<u>THE TEL-AVIV STOCK EXCHANGE LTD.</u>

CONSOLIDATED FINANCIAL STATEMENTS

<u>AS OF DECEMBER 31, 2010</u>

THE TEL-AVIV STOCK EXCHANGE LTD.

Contents

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE TEL-AVIV STOCK EXCHANGE LTD.
REGARDING COMPONENTS OF INTERNAL CONTROL OVER FINANCIAL REPORTING
PURSUANT TO SECTION 9B (c) OF THE
SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS) 1970.

We have audited Components of internal control over financial reporting of the Tel Aviv Stock Exchange Ltd and its subsidiaries (hereafter together "the Company") as of December 31, 2010. These Components of this control were determined as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and for the evaluation of the effectiveness of the Components of internal control over financial reporting, included in the Report on the Events and Changes which occurred in the Company's Business and which affected the Company for the date referred to above. Our responsibility is to express an opinion on the Components of internal control over financial reporting of the Company based on our audit.

The Components of internal control over financial reporting which we audited were determined in accordance with Audit Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" (hereafter :Audit Standard 104"). These Components are: (1) Entity level control, including controls over the process of preparation and closing financial of financial reporting that includes controls over financial reporting of purposes and financial risk management policy, and general controls over the IT; (2) controls over the process of the financial assets, (3) intangible assets and fixed assets,(4) compensation and obligations to employees and (5) controls over the revenues process (All of these together are referred below as "Audited Components of Control ").

We conducted our audit in accordance with Audit Standard 104. This Standard requires that we plan and perform the audit with the purpose of identifying the Audit Components of control, and obtaining a reasonable measure of assurance about whether these Components of control were maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the Audit Components of control, assessing the risk that a material weakness exists in the Audit Components of control, and also testing and evaluating the design and the operating effectiveness of those Components of control, based on the assessed risk. Our audit, with respect to those Components of control, also included performance of other procedures as we considered necessary in the circumstances. Our audit only referred to the Audit Components of control,, unlike internal control over all of the material processes regarding the financial reporting, and, accordingly, our opinion refers only to the Audit Components of control. In addition, our audit did not refer to the mutual influences between the Audit Components of control and those that are not audited, and accordingly, our opinion does not take into consideration such possible influences.. We believe that our audit provides a reasonable basis for our opinion in connection with what was described above.

Due to structural limitations, the internal controls over financial reporting in general, and its components in particular, might not prevent or disclose misleading presentation. Also reaching conclusions with regard to the future on the basis of any current assessment of effectiveness is exposed to a risk that the controls will become unsuitable due to changes in circumstances or the extent of observance of the policies or procedures will change adversely.

In our opinion, the Company effectively maintained, in all material respects, the Audit Components of control as of December 31, 2010.

We have also audited, in accordance with generally accepted auditing procedures in Israel, the consolidated financial statements of the Company as of December 31, 2010 and 2009, and for each of the three years in the period ended on December 31, 2010, and our report dated May 5, 2011 includes an unqualified opinion on the aforementioned consolidated financial statements based upon our audits.

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, Israel
May 5, 2011

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

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, Israel
May 5, 2011

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THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2010	December 31, 2009
		NIS in thousands	
Assets			
Current assets			
Cash and cash equivalents	4	24,241	30,080
Financial assets at fair value through profit and lost-held for trading	7	277,410	248,815
Trade accounts receivable		7,143	8,782
Assets derived from clearing operations:			
Receivables with respect to open derivative positions	5	1,388,331	1,027,667
Assets with respect to securities that were not transferred to the TASE Clearing House on time	6	13,452	35,989
Receivables and other current assets		3,669	3,077
Current tax assets	14	3,914	3,108
Total current assets		1,718,160	1,357,518
Non current assets			
Investment an affiliate	8	4,374	4,448
Fixed assets, net	9,10	144,359	102,813
Intangible assets	11	57,429	43,994
Total non current assets		206,162	151,255
Total assets		1,924,322	1,508,773
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable		16,780	10,578
Liabilities derived from clearing operations:			
Payables with respect to open derivative positions	5	1,388,331	1,027,667
Liabilities with respect to securities that were not transferred to TASE Clearing House on time	6	13,452	35,989
Liabilities with respect to current taxes	14	-	92
Liabilities with respect to employee benefits	13	34,475	27,247
Payables and other current liabilities	12	4,075	7,591
Total current liabilities		1,457,113	1,109,164
Non current liabilities			
Liabilities with respect to employee benefits	13	5,540	3,525
Liabilities for deferred taxes	14	3,279	2,879
Total non current liabilities		8,819	6,404
Equity			
Capital reserves		3,200	3,200
Retained earnings		455,190	390,005
Total equity		458,390	393,205
Total liabilities and equity		1,924,322	1,508,773

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

Approval date of the financial statements: Tel Aviv, May 5, 2011

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, 2010	2009	2008
		NIS in thousands		
Revenues from services	16			
Trading and clearing commissions		158,343	141,660	139,891
Securities registration and annual fees		41,017	35,835	35,572
Clearing House services		28,441	25,193	23,913
Presentation of trade and other data		34,664	32,869	32,321
Other		2,082	1,445	2,529
Total revenues from services		264,547	237,002	234,226
Cost of revenues	17			
Employee benefits expenses	17a	107,133	97,365	84,792
IT and communication expenses		28,150	25,163	22,707
Rent, municipal taxes and building maintenance		11,306	11,485	10,356
General and administrative expenses		12,012	11,996	12,043
Marketing		3,274	7,358	5,028
Fee to Israeli Securities Authority		7,830	8,485	7,667
Depreciation and amortization	17b	17,452	14,856	11,769
Premiums for providing collateral to the MAOF Risk Fund		10,805	6,133	8,648
Market makers' compensation and other expenses, net		956	4	60
Total cost of revenues		198,918	182,845	163,070
Income before financing income, net		65,629	54,157	71,156
Financing income	18	18,816	29,151	2,858
Financing expenses	18	(442)	(435)	(403)
Total net financing income		18,374	28,716	2,455
Income after financing income, net		84,003	82,873	73,611
Company's share in earnings of an affiliate		348	427	196
Income before taxes		84,351	83,300	73,807
Income taxes	14	19,166	18,248	19,330
Comprehensive income for the year		65,185	65,052	54,477

