subscribed for a minimum amount of U.S.\$5,000 (and integral multiples of U.S.\$500 in excess of U.S.\$5,000), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

In addition, if you have purchased a minimum of U.S.\$5,000 of U.S. Dollar Maccabee Fixed Rate Bonds of a certain maturity period in a single purchase during the twelve (12) month period immediately preceding the additional purchase, you may purchase such additional U.S. Dollar Maccabee Fixed Rate Bonds of the same maturity period in denominations of U.S.\$500 or integral multiples of U.S.\$500. Additional Bonds must be registered in the same name as the Bonds satisfying the minimum purchase requirement.

Issue Dates for U.S. Dollar Maccabee Fixed Rate Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your Maccabee Fixed Rate Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and

- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Maccabee Fixed Rate Bond up to (but not including) the maturity date. Except in the cases described in this Memorandum, interest will be paid every May 1st, November 1st and on maturity of the U.S. Dollar Maccabee Fixed Rate Bond.

Interest Payment Dates for the U.S. Dollar Maccabee Fixed Rate Bonds, on which interest will be paid semi-annually in arrear, are May 1st and November 1st in each year and upon maturity, except that for U.S. Dollar Maccabee Fixed Rate Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The interest rate applicable to each U.S. Dollar Maccabee Fixed Rate Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.3.4 *The U.S. Dollar Mazel Tov Savings Bonds*

Each State of Israel 5-Year U.S. Dollar Mazel Tov Savings Bond and 10-Year U.S. Dollar Mazel Tov Savings Bond, subscribed for a minimum amount of U.S.\$100 (and integral multiples of U.S.\$10 in excess of U.S.\$100), will mature on the first calendar day of the month during which the fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall. The maximum amount of U.S. Dollar Mazel Tov Savings Bonds that may be purchased by any person on any purchase date, registered in the name of any one Registered Owner, is U.S.\$2,500. U.S. Dollar Mazel Tov Savings Bonds will be issued on the 1st of the month. These Bonds will be sold in one sales period per month: from the 1st of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Mazel Tov Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the U.S. Dollar Mazel Tov Savings Bond.

The interest rate applicable to each U.S. Dollar Mazel Tov Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.3.5 *The U.S. Dollar Sabra Savings Bonds*

Each State of Israel 1-Year U.S. Dollar Sabra Savings Bond, 2-Year U.S. Dollar Sabra Savings Bond, 3-Year U.S. Dollar Sabra Savings Bond, 5-Year U.S. Dollar Sabra Savings Bond and 10-Year U.S. Dollar Sabra Savings Bond, subscribed for a minimum amount of U.S.\$1,000 (and integral multiples of U.S.\$100 in excess of U.S.\$1,000), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for U.S. Dollar Sabra Savings Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Sabra Savings Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Sabra Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the U.S. Dollar Sabra Savings Bond.

The interest rate applicable to each U.S. Dollar Sabra Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

2.3.6 *The U.S. Dollar Savings Bonds*

Each State of Israel 1-Year U.S. Dollar Savings Bond, 2-Year U.S. Dollar Savings Bond, 3-Year U.S. Dollar Savings Bond, 5-Year U.S. Dollar Savings Bond and 10-Year U.S. Dollar Savings Bond, subscribed for a minimum amount of U.S.\$2,500 (and integral multiples of U.S.\$2,500 in excess of U.S.\$2,500), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for U.S. Dollar Savings Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Savings Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the

1st of the month through the 14th of the month; and

- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the U.S. Dollar Savings Bond.

The interest rate applicable to each U.S. Dollar Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Final Terms, the applicable Rate Sheet and on the Distributor's website.

3. **Status of the Bonds**

The Bonds are direct, unconditional and general unsecured obligations of the State of Israel and will rank on the same basis with all other general unsecured loan obligations of the State of Israel without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise.

4. **Early Redemption – At the Request of a Bond holder**

In the very limited circumstances described below, a Bond holder or his successor may request the State of Israel to redeem his Bond prior to maturity. The redemption price will be equal to the principal amount of the Bond together with pro rata interest accrued up to the redemption date. Such a request must be given with a minimum of sixty (60) days' written notice, but so as to run to the first Banking Day of a given month, and shall be accompanied by an instrument of transfer in a form approved by the Fiscal Agent, and is in any event possible strictly only under the following circumstances:

- Upon the death of any natural person who was the original Registered Owner (or the last survivor of joint original Registered Owners).
- Upon the death of any natural person who owned such Bond through an individual personal pension plan.

Provided that the State of Israel may suspend or terminate the obligations to purchase a Bond upon death as set forth above if, in the opinion of the State of Israel, a material number of these persons shall have died as a result of war, epidemic, catastrophe of nature or other disaster.

- Upon the termination of any employee benefit plan which is the Registered Owner. In such circumstances, evidence must be provided to the State of Israel that such employee benefit plan has been terminated and that the assets are to be liquidated to meet the plan's commitments.

Early redemption at the behest of Registered Owners is impossible in any other circumstances.

5. **Early Redemption – At the Option of the State of Israel**

The Bonds are subject to redemption at any time by the State of Israel. Any holding of Bonds is redeemable as a whole or in part. If the Bonds are redeemed in part, selection of the Bonds to be redeemed will be at the State of Israel's discretion; however, the Bonds will be redeemed in one or more groups, where each group of Bonds will consist of all Bonds of the same Tranche bearing the same Issue Date. Partial redemption can be made only on an Interest Payment Date. In addition, no Bonds of any Series can be redeemed at the option of the State of Israel unless the Bonds of such Series having a prior Issue Date are or have been called for redemption. A notice of redemption will be posted to all affected Bond owners by the Fiscal Agent between thirty (30) and sixty (60) days prior to the intended redemption date. The notice will state:

- the redemption date;
- whether all Bonds or a group of Bonds are to be redeemed;
- in the case of a redemption of a group of Bonds, a description of the group of Bonds that are to be redeemed;
- the redemption price;
- that on the redemption date no owner of Bonds called for redemption is entitled to more than the redemption price, and that the redemption price is due and payable on the redemption date; and
- the place where the Bonds are to be redeemed.

The State of Israel will redeem Bonds in such circumstances for a purchase price equal to the principal amount of the Bond together with interest accrued and unpaid to the redemption date.

If the redemption price is not paid on the surrender of any Bond, then that Bond will continue to accrue interest at the rate prescribed for such Bonds. The State of Israel will not be required to issue or register the transfer or exchange of any Bond during the period beginning with the fifteenth (15th) Banking Day prior to the date of the posting of a notice of redemption through the end of the date of the posting. The State of Israel will also not be required to register the transfer or exchange of any Bond selected for redemption in whole or in part, except for the unredeemed portion of the Bond being redeemed in part.

6. **Event of Default**

If the State of Israel shall default in a payment of interest or of the principal sum of a Bond or of a portion thereof then any amount not so paid will bear interest at the rate applicable to the relevant Bond(s) plus the applicable Spread (if applicable). Interest shall be paid from and including the date of default until but not including the date of actual payment. If the default shall continue for a period of ninety (90) days then the Registered Owner will be entitled to give a written demand to the State of Israel requiring payment of the principal sum which will then become due and payable (together with unpaid accrued interest)

on the date such written demand is actually received by the State of Israel unless the default shall have been cured by the State of Israel prior to such date.

7. Additional Provisions relating to the Calculation of Interest

7.1 General

Interest calculations in relation to the Bonds shall be performed by the Fiscal Agent and approved by the Issuer prior to any payments of interest.

7.2 Fallback Provisions for the Calculation of Floating Rate Interest

If the Relevant Screen Page is not available, the Fiscal Agent shall request three Reference Banks provide offered quotations (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant interest period to leading banks in the Eurozone interbank market (in the case of EURIBOR) or London interbank market (in the case of LIBOR) at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with a quotation, the rate of interest for such interest period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Spread (if any), all as determined by the Fiscal Agent.

If only one or none of the Reference Banks provides the Fiscal Agent with such a quotation, the rate of interest for the relevant interest period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks, at which such banks were offered, as at 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant interest period by leading banks in the Eurozone interbank market (in the case of EURIBOR) or London interbank market (in the case of LIBOR) plus or minus (as indicated in the applicable Final Terms) the Spread (if any).

If the rate of interest cannot be determined in accordance with the foregoing provisions of this paragraph 7, the rate of interest shall be that determined as at the last preceding interest period from that which applied to the last preceding interest period, the Spread relating to the relevant interest period in place of the Spread relating to that last preceding interest period.

8. Interest and Principal Payment

Interest shall accrue from (and including) the Issue Date of the Bond up to (but not including) the maturity date on the basis of a 365-day year and the number of days elapsed. The Bonds will not accrue interest after the maturity.

All payments of principal and interest will be made in the Specified Currency.

To the extent applicable, all interest payments shall be paid by cheque posted to the Registered Owner's address of record with the Fiscal Agent or credited to a bank account held by the Registered Owner, the details of which the Registered Owner has provided to the Distributor for such purposes. Interest payments made

by bank transfer to a bank account in the United Kingdom or any European Economic Area Member State (being a member state of the European Union which adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union) will be made by the Fiscal Agent, through a bank in the United Kingdom or that European Economic Area Member State.

