

PROSPECTUS SUPPLEMENT
(to prospectus dated February 26, 2004)

February 27, 2004

STATE OF ISRAEL
\$1,100,000,000
EIGHTH INFRASTRUCTURE AND ABSORPTION ISSUE
ZERO COUPON DOLLAR SAVINGS BONDS

Assuming that we sell all of the bonds at the initial offering price, we will receive \$577,315,617 of the proceeds from the sale of the bonds, after paying the underwriters' commission which will not exceed \$36,849,933 and before expenses estimated at \$110,000.

Terms of Bonds	
<ul style="list-style-type: none">• Maturity Ten (10) years from the issue date of the bond.	<ul style="list-style-type: none">• Purchase Price The purchase price of the bonds for a given month will be set forth on a sticker affixed to the cover page of this prospectus. We will issue the bonds at a minimum face amount of \$6,000 or an integral multiple of \$6,000.
<ul style="list-style-type: none">• Interest Interest will not be paid on the bonds. The bonds are being sold at an original-issue discount. At maturity, you will receive the face amount of the bond.	<ul style="list-style-type: none">• Issue date First day of the month following the month in which the fiscal agent accepts the subscription for the bond.
<ul style="list-style-type: none">• Limitations You may not assign or transfer the bonds except in certain special instances. We will only repurchase bonds prior to maturity under limited circumstances. Repurchases will generally be effected within sixty (60) days written notice of a repurchase request.	<ul style="list-style-type: none">• No Certificate We are issuing the bonds in book-entry form which means certificates will not be issued to evidence the bonds unless specifically requested at the time of purchase.

This offering may have a special appeal to persons with an interest in the State of Israel rather than the general public. We have issues of bonds outstanding which may, on any given day, provide a greater yield to maturity than the bonds being offered by this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the bonds or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

DEVELOPMENT CORPORATION FOR ISRAEL
575 LEXINGTON AVENUE, NEW YORK, NEW YORK 10022 — 6195

DESCRIPTION OF THE BONDS

We are offering \$1,100,000,000 aggregate principal and interest of ten (10) year Eighth Infrastructure and Auction Issue Zero Coupon Dollar Savings Bonds. The bonds are direct, unconditional and general obligations of the State of Israel. We pledge our full faith and credit for the due and punctual payment of principal and accrued interest, as well as for the due and timely performance of all of our obligations with respect to the bonds. The terms of the bonds are as follows:

Price. We will determine the purchase price and effective yield to maturity of the bonds two (2) business days prior to the first day of each month. The purchase price and effective yield to maturity for a given month will be set forth on a sticker affixed to the cover page of this prospectus. We will issue the bonds at a minimum face amount of \$1,000,000 or an integral multiple of \$6,000.

Issue Date and Maturity. We will date each bond the first day of the month following the month in which the subscription for the bond is accepted by the fiscal agent. Each bond will become due and payable ten (10) years from the issue date of the bond.

Interest. Interest will not be paid on the bonds. The bonds are being issued at less than their face amount. Consequently, the bonds are being sold at an original-issue discount. At maturity you will receive the face amount of the bond. We will deliver annual information statements to the bond owner and the Internal Revenue Service stating amount of original issue discount attributable for that year.

Bond Certificate. We are issuing the bonds in book entry form. Therefore, bond certificates will not be issued. The purchaser of each bond at the time of purchase. Instead, the fiscal agent will mail to the purchaser and owner of each bond a confirmation that the owner has been listed in the bond register as the registered owner of the bond along with other pertinent information. We will forward all notices relating to the bonds to the registered owner(s). You may transfer a bond, if permitted, by notifying the fiscal agent in writing of the transfer with appropriate transfer documents and any fee, paid by the transferor, required by the fiscal agent. The fiscal agent will then record the transfer in the bond register. Upon maturity of the bonds or a redemption of the bonds, the principal amount will automatically pay the principal amount of each bond to the registered owner by mailing a check to the address of the registered owner as listed in the bond register. Bond certificate holders must present the physical certificate to the fiscal agent to receive payment. You are responsible for the cost of replacing a bond certificate if it is stolen or destroyed after you receive it.

Limited Transferability. Due to the limited transferability of the bonds and the limited circumstances under which we will repurchase the bonds (see "Early Redemption," below), bondholders may not be able to readily liquidate their investment prior to maturity.

Fiscal Agent. The name and principal office of the fiscal agent is the Bank of New York, 101 Barclay Street, New York, New York, 10286, Attention: Corporate Trust Administration. The telephone number is (212) 495-1784.

