THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013

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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, 2013. 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 their assessment of the effectiveness of the components of internal control over financial reporting included in the management's discussion and analysis of the Company regarding the financial statements for the year 2013. 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 purposes and policies financial risk management , (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.

Because of its 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 maintained, in all material aspects, effective control over, the Audited Components of as December 31, 2013.

We have also audited, in accordance with generally accepted auditing procedures in Israel, the consolidated financial statements of the Company as of December 31, 2013 and 2012, and as of January 1, 2012, and the results of its operations for each of the three years in the period ended December 31, 2013, and our report dated June 12, 2014 expressed an unqualified opinion on the said financial statements, and drawing the attention 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 12, 2014

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
Fax: +972 (3) 609 4022	Fax: +972 (3) 607 0501	Fax: +972 (3) 676 9955	Fax: +972 (2) 537 4173	Fax: +972 (4) 867 2528	Fax: +972 (8) 690 9600	Fax: +972 (8) 637 1628
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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, 2013 and 2012, and as of January 1, 2012, 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, 2013. 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, 2013 and 2012, and as of January 1, 2012 , and their operating results, changes in equity and cash flows for each of the three years ended December 31, 2013, in conformity with International Financial Reporting Standards (IFRS) and Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our opinion, we draw the attention to Notes 14 D and 14 E regarding the requests for approval of class action suits against the Company claiming alleged overcharging of minimum commissions, and the 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, 2013, and our report dated June 12, 2014, 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 12, 2014

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

	Note	December 31, 2013	December 31, 2012	January 1, 2012
		NIS in thousands		
Assets:				
Current assets:				
Cash and cash equivalents	4	14,498	11,405	19,133
Financial assets at fair value through profit or loss - held for trading	6	176,872	200,548	259,863
Trade receivables		9,075	9,741	8,663
Assets derived from clearing operations:				
Receivables with respect to derivative open positions	5	2,068,253	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		-	-	30,259
Other receivables		4,607	7,554	5,369
Current tax assets	13	3,983	10,057	9,017
		2,277,288	1,983,932	1,383,991
Investment in associate, under voluntary liquidation	7B	5,884	-	-
Total current assets		2,283,172	1,983,932	1,383,991
Non-current assets:				
Investment in an associate	7B	-	4,785	4,515
Property and equipment, net	3C,8,9	241,427	285,933	194,208
Intangible assets, net	10	73,870	69,888	66,500
Deferred tax assets	3D,13	27,371	* 2,631	* 1,729
Total non-current assets		342,668	363,237	266,952
Total assets		2,625,840	2,347,169	1,650,943
Liabilities and Equity:				
Current liabilities:				
Trade payables		24,036	34,076	23,764
Liabilities derived from clearing operations:				
Payables with respect to derivative open positions	5	2,068,253	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		-	-	30,259
Current liabilities for employee benefits	12	35,797	* 23,323	* 26,958
Other payables	11	2,416	2,208	5,272
Current tax liabilities	13	55	114	-
Total current liabilities		2,130,557	1,804,348	1,137,940
Non-current liabilities:				
Non-current liabilities for employee benefits	12	17,451	* 20,746	* 12,425
Deferred tax liabilities	3D, 13	1,004	* 999	* 421
Total non-current liabilities		18,455	21,745	12,846
Equity:				
Reserve for re-measurement of net liabilities with respect to defined benefits		(9,480)	* (10,711)	* (5,768)
Other equity reserves		3,200	3,200	3,200
Retained earnings		483,108	* 528,587	* 502,725
Total equity		476,828	* 521,076	500,157
Total liabilities and equity		2,625,840	2,347,169	1,650,943

* Retrospective application of IAS 19 Revised - see note 2S.

June 12, 2014			
Date of Approving the Financial Statements	**Amnon Neubach** **Chairman of the Board of Directors**	**Yossef Beinart** **CEO and Director**	**David Deri** **Senior VP, Administration and Finance**

