THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012

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CONTENTS

Deloitte.
Brightman Almagor Zohar

AUDITORS' REPORT TO THE MEMBERS OF

THE TEL-AVIV STOCK EXCHANGE LTD.

ON COMPONENTS OF INTERNAL CONTROL OVER FINANCIAL REPORTING
PURSUANT TO SECTION 9 B (C) OF SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970.

We have audited the components of internal control over financial reporting of The Tel Aviv Stock Exchange Ltd. ("Company") as of December 31, 2012. These control components 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 effectiveness of the components of internal control over financial reporting included in the report of events and changes, which occurred in the Company's business and affected the Company as of 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 that we have audited were determined in accordance with Audit Standard 104 "Audit of Components of Internal Control over Financial Reporting" of the Institute of Certified Public Accountants in Israel, as amended ("Audit Standard 104"). These components are: (1) Entity level controls, including controls over the process of preparation and closing of financial reporting, and general information technology controls, (2) Controls over financial reporting of targets and financial risk management policy, (3) Controls over the process for intangible assets and property and equipment, (4) Controls over the process of salaries and liability for employee benefits, and (5) Controls over the revenue process. (All together are referred to below as "Audited Components of Control").

We conducted our audit in accordance with Auditing Standard 104. This Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control and obtaining a reasonable 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 Audited Components of Control, assessing the risk that a material weakness exists in the Audited Components of Control, and 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 Audited Components of Control, rather than internal controls over all material processes related to financial reporting, and, accordingly, our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual impact between the Audited Components of Control and those that are not audited, and accordingly, our opinion does not take into consideration such possible impact. We believe that our audit provides a reasonable basis for our opinion in connection with the above.

Due to inherent limitations, internal control over financial reporting in general, and its components in particular, might not prevent or detect misstatement. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the Audited Components of Control as of December 31, 2012.

We have also audited, in accordance with generally accepted auditing procedures in Israel, the consolidated financial statements of the Company as of December 31, 2012 and 2011, and the results of its operations for each of the three years in the period ended December 31, 2012, and our report dated June 6, 2013 included an unqualified opinion on said financial statements, and a reference to requests for approval of class action suits claiming alleged overcharges of commissions, and the illegality of the TASE's guidelines.

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, Israel, June 6, 2013

Tel Aviv - Main Office	Trigger Foresight	Ramat-Gan	Jerusalem	Haifa	Beer-Sheva	Eilat
1 Azrieli Center	3 Azrieli Center	6 Ha-rakun	12 Sarei Israel	5 Ma'aleh Hashichrur	Omer Industrial Park	The City Center
Tel Aviv, 6701101	Tel Aviv, 6702301	Ramat Gan, 5252183	Jerusalem, 9439024	P.O.B. 5648	Building No. 10	P.O.B. 583
P.O.B. 16593				Haifa, 3105502	P.O.B. 1369	Eilat, 8810402
Tel Aviv, 6116402					Omer, 8496500	
Tel: +972 (3) 608 5555	Tel: +972 (3) 607 0500	Tel: +972 (3) 755 1500	Tel: +972 (2) 501 8888	Tel: +972 (4) 860 7333	Tel: +972 (8) 690 9500	Tel: +972 (8) 637 5676
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Deloitte.
Brightman Almagor Zohar

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. ("Company"), as of December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2012. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by Auditors' Regulations (Auditor's 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 sample basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the aforementioned financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and 2011, and their operating results, changes in equity and cash flows for each of the three years ended December 31, 2012, in conformity with International Financial Reporting Standards (IFRS) and Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our opinion, we draw attention to Notes 15 D and 15 E regarding the requests for approval of class action suits against the Company claiming alleged overcharging of minimum commissions, and the clear illegality of the TASE's guidelines and the price lists attached thereto. In the Company's opinion, based on the opinion of its legal counsel, at this early and preliminary stage of the legal proceedings, it is unable to assess the probability of the legal processes and its risks, and therefore the financial statements do not include any provision in this respect.

We have also audited, in accordance with Auditing Standard 104 "Audit of Internal Control Components over Financial Reporting", of the Institute of Certified Public Accountants in Israel, as amended, the internal control components over the Company's financial reporting as of December 31, 2012, and our report dated June 6, 2013 included an unqualified opinion with respect to the effective maintenance of those internal control components.

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, Israel, June 6, 2013

Tel Aviv - Main Office	Trigger Foresight	Ramat-Gan	Jerusalem	Haifa	Beer-Sheva	Eilat
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THE TEL-AVIV STOCK EXCHANGE LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2012	December 31, 2011
		NIS in thousands	
Assets:			
Current assets:			
Cash and cash equivalents	4	11,405	19,133
Financial assets at fair value through profit or lost – held for trading	7	200,548	259,863
Trade receivables		9,741	8,663
Assets derived from clearing operations:			
Receivables on derivative open positions	5	1,744,627	1,051,687
Assets with respect to securities that were not transferred to the Tel Aviv Stock Exchange Clearing House on time	6	-	30,259
Receivables and other current assets		7,554	5,369
Current tax assets	14	10,057	9,017
Total current assets		1,983,932	1,383,991
Non-current assets:			
Investment in an associate	8	4,785	4,515
Property and equipment, net	9,10	285,933	194,208
Intangible assets	11	69,888	66,500
Total non-current assets		360,606	265,223
Total assets		2,344,538	1,649,214
Liabilities and shareholders' equity:			
Current liabilities:			
Trade payables		34,076	23,764
Liabilities derived from clearing operations:			
Payables on derivative open positions	5	1,744,627	1,051,687
Liabilities with respect to securities that were not transferred to the Tel-Aviv Stock Exchange Clearing House on time	6	-	30,259
Liability for employee benefits	13	23,436	27,197
Other payables	12	2,208	5,272
Current tax liability	14	114	-
Total current liabilities		1,804,461	1,138,179
Non-current liabilities:			
Liability for employee benefits	13	7,831	5,995
Deferred tax liability	14	1,568	240
Total non-current liabilities		9,399	6,235
Equity:			
Equity reserves		3,200	3,200
Retained earnings		527,478	501,600
Total equity		530,678	504,800
Total liabilities and equity		2,344,538	1,649,214

June 6, 2013			
Date of Approving the Financial Statements	**Saul Bronfeld** **Chairman of the Board**	**Ester Levanon** **CEO and Director**	**Yossi Treister** **Senior VP, Administration and Finance Department Manager**

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

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

	Note	2012	2011	2010
		Year Ended December 31,		
		NIS in thousands		
Service revenue:	16			
Trading and clearing fees		129,440	158,930	158,343
Securities listing and annual fees		34,434	38,416	41,017
Clearing house services		29,613	28,943	28,441
Distribution of trading and other data		34,330	36,484	34,664
Other items		1,398	1,998	2,082
Total service revenue		229,215	264,771	264,547
Cost of revenue:				
Employee benefits	17 A	109,626	104,903	107,133
IT and communication		32,772	33,086	28,150
Rent, municipal taxes and building maintenance		13,029	12,136	11,306
General and administrative		10,795	12,133	12,012
Expenses - move to the new building	17 B	3,048	-	-
Marketing		5,755	4,435	3,274
Fee to the Israel Securities Authority		6,158	6,007	7,830
Depreciation and amortization	17 C	22,987	20,606	17,452
Premiums for providing collateral to the MAOF Risk Fund		4,237	11,585	10,805
Market makers' compensation and other expenses, net		2,004	1,127	956
Total cost of revenue		210,411	206,018	198,918
Income before financing income (expense), net		18,804	58,753	65,629
Financing income	18	14,822	(1,186)	18,816
Financing expense	18	(225)	(424)	(442)
Total financing income (expense), net		14,597	(1,610)	18,374
Income after financing income, net		33,401	57,143	84,003
Company share of an associate's income		529	480	348
Income before income taxes		33,930	57,623	84,351
Income taxes	14	8,052	11,213	19,166
Comprehensive income for the year		25,878	46,410	65,185

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

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

	Equity Reserves	Retained Earnings	Total
	NIS in thousands		
Balance, January 1, 2010	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
Changes in 2011:			
Comprehensive income for the year	-	46,410	46,410
Balance, December 31, 2011	3,200	501,600	504,800
Changes in 2012:			
Comprehensive income for the year	-	25,878	25,878
Balance, December 31, 2012	3,200	527,478	530,678

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

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

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Comprehensive income for the year	25,878	46,410	65,185
Tax expense, recognized in profit or loss	8,052	11,213	19,166
Net financing expense (income) recognized in profit or loss	(14,597)	1,610	(18,374)
Depreciation and amortization	22,987	20,606	17,452
Capital loss (gain) from disposal of property and equipment, and intangible assets	1,451	351	(39)
Company share of undistributed loss (income) of an associate	(270)	(141)	74
	43,501	80,049	83,464
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other receivables	(3,263)	(3,220)	1,047
Decrease (increase) in receivables on derivative open positions	(692,940)	336,644	(360,664)
Decrease (increase) in assets with respect to securities that were not transferred to the Tel Aviv Stock Exchange Clearing House on time	30,259	(16,807)	22,537
Decrease in trade payables and other payables	(15,603)	(2,042)	(8,019)
Increase (decrease) in payables on derivative open positions	692,940	(336,644)	360,664
Increase (decrease) in liabilities with respect to securities that were not transferred to the Tel Aviv Stock Exchange Clearing House on time	(30,259)	16,807	(22,537)
Increase (decrease) in liabilities for employee benefits	(1,925)	(6,823)	9,243
	22,710	67,964	85,735
Interest received	7,283	9,752	9,969
Interest paid	(225)	(742)	(461)
Tax paid on current operations	(8,394)	(18,736)	(18,736)
	(1,336)	(9,726)	(9,228)
Net cash provided by operating activities	21,374	58,238	76,507
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(80,617)	(49,440)	(40,410)
Proceeds from disposal of property and equipment	-	-	93
Acquisition of intangible assets	(6,293)	(7,954)	(10,953)
Costs capitalized to tangible and intangible assets	(9,790)	(12,260)	(10,419)
Disposal (acquisition) of financial assets held for trading, net	66,736	6,660	(19,674)
Tax receipts (tax paid) - financial assets held for trading	939	(320)	(886)
Net cash used for investing activities	(29,025)	(63,314)	(82,249)
Net decrease in cash and cash equivalents	(7,651)	(5,076)	(5,742)
Cash and cash equivalents, beginning of the year	19,133	24,241	30,080
Effect of changes in exchange rates on cash balances held in foreign currency	(77)	(32)	(97)
Cash and cash equivalents, end of the year	11,405	19,133	24,241

APPENDIX A - NON-CASH ACTIVITIES:

Acquisition of property and equipment, and intangible assets, under credit	22,851	10,223	10,705

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

NOTE 1 - GENERAL

A. The Tel Aviv Stock Exchange ("TASE"), is a company limited by the guarantee of its members, was incorporated in 1953, and its registered office is located at 54 Ahad Ha'am Street, Tel Aviv. The TASE is engaged in managing a securities stock exchange and in related activities.

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

The MAOF Clearing House Ltd. ("MAOF-CH") is wholly owned by the TASE (see note 8 A below) and is primarily engaged in issuing options and futures ("derivatives") and providing clearing services for these derivatives.

All that reported in these financial statements regarding the activity of both the TASE-CH and the MAOF-CH is subject to the by-laws of each CH.

B. The text in these financial statements is an English translation of the original Hebrew financial statements. In the event of any discrepancy between the original Hebrew and this translation, the Hebrew alone will prevail.

C. **Definitions:**

Company or TASE - The Tel-Aviv Stock Exchange Ltd.

Group - The Company and its subsidiaries (as defined below).

Consolidated companies - Companies directly or indirectly controlled (as defined by IAS 27) by the Company, whose financial statements are fully consolidated with those of the Company.

Associate - A company over which the Group exercises significant influence, and which the Group's investment in it, directly or indirectly, is included in the financial statements on the basis of the equity method.

Investees - Subsidiaries and associate. See note 8 - list of investees.

Related parties - As defined by IAS 24 “Related Parties”.

Interested parties - As defined by Securities Law-1968 and regulations thereunder.

Securities transactions cleared on day T - Securities transactions where the timing of clearing the inventory of securities is the date of transaction (on condition, as provided by the by-laws) and the date of monetary clearing is the next business day after transaction date.

Securities transactions cleared on day T+1 - Securities transactions where the timing of clearing the inventory of securities and the date of monetary clearing is the next business day after transaction date.

CPI - The Consumer Price Index, as published by the Israeli Central Bureau of Statistics.

Dollar (or $) - The US Dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Declaration on the Implementation of International Financial Reporting Standards (IFRS):

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

B. The financial statements were prepared in accordance with Securities Regulations (Annual Financial Statements) - 2010 ("financial statement regulations").

C. Basis of Preparation of the Financial Statements:

The financial statements were prepared on the historical cost basis, except for:

- Financial instruments at fair value through profit or loss. See paragraph M below for information on fair value measurement.
- Employee benefit obligations. See paragraph Q below and note 13.

D. Format for Reporting Expenses in the Consolidated Statements of Comprehensive Income:

Group expenses in the statement of comprehensive income are reported based on the nature of the expense. According to Group management, the classification of expenses in this manner provides more reliable and relevant information.

E. Foreign Currency:

(1) Functional Currency and Presentation Currency:

The consolidated financial statements are reported in New Israel Shekels (“NIS”), which is the functional currency of the Group, and are rounded to the nearest thousand. The NIS is the currency of the primary economic environment in which the Group operates.

(2) Translation of Transactions not in the Functional Currency:

In the preparation of the financial statements of each Group company, transactions in currencies other than the functional currency of that company ("foreign currency") are accounted for at exchange rates prevailing on transaction date. At the end of each reporting period, foreign currency monetary items are translated using the closing rate in effect on that date. Non-monetary items measured at historical cost are translated using the exchange rate in effect on the date of the transaction related to the non-monetary asset.

