SUPPLEMENT DATED 4 JANUARY 2019 TO THE BASE PROSPECTUS DATED 9 AUGUST 2018

STATE OF ISRAEL

€10,000,000,000
Euro Medium Term Note Programme

This supplemental base prospectus (the "**Supplement**") supplements the base prospectus dated 9 August 2018 (the "**Base Prospectus**") prepared for the purpose of giving information with regard to the issue of notes ("**Notes**") under the Euro Medium Term Note Programme (the "**Programme**") of State of Israel (the "**Issuer**", "**Israel**" or the "**State of Israel**"). Terms and phrases which are defined in the Base Prospectus have the same meaning when used in this Supplement.

The purpose of this Supplement is to (a) incorporate by reference into the Base Prospectus the Amendment No. 1 (the "**Amendment No. 1**") to the Issuer's Annual Report on Form 18–K (the "**Form 18–K**") to the United States Securities and Exchange Commission (the "**SEC**"); (b) incorporate by reference into the Base Prospectus the Issuer’s Annual Report No. 16 of the Government Debt Management Unit in the Accountant General Division, for the year 2017 (the "**Annual Report**"); and (c) revise the summary contained in the Base Prospectus to reflect the updated disclosure in the Amendment No. 1.

With effect from the date of this Supplement, the Base Prospectus shall be amended and/or supplemented as follows:

Information Incorporated by Reference

On 29 June 2018, the Issuer published its Form 18–K for the fiscal year ended 31 December 2017. Information in Exhibit D to the Form 18–K is incorporated in, and forms part of, the Base Prospectus.

On 3 January 2019, the Issuer filed the Amendment No. 1 with the SEC. The Amendment No. 1 updates the description of the State of Israel previously included in Exhibit D to the Form 18–K.

On 16 April 2018, the Issuer published the Annual Report.

By virtue of this Supplement, each of (i) the section " *Recent Developments* " on pages D-1 to D-8 (inclusive) of the Amendment No. 1; and (ii) the Annual Report, shall be incorporated in, and form part of, the Base Prospectus and the section entitled "*Information Incorporated by Reference*" beginning on page 10 of the Base Prospectus shall be deemed to be updated accordingly.

The Amendment No. 1 and the Annual Report have each been filed with the United Kingdom Financial Conduct Authority (the "**FCA**") and can be obtained without charge from the Ministry of Finance of Israel at its office set out at the end of the Base Prospectus and from the specified office of the Agent and electronic copies will be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/ marketnews/market-news-home.html.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement. When used in this Supplement, Prospectus Directive means Directive 2003/71/EC (as amended or superseded).

Update of the Summary of the Programme and the Notes

A summary of the Programme and the Notes (the "**Summary**") is included in the Base Prospectus in the section entitled "*Summary of the Programme and Terms and Conditions of the PD Notes*" beginning on page 1. The Summary is made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

As a result of the update to the Base Prospectus set out above under "*Information Incorporated by Reference*" in this Supplement, Elements B.47 and B.48 of the Summary shall be deemed to be updated as set out below:

SECTION B – The Issuer		
B.47	**Description of the Issuer, including its economy.**	State of Israel is a sovereign issuer, located in the State of Israel. The Israeli economy grew based on preliminary estimations, at a pace of 3.2% in 2018, as compared to growth rates of 3.5% in 2017, 4.0% in 2016, 2.6% in 2015 and 3.9% in 2014. In 2017, gross domestic product ("**GDP**") increased by 0.8%, 3.8%, 4.7% and 4.4% in the first, second, third and fourth quarters, respectively, and in 2018, GDP increased by 4.3%, 0.8% and 2.1% in the first, second and third quarters, respectively, in each case compared to the previous quarter, using seasonally adjusted data at an annualised rate; the low growth rate in the first quarter of 2017 was due, among other things, to a drop in vehicle purchases, following a peak in the fourth quarter of 2016. In 2014, business sector product (calculated as GDP less certain general government services, services of private non-profit institutions and housing services) decreased compared to the 2013 growth rate, as business sector output grew by 3.5% in 2014. This slowdown was partly due to the negative effects of Operation Protective Edge, (a defensive military operation in response to Hamas firing rockets from Gaza into Israel in the summer of 2014), which took place in July and August of 2014. In 2015, the business sector output grew by 2.7%, lower than the 2014 figure. In the fourth quarter of 2015, the growth rate accelerated, and the relatively high growth rates continued in 2016, as the business sector GDP grew by 4.3%. In 2017, the business sector GDP grew at 3.4%, a similar pace to the total economy. Growth of private consumption increased in 2017 as compared to 2016, with total private consumption reaching 697 in 2017, 675 in 2016, 636 in 2015 and 612 in 2014 (in billions of NIS at constant 2015 prices). Annual growth in private consumption, which was 4.6% during 2013-2016, was 3.4% in 2017, similar to the annual GDP growth rate which stood at 3.5%. During 2013 to 2016, growth in fixed capital formation was volatile and, after stagnation in 2014-2015, it rose to 11.9% in 2016, mainly due to a sharp increase in the number of purchases of passenger cars. In 2017 gross fixed capital formation increased by 2.8%.
B.48	**Public finance and trade.**	***Balance of Payments and Foreign Trade*** Israel had a current account surplus of 1.2% of GDP in the first 3 quarters of 2018 (on a non-seasonally adjusted basis) following a surplus of 2.9% of GDP in 2017. This surplus follows fifteen years of a positive surplus in the current account.