On maturity of a book-entry Bond, the Fiscal Agent will pay the principal amount and accrued interest on the relevant Bond to the Registered Owner by posting a cheque to the last address of the Registered Owner or by a bank transfer into a bank account held by the Registered Owner.

On maturity of a Bond that, in the exceptional circumstances detailed in these Conditions, is represented by a Bond certificate, the Fiscal Agent will pay the principal amount and accrued interest on the relevant Bond by posting a cheque by a bank transfer in the same manner as for a book-entry Bond, but only against delivery of the Bond certificate to the Fiscal Agent for cancellation.

If the due date for any payment of interest or principal is not a Banking Day, then the relevant payment shall be made on the next day which is a Banking Day but no additional interest will be payable as a result of such extension.

9. **Taxation**

Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom).

10. **Transferability**

10.1 ***General***

Any person becoming entitled to a Bond as a result of a transfer, assignment or transmission pursuant to this paragraph 10 may apply to be registered as the holder of such Bond, upon: (1) notifying the Fiscal Agent of a request to transfer or assign the Bond pursuant to paragraph 10.2 below or producing such evidence as reasonably requested by the Fiscal Agent to demonstrate entitlement by transmission pursuant to paragraph 10.3 below and (2) notifying the Fiscal Agent in writing of the request to re-register the Bond along with appropriate transfer documents (and the Bond certificate if one was issued).

Any Bond holder wishing to transfer or assign a Bond to "anyone designated by the State of Israel as a permitted transferee" pursuant to paragraph 10.2.5 below should notify the Fiscal Agent in advance of making a request to re-register the Bond, provide such information on the contemplated transfer or assignment as may be required by the Fiscal Agent and/or the Issuer (including the amount of the Bond(s) to be transferred and the identity of the proposed transferee) and seek the Issuer's confirmation that it will consider such transferee as a permitted transferee. Once such confirmation has been given, a request to re-register the Bond may then be made in accordance with the procedures set out at (1) and (2)

in the above paragraph.

A Bond holder should not contact the State of Israel directly in connection with any application to transfer or assign a Bond, or to designate a person as a permitted transferee of a Bond; all such applications and requests should be sent to the Fiscal Agent. The State of Israel's confirmation of the designation of a transferee as a permitted transferee pursuant to paragraph 10.2.5 will be given by the Fiscal Agent on the Issuer's behalf, following consultation with the Issuer, and the Issuer's consent to a transfer or assignment of a Bond pursuant to paragraph 10.2 is deemed to be given upon registration of such Bond in the name of the new Bond holder(s) (absent error by the Fiscal Agent).

10.2 ***Transfer or assignment of Bonds***

The Issuer will consent to a transfer or assignment of a Bond only to the following permitted transferees:

10.2.1 the State of Israel;

10.2.2 any religious, charitable, literary, scientific or educational organization, contributions to which are, at the time of the transfer, deductible for income and similar tax purposes under the United States Internal Revenue Code of 1986, as heretofore or hereafter amended (or are accorded similar treatment under the laws of the country in which the transferee is located), *provided however that* each such transfer is made by gift or bequest only, without any compensation to the transferor;

10.2.3 the Registered Owner's spouse, children, grandchildren, siblings, parents or grandparents;

10.2.4 a UK Registered Pension Scheme whose only members are the Registered Owner and (as applicable) the Registered Owner's spouse, children, grandchildren, siblings, parents and/or grandparents; or

10.2.5 anyone designated by the State of Israel as a permitted transferee.

10.3 ***Transfer upon death a registered holder of Bonds or of any other event giving rise to the transmission of Bonds by operation of law***

In the case of death of a registered holder of Bonds or of any other event giving rise to the transmission of Bonds by operation of law, the only persons recognised by the State of Israel as having any right to such Bonds upon transmission are:

10.3.1 the personal representatives of a deceased registered holder's estate; or

10.3.2 the trustee in bankruptcy of a bankrupt registered holder; or

10.3.3 the trustee or administrator or other officially entitled person in relation to the estate of a registered holder who has been declared mentally incompetent by a court of competent jurisdiction; or

10.3.4 any person who can demonstrate that he or it has been appointed by a court of competent jurisdiction to represent the estate of a registered holder in any other applicable circumstances (including but not limited to cases where the Bonds are considered to be *bona vacantia* (i.e., property not disposed of by the deceased's will and to which no relative is entitled upon intestacy)).

11. **Purchase of Bonds**

11.1 ***General***

Application for Bonds should be made by completing an Investment Form. Investors will also be required to sign the Distributor's Terms of Business and complete a Client Information Form. These forms are available on the Distributor's website or by contacting the Distributor directly. The State of Israel is not obliged to accept your Investment Form.

In order to purchase a Bond on a specific Issue Date, your Investment Form must be accepted by or on behalf of the State of Israel and cleared funds in respect of the full purchase price of such Bond must be received and accepted in the account of the Fiscal Agent before such Issue Date (or before such other date announced by the State of Israel). If your Investment Form is accepted by or on behalf of the State of Israel and/or clear funds are accepted or received in the account of the Fiscal Agent on or after an Issue Date (or such other date), your Bond will be issued on a subsequent Issue Date. When a Bond is issued on a subsequent Issue Date, the interest rate applicable to the Bond will be the interest rate applicable to such Issue Date, in accordance with the applicable Final Terms and then prevailing Rate Sheet.

11.2 ***Currencies / Conversion of Funds***

When purchasing a Bond, investors may tender funds in Euro, British Pounds Sterling or United States Dollars. Where investors tender a currency which is different to the Specified Currency of the relevant Bond, rather than the Specified Currency, the Fiscal Agent will convert the currency received from the investor into the Specified Currency at an exchange rate that it determines in its sole discretion. Funds which are not in the Specified Currency must, upon conversion, equal or exceed the minimum authorised denomination of the relevant Bond in the Specified Currency.

11.3 ***Reinvesting a matured State of Israel bond***

If you are reinvesting a matured State of Israel bond in Bonds, in order for your new Bond to be issued on the maturity date of your reinvested bond, your subscription must be accepted by or on behalf of the State of Israel within five (5) calendar days after the maturity date of your reinvested bond (or, if such date falls on a non-Banking Day, the first Banking Day after such date). Unless sales of a certain Bond are suspended, a subscription will be accepted by or on behalf of the State of Israel if it is in a form acceptable to the State of Israel before the designated date as set forth above.

11.4 ***Reinvesting payments in purchases of new Bonds***

If a Bond holder intends to reinvest payments of principal or interest in purchases of new Bonds then, upon request by the Bond holder, the Fiscal Agent may convert such payments into the Specified Currency of the new Bonds (being Euro, British Pounds Sterling or United States Dollars) at an exchange rate determined by it in its sole discretion.

12. **Bond Certificates**

All Bonds are issued in book-entry form. Bond certificates will not normally be issued. Instead, the Fiscal Agent will post to each person registered as the purchaser of a Bond a confirmation that he or it (or the relevant third party whom he may have designated) has been entered in the Bond register as the Registered Owner along with other pertinent information. Certificates will be issued only in the cases of Registered Owners who are government agencies, pension funds, financial institutions and employee benefit plans that so request at the time of purchase, or upon written consent of the State of Israel. The Fiscal Agent, on behalf of the State of Israel, will forward all notices relating to the Bonds to the Registered Owner(s).

Upon maturity or redemption of a book-entry Bond, the Fiscal Agent will automatically pay the principal amount and accrued interest on the book-entry Bond to the Registered Owner by posting a cheque to the last address of the Registered Owner as listed in the Bond register or, if written instructions are given by the Registered Owner, by direct credit to the bank account specified by the Registered Owner.

Bond certificate holders must present the physical certificate to the Fiscal Agent to receive payment. The Registered Owner will bear all expenses in connection with the replacement and delivery of a new Bond certificate, should one be required for any reason. However, the State of Israel will (except in cases where it has proof of delivery of the Bond certificate) issue a new Bond certificate to the Registered Owner for no cost where the Registered Owner has notified the State of Israel and the Fiscal Agent in writing that the Bond certificate was never delivered, no later than six months following the original Issue Date of the Bond.

13. **Prescription**

Claims for principal shall become void unless made within ten years of the appropriate Relevant Date. Claims for interest shall become void unless made within five years of the appropriate Relevant Date.

14. **Fiscal Agent**

Computershare will act as the Fiscal Agent for the Bonds. The address for Computershare is 100 University Avenue, 9th floor, Toronto, Ontario M5J 2Y1, Canada. Attention: State of Israel Bonds. The telephone number is +1 (416) 263 9200.

15. **Governing Law**

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by and construed in accordance with the laws of the State of New York.

16. **Waiver of Immunity**

The State of Israel is a sovereign state. However, the State of Israel has, in respect of the Bonds, agreed to irrevocably submit to the non-exclusive jurisdiction of the federal court in the Southern District of New York or any state court in the City of New York and irrevocably agrees not to claim immunity from any proceedings or from the execution of any judgement in connection with the terms of the Bonds (save to the extent that that State of Israel is precluded by applicable laws to agree as aforesaid) and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or issue of any process in connection with the terms of the Bonds.