The foregoing description of the material terms of the bonds is qualified by reference to the full terms of the bonds. Bonds offered and sold outside of the United States may be offered and sold in reliance on Regulation S or other applicable exemption from the registration requirements of the Securities Act of 1933, as amended. Such bonds have not been and will not be registered under the Securities Act. Accordingly, subject to certain exceptions, such bonds may not be offered, sold or delivered within the United States to United States persons.

State of Israel Bonds

The State of Israel, which may be referred to in this prospectus as Israel or the State, may offer up to U.S.\$3,000,000,000 aggregate principal or maturity amount of its bonds.

Israel may offer the bonds from time to time as separate issues. Israel will provide a prospectus supplement describing the amounts, prices and terms of each issue of bonds it is offering. You should read this prospectus and any prospectus supplement carefully before you invest.

Israel will sell the bonds through the Development Corporation for Israel, which we may refer to as DCI in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

You should rely only on the information contained or incorporated by reference in this prospectus or the applicable prospectus supplement. Israel has not authorized anyone to provide you with different or additional information. Israel is not making an offer of these securities in any place where the offer is not permitted. You should not assume that the information contained in this prospectus or any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on the front of those documents.

TABLE OF CONTENTS

Where You Can Find More Information About the State of Israel	2
Use of Proceeds	3
Description of the Bonds	3
United States Taxation	8
Plan of Distribution	13
Official Statements	14
Validity of the Bonds	14
Debt Record	14
Jurisdiction; Consent to Service and Enforceability	14
Authorized Representative	15

WHERE YOU CAN FIND MORE INFORMATION ABOUT THE STATE OF ISRAEL

Israel is not subject to the informational requirements of the Securities Exchange Act of 1934. Israel files annual reports with the Securities and Exchange Commission, or the SEC, on a voluntary basis. These reports and any amendments to these reports include certain financial, statistical and other information about Israel and may be accompanied by exhibits. Israel may also include exhibits to its annual reports and file amendments to its annual reports. You may read and copy any document Israel files with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Israel's SEC filings, including the Registration Statement of which this prospectus forms a part, are also available to the public from the SEC's website at <http://www.sec.gov>. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330 or logging on to www.sec.gov.

The SEC allows Israel to "incorporate by reference" into this prospectus the information Israel files with it. This means that Israel can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. Israel incorporates by reference the following documents:

- its Annual Report on Form 18-K for the fiscal year ended December 31, 2002; and
- all amendments to Israel's Annual Report on Form 18-K for the year ended December 31, 2002 filed prior to the date of this prospectus.

Israel also incorporates by reference all future annual reports and amendments to annual reports until it sells all of the bonds covered by this prospectus. Each time Israel files a document with the SEC that is incorporated by reference, the information in that document automatically updates the information contained in previously filed documents.

You may download a free copy of these filings from the Internet site maintained by the Development Corporation for Israel at www.israelbonds.com, or request a free copy of these filings

by writing to or telephoning Israel's Consul and Chief Fiscal Officer for the Western Hemisphere at the following address and number:

Ministry of Finance
State of Israel
800 Second Avenue, 17th Floor
New York, New York 10017
Telephone: (212) 499-5710
Facsimile: (212) 499-5715

USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, Israel will use the net proceeds from the sale of the bonds offered hereby for general purposes of the State.

DESCRIPTION OF THE BONDS

Israel will issue the bonds from time to time as separate issues. Each issue of bonds will be issued pursuant to a fiscal agency agreement between Israel and a fiscal agent, unless Israel acts as the fiscal agent with respect to any issue. If the terms or conditions described in the prospectus supplement for a particular issue of bonds differs from the terms and conditions described in this prospectus, you should rely on the terms and conditions described in the prospectus supplement.

The following is a summary of certain terms of the bonds. Israel will describe the particular terms of any bonds in the prospectus supplement relating to those bonds. Those terms may include:

- the name of the issue of the bonds;
- the aggregate principal or maturity amount of the bonds;
- the price of the bonds;
- the minimum denomination of the bonds;
- the issue date of the bonds;
- the stated maturity date on which Israel agrees to repay the bonds;
- the rate of interest the bonds will bear, if any, and if variable, the method by which the interest rate will be calculated;
- the dates when any interest payments are scheduled to be made;
- the date or dates from which interest will accrue;
- whether and in what circumstances Israel may redeem the bonds before maturity;

- whether physical certificates will be issued for the bonds or whether the bonds will be book-entry only;
- the currency in which Israel may pay the bonds and any interest; and
- any other terms of the bonds.

Status of the Bonds

The bonds will be the direct, general and unconditional obligations of Israel. Israel will pledge its full faith and credit for the due and punctual payment of all principal, interest and maturity amounts, as well as for the due and timely performance of all of Israel's obligations with respect to the bonds.