(3) Recognition of Exchange Rate Differences:

Exchange differences are recognized in profit or loss in the period when incurred.

F. Consolidated Financial Statements:

The consolidated financial statements of the Group include the financial statements of the Company and the entities that the Company controls, either directly or indirectly. Control exists when the Company has the power to govern the financial and operating policies of the held company so as to obtain benefits from its activities.

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

With respect to publication of IFRS 10 "Consolidated Financial Statements", see paragraph S below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Investment in an Associate:

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not constitute control or joint control of those policies.

The operating results, assets and liabilities of an associate are included in the financial statements, using the equity method. Under the equity method, investments in an associate are reported in the consolidated statements of financial position at cost, adjusted for post-acquisition changes in the Group's share of comprehensive income, less any impairment of value of the associate.

H. Cash and Cash Equivalents:

Cash and cash equivalents include cash on-hand, bank deposits held at call and short-term unrestricted bank deposits, with maturity dates not exceeding three months from the date of deposit.

I. Property and Equipment:

(1) General:

Property and equipment are tangible items that are held for the supply of services, which are expected to be used over more than one period.

Property and equipment assets are reported at cost in the statements of financial position less accumulated depreciation and any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(2) Depreciation of Property and Equipment:

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is systematically allocated using the straight-line method over the expected useful lives of components of an item beginning when the asset is ready for its intended use.

The useful lives and the depreciation rates used for the calculation of depreciation are as follows:

	Useful Life	Depreciation Rates
Land and building under construction (**)	-	-
Computers systems and auxiliary equipment	3-10 years	10%-33%, (mostly 33%)
Equipment and systems (*)	3-16 years	6%-33%

(*) Certain furniture and equipment assets are depreciated according to the expected date of moving to the new building. See also note 10 below.
(**) For information on leased land, see paragraph K below.

The depreciation method and the useful lives of the assets are reviewed by management at year-end. Changes are accounted for as a change in an accounting estimate and are recognized prospectively.

Any gain or loss arising from disposing of or retiring an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying value of the item, and is recognized in profit or loss, under "other expenses".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Intangible Assets:

(1) General:

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

The useful lives used to amortize intangible assets with definite useful life are as follows:

Software and licenses- 3-10 years (mainly 5 years).

(2) Intangible Assets are Recognized and Measured According to the Manner of their Creation According to the Following Groups:

a. Intangible Assets that are Acquired Separately:

Intangible assets (software and licenses) acquired separately are reported at cost less amortization and any cumulative impairment losses.

Amortization is calculated using the straight-line method over the estimated period of useful life. The estimated useful life and amortization method are evaluated at the end of each reporting year with the effect of changes in estimation accounted for prospectively.

b. Internally Generated Intangible Assets – Development Costs of Computer Software for Internal Use:

Costs incurred during the preliminary phase of software development for internal use are recognized under expenses, when incurred.

An internally generated intangible asset (software and computer systems), during its development phase is recognized if, and only if, an entity can demonstrate all of the following:

- The ability to measure reliably the expenditure attributable to the intangible asset during its development.
- The technical feasibility of completing the intangible asset so that it will be available for use.
- The intention to complete the intangible asset and use it,
- The ability to use the asset.
- How the intangible asset will generate probable future economic benefits can be determined.
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset.

When an internally generated intangible asset cannot be recognized, software development costs are recognized in profit or loss as incurred.

Internally generated intangible assets with defined useful lives are amortized using the straight-line method over their useful lives, and are reported at cost less accumulated amortization and any impairment losses. The estimated life and method of amortization are evaluated at the end of each reporting year with the effect of changes in estimations accounted for prospectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Leases:

Land leases are classified as financing leases and reported in the statements of financial position under property and equipment, net. Lease payments are amortized on a straight-line basis over the lease period. Land is leased for periods of 98 years to 999 years (primarily 140 years).

L. Impairment of Assets (Except for Financial Assets):

At the end of each reporting period, the Group reviews the carrying values of its assets to determine whether there is any indication of impairment loss. If such indications exist, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.

The recoverable amount is the higher of the fair value less costs to sell, and value in use. To assess value in use, estimated future cash flows are discounted to present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset with no estimated future cash flows.

Where the recoverable amount of an asset is estimated to be less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense in profit or loss.

Where an impairment loss recognized in prior periods is cancelled, the carrying value of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying value 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 under profit or loss.

M. Financial Assets and Financial Liabilities:

(1) Financial Assets and Financial Liabilities (Other Than Clearing Operations):

(a) Financial Assets –General:

Financial assets of the Group are classified as below. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition:

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

Loans and receivables are recognized in the statements of financial position when the Group becomes party to the contractual provisions of the financial instrument. Financial assets at fair value through profit or loss are recognized in the statements of financial position on the date of clearing a trade, similarly to financial assets from clearing activity (see note M (2) (A) below).

Investments in financial assets are initially recognized at fair value.

For information on the publication of IFRS 9 "Financial Instruments", and IFRS 13 "Fair Value Measurements", see paragraph S below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial Assets and Financial Liabilities (Cont.):

(1) Financial Assets and Financial Liabilities (Other Than Clearing Operations) (Cont.):

(b) Financial Assets at Fair value through Profit or Loss:

Financial assets are classified as “financial assets at fair value through profit or loss” when said assets are held for trading purposes. This category includes securities acquired for trading purposes.

A financial asset in this category is recognized at fair value. Any gain or loss on re-measurement, including that resulting from changes in exchange rates, is recognized in profit or loss during the period in which the change occurs. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset. The fair value of financial instruments is based on their quoted market prices (determining price) on the TASE at the end of the reporting period.

(c) Loans and Receivables:

Trade receivables, deposits and other receivables, with fixed or determinable payments that are not quoted on an active market, are classified under loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized using the effective interest method, except for certain short-term balances, when the interest to be recognized is immaterial.

(d) Other Financial Liabilities:

Trade payables 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 using the effective interest method, since any interest amount to be recognized is immaterial.

(2) Financial Assets and Financial Liabilities From Clearing Operations:

(a) General:

The TASE-CH, which is wholly owned by the TASE, is a Central Counter Party ("CCP") for transactions in securities (other than derivatives) that are executed on the TASE, transfer of custody (custodial activities) that follows a transaction on the TASE, as well as for repo transactions and spot transactions in government bonds that are executed through a European trading system for government bonds ("MTS system"), and cleared by the TASE-CH.

As a CCP, the TASE-CH is responsible for compliance of the obligations of a TASE-CH member that is a party to a transaction on the TASE and did not carry out its part of the transaction towards another clearinghouse member that is the counterparty to the transaction, that has carried out its part of the transaction. Accordingly, the TASE-CH has assets and liabilities (for the seller and buyers, respectively) for each of the transactions transacted, as above. The TASE-CH is not exposed to any price risk (except in cases of member default), since for each transaction, the value of the TASE-CH assets arising from the obligation of the seller is equal to the value of the liability of the TASE-CH towards the buyer.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial Assets and Financial Liabilities (Cont.):

(2) Financial Assets and Financial Liabilities From Clearing Operations (Cont.):

(a) General (Cont.):

The MAOF Clearing House Ltd ("MAOF-CH"), which is wholly owned by the TASE (see note 8 A below), issues derivatives traded on the TASE and clears them. The MAOF-CH is a CCP for options and futures cleared by the MAOF-CH.

As a CCP, the MAOF-CH is responsible for compliance of the obligations of a MAOF-CH member that is party to an option or futures and did not carry out its part in accordance with the option or futures, towards another MAOF-CH member that is the counterparty to the option or futures that has carried out its part of the option or futures. Accordingly, the MAOF-CH has assets and liabilities (for the seller and buyers, respectively) for each option and futures cleared by the MAOF-CH. The MAOF-CH is not exposed to any price risk (except in cases of member default), as for each option and futures the value of the MAOF-CH assets arising from the obligation of the seller is equal to the value of the liability of the MAOF-CH towards the buyer.

The clearinghouses complete the clearing and settlement of securities transactions on the next business day after transaction date.

Assets and liabilities derived from CH operations as noted (except for assets and liabilities with respect to securities which have not been transferred to the TASE-CH on time, as noted in note 6) are recorded in the financial statements (recognized or derecognized) on settlement date and not on the transaction date as these are transactions executed in the regular way. These are transactions to buy or sell a financial asset under contract, whose terms require the delivery of the asset within a period of time, which, generally, is determined by the rules or practice in the relevant market. Accordingly, transactions executed on December 31, but not yet cleared and settled, are not reported as assets and liabilities in the statements of financial position.

Financial assets and liabilities with respect to Group clearing operations include receivables and payables relating to derivatives open positions. As of December 31, 2011, said also included assets and liabilities with respect to securities that were not transferred to the TASE-CH, on time (see notes 5 and 6 respectively). These transactions are measured in each reporting period at fair value. Since the asset and liability positions are identical, the same amount is recognized for both assets and liabilities, and no gains or losses from fair value adjustments are recognized in profit or loss.

(b) Fair Value of Financial Instruments:

The fair value of financial instruments is based on their market price (prevailing rate) on the TASE on the last trading day of the reporting period. If a certain instrument is not traded on the last trading day of the year, the Group uses valuation techniques based on common economic models for pricing derivatives, using assumptions that are based on the economic conditions existing at the end of the reporting period (see also note 7 C below).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial Assets and Financial Liabilities (Cont.):

(2) Financial Assets and Financial Liabilities From Clearing Operations (Cont.):

(c) Offset of Financial Instruments:

Financial assets and liabilities are reported in the statements of financial position at net only if there is a legally enforceable right to offset and the entity intends to settle on a net basis, or to realize an asset and settle the liability simultaneously.

For information on the publication of IAS 32 "Financial Instruments: Presentation", (Offsets of Financial Assets and Liabilities), (Amended), and publication of IFRS 7 "Financial Instruments: Disclosures" (Offsets of Financial Assets and Financial Liabilities), (Amended), see paragraph S below.

N. Income Taxes:

(1) General:

Income tax expense includes current taxes and any changes in deferred tax balances.

(2) Current Tax:

Current tax expense is calculated based on the taxable income of the Company and subsidiaries in the reporting period. Taxable income differs from pretax income, due to inclusion or exclusion of income and expense items that are taxable or deductible in other reporting periods, or are not taxable or deductible. Current tax assets and liabilities are calculated using tax rates and tax laws that have been enacted or substantively enacted by statement of financial position date.

(3) Deferred Tax:

Group companies recognize deferred tax on temporary differences between the tax basis of assets and liabilities and their carrying value. Deferred tax balances (asset or liability) are calculated using tax rates that are expected to apply in the period when the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by statement of financial position date. Deferred tax liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax assets are recognized for all temporary differences that are deductible, up to the amount of expected taxable profit that will be available, against which the deductible temporary difference can be utilized.

In computing deferred tax, any tax that would have applied when disposing the investment in subsidiaries was not taken into account, since it is the intention of the Group to hold and develop these investments. In addition, no deferred tax is recognized for income distributions from these companies, since the dividends are not taxable.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority, and the entity intends to settle current tax assets and liabilities on a net basis.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Revenue Recognition:

Revenue recognized reflects the fair value of the consideration received or receivable for services provided in the ordinary course of business.

(1) Service Revenue:

The Group records revenue from providing services on the date that the services are provided.

(2) Interest Income:

Interest income is recorded periodically, based on any outstanding principal for repayment, using the effective interest method.

(3) Dividend Income:

Dividend income on investments in held for trading marketable securities is recognized when the Group's right to receive the dividend is established.

P. Provisions:

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic resources will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognized as a provision is management’s best estimate of the consideration required to settle the present obligation as of statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized for the recovered amount if it is virtually certain that the reimbursement will be received and that it can be measured reliably.

Q. Employee Benefits:

(1) Post-Employment Benefits:

Post-employment benefits granted by the Group include primarily a severance pay liability and pension liability to the widow of a retired manager. Post-employment benefits are partially defined contribution plans and defined benefit plans. Expenses vis-à-vis the obligation for contributing to defined contribution plans are recognized in profit or loss or capitalized under the cost of intangible assets (under cost of self-development of computer software) on the date of providing the work services for which the obligation to make a contribution arises.

Expenses on defined benefit plans are recognized in profit or loss or capitalized under the cost of intangible assets (under cost of self-development of computer software) using the projected unit credit method, based on actuarial studies conducted at the end of each reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds with terms to maturity approximating the terms of the related plan liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. Employee Benefits (Cont.):

(1) Post-Employment Benefits (Cont.):

Actuarial profits and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets at the beginning of the period are amortized over the expected average employment period of the employees participating in the plan.

The defined benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation, plus (less) unrecognized actuarial gains (losses) and less the fair value of plan assets. Any net asset resulting from this calculation is limited to the amount of actuarial loss, plus the present value of available refunds and reductions in future contributions to the plan ("the ceiling amount"). See also paragraph S below for information on the publication of IAS 19 (2011) "Employee Benefits".

(2) Other Long-Term Employee Benefits:

Other Group employee benefit include liabilities for seniority grants. These benefits are recognized in profit or loss using the projected unit credit method based on actuarial assessments made at the end of the reporting period. Actuarial gains or losses are expensed under profit or loss as incurred.

(3) Short-term Employee Benefits:

Short-term employee benefits are benefits, which fall due wholly within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include Company liabilities for vacation pay, recreation, bonus and wage payments (including statutory benefits). These benefits are recognized in profit or loss or capitalized under the cost of intangible assets (under cost of self-development of computer software) on the date they arise. The benefits are measured on an undiscounted basis the Company is expecting to pay. The difference between the sum of short-term benefits the employee is eligible to receive and the amount paid in their respect is recognized as a liability.