FORM OF FINAL TERMS

Final Terms dated []

STATE OF ISRAEL

Issue of
Euro Floating Rate Bonds ([]th Euro Series)
Euro Savings Bonds ([]th Euro Series)
Euro Mazel Tov Savings Bonds ([]th Euro Series)
Sterling Jubilee Bonds ([]th Sterling Series)
Sterling Mazel Tov Savings Bonds ([]th Sterling Series)
Sterling Savings Bonds ([]th Sterling Series)
U.S. Dollar Floating Rate LIBOR Bonds ([]th International Dollar Series)
U.S. Dollar Jubilee Fixed Rate Bonds ([]th International Dollar Series)
U.S. Dollar Maccabee Fixed Rate Bonds ([]th International Dollar Series)
U.S. Dollar Mazel Tov Savings Bonds ([]th International Dollar Series)
U.S. Dollar Sabra Savings Bonds ([]th International Dollar Series)
U.S. Dollar Savings Bonds ([]th International Dollar Series)
(together, the "**Bonds**")

under the Bond Issuance Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the information memorandum dated October 23, 2013 [and the supplement(s) to it dated []] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Information Memorandum**"). This document constitutes the final terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Information Memorandum. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms, the Relevant Rate Sheet(s) and the Information Memorandum. However, a summary of the issue of the Bonds is annexed to these Final Terms. Copies of the Information Memorandum and relevant Rate Sheet(s) may be obtained from the Distributor's website at www.israelukbonds.com or from its offices at Ort House, 126 Albert Street, London NW1 7NE, United Kingdom.

Euro Floating Rate Bonds ([]th Euro Series)

Specified Currency: Euro

Reference Rate: The Applicable EURIBOR Rate is []

Spread: [1-Year Euro Floating Rate +/- [] basis points]
Bond:

[2-Year Euro Floating Rate +/- [] basis points]
Bond:

[3-Year Euro Floating Rate +/- [] basis points]
Bond:

[5-Year Euro Floating Rate +/- [] basis points]
Bond:

[10-Year Euro Floating +/- [] basis points]
Rate Bond:

Maturity Date: Each State of Israel [1-Year Euro Floating Rate Bond, 2-Year Euro Floating Rate Bond, 3-Year Euro Floating Rate Bond, 5-Year Euro Floating Rate Bond and 10-Year Euro Floating Rate Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Euro Savings Bonds ([]th Euro Series)

Specified Currency: Euro

Interest Rate: [1-Year Euro Savings []% per annum]
Bond:

[2-Year Euro Savings []% per annum]
Bond:

[3-Year Euro Savings []% per annum]
Bond:

[5-Year Euro Savings []% per annum]
Bond:

[10-Year Euro Savings []% per annum]
Bond:

Maturity Date: Each State of Israel [1-Year Euro Savings Bond, 2-Year Euro Savings Bond, 3-Year Euro Savings Bond, 5-Year Euro Savings Bond and 10-Year Euro Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Euro Mazel Tov Savings Bonds ([]th Euro Series)

Specified Currency: Euro

Interest Rate: []% per annum

Maturity Date: Each State of Israel 5-Year Euro Mazel Tov Savings Bond will mature on the first calendar day of the month during which the fifth (5th) anniversary of the Issue Date of the relevant Bond shall fall.

Sterling Jubilee Bonds ([]th Sterling Series)

Specified Currency: Sterling

Interest Rate: [1-Year Sterling Jubilee Bond: []% per annum]

[2-Year Sterling Jubilee Bond: []% per annum]

[3-Year Sterling Jubilee Bond: []% per annum]

[5-Year Sterling Jubilee Bond: []% per annum]

[10-Year Sterling Jubilee Bond: []% per annum]

Maturity Date: Each State of Israel [1-Year Sterling Jubilee Bond, 2-Year Sterling Jubilee Bond, 3-Year Sterling Jubilee Bond, 5-Year Sterling Jubilee Bond and 10-Year Sterling Jubilee Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Sterling Mazel Tov Savings Bonds ([]th Sterling Series)

Specified Currency: Sterling

Interest Rate: []% per annum

Maturity Date: Each State of Israel 5-Year Sterling Mazel Tov Savings Bond will mature on the first calendar day of the month during which the fifth (5th) anniversary of the Issue Date of the relevant Bond shall fall.

Sterling Savings Bonds ([]th Sterling Series)

Specified Currency: Sterling

Interest Rate: [1-Year Sterling Savings Bond: []% per annum]

[2-Year Sterling Savings Bond: []% per annum]

[3-Year Sterling Savings Bond: []% per annum]

[5-Year Sterling Savings Bond: []% per annum]

[10-Year Sterling Savings []% per annum]
Bond:

Maturity Date: Each State of Israel [1-Year Sterling Savings Bond, 2-Year Sterling Savings Bond, 3-Year Sterling Savings Bond, 5-Year Sterling Savings Bond and 10-Year Sterling Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

U.S. Dollar Floating Rate LIBOR Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Reference Rate: The Applicable LIBOR Rate is []

Spread: [1-Year U.S. Dollar Floating Rate LIBOR Bond: +/- [] basis points]

[2-Year U.S. Dollar Floating Rate LIBOR Bond: +/- [] basis points]

[3-Year U.S. Dollar Floating Rate LIBOR Bond: +/- [] basis points]

[5-Year U.S. Dollar Floating Rate LIBOR Bond: +/- [] basis points]

[10-Year U.S. Dollar Floating Rate LIBOR Bond: +/- [] basis points]

Maturity Date: Each State of Israel [1-Year U.S. Dollar Floating Rate LIBOR Bond, 2-Year U.S. Dollar Floating Rate LIBOR Bond, 3-Year U.S. Dollar Floating Rate LIBOR Bond, 5-Year U.S. Dollar Floating Rate LIBOR Bond and 10-Year U.S. Dollar Floating Rate LIBOR Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

U.S. Dollar Jubilee Fixed Rate Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Bond:

[2-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Bond:

[3-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Bond:

[5-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Bond:

[10-Year U.S. Dollar []% per annum]
Jubilee Fixed Rate Bond:

Maturity Date: Each State of Israel [1-Year U.S. Dollar Jubilee Fixed Rate Bond, 2-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond, 3-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond, 5-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond and 10-Year Dollar U.S. Dollar Jubilee Fixed Rate Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

U.S. Dollar Maccabee Fixed Rate Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar []% per annum]
Maccabee Fixed Rate Bond:

[2-Year U.S. Dollar []% per annum]
Maccabee Fixed Rate Bond:

[3-Year U.S. Dollar []% per annum]
Maccabee Fixed Rate Bond:

[5-Year U.S. Dollar []% per annum]
Maccabee Fixed Rate Bond:

[10-Year U.S. Dollar []% per annum]
Maccabee Fixed Rate Bond:

Maturity Date: Each State of Israel [1-Year U.S. Dollar Maccabee Fixed Rate Bond, 2-Year U.S. Dollar Maccabee Fixed Rate Bond, 3-Year U.S. Dollar Maccabee Fixed Rate Bond, 5-Year U.S. Dollar Maccabee Fixed Rate Bond and 10-Year U.S. Dollar Maccabee Fixed Rate Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

U.S. Dollar Mazel Tov Savings Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [5-Year U.S. Dollar Mazel []% per annum]
Tov Savings Bond:

[10-Year U.S. Dollar Mazel []% per annum]
Tov Savings Bond:

Maturity Date: Each State of Israel [5-Year U.S. Dollar Mazel Tov Savings Bond and 10-Year U.S. Dollar Mazel Tov Savings Bond will mature on the first calendar day of the month during which the fifth (5th) or tenth (10th)] anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

U.S. Dollar Sabra Savings Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar Sabra []% per annum]
Savings Bond:

[2-Year U.S. Dollar Sabra []% per annum]
Savings Bond:

[3-Year U.S. Dollar Sabra []% per annum]
Savings Bond:

[5-Year U.S. Dollar Sabra []% per annum]
Savings Bond:

[10-Year U.S. Dollar Sabra []% per annum]
Savings Bond:

Maturity Date: Each State of Israel [1-Year U.S. Dollar Sabra Savings Bond, 2-Year U.S. Dollar Sabra Savings Bond, 3-Year U.S. Dollar Sabra Savings Bond, 5-Year U.S. Dollar Sabra Savings Bond and 10-Year U.S. Dollar Sabra

Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

U.S. Dollar Savings Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar Savings Bond: []% per annum]

[2-Year U.S. Dollar Savings Bond: []% per annum]

[3-Year U.S. Dollar Savings Bond: []% per annum]

[5-Year U.S. Dollar Savings Bond: []% per annum]

[10-Year U.S. Dollar Savings Bond: []% per annum]

Maturity Date: Each State of Israel [1-Year U.S. Dollar Savings Bond, 2-Year U.S. Dollar Savings Bond, 3-Year U.S. Dollar Savings Bond, 5-Year U.S. Dollar Savings Bond and 10-Year U.S. Dollar Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

CUSIP: []

Terms and Conditions of the Public Offer of the Bonds

Public Offer Jurisdiction(s): [United Kingdom, Belgium, France and Germany]

SUMMARY OF THE ISSUE

[Insert completed summary by amending and completing the summary of the Information Memorandum as appropriate to the terms of the specific issue]

TAXATION

The following is intended as general information only and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to present any comprehensive or complete description of all aspects of any applicable tax law which could be of relevance to a Bond holder. You should consult your professional adviser regarding the taxation implications of any purchase or ownership of a Bond.

Payments by the State of Israel

Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom). The Distributor's understanding as of the date of this Information Memorandum is that in all circumstances payments of interest may be made by State of Israel without deduction of any withholding tax.

