THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2009

THE TEL-AVIV STOCK EXCHANGE LTD.

Contents

Deloitte.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
THE TEL-AVIV STOCK EXCHANGE LTD.

We have audited the accompanying consolidated statements of financial position of The Tel-Aviv Stock Exchange Ltd. ("the Company"), as of December 31, 2009 and 2008, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years ended on December 31, 2009. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Israeli Auditors' Regulations (Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a sampling basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits, the aforementioned financial statements present fairly, in all material respects, the consolidated statements of financial position as of December 31, 2009 and 2008, the consolidated statements of comprehensive income and consolidated statements of changes in equity and cash for each of the three years in the period ended on December 31, 2009, in conformity with International Financial Reporting Standards (IFRS) and the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, Israel
April 22, 2010

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THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2009	December 31, 2008
		NIS in thousands	
Assets			
Current assets			
Cash and cash equivalents	4	30,080	67,868
Financial assets at fair value through profit and lost-held for trading	18	248,815	166,392
Trade accounts receivable		8,782	12,379
Assets derived from clearing operations:			
Receivables with respect to open derivative positions	5	1,027,667	73,186
Assets with respect to securities that were not transferred to the TASE Clearing House on time	6	35,989	37,285
Receivables and other current assets		3,077	3,085
Current tax assets	13	3,108	622
Total current assets		1,357,518	360,817
Non current assets			
Investment an affiliate	7	4,448	4,216
Fixed assets, net	8,9	102,813	(*) 88,969
Intangible assets	10	43,994	33,867
Assets related to employee benefits	12	-	1,087
Total non current assets		151,255	128,139
Total assets		1,508,773	488,956
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable		10,578	13,037
Liabilities derived from clearing operations:			
Payables with respect to open derivative positions	5	1,027,667	73,186
Liabilities with respect to securities that were not transferred to TASE Clearing House on time	6	35,989	37,285
Liabilities with respect to current taxes	13	92	1,888
Liabilities with respect to employee benefits	12	27,247	26,262
Payables and other current liabilities	11	7,591	6,255
		1,109,164	157,913
Non current liabilities			
Liabilities with respect to employee benefits	12	3,525	2,890
Liabilities for deferred taxes	13	2,879	-
Total non current liabilities		6,404	2,890
Shareholders' equity			
Capital reserves		3,200	3,200
Retained earnings		390,005	324,953
Total shareholders' equity		393,205	328,153
Total liabilities and shareholders' equity		1,508,773	488,956

(*) Reclassified due to retroactive implementation of amendment to financial reporting standard - see Note 2S(1).

Saul Bronfeld	**Ester Levanon**	**Joseph Treister**
Chairman of the Board	**CEO and Director**	**CFO**

Tel Aviv, April 22, 2010
Approval date of the financial statements

The accompanying notes to the consolidated financial statements are an integral part of them.

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2009	2008	2007
		NIS in thousands		
Revenues from services	**15**			
Trading and clearing commissions		141,660	139,891	150,539
Securities registration and annual fees		35,835	35,572	51,753
Clearing House services		25,193	23,913	19,973
Presentation of trade and other data		32,869	32,321	32,790
Other		1,445	2,529	2,462
Total revenues from services		237,002	234,226	257,517
Cost of revenues	16			
Employee benefits expenses	16a	97,365	84,792	88,887
IT and communication expenses		25,163	22,707	20,336
Rent, municipal taxes and building maintenance		11,485	10,356	10,595
General and administrative expenses		11,996	12,043	12,394
Marketing		7,358	5,028	7,247
Fee to Israeli Securities Authority		8,485	7,667	7,460
Depreciation and amortization	16b	14,856	11,769	11,155
Premiums for providing collateral to the MAOF Risk Fund		6,133	8,648	10,153
Other, net		4	60	503
Total cost of revenues		182,845	163,070	168,730
Income before net financing income		54,157	71,156	88,787
Financing income	17	29,151	2,858	15,751
Financing expenses	17	(435)	(403)	(273)
Total net financing income		28,716	2,455	15,478
Income after net financing income		82,873	73,611	104,265
Company's share in earnings of an affiliate		427	196	398
Pre-tax income		83,300	73,807	104,663
Income taxes	13	18,246	19,330	30,506
Comprehensive income for the year		65,052	54,477	74,157

The accompanying notes to the consolidated financial statements are an integral part of them.

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital reserves	Retained earnings	Total
	NIS in thousands		
Balance - January 1, 2007	3,200	196,319	199,519
Changes in 2007			
Comprehensive income for the year	-	74,157	74,157
Balance - January 1, 2008	3,200	270,476	273,676
Changes in 2008			
Comprehensive income for the year	-	54,477	54,477
Balance- December 31, 2008	3,200	324,953	328,153
Changes in 2009			
Comprehensive income for the year	-	65,052	65,052
Balance- December 31, 2009	3,200	390,005	393,205

The accompanying notes to the consolidated financial statements are an integral part of them.

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2009	2008	2007
	NIS in thousands		
CASH FLOWS - OPERATING ACTIVITIES			
Comprehensive income for the year	65,052	54,477	74,157
Tax expenses recognized in the statement of operations	18,248	19,330	30,506
Net financing income recognized in the statement of operations	(28,716)	(2,455)	(15,478)
Depreciation and amortization	14,856	11,769	11,155
Capital loss from realization of fixed and intangible assets	4	60	503
Company's share in undistributed profits of an affiliate	(232)	195	(141)
	69,212	83,376	100,702
Changes in asset and liability items			
Decrease (increase) in trade accounts receivable and receivables and other current assets	3,605	(3,570)	(3,371)
Decrease (increase) in receivables with respect to open derivative positions	(954,481)	23,301	233,012
Decrease in assets with respect to securities that were not transferred to the TASE Clearing House on time	1,296	22,658	83,058
Decrease in trade accounts payable and payables and other current liabilities	(6,371)	(5,822)	(3,164)
Increase (decrease) in payables with respect to open derivative positions	954,481	(23,301)	(233,012)
Decrease in liabilities with respect to securities that were not transferred to the TASE Clearing House on time	(1,296)	(22,658)	(83,058)
Increase (decrease) in assets and liabilities with respect to employee benefits	2,707	(4,974)	5,767
	69,153	69,010	99,934
Interest received	8,004	10,418	9,358
Interest paid	(421)	(243)	(273)
Taxes paid on current operations	(19,548)	(17,430)	(26,603)
	(11,965)	(7,255)	(17,518)
Net cash from operating activities	57,188	61,755	82,416
CASH FLOWS - INVESTING ACTIVITIES			
Acquisition of fixed assets	(18,279)	(9,348)	(*)(65,557)
Proceeds from disposition of fixed assets	-	-	112
Acquisition of intangible assets	(6,262)	(7,892)	(7,680)
Payments for development costs capitalized to intangible assets	(9,042)	(9,030)	(5,617)
Proceeds from realization (acquisition) of financial assets held for trading, net	(61,376)	(2,272)	6,332
Taxes paid on financial assets held for trading	(14)	(681)	(733)
Net cash used in investing activities	(94,973)	(29,223)	(73,143)
Increase (decrease) in cash and cash equivalents	(37,785)	32,532	9,273
Cash and cash equivalents at beginning of year	67,868	35,377	26,240
Effect of changes in exchange rates on cash balances held in foreign currency	(3)	(41)	136)
Cash and cash equivalents at end of year	30,080	67,868	35,377

Appendix A- Non-cash activities

Fixed assets purchased on credit	5,247	4,020	9,309

(*) Reclassified due to retroactive implementation of amendment to financial reporting standard-see Note 2S(1)

The accompanying notes to the consolidated financial statements are an integral part of them.

NOTE 1 - GENERAL

A. The Tel Aviv Stock Exchange (“TASE), which is a company limited by the guarantee of its members, was incorporated in 1953, and its registered office is located at 54 Ahad Haam Street, Tel Aviv**.** TASE is engaged in running a securities stock exchange.

The TASE Clearing House Ltd. ("TASE Clearing House”) is wholly owned by the TASE since being acquired in September 2006 and is primarily engaged in securities clearance, other than derivatives, and providing Central Securities Depository services.

The MAOF Clearing House Ltd. (MA'OF Clearing House) is wholly owned by the TASE and it is primarily engaged in issuance of options and futures contracts (derivatives) and rendering clearance services for these derivatives.

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B. The financial statements represent a translation into English (from original Hebrew financial statements).

C. **Definitions:**

The Company or TASE	-	the Tel-Aviv Stock Exchange Ltd.
The Group	-	the Company and its subsidiaries (as defined below).
Subsidiary	-	companies directly or indirectly controlled (as defined in IAS 27) by the Company, whose financial statements are fully consolidated with those of the Company.
Affiliate	-	a company in which the Company exercises significant influence, and the investment of the Group in which has been included, directly or indirectly, in the Company’s financial statements on the basis of the equity method.
Investee	-	subsidiaries and affiliates. A list of the investees is presented in Note 7 below.
Related parties	-	as defined in IAS 24 with regard to related parties.
Interested parties	-	as defined in the Israeli Securities Law-1968 and its regulations.
The effective interest method	-	a method for computing the amortized cost of a financial asset or a financial liability and of allotting interest income or expenses over the relevant period according to the effective interest rate. The effective interest rate is the rate which accurately discounts the forecasted stream of cash receipts or future payments over the anticipated length of life of the financial instrument, or, as the case may be, a shorter period.
CPI	-	the Israeli Consumer Price Index, as published by the Central Bureau of Statistics.
Dollar	-	the US dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Declaration regarding the implementation of International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations published by the International Accounting Standards Board (IASB).

B. The financial statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements)- 2010 (hereafter: "Financial Statements regulations").

C. Basis for the preparation of the financial statements:

Through December 31, 2003, Israel was considered to be a nation with hyper inflationary positions. Accordingly, non monetary items in the statement of financial position are presented on the basis of cost adjusted for changes in the CPI up to December 31, 2003. From that date onwards, the adjusted amounts served as the basis for reporting in periods subsequent to December 31, 2003 (hereafter-“historical cost”). The financial statements were prepared on the historical cost basis except:

- Financial instruments at fair value through profit and lost measured at fair value: see paragraph M below as regards the manner of determining fair value.
- Fixed assets and intangible property presented at the lower of historical cost, less accumulated depreciation and amortization, or recoverable value.
- Obligations for employee benefits, as itemized in Note 12.

D. Format for presenting the expenses recognized in the consolidated statements of comprehensive income:

The expenses of the Group in the statement of comprehensive income are presented based on the substance of the expense. In the assessment of the Group, due to the organizational structure of the Group, the expenses have been classified in a manner which provides more reliable and relevant information.

E. Foreign currency:

(1) Functional currency and presentation currency

The consolidated financial statements are presented in NIS which is the functional currency of the Group, and was rounded to the nearest thousand. The NIS is the currency which represents the principal economic environment in which the Group operates.

(2) Translation of transactions that are not in the functional currency

In preparing the financial statements of each of the Group companies, transactions that are executed in currencies that differ from the functional currency of that company (hereafter - “foreign currency”) are recorded at the rates of exchange that are effective on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currency are translated at the exchange rates effective on such date. Non monetary items are measured in terms of historical cost translated at the rates of exchange in effect on the date of execution of the transaction related to the non monetary item.