(4) Termination Benefits:

Termination benefits are benefits payable as a result of either a decision of the Group to terminate an employee's employment before normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The liability of the Company for these benefits is initially recognized against profit or loss when the Company is committed, in relation to known and identifiable employees, to formal termination including the benefits to which the terminated employees are entitled and the time of termination. Benefits are measured on an undiscounted basis.

See paragraph S below, for information on the publication of IAS 19 (2011) "Employee Benefits."

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. Exchange Rates and Linkage Bases:

(1) Balances in foreign currency or linked thereto are recognized in the financial statements using the Bank of Israel representative exchange rate prevailing as of the end of the reporting period.

(2) Balances linked to the CPI are stated using the latest CPI figure as of the end of the reporting period.

(3) CPI and the US Dollar exchange rate information:

	Exchange Rate (NIS/$)	CPI, in Points
Date of the financial statements:		
December 31, 2012	3.733	111.94
December 31, 2011	3.821	110.34
	%	%
Rates of change for the year ended:		
December 31, 2012	(2.30)	1.45
December 31, 2011	7.66	2.55
December 31, 2010	(5.99)	2.28

(4) Exchange and linkage differences are recognized in profit or loss as incurred.

S. New Standards Issued but not yet Effective and not Early Adopted by the Group, Which are Expected to Have or Might Have an Impact on Future Periods:

- **IAS 19 (2011) "Employee Benefits":**

  The Standard revises the current guidance provided by IAS 19 "Employee Benefits", including the following aspects:

  - Actuarial gains and losses are recognized under other comprehensive income and no longer recycled through profit or loss in subsequent periods. Accordingly, the Standard eliminates the option of charging actuarial gains and losses to obligations, according to the "corridor method".

  - Interest income on defined benefit plan assets will be recognized based on the discount rate used to measure the obligation rather than the expected return on the assets.

  - Short-term employee benefits will include only benefits that are due to be settled in full within twelve months after the end of the period in which the employees render the related service.

  - Termination benefits arising from any proposed voluntary retirement will be recognized as a liability at the time the reporting entity can no longer withdraw the offer.

  The Standard will be implemented retrospectively, except for exceptions noted in the Standard for annual periods beginning on or after January 1, 2013. Early implementing is permitted.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. New Standards Issued but not yet Effective and not Early Adopted by the Group, Which are Expected to Have or Might Have an Impact on Future Periods (Cont.):

- **IAS 19 (2011) "Employee Benefits" (Cont.):**

Following are details of the expected primary effect on equity, other comprehensive income and liabilities of the Company, based on information known as of the date of approval of these financial statements. These effects result primarily from changes in the recognition of gains/losses, which will be recognized under other comprehensive income, instead of under obligations, on the basis of the "corridor method".

	December 31, 2012	Retrospective Effect	Presentation after adoption of the standard, January 1, 2013
		NIS in thousands	
In the statement of financial position:			
Current liabilities:			
Liability for employee benefits	23,436	(113)	23,323
Noncurrent liabilities:			
Liability for employee benefits	7,831	12,916	20,747
Deferred tax liabilities	1,568	(568)	1,000
	9,399	12,348	21,747
Equity	530,678	(12,235)	518,443
In the statement of comprehensive income for 2012			
Changes in the "Reserve for Re-measurement"	-	(6,026)	(6,026)

The impact on 2012 profit or loss and years' prior, and on salary expense capitalized to intangible assets is immaterial.

- **IFRS 9 "Financial Instruments":**

The Standard provides guidance on the classification and measurement of financial assets and liabilities.
The Standard also revises the transitional provisions to allow practical relief to early adopters.
The Standard is mandatory for annual reporting periods beginning on January 1, 2015. Early adoption is permitted.
For early adoption, the provisions of IFRS 9 do not apply retrospectively, except for exceptions detailed in the Standard.

Management is assessing the impact of implementing the Standard on the Group's financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. New Standards Issued but not yet Effective and not Early Adopted by the Group, Which are Expected to Have or Might Have an Impact on Future Periods (Cont.):

- **IFRS 10 "Consolidated Financial Statements"**

  The Standard provides the following guidance in relation to consolidated financial statements:

  - Control by an investor over another entity ("invested entity") exists when the investor has power over the investee entity, it has exposure to variable returns from its involvement in the invested entity and the ability to use its power to influence any returns.

  - The Standard does not include any changes in consolidation procedures.

  This Standard is applied retroactively, except for exemptions provided by the Standard, to annual reporting periods beginning on or after January 1, 2013. Earlier adoption is permitted provided that IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 (2011) "Investments in Associates and Joint Ventures" are adopted concurrently.

  Management estimates that the impact of imlementing the Standard on the Group's financial statements is immaterial.

- **IFRS 13 "Fair Value Measurements":**

  The Standard replaces the fair value measurement guidance contained in various IFRS' with a single source of fair value measurement guidance. Accordingly, guidance was provided for measuring the fair value of all items measured at fair value in the statements of financial position or for disclosure purposes.

  The Standard defines fair value as the price that would be received upon the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants on measurement date.

  The Standard provides different approaches for measuring fair value and favors evaluation methodologies that mostly rely on observable market data.

  The Standard will be applied prospectively for annual periods beginning on or after January 1, 2013. Early adoption is permitted.

  Management estimates that the impact of implementing the Standard on the Group's financial statements is immaterial.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. New Standards Issued but not yet Effective and not Early Adopted by the Group, Which are Expected to Have or Might Have an Impact on Future Periods (Cont.):

- **IAS 32 "Financial Instruments: Presentation" (Amended) (Offsetting Financial Assets and Financial Liabilities):**

  The Amendment clarifies that to meet the offsetting requirements for financial assets and financial liabilities, the right to off-set is not contingent on a future event and is enforceable during the normal course of business, in the event of default, insolvency or bankruptcy. In addition, the Amendment states that net settlement criterion may occur, also when the gross settlement has features that eliminate or result in insignificant credit or liquidity risk, if the amounts receivable payable are part of one single settlement process or cycle. The Standard will be adopted retrospectively for annual periods beginning on or after January 1, 2014. Early adoption is permitted.The Company's management is evaluating the impact of this Standard on the Group's financial statements.

- **IFRS 7 "Financial Instruments: Disclosures" (Amended) (offsetting financial assets and financial liabilities):**

  As part of the amendment to IAS 32, as noted above, additional disclosure on the effect of agreements for netting various financial assets and financial liabilities on the financial position of the entity, were provided..

  The amendment will be Implemented retrospectively for annual periods beginning on or after January 1, 2013. Early adoption is permitted.

- **IAS 1 "Presentations of Financial Statements " (Amended) (Presentation of Other Comprehensive Income Items in the Statement of Comprehensive Income):**

  The amendment requires separating items reported under other comprehensive income into two groups, based on whether or not they may be classified under profit or loss in the future.

T. Standards, Amendments to Standards and Interpretations Issued That are not Applicable to the Group:

In addition to said amendments and standards, other interpretations and amendments were issued, which management estimates are not applicable to the Group.

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

A. Critical Accounting Judgments:

In applying the accounting policies of the Group, Company management is required in certain cases to make extensive accounting judgments. This discretion principally consists of providing an acceptable interpretation of an accounting rule that does not give a full or specific response to particular circumstances. 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 the critical accounting judgments, having the most significant effect on the amounts recognized in the financial statements:

Investment in an Associate:

The Company's investment in Stock Exchange Offices Ltd. ("SOL") grants it 55.88% of the SOL voting rights, the right to appoint two thirds of the members of SOL's Board of Directors, the right to appoint the Chairman of the Board of SOL and rights to 10.29% of earnings and participation in the assets of SOL upon liquidation.

Control exists when the entity has the power to determine the financial and operating policies of another entity so as to obtain benefits from its activities.

In order to determine whether the Company has control over SOL, which would require the Company to consolidate the financial statements of SOL with its financial statements, management examined the circumstances which might indicate a relationship where control exists in accordance with the above definition, and, inter alia, in accordance with SIC 12 of the Standing Interpretations Committee.

The conclusion of this examination was that control does not exist and, therefore, the investment in SOL is reported in the financial statements using the equity method. It also seems that the conclusion of the examination is not expected to change, even after adoption of IFRS 10, which will be required for annual reporting periods beginning on January 1, 2013.

B. Key Factors, Uncertainties and Estimates:

When preparing the financial statements, management is required to use estimates or approximations regarding transactions or matters whose ultimate impact on the financial statements cannot be established accurately at the time of preparation. The main basis for determining the quantitative value of such estimates are the assumptions that management decides to adopt, considering the circumstances of the object of estimation as well as the best information available at the time. Naturally, since these estimates and approximations are the result of exercising judgment in an environment of uncertainty, which may be at times especially great, changes in the basic assumptions arising from changes that are not necessarily dependent on management, as well as additional information that may become available to the Company only in the future, might lead to changes in the quantitative value of the estimate, and accordingly, also affect the Company's financial position and results of operations.

The estimates and underlying assumptions are reviewed regularly by management. Changes in accounting estimates are recognized only in the period in which there was a change in the estimate, to the extent that the change affects only that period, or is recognized in said period and in future periods, when the change affects both the current period and future periods.

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

B. Key Factors, Uncertainties and Sstimates (Cont.):

The Following are Areas Whose Valuation Requires Estimation and Approximation, and the Group's Management Estimates May Have a Material Impact:

Employee Benefits:

The present value of the Group's severance pay obligation to its employees is determined using actuarial estimation, which is based on a number of assumptions, including a discount rate and an expected rate of salary increases. Changes in the actuarial estimates may affect the carrying value of the obligation of the Group to pay retirement, termination and pension payments. The Group estimates the discount rate once a year, based on the yield rates on Israeli government bonds. Other key assumptions are determined on the basis of market conditions and accumulated experience of the Group. See note 13 for more information on the assumptions used by the Group.

Provision for Legal Proceedings:

To assess the legal validity of lawsuits and to determine the likelihood of adverse outcome, management relies on the opinion of legal and professional consultants. After these consultants form their legal opinion and the likelihood of a positive decision for the Company in the case, both if the Company will have to bear these outcomes or has the ability to defer them, management estimates any amount that needs to be recorded in the financial statements.

A different opinion than that of the Company's legal counsel of the existing legal situation, a different understanding than the Company's of contractual engagements and changes arising from relevant legal precedence or new facts, may impact the amount of the provision for legal proceedings against the Company and thus materially impact the financial position and results of operations of the Group.

Under certain special circumstances, such as a request to approve a class action or a complex action, during the early stages of the proceedings, the Group cannot reliably estimate the outcome of the proceedings.

NOTE 4 - CASH AND CASH EQUIVALENTS

A. Composition:

	Interest Rate, December 31,	December 31,	
	2012	2012	2011
	%	NIS in thousands	
Cash in banks		536	1,148
Short-term bank deposits	0.95-1.56	10,869	17,985
		11,405	19,133

B. See note 7 D (2) (A) – liquidity risk management.

NOTE 5 - RECEIVABLES AND PAYABLES RELATING TO DERIVATIVE OPEN POSITIONS

The following is information on derivative open position balances and respective collateral:

A. As a CCP, the MAOF – CH has assets and liabilities for each futures and options cleared and settled by the MAOF-CH (see also Note 2 M (2) (A)).The amount of assets reflects the fair value of the total liability of MAOF-CH members to the MAOF-CH. The value of liabilities reflects the fair value of all liabilities of the MAOF-CH to its members.

The amount of these assets and liabilities is calculated, after offsetting the fair value of the amount of liabilities of a MAOF-CH member to the MAOF-CH against the fair value of the amount of liabilities of the MAOF-CH to that member, arising from open positions of the member as of that particular expiration date.

The amounts of assets and liabilities as above do not include such offsetting relating to open positions of that member with different expiration dates.

With respect to the fair value of the assets and liabilities that arise from the open positions of all members of the MAOF-CH, which also takes into account the offsetting of debits and credits resulting from the member's open positions with different expiration dates, see note 7 D (1)(B) 5) below.

B. The last expiry date of derivatives issued by the MAOF-CH, through statement of financial position date, is December 2013 (mostly through the end of February 2013).

C. For information on the MAOF-CH Risk Fund, and related collateral, and the collateral for derivative transactions of members of the MAOF-CH or under their responsibility, see note 7 D (1) (B) 4).

NOTE 6 - ASSETS AND LIABILITIES WITH RESPECT TO SECURITIES THAT WERE NOT TRANSFERRED TO THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE ON TIME:

The following is additional information on balances of assets and liabilities with respect to securities that were not transferred to the TASE-CH on time ("TASE-CH short ") and any relevant collateral:

A. The balances, as of December 31, 2011, reflect the fair value of securities cleared on day T (date of transaction) while monetary clearing was on day T+1 (the next business day after the transaction day) that were sold on the TASE, or ordered to be transferred to a custodian and the clearing is under the responsibility of the TASE-CH (being a Central Counterparty) and are not present in the clearing accounts of a member seller or transferor, as relevant, on the date stipulated by the by-laws for the transfer to the member who purchased them or the member who maintains the custody account, as relevant.

To secure said liability of the TASE-CH members, as of December 31, 2011 said members deposited NIS 48 million in bank deposits in the name of the TASE-CH. These funds are held in the bank accounts of the TASE-CH until said securities are deposited by the members that are selling or transferring, as relevant, to clearing accounts of members that are entitled to said securities. See also note 7 D (1) (A) 5) below. These deposits serve as collateral and are not considered financial assets that are recognized in the Company's statements of financial position.

On March 18, 2012, the shift to clearing securities on day T+1 was completed, and for the first time, the December 31, 2012 statement of financial position does not include "balances of assets and liabilities in respect of securities not transferred to the TASE-CH on time" ("clearinghouse short ").