Payments to residents of the United Kingdom

United Kingdom resident Bond holders will normally be liable to United Kingdom income tax on the interest. Repayment of principal is not a taxable event in the United Kingdom.

Payments to non-residents of the State of Israel

Under Israeli law as presently in effect, payments made under the Bonds to Bond holders who are not residents of the State of Israel will be exempt from Israeli taxation, and there are no transfer, stamp or similar taxes under the laws of the State of Israel payable in connection with the issue or redemption of the Bonds.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from January 1, 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by

a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

By offering any Bonds to any Investor, the Distributor is hereby deemed to acknowledge, undertake, represent and warrant and agree (as the case may be), in each case for the benefit of the Issuer, as follows:

United States of America

The Bonds have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons. The Distributor represents and agrees that it will not offer, sell or deliver any Bonds within the United States or to U.S. persons except as permitted by the Programme Agreement.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Relevant Member State, the Distributor represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Information Memorandum as completed by the Final Terms in relation thereto to the public in that Relevant Member State, and *provided that* the Issuer has consented in writing to the use of this Information Memorandum for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) if the Final Terms specify that a Public Offer of those Bonds may be made, following the date of publication of a prospectus in relation to such Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the Final Terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Distributor for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (b) to (d) above shall require the Issuer or the Distributor to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

The Distributor represents and agrees that:

- (a) **No deposit-taking**: in relation to any Bonds having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

- (b) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

The Netherlands

The Distributor represents and agrees that it will not make an offer of Bonds which are the subject of the offering contemplated by this Information Memorandum as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

- (a) such offer is made exclusively to legal entities which are qualified investors (as defined in the Wft), in The Netherlands; or
- (b) the standard exemption logo and wording are disclosed as required by article 5:20(5) of the Wft; or
- (c) such offer is otherwise made in circumstances in which article 5:20(5) of the Wft is not applicable,

provided that no such offer of Bonds shall require the Issuer or the Distributor to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions "**offer of Bonds to the public**" in relation to any Bonds in The Netherlands and "**Prospectus Directive**" have the meanings given to them above in the paragraph headed with "*Public Offer Selling Restriction under the Prospectus Directive*" and "**Wft**" means the Act on Financial Supervision (*Wet op het financieel toezicht*).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, the The Distributor undertakes that it will not offer or sell any Bonds directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

The Distributor agrees that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Issuer nor the Distributor represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

The issue of the Bonds will not be underwritten and there is no minimum subscription on which the issue of the Bonds is conditional.

THE DISTRIBUTOR

Development Company for Israel (UK) Limited has been appointed as sole distributor of the various Bonds to which this Information Memorandum relates, in the United Kingdom and to any non-United Kingdom resident purchaser with whom any such transaction is lawful in accordance with the laws of the United Kingdom and of the jurisdiction of the purchaser's residence.

The Distributor was incorporated in England in 1979 for the sole purpose of acting as a distributor of bonds issued from time to time by the State of Israel. The Distributor carries on no other business than the promotion and distribution of the Bonds, and is authorised and regulated by the FCA. The Distributor does not provide advice to any person on the merits of purchasing Bonds, and no part of this Information Memorandum should be construed as advice to any person as advice on the merits of such a purchase. The Distributor contracts with each purchaser of Bonds through its Terms of Business, and classifies all such purchasers as its retail clients for the purposes of the FCA Rules.

The Distributor does not in any way underwrite or guarantee the Bonds which it distributes.

For the Distributor's services of promoting and arranging subscriptions for the Bonds, the Distributor (either directly or through a group company) receives a selling concession and/or consulting fee from the State of Israel at a rate to be determined from time to time by the State of Israel and the Distributor.

GENERAL INFORMATION

1. **No Significant Change**

There has been no significant change in relation to public finance and trade, the tax and budgetary systems, the gross public debt, the foreign trade and balance of payment figures, the foreign exchange reserves, the financial position and resources and the income and expenditure figures of the Issuer since the fiscal year ended December 31, 2012.

2. **Governmental, Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Information Memorandum which may have, or have had in the recent past, significant effects on the financial position of the Issuer.

3. **Documents Available**

For the period of 12 months following the date of this Information Memorandum, electronic copies of the following documents will be available on the Distributor's website at www.israelukbonds.com and physical copies may also be inspected at its offices at the address specified on the last page of this Information Memorandum:

- (i) this Information Memorandum and any supplements hereto, any future offering memoranda and any documents incorporated by reference herein or therein;
- (ii) any Final Terms;
- (iii) the State of Israel's budget for the last two fiscal years and for the current fiscal year; and
- (iv) all reports, letters and other documents, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Information Memorandum.

4. **Pricing**

The amount of Bonds to be issued under the Programme and interest rate(s) applicable to such Bonds will be determined by the Issuer and the Distributor at the time of issue of the relevant Bond in accordance with prevailing market conditions.

5. **Yield**

Calculated on the basis of the formula set out below, the annual yield of each fixed rate Bond will be the same as applicable annual interest rate of such Bond.

$$\text{Yield} = \frac{\text{Coupon}}{\text{Issue Price}} \quad (\text{i.e., 100\%})$$

The yield in respect of a particular Bond will not be an indication of future yield.

6. **Termination**

The State of Israel reserves the right to terminate the arrangements set out in this Information Memorandum and cease issuing Bonds in the future. Any such termination shall be notified to the Distributor in writing.

ISSUER

The State of Israel
Ministry of Finance
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OFFERING MEMORANDUM FOR EXEMPT BONDS

Pages 70 to 95 (inclusive) of this document comprise an offering memorandum (the "**Offering Memorandum**"). The Offering Memorandum has been prepared by the Issuer in connection with the issuance of bonds under the Programme for which no prospectus is required to be published under the Prospectus Directive (the "**Exempt Bonds**").

The Offering Memorandum has not been reviewed or approved by the UK Listing Authority and does not constitute a prospectus for the purpose of the Prospectus Directive.

The Offering Memorandum is a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2000. It has been issued by the State of Israel and its content has been approved by Development Company for Israel (UK) Limited.

The Offering Memorandum is to be read in conjunction with the following sections of the Information Memorandum, which shall be deemed to be incorporated by reference herein:

- The subsections "Other relevant information", "Unauthorised information", "Restrictions on distribution", "The Bonds may not be a suitable investment for all investors", "State of Israel debt instruments", "Definitions" and "Ratings" in Important Notices
- Information Incorporated by Reference
- Risk Factors
- Overview of the Programme
- Taxation
- Subscription and Sale
- The Distributor
- General Information

Terms defined in the Information Memorandum shall have the same meaning when used herein *provided that* the sections of the Information Memorandum incorporated by reference herein shall be amended as follows for the purposes of this Offering Memorandum:

1. All references to the "Information Memorandum" shall be deemed to be references to this Offering Memorandum.
2. All references to the "Bonds" shall be deemed to be references to the Exempt Bonds.
3. All references to the "Conditions" shall be deemed to be references to the "*Conditions of the Exempt Bonds*" set out herein.
4. All references to the "Final Terms" shall be deemed to be references to the

Pricing Supplement (as defined herein) and each reference to information being specified or identified in the applicable Final Terms shall be deemed to be a reference to such information being specified or identified in the applicable Pricing Supplement unless the context requires otherwise.

5. All references to Public Offers shall be disregarded, as no Public Offer of any Exempt Bond will be made.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

OVERVIEW OF THE PROGRAMME AND THE EXEMPT BONDS

The following overview does not purport to be complete and is qualified in its entirety by the remainder of this Offering Memorandum (including the information incorporated by reference herein) and, in relation to the terms and conditions of any particular Tranche of Exempt Bonds, the applicable Pricing Supplement.

Words and expressions defined in "Conditions of the Exempt Bonds" shall have the same meanings in this overview.

Issuer:	State of Israel.
Programme:	Bond Issuance Programme.
Programme Amount:	Unlimited.
Distributor:	Development Company for Israel (UK) Limited.
Fiscal Agent:	Computershare Trust Company of Canada.
Exempt Bonds:	<p>The Exempt Bonds are debt instruments issued by the Issuer. Exempt Bonds may be U.S. Dollar Floating Rate LIBOR Financing Bonds, U.S. Dollar Jubilee Fixed Rate Financing Bonds or U.S. Dollar Reinvestment Savings Bonds.</p> <p>See the chart below for further details regarding the features of these types of Exempt Bonds.</p>
Currencies:	<p>United States Dollars.</p> <p>When purchasing an Exempt Bond, investors may tender funds in Euro, British Pounds Sterling or United States Dollars. See "<i>Conditions of the Exempt Bonds — Purchase of Bonds</i>".</p>
Issue Date:	15th of the month (for Exempt Bonds offered from the 1st of the month through the 14th of the month) or 1st of the month (for Exempt Bonds offered from the 15th of the month preceding the Issue Date through the last day of that month).
Maturity Dates:	Exempt Bonds will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Exempt Bond occurs.
Interest:	<p>The Exempt Bonds will accrue interest from (and including) the Issue Date until (but not including) the maturity date.</p> <p>Interest may be paid on an annual or semi-annual basis, or</p>

may be only paid on the maturity date of the relevant Exempt Bond, as the case may be.