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, 2008	3,200	270,476	273,676
Changes in 2008:			
Comprehensive income for the year	-	54,477	54,477
Balance - January 1, 2009	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
Changes in 2010:			
Comprehensive income for the year	-	65,185	65,185
Balance - December 31, 2010	3,200	455,190	458,390

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,		
	2010	2009	2008
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive income for the year	65,185	65,052	54,477
Tax expenses recognized in the statement of operations	19,166	18,248	19,330
Net financing income recognized in the statement of operations	(18,374)	(28,716)	(2,455)
Depreciation and amortization	17,452	14,856	11,769
Capital loss (profit) from realization of fixed and intangible assets	(39)	4	60
Company's share in undistributed profits of an affiliate	74	(232)	195
	83,464	69,212	83,376
Changes in asset and liability items:			
Decrease (increase) in trade accounts receivable and receivables and other current assets	1,047	3,605	(3,570)
Decrease (increase) in receivables with respect to open derivative positions	(360,664)	(954,481)	23,301
Decrease in assets with respect to securities that were not transferred to the TASE Clearing House on time	22,537	1,296	22,658
Decrease in trade accounts payable and payables and other current liabilities	(8,019)	(6,371)	(5,822)
Increase (decrease) in payables with respect to open derivative positions	360,664	954,481	(23,301)
Decrease in liabilities with respect to securities that were not transferred to the TASE Clearing House on time	(22,537)	(1,296)	(22,658)
Increase (decrease) in assets and liabilities with respect to employee benefits	9,243	2,707	(4,974)
	85,735	69,153	69,010
Interest received	9,969	8,004	10,418
Interest paid	(461)	(421)	(243)
Taxes paid on current operations	(18,736)	(19,548)	(17,430)
	(9,228)	(11,965)	(7,255)
Net cash flow generated from operating activities	76,507	57,188	61,755
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets	(40,410)	(18,279)	(9,348)
Proceeds from disposal of fixed assets	93	-	-
Acquisition of intangible assets	(10,953)	(6,262)	(7,892)
Payments for development costs capitalized to intangible assets	(10,419)	(9,042)	(9,030)
Acquisition of financial assets held for trading, net	(19,674)	(61,376)	(2,272)
Taxes paid on financial assets held for trading	(886)	(14)	(681)
Net cash flow used in investing activities	(82,249)	(94,973)	(29,223)
Net increase (decrease) in cash and cash equivalents	(5,742)	(37,785)	32,532
Cash and cash equivalents at the beginning of the year	30,080	67,868	35,377
Effect of changes in exchange rates on cash balances held in foreign currency	(97)	(3)	(41)
Cash and cash equivalents at the end of the year	24,241	30,080	67,868

Appendix A - Non-cash activities

Fixed assets purchased on credit	10,705	5,247	4,020

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 and in activities related to this.

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

The MAOF Clearing House Ltd. (MAOF Clearing House) is a wholly owned subsidiary of the TASE and it is primarily engaged in issue of options and futures contracts ("derivatives") and rendering clearance services for these derivatives.

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 invests in directly or indirectly, is included 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 8 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 (or $) - 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 (hereafter: 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:

Until December 31, 2003, Israel was considered to be a nation with hyper inflationary conditions. 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.
- Liabilities with respect to employee benefits, as itemized in paragraph P below and in Note 13.

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 the preparation of 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 profit and loss for the period in which they arose.

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 part 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 cash for immediate realization, bank deposits for immediate withdrawal and short-term unrestricted deposits in banks with maturity date not exceeding three months from the date of deposit.

I. Fixed assets:

(1) General

A fixed asset is a tangible item held for the rendering of services for which it is anticipated that it 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. 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 the condition that are necessary to operate it in the manner intended by the Management.

(2) Depreciation of the fixed assets

The 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 useful life 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Fixed assets (Cont.)

2) Depreciation of the fixed assets (Cont.)

The useful life and the annual depreciation rates used for the calculation of the depreciations are the followings:

	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%
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 expected date of transfer to the new building. See also Note 9 below.
(**) See paragraph K below as regards leased land.

The scrap value, the depreciation method and the useful life of the assets are reviewed by the 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 useful life used to depreciate intangible assets with a defined 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, if any.

The amortization is calculated on the straight-line basis over the estimated period of useful life. The approximation of the life span 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 self-development-costs of computer software for internal use

Costs at the preliminary stage with respect to self- development of computer software are recorded in profit and loss when incurred.

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

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 self-development-costs of computer software for internal use (Cont.)

- 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.

When an internally created intangible asset cannot be recognized, the software development costs are charged to profit and loss when incurred.

Internally developed intangible assets, with defined useful lives, are amortized according to the straight line method over the period of their useful lives, and are presented at cost less accumulated amortization and less losses from impairment, to the extent that any exists. The estimated length of life and the method of amortization are evaluated at the end of each reporting year with the effect of changes in estimate being treated on "a prospective" basis.

K. Leases:

Leases of land are classified as financing leases and presented in the statement of financial position in fixed assets, net. Lease payments are amortized on a straight line basis over the lease period. The lands are leased for periods of 98 years to 999 years (primarily 140 years).

In the context of early adoption of the amendment to IAS 17 "Leases", the Company has implemented the above policy in effect from January 1, 2009.

L. Impairment of assets (except for financial 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 such indications exist, 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 the assessment of a 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 immediately recognized 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 immediately recognized to profit and loss.

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 into the categories itemized below. The classification in 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 loss;
- Loans and receivables.

See paragraph R (1) below with regard to the amendment to IFRS 7 "FinancialInstruments: Disclosures".

See paragraph R (1) below with regard to the issuance of IFRS 9 "Financial Instruments".

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

Financial assets are classified as “financial assets at fair value through profit and loss” 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 profit and loss during the period in which the change occurs. The net gain or loss recognized in profit and loss comprises all dividends and interest engendered with respect to the financial asset. Fair value of financial instruments is based upon market prices (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 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: (Cont.)