B. See note 7 D (1) (A) 4) below with regard to the TASE-CH Risk Fund and related collateral.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT

A. Significant Accounting Policies:

The significant accounting policies and methods adopted with respect to financial assets and financial liabilities, including recognition criteria, measurement bases and recognition in profit or loss, are reported in note 2.

B. Financial Instrument Balances, by Category:

	December 31,	
	2012	2011
	NIS in thousands	
Financial assets (*):		
Cash and cash equivalents	11,405	19,133
Financial assets at fair value through profit or loss:		
Assets from clearing operations:		
Receivables for derivative open positions	1,744,627	1,051,687
Assets with respect to securities that were not transferred to the TASE-CH on time	-	30,259
Financial assets at fair value through profit or loss – held for trading	200,548	259,863
Loans and receivables	12,181	10,839
	1,968,761	1,371,781
Financial liabilities:		
Financial liabilities at fair value through profit or loss:		
Liabilities derived from clearing operations:		
Payables for derivative open positions	1,744,627	1,051,687
Liabilities with respect to securities that were not transferred to the TASE-CH on time	-	30,259
Financial liabilities at amortized cost	36,185	28,200
	1,780,812	1,110,146

(*) The carrying value of the financial assets reported above reflects the Group's maximum exposure to financial assets' credit risk.

C. Fair Value of Financial Instruments:

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

The balances of the Group's financial instruments in the statements of financial position as of December 31, 2012 and 2011 approximate their fair values.

(2) Fair value measurements recognized in the statement of financial position:

Fair value measurements of financial instruments are classified using the following hierarchy:

Level 1 - fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

C. Fair Value of Financial Instruments: (Cont.)

(2) Fair value measurements recognized in the statement of financial position: (Cont.)

Level 2 - fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - fair value is based on inputs for the asset or liability that are not based on observable market data (assumptions).

This classification is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Below are the Group's financial instruments measured at fair value, based on said levels:

	Receivables and Payables for Derivative Open Positions	Assets and Liabilities for Securities not Transferred on time to the TASE-CH	Financial Assets at Fair Value Through Profit or Loss – Held for Trading
	NIS in thousands		
December 31, 2012:			
Level 1	1,304,287	-	200,548
Level 2	445,488	-	-
	1,749,775	-	200,548
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 5 A above)	(5,148)	-	-
Total balance reported in the statement of financial position	1,744,627	-	200,548
December 31, 2011:			
Level 1	899,733	30,259	259,863
Level 2	178,200	-	-
	1,077,933	30,259	259,863
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 5 A above)	(26,246)	-	-
Total balance reported in the statement of financial position	1,051,687	30,259	259,863

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

C. Fair Value of Financial Instruments: (Cont.)

(2) Fair value measurements recognized in the statement of financial position: (Cont.)

Assumptions Used to Measure the Fair Value of Receivables and Payables for Derivative Open Positions Measured at Level 2:

The fair value of derivative open positions in options is measured using the Black and Scholes model based on the following assumptions: the price of the underlying asset, the exercise price, time to expiration, NIS risk-free interest rate, foreign currency risk-free interest rate (in the case of exchange rate options) and the standard deviation of the yield of the underlying asset.

The use of different assumptions could change the amounts of fair value but without impact on profit or loss since the open positions on the asset side and the open positions on the liabilities side are identical, as per note 2 M (2) above.

D. Goals and Policies of Risk Management:

The Group's financial risk management policy has been formulated to analyze and estimate the risks facing the Group and to set limits for these risks, take the necessary steps to mitigate said, and oversee adherence with the limits.

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

The following provides information on the Group's exposure to each risk and its management.

(1) Credit Risk Management:

Credit risk is the risk of financial loss to the Group if one of the parties to the transaction will not comply with its commitments.

Credit risk mainly arises from clearing activities when the CH acts as a CCP.

As a CCP, the TASE-CH is responsible for a TASE-CH member's compliance with its obligations, and that member is party to a transaction on the TASE and did not execute its part of the transaction with another TASE-CH member that is the counterparty to the transaction on the TASE that has fulfilled its part of the transaction.

As a CCP, the MAOF-CH is responsible for a MAOF-CH member's compliance with its obligations, and that member is party to an option or futures and did not execute its part of the transaction with another MAOF-CH member that is the counterparty to the transaction on the TASE that has fulfilled its part of the transaction.

The Group is also exposed to credit risk from investing its financial reserves in cash and securities.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(a) Credit Risk of the TASE-CH from Clearing Activity:

The TASE-CH is a CCP for securities transactions (other than derivatives) executed on the TASE, transfers of custody (custodial activities) following TASE transactions, and repo transactions and spot transactions in government bonds executed through a European system for trading government bonds ("MTS system") cleared by the TASE-CH.

The TASE-CH's credit exposure includes the total exposure of each of its members, with each exposure calculated as the total difference between the monetary value of buy transactions, and the monetary value of sell transactions, transacted by each member of the TASE-CH on any trading day, provided that the net balance is positive.

As of December 31, 2012, the TASE-CH had a credit exposure totaling NIS 481 million, with respect to transactions cleared by it and as to which it is obligated as a CCP.

As of December 31, 2011 (a Saturday), there was no credit exposure, since most transactions executed on the last day of trading for that week had already been cleared on Friday, December 30, 2011.

No assets and liabilities are recognized in the financial statements for these transactions as they are recorded on the settlement date of the transaction and not on the date of executing the transaction, being transactions carried out in a regular way, as stated in note 2 M (2) (A).

In addition, the TASE-CH is exposed to a credit risk on security transactions, if an insufficient inventory of securities is transferred in their respect:

- With respect to securities cleared on T+1 day, the TASE-CH is exposed to a credit risk on transactions involving an insufficient inventory of securities being transferred in their respect ("suspended transactions"). As of December 31, 2012, the TASE-CH has a credit exposure to suspended transactions, totaling NIS 20 thousand (December 31, 2011: there was no credit exposure to said transactions). A credit exposure with respect to suspended transactions reflects the difference between the monetary value of suspended transaction as of statement of financial position date, and the monetary value of suspended transactions on the date of the respective transactions, if the monetary value of said transactions increased.

- Up to March 18, 2012, the TASE-CH was exposed to credit risks arising from securities cleared on T day, not transferred to it on time ("clearinghouse short"). Since said date, all securities are cleared on T+1, and therefore this exposure does not exist on statement of financial position date. (December 31, 2011: the credit exposure totaled NIS 30 million). See Note 6.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(a) Credit Risk of the TASE-CH from Clearing Activity: (Cont.)

Details of the various aspects related to how the Group manages the credit risk relating to the TASE-CH activities:

1) The TASE-CH Members:

As of December 31, 2012, the TASE-CH had 21 members, 12 of which are banks (including the Bank of Israel), while the others are non-bank members ("NBM").

Only a TASE member can be a CH member.

A TASE-CH member must comply with the TASE's rules and the TASE-CH's by-laws, and fulfill the obligations imposed on the TASE-CH member by the TASE's rules and CH by-laws.

The TASE continuously monitors the compliance of TASE-CH members with the TASE's rules and the TASE-CH's by-laws. The TASE rules establish, inter alia, shareholders' equity and liquidity requirements for its NBMs, including requirements for minimum shareholders' equity and net unrestricted liquid assets, as well as limitations on NBM operations, and the credit provided by a NBM to its customers. The TASE rules also stipulate requirements with respect to credit controls and collateral, risk management and controls, compliance controls, internal controls and appropriate insurance coverage.

In addition to said provisions, the TASE rules also include, inter alia, provisions relating to NBM corporate governance, NBM information technology management (in part to come into effect only at the end of 2013), maintaining business continuity in the case of any NBM default, etc.

The TASE can take disciplinary action against a TASE member under its rules and regulations and under TASE-CH by-laws.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(a) Credit Risk of the TASE-CH from Clearing Activity: (Cont.)

2) Legislation to Promote the Stability of the Clearinghouses:

To protect the CH in a case a member cannot perform its obligations, Securities Law stipulates, inter alia, that a charge of securities that is given by a CH member in favor of the CH has preference over charges in favor of third parties, if the CH has control over the securities in one of the ways prescribed by the Law. Securities Law also provides that a charge on securities in favor of the clearinghouses can be realized by the CH itself, without an order by a court or Chief Execution Officer, subject to the conditions stipulated in the Law.

Securities Law also provides that a TASE member that bought securities on the TASE that are cleared by the CH is not entitled to the securities bought as noted unless the full consideration for them has been received by the CH.

If the full consideration for said is not received by CH, title to the securities will be assumed by the CH, all as provided by Securities Law.

A TASE member that sold securities that are cleared by the CH is not entitled to the consideration that has been received for the sale unless it has transferred the securities that it has sold, to the CH.

3) Monetary Clearing - "DVP":

Monetary clearing of transactions with relation to security trades on the TASE is executed through the Bank of Israel’s real-time bank transfer system ("Zahav" system).

Securities are cleared on T+1 using the Delivery versus Payment ("DVP") approach - the clearing of said securities by the CH is fully synchronized with the Zahav system’s monetary clearing. DVP clearing reduces the risks to the CH from any member default.

The transition to clearing all securities on T+1, by means of the DVP approach, was completed on March 18, 2012.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(a) Credit Risk of the TASE-CH from Clearing Activity: (Cont.)

4) The TASE-CH Risk Fund (off-balance sheets):

In order to protect the TASE-CH from credit risk if a member is unable to meet its obligations, a Risk Fund was established. The TASE-CH members have pledged collateral in favor of the TASE-CH to secure their obligations vis-à-vis the TASE-CH, as well as to secure their share of the Risk Fund if any other member defaults. The Risk Fund balance as of December 31, 2012 totaled NIS 536 million (December 31, 2011: NIS 886 million).

In the first quarter of 2012, the Board of Directors of the TASE-CH and the Board of Directors of the TASE approved the principles for a new calculation method for the TASE-CH Risk Fund, and the necessary amendment to the by-laws. Under the amended by-laws, the size of the Risk Fund is a function of the highest daily monetary liability of any TASE-CH member (excluding extreme liabilities) over a six-month period, ending at the end of any calendar quarter, resulting from transactions taken by the member on that day, and for which the TASE-CH serves as the CCP. A monetary liability for this purpose is the gap between the monetary value of buying transactions and the monetary value of selling transactions of a CH member on that date. Each member's share, according to the new method, is determined by the size of the Risk Fund multiplied by the ratio of the member’s average monetary liabilities during the measurement period, and the total average monetary obligations of all members, except for the Bank of Israel, during said period. The Risk Fund is re-calculated four times a year and is updated at the end of January, April, July and October, of each year.

The Risk Fund was initially updated according to the new method on April 30, 2012.

The collateral required by the Risk Fund is deposited as required by the TASE-CH members.

The assets that the members are allowed to provide as collateral to the Risk Fund include government bonds, treasury bills and cash. The government bonds and treasury bills provided as collateral are deposited with the TASE-CH, whereas a separate account is opened for each member in the name of the TASE-CH. Cash provided as collateral is deposited with banks, whereas a separate bank account is opened for each member in the name of TASE-CH. The collateral deposited in these accounts as noted above, is the property of the depositing TASE-CH members, and any gains on the collateral is theirs. TASE-CH members have pledged the assets and rights to these accounts, to the TASE-CH, as required by TASE-CH by-laws.

Subject to that noted above, the collateral make-up is determined by the members, provided that each CH member must deposit at least 25 percent in cash of its share in the Risk Fund.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(a) Credit Risk of the TASE-CH from Clearing Activity: (Cont.)

5) Collateral For Sell Transactions of TASE-CH Members, Where the Selling Members Have no Sufficient Inventory of Securities to Settle (Off-Balance Sheet Balances):

a) For Securities Cleared on T:

Up to March 18, 2012, the TASE-CH was exposed to credit risks arising from securities cleared on T, which were not transferred to the CH on time ("clearinghouse short"). From said date, all securities are cleared on T+1, and therefore this exposure does not exist on statement of financial position date (December 31, 2011 – the credit exposure totaled NIS 30 million) See Note 6.

b) For Securities Cleared on T+1:

To secure the liability of TASE-CH members with respect to securities they have sold, and that are not in their accounts ("suspended transactions") and for which there is a credit risk on statement of financial position date, of NIS 20 thousand, the TASE-CH holds collateral valued at the net value of the transferable securities, multiplied by a safety margin, as provided by the by-laws (NIS 972 thousand, as of statement of financial position date), in bank accounts owned by the TASE-CH, until the suspended transactions are settled. (As of December 31, 2011 there was no credit exposure in respect of said transactions, and NIS 6 million was held as collateral).

(b) Credit Risk of the MAOF-CH from Clearing Activities:

The MAOF-CH, which is a wholly owned subsidiary of the TASE (see note 8 A below), issues and clears derivatives that are traded on the TASE. The MAOF-CH is a CCP to options and futures that are cleared by it.

The maximum credit exposure of the MAOF-CH as a CCP for derivative open positions as of December 31, 2012 is NIS 1,745 million (as of December 31, 2011 – NIS 1,052 million).

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(b) Credit Risk of the MAOF-CH from Clearing Activities: (Cont.):

Details of the various aspects related to how the Group manages the credit risks relating to the MAOF-CH activities:

1) MAOF-CH Members:

As of December 31, 2012, the MAOF-CH has 9 members. All members are currently banks. Only TASE members can be MAOF-CH members. The MAOF-CH member must comply with the TASE's rules and the MAOF-CH's by-laws, and fulfill the obligations imposed on the MAOF-CH member by TASE's rules and said MAOF-CH by-laws.

A MAOF-CH member wishing to clear transactions of a TASE member that is not a MAOF-CH member ("NMCM") is required to meet equity requirements that are greater than those a NMCM is required to meet. If a MAOF-CH member is also a member of the TASE-CH, it has to comply with the TASE-CH's by-laws, which are part of its duties as a MAOF-CH member.