Details of historic LIBOR rates can be obtained from www.bbalibor.com/rates/historical.

- Risk Factors:** There are certain risks relating to the Exempt Bonds, which investors should ensure they fully understand before purchasing any Exempt Bond. See "*Risk Factors*" in the Information Memorandum.
- Form of Exempt Bonds:** The Exempt Bonds are issued in book-entry form. Certificates will be issued only to government agencies, pension funds, financial institutions and employee benefit plans that so request at the time of purchase.
- Transfer of Exempt Bonds:** Exempt Bonds may be assigned or transferred in the instances specified under "*Conditions of the Exempt Bonds — Transferability*".
- Redemption:** Subject to any purchase and cancellation or early redemption, Exempt Bonds will be redeemed on their Maturity Date at par.
- Early Redemption:** The State of Israel is entitled to redeem any issued Exempt Bonds in whole or in part at any time. See "*Conditions of the Exempt Bonds — Early Redemption — At the Option of the State of Israel*".
- Redemption at the request of a Bond holder is not possible, except upon the death of the last surviving natural person who owned the Exempt Bond or upon the termination of an employee benefit scheme in accordance with the Conditions. See "*Conditions of the Exempt Bonds — Early Redemption — At the Request of a Bond holder*".
- Listing:** No application has been or will be made for the Exempt Bonds to be admitted to trading on any exchange, market or other trading platform.
- Taxation:** Interest and principal sums due under the Exempt Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Exempt Bond or the receipt of income therefrom).
- For a discussion of tax consequences associated with the Exempt Bonds, see "*Taxation*". Investors should consult their own tax advisors in determining the tax consequences to them of the purchase, ownership and

disposition of the Exempt Bonds.

Governing Law:

The Exempt Bonds and any non-contractual obligations arising out of or in connection with the Exempt Bonds will be governed by the laws of the State of New York.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Exempt Bonds and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, the Netherlands and Japan see "*Subscription and Sale*" in the Information Memorandum.

Application for Exempt Bonds:

Application for Exempt Bonds should be made by completing an Investment Form. Investors will also be required to sign the Distributor's Terms of Business and complete a Client Information Form. These forms are available on the Distributor's website or by contacting the Distributor directly. The State of Israel is not obliged to accept your Investment Form. See "*Conditions of the Exempt Bonds — Purchase of Bonds*".

Unless an application to purchase Exempt Bonds is not accepted by the State of Israel, a prospective Bond holder will be allotted 100% of the Exempt Bonds applied for. The Fiscal Agent will post a confirmation of the allotment of Exempt Bonds to the prospective Bond holder within 7 Banking Days (being days, other than a Saturday, a Sunday or a public holiday, on which banks are open for business in both the United Kingdom and Canada) of the day on which the purchase is completed.

Limitation on purchases of Exempt Bonds:

U.S. Dollar Reinvestment Savings Bonds are only available to investors who are reinvesting the proceeds of other U.S. Dollar State of Israel bonds that have matured or will mature on or prior to the Issue Date of the U.S. Dollar Reinvestment Savings Bonds to be purchased (and the proceeds of which have not already been reinvested).

U.S. Dollar Jubilee Fixed Rate Financing Bonds and U.S. Dollar Floating Rate LIBOR Financing Bonds may only be purchased if financed by an Authorised Institutional Lender.

See "*Conditions of the Exempt Bonds — Purchase of Bonds*".

Type of Exempt Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
U.S. Dollar Floating Rate LIBOR Financing Bonds	United States Dollars	2-Year 3-Year	U.S.\$100,000 (and integral multiples of U.S.\$25,000 in excess of U.S.\$100,000)	Variable floating rate equal to the Applicable LIBOR Rate for the each interest period plus the applicable Spread.	June 1st and December 1st in each year and upon maturity, except that for U.S. Dollar Floating Rate LIBOR Financing Bonds issued on May 15th and November 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.	Two sales periods per month: U.S. Dollar Floating Rate LIBOR Financing Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and U.S. Dollar Floating Rate LIBOR Financing Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.
U.S. Dollar Jubilee Fixed Rate Financing Bonds	United States Dollars	1-Year 2-Year 3-Year 5-Year 10-Year	U.S.\$100,000 (and integral multiples of U.S.\$25,000 in excess of U.S.\$100,000)	Fixed percentage per annum.	May 1st and November 1st in each year and upon maturity, except that for U.S. Dollar Jubilee Fixed Rate Financing Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent	Two sales periods per month: U.S. Dollar Jubilee Fixed Rate Financing Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and U.S. Dollar Jubilee Fixed Rate Financing

Type of Exempt Bond:	Currency:	Maturity:	Denomination(s):	Interest:	Interest Payment Date(s):	Sales Period(s):
U.S. Dollar Reinvestment Savings Bonds	United States Dollars	1-Year 2-Year 3-Year 5-Year 10-Year	No minimum denomination	Fixed percentage per annum.	Interest will only be paid at maturity.	<p>Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.</p> <p>Two sales periods per month: U.S. Dollar Reinvestment Savings Bonds will be issued on the 1st and the 15th of the month. If the maturity date of the Matured Bonds being reinvested falls:</p> <ul style="list-style-type: none"> • on the 1st of the month, the Issue Date of the U.S. Dollar Reinvestment Savings Bonds will be the same day (the 1st of that month); • between the 2nd and 14th of the

**Type of Exempt
Bond:**

Currency:

Maturity:

Denomination(s):

Interest:

**Interest Payment
Date(s):**

Sales Period(s):

month, the Issue
Date of the U.S.
Dollar
Reinvestment
Savings Bonds
will be the 15th
of that month;
and

- between the 15th
and the end of
the month, the
Issue Date of the
U.S. Dollar
Reinvestment
Savings Bonds
will be the 1st of
the following
month.

CONDITIONS OF THE EXEMPT BONDS

The following are the terms and conditions (the "**Conditions**") of the bonds described under paragraph 2 below (the "**Bonds**") issued by State of Israel (the "**Issuer**" or the "**State of Israel**") under its Bond Issuance Programme (the "**Programme**").

Each Tranche of Bonds will be issued on the terms set out in these Conditions, as completed, modified and/or amended by a document called a pricing supplement (the "**Pricing Supplement**").

As used herein, "**Tranche**" means Bonds which are identical in all respects and "**Series**" means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which are identical in all respects except for their respective Issue Dates, Interest Commencement Dates and/or Maturity Dates.

Copies of the applicable Pricing Supplement are available for viewing at and copies may be obtained from the website of Development Company for Israel (UK) Limited (the "**Distributor**") at www.israelukbonds.com or from its offices at Ort House, 126 Albert Street, London NW1 7NE, United Kingdom. Bond holders are deemed to have notice of the applicable Pricing Supplement.

1. **Defined Terms**

The following terms are used in these Conditions:

" Authorised Institutional Lender "	an entity primarily engaged in the business of making secured loans to institutional and non-institutional borrowers, authorised in writing by the State of Israel to accept bonds as collateral security
" Banking Day "	any day, other than a Saturday, a Sunday or a public holiday, on which banks are open for business in both the United Kingdom and Canada.
" Computershare " or the " Fiscal Agent "	Computershare Trust Company of Canada.
" U.S. Dollar Floating Rate LIBOR Financing Bonds "	financing Bonds which have a floating interest rate calculated on the basis of LIBOR (as specified in the relevant Pricing Supplement).
" Interest Determination Date "	in relation to a given Bond, the date (or dates or series of dates) on which the State of Israel will determine the interest rate applicable to that Bond.
" Interest Payment Date "	in relation to a given Bond, the date (or dates or series of dates) on which the State of Israel will pay interest under the terms of that Bond to the Registered Owner (as specified in the relevant Pricing Supplement).
" Investment Form "	the form published by the Distributor for provision of relevant subscription and other information by

	persons seeking to purchase Bonds.
"Issue Date"	in relation to a given Bond, the date on which it is issued by the State of Israel (as specified in the relevant Pricing Supplement).
"U.S. Dollar Jubilee Fixed Rate Financing Bonds"	Bonds which are U.S. Dollar Jubilee Fixed Rate Financing Bonds (as specified in the relevant Pricing Supplement).
"LIBOR"	the London interbank offered rate, a reference rate based on the averaged interest rates at which a panel of London banks offer to lend unsecured funds in different currencies to other banks in London.
"Matured Bonds"	United States Dollar State of Israel bonds that have matured or will mature prior to the Issue Date of U.S. Dollar Reinvestment Savings Bonds purchased by an investor, the proceeds of which are to be reinvested in such purchase of U.S. Dollar Reinvestment Savings Bonds.
"Rate Sheet"	the rate sheet for a given Bond, as made available from time to time by the Distributor, in which details of the rate(s) of interest for that Bond (among other details) are stated.
"Reference Bank"	a major bank operating in the Eurozone interbank market (in the case of EURIBOR) or, as the case may be, London interbank market (in the case of LIBOR).
"Relevant Date"	the date on which a payment of principal and/or interest first becomes due, except that, if the full amount of the monies payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of the relevant monies having been so received (or, if such date is not a Banking Day, the next day which is a Banking Day), such payment is made to the Bondholders.
"Relevant Screen Page"	Reuters Screen LIBO Page (in the case of LIBOR) or any successor thereto, or such other recognised quotation system as may be designated by the State of Israel from time to time.
"Registered Owner"	the person (or group of persons jointly) whom the Fiscal Agent is asked by the purchaser of a Bond to register as the person(s) legally entitled to that Bond.

