

TEL-AVIV STOCK EXCHANGE

1977/1978/1979/1980/1981/1982/1983/1984/1985/1986/1987/1988/1989/1990/1991/1992/1993/1994/1995/1996/1997/1998/1999/2000/2001/2002/2003/2004/2005/2006/2007/ANNUAL REVIEW **2008**

MAIN INDICATORS 2006-2008

THE TEL-AVIV STOCK EXCHANGE			
	2006	2007	2008
ANNUAL DOLLAR YIELD			
• TA-25 Index	22.6%	44.3%	(45.6%)
• TA-100 Index	22.0%	37.6%	(50.6%)
• Tel-Tech 15 Index	(3.3%)	8.4%	(63.9%)
• Finance-15 Index	17.1%	12.1%	(55.7%)
• Real Estate-15 Index	81.3%	10.9%	(79.5%)
• General Bond Index	14.0%	14.3%	0.5%
• Government Bond Index - "SHAHAR"	16.9%	12.5%	13.8%
• Corporate Bond Index - Tel-Bond 20	-	18.6%	(2.1%)
DAILY TURNOVER (US \$ millions)			
• Shares and Convertibles	326	505	547
• Bonds	384	799	1,120
• Treasury Bills	179	206	219
• TA-25 Index Options (Thousands of contracts)	305	385	332
• Dollar Options (Thousands of contracts)	30	39	43
Capital Raised (US \$ billions)			
• Shares and Convertibles	9.6	5.8	5.0
Thereof: Capital raised in Israel	2.7	5.2	1.8
• Government Bonds - Net	0.7	1.0	8.9
• Corporate Bonds	10.8	21.2	6.6
Thereof: Issues to Institutionals	5.6	8.9	1.3
Market Capitalization (US \$ billions)			
• Shares and Convertibles	161.4	235.2	133.6
• Government Bonds	62.8	71.2	84.3
• Corporate Bonds	36.1	80.2	85.3
• Treasury Bills	20.9	18.1	18.9
Number of Listed Companies	606	654	642

MAJOR WORLD STOCK EXCHANGES' INDICES			
	2006	2007	2008
ANNUAL DOLLAR YIELD			
• S&P 500 Index	13.6%	3.5%	(38.5%)
• NASDAQ 100 Index	6.8%	18.7%	(41.9%)
• DOW-JONES Index	16.3%	6.4%	(33.8%)
• DJ Euro STOXX 50 Index	28.3%	18.1%	(46.1%)
• FTSE 100 Index	25.9%	6.1%	(50.0%)
• DAX Index	35.8%	36.6%	(43.5%)
• NIKKEI 225 Index	5.5%	(5.6%)	(28.4%)
• MSCI EM Index	28.0%	38.5%	(51.7%)
• TA-25 Index	22.6%	44.3%	(45.6%)



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2008 HIGHLIGHTS



The downturn in world financial markets, which began in 2007, picked up steam in 2008, affecting the Israeli economy and Tel-Aviv Stock Exchange (TASE).

Developments in Israel differed from those elsewhere, since in many respects, the state of the economy coming into the crisis was favorable, as reflected in growth, fiscal and balance-of-payment figures. The local real estate market did not suffer from “bubble” conditions nor did the local banks become inordinately entangled in either bad debts or “innovative” financial instruments.

Despite these positive macro-economic conditions, TASE investors were not spared the precipitous decline in share prices, similar to that experienced in Europe and U.S. markets.

Israel's economy is oriented towards export markets and other international activity. It is expected that the global crisis will adversely affect exporting firms as well as Israeli entrepreneurs active abroad.

The unprecedented fall of corporate bond prices, is another development that impacted Israel in 2008. This decline was particularly prominent for bonds issued by internationally active real estate companies.

Temporary Adjusting TASE rules

After the outbreak of the crisis, the TASE was required to adjust numerous rules to conform to the new reality, and in the past quarter the TASE Board of Directors adopted resolutions on several important issues.

First, the public float thresholds qualifying companies to remain in the leading TASE stock indices were made less stringent. This decision was made with a heavy heart, since in the past, the threshold was raised incrementally to a level of 25% of the issued shares. However, given the new conditions, TASE was compelled to settle for a 20% threshold, with the institution of emergency provisions that will remain in effect until the end of 2009.

Second, trading hours were shortened in order to allow TASE members and the TASE itself to save on operating costs. This decision was made based on data from the period in which trading hours were shortened during the TASE employees' dispute, indicating that shortening the trading day is not likely to adversely affect trading volume.

The tumultuous price fluctuations that have plagued TASE since September 2008 compel it to stress test additional rules and arrangements and to evaluate their operation under extreme conditions: circuit breakers, derivative margins, the clearing systems, regulation of TASE members, etc. These issues will be addressed in 2009.

It is noteworthy that throughout 2008, the routine work load did not decline. Turnover remained high, both in terms of value and the number of orders and transactions on TASE. However, towards the end of the year, there was a decline in the turnover. Service to listed companies increased this year, since treatment of distressed corporate bond issuers entails significant work by the TASE.

Infrastructure Projects

In addition to the treatment of the crisis and its implications on regular operations, TASE advanced several infrastructure projects designed to enhance Israel's capital market. The first, the creation of the infrastructure required to clear ‘repo’ transactions in government bonds, was carried out according to principles outlined together with the Ministry of Finance, Bank of Israel and key financial institutions active in the capital market. TASE completed preparations and the launch of the new market is scheduled for the beginning of 2009.

The completion of preparations for the launch of equity options, a product whose absence has been felt for a long

time, on a select number of highly liquid shares was the second. Arrangements for opening the new market were completed in December 2008; however, their launch was postponed until March 2009 for technical reasons.

The third, in 2008 TASE began preparations for transferring the clearing and settlement of corporate bonds from same-day settlement (t+0) to t+1, following similar measures already taken for government bonds and 'T-bills' (makam). The shift to t+1 clearing in 2007 was necessary as a means to reduce clearing and settlement risks and as a prerequisite to joining the Real Time Gross Settlement (RTGS) system initiated by the Bank of Israel. The transfer of corporate bond clearing and settlement to t+1 is expected to be complete in 2009, and will be followed by similar arrangements for stock transactions, rendering TASE's clearing and settlement to a "delivery versus payment" (DVP) regime, as is customary throughout the world.

Fourth, preparations for constructing a new building for the TASE continued. Unfortunately, approval of the blueprints took longer than expected and actual construction did not begin before the close of the calendar year. The time lapsed was used for detailed planning of the building in the hopes of making up for some of the lost time.

Fifth, at the beginning of the year the Knesset approved amendments to the Securities Law that enhanced the stability of TASE clearing houses.

International Activities

In 2008 the TASE continued its international activities, which aim at consolidating links between Israel's capital market and foreign markets. This activity is designed to enhance the exposure of Israeli companies among the international financial community, attract foreign investor activity in TASE and attract foreign investment houses to become TASE members.

In this respect, the following events were particularly noteworthy:

- Cooperation agreements (MOU) were signed with NYSE-Euronext and the Shanghai Stock Exchange;
- TASE co-sponsored two major conferences for foreign investors, in London (with the London Stock Exchange) and New York (with NASDAQ-OMX);
- The TASE Board of Directors approved the application of Merrill Lynch International to become TASE's first remote member;
- An ETF tracking the TA-25 index was launched in the New York Stock Exchange.

Summary

In summary, Israel's economy and the Tel-Aviv Stock Exchange has endured serious crises in the past, which were no less grave than the current crisis. The fundamentals underlying Israel's economy prior to the crisis were positive by many respects, and they constitute a source of hope that, with proper measures, the economic slowdown can be shortened and growth renewed. These developments are not dependent solely on us, since Israel is part of a global system, which is facing one of the largest crises in its history. However, after four months since the outbreak of the crisis, it is the duty of the Israeli leadership to define an action plan and execute it expediently and with consistency.

TASE will do whatever it can to support policies to accelerate economic activity and enhance the stability of the financial system. TASE will also examine new needs that have arisen in wake of the crisis and will continue to improve the data it supplies Israel's capital market.

In conclusion, we would like to thank the TASE Board of Directors, its management and staff on its laborious efforts and to the Israel Securities Authority, the Ministry of Finance and the Bank of Israel for their support of TASE actions – during the crisis and throughout the regular course of business.



S. Bronfeld
Saul Bronfeld
Chairman

E. Levanon
Ester Levanon
CEO



Chairman, Israel Securities Authority

A financial crisis unprecedented in scope and nature is beyond doubt the dominant event that marked the year 2008. The intensity of the crisis, which is still at its height, will reverberate for a long time to come and will be remembered as a turning point in the history of the global economy.

The Israel Securities Authority is focusing in the short term on mapping out the problems and in devising solutions.

Among other things, we have mapped out the scope of corporate liabilities owed through the capital market to bondholders and the anticipated schedule of redemptions in the next few years. Our findings led us to formulate a proposal for a more efficient infrastructure for refinancing corporate debt, whilst retaining maximum protection for bondholders. Our proposal involves removing barriers and significantly easing the process involved in refinancing debt.

Other significant steps we are taking include the continual improvement in the level of transparency in the capital market. At this time of uncertainty and insecurity, there is a risk of loss of confidence in the capital market. Confidence is the bedrock on which the functioning of the financial market rests and in its absence, the system may become paralyzed.

Moreover, we are currently witnessing vigorous efforts by governments and regulators around the world to cope with the financial crisis. One of the greatest obstacles to effective action is the loss of confidence in the markets, which requires solutions that address not only the underlying problems but also that loss of confidence which amplifies those fundamental problems. For instance, despite the massive injections of liquidity into troubled banks designed to enable them to continue functioning

as sources of credit, these banks did not play their part. The reason for this was the banks' loss of faith in each other and the breakdown of interbank trading. As a result, further intervention is required to shore up confidence through the granting of government guarantees for such trade.

Experience teaches that the immediate and direct cause of loss of confidence in the markets is the discovery, after the event, that information presented was either deficient or distorted. In light of this, we are acting to ensure that the business health of the bodies under our supervision be completely exposed, for better or for worse, in order to prevent such surprises after the event.