The MAOF-CH by-laws state, inter alia, the terms of MAOF-CH membership eligibility. One eligibility term is that only a TASE member with equity of at least NIS 145 million can be a MAOF-CH member.

In addition, under TASE rules, a MAOF-CH member may not execute transaction on its own account or on its client account in an amount that causes the required collateral for derivative transactions on the TASE, for its owns account and client transactions, to be more than 150% of the member equity. The TASE oversees the TASE members' compliance with requirements of the TASE's rules and the MAOF-CH's by-laws.

2) Legislation on Clearing House Stability (See note 7 D (1) (A) 2) Above):

3) Ongoing Collateral for Derivative Activity (Off-Balance Sheet Balances):

A MAOF-CH member deposits ongoing collateral for their derivative activities. The collateral requirement for the MAOF-CH is based on a set of scenarios provided by the MAOF-CH by-laws, and is computed in real-time by a computer system ("Mabat"). The system generates an alert when a member is required to provide additional collateral, and in such case, the member is required to deposit collateral within 20 or 30 minutes from the time of the alert, as indicated in the MAOF-CH bylaw.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(b) Credit Risk of the MAOF-CH from Clearing Activities: (Cont.):

3) Ongoing Collateral for Derivative Activity (Off-Balance Sheet Balances) (Cont.):

The assets that members are allowed to provide as collateral to the Risk Fund include government bonds, treasury bills and cash. The government bonds and treasury bills provided as collateral are deposited with the TASE-CH, whereas a separate account is opened for each member in the name of the MAOF-CH. Cash provided as collateral is deposited with banks, whereas a separate bank account is opened for each member in the name of the MAOF-CH. The collateral deposited in these accounts as noted above, is the property of the depositing MAOF-CH member, and any gains derived on the collateral is theirs. MAOF-CH members have pledged the assets and rights to these accounts, to the MAOF-CH, as required by the MAOF-CH by-laws.

The total ongoing collateral requirement as of December 31, 2012 for derivative transactions is NIS 3,044 million (December 31, 2011 – NIS 2,595 million).

The collateral was deposited by the MAOF-CH members as required.

4) The MAOF-CH Risk Fund (Off-Balance Sheet Balances):

In order to protect the MAOF-CH if a member is unable to meet its obligations, a Risk Fund was established. The MAOF-CH members have pledged collateral in favor of the MAOF-CH to secure their obligations vis-à-vis the MAOF-CH, as well as to secure their share of the Risk Fund if any other member defaults. The Risk Fund balance as of December 31, 2012 totaled NIS 757 million (December 31, 2011: NIS 1,060 million).

Under the MAOF-CH by-laws, the amount of the Risk Fund is updated every calendar quarter, on the 15th day of first month of each quarter, and is to be the higher of:

1. The daily average amounts of collateral demanded during the prior quarter from MAOF-CH members not included among the five banks that are members of the MAOF Clearing House with the highest shareholders' equity among the banks that are members of the MAOF-CH.

2. One third of the daily average amount of collateral demanded during the prior quarter from all MAOF-CH members.

3. NIS 200 million.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(b) Credit Risk of the MAOF-CH from Clearing Activities: (Cont.):

4) The MAOF-CH Risk Fund (Off-Balance Sheet Balances) (Cont.):

As of April 15, 2013, the Risk Fund totals NIS 981 million.

Under the MAOF-CH by-laws, the share of each member of the Risk Fund will be updated every update time and will be the higher of the following two amounts:

1. The amount of the Risk Fund multiplied by the ratio between the daily average amount of collateral demanded at the start of the trading days from the member and the total daily average amount of collateral demanded at the start of the trading days from all MAOF-CH members in the previous quarter.

2. NIS 5 million.

The collateral was deposited in the Risk Fund as required.

The assets that members are allowed to provide as collateral to the Risk Fund include government bonds, treasury bills and cash. The government bonds and the treasury bills provided as collateral are deposited with the TASE-CH, whereas a separate account is opened for each member in the name of the MAOF-CH. Cash provided as collateral is deposited with banks, whereas a separate bank account is opened for each member in the name of MAOF-CH (see also paragraph 3 above). The collateral deposited in these accounts as noted above, is the property of the depositing MAOF-CH members, and any gains on the collateral is theirs. MAOF-CH members have pledged the assets and rights to these accounts, to the MAOF-CH, as required by MAOF-CH by-laws.

Subject to that noted above, the collateral make-up by is determined by the members, provided that each MAOF-CH member must deposit at least 25 percent in cash of its share in the Risk Fund.

5) Offset Right:

Pursuant to the by-laws of the MAOF-CH, in the event of a member default and in other cases as provided by the by-laws of the MAOF-CH, the MAOF-CH has the right to offset any type of member obligations towards it, including positions with different expiration dates, against any obligation of the MAOF-CH towards that member.

The fair value of the assets and liabilities that result from the open positions of all members of the MAOF-CH, which also takes into account the offset of debits and credits from open positions of a member with different expiration dates, is NIS 1,730 million (as of December 31, 2011 - NIS 1,025 million).

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(1) Credit Risk Management: (Cont.)

Information on the Various Measures Reflected in the Group's Credit Risk and the Various Measures Taken by the Group to Manage this Risk: (Cont.)

(c) Investments of Group Financial Reserves in Securities and Cash:

The financial reserves of the Group are invested in securities and short-term bank deposits and are managed by a blind trust run by 8 portfolio managers, each licensed to function as a portfolio manager, as this term is defined by Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, provided that said manager is a TASE member, or a company controlled by a TASE member, or a "parent company" of a TASE member, or a company controlled by a "parent company" of a TASE member. The TASE reduces its exposure to any credit risk with respect to said investments by establishing investment policies with certain investment restrictions, such as the types of securities that a portfolio manager may invest in, investment portfolio breakdown (at least 80% is invested in government bonds with limited "average lives to maturity", treasury bills and bank deposits), restrictions on foreign currency exposure, determining a maximum ceiling for management by any one portfolio manager, and determining the maximum rate of holdings of securities of any one entity.

The investment policy is approved annually by the various Boards of Directors of the TASE Group companies. Asub-committee of the TASE’s Board of Directors assesses the investment policy and the limits on risks, and recommends changes as necessary. Ongoing control is also offered by an external service provider (a Certified Public Accountant) to assess compliance by the portfolio managers with the policy set. Audit findings are reported to the Audit Committee of the TASE and to various Boards of Directors, as noted above, once a year.

Investment Portfolio Breakdown, by Types of Securities and Cash:

	December 31,	
	2012	**2011**
	NIS in thousands	
Shares	36,962	45,043
Government bonds and treasury bills	163,172	214,820
Other	414	-
Total securities	200,548	259,863
Cash	11,405	19,133
Total	211,953	278,996

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(2) Liquidity Risk Management:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when payment is due. The liquidity risk exposure of the Group is low.

The anticipated payment dates of the great majority of the financial liabilities, which arise from clearing operations of the TASE-CH, as detailed in paragraph D (1) above, are within one day of statement of financial position date.

The anticipated repayment dates of the financial liabilities that arise from clearing operations of the MAOF-CH (payables for derivative open positions) are as follows:

	December 31,	
	2 0 1 2	**2 0 1 1**
	NIS in thousands	
Up to one month after the end of the reporting period	1,483,396	620,976
1-2 months	253,975	358,450
2-3 months	5,275	66,226
Up to one year	1,981	6,035
	1,744,627	1,051,687

The above amount of financial liabilities from clearing operations and their anticipated repayment dates, matches the amount of the financial assets from clearing operations and their anticipated repayment dates.

Members of the clearinghouses pledged collateral to their respective clearinghouses to secure their liabilities to the clearinghouses and their shares of the various risk funds.

The assets which serve as collateral are cash, government bonds and treasury bills.

To ensure continuous operation of each clearing house in the event that a member does not meet its obligations towards the CH ("member default"), each member must deposit a minimum of 25 percent in cash of its CH Risk Fund.

In order to provide liquidity to the each clearinghouse in the event of a member default, and to be able to meet its obligations as a CCP, in April 2012, each clearing house signed an agreement with a financial institution, whereby in the event of a member default, each clearing house will have the right to demand that the financial institution buy from it government bonds and treasury bills that it received from the members, as collateral, and the financial institution is obligated to buy said, subject to terms and conditions as detailed in the agreement. The agreement provides that it will be valid for one year. On March 19, 2013, the agreement was extended for a period of 3 months, up to July 4, 2013. The TASE intends to apply to said financial institution and request an extension of said agreement for an additional period.

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(2) Liquidity Risk Management: (Cont.)

In addition, a number of steps have been taken for maintaining the financial soundness of the clearinghouses, as follows:

(a) The Board of Directors of the TASE, at a meeting held on November 18, 2010, prescribed that if until it decided otherwise, the financial reserves (equity less property and equipment, intangible assets and investment in an associate) of the TASE Group would be less than NIS 150 million, the Board of Directors would discuss the need to obtain external financing. As of December 31, 2012, the financial reserves of the TASE Group amounted to NIS 170 million.

As of December 31, 2012:

	NIS in thousands
TASE	55,610
MAOF-CH	73,403
TASE-CH	41,059
	170,072

A transfer between TASE Group companies, is conditioned on advance approval of the Group's relevant institutions (see also C below).

On June 20, 2012, the Chairman of the Israel Securities Authority, pursuant to his authority under the Securities Act, brought to the attention of the Chairman of the Board of Directors of the TASE, the need to formulate a detailed policy which would be based on a risk survey and a methodology for determining the minimum amount of capital and the minimum level of liquidity required by the TASE , and each of the clearing houses, separately.

Following said, in August 2012 the Board of Directors of the TASE decided to ask TASE management to prepare a proposed model for the capital adequacy and liquidity of each of the three group companies in the context of their operational risks. Management is currently formulating a proposed model.

(b) A commercial bank provided the TASE-CH with a line of credit of up to NIS 30 million against appropriate collateral, to provide immediate liquidity in the event of any member default. The TASE-CH was not required to use said line of credit.

(c) For TASE resolutions on providing a credit line, to the TASE-CH and the MAOF-CH - See note 19 D (1).

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(3) Market Risk Management:

(a) Price Risk:

1. In clearing transactions, the various CH's do not bear any price risk, except in the case of a member default. The various CH's manage price risks relating to operations through current collateral (MAOF-CH) and the Risk Funds – see paragraph D (1) (A) and (B) above.

2. The Group has investments in shares as detailed in paragraph D (1) (C) above. Accordingly, the Group has exposure to changes in the fair value of these financial assets as a result of changes in their market prices. The investment policy that permits an investment in shares of not more than 20% of the total value of the portfolio, reduces the exposure of the financial assets to extreme volatility in market value.

The pre-tax effect of a +/-8% and +/-15% change in the prices of financial assets exposed to such price risk is as follows:

December 31, 2012			December 31, 2011		
Total Equity Instruments	Change of +/-8%	Change of +/-15%	Total Equity Instruments	Change of +/-8%	Change of +/-15%
NIS in millions					
37	3.0	5.6	45	3.6	6.8

(b) Interest Rate Risk:

The Group has investments in bonds and in bank deposits at variable interest rates, creating a cash flow exposure to changes in interest.

The investment policy restricting the duration of the bonds' portfolio reduces the exposure to changes in interest rates.

The pre-tax effect of a +/-1% and +/-2% change in interest rates on deposits is as follows:

December 31, 2012			December 31, 2011		
Total Instruments With Variable Interest	Change of +/-1%	Change of +/-2%	Total Instruments With Variable Interest	Change of +/-1%	Change of +/-2%
NIS in millions					
10.9	0.1	0.2	20.2	0.2	0.4

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

NOTE 7 - GOALS AND POLICIES FOR FINANCIAL RISK MANAGEMENT (Cont.)

D. Goals and Policies of Risk Management: (Cont.)

(3) Market Risk Management:

(b) Interest Rate Risk (Cont.):

The pre-tax effect of a +/-1% and +/-2% change in the fair value of these bonds is as follows:

December 31, 2012			December 31, 2011		
Total Instruments With Fixed Interest	Change of +/- 1%	Change of +/- 2%	Total Instruments With Fixed Interest	Change of +/- 1%	Change of +/- 2%
NIS in millions					
163.6	5.4	10.7	212.7	7.5	15

(c) Linkage:

The Group's exposures to foreign currency risks and CPI risks are negligible. Most financial assets and financial liabilities are measured at their fair values, based primarily on market prices (closing rates).

NOTE 8 - INVESTMENTS IN INVESTEES

A. Consolidated Subsidiaries:

(1) General:

Name of Company	Country of Incorporation	Rate of Holding of Capital and Voting Rights as of December 31, 2012 and 2011	Amount of Investment December 31, 2012	Amount of Investment December 31, 2011
			NIS in thousands	
MAOF Clearing House Ltd.	Israel	(*)100%	73,403	117,869
TASE Clearing House Ltd.	Israel	100%	41,551	39,395

(*) The TASE-CH holds one share of the 3,000,079 issued and paid up shares of the MAOF-CH (the remaining shares are held by the TASE).

(2) In 2012, a dividend of NIS 50 million was received from the MAOF-CH.

NOTE 8 - INVESTMENTS IN INVESTEES (Cont.)

B. Associate:

(1) The Company's Stock Exchange Offices Ltd. ("SOL") shareholdings grant it 55.88% of SOL voting rights, the right to appoint two thirds of the members of SOL's Board of Directors, the right to appoint the Chairman of the Board of SOL and the right to 10.29% of earnings and participation in the assets of SOL upon liquidation. SOL was incorporated in Israel.

In March 2012 the SOL's Board of Directors decided to begin the sale of SOL's main asset – an office building located at 54 Ahad Ha'am Street, Tel-Aviv. In March 2013 a meeting was held by a Board of Directors' committee that was authorized to deal with the issue. The meeting decided to recommend a plan for the sale of the land, and the voluntary liquidation of SOL. ("plan"). On May 30, 2013, SOL's Board of directors approved said plan.

