



TEL-AVIV STOCK EXCHANGE

ANNUAL REVIEW 2009





2009

ANNUAL REVIEW

MAIN INDICATORS 2007-2009

THE TEL-AVIV STOCK EXCHANGE

	2007	2008	2009
ANNUAL DOLLAR YIELD			
• TA-25 Index	44.3%	(45.6%)	76.1%
• TA-100 Index	37.6%	(50.6%)	90.1%
• Tel-Tech 15 Index	8.4%	(63.9%)	85.4%
• Finance-15 Index	12.1%	(55.7%)	128.5%
• Real Estate-15 Index	10.9%	(79.5%)	126.8%
• General Bond Index	14.3%	0.5%	16.4%
• Government Bond Index - "SHAHAR"	12.5%	13.8%	3.2%
• Corporate Bond Index - Tel-Bond 20	18.6%	(2.1%)	22.5%
Daily Turnover (US \$ millions)			
• Shares and Convertibles (Including ETNs)	505	547	432
• Bonds (Including ETNs)	799	1,120	1,035
• Treasury Bills	206	219	163
• TA-25 Index Options (Thousands of contracts)	385	332	252
• Dollar Options (Thousands of contracts)	39	43	33
Capital Raised (US \$ billions)			
• Shares and Convertibles	5.8	5.0	1.9
Thereof: Capital raised in Israel	5.2	1.8	1.7
• Government Bonds - Net	1.0	8.9	8.1
• Corporate Bonds	21.2	6.6	9.3
Thereof: Issues to Institutionals	8.9	1.3	0.8
Market Capitalization (US \$ billions)			
• Shares and Convertibles (Excluding ETNs)	198.0	106.7	189.4
• Government Bonds	71.2	84.3	97.3
• Corporate Bonds (Excluding ETNs)	62.5	60.2	77.1
• ETN Assets Under Management	6.7	6.1	11.4
• Treasury Bills	18.1	18.9	22.6
Number of Listed Companies	654	642	62.2

MAJOR WORLD STOCK EXCHANGES' INDICES

	2007	2008	2009
ANNUAL DOLLAR YIELD			
• S&P 500 Index	3.5%	(38.5%)	23.5%
• NASDAQ 100 Index	18.7%	(41.9%)	53.5%
• DOW-JONES Index	6.4%	(33.8%)	18.8%
• DJ Euro STOXX 50 Index	18.1%	(46.8%)	24.5%
• FTSE 100 Index	6.1%	(50.0%)	35.4%
• DAX Index	36.6%	(43.5%)	28.1%
• NIKKEI 225 Index	(5.6%)	(28.4%)	16.7%
• MSCI EM Index	38.5%	(51.7%)	74.5%
• TA-25 Index	44.3%	(45.6%)	76.1%



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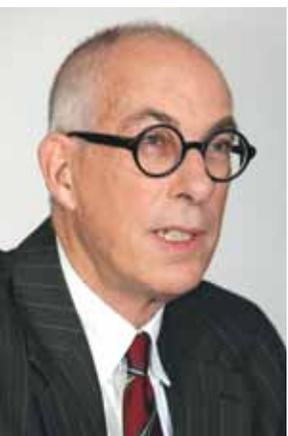
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2009 IN REVIEW



The downward trend in stock prices, which began at the beginning of 2008 and was subsequently fueled by the global financial crisis in the fourth quarter of that year, was contained in the first quarter of 2009. Prices began to rise precipitously in the second quarter and by the end of the year the TA-100 index was close to its record end-of-2007 level. This pattern of crisis and subsequent recovery broadly reflects developments in world markets as well. Israel, however, was one of the first markets to emerge from the crisis, regaining lost ground relatively early and quickly.

Since Israel did not experience the excesses sparking the global financial crisis, the impact of the crisis on the Israeli economy was relatively limited. A strong financial services industry and sound economic policy underscored the resilience of the economy and enabled Israel to navigate the crisis with relative ease and without massive government intervention.

It goes without saying that overall, the performance of Israel's securities market in 2008 and 2009 was a mixed bag with substantial variation drawn on sectoral lines. Prices of real estate securities, particularly for those companies directly hit by plummeting real estate values abroad, are still far from their 2007 record values. In contrast, bank shares bounced back and Israel's banking sector was able to raise considerable funds in the bond market. Shares of the five companies involved in the gas prospecting after the discovery of natural gas reserves off Israel's Mediterranean shoreline increased five-fold.

The crisis and its aftermath had a huge impact on the management of the TASE, particularly in the fourth quarter of 2008 and first half of 2009.

- TASE was compelled to handle the execution of debt restructuring undertaken by distressed corporate bond issuers.
- In wake of the severe price fluctuations towards the end of 2008, the TASE amended its "circuit breaker" mechanisms.
- Temporary measures were adopted regarding the equity market, such as freezing the composition of TASE share indices and the maintenance list.
- Restrictions were placed on the issue of leveraged exchange-traded notes (ETNs). Standard operating procedures for managing collateral deposited with the TASE Clearing House were evaluated. Oversight on the stability of TASE's non-bank members was increased (responsibility for oversight of commercial bank members lies with the Bank of Israel).
- Improvements were made to the TACT automated trading system, enhancing its capacity to handle greater volumes of activity and expedite quotation generation.

In addition to managing current activities, which were considerable given the financial crisis, the TASE continued to develop a number of projects designed to enhance its role in Israel's capital market and sustain its growth. 2009 saw the launch of the following projects:

- For the first time, TASE launched trading in options written on individual shares - Israel Chemicals, Bank Leumi, Bank Poalim and Teva Pharmaceutical. So far, trading in these new options has not taken off and the TASE intends to make some steps in order to activate this market.
- TASE completed its part in developing a market for REPO transactions in government bonds by launching its system for netted REPO transaction clearance and collateral management and liquidation. REPO trading still has not taken root yet and in the coming year the TASE will explore avenues to revive the

“REPO” market and to issue options on government-issued “Shahar” bonds.

- “GL Project”, the development of software that enables international investment houses to directly access the TASE trading system, saw the light of day. This system is currently used by a number of TASE’s foreign members to facilitate seamless trading from outside of Israel. We hope that emergence from the global crisis will renew the interest of foreign investment houses in Tel Aviv and that the GL system will help promote this interest.
- Towards the close of 2009, TASE launched its new Tel Bond Shekel index, the younger and non-CPI linked sibling of the Tel-Bond 20 and Tel-Bond 40 corporate bond indices.

The TASE also endeavors in numerous ways to increase the exposure of the international investment community to Israel’s capital market:

- TASE conducted, for the ninth straight year, its London investor conference “Growth & Opportunity”. Other opportunities to expose the Israeli stock market were by participating in relevant conferences in the USA.
- TASE launched an online quarterly newsletter in English, which includes articles and video interviews of key figures in Israel’s economic, financial and business community.
- In June 2009 the Israel Securities Authority (ISA) and TASE hosted the annual conference of the International Organization of Securities Commissions (IOSCO).
- In June 2009 MSCI Barra announced that it is upgrading Israel’s capital market from the status of “emerging” to “developed” market. The TASE is working on leveraging the upgrade to attract greater foreign investment.

In addition to the above-mentioned activities, in 2009 the TASE laid the foundations for its new building.


Saul Bronfeld
Chairman


Ester Levanon
CEO

The transfer of operations to the new headquarters is slated for the first half of 2012.

As the dust settles on the economic horizon, we are able to turn our thoughts to the future. Some of the key issues on TASE’s 2010 agenda include:

- Examination of the program to position TASE as a center for technology companies.
- Selection of TASE’S next-generation trading system.
- Marketing preparedness for branding TASE as a developed market.
- Implementation of the new model for market-making activities in the options and corporate bond markets.
- Improvement of the methodology used to calculate securities indices and the introduction of new indices.
- Implementation of the new model to calculate capital adequacy and liquidity requirements for non-bank TASE members.
- Preparation for the listing and trading of exchange-traded funds (ETFs).
- Improvements in computer infrastructure.
- Enhancement of risk management of the TASE, the TASE clearing houses and TASE members.

In conclusion, we have the happy task of expressing our gratitude to the Israel Securities Authority, the Ministry of Finance and the Bank of Israel for the close cooperation they manifested in the solution of the problems arising since the outbreak of the crisis. We express even greater gratitude for the bold and well-considered economic leadership that has enabled the Israeli economy to successfully navigate what could have been one of the most severe crises in our history.

Last but not least, we thank the TASE Board of Directors, its management and staff for their untiring work and dedication.



“We can be optimistic regarding the Israeli economy”

As 2009 came to a close, we sat down with **Dr. Yuval Steinitz**, Israel’s Minister of Finance to review developments over the past year and share his insights as to what lays ahead in 2010

Relatively speaking, Israel has proven itself to be quite resilient in facing the global economic crisis, and has been one of the first nations to return to a path of growth. What are the reasons for this stability, and what can we expect in 2010?

There are several reasons. First, the Israeli economy was in good shape going into the crisis. None of our banks, insurance companies, or pension funds came close to insolvency. There were no sub-prime mortgages fueling a real estate bubble and this definitely did help.