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

(d) Other financial liabilities

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) which are a continuation 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 and clears derivatives traded on the TASE . The MAOF Clearing House is a CCP for transactions in derivatives traded on the TASE.

As a CCP, clearing houses are responsible for the compliance with obligations of a member of a clearing house who is a party to a transaction on the TASE, and 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.
The clearance of securities transactions is completed on the business day following the day of executing the transaction and, 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 transactions executed whose clearance has not yet been completed as aforementioned. The clearing houses do not bear any price risk (other than in cases of default of a member) since, for each transaction, the value of the assets of the selling party are identical to the value of the liability of the purchasing party.

Assets and liabilities from clearing house operations as aforementioned (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. Transactions carried out in a regular way are sale or purchase transactions of a financial asset according to contract, whose terms required the transfer of the asset with a period of time, which, generally, is determined by instruction or agreement in the relevant market. Accordingly, transactions executed on December 31, but as yet not cleared, are not presented as assets and liabilities in the statements of financial position.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

M. Financial assets and financial liabilities:

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

(a) General (Cont.)

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.

(b) Fair value of financial instruments

The fair value of the financial instruments is based upon the market price (determining rate) determined in the framework of the trading on the stock exchange as of the end of the reporting period. In the event that on the date of the statement of financial position, there is no trading in a specific instrument, , the Group uses valuation techniques pursuant to accepted economic models for the valuation of derivatives, accompanied by assumptions based on economic conditions at the end of each reporting period (see also Note 7C 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, 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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

N. Taxes on income: (Cont.)

(3) Deferred taxes (Cont.)

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.

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 severance pay liability and pension liability for a retired manager. Benefits after termination of employment are, in part, defined contribution plan and, in part, defined benefits plans. Expenses for defined contribution plans are recorded in profit and loss, 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, for which the Group is obligated to make the deposit, are supplied.

Expenses for defined benefit plan are recorded in profit and loss, 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 at the end of each reporting period. The present value of the Group's obligation for the defined benefit plan is determined by means of discounting the forecasted future cash flows for the market yield plan of government bonds with redemption periods that are nearly identical to the forecasted settlement dates of the plan.

Actuarial profits 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 at the beginning of the period are amortized over the balance of an average anticipated employment period of the employees participating in the plan.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

P. Employee benefits (Cont.)

(1) Benefits after termination of employment (Cont.)

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 profits (losses) and less the fair value of the plan assets. A net asset, created by the above 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").

(2) Other long term benefits to employees

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

(3) Short term employee benefits

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

Short term employee benefits include the Company's liabilities for vacation pay, convalescence, bonus and wage payments (including social benefits). These benefits are recorded in profit and loss 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 to pay. The difference between the amount of short term benefits to which the employee is entitled and the amount paid is recognized as a liability.

(4) Benefits for dismissal

Benefits for dismissal are benefits to pay as a result of the Group's decision to dismiss employees prior to the usual retirement age or as a result of the employees' decision to agree to voluntary retirement in return for these benefits.

The liability of the Company for these benefits is initially recognized in profit and loss, when the Group becomes obligated to identify and know the 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 at the end of the reporting period.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Q. Exchange rates and linkage bases: (Cont.)

(3) CPI and the dollar exchange rate are as follows:

Date of financial statements as of:	**Exchange rate (NIS/$)**	**CPI In Israel**
December 31, 2010	3.549	107.6
December 31, 2009	3.775	105.2
Rates of change for the year ended:	**%**	**%**
December 31, 2010	(5.99)	2.28
December 31, 2009	(0.71)	3.82
December 31, 2008	(1.14)	4.51

(4) Exchange and linkage differences are recorded in profit and loss, when incurred.

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

(1) 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 the financial assets and liabilities.

  The instructions 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.

  The Management of the Group estimates that the effect of implementation of the standard on the financial statements of the Group 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.

  The Management of the Group estimates that the effect of implementation of the standard on the financial statements of the Group is not material.

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

  The amendment includes disclosure requirements with regard to the exposure of the entity to risks with respect to financial asset transfer transactions in the framework of which a certain level of continuing exposure for the asset remains with the transferor ("continued involvement") and with regard to transaction for the transfer of financial assets that were fully disposed of, carried out near the end of the reporting period.

  The instructions of the amendment apply on a prospective basis beginning from annual periods commencing on January 1, 2012. Early adoption is possible. The new disclosures are not required with respect to reporting periods which came out prior to the date of initial implementation of the amendment.

  The Management of the Group estimates that the effect of implementation of the standard on the financial statements of the Group is not material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

R. New financial reporting standards and interpretations that were published: (Cont.)

(1) 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: (Cont.)

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

The amendment encourages giving qualitative disclosures in connection with the required quantitative disclosure in order to assist the reader of the statements to create an overall picture of the character and scope of the risks derived from financial instruments.

The amendment also clarifies the level of disclosure required with regard to credit risk and collateral held. The amendment is implemented retroactively for annual reporting periods commencing January 1, 2011 or thereafter. Early implementation is possible

The Management of the Group estimates that the effect of implementation of the standard on the financial statements of the Group is not material.

(2) 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 principally consists of adopting the accounting rule which is the most appropriate in the situation, or providing an acceptable interpretation of an accounting rule that does not give a full or specific response to particular 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 Group accounting policies, and which have a significant effect on the amounts recognized in the financial statements:

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

A. Critical accounting considerations: (Cont.)

Investment in affiliate

The Company's holdings in "Stock Exchange Offices Ltd." (hereafter-"SOL") provide it with 55.88% of voting rights in the company, the right to appoint two thirds of the members of the Board of Directors, the right to appoint the Chairman of the Board and approximately 10.29% of the rights to receive earnings and to participate 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.

In order o determine 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 for which no control exists 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.

B. 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 the 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 its operations.

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.

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

B. Estimates and main uncertainties (Cont.)

Employee benefits

The current value of the liability of the Group for severance pay payments to its employees is determined according to an actuarial estimate, which is based on a number of 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 13.