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		Israel is a party to free trade agreements with its major trading partners and it is one of the few nations that has signed free trade agreements with both the United States and the European Union (the "**EU**").
		Israeli net exports decreased from a peak surplus of $9.6 billion in 2015 to a surplus of $5.9 billion in 2016, which remained stable in 2017. In the first three quarters of 2018, both imports and exports (seasonally adjusted) grew significantly. Even with slightly higher growth in total imports as compared to exports, the total value of exports remained slightly higher than imports (by $262.3 million, seasonally adjusted). Focusing on trade in goods, in 2018 (January to November), 32.5% of Israel's goods exports (excluding aircraft, ships and diamonds, and using seasonally adjusted data) were to the EU (slightly down from 34.2% in 2017 and higher than 29.1% in 2016), 23.2% were to the United States (down from 24.3% in 2017 and 26.1% in 2016), 22.0% were to Asia (up from 18.4% in 2017 and similar to 2016), and 22.3% were to other markets (down from 23.1% in 2017 and 22.8% in 2016). Of Israel's goods imports (excluding aircraft, ships and diamonds) in 2018 (January to November), 43.2% came from the EU (up from 42.8% in 2017 and down from 43.6% in 2016), 24.1% came from Asia (down from 25.7% in 2017 and 2016), 11.8% came from the United States (up from 11.1% in 2017 and down from 12.1% in 2016), and 20.8% came from other countries (up from 20.3% in 2017 and 18.6% in 2016). ***Fiscal Policy*** The budget and economic plan proposal for the fiscal years 2017 and 2018 was approved by the Knesset on 22 December 2016 and for the fiscal year 2019 was approved by the Knesset on 15 March 2018. In the approved budget for fiscal years 2017 and 2018 and in the approved budget for the fiscal year 2019 the deficit target was set to 2.9% of GDP. The deficit for 2017 stood at 1.9% and the deficit for 2018 is expected to be at or slightly above the deficit target. Since 1995, the deficit has exceeded 4% only in 2003 and 2009, and in the four years (2014-2017) the deficit has been below 3%. In 2017, the Government continued its debt-reduction policy, reducing government debt as a percent of GDP by 1.6% compared to 2016, to a level of 58.8% for 2017. Public debt (including local authorities' debt) as a percent of GDP also continued its declining path, falling to a level of 60.5% at the end of 2017, a decline of 1.6% relative to 2016. For 2018, the debt as a percentage of GDP is expected to have slightly risen as compared to 2017, but to have declined as compared to 2016. As a result of the Government's fiscal discipline, Israel's total 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 60.5% in 2017, 62.1% in 2016, 63.7% in 2015, 65.8% in 2014 and 67.1% in 2013. ***Inflation and Monetary Policy*** Measured at year end, the consumer price index ("**CPI**") increased by 0.4% in 2017 and by 1.2% between November 2017 and November 2018, as compared to a decrease by 0.2% in 2016, 1.0% in 2015 and by 0.2% in

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		2014. The changes in the CPI reflect a rise in the prices of commodities, housing and agricultural products. In order to support further growth, the Bank of Israel has lowered its interest rate, most recently to 0.10% in March 2015; the key interest rate remained at that level until December 2018 when it was increased to 0.25%. Over the past five years (measured from 31 December 2013 to 31 December 2018), the NIS/USD exchange rate has averaged 3.700, fluctuating between a high of 4.053 (recorded on 20 March 2015) and a low of 3.388 (recorded on 26 January 2018). The current exchange rate (3.748 as of 31 December 2018) is thus slightly above the five-year average but reflects a depreciation of the NIS since the beginning of 2018.

Important Notices

This Supplement is supplemental to, forms part of and must be read in conjunction with, the Base Prospectus.

This Supplement has been approved by the FCA, which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

The Issuer accepts responsibility for the information contained in this Supplement. 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 Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.