Nonetheless, at the beginning of 2009, a gloomy outlook prevailed and it appeared that there were hard times ahead. Since then, however, the government adopted a new economic policy to handle the crisis, which differed from the approach adopted by most other western economies. Instead of spending hundreds of billions of dollars, or in our case, shekels, on short-term stimulus packages, we felt it better to create positive expectations by focusing on long-term and even very long-term economic planning. We opted, therefore, for the first time in our history, for a two-year budget to enable us to address the crisis and build confidence in the future. In addition, we committed to a five-year deficit reduction plan, and to a seven-year plan to lower personal and corporate income tax.

The rationale behind this approach is that if we are able to undertake credible long-term planning, this will benefit the economy in both the short and long term. It is preferable to a stimulus package because it projects a brighter future for the Israeli economy. As a result, we dispensed less assistance in the short term, and I believe, ultimately in the long-term as well.

The method of handling the crisis here was quite different than many other countries, with the understanding that in modern economy, the focus should be placed on long-term planning and priorities rather than short-term, emergency bail-outs.

Is the two-year budget a one-time measure or can we expect two-year budgets in the future? Is there precedence of this anywhere else in the world or is Israel a pioneer in the two-year budget?

There is no final decision yet. We will most probably continue the practice of a two-year budget. We may introduce legislation very soon to make the two-year budget a permanent fixture and not just an emergency measure. We may become the first country in the world transiting to a two-year budget. The IMF delegation that recently concluded their visit to Israel was very supportive of this. They said they were initially very



The real goal is to improve the Israeli economy and to emerge from the crisis with a healthier and more competitive economy”

surprised that we shifted to a two-year budget in the middle of the crisis. They now believe that this helped us move forward to an early recovery, since it gave people and businesses confidence in the future of the Israeli economy. It demonstrated that the government has enough confidence to plan for a longer horizon, even in the midst of the crisis.

The Israeli capital market preceded others to recovery. Today, at the close of 2009, in contrast to other markets, the various Tel Aviv Stock Exchange indices are approaching 2007 record levels. What makes the Israeli market so unique and what are some of its most compelling features that make it an attractive choice for foreign investors?

I don't think that one can draw a distinction between the stock market and the real economy. Economic indicators early in the year pointed to hardship on the horizon. Our exports declined 30%, which is a dramatic event for an economy such as Israel. Exports are responsible for almost one half of our GDP. Within the course of the year, however, exports rebounded and have almost recovered.

Perhaps the stock market is somehow simply responding to the recovery and more importantly, to the brighter future on the horizon. Our goal in this crisis

has not been mere survival or avoidance of a deep recession. The real goal transcends recovery; the real goal is to improve the Israeli economy and to emerge from the crisis with a healthier and more competitive economy. I believe we can achieve this and apparently the market believes it as well.

Over the past year countries have found it increasingly difficult to meet their debt obligations. Could you address Israel's current debt status? Are there any changes on the horizon expected in terms of Israel's sovereign credit rating?

First, we were very fortunate to be able to maintain our high rating in all the three major rating firms. During the crisis, unlike many other countries in America and Europe, which experienced a 100% increase in debt ratios, in Israel the increase in the meantime is less than 1%. Our debt ratio is rising. We have gone from 78 to 78.8 (percent) so far, and it is expected that until the end of 2010 we could reach around 80%. Initially our debt/GDP ratio was high, almost 80%; but, since we did focus on long-term planning and not on costly emergency stimulus measures, one of our most important achievements is that we are coming out of the crisis without raising sovereign debt. We aim at reducing it in the future to a level of approximately 60%.





We can be optimistic >> Continue

The technology sector is often referred to as the growth engine that drives the Israeli economy. Are there any initiatives planned in order to support this important sector?

We are very keen to maintain the leading position Israel's hi-tech industries have attained. This is almost our top priority and we are taking action to consolidate this position. The only semi-stimulus measure adopted during the crisis was to allocate more public funds to research and development. This was done to compensate for the small decline in research and development investment undertaken by various Israeli companies during the crisis. We have invested more money in the programs administered by the Chief Scientist Office. We are currently establishing a government-supported biotechnology fund in order to broaden support of technology industries. Another step we have decided to take is the establishment of a special committee to examine ways to preserve the leadership, which

to the public in 2010. Concerning "Bank Leumi", legislative amendments are needed in order to go forward, but I am quite confident that the privatization will take place in 2010 and that the state will finally liquidate its holdings in the banks, after more than 25 years. Actually, we are left with only 25% interest in "Discount" and about 10% in "Bank "Leumi", but it is still important to privatize. I have decided to go ahead with completing the privatization of the banking sector and the Bank of Israel has given its consent. I believe that privatization of the rest of the banking system will take place in 2010. We are also currently considering the privatization of Israel Military Industries (IMI) at some point in 2010, and to start privatization of Israel's three sea ports pursuant to an agreement we have reached with the labor unions. Initial partial privatization of 15% of the Haifa and Ashdod ports should take place in 2010 and we aim to fully privatize the Eilat port in the coming year as well.



We committed to a five-year deficit reduction plan, and to a seven-year plan to lower personal and corporate income tax"

Saul Bronfeld, Chairman of the TASE Board of Directors, Dr. Yuval Steinitz, Minister of Finance >> and Ester Levanon, TASE CEO



Israeli technology industries share with their American counterparts, over the next ten or fifteen years. I have already appointed the new Director General of the Ministry of Finance, Haim Shani, former head of Nice Technologies to chair this committee. We are currently considering measures to consolidate and advance our standing as a center for technology industries.

The Israeli government has announced that it will continue its policy of privatization. What are its plans concerning the sale of its shares in "Bank Leumi" and can we expect to see further privatization in 2010?

Regarding "Bank Leumi" and "Bank Discount", I have already announced that we are going to privatize both, i.e., to sell the remaining government shares

At the dawn of 2010, how do you see the state of the Israeli economy and the capital market in the coming year?

We believe that it is going to improve. We have already resumed growth at a pace of between 2.5%-3% and by the middle of 2010, if all goes well, we hope to achieve accelerated growth of approximately 4%, which we believe will continue throughout the second half of 2010. This is meaningful economic growth. While there may still be some fallout from the global crisis that can affect us, we have already witnessed a very significant recovery in exports, in the hi-tech sector, actually in most sectors. We believe that this will continue and even accelerate, especially towards the second half of 2010. Generally speaking, it is fair to say that we can be optimistic regarding the Israeli economy.

THE TEL-AVIV STOCK EXCHANGE IN 2009

2009 marks the year in which Israel's capital market, like capital markets around the world, began to emerge from the acute crisis it experienced over the past two years. This trend counters bleak forecasts early in the year predicting a worsening of the crisis.

Data regarding 2009 should be analyzed against the developments at the end of 2008 and apprehensions that the downward trajectory of financial markets and the real economy, as reflected in the precipitous across-the-board plunge in asset prices in the fourth quarter of 2008, would continue in Israel and around the world.

Coordinated efforts by central banks and treasuries stabilized the international financial system and alleviated fears of an impending systemic collapse of the world economy.

During 2009 initial gloomy forecasts appeared to be overstated, as downward trends became less pronounced and the harbingers of financial and macro-economic recovery were seen on the horizon. As such, the rebound in prices in 2009 constituted a natural reaction to the sharp price declines at the height of the crisis. The low interest rates prevailing in Israel and around the world contributed substantially to fueling this positive trend.

The TA-25 index rose some 76% over the year and surpassed the level recorded on the eve of the September 2008 crash.

Equity trading was marked by relatively low turnover when compared with previous years, and as could be

expected, the slowdown in primary market activity, which began in 2008, intensified in 2009.

Foreign investors, after liquidating financial investments in Israel to the tune of US \$2.8 billion in the second half of 2008, resumed investment in TASE-listed shares, acquiring US \$1.8 billion of assets.

The rebound of the corporate bond market was also robust, as these issues posted returns of up to 45%, following a 30% decline in the final four months of 2008.

Overall, the bond market in 2009 was characterized by active trading – albeit with slightly lower volumes than the record turnovers of 2008. Banks and a number of large companies raised US \$9.3 billion debt in the primary market – 40% more than in 2008.

Not all developments were positive. Concurrent with the large debt offerings, a considerable number of veteran bond issuers encountered difficulties in servicing their debt and some 50 companies are currently in the process of renegotiating terms with bondholders.

The accelerated growth of the market for index-tracking instruments continued and by year's end some 372 index products traded on the TASE. Trading activity in these instruments constituted approximately 20% of the total turnover of shares and corporate bonds. The value of public holdings in these instruments almost doubled over the year, coming to US \$11.4 billion as opposed to US \$6 billion at the beginning of the year. Half of this gain can be attributed to new investment while the other half to the increase in prices of the underlying assets.



THE EQUITY MARKET

Stock trading in Israel and the world in 2009 was marked by rising prices accompanied by great volatility. The TASE began its upward momentum some two months before positive trends emerged in the major international exchanges.