(3) Manner of recording exchange rate differences

Exchange rate differences are recognized in operations for the period in which they were derived.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Consolidated financial statements:

The consolidated financial statements of the Group include the financial statements of the Company and of the entities that the Company controls, directly or indirectly. Control exists when the Company has the power to control the financial and operational policies of the company owned for purposes of obtaining benefits from its operations.

For consolidation purposes, inter-company transactions, balances, income and expenses have been fully eliminated.

G. Investment in affiliate:

An affiliate is an entity in which the Group has significant influence and it is not a subsidiary or a right in a joint venture. Significant influence is the power to participate in making decisions which relate to the financial and operational policies of the investee but do not represent control or joint control in those policies.

The results, assets and liabilities of the affiliate are included in the financial statements by using the equity method. According to the equity method, the investment in the affiliate is included in the statement of financial position at cost adjusted for changes which took place subsequent to acquisition, in the share of the Group in net assets, less impairment in value of the affiliate, if there was any.

H. Cash and cash equivalents:

Cash and cash equivalents include deposits for immediate withdrawal and short-term deposits unrestricted as to use, the redemption date of which does not exceed three months from the date of deposit.

I. Fixed assets

(1) **General**

Fixed assets are tangible items held for the rendering of services where it is anticipated that they will be used for more than one period.

Items of fixed assets are presented in the statement of financial position at cost less accumulated depreciation, and less any accumulated losses from impairment of value. Cost includes the purchase cost of the asset as well as the costs that can be attributed directly to bring the asset to the location and condition that are necessary to operate it in the manner intended by management.

(2) **Depreciation**

Depreciation of the fixed assets is carried out separately for each component of a depreciable fixed asset item with substantial cost in relation to the total cost of the item. The depreciation is carried out in a methodical manner according to the straight line method over the anticipated useful lives of the components of the item, from the date on which the asset is ready for its designated use, while taking the expected scrap value at the end of the useful life into account

The anticipated useful life and the annual depreciation rates are:

	Anticipated useful life	%
Land and building under construction	-	-
Computers systems & auxiliary equipment	3-10 years	10%-33% (mostly 33%)
Equipment & systems (*)	3-16 years	6%-33%
Motor vehicles	6.6 years	15%
Installations and leasehold improvements (mainly visitors center) (*)	3-6.6 years	15%-33%

(*) Leasehold improvements and certain items of furniture and equipment are depreciated according to the anticipated date of transition to the new building. See also Note 7 below.

NOTE 2- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Fixed assets (cont.)

Scrap value, depreciation method and the useful lives of the assets are reviewed by management at the end of every fiscal year. Changes are handled as a change in estimate and are applied on a prospective basis.

Gain or loss due to the sale or removal from use of an asset is determined by the difference between the proceeds from the sale and the net book value of the asset and is recorded in the statement of operations.

J. Intangible assets:

(1) General

Intangible assets are identifiable non monetary assets with no physical substance.

The length of the useful life which is utilized in amortization of intangible assets with a defined length of useful life is as follows:

Software and licenses- 3-10 years (mostly 5 years)

(2) Intangible assets are recognized and measured according to the manner of their creation according to the following groups:

A. Intangible assets which were acquired separately

Intangible assets (software and licenses) acquired separately are presented at cost less amortization and cumulative losses from impairment of value, if any.

The amortization is calculated on the straight line basis over the estimated period of useful life. The approximation of the length of life and the amortization method are evaluated at the end of each reporting year with the effect of changes in approximation being treated in a prospective manner**.**

B. Intangible assets from in-house development-costs of self-development of computer software for internal use

Costs at the preliminary stage with respect to internal development of computer software are charged to operations when incurred.

An intangible asset created internally at the development stage of the software and computer systems is recognized only if all of these conditions are present:

- There is technical feasibility that the asset will be completed so that it will be available for use.
- It is the Group’s intention to complete and use the asset.
- The Group has the ability to use the asset.
- The manner in which the asset will generate future economic benefits can be determined.
- The Group has the technical, financial and other resources available to complete the development and use of the asset; and
- The costs attributable to the asset during development can be reliably measured.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Intangible assets (cont.)

(2) Intangible assets are recognized and measured according to the manner of their creation according to the following groups (cont.):

B. Intangible assets from in-house development-costs of self-development of computer software for internal use (cont.)

When the intangible asset created in-house cannot be recognized, the software development costs are charged to operations when incurred.

Intangible assets developed internally, with a defined length of life, are amortized on the straight line basis over the period of their useful life and are presented at cost less accumulated amortization and less losses from impairment of value, should there be any. The approximation of the length of life and the amortization method are evaluated at the end of each reporting year with the effect of changes in approximation being treated in a prospective manner.

K. Leases:

Leases of land are classified as financing leases and presented in the statement of financial position with fixed assets, net. Lease payments are amortized on a straight line basis over the lease period. The land is leased for periods (including option) of 140 to 999 years (primarily 140 years).

See paragraph S (1) below with regard to the early adoption of the amendment to IAS 17 "Leases" that was issued in the framework of the project for annual improvements in 2009.

L. Impairment of assets:

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense in the statement of operations.

Where an impairment loss recognized in prior periods is cancelled, the book value of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately to operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities:

(1) Financial assets and financial liabilities (other than clearing operations)

(a) Financial assets-general

Financial assets are recognized in the statement of financial position when the Group becomes a party to the contractual terms of the instrument.

The investments in financial assets are initially recognized at their fair value.

Financial assets of the Group are classified to the categories itemized below. The classification to these categories is dependent on the nature and purpose of owning the financial asset being held and it is determined on the date of initial recognition of the financial asset:

- Financial assets at fair value through profit and lost;
- Loans and receivables.

See paragraph S (1) below with regard to the amendment to IFRS 7 "Financial Instruments: Disclosures".

See paragraph S (2) below with regard to the issuance of IFRS 9 "Financial Instruments".

(b) Financial assets at fair value through profit and lost

Financial assets are classified as “financial assets at fair value through profit and lost” when those assets are held for trading purposes. This category includes securities acquired for trading purposes.
A financial asset in this category is presented at fair value. All gain or loss that is derived from changes in fair value, including those resulting from changes in currency rates, is recognized in operations during the period in which the change occurs. The net gain or loss recognized in operations comprises all dividends and interest engendered with respect to the financial asset. Fair value of financial instruments is based upon market prices (the determining rate) established in the framework of trading on the stock exchange as of the end of the reporting period.

(c) Loans and receivables

Trade accounts receivables, deposits and other receivables, with payments which are fixed or determinable and have no quote on an active market, are classified as loans and receivables. Loans and receivables are measured at amortized cost by using the effective interest method, less impairment of value if any exists. Interest income is recognized by the effective interest method, except with respect to certain short-term balances where the amounts of interest to be recognized are not material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities:

(1) Financial assets and financial liabilities (other than clearing operations) (cont.)

(f) Other financial liabilities

Trade accounts payable and other payables are classified as other financial liabilities. Other financial liabilities are initially recognized at fair value. Subsequent to initial recognition, other financial liabilities are not measured according to the effective interest rate method, since the interest amounts to be recognized are not material.

(2) Financial assets and financial liabilities from clearing operations

(a) General

The TASE Clearing House, which is a wholly owned subsidiary of the TASE, is a Central Counter Party (hereafter-“CCP”) for transactions in securities (other than derivatives) which are executed on the TASE and also for transfers to a trustee (custodial activities) for collateralization of transactions executed on the TASE as well as "repo" transactions and spot transactions in government bonds, executed in a European trading system in which government bonds are traded (hereafter- “MTS system”), and cleared in the clearing house.

The MAOF Clearing House Ltd., which is a wholly owned subsidiary of the TASE, issues derivatives traded on the TASE and clears them. The MAOF Clearing House is a CCP for transactions in derivatives traded on the TASE.

A CCP for other clearing houses is responsible for the compliance with obligations of a member of a clearing house who is a party to a transaction on the TASE, who did not execute his part in the transaction, vis-à-vis another clearing house member who is the counter party to the transaction on the TASE, and who did fulfill his part of the transaction. Therefore the clearing houses record assets and liabilities in their financial statements with respect to the selling party and the buying party, respectively, for each of the aforementioned transactions. The clearing houses do not bear any price risk (other than in cases of collapse of a member) since the value of the assets of the selling party are identical to the value of the liability of the purchasing party in each transaction.

Assets and liabilities from clearing house operations (except for assets and liabilities with respect to securities which have not been transferred to the TASE Clearing House on time, as specified in Note 6) are recognized or deducted on the date that the transaction is cleared (settlement date) and not on the date that the transaction is executed since they are transactions carried out in the regular way pursuant to IAS 39.

In accordance with the above, financial assets and liabilities with respect to clearing operations of the Group include receivables and payables for open positions in derivatives and assets and liabilities for securities not transferred to the TASE Clearing House on time. These transactions are measured in each reporting period at fair value. Since the open positions on the asset side and the open positions on the liability side are identical, the same amount is recorded both for assets as well as for liabilities and no gains or losses from adjustments of fair value are recognized in operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities:

(2) Financial assets and financial liabilities from clearing operations (cont.)

(b) Fair value of financial instruments

The fair value of the financial instruments is based upon the market price (the determining rate) which is set in the framework of the trading on the stock exchange as of the end of the reporting period. In the event that no trading took place in a certain instrument as of the date of the statement of financial position, the Group uses valuation techniques pursuant to accepted economic models for the valuation of derivatives, accompanied by assumptions which are based on economic conditions present as of the end of each reporting period (see also Note 18C below).

(c) Offset of financial instruments

Financial assets and liabilities are presented in the statement of financial position at a net amount only when the Company has the legal, enforceable right to offset, and there also is the intention to settle the asset and the liability on a net basis or to simultaneously realize the asset and pay off the liability.

N. Taxes on income:

(1) General

Income tax expense represents the sum of the current taxes and also the total change in balances of deferred taxes.

(2) Current taxes

Current tax expenses are computed based on the taxable income of the Company and subsidiaries during the reporting period. Taxable income differs from income before taxes on income, due to inclusion or exclusion of items of income and expenses that are taxable or deductible in other reporting periods, and or are not taxable or deductible. Assets and liabilities of the Company for current taxes are calculated using tax rates and tax laws that have been enacted or substantially enacted by the date of the statement of financial position.

(3) Deferred taxes

Group companies create deferred taxes, as itemized below, for temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Balances of deferred taxes (asset or liability) are computed according to tax rates anticipated when they are realized, based upon tax rates and tax laws enacted or substantially enacted by the date of the statement of financial position. Deferred tax liabilities are usually recognized for taxable temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Deferred tax assets are recognized for all temporary differences that may be deducted up to the amount of anticipated taxable income, against which the deductible temporary difference may be utilized.

The taxes that would apply in the event that the investments in investees were realized were not taken into account in the calculation of the deferred taxes, since the Group intends to hold and develop these investments. In addition, the deferred taxes on distribution of earnings by investees as dividends were not taken into account, since the dividends are not taxable.

Assets and liabilities for deferred taxes are presented on an offset basis, when an entity has a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes on income levied by the same tax authority and the Group intends to settle its current tax assets and the liabilities on a net basis.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Revenue recognition

Revenues are measured at the fair value of the consideration received and/ or the consideration that the Group has the right to receive from revenues from rendering services in the ordinary course of business.

