

This document has been prepared in both Hebrew and English but in the event of any contradiction or inconsistency between the Hebrew and English versions, the Hebrew text will prevail.

Borrower's Guide (Explanatory Notes)

This Guide is intended to explain the required procedures for receiving the mortgage loan. We hope and believe that reading it will help us all proceed quickly and efficiently.

Please read all of the sections of this Guide diligently. The Guide contains 18 pages. Naturally, you must also read all the loan documents that you will be required to sign.

The main matters included in this Guide are as follows:

A. Step by Step Procedure for Receiving the Loan

1. Submission of application and approval in principle.
2. Furnishing documents for opening the file:
 - a. Confirmation of Rights.
 - b. Purchase Agreement/Renovation Agreement/Building Permit.
 - c. Property Appraisal.
3. Conditions for opening the file:
 - a. Proof of ability to repay.
 - b. Providing guarantors, as needed.
4. Registration of securities and release of funds.
5. Expenses and fees.

B. Types of Loans and the Monthly Payment

1. Loan tracks:
 - a. Loans intended for borrowers who are entitled to Ministry of Housing rights.
 - b. Index-linked loans, at fixed or variable interest rates.
 - c. Loans linked to foreign currency, to the Dollar or to the Euro.
 - d. Unlinked loans, based on prime rate interest.
2. Loans with a grace period:
 - a. "Partial grace" – payment only of the interest at the beginning of the period.
 - b. "Full grace" (capitalization) – full payment deferred at the beginning of the period.
3. Additional Information regarding Loans at a Variable Interest Rate
4. The monthly payment – payment schedule and repayment table (according to the *Spitzer* method).

C. Waiver of Right to Receive Alternative Housing and/or Protected Tenancy

D. Prepayment of the Various Loans

E. Documents Required for the Process

F. Insurance

1. Property Insurance.
2. Life Insurance.

G. General Information regarding the Provisions of the Sale (Apartments) (Assurance of Investments of Persons Acquiring Apartments) Law, 5735-1974

The Guide contains information regarding various charges and fees that are customary at the Bank relating to establishing the loan and to the monthly payments. Further information regarding charges and fees that are not related to these matters may be found in the Bank's schedule of fees.

We thank you for approaching us and will be pleased to be at your service to extend the loan quickly and professionally.

Step by Step Procedure for Receiving the Loan

1. A number of stages are required in order to receive the loan you are requesting from the Bank.
2. After completing the 'Application to Receive the Loan' form, and if your application is approved, you will receive from the Bank an approval in principle for the loan. After you fulfill the conditions of the approval in principle and the remaining Bank procedures, the Bank will grant a credit limit, in accordance with your request (hereinafter: the "Credit Limit" and/or the "Loan").

3. Loan Application

The form entitled "*Application to Receive a Loan*" is intended, amongst other things, to enable you to provide the Bank with the relevant details needed by the Bank to examine and consider your loan application. Amongst other things, you will be required to provide the Bank with details concerning yourselves, your occupations and earnings, details of the property to which the Loan Application relates and details of the requested loan, such as: the loan type, track, amount, period, purpose, etc. In addition you will be requested to provide details of guarantors – if needed. In the Loan Application Form you will be requested to provide the break-down of the requested loans.

4. Approval in Principle

After you complete the Loan Application Form, the Bank will consider your application and provide you with its response in principle to the application. If the loan is approved in principle, the Bank will provide you with a written *Approval in Principle* Form which shall specify the details you provided to the Bank and based upon which your application was accepted, and will specify the conditions under which the application was approved by the Bank, including the interest rate. The *Approval in Principle* Form will, amongst other things, specify the documents that you will be required to furnish to the Bank in order to receive the loan.

5. Furnishing Documents to Open the File

The Bank extends loans for the purpose of purchasing real estate or for the purpose of construction, including renovations. The Bank also grants loans to individuals for any other purpose, against a lien over a residence. In this context, you will be requested to furnish the Bank with a real estate purchase contract or documents that testify to construction-by-owner - such as a building permit and plans - or documents that testify to performance of renovations – such as a renovation performance agreement or a price quote.

You will also be requested to furnish the Bank with a document testifying to the rights to the property to which the loan relates. If the property is registered in the Land Registration Bureau (the "*Tabu*"), it is necessary to furnish a "land registration extract", which can be obtained from the Land Registration Bureau. If the property is not registered in the Land Registration Bureau, it is necessary to furnish the Bank with a confirmation of rights issued by the body that maintains the registration of the rights relating to the property, either the Israel Lands Administration or a Housing Company. In some cases, the Bank will request a

letter from a lawyer explaining or providing further details regarding the rights to the property.

Another document that you will be requested to furnish to the Bank is a land appraiser's report relating to the value of the property or to the progress of the construction or the renovations. You may select the appraiser from a list issued to you by the Bank. The cost of the appraiser will be paid by you directly to the appraiser. The Bank's approval of a loan is based on the value of the property according to the lower of the purchase contract or the appraisal, and according to the Dollar rate on the date the loan is approved.

6. Conditions for Opening a File

In order to consider your application for a loan, the Bank must receive from you details concerning your ability to repay, and the ability of the guarantors in the event that such are required. To this end, it is necessary to furnish the Bank with the last three pay slips or, as the case may be, the last income tax assessment and/or audited balance sheet of the business for the preceding year and/or the trial balance sheet of the business and/or an auditor's confirmation of its income. You will also be required to furnish the Bank with bank statements for the last 6 months relating to all your current private and/or business accounts, including the account from which the monthly loan repayments are to be paid by means of a standing order.