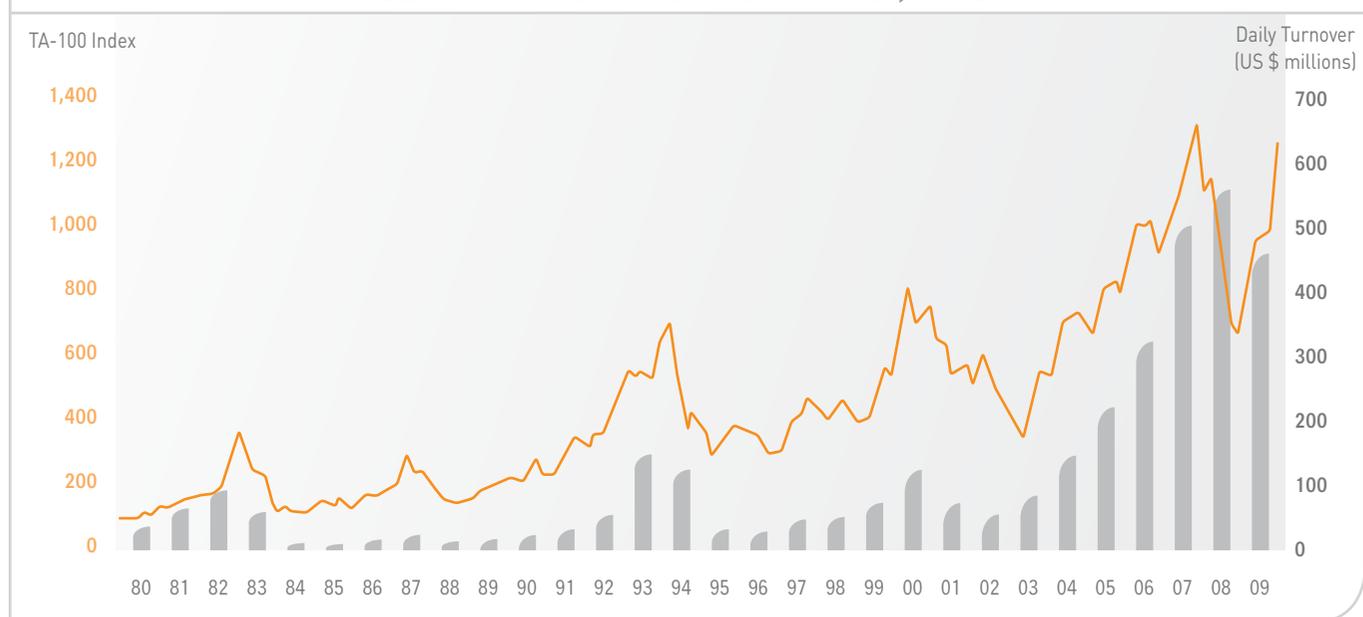
The **TA-25 index** gained 76% over the year; completing a 105% ascent from its low point on 23 November 2008 and remaining only 3% lower than its record November 2007 level. The largest gains were concentrated primarily in the industries most seriously hit by negative developments abroad in 2008 – banking, insurance and real estate. These companies contributed enormously to the increase on the TA-25 in 2009.

The most prominent increase this year is that of the **TA-75**, which gained 152% over the year. This mercurial rise can be attributed to the five-fold increase in the share prices of five companies involved in the drilling of gas fields off Israel's Mediterranean shoreline.

TA-25, TA-75 AND REAL ESTATE-15 INDICES' YIELDS, 2008-2009



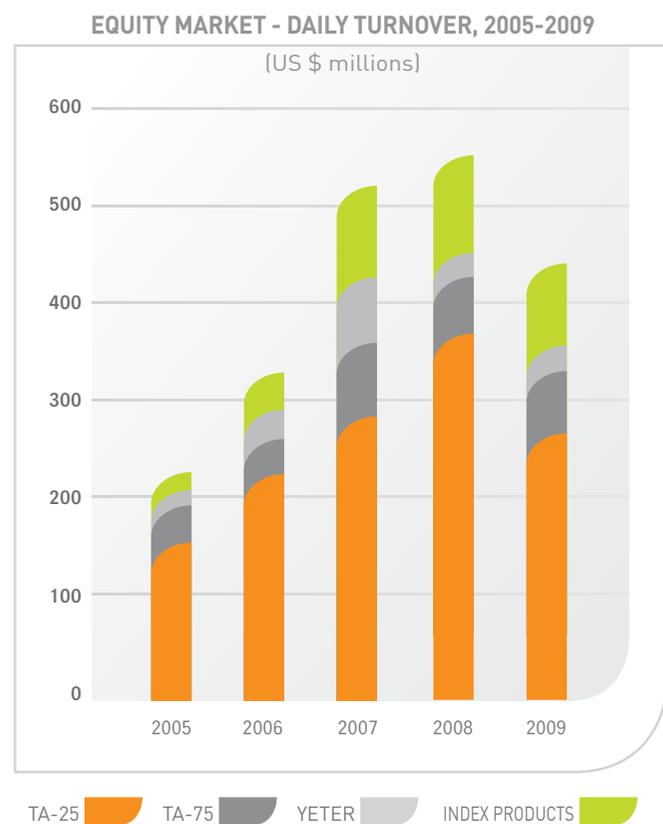
THE EQUITY MARKET PRICES AND TURNOVER, 1980-2009



In dollar terms, the TASE equity indices increased upwards of 75% this past year and outperformed leading indices of developed foreign markets, which at best posted a 55% return.

2009 was a good year for most TASE indices, including the Yeter-50 index of small cap shares and the Real Estate-15 index of large real estate companies, which more than doubled in value, and the TelTech-15 index of large hi-tech companies, which gained 85% over the year. These indices also stood out in 2008, with dramatic declines ranging between 65-80%.

The Finance-15 index of financial services firms, which declined 7% in the first two months of 2009 in wake of the disclosure of negative earnings in Q4 2008 and other adverse developments in the banking sector abroad, rebounded and by year's end posted a 129% increase.



HIGHLIGHTS 2009

- 76%**
 The annual return on the TA-25 index. The index rebounded 105% from its low point in November 2008.
- 152%**
 The annual return on the TA-75 index. This unusual increase can be attributed primarily to five-fold increase in the share prices of companies involved in drilling of the "Dalit" and "Tamar" natural gas fields discovered in early 2008 off Israel's Mediterranean shore.
- US \$432 million**
 Average daily turnover in TASE equities trading. This is 20% lower than 2008 levels. Q1 average turnover came to \$300 million and rose to US\$ 480 million for the remainder of the year.
- US \$1.7 billion**
 Total capital raised in public equity offerings and private placements of shares in Israel. This is similar to 2008 level.

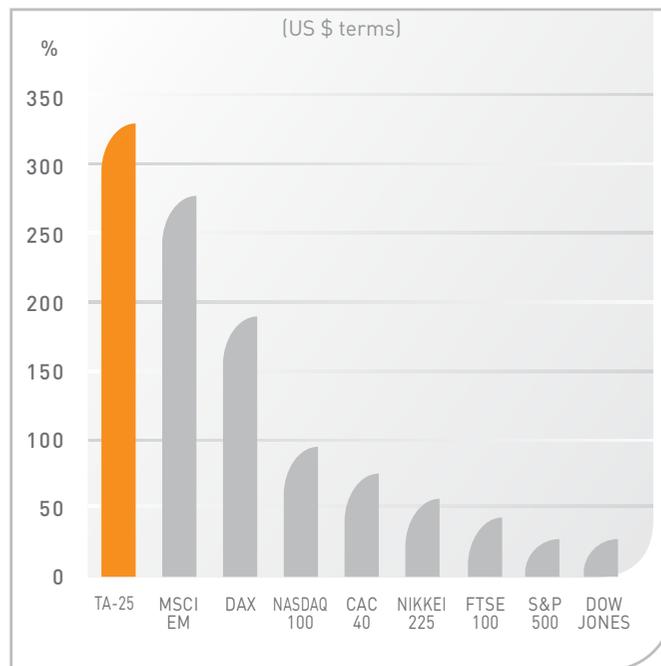
The creation of a positive atmosphere in financial markets was buttressed by government action around the globe, which succeeded in containing the crisis by lowering interest rates, consolidating bank stability, nationalizing

financial institutions, etc. The Bank of Israel announced that it stood behind Israel's banks; and to boost liquidity, lowered the interest rate three times between January and March by a cumulative 1.25%, bringing to 0.5%, the lowest rate of interest in Israel's history. This low rate severely compromised the attractiveness of low-risk investments and thereby contributed to the spring rally in stock prices.