(1) Revenues from rendering services

The Group records its revenues from rendering services on the date that the services are provided .

(2) Interest income

Interest income accrues on a basis of time, in consideration of the principal to be paid and by use of the effective interest method.

(3) Dividend income

Income from dividends from investments in marketable securities held for trading are recognized on the date that the right to receive the dividends was created.

P. Employee benefits

(1) Benefits after termination of employment

Benefits granted by the Group after termination of employment include primarily liability for severance pay and liability for pension to a manager who has resigned. Benefits from the Company after termination of employment are, in part, defined contribution plans and, in part, defined benefits plans. Expenses for defined contribution plans are charged to operations, or capitalized to the cost of intangible assets (in the context of self development costs of computer software), at the time that the labor services, as to which the Group is obligated to make the deposit, are supplied.

Expenses for defined benefit plans are charged to operations, or capitalized to the cost of intangible assets (in the context of self development costs of computer software), pursuant to the projected unit credit method, by the use of actuarial estimations made as of the end of each reporting period. The present value of the Group's obligation with respect to the defined benefit plan is determined by means of discounting the forecasted future cash flows for the plan by the market yield of government bonds with redemption periods that are nearly identical to the forecasted settlement dates of the plan.

Actuarial gains and losses exceeding 10% of the higher of the present value of the obligation with respect to the defined benefit plan and the fair value of the plan assets as of the beginning of the period are amortized over the balance of an average anticipated employment period of the employees participating in the plan.

The liability of the Company for a defined benefit plan, recognized in the statement of financial position includes the present value of the defined benefit obligation plus (less) unrecognized actuarial gains (losses), less the fair value of the plan assets. A net asset, created by the said calculation, is limited to the amount of the actuarial losses plus the present value of economic benefits available in the form of refunds from the plan or in the form of a reduction in future deposits to the plan ("cap amount").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Employee benefits (Cont.)

(2) Other long term benefits to employees

Other benefits to Group employees include liabilities for seniority grants. These benefits are recorded to operations according to the Projected Unit Credit Method, by applying actuarial estimates executed at the end of each reporting date. Actuarial gains or losses are recorded to operations when incurred.

(3) Short term employee benefits

Short term employee benefits are benefits to be paid within a period that does not exceed 12 months from the end of the period when service entitling to the benefit was rendered.

Short term employee benefits include the Company's liabilities for vacation, recreation pay, bonus and wage payments (including social benefits). These benefits are recorded to operations or capitalized to the cost of intangible assets (in the context of self development costs of computer software), when incurred. The benefits are measured on a non-capitalized basis, which the Company anticipates paying. The difference between the amount of short term benefits to which the employee is entitled and the amount paid is recognized as a liability.
See paragraph S (1) with regard to the amendment to IAS 19 (amended) "Employee Benefits".

(4) Benefits for dismissal

Benefits for dismissal are benefits due to be paid as a result of the Group's decision to dismiss employees prior to the usual retirement age or as a result of the employee's decision to agree to voluntary retirement in return for these benefits.
The liability of the Company for these benefits is initially recognized in operations, when the Group becomes obligated with relation to identified and known employees, for formal severance pay, including the benefits to which the dismissed employees are entitled and the dismissal date. The benefits are measured on a non-capitalized basis.

Q. Exchange rates and linkage bases

(1) Balances in foreign currency or linked thereto are included in the financial statements at the representative exchange rate published by the Bank of Israel that prevailed as of the end of the reporting period.

(2) Balances linked to the CPI are presented at the latest known CPI as of the the end of the reporting period.

(3) CPI and exchange rate data are as follows:

	Exchange rate (NIS/$)	CPI
Date of financial statements as of:		
December 31, 2009	3.775	110.57
December 31, 2008	3.802	106.50
	%	%
Rates of change for the year ended:		
December 31, 2009	(0.71)	3.82
December 31, 2008	(1.14)	4.51
December 31, 2007	(8.97)	2.79

(4) Exchange and linkage differences are recorded to operations as incurred.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. Presentation of statement of financial position as of the beginning of the earliest period presented:

The Company's management has decided not to present a statement of financial position as of the beginning of the earliest period presented, despite the fact that it retroactively implemented new accounting policies pursuant to IAS 17 "Leases", as specified in Note S(1) below.

The Company's management believes that since the retroactive implementation of new accounting policies as mentioned above have an immaterial effect on what is displayed in the statement of financial position as of the beginning of the earliest period presented, presentation of a statement of financial position as of the beginning of the earliest period presented. is not relevant in these circumstances to the understanding of the financial statements and will also not contribute to the users of the financial statements for purposes of understanding the influence of certain transactions and events on the Company's financial position.
See paragraph S (1) below as regards the issuance of IAS 1 (Amended) "Presentation of Financial Statements"

S. New financial reporting standards and interpretations that were published:

(1) New standards and interpretations effecting the current period and/or previous reporting periods:

- **IAS 1 (amended) "Financial Statements Presentation"**

  The standard defines the presentation required in the financial statements and details the general framework of the structure and minimal contents, required to be included in the report. The amendment to this standard introduces changes in the current presentation pattern of financial statements and expands the presentation and disclosure requirements in the financial statements, including presentation of an additional report within the framework of the financial statements, called "Statement of Comprehensive Income" and the addition of a statement of financial position as of the beginning of the earliest period presented in the financial statements, in the event of retrospectively implemented changes in accounting policy, restatement and reclassification. The standard applies to reporting periods starting on January 1, 2009, on a retroactive basis.
  According to the provisions of the standard, the Group has presented a single statement of comprehensive income which includes both the elements of the other comprehensive income, as well as the elements of the profit or loss in one statement.

- **Amendment to IFRS 7 "Financial Instruments: Disclosures"**

  The amendment expands the disclosures required on liquidity risks and measuring fair value, while defining a scale of three levels to present fair value measurements. See Note 18C(2) below for details.

- **Amendment to IAS 19 "Employee Benefits"**

  As part of the annual improvements project in 2008, IAS 19 "Employee Benefits" was amended.
  The amended IAS 19 "Employee Benefits" stipulates that the accrued right to compensation due to absences will be classified as short term employee benefits or as other long term employee benefits, on the basis of the date on which a right was created for the employee to receive the benefit.
  As a result, the Company presents benefits for vacation pay as short term employee benefits, measured to the extent of the non capitalized amount, which the Company anticipates paying for realization of this eligibility.
  The amendment applies retroactively to annual periods commencing on January 1, 2009 or later, and is to be implemented retroactively. The effect of retroactive implementation on the statement of financial position and operations is not material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. New financial reporting standards and interpretations that were published (cont.):

(1) New standards and interpretations effecting the current period and/or previous reporting periods (cont.):

- **Amendment to IAS 17 "Leases"**

  In the framework of the project of annual improvements for the year of 2009, an amendment was made to IAS 17 “Leases”.
  The amendment to IAS 17 “Leases” stipulates that leasing of land will be classified as a financing lease or an operating lease using the general principles in the standard, while considering that the land is an asset with an infinite length of economic life. In the context of the amendment, the comprehensive prohibition against the classification as a financing lease when the land does not pass to the lessee at the end of the lease period.
  The amendment was applied in early implementation.
  As a result of the amendment, the Group classified land under a capitalized lease as a financing lease. Accordingly, the amount of NIS 31,181thousand was classified from "prepaid expenses for an operating lease" to "fixed assets, net in the statement of financial position as of December 31, 2008.

(2) New standards and interpretations issued and not effective, which were not adopted in early adoption by the Group, which are expected or might have an effect on future periods:

- **IFRS 9 “Financial Instruments”**

  The new standard itemizes the classification and measurement provisions regarding financial instruments.

  The provisions of the standard apply retroactively, other than exceptions as itemized in the standard, to annual reporting periods commencing on January 1, 2013 or thereafter. Earlier application is permitted.
  Management of the Group estimates that the effect of implementation of the standard on the financial statements is not material.

- **IAS 24 (Amended) “Disclosures in Connection with a Related Party”**

  The new standard changes the definition of a related party. The standard will be implemented retroactively for annual reporting periods commencing on January 1, 2011 or thereafter.
  Management of the Group estimates that the effect of implementation of the standard on the financial statements is not material.

- **Amendment IAS 7 "Statements of Cash Flows "**

  The amendment to the standard clarifying that only outflows that lead to an asset recognized in the statement of financial position, qualify for classification as cash flows used for investment purposes. The amendment will be applied retroactively to annual reporting periods starting on January 1, 2010 or later.
  Management of the Company estimates that the effect of implementation of the standard on the financial statements is not material.

(3) Standards, amendments to standards and interpretations published which are not applicable to the Group

In addition to the above amendments and standards, additional interpretations and amendments to standards were published which, in the estimation of the management of the Company, are not applicable to the Group.

NOTE 3 - CRITICAL ACCOUNTING CONSIDERATIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES

A. Critical accounting considerations:

In implementing policies of the Group, management of the Company is required in certain cases to exercise comprehensive accounting discretion (as distinguished from discretion which relates to setting estimates and assumptions as described in paragraph B below). This discretion relates principally to an accounting principle which does not provide a complete or absolute solution to specific circumstances. A critical accounting consideration is one with consequences which might substantially influence the financial position and operating results of the Company as they are reflected in the consolidated financial statements, and, which under other basic assumptions, could have led to a materially different accounting outcome from that which it presents. By nature, such accounting consideration is, in part, subjective. Nonetheless, in initiating critical accounting considerations, Company management uses its understanding of the accounting policies applicable to its operations as a basis; and, in addition, to the extent relevant, the Company customarily consults external experts in the field.

The following relates to critical accounting considerations, except for those which are connected with estimates (see paragraph B below) made by management in the process of implementation of the accounting policies of the Group, and which have a significant effect on the amounts recognized in the financial statements:

1. Investment in affiliate

The Company’s holdings in “Stock Exchange Offices Ltd.” (hereafter-“SOL”) provide it with 55.88% of the right to appoint directors and approximately 10.29% of the right to receive earnings and to participation in the assets of SOL in the case of liquidation.

Control exists when an entity has the power to determine the operational and financial policies of another entity in order to obtain benefits from its operations.

For purposes of determining whether the Company controls SOL as a result of which the Company would consolidate the financial statements of SOL in its financial statements, the management of the Company examines the circumstances which might indicate relationships where control does exist in accordance with the above definition and, among others, in accordance with Interpretation Number 12 of Standard Interpretations Committee (SIC 12).

The conclusion of such examination was that control does not exist and, therefore, the investment in SOL is presented in the financial statements on the basis of the equity method.

2. Estimates and main uncertainties

At the time of preparing the financial statements, the management of the Company is required to use estimates or approximations with respect to transactions or matters as to which the ultimate effect on the financial statements cannot be established accurately at the time that they are being prepared. The main basis for determining the quantitative value of such estimates is the assumptions which the management of the Company decides to adopt, considering the circumstances related to the estimate as well as the best information in its possession at the time it is made. From the nature of things, since these estimates and approximations are the result of using judgment in an environment of uncertainty, under circumstances of especially great consequence, changes in the basic assumptions derived from changes which are not necessarily dependent on Company management, as well as additional information in the future not in the Company’s possession on the date that the estimate was made, might lead to changes in the quantitative value of the estimate, and accordingly, also affect the Company’s financial position and results of operations.