Accordingly, we mapped out the areas that require special attention at this time. For example, as the credit crunch persists, we are acting to significantly increase the level of disclosure towards bondholders, and to improve the tools at the disposal of bondholders to appraise the state of the company in general and of the debt in particular. Furthermore, through a number of directives, we have significantly increased the level of disclosure required from producers of financial instruments in general and issuers of index-linked notes in particular. We have acted to increase the disclosure by investment firms of their proprietary portfolios and to have mutual fund managers disclose their investments in high risk bonds. We are taking steps to regulate the activities of credit rating agencies and increase their transparency, and more.

There is no doubt that 2009 will be a hard year, presenting challenges for the Israel Securities Authority and for all the players in the capital market.

We have no magic solutions to restore overnight the wealth that has been lost. Patience and perseverance are required until the turning point comes. I believe that turning point will come.

Prof. Zohar Goshen,
Chairman, Israel Securities Authority



THE TEL-AVIV STOCK EXCHANGE IN 2008

2008 was one of the most difficult years in the history of international capital markets, including that of Israel.

The downturn in the U.S market that started in the second half of 2007 became more acute in 2008 and evolved into a severe financial crisis. In the first half of 2008 the dollar depreciated against foreign currencies, commodities prices soared and apprehensions regarding recession in the United States precipitating a global slow-down increased. Exchanges around the world reacted to these developments with falling prices, which began in the fourth quarter of 2007 and intensified with the collapse of a number of large, leading international financial institutions in September-October 2008.

In wake of the financial crisis, interest rates in Israel and abroad were lowered dramatically in the fourth quarter of the year, and many governments initiated emergency programs to reinstate financial stability, unleash credit and stimulate economic activity. Commodities prices, including oil prices, plunged and the dollar strengthened against foreign currencies. Despite this, leading international share indices continued to falter in highly volatile trade.

TASE was not spared the downturn in world markets, despite favorable macro-economic indicators and the stability of Israel's financial sector on the eve of the crisis. After five years of uninterrupted price increases, which peaked

at 340% in October 2007 – TASE's TA-100 and TA-25 indices retreated 45%. By year's end these indices returned to beginning of 2005 levels.

Sharp price declines also befell the corporate bond market. Bond prices declined 20% on average from September, after a 65% appreciation over the last five years. Particularly salient was the decline in bonds issued by companies of all sizes active in real estate markets abroad.

There was an acute slowdown in primary market activity and the capital raised in the 2008 in equity and debt came to \$1.8 and \$6.6 billion respectively, approximately 30% of the amount raised in 2007.

Foreign investors, who injected approximately \$5 billion in financial investments during the period 2004-2007, increased equity investments during the first half of 2008 by an additional \$1.2 billion. However, in the second half of 2008, holdings equaling \$2.7 billion were liquidated, \$1.1 billion of which were sold in October.

The market for index instruments continued to develop, with the launch of some 55 new exchange-traded notes (ETNs) and 50 covered warrants. At year's end, 333 index products traded on TASE, constituting approximately 20% of the turnover of shares and corporate bonds. The market value of public holdings in these index products fell to approximately \$ 6.1 billion in December, as opposed to \$ 6.7 at the beginning of the year.

THE EQUITY MARKET

2008 opened with sharp price declines in all equity markets, including the Tel Aviv Stock Exchange. By mid-March, the TA-100 lost approximately 15%, continuing the downward trend that started in November 2007. This followed a five-year bull market of relatively uninterrupted gains.

In March, similar to developments abroad, there was a shift in TASE-traded share prices, racking up gains of approximately 23% by the end of May. This temporary correction can be attributed in part to lowered interest rates in the United States and from the Bank of Israel's efforts to weaken the exchange rate of the shekel by lowering interest rates to 3.25% in April-May and buying dollars.

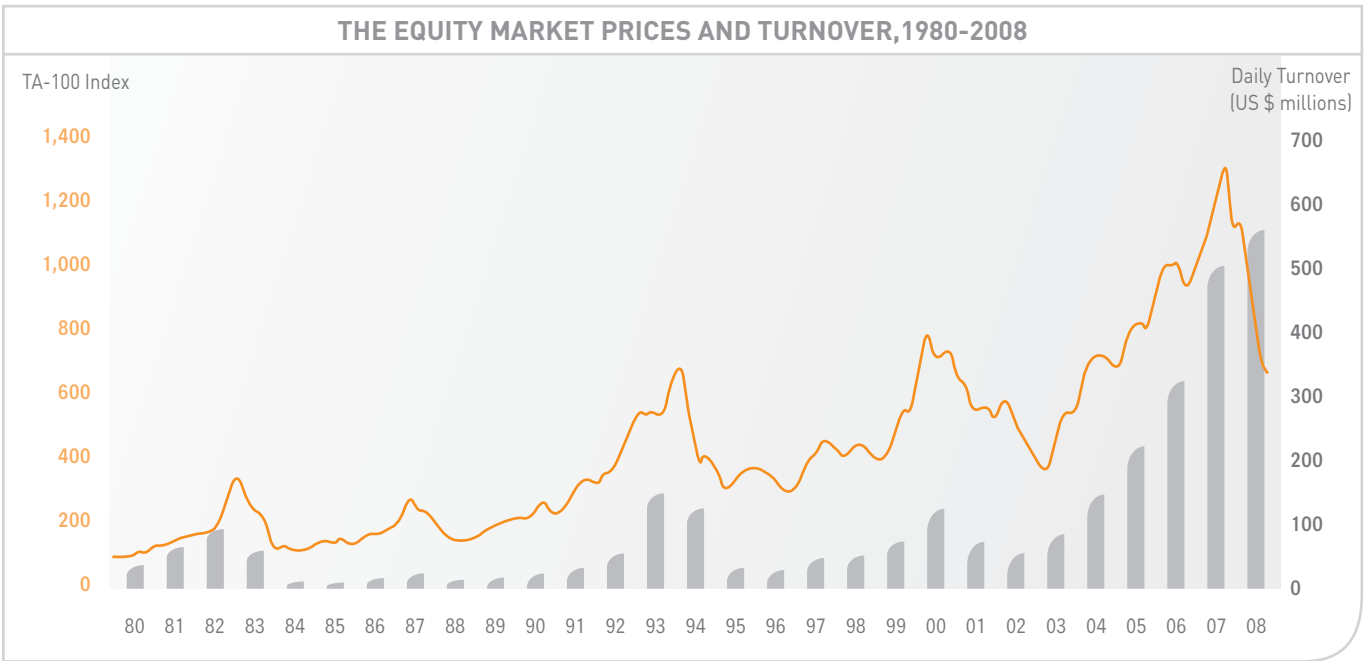
In June the bear market resumed both in Israel and abroad and by September, it burgeoned into severe crisis proportions. Capital markets around the globe were shocked by the collapse of major financial services firms, such as Bear Stearns and Lehman Brothers, the sale of Merrill Lynch, the government bailout of the insurance

conglomerate, AIG and the collapse or bail-out of other large financial institutions in the United States and Europe.

Governments around the world undertook concerted efforts to contain the crisis through lowering interest rates, implementing bank stabilization programs, nationalizing financial institutions, etc. In Israel, the Bank of Israel lowered interest rates four times in October-November by a cumulative rate of 1.75%, driving rates down to a level of 2.5% in the end of the year, the lowest ever in the history of the state.

At the same time, the bubble created in oil and commodities prices burst and the dollar appreciated against the shekel from its lowest point in 12 years - NIS 3.23 in July- to around NIS 3.80 by the end of the year.

The stability of Israel's financial system and the favorable macro-economic condition of the economy going into the crisis were not sufficient to mitigate plunging TASE equity prices.



The TA-25 and TA-100 lost more than 45% over the course of 2008, with companies particularly vulnerable to developments abroad – real estate, banking and chemicals – being particularly hard hit. These companies contributed more than two thirds to the decline in the TA-25 this year. It is worth noting that the magnitude of price declines on TASE was similar to that of most share-price indexes abroad.

The world real estate crisis and the high level of leverage employed by Israeli real estate companies active abroad, caused the share prices of these companies to plummet. The Real Estate-15 index lost some 80% of its value in 2008, after gaining 11% in 2007 and 81% in 2006. This precipitous decline in the real estate industry is responsible for the

relatively steep decline in the TASE share-price indices, in which real estate is heavily represented. The TA-75 lost 67%, while the Yeter-50 index of mid and small-cap firms ended the year 73% lower. Similarly, the Tel-Tech 15 index of technology shares declined 64%, given its high sensitivity to trends on NASDAQ.

Shares trading has been marked by unusually high volatility, both in Israel and abroad, since the onset of the crisis. On September 21st, following news regarding the U.S. government's economic bail-out program, the TA-25 index jumped 8.4%, triggering for the first time a "circuit breaker" to curb rising prices. In contrast on October 12th and November 20th, downside circuit breakers were employed.

TABLE 1: MAIN INDICATORS OF THE EQUITY MARKET, 1999-2008

Year	Daily Turnover (US \$ millions)	Capital Raised in Israel ⁽¹⁾ (US \$ billions)	Number of Listed Companies	Thereof: New Listed Companies ⁽²⁾	TA-100 Index % Change (US \$ terms)
1999	86	0.8	654	13	62.7
2000	115	2.6	665	37	3.2
2001	64	0.8	649	14	(16.4)
2002	51	0.7	624	9	(30.6)
2003	80	0.7	577	4	73.9
2004	147	1.6	578	25	21.0
2005	223	2.7	584	32	21.1
2006	326	2.7	606	44	22.0
2007	505	5.2	654	62	37.6
2008	547	1.8	642	2	(50.6)

(1) Including private placements and exercise of warrants, Excluding issues abroad of the dual-listed companies.