NOTE 4 - CASH AND CASH EQUIVALENTS

Composition:

	Interest rate as of December 31, 2010	December 31, 2010	December 31, 2009
		NIS in thousands	
Cash in banks		2,750	12,472
Short term bank deposits	Mostly 0.5%-1.82%	21,491	17,608
		24,241	30,080

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 7 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 December 2011.

C. See Note 7 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 securities where the inventory clearance date and the financial clearance is t+1 (the next business day after the date of executing the transaction), 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 approximately NIS 24 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 (approximately NIS 62 million as of December 31, 2009). These amounts are held in the bank accounts of the Clearing House until deposit of the above securities by the selling or transferring member, as the case may be, in the accounts of the Clearing House members entitled to the above securities. (See also Note 7D (1)(d)1)b) below.)

B. See Note 7D (1)(d)1)a) with regard to the Risk Fund of the TASE Clearing House and the related collateral.

NOTE 7 - 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 criterion for recognition, measurement bases and recording in profit and loss, are presented in Note 2.

B. Financial instrument balances according to category:

	December 31,	
	2010	**2009**
	NIS in thousands	
Financial assets (*)		
Cash and cash equivalents	24,241	30,080
Financial assets at fair value through profit and loss:		
Assets derived from clearing operations:		
Receivables for open derivative positions	1,388,331	1,027,667
Assets derived from securities not transferred to TASE Clearing House on time	13,452	35,989
Financial assets at fair value through profit and loss-held for trading	277,410	248,815
Loans and receivables	9,403	10,948
	1,712,837	1,353,499
Financial liabilities		
Financial liabilities at fair value through profit and lost		
Liabilities derived from clearing operations:		
Payables for open derivative positions	1,388,331	1,027,667
Liabilities derived from securities not transferred to TASE Clearing House on time	13,452	35,989
Financial liabilities at amortized cost	20,392	13,517
	1,422,175	1,077,173

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

NOTE 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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, 2010 and 2009 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 are 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.

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, 2010		
	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	806,652	13,452	277,410
Level 2	(*) 636,509	-	-
	1,443,161	13,452	277,410
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)	(54,830)	-	-
Total balance in statement of financial position	1,388,331	13,452	277,410

(*) Mostly open derivative positions of the C001 $ and € options with an exercise date of January 2011, as to which there was no trading on the last day of the year.

NOTE 7 - 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 position (Cont.)**

	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

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 (in the case of currency rate options) and 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 profit and loss 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 to diminish the various risks to which it is exposed in its operations, as well as to oversee the risks and to supervise 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 to the risks and to the manner of managing them.

In February 2010, a Chief Risk Officer was appointed for the Group.

NOTE 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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

(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 its 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 who 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, who executed its part of the transaction.

The major credit risk that relates to the operations of the clearing house is in a situation of default, 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.

The maximum credit exposure of the TASE Clearing House as of December 31, 2010 with respect to transactions cleared by it and as to which it is obligated as a CCP, is NIS 12 million (NIS 7,480 million as of December 31, 2009). 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).

Transactions cleared on the business day following the date of execution of the transaction (hereafter "t+1") are settled by means of DVP (Delivery vs. Payment) when the monetary clearance and the securities clearance are executed simultaneously, so that the clearing house has no risk deriving from the gap between the security clearance day and the monetary clearance day.
The following is the classification of this exposure between transactions cleared as DVP 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: "t"):

Type of security	**December 31,**	
	2010	**2009**
	NIS in millions	
Securities clearing on day t + 1	(*) 12	3,081
Securities clearing on day t	(*) -	4,399
Total	(*) 12	7,480

(*) The data presented relates to December 31, 2010 (Friday), a day on which no trading takes place on the TASE but there is clearance of the prior trading day. As an indication, the exposure of the clearing house with respect to transactions which it cleared on December 31, 2010 and which it was charged as a CCP on December 30, 2010 was the amount of NIS 8,435 million.

NOTE 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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

(1) Credit risk management (Cont.)

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

In the Israeli Securities Law, it was stipulated that 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, subject to the conditions stipulated in the law.

(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.

For the purpose of invigorating the financial strength of the TASE members, the Board of Directors of the TASE, in February 2010, approved a proposal in principle for a new model for capital adequacy and liquidity of non bank members.

The changes in the regulations of the TASE which result from the new model were approved by the Board of Directors of the TASE in August 2010. Following this, the Israel Securities Authority approved these changes (in November 2010) and by Minister of Finance (in February 2011) and were transferred by the Minister of Finance to the Knesset Finance Committee for its approval.

As part of the preparation of the non bank members for implementation of the new model, the Board of Directors of the TASE approved the update of the transitional instructions on the new model in a manner that, until the commencement date of the changes in the regulations and in the directives derived from the new regulations, the non bank members may carry out actions to reduce their shareholders' equity (including distribution of dividends, reduction of capital and withdrawal of management fees) only if certain conditions exist, as itemized in the transitional provisions. The implementation of the model is anticipated to begin in 2011.

In addition, the regulations of the TASE 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 capital, 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, compliance controls, internal audit and appropriate insurance.

A member is subject to disciplinary actions according to the TASE regulations.

NOTE 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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

(1) Credit risk management (Cont.)

(c) Real time clearance-RTGS system

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

The monetary clearance in the system Zahav in government bonds, treasury bills and corporate bonds are executed by a DVP so that the clearing house has no risk with regard to the gap between the dates the security clearance and the date of the monetary clearance.

There is still such risk for other securities (shares and options) which exist due to the gap between the date of clearance of the security and the date of the monetary clearance (gap of up to one business day).
The transfer to clearance by the Zahav system for all of the securities on t + 1 by means of DVP is anticipated to be completed by the end of 2011.

(d) Risk funds of the clearing houses and current collateral (off-balance sheets).

In order to protect the TASE Clearing House and the MAOF Clearing House from 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.

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 his obligations towards the Clearing House as well as to secure his share in the Risk Fund in the event of default of another member. The amount of the Risk Fund as of December 31, 2010 NIS 945 million (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:

1. 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.

2. 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:

1. 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.

2. NIS 5 million.

NOTE 7 - 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 (off-balance sheets) (Cont.)