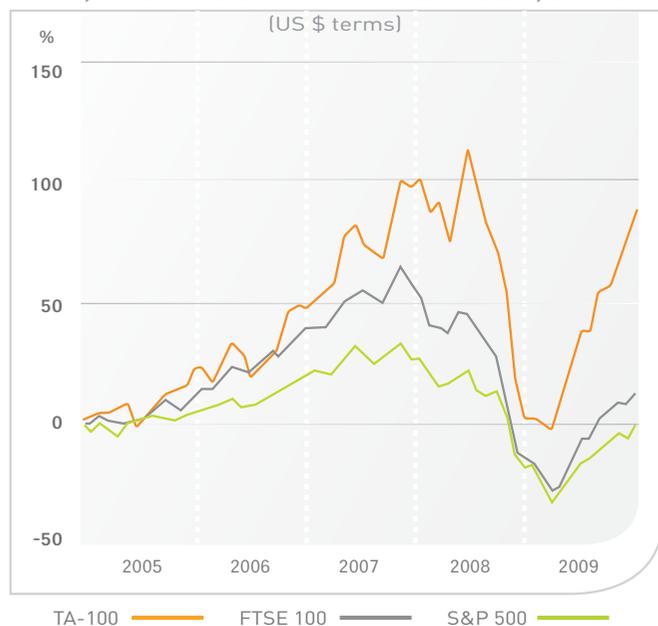
In the second half of the year, the Bank of Israel three times increased interest rates by a quarter of a percent to a level of 1.25%.

The stability of the financial system and the fundamental strength of the Israeli economy contributed to its relatively quick recovery from the crisis. These factors came into play in the return to growth, which began in the second quarter of 2009. The turning point is reflected in the Composite State-of-the-Economy index, which resumed a positive incline after ten consecutive months of decline, as well as in an improvement in the earnings of TASE-listed companies.

INTERNATIONAL STOCK INDICES' YIELDS, 2003-2009



TA-100, FTSE 100 AND S&P 500 INDICES' YIELDS, 2005-2009



The Bank of Israel undertook additional measures, such as the acquisition of large quantities of dollars, which led to a 12% appreciation of the dollar against the shekel in Q1/2009 and the acquisition of government bonds, which consolidated low interest rates.

In tandem with the economy's apparent emergence from the crisis, it was possible to discern some negative developments, such as a weakening dollar and its potentially adverse impact on exports and the increase in the budget deficit which came to 3% of GDP as opposed to 0.8% in 2008 and 0% in 2007.

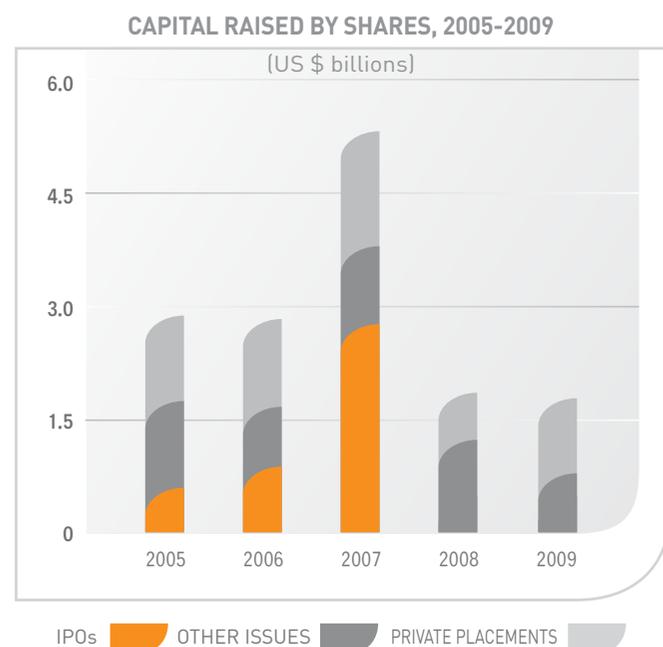
Average trading volume on the TASE equity market came to US\$ 432 million, representing a 20% decline relative to 2008. The slowdown in trading activity that started in November 2008 continued as turnover shrank to a mere US\$ 300 million in the first quarter of 2009. Trading volume subsequently began to rise, stabilizing at around US \$480 million for the remainder of the year.

The severe slowdown in primary market activity overtaking the market in 2008 continue in 2009. This slump follows a four-year period of fervent activity that resulted in a rash of large public offerings. In 2009 **equity raised in Israel by TASE-listed companies** (through public offerings, private placements and warrant execution) came to **US \$1.7 billion** similar to 2008, as opposed to US \$5.2 billion in 2007.

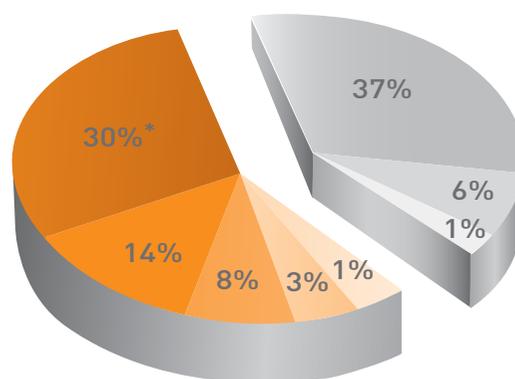
Only U.S. \$0.7 billion, about 40% of this year's total, was raised through public and rights offerings, most of these occurring in the second half of the year. The remainder was raised through private placements of TASE-listed shares.

Biomed companies stood out with a large number of small offerings amounting to a cumulative US \$110 million. In August, after a freeze of more than a year and half in the new companies' issues, biotechnology company **D-Pharm** completed an IPO.

TASE-listed companies raised only US \$230 million abroad, of which US \$160 million was raised by three real-estate companies.



BREAKDOWN OF SHARES OWNERSHIP ON TASE, 2009



- "Float" (56%)**
 - International Public & Institutionals* (30%)
 - Israeli Public (14%)
 - Provident & Pension Funds (8%)
 - Insurance Companies (3%)
 - Mutual Funds (1%)
- Interested Parties (44%)**
 - Israeli (37%)
 - International (6%)
 - Government (1%)

*Thereof: 22% holdings in dual-listed shares abroad.

In January 2009, after liquidating investments of US \$2.8 billion in the second half of 2008, **foreign investors** renewed interest in the TASE, and invested some US \$1.8 billion during the 2009 year.

In June 2009, MSCI Barra announced its decision to graduate Israel's capital market from "emerging market" to "developed market" status. The reclassification will take effect in May 2010. The impact of Israel's upgrade is expected to be felt starting the second quarter of 2010, when investors specializing in emerging markets are expected to liquidate holdings and new flows of investment will hopefully materialize from developed market investors. The scope of investments in development markets is several times larger than that channeled to emerging markets. Nonetheless, a great deal of work will be necessary to attract new investment in Israeli companies and the Israeli economy.

Privatization in Israel has been put on hold since October 2008; however the government announced during the year that it intends to sell the remainder of its holdings in **Bank Leumi** (approximately 11.5% interest equaling approximately US \$0.6 billion) and **Bank Discount** (25% interest equaling approximately US \$0.5 billion) in a public offering.

In the course of 2009 five **dually-listed companies** delisted their shares from the TASE, while in the last four months of 2009 two companies already trading on U.S. markets, **Ness Technologies** and **Commtouch** listed their shares on the TASE as well. At the end of the year some 56 cross-listed companies traded on the TASE and at least one foreign securities exchange.

TABLE 1: MAIN INDICATORS OF THE EQUITY MARKET, 2000-2009

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)
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)
2009	432	1.7	622	4	90.1

(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.

INDEX PRODUCTS

The accelerated growth of the market for index-tracking instruments continued in 2009, making it the sixth consecutive year of growth. During the course of the year dozens of new series were issued.

The market value of public holdings in ETNs in November 2009 surpassed the level it attained in August 2008, reaching US \$11.4 billion, up US \$5.3 billion from the end of 2008. The reason for this growth stems from new investment of

US \$2.3 billion as well as from the sharp increase in the value of underlying assets.

The increase in market value was particularly pronounced for ETNs tracking local stock indices - rising from US \$1.7 billion at the beginning of the year to US \$4.8 billion in November 2009 - and in ETNs tracking international stock indices - from US \$0.7 billion to US \$1.5 billion.

The value of holdings in bond index ETNs rose moderately, stemming primarily from the increase in the value of the underlying indices rather than new investment. The value of bond ETN holdings came to US \$5.1 billion at the end of the year as opposed to US \$3.8 billion at the beginning of the year.

Average daily turnover in TASE equity-tracking ETNs came to US \$85 million. While this is lower than last year, it constituted some 20% of total turnover in the stock market – the highest ratio since the launch of the ETN asset class in 2000. Average daily turnover of bond index ETNs came to US \$50 million, slightly lower than 2008 and comprising 22% of the total turnover in the corporate bond market.

- Approximately 70 of the new ETN series track various stock and bond indices replacing 20 ETNs that were redeemed and delisted. Of the new issues, 40 ETNs track local stock indices while 30 track local bond indices.
- 18 of the series issued this year are complex ETNs (17 tracking a combination of Israeli bond and stock indices and 1 leveraged ETN on the TA-25, while six complex ETNs were redeemed and delisted. Some 34 ETNs, tracking a combination of local bond and stock indices and 20 leveraged (long/short) ETNs are currently traded on the TASE.
- 50 covered warrants were issued this year, of which 26 calls and puts on commodities (oil and gold) and the remainder on foreign stock indices (NASDAQ-100, DAX, Nikkei). All the new issues replaced expired warrants that were subsequently delisted.