7. Approval of the Loan

After these documents have been submitted, the Bank will examine the loan file and if it decides to approve it in principle, you will be required to meet the conditions that have been set by the Bank. After all the necessary procedures have been completed to the Bank's satisfaction and the Bank has completed all its checks, you will be required to sign the Credit Limit Agreement, the Agreement for Drawing the Loan (hereinafter: the "Loan Agreement") and the payment schedule, as well as additional documents and annexes to the Bank's satisfaction. The documents will be signed in the presence of a Bank official.

8. Securities

Prior to the loan funds being released, you will have to see to the registration of the securities in favor of the Bank, meaning – registering a mortgage or, if it is not possible to immediately register the mortgage, registering a caveat for the mortgage and/or registering a notice of pledge and/or furnishing an undertaking of the Israel Lands Administration and/or of the Housing Company to register the mortgage and/or a lawyer's undertaking to register a mortgage, all as determined by the Bank, in accordance with the circumstances and the manner in which the property offered to the Bank as security, is registered.

If you have purchased a residence from a building contractor or contracting company, you will be required to obtain and furnish the Bank with securities according to the Sale (Apartments) (Assurance of Investments of Persons Acquiring Apartments) Law, 5735-1974, endorsed to the order of the Bank, in a sum corresponding to the amount of the loan.

The Bank will not agree to register an additional first mortgage of equal priority ("pari passu") over the property that is being registered as a lien in order to secure the loan, unless the amount of the other bank's loan results from the transfer of an entitlement loan, and on condition the amount of the entitlement loan is declared at the time that the application to receive the loan from the Bank is submitted.

As part of the securities' check, it will be necessary to prove to the Bank that the taxation aspects applicable to the transaction have been addressed. To that end, the Bank will require proof that the transaction has been reported to the tax authorities and that the purchase tax in respect thereof has been paid.

9. Expenses and Fees

There are a number of fees and expenses involved in the loan or that are charged throughout the period of the loan, such as: a file-opening fee, entitlement certificate issuance fee, fees to the Land Registration Bureau and/or to the Registrar of Pledges, including for reviewing information from the Registrar of Pledges, notary's fee – to authenticate the power-of-attorney (when the mortgage is not registered on the date the loan is made) – collection fees (standing order), collection fees (transfer in the absence of a standing order), life and property insurance premiums.

A detailed and current list of the Bank's standard schedule of fees may be found in each of the Bank's branches and counters.

10. Release of the Loan Funds

Funds will usually be released by check to the order of the seller of the residence or by crediting his/her bank account, according to the bank details that will be given to the Bank, and only after all the documents have been furnished, the Loan Agreement and its annexes have been signed, the down-payment required by the Bank (usually at least approximately 20% of the transaction price) has been made and the securities have been registered at the appropriate offices. There are cases in which it is possible to transfer the money to the order of another party, as shall be agreed with you in advance and according to the Bank's customary criteria. In the event that the release is made by way of crediting a bank account, you will be responsible for the accuracy of the details of the account given to us for transferring the money.

Types of Loans and The Monthly Payment**1. Types of Loans**

- a. Loans intended for persons who are entitled to Ministry of Construction and Housing rights -

These loans are extended in accordance with the guidelines of the Ministry of Construction and Housing, as such guidelines shall be in effect at the time of extending the loan. The amount of the loan is determined according to the classification and points indicated on the Certificate of Entitlement. Persons with a Certificate of Entitlement are entitled to receive an additional loan from the Bank's funds in the amount of at least 10% of the value of the residence.

- b. Index-linked loans at a fixed interest rate -

Monthly payment linked to the Consumer Price Index.

The interest rate shall be determined according to the following rules:

1. Track for phased drawdowns - the interest rate at each drawdown shall be in accordance with the base interest (average interest for the period of the loan, as defined in the Banking (Prepayment Commission) Order), plus a fixed margin, as determined at the first drawdown.
2. Single withdrawal track - the interest rate is as determined at such withdrawal. Failure to withdraw part of this loan by a pre-defined date nullifies the right to withdraw the remainder of the loan.
3. Customized tracks to be chosen by you, according to the special conditions of each track - "*Mortgage 10*" (only 10 payments per year), "*All-Included Mortgage*" (all expenses included in the price), "*Twice Chai (18)*" (Mortgage for a term of up to 36 years, with the an option to exit and change the interest rate half way through the term), "*Easy Takeoff*" (you determine the amount of the payment during the first four periods).
4. In any event, even if the Consumer Price Index goes down, the monthly payment will not be less than the amount due according to the base rate set on the date the loan is taken.

- c. Index-linked loans at a variable interest rate -

Monthly payment, linked to the Consumer Price Index, variable according to the interest rate at the time of the change of the interest rate. The interest rate shall be determined at the time of the change, according to the base interest (average interest for the period until the time of the next change, as defined in the Banking (Prepayment Commission) Order) plus a fixed margin, as determined at the time the loan is taken.

- d. Unlinked loans -

Monthly payment that is variable according to changes in the prime rate interest as published from time to time by Israel Discount Bank Ltd., plus a fixed margin, as defined at the time the loan is taken.

- e. Loans linked to foreign currency -

Monthly payment, linked to the representative rate of exchange of the currency of the loan, in the loan track that you have selected, variable according to the six-month LIBOR rate on the date of the change, plus a fixed margin, as determined on the date the loan is taken.

1. The Bank runs two foreign currency-linked loan tracks – Dollar linked and Euro linked.
 2. The LIBOR rate is determined according to the 6-month LIBOR rate for foreign currency borrowers, as recognized at the Israel Discount Bank Ltd., and it is reset on January 1 and July 1 of each year.
 3. The representative rate of exchange of the currency of the loan to which the payments are linked varies as compared to the base rate determined at the time the loan is extended.
- f. Option of “deferring” payments (with the Bank’s approval) -
1. "Grace" - payment only of interest during the initial period (up to 24 installments)**
 2. "Bullet" (full capitalization) – deferral of entire payment during the first period (up to 12 installments)***
 3. "Easy Takeoff" – deferral/reduction of the payment during the first four periods (according to the conditions of the plan).

