

TASE IN 2019*

In keeping with leading exchanges worldwide, trading on TASE this year was graced with considerable gains.

The TA-35 index rose 25% in dollar terms, similar to the average gains of 22% posted on European exchanges.

The TA-125 index gained some 21%, reaching an all-time record high.

Five-years, 2015-2019, the TA-Technology and TA-Real Estate indices lead with cumulative returns of 142% and 125%, respectively.

Total equity raised on the TASE share market in 2019 came to around US\$ 3.8 billion – twice the amount raised in the previous year.

This year 7 IPOs were completed on TASE, raising approximately US\$ 0.9 billion, 5 of which by large-cap companies that were added to the flagship TA-90 index. 3 other companies dual-listed on TASE. In addition 8 new companies listed on TASE as a result of reverse mergers.

Among this year's IPOs, the most prominent was the sales offer of Isracard, raising US\$ 0.5 billion.

Seasoned TASE-traded companies raised a total of approximately US\$ 2.9 billion over the year in secondary offerings.

Principal shareholders sold US\$ 1.5 billion worth of shares this year, which raised the free float to approximately 59%.

Average daily trading volume in the equity market (including ETFs) came to around US\$ 0.4 billion.

Average daily trading volume in the bond market (including ETFs) came to around US\$ 1.0 billion.

Most of the bond market – corporate and government – posted gains this year, in keeping with the general positive global trend, and influenced by the Bank of Israel's decision to leave interest rates unchanged, as well as expectations for a lowering of rates.

* All the data included in this review are expressed in terms of U.S. dollars, with the exception of returns on TASE indices, which are in terms of the local currency – unless stated otherwise.

Some US\$ 21.2 billion were raised from the public and institutional investors in corporate bond issues and US\$ 0.9 billion were raised through structured notes.

4 new corporate bond issuers raised US\$ 0.5 billion, of which the government company “Mekorot”.

The financial sector, notably the large banks, raised approximately US\$ 8.9 billion, increasing the total debt raised in the bond market.

The real sector raised US\$ 11.5 billion this year – real estate companies continue to lead the list of issuers, raising approximately 64% of the debt raised by the real sector on the bond market.

Israeli government bonds issued will be incorporated into the World Government Bond Index (WGBI) as of March 2020.

559 local ETFs traded on TASE this year and, for the first time, 23 foreign ETFs were cross-listed on TASE by BlackRock. These foreign funds trade simultaneously on TASE and exchanges abroad.

The market cap of ETFs comes to US\$ 27 billion;

In 2019, the public invested some US\$0.6 billion in ETFs tracking TASE share price indices, of which US\$0.4 billion in ETFs on the TA Banks-5 index.

Equity Market Share Prices

The TA-35 index rose approximately 15% in 2019, after losing around 3% in 2018, and is lower about 2% than the record level set in August 2015.

Overall, stock trading on TASE, much like the leading markets worldwide was graced with rising prices. The gains, which started as a correction of the sharp drop in prices plaguing world markets in December 2018, were supported primarily by low and even negative interest rates and the expansionary monetary policies undertaken by central banks throughout the world.

Most of the index constituents contributed to the index's performance this year, particularly the shares of the **Discount Bank**, which jumped approximately 41%, contributing around 2.5% to index, and the shares of the **Azrieli Group** and the **Mizrahi-Tefahot Bank**, which gained around 44% and 50% respectively, collectively adding 4% to the index in 2019. In contrast, the shares of **Teva** and **ICL**, which plunged some 42% and 20%, respectively, over the year, partially offset these gains.

In dollar values, the TA-35 index rose 25% in 2019, as opposed to the 38% increase in the NASDAQ 100 index, and an average 22% increase in the leading European share price indices, including the FTSE 100 index, which gained around 16%.

The TA-90 index soared this year, gaining approximately 40%, after falling 3% in 2018, fueled by surging prices in real estate and technology shares, around 73% and 55%, respectively, which together account for around 53% of the index's market capitalization.

The **TA-125** index, which gained 21% over the year, **reached an all-time record level**, and this similar to trends evidenced in the leading U.S. market indices.

Key positive factors influencing the TASE equity market include:

- The Bank of Israel interest rate, which has remained at a low 0.25% since December 2018 and is expected to drop to 0.1%, in keeping with the general world trend and backed by -0.6% inflation rate in 2019, lower than 1% - the lower threshold of the inflationary target set by the government. Low interest contributed to the increase in corporate profitability, particularly of real estate companies and banks, and to brisk capital raising activity in both the equity and bond markets.
- Positive macroeconomic fundamentals:
 - GDP growth of 3.3% in 2019 – slightly lower than the growth rate for 2017-2018 (3.4% on average);
 - Increase of the Composite State-of-the-Economy index indicating the maintenance of a growth rate (0.3% per month) similar to that experienced in recent years;
 - Continued low unemployment, which in October dropped to a historic low of 3.5% as opposed to 4.3% at the end of 2018;
 - Record sovereign credit ratings. The international credit rating agency, **S&P**, affirmed the highest credit rating ever granted Israel (AA-, stable outlook) and upgraded its status from "temporary" (set in August 2018) to "permanent"(January

2019). This high rating was reaffirmed in August 2019. The international credit rating firm, **Fitch**, affirmed its sovereign credit rating for Israel at A+ with a "stable outlook" in both March and August 2019.

- **In the international realm:** The lowering of interest rates in tandem with quantitative easing by central banks throughout the world, including the Federal Reserve (the Fed), which lowered the interest rate by a quarter of a percent three times in the second half of 2019 to a level of 1.5%-1.75% and announced massive purchases of U.S. Treasury bonds beginning in October, and the European Central Bank (EOB), which lowered the interest on deposits by 0.1% to a level of minus one half of one percent and announced its plans to purchase government bonds starting in November.

Key negative factors influencing the TASE equity market include

- The weakening of the U.S. dollar and the Euro relative to the shekel by around 8% and 10%, respectively, which has had a negative impact of the revenues of exporters to the U.S. and Europe. The weakening of the dollar was affected by both the Fed's lowering of interest rates in the U.S. and the Bank of Israel's decision to discontinue dollar purchases in January 2019. In November 2019 the Bank of Israel resumed purchasing dollars.
- Increase in the government deficit. which was aggravated by the failure to form a government – a deficit of 2.9% was budgeted in 2019, a rate similar to the 2018 deficit, while the actual 2019 annual deficit appears to be approaching 3.7%.
- An anticipated increase in the debt/GDP ratio in 2019 as well, following the increase in the government deficit and parallel slight decrease in the rate of growth.
- **In the international realm:** Global slow-down in which growth continues, but at a slower pace. Economists at the OECD project a global growth rate of 3% for 2019 – the lowest rate since the 2008 financial crisis, and this in spite of 3.7% growth in 2018. The United States is anticipating a 2.3% growth rate, as opposed to 2.9% in 2018. In China, the rate of growth in 2019 came to 6% - the lowest rate since 1992, while in Europe, the growth rated is near zero.

Contributing to the slow-down: the trade war between the U.S. and China; "Brexit" (Britain's departure from the European Union), which has yet to materialize as an actual agreement and has been postponed for the third time to January 2020; geopolitical tension in the Middle East, which have an effect on oil prices (which rose approximately 22% to around US\$ 66 per barrel).

Sharp gains were posted for most TASE sectoral indices, first and foremost, the **TA-Real Estate** and **TA-Technology** indices, which surged this year by 73% and 55%, respectively. These indices also lead in five-year cumulative gains, with returns of 125% and 142%, respectively in the period 2015-2019.

Table 1: Rates of return on TASE share price indices

	2019	2018	2015-2019
TA-35	15%	3%	15%
TA-90	40%	-3%	83%
TA-125	21%	-2%	25%
TA-SME60	10%	-23%	19%
TA BANKS-5	27%	5%	109%
TA- REAL ESTATE	73%	-11%	125%
TA TECH-ELITE	40%	-2%	68%
TA- TECHNOLOGY	55%	2%	142%
TA-BIOMED	-19%	-26%	-66%
TA OIL & GAS	-1%	4%	-5%

Two new share price indices were launched in 2019:

The **TA-Energy Utilities index** was launched on 1 July 2019 comprises all shares included in the energy subsector within the “Energy and Oil & Gas Exploration” sector, as well as the energy companies included in the “cleantech” subsector of the “Technology” sector.

The index currently includes 13 companies (6 energy and 7 cleantech) with a total market capitalization of US\$ 12 billion. Of the index constituents: 3 TA-35 index constituents, 5 TA-90 index constituents and 5 TA-Growth index constituents. From its launch date until the end of 2019, the index rose 18%.

