

FACT SHEET - 7½% CAPITAL NOTES OF INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD. (IDBI)

DISTRIBUTED BY CAPITAL FOR ISRAEL, INC.

1. A total of \$50 million in Registered Subordinated Capital Notes of the IDBI is being offered by Capital for Israel, Inc. (CFI), the underwriter of the Notes.
2. IDBI Capital Notes are being offered in units of \$1,000 and can be purchased in any amount of unbroken units. With a maturity date of December 31, 1998, the Capital Notes pay 7½% interest a year, semi-annually in U.S. dollars.
3. The Capital Notes can be purchased with United States dollars, State of Israel 5½% Development Investment Issue Bonds or with other Israel Bonds which are at least five years old. Capital Notes purchased any time in a calendar quarter earn interest for the full calendar quarter.
4. The proceeds from the sale of these Notes will be used as part of the Capital of IDBI for the general purposes of the Bank, including an arrangement with the Government of Israel to provide funds for increased sources of employment for professionals or persons with academic studies connected with scientific and technological development.
5. Interest on IDBI Capital Notes purchased by charitable foundations, pension or profit-sharing funds and other tax-exempt institutions in the United States are not subject to income tax in Israel. Other purchasers pay an income tax of 25%, deducted at the source. But, subject to the rules of the Internal Revenue Code, they are entitled to claim a tax credit or a deduction for this payment in their U.S. income tax returns when itemizing their deductions.
6. Upon the death of the original holder, the Capital Notes will be repurchased at face value plus accrued interest when presented by the estate within two years after the death.
7. Since its establishment in 1957, the IDBI has helped finance the establishment and expansion of economically sound and useful industrial endeavors in Israel by granting loans on convenient terms to industrial plants and other enterprises.
8. The State of Israel owns 24.4% of the voting rights of IDBI, appoints 25% of the members of its Board of Directors, and holds 51.6% of the share capital of the Bank.
9. IDBI, which was established to grant long-term industrial loans, accounts for approximately 70% to 80% of this type of loan.

7/24/74

P R O S P E C T U S

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED

(A Limited Company Registered in Israel)

\$50,000,000 7½% REGISTERED SUBORDINATED CAPITAL NOTES DUE 1998 (1)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. ALL PERMITS, APPROVALS AND LICENSES REQUIRED UNDER ISRAEL LAW FOR THE OFFER AND THE ISSUANCE OF THE NOTES OFFERED HEREBY AND FOR THE PUBLICATION OF THE PROSPECTUS HAVE BEEN GRANTED. A COPY OF THIS PROSPECTUS HAS BEEN FILED FOR REGISTRATION WITH THE REGISTRAR OF COMPANIES IN ISRAEL.

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| Capital Notes | Price to Public(2) | Underwriting Discounts and Commissions(3) | Proceeds to Registrant(4) |
|---------------|--------------------|---|---------------------------|
| Per Note..... | \$1000 | \$75 | \$925 |
| Total | \$50,000,000 | \$3,750,000 | \$46,250,000 |

- (1) The maturity date of the Notes will be automatically extended for successive periods of 18 months each, unless the Note is delivered to the Agent of the Bank together with written demand for payment, not less than 30 days prior to the original maturity date or any extended maturity date.
- (2) The Notes are being offered only to non-residents of the State of Israel by Capital for Israel, Inc. (the "Underwriter") on a best efforts basis. It is anticipated that the offering will continue for a period of two years, subject to the requirement, under Israel law, for the filing of a new Prospectus (see "Additional Information Required Under Israel Law"). Regardless of the number of Notes sold by the Underwriter, no funds will be returned if all of the Notes are not sold.
- (3) In addition the Bank has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (4) Before deduction of certain expenses, estimated at approximately \$250,000, payable by the Bank in connection with the issuance and sale of the Notes.

The Bank was organized by the State of Israel and other financial institutions. The State owns approximately 24.4% of the outstanding voting rights of the Bank, entitling it to appoint 25% of the Directors. The Bank's policies are coordinated with the development policies of the Government of Israel. (See "Important Factors To Be Considered—Relationship of the Bank to the Israel Government".) The Notes are subordinated to certain senior indebtedness, presently outstanding and which may be created in the future. As at March 31, 1974, the Bank had outstanding senior indebtedness aggregating approximately IL. 644,007,975 (\$153,335,232), comprised of loan and debenture issues for which a floating charge has been placed or agreed to be placed against all of the assets of the Bank. (See "Debentures and Charges," page 22.) Subject to the right retained by the Bank to create senior unsecured indebtedness, the Notes rank *pari passu* with other unsecured indebtedness of the Bank. (See "Outstanding Securities of the Bank—Subordination Provisions," page 21.) This offering may have a special appeal to persons with an interest in Israel, rather than the general public. For additional information, see "Important Factors To Be Considered", on page 3 hereof.

CAPITAL FOR ISRAEL, INC.