Additional Information regarding Loans at a Variable Interest Rate

In loans at a variable interest rate / loans at prime rate interest, the interest varies from time to time as defined in the terms of the loan.

Your attention is drawn to the fact that that the change in the interest directly affects the size of the monthly repayment that you shall be required to pay, in accordance with the interest formula determined in the loan documents you shall sign. If the interest shall increase, the ongoing monthly repayments for your loan will increase, and vice versa.

Additionally, in an index-linked variable interest loan, the monthly repayment of the loan is also affected by changes in the rise of the index. The repayment of the principle and/or the interest shall never be less than that based on the base index determined at the time the loan was made.

The following is a supporting table specifying the changes in the monthly payment (**Spitzer**, payment of principle and interest) that result from the changes in the loan interest rate, in intervals of **0.25%**, given a loan in the amount of **NIS 100,000**. Additionally, the following table makes it possible to examine the differences for different loan periods. The table does not include a presentation of the effect of a rise in the index and is intended solely for illustration purposes:

Years	5	10	15	20	25
Interest					
1.00%	1,709	876	598	459	376
1.25%	1,720	886	609	471	388
1.50%	1,730	897	620	482	399
1.75%	1,741	908	632	494	411
2.00%	1,752	920	643	505	423
2.25%	1,763	931	655	517	436
2.50%	1,774	942	666	529	448
2.75%	1,785	954	678	542	461
3.00%	1,796	965	690	554	474
3.25%	1,808	977	702	567	487

** The principal bears linkage during the grace period.

*** Principal bears linkage and interest during the grace period.

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16-18 Beit Hashoeva Lane, Tel Aviv, 65814 * P.O.B. 2844 Tel Aviv 61027
Tel. 03-7107333 Facsimile. 03-5661708

3.50%	1,819	988	714	579	500
3.75%	1,830	1,000	727	592	514
4.00%	1,841	1,012	739	605	527
4.25%	1,852	1,024	752	619	541
4.50%	1,864	1,036	764	632	555
4.75%	1,875	1,048	777	646	570
5.00%	1,887	1,060	790	659	584
5.25%	1,898	1,072	803	673	599
5.50%	1,910	1,085	817	687	614
5.75%	1,921	1,097	830	702	629
6.00%	1,933	1,110	843	716	644
6.25%	1,944	1,122	857	730	659
6.50%	1,956	1,135	871	745	675
6.75%	1,968	1,148	884	760	690
7.00%	1,980	1,161	898	775	706
7.25%	1,991	1,174	912	790	722
7.50%	2,003	1,187	927	805	738
7.75%	2,015	1,200	941	820	755
8.00%	2,027	1,213	955	836	771
8.25%	2,039	1,226	970	852	788
8.50%	2,051	1,239	984	867	805
8.75%	2,063	1,253	999	883	822
9.00%	2,075	1,266	1,014	899	839
9.25%	2,087	1,280	1,029	915	856
9.50%	2,100	1,293	1,044	932	873
9.75%	2,112	1,307	1,059	948	891
10.00%	2,124	1,321	1,074	965	908
10.25%	2,137	1,335	1,090	981	926
10.50%	2,149	1,349	1,105	998	944
10.75%	2,161	1,363	1,120	1,015	962
11.00%	2,174	1,377	1,136	1,032	980
11.25%	2,186	1,391	1,152	1,049	998
11.50%	2,199	1,406	1,168	1,066	1,016
11.75%	2,211	1,420	1,184	1,084	1,035
12.00%	2,224	1,434	1,200	1,101	1,053

It is emphasized that the maximum interest rate in the above table is provided solely for the convenience of the user of this Guide, and an even higher interest rate is also possible.

The Monthly Payment

Prior to taking the loan, you can sign a standing order to your commercial bank through which the monthly payments will be transferred to us every month. The responsibility for honoring the standing order rests with you, and you must verify each month that the standing order is indeed being executed. In the event that the payment is not through a standing order, it is your responsibility to ensure that the monthly payment is performed.

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 Tel. 03-7107333 Facsimile. 03-5661708

The monthly payment date may be one of the following: the 1st, 10th or 15th of each month. If you do not request to set the payment date on the 10th or 15th of the month, the payment date will be set on the 1st of the month.

In index-linked loans, for which the date the loan is made does not coincide with the day of the month of the monthly payment, a "base index" shall be determined for the loan that will take into account the change in the index between the date on which the loan is made and the first payment date, and the number of days between the date on which the loan is actually made and the date determined for executing the loan for purposes of the payment schedule. This index may be higher or lower than the index last published before the date the loan was made, and it will serve as a basis for calculating the linkage differentials throughout the entire period of the loan. The following is a sample table -

Date of the Monthly Payment	Date the Loan was Actually Made	Date Loan was Made for the Purpose of Calculating Index Differentials	First Monthly Payment Date
1 st of the month	1 st – 15 th of the month	1 st of the month	1 st of the next month
	16 th – 31 st of the month	1 st of the next month	1 st of the month following the next month
10 th of the month	1 st – 15 th of the month	10 th of the month	10 th of the next month
	16 th – 31 st of the month	10 th of the next month	10 th of the month following the next month
15 th of the month	1 st – 15 th of the month	15 th of the month	15 th of the next month
	16 th – 31 st of the month	15 th of the next month	15 th of the month following the next month

If the date the loan was actually made is earlier than the date set for purposes of the payment schedule, interest will be paid on the first payment date also in respect of this interim period. If the date the loan was actually made is later than the date set according to the payment schedule, the first payment sum is reduced by interest in respect of this interim period.