The volatility index – **VTA35 index**, which was launched on 16 July 2019 – represents the level of volatility implied in the prices of TASE-traded TA-35 index options. The VTA35 index was developed by TASE in a manner which adjusts the index to the unique characteristics of the TASE derivatives market. It reflects the annualized standard deviation, stated in percent, implied in TA-35 index option prices for the coming 30 days. The index is calculated and released continuously, every 15 seconds, beginning in the continuous trading phase on TASE and ending with close of derivatives trading.

With the launch of the VTA35 index, TASE joins leading derivatives exchanges, which have volatility indices, such as: the VIX (so-called “fear index”) on the Chicago Board Options Exchange (CBOE), the VSTOXX on the Eurex Exchange, and the VFTSE on the Euronext Exchange.

Since the launch of the index, closing prices of the index have ranged between 10 and 19 points. As of the end of 2019, the index stands at 12 points – a relatively low level. On August 14th, following a sharp decline in global stock markets, the VTA35 surged by approximately 30% during trading, reaching 20 points, its highest level during the year. The increase in standard deviation on that day was also reflected in high turnover, coming to 184 thousand TA-35 index option contracts (of which, 95 thousand weekly options).

The Real Estate Sector, the largest sector on TASE, has been split into subsectors – “Investment Properties” and “construction”

TASE has split its largest sector classification, “Real Estate and Construction” into two subsectors – “Investment Properties” and “construction”. This is in light of the fact that the nature of activity of income-generating real estate companies and the risk engendered in their activity differ from the nature of construction company activity and its associated risks. The split into two subsectors became effective on 1 July 2019.

The Real Estate and Construction sector currently comprises **90** companies, with a total market capitalization of US\$ **50** billion, where 70 of the largest of these companies are constituents in the TA-Real Estate index and have a combined market capitalization of US\$ 49 billion. The division of the real estate sector into two subsections enables the launch of indices tracking each subsector separately, and this alongside the continued publication of the current TA-Real Estate index.

The new “Investment Properties” subsector consists of companies which deal primarily in real estate projects which yield current income on a regular basis. The definition of “Investment Properties” specifies companies which engage, either themselves or through their subsidiaries or associates, in real estate for commerce, industry, offices, logistic services, residences, hotels, retirement communities, or are real estate investment trusts (REIT). Currently, this subsector numbers **51** companies and has a total market capitalization of US\$ **43** billion.

On 31 December 2019, this subsector was split into two new subsectors –

The **“Investment Properties in Israel”** subsector includes 31 companies with a total market capitalization of US\$ 34 billion, while the **“Investment Properties Abroad** subsector includes 20 companies with a total market capitalization of US\$ 9 billion.

This split allows investors to compare companies for which their activity is primarily in Israel with globally diverse companies or companies focusing their activity on specific countries abroad. It also enables the launch of share price indices tracking each subsector separately.

The **Construction subsector** comprises all companies included in the Real Estate and Construction sector engaged in real estate development, construction contracting, urban renewal and infrastructure construction, and also includes companies belonging to the Real Estate and Construction sector, which are not included in the income-generating real estate subsector. Currently there are **39** companies, representing a total market capitalization of US\$ **26** billion in this subsector.

Equity Market Trading Volume

Table 2: Average Daily Trading Volume in the TASE Equity Market (in US\$ millions)

	2019	2018	% Change in 2019
SHARES INCLUDING ETPS*	365	391	-7%
SHARES EXCLUDING ETPS	303	313	-3%

*ETPs – in 2018 including ETNs and ETFs, not including off-exchange ETN transactions, which were outside the normal course of trading, following the reform in the fourth quarter of that year that converted ETNs to ETFs. In 2019 – ETFs only.

In the first quarter of the year, daily trading volume averaged US\$ 315 million – influenced by apprehensions of an impending drop in global stock markets, following the sharp declines of December 2018. In the remaining quarters, in contrast, turnover rose in tandem with rising shares prices, and the average daily trading volume reaching levels of US\$ 370-430 million.

Free Float

The sale of shares by principal shareholders continued in 2019, albeit more modestly than in last year, and exceeded US\$ 1.5 billion. This follows sales of around US\$ 3.6 billion in 2018 and US\$ 1.4-1.6 billion in each one of the years 2016-2017. Sales in previous years resulted in an increase in the free float, which came to 59% by the end of 2019, as opposed to 46% in 2014 (excluding Teva, Perrigo and I.F.F.)

This year's most prominent sales were undertaken to meet the requirements of the "Anti-concentration Law". The Wertheim family sold shares in **Alony Hetz** for US\$ 310 million – and as a result of this sale, it currently meets the provisions of the Anti-concentration law pertaining to the separation of significant holdings in real sector companies from holdings in financial corporations. The Property and Building Corporation liquidated its holdings in **Gav Yam** shares for around US\$ 190 million and I.D.B. Development sold shares in the **Clal Insurance** for approximately US\$ 140 million. With these sales, both parties ceased being controlling shareholders in these companies.

Equity Capital-raising

Table 3: Equity Raised on the Tel Aviv Stock Exchange

YEAR	2019 AMOUNT RAISED (IN US\$ MILLION S)	2018 AMOUNT RAISED (IN US\$ MILLION S)	2017 AMOUNT RAISED (IN US\$ MILLION S)	2019 NO. OF PUBLIC OFFERINGS & PRIVATE PLACEMENT S	2018 NO. OF PUBLIC OFFERINGS & PRIVATE PLACEMENT S	2017 NO. OF PUBLIC OFFERINGS & PRIVATE PLACEMENT S
PUBLIC OFFERINGS	2,353	1,028	2,351	60	64	92
OF WHICH IPOS*	902	517	840	7	11	17
PRIVATE PLACEMENT S	1,183	580	764	98	74	105
WARRANT EXERCISE	223	250	292	-	-	-
TOTAL	3,759	1,858	3,407	158	138	197

* Not including new listings without capital being raised.

Equity raised on TASE in 2019 came to approximately US\$ 3.8 billion, as opposed to around US\$ 1.9 billion in 2018. **The total raised from public offerings reached around US\$ 2.4 billion**, 129% greater than the total raised in the previous year. **Roughly 38% of this amount was raised in 7 IPOs. An analysis of the IPO data reveals that:**

- **This year the IPOs were notably large.** Four large-cap companies went public this year: **Isracard** raising US\$ **0.8** billion, **Yohananof** raising US\$ **0.7** billion IPO, **Altshuler Shaham Provident**, and **Freshmarket** raising US\$ **0.3** billion each. **The Tel Aviv Stock Exchange** completed an IPO of US\$ 200 million, and two companies, (**Generation Capital** and **SHVA Automatic Bank Services**) raised US \$80-90 million each. Four of these companies were added to the TA-90 index and **Yohananof** is scheduled to be added in February 2020.
- **Two public offerings were completed within the framework of the "Increasing Competition and Reducing Concentration in the Banking Market Law"** - the credit card company, **Isracard** – in which some **65%** of its shares were sold to the public by Bank Hapoalim, and **SHVA Automatic Bank Services**, a company engaged in operating credit card clearing and charging systems - **44%** of its shares were sold to the public by three banks -Poalim, Leumi and Discount.

Isracard concluded the largest offering of the year, raising US\$ **0.5** billion. This the greatest sum raised in an IPO since the Azrieli Group IPO in June 2010. One week following the share offering, Isracard raised US\$ 0.3 billion debt in a public offering of non-linked bonds, rated Aa2 by the *Midroog* credit rating agency.

- The first infrastructure investment fund to list on TASE – **Generation Capital** raised around US\$ **170 million** in an IPO and two secondary share offerings. Most of the proceeds, around US\$ **149 million**, were raised in a non-uniform offering to institutional investors.
- US\$ **0.7 billion** were raised in **sales offerings** by controlling shareholders in the IPOs of **Isracard, SHVA Automatic Bank Services, Altshuler Shaham Provident** and by the **Tel Aviv Stock Exchange in a non-uniform sales offering to institutional investors in Israel and abroad.**
- **The use of non-uniform offerings to institutional investors** – Following years in which companies raised capital solely through uniform offerings – i.e., an auction on the share price, this year a trend of conducting non-uniform (book building) offerings to institutional investors was started. **Yohananof, Freshmarket** and the **Tel Aviv Stock Exchange** completed IPOs in this manner. Book building was instrumental in attracting many foreign subscribers to the Tel Aviv Stock Exchange IPO, since all offerings abroad are carried out in this manner.