(2) Composition:

	December 31, 2012	December 31, 2011
	NIS in thousands	
Cost of shares	7,285	7,285
Share of earnings accumulated since acquisition, net	5,388	4,861
Dividends received	(7,888)	(7,631)
	4,785	4,515

(3) Dividends Declared After Statement of Financial Position Ddate:

After statement of financial position date, SOL declared a dividend of NIS 2,700 thousand. The Company's share of the dividend is NIS 278 thousand.

(4) Condensed Financial Information From the Financial Statements of the Associate:

	December 31, 2012	December 31, 2011
	NIS in thousands	
Current assets	10,213	9,883
Investment property	(*) 44,130	41,680
Current liabilities	(36)	(26)
Non-current liabilities	(7,811)	(7,673)
Assets less liabilities, net	46,496	43,864
Group's share of shareholders' equity of the associate – according to its share of earnings	4,785	4,515

(*) See paragraph B (1) above – decision on the sale of the investmentproperty.

NOTE 8 - INVESTMENTS IN INVESTEES (Cont.)

B. Associate: (Cont.)

(4) Condensed Financial Information From the Financial Statements of the Associate: (Cont.)

	Year Ended December 31,		
	2012	2011	2001
	NIS in thousands		
Revenue	5,874	7,119	3,864
Net income	5,132	4,668	3,378
Group's share of earnings of an associate	527	480	348

NOTE 9 - LAND RIGHTS

A. In 2007, the Company signed agreements for the acquisition of title, possession, use and lease rights to land designated for the construction of a new building for the TASE.

In 2010, the Company signed a lease agreement with the Tel Aviv Municipality for underground space for a period of 49 years with an option for a 49-year extension, and paid lease fees of NIS 2.3 million, according to an appraisal report.

The Company is in the final stages of the building construction work. The move to the new building is anticipated for the last quarter of 2013.

B. Composition:

	December 31,	
	2012	2011
	NIS in thousands	
Land title	19,895	19,895
Land under capital lease (lease rights for various periods ending 2107-3003)	40,119	40,119
	60,014	60,014

Most land rights have been registered in the name of the TASE with the Land Registration Office. The registration of some of land rights has not yet been completed due to technical difficulties. The TASE is taking steps for the registration.

NOTE 10 - PROPERTY AND EQUIPMENT

Composition and changes:

	Land and Buildings Under Construction (1)(2)	Computer Systems and Related Equipment	Equipment and Systems	Motor Vehicles	Leasehold Improvements (Mainly Visitor Center)	Total
	NIS in thousands					
Cost:						
Balance, January 1, 2012	163,841	67,648	9,146	-	7,522	248,157
Additions during the year (3), (4)	92,757	10,665	62	-	-	103,484
Disposals during the year	-	(5,892)	(1,042)	-	(201)	(7,135)
Balance, December 31, 2012	256,598	72,421	8,166	-	7,321	344,506
Balance, January 1, 2011	116,741	56,877	10,149	-	7,972	191,739
Additions during the year	47,761	11,573	272	-	6	59,612
Disposals during the year	-	(1,463)	(1,275)	-	(456)	(3,194)
Balance, December 31, 2011	164,502	66,987	9,146	-	7,522	248,157
Accumulated depreciation:						
Balance, January 1, 2012	-	38,674	7,868	-	7,407	53,949
Depreciation for the year	-	10,405	429	-	102	10,936
Disposals during the year	-	(5,069)	(1,042)	-	(201)	(6,312)
Balance, December 31, 2012	-	44,010	7,255	-	7,308	58,573
Balance, January 1, 2011	-	31,457	8,344	-	7,579	47,380
Depreciation for the year	-	8,680	770	-	278	9,728
Disposals during the year	-	(1,463)	(1,246)	-	(450)	(3,159)
Balance, December 31, 2011	-	38,674	7,868	-	7,407	53,949
Depreciated cost:						
December 31, 2012	256,598	28,411	911	-	13	285,933
December 31, 2011	164,502	28,313	1,278	-	115	194,208

(1) See note 9 for information on rights to land. The balance includes building construction costs of NIS 196,584 thousand.

(2) Commitments for construction of the building:
For the purpose of construction of the new building, the TASE signed agreements with various contractors and suppliers. The balance of commitments not yet recognized as assets as of December 31, 2012 totaled NIS 31 million.

(3) Includes NIS 1,068 thousand of capitalized salary expenses.

(4) Includes NIS 3,169 thousand of payments on account of acquiring the building under construction.

NOTE 11 - INTANGIBLE ASSETS

Composition and Changesare as follows:

	Software and Licenses	Goodwill	Total
	NIS in thousands		
Cost:			
Balance, January 1, 2012	129,892	492	130,384
Acquisitions	7,345	-	7,345
Capitalization of expenses - software development	8,722	-	8,722
Disposals during the year	(2,948)	-	(2,948)
Balance, December 31, 2012	143,011	492	143,503
Balance, January 1, 2011	109,943	492	110,435
Acquisitions	8,005	-	8,005
Capitalization of expenses - software development	12,260	-	12,260
Disposals during the year	(316)	-	(316)
Balance, December 31, 2011	129,892	492	130,384
Accumulated amortization:			
Balance, January 1, 2012	63,884	-	63,884
Amortization	12,051	-	12,051
Disposals during the year	(2,320)	-	(2,320)
Balance, December 31, 2012	73,615	-	73,615
Balance, January 1, 2011	53,006	-	53,006
Amortization	9,878	-	9,878
Impairment losses	1,000	-	1,000
Balance, December 31, 2011	63,884	-	63,884
Amortized cost			
December 31, 2012	69,396	492	69,888
December 31, 2011	66,008	492	66,500

NOTE 12 - Trade PAYABLES

Composition:

	December 31, 2012	December 31, 2011
	NIS in thousands	
Institutions	5	159
Accrued expenses - premium to the MAOF-CH Risk Fund	946	2,650
Other payables and accrued expenses	1,146	1,731
Clearing House members - payables in respect of interest	17	55
Income received in advance	94	677
	2,208	5,272

NOTE 13 - EMPLOYEE BENEFITS

A. Composition:

	December 31, 2012	December 31, 2011
	NIS in thousands	NIS in thousands
Post-employment benefits under defined benefit plans (see B(1)(F) below):		
Retirement benefit obligation	4,707	2,987
Pension obligation	1,733	1,789
	6,440	4,776
Other long-term employee benefits for seniority grant (see C below)	1,391	1,219
Short-term employee benefits (see note 13 E below)	23,436	27,197
	31,267	33,192
Presentation in the statement of financial position:		
Employee benefits obligation:		
Current	23,436	27,197
Non-current	7,831	5,995
	31,267	33,192

B. Post-employment Benefits:

(1) Defined Benefits Plans:

(a) General:

Retirement Benefit Obligation:

Labor laws and the Israel Severance Pay Law require the Company to pay retirement benefits to an employee at the time of dismissal or retirement (including employees who leave the Company under other specified circumstances). The calculation of the obligation related to the termination of the employee-employer relationship is effected pursuant to a "special" collective agreement in effect, or any individual employment contract and is based on the latest salary of the employee and also on employee tenure.

Such obligation is computed using an actuarial estimate prepared by a qualified actuary. The present value of the obligation for defined benefits and the costs related to current service are measured through the use of the projected unit method.

For information on grants to the Chairman of the Board and CEO upon retirement, see paragraph (I) and (J) below.

The pension liability represents the Company's obligation to pay the widow of a former CEO, who retired in 1983 (and died in 2011), a life annuity at 65% of the annuity to the former CEO. The pension liability has been included based on an actuarial computation, capitalized at a real interest rate of 0.94% that conforms to the real market yield of government bonds for the period calculated (as of December 31, 2011 – 1.84%).

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(b) Major Actuarial Assumptions with Respect to Retirement Benefits as of the end of the Reporting Period:

	December 31	
	2012	2011
	%	%
Discount rate (*)	4.42	4.96
Forecasted yield rates on plan assets (*)	4.42	4.96
Forecasted rates of salary increases (in real terms):		
Employees	3.00	3.00
Executives	Mainly 2.0	Mainly 2.0
Forecasted inflation rates	2.68	2.51
Rates of turnover:		
Employees	(**) 2	(**) 2
Executives	-	-
Rate of retirement benefits on resignation	100	100

(*) Up to conclusion of a test for the existence or non-existence of a deep market for high-quality corporate bonds, the Group uses a discount rate appropriate for market yields on government bonds.

If said test will determine that there is a viable market in Israel for high quality corporate bonds, the Group will have to restate the obligations, using a discount rate appropriate for market yields on corporate bonds rated AA.

If use will be made of a discount rate for corporate bonds, said is expected to have a material effect on the financial statements of the Group, resulting in a decrease of the balance of the defined benefits plan by NIS 14 million.

The forecasted rate of return on plan assets is based on government bond yields for the term of obligation.

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

(c) Amounts Recognized in Profit or Loss with Respect to the Defined Benefits Plan:

	Year Ended December 31		
	2012	2011	2010
	NIS in thousands		
Current service cost	4,753	4,538	4,430
Interest cost	4,156	4,398	4,059
Forecasted yield on plan assets	(2,652)	(2,637)	(2,556)
Actuarial losses (gains) - pension	104	(292)	530
Actuarial losses – recognized retirement benefits (beyond the corridor)	-	162	-
	6,361	6,169	6,463

The expense is included in full under "employee benefits expense" under "cost of revenue".

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(d) Changes in the Present Value of the Obligation with Respect to the Defined Benefits Plan:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Opening balance	84,243	83,903	70,742
Current service cost	4,753	4,538	4,430
Interest cost	4,156	4,398	4,059
Actuarial losses (gains) - retirement benefits	7,562	(*)(5,940)	5,794
Retirement benefits paid	(212)	(2,086)	(1,313)
Pension benefits paid	(232)	(278)	(339)
Actuarial losses (gains) - pension	104	(292)	530
Closing balance	100,374	84,243	83,903

(*) Mainly due to the effect of a change in assumed expected pay increases to executives, following the adoption of a multi-year compensation model, as per note 13 B (1) (L)

(e) Changes in the Fair Value of Plan Assets:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Opening balance	73,037	69,217	63,250
Forecasted yield on plan assets	2,652	2,637	2,556
Actuarial gains (losses)	1,077	(2,196)	496
Employer contributions	4,462	5,065	4,228
Benefits paid	(209)	(1,686)	(1,313)
Closing balance	81,019	73,037	69,217

(f) Reconciliation of the Present Value of Defined Benefit Obligations and the Fair Value of Plan Assets to Assets and Liabilities Recognized in the Statement of Financial Position:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Present value of funded obligations	98,641	82,454	81,642
Fair value of plan assets	(81,019)	(73,037)	(69,217)
	17,622	9,417	12,425
Present value of unfunded obligations	1,733	1,789	2,261
	19,355	11,206	14,686
Unrecognized net actuarial gains (losses)	(12,915)	(6,430)	(10,336)
Net liability derived from obligation for defined benefit	6,440	4,776	4,350

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(g) Actual Yield on Plan Assets:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Forecasted yield on plan assets (*)	2,652	2,637	2,556
Actuarial gains (losses)	1,077	(2,196)	496
Actual yield on plan assets	3,729	441	3,052
(*) After transfer to pension in the amount of	1,074	1,144	1,222

(h) Comparison to Previous Years:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	NIS in thousands				
Present value of defined benefit obligations	100,374	84,243	83,903	70,742	62,726
Fair value of plan assets	(81,019)	(73,037)	(69,217)	(63,250)	(53,555)
Plan deficit	19,355	11,206	14,686	7,492	9,171
Adjustments to plan liabilities based on past experience	170	(*)351	1,591	(3,425)	424
Adjustments to plan assets based on past experience	438	(1,534)	476	3,684	(5,585)

(*) See paragraph D above.

(i) Cumulative Balance of Actuarial Gains (Losses):

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Unrecognized actuarial loss as of January 1	(6,430)	(10,336)	(5,038)
Actuarial gains (losses) recognized during current period on plan obligations and assets	(6,589)	4,036	(5,828)
Portion of actuarial gains (losses) recognized in profit or loss (*)	104	(130)	530
Unrecognized actuarial gains (losses) as of December 31	(12,915)	(6,430)	(10,336)

(*) Charged to profit or loss during the current year.

See note 2 S on the publication of IAS 19 - "Employee Benefits" (2011), effective January 1, 2013.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(j) In March 2006, the TASE Board of Directors decided on the appointment of the previous CEO, as Chairman of the Board of Directors, effective June 2006. In December 2006, an agreement was signed with the new Chairman for a period of five years. Under the new agreement, the Chairman will not be eligible again for "double severance pay", as was accepted during his employment as CEO, but rather to a special retirement leave of 3 months. The liability for severance pay in the financial statements includes, in addition to the standard severance pay liability, a special retirement grant of the last salary as CEO (as defined by the agreement), multiplied by the number of years of employment with the TASE as CEO, and the special retirement leave, with respect to the agreement with the Chairman. In certain circumstances of employment termination before the end of the employment term, the Chairman is entitled to three months' special retirement leave, as noted above even before the end of the employment period.

On March 31, 2011, the Board of Directors elected Mr. Bronfeld to a second five-year term of office that will end in 2016. The Chairman of the Securities Authority has confirmed that the said appointment is with his agreement.

In May 2011, the TASE organs approved the terms of the Board Chairman's employment during his second term of office, without change from those terms set out in the contract with him of December 3, 2006 and prescribed that those terms of employment will apply from June 1, 2011 and until the determination of new terms of employment, as set out below.

It was also prescribed that after the TASE organs have approved a new remuneration model for its officers, a proposal will be referred to the organs for the approval of a new contract in respect of the Board Chairman's remuneration in accordance with the new remuneration model that is approved.