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year Ended December 31,		
	Note	**2013**	**2012**	**2011**
		NIS in thousands		
Service revenue:	15			
Trading and clearing commissions		134,526	129,440	158,930
Securities listing and annual fees		42,191	34,434	38,416
Clearing house services		27,395	29,613	28,943
Distribution of trading and other data		33,278	34,330	36,484
Other		1,523	1,398	1,998
Total service revenue		238,913	229,215	264,771
Cost of revenue:				
Employee benefits - expenses	16A	120,392	* 109,648	* 105,089
IT and communication expenses		32,970	32,772	33,086
Rent, municipal taxes and building maintenance expenses		13,272	13,029	12,136
General and administrative expenses		13,531	10,795	12,133
Expenses - move to the new building	16B	3,420	3,048	-
Marketing expenses		5,126	5,755	4,435
Fee to the Israel Securities Authority		7,288	6,158	6,007
Depreciation and amortization expenses	16C	24,194	22,987	20,606
Loss - impairment of a building under construction	3C, 9(5)	92,500	-	-
Premiums for providing collateral to the MAOF Risk Fund		351	4,237	11,585
Market makers' compensation and other expenses, net		1,894	2,004	1,127
Total cost of revenue		314,938	210,433	206, 204
Profit (loss) before financing income (expense), net		(76,025)	18,782	58,567
Financing income	17	10,728	14,822	(1,186)
Financing expense	17	(475)	(225)	(424)
Total financing income (expense), net		10,253	14,597	(1,610)
Profit (loss) after financing income (expense), net		(65,772)	33,379	56,957
Company's share of an associate's income	7B	1,377	529	480
Profit (loss) before income taxes		(64,395)	33,908	57,437
Income taxes (tax benefits)	13	(18,916)	* 8,046	* 11,167
Profit (loss) for the year		(45,479)	25,862	46,270
Other comprehensive income (loss)				
Amounts that will not be reclassified in the future to profit or loss, net of tax:				
Reserve for re-measurement of net liabilities with respect to defined benefits, net of tax		1,231	* (4,943)	* 3,027
Comprehensive income (loss) for the year		(44,248)	20,919	49,297

* Retrospective application of IAS 19 Revised - see note 2S.

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

	Reserve for Re-Measurement of Net Liabilities in Respect of Defined Benefits	Equity Reserves	Retained Earnings	Total
	NIS in thousands			
Balance, January 1, 2011	-	3,200	455,190	458,390
Effect of changes in accounting policies *	(8,795)	-	1,265	(7,530)
Balance, January 1, 2011, after retrospective application	(8,795)	3,200	456,455	450,860
Profit for the year	-	-	46,270	46,270
Other comprehensive income for the year	3,027	-	-	3,027
Total comprehensive income for the year	3,027	-	46,270	49,297
Balance, December 31, 2011	(5,768)	3,200	502,725	500,157
Balance, January 1, 2012	-	3,200	501,600	504,800
Effect of changes in accounting policies *	(5,768)	-	1,125	(4,643)
Balance, January 1, 2012, after retrospective application	(5,768)	3,200	502,725	500,157
Profit for the year	-	-	25,862	25,862
Other comprehensive loss for the year	(4,943)	-	-	(4,943)
Total comprehensive income for the year	(4,943)	-	25,862	20,919
Balance, December 31, 2012	(10,711)	3,200	528,587	521,076
Balance, January 1, 2013	-	3,200	527,478	530,678
Effect of changes in accounting policies *	(10,711)	-	1,109	(9,602)
Balance, January 1, 2013, after retrospective application	(10,711)	3,200	528,587	521,076
Loss for the year	-	-	(45,479)	(45,479)
Other comprehensive income for the year	1,231	-	-	1,231
Total comprehensive loss for the year	1,231	-	(45,479)	(44,248)
Balance, December 31, 2013	(9,480)	3,200	483,108	476,828

* Retrospective application of IAS 19 Revised - see note 2S.