Table 4: List of IPO companies – business activity, total equity raised, post-offering market cap

COMPANY	BUSINESS ACTIVITY	TOTAL EQUITY RAISED (US\$ MILLIONS)	POST-OFFERING MARKET CAP (US\$ MILLIONS)
ISRACARD (SALES OFFERING)	CREDIT CARD ISSUE, CLEARING AND SETTLEMENT	492	754
YOHANANOF	SUPERMARKET CHAIN	145	680
ALTSHULER SHAHAM GEMEL (SALES OFFERING)	MANAGEMENT OF PENSION AND PROVIDENT FUNDS	81	326
FRESHMARKET	SUPERMARKET CHAIN	70	279
TEL AVIV STOCK EXCHANGE (SALES OFFERING)	SECURITIES TRADING, CLEARING AND SETTLEMENT	64	201
GENERATION CAPITAL	INFRASTRUCTURE INVESTMENT FUND	15	91
SHVA AUTOMATIC BANK SERVICES	OPERATION OF CREDIT CARD CLEARING AND CHARGING SYSTEM	36	82

Among the equity offerings of seasoned issuers, **Cla Insurance** and the investment properties firm, **AFI Properties**, each of which raising US\$ **185 million in the largest secondary offerings on the equity market in two years**, stood out.

The total raised in private placements in 2019 came to US\$ **1.2 billion** dollars, twice the amount raised in the previous year. **Placements completed within the framework of reverse mergers stood out.**

Eight companies joined TASE via reverse mergers with listed shell companies.

This year, the injection of business activity into eight new companies was completed:

- ❖ Five new companies are engaged in the medical cannabis industry:
 - The business activity of the "Pharmacann" company was injected into the shell, "Medical Compression" and its name was changed to "Pharmacann Global". Within the framework of this transaction, 68% of the company's shares were privately placed. The company's valuation, which on the eve of the placement was around US\$ 17 million, closed the year at US\$ 50 million.
 - The business activity of "Elliot L.C.S. Pharma" was injected into "Tefen Management Consulting" and its name was changed to "Intelicanna". Within the framework of this transaction, 70% of the company's shares were privately placed. The company's valuation, which on the eve of the placement was around US\$ 21 million, closed the year at US\$ 20 million.
 - The "Seah" company was merged into "Beyond Times Holdings", in wake of the company raising US\$ 22 million. Within the course the transaction, around 51% of the company's shares were privately placed. The company's valuation rose from US\$ 16 million on the eve of the placement to US\$ 79 at year's end, and its name was changed to "Seah Medical Group."
 - The business activity of "Panaxia Israel" was injected into the "Herodium Investments" and its name was changed to "Panaxia Labs Israel". The transaction included the private placement of 80% of the company's shares. The company's valuation on the eve of the placement was US\$ 18 million, surging to US\$ 77 million at the end of the year.
 - The business activity of "Canzon" which engages in medical cannabis product e-commerce was injected into the shell company "User Trend" and its name was changed to "Canzon Israel". The company raised US\$ 7 million in a public offering, and privately placed non-traded warrants which account for 85% of the company's equity. The company was valued at US\$ 0.3 million on the eve of the placement and at US\$ 10 million at the end of the year.

- ❖ Two companies engaged in the non-bank lending market
 - The business activity of Gibui Eitan, which extends non-bank credit to small and medium-size enterprises, was injected into "Ultra Equity Investments" and its name was changed to "Gibui Holdings". In this transaction, approximately one half of the proceeds were paid in cash, while 75% of the shares were privately placed. The company's value rose from US\$ 5 million on the eve of the placement to US\$ 24 million at the end of the year.
 - Non-bank lending activity was injected into the "Unet Credit Finance Services" company at the beginning of the year, without additional capital being raised.

- ❖ The business activity of "Augwind" which is engaged in energy storage was merged into "Biomedico" and its name was changed to "Augwind Energy Tech Storage". The transaction involved the placement of 53% of the company's shares. The valuation of the company rose from US\$ 5 million on the eve of the placement to US\$ 41 million at the end of the year.

New listing without capital raising – In March, the shares of **Utron**, a spin-off of TASE-traded Unitronics, were listed on TASE. Utron is engaged in the development, manufacture and maintenance of autonomous parking lots and in the logistic system automation.

Dual Listings

Three companies listed shares on TASE within the framework the dual listing provisions of the Securities Law

- ❖ **Enlivex** –a clinical-stage Israeli immunotherapy company, listed its shares for dual listing on TASE in July. Its market capitalization comes to US\$ **88** million, and its shares were added to the following TASE indices in October 2019: TA-125, TA-90, TA SME150, TA Tech-Elite, TA Global-BlueTech, TA-Biomed, and TA Industrials.
- ❖ **Powerfleet** –an American company, which absorbed **Pointer**, a provider of location services and vehicle fleet management traded on both TASE and NASDAQ and I.D. Systems, an American company traded on NASDAQ, in a three-way reverse merger. As a result of the merger, Powerfleet shares began dual-trading on TASE and NASDAQ in October and Pointer shares were delisted from both exchanges. Powerfleet's market capitalization comes to around US\$ **186** million and its shares were added to the following TASE indices in December 2019: TA-125, TA-90, TA SME-150, TA Global-BlueTech, TA-Technology and TA industrials.
- ❖ **BATM**–a developer of communications systems and medical devices, which is traded on the London Stock Exchange's Premier listings, listed its shares on TASE starting in July. The market capitalization of the company comes to approximately US\$ **218** million. Its shares were added to the following TASE indices in September 2019: TA-90, TA-125, TA Tech-Elite, TA Global-BlueTech, and TA-Technology.

Two TASE-traded companies cross-listed their shares on NASDAQ:

- ❖ The biomed company, **Itamar Medical**, which has been trading on TASE since 2007, cross-listed its shares on NASDAQ (without raising capital) in March.
- ❖ The biomed company, **Brainsway**, which has been trading on TASE since 2007, raised around US\$ **31** million dollars in its first stock offering in the United States. Its shares began trading on NASDAQ in April.

Three companies delisted their shares from trading in the United States but continue trading on TASE:

- Investment Properties company, **Gazit Globe** delisted its shares from the New York Stock Exchange in March.

- Investment company **Elbit Imaging** – which was delisted from NASDAQ in February following its failure to meet maintenance requirements.
- Foreign technology company, **Ability**, which was delisted from NASDAQ in December following its failure to meet maintenance requirements.

In contrast, three high tech companies delisted their shares solely from TASE, and these continue to trade in the United States: biomed companies – **Navidea** (NYSE), and **Anchiano** (NASDAQ) as well as technology company, **Cyren** (NASDAQ). At the end of the year, biomed company **Redhill** announced its intentions to delist from TASE, beginning in 2020.

There are currently **55** dual listings, the shares of which trade in both Israel and the United States or London under the dual listing framework.

TASE-listed companies raised some US\$ 2.8 billion in public share offerings and private placements abroad, as opposed to US\$ 2.2 billion raised each year in 2017-2018. US\$ **0.9** billion of the total was raised by the oil and gas company, **Energean**, the shares of which trade on both TASE and the London Stock Exchange's Premier Listings, in a private placement of shares to foreign and Israeli investors.

Number of TASE-listed companies

As of the end of the year, 442 equity companies are listed on TASE, as opposed to 448 companies at the end of 2018.

11 new companies joined TASE in 2019-

Combined Market Cap at the end of 2019 comes to US\$ 3.6 Billion.

In addition, 8 new companies, most operating in the medical cannabis industry, went public on TASE in 2019 through reverse mergers with inactive shell companies. The value of these companies rose by some US\$ 0.3 billion since the injection of the new business activity until year's end.

- **Seven IPOs**, with a combined after-the-money market capitalization of US\$ 2.4 billion closed the year at US\$ **3** billion.

Five of the new listings are large companies- Isracard, Altshueler Shaham Provident, Freshmarket, Yohananof and the Tel Aviv Stock Exchange. The shares of four of the five have already been added to the TA-90 index, and Yohananof shares are scheduled to enter the index in the beginning of 2020.

