

SUMMARY OF BANK LEUMI (UK) PLC CONFLICTS OF INTEREST POLICY RISK WARNING FOR NON-COMPLEX INSTRUMENTS INFORMATION ON THE BANK LEUMI (UK) PLC ORDER EXECUTION POLICY

Summary of Bank Leumi (UK) plc Conflicts of Interest Policy

Purpose

You may be aware that the European Commission has implemented the Markets in Financial Instruments Directive (MiFID), European legislation aimed at harmonising the way in which investment services are conducted throughout the European Union. MiFID comes into effect on the 1st November 2007. As part of our system and control requirements for implementation of that Directive, Bank Leumi (UK) plc ("BLUK") has established a Conflicts of Interest Policy and this document provides you with a summary.

Identification of Conflicts

On an ongoing basis BLUK will consider the services and products provided by each of its business areas in order to identify any conflicts that may arise between clients of the firm, or that business area and a client. A log of actual and potential conflicts will be independently maintained by the Bank's Risk Control Department. In identifying actual or potential conflicts, BLUK will take account of whether it, the service or product in question:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from a client's interest in that outcome;
- has a financial or other incentive to favour the interest of a client or group of clients over the interests of another client;
- undertakes the same business as the client;
- receives or will receive from a person other than a client an inducement in relation to a service provided to the client;

Actual or Potential Conflicts

In assessing our services and products we have concluded that: BLUK does not trade in proprietary positions in any security when at the same time it has information about potential future client orders in relation to that security; BLUK does not provide investment research nor does it provide corporate finance advisory services; BLUK does not allow employees to engage in personal account dealing in respect of securities where a client has an interest that potentially conflicts with such dealing; BLUK does not create an internal market between its own assets and client assets on the buy side and sell side); BLUK does not allow staff to receive substantial gifts or entertainment that may influence behaviour in a way that conflicts with the interests of the clients of the firm.

BLUK has identified two potential conflicts both arising from the sale of collective investment schemes:

- BLUK advises and provides discretionary services in relation to a limited number of product providers, the majority of which are independent to the BLUK. However it also provides such services in relation to funds which are connected to the Bank Leumi Group (the LGM funds). BLUK has additionally taken a propriety position in one or more of these connected funds. Decisions taken to buy or sell such funds are not influenced by, or taken in advance of actual or expected customer orders.
- BLUK has differing commission rates between third party product providers and between the LGM funds.

Managing Potential Conflicts

BLUK has established systems, controls and procedures to manage any actual or potential conflicts.

- It has established a Products Committee that reviews all new products and monitors the performance of existing products;
- It has detailed personal account dealing restrictions which are monitored by compliance;
- It has an established gifts and inducements policy that places restrictions on the type and value of gifts that staff may accept;
- It has an established independent compliance department

that proactively monitors various types of activity. As part of that monitoring compliance assess the suitability of transactions in light of customer expectations.

- It maintains a register of all commission arrangements in relation to those funds that BLUK advises or provides discretionary services and this is regularly reviewed by the Products Committee.
- BLUK will disclose to clients details of any material interest it may have in a transaction that it provides advisory or discretionary services.

If you have any questions in relation to this summary, or wish to receive a copy of the full policy, please contact your relationship manager.

Risk Warning for Non-complex instruments

In providing execution-only services to you in relation to non-complex instruments including, but not limited to, shares and bonds traded on regulated markets and units in regulated collective investment schemes, we are not required to assess the appropriateness of the instrument or the service provided or offered to you and, as a result, you will not benefit from the protection of the FSA rules on assessing appropriateness. Therefore we will not assess whether:

- a) The relevant product or service meets your investment objectives; and / or
- b) You would be able to financially bear the risk of any loss that the product or service may cause; and / or
- c) You have the necessary knowledge and experience to understand the risks involved.

We will, however, be subject to our obligation to manage conflicts of interest.

Under MiFID, the following are financial instruments where appropriateness on a non-advisory basis does not need to be assessed:

- Shares admitted to trading on a regulated market or an equivalent third country market
- Money Market instruments, bonds or other forms of securitised debt (excluding any that embed a derivative)
- Units in a scheme authorised under the UCITS directive
- Other *non-complex financial instruments* *

* Non-complex Financial Instruments – must satisfy the following criteria:

- It is not a derivative or other security giving the right to acquire or sell a transferable security or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.
- There are frequent opportunities to dispose of, redeem, or otherwise realise the instrument at prices that are publicly available to the market participants and that are either market prices or prices made available, or validated, by valuation systems independent of the issuer.
- It does not involve any actual or potential liability for the client that exceeds the cost of acquiring the instrument.
- Adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average retail client to make an informed judgment as to whether to enter into a transaction in that instrument.

Information on Bank Leumi (UK) plc Order Execution Policy

Purpose

You may be aware that the European Commission has implemented the Markets in Financial Instruments Directive (MiFID), European legislation aimed at harmonising the way in which investment services are conducted throughout the European Union. MiFID comes into effect on the 1st November 2007.

In the UK implementation is governed by the FSA's Conduct of Business sourcebook which requires that Bank Leumi (UK) plc ("BLUK") puts in place an Order Execution Policy and to take all reasonable steps to obtain the best possible result when executing investment transactions that fall within the scope of 'MiFID Business'. The purpose of this document is to provide you with information on BLUK's Order Execution Policy and to obtain your consent to such policy.

Scope

BLUK's Order Execution Policy applies to both Retail and Professional Clients (as defined by the FSA's Conduct of Business Sourcebook) when receiving and transmitting client orders; and when executing orders on a client's behalf. It applies in relation to orders for the following financial Instruments:

- Transferable securities (equities, bonds etc);
- Money-market instruments (Treasury bills, certificates of deposits, commercial paper etc.);
- Units in collective investment undertakings (funds);
- Various options, futures, swaps, forward rate agreements and other forms of derivative contracts or instruments relating to securities, foreign currencies, interest rates, yields, financial indices or financial measures;
- Derivative instruments for the transfer of credit risk;

Order Execution – obtaining the best possible result

Subject to any specific instructions that may be given by you, when executing Orders on your behalf, BLUK will take all reasonable steps to obtain the best possible result for you taking into account the Execution Factors detailed below.

BLUK will determine the relative importance of the Execution Factors by using its commercial judgement and experience in light of market information available.

In considering the above factors BLUK will always take into account the characteristics of the client, the specific order, the type of instrument being dealt, and the nature of the markets. BLUK will always try to provide all clients with the same standards to achieve best result for their transaction.

The Execution Factors

In achieving the best result for a client, BLUK will have regard to the price of the transaction, the cost in executing the transaction, the speed required to transact, the likelihood of completing the transaction, and the size of the transaction.

It is BLUK's experience that price generally has the highest relative importance for clients. However BLUK believe it important to implement trading platforms that provide access to a wide range of the world's major exchanges and allow it to execute without delay. BLUK will always choose execution methods that are cost effective.

Specific Client Instructions

Please note however that where you give BLUK a specific instruction as to the execution of an order (for example a limit order), it will execute that order in accordance with your instructions. This may prevent BLUK from taking the steps set out in the Order Execution Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

The Execution Venues

BLUK will regularly assess the Execution Venues available in respect of any products that are traded to identify those that will enable it, on a consistent basis, to obtain the best possible result when executing Orders.

The list of the venues that BLUK uses to execute client orders is constantly updated and can be accessed via the Bank's website on www.bankleumi.co.uk. Alternatively, please ask your relationship manager to provide you with a current copy.