"U.S. Dollar Reinvestment Savings Bonds"	Bonds which are U.S. Dollar Reinvestment Savings Bonds (as specified in the relevant Pricing Supplement).
"Specified Currency"	in relation to a given Bond, the currency of that Bond (as specified in the relevant Pricing Supplement).
"UK Registered Pension Scheme"	has the definition given in section 150(2) of the Finance Act 2004.
"U.S. Dollars", "United States Dollars", "U.S. dollars" or "U.S.\$"	the currency of the United States of America.

2. Type of Bonds

Bonds issued under the Programme may be U.S. Dollar Floating Rate LIBOR Financing Bonds, U.S. Dollar Jubilee Fixed Rate Financing Bonds or U.S. Dollar Reinvestment Savings Bonds.

2.1 *The U.S. Dollar Floating Rate LIBOR Financing Bonds*

Each State of Israel 2-Year U.S. Dollar Floating Rate LIBOR Financing Bond and 3-Year U.S. Dollar Floating Rate LIBOR Financing Bond, subscribed for a minimum amount of U.S.\$100,000 (and integral multiples of U.S.\$25,000 in excess of U.S.\$100,000), will mature on the first calendar day of the month during which the second (2nd) or third (3rd) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for U.S. Dollar Floating Rate LIBOR Financing Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Floating Rate LIBOR Financing Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date up to (but not including) the maturity date of the U.S. Dollar Floating Rate LIBOR Financing Bond.

Interest Payment Dates for the U.S. Dollar Floating Rate LIBOR Financing Bonds, on which interest will be paid semi-annually in arrear, are June 1st and December 1st in each year and upon maturity, except that for U.S. Dollar Floating Rate LIBOR Financing Bonds issued on May 15th and November 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The initial interest rate is equal to the six month LIBOR in effect on the first

Interest Determination Date, which is three Banking Days prior to the first day of the sales period of such Bond, as appears on the Relevant Screen Page, rounded upwards to the next one-sixteenth (1/16) of one percent, if the quoted interest rate is not equivalent to one-sixteenth (1/16) of one percent (the "**Applicable LIBOR Rate**"), plus or minus a fixed number of basis points determined by the State of Israel (the "**Spread**"). The Spread of each Bond shall remain fixed until maturity. After the initial interest period, the interest rate will be adjusted semi-annually in accordance with the Applicable LIBOR Rate in effect on subsequent Interest Determination Dates, which will be three Banking Days prior to June 1st and December 1st in each year.

In no event will the interest rate payable on the U.S. Dollar Floating Rate LIBOR Financing Bonds be less than 0% per year. LIBOR changes during an interest period this will not affect the rate of interest for that period. The rate of interest may vary (both upwards and downwards) from interest period to interest period as LIBOR changes.

The Spread and the initial interest rate applicable to each U.S. Dollar Floating Rate LIBOR Financing Bond will be determined by the State of Israel and specified in the applicable Pricing Supplement and published in the relevant Rate Sheet and on the Distributor's website not less than one Banking Day prior to the first day of the sales period of such Bond. Subsequent interest rates applicable to each U.S. Dollar Floating Rate LIBOR Financing Bond will be announced by the State of Israel one Banking Day prior to June 1st or December 1st in each year.

See paragraph 11.2 below for details of restrictions on investments in U.S. Dollar Floating Rate LIBOR Financing Bonds.

2.2 *The U.S. Dollar Jubilee Fixed Rate Financing Bonds*

Each State of Israel 1-Year U.S. Dollar Jubilee Fixed Rate Financing Bond, 2-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond, 3-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond, 5-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond and 10-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond, subscribed for a minimum amount of U.S.\$100,000 (and integral multiples of U.S.\$25,000 in excess of U.S.\$100,000), will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall.

Issue Dates for U.S. Dollar Jubilee Fixed Rate Financing Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Jubilee Fixed Rate Financing Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Jubilee Fixed Rate Financing Bond up to (but not including) the maturity date. Except in the cases described in this Memorandum, interest will be paid every May 1st, November 1st and on maturity of the U.S. Dollar Jubilee Fixed Rate Financing Bond.

Interest Payment Dates for the U.S. Dollar Jubilee Fixed Rate Financing Bonds, on which interest will be paid semi-annually in arrear, are May 1st and November 1st in each year and upon maturity, except that for U.S. Dollar Jubilee Fixed Rate Financing Bonds issued on April 15th and October 15th in each year, the first interest payment will be on the subsequent Interest Payment Date following their Issue Date.

The interest rate applicable to each U.S. Dollar Jubilee Fixed Rate Financing Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the first day of the sales period for such Bond and will be specified in the applicable Pricing Supplement, the applicable Rate Sheet and on the Distributor's website.

See paragraph 11.2 below for details of restrictions on investments in U.S. Dollar Jubilee Fixed Rate Financing Bonds.

2.3 *The U.S. Dollar Reinvestment Savings Bonds*

Each State of Israel 1-Year U.S. Dollar Reinvestment Savings Bond, 2-Year U.S. Dollar Reinvestment Savings Bond, 3-Year U.S. Dollar Reinvestment Savings Bond, 5-Year U.S. Dollar Reinvestment Savings Bond and 10-Year U.S. Dollar Reinvestment Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant Bond shall fall. The U.S. Dollar Reinvestment Savings Bonds have no minimum denomination.

U.S. Dollar Reinvestment Savings Bonds are available only to investors who are reinvesting the proceeds of Matured Bonds (and the proceeds of which have not already been reinvested). Only the proceeds of Matured Bonds may be reinvested in the U.S. Dollar Reinvestment Savings Bonds, and investors may not add to such reinvested proceeds to purchase a greater amount of these Bonds. See paragraph 11.4 below for further details about purchasing U.S. Dollar Reinvestment Savings Bonds.

Issue Dates for U.S. Dollar Reinvestment Savings Bonds will be the 1st and 15th of the month. If your Issue Date is the 15th of the month, your U.S. Dollar Reinvestment Savings Bond will mature two weeks less than the total number of years of the Bond. There will be two sales periods per month:

- Bonds issued on the 15th of the month will be offered from the 1st of the month through the 14th of the month; and
- Bonds issued on the 1st of the month will be offered from the 15th of the month preceding the Issue Date through the last day of that month.

If the maturity date of the Matured Bonds being reinvested falls:

- on the 1st of the month, the Issue Date of the U.S. Dollar Reinvestment Savings Bonds will be the same day (the 1st of that month);
- between the 2nd and 14th of the month, the Issue Date of the U.S. Dollar Reinvestment Savings Bonds will be the 15th of that month; and
- between the 15th and the end of the month, the Issue Date of the U.S. Dollar Reinvestment Savings Bonds will be the 1st of the following month.

Interest will accrue from (and including) the Issue Date of the U.S. Dollar Reinvestment Savings Bond up to (but not including) the maturity date, but shall only be payable at maturity of the U.S. Dollar Reinvestment Savings Bond.

The interest rate applicable to each U.S. Dollar Reinvestment Savings Bond shall be a fixed percentage per annum to be determined prior to the issue of the relevant Bond. The applicable interest rate will be announced one Banking Day prior to the sales period for such Bond and will be specified in the applicable Pricing Supplement, the applicable Rate Sheet and on the Distributor's website.

3. Status of the Bonds

The Bonds are direct, unconditional and general unsecured obligations of the State of Israel and will rank on the same basis with all other general unsecured loan obligations of the State of Israel without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise.

4. Early Redemption – At the Request of a Bond holder

In the very limited circumstances described below, a Bond holder or his successor may request the State of Israel to redeem his Bond prior to maturity. The redemption price will be equal to the principal amount of the Bond together with pro rata interest accrued up to the redemption date. Such a request must be given with a minimum of sixty (60) days' written notice, but so as to run to the first Banking Day of a given month, and shall be accompanied by an instrument of transfer in a form approved by the Fiscal Agent, and is in any event possible strictly only under the following circumstances:

- Upon the death of any natural person who was the original Registered Owner (or the last survivor of joint original Registered Owners).
- Upon the death of any natural person who owned such Bond through an individual personal pension plan.

Provided that the State of Israel may suspend or terminate the obligations to purchase a Bond upon death as set forth above if, in the opinion of the State of Israel, a material number of these persons shall have died as a result of war, epidemic, catastrophe of nature or other disaster.

- Upon the termination of any employee benefit plan which is the Registered Owner. In such circumstances, evidence must be provided to

the State of Israel that such employee benefit plan has been terminated and that the assets are to be liquidated to meet the plan's commitments.

Early redemption at the behest of Registered Owners is impossible in any other circumstances.