Market data for the companies completing IPOs this past year on TASE:

COMPANY	AFTER-THE-MONEY VALUE (IN MILLION DOLLARS)	RATE OF RETURN FROM IPO TO END OF THE YEAR (IN LOCAL CURRENCY)
ISRACARD	754	(4%)
YOHANANOF	680	(5%)
ALTSHULER SHAHAM PROVIDENT	326	78%
FRESHMARKET	279	65%
TEL AVIV STOCK EXCHANGE	201	65%
GENERATION CAPITAL	91	(11%)
AUTOMATIC BANK SERVICES	82	15%
TOTAL	2,413	

- **Three companies dual listed their shares on TASE** (BATM, Enlivex, and Powerfleet). The combined market cap of these companies at the end of the year came to US\$ **0.5 billion**.
- One company, **Utron**, was spun-off from the seasoned TASE-traded company, Unitronics, and had a market cap of US\$ **37 million** at the end of the year.
- In addition, 8 new companies, most operating in the medical cannabis industry, went public on TASE in 2019 through reverse mergers with inactive shell companies. The value of these companies rose by some US\$ 0.3 billion since the injection of the new business activity until year's end.

17 companies were delisted in 2019, 6 of which, representing a combined value of US\$ 3.5 billion, were merged into TASE-listed companies, such that their value was not deleted from TASE.

The delisting of only 11 companies with a combined value of US\$ 1.4 billion impinged on TASE's coverage of the Israeli economy.

Six of the companies delisted in 2019, the value of which on the eve of the delisting came to US\$3.5 billion, were merged into other TASE-listed companies, **such that TASE's coverage of the Israeli economy did not diminish and their value is reflected in the market cap of the TASE companies into which they were merged.**

The two largest of these mergers were carried out in order to meet the requirements of the "Anti-concentration Law", which stipulate that the third layer of a pyramidal ownership structure must be liquidated by the end of 2019. Accordingly, "J.O.E.L." was absorbed by "Equal" and "I.D.I. Insurance" was merged into "Zur Shamir".

Two additional mergers were completed to enhance the efficiency of the merging parties and reduce costs: "Jerusalem Economy" was merged into the "Industrial Building" and "Israel Land Development Hotels" was acquired by the "Israel Land Development".

The "Municipal Bank" was sold to Bank Mercantile, of the "Discount Bank" group.

The dual listing, "Pointer" was absorbed by "Powerfleet" which dual-listed its shares following the merger on TASE and NASDAQ.

The delisting of **only** 11 companies – with a combined market cap of US\$**1.4** billion – of the 17 companies delisted lowered the total value of TASE-traded companies.

- **3** high-tech **dual listings** with a combined value of US\$ **0.2** billion on the eve of their delisting delisted solely from TASE and continue to trade on NASDAQ (Navidea, Cyren, and Anchiano).
- **6** companies delisted this year following mergers with non-listed companies or tender offers by controlling shareholders. The combined value of these on the eve of their delisting came to US\$ **1.2** billion.
- **2** small companies delisted this year following 4 years on the maintenance list. The total value of these on the eve of their delisting came to only US\$ **1.4 million**.

Bond Market

TASE Bond Indices

Trading in TASE-traded bonds – corporate and government alike – yielded returns of **8%-9% this year**, in keeping with the worldwide trend.

A number of factors influenced bond market trading:

- ❖ The lowering of interest rates in the United States by a quarter of a percent to a level of 1.5%-1.75% at the end of the year, **had a positive impact on the prices of all types of bonds and on debt-raising through the public bond market**. The yield-to-maturity (YTM) on 10-year Treasury bonds in U.S. dropped from 2.7% at the end of 2018 to 1.9% towards the end of 2019 – the lowest level since April 2016, as opposed to a 1% YTM on a 10-year non-linked shekel government bond in Israel. In November, the Fed announced that the policy to lower interest rates in the United States would be ending.
- ❖ The increase in the inflation rate to around 1.5% during the first half of 2019, a rate higher than the lower threshold of the government target (1%), had a **positive impact on CPI index-linked bond prices and on the relative weight of these bonds in the total raised in bond offerings this year**. The pace of inflation subsequently subsided, however, reverting to an annual rate of 0.6%. Despite the drop in the inflation rate, investments in these bonds still yielded surplus returns relative to the prevailing low interest rate.
- ❖ The Bank of Israel's decision to leave interest rates unchanged and the expectations for their lowering **had a negative impact on the prices of non-linked variable interest rate bonds**.

New TASE Bond Index

TASE launched the **CPI-linked Government Bond 15+ index** in January 2019. This index is targeted at investors which prefer low-risk investments and anticipate growing inflation, as well as investors interested in increasing exposure to long-duration instruments. The index rose by some **25%** since its launch.

Bond Market Trading Volume

Table 6: Average Daily Trading Volume in the TASE Bond Market (US\$ millions):

	2019	2018	% Change in 2019
GOVERNMENT BONDS	735	736	0%
CORPORATE BONDS INCLUDING ETPS*	251	289	-13%
CORPORATE BONDS EXCLUDING ETPS**	224	252	-11%
MAKAM (T-BILLS)	116	120	-3%

* ETPs - in 2018, ETNs and ETFs, not including off-exchange transactions, that were outside the normal course of trading following the reform in the fourth quarter of that year in which ETNs were converted to ETFs . In 2019 – ETFs only.

** Including structured bonds.

The volume of bond trading (including structured bonds, excluding ETPs) averaged approximately US\$ 224 million per day in 2019, lower by about 11% than the record volumes posted in the 2017-2018 period.

Trading volumes in government bonds remained steady in 2019. The daily volume of **non-linked government bonds** averaged approximately US\$ 506 million, while the daily turnover of **CPI-linked government bonds** averaged US\$ 229 million.

Foreign investors liquidated a net US\$ 2.2 billion TASE-traded government bonds in the months January-May 2019, and purchased a net US\$ 0.9 billion in the June-October period. This follows net purchases of US\$ 1.6 billion in 2018. Foreign investor activity was influenced by fluctuations in the shekel/dollar exchange rate, and from the yield differential between 10-year government bonds – approximately 1.9% in the U.S. as opposed to 1% in Israel.

Israeli government bonds will be added to the World Government Bond Index (WGBI) beginning in March 2020:

Index vendor FTSE Russell announced the impending entrance of Israel to the WGBI at the end of March 2020. This index tracks the government bonds of more than 20 countries, and includes more than one thousand bonds from the U.S., Japan, Germany, and other countries. Israel will be the 23rd country in the index and the first to enter since 2010. **Israel's entry into the index is expected to increase foreign investor demand for bonds issued by Israel's government.**

Debt Raised on the TASE Bond Market

The government floated approximately US\$ 19.5 billion, gross, on the TASE bond market in 2019, as opposed to US\$ 13 billion each year in 2017-2018, the largest issuance of government bonds since 2013. Some 82% of this year's issues were non-linked shekel bonds as opposed to 78% in 2018, while 18% were CPI-linked bonds, as opposed to about 22% in 2018.

The Ministry of Finance's offerings this year were accompanied by redemptions of approximately US\$ 14.4 billion non-linked shekel bonds and US\$ 5.3 billion CPI-linked bonds.

In addition, the Ministry of Finance raised US\$ 3.6 billion sovereign debt abroad. Most of this sum, around US\$ 2.9 billion was raised **in an offering in London** comprising two series of low-interest EURO-linked bonds. Half of this sum was in 10-year bonds at 1.5% interest, while the other half for the first time, in 30-year bonds bearing 2.5% interest.

The total raised by the government in Israel and abroad

This year came to a gross US\$ 23.1 billion, as opposed to US\$ 14.9 billion in the previous year, and this was influenced by the continually growing budgetary deficit. There was a sharp increase in government spending this year coupled with a more modest growth in tax revenues, which together brought the increase in the government deficit to approximately 3.7% in 2019, as opposed to the budgeted 2019 deficit of 2.9% and actual deficit of 2.9% and 1.9% in the years 2018 and 2017, respectively. **This year, for the first time in five years, the actual deficit is expected to exceed the budgeted deficit.**

The total debt raised through corporate bonds floated on the TASE bond market (including exchange offers and structured notes) came to **US\$ 22.1 billion** in 2019, as opposed to US\$ 18.4 billion in the previous year (excluding debt raised abroad), and opposed to the record US\$ 22.7 billion debt raised 2017.

Companies undertook public offerings this year in part to recycle existing debt (around 83%) and in part to finance the expansion of business activity (around 17%). **Redemption of traded corporate bonds** (of both the real and financial sectors) this year came to around US\$ 12 billion, following redemptions of US\$ 9.5 billion and US\$ 12 billion in the years 2018 and 2017, respectively. **Redemptions of an estimated US\$ 15 billion are anticipated for 2020**, the primary increase – roughly US\$ 2.3 billion - stems from bonds issued by the financial sector.