NOTE 3 - CRITICAL ACCOUNTING CONSIDERATIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES (Cont.)

A. Critical accounting considerations: (Cont.)

2. Estimates and main uncertainties (cont.)

Therefore, even though estimates or approximations are made using the best judgment of management, based upon past experience, in consideration of the unique factors in the circumstances of each case, and to the extent relevant, also in reliance on external experts, the ultimate quantitative effect of transactions or matters requiring estimation, might become obvious only once these transactions or matters arrive at their conclusion. As a result, the actual results, once the results of an event which necessitates the determination of estimates and approximations have finally become clear, may be different, at times even materially, from these estimates and approximations that are determined at inception and updated over time.

The basic estimates and assumptions are evaluated on a regular basis and brought up to date as the result of data which is brought to the knowledge of management or an event which occurs subsequent to the latest time that the estimate is made, and which it was not aware of during the previous period when the estimate was determined or most recently evaluated. Changes in accounting estimates are recorded in the period in which the change in estimate is made or also in future periods after the period in which the change is made, if the ramifications of the change may affect both the current period and future periods.

The following is an area where the determination of value for the financial statements requires making estimates and approximations, which, in the assessment of the Group's management, are anticipated to have a material effect.

B. Employee benefits

The current value of the liability of the Group for severance pay payments to its employees is based on numerous data items, determined on the basis of an actuarial estimate, that applies numerous assumptions, including the capitalization rate. Changes in the actuarial estimates may affect the carrying amount of the liability of the Group to make severance pay and pension payments. The Group estimates the capitalization rate once every year, based on the yield rates of government bonds. Other key assumptions are determined on the basis of market conditions and accumulated experience of the Group. Regarding the assumptions used by the Group, see Note 12.

NOTE 4 - CASH AND CASH EQUIVALENTS

Composition:

	Interest rate as of December 31, 2009	December 31, 2009	December 31, 2008
		NIS in thousands	
Cash in banks		12,472	3,380
Short term bank deposits	Mostly 0.05%-0.25%	17,608	64,488
		30,080	67,868

NOTE 5 - RECEIVABLES AND PAYABLES WITH RESPECT TO OPEN DERIVATIVE POSITIONS

The following are additional details in connection with the balances of open derivative positions and relevant collateral:

A. The amount of the assets expresses the fair value of the total debts of the members of the MAOF Clearing House to the MAOF Clearing House. The amount of the liabilities expresses the fair value of all the liabilities of the MAOF Clearing House to the members of the MAOF Clearing House.

The amount of these assets and liabilities is calculated after offsetting the fair value of the amount of debts of a member of the MAOF Clearing House from the MAOF Clearing House against the fair value of the amount of the liabilities of the Clearing House to the same member, derived from the open positions of the member as of the same expiration date.

The amount of assets and the amount of charges as above do not include such offset deriving from the open positions of that member with different expiration dates.

With respect to the fair value of the assets and liabilities that are derived from the open positions of all members of the MAOF Clearing House, which also takes into account the offset of charges and credits resulting from the member's open positions with different expiration dates, see Note 18 D (1)(d)(2)(c) below.

B. The last expiration date of the derivatives issued by the MAOF Clearing House through the date of the statement of financial position is June 2010.

C. See Note 18 D (1)(d)(2) below with regard to the Risk Fund of the MAOF Clearing House and the related collateral as well as with respect to transactions in derivatives executed by members of the MAOF Clearing House or under their responsibility.

NOTE 6 - ASSETS AND LIABILITIES WITH RESPECT TO SECURITIES THAT WERE NOT TRANSFERRED TO THE TASE CLEARING HOUSE ON TIME

The following are additional details with relation to the balances of assets and liabilities for securities which were not transferred to the TASE Clearing House on time (“Clearing House short”) and the relevant collateral:

A. The amounts in this section express the amount of the fair value of the securities (other than government bonds and loans) that were sold on the TASE, or where an instruction was given to transfer them to a trustee for safekeeping, and their clearance is under the responsibility of the TASE Clearing House (being a Central Counter Party) and are not found in the clearing accounts of a selling or transferring member of the Clearing House, as the case may be, on the date stipulated in the by-laws as the date of their transfer to the member who purchased them, or to the member who maintains the safekeeping trust account, as the case may be.

Cash with a monetary value of NIS 62 million was placed into deposits in the name of the Clearing House which are administered by banks in order to secure the aforementioned obligations of the members of the Clearing House. These amounts are held in the bank accounts of the Clearing House until receipt of the above securities from the selling or transferring member, as the case may be, in the accounts of the Clearing House members., (See also Note 18 D (1)(d)(1)(b) below.)

B. See Note 18 D (1)(d)(1)(a) with regard to the Risk Fund of the TASE Clearing House and the related collateral.

NOTE 7 - INVESTMENT IN INVESTEES (Cont.)

A. Subsidiaries:

Name of Company	Country of incorporation	Rate of holding of capital and voting rights as of December 31, 2008 and 2009	Extent of investment As of December 31, 2009	Extent of investment As of December 31, 2008
			NIS in thousands	
Maof Clearing House Ltd.	Israel	100%	98,448	84,287
TASE Clearing House Ltd.	Israel	100%	37,385	33,693

B. Affiliate:

(1) The Company's holding of shares of the Stock Exchange Offices Ltd. ("SOL") grant it 55.88% of the right to appoint officers and 10.29% of the right to earnings and participation in distribution of SOL assets upon liquidation. SOL was incorporated in Israel.

(2) Composition

	December 31, 2009	December 31, 2008
	NIS in thousands	
Cost of shares	7,285	7,285
Share of earnings accumulated since acquisition, net	4,032	3,605
Dividends received	(6,869)	(6,674)
Total	4,448	4,216

(3) Dividends declared subsequent to balance-sheet date

Subsequent to the balance sheet date, SOL declared dividends of NIS 4,100 thousand. The Company's share of the dividends is approximately NIS 422 thousand.

(4) Condensed data from financial statements of affiliate

	December 31, 2009	December 31, 2008
	NIS in thousands	
Current assets	12,240	11,633
Investment property	37,250	36,000
Current liabilities	(27)	(114)
Non current liabilities	(6,245)	(6,554)
Assets less liabilities, net	43,218	40,965
Share of Group in shareholders' equity of affiliate-per share in earnings	4,448	4,216

NOTE 7 - INVESTMENT IN INVESTEES (Cont.)

B. Affiliate: (Cont.)

(4) Condensed data from financial statements of affiliate (cost.)

	Year ended December 31		
	2009	**2008**	**2007**
	NIS in thousands		
Revenues	4,351	2,996	4,375
Net income	4,153	1,907	3,865
Share of Group in earnings of affiliate	427	196	398

NOTE 8 - LAND RIGHTS

A. During 2007, the Company entered into agreements for the acquisition of ownership, use and holding rights and leasing rights in land designated for the construction of a new building for the TASE.

The Company is currently in the process of construction of the building. The move to the new building is anticipated for the beginning of 2012.

B. Composition:

	December 31,	
	2009	**2008**
	NIS in thousands	
Owned land	19,792	19,707
Land under capitalized lease (lease rights for various periods ending during the years 2148- 3003)	37,647	37,483
	(*) 57,439	(*) 57,190

(*) The registration of the ownership and lease rights in the Office of the Land Registry has been partially completed. The other part has not yet been completed due to technical problems..

C. The land rights are presented in the statement of financial position with fixed assets, net.

NOTE 9 - FIXED ASSETS

Composition and movement:

	Land & buildings under construction (1)(2)	Computers systems & auxiliary equipment	Equipment & systems	Motor vehicles	Leasehold improvements (mainly visitors center)	Total
	NIS in thousands					
Cost:						
Balance - January 1, 2009	62,172	43,530	9,019	261	7,729	122,711
Additions during year	12,047	10,520	623	-	336	23,526
Disposals during year	-	(4,285)	(208)	-	-	(4,493)
Balance - December 31, 2009	74,219	49,765	9,434	261	8,065	141,744
Balance - January 1, 2008	(*)58,324	39,344	7,946	261	7,474	113,349
Additions during year	3,848	8,123	1,141	-	255	13,367
Disposals during year	-	(3,937)	(68)	-	-	(4,005)
Balance - December 31, 2008	62,172	43,530	9,019	261	7,729	122,711
Accumulated depreciation						
Balance - January 1, 2009	-	21,496	6,263	140	5,843	33,742
Depreciation for year	-	7,598	1,087	39	955	9,679
Disposals during year	-	(4,286)	(204)	-	-	(4,490)
Balance - December 31, 2009	-	24,808	7,146	179	6,798	38,931
Balance - January 1, 2008	-	18,773	5,453	101	5,078	29,405
Depreciation for year	-	6,603	876	39	765	8,283
Disposals during year	-	(3,880)	(66)	-	-	(3,946)
Balance - December 31, 2008	-	21,496	6,263	140	5,843	33,742
Net book value						
December 31, 2009	74,219	24,957	2,288	82	1,267	102,813
December 31, 2008	62,172	22,034	2,756	121	1,886	88,969

(*) Reclassified due to retroactive implementation of new standard (see Note 2 S(1).

(1) See Note 8 for information on rights to land. The balance includes construction costs of NIS 16,780 thousand.

(2) Commitments for the construction of the building:
In July 2009, the Company entered into a contract with a contractor for the performance of demolition, excavation, reinforcement and foundation for construction of the TASE building in the amount of approximately NIS 20 million, linked to the Construction Inputs Index. The balance of the commitment as of December 31, 2009 is the amount of approximately NIS 14 million.

In April 2010, the Company entered into an agreement with a contracting company for the continuation of the construction of the new TASE building (frame and systems) in a total volume of approximately NIS 63 million, linked for the most part, to the Construction Inputs Index

(3) Includes payments on account of the acquisition of fixed assets as of December 31, 2009:

In the item of equipment and systems	-	NIS 315 thousand
In the item of computers systems and auxiliary equipment	-	NIS 150 thousand.

NOTE 10 - INTANGIBLE ASSETS

Following is the composition and changes in this section:

	Software and licenses	Goodwill	Total
	NIS in thousands		
Cost			
Balance as of January 1, 2009	77,083	492	77,575
Acquisitions (*)	6,262	-	6,262
Capitalization of expenses of software development activities	9,042	-	9,042
Balance as of December 31, 2009	92,387	492	92,879
Balance as of January 1, 2008	60,161	492	60,653
Acquisitions	7,892	-	7,892
Capitalization of expenses of software development activities	9,030	-	9,030
Balance as of December 31, 2008	77,083	492	77,575
Accumulated amortization			
Balance as of January 1, 2009	43,708	-	43,708
Amortization	5,177	-	5,177
Balance as of December 31, 2009	48,885	-	48,885
Balance as of January 1, 2008	40,222	-	40,222
Amortization	3,486	-	3,486
Balance as of December 31, 2008	43,708	-	43,708
Unamortized cost			
Balance as of December 31, 2009	43,502	492	43,994
Balance as of December 31, 2008	33,375	492	33,867

(*) Including payments on account of the acquisition of software and licenses in the amount of NIS 992 thousand.