Repayment Table

The following is a table specifying the amount of the monthly repayment for every NIS 10,000, at common interest rates. As a rule, the monthly payment is calculated according to the *Spitzer method* (principal + interest repayment), not including linkage or various ancillary payments:

		Annual Nominal Interest										Prime Base*	
		3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	5.30%	6.90%	5.40%
		Annual Effective Interest											
		3.56%	4.07%	4.59%	5.12%	5.64%	6.17%	6.70%	7.23%	7.76%	5.43%	7.12%	5.54%
Period													
Years	Months												
5	60	181.92	184.17	186.43	188.71	191.01	193.33	195.66	198.01	200.38	190.09	197.54	190.55
10	120	98.89	101.25	103.64	106.07	108.53	111.02	113.55	116.11	118.70	107.54	115.59	108.03
15	180	71.49	73.97	76.50	79.08	81.71	84.39	87.11	89.88	92.70	80.65	89.32	81.18
20	240	58.00	60.60	63.26	66.00	68.79	71.64	74.56	77.33	80.56	67.66	76.93	68.23
25	300	50.06	52.78	55.58	58.46	61.41	64.43	67.52	70.68	73.90	60.22	70.04	60.81
30	360	44.90	47.74	50.67	53.68	56.78	59.96	63.21	66.53	69.92	55.53	65.86	56.15
36	432	40.75	43.72	46.79	49.96	53.21	56.56	59.98	63.48	67.04	51.90	62.77	52.56

* The column relates to an unlinked loan at prime rate interest. The above table presents an example of prime rate interest of 5.00% plus a rate of 0.30%. The interest of the loan will be determined based on the prime rate interest plus an interest rate determined at the time the loan is extended.

16-18 Beit Hashoeva Lane, Tel Aviv, 65814 * P.O.B. 2844 Tel Aviv 61027

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■ The column relates to a Dollar loan with a variable interest based on the LIBOR interest. The above table presents an example of a LIBOR interest at the rate of 4.90% plus a rate of 2.00%. The interest of the loan will be determined based on the LIBOR interest plus an interest rate determined at the time the loan is extended.

■ The column relates to a Euro loan with a variable interest based on the LIBOR interest. The above table presents an example of a LIBOR interest at the rate of 3.40% plus a rate of 2.00%. The interest of the loan will be determined based on the LIBOR interest plus an interest rate determined at the time the loan is extended.

Late-Payment Interest

Payment on account of a loan repayment that has not been paid, or that is paid late, will bear unlinked late-payment interest at the rate determined by the Bank from time to time. The late-payment interest is calculated on a daily basis, and is higher than the rate at which the loan was extended. If the late-payment debt is not paid within the same calendar quarter, late-payment interest will be compounded with the late-payment debt at the end of the quarter and will similarly bear late-payment interest. In the event of late payment, the Bank may, subject to law, call in the entire loan for immediate repayment and may also realize the lien on the property given to the Bank as security for repaying the loan, including vacation of the property and its sale to a third party.

Waiver of Right to Receive Alternative Housing and/or Protected Tenancy

In the Credit Limit Agreement and the Drawing from Credit Limit Agreement and in other loan documents, the borrower and/or the mortgager will be required to waive the rights to receive alternative housing and/or protected tenancy that are granted pursuant to Sections 38 and 39 of the Execution Law, 5727-1967, Section 33 of the Tenant Protection (Consolidated Version) Law, 5732-1972 and Section 84A of the Bankruptcy Ordinance (New Version), 5740-1980.

The waiver of any right to alternative housing and/or protected tenancy and/or compensation in lieu of alternative housing and/or protected tenancy is fundamental to the Bank's consent to extend the loan.

Accordingly, in the event that the Loan Agreement shall be breached (inter alia, in the event that the loan repayment payments shall not be paid in accordance with the Loan Agreement) the borrower and/or the mortgager and their family members and anyone who lives in the residence on their behalf shall have to vacate the residence and the Bank shall be able to sell it and in such event they could find themselves and their families homeless, without any alternative housing or any compensation therefor.

Notwithstanding the above, if the borrower and/or the mortgager prove that neither they nor the family members living with them have the financial ability to finance a reasonable place to live, then the Head of the Execution Office shall be authorized to adjudge them monetary compensation in lieu of alternative housing and/or protected tenancy for a period that shall not exceed 18 months (and in special circumstances even beyond 18 months). Said compensation, to the extent determined, shall be considered part of the expenses of the receivership proceedings, and shall be borne by the borrower and/or the guarantor and/or the mortgager. In the framework of the legal proceedings, the Bank shall be entitled, at its discretion, to argue against the said adjudgement of compensation, either in general or in respect to the extended scope.

To the extent that entitlement to alternative housing/compensation in lieu of alternative housing shall be determined, the Bank shall be able to choose, at its discretion, whether to grant the borrower and/or the mortgager the option to further stay in the residence or to vacate them to alternative housing or to give them monetary compensation in lieu of alternative housing. Additionally, to the extent that they shall initiate legal proceedings that are eventually rejected but brought about a delay in the vacation of the residence, the period during which said proceedings

16-18 Beit Hashoeva Lane, Tel Aviv, 65814 * P.O.B. 2844 Tel Aviv 61027

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took place shall be considered as a period of alternative housing and shall be setoff from the period of alternative housing or from the compensation for alternative housing to which they shall be entitled, if any.