Debt raised through corporate bonds in 2019 – main characteristics

- **Debt raised by the financial sector on the rise – pursuant to the trend of the previous year.**

The financial sector raised US\$ 8.9 billion this year, accounting for 44% of the total raised in corporate bond offerings, and following the US\$ 5 billion and US\$ 4 billion raised in 2018 and 2017, respectively.

This year as well, **Israel's large banks contributed to the rise in the total raised by the financial sector**, which came to US\$ 6.3 billion in 2019 as opposed to US\$ 3.2 billion in the previous year.

The major issuers this year include **Mizrahi Tefahot**, which raised US\$ 1.9 billion (of which US\$ 0.3 billion in Contingent Convertible (CoCo) bonds that include a principal write down mechanism), and the banks: **Discount**, which raised around US\$ 1.1 billion (of which US\$ 0.3 billion in CoCo bonds which include a principal write down mechanism); **Poalim**, which raised around US\$ 1.0 billion (of which US\$ 0.3 billion in CoCo bonds which include a principal write down mechanism); and **Leumi**, which raised around US\$ 0.9 billion (of which US\$ 0.4 billion in CoCo bonds which include a conversion-to-shares mechanism).

The decline in debt raised by the real sector continues – pursuant to the trend of the previous year.

The real sector raised some US\$ **11.5** billion in 2019, which constitutes approximately 56% of the total raised through corporate bonds, as opposed to around US\$ 12.1 billion and US\$ 15.4 billion in the years 2018 and 2017, respectively. **The intended use of proceeds includes the redemption of existing traded bonds and the expansion of business activity.** The combined total redemptions of traded corporate bonds issued by real sector companies came to US\$ 8 billion in 2019 and is expected to reach US\$ 9 billion in 2020.

Four companies completed their first offerings on the TASE bond market, raising a total of US\$ 484 million from the public:

- Israel's national water company, **Mekorot** raised US\$ **277** million through two series of CPI-linked bonds, rated AAA by Maalot: one series bearing 0.1% interest with a 6.5-year duration, and the other series bearing 2.07% interest with a 15-year duration.
- The foreign real estate company, **Westdale America**, raised US\$ **141** million in a bond offering of non-linked shekel bonds **in a non-uniform offering to institutional investors.** The bond was issued at 4.8% interest, had a 5-year duration and was rated A+ by Maalot. The company raised an additional US\$ **66** million through an offering of a new series of non-linked shekel bonds – bearing 4.35% interest, with a 5-year duration and rated A+ by *Maalot*.
- **Ayalon Insurance** raised US\$ **31** million in an offering of non-linked shekel bonds, at 3.18% interest, 5.2-year duration, and rated Baa1 by Midroog.
- The first non-bank lending company from the Arab community, **M.L.R.N. Projects** raised around US\$ 35 million in an offering of non-linked shekel bonds, bearing 3.9% interest, 1.8-year duration and rated BBB+ by Maalot.

Real Estate companies, which in recent years have enjoyed both low financing costs, in light of prevailing low interest rates, and industry-wide prosperity, reduced the scope of new bond issues. The decline in new offerings is influenced, *inter alia*, by the slowdown in residential rent increases and in spite of the increase of building starts as reflected in the data released by the Central Bureau of Statistics (CBS). Nonetheless, real estate continues to lead the sectoral list of corporate bond issuers, raising US\$ **7.3** billion in 2019, following the US\$ 8 billion raised each year in 2017-2018. These issuers redeemed traded bonds of some US\$ 3.6 billion in 2019, and are facing redemptions of around US\$ 5 billion in 2020.

Prominent among this year's 57 real estate corporate bond issuers : the **Azrieli Group**, which raised US\$ **1.1** billion, the government company **Israel Port**, which raised US\$ **0.5** billion, and three companies – **Airport City**, **Alony Hetz** and **Melisron**, each of which raised US\$ **0.4** billion.

Alony Hetz is the first issuer to raise debt through exchangeable bonds, which entitles the company at its discretion to pay the principal and interest through the company's shares rather than cash. The company, a TA-35 index constituent, issued two new series of non-linked shekel bonds for a total of around US\$ 173 million, of which US\$ 58 million was raised through the first series of exchangeable bonds (bonds payable in shares) ever listed on TASE. Both of the series issued by the company have a similar duration of 7.5 years and

both are rated AA- by Maalot. The exchangeable bond bears 2.66% interest, while the straight bond bears 2.41% interest.

Foreign companies (primarily real estate companies) raised US\$ 1.1 billion this year, as opposed to US\$ 1.8 billion and US\$ 2.7 billion in 2018 and 2017, respectively.

The “**Commerce and Services**” sector takes second place on the list of real sector bond issuers for the second year running, raising approximately US\$ 2 billion – as opposed to an average US\$ 1.7 billion raised in each 2018 and 2017. These companies redeemed approximately US\$ 1.3 billion bonds in 2019, and are expected to redeem a similar sum in 2020. Of the 11 issuers, the following stood out: the **Mekorot** water company, which raised US\$ 277 million in its first bond offering; food retailer **Shufersal**, which raised US\$ 151 million; and the car leasing companies, **Eldan Transportation** and **Shlomo Holdings**, which raised US\$ 222 million and US\$ 117 million, respectively.

Investment and Holding Companies come in third on the list of real sector issuers this year, raising a total of US\$ 1 billion, as opposed to US\$ 0.8 billion and US\$ 1.6 billion in 2018 and 2017, respectively. These companies redeemed US\$ 0.6 billion traded bonds in 2019, and are facing bond redemptions of US\$ 0.5 billion in 2020.

- **The weight of public offerings of bonds rated A and above increased, accounting for approximately 93%** of the total raised through public corporate bond offerings, as opposed to 91% and 82% in 2018 and 2017, respectively.
- **The weight of CPI-linked bonds** in the total raised in public corporate bond offerings increased for the second year running, comprising around **52%** in 2019 as opposed to 45% and 38% in 2018 and 2017, respectively. This year approximately US\$ 10 billion were raised through this instrument.
- **The relative weight of non-linked shekel bonds** increased slightly, accounting for around **47.6%** this year as opposed to around 47% in both 2017 and 2018, and raising US\$ 9 billion. Almost all issues were fixed rate instruments. US\$ 0.4 billion were raised through **commercial paper**, as opposed to an US\$ 0.2 billion in 2017-2018. **For the first time, government companies issued commercial paper to raise debt – Israel Ports and the Electric Company** raised US\$ 0.1 billion and US\$ 0.2 billion, respectively.

The issuance of dollar-linked bonds was almost entirely discontinued this year, and their weight in the total raised through public corporate bond offerings sunk to **0.4%** as opposed to 8% in the previous year. Only US\$ 0.1 billion were raised through dollar-linked bonds.

- **Around US\$ 1.1 billion were raised through private placements to institutional investors on TACT Institutionals platform (“Rezef Institutionals”),** as opposed to the US\$ 2.6 billion raised in the previous year (not including debt raised abroad).
- **Approximately US\$ 0.8 billion were raised in dedicated bond issued to institutional investors within the framework of bonds “not listed for trading” (N.L.T.),** as opposed

to US\$ 0.2 billion the previous year. Around US\$ **0.5** billion of the total was raised through the issue of commercial paper.

Structured bond offerings

Approximately US\$ **930** million were raised **through public offerings of structured bonds backed by local bank deposits**, following the US\$ 659 million raised in 2018. US\$ 845 million of the total was raised through non-linked shekel bonds, US\$ 56 million through CPI-linked bonds, and US\$ 29 million through dollar-linked bonds. All these TASE-traded structures are rated 'Triple A' by either Maalot or Midroog.

The issuers include **Ella Deposits**, which raised US\$ **535** million, of which US\$ 450 million in non-linked shekel bonds, and **Harel Exchange-traded Deposit**, which raised US\$ **395** million by a non-linked shekel bond series in its first offering on TASE.

ETFs Market

In the final quarter of 2018, the reform of Israel's exchange-traded products (ETP) market came into effect, under which 714 TASE-traded exchange-traded notes (ETNs) were converted into 610 exchange-traded funds (ETFs), and this following the unification of some ETNs and the redemption of others.

In 2019, 23 new ETFs completed public offerings, raising US\$ 1.1 billion. **Ten** of these ETFs track local and foreign share price indices while **13** ETFs track local and foreign bond indices. These new ETFs include the first ETF tracking the TA-Technology share price index.