Ranking of Bonds

The bonds of each series will rank equally with each other, without any preference among themselves. The payment obligations of Israel under the bonds will at all times rank at least equally with other payment obligations of Israel relating to unsecured, unsubordinated external indebtedness. For purposes of this paragraph, "external indebtedness" means any indebtedness for money borrowed which is payable by its terms or at the option of its holder in any currency other than the currency of Israel, and "indebtedness" means all obligations of Israel in respect of money borrowed and guarantees given by Israel in respect of money borrowed by others.

The Bonds

Issuance. The bonds will be issued only in registered form without coupons, and upon original subscription, in such minimum denominations as may be set forth in the applicable prospectus supplement. Subscription for the bonds will be made on approved forms appropriately completed and executed and accompanied by the subscription price. The subscription price may be paid in United States dollars or, if Israel so orders, in the currency of the country from which the subscription originated. A subscription is deemed accepted as of the date when the forms and purchase price are actually received in form acceptable to the fiscal agent and DCI. The bond will state the name of the owner, the subscription number and the issue date. Except for bonds issued in book-entry form, the fiscal agent will mail the bond to the owner.

Bond Certificates. The bonds will be issuable to any person or entity. The name of that person or entity or his, her or its nominee will be inscribed on the face of the bonds. The bonds will be numbered and lettered in a manner that is satisfactory to Israel. The bonds will be executed on behalf of the State by its Prime Minister and its Minister of Finance and countersigned by an authorized officer of the fiscal agent, and may contain legends or recitals not inconsistent with the fiscal agency agreement as may be approved by the fiscal agent or as required by any securities exchange on which the bonds may be listed. Pending the preparation of definitive bonds, Israel may execute and issue temporary bonds or a nontransferable receipt in lieu of definitive bonds. The temporary bonds will be in substantially the same form as the definitive bonds, and may be exchanged for an equal amount of definitive bonds when the definitive bonds are prepared and

ready for delivery upon the surrender of the temporary bonds at the office of the fiscal agent. A receipt issued in lieu of the bonds will indicate that the bond will be issued to the person named in the receipt in the specified denominations when the bond is available. Any exchange of temporary bonds for definitive bonds will be at no expense to the bond owner, except the payment of any stamp tax or other governmental charges. The bonds may be issued in book-entry form, which means bond certificates will not be issued to evidence the bonds. In the case of bonds issued in book-entry form, the prospectus supplement may provide that certificates will be issued if specifically requested at the time of purchase.

Payment of Interest. Some bonds are interest-bearing. For interest-bearing bonds, interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. If the date of any payment, whether for interest, principal, maturity or redemption, is a Saturday, Sunday or other day on which the fiscal agent is authorized or required by law to be closed, payment will be made on the next business day, and no interest will accrue for the intervening period. Israel and the fiscal agent will treat the person or entity whose name is inscribed on the face of the bond as the absolute owner of the bond for all purposes, including receiving payment for the bond and interest payments, and neither Israel nor the fiscal agent will be affected by any notice to the contrary. Payments will be paid by check mailed to the bond owner at the address listed in the bond register. In the case of bonds issued in the name of more than one holder, payment may be made in the names of all such holders. A trustee or other legal representative will succeed to all rights of a non-individual bond owner that has dissolved or terminated. An executor, administrator or other legal representative of a bond owner who has died will succeed to all the rights of a deceased bond owner. If any interest is not punctually paid, Israel will notify the fiscal agent of the amount of defaulted interest proposed to be paid on each bond and the date of such payment. The fiscal agent will then notify the bond owners of the proposed payment, and pay bond owners the defaulted interest.

Exchange and Split-up; Surrender of Bonds. There will be no exchange or split-ups of bonds issued in minimum denominations, unless otherwise ordered by Israel. All other exchanges or split-ups will be subject to reasonable regulations of the fiscal agent and Israel. The fiscal agent will cancel all bonds surrendered for transfer or exchange. The bond owner will pay all expenses, charges or taxes in connection with any exchange or split-up.

Co-owners of Bonds; Bonds Held by Minors. Israel or the fiscal agent may require the signature of all bondholders in the case of the surrender of bonds issued in the names of more than one holder. Upon the surrender of a bond issued in the name of a minor, or a minor together with another person, Israel or the fiscal agent may act with respect to the minor upon the signature of the minor's legal guardian, or if there is no legal guardian, upon the signature of the parent or head of household of the minor, provided that the parent or head of household executes any other documents required by Israel or the fiscal agent.

Lost, Stolen or Mutilated Bonds. If a bond is mutilated, lost, stolen or destroyed, then Israel may issue a new bond upon the production of such mutilated bond or upon evidence satisfactory to it and the fiscal agent. If the bond was about to mature, Israel may pay for it without issuing a new bond. The newly issued bond will constitute the original contractual obligation of Israel, regardless