The borrower and/or the mortgager shall be required to declare at the time of signing the loan agreement whether they are the owners of another residence that constitutes a reasonable place for them and their families to live, in addition to the property being purchased and/or mortgaged.

Prepayment

According to Section 13 of the Banking Ordinance, 1941, a person who receives a loan from a banking corporation for the purchase or mortgage of a residence, may prepay the loan before the determined date, while paying a payment prescribed by order of the Governor of the Bank of Israel.

The Governor of the Bank of Israel has prescribed a formula for calculating the prepayment commission. The formula expresses part of the economic cost of the prepayment to the Bank. The Bank of Israel Directives approved by the Minister of Finance and the Finance Committee of the Knesset regarding the prepayment of a loan came into effect on July 10th, 1989. Over the years they have been amended a number of times, in accordance with the changes in the economy. The prepayment commission for all types of loans is determined according to the Banking (Prepayment Commission) Order, 5762-2002 and pursuant to Proper Conduct of Banking Procedure no. 454 (Prepayment Commission on a Non-Housing Loan).

Prepayment Fees Include the Following Components

Handling Fee: a one-time fee of NIS 60 (as of January 2003) for calculating the prepayment. The Supervisor of Banks may adjust this sum from time to time according to changes in the Consumer Price Index.

Absence of Prior Notice Commission: a commission at the rate of 0.1% of the amount paid (or 0.25% on non-housing loans), as compensation for the Bank's inability to recycle its funds, when the consideration is received. Payment of this commission may be avoided if written notice is given to the Bank of the intention to prepay, at least 10 days before the prepayment (30 days on non-housing Loans), but not more than 30 days (or more than 60 days, on non-housing loans). If the payment is not made pursuant to a notice that has been delivered, this will prevent another notice from being given for 6 months.

Interest Differentials Capitalization Commission: a commission based on the difference between the interest rates according to the loan agreement being paid and the "average interest" (the average interest is in accordance with the balance of the loan period and the types of the various loans, as is published from time to time by the Bank of Israel).

"Average Index" Commission: a commission at the rate of one half of the average rate of the change in the index in the 12 indices last published prior to the prepayment date, as compensation for loss of index. This commission will be charged only on loans linked to the Consumer Price Index, and only if the payment is made between the 1st and the 15th day of the month. If prepayment is made from the 16th day of the month until the end of the month, the Bank will not charge this commission.

"Exchange Rate Differentials" Commission: a commission equal to the exchange rate differentials between the foreign currency exchange rate on the date on which the prepayment is made and the rate applying two business days later. This commission will only be charged on loans that are linked to, or maintained in, foreign currency. Release of the borrowers, guarantors and all the securities given relating to the loan will only be made after payment of the Exchange Rate Differentials Commission. Payment of this commission may be avoided if notice is given to the Bank of the intention to prepay, two business days before the payment date (a "business day" being any day on which trading in foreign currency is transacted, in both Israel and abroad).

Further Instructions and Clarifications

It is hereby clarified that funds credited to the loan account from the sale of an asset in the framework of a receivership and/or from life insurance benefits and/or for any other reason, shall be considered as partial and/or full prepayment of the loan, for all intents and purposes, and shall be charged with the prepayment commission, to the extent it shall be applicable to the loan.

Loans intended for borrowers who are entitled to Ministry of Construction and Housing rights:
Exempt from any fees in respect of prepayment.

Interest Differentials Capitalization Commission (hereinafter: "Interest Differentials Commission"):
a calculation will be made of the difference between the payments calculated according to the interest rate under the Loan Agreement being repaid, and the payments calculated according to the "average interest" of the loans recently made by the banks, and the borrower will be charged the difference, after capitalization. The Bank of Israel determines the appropriate average interest, depending on periods and sectors. In calculating the commission, reference is made to the average interest rate appropriate to the outstanding period of the loan, if the loan has been taken at a fixed interest rate, or to the outstanding period until the date on which the interest changes, if the loan has been taken at a variable interest rate and the interest variation dates are known in advance. In calculating the Interest Differentials Commission on a variable interest loan, the estimated balance of the principal of the loan will be calculated on the date of the changing of the interest – as the last payment in the payment schedule. In variable interest rates (on Index-linked loans linked, loans linked to foreign currency, and unlinked loan) where the frequency of the change is once a year or more – there is no Interest Differentials Commission.

The following discounts are given on the Interest Differentials Commission:

Date on which prepayment is made	Supplementary loans for borrowers entitled to rights	Loans for borrowers without entitlement to rights
Up to 1 year from date of the loan	No discount	No discount
From 1 year to 2 years from date of the loan	10%	No discount
From 2 years to 3 years from date of the loan	20%	No discount
From 3 years to 4 years from date of the loan	30%	20%
From 4 years to 5 years from date of the loan	40%	20%
More than 5 years from date of the loan	40%	30%

Interest differential in favor of the borrower: During periods when the interest in the economy increases, meaning, the interest under the agreement is lower than the average Bank of Israel interest, an interest differential will be created in favor of the borrower. This difference will only be setoff against the other fees, until they are completely eliminated.

The following is a breakdown according to the types of loans:

	Handling Fee	Absence of Prior Notice Commission (0.1% of the amount paid or 0.25% on non-housing loans)	Interest Differential Commission	Average Index Commission (a half of the average rate of change of the index in the last 12 indices)	Exchange Rate Differentials Commission
Type of Loan	All	All	All	Consumer Price Index-Linked	Foreign Currency-Linked
Loans intended for borrowers with Ministry of Construction and Housing rights	None	None	None	None	None
Supplementary Loans for entitled borrowers and Private Loans	NIS 60	If 10 day prior notice is not given (or 30 days for non-housing loans)	If the Average Interest is lower than the loan interest, the interest is fixed during the entire period of the loan, or the date of change of the interest occurs less often than once a year	If payment is made between the 1 st and the 15 th of the month	If two business days' prior notice is not given

The data are current as of January 2003.