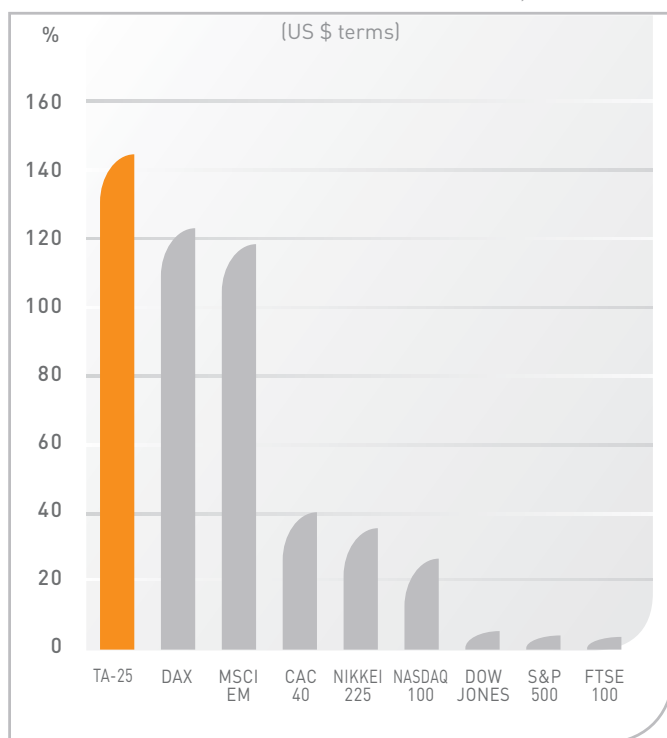
(2) Including new dual-listed companies, Excluding new index products Issuers.

This intense volatility is reflected in a sharp increase in the standard volatility of daily TA-25 returns, which jumped from an average of 16% at the end of 2007 to approximately 50% in 2008, reaching a record 65% in November.

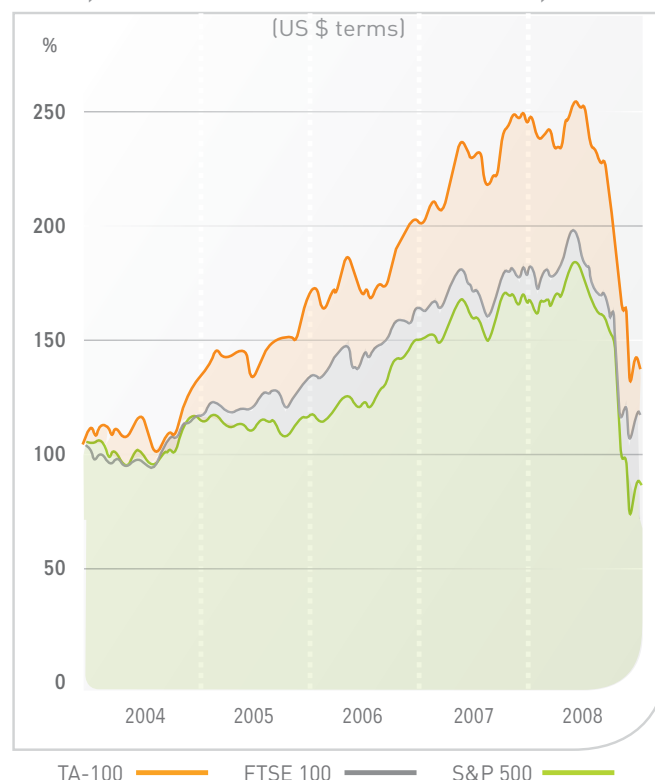
Average daily turnover in 2008 came to \$550 million, slightly higher than that of 2007. The intensification of the crisis in the closing two months of the year has led to a decline in trading volume, which averaged \$360 during this period.

The primary market was hit with a serious slow-down in 2008, following four years of vigorous, wide-spread capital-raising activity through public offerings and private placements. Vibrant activity in the primary market, which began in 2004 and peaked in 2007, began to slow during the second half of 2007.

INTERNATIONAL STOCK INDICES' YIELDS, 2003-2008



TA-100, FTSE 100 AND S&P 500 INDICES' YIELDS, 2004-2008



Capital-raising in Israel by TASE-listed companies (through public offerings, private placements and exercise of warrants) came to only around \$1.8 billion in 2008 as opposed to \$5.2 billion in 2007.

Approximately half of the sums were raised in 15 rights issues and 9 public offerings, of which only one was an initial public offering (IPO), as opposed to \$ 3.2 billion raised publicly in 2007. Two thirds of these offerings, representing two thirds of the sums raised, were completed during the first half of the year.

During the first half of 2008, **foreign investors** injected some \$1.2 billion into Tel Aviv's equity market, following investments of some \$5 billion during the years 2004-2007. During the third quarter of 2008, this trend was reversed following the intensification of the financial

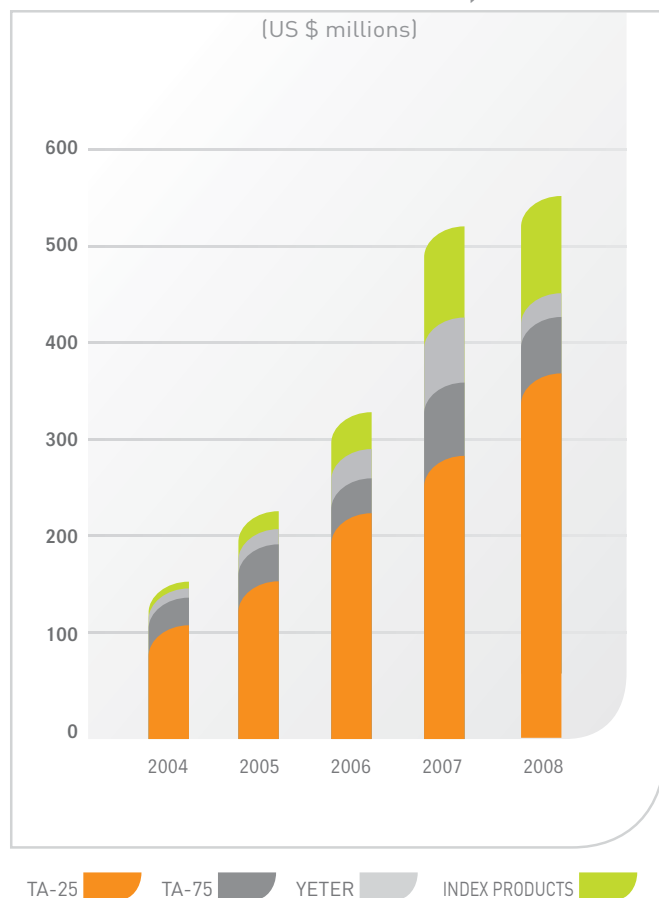
crisis, and foreign investors liquidated holdings equaling \$2.7 billion, of which \$1.1 billion was sold in October.

Israeli investment in foreign equities came to \$2.8 billion, 25% higher than the amount invested abroad in 2007.

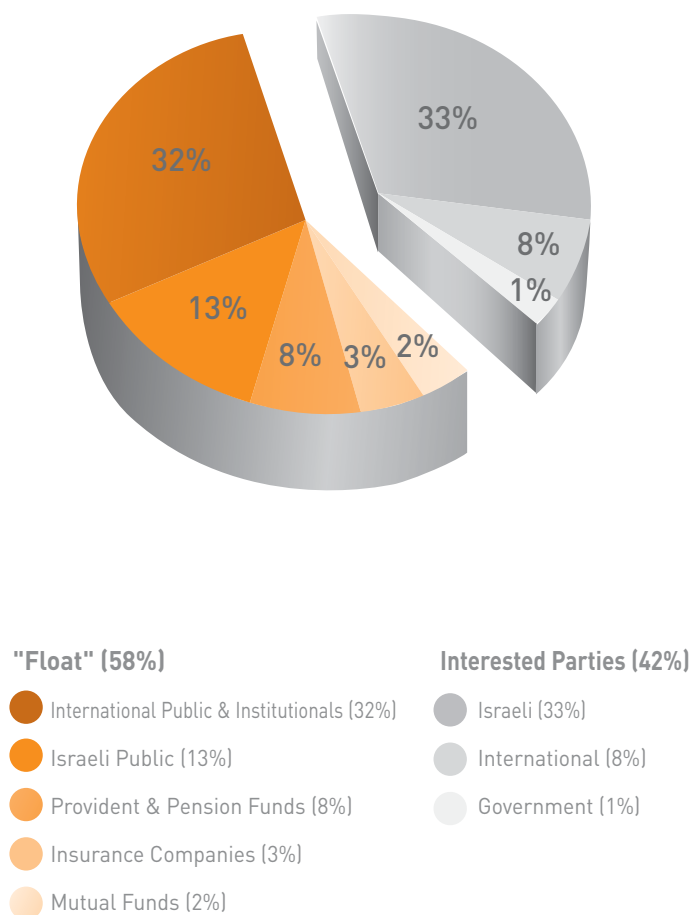
Within the framework of Israel's **privatization program**, after a recess of more than a year, the government of Israel raised \$320 million through the exercise of a call option issued to the Apex-Saban-Arkin group for shares in Bezeq Israel Telecommunication. The group currently holds 40% of the company.

In 2008, five cross-listed companies delisted from the Tel Aviv Stock Exchange, while in December one company, Leadcom Integrated Solutions, which is listed on London's AIM market, joined the list of companies trading simultaneously in Israel and abroad. As of year's end, there were 61 companies cross-listed on TASE and foreign exchanges.

EQUITY MARKET - DAILY TURNOVER, 2004-2008



BREAKDOWN OF SHARES OWNERSHIP ON TASE, 2008



INDEX PRODUCTS

The rapid development of index products continued in 2008 for the fifth consecutive year. 140 series were launched, similar to the number of new series in 2007.

- 55 of the new series were ETNs tracking various share and bond indexes, including ten ETNs on the new TASE bond indexes, Tel-Bond 40 and Tel-Bond 60, which were launched at the beginning of February. 12 of the series issued this year are leveraged ETNs and currently a total of 21 leveraged notes (long and short) traded on the TASE.
- 85 covered warrants were issued this year, including, for the first time, 18 calls and puts on shares listed abroad – Google, Potash, Apple, Berkshire Hathaway and Exxon Mobil. 36 of the new series are covered warrants on leading foreign share indexes (Nikkei 225, DAX, Nasdaq-100), while 26 are written on commodities (oil and gold). At the same time, 39 series of covered warrants expired and were delisted.