NOTE 11 - PAYABLES AND OTHER CURRENT LIABILITIES

	December 31,	
	2009	2008
	NIS in thousands	
Institutions	4,264	3,104
Accrued expenses with regard to premium to MAOF Clearing House Risk Fund	1,783	1,772
Other payables and accrued expenses	1,127	843
Clearing House members- payables for interest	30	179
Deferred income	387	357
	7,591	6,255

NOTE 12 - EMPLOYEE BENEFITS

A. Composition:

	December 31, 2009	December 31, 2008
	NIS in thousands	
Benefits after termination of employment in the framework of defined benefit plans (see paragraph B(1)(f) below):		
Severance pay obligations (assets)	465	(1,087)
Pension liabilities	1,989	1,907
	2,454	820
Other long term employees benefits for seniority grant (see paragraph C below)	1,071	983
Short term employee benefits (see paragraph E below)	27,247	26,262
	30,772	28,065

Statements of financial position presentation:

Assets with respect to employee benefits:

	December 31, 2009	December 31, 2008
	NIS in thousands	
Non current	-	1,087

Liabilities with respect to employee benefits:

	December 31, 2009	December 31, 2008
	NIS in thousands	
Current	27,247	26,262
Non current	3,525	2,890
	30,772	29,152

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment:

(1) Defined benefit plan

(a) General

Severance pay liability

Labor legislation and the Severance Pay Law in Israel require the Company to pay severance pay to an employee at the time of dismissal or retirement (including employees who leave the place of employment under other specified circumstances). The calculation of the obligation related to the termination of employee-employer relations is carried out pursuant to the collective agreement in effect and is based upon the latest salary of the employee and also in consideration of his number of years of employment.

Such obligation is computed through use of an actuarial estimate. The actuarial estimate is made by a qualified actuary. The present value of the obligation for the defined benefit and the costs related to current service are measured through use of the forecasted eligibility unit method.

See paragraphs (j) and (k) below with regard to grants to the CEO and Chairman of the Board upon termination of their employment.

Liability for annuity

The liability for annuity represents the Company's obligation to pay its former CEO, who departed in 1983, a life annuity and, in the case of death, pay his widow 65% of the annuity to which the manager was entitled, for the remainder of her life. The annuity liability has been included based on an actuarial computation, capitalized at a real interest rate of 2% that conforms to the real market yield of government bonds for the period calculated (as of December 31, 2008-a rate of 2%).

The assumptions regarding the future mortality rate is based upon mortality tables published by the Ministry of Finance updated to the year of 2009.

(b) Major actuarial assumptions with respect to severance pay as of end of reporting period:

	December 31	
	2009	2008
	%	%
Capitalization rates	5.84	5.52
Forecasted yield rates on plan assets	5.84	5.52
Forecasted rates of salary increases (real)	3.50	3.50
Forecasted inflation rates	2.68	2.18
Rates of turnover and departure:		
Employees	(*) 2	(*) 2
Executives	-	-
Rate of severance pay upon retirement	100	100

(*) During the first ten years of employment, the turnover rate is 3.5%.

Until termination of the evaluation as to the existence of an intensive market of corporate debentures of high quality, the Group uses a capitalization rate which conforms to the market yields of government bonds.

Should such evaluation determine that Israel has an intensive market for high quality, corporate debentures, the Group will be required to restate the amounts of the obligations after use of a capitalization rate which conforms to market yields of AA rated corporate debentures.

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment: (cont.)

(1) Defined benefit plan (cont.)

(b) Major actuarial assumptions with respect to severance pay as of end of reporting period (cont.):

In the case that use of a capitalization rate for corporate debentures will be determined, it is anticipated that it will have a material effect on the financial statements of the Group to the extent that a decline will result in the amount of the defined benefit plan to the extent of approximately NIS 13 million.

The forecasted yield rate on plan assets is based on the yield of government bonds for the range of the liability.

(c) Amounts recognized in operations with respect to the defined benefit plan

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Current service cost	4,352	3,428	2,783
Interest cost	3,421	3,471	2,967
Forecasted yield on plan assets	(1,955)	(2,265)	(1,636)
Actuarial losses due to annuity	336	212	163
Actuarial losses recognized due to severance pay (in excess of the strap)	150	-	-
	6,304	4,846	4,277

The expense is included in its entirety in “employee benefits expenses” in the context of “cost of revenues”.

(d) Movement in the present value of the obligation with respect to the defined benefit plan

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Opening balance	62,726	54,715	48,883
Current service cost	4,352	3,428	2,783
Interest cost	3,421	3,471	2,967
Actuarial losses from severance pay	729	3,067	224
Benefits paid for severance pay	(493)	(1,850)	-
Benefits paid for annuity	(329)	(317)	(305)
Actuarial losses due to annuity	336	212	163
Closing balance	70,742	62,726	54,715

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment: (cont.)

(1) Defined benefit plan (cont.)

(e) Movement in fair value of plan assets

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Opening balance	53,555	49,320	44,129
Forecasted yield on plan assets	1,955	2,265	1,636
Actuarial gains (losses)	3,892	(5,624)	564
Deposits by employer	4,170	9,317	2,991
Benefits paid	(322)	(1,723)	-
Closing balance	63,250	53,555	49,320

(f) Reconciliation of present value of obligation with respect to defined benefit plan and the fair value of the plan assets to assets and liabilities recognized in the statement of financial position

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Present value of financed obligations	68,753	60,819	52,786
Fair value of plan assets	(63,250)	(53,555)	(49,320)
	5,503	7,264	3,466
Present value of unfinanced obligations	1,989	1,907	1,929
	7,492	9,171	5,395
Unrecognized net actuarial gains (losses)	(5,038)	(8,351)	340
Net liability derived from obligation for defined benefit	2,454	820	5,735

(g) Actual yield on plan assets

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Forecasted yield on plan assets (*)	1,955	2,265	1,636
Actuarial gains (losses)	3,892	(5,624)	564
Actual yield on plan assets	5,847	(3,359)	2,200
After transfer to pension in the amount of	1,107	1,200	1,176

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment: (cont.)

(1) Defined benefit plan (cont.)

(h) Comparison to previous years

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Present value of obligation with respect to defined benefit plan	70,742	62,726	54,715
Fair value of plan assets	(63,250)	(53,555)	(49,320)
Plan deficit	7,492	9,171	5,395
Adjustments to plan liabilities based on past experience	(3,425)	424	862
Adjustments to plan assets based on past experience	3,684	(5,585)	583

(i) Cumulative balance of actuarial gains (losses)

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Unrecognized actuarial gains (losses) as of January 1	(8,351)	340	-
Actuarial gains (losses) created during current period with respect to plan obligation and assets	2,827	(8,903)	177
Portion of actuarial gains (losses) recorded to operations (*)	486	212	163
Unrecognized actuarial gains (losses) as of December 31	(5,038)	(8,351)	340

(*) Charged to operations during current year

(j) During the month of March 2006, the Board of Directors of the TASE resolved to appoint the former deputy to the CEO as the CEO, effective from June 2006, and during the month of December 2006, an employment agreement was signed under which the CEO is entitled, upon termination of the period of employment in the year of 2011, to an additional severance grant to the extent of one salary for each year of employment in the Company as CEO, this over and above the current amounts at accepted rates that are being deposited on her behalf in managers' insurance programs, and also to a grant in an amount equivalent to three monthly salaries. The liability for severance pay in the financial statements therefore also includes the obligation for the relative period of eligibility accrued from June 2006 through the date of the statement of financial position, for the aforementioned severance grants. Under certain circumstances of termination of employment, the CEO is entitled to the above severance grants even prior to termination of the period of employment.

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment: (cont.)

(1) Defined benefit plan (cont.)

(k) During the month of March 2006, the Board of Directors of the TASE decided to appoint the previous CEO as the Chairman of the Board of Directors, in effect from the month of June 2006, and during the month of December 2006, an employment agreement with the Chairman of the Board of Directors was signed for a period of 5 years. Pursuant to the agreement, the Chairman of the Board of Directors is entitled, upon termination of employment, to an additional severance grant to the extent of his last salary as CEO of the TASE (as defined in the agreement) for each year of employment in the Company through the month of May 2006 (the time of the appointment as the Chairman of the Board of Directors). The liability for severance pay in the financial statements therefore also includes the obligation for the entire additional severance grant as above. Under certain circumstances of termination of employment before the end of the employment period or at its end, the Chairman of the Board of Directors is entitled to special severance vacation of three months.

(2) Defined contribution plans

Severance pay plans

Part of the Company's employees are members in a pension fund. According to the collective agreement between the Company and the employee representatives, the Company operates according to a general authorization on the matter of employer payments to a pension fund and to an insurance fund in place of severance pay, including updates, pursuant to the Severance Pay Law-1963. Accordingly, the Company's payments on account of severance pay are in place of full severance pay to an employee and on the date of termination of employment of the employee, no further accounting is made between the Company and the employee with respect to severance pay, and the Company is exempt from the payment of severance pay to an employee or his survivors according to Section 14 of the Severance Pay Law-1963 and the aforementioned general authorization. The total amount of expenses recognized in the statement of operations for the year ended December 31, 2009 with respect to defined contribution plans was NIS 771 thousand (2008- NIS 411 thousand; 2007- NIS 281 thousand).

C. Other long term benefits:

Seniority grant

Company employees, by custom, receive seniority grants in the amount of to NIS 6 thousand when they reach seniority of 15 years and for every five years subsequent thereto.

D. Benefits with respect to termination:

General

Personal employment contracts signed with a group of executives entitle them, under certain conditions of work termination before the end of the period of the employment contract, to a grant equaling three months' pay. See Note 2 S regarding accounting policies.

NOTE 12 - EMPLOYEE BENEFITS (Cont.)

E. Short term employee benefits:

(1) Composition

	December 31, 2009	December 31, 2008
	NIS in thousands	
Wages, salaries and social benefits (including benefits for bonus and severance payments)	17,029	16,739
Benefits with respect to unutilized vacation	10,218	9,523
	27,247	26,262

(2) Additional data

Paid vacation days

Pursuant to the Annual Vacation Law-1951, Company employees are entitled to a number of paid vacation days for each year of employment. According to such law and its appendix, as determined in the agreement between the Company and the employees, the number of vacation days per year to which each employee is entitled was set according to the seniority of that employee.

The employee is permitted to accumulate the balance of unutilized vacation days. An employee who ceased to work before utilizing the balance of vacation days accrued is entitled to payment of the above balance of vacation days.

NOTE 13 - TAXES ON INCOME

A. Deferred tax balances:

(1) Composition and movement:

	Timing differences			
	Financial assets at fair value through profit and lost	Fixed assets	Provisions (mostly for employee benefits) (*)	Total
	NIS in thousands			
Balance January 1, 2008	(1,058)	-	458	(600)
Movement during the period-				
Movement during the reporting period to operations	1,058	(1,320)	862	600
Balance December 31, 2008	-	(1,320)	1,320	-
Movement during the period-				
Movement during the reporting period to operations	(3,013)	(914)	1,048	(2,879)
Balance December 31, 2009	(3,013)	(2,234)	2,368	(2,879)

(*) The Group recognized a tax asset up to the amount of the earnings which were derived from the reversal of the taxable timing differences.

(2) The deferred taxes have been presented in the statement of financial position in the framework of non current liabilities- liabilities for deferred taxes.