Discount Mortgage Bank Ltd.

16-18 Beit Hashoeva Lane, Tel Aviv, 65814 * P.O.B. 2844 Tel Aviv 61027

Tel. 03-7107333 Facsimile. 03-5661708

Partial Payment: In cases of partial payment, the Bank may calculate the economic loss caused to it in respect of the payments that have been prepaid, or proportionately to the amount prepaid relative to the balance of the entire loan.

The explanation in this section is correct as of January 2003. In the event of any contradiction between that published above and the Banking (Prepayment Commissions) Order or Proper Conduct of Banking Procedure no. 454, the wording of the Order or of any statute or temporary provision, as shall be in effect from time to time, shall prevail.

The following are examples illustrating the rate of the prepayment commission on housing loans:

<u>Type of Loan:</u>	<u>Fixed Interest</u>	<u>Variable Interest after 30 months</u>	<u>Variable Interest every 6 Months</u>
	<u>Index-linked</u>	<u>Index-linked</u>	<u>Foreign Currency-linked</u>
Original loan amount	100,000.00	100,000.00	100,000.00
Original loan period (months)	60	60	60
Period remaining until the final repayment date (months)	38	37	38
Date for giving prepayment instruction	Between the 1 st and the 15 th of the month	Between the 16 th and the 31 st of the month	Between the 1 st and the 15 th of the month
Prior notice given (days)	More than 10 days	Less than 10 days	Less than 2 days
Amount to be repaid	71,893.69	71,893.69	69,821.01
Nominal interest according to the agreement	5.67%	5.67%	Irrelevant
Average interest	5.48%	5.48%	Irrelevant
Handling Fee	60.00	60.00	60.00
Prior Notice Commission	-	71.89	69.82
Economic Commission (Interest Differentials)*	214.69	81.88	-
Rise of Index Commission**	186.92	-	-
Exchange Rate Differentials Commission***	-	-	68.42
Total Prepayment Commission	<u>461.62</u>	<u>213.78</u>	<u>198.25</u>
* Calculated as the difference between:			
Capitalization of payments flow based on average interest	72,108.45	72,238.33	
Capitalization of payments flow based on interest under the loan agreement	71,893.76	72,156.45	

** One half of the increase of the average interest in the lapsed 12 months 0.26%

*** Rate of increase of the foreign currency in the 2 days following the requested payment date: 0.098%

Documents Required for the Process

- Identification Certificate** including attachment, for all the applying parties and for the guarantors, to the extent you will be required to provide guarantors.
- Confirmation of income** for all the applying parties and the guarantors.
Salaried employees – the last three originals pay slips.
Self-employed – tax assessment or documents filed with the income tax authorities for the previous year plus auditor's confirmation for the present year.
Controlling parties of a body corporate:
 - a. Pay slips from the company for the last 3 months plus '106 form' from the previous tax year. Alternatively, a tax assessment from the previous year with an auditor/tax advisor's confirmation for the present year, may be presented.
 - b. Insofar as the borrower only draws small sums from the company as a salary and the company has accrued profits that have not yet been distributed, the company's balance sheet may be attached, in order to prove the borrower's income.
- * If additional income exists, original supporting documents should be attached.

Statements of Account

Statements of all the current accounts for the last 6 months. With the Bank's approval, statement of the account for the last 3 months can suffice.

In the case of purchasing a residence

- Original purchase contract of the property.
- Current extract from the Land Registration Bureau / Original current confirmation of rights from the Israel Lands Administration / Original and current confirmation of rights from the Housing Company / Confirmation of rights from additional entities, such as the Civil Administration/Custodian of Abandoned Property, and the like.

In the case of construction-by-owner and expansions

- Approved building permit and plans.
- Engineer's confirmation of the status of the building and the costs.
- Current extract and/or confirmation of rights, in accordance with the requirement in the case of purchasing a residence, as specified above.

Loans against pledging a residence

- Current extract and/or confirmation of rights, in accordance with the requirement in the case of purchasing a residence, as specified above.

Issuance of Ministry of Housing Certificate of Entitlement

- a. **Non-owners of homes:**
Marriage certificate.
Confirmation of period of mandatory IDF service and/or certificate of National Service.
Birth certificate (if the children are not registered in the identity card attachment).
Affidavit of siblings (I.D. no., year of birth and address).
Additional documents as per the requirements of the Ministry of Housing from time to time.
- b. **Home-owners:**
Marriage certificate, confirmation of period of service and birth certificate, as above.
Contract of owned residence or sale contract of the residence.
Additional documents as per the requirements of the Ministry of Housing from time to time.

Appraisal

Current appraisal through an appraiser from the list of appraisers approved by the Bank.

Documents / Actions to be Furnished/Completed/Signed Before the Loan is Extended

General

Application Form; Borrowers' Guide/Explanation, Loan Agreement, Supplemental Form for Guarantors (to the extent you are required to provide guarantors), Payment Schedule, Fees Form, Irrevocable Instruction signed by the Borrowers, Standing Order, Payment Voucher, Confirmation of Payment of Downpayment, Anti-Money Laundering Form, Annexes as per the tracks of the loans.

Securities

Undertaking to Register a Mortgage, Notarial Power-of-Attorney, Notice of Pledge signed by the borrowers and/or the owners of the rights, Extract from the Registrar of Pledges/Companies, Lawyer's Undertaking, Borrowers' Affidavit, Application to Register a Caveat, Mortgage Deed, Guarantee under the Sale Law + endorsement, Letter of Exception, Parties' own undertaking.