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,		
	2013	2012	2011
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) for the year	(45,479)	* 25,862	* 46,270
Tax expenses (tax benefits) recognized in profit or loss	(18,916)	* 8,046	* 11,167
Net financing expenses (income) recognized in profit or loss	(10,253)	(14,597)	1,610
Depreciation and amortization	24,194	22,987	20,606
Loss - impairment in value of a building under construction	92,500	-	-
Capital loss from disposal of property and equipment, and intangible assets	1,520	1,451	351
Company's share of undistributed income of an associate	(1,099)	(270)	(141)
	42,467	43,479	79,863
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other receivables	3,613	(3,263)	(3,220)
Decrease (increase) in receivables with respect to derivative open positions	(323,626)	(692,940)	336,644
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)
Decrease in trade payables and other payables	(666)	(15,603)	(2,042)
Increase (decrease) in payables with respect to derivative open positions	323,626	692,940	(336,644)
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
Increase (decrease) in liabilities for employee benefits	10,561	* (1,903)	* (6,637)
	55,975	22,710	67,964
Interest received	4,591	7,283	9,752
Interest paid	(476)	(225)	(742)
Tax receipts (tax payments) - current activities	1,109	(8,394)	(18,736)
	5,224	(1,336)	(9,726)
Net cash provided by operating activities	61,199	21,374	58,238
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of property and equipment	(66,275)	(80,617)	(49,440)
Proceeds from disposal of property and equipment	20	-	-
Acquisitions of intangible assets	(8,635)	(6,293)	(7,954)
Costs capitalized to tangible and intangible assets	(11,966)	(9,790)	(12,260)
Disposal of financial assets held for trading, net	29,932	66,736	6,660
Tax receipts (tax payments) - financial assets held for trading	(1,151)	939	(320)
Net cash used for investing activities	(58,075)	(29,025)	(63,314)
Net increase (decrease) in cash and cash equivalents	3,124	(7,651)	(5,076)
Cash and cash equivalents, beginning of the year	11,405	19,133	24,241
Effect of changes in exchange rates on cash balances held in foreign currency	(31)	(77)	(32)
Cash and cash equivalents, end of the year	14,498	11,405	19,133
APPENDIX A - NON-CASH ACTIVITIES:			
Acquisition of tangible and intangible assets, under short term credit	13,685	22,851	10,223

* Retrospective application of IAS 19 Revised - see note 2S.

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

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 (see note 7A below). The TASE-CH was acquired by the TASE in September 2006 from the TASE-CH members and is engaged primarily 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 7A below) and is engaged primarily 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 clearinghouse.

With respect to clearinghouses (the MAOF-CH and TASE-CH) operations, the terms used in these financial statements shall have the meaning they have in Securities Law, 1968, TASE rules, regulations thereunder, and clearinghouses by-laws.

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 Subsidiaries	-	Companies directly or indirectly controlled (as defined by IFRS10) by the Company, whose financial statements are fully consolidated with those of the Company.
Associate	-	A company over which the Group exercises significant influence.
Investees	-	Consolidated subsidiaries and associate. See note 7 below - list of investees.
Related parties	-	As defined by IAS 24 “Related Parties”.
Interested parties	-	As defined by Securities Law, 1968 and regulations thereunder.

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"). The significant accounting policies set out below have been applied consistently for all periods reported in these consolidated financial statements, except for changes in accounting policies arising from application of the provisions of IAS 19 "Employee Benefits" (2011), which came into force on reporting date, as noted in paragraph 2 S below.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Format for Presentation of the Statement of Financial Position:

The Group reports its assets and liabilities in its Statement of Financial Position by current and non-current items.

The Group's operational turnover is 12 months.

D. Format for Reporting Expenses in the Consolidated Statements of Profit or Loss and Other Comprehensive Income:

Group expenses in the Statement of Profit or Loss and Other Comprehensive Income are reported based on the nature of the expense. The Group estimates, because of the organizational structure of the Group, the classification of expenses in this manner provides more reliable and relevant information.

Regarding the publication of IAS 1 (Revised) "Presentation of Financial Statements" (with respect to the presentation of "other comprehensive income" items in the Statement of Profit or Loss and Other Comprehensive Income), see paragraph 2S.

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 the Company ("foreign currency") are accounted for at exchange rates prevailing on transaction date. At the end of each reporting period, monetary items denominated in foreign currency are translated using the exchange rate prevailing on said date. Non-monetary items measured at historical cost are translated using the exchange rate prevailing on the date of the transaction related to the non-monetary asset.

(3) Manner of Recording Exchange Rate Differences:

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

F. Cash and Cash Equivalents:

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

G. 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. An investor company controls the investee company, when it is exposed, or has rights, to variable returns from its interest in the investee and when it has the ability to affect those returns through the force on the investee.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Investment in an Associate under Voluntary Liquidation:

An associate is an entity over which the Group has significant influence and is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee company, but does not constitute control or joint control of said policy. At the end of 2013, the associate began the process of voluntary liquidation. For more information on the investment in the associate company, see note 7B.

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 of the asset, 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.

Regarding the impairment assessment of the building under construction, see note 3C.