5. Early Redemption – At the Option of the State of Israel

The Bonds are subject to redemption at any time by the State of Israel. Any holding of Bonds is redeemable as a whole or in part. If the Bonds are redeemed in part, selection of the Bonds to be redeemed will be at the State of Israel's discretion; however, the Bonds will be redeemed in one or more groups, where each group of Bonds will consist of all Bonds of the same Tranche bearing the same Issue Date. Partial redemption can be made only on an Interest Payment Date. In addition, no Bonds of any Series can be redeemed at the option of the State of Israel unless the Bonds of such Series having a prior Issue Date are or have been called for redemption. A notice of redemption will be posted to all affected Bond owners by the Fiscal Agent between thirty (30) and sixty (60) days prior to the intended redemption date. The notice will state:

- the redemption date;
- whether all Bonds or a group of Bonds are to be redeemed;
- in the case of a redemption of a group of Bonds, a description of the group of Bonds that are to be redeemed;
- the redemption price;
- that on the redemption date no owner of Bonds called for redemption is entitled to more than the redemption price, and that the redemption price is due and payable on the redemption date; and
- the place where the Bonds are to be redeemed.

The State of Israel will redeem Bonds in such circumstances for a purchase price equal to the principal amount of the Bond together with interest accrued and unpaid to the redemption date.

If the redemption price is not paid on the surrender of any Bond, then that Bond will continue to accrue interest at the rate prescribed for such Bonds. The State of Israel will not be required to issue or register the transfer or exchange of any Bond during the period beginning with the fifteenth (15th) Banking Day prior to the date of the posting of a notice of redemption through the end of the date of the posting. The State of Israel will also not be required to register the transfer or exchange of any Bond selected for redemption in whole or in part, except for the unredeemed portion of the Bond being redeemed in part.

6. Event of Default

If the State of Israel shall default in a payment of interest or of the principal sum of a Bond or of a portion thereof then any amount not so paid will bear interest at the rate applicable to the relevant Bond(s) plus the applicable Spread (if

applicable). Interest shall be paid from and including the date of default until but not including the date of actual payment. If the default shall continue for a period of ninety (90) days then the Registered Owner will be entitled to give a written demand to the State of Israel requiring payment of the principal sum which will then become due and payable (together with unpaid accrued interest) on the date such written demand is actually received by the State of Israel unless the default shall have been cured by the State of Israel prior to such date.

7. Additional Provisions relating to the Calculation of Interest

7.1 General

Interest calculations in relation to the Bonds shall be performed by the Fiscal Agent and approved by the Issuer prior to any payments of interest.

7.2 Fallback Provisions for the Calculation of Floating Rate Interest

If the Relevant Screen Page is not available, the Fiscal Agent shall request three Reference Banks provide offered quotations (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant interest period to leading banks in the Eurozone interbank market (in the case of EURIBOR) or London interbank market (in the case of LIBOR) at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with a quotation, the rate of interest for such interest period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as indicated in the applicable Final Terms) the Spread (if any), all as determined by the Fiscal Agent.

If only one or none of the Reference Banks provides the Fiscal Agent with such a quotation, the rate of interest for the relevant interest period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks, at which such banks were offered, as at 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant interest period by leading banks in the Eurozone interbank market (in the case of EURIBOR) or London interbank market (in the case of LIBOR) plus or minus (as indicated in the applicable Final Terms) the Spread (if any).

If the rate of interest cannot be determined in accordance with the foregoing provisions of this paragraph 7, the rate of interest shall be that determined as at the last preceding interest period from that which applied to the last preceding interest period, the Spread relating to the relevant interest period in place of the Spread relating to that last preceding interest period.

8. Interest and Principal Payment

Interest shall accrue from (and including) the Issue Date of the Bond up to (but not including) the maturity date on the basis of a 365-day year and the number of days elapsed. The Bonds will not accrue interest after the maturity.

All payments of principal and interest will be made in the Specified Currency.

To the extent applicable, all interest payments shall be paid by cheque posted to the Registered Owner's address of record with the Fiscal Agent or credited to a bank account held by the Registered Owner, the details of which the Registered Owner has provided to the Distributor for such purposes. Interest payments made by bank transfer to a bank account in the United Kingdom or any European Economic Area Member State (being a member state of the European Union which adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union) will be made by the Fiscal Agent, through a bank in the United Kingdom or that European Economic Area Member State.

On maturity of a book-entry Bond, the Fiscal Agent will pay the principal amount and accrued interest on the relevant Bond to the Registered Owner by posting a cheque to the last address of the Registered Owner or by a bank transfer into a bank account held by the Registered Owner.

On maturity of a Bond that, in the exceptional circumstances detailed in these Conditions, is represented by a Bond certificate, the Fiscal Agent will pay the principal amount and accrued interest on the relevant Bond by posting a cheque by a bank transfer in the same manner as for a book-entry Bond, but only against delivery of the Bond certificate to the Fiscal Agent for cancellation.

If the due date for any payment of interest or principal is not a Banking Day, then the relevant payment shall be made on the next day which is a Banking Day but no additional interest will be payable as a result of such extension.

9. **Taxation**

Interest and principal sums due under the Bonds will be paid by the State of Israel without deduction for or on account of any present or future taxes or duties imposed or levied by or within the State of Israel (other than where the Bond holder is subject to such taxes or duties for a reason other than the holding or ownership of the Bond or the receipt of income therefrom).

10. **Transferability**

10.1 **General**

Any person becoming entitled to a Bond as a result of a transfer, assignment or transmission pursuant to this paragraph 10 may apply to be registered as the holder of such Bond, upon: (1) notifying the Fiscal Agent of a request to transfer or assign the Bond pursuant to paragraph 10.2 below or producing such evidence as reasonably requested by the Fiscal Agent to demonstrate entitlement by transmission pursuant to paragraph 10.3 below and (2) notifying the Fiscal Agent in writing of the request to re-register the Bond along with appropriate transfer documents (and the Bond certificate if one was issued).

Any Bond holder wishing to transfer or assign a Bond to "anyone designated by the State of Israel as a permitted transferee" pursuant to paragraph 10.2.6 below should notify the Fiscal Agent in advance of making a request to re-register the

Bond, provide such information on the contemplated transfer or assignment as may be required by the Fiscal Agent and/or the Issuer (including the amount of the Bond(s) to be transferred and the identity of the proposed transferee) and seek the Issuer's confirmation that it will consider such transferee as a permitted transferee. Once such confirmation has been given, a request to re-register the Bond may then be made in accordance with the procedures set out at (1) and (2) in the above paragraph.

A Bond holder should not contact the State of Israel directly in connection with any application to transfer or assign a Bond, or to designate a person as a permitted transferee of a Bond; all such applications and requests should be sent to the Fiscal Agent. The State of Israel's confirmation of the designation of a transferee as a permitted transferee pursuant to paragraph 10.2.6 will be given by the Fiscal Agent on the Issuer's behalf, following consultation with the Issuer, and the Issuer's consent to a transfer or assignment of a Bond pursuant to paragraph 10.2 is deemed to be given upon registration of such Bond in the name of the new Bond holder(s) (absent error by the Fiscal Agent).

10.2 *Transfer or assignment of Bonds*

The Issuer will consent to a transfer or assignment of a Bond only to the following permitted transferees:

- 10.2.1 the State of Israel;
- 10.2.2 any religious, charitable, literary, scientific or educational organization, contributions to which are, at the time of the transfer, deductible for income and similar tax purposes under the United States Internal Revenue Code of 1986, as heretofore or hereafter amended (or are accorded similar treatment under the laws of the country in which the transferee is located), *provided however that* each such transfer is made by gift or bequest only, without any compensation to the transferor;
- 10.2.3 the Registered Owner's spouse, children, grandchildren, siblings, parents or grandparents;
- 10.2.4 a UK Registered Pension Scheme whose only members are the Registered Owner and (as applicable) the Registered Owner's spouse, children, grandchildren, siblings, parents and/or grandparents;
- 10.2.5 provided the transfer is made by the Registered Owner of the Bond and only at the time of purchase of the Bond, as collateral security to an Authorised Institutional Lender; or
- 10.2.6 anyone designated by the State of Israel as a permitted transferee.

10.3 *Transfer upon death a registered holder of Bonds or of any other event giving rise to the transmission of Bonds by operation of law*

In the case of death of a registered holder of Bonds or of any other event giving rise to the transmission of Bonds by operation of law, the only persons recognised by the State of Israel as having any right to such Bonds upon

transmission are:

- 10.3.1 the personal representatives of a deceased registered holder's estate; or
- 10.3.2 the trustee in bankruptcy of a bankrupt registered holder; or
- 10.3.3 the trustee or administrator or other officially entitled person in relation to the estate of a registered holder who has been declared mentally incompetent by a court of competent jurisdiction; or
- 10.3.4 any person who can demonstrate that he or it has been appointed by a court of competent jurisdiction to represent the estate of a registered holder in any other applicable circumstances (including but not limited to cases where the Bonds are considered to be *bona vacantia* (i.e., property not disposed of by the deceased's will and to which no relative is entitled upon intestacy)).

11. **Purchase of Bonds**

11.1 ***General***

Application for Bonds should be made by completing an Investment Form. Investors will also be required to sign the Distributor's Terms of Business and complete a Client Information Form. These forms are available on the Distributor's website or by contacting the Distributor directly. The State of Israel is not obliged to accept your Investment Form.

In order to purchase a Bond on a specific Issue Date, subject to paragraphs 11.4 and 11.5 below, your Investment Form must be accepted by or on behalf of the State of Israel and cleared funds in respect of the full purchase price of such Bond must be received and accepted in the account of the Fiscal Agent before such Issue Date (or before such other date announced by the State of Israel). If your Investment Form is accepted by or on behalf of the State of Israel and/or clear funds are accepted or received in the account of the Fiscal Agent on or after an Issue Date (or such other date), your Bond will be issued on a subsequent Issue Date. When a Bond is issued on a subsequent Issue Date, the interest rate applicable to the Bond will be the interest rate applicable to such Issue Date, in accordance with the applicable Pricing Supplement and then prevailing Rate Sheet.