1) TASE Clearing House (Cont.)

a) TASE Clearing House Risk Fund (Cont.)

The collateral is actually deposited in the Risk Fund as is required.

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 bank accounts of 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 with banks 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 who 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”)

With respect to securities cleared on t"

In order to assure the obligations of the Clearing House members to transfer the securities they have sold and that are not found in their account as of the date stipulated by the by laws ("Clearing House short"), 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 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, 2010 was NIS 1,020 million (December 31, 2009 was NIS 713 million).

NOTE 7 - 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 (off-balance sheets) (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 in the previous quarter.

2. NIS 5 million.

The collateral is actually deposited in the Risk Fund as required.

The assets the members are allowed to give as collateral are government bonds and cash. The government bonds provided as collateral are deposited 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 with banks 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 bylaws of the MAOF Clearing House.

NOTE 7 - 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 bylaws of the MAOF Clearing House.

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

The total current collateral demands as of December 31, 2010 with respect to transactions in derivatives was NIS 3,420 million (as of December 31, 2009 - NIS 2,651 million). The collateral is actually deposited in the MAOF Risk Fund as required.

c) Offset right

Pursuant to the bylaws 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 derived from the open positions of the member with different expiration dates, is NIS 1,300 million (as of December 31, 2009- NIS 851 million).

NOTE 7 - 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 9 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 using the investment policy. 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 a limited duration, treasury bills 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 policy is annually approved by the Boards of Directors of the TASE Group companies and a subcommittee of the Board of Directors evaluates the investment policies and the delineation of the risks, and recommends changes where necessary. Current control is also performed by an external Certified Public Accountant as to the compliance of the portfolio managers with the prescribed policies. The audit findings 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

	December 31	
	2010	2009
	NIS in thousands	
Shares	54,916	(*) 48,172
Government loans and bonds	221,772	(*) 200,319
Other	722	324
Total securities	277,410	248,815
Cash	24,241	30,080
Overall total	301,651	278,895

(*) Reclassified

(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 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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

(2) Liquidity risk management (Cont.):

	December 31	
	2010	2009
	NIS in thousands	
Up to one month after end of reporting period	961,975	821,489
1-2 months	222,184	79,010
2-3 months	200,753	121,951
Up to 12 months	3,419	5,217
	1,388,331	1,027,667

The above amount of financial liabilities from clearance operations and their anticipated repayment dates matches 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 at least 25% of his share in each of the Risk Funds of the TASE Clearing House and the MAOF Clearing House in the name of the clearing houses.

At the end of 2010, the TASE institutions approved an undertaking with the Bank of Israel for the purpose of assuring the liquidity of the clearing houses in the event of the default of a member. According to the approved agreement, the clearing houses will have the right, in the event of a member's default, to sell bonds serving as security to the Bank of Israel, up to 75% of the Risks Fund (*). The agreement with the Bank of Israel has not yet been signed.

(*) The total consideration for the bonds that will be purchased will not exceed the lower of (1) 75% of the amount of the Risks Fund on the date of signing the agreement, (2) 75% of the Risks Fund on the acquisition date,(3) the necessary amounts as defined in the agreement less the cash realized.

In addition, a number of steps have been taken for the purpose of maintaining the financial strength of the clearing houses, as follows:

(a) The Board of Directors of the TASE in its meeting held on November 18, 2010, prescribed that until decided otherwise, the minimal size of the financial reserves of the TASE Group will be NIS 150 million. Should the reserves decline below this amount, the Board of Directors will discuss the need to obtain external financing. As of December 31, 2010, the financial reserves of the TASE Group amount to approximately NIS 252 million.

(b) 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).

(c) 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 7 - 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 his activities in securities or derivatives. The clearance houses confront price risks relating to their operations by means of current collateral (in the MAOF Clearing House") and the risk funds-see paragraph D (1) (d) above.

2) The Group has investments in shares as itemized in paragraph D(1)(d) above . Therefore, the Group has exposure as result of changes in their fair value. The investment policies, which permit an investment in shares at a rate not to exceeding 20% of the total value of the portfolio diminishes the exposure of the total 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, 2010			December 31, 2009		
Total equity instruments	Change of +/- 3%	Change of +/- 6%	Total equity instruments	Change of +/- 3%	Change of +/- 6%
NIS in millions					
55	1.65	3.3	48.2	1.45	2.89

(b) Interest risk:

The Group has investments in bonds and in bank deposits at variable interest and, therefore, there is cash flows exposure to changes in interest rates.
The investment policy which restricts the bond duration of the investment in bonds reduces the exposure to changes in interest rates.

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

December 31, 2010			December 31, 2009		
Amount of instruments bearing variable interest	Change of +/- 1%	Change of +/- 2%	Amount of instruments bearing variable interest	Change of +/- 1%	Change of +/- 2%
NIS in millions					
27.3	0.27	0.55	30.7	0.31	0.61

In addition, the Group has investments in financial instruments with fixed interest, measured at fair value through profit and loss, and, therefore, there is exposure to changes in fair value as the result of changes in interest rates.

NOTE 7 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.)

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

(3) Market risk management (Cont.)

(b) Interest risk (Cont.):

The table below itemizes the pre-tax effect of a change in fair value of these bonds of rates of +/- 1%, +/- 2% as follows:

December 31, 2010			December 31, 2009		
Amount of instruments bearing fixed interest	Change of +/- 1%	Change of +/- 2%	Amount of instruments bearing fixed interest	Change of +/- 1%	Change of +/- 2%
NIS in millions					
216.6	6.8	13.5	187.6	6.1	12.2

(c) Linkage bases:

The Group's exposures to 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 8 - INVESTMENT IN INVESTEES

A. Subsidiaries:

Name of Company	Country of incorporation	Rate of holding of capital and voting rights as of December 31, 2010 and 2009	Extent of investment As of December 31, 2010	Extent of investment As of December 31, 2009
			NIS in thousands	
MAOF Clearing House Ltd.	Israel	100%	110,390	98,448
TASE Clearing House Ltd.	Israel	100%	39,129	37,385

B. Affiliate:

(1) The Company's holding of shares of the Stock Exchange Offices Ltd. ("SOL") grant it 55.88% of the voting rights of the company, the right to appoint two thirds of the members of the Board of Directors, the right to appoint the Chairman of the Board 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, 2010	December 31, 2009
	NIS in thousands	
Cost of shares	7,285	7,285
Share of earnings accumulated since acquisition, net	4,380	4,032
Dividends received	(7,291)	(6,869)
Total	4,374	4,448

NOTE 8 - INVESTMENT IN INVESTEES (CONT.)