The date of this Prospectus is July 26, 1974

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Bank. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof. This Prospectus does not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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Until September 4, 1974, being forty days after the date of the original offering hereof, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters.

REGISTRATION STATEMENT

Industrial Development Bank of Israel Limited has filed with the Securities and Exchange Commission, Washington, D. C., a registration statement (herein together with all amendments thereto called the "Registration Statement") under the Securities Act of 1933, as amended, with respect to \$50,000,000 7½% Registered Subordinated Capital Notes ("Notes") being offered to the public. This Prospectus omits certain information contained in the Registration Statement. For further information, reference is made to the Registration Statement and to the exhibits thereof.

TERMS OF OFFERING

The Notes are being offered hereby only to non-residents of the State of Israel at the face value of \$1,000 per Note or in multiples thereof. The purchase price is payable either in United States dollars or in State of Israel Bonds (Second, Third, Fourth and Fifth Development Issue, Development Investment Issue or Second, Third or Fourth Development Investment Issue), provided, in the case of the Development Issues, such bonds are at least five years old. The value of the bonds so tendered shall be their nominal values together with interest on coupon bonds and appreciation on savings bonds credited through the last day of the month preceding the month in which the bonds are delivered to the Underwriter. In the case of coupon bonds, the bonds must have attached thereto all interest coupons which mature after the date of delivery of the bonds to the Underwriter.

Each of the Development Issue Bonds bears interest at the rate of 4% per annum and the Development Investment Issue Bonds bear interest at the rate of 4¾% per annum and the Second, Third, and Fourth Development Investment Issue Bonds bear interest at the rate of 5½% per annum. All are direct and unconditional obligations of the State of Israel.

The Bank has been advised by its counsel, Goldstein, Shames & Hyde, that persons who pay for the Notes with State of Israel Bonds will be subject to income tax in the United States at capital gains rates on the excess, if any, of the amount at which such Bonds are accepted as payment for the Notes (other than accrued interest on Coupon Bonds and appreciation on Savings Bonds) over the amount paid for the Bonds. Such accrued interest and appreciation will be taxable as ordinary income.

Arrangements have been made for the re-purchase at face amount plus accrued interest in United States currency, of Notes offered by the estate of the original holder thereof, if an individual, or from the estate of the last survivor, in the event of more than one individual owner, at any time but no such repurchase shall be made more than two years from the date of death, unless the estate remains open as of such date, at which time said period shall be extended.

Although this offering is being made on a best efforts basis, funds received from the sale of the Notes will not be segregated in an escrow account but will be delivered, upon receipt thereof, by the Underwriter to the Bank.

In September, 1964, a law was passed in the United States providing for a tax payable by persons resident in the United States and acquiring securities of foreign issuers (Interest Equalization Tax). Under the provisions of the law as currently in effect, there is no tax at the present time.

APPLICATION OF PROCEEDS

The proceeds from the sale of the Notes being offered hereby, to the extent received, will be used as part of the capital of the Bank for the general business purposes of the Bank, including an arrangement with the Government of Israel to provide funds for increased sources of work for professionals or persons with academic studies connected with scientific and technological development. (See "Business of the Bank—Nature of Loans".) Since there is no firm underwriting commitment, there is no assurance that any proceeds will be received from this offering. However, if this offering had been completely sold as at March 31, 1974 the Notes would have represented approximately 14.3% of the total outstanding long-term indebtedness of the Bank. (See "Financial Statements".)

575 LEXINGTON AVENUE - SUITE # 600
NEW YORK, NY 10022-6195
TELEPHONE: 800-229-9650 X 362
FAX: 212-644-7102
E-Mail: robin.foerster@israelbonds.com

Development Corporation for Israel
Legal Department

MEMO

To: Susan Tovar
Chase Bank of Texas

From: Robin Foerster



Fax: 214-468-6122

Phone: 800-275-2048 x 6055

Date: 06/30/00

Re: Industrial Development Bank of
Israel Limited 7½ % Registered
Capital Note

Urgent For Review Please Comment Please Reply Please Recycle

As you can see by the attached Transmittal Sheets (and this is only half of them), for some reason we cannot reach the two fax numbers (1-214-468-6122/1-214-468-6321) that were given to us. I tried faxing from three different fax machine. Our Management Information Systems is going to check out both of these numbers to try and find why we cannot get through to you.

Thank you.