(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	2 - 10 years	10%-50% (mostly 20%)
Equipment and systems (**)	3 - 16 years	6%-33%

(*) For information on leased land, see paragraph K below.

(**) Certain furniture and equipment assets are depreciated according to the expected date of moving to the new building. See also note 9 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 - mostly 5 -10 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, all of the following terms are complied with:

- The ability to measure reliably the expenditure attributable to the asset during its development;
- The technical feasibility of completing the asset so that it will be available for use;.
- The Group's intention to complete the asset and use it;
- The Group's ability to use the asset;
- How the asset will generate future economic benefits can be determined; and,
- The availability to the Group of adequate technical, financial and other resources to complete the development and to use the 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. If it is not possible to measure the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit's recoverable amount, to which the asset belongs.

The recoverable amount is the highest 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 (or of the cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or of the cash-generating unit) 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 not more than 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.

Regarding the impairment assessment of the building under construction, see note 3C.

M. Financial Assets and Financial Liabilities:

(1) Financial Assets and Financial Liabilities (Except from 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 settlement date, similarly to financial assets from clearing operations. See paragraph M (2) (A) below.

Investments in financial assets are initially recognized at fair value.
Regarding the publication of IFRS 9, "Financial Instruments", see note 2S.
Regarding the publication of IFRS 13 "Fair Value Measurement", see note 2S.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

(1) Financial Assets and Financial Liabilities (Except from 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 stated at fair value. Any gain or loss arising 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 reported in profit or loss includes any dividend or interest earned on the financial asset. The fair value of financial instruments is based on their market prices (closing 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. After initial recognition, other financial liabilities are not measured according to the effective interest method, since any interest that could 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 to a custody (custodial activities) that follow a transaction executed 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 fulfillment 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 TASE-CH 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 (in respect of the selling party and the buying party, respectively) for each of the said transactions executed. The TASE-CH is not exposed to any price risk (except in cases of member default), as for each transaction, the value of the TASE-CH assets arising from the obligation of the selling party 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 7A 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 fulfillment 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 terms and conditions, 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 (in respect of the selling party and the buying party, 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 selling party 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 clearing operations, as noted, 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. Transactions executed in the regular way 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 clearing operations of options and futures include receivables and payables relating to derivatives open positions. (see note 5). These positions 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 (closing price) 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 6C 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.

Regarding the publication of IAS 32 "Financial Instruments: Presentation", (Offsets of Financial Assets and Liabilities), (Revised), see paragraph 2T below.

Regarding the publication of IFRS 7 "Financial Instruments: Disclosures" (Offsets of Financial Assets and Financial Liabilities), (Revised) see paragraph 2S below.

N. Income Taxes:

(1) General:

Income tax expense includes current taxes and any changes in deferred tax balances, except for deferred taxes resulting from transactions recognized directly to equity.

(2) Current Taxes:

Current tax expense is calculated based on the taxable income of the Company and its consolidated 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 reporting date.

(3) Deferred Taxes:

Group companies recognize deferred tax, as noted below, on temporary differences between the tax basis of assets and liabilities and their carrying amount in the financial statements. 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 reporting date. Deferred tax liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements. 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 consolidated 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.

Regarding the publication of IAS 32, see paragraph 2T below.

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 for the obligation for contributing to defined contribution plans are recognized in profit or loss or capitalized under the cost of intangible assets (mainly 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits (Cont.):

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

Expenses with respect to defined benefit plans are recognized in profit or loss or capitalized under the cost of assets (mainly within the framework 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 plans 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. In accordance with the Group's accounting policy, net interest cost is included under expenses for employee benefits in profit or loss

Actuarial gains and losses are recognized in other comprehensive income, as incurred, or capitalized to the cost of the asset (mainly within the framework of self-development costs of computer software). Actuarial gains and losses recognized under other comprehensive income will not be reclassified to profit or loss later.

Plan assets are measured at fair value. Interest income on plan assets is determined using the discount rate of the commitment and is recognized under profit or loss as part of net interest cost. The difference between the interest income on plan assets and the total return on plan assets is recognized under other comprehensive income and will not be reclassified to profit or loss later on.

(2) Other Long-Term Employee Benefits:

Other long term employee benefits are benefits which are not expected to be fully paid before 12 months after the annual reporting period in which the employee provides the related service and do not constitute a post-employment benefit or termination benefits.