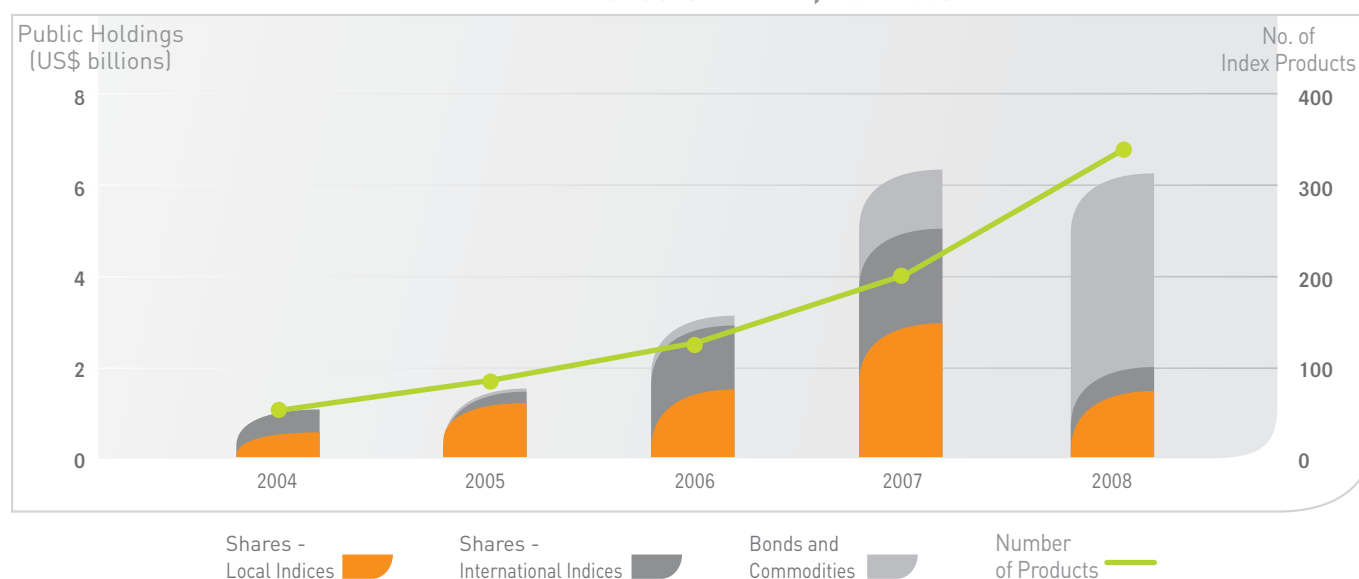
At the end of 2008, the inventory of indices products traded on TASE came to 333 series: 270 ETNs on 12 local indices and 60 international indices, six on commodities and 57 covered warrants

The daily trading volume of index products on share-price indices averaged \$100 million, comprising approximately 20% of the average turnover of shares, consistent with 2007 levels. In contrast, daily turnover of index products on bond indices jumped three-fold from previous year levels, averaging \$55 million. This turnover constituted approximately 20% of the trading volume of corporate bonds – twice that of 2007.

The market value of public holdings in index products fell in December to approximately \$6.1 billion, after attaining record levels of \$8.4 billion in August 2008 and closing the 2007 calendar year at \$6.7 billion.

The decrease in the value of public holdings stemmed primarily from the sharp decline of underlying asset prices. Index products tracking share-price indices in Israel and abroad came to \$5 billion at the end of 2007, falling to \$2.5 billion by the end of 2008. In contrast, public holdings in index products tracking local bond indices came to \$3.6 billion, approximately double the value at the beginning of the year.

THE INDEX PRODUCTS MARKET, 2004-2008



THE FIXED INCOME MARKET

The financial crisis took a heavy toll on the corporate bond market, as reflected in the sharp decline in bond prices. In contrast, prices of government bonds increased by 11%.

Daily trading volume averaged approximately \$ 1.1 billion, an increase of 40% when compared to 2007.

The reduction of government revenues from taxes prompted a substantial increase in the scope of government bond issues. The government raised some \$8.9 billion (net redemptions) through bond offerings – more than three times the amount raised in the previous three years. At the same time, the private sector found it difficult to raise debt, which totaled only \$6.6 billion in 2008.

Both government and corporate bond trading was characterized by varying trends. Corporate bonds linked to the Consumer Price Index (CPI) gained 11% by the end of August, while CPI-linked government bonds rose more than 15% during this period. The financial crisis was reflected in sharply plunging corporate bond prices

starting in September. In wake of investor apprehensions regarding the ability of companies to meet redemption obligations, the prices of CPI-linked corporate bonds fell 25% on average since September, ending 2008 16% lower than at the beginning of the year.

It is worth noting the difference between the performance of the Tel-Bond 20 index, which lost 2% over the year, and that of the Tel-Bond 40, which fell 21.5%, since a significant portion of the Tel-Bond 40 index is comprised of real estate companies whose bonds decreased sharply.

Bonds issued by the banking sector recorded only minor gains and losses, despite the fact that bank shares suffered sharp price declines in the wake of losses from foreign investments and had a substantial impact on the decrease of the TA-25 shares Index.

Much like the share market, volatility in the corporate bond market increased, with daily standard deviations doubling during the crisis period.

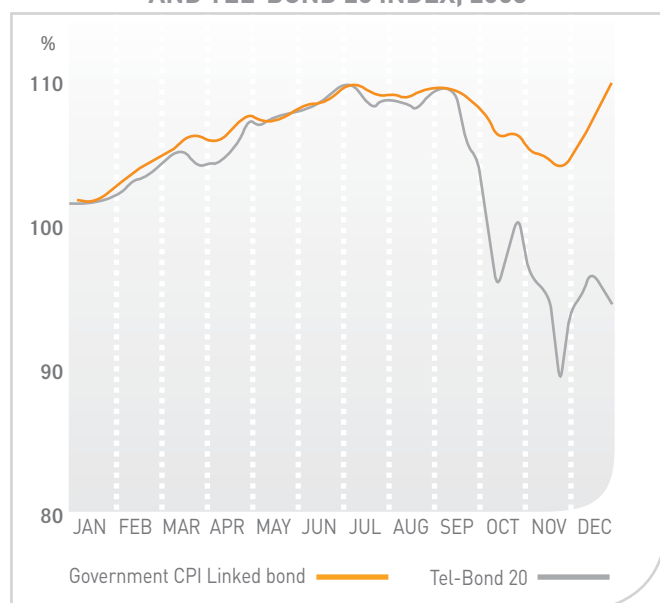
The market for government bonds continued to enjoy rising prices throughout 2008. The price of non-linked "Shahar" bonds increased 14% on average, following an increase of 12.5% in 2007. The average pre-tax yield-to-maturity on "Shahar" bonds fell from 6% at the beginning of 2008 to approximately 3.5% at the year's end.

Average daily turnover in bonds came to \$1.1 billion – an increase of 40% over 2007 levels. October was characterized with especially high daily turnovers, averaging \$1.4 billion.

Daily trading volume for corporate bonds increased 35% when compared with 2007, averaging \$200 million. 28% of the total trading volume was concentrated in bonds comprising the Tel-Bond 20 index that was launched in February.

In wake of a reduction in government revenues from taxes and an increase in government spending, the scope of government bond issues jumped, coming to \$14.7 billion

GOVERNMENT CPI LINKED BOND INDEX AND TEL-BOND 20 INDEX, 2008



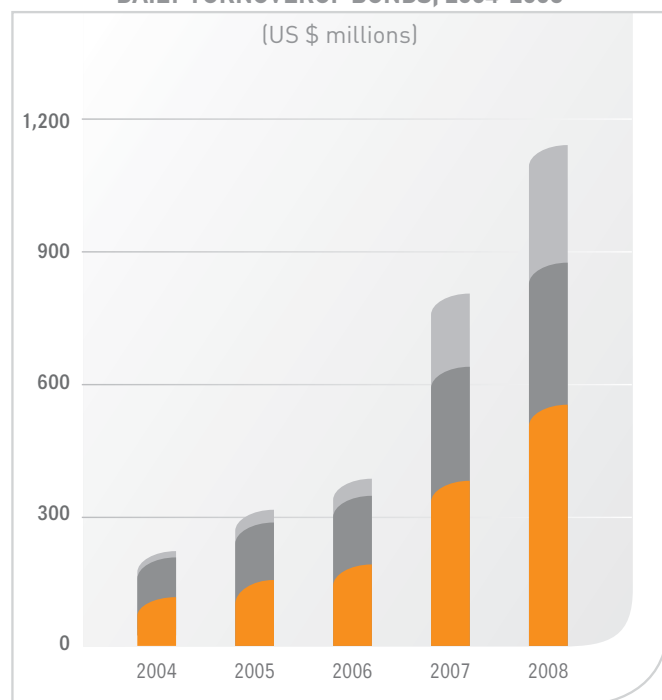
(gross redemptions). Net capital raised by the government came to \$8.9 billion, as opposed to \$0.8 in each of the two preceding years.

The financial crisis curtailed the issue of new corporate bond issues, after several years of continual growth in primary market activity. In 2008 the business sector raised only \$6.6 billion in public offerings and private placements, as opposed to a record \$21.2 billion in 2007 and \$10.5 billions annually in 2005-2006.