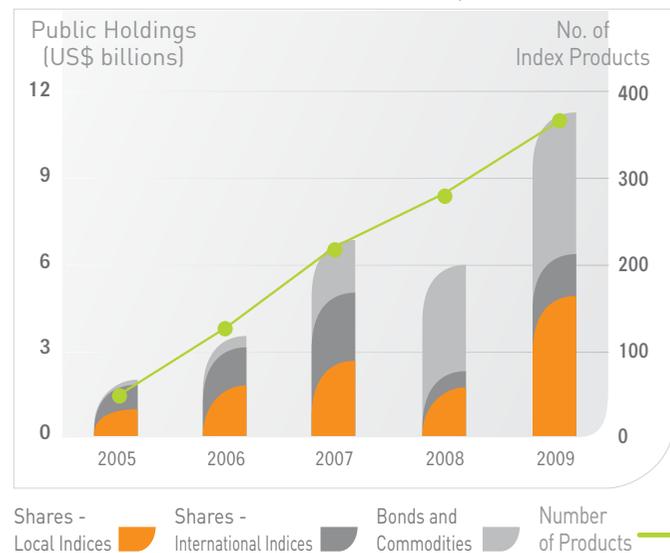
By the end of 2009 332 ETNs on 12 local and 55 foreign indices were traded on the TASE, as well as 29 covered warrants and 11 ETNs tracking commodity indices.

At the beginning of December 2009 the TASE launched a new corporate bond index, the **Tel Bond Shekel** index on shekel-denominated non-linked fixed interest bonds. Within days eight ETNs were issued, including reverse notes, for a combined market value of US \$80 million.

HIGHLIGHTS 2009

- **372**
Series of index products.
- **70**
ETN offerings. 343 ETNs and 29 covered warrants traded.
- **US \$11.4 billion**
Value of public holdings.
- **85%**
YTD increase in value of public holdings as of November 2009. Increase stems from public acquisitions and from appreciation of underlying assets.
- **20%**
ETN trading volume of total equity and corporate bond turnover.

THE INDEX PRODUCTS MARKET, 2005-2009



THE FIXED INCOME MARKET

HIGHLIGHTS 2009

- 41%**
 Annual increase in CPI-linked corporate bond index.
- US \$1 billion**
 Average daily turnover in 2009 corporate bond market.
- US \$9.3 billion**
 Public offerings and private placement of corporate bonds in 2009 – 40% higher than that of 2008.
- 37%**
 Banking industry's share of negotiable debt capital raised.

The impact of the crisis on the Tel Aviv Stock Exchange was substantial not only for the equity market but the corporate bond market as well. In the last quarter of 2008 apprehensions arose that many companies would not be able to service bond payments and would face insolvency. As a result, bond prices, particularly those issued by real estate companies, plunged posting double-digit losses.

At the end of 2008 bond prices began to rebound, rallying throughout 2009 as fears of corporate bankruptcies dissipated. Overall, Israel's corporate bond market posted impressive gains of 45% in 2009. As a result of this comeback, the gap between corporate and government bond yields began to narrow.

Government bond prices, which were not affected by the 2008 crisis, rose this year as much as 11%.

The rally in bond prices in 2009 was in large part a reaction to their prior sharp fall in Q4/2008 and to the expansionary monetary policy adopted by the Bank of Israel.

GOVERNMENT AND NON-GOVENMENT, CPI LINKED BONDS INDICES, 2008-2009



Average daily turnover in the bond market came to approximately US \$1 billion - slightly lower than 2008 record levels.

The decrease in government tax revenues and the widening budget deficit stimulated a substantial increase in the scope of government bond issues. The total capital raised in local government bond issues came to US \$17.4 billion - the largest gross amount raised in the last decade.

In May 2009 a revival in corporate bond offerings started, after an eighteen month slowdown. In 2009 corporations raised US \$9.3 billion debt capital – 40% more than in 2008, but still 55% lower than the record sums raised in 2007.

Trading in the bond market was marked by **across-the-board gains for all of bond classes**. CPI-linked corporate bonds posted returns of 41% over the year. This follows a 25% drop in September-December 2008. Examination of the various Tel Bond indices reveals that the Tel Bond-20 index of high-cap CPI-linked corporate bonds gained 23%, while the Tel Bond-40, which was launched in February 2008 and includes, inter alia, real estate companies, posted returns of 45% since the beginning of the year (almost twice that of the

Tel Bond-20], after suffering losses of 20% in the last four months of 2008.

Bonds issued by the banking sector posted moderate gains of 5% on average, in contrast to bank shares, which rose sharply and contributed significantly to the ascent of the TA-25 hi-cap index.

Trading in foreign currency-linked bonds, primarily structured bonds, was characterized by high volatility, reflecting the relatively high volatility of the shekel/dollar exchange rate. Foreign currency-linked bonds closed the year 8% higher (while the exchange rate declined 0.7%), following a half drop in price in the previous year.

Government bonds posted moderate gains, with non-linked "Shahar" bonds gaining 3.2%, following an increase of 14% in 2008.

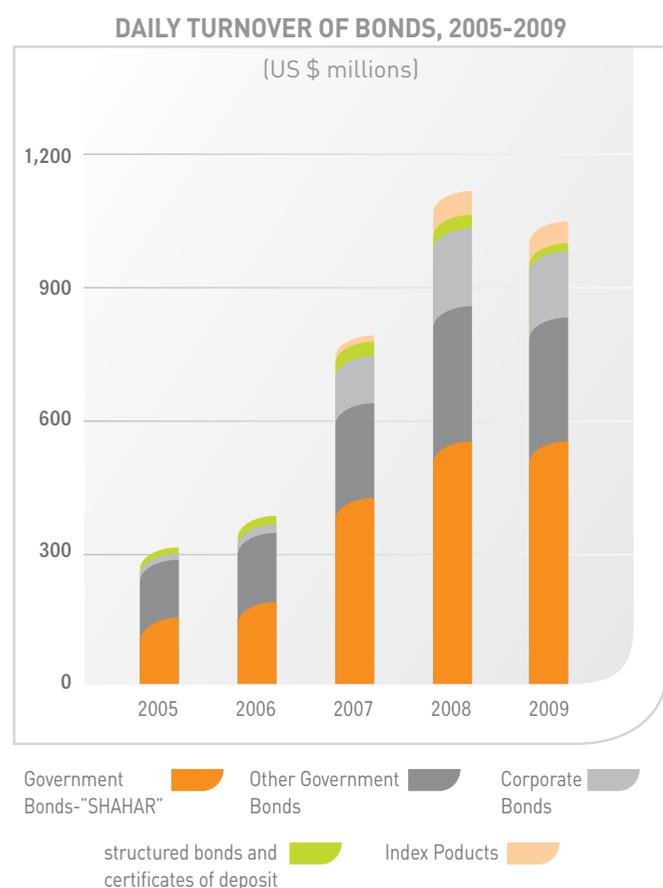
It is worth noting that **the balance of short sales** reached record levels this year, amounting to US \$3 billion.

The average turnover of bond trading came to US \$1 billion – somewhat lower than the previous year's record volumes. In contrast to the equity market, the volume of trade in the bond market began to gradually taper off, declining from an average of US \$1.1 billion per day during the first quarter of the year to US \$970 in the fourth quarter. Government "Shahar" bonds continue to command approximately 50% of total bond turnover.

Following a decline in tax revenues and an increase in government expenditures, the **scope of new government bond issues** grossed a record US \$17.4 billion, as opposed to US \$14.7 billion raised in 2008 and an average of US \$7 billion in 2005-2007. Approximately 60% of this sum was raised in the first half of 2009, while in the second six months, as the macro-economic situation and tax revenues improved, the scope of government bond issues was reduced.

At the same time, the government redeemed "Shahar" and other short-term bonds for a total of US \$8 billion as well as long-term "Galil" bonds for US \$1.3 billion. The net total of government issues in 2009 came to US \$8.1 billion, as opposed to US \$9 billion in 2008 and US \$0.7-1.2 billion in 2005-2007. In addition, after a two and a half-year hiatus, the government issued sovereign debt abroad for a total of US \$1.5 billion.

The growth of the primary market for corporate debt, which began in 2001 and peaked in 2007, was interrupted by the financial crisis. **In 2009 the business sector** raised US \$9.3 billion debt capital in public offerings and private placements to institutional investors - 40% more than the amount raised in 2008, but still a far from the US \$21 raised in 2007.