In contrast:

- **59** ETFs with a combined market capitalization of US\$ 70 million were liquidated and delisted from TASE.
- **20** ETFs with a combined market capitalization of US\$ 220 million were converted to regular mutual funds.

Currently, 559 ETFs trade on TASE: 372 ETFs on local and foreign share price indices and 187 ETFs on local and foreign bond price indices. The combined market capitalization of these came to approximately US\$ **27** billion towards the end of 2019.

Foreign ETFs (Cross listed ETFs)

In Amendment 23 of the Joint Investment Trust Law, 1994, which became effective in February 2016, the Israel Securities Authority set up regulations governing the marketing and distribution of foreign mutual funds in Israel.

An exchange-traded foreign fund is an ETF issued by a foreign issuer, which is listed for trading on a stock exchange that is recognized for the purpose of dual listing under the provisions of Israel's Securities Law. The assets tracked by a foreign ETF can be foreign share price indices, foreign bond price indices, commodities or contracts. These foreign ETFs are traded on TASE Mondays through Thursdays, in New Israeli Shekels. The rules governing the listing of foreign ETFs on TASE are identical to those governing Israeli ETFs.

In August, 2019, financial giant, **Blackrock** listed, for the first time, **foreign ETFs which cross-trade on overseas exchanges under the brand name iSHAREs**. At the end of November 23 foreign ETFs, which also trade abroad, traded on TASE. Of these, 13 ETFs track foreign share price indices and 10 ETFs track foreign bond price indices. The market capitalization of TASE-traded Cross listed ETF came to US\$ 67 million at the end of 2019.

Table 7-A: ETF* Market Capitalization and Purchases/Sales by the Public

	NUMBER OF ETFS	MARKET CAPITALIZATION (IN US\$ BILLIONS)	MARKET CAPITALIZATION (IN US\$ BILLIONS)	NET ETF PURCHASES/SALES BY THE PUBLIC (IN US\$ BILLIONS)
	DECEMBER 2019	31.12.2019	31.12.2018	2019
ETFs ON TASE SHARE INDICES	75	7.4	5.2	0.6
ETFs ON FOREIGN SHARE INDICES	297	11.1	10.8	-2.5
ETFs ON BOND INDICES, PARTICULARLY TEL-BOND CORPORATE BOND INDICES**	187	8.4	7.0	0.2
TOTAL	559	26.9	23.0	-1.7

* Not including foreign Cross listed ETFs.

** Including ETFs on TASE government bond indices and foreign corporate bond indices.

There was an increase of US\$ 3.9 billion in the market capitalization of ETFs, as the public purchased ETFs tracking local share price indices and sold ETFs tracking foreign share price indices:

- The market capitalization of **ETFs on local share price indices** increased by around US\$ 2.2 billion. Approximately US\$ 1.6 billion of this increase stems from the rise in the underlying share price indices, particularly the TA-35, TA-125, TA-90 and TA Banks-5 indices, since 93% of the local equity ETFs' market capitalization is concentrated in these indices. About US\$ 0.6 billion of the increase stems from new ETF purchases, of which US\$ 0.5 billion were ETFs on the TA Banks-5 index.
- The market capitalization of **ETFs tracking foreign share price indices** increased by approximately US\$ 0.3 billion. The decline in holdings resulting from net sales of these ETFs of US\$ 2.5 billion are offset by rising share prices on the foreign stock exchanges, in particularly the S&P500 and NASDAQ100 indices- which contributed to the US\$ 1.8 billion increase in their market capitalization, since 43% of the market capitalization of ETFs on foreign indices is concentrated in these two indices. The depreciation of the

U.S. dollar against the shekel also contributed to the increase of market cap by US\$ 1 billion.

- The market capitalization of **ETFs tracking bond price indices**, particularly corporate bonds traded on TASE increased by approximately US\$ 1.4 billion. Most of the increase stems from the gains posted for the underlying bond indices, particularly the Tel Bond-60, Tel Bond-20 and Tel Bond-Shekel indices, since 50% of the market capitalization of bond market ETFs is concentrated in these three indices. Net purchases of these ETFs came to US\$ 0.2 billion.

Table 7-B: Mutual Fund Unit Net Creation/Redemption (in US\$ billions)

	2019	2018
MUTUAL FUNDS SPECIALIZING IN TASE-LISTED SHARES	0.4	-0.6
MUTUAL FUNDS SPECIALIZING IN TASE-LISTED BONDS	3.3	-4.3
SHEKEL FUNDS	-0.4	-1.1
MONEY MARKET FUNDS	2.0	1.7
FUNDS SPECIALIZING IN FOREIGN INVESTMENTS	0.2	1.1

The public prefers passive over active investments

In contrast to recent years, in which the public preferred active investment in shares over passive investment, in 2019 the public invested some US\$ **0.6 billion in ETFs tracking TASE share price indices**, which is greater than the total invested in mutual funds specializing in TASE-traded shares –roughly US\$ 0.4 billion.

The public buys mutual funds specializing in bonds and money market funds

This year, the public purchased a net US\$ **3.3 billion** of mutual funds specializing in **TASE-traded bonds**, and this following the net sale of US\$ 4.3 billion in 2018.

Prompted by the lowering of interest rates by central banks throughout the world, and by expectations for lowering rates in Israel, the public purchased net US\$ **2.0 billion money market funds** this year following net purchases of US\$ 1.7 billion in 2018.

ETP Trading Volume

Table 8: Average Daily Trading Volume in ETFs and ETNs (in million dollars)

	2019	2018
ETN/ETFS TRACKING SHARE PRICE INDICES*	62	78
% OF SHARE MARKET TRADING VOLUME	17%	20%
ETN/ETFS TRACKING BOND PRICE INDICES*	27	36
% OF BOND MARKET TRADING VOLUME	11%	13%

* For 2018, both ETNs and ETFs, not including off-exchange ETN transactions that were outside the normal course of trading following the reform in which ETNs were converted to ETFs that became effective in the last quarter of that year. For 2019- only ETFs.

Lower trading volume in the ETF market as institutional investor holdings increase

The decline in trading volume in the ETF market this year, in contrast to the previous year, was not accompanied by a decline in market capitalization. **This year's decline can be attributed to the growing holdings of institutional investors, which tend to adopt long-term "buy and hold" strategies.** Institutional ETF holdings increased from US\$ 11.5 billion at the end of 2018 to US\$ 14 billion at the end of November 2019, as indicated in data from the Bank of Israel. This increase comes **alongside massive sales of ETFs tracking foreign share price indices by the public.**

Derivatives Market

The trading volume of **monthly TA-35 index options** averaged **67** thousand contracts per day in 2019, as opposed to 100 contracts per day in 2017-2018.

The decline in the trading activity in **weekly TA-35 index options** was slightly less pronounced, as an average **30** thousand contracts changed hands daily in 2019, 14% lower than the daily turnover in the previous year, but similar to that of 2017.

The daily trading volume of **dollar options** averaged **43** thousand contracts in 2019, 21% lower than the average in the previous two years. It is noteworthy that the average daily trading volume rose from 38 thousand contracts in the first half of 2019 to 45 thousand contracts in the third quarter and 53 thousand contracts in the final quarter of 2019. **The decline of trading volume in the first half of the year** coincided with the Bank of Israel's discontinuation of dollar purchases, while the Fed's lowering of interest rates contributed to **the increase in trading volume during the second half** of the year.

The daily trading volume of **Euro options** in 2019 came to **2,300** contracts, slightly lower than that of 2018. It is worth noting that the Euro depreciated around 10% relative to the shekel, and this in wake of the European central bank's lowering of the interest rates and massive purchases of government bonds.

Trading activity in **share options** increased in 2019, with an average **3,100** contracts trading daily, up by 21% relative to 2018. On October 24th trading on **BAZAN** options commenced, as this company joined the 25 other companies, most of which TA-35 constituents, that have stock options written on the shares.

T-Bills (MAKAM)

The daily turnover of T-Bills in 2019 (on and off-exchange transactions) came to US\$ 116 billion, only 3% lower than that of the previous year and excluding huge off-exchange transactions by foreign residents which began in May 2018 – **the daily on-exchange trading volume in T-Bills came to US\$ 81 million in 2019 – 16% higher than in 2018.**

T-Bills prices remained virtually unchanged in 2019 for the fifth consecutive year, and the yield-to-maturity dropped slightly, from 0.4% at the end of 2018 to 0.2% at the end of 2019.