The distribution of bond issues is summarized below:

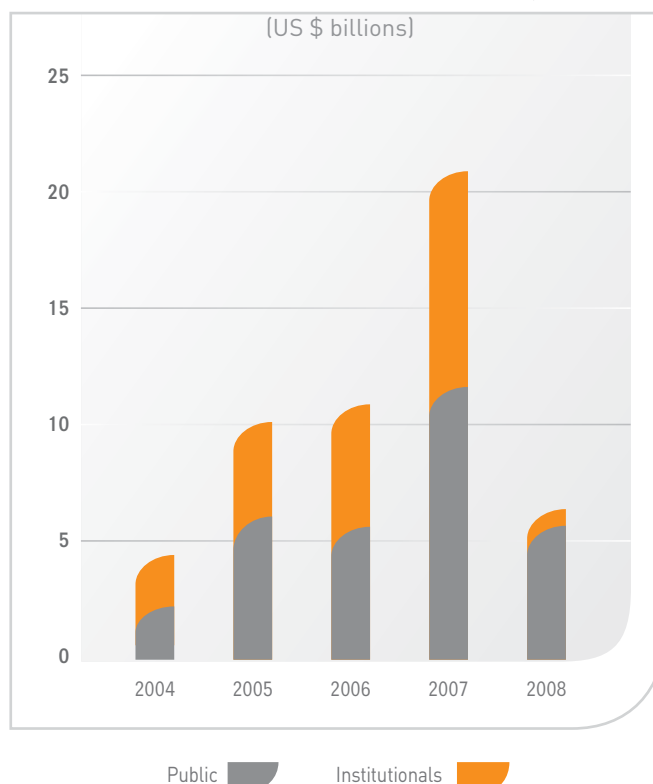
- Approximately **\$5 billion** were raised in **public offerings and placements**, primarily through CPI index-linked instruments, as opposed to \$12.3 billion in 2007. The majority (approximately 80%) of these offerings were completed in the first half of 2008.

DAILY TURNOVER OF BONDS, 2004-2008



Government Bonds - "SHAHR" (orange), Other Government Bonds (grey), Corporate Bonds (light grey)

ISSUES OF BONDS BY THE BUSINESS SECTOR, 2004-2008



The banking sector was particularly active raising \$2.4 billion, approximately half the total issues of corporate bonds.

Real estate companies, which raised approximately 30% of total capital raised in public corporate bond offerings in 2007, started slowing down primary market activity as early as July 2007. They raised only \$1 billion through public offerings in 2008.

The business sector raised an additional **\$0.3 billion** through public offerings of structured bonds and certificates of deposit.

- **\$1.3 billion** debt was raised in private placements to **institutional investors**, as opposed to \$8.9 billion raised in 2007. Approximately \$420 million was raised through short-term commercial paper, while \$ 390 million by seven real estate companies.

THE DERIVATIVES MARKET

On average, 330 thousand **TA-25 index options contracts** changed hands daily in 2008, as opposed to 385 thousand in 2007. This is the first time since TASE introduced index options 14 years ago that trading volume in these options declined.

Much like equity trading in the cash market, TA-25 options trading peaked in January, with an average of 455 contracts trading daily. On January 23 turnover topped 1 million contracts, setting a record for turnover on a single day.

Trading on **U.S. dollar options** was active given the relatively high volatility in the exchange rate. The dollar fell some 16% against the shekel to 3.23 NIS/dollar in July, recovering to approximately 3.80 NIS/dollar by the end of the year.

On average 45 thousand contracts per day were traded in 2008, as opposed to 40 thousand traded in 2007.

The volatility of the exchange rate, as derived dollar option prices, also increased sharply, with the implied standard deviation reaching an average of 22% during October.

DAILY TURNOVER OF TA-25 INDEX OPTIONS, 2004-2008

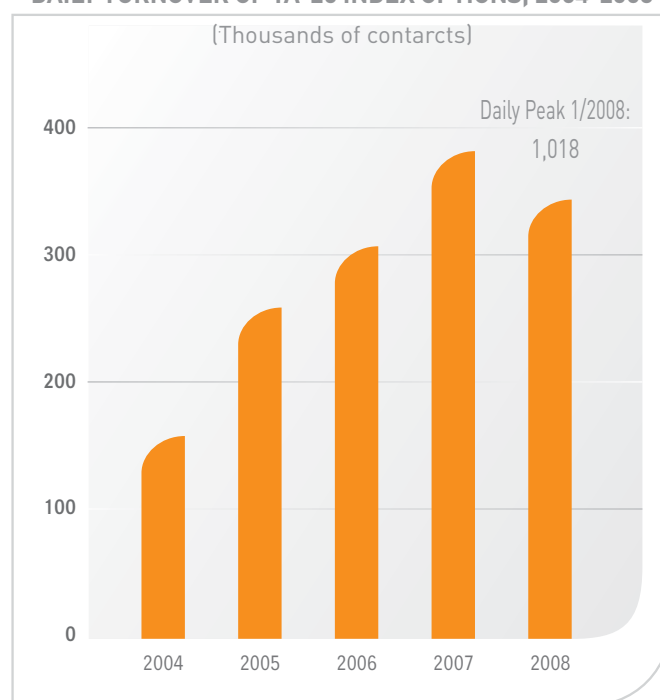


TABLE 2: TA-25 INDEX OPTIONS TURNOVER, 2004-2008

Year	Daily Turnover (thousands of contracts)	Derivatives Liquidity ratio ⁽¹⁾	Maximum no. of open interest contracts (thousands)
2004	153	858%	826
2005	258	1,126%	1,055
2006	305	1,177%	1,080
2007	385	1,351%	1,317
2008	332	897%	1,028

(1) The ratio between the turnover of the TA-25 options, in the underlying asset terms, (delta-weighted, taking into account the probability that the options will be exercised) and the turnover of the TA-25 shares.

“Our Clients have High Interest in Israeli Equities”



Henry Hall, Managing Director, EMEA Emerging Markets Sales and Trading at Merrill Lynch, explains why the international bank chose this of all times to become a remote member of the TASE

Merrill Lynch has been active in the Tel-Aviv Stock Exchange for years. Why are you seeking remote membership in TASE at this time?

“We have been actively expanding our capabilities in EMEA emerging markets equities over the past 24 months. Merrill Lynch has been very active in Israel for a long time. As part of our increased focus on the region, it was natural that we upgrade (and deepen) our capabilities in Israel given the high interest our international clients have in Israeli equities, traded both in Israel as well as the US/New York”.

Merrill Lynch starting exploring TASE membership more than a year ago, before the current unraveling of financial markets. You not retreated despite the deepening financial crisis. What does this indicate?

“We view Israel as one of our most important equity markets within the EMEA region. It is a vital part of our international clients’ investment focus and one that we view as attractive in the long run”.

Merrill’s interest in becoming a remote member of the TASE obviously expresses confidence in Israel’s economy and capital market. What do you think the perception of Israel’s capital market in wake of the crisis among the international financial community? How do we measure up to other markets?

“While Israel of course has suffered as every other market, emerging or otherwise, has suffered in the current economic conditions, we view Israel as having many fundamental differences with other emerging markets. Its companies are much higher up the value chain than most emerging market companies with significant high-tech and scientifically driven companies. It has few companies that are commodity driven. Within our international client base, Israel has many more non-EM investors than our other emerging markets”.

What would you say is the scope of the demand today among foreign investors for investments in Israel?

“Israel has long been a fixture among international equity investors. Recently it has attracted new investors, drawn by the fundamental strength of many of its companies. Warren Buffett’s investment in Iscar Metalworking was his first ever acquisition outside the US”.

Do you foresee an increase in Merrill’s activity in TASE?

“Yes, with direct connectivity to the TASE we will be more in control of our trading and information flows and expect this to result in increased client service and trading volume”.

How is Merrill Lynch coping with the financial crisis?

“We are continuing to invest in the long term

About Merrill Lynch

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies with offices in 40 countries and territories and total client assets of approximately \$1.5 trillion. As an investment bank, it is a leading global trader and underwriter of securities and derivatives across a broad range of asset classes and serves as a strategic advisor to corporations, governments, institutions and individuals worldwide. Merrill Lynch owns approximately half of BlackRock, one of the world's largest publicly-traded investment management companies

with more than \$1 trillion in assets under management.

In September 2008, as the economic crisis escalated, the Bank of America bought Merrill Lynch for \$50 billion.

The application for remote membership was submitted by Merrill Lynch subsidiary Merrill Lynch International (MLI), regulated by the UK Financial Services Authority (FSA) and a member of the London Stock Exchange for over ten years.



opportunities we see in emerging market equities. Our TASE commitment is a vital symbol of our confidence in the TASE and our international clients' desire for Israeli equity investments”.

With all the developments in the financial services sectors - insolvency, bailouts, industry consolidation, massive cut-backs - what do you feel is the future for Wall Street and its remaining brokerage houses?

“There is, and will continue to be, a consolidation of service providers to the top international equity investors. Investors want to deal with fewer, but stronger and higher quality, counterparties. Merrill Lynch, with the financial strengthening we look forward to with the finalization of our merger with Bank of America, as well as our global equity sales, trading and research capabilities, will be one of the bulge bracket of equity service providers globally. We expect to be one of the clear beneficiaries of current market developments”.

Do you feel that other international investment houses will follow in Merrill's footsteps and upgrade their activity in Israel?

“It is possible, but I find that many of our competitors are currently withdrawing from markets, closing offices, etc. For Merrill Lynch, Israel is a vital part of our equity product suite and is a core component of many of our top clients' portfolio. I am very happy that we can now trade directly on the TASE and better serve our clients. As our competitors reduce their commitment to emerging markets in general, and Israel particularly, we can now increase our TASE trading even further”

About TASE remote membership

Remote membership on the Tel Aviv Stock Exchange enables foreign banks and investment houses such as Merrill Lynch International, which are domiciled abroad and which do not have a permanent presence in Israel, to become TASE members and engage directly in trading on the exchange.

Merrill Lynch became the first institute to be accepted as a remote member of the TASE, based on new rules the exchange enacted: Banks and investment houses incorporated in qualifying countries, which are members in their home exchange and members in at least one of the following exchanges for a period of at least ten years: NYSE; Euronext; London Stock Exchange (LSE); Tokyo Stock Exchange (TSE); the Swiss Exchange (SWX); Deutsche Borse and Eurex (Germany), are eligible for remote membership. Remote members must be regulated by the competent authorized to regulate securities activity in the country in which they are domiciled and the countries from which they operate. The authorized regulators must have either entered into a cooperation agreement with the Israel Securities Authority (ISA), be party to the IOSCO Multilateral Memorandum of Understanding, or be otherwise approved by the ISA. In addition, remote members must possess equity capital of at least US\$ 1 billion.