B. Affiliate (Cont.):

(3) Dividends declared subsequent to balance-sheet date

Subsequent to the balance sheet date, SOL declared dividends of NIS 3,300 thousand. The Company's share of the dividends is approximately NIS 340 thousand.

(4) Condensed data from financial statements of affiliate

	December 31, 2010	December 31, 2009
	NIS in thousands	
Current assets	10,754	12,240
Investment property	37,920	37,250
Current liabilities	(46)	(27)
Non current liabilities	(6,132)	(6,245)
Assets less liabilities, net	42,496	43,218
Share of Group in shareholders' equity of affiliate-per share in earnings	4,374	4,448

	Year ended December 31 2010	2009	2008
	NIS in thousands		
Revenues	3,864	4,351	2,996
Net income	3,378	4,153	1,907
Share of Group in earnings of affiliate	348	427	196

NOTE 9 - 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.

During 2010, the Company signed a leasing agreement with the Tel Aviv Municipality for underground space for a period of 49 years with an option for an additional 49 year extension and paid lease fees in the amount of NIS 2.3 million, pursuant to an assessor's evaluation.

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

B. Composition:

	December 31, 2010	December 31, 2009
	NIS in thousands	
Owned land	19,799	19,792
Land under capitalized lease (lease rights for various periods ending during the years 2107- 3003)	39,936	37,647
	(*) 59,735	(*) 57,439

(*) Most of the land has been registered in the name of the TASE at the Bureau of Land Registration. With respect to a certain portion, the registration has not yet been completed due to technical difficulties, but as regards it, a warning note in favor of the TASE was recorded by the Bureau. .

NOTE 10 - 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, 2010	74,219	49,765	9,434	261	8,065	141,744
Additions during year (2)	42,522	7,653	820	-	120	51,115
Disposals during year	-	(541)	(105)	(261)	(213)	(1,120)
Balance - December 31, 2010	116,741	56,877	10,149	-	7,972	191,739
Balance - January 1, 2009	62,172	43,530	9,019	261	7,729	122,711
Additions during year (2)	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
Accumulated depreciation:						
Balance - January 1, 2010	-	24,808	7,146	179	6,798	38,931
Depreciation for year	-	7,188	1,303	31	993	9,515
Disposals during year	-	(539)	(105)	(210)	(212)	(1,066)
Balance - December 31, 2010	-	31,457	8,344	-	7,579	47,380
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
Net book value:						
December 31, 2010	116,741	25,420	1,805	-	393	144,359
December 31, 2009	74,219	24,957	2,288	82	1,267	102,813

(1) See Note 9 for information on rights to land.
The balance includes construction costs of NIS 57,006 thousand.

(2) Commitments for the construction of the building:
In April 2010, the Company was in touch with a contractor for the continuation of construction of the new TASE building (skeleton and systems) in the total amount of approximately NIS 63 million, linked mostly to the Construction Inputs Index. The balance of the commitment as of December 31, 2010 is the amount of approximately NIS 58 million.

NOTE 11 - 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, 2010	92,387	492	92,879
Acquisitions	10,953	-	10,953
Capitalization of expenses of software development activities	10,419	-	10,419
Disposals during year	(3,816)	-	(3,816)
Balance as of December 31, 2010	109,943	492	110,435
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
Accumulated amortization:			
Balance as of January 1, 2010	48,885	-	48,885
Amortization	7,937	-	7,937
Disposals during year	(3,816)	-	(3,816)
Balance as of December 31, 2010	53,006	-	53,006
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
Unamortized cost			
Balance as of December 31, 2010	56,937	492	57,429
Balance as of December 31, 2009	43,502	492	43,994

NOTE 12 - PAYABLES AND OTHER CURRENT LIABILITIES

Composition:	December 31, 2010	December 31, 2009
	NIS in thousands	
Institutions	4	4,264
Accrued expenses with regard to premium to MAOF Clearing House Risk Fund	2,549	1,783
Other payables and accrued expenses	1,013	1,127
Clearing House members- payables for interest	50	30
Deferred income	459	387
	4,075	7,591

NOTE 13 - EMPLOYEE BENEFITS

A. Composition:

	December 31, 2010	December 31, 2009
	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)	2,089	465
Pension liabilities	2,261	1,989
	4,350	2,454
Other long term employees benefits for seniority grant (see paragraph C below)	1,190	1,071
Short term employee benefits (see paragraph E below)	34,475	27,247
	40,015	30,772

Statements of financial position presentation:

Liabilities with respect to employee benefits:

	2010	2009
Current	34,475	27,247
Non current	5,540	3,525
	40,015	30,772

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 Chairman of the Board and CEO upon termination of their employment.

Pension liability

The pension liability 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 pension liability has been included based on an actuarial computation, capitalized at a real interest rate of 1.7% that conforms to the real market yield of government bonds for the period calculated (as of December 31, 2009-a rate of 2%).

NOTE 13 - 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

	December 31	
	2010	2009
	%	%
Capitalization rates	5.33	5.84
Forecasted yield rates on plan assets	5.33	5.84
Forecasted rates of salary increases (real)	3.50	3.50
Forecasted inflation rates	2.70	2.68
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, he 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.

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		
	2010	2009	2008
	NIS in thousands		
Current service cost	4,430	4,352	3,428
Interest cost	4,059	3,421	3,471
Forecasted yield on plan assets	(2,556)	(1,955)	(2,265)
Actuarial losses due to annuity	530	336	212
Actuarial losses recognized due to severance pay (in excess of the strap)	-	150	-
	6,463	6,304	4,846

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

NOTE 13 - EMPLOYEE BENEFITS (CONT.)