The composition and characteristics of 2009 corporate debt issues can be summarized as follows:

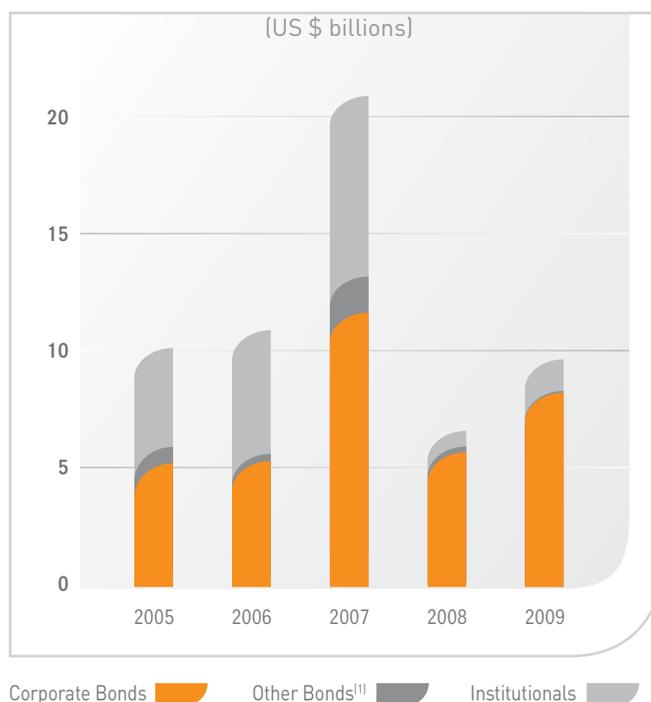
- Approximately **US \$7.6 billion** corporate debt was raised **through public offerings**, of which 52% were CPI-linked. This compares with US \$4.3 billion raised in 2008. All corporate bond issues were rated by an accredited rating agency.
- An addition **US \$0.8 billion** was raised in **private placements to institutional investors**, bringing the total amount of negotiable corporate debt raised in 2009 to US \$8.4 billion.
 - » The new corporate bond issues tended to be relatively large, with approximately 45% - US \$3.5 billion - being raised by nine companies.
 - » The banking sector continued to stand out this year with public offerings and private placements equaling some US \$3 billion, approximately 37% of the total debt raised by the business sector for the second year running. At the same time, there the relative share of real estate companies in the primary debt market declined.
 - » This year there was a substantial increase in non-linked corporate debt, as approximately 43% of the debt raised in 2009 was raised in non-linked bonds, as opposed to 27% in 2008 and 11% in 2007.
 - » Pursuant to the increase of non-linked corporate bond issues and the discernable growing demand for additional bond indices, the TASE launched the **Tel Bond Shekel** index of non-linked, fixed interest, shekel-denominated bonds on 1 December 2009. At its launch, the new index included twenty bonds with a collective market capitalization of US \$3.7 billion, representing approximately 80% of the total market value of non-linked fixed interest corporate bonds. Immediately after its launch eight ETNs tracking this index were issued.
- Only **US \$0.9 billion** were raised this year through **private placements to institutional investors** marking the

continuation of the waning popularity of this mechanism after a record US \$9 billion was raised in 2007. The reason for the apparent downfall of private placements is the growing use of shelf offerings, which have proven over the past two year to be an efficient and expedient way for the private sector to raise capital.

- A paltry **US \$65 million** was raised this year in **structured bonds** and **certificates of deposit** as opposed to US \$320 million in 2008. The virtual discontinuation of these instruments is a direct result of the global financial crisis.

Concurrent with the pick up corporate debt offerings, many seasoned bond issuers encountered difficulties in servicing their public debt. Some 50 companies began negotiating settlements with bondholders to restructure the terms of bond payments.

ISSUES OF BONDS BY THE BUSINESS SECTOR, 2005-2009



(1) Including structured bonds and certificates of deposit

THE DERIVATIVES MARKET

The volume of activity on the TASE derivatives market decreased substantially in 2009. Average daily turnover of **TA-25 options** came to 252 thousand contracts as opposed to 332 thousand contracts in 2008 and 385 thousand contracts in 2007. This is the second year running in which index option trading has fallen after 14 years of continual growth since their initial launch in the 1990s.

Trading in **options on the shekel/dollar** exchange rate was sluggish despite the volatility of the exchange rate, which rose 12% to 4.26 in April and retreated and ultimately stabilized at 3.8 towards the end of the year. Average daily volume in 2009 came to 33 thousand contracts, as opposed to 43 thousand in 2008.

In March 2009, the TASE launched trading in **individual stock options**, with options on **Israel Chemicals** serving as the trailblazer of this new market. Options on **Bank Leumi**, **Bank Hapoalim** followed suit in April, and options on **Teva** in May. Trading activity in these new options has thus far been marginal.

DAILY TURNOVER OF TA-25 INDEX OPTIONS, 2005-2009

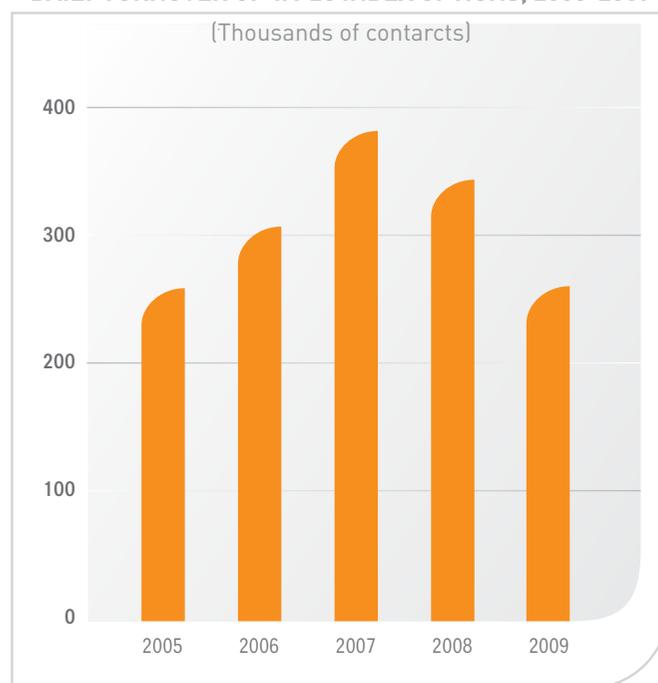


TABLE 2: TA-25 INDEX OPTIONS TURNOVER, 2005-2009

Year	Daily Turnover (thousands of contracts)	Derivatives Liquidity ratio ⁽¹⁾	Maximum no. of open interest contracts (thousands)
2005	258	1,126%	1,055
2006	305	1,177%	1,080
2007	385	1,341%	1,317
2008	332	916%	1,028
2009	252	779%	660

(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.

ENHANCING MARKET EFFICIENCY

The TASE invests ongoing efforts to broaden the range of financial instruments available to local and foreign investors.

>> December 1, 2009: Launch of Tel-Bond shekel Index on non-linked fixed interest NIS-denominated bonds

Growing demand for investments in corporate bonds together with the need of the business sector for alternative sources of financing has stimulated accelerated growth in the debt market over the past few years. Since the 2007 launch of the Tel-Bond 20 index, which covers CPI-linked corporate bonds, average daily turnover in the corporate bond market has grown 2.5-fold. Some 23 Exchange Traded Notes (ETNs) have been issued on TASE's three Tel-Bond indices. The cumulative market value of public holdings in these ETNs currently exceeds \$ 2.63 billion, representing more than 10% of the total value of TASE's cash market.

Following a sharp increase in the scope of non-linked corporate bond issues as well as in the demand for additional corporate bond indices, the TASE launched a new Tel-Bond index on NIS-denominated fixed-interest corporate bonds that are not linked to the CPI-index (or any other index, foreign currency or commodity).

>> March 29, 2009: Launch of equity options

As part of an initiative to extend the variety of listed derivative products, TASE launched equity options on four blue-chip stocks. Options on Israel Chemicals were the first to be introduced in March, followed by options on Bank Hapoalim and Bank Leumi shares in April and on Teva Pharmaceuticals in May. The terms of these new options are similar to those applicable to TA-25 index options, i.e. cashed-settled European options expiring on the same dates designated for index option expiration. One-month, two-month and three-month expiries are traded.

>> January 8, 2009: REPO Clearing

The TASE has been closely involved in the development of an Israeli REPO market, a market for short-term lending based collateralized by bond holdings. The REPO market facilitates liquidity by enabling parties to convert low-risk investments, such as government bonds, to cash. REPOs are swap contracts in which one party sells securities to another party while simultaneously undertaking a commitment to repurchase those securities at a pre-determined time and price. The Ministry of Finance's

Accountant General's Office, the Bank of Israel and the TASE are the principal partners developing the Israeli REPO market. The TASE has taken responsibility for analyzing the characteristics of the market and adjusting the clearing system to its conditions. All REPO transactions are to be cleared through the TASE Clearing House, which is responsible for overseeing risk management and for calculating collateral requirements to secure the transactions. The TASE staff completed the preparation for REPO clearance infrastructure in 2009. The parties involved are currently working on completing the regulatory framework necessary to enable the commencement of operations.

Improvements in Trading and Settlement

Several adjustments to clearing and settlement procedures were made in 2009 in order to improve efficiency and more closely conform to internationally accepted standards. Straight-through processing has been automated in accordance with European standards through the employment of the SWIFT system in clearing and settlement operations. In addition, preparations for the transition to T+1 corporate bond settlement, which will be implemented at the beginning of 2010, were completed.

Throughout 2009, the TACT (Tel-Aviv Continuous Trading) trading system underwent a series of trading and communication capacity upgrades designed to improve the system's performance level. These upgrades allow the system to more effectively handle increasing activity and trading volume by accelerating the processing of trading algorithms and quotation generation.