The Repo market will be launched in 2009



The Repo Market, the market for short-term loans collateralized by bonds, is expected to improve liquidity in the capital market

One of the major projects in which the Tel-Aviv Stock Exchange (TASE) was involved in the past year was the development of the “repo” (repurchase agreement) market, which will commence operations at the beginning of 2009. Establishment of a market for repo transactions is considered one of the cornerstones of the

years. This comprehensive reform includes: the introduction of primary dealers; the establishment a collateral pool for government bond lending; and most recently, the introduction of repo transactions. This market enables investors to convert holdings in low-risk assets, such as government bonds to cash through an ostensibly simple procedure. Party A purchases a security from party B and commits to sell it back to him/her at a future date at a pre-determined price set at the time of purchase. This is one of the most important financial instruments employed by investors - including primary dealers, banks, financial institutions, institutional investors, and others - in international financial markets. Repo transactions are instrumental in attaining a wide array of various financial objectives, including: immediate provision of liquidity; facilitation of cash flow management; diversification and sharing of risk and attainment of excess returns, to mention a few.



That liquidity contributes to the government bond market and will likely decrease the cost of sovereign debt, which in turn facilitates capital-raising in the future”

comprehensive reform of Israel’s credit market. It is designed to facilitate cash management for firms, organizations and institutional investors, much like short-term bank credit. Institution of a repo market constitutes the final stage of the on-going reform of the government bond market that has been conducted over the past few

High Level of Certainty

The idea of establishing a repo market in Israel began approximately two years ago. At the time, the primary objective was to enable Israel’s stock



market to operate at low cost and with a large degree of certainty, in order to provide liquidity to all parties at more favorable conditions. Planning was initiated through the Capital Market Forum – a forum which brings regulators together with representatives of the capital market and TASE, including institutional investors and representatives from the banking industry. This forum consulted and coordinated planning of the repo market, and supported it from conception through all stages of inception.

The Accountant's General Office at the Ministry of Finance, the Bank of Israel and the TASE played key roles in developing the repo market. "The repo market is an important part of the Finance Ministry's strategy to broaden the spectrum of non-banking market based funding solutions and to enhance capital market efficiency. We are pleased to be part of its coming to life", stated the Ministry's Deputy Accountant General, **Ami Landau**. "This market is ideal for foreign institutions interested in raising shekel resources without incurring brokerage fees. On the one hand, it provides an immediate solution for investors seeking liquidity, while on the other, it enables investors to realize greater returns on managed funds. It also increases the total availability of funding sources in Israel. It goes without saying that liquidity contributes to the government bond market and will likely decrease the cost of sovereign debt, which in turn facilitates capital-raising in the future. This was one of the primary objectives motivating the Ministry of Finance to initiate the repo market."

Israel's central bank, the bank of Israel, launched a testbed for the market's operation several years ago, when it initiated repo tenders, in which institutional investors gave and were given access to cash at bank interest rates. "These tenders

now operate on a regular basis", remarked **Prof. Zvi Eckstein**, Deputy Governor of the Bank of Israel. "Until now, institutional investors and banks have been able to participate in weekly repo tenders on government bonds." During the development of the market, the central bank engaged extensively in addressing regulatory issues, including the adaptation of legislation and international agreements to Israel's legal system, so that they also apply to verbal agreements between parties in Israel. Prof. Eckstein adds, "With the entrance of international players in the Tel-Aviv Stock Exchange, came the demand to develop this market in Israel. We are talking about an extremely important market, particularly given prevailing liquidity conditions.



All transactions will be cleared and settled through the TASE Clearing House, which will manage risks and calculate the collateral arrangements and transfers necessary to secure all transactions"

This market, which has proven to be immune to the ailments of other financial instruments, constitutes a key instrument in treating at least some of liquidity problems currently plaguing the world's markets. World wide, the stock of repo transactions are averaged about US \$ 6 trillion."

The TASE took upon itself the task of setting ground rules for this market and adopting efficient and effective clearing and settlement procedures. According to **Yoni Shemesh**, Senior Vice President and Head of IT and Operations at TASE and the person responsible for coordinating the project, "All transactions will be cleared and settled through the TASE Clearing House, which will manage risks and calculate the collateral arrangements and transfers necessary to secure all transactions. Participants will be required to





The Repo market >> Continue

deposit collateral with the TASE Clearing House, which will be 'marked to market' on a daily basis to adjust for fluctuations in prices and interest rates. As central counterparty, the Clearing House undertakes the risk management of the repo market."



Within a year of launch, we may find trading volumes averaging NIS 10-15 billion"

There is another dimension to TASE Clearing House's contribution to the development of the repo market. As operator of the market, TASE can perform "netting", i.e., the offsetting of multiple, bundled transactions and transfers between participants. Netting increases market efficiency reduces risk and frees resources for economic activity. In addition, the Clearing House has set and standardized rules, which apply across the board to the entire market. This obviates the need for the parties to conclude complex separate bilateral contracts to set the terms of the transaction and collateral arrangements.

Forecast: High Trading Volumes

The MTS Group, a well known European developer and operator of bond and repo trading systems, was selected to provide the market management system. MTS operates bond markets in Europe, in which some 1200 participants generate an average daily turnover of €90 billion. Israel's government bond market is operated by MTS, as part of the reform initiated by the Ministry of Finance. As liquidity in the government bond market improves and exposure in foreign

markets increases, the cost of raising capital for the government decreases. The trading system is based on a group of primary dealers selected by the Ministry of Finance, which comply with minimal capital requirements and demonstrate sufficient economic strength to guarantee that market participants are drawn from key players in the capital market and Israel's economy. These include banks, a number of major investment houses, and foreign investment houses active in Israel.

Since the MTS platform already operates the cash government bond market in Israel, it was selected for trading repo contracts as well. In order to enhance the efficiency of the bond market, the Ministry of Finance issues bonds to the primary dealers at advantageous conditions, in exchange for their commitment to purchase large blocs of securities, provide quotes on the MTS platform and maintain minimal trading liquidity in the secondary market.

One of the questions surrounding the launch of the new market is its timing. Is it appropriate to launch this product at a time when markets are so volatile and uncertainty reigns? According to Eckstein, "The repo market proved itself as vital to the functioning of financial markets throughout the world. I am confident that a deep and active repo market in Israel will help markets weather the crisis and will contribute to improving current circumstances. Once institutions realize that they can receive cash against their government bond holdings, and once the TASE Clearing House starts operations and the tax issues are resolved, repo trading will gather momentum and within a year of launch, we may find trading volumes averaging NIS 10-15 billion."

"Without a doubt, for the long-term, the scope of the repo market will be highly significant in scope and importance", summarizes Landau. "In my estimation, within three years from today, turnover in this market will be well into the tens of billions NIS, and it won't stop there."

NEW PRODUCTS



>> Launching Options on Shares

In March 2009, the TASE will be launching options on shares of each of the four leading Israeli companies: Bank Hapoalim, Bank Leumi Le-Israel, Israel Chemicals and Teva Pharmaceutical Industries. The main features of the new options will be like those of options on the TA-25 index: European options, with cash clearing, that expire on the day options on the TA-25 index expire. Primary dealers will be named for the options, who will act according to the rules set by the TASE. For each of the shares, options will be issued for four different exercise dates: a month, two months, three months and six months.

The main difference between options on the TA-25 index and options on individual shares will be in adjusting the characteristics of the options. These will be in reaction to events at the companies, such as distribution of dividends, rights, bonus shares and so forth. To maintain the economic value of the options, in most cases the TASE will adjust the characteristics of the options in response to such events. Generally the changes will be in the exercise price and in the multiple of the underlying asset.

Uses for options on shares will be similar to uses for options on any other underlying asset. Through these options, investors can leverage their exposure to a specific share, hedge, and carry out arbitrage transactions. The options can also serve as an alternative to short-selling a given share, in the same way that options on an equities index can be alternatives to short-selling the index.

>> TASE Adopts International Standards for Calculating Indices Ex-Dividend

Starting January 1st, 2009, TASE indices are calculated in gross terms, without deduction of income tax. Until then, ex-dividend/interest share/bond prices reflected in TASE indices were calculated as net income taxes deducted on the dividend/interest for individual Israeli investors. Starting January 2009, "ex" dividend/interest prices are calculated on a "gross" or pre-tax basis. As a result, TASE indices reflect the full impact of the dividend or interest, without regard to tax implications. In addition, the technical price adjustment performed by the TASE on securities prices subsequent to the distribution of dividends or interest are calculated on a pre-tax rather than net-tax basis. The majority of TASE investors today, including pension and provident funds, corporations, mutual funds and foreign investors, are considered "gross players", for whom the tax rate relevant to individual Israeli investors does not apply.

>> TASE Launched New Tel-Bond Indices

In February 2008, The TASE launched two new bond indices: Tel-Bond 40 and Tel-Bond 60. The bonds in the Tel-Bond indices must comply with the following requirements: minimum market capitalization of NIS 250 million, minimum rating: (A-) or A3 by the rating agencies (investment grade), and must be among the 120 most liquid bonds. The weight of each bond on the index shall depend on the ratio between its market cap and the combined market cap of all the bonds in the index. If the weight of a given bond exceeds 9.5%, then its surplus weight shall be distributed equally among the other bonds in the index (as is done in the TA-25 index and TA-100). The indices are rebalanced twice a year, on April 1st and October 1st, together with the Tel Bond-20 index.

At present, several ETNs are tracking the Tel-Bond 40 and 60 indices. These add to the ETNs already tracking the Tel-Bond 20 index. The value of the public's holdings in the various ETNs following the Tel-Bond indices was NIS 7.7 billion as of the end of December 2008.

