

The advantage of capital market performance with a guaranteed principle

**NEW**

# Structured Deposit

Structured Deposit Linked to Finance Shares



## Structured Deposit Linked to Finance Shares, without risk to the invested capital

A 3 year structured deposit offering a return linked to the rise of a basket\* of Finance Shares, up to a ceiling of 40% for each share, for the period of the deposit. The deposit return is calculated according to the paragraph: "Deposit Return"

### About the Deposit:

- The deposit is intended for customers who are interested in an investment with a high return potential and guaranteed capital repayment.
- The deposit offers exposure to a basket of shares that was constructed by the bank and provides exposure to the financial sector in the USA.
- According to market analysts, The USA economy continues its recovery with lower unemployment rates and positive growth. Given these positive economic indicators, the FED initiated a policy of raising the interest rates at a gradual pace.
- This policy should have a positive effect on the performance of the finance sector that benefits from economic growth and rising interest rates according to analysts projections.
- These indicators, in addition to the underperformance of the financial sector in the last 5 years, compared to the S&P 500 Index, seem to be an interesting entry point to the sector.

### \*The Shares Basket

Weight in the basket	Share Name	Share Symbol	Finance Sector
10%	HSBC HOLDINGS	HSBA LN Equity	Banks
10%	BARCLAYS	BARC LN Equity	
10%	PNC FINANCIAL SERVICES GROUP	PNC UN Equity	
10%	US BANCORP	USB UN Equity	
10%	WELLS FARGO & CO	WFC UN Equity	
10%	JPMORGAN CHASE & CO	JPM UN Equity	
10%	BANK OF AMERICA	BAC UN Equity	
10%	CREDIT SUISSE GROUP	CSGN VX Equity	Finance Services
10%	LENDINGCLUB	LC UN Equity	Loans
10%	CAPITAL ONE FINANCIAL	COF UN Equity	

**It is hereby clarified that a structured deposit is deemed a transaction involving special risk. The bank has financial interest in marketing the structured deposit. Therefore, the structured deposit may be given precedence over other similar products in respect to their suitability for the customer.**

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## Deposit Return:

- Each share has a ceiling (barrier) of 40% relative to its closing price on the Deposit Start Date (Initial Price).
- For each share in the basket, if its daily close prices did not touch or breach the 40% barrier during the term of the deposit, the full performance of the share, whether positive or negative, will be taken into account for the calculation of that share's performance in the basket.
- If on any given trading day the close price of any share should touch or breach the barrier (even once), the performance of that specific share will be set at a fixed level of 6% for the entire period.
- The interest income deriving from the deposit will be calculated according to the average of the shares change rates in the period as calculated above. In any case, the return of the initial investment is guaranteed at redemption.

## Possible Scenarios

The following table illustrates repayment amounts of the deposit, assuming an Optimistic, Neutral and Pessimistic market scenarios, and the corresponding shares performances under the scenarios:

Share	Optimistic Scenario			Neutral Scenario			Pessimistic Scenario		
	Actual Share Performance	Barrier Breach	Share Change Rate	Actual Share Performance	Barrier Breach	Share Change Rate	Actual Share Performance	Barrier Breach	Share Change Rate
HSBC Holdings	16.40%	No	16.40%	12.70%	No	12.70%	-58.50%	No	-58.50%
Barclays	28.80%	No	28.80%	2.15%	No	2.15%	13.40%	No	13.40%
Credit Suisse Group	23.00%	No	23.00%	48.22%	Yes	6.00%	-12.43%	No	-12.43%
US Bancorp	43.00%	Yes	6.00%	22.48	No	22.48%	-14.00%	No	-14.00%
Wells Fargo & Co	36.40%	No	36.40%	-25.89%	No	-25.89%	-52.00%	No	-52.00%
JPMorgan Chase & Co	28.60%	No	28.60%	-5.15%	No	-5.15%	6.28%	No	6.28%
LendingClub	42.00%	Yes	6.00%	12.42%	No	12.42%	-14.42%	No	-14.42%
Bank of America	27.60%	No	27.60%	6.12%	No	6.12%	-65.12%	No	-65.12%
PNC Financial Services Group	12.55%	No	12.55%	16.12%	No	16.12%	13.12%	No	13.12%
Capital One Financial	22.40%	No	22.40%	-5.22%	No	-5.22%	-8.60%	No	-8.60%
<b>Basket Performance</b>			<b>20.78%</b>			<b>4.17%</b>			<b>-19.23%</b>
<b>USD/ILS change</b>			<b>6.78%</b>			<b>1.46%</b>			<b>-4.22%</b>
<b>Total Return</b>			<b>22.19%</b>			<b>4.23%</b>			<b>0.00%</b>
<b>Repayment</b>			<b>122.19%</b>			<b>104.23%</b>			<b>100.00%</b>

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## General Terms

Minimum Deposit	10,000 ILS
Offer Period	From Sunday, 20/03/2016 till Wednesday, 13/04/2016
Deposit Start Date	14/04/2016
Deposit End Date	14/04/2019
Initial Price	Closing Price of the Shares Basket on 14/04/2016
Final Price	Closing Price of the Shares Basket on 10/04/2019
Participation in the share's return	100% if no barrier was breached
Barrier	40%
Interest Income Linkage to USD	Interest Income is linked to USD/ILS and might change according to the change in USD/ILS during the deposit period
Interest Income Linkage to USD dates	Will be calculated according to the change between the exchange rate for USD (positive or negative) published on 14/04/2016 and the exchange rate for USD published on 11/04/2019
Dividend	If a dividend will be paid for any share during the deposit period, it will not be included in the total repayment to the customer

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## Highlights



### Advantages:

- The deposit enables customers to diversify their investment portfolio with a financial asset that holds the potential of high return with full protection of the invested capital, thereby substantially reducing their investment risk.
- The deposit holds considerable potential to receive an excess return over the existing alternatives at the same risk level.
- The deposit allows exposure to the underlying assets at a relatively low deposit amount and without buy/sell fees.



### Risks:

- Interest payment at maturity isn't guaranteed and depends on the performance of the underlying assets. The deposit might not provide a return at all.
- It is possible that the return of the deposit at maturity will be lower than the return on the alternative investment for the same period.
- The deposit does not include the possibility of early withdrawal on the customer's side - lack of liquidity for the period of the deposit.



### Taxation:

- If a qualifying rate event (barrier breach) occurs for all shares, i.e. they all breached the barrier; withholding tax for an Israeli/foreign resident will be 15% of the nominal earnings.
- If a qualifying rate event (barrier breach) does not occur for all shares, withholding tax for an Israeli/foreign resident will be 25% of the real earnings.
- Tax rates were determined in accordance with the provisions of law and directives of the Israel tax authorities as was known on the day of the deposit start date. Tax rates are subject to changes according to any new provisions of law and directives that may be published from time to time.

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