

**PROSPECTUS SUPPLEMENT DATED 11 MARCH 2011 TO THE BASE PROSPECTUS
DATED 28 JULY 2010**

STATE OF ISRAEL



€7,000,000,000

Euro Medium Term Note Programme

This prospectus supplement (the "**Prospectus Supplement**") supplements the base prospectus dated 28 July 2010 (the "**Base Prospectus**") and constitutes a supplementary prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and is prepared in connection with the €7,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by the State of Israel (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Prospectus Supplement.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer.

The purpose of this Prospectus Supplement is to update the risk factors section of the Base Prospectus in relation to current political instability in the Middle East.

With effect from the date of this Prospectus Supplement the information appearing in the Base Prospectus shall be amended and/or supplemented in the manner described below.

Risk Factors

The section of the Base Prospectus entitled "**RISK FACTORS**" – "**Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**" – "*Israel's political, economic and military environment may continue to be volatile*" is supplemented by inserting the following paragraph to the end of that section to immediately precede the section entitled "*The current worldwide economic recession and continued economic disruption will likely have an adverse effect on Israel's economy*" on page 10 of the Base Prospectus:

"There have since January 2011 been varying degrees of political instability and public protests within Middle Eastern countries including (without limitation) Bahrain, Egypt, Libya and Tunisia. Although such instances of instability in the Middle East have not so far materially affected Israel's financial or political situation as of 11 March 2011, there can be no assurance that such instability in the Middle East will not escalate in the future, that such instability will not spread to additional countries in the Middle East or that governments in the Middle East will be successful in maintaining domestic order and stability, or that Israel's financial or political situation will not thereby be affected."

This Prospectus Supplement has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (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 Prospectus 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 Prospectus 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 Prospectus Supplement and (b) any other statement in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Prospectus 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.

Investors should be aware of their rights under Section 87(Q)(4) of the Financial Services and Markets Act 2000. An investor which has agreed, prior to the date of publication of this Prospectus Supplement, to purchase or subscribe for Notes issued under the Programme may withdraw its acceptance before the end of the period of two working days beginning with the first working day after the date on which this Prospectus Supplement is published in accordance with the Prospectus Directive.