

Ministry of Finance

Spokesperson Unit

March 18, 2009

2009-311

Press Release

Success for the Ministry of Finance and Unprecedented Expression of Confidence in Israel's Economy

Accountant-General Completes Overseas Offering of Ten-Year Bonds in Record Amount of USD 1.5 Billion, at 5.19% Yield

Israel's largest-ever issue in the international markets

Minister of Finance: "I see the success of this offering as a vote of confidence in the Israeli economy. This is an important step that will improve Israel's ability to cope with the economic crisis and finance its economic activity in 2009"

Accountant-General: "The flow of high demand from foreign sources for Israeli government bonds, and the fact that they stood behind their bids even after the decrease in yields of US government bonds, demonstrate the attractiveness of the Israeli economy to investors and the Israeli government's strong access to the international capital markets"

A successful offering of dollar-denominated Israeli government bonds closed in New York today. The bonds were issued in the global format for a ten-year term, at a volume of USD 1.5 billion and a yield to maturity of 5.19%, reflecting a spread of 2.625% over ten-year US treasury bonds. The offering was performed following a two-day road show held simultaneously in the US and Europe by three teams, headed by Accountant-General Shuky Oren, Deputy Accountant-General Ami Landau, and the MOF's New York representative Zvi Halamish.

The offering was administrated by the underwriters Deutsche Bank, Citi, and Goldman Sachs. Response from foreign sources was exceptionally high, as the auction closed with 95% allocated to foreign investors. Investors purchasing the Israeli government bonds were from countries including the US, England, Switzerland, Denmark, Spain, Italy, Belgium, and more.

Demand for the offering, at a total of about USD 12 billion, from some 300 investors in fourteen countries, was the highest ever recorded in an offering by the Israeli government overseas. The Accountant-General's initial plan was to raise USD 500 billion, but in view of the high demand and attractive price a decision was made to expand the volume of the offering to USD 1.5 billion.

Note that following the US Fed Chairman's announcement yesterday of a plan to buy bonds for USD 300 billion, yields of US government bonds – from which the yield of the Israeli offering was derived – dropped by about 0.4%, near the closing of the offering. Despite the delay in closing the offering, it ended successfully, with the predetermined spread maintained. The decrease in yield will lead to savings of about USD 50 million in the government's financing costs over the term of the bonds.

The State of Israel has returned to the international markets after an absence of almost three years. The successful offering, serving as a benchmark for the pricing of the Israeli economy's risk abroad, is expected to enable Israeli business enterprises and companies to raise capital overseas at a relatively low price. The large-scale offering should also reduce pressure on the local bond market.

The Israeli government still has the option of performing an additional offering under the US guarantee plan from 2003, which allows for offerings at the risk level of the US government. The unutilized balance of these guarantees stands at USD 3.8 billion, and provides a safety cushion for the Israeli government.