* * * COMMUNICATION RESULT REPORT (JUN.29.2000 12:03PM) * * *

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REASON FOR ERROR

E-1) HANG UP OR LINE FAIL
E-3) NO ANSWER

E-2) BUSY
E-4) NO FACSIMILE CONNECTION

575 LEXINGTON AVENUE - SUITE # 600
NEW YORK, NY 10022-6195
TELEPHONE: 800-229-9650 X 362
FAX: 212-644-7102
E-Mail: robin.foerster@israelbonds.com

Development Corporation for Israel
Legal Department

Fax

To: Susan Tovar
Chase Bank of Texas

From: Robin Foerster



Fax: 214-468-6122

Pages: 4

Phone: 800-275-2048 x 6055

Date: 06/29/00

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Israel Limited 7½ % Registered
Capital Note

Urgent For Review Please Comment Please Reply Please Recycle

In accordance with our conversation this mornning. annexed herewith are the naoes from

TIME : JUN 30 '00 10:08
TEL NUMBER : +2126449577
NAME : OFFICE SERVICES

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*** THIS TRANSMISSION WAS UNSUCCESSFUL. RE-TRANSMIT BEGINNING WITH PAGE 01 ***

575 LEXINGTON AVENUE - SUITE # 600
NEW YORK, NY 10022-6195
TELEPHONE: 800-229-9650 X 362
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Re: Industrial Development Bank of
Israel Limited 7½ % Registered
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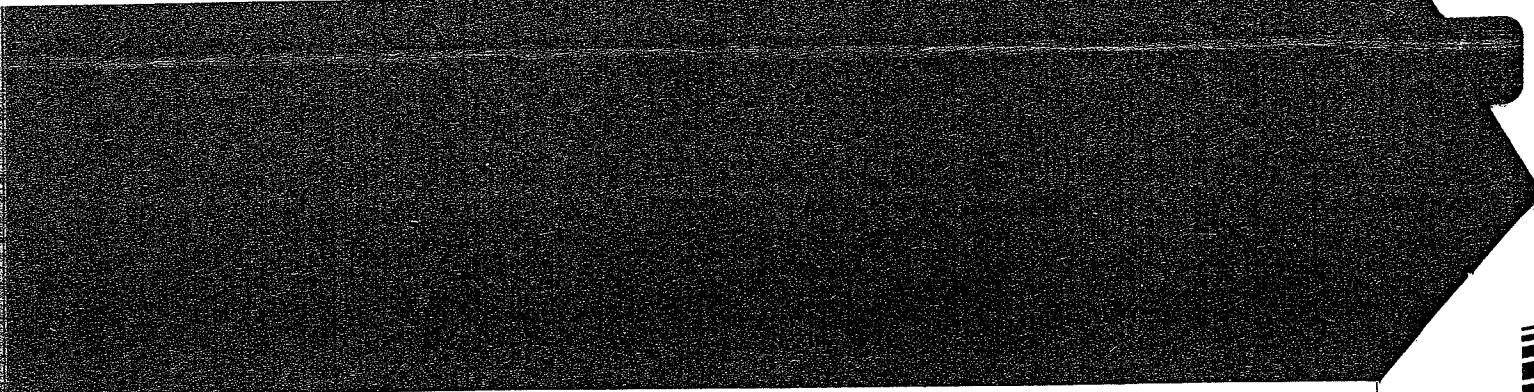
Urgent For Review Please Comment Please Reply Please Recycle

In accordance with our conversation this morning, annexed herewith are the pages from the Prospectus for the Industrial Development Bank of Israel Limited 7½ % Registered Capital Notes that pertain to a decedent/estate holder.

Please review it and advise how you would interrupt the "Terms Of Offering" . Feel free to contact me should you have any question or require any additional information. Should there be any problems regarding these terms, we will have to take it up with our General Counsel, Alan Feldstein.

Thank you.

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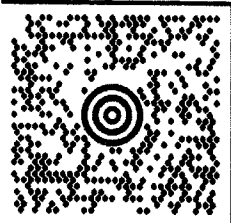
DEVELOPMENT CORP FOR ISR
212 644-2663
575 LEXINGTON AVE FLR 6
NEW YORK NY 10022


1 LBS 1 OF 1

DATE: 06/30/2000

SHIP

**TO: SUSAN TOVAR
CHASE BANK OF TEXAS
CORPORATE TRUST SERVICES
2001 BRYAN TOWER - 9TH FLOOR
DALLAS TX 75201**

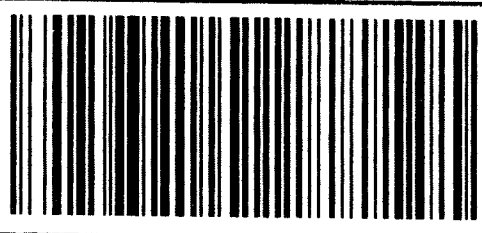


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...enting the United States in the 110-meter hurdles, Swift is
...years and is currently in the human resources department i
...ich provides employee-athletes with the support they need to pursue their Olympic dreams.

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Each of the Development Issue Bonds bears interest at the rate of 4% per annum and the Development Investment Issue Bonds bear interest at the rate of 4 $\frac{3}{4}$ % per annum and the Second, Third, and Fourth Development Investment Issue Bonds bear interest at the rate of 5 $\frac{1}{2}$ % per annum. All are direct and unconditional obligations of the State of Israel.

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