In 2019, **T-Bills holdings by both the Israeli and foreign public surged**, coming to about US\$ **34.7** billion at the end of the year, as opposed US\$ 28.3 billion and US\$ 26.5 billion at the end of 2018 and 2017, respectively. Most of this increase, some US\$ 5 billion, can be attributed to purchases by the Israeli public, and a small part to purchases by foreign investors.

In the months January-October 2019, foreign investors purchased a net US\$ 1.3 billion **T-Bills on TASE**, following net purchases of US\$ 1.5 billion in 2018.

TASE IN 2019

TASE Starts Trading on TASE – the First Global IPO on TASE

The Tel Aviv Stock Exchange (TASE) marked a significant inflection point in its activity and an important milestone in its life as a business enterprise when it embarked on an IPO and became a public company. As of 1 August 2019, 66 years following its establishment, TASE shares began trading on the Tel Aviv Stock Exchange, as the Exchange joined the league of exchanges worldwide that have undertaken similar measures in recent years.

TASE opted for an IPO targeted at both local and foreign investors. The IPO marks the first global offering concluded in Tel Aviv, led by the international investment bank, **Jeffries LLC.**, which facilitated the participation of international investors to the offering.

The NIS 225 million offering was held in two stages. A non-uniform ("book building") sale of existing shares was offered to institutional investors from the United States, Europe and Israel. Oversubscription testified to the offering's success.

In addition, following TASE's vision and mission to include the general public in the offering, a public tender was held, designed to maximize the scope and dispersion of the free float. The offering to the public was at a uniform price, i.e., that set in the initial institutional stage, with a ceiling of NIS 31 thousand set for each subscriber, so as to maximize the number of retail investors taking part in the IPO. The public subscription was also a success, as evidenced by the significant demand for the shares. This

success reflects both the confidence the investing public has in TASE's potential and their desire to be part of TASE and the Israeli economy success.

The global TASE IPO, which prompted large international financial institutions to invest in the Israeli securities exchange alongside Israeli institutional investors, paves the way for Israeli companies, including high-tech companies, to opt for offerings on the Tel Aviv Stock Exchange. These companies can capitalize on the many advantages a TASE IPO offers, including favourable corporate valuations from international investment groups and diversity in their investor base.

TASE has posted an investor relations website in both Hebrew and English, which provides information concerning TASE as a public company.

[TASE Investor Relation Site](#)

One of TASE's key strategic goals enhancing the scope of retail investor participation in TASE trading. Throughout 2019, TASE undertook a number of measures designed to break down barriers, increase awareness and deepen the financial literacy and familiarity of the general public with securities to encourage investment in the Tel Aviv Stock Exchange. These measures include the following:

“Fear Does Not Pay” Campaign

The Tel-Aviv Stock Exchange faces fear head-on launch of an extensive drive to break down the general public's fear barrier to invest directly on TASE.

In February 2019, TASE launched, for the first time, a media campaign, including television and digital ads as well as public interest broadcasts, to encourage the general public to deepen its familiarity and understanding of financial concepts in an effort to draw retail investors back to TASE. The campaign addresses the emotional barriers to stock market investment head-on, focusing on the need to overcome the fear felt by large segments of the Israeli public concerning investment on the stock market.

Studies conducted by TASE regarding public perception of stock market investments revealed that apprehension, feelings of uncertainty and a lack of understanding constitute key entry barriers for retail investment in TASE. This is in spite of a widely held public belief that investing on TASE generates superior long-term returns.

In order to overcome this barrier and stimulate buzz and interest in the subject, TASE turned to the popular comedian, **Adi Ashkenazi**, to lead the “**Fear Does Not Pay**” campaign. As part of the campaign, TASE launched a dedicated “fear does not pay” website on which provides the public information and tools to deal with common apprehensions – volatility, financial risk, large investments, and lack of knowledge. Among other things, site features a personal simulation tool, which includes a calculator on which would-be investors can check how much they would have made today had they invested various amounts in leading TASE indices in various periods in the past.

TASE turned to its members during the campaign to encourage the opening of relatively small investment portfolios of NIS 20,000 to confront the public perception that stock market investments entail large amounts of disposable income. TASE facilitated direct contact to its members through the dedicated website.

The campaign was viewed by millions on social media and television, with over 7 million hits on social media and more than 155,000 entries to TASE's dedicated website.

The “TASE League”

TASE entered into a strategic partnership with the Israeli Professional Football Leagues (IPFL) for the years 2019-2021

Within the framework of the partnership agreement, Israeli football's Premier League will be named the “Tel Aviv Stock Exchange League” for the duration of the agreement. This strategic partnership with the Premier League provides an excellent and unique opportunity for TASE to associate itself with a strong and popular brand that enjoys widespread exposure, including among new and diverse sectors of the public.

This partnership enhances exposure to TASE and its activity through premier league matches in various ways: signage on the playing fields, exposure to the TASE logo, branding during the match opening ceremonies, special digital content, and more.

The “Tel Aviv Stock Exchange League” opened the 2019-2020 football season in August 2019 with a TASE opening bell ceremony, which was attended by football team owners, players, coaches and other. Afterwards, a panel discussion was held, featuring the owners of Israel's leading clubs. TASE CEO, Ittai Ben-Zeev, chaired the panel entitled “Money is the Name of the Game”.

Making Market Data Accessible to the Public

On December 12, 2019, TASE shortened the lag required to display trading data to the public free of charge. Keeping with TASE's measures to make information more accessible to the public, Ittai Ben-Zeev, TASE CEO, decided to shorten the delay time preceding the posting of market data. Accordingly, the lag between the private and public release of market data, at no cost, on TASE website and app is set at 15 rather than 20 minutes.

At the beginning of 2019, TASE decided to reform several of its market data products, with an eye to making it more affordable and accessible to retail investors. TASE reform set different prices for Level 1 and level 2 market data, distinguishing between costs for retail clients and the costs for more extensive market data used by investment professionals and financial firms. Pursuant to this policy, TASE lowered the cost of its level 1 package (which includes the highest bid and ask figures and the price of the last transaction) to NIS 4 per month, as opposed to NIS 180 charged previously.

The Israel Securities Authority and TASE Promote Technological Innovation in Retail Brokerage Services

The Israel Securities Authority (ISA) in conjunction with the Tel Aviv Stock Exchange published a public call to parties interested in serving as retail brokers in Israel for either securities trading or mutual fund distribution.

This public call is designed to enable the general public to enjoy more direct, advanced, affordable and accessible trading services as outlined in the ISA's and TASE's strategic programs to promote technological innovation in the capital market and lower the cost of financial services.

ISA and TASE representatives met with 15 respondents throughout 2019 and are currently planning to amend regulations and the TASE Rules to facilitate the activities of retail brokers in the local market. These include, among other things, lowering capital requirements and enabling complete digitization of

the opening of securities accounts. These measures aim at expanding the supply of brokers operating in the local capital market and at enhancing competition in financial services.

Listing New Classes of Securities

Trading on Cross-listing of International ETFs on TASE

BlackRock, the largest financial asset management firm in the world, through iShares, the largest provider of exchange-traded-funds (ETFs) in the world, is the first company to cross list international ETFs on TASE. The company has listed 23 ETFs, on September 2019, following stocks indices and fixed-income indices, which are marketed to the public in Israeli investors by the Altshuler-Shaham Investment House.

The listing of foreign ETFs on TASE enables Israeli investors to increase their exposure to global investments at a lower cost and in local currency.

Flow Traders B.V. ("FT"), a TASE remote member, operates as a market maker in those ETFs (for more information on FT, see page 28).

Dual Listing of foreign REITs on TASE

For the first time, TASE approved the listing of foreign Real Estate Investment Trusts (REITs) within the framework of the dual listing provisions of Israel's Securities Law. In Israel, as in many other countries, REITs are incorporated as companies, such that their shares are listed on securities exchanges. On some exchanges, however, the issuing entity is a Trust, a special legal entity set up for the purpose of issuing publicly traded securities.

The dual listing option is extended to REITs that already trade on eligible foreign stock exchanges and those that will list simultaneously on TASE and on an eligible foreign stock exchange.

The listing of foreign REITs on the Tel Aviv Stock Exchange enables the investors in Israel to increase their exposure to a broader spectrum of investments at competitive prices.

Listing of R&D Partnerships

In 2019, TASE approved for the first time the listing of R&D partnerships, as part of its efforts to expand product offerings by opening new channels for public investment in Israeli technology and innovation. This initiative enables the public to take part in the Israel's technological success through transparent, liquid, TASE-traded instruments, while distributing risks by investing through skillfully managed partnerships, which invest in portfolios of R&D firms.