Other employee benefits of the Group include accrued vacation and seniority grants. These benefits are recognized in profit or loss or are capitalized to the cost of assets (mainly within the framework of self-development costs of computer software) in accordance with the projected unit credit method using actuarial valuations carried out at the end of each reporting period. The present value of the Group's obligation for these benefits is determined by discounting the expected future cash flows in respect of the benefits by market returns of government bonds with terms to redemption nearly identical to the expected settlement dates of the benefits.

Actuarial gains and losses are recognized in profit or loss when incurred or are capitalized to the cost of the asset (mainly within the framework of self-development costs of computer software).

(3) Short-term Employee Benefits:

Short-term employee benefits are benefits, which are expected to be fully paid before 12 months after the end of the period in which the employee provides the related service.

Short-term employee benefits include Company liabilities for recreation, bonus and wage payments (including social benefits). These benefits are recognized in profit or loss or capitalized under the cost of assets (mainly within the framework 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits (Cont.):

(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 Company's obligation for these benefits is initially recognized against profit or loss when the Group cannot withdraw the offer.

(5) Initial Application of IAS 19 "Employee Benefits" (Revised 2011):

Regarding the effects of the initial application of IAS 19 "Employee Benefits" (Revised 2011) on the financial statements of the Group, see note 2S.

R. Classification of Interest Paid, and Interest and Dividends Received, in the Statement of Cash Flows:

The Group classifies cash flows from interest and dividends as received, and cash flows in respect of interest paid, as cash flows that were used for**,** or provided by**,** operating activities. Cash flows in respect of taxes on income as a rule are classified as cash flows used for operating activities, except for those that are readily identifiable with cash flows that were used for investing or financing activities.

S. Adjustments to Standards that Affect the Current Reporting Period and /or Previous Reporting Periods:

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

The Group applies the provisions of IAS 19 "Employee Benefits" (2011), Revised, as of January 1, 2013. Following are the major amendments:

- Actuarial gains or losses will be recognized in other comprehensive income, and will not, later on, be reclassified to profit or loss. Accordingly, the Group ceased the application of the "corridor" method.
- Interest income on defined plan assets will be recognized on the basis of the discount rate of the obligation, rather than on the expected return on assets. This change has no effect on the financial statements of the Group.
- Short-term employee benefits will include benefits that are expected to be fully cleared within 12 months after the year in which the service that entitles the employee is rendered. Accordingly, benefits for vacation pay, measured as short-term benefits on an undiscounted basis, were measured as long-term benefits on the basis of actuarial valuation. The effect of this change on the financial statements of the Group is immaterial.
- The effect in 2012 and 2011 of the capitalization of payroll costs to fixed assets and intangible assets is immaterial.

According to the transitional provisions of the Standard, the Standard is applied retrospectively.

As the retrospective application of the new accounting policy, as a result of application of IAS 19 "Employee Benefits" (2011) Revised, as noted, significantly affects the representations made in the Statement of Financial Position as of January 1, 2012, a supplemental report as of January 1, 2012 is presented. It should be noted that the financial information as of January 1, 2012 is essentially financial information as of December 31, 2011, which was adjusted to retrospectively reflect the effect of the retrospective application of the new accounting policy, as noted above, only, and does not include the effect of transactions and other events whatsoever which may have occurred, if at all, on January 1, 2012.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

S. Adjustments to Standards that Affect the Current Reporting Period and /or Previous Reporting Periods (Cont.):

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

Following are details of the retrospective application effect on the Statement of Financial Position for the current period and for previous periods. The effect results mainly from recognition of actuarial gains/losses, which will be recognized under other comprehensive income, instead of under obligations, on the basis of the "corridor method".

	Presentation Before Application of the Standard	Effect of Retrospective Application	Presentation After Application of the Standard
	December 31, 2012		December 31, 2012
		NIS in thousands	
In the Statement of Financial Position:			
Non-current assets:			
Deferred tax assets, net	(1,568)	3,200	1,632
Current liabilities:			
Liabilities for employee benefits	23,436	(113)	23,323
Non-current liabilities:			
Liabilities for employee benefits	7,831	12,915	20,746
Equity	530,678	(9,602)	521,076