On December 29, 2011 the TASE Board of Directors approved a multi-year remuneration model for the CEO and for members of management and vice presidents (see paragraph L below). The process of considering a new agreement in light of the newly approved model has not yet been completed.

(k) In March 2006, the TASE Board of Directors decided on the appointment of the former Executive Vice President as CEO with effect from June 2006. In November 2006 a contract of employment was signed, and the CEO is entitled, at the end of her term of employment in 2011, to an additional retirement grant equal to one month's salary per year of employment with the TASE as CEO, in addition to the regular amounts at the usual rates that are deposited for her in executive insurance plans and to a grant in an amount equal to three months' salary. The liability for retirement and severance pay in the financial statements therefore also includes a liability in respect of said retirement grants. In certain circumstances of employment termination, the CEO is entitled to said retirement grants, even before the end of the term of her employment.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(k) (Cont.):

On March 31, 2011 an extension of the CEO's tenure for a further four years, ending in 2015, was approved.

In May 2011 the TASE organs approved the terms of the CEO's employment during her second term of office, without change from those terms set out in the contract with her of November 30, 2006 and prescribed that those terms of employment will apply from June 1, 2011 and until the determination of new terms of employment, as set out below.

It was also prescribed that after the TASE organs have approved a new remuneration model for its officers, a proposal will be referred to the organs for the approval of a new contract in respect of the CEO's remuneration in accordance with the new remuneration model that is approved.

On December 29, 2011, the TASE Board of Directors approved a multi-year remuneration model for the CEO and for members of management and vice presidents (see paragraph L below). The process of considering a new agreement in light of the newly approved model has not yet been completed.

(l) On December 29, 2011, the Company's Board of Directors approved a multi-year remuneration model for its senior executives, which included salary and bonuses, without any equity element. The model is based on a benchmark analysis of the remuneration of the Company's senior executives compared with the remuneration of officers of Israeli public companies that are connected with the financial sphere, including weighting the remuneration of the senior executives of regulatory entities in such way as prescribed for the purpose. The results of the comparative analysis formed the basis for determining the range of remuneration in respect of the CEO and also the range for members of management and vice presidents, in comparison with the remuneration for the CEO. In this respect it was also resolved that there will be no link between the salary of the Board Chairman and that of the CEO and that their salaries will be reviewed separately and independently.

According to the Board resolution, once every three years, the reasonableness of the model will be reviewed, including the need to make changes or with regard to the way in which it is implemented. According to another resolution, the first review was deferred until April-May 2014. In the event that significant changes occur in the economy, consideration will be given to the need to accelerate the model's review. In addition, the Board of Directors resolved to hold annual discussions during which, towards the end of each year, the targets, on the basis of which the bonuses to the senior executives will be distributed in the following year, will inter alia, be set. Moreover, at the beginning of each year, the directors will hold discussions and pass resolutions at their discretion with regard to the salary increment payable to the senior executives further to the previous year, inter alia, having regard to the results of the model, and also with regard to the amount of bonus to be paid to each of the senior executives for the previous year. On December 19, 2012, the Audit Committee decided to combine the two annual discussions and to hold said within 30 days of approval of the work plan and budget for the new year, or by January 30 of the new year, the latter of the two.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Post-employment Benefits (Cont.):

(2) Defined Contribution Plans:

Retirement Plans:

Company employees, employed under the terms of special collective agreements, are covered by executive insurance plans, with a pension fund, or with a provident fund. With respect to some of said employees, the special collective agreement between the Company and representatives of the employees, from 2005, stated that the pension provisions are in lieu of severance pay under Article 14 of Severance Pay Law -1963. Furthermore, agreements with some of the individual contract holders stipulated that the Company will act under the general approval of employers' payments to the pension fund and to the insurance fund in lieu of severance pay, under Article 14 of Severance Pay Law - 1963, as amended. Accordingly, the Company's severance payments, for such employees, are in lieu of full severance pay to such employees, and on the date of their termination, no further adjustments are made between the Company and any employee with respect to compensation, and the Company is exempt from the payment of severance pay to such employees or to their surviving beneficiaries, all under Article 14 of Severance Pay Law, 1963. Expenses recognized in respect of defined contribution plans for the year ended December 31, 2012 totaled NIS 1,472 thousand (2011- NIS 1,193 thousand and 2010 - NIS 1,090 thousand).

C. Other Long-Term Benefits:

Seniority Grant:

Company employees by custom, receive seniority grants of between NIS 1 thousand and NIS 6 thousand (net) as follows, NIS 1 thousand after seniority of 15 years, NIS 2 thousand after seniority of 20 years, NIS 3 thousand after seniority of 25 years and so on, every five years, up to a maximum grant of NIS 6 thousand
The liability in respect of seniority grants as of December 31, 2012, based on an actuarial calculation is NIS 1,391 thousand (December 31, 2011 – NIS 1,219 thousand).

D. Termination Benefits:

Individual employment contracts signed with a group of senior employees entitle them, under certain conditions of work termination before the end of the employment contract, to a grant equal to three monthly salaries. See note 2 (Q) on the accounting policies.

E. Short-term Employee Benefits:

(1) Composition:

	December 31,	
	2012	2011
	NIS in thousands	
Wages, salaries and benefits (including benefits for bonus and termination benefits)	10,313	(*)14,710
Unutilized vacation benefits	13,123	12,487
	23,436	27,197

(*) Short-term employee benefits in the financial statements as of December 31, 2010, included a provision for TASE executive compensation of NIS 3.2 million, payable in 2011, that was subject to additional approval by the Board. On December 29, 2011, the payment of a NIS 2.3 million bonus was approved. However, the amount not approved for payment for 2010 and 2011 was recorded as a reduction of salary expenses in 2011.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

E. Short-term Employee Benefits (Cont.):

(2) Additional Information:

Paid Vacation Days:

Pursuant to Annual Vacation Law, 1951, Company employees are entitled to certain paid vacation days based on each year of employment. According to said Law, and an amendment provided by the special collective agreement between the Company and employee representatives, the number of vacation days an employee is entitled to each year, is based on each employee's seniority.

In addition, and according to the agreement between the Company and its employees, employees are entitled under certain conditions, to additional vacation days, some of which cannot be accrued.

The employment agreements with holders of personal employment contracts provided the number of vacation days per year they are entitled to and accumulation limits.

NOTE 14 - INCOME TAXES

A. Deferred Tax Balances:

(1) Composition and Changes:

	Timing Differences			
	Financial Assets at Fair Value Through Profit or Loss	**Property and Equipment**	**Provisions (Mostly For Employee Benefits)**	**Total**
	NIS in thousands			
Balance, January 1, 2011	(3,169)	(3,366)	3,256	(3,279)
Changes during the period-				
Changes during the reporting period in profit or loss	2,998	(1,475)	1,516	3,039
Balance, December 31, 2011	(171)	(4,841)	4,772	(240)
Changes during the period-				
Changes during the reporting period in profit or loss	(1,474)	(497)	643	(1,328)
Balance, December 31, 2012	(1,645)	(5,338)	5,415	(1,568)

(2) Deferred taxes are reported in the statements of financial position under "non-current liabilities – liabilities for deferred taxes".

NOTE 14 - INCOME TAXES (Cont.)

B. Timing Differences on Investments in Investees, Without Recognizing Any Deferred Tax Liability:

	December 31, 2012	December 31, 2011
	NIS in thousands	
Consolidated subsidiaries	81,330	123,640
Associate	777	507
	82,107	124,147

C. Income Tax Expense Recognized in Profit or Loss:

	Year Ended December 31, 2012	2011	2010
	NIS in thousands		
Current taxes:			
Current taxes	6,666	14,808	18,989
Tax - prior years	58	(556)	(223)
Total current taxes	6,724	14,252	18,766
Deferred taxes:			
Deferred tax expense (benefit) - recognition and reversal of temporary differences	1,328	(2,069)	400
Deferred tax adjustments further to changes in tax rates	-	(626)	-
Deferred taxes - prior years'	-	(344)	-
	1,328	(3,039)	400
Total tax expense	8,052	11,213	19,166

D. Effective Tax:

The difference between the tax liability based on statutory tax rates and the provision for income taxes is as follows:

	Year Ended December 31, 2012	2011	2010
	NIS in thousands		
Pre-tax income	33,930	57,623	84,351
Statutory tax rate	25%	24%	25%
Tax expense, at statutory tax rate	8,483	13,830	21,088
Tax increase (savings) in respect of:			
Income liable to special tax rates (including capital gains or losses)	(442)	(605)	(514)
Differences between tax laws and accounting principles	(265)	(818)	(906)
Utilization of carry forward tax losses and benefits from prior years, for which no deferred tax assets were recognized, net	-	-	(444)
Non-deductible expenses	218	332	165
Change in tax rates	-	(626)	-
Tax- prior years	58	(900)	(223)
Taxes, as reported in profit or loss	8,052	11,213	19,166

NOTE 14 - INCOME TAXES (Cont.)

E. Additional Information:

(1) Tax Assessments:

The Company and its consolidated companies – the MAOF Clearing House Ltd. and the TASE Clearing House Ltd.- have received tax assessments that are considered final up to and including the 2008 tax year.

(2) On July 23, 2009, the Economic Efficiency Law (Legislative Amendments to Implement the Economic Plan for 2009-2010), 2009 ("Arrangements Law") was passed. The Arrangements Law reduces corporate tax rates to 26% and 25% for 2009 and 2010, respectively, with rates gradually reduced from 24% for 2011, to 18% for 2016.

(3) On December 6, 2011, the Law for Change in the Tax Burden (Legislative Amendments) was passed. Said Law was based on recommendations of the Trajtenberg Committee.

The key corporate tax changes in the new law are as follows:

(a) Elimination of corporate tax and income tax rate reductions planned for the coming years, from 2012.
(b) The 2012 corporate tax rate was increased to 25%.
(c) Capital gains tax and land betterment tax rates were increased to the rate specified in paragraph (B) above.

The balance of deferred taxes of the Group as of December 31, 2011 was revised based on the tax rate applicable for the 2012 tax year and thereafter (25%). Accordingly, on December 31, 2011, the Group recognized a NIS 626 thousand reduction in its deferred tax liability against tax benefits (income), recognized in 2011.

NOTE 15 - CONTINGENT LIABILITIES

A. Indemnification of Officers:

The TASE is obliged to indemnify officers of the TASE, and the TASE-CH. The MAOF-CH is obliged to indemnify its own officers.

The total indemnity for all TASE officers, in the aggregate, based on all indemnities now or in future granted them in accordance with said obligation, in respect of one or more of the events detailed in the indemnity, shall not exceed an aggregate amount equivalent to $ 20 million.

The total indemnity for all TASE-CH officers, in the aggregate, based on all indemnities now or in future granted them in accordance with said obligation, in respect of one or more of the events detailed in the indemnity, shall not exceed an aggregate amount equivalent to NIS 50 million.

The total indemnity for all MAOF-CH officers, in the aggregate, based on all indemnities now or in future granted them in accordance with said obligation, in respect of one or more of the events detailed in the indemnity, shall not exceed an aggregate amount equivalent to NIS 75 million.

The indemnities will apply in respect of any liability or expense indemnifiable in accordance with law.

The indemnity is subject to provisions of Chapter III, Part 6 of Companies Law.

NOTE 15 - CONTINGENT LIABILITIES (Cont.)

B. Exemption from Liability Granted to Officers:

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

The TASE Clearing House's General Meeting resolved, subject to provisions of Companies Law, to exempt directors and other officers of the TASE-CH from liability for any damage caused or to be caused due to a breach of their duty of prudence towards the TASE-CH.

The MAOF Clearing House's General Meeting resolved, subject to provisions of Companies Law, to exempt directors and other officers of the MAOF-CH from liability for any damage caused or to be caused due to a breach of their duty of prudence towards the MAOF-CH.

C. On July 31, 2011, the TASE was served with a claim in relation to the trading in shares of Orline Development and Investment Ltd. ("Orline").

The claim was filed by the trustee for a shareholders' and creditors arrangement against the TASE, the TASE-CH and the Mizrahi Tefahot Bank Nominee Co. Ltd ("TASE", "CH" and "Nominee Company", respectively) claiming NIS 19 million, as of the date of filing the claim.

The claimant claims, inter alia, that because of the negligence (alleged and denied) of the TASE, the TASE-CH and the Nominee Company; Orline's controlling shareholders were allegedly able to commit a complex fraud, resulting in listing and selling to the public some 9.8 million "fictitious" Orline shares, which exceeded its issued and paid-up capital that was authorized to be listed for trading.

The claimant alleges that trading in said shares on the TASE caused Orline's shareholders damages estimated at NIS 19 million, as of the date of filing the claim.

On May 2, 2013, affidavits were filed on behalf of the claimant. According to the Court decision, affidavits on behalf of the defendants will be submitted by June 24, 2013.

The Company estimates, based on the opinion of legal counsel handling the claim, that at this early stage of the legal proceedings, it cannot evaluate the chances and risks of the claim.

For the sake of good order, and beyond required disclosure, it is noted that the amount of the claim is in any event, covered by the insurance policy.

D. A motion to approve a class action filed by A. Yeda Finansim Ltd. ("Applicant" or "Yeda Finansim"), to the District Court of Tel Aviv-Jaffa (the Financial Department) was served to the Stock Exchange on September 3, 2012 ("Motion for Approval").
Within the Motion for Approval, it was alleged, in short, that the TASE was over-collecting a minimum fee of NIS 1.17, for the purchase/sale of securities. As alleged in the Motion for Approval, the tariff list of the TASE does not refer to a situation in which a purchase/sale instruction is performed partially (in a number of executions or "pieces"), and in spite of that, the TASE decided to take a course of action requiring that all partial transactions are charged a minimum fee. The Applicant claims that a reasonable reader reviewing the tariff list would understand that the term "transaction" appearing on the list refers to the performance of instructions. Thus, the Motion for Approval claims that in many cases in which an instruction is executed in a number of partial executions, the TASE collects a fee which is higher than the purchase/sale fee agreed upon by the parties, or at least higher than the one that is wrongly inferred from the tariff list. According to the Applicant, the damage incurred by all members of the Group, as defined in the Motion for Approval, is estimated as totaling about NIS 129 million, in real terms.