For your information, the Bank provides the borrower with services of registering the Pledge Notice with the Pledge Registrar, subject to the payment of a fee as shall be customary at the bank at such time.

Additional Documents

Waiver of Protected Tenancy Rights, *Moshavim* (cooperative settlements) Affidavit, Sale by means of a Power-of-Attorney, Affidavit of Purchasers/Guarantors for Property Located beyond the Green Line, Affidavit of Amidar/Halamish, documents regarding insurance.

Additional Documents for Borrowers Entitled to Ministry of Construction and Housing Rights

Original Certificate of Entitlement, Parcellation Form, Grant Form, Reduction Form, Form in Russian, Market Interest Form.

Additions for Making of Loan

Confirmation of current debt balance; Confirmation of paying/reporting of Land Appreciation Tax and/or Purchase Tax; Appraiser's evaluation; Engineer's confirmation of the status of the building; and/or Receipts of payments.

Insurance

Approval of the loan is conditioned upon two types of insurance being effected:

1. Life insurance (risk).
2. Property Insurance.

The borrower may purchase these insurance coverages from any insurance company or through any insurance agency s/he chooses (subject to fulfilling the requirements of the Bank to assure its rights). Additionally the borrower may purchase these insurance coverages through the "Discount Home Mortgages Insurance Agency (2005) Ltd.", insurance agency, an insurance agency wholly owned by the Bank.

The following are the main requirements and conditions of these insurances.

Life insurance (risk)

The extension of the loan is conditioned upon the borrowers having life insurance (risk) such that in the event, God forbid, of the death of one of the insured parties, the insurance company will pay the Bank the balance of the loan, as recorded in the Bank's books at the time the insurance event occurs, including arrears in the repayment of the loan and other debts, to the extent any such arrears and/or debts shall exist.

Acknowledgement of receipt of the policy will be delivered to you, without any charge for expenses, immediately upon it being received by the Bank, on condition that the insurance amount is not lower than the loan amount, as shall appear in the Bank's records at the time of the occurrence of the insurance event, and is linked to the Cost of Living index, or to foreign currency, in accordance with the loan, on condition that the policy will be encumbered to the Bank, free of any other lien, and the Bank shall be irrevocably registered therein as the sole beneficiary, and on condition that the insurance company shall undertake not to cancel the policy without receiving the Bank's prior consent, and to notify the Bank immediately upon becoming aware of the death of the insured party, and to transfer to the Bank, the irrevocable beneficiary, before transferring to other beneficiaries, the undischarged balance of the loan, to secure the repayment of which the insurance was effected.

Property Insurance

The extension of the loan is conditioned upon the insurance of the property in one of the following options:

1. Insurance according to the value of the property, reinstatement value (hereinafter: "Reinstatement Value") less the land – the amount of the insurance shall be determined by you and you shall be responsible to examine from time to time that this amount corresponds with the value of the property in order to assure that under-insurance shall not evolve.
2. **Insurance Linked solely to the Size of the Loan** (hereinafter: "the Estimated Loan Balance Insurance"). Under this option, as the insurance amount is generally lower than the reinstatement value of the property, the monetary compensation will be at a proportionate rate between the actual insurance amount and the full value of the building. Therefore, it is possible that there will be **under-insurance**, i.e. reduced compensation. You shall calculate the insurance amount, in accordance with the guidelines of the Supervisor of the Banks, based on the estimated size of the loan, less the value of the land, plus 20%.
3. When purchasing from a contractor, the obligation to insure starts from the earlier of the date of delivery of the residence or the date on which the contractor undertook to deliver the residence.

4. The borrower may apply in writing to determine a different date for beginning the insurance, however the Bank is not obliged to accept the request and its determination shall be at its sole discretion.

The policy that meets the requirements of the Bank to assure the return of the loan shall be encumbered to our favor - with the Bank being an irrevocable sole beneficiary - and shall contain an insurance clause for earthquake damages and other natural damages. Renewal of the policy must be sent to us no later than 21 days before the date of expiration of the insurance term under the policy. If the policy is not received, the Bank shall be entitled, but not obliged, to effect insurance of the property in your stead, through the insurance agency owned thereby or through any other agency or insurance company and in an insurance amount corresponding solely to the estimated loan balance, as explained above.

General

1. Insurance is not required for loans having an accumulated balance of less than NIS 30,000, or for loans that during the year their accumulate balance shall be less than such amount.

General Information regarding the Provisions of The Sale (Apartments) (Assurance of Investments of Persons Acquiring Apartments) Law, 5735-1974

The Bank hereby notifies and clarifies to the borrower that the provisions of the Sale (Apartments) (Assurance of Investments of Persons Acquiring Apartments) Law, 5735-1974, anchor the protections granted to a borrower who purchased a residence from a party that constructed a residence, or is scheduled independently or through others, on his/her own land or land of others, to construct a residence, in order to sell it, including a party that sells a residence that s/he bought from a person that constructed or is scheduled to so construct, in order to sell it, excluding the seller of a residence that did not construct it on his/her own and did not receive compensation from the purchaser at the time it was sold. The provisions of the Law define the various rights of such a borrower, including the assurance of the funds that are paid by him/her to the seller for the residence. Some of the main sections of the Law that define some of the rights of the borrower are specified below:

1. A seller shall not receive from a purchaser, on account of the price of a residence, an amount that exceeds seven percent of the price, unless the seller performed one of the following, all notwithstanding that stated in the sale contract:
 - a. Delivered to the purchaser a bank guarantee to secure the return of all of the funds the purchaser paid the seller on account of the price, in the event that the seller will not be able to transfer ownership or other right in the residence to the purchaser, as agreed in the sale contract, due to a seizure imposed on the residence or on the land upon which the residence is being constructed or due to a freeze procedures order, a receivership of assets order, a liquidation order or an order to appoint a receiver that were issued against the seller or against the owner of said land, or due to circumstances in which a complete impediment was created in this matter; the Minister, with the consent of the Supervisor, is entitled to determine the language of the bank guarantee in this matter.
 - b. Insured itself with an "Insurer", as defined in the Supervision of Financial Services (Insurance) Law, 5741-1981, that the Supervisor of Insurance approved for this matter, for assuring the return of all the funds stated in Section 2(1) of the Law, and the purchaser was indicated as the beneficiary under the insurance policy, and the insurance premiums are paid in advance; The Minister of Finance is entitled to determine the language of the insurance policy in this matter.
 - c. Registered a first mortgage on the residence or on a relative part of the land upon which it is being constructed, to the benefit of the purchaser or to the benefit of a trust company

approved by the Minister for such purpose, for the assurance of the return of all of the funds stated in Section 2(1) of the Law.

- d. Registered, with respect to the residence or a relative part of the land upon which it is being constructed, a caveat for the sale of the residence in accordance with the provisions of Section 126 of the Land Law, 5729-1969, as long as with respect thereto a lien, seizure or third party right, with priority over the caveat have not been registered.
 - e. Transferred the ownership or other right to the residence, or to a relative part of the land upon which it is being constructed, to the name of the purchaser as agreed in the sale contract, with the residence or the land being clear of any lien, seizure or third party right.
2. A seller that assured the purchaser's funds in accordance with Section 2(1) or (2) of the Law shall be entitled to exchange the guarantee with one of the forms of guarantee under Section 2(3), (4) or (5) of the Law, as long as the construction of the residence has been completed and the possession thereof has been delivered to the purchaser, and all provided that the sale contract did not stipulate another form of guarantee; nothing in the provisions of this section shall derogate from the provisions of Section 3 of the Law.
 3. A seller shall not sell a residence to a purchaser unless he/she notified the purchaser in writing, at the time of executing the sale contract, of his/her right under this Law to assure the funds that are paid, and of the ways that were determined under this Law to do so.
 4. In the event that the land upon which the sold residence constitutes 'Israel Lands', as defined in the Basic Law: Israel Lands, the seller shall not be obliged to assure the purchaser's funds in accordance with Section 2 of the Law other than for the period that shall end upon the occurrence of all of the following:
 - a. The construction of the residence was completed in accordance with the sale contract;
 - b. The possession of the residence was delivered to the purchaser;
 - c. A contract was executed between the purchaser and the Israeli Land Administration (the: "**Administration**"), in which the Administration undertook to bring about the registration of the purchaser as the lessee of the residence for a period of more than 25 years, clean and free of any lien or obligation of a lien, seizure, and any third party right, except for a lien or obligation of a lien to registered as an obligation of the purchaser.
 5. A contract that was executed between the purchaser and the Administration as stated in Section 2b(a)(3) of the Law, between the 21st of the month of Shvat, 5735 (February 2, 1975) and the 2nd of the month of Nissan, 5739 (March 30, 1979), shall be deemed as including such undertaking of the Administration as stated in the said Section 2b(a)(3).
 6. In the event that the Administration was obliged to compensate the purchaser due to not fulfilling its undertaking pursuant to Section 2b(a)(3) of the Law, the seller shall indemnify the Administration, unless s/he proves that the Administration is responsible for the cause of compensation.
 7. The purchaser of a residence whose funds that s/he paid or was to have paid to the seller were not assured as stated in Sections 2(1) or (2) of the Law shall not be obliged to pay on account of the price of the residence percentages that exceed those set in the regulations, notwithstanding that stated in the sale contract.
 8. All the payments of fees and expenses that are involved in assuring the purchasers' funds pursuant to this Law (hereinafter: the "Expenses") shall be borne by the seller.
 9. The seller shall deliver the payment vouchers to the purchaser and shall receive the payments that the purchaser pays for the residence, solely through said vouchers; payment through a

voucher shall constitute an irrevocable instruction of the seller to the accompanying banking corporation to furnish a bank guarantee to the benefit of the purchaser.

10. An accompanying banking corporation shall furnish a bank guarantee for the amount that the purchaser paid, in accordance with the voucher arrangement, within 14 business days from the date of payment or shall confirm that another guarantee was granted for the benefit of the purchaser in accordance with the provisions of Section 2 of the Law; nothing in this provision derogates from the banking corporation's liability pursuant to law.
11. In the event that a banking corporation or other corporation extended a loan to the purchaser for the purchase of the residence, it is obliged to transfer the loan funds to the seller only after confirming that the guarantee to the benefit of the purchaser in accordance with the provisions of Section 2 of the Law, or a written undertaking of the seller to grant such a guarantee, has been given.
12. It is hereby clarified that the sections specified above are only main sections, and the borrower is referred to review all of the provisions of the Law. It is also clarified that nothing in that which is stated above imposes any liability whatsoever upon the Bank towards the borrower and/or anyone on his/her behalf and/or towards any third party whatsoever.

I acknowledge receipt of 18 explanation pages, relating to the loan that I intend requesting from the Bank, and confirm that the contents thereof have been explained to me and I understand them.

1.	_____	_____	_____
	Name of the Borrower	Date	Signature
2.	_____	_____	_____
	Name of the Borrower	Date	Signature
3.	_____	_____	_____
	Name of the Borrower	Date	Signature
4.	_____	_____	_____
	Name of the Borrower	Date	Signature

This document has been prepared in both Hebrew and English but in the event of any contradiction or inconsistency between the Hebrew and English versions, the Hebrew text will prevail.