Globalization – Year End Summery

During 2008, the TASE continued to implement its vision of globalization. The following briefly lists the various activities it has undertaken

>> Merrill Lynch International to become First Remote Member of the TASE

In December, the TASE accepted Merrill Lynch's application for remote membership. The application, submitted by its subsidiary Merrill Lynch International (MLI), is the first application for **remote membership** at the TASE. Merrill Lynch International, a member of the London Stock Exchange for over ten years, operates on behalf of large institutional investors around the globe. The company is regulated by the UK Financial Services Authority (FSA).

Merrill Lynch's remote membership will enable the company to provide its clients with direct access to TASE trading. Its membership will increase the exposure of TASE listed companies to a broad spectrum of foreign investors.

TASE has 28 members, of which four are foreign with permanent representation in Israel: UBS, Deutsche Bank, HSBC and Citibank.

>> TASE signs MOU with NYSE-Euronext

In June, TASE CEO **Ester Levanon** and NYSE-Euronext CEO **Duncan L. Niederauer** signed a memorandum of understanding (MOU) that establishes enhanced cooperation between the two exchanges. The areas of cooperation involve exchange of information regarding Dual-Listed equities traded on both markets, promotion of cross listings and co-hosting professional events. The signing of the agreement was marked at an opening bell ceremony at NYSE.

>> First ETF on TA-25 Index to Trade on Wall Street

In May, Northern Trust Global Investments (NTGI) launched an ETF tracking the TA-25 index. The ETF, traded on the New York Stock Exchange (ticker: TAV), enables both institutional and retail investors in the U.S. access to the shares included in the TA-25 index.

Founded nearly 120 years ago, Northern Trust is one of the largest banks in the U.S. The bank operates around the world in investments, clearing and financial services, and manages \$300 billion for institutional and private investors. Northern Trust added the TA-25 index to the family of ETF's issued in the United States to track international indices, such as Hong Kong's Hang-Seng, France's CAC-40, London's FTSE-100 and Japan's Topix.

>> Moving towards the Far East

In October, the TASE signed a cooperation agreement with the Shanghai Stock Exchange (SSE). The agreement was signed by Shanghai Stock Exchange President **Zhang Yujun** and TASE CEO **Ester Levanon**. The two exchanges will work together to deepen the ties between the business communities of Israel and China, leading to business alliances and mutual investments.

Earlier this year, The TASE signed an agreement with the Japanese investment house, Aizawa Securities to supply information on companies included in the TA-25 index. Operating since 1918, Aizawa Securities is one of Japan's oldest-established veteran investment houses. It is a member of both the Tokyo Stock Exchange and the Osaka Securities Exchange and is a key provider of financial information for investors in Asia and around the globe.



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1. Left to right: Ron Prosor, Dame Clara Furse, Prof. Stanley Fischer and Ronit Harel Ben-Ze'ev.
2. Left to right: Zhang Yujun and Ester Levanon.
3. Left to right: Ronit Harel Ben-Ze'ev, Duncan L. Niederauer and Ester Levanon.
4. Left to right: Roni Soffer, Effie Rosenhaus, Erez Vigodman, Assaf Bartfeld, Prof. Leo Leiderman, Arik Shteinberg and Akiva Mozes.

>> Conferences for foreign investors

During 2008, the TASE held two investor conferences overseas, to expose Israel's leading companies and the opportunities in Israel's capital market to the foreign investment community. In June the TASE held in London its eighth annual conference for foreign investors, for the first time in collaboration with the London Stock Exchange (LSE) and in association with the Israeli Embassy in London. Participants included **Prof. Stanley Fischer**, Governor of the Bank of Israel; **Dame Clara Furse**, the Chief Executive of the London Stock Exchange; **Ron Prosor**, Israel's Ambassador to UK; and **Ronit Harel Ben-Ze'ev**, Senior VP at the TASE, as well as the top executives of Israeli companies listed in Tel-Aviv or London.

Two months later, the TASE held its third investors' conference in New York, in collaboration with NASDAQ-OMX and in association with Oppenheimer. The conference was attended by the executives of 11 companies listed in Tel-Aviv, NASDAQ-OMX or both, and representing main sectors in Israel capital markets. Other participants included **Prof. Leo Leiderman**, the Chief Economic Adviser at Bank Hapoalim and TASE CEO **Ester Levanon**.

>> Meeting the investors

During 2008, the TASE organized a few meetings with investors in Europe and the USA. Those events were organized with Israelis representatives overseas, and enabled investors to get information regarding Israel's economy, stock market and the investment opportunities: In June, the France-Israel Chambers of Commerce (CCFI) convened a meeting with investors along with the Israeli Embassy in Paris. Israel's Ambassador to France, **Daniel Shek**, took part, as did the president of the France-Israel Chambers of Commerce, **Henry Cukierman**.

That same month, a meeting of investors took place in New York, organized with the Ministry of Finance's Economic Affairs Delegation in New York. Participants included **Zvi Halamish**, the Ministry of Finance's representative in New York, and **Steven Schoenfeld**, Chief Investment Officer for Northern Trust, who introduced the new ETF tracking the TA-25 index traded on NYSE.

In September, TASE CEO **Ester Levanon** presented to a convention of foreign investors organized together with the Ministry of Industry and Trade representative in New York. **Yair Shiran**, the ministry's representative in New York, spoke on Israel's economy.



AMENDED REGULATIONS AT THE TASE

The crisis in the second half of 2008 obliged the TASE to make a few changes

The global crisis and the sharp decrease of share prices in the last few months created a new reality in the Israeli market. This obliged the TASE to adjust the rules and regulations to current needs. Below are the new changes that TASE has implemented in the last few months.





Temporary adjusting indices requirements

Over the years, the TASE board has been gradually raising the threshold for eligibility to enter the flagship indices, mainly in respect to minimal public float. These changes improved the indices and liquidity in the equities market. However, given the intensity of the crisis, the TASE board has temporarily adjusted the requirements, setting new rules that will remain in force until the end of 2009. The minimum public float has been reduced from 25% to 20% for all TASE indices. The minimum value of the public's holdings has been reduced by a third, from NIS 600 million to NIS 400 million in the TA-25 index and from NIS 150 million to NIS 100 million in the other indices, in order to adjust the threshold to

the lower level of the indices.

The purpose of the changes is to reduce the extent of the swapping shares on the TA-100 index while maintaining the liquidity of the index. Some of the companies that would have entered the index if not for the amendment are less liquid than the companies that would have exited. The change also enables controlling shareholders to express their faith in the companies and buy back shares.

Shortening the trading day

As of January 1st 2009 the trading hours were changed from 8:30 to 17:30 to the new hours of 9:00 to 16:30. Clearing house operations will last 2 hours, after close of trade, until 18:30. Testing proved that the trading volume will not be affected by this change.

The full and binding formulation of the amendments to the rules and directives described above is as it appears in the TASE manuals and/or on the TASE website.

TABLES

TA-25 INDEX COMPANIES⁽¹⁾

TABLE 3: MARKET CAPITALIZATION AND WEIGHTING

SECURITY NAME	MARKET CAPITALIZATION (in US\$ millions)	WEIGHTING ⁽²⁾
1. Teva ⁽³⁾	37,807	9.50%
2. Israel Chemicals	8,756	9.50%
3. Bank Leumi	3,062	9.50%
4. Bank Hapoalim	2,805	9.50%
5. Bezeq	4,248	8.50%
6. Perrigo ⁽³⁾	3,014	8.31%
7. Nice ⁽³⁾	1,326	6.03%
8. Partner ⁽³⁾	2,482	5.80%
9. Cellcom ⁽³⁾	2,166	5.44%
10. Elbit Systems ⁽³⁾	1,912	5.01%
11. Makhteshim-Agan	1,404	3.48%
12. Mizrahi Tefahot	1,140	2.92%
13. Israel Corporation	1,734	2.21%
14. Bank Discount	877	2.07%
15. Osem	1,326	1.88%
16. Ormat	729	1.52%
17. Shufersal	720	1.35%
18. Strauss Group	1,022	1.26%
19. Paz Oil	955	1.15%
20. Migdal Insurance	1,097	1.09%
21. Bazan	500	0.94%
22. Gazit Globe	570	0.91%
23. Discount Investment	650	0.81%
24. Harel Investments	514	0.79%
25. Africa	437	0.53%
TOTAL	81,253	100.00%

TABLE 4: DAILY TURNOVER

SECURITY NAME	DAILY TURNOVER (US\$ thousands)
1. Israel Chemicals	76,249
2. Teva ⁽³⁾	31,880
3. Bank Hapoalim	30,950
4. Bank Leumi	29,046
5. Israel Corporation	27,016
6. Makhteshim-Agan	19,139
7. Africa	12,799
8. Bezeq	11,683
9. Partner ⁽³⁾	9,618
10. Elbit Systems ⁽³⁾	9,523
11. Cellcom ⁽³⁾	9,245
12. Bank Discount	8,490
13. Mizrahi Tefahot	6,559
14. Nice ⁽³⁾	6,314
15. Bazan	5,374
16. Perrigo ⁽³⁾	5,216
17. Gazit Globe	4,750
18. Ormat	4,570
19. Discount Investment	4,517
20. Strauss Group	2,850
21. Paz Oil	2,715
22. Harel Investments	1,847
23. Shufersal	1,806
24. Osem	1,708
25. Migdal Insurance	1,195
TOTAL	325,060
OF TOTAL TURNOVER	64%

(1) As of January 1, 2009.

(2) The weight is calculated according to the value of the float in each share. Weighting is adjusted according to the 9.5% cap.

(3) Dual-Listing company.

TABLE 5: CAPITAL RAISED BY SECURITY TYPES, 1999-2008 (US \$ millions)

Year	Shares & convertibles		Government Bonds - Net	Corporate Bonds		
	Israel ⁽¹⁾	Abroad		Public	Institutionals	Total
1999	814	690	-456	383	0	383
2000	2,633	687	-2,062	67	0	67
2001	772	555	3,112	639	74	713
2002	671	535	4,932	999	359	1,358
2003	721	25	4,196	1,101	1,456	2,557
2004	1,582	2,054	4,150	2,158	2,338	4,496
2005	2,748	465	1,208	6,051	4,009	10,060
2006	2,713	6,909	698	5,205	5,597	10,802
2007	5,168	668	957	12,271	8,904	21,175
2008	1,774	3,265	8,850	5,321	1,257	6,578
Change in 2008	-66%	389%	825%	-57%	-86%	-69%

(1) Including direct offers, private placements and exercise of warrents.