B. Amounts for which deferred taxes were not recognized (*):

	December 31,	
	2009	2008
	NIS in thousands	
Capital losses for tax purposes	-	469
Temporary differences	444	4,015
Total	444	4,484

(*) See Note 2 N (3) above

Expiration dates

In accordance with the tax laws, there is no expiration date for the utilization of tax losses and of deductible temporary differences.

NOTE 13 - TAXES ON INCOME (Cont.)

C. Timing differences with respect to investments in investees as to which no deferred tax liability was recognized:

	December 31, 2009	December 31, 2008
	NIS in thousands	
Subsidiaries	102,210	84,357
Affiliate	442	210
	102,652	84,567

The Group did not recognize deferred tax liabilities with respect to taxes which would have applied in the case of realization of the investments in subsidiaries and the affiliate since the Company's intention is to hold these investments and develop them and also, dividends from the subsidiaries and the affiliate are not subject to tax.

D. Income tax expenses recognized to operations:

	Year ended December 31 2009	2008	2007
	NIS in thousands		
Current taxes			
Current taxes	16,357	20,325	30,118
Prior years' tax expenses (income)	(988)	(395)	408
	15,369	19,930	30,526
Deferred taxes			
Deferred tax expenses (income) derived from creation and reversal of temporary differences	2,879	(600)	(20)
Total tax expenses	18,248	19,330	30,506

E. Effective tax:

The difference between the tax computed on taxable income based on ordinary tax rates and the provision for income taxes is explained below:

	Year ended December 31 2009	2008	2007
	NIS in thousands		
Pre-tax income	83,300	73,807	104,663
Statutory tax rate	26%	27%	29%
Tax expenses at statutory tax rate	21,658	19,928	30,352
Increase (saving) in tax in respect of:			
Income taxable at special rates (including capital gain or loss)	(281)	(259)	(525)
Realization of tax losses and benefits from prior years for which no deferred tax assets were recorded, net	(2,427)	(306)	(244)
Non deductible expenses	286	362	515
Prior years' taxes	(988)	(395)	408
Income taxes	18,248	19,330	30,506

NOTE 13 - TAXES ON INCOME (Cont.)

F. Additional data:

(1) Tax assessments

The Company and its subsidiaries- MAOF Clearing House Ltd. and TASE Clearing House Ltd. have received tax assessments that are considered final up to and including, the 2005 tax year.

(2) According to Amendment Number 147 of the Income Tax Ordinance- 2005, the Companies Tax at the rate of 34% which is imposed on companies was gradually reduced commencing in 2006 (for which a rate of 31% was set) up to a tax rate of 25% in 2010 (tax rate of 29%, 27% and 26% for the 2007, 2008 and 2009 tax-years, respectively).

(3) On February 26, 2008, in a third reading, the Knesset passed the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Limitation of Effective Period), 2008 (hereafter- "the amendment"), according to which the provisions of the Adjustments for Inflation Law terminate in the tax year of 2007, and starting from the tax year of 2008, the provisions of the law will no longer apply, other than the transitional provisions for the purpose of preventing distortions in tax calculations.

According to the amendment, in the tax year 2008 and thereafter, the calculation of the adjustment of income for tax purposes to a real measurement basis will no longer be made. Furthermore, the linkage to the CPI of depreciation on fixed assets and of carry-forward losses for tax purposes will be discontinued so that these amounts will be adjusted up to the CPI as of the end of the tax year of 2007 and their linkage will cease from that date and thereafter.

(4) The Economic Efficiency Law (Amended Legislation for Implementing the Economic Plan for 2009-2010) - 2009 (hereafter-"the Arrangements Law") was published on July 23, 2009. The Arrangements Law reduces tax rates applying to companies to 26% and 25% during the years 2009 and 2010, respectively, and gradually starting from the 2011 tax year when the companies tax rate was set at 24% and up to the 2016 tax year, when the companies tax rate was set at 18%. The Group creates a tax asset only to the extent of the earnings that will be derived from the reversal of the taxable temporary differences and, therefore, this law had no effect on the income from deferred taxes.

NOTE 14 - CONTINGENT LIABILITIES AND GUARANTEES

A. Indemnification of officers:

The TASE is obliged to indemnify the officers of the TASE as well as the officers of the TASE Clearing House while the MAOF Clearing House is obliged to indemnify the officers of the MAOF Clearing House.

The total indemnification amount for all the officers of the TASE, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed an amount in NIS equivalent to $20 million.

The total indemnification amount for all the TASE Clearing House officers, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed NIS 50 million.

The total indemnification amount for all the MAOF Clearing House officers, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed NIS 75 million.

The obligations for indemnification as mentioned will apply for any indemnifiable liability or expense in accordance with law.

The indemnification is subject to the provisions of Chapter III, Section 6 of the Companies Law

NOTE 14 - CONTINGENT LIABILITIES AND GUARANTEES (Cont.)

B. Exemption granted to officers:

The TASE's General Meeting resolved, subject to the provisions of the Companies Law, to exempt the directors and other officers of the TASE from responsibility in respect of any damage caused or to be caused due to breach of their prudence responsibility towards the TASE.

The General Meeting of the TASE Clearing House resolved, subject to the provisions of the Companies Law, to exempt its directors and the other officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the TASE Clearing House.

The General Meeting of the MAOF Clearing House resolved, subject to the provisions of the Companies Law, to exempt its directors and the other officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the MAOF Clearing House.

C. The Company became committed in June 2008 to sign a lease agreement with the Tel Aviv Municipality for underground space for a period of 49 years with an extension option for an additional 49 years, and to pay monetary consideration for the underground lease pursuant to an appraiser's estimate. The Company deposited a bank guarantee with the Municipality in the amount of NIS 2.5 million as security for that commitment.

NOTE 15 - ADDITIONAL DETAILS PERTAINING TO REVENUES FROM SERVICES

A. Composition of revenues from trading and clearance commissions:

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Trading and clearance commissions from securities, excluding derivatives	107,398	95,339	93,461
Trading and clearance commissions from derivatives	34,262	44,552	57,078
	141,660	139,891	150,539

B. Principal customers

The amount of revenues from customer A in 2009 was at the rate of 15% and from customer B at the rate of 13%.

NOTE 16 - ADDITIONAL DETAILS PERTAINING TO COST OF SALES

A. Employee benefits expenses:

Composition

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Salary (including benefits with respect to payment of bonuses and severance pay)	99,155	(*) 88,524	(*) 89,865
Other long term employee benefits	177	(*) 41	(*) 81
Expenses related to defined contribution plan	771	411	281
Expenses related to defined benefit plan	6,304	4,846	4,277
	106,407	93,822	94,504
Less amounts capitalized to intangible assets (see Note 10)	(9,042)	(9,030)	(5,617)
	97,365	84,792	88,887

(*) Reclassified due to retroactive implementation of amendment to financial reporting standard-see Note 2S(1)

B. Depreciation and amortization:

Composition:

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Depreciation of fixed assets (see Note 9)	9,679	8,283	7,978
Amortization of intangible assets (see Note 10)	5,177	3,486	3,177
	14,856	11,769	11,155

NOTE 17 - FINANCING INCOME, NET

Composition:

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Financing expenses-			
Bank fees and commissions	(417)	(230)	(224)
Net losses from financial assets held for trading	-	(160)	-
Interest expense on income taxes	(18)	(13)	(17)
Other financing expenses	-	-	(32)
	(435)	(403)	(273)
Financing income-			
Net gains from financial assets held for trading	28,589	-	13,624
Interest income on short term bank deposits	329	2,430	1,869
Interest income on income taxes	116	329	208
Interest income on employees' loans	117	99	50
	29,151	2,858	15,751
	28,716	2,455	15,478

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT

A. Principal accounting policies:

Principal accounting policies and methods which have been adopted with respect to financial assets and financial liabilities, including criteria for recognition, measurement bases and recording to operations, are presented in Note 2.

B. Financial instrument balances according to category:

	December 31, 2009	December 31, 2008
	NIS in thousands	
Financial assets (*)		
Cash and cash equivalents	30,080	67,868
Financial assets at fair value through profit and lost		
Assets derived from clearing operations:		
Receivables for open derivative positions	1,027,667	73,186
Assets derived from securities not transferred to TASE Clearing House on timely basis	35,989	37,285
Financial assets at fair value through profit and lost-held for trading	248,815	166,392
Loans and receivables	10,948	14,832
	1,353,499	359,563
Financial liabilities		
Financial liabilities at fair value through profit and lost		
Liabilities derived from clearing operations:		
Payables for open derivative positions	1,027,667	73,186
Liabilities derived from securities not transferred to TASE Clearing House on timely basis	35,989	37,285
Financial liabilities at amortized cost	13,517	15,831
	1,077,173	126,302

(*) The book value of the financial assets presented above represents the maximum exposure of the Group for credit risk.

C. Fair value of financial instruments:

(1) The financial instruments of the Group mainly include cash and cash equivalents, marketable securities, trade receivables, other current assets, trade payables, other current liabilities, assets and liabilities with respect to securities not transferred to the TASE Clearing House on time, and assets and liabilities with respect to open derivative positions.

The balances of the Group's financial instruments in the statement of financial position as of December 31, 2009 and 2008 balance sheet are close to their fair value.

(2) Financial instruments presented at fair value in the statement of financial position

The fair value of the financial instruments which are measured according to their fair value in the statement of financial position are classified according to the following ranking:

Level 1- The fair value is based upon quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

Level 2 - The fair value is based upon data that is not quoted prices included in level 1, which are seen in the market directly (namely, prices) or indirectly (data derived from prices), with respect to financial assets and liabilities.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

C. Fair value of financial instruments: (Cont.)

(2) Financial instruments presented at fair value in the statement of financial positon (Cont.)

Level 3- The fair value is based upon data (assumptions) that do not rely on visible market data.

The classification above was determined pursuant to the lowest level at which data (assumption) is classified which is significant for the evaluation of the instrument as a whole.

The following is detail by levels of the financial instruments of the Group which are measured at fair value:

	December 31, 2009		
	Receivables and payables for open derivative positions	**Assets and liabilities for securities not transferred on time to the TASE Clearing House**	**Financial assets at fair value through profit and lost-held for trading**
		NIS in thousands	
Level 1	979,524	35,989	248,815
Level 2	77,547	-	-
	1,057,071	35,989	248,815
Offset between instruments in level 1 and instruments in level 2, in the position of the same member on the same expiration date (see Note 5A above)	(29,404)	-	-
Total balance in statement of financial position	1,027,667	35,989	248,815

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

C. Fair value of financial instruments (cont.)

Assumptions serving in determining the fair value of receivables and payables for open derivative positions not measured in level 1:

The fair value of open derivative positions of the option type are estimated by using the Black and Scholes model while the parameters serving to implement the model are as follows: the price of the base asset, the realization price, time until expiration, the rate of risk free NIS interest, the rate of risk free foreign currency interest and (in the case of currency rate options), the standard deviation of the yield of the base asset.

The use of different assumptions could change the amounts of the fair values but there will be no effect on operations since the open positions on the asset side and the open positions on the liabilities side are identical, as stated in Note 2M(2) above.

D. Purposes and policies of risk management:

The risk management policies of the Group have been formulated in order to identify and analyze the risks facing the Group and in order to carry out activities in order to diminish the various risks to which it is exposed in its operations, as well as to oversee the risks and the compliance with the limitations which have been established with relation to these risks.