NOTE 15 - CONTINGENT LIABILITIES (Cont.)

D. (Cont.):

The TASE filed its Response (opposition) to the Motion for Approval ("Response of the TASE"). In short and inter alia, the Response of the TASE alleged that the claims of Yeda Finansim regarding the alleged "misunderstanding" of the Stock Exchange's tariff list are baseless, as the tariff list provides that the fee is collected from each party of the "transaction", and that there is a distinction between the term "instruction" and the term "transaction" in the Rules and Regulations of the TASE. The Response of the TASE further claims that Yeda Finansim's claim that the performance of an additional "transaction" does not incur any extra costs should not be accepted, and that the economic cost of a "transaction" in a security, including all of the resources invested in providing the platform for the performance of trade and clearing of the "transaction" and its ongoing operation justifies the collection of a minimum fee, especially a fee as low as the one collected. The Response of the TASE also claims that the TASE collects fees from members of the TASE, and that the Applicant itself is not a member of the TASE, but rather is a customer of a TASE member, and does not pay a minimum fee to the TASE (and there is no rivalry between them). It was also argued that the alleged claims of the Motion for Approval have no ground, and in any event, are not fit to be tried in a class action proceeding.

Yeda Finansim filed its Reply to the Response of the TASE to the Motion for Approval. At this point in time, a request is pending to dismiss the Reply to the Response and to remove it from the court's files, and alternatively – to dismiss parts thereof, or instead – to allow the Stock Exchange to respond.

On June 3, 2013, a preliminary hearing was held in the case. In the hearing, timeframes for the submission of a Response to the Request to Dismiss and a Reply to this Response were determined. The case was set for an internal review on July 1, 2013, for a decision in the Request to Dismiss and, if necessary, to determine arrangements regarding the continuation of the hearing.

The Request for Disclosure and a review of the documents filed by Yeda Finansim was accepted in part.

It should be noted that as part of the decision on the Motion for Dismissal filed by the TASE prior to submitting its Response to the Motion for Approval, it was stated that it was not enough that the fee paid by the traders in securities - or at least some of them - to TASE members , is affected by the fee that the TASE members pay to the TASE, to create rivalry between the TASE and the traders; and it was not enough that the fee is eventually charged back to the dealers, to create any rivalry, but to create rivalry an "additional element" is required, linking the TASE and the dealers.

In the decision, and regarding an "additional element" it was decided that it appears from Yeda Finasim's claim, that TASE members act as agents of the traders, and the question is asked of the nature of the relationship between the TASE member and the trader, and between a TASE member and the TASE in various circumstances – does this actually involve any "agency" relationship, and does said have any implications vis-à-vis any rivalry between the TASE and Group members, in whole or in part, said is the right question to be considered in all aspects (factual and legal), as part of the hearings in the Motion for Approval itself. According to the TASE, there are no implications and no rivalry.

In the TASE's opinion, and based on the opinion of legal counsel handling the claim, because of the preliminary stage of the legal proceedings, it is not able to assess the likelihood and risk of the claim. Therefore, no provision has been made in this regard in the financial statements as of December 31, 2012.

NOTE 15 - CONTINGENT LIABILITIES (Cont.)

E. On June 3, 2013, the TASE received an application for approval of a class action, filed by an applicant (Eran Peter), with the Tel Aviv District Court (Economics Department).

The applicant claims, in essence, the clear illegality of the TASE's guidelines and tariffs attached thereto, with respect to commission fees and other payments collected by the TASE over the years. According to the application, this alleged illegality is based on invalid guidelines included in the TASE's rules, that were drafted in a manner designed to enable the TASE to circumvent the necessity of legal approval of the Minister of Finance and the Finance Committee for provisions of the rules, and to empty the various provisions of Securities Law of their content in this context. According to the applicant, a claim is made for reimbursement of commission fees and payments that were allegedly collected illegally, less the expenses incurred by the TASE in providing the services that were given directly. According to the applicant, the amount for which reimbursement is claimed, is estimated at not less than NIS 648 million.

On June 4, 2013, the TASE received the decision of the Tel Aviv District Court, requiring a reply and response with respect to the rules. A hearing was scheduled for December 11, 2013.

At this point in time, the TASE is not yet required to file its reply to said request.

The Company estimates, based on the opinion of legal counsel handling the claim, that at this preliminary stage of the legal proceedings, it is not able to assess the likelihood and risks of the claim, and accordingly, no provision has been made in this regard in the financial statements as of December 31, 2012.

F. In February 2013, The TASE received a request from the employees' committee for arbitration concerning a dispute vis-à-vis the calculation of an annual bonus (standard and selective) for 2012, which was agreed upon in the collective agreement dated March 17, 2011.

The amount in dispute totals NIS 4 million.
The parties exchanged correspondence concerning the arbitration but have not yet determined the full forum of arbitrators to hear the matter. Written pleadings by representatives of the employees and details of their claims and collective agreement interpretation have not yet been filed. In light of the above, and at this stage, Company management estimates, based on the opinion of its legal counsel handling the arbitration, that it cannot assess the chances of the request by the employee representatives in this regard. Accordingly, no provision has been made in this regard in the financial statements as of December 31, 2012.

NOTE 16 - ADDITIONAL INFORMATION - SERVICE REVENUE

A. Composition of revenue from trading and clearing fees:

	Year Ended December 31,		
	2012	**2011**	**2010**
	NIS in thousands		
Fees for trading and clearing securities, excluding derivatives	97,062	110,639	119,660
Fees for trading and clearing derivatives	32,378	48,291	38,683
	129,440	158,930	158,343

B. Major customers:

Customer "A" accounted for 17% of total revenue in 2012, while customer "B" accounted for 12% (2011: customer "A" – 19% and customer "B" - 12%).

NOTE 17 - ADDITIONAL DETAILS - COST OF REVENUE

A. Employee Benefit expense:

Composition:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Salary (including grants and severance payments)	111,249	109,726	109,853
Other non-current employee benefits	334	75	146
Defined contribution plan expenses	1,472	1,193	1,090
Defined benefit plan expenses	6,361	6,169	6,463
	119,416	(*)117,163	(*)117,552
Less - amounts capitalized - tangible and intangible assets - (see note 11)	(9,790)	(12,260)	(10,419)
	109,626	104,903	107,133

(*) See note 13 E (1) above.

B. Expenses - Move to the New Building:

Including, primarily expenses for additional outsourcing services in the field of computer infrastructures as preparation for the relocation of the computer systems and employees to the new building.

C. Depreciation and Amortization:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Depreciation of property and equipment (see note 10)	10,936	9,728	9,515
Amortization of intangible assets and goodwill (see note 11)	12,051	9,878	7,937
Impairment of intangible assets (see note 11)	-	1,000	-
	22,987	20,606	17,452

NOTE 18 - FINANCING INCOME, NET

Composition:

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Financing expenses:			
Bank fees and commissions	(201)	(211)	(279)
Interest and CPI linkage expense - income taxes	-	(142)	-
Other financing expenses	(24)	(71)	(163)
	(225)	(424)	(442)
Financing income:			
Net gain (loss) - financial assets held for trading	14,138	(1,489)	18,377
Interest income - short-term bank deposits	135	241	171
Interest income - income taxes	474	-	178
Interest income - employee loans	75	62	90
	14,822	(1,186)	18,816
	14,597	(1,610)	18,374

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES

A. Benefits to Interested Parties (*):

	Year Ended December 31,		
	2012	2011	2010
	NIS in thousands		
Short-term benefits	3,128	2,545	4,397
Post-employment benefits	441	817	666
Salary and related expenses - Chairman and CEO (1), (2)	3,569	3,362	5,063
Number of beneficiaries	2	2	2
Remuneration to non-executive directors	944	939	739
Number of beneficiaries	6	6	7

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

(1) For information on the employment agreements with CEO and the Chairman, see note 13 B (1) (J) and (K).

(2) As reported in the December 31, 2010 financial statements, salary expense in respect of the Board Chairman and the CEO included a provision for remuneration of NIS 1 million, payable in 2011, that was subject to additional approval by the Board. On December 29, 2011, the Board of Directors approved payment of bonuses of NIS 0.6 million for 2010 and 2011. The amount not approved for payment in respect of 2010, as noted, was recorded as a reduction of 2011 salary expense.

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

B. Balances with Interested and Related Parties:

(1) Balances with Interested Pparties:

	December 31, 2012	December 31, 2011
	NIS in thousands	
Under current assets (1)		
Cash and cash equivalents	10,907	17,779
Trade receivables (2)	4,672	3,180
Other receivables – associate	10	11
Other receivables - subsidiary (3)	237	815
Under liabilities (1) (2)		
Other payables - MAOF Clearing House members	950	2,638
Other payables - TASE Clearing House members	17	55
Other payables - subsidiary (3)	1	2

(1) See note 5. on receivables and payables for derivative open positions. See note 6 on assets and liabilities with respect to securities that were not transferred to the Tel Aviv Stock Exchange Clearing House, on time, see note 6.

(2) The balances are interest free and not linked to the CPI.

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

(2) Liabilities for Employee Benefits to Key Management Personnel:

	December 31, 2012	December 31, 2011
	NIS in thousands	
	5,266	5,447

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

C. Transactions with Interested and Related Parties:

(1) Transactions with Interested Parties:

	Year Ended December 31, 2012	Year Ended December 31, 2011
	NIS in thousands	
Service revenue	158,156	185,918
Cost of revenue - premium for providing collateral to the MAOF Risk Fund (*)	(4,212)	(11,535)
Financing income, net (**)	(327)	(263)

(*) According to a March 2012 decision by the MAOF-CH, the premium paid to members for the collateral deposited in the MAOF Risk Fund will be reduced by 50% beginning with the first quarter of 2012. Furthermore, according to a January 2013 decision by the MAOF-CH, said premium was canceled as of January 25, 2013.

(**) The Company and the consolidated subsidiaries have financing income and expenses from transactions with interested parties, which are banks and other TASE members, carried out in the normal course of business, and under normal terms for transactions with parties that are not considered "interested parties". These amounts mainly arise from bank deposits, managing current accounts and managing securities portfolios and are included under "financing income, net".

(2) Transactions with Related Parties:

	Year Ended December 31, 2012	Year Ended December 31, 2011
	NIS in thousands	
(a) **Transactions with an associate:**		
Rent to SOL – associate	3,424	3,359
(b) **Transactions with subsidiaries** (*):		
Participation in expenses by the MAOF CH	25,794	28,203

(*) The TASE and both the TASE-CH and MAOF-CH have close relations. This is reflected in practice as the TASE makes available all operational infrastructures they require (computers, manpower, management, etc.).

TASE-CH revenue from clearing fees is transferred to the TASE and recorded in its financial statements, while MAOF-CH revenue from derivatives trading and clearing fees is recorded in the MAOF-CH financial statements. Accordingly, the MAOF-CH participates in the expenses of TASE proportionally to its revenue of total revenue of the Company and the MAOF-CH, according to an agreement between the companies. Transactions with subsidiaries are not reflected in the Company's consolidated statements.

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

D. Additional Information on Transactions with Related Parties:

(1) TASE resolutions on Granting a Loan to the TASE-CH and to the MAOF-CH:

In 2004, the TASE approved the grant of a loan to the TASE-CH not to exceed NIS 50 million, in the event that the TASE-CH will require said to meet its liabilities. It was also resolved to authorize a Committee of the Board of Directors to determine when the loan will be extended and also the amount of the loan, which may not exceed NIS 50 million. The loan will be made available at the same rate of interest as the Bank of Israel charges the banks, unless otherwise agreed between the TASE and the TASE-CH. Concurrently, in 2004 the TASE-CH authorized its Chief Executive Officer to apply to, and obtain from, the TASE, a loan of up to NIS 50 million, as required.

Since the approvals that were granted in 2004 and up to the date of approving these financial statements, no such loan has been sought or granted.

In early 2009, TASE approved the grant of a loan to the MAOF-CH not to exceed NIS 50 million, subject to that the total loan to the MAOF-CH and to the TASE-CH together, as above, does not exceed NIS 50 million, if the MAOF-CH will need said in order to meet its liabilities. It was also resolved to authorize a Committee of the Board of Directors to determine when the loan will be extended and also the amount of the loan, subject to the above limitations. The loan will be made available at the same rate of interest as the Bank of Israel charges the banks, unless otherwise agreed between TASE and the MAOF-CH. Concurrently, in 2009 the MAOF-CH authorized its CEO to apply to, and obtain from, the TASE a loan of up to NIS 50 million when it is needed.

Since the approvals that were granted in early 2009, and up to the date of approving these financial statements, no such loan has been sought or granted.

The TASE is under no obligation to provide these loans. If needed, said loans will be granted if approved by the Committee of the Board of Directors.

(2) For information on director remuneration and executive compensation and granting officers an exemption from liability, see note 15.

(3) See note 7 D (2) - regarding an agreement with a financial institution.

NOTE 20 - LIENS

In March 2008, the TASE-CH opened a bank account ("account") for the purposes of receiving loans, if and when the TASE-CH has an immediate need for cash to ensure continuous clearing in the event of a member default.

In April 2008, a first rank fixed charge was registered on the securities deposited and/.or to be deposited in the account, or on the proceeds from their sale and/or gain to be deposited in said account.

If the TASE-CH takes such a loan in the future, it will deposit the collateral in favor of the bank in said account.

The TASE-CH has not made any use of the account since it was opened, and no assets have been deposited into it.