TABLE 6: DAILY TURNOVER, 1999-2008⁽¹⁾ (US \$ millions)

Year	Shares & convertibles	Bonds			Treasury Bills	Total
		Government	Corporate	Total		
1999	86	62	1	63	39	188
2000	115	72	2	74	48	237
2001	64	129	2	131	50	245
2002	51	157	2	159	78	288
2003	80	154	6	160	107	347
2004	147	199	15	214	140	501
2005	223	251	47	298	151	672
2006	326	325	59	384	179	889
2007	505	635	164	799	206	1,510
2008	547	866	254	1,120	219	1,886
Change in 2008	8%	36%	55%	40%	6%	25%

(1) Including off-the floor transactions.

TABLE 7: MARKET CAPITALIZATION OF LISTED SECURITIES 1999-2008 (US \$ billions)

Year	Shares & convertibles	Bonds			Treasury Bills	Total
		Government	Corporate	Total		
1999	65.4	36.9	2.8	39.7	5.6	110.7
2000	66.8	38.9	2.5	41.4	7.2	115.4
2001	57.6	41.0	3.0	44.0	7.1	108.7
2002	42.6	41.6	3.4	45.0	8.9	96.5
2003	70.4	52.5	5.1	57.6	12.7	140.7
2004	92.1	58.7	10.8	69.5	17.5	179.1
2005	122.6	56.8	22.9	79.7	18.9	221.2
2006	161.4	62.8	36.1	98.9	20.9	281.2
2007	235.2	71.2	80.2	151.4	18.1	404.7
2008	133.6	84.3	85.3	169.6	18.9	322.1

TABLE 8: ANNUAL YIELDS OF THE EQUITY INDICES, 1999-2008 (in US \$ terms)

Year	TA-25	TA-100	Other Shares	Tel-Tech 15	Finance-15 ⁽¹⁾	Real Estate-15 ⁽¹⁾	General Share Index
1999	57.5	62.7	73.4	153.9	-	-	64.7
2000	7.3	3.2	(4.1)	(31.3)	-	-	3.1
2001	(17.0)	(16.4)	(6.6)	(7.1)	-	-	(14.6)
2002	(32.2)	(30.6)	(25.3)	(43.6)	-	-	(25.3)
2003	63.3	73.9	60.7	147.3	-	-	68.1
2004	24.6	21.0	33.8	19.4	-	-	19.5
2005	24.7	21.1	19.5	(13.5)	27.5	32.1	24.3
2006	22.6	22.0	49.3	(3.3)	17.1	81.3	15.3
2007	44.3	37.6	14.7	8.4	12.1	10.9	35.0
2008	(45.6)	(50.6)	(53.5)	(63.9)	(55.7)	(79.5)	(45.8)

(1) Launched on January 2005.

TABLE 9: ANNUAL YIELDS OF THE BOND INDICES, 1999-2008 (in US \$ terms)

Year	General Bond Index	Government Bond Indices		Corporate Bond Indices		
		CPI Linked Bonds	Non Linked Bonds	CPI Linked Bonds	Thereof: Tel-Bond 20 ⁽¹⁾	Dollar Linked Bonds
1999	6.5	5.0	14.0	4.6	-	3.0
2000	7.4	4.9	15.1	5.9	-	6.8
2001	3.6	5.6	0.7	2.6	-	(2.6)
2002	(6.7)	(5.7)	(9.0)	(7.7)	-	(3.2)
2003	22.9	19.0	29.5	22.8	-	11.9
2004	7.1	6.8	7.3	10.0	-	2.3
2005	(0.9)	(0.3)	(1.4)	0.1	-	(0.7)
2006	14.0	13.4	15.9	14.2	-	6.4
2007	14.3	17.2	13.3	15.9	18.6	7.1
2008	0.5	10.8	10.9	(15.7)	(2.1)	(4.4)

(1) Launched on February 2007.

THE BOARD OF DIRECTORS

Chairman

- Saul Bronfeld

Elected Directors

- Yehoshua (Shuky) Abramovich
- Esther Deutsch
- Eldad Fresher
- Zeev Gutman
- Hana Pri-Zan
- Arik Shteinberg
- Prof. Daniel Zidon

Substitute

- Elad Benbaji Clal Finance/Excellence Nessuah
- Reuben Rashty Israel Discount Bank
- Yoel Berger Mizrahi Tefahot Bank
- Yoram Sirkis The First International Bank of Israel
- Efrat Yavets Bank Hapoalim
- Anat Frumkes Psagot Securities/Migdal Stock Exchange Services
- Haim Avraham Bank Leumi Le-Israel

Independent Directors

- Yoram Alster
- Gil Bianco
- Avner Halevy
- Dr. Ron Malka
- David Shlacht
- Barry Topf
- Arik Peretz
- Ester Levanon
- Irit Mendelson Bank of Israel
- Anat Payer Ministry of Finance
- TASE CEO

TASE MANAGEMENT

- **Ester Levanon** - Chief Executive Officer
- **Ronit Harel Ben-Ze'ev** - Senior Vice President, Listing & Economic Department
- **Yosi Levi** - Senior Vice President, Membership & Supervision Department; Human Resources Department
- **Hagit Neeman** - Senior Vice President, General Council and Corporate Secretary
- **Dror Shalit** - Senior Vice President, Trading & Clearing Department (deceased June 2008)
- **Yoni Shemesh** - Senior Vice President, IT & Operations Department
- **Yossi Treister** - Senior Vice President, Administration Department

TASE MEMBERS

Banks

- Bank Hapoalim
- Bank Leumi Le-Israel
- Bank Massad
- Bank of Israel
- Bank of Jerusalem
- Bank Otsar Ha-Hayal
- Citibank, N.A.
- HSBC Bank
- Israel Discount Bank
- Mercantile Discount Bank
- Mizrahi Tefahot Bank
- The First International Bank of Israel
- Ubank
- Union Bank of Israel

Brokerage Firms

- Analyst Exchange & Trading Services
- Clal Finance Batucha Investment Management
- Deutsche Securities Israel
- Direct Investments House (Portfolio Management)
- DS Securities & Investments
- Excellence Nessuah Brokerage Services
- Gaon Investment House
- Harel Finance Trade & Securities
- Israel Brokerage & Investments IBI
- Migdal Stock Exchange Services (N.E.)
- Poalim Sahar
- Prisma Capital Markets
- Psagot Securities
- UBS Securities Israel

Remote Member

- Merrill Lynch International

Candidate


- Altshuler Shaham

TASE MEMBERS - CONTACTS FOR INTERNATIONAL INVESTORS

Banks	contact Person	Tel	Fax	E-mail	Web Site
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Bank Leumi Le-Israel	Oded Yavin	03-5149865/740, 03-5147384/551	03-5148548	custody-cash@bll.co.il	www.leumi.co.il
Bank Massad	Liat Ben-Ari	03-5641343	03-5641441	liat.benari@bankmassad.co.il	www.bankmassad.co.il
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Bank of Jerusalem	Tammy Sand	03-7952250	03-5102788	tamiz@bankjerusalem.com	www.bankjerusalem.co.il
Bank Otsar Ha-Hayal	Orit Horesh	03-7556261	03-7556071	orit.horesh@mailotsar.co.il	www.bankotsar.co.il
Citibank, N.A.	David Levy	03-6842732	03-6842702	david1.levy@citi.com	www.citigroup.com
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Israel Discount Bank	Rafi Banin	03-5146904	03-5146944	rafi.banin@discountbank.co.il	www.discountbank.net
Mercantile Discount Bank	Joseph Kazum	03-5647720	03-5647721	kazum@mdb.co.il	www.mercantile.co.il
Mizrahi Tefahot Bank	Ronit Baron	03-7559722	03-7559150	ronitb@umtb.co.il	www.mizrahi-tefahot.co.il
The First International Bank of Israel	Dafna Zucker	03-5196224	03-5100253	zucker.d@fibi.co.il	www.fibi.co.il
Ubank	Michal Goren	03-5645631	03-5645234	mgoren@u-bank.net	www.u-bank.net
Union Bank of Israel	Dr.Akiva Sternberg	03-5191840	03-5191849	akivas@ubi.co.il	www.unionbank.co.il

Brokerage Firms	contact Person	Tel	Fax	E-mail	Web Site
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Clal Finance Batucha Investment Management	Ronen Waisserberg	03-5653548	03-6251017	ronen@clal-fin.co.il	www.cfb.co.il
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Direct Investment House (Portfolio Management)	Giora Dan Zarechansky	03-9785502/5	03-9211965	gioraz@yih.co.il	www.yih.co.il
DS Securities & Investments	Danny Dilevsky	03-6843355	03-6843330	danny@ds-invest.co.il	www.ds-invest.co.il
Excellence Nessuah Brokerage Services	Ira Slomowitz / Oren Ossad	03-7532072/5	03-7532040	iras@xnes.co.il / oren.ossad@xnes.co.il	www.xnes.co.il
Gaon Investment House	Osher Tubul	03-6111540	03-6124838	oshertu@gih.co.il	www.gih.co.il
Harel Finance Trade & Securities	Yossi Shlomo	03-7546224	03-7546260	yossis@harel-finance.co.il	www.harel-finance.co.il
Israel Brokerage and Investment I.B.I.	Lital Kost	03-5193452	03-5193456	lital@ibi.co.il	www.ibi.co.il
Migdal Stock Exchange Services (N.E.)	Yam Rubinstein	03-5194032	03-5170288	yamrub@msh.co.il	www.msh.co.il
Poalim Sahar	Ehud Chityat	03-7104503	03-7104505	udi@sahar.co.il	www.sahar.co.il
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