The Group is exposed to the following financial risks: credit risks, liquidity risks and market risks.

This note provides information regarding the exposure of the Group to each of the risks and of the manner that they are managed.

In February 2010, the Group appointed a Risks Manager.

(1) Credit risk management

Credit risk is the risk of financial loss to be suffered by the Group should the counter party to the transaction not comply with his obligations.

The major credit risk is derived from those clearance activities which are executed by the clearing houses and in which the clearing houses act vis-à-vis a Central Counter Party (hereafter: “CCP”).

The TASE Clearing House, a wholly owned subsidiary of the TASE, is a CCP for securities transactions (other than derivatives) executed on the TASE, as well as transfers to a trustee for safekeeping (custodial transactions), the holder of collateral for transactions executed on the TASE, and also repo transactions and spot transactions in government bonds executed on an European trading system on which government bonds are traded (hereafter: “MTS system”), cleared by the Clearing House.

The MAOF Clearing House, a wholly owned subsidiary of the TASE, issues derivatives that are traded on the TASE and clears them. The MAOF Clearing House is a CCP for derivative transactions traded on the TASE.

As a CCP, the clearing houses are responsible for compliance of the obligations of a clearing house member which is party to a transaction on the TASE and did not execute its part of the transaction towards another clearing house member, the counter party to the transaction, which did execute its part of the transaction.

The major credit risk that relates to the operations of the clearing house is in a situation of collapse, in which a clearing house member, a party to a transaction, is unable to comply with its obligations for the transaction and the clearing house must fulfill its obligations vis-à-vis the clearing house member which is the other party to the transaction.

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (cont.):

(1) Credit risk management (cont.)

The maximum credit exposure of the TASE Clearing House as of December 31, 2009 with respect to transactions cleared by it and as to which it is obligated as a CCP, is NIS 7,480 million (NIS 7,317 million as of December 31, 2008). The financial statements do not include assets and liabilities for these transactions since they are recorded on the settlement date of the transaction and not on the date of execution of the transaction, being transactions carried out in a regular way, as stated in Note 2 M (2) (a).

The following is the breakdown of this exposure between transactions cleared as DVP (see paragraph D (1) (c) below) as of the day following the date of execution of the transaction (hereafter: “clearance on day t + 1”) and transactions in which the securities are cleared on the date the transaction is executed and the cash is cleared on the day following the date of execution of the transaction (hereafter: clearance on day t”):

Type of security	Manner of clearance	December 31, 2009	December 31, 2008
		NIS in millions	
Government bonds, short term loans and MTS	Clearance on day t + 1	3,081	4,348
Other securities	Clearance on day t	4,399	2,969
		7,480	7,317

The Group is also exposed to credit risk with respect to the financial assets itemized in paragraph B above.

Following is detail from various aspects connected with contending with credit risks which relate to operations of the clearing houses:

(a) Legislation on the subject of stability of the clearing houses

Pursuant to the Israeli Securities Law, a lien on securities that was given by a member of the clearing house in favor of the clearing house will have preference over liens in favor of third parties if the clearing house has control over the securities in one of the ways determined by the law. The law also stated that the realization of a lien of securities in favor of the clearing houses could only be executed by the clearing house itself, if there was no decree by the courts or the head of the judgment execution body, and subject to the conditions stipulated in the law.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management: (Cont.)

(1) Credit risk management (Cont.)

(b) TASE members

The TASE regulations define and determine the conditions of qualification for membership in the TASE. The TASE regulations stipulate, inter alia, minimal requirements with regard to the shareholders' equity of non bank members.

The regulations determine the areas of operations permitted for non bank members and the obligations of the TASE member vis-à-vis the TASE, its members and customers.

The TASE supervises the compliance of TASE members with the requirements specified in the TASE regulations.

It should be stated that the prerequisites for non bank members include the requirement for minimal shareholders' equity, for unrestricted assets, for unrestricted liquid assets and for positive working capital, as well as the limitations on the areas of its operations the credit granted by the non bank member to its customers. The regulations also stipulate requirements with regard to control over credit and collateral, risk management and controls, enforcement controls, internal audit and appropriate insurance.

The regulations authorize the TASE to take disciplinary actions against a member which deviates from the directives of the regulations.

(c) Real time clearance-RTGS system

Monetary clearance is executed in the Bank of Israel by a Zahav system for same day clearance and real time payment (RTGS), and it is final after execution.

The monetary clearance of transaction in government bonds and short term loans are executed by means of the Zahav system on a DVP (delivery vs. payment) basis, with the monetary clearance and the securities clearance being executed simultaneously, so that the clearing house has no credit risk with regard to the disparity between the date of clearance of the security and the date of the monetary clearance.

There is still credit risk for other securities, other than government bonds and short term loans which derives from regard to the disparity between the date of clearance of the security and the date of the monetary clearance (gap of up to one business day). These securities are designated for transfer for clearance on t + 1 during 2010 and 2011.

(d) Risk funds of the clearing houses and current collateral (balances off the statement of financial position)

In order to protect the TASE Clearing House and the MAOF Clearing House from credit risk in the event that the member of the TASE Clearing House or member of the MAOF Clearing House, as the case may be, is unable to meet its obligations, they have established risk funds designated to serve as a source of payment in the event that a clearing house member cannot fulfill his obligations.

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (cont.):

(1) Credit risk management (cont.)

(d) Risk funds of the clearing houses and current collateral (balances off the statement of financial position) (cont.)

1) TASE Clearing House

a) TASE Clearing House Risk Fund

The TASE Clearing House has a Risk Fund. A member of the Clearing House pledges collateral in favor of the Clearing House as a guarantee for meeting its obligations towards the Clearing House as well as to secure its share in the Risk Fund in the event of failure of another member. The amount of the Risk Fund as of December 31, 2009 was NIS 849 million.

The amount of the Risk Fund is updated every six months (in the months of March and September) to be the higher of the following amounts:

- The average overall daily turnover of the Clearing House. As defined in the by laws of the TASE Clearing House- the amount received from the addition of the average daily turnover of all of the members, other than the Bank of Israel and the five banks with the highest shareholders' equity among the banks that are members, which are not foreign banks, as defined in the TASE regulations.

- NIS 150 million.

The share of each member of the Risk Fund will be updated every time there is an update and will be the higher of the following two amounts:

- The amount of the Risk Fund multiplied by the relationship between the clearance turnover of the member for the half year ended prior to the time of the update and the total clearance turnover of all of the members for that period other than the Bank of Israel.

- NIS 5 million.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management: (Cont.)

(1) Credit risk management (Cont.)

(d) Risk funds of the clearing houses and current collateral (balances off the statement of financial position) (Cont.)

1) TASE Clearing House (Cont.)

a) TASE Clearing House Risk Fund (Cont.)

The collateral actually deposited by part of the members exceeds the collateral required by them as above.

The assets which the members are allowed to transfer to the Risk Fund as collateral are only government bonds and cash. The government bonds provided as collateral are deposited in accounts in the TASE Clearing House, with a separate account being opened for each member in the name of the TASE Clearing House. Cash provided as collateral is deposited in bank accounts with a separate account being opened for each member in the name of the TASE Clearing House. Such collateral that is deposited in these accounts is the property of the members of the TASE Clearing House which deposited them and the income received from the collateral belongs to the members.

Commencing on December 1, 2008, each TASE Clearing House member must deposit at least 25% of its share in the Risk Fund- in cash. Subject to the aforesaid, the composition of the collateral is set by the members.

The TASE Clearing House members have pledged the assets and rights in the above accounts in favor of the TASE Clearing House, as stipulated in the by laws of the TASE Clearing House.

b) Assets with respect to securities not transferred to the TASE Clearing House on time (“Clearing House short”)

In order to assure the obligations of the Clearing House members to transfer the securities they have sold which are not found in their account as of the date stipulated by the by laws, the Clearing House retains the funds received due to such sale in the bank accounts of the Clearing House, with the addition of a safety factor as provided by the by laws, until such securities are received.

See Note 6 for additional details.

2) MAOF Clearing House

a) MAOF Clearing House Risk Fund

The MAOF Clearing House has a Risk Fund. A member of the Clearing House pledges collateral in favor of the Clearing House as a guarantee for meeting its obligations towards the Clearing House as well as to secure its share in the Risk Fund. The amount of the Risk Fund as of December 31, 2009 is NIS 713 million.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management: (Cont.)

(1) Credit risk management (Cont.)

(d) Risk funds of the clearing houses and current collateral (balances off the statement of financial position) (Cont.)

2) MAOF Clearing House (Cont.)

a) MAOF Clearing House Risk Fund (Cont.)

The amount of the Risk Fund is updated every calendar quarter and is to be the higher of:

1) The average daily amounts of collateral demanded during the prior quarter from MAOF Clearing House members not included among the five banks that are members in the MAOF Clearing House with the highest shareholders' equity among the banks that are members of the MAOF Clearing House.
2) One third of the average daily amount of collateral demanded during the prior quarter from all MAOF Clearing House members.
3) NIS 200 million.

The share of each member of the Risk Fund will be updated every time there is an update and will be the higher of the following two amounts:

1) The amount of the Risk Fund multiplied by the relationship between the average daily amounts of collateral demanded at the start of the trading days from the member and the total average daily amounts of collateral demanded at the start of the trading days from all MAOF Clearing House members.
2) NIS 5 million.

The collateral actually deposited by part of the members exceeds the collateral demanded from them as above.

On April 15, 2010, an increase in the Risk Fund to NIS 1,125 million was determined.

The assets which the members are allowed to give as collateral are government bonds and cash. The government bonds provided as collateral are deposited in accounts in the TASE Clearing House with a separate account being opened for each member in the name of the MAOF Clearing House. Cash provided as collateral is deposited in bank accounts with a separate account being opened for each member in the name of the MAOF Clearing House. Such collateral that is deposited in these accounts is the property of the members of the MAOF Clearing House which deposited them and the income received from the collateral belongs to the members.

Commencing on December 1, 2008, each MAOF Clearing House member must deposit at least 25% of his share in the Risk Fund- in cash. Subject to the aforesaid, the composition of the collateral is set by the members.

The MAOF Clearing House members have pledged the assets and rights in the above accounts in favor of the MAOF Clearing House, as stipulated in the by laws of the MAOF Clearing House.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management: (Cont.)

(1) Credit risk management (cont.)

D. Risk funds of the clearing houses and current collateral (balances off the statement of financial position) (cont.)

(2) MAOF Clearing House (cont.)

(b) Current collateral

In addition to the aforesaid, MAOF Clearing House members deposit collateral with respect to their operations in the derivatives market. The demand for collateral from the MAOF Clearing House members is computed according to a scheme of occurrences stipulated in the by laws of the MAOF Clearing House. The demand for collateral from all MAOF Clearing House members is computed in real time by a computerized system ("Mabat") according to the transactions executed during trading. The system warns when a member is demanded to complement collateral and in such case, the member is required to deposit collateral during a time period of up to 20 minutes or 30 minutes from the time of the warning, as stipulated in the by laws of the MAOF Clearing House.

According to the by laws of the MAOF Clearing House, the MAOF Clearing House monitors changes in market conditions in the course of trading ,and when adjustment of the "parameters" is necessary, such as: in price or standard deviation of the base asset, the current collateral demand from members is adjusted to the changed market conditions.