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

(1) Defined benefit plan (Cont.)

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

	Year ended December 31		
	2010	2009	2008
	NIS in thousands		
Opening balance	70,742	62,726	54,715
Current service cost	4,430	4,352	3,428
Interest cost	4,059	3,421	3,471
Actuarial losses from severance pay	5,794	729	3,067
Benefits paid for severance pay	(1,313)	(493)	(1,850)
Benefits paid for annuity	(339)	(329)	(317)
Actuarial losses due to annuity	530	336	212
Closing balance	83,903	70,742	62,726

(e) Movement in fair value of plan assets

	Year ended December 31		
	2010	2009	2008
	NIS in thousands		
Opening balance	63,250	53,555	49,320
Forecasted yield on plan assets	2,556	1,955	2,265
Actuarial gains (losses)	496	3,892	(5,624)
Deposits by employer	4,228	4,170	9,317
Benefits paid	(1,313)	(322)	(1,723)
Closing balance	69,217	63,250	53,555

(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		
	2010	2009	2008
	NIS in thousands		
Present value of financed obligations	81,642	68,753	60,819
Fair value of plan assets	(69,217)	(63,250)	(53,555)
	12,425	5,503	7,264
Present value of unfinanced obligations	2,261	1,989	1,907
	14,686	7,492	9,171
Unrecognized net actuarial gains (losses)	(10,336)	(5,038)	(8,351)
Net liability derived from obligation for defined benefit	4,350	2,454	820

NOTE 13 - EMPLOYEE BENEFITS (CONT.)

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

(1) Defined benefit plan (Cont.)

(g) Actual yield on plan assets

	Year ended December 31		
	2010	2009	2008
	NIS in thousands		
Forecasted yield on plan assets	2,556	1,955	2,265
Actuarial gains (losses)	496	3,892	(5,624)
Actual yield on plan assets	3,052	5,847	(3,359)
After transfer to pension in the amount of	1,222	1,107	1,200

(h) Comparison to previous years

	Year ended December 31			
	2010	2009	2008	2007
	NIS in thousands			
Present value of obligation with respect to defined benefit plan	83,903	70,742	62,726	54,715
Fair value of plan assets	(69,217)	(63,250)	(53,555)	(49,320)
Plan deficit	14,686	7,492	9,171	5,395
Adjustments to plan liabilities based on past experience	1,591	(3,425)	424	862
Adjustments to plan assets based on past experience	476	3,684	(5,585)	583

(i) Cumulative balance of actuarial gains (losses)

	Year ended December 31		
	2010	2009	2008
	NIS in thousands		
Unrecognized actuarial gains (losses) as of January 1	(5,038)	(8,351)	340
Actuarial gains (losses) created during current period with respect to plan obligation and assets	(5,828)	2,827	(8,903)
Portion of actuarial gains (losses) recorded to profit and loss (*)	530	486	212
Unrecognized actuarial gains (losses) as of December 31	(10,336)	(5,038)	(8,351)

(*) Charged to profit and loss during current year

NOTE 13 - EMPLOYEE BENEFITS (CONT.)

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

(1) Defined benefit plan (Cont.)

(j) 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.
On March 31, 2011, the Board of Directors of the Company selected Mr. Bronfeld for a second period of service of 5 years which will end in 2016. The Chairman of the Israel Securities Authority confirmed that he agreed with the appointment.
The conditions for termination of his employment and the grants to which the Chairman of the Board of Directors was entitled at the time of his original employment as above will apply as adjusted at the time of termination of his new employment in 2016.

(k) 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 and until 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.
On March 31, 2011, the extension of the service of the CEO was approved for an additional 4 years which are to end in 2015. The conditions for termination of his employment and the grants to which the CEO was entitled at the time of her original employment as above will apply as adjusted at the time of termination of her new employment in 2015.

(2) Defined contribution plans

Severance pay plans

Part of the Company’s employees is member 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, 2010 with respect to defined contribution plans was NIS 1,090 thousand (2009- NIS 771 thousand: 2008-NIS 411 thousand).

NOTE 13 - EMPLOYEE BENEFITS (CONT.)

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 subsequent years.

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 P regarding accounting policies.

E. Short term employee benefits:

(1) Composition

	December 31, 2010	December 31, 2009
	NIS in thousands	NIS in thousands
Wages, salaries and social benefits (including benefits for bonus and severance payments)	(*) 22,716	17,029
Benefits with respect to unutilized vacation	11,759	10,218
	34,475	27,247

(*) Includes the amount of NIS 3.2 million to be paid in 2011 according to the approval of the Board of Directors.

(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 14 - TAXES ON INCOME

A. Deferred tax balances:

(1) Composition and movement

	Timing differences			
	Financial assets at fair value through profit and loss	Fixed assets	Provisions (mostly for employee benefits)	Total
	NIS in thousands			
Balance January 1, 2009	-	(1,320)	1,320	-
Movement during the period- Movement during the reporting period to profit and loss	(3,013)	(914)	1,048	(2,879)
Balance December 31, 2009	(3,013)	(2,234)	(*) 2,368	(2,879)
Movement during the period- Movement during the reporting period to operations	(156)	(1,132)	888	(400)
Balance December 31, 2010	(3,169)	(3,366)	3,256	(3,279)

(*) As of December 31, 2009, 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,	
	2 010	2 0 0 9
	NIS in thousands	
Capital losses for tax purposes	-	-
Temporary differences	-	444
Total	-	444

(*) 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.

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

	December 31,	
	2 0 1 0	2 0 0 9
	NIS in thousands	
Subsidiaries	115,896	102,210
Affiliate	367	442
	116,263	102,652

NOTE 14 - TAXES ON INCOME (CONT.)