INDEX UPGRADES

TASE has invested considerable resources over the past years to improve the quality of its indices and to create new indices based on next-generation methodologies, as recommended by the international index vendor, FTSE. Implementation of these improvements aligns TASE indices with accepted developed market standards. The process of bringing TASE indices up to international standard began in February 2008 and will be completed during 2010.



TASE RECONSIDERS THE RULES

In wake of the global financial crisis, the TASE management and board of directors re-examined its Rules and Regulations, in order to check its suitability to the changing reality. Some of the resolutions adopted by the TASE Board of Directors in 2009 are summarized below:

>> Extension of temporary provisions regarding threshold requirements for inclusion in TASE indices

Regular threshold requirements for inclusion in the TA-25 index were restored. The easement of threshold requirements for other TASE indices was extended for an additional six months.

In its board meeting of 22 October 2009, the TASE Board of Directors approved a resolution regarding threshold conditions for a company's inclusion in TASE indices. For the TA-25, it was decided that original threshold conditions would be restored, i.e. minimal public float will be 25% with a minimal value of the public float of at least NIS 600 million (approximately US \$ 160 million). For all other indices, it was decided that temporary provisions adopted by the Board at the end of 2008 would be extended for an additional six months - i.e. a minimal public float of 20% and a one third reduction in the minimum value of the public float.

These temporary provisions were adopted at the end of 2008, in wake of the financial crisis in Israel and abroad and were originally valid for one year, ending on 15 December 2009. In anticipation of

Board deliberation regarding threshold requirements, the TASE conducted simulations, analyzing the number of companies that would be replaced under various threshold conditions. These simulations indicated that, with the exception of the TA-25, a considerable number of replacements would have to be made or that companies not complying with threshold conditions would have to be included in the indices. For this reason the Board decided that a gradual return to original thresholds was in order and it extended the easement of threshold conditions for all indices except the TA-25 for another six months.

>> Deployment of Circuit Breakers

Over the past year the TASE Board of Directors examined whether in wake of the financial crisis the rules governing the deployment of "circuit breaker" mechanisms needed amending. The Board decided to improve the current mechanism employed in the equity and derivatives markets by granting the TASE discretion to continue trading for the remainder of the day even in cases in which a second circuit breaker has been deployed (12% price fluctuation). No changes were made to the remaining rules, and a decision was made not to set a separate set of circuit breaker triggers for the bond market.

Events



Left to right: **Mr. Greg Tanzer**, Secretary General, IOSCO, **Ms. Jane Diplock**, Chairperson, IOSCO Executive Committee; Chairperson, New Zealand Securities Commission, **Professor Zohar Goshen**, Chairman, Israel Securities Authority, **Ms. Kathleen L. Casey**, Chairman, IOSCO Technical Committee; Commissioner, U.S. Securities and Exchange Commission, **Mr. Guillermo Larrain**, Chairman, IOSCO Emerging Markets Committee; Chairman, Superintendencia de Valores y Seguros, Chile



Left to right: **Xavier Rolet**, CEO, The London Stock Exchange, **Dr. Orna Berry**, Chairperson, Israel Venture Association (IVA), **Ester Levanon**, CEO, The Tel-Aviv Stock Exchange, **Prof. Stanley Fischer**, Governor of the Bank of Israel, **Ron Prosor**, Israel's Ambassador in London, **Ronit Harel Ben-Ze'ev**, Senior VP, The Tel-Aviv Stock Exchange, **Shmuel Ben-Tovim**, Economic Minister at the Embassy of Israel, London

>> IOSCO 2009

For the first time, the Israel Securities Authority in conjunction with the Tel Aviv Stock Exchange hosted the annual conference of the International Organization of Securities Commissions (IOSCO) in Israel. The conference, which was one of the main international conferences since the outbreak of the 2008 financial crisis, generated significant interest. Some 800 representatives from regulatory authorities, stock exchanges and financial institutions from around the globe came together in Tel Aviv to discuss ways to address the crisis and examine the role of regulation in modern, internationally integrated, capital markets.

>> London Investor Conference

The ninth annual TASE London Investors Conference, entitled "Growth & Opportunity", was held in June 2009 and hosted more than 250 participants. The conference provides a venue in which Israel's capital market and TASE-listed companies come face to face with members of the European investment community.

Prof. Stanley Fischer, Governor of the Bank of Israel, delivered the keynote address, which surveyed economic developments in Israel under the shadow of the global financial crisis and presented his assessment of developments in Israel's capital market. **Dr. Orna Berry**, Chairperson of the Israel Venture Association (IVA), presented a review of the state of Israeli hi-tech industries. Key executives from leading Israeli companies presented some of the TA-25 leading companies:



Left to right: Ester Levanon, CEO, The Tel-Aviv Stock Exchange, Ron Huldai, Mayor of Tel Aviv-Yaffo, Saul Bronfeld, Chairman of the TASE Board of Directors



Left to right: H.E. Shimon Peres, Israel's president, Yuval Wagner, Chairman of Access Israel, Yonah Fogel, CEO of Paz Oil Company and Chairman of Access Israel's Business Forum

Akiva Mozes, President & CEO, Israel Chemicals Ltd; Amos Shapira, President & CEO, Cellcom Israel Ltd; Galia Maor, President & CEO, Bank Leumi Le-Israel; Giora Offer, President & CEO, Israel Discount Bank Ltd.; Ofra Strauss, Chairperson of the Board of Directors, Strauss Group Ltd.

>> Tel Aviv Centennial Celebration

The Tel-Aviv Stock Exchange paid tribute to its home town on the occasion of Tel Aviv-Yafo's Centennial anniversary which took place this year. In honor of this event, a special opening bell ceremony was held in which the Mayor of Tel Aviv-Yaffo, Mr. Ron Huldai, was invited to open the trading. Representatives of the municipality, members of the TASE and representatives from TASE-listed companies took

part in this event which included a special greeting video and the designation of TASE visitor center as "Small Tel Aviv", a reference to downtown Tel Aviv's nickname during its formative years.

>> Access Israel's Tenth Anniversary Celebration

The tenth anniversary of the Access Israel organization, an NGO dedicated to improving access for persons with disabilities to sites in Israel, was marked with a ceremony held at TASE and presided by: Israel's president, H.E. Shimon Peres; Reuma Weizmann, wife of the late seventh Israeli President, Ezer Weizman; Yonah Fogel, CEO of Paz Oil Company and Chairman of Access Israel's Business Forum; and Yuval Wagner, Chairman of Access Israel.

Key Issues for International Investors

Emerging to Developed Market

MSCI Inc. announced its decision to upgrade Israel's classification from emerging to developed market, starting in May 2010. The impending reclassification of Israel's capital market transfers Israel from ninth place in the MSCI's emerging market index, (2.9% of the index) to twentieth place (0.4% weight) among developed markets. MSCI's upgrade follows FTSE's upgrade of the Israeli market in 2007. The MSCI Israel index will be included in the MSCI World Index and in the MSCI EAFE Index. Only securities of companies domiciled in Israel that have a listing on the Tel-Aviv Stock Exchange will be eligible for inclusion in the index.

An exchange-traded fund (ETF) tracking the MSCI Israel index has been trading on the New York Stock Exchange (NYSE) since March 2008. This instrument enables American investors to invest in a portfolio of representative Israeli shares through the NYSE. The ETF (ticker symbol EIS) is managed by iShares and its net assets at the end of 2009 came to US\$ 174 million. Average daily turnover of the ETF in Q4/2009 was 43,000 shares per day.

Direct Market Access

The Tel-Aviv Stock Exchange established a new connectivity platform, which connects TASE members and investors operating from outside of Israel to the TACT (Tel-Aviv Continuous Trading) system. The system allows foreign investors to facilitate DMA (Direct Market Access) through the new connectivity platform. It also allows using algorithmic trading, quote generators and the proprietary order routing system of GL Trade. The system that was developed by "GL Trade" company facilitates the ability of foreign investors to efficiently access the Israeli market. The system has already been employed by two foreign TASE members.

Remote Membership

The Tel Aviv Stock Exchange permits international investment houses, which have no permanent representation in Israel, to become "remote members" of the TASE. Remote members may be international banks and investment houses that are veteran stock exchange members in their home countries and have been members for at least ten years, in one or more of the following markets: London Stock Exchange, Euronext exchanges, New York Stock Exchange, Deutsche Börse, Eurex (Germany), SWX Swiss Exchange or Tokyo Stock Exchange. In January 2009, Merrill Lynch International (MLI) became TASE's first remote member.

Corporate Bonds: Tax Exemption

From January 2009 - Foreign residents are exempt from taxes on corporate bonds issued by Israeli companies

Over the past five years some US \$33 billion corporate bonds were issued and by the end of 2009 the market value of this market came to US \$55 billion.

In the last two years the non-linked, shekel-denominated bonds has come to occupy a significant share of the corporate bond market. In 2009 these bonds constituted 44% of all new corporate bond issues.

In order to facilitate foreign investment in the corporate bond market, as of 1 January 2009, Israel's Ministry of Finance has granted foreign residents a tax exemption on income from interest, original issue discount and linkage differentials on TASE-traded bonds issued by Israeli companies.