11.2 ***Limitation on purchases of U.S. Dollar Jubilee Fixed Rate Financing Bonds and U.S. Dollar Floating Rate LIBOR Financing Bonds***

U.S. Dollar Jubilee Fixed Rate Financing Bonds and U.S. Dollar Floating Rate LIBOR Financing Bonds may only be purchased if financed by an Authorised Institutional Lender.

11.3 ***Currencies / Conversion of Funds***

When purchasing a Bond, investors may tender funds in Euro, British Pounds Sterling or United States Dollars. Where investors tender a currency which is different to the Specified Currency of the relevant Bond, rather than the

Specified Currency, the Fiscal Agent will convert the currency received from the investor into the Specified Currency at an exchange rate that it determines in its sole discretion. Funds which are not in the Specified Currency must, upon conversion, equal or exceed the minimum authorised denomination of the relevant Bond in the Specified Currency.

11.4 *Reinvesting in U.S. Dollar Reinvestment Savings Bonds*

U.S. Dollar Reinvestment Savings Bonds are available only to investors who are reinvesting the proceeds of Matured Bonds (and the proceeds of which have not already been reinvested). Only the proceeds of Matured Bonds may be reinvested in the U.S. Dollar Reinvestment Savings Bonds, and investors may not add to such reinvested proceeds to purchase a greater amount of these Bonds.

In order to purchase a U.S. Dollar Reinvestment Savings Bond, your Investment Form must be received and accepted by or on behalf of the State of Israel no later than thirty (30) days following the maturity date of your Matured Bonds (or before such other date announced by the State of Israel).

If you have already received a cheque in respect of principal and/or interest payment(s) on your Matured Bonds, this must also be returned, together with the Investment Form, during such 30-day period. If the principal and interest payment(s) for your Matured Bonds are paid by bank transfer, you must notify Fiscal Agent and the Distributor fifteen (15) days prior to the due date of such bank transfer about your request to cancel the bank transfer and reinvest the proceeds.

ONCE PRINCIPAL AND INTEREST PAYMENT(S) FOR YOUR MATURED BONDS ARE DEPOSITED IN YOUR BANK ACCOUNT BY BANK TRANSFER OR BY CHEQUE, YOU WILL NOT BE ABLE TO REINVEST THE PROCEEDS OF THE MATURED BONDS IN A U.S. DOLLAR REINVESTMENT SAVINGS BOND.

11.5 *Reinvesting a matured State of Israel bond in Bonds other than U.S. Dollar Reinvestment Savings Bonds*

If you are reinvesting a matured State of Israel bond in Bonds other than U.S. Dollar Reinvestment Savings Bonds, in order for your new Bond to be issued on the maturity date of your reinvested bond, your subscription must be accepted by or on behalf of the State of Israel within five (5) calendar days after the maturity date of your reinvested bond (or, if such date falls on a non-Banking Day, the first Banking Day after such date). Unless sales of a certain Bond are suspended, a subscription will be accepted by or on behalf of the State of Israel if it is in a form acceptable to the State of Israel before the designated date as set forth above.

11.6 *Reinvesting payments in purchases of new Bonds*

If a Bond holder intends to reinvest payments of principal or interest in purchases of new Bonds then, upon request by the Bond holder, the Fiscal Agent may convert such payments into the Specified Currency of the new Bonds (being Euro, British Pounds Sterling or United States Dollars) at an exchange

rate determined by it in its sole discretion.

12. **Bond Certificates**

All Bonds are issued in book-entry form. Bond certificates will not normally be issued. Instead, the Fiscal Agent will post to each person registered as the purchaser of a Bond a confirmation that he or it (or the relevant third party whom he may have designated) has been entered in the Bond register as the Registered Owner along with other pertinent information. Certificates will be issued only in the cases of Registered Owners who are government agencies, pension funds, financial institutions and employee benefit plans that so request at the time of purchase, or upon written consent of the State of Israel. The Fiscal Agent, on behalf of the State of Israel, will forward all notices relating to the Bonds to the Registered Owner(s).

Upon maturity or redemption of a book-entry Bond, the Fiscal Agent will automatically pay the principal amount and accrued interest on the book-entry Bond to the Registered Owner by posting a cheque to the last address of the Registered Owner as listed in the Bond register or, if written instructions are given by the Registered Owner, by direct credit to the bank account specified by the Registered Owner.

Bond certificate holders must present the physical certificate to the Fiscal Agent to receive payment. The Registered Owner will bear all expenses in connection with the replacement and delivery of a new Bond certificate, should one be required for any reason. However, the State of Israel will (except in cases where it has proof of delivery of the Bond certificate) issue a new Bond certificate to the Registered Owner for no cost where the Registered Owner has notified the State of Israel and the Fiscal Agent in writing that the Bond certificate was never delivered, no later than six months following the original Issue Date of the Bond.

13. **Prescription**

Claims for principal shall become void unless made within ten years of the appropriate Relevant Date. Claims for interest shall become void unless made within five years of the appropriate Relevant Date.

14. **Fiscal Agent**

Computershare will act as the Fiscal Agent for the Bonds. The address for Computershare is 100 University Avenue, 9th floor, Toronto, Ontario M5J 2Y1, Canada. Attention: State of Israel Bonds. The telephone number is +1 (416) 263 9200.

15. **Governing Law**

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by and construed in accordance with the laws of the State of New York.

16. **Waiver of Immunity**

The State of Israel is a sovereign state. However, the State of Israel has, in respect of the Bonds, agreed to irrevocably submit to the non-exclusive jurisdiction of the federal court in the Southern District of New York or any state court in the City of New York and irrevocably agrees not to claim immunity from any proceedings or from the execution of any judgement in connection with the terms of the Bonds (save to the extent that that State of Israel is precluded by applicable laws to agree as aforesaid) and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or issue of any process in connection with the terms of the Bonds.

FORM OF PRICING SUPPLEMENT FOR EXEMPT BONDS

Pricing Supplement dated []

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THIS ISSUE OF BONDS AND THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.

STATE OF ISRAEL

Issue of
U.S. Dollar Reinvestment Savings Bonds ([]th International Dollar Series)
U.S. Dollar Jubilee Fixed Rate Financing Bonds ([]th International Dollar Series)
U.S. Dollar Floating Rate LIBOR Financing Bonds ([]th International Dollar Series)

under the Bond Issuance Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering memorandum dated October 23, 2013 (the "**Offering Memorandum**"). This Pricing Supplement constitutes the final terms of the Bonds described herein and must be read in conjunction with the Offering Memorandum.

U.S. Dollar Reinvestment Savings Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar Reinvestment Savings Bond: []% per annum]

[2-Year U.S. Dollar Reinvestment Savings Bond: []% per annum]

[3-Year U.S. Dollar Reinvestment Savings Bond: []% per annum]

[5-Year U.S. Dollar Reinvestment Savings Bond: []% per annum]

[10-Year U.S. Dollar Reinvestment Savings Bond: []% per annum]

Maturity Date: Each State of Israel [1-Year U.S. Dollar Reinvestment Savings Bond, 2-Year U.S. Dollar Reinvestment Savings Bond, 3-Year U.S. Dollar Reinvestment Savings Bond, 5-

Year U.S. Dollar Reinvestment Savings Bond and 10-Year U.S. Dollar Reinvestment Savings Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant U.S. Dollar Reinvestment Savings Bond shall fall.

U.S. Dollar Jubilee Fixed Rate Financing Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Interest Rate: [1-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Financing Bond:
[2-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Financing Bond:
[3-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Financing Bond:
[5-Year U.S. Dollar Jubilee []% per annum]
Fixed Rate Financing Bond:
[10-Year Jubilee Fixed []% per annum]
Financing Rate Bond:

Maturity Date: Each State of Israel [1-Year U.S. Dollar Jubilee Fixed Rate Financing Bond, 2-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond, 3-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond, 5-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond and 10-Year Dollar U.S. Dollar Jubilee Fixed Rate Financing Bond will mature on the first calendar day of the month during which the first (1st), second (2nd), third (3rd), fifth (5th) or tenth (10th) anniversary, as the case may be, of the Issue Date of the relevant U.S. Dollar Jubilee Fixed Rate Financing Bond shall fall.

U.S. Dollar Floating Rate LIBOR Financing Bonds ([]th International Dollar Series)

Specified Currency: United States Dollars

Reference Rate: The Applicable LIBOR Rate is []

Spread: [2-Year U.S. Dollar +/- [] basis points]
Floating Rate LIBOR

Financing Bond:

[3-Year U.S. Dollar Floating Rate LIBOR +/- [] basis points]

Financing Bond:

Maturity Date:

Each State of Israel [2-Year U.S. Dollar Floating Rate LIBOR Financing Bond and 3-Year U.S. Dollar Floating Rate LIBOR Financing Bond will mature on the first calendar day of the month during which the second (2nd) or third (3rd)] anniversary, as the case may be, of the Issue Date of the relevant U.S. Dollar Floating Rate LIBOR Financing Bond shall fall.

ISSUER

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