The total collateral demands as of December 31, 2009 with respect to transactions in derivatives was NIS 2,651 million. The collateral actually provided by the MAOF Clearing House members exceeds the collateral demand as above.

(c) Offset right

Pursuant to the by laws of the MAOF Clearing House, in the case of non payment by a member and in additional cases as itemized in the by laws of the MAOF Clearing House, the MAOF Clearing House has the right to offset every charge against it by a member, of every and any type, including for positions with different expiration dates, against any charge by the MAOF Clearing House against that member.

The fair value of the assets and liabilities which result from the open positions of all members of the MAOF Clearing House, which also takes into account the offset of charges and credits that are derived from the open positions of the member with different expiration dates, is NIS 851 million (as of December 31, 2008- NIS 38 million).

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (cont.)

(1) Credit risk management (cont.)

E. Investments in securities and cash of the financial reserves of the TASE:

The financial reserves of the TASE are invested in securities and in short term bank deposits and managed in a blind trust by 11 portfolio managers which are TASE members or companies wholly owned by them. The TASE reduces the exposure to credit risk with respect to these investments by means of investment policies. The investment policies define, inter alia, the following restrictions: types of securities held, composition of the securities portfolio (at least 80% is invested in government bonds with restricted average lengths of life, short term loans and bank deposits), minimal foreign currency exposure, maximum volume of portfolio to be managed with a portfolio manager and the maximum proportion of holdings of the securities of one entity.

The investment policies and rules of monitoring the investment portfolios are approved annually by the Boards of Directors of the TASE Group companies. Current control is also performed by an external Certified Public Accountant as to the compliance of the portfolio managers with the policies set, and the findings of the audit are reported to the Audit Committee and to the Board of Directors once each year.

The following is the composition of the investment portfolio of securities and cash

	2009	2008
	NIS in thousands	
Shares	46,932	16,279
Government loans and bonds	201,559	147,675
Other	324	2,438
Total securities	248,815	166,392
Cash	30,080	67,868
Overall total	278,895	234,260

(2) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to comply with its financial obligations when their payment date arrives. The liquidity risk to which the Group companies are exposed is low.

The anticipated payment dates of the great majority of the financial liabilities which derive from the clearance operations which are executed by the TASE Clearing House, as detailed in paragraph D(1) above are within one day.

The anticipated repayment dates of the financial liabilities which derive from the clearance operations which are executed by the MAOF Clearing House (payables for open derivative positions are as follows:

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (cont.)

(2) Liquidity risk management (cont.):

	December 31	
	2009	2008
	NIS in thousands	
Up to one month after end of reporting period	821,489	55,342
1-2 months	79,010	15,022
2-3 months	121,951	1,297
Up to six months	5,217	1,525
	1,027,667	73,186

The above amount of financial liabilities from clearance operations and their anticipated repayment dates match the amount of the financial assets from clearance operations and their anticipated repayment dates.

In order to assure consecutiveness in the operations of the clearing houses in the event that a member does not pay for his activities in securities or derivatives, each member must deposit collateral in cash into the accounts maintained in banks in the name of the clearing houses to the extent of at least 25% of his share in each of the Risk Funds of the TASE Clearing House and the MAOF Clearing House.

In order to permit immediate liquidity of the portion of the collateral invested in debentures, the TASE communicated with the Bank of Israel for the purpose of arriving at an agreement according to which, should the TASE Clearing House or the MAOF Clearing House find it necessary to realize collateral given to it by members, the Bank of Israel would immediately purchase debentures from them, under conditions to be stipulated, in the context of the realization of collateral by the clearing houses. The agreement of the Bank of Israel to the aforementioned has not yet been obtained.

In addition, a number of steps have been taken for the purpose of maintaining consecutiveness of trading and clearance, as follows:

(1) The TASE has cash and cash equivalents and financial assets at fair value through profit and lost in the amount of approximately NIS 279 million as of December 31, 2009.

(2) A bank credit line was allotted to the TASE Clearing House by a commercial bank of up to NIS 30 million against appropriate collateral in order to provide immediate liquidity to the extent necessary (non compliance of a member with his obligations).

(3) See Note 19 D (1) with regard to resolutions of the TASE in the matter of granting loans to the TASE Clearing House and the MAOF Clearing House.

NOTE 18 – PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (cont.)

(3) Market risk management

(a) Price risk

(1) In clearance transactions, the clearing houses do not bear the price risk, except in a case in which a member does not pay for its activities in securities or derivatives. The clearance houses confront price risks relating to their operations by means of risk funds-see paragraph D (1) (d) above.

(2) The Group has investments in marketable financial assets as itemized above. Accordingly, the Group has exposure with respect to changes in the fair value of these financial assets as the result of changes in their market price.

The dispersal of the assets among approximately 10 portfolio managers, and the establishment of investment policies according to which at least 80% of the value of the portfolio will be invested in State bonds, short term loans and bank deposits, diminishes the exposure of the financial assets to extreme changes in their market values.

The pre-tax effect of a change of +/- 3%, +/- 6% in the prices of the financial assets exposed to such price risk is as follows:

December 31, 2009			December 31, 2008		
Total securities	Change of +/- 3%	Change of +/- 6%	Total securities	Change of +/- 3%	Change of +/- 6%
NIS in millions					
248.8	7.5	15	166.4	5	10

(b) Interest risk

The Group has investments in bank deposits at variable interest and, therefore, there is exposure to changes in interest.

The table below itemizes the pre-tax effect of a change of +/- 1%, +/- 2% as follows:

December 31, 2009			December 31, 2008		
Total deposits	Change of +/- 1%	Change of +/- 2%	Total deposits	Change of +/- 1%	Change of +/- 2%
NIS in millions					
17.6	0.18	0.35	64.5	0.64	1.3

(c) Linkage bases:

The Group's exposures for foreign currency risks and CPI risks are minimal. Most of the financial assets and financial liabilities of the Group are measured according to their fair value, based principally on market prices (determining rate)

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES

A. Benefits to interested parties (*)

	Year ended December 31		
	2009	2008	2007
	NIS in thousands		
Short term benefits	3,781	2,729	3,628
Benefits after termination of employment	632	637	668
Salary and related expenses for CEO and Board Chairman (1)	4,413	3,366	4,296
Number of people	2	2	2
Fees of non-employed directors	759	567	345
Number of people	6	9	7

(*) These amounts also represent compensation of key managerial personnel.

(1) See Note 12 B (1) j- k with regard to the employment contracts with the CEO and Board Chairman.

B. Balances with interested and related parties:

(1) Balances with interested parties:

	December 31	
	2009	2008
	NIS in thousands	
In current assets (1)		
Cash and cash equivalents	28,083	(*)66,521
Trade accounts receivable (2)	2,497	(*) 5,345
Other current assets-affiliated company	13	-
In current liabilities (1) (2)		
Payables and other current liabilities - MAOF Clearing House members	1,770	(*) 1,759
Payables and other current liabilities - TASE Clearing House members	30	179

(*) Reclassified

(1) See Note 5 regarding receivables and payables with respect to open derivative positions.
See Note 6 with regard to assets and liabilities for securities not transferred to the TASE Clearing House on time.

(2) The balances are not CPI linked and are not interest bearing.

(2) Liabilities for employee benefits to key managerial personnel :

	December 31	
	2009	2008
	NIS in thousands	
	5,230	5,363

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES (Cont.)

C. Transactions with interested and related parties

(1) Transactions with interested parties:

	Year ended December 31	
	2009	2008
	NIS in thousands	
Revenues from services	162,120	(*)159,971
Cost of revenues-premium for providing collateral to the MAOF Risk Fund	(6,083)	(8,598)
Financing income, net (1)	(425)	1,792

(*) Reclassified

(1) The Company and the subsidiaries have financing income and expenses from transactions with interested parties which are banking entities and other TASE members for transactions carried out in the regular course of business. These amounts result principally from the placing of deposits in banks, maintenance of current accounts and management of securities portfolios and are included with "financing income, net".

(2) Transactions with related parties:

	Year ended December 31	
	2009	2008
	NIS in thousands	
(a) Transactions with affiliated company		
Rent to SOL-affiliate	3,100	2,996
(b) Transactions with subsidiaries (1)		
Participation in expenses by MAOF Clearing House (*)	21,582	24,613

(*) Participation by the MAOF Clearing House in expenses of the Company is calculated according to the relationship of the volume of revenues of the Company and the MAOF Clearing House, pursuant to an agreement between the companies.

(1) There is a firm operational affinity between the TASE and the two clearing houses. This situation is expressed by the fact that the TASE makes available to the clearing houses all of operational infrastructures that they need (computers, manpower, etc.), and conversely, the revenues from securities clearance are transmitted to the TASE and recorded in its financial statements, whereas the MAOF Clearing House, whose trading and clearance commissions are recorded in its financial statements, participates in the expenses of the TASE in proportion to the share of the MAOF Clearing House in revenues out of the total revenues of the two companies.

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES (Cont.)

D. Additional information pertaining to transactions with related parties

(1) Resolutions of the TASE with respect to the granting of a loan to the TASE Clearing House and the MAOF Clearing House:

In 2004, the TASE approved the granting of a loan to the TASE Clearing House not to exceed NIS 50 million, in case the Stock Exchange Clearing House should need a loan in order to meet its liabilities. It was also decided to authorize a committee of the Board of Directors to determine the timing of giving the loan and also to determine the amount of the loan, not to exceed NIS 50 million. The loan will be made available at interest equivalent to the rate of interest collected by the Bank of Israel from the banks, except if it will be agreed otherwise between the TASE and the Clearing House. Since the approval was given during 2004 and through the date of approving the financial statements, the Clearing House did not need this loan.

At the beginning of 2009, the TASE approved the granting of a loan to the MAOF Clearing House not to exceed NIS 50 million, and subject to the amount of the loan to be granted to the MAOF Clearing House, together with the aforesaid loan to be granted to the TASE Clearing House, not to exceed NIS 50 million, this in the event that the MAOF Clearing House should need a loan in order to meet its liabilities. It was also decided to authorize the above committee of the Board of Directors to determine the timing of giving the loan and also to determine the amount of the loan, subject to the restrictions stated above. The loan will be made available at interest equivalent to the rate of interest collected by the Bank of Israel from the banks, except if it will be agreed otherwise between the TASE and the MAOF Clearing House. Since the approval was given at the beginning of 2009 and through the date of approving the financial statements, the MAOF Clearing House did not need this loan.

The TASE has no obligation vis-à-vis the clearing houses to provide such loans. The grant of loans, as needed, will be as per the authorized committee as mentioned above.

(3) See Note 14 regarding indemnification of directors and officers and the granting of exemption from responsibility to directors and officers.

NOTE 20 -LIENS

In March 2008, the TASE Clearing House opened a bank account (hereafter-“the account”) for purposes of receiving loans, if and when the Clearing House will have an immediate need for cash for the uninterrupted continuation of clearance in the event of the collapse of a member.

In April 2008, a first ranked fixed lien was registered on the securities deposited and/or to be deposited in the account or on the proceeds from their sale and/or on the income from the securities.

In the event that the Clearing House will take such loan in the future, it will deposit the securities in favor of the bank.

The Clearing House has not made any use of the account since it was opened and no assets whatsoever have been deposited into it.