Bonds Pay in Kind

In 2019, TASE approved the listing of bonds and convertible bonds, for which the issuer has the option to announce that the principal and interest can be paid in the company's shares. The companies eligible to issue such bonds are those included in the TA-125 index.

The listing of these securities enables companies to diversify the financial instruments used to raise capital and to lower liquidity risk through the in-kind payment in shares as an alternative to cash. In addition, this type of financial instrument enables investors to diversify their investments in debt and equity and gives them the opportunity to realize excess returns on a bond investment, given the

additional interest spread anticipated at the time of offering stemming from the possibility of the payment of principal and interest in shares.

Commercial real estate Company, Alony–Hetz Properties and Investments, a TA-35 constituent, was the first company to raise capital through the issuance of bonds payable in kind.

New TASE Services

Colocation services

As of 2019, TASE offers Colocation services to its customers. The service enables Stock Exchange member firms and their clients, Data Vendors, ISVs and other customers to place their trading servers in TASE's Data Center and benefit low latency connectivity to TASE's trading and Market Data systems. The Colocation service implements the most advanced infrastructure and offers equal latency for all Colocation customers regardless of their location internally in the Colocation DC.

In the recent months, several exchange members, both local and remote members, and their clients have joined the service.

In addition, TASE has established a POP in London (LD6) that is connected to its main site in Tel-Aviv as well as to its DR site via secured reliable lines.

Clients can use this service to trade in TASE (Order entry) directly from Europe, receive market data or to connect their systems in TASE.

These two new services are part of TASE strategic plan and support encouraging international investors and local and foreign liquidity providers, to increase their activity on TASE.

Registration of Alternative Investment Funds on the TASE Clearing House

At the beginning of 2019, TASE launched a dedicated system for registering and clearing alternative investment instruments, which is designed to make such instruments, and particularly investment funds, more accessible to TASE members and the investing public. Registration in the TASE Clearing House enables investors to receive registration and custodial services, based on the rules and principles governing the listing and clearance of traded securities, such that investors in a fund will be able to receive detailed information regarding their investment through the investment portfolio held at their bank, alongside the TASE-traded securities in the portfolio.

The bank system presents holdings in the fund through a securities identity number (ISIN) which allows fund unit holders to regularly monitor their investment. Payments from the fund are processed through the TASE Clearing House, as they are for TASE-traded securities.

This is the first step towards full clearing and settlement of the fund by the TASE Clearing House, a process which will enable investors to buy and redeem new fund units through the bank or TASE member with which they work.

Pre listing services

TASE has begun providing pre-listing services to underwriters, book runners and investors subscribing to offerings as well as to the TASE members through which they operate.

This new service based on the subscription results received from the underwriter or book runner managing the offering and entails comprehensive handling of the transfer of proceeds (cash and securities) between investors and issuers, through their TASE members.

These procedures are automated, transparent and secure and serve to shorten the time between the public offering of securities and their first day of trading on TASE. The service was first applied, in TASE's IPO, which was held in July and in a dozen public offerings since.

Digital Portal for TASE Nominee Company Customers

The TASE Nominee Company launched a new online portal, which serves as a digital interface through which the Company's clients can interact with it, obviating the need for courier services, forms or bureaucratic red tape. The new service was launched in October 2019 for ten select clients and in 2020, will be available to all TASE Nominee Company clients, which today number 130 companies.

In 2020, the new portal will include additional services, such as a service for companies with employee option (ESOP) plans, which allows them to expediently submit requests to exercise options on an automated, digital system ("One-click exercise").

TASE IN THE GLOBAL FINANCIAL MARKET

TASE Continues to Remove Barriers to Membership

TASE continues the trend of removing barriers to membership and in 2019, for the first time, welcomed Israeli entities acting on their own account (Nostro), as TASE members. In addition, TASE reduced the minimum capital requirement for non-banking corporation members (NBCM) from NIS 22 Million to only NIS 15 Million.

In its ongoing efforts to encourage the membership of foreign financial institutions, TASE also lowered remote membership fees and set a fixed annual fee for all remote members.

In 2020, TASE will continue its efforts to ease requirements and remove entry barriers to pave the way for other institutions, including retail brokers, to become TASE members, and will continue to promote competition and diversity in Israel's capital market.

Two Global Members Joined TASE as Remote Members

The easing of remote membership requirements in 2019 brought two new remote members to TASE – the Jefferies LLC investment house and the Dutch technology company, Flow Traders B.V.

Jefferies LLC is one of the largest and most significant international players in the local market, leading major financial deals in Israel's high-tech and biotechnology industries. Jefferies LLC is a wholly owned subsidiary of the Jefferies Group LLC, a leading global investment bank. As an industry leader, the group provides a wide range of investment banking services, including stock and bond trading and asset management in the United State, Europe and Asia. Jefferies has vast experience and deep knowledge of Israeli high-tech, biomed and med-tech enterprises and has a unique understanding of their strategic and financial needs. Jefferies TASE membership enables the bank to deepen the exposure of Israeli tech and biotech companies to their investors.

Flow Traders B.V. (“FT”) operates as a market maker, providing liquidity to markets in various financial instruments traded on the world’s leading exchanges. FT is a proprietary trader, founded in Netherland in 1991, and regulated by the Dutch authorities. The company is active in the following markets: SIX, Eurex, Deutsch Bourse, ICE, CBOE, CME, Nordics, NASDAQ, Euronext, and LSE, among others. FT is indirectly a wholly owned subsidiary of Flow Traders N.V., a public company traded on Euronext.

Euroclear Bank Joins TASE as a “Custodial Member”

International financial institution, Euroclear Bank, is the first to join TASE as a custodial member – a member which manages its clients’ assets in TASE Clearing House and receives clearing and custodial services from it, but which does not execute trading transactions.

Euroclear Bank is an international financial institution, which provides transaction settlement and custodial services for securities held by its clients and financial institutions in over 90 countries. The Bank is rate AA+ by Fitch Ratings and AA- by Standard & Poor’s. In 2018, the Euroclear Group, to which Euroclear Bank belongs, serviced securities transactions of approximately €791 trillion, and held assets worth €28.8 trillion on behalf of its clients.

Euroclear’s joining TASE, as a custodial member is the result of TASE’s efforts to expand its membership, to encourage competition and to improve foreign investor access to securities traded in Israel. Euroclear Bank’s membership in the TASE Clearing House as a custodial member enabled Euroclear to directly provide its customers in Europe and around the world with custodial services for Israeli securities.

The ability of Euroclear Bank to join TASE is the result of an amendment to the TASE Rules, which opens membership to institutions that manage securities accounts on behalf of third-party clients at the TASE Clearing House, but do not engage in trading. This reform paves the way for other financial institutions, local and foreign, to directly service their clients’ assets at the TASE Clearing House while saving considerable costs and resources and maximizing asset protection.

Investor Relations in Practice

The Israeli Investor Relations Forum (IIRF) established by TASE in conjunction with the Israeli Association of Publicly Traded Companies, held two investor relations courses in 2019.

The courses imparted practical insights and tools for conducting effective investor relations by formulating and executing targeted investor relations strategies with retail and professional investors. Representatives of companies seeking to expand their knowledge in this area took part in the courses.

Interest in investor relations has gained traction in Israel and abroad, as a growing number of companies assess importance and dedicate resources to investor relation management. They view investor relation managers as part of their managerial and strategic backbone, not only in times of crisis or ahead of new financing rounds, but as part of the regular, structured professional and well-planned operations undertaken during a company’s lifetime. Regulation, regulatory reform and the intensification of the dialogue between shareholders and public companies, underscore the need for increasing corporate preparedness to reinforce investor relation activity both inside and outside the organization.

Additional investor relation courses are scheduled for 2020.

Advanced Course in Analysis and Asset Management in Life Science Companies

In December, the Israel Advanced Technology Industries (IATI) association, in conjunction with TASE, opened an advance course in financial analysis and asset management for life science companies, attended by executives from global and Israeli biotechnology companies. The course provides participants with advanced tools for analyzing innovative biotech and life science companies and includes diverse professional content, including a comprehensive overview of the biomed world, current and future trends in this sector, corporate valuations and anticipated regulatory reforms.

IATA and TASE endeavor to continue to encourage Israeli institutional investors to invest in innovative Israeli life science companies by giving them the tools to identify and analyze investment opportunities. The course is just one of the initiatives undertaken by TASE to promote Israeli high-tech industries and to enhance the knowledge and analytic research in this area, as a means to fortify a broader professional foundation among Israeli institutional investors.

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