TABLES

TA-25 INDEX COMPANIES⁽¹⁾

TABLE 3: MARKET CAPITALIZATION AND WEIGHTING

SECURITY NAME	MARKET CAPITALIZATION (in US\$ millions)	WEIGHTING ⁽²⁾
1. Teva ⁽³⁾	52,193	9.50%
2. Israel Chemicals	16,766	9.50%
3. Bank Leumi	6,812	9.50%
4. Bezeq	6,748	9.50%
5. Bank Hapoalim	5,802	9.50%
6. Perrigo ⁽³⁾	3,789	7.82%
7. Nice ⁽³⁾	1,925	5.16%
8. Partner ⁽³⁾	3,137	4.54%
9. Israel Corporation	5,618	4.02%
10. Cellcom ⁽³⁾	3,127	4.01%
11. Elbit Systems ⁽³⁾	2,746	4.00%
12. Bank Discount	2,338	3.09%
13. Mizrahi Tefahot	2,052	2.95%
14. Makhteshim-Agan	2,085	2.90%
15. Delek Group	2,324	2.13%
16. Ormat	1,085	1.40%
17. Discount Investment	2,016	1.37%
18. Gazit Globe	1,378	1.30%
19. Avner	1,238	1.25%
20. Osem	1,553	1.23%
21. Strauss Group	1,585	1.12%
22. Bazan	1,243	1.08%
23. Delek Drilling	1,313	1.05%
24. Harel Investments	1,030	1.05%
25. Paz Oil	1,485	1.03%
TOTAL	131,388	100.00%

TABLE 4: DAILY TURNOVER

SECURITY NAME	DAILY TURNOVER (US\$ thousands)
1. Israel Chemicals	31,963
2. Teva ⁽³⁾	22,572
3. Bank Hapoalim	21,740
4. Bank Leumi	21,166
5. Bezeq	17,707
6. Israel Corporation	11,674
7. Makhteshim-Agan	8,745
8. Elbit Systems ⁽³⁾	8,162
9. Bank Discount	7,447
10. Partner ⁽³⁾	7,404
11. Cellcom ⁽³⁾	6,371
12. Mizrahi Tefahot	6,332
13. Delek Group	6,154
14. Nice ⁽³⁾	5,578
15. Perrigo ⁽³⁾	5,478
16. Discount Investment	3,670
17. Ormat	3,595
18. Gazit Globe	3,446
19. Bazan	3,302
20. Harel Investments	2,498
21. Avner	2,217
22. Strauss Group	1,829
23. Paz Oil	1,644
24. Osem	1,583
25. Delek Drilling	1,342
TOTAL	213,617
OF TOTAL TURNOVER	55%

(1) As of January 3, 2010.

(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, 2000-2009 (US \$ millions)

Year	Shares & convertibles		Government Bonds - Net	Non-Government Bonds			
	Israel ⁽¹⁾	Abroad		Public		Institutionals	Total
				Corporate Bonds ⁽¹⁾	Other Bonds ⁽²⁾		
2000	2,633	687	-2,062	67	0	0	67
2001	772	555	3,112	639	0	74	713
2002	671	535	4,932	999	0	359	1,358
2003	721	25	4,196	778	323	1,456	2,557
2004	1,582	2,054	4,150	1,498	669	2,338	4,505
2005	2,748	465	1,208	5,203	848	4,009	10,060
2006	2,713	6,909	698	4,725	480	5,597	10,802
2007	5,168	668	957	10,970	1,301	8,904	21,175
2008	1,774	3,265	8,889	5,003	318	1,257	6,578
2009	1,701	233	8,141	8,367	63	874	9,304
Change in 2009	-4%	-93%	-8%	67%	-80%	-30%	41%

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

(2) Including structured bonds and certificates of deposit

TABLE 6: DAILY TURNOVER, 2000-2009⁽¹⁾ (US \$ millions)

Year	The Equity Market		The Fixed Income Market					Treasury Bills	Total
	Shares & convertibles	Thereof: ETNs	Government bonds	Corporate bonds	Other Bonds ⁽²⁾	ETNs	Total		
2000	115	0.1	72	2	-	-	74	48	237
2001	64	0.5	129	2	-	-	131	50	245
2002	51	1	157	2	0.2	-	159	78	288
2003	80	3	154	4	2	-	160	107	347
2004	147	9	199	9	6	0.1	214	140	501
2005	223	23	251	21	26	0.2	298	151	672
2006	326	63	325	27	30	2	384	179	889
2007	505	93	635	95	52	17	799	206	1,510
2008	547	101	866	152	46	56	1,120	219	1,886
2009	432	85	808	149	28	50	1,035	163	1,630
Change in 2009	-21%	-16%	-7%	-2%	-39%	-11%	-8%	-26%	-14%

(1) Including off-the floor transactions.

(2) Including structured bonds and certificates of deposit

TABLE 7: MARKET CAPITALIZATION OF LISTED SECURITIES 2000-2009 (US \$ billions)

Year	The Equity Market		The Fixed Income Market						Treasury Bills
	Shares & convertibles	ETN Assets ⁽¹⁾	Government bonds	Corporate bonds	TACT Institutional	Structured bonds ⁽²⁾	Certificates of deposit ⁽¹⁾	ETN Assets ⁽¹⁾	
2000	66.7	0.0	38.9	2.5	-	-	-	-	7.2
2001	57.1	0.1	41.0	3.0	-	-	-	-	7.1
2002	42.3	0.1	41.6	3.3	-	0.1	-	-	8.9
2003	69.7	0.3	52.5	4.4	-	0.3	0.3	-	12.7
2004	87.1	1.2	58.7	7.3	0.9	0.9	0.9	-	17.5
2005	112.8	1.5	56.8	12.6	3.7	2.6	1.2	0.02	18.9
2006	140.7	3.0	62.8	20.0	6.4	3.8	1.3	0.1	20.9
2007	198.0	4.9	71.2	38.5	11.1	4.2	2.1	1.8	18.1
2008	106.7	2.3	84.3	34.4	11.2	5.1	1.7	3.7	18.9
2009	189.4	6.3	97.3	53.3	9.1	5.1	1.2	5.1	22.6

(1) Assets Under Management; Source - Bank of Israel.

(2) Market Capitalization - including holdings by subsidiary companies; public holdings as of September 2009 - 3.5 \$ billions.

TABLE 8: ANNUAL YIELDS OF THE EQUITY INDICES, 2000-2009 (in US \$ terms)

Year	TA-25	TA-100	Other Shares	Tel-Tech 15	Finance-15 ⁽¹⁾	Real Estate-15 ⁽¹⁾	General Share Index
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)
2009	76.1	90.1	113.5	85.4	128.5	126.8	80.1

(1) Launched on January 2005.

TABLE 9: ANNUAL YIELDS OF THE BOND INDICES, 2000-2009 (in US \$ terms)

Year	General Bond Index	Government Bond Indices		Non-Government Bond Indices ⁽¹⁾		
		CPI Linked Bonds	Non Linked Bonds	CPI Linked Bonds		Dollar Linked Bonds
				Total	Thereof: Tel-Bond 20 ⁽²⁾	
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)
2009	16.4	11.1	3.3	41.2	22.5	7.5

(1) Including corporate bonds, structured bonds and certificates of deposit.

(2) Launched on February 2007.

THE BOARD OF DIRECTORS

Chairman

- Saul Bronfeld

Elected Directors

- Efraim Abraham
- Elad Benbaji

- Eldad Fresher
- Hanna Pri-Zan
- Yoram Sirkis
- Arik Steinberg

- Prof. Daniel Tsiddon

Substitute

- Akiva Sternberg Union Bank
- Shlomi Friedman Excellence Nessuah Brokerage Services Ltd. / Harel Finance Trade & Securities Ltd.
- Yoel Berger Mizrahi Tefahot Bank
- Ronit Meiri Harel Bank Hapoalim
- Ella Golan The First International Bank
- Anat Frumkes Psagot Securities Ltd/ Migdal Stock Exchange Services (N.E.) Ltd.
- Haim (Abe) Avraham Bank Leumi Le-Israel

Independent Directors

- Yoram Alster
- Lynda Ben-Shoshan
- Avner Halevy
- Dr. Ron Malka
- Arik Peretz
- David Shlahet
- Barry Topf
- Ester Levanon

- Anat Feuer Ministry of Finance
- Irit Mendelson Bank of Israel
- 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 & Surveillance Department
- Hagit Neeman - Senior Vice President, General Council and Corporate Secretary
- Rina Shafir - Senior Vice President, Trading & Clearing Department
- Yoni Shemesh - Senior Vice President, IT & Operations Department
- Yossi Treister - Senior Vice President, Administration & Finance 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
- Harel Finance Trade & Securities
- Israel Brokerage & Investments IBI
- Meitav Brokerage Services (Gaon Trade)
- Migdal Stock Exchange Services (N.E.)
- Poalim Sahar
- Psagot Securities
- UBS Securities Israel
- Merrill Lynch International (Remote Member)

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