D. Income tax expenses recognized to profit and loss:

	Year ended December 31		
	2010	2009	2008
	NIS in thousands		
Current taxes			
Current taxes	18,989	16,357	20,325
Prior years' tax expenses (income)	(223)	(988)	(395)
Total current taxes	18,766	15,369	19,930
Deferred taxes			
Deferred tax expenses (income) derived from creation and reversal of temporary differences	400	2,879	(600)
Total tax expenses	19,166	18,248	19,330

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		
	2010	2009	2008
	NIS in thousands		
Pre-tax income	84,351	83,300	73,807
Statutory tax rate	25%	26%	27%
Tax expenses at statutory tax rate	21,088	21,658	19,928
Increase (saving) in tax in respect of:			
Income taxable at special rates (including capital gain or loss)	(514)	(281)	(259)
Changes derived from differences between tax laws and accounting principles	(906)	-	-
Realization of tax losses and benefits from prior years for which no deferred tax assets were recorded, net	(444)	(2,427)	(306)
Non deductible expenses	165	286	362
Prior years' taxes	(223)	(988)	(395)
Income taxes as presented in profit and loss	19,166	18,248	19,330

F. Additional data:

(1) Tax assessments

The Company has received tax assessments that are considered final up to and including, the 2005 tax year, 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 2006 tax year.

NOTE 14 - TAXES ON INCOME (CONT.)

F. Additional data: (Cont.)

(2) 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 instructions of the Adjustments for Inflation Law terminate in the tax year 2007, and starting from the tax year 2008, 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 was discontinued so that these amounts will be adjusted up to the CPI as of the end of the tax year 2007 and their linkage ceased from that date and thereafter.

(3) 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%.

NOTE 15 - CONTINGENT LIABILITIES

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 or to be 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 or to be 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 or to be 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 indemnification liability or expense in accordance with law.

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

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 their responsibilities 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 their responsibilities 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.

NOTE 16 - ADDITIONAL DETAILS PERTAINING TO REVENUES FROM SERVICES

A. Composition of revenues from trading and clearance commissions:

Composition:	Year ended December 31 2010	2009	2008
	NIS in thousands		
Trading and clearance commissions from securities, excluding derivatives	119,660	107,398	95,339
Trading and clearance commissions from derivatives	38,683	34,262	44,552
	158,343	141,660	139,891

B. Principal customers:

The amount of revenues from customer A in 2010 was at the rate of 18% and from customer B at the rate of 13% (2009-customer A-at the rate of 15% and customer B-at the rate of 13%).

NOTE 17 - ADDITIONAL DETAILS PERTAINING TO COST OF SALES

A. Employee benefits expenses:

Composition

	Year ended December 31 2010	2009	2008
	NIS in thousands		
Salary (including benefits with respect to payment of bonuses and severance pay)	109,853	99,155	88,524
Other long term employee benefits	146	177	41
Expenses related to defined contribution plan	1,090	771	411
Expenses related to defined benefit plan	6,463	6,304	4,846
	117,552	106,407	93,822
Less amounts capitalized to intangible assets (see Note 11)	(10,419)	(9,042)	(9,030)
	107,133	97,365	84,792

B. Depreciation and amortization:

Composition:

	Year ended December 31 2010	2009	2008
	NIS in thousands		
Depreciation of fixed assets (see Note 10)	9,515	9,679	8,283
Amortization of intangible assets (see Note 11)	7,937	5,177	3,486
	17,452	14,856	11,769

NOTE 18 - FINANCING INCOME, NET

Composition:

	Year ended December 31		
	2010	**2009**	**2008**
	NIS in thousands		
Financing expenses-			
Bank fees and commissions	(279)	(417)	(230)
Net losses from financial assets held for trading	-	-	(160)
Interest expense on income taxes	-	(18)	(13)
Other financing expenses	(163)	-	-
	(442)	(435)	(403)
Financing income-			
Net gains from financial assets held for trading	18,377	28,589	-
Interest income on short term bank deposits	171	329	2,430
Interest income on income taxes	178	116	329
Interest income on employees' loans	90	117	99
	18,816	29,151	2,858
	18,374	28,716	2,455

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES

A. Benefits to interested parties (*):

	Year ended December 31		
	2010	**2009**	**2008**
	NIS in thousands		
Short term benefits	4,397	3,781	2,729
Benefits after termination of employment	666	632	637
Salary and related expenses for Board Chairman and CEO (1)	5,063	4,413	3,366
Number of people		2	2
Fees of non-employed directors	739	759	567
Number of people	9	6	9

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

(1) See Note 13 B (1) j- k with regard to the employment contracts with the CEO and Board Chairman.

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

B. Balances with interested and related parties:

(1) Balances with interested parties

	December 31	
	2 0 1 0	2 0 0 9
	NIS in thousands	
In current assets (1)		
Cash and cash equivalents	22,829	28,083
Trade accounts receivable (2)	3,035	2,497
Other current assets-affiliated company	31	13
Other current assets-subsidiary (3)	782	1,025
In current liabilities (1) (2)		
Payables and other current liabilities - MAOF Clearing House members	2,536	1,770
Payables and other current liabilities - TASE Clearing House members	50	30
Payables and other current liabilities - subsidiary (3)	1	1

(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.

(3) Balances with subsidiaries are not reflected in the Company's consolidated statements.

(2) Liabilities for employee benefits to key managerial personnel

December 31	
2 0 1 0	2 0 0 9
NIS in thousands	
(*) 6,432	5,230

(*) Includes NIS 0.8 million paid in 2011 as per approval of the Board of Directors.

C. Transactions with interested and related parties:

(1) Transactions with interested parties

	Year ended December 31	
	2 0 1 0	2 0 0 9
	NIS in thousands	
Revenues from services	178,894	162,120
Cost of revenues-premium for providing collateral to the MAOF Risk Fund	(10,755)	(6,083)
Financing income, net (*)	(438)	(425)

(*) 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".

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

C. Transactions with interested and related parties: (Cont.)

(2) Transactions with related parties:

	Year ended December 31	
	2 0 1 0	**2 0 0 9**
	NIS in thousands	
(a) Transactions with affiliated company		
Rent to SOL-affiliate	3,194	3,100
(b) Transactions with subsidiaries (1)		
Participation in expenses by MAOF Clearing House (*)	20,779	21,582

(*) 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.

Transactions with subsidiaries are not reflected in the Company's consolidated statements.

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 that did not 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, that did not 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.

(2) 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 default of a member.

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

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.