	Presentation Before Application of the Standard	Effect of Retrospective Application	Presentation After Application of the Standard
	January 1, 2012		January 1, 2012
		NIS in thousands	
In the Statement of Financial Position:			
Non-current assets:			
Deferred tax assets, net	(240)	1,548	1,308
Current liabilities:			
Liabilities for employee benefits	27,197	(239)	26,958
Non-current liabilities:			
Liabilities for employee benefits	5,995	6,430	12,425
Equity	504,800	(4,643)	500,157

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

S. Adjustments to Standards that Affect the Current Reporting Period and /or Previous Reporting Periods (Cont.):

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

Effect of Retrospective Application on Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2012:

	Presentation before Application of the Standard	Effect of Retrospective Application	Presentation After Application of the Standard
		NIS in thousands	
Increase in employee benefits expenses	109,626	22	109,648
Decrease in income taxes	8,052	(6)	8,046
Total effect on profit for the year	25,878	(16)	25,862
Total effect on other comprehensive income	-	(4,943)	(4,943)

Effect of Retrospective Application on Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2011:

	Presentation before Application of the Standard	Effect of Retrospective Application	Presentation After Application of the Standard
		NIS in thousands	
Increase in employee benefits expenses	104,903	186	105,089
Decrease in income taxes	11,213	(46)	11,167
Total effect on profit for the year	46,410	(140)	46,270
Total effect on other comprehensive income	-	3,027	3,027

As a result of the retrospective application of the Standard, the balance of the Group's equity as of January 1, 2011 decreased by NIS 7,530 thousand, when compared to the balance that was reported for this date in previous periods.

- **IFRS 7 - "Financial Instruments: Disclosures" (Offset of Financial Assets and Financial Liabilities) (Revised):**

The Amendment provides additional disclosure requirements pertaining to the offset of financial assets and financial liabilities, in order to allow for an assessment of the possible effects of various offset agreements. The Amendment is applied retrospectively, for annual reporting periods beginning on or after January 1, 2013. See note 6 for detailed disclosures.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

S. Adjustments to Standards that Affect the Current Reporting Period and /or Previous Reporting Periods (Cont.):

- **IAS 1 - (Revised) "Presentation of Financial Statements" (Regarding the Presentation of Other Comprehensive Income Amounts in the Statement of Comprehensive Income):**

The Amendment provides that the amounts included in other comprehensive income will be separated and presented in one of two groups – amounts which will be classified in the future to profit or loss, and amounts that will not be classified in the future to profit or loss. The Amendment is applied retrospectively for annual reporting periods beginning on or after January 1, 2013. Accordingly, the Group separated the amounts of other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

The Amendment states that if an entity applies an accounting policy retrospectively and/ or restates and/or reclassify items in its financial statements, which have a significant effect on the Statement of Financial Position for the beginning of the previous reporting period, the entity must present a statement of financial position at that date. Moreover, the Amendment stated that companies are not required to attach any notes for the additional Statement of Financial Position. The Amendment is effective retrospectively for annual reporting periods beginning on or after January 1, 2013.

- **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 Statement 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. With respect to non-financial assets, it was decided that in order to measure fair value, an entity must determine their best use, and on this basis, estimate fair value.

The Amendment is applied progressively, for annual reporting periods beginning on or after January 1, 2013.

Management believes that the effect of applying the Standard to the Group's financial statements is immaterial.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

T. New Standards Issued but not Effective and not Early Adopted by the Group, Which are Expected to have or might have an Impact on Future Periods:

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

  The new Standard provides guidance on the classification and measurement of financial instruments.

  As part of the amendment, the effective date of the Standard, originally set for January 1, 2015, was cancelled. The effective date will be determined when the IFRS 9 project is close to finalization. It was also decided, in the interim, that the effective date of the Standard would not be advanced for annual reporting periods beginning on or after January 1, 2017.

  As a rule, provisions of the Standard for financial assets and liabilities will be applied retrospectively, with certain exceptions as specified by the Standard's transitional provisions. It was also decided, that, notwithstanding retrospective application, companies initially implementing the Standard would not be required to restate their comparative figures for previous periods.

  Early adoption is permitted. In accordance with the transitional provisions, an entity may choose to early adopt provisions of the Standard only for financial assets, only for financial liabilities, only for financial assets and liabilities, or as a whole.

  Management is evaluating the effect of applying this Standard to the Group's financial statements.

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

  The Amendment clarifies that to meet the offsetting requirements for financial assets and financial liabilities, the right to offset is not contingent on a future event and must be 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 or payable are part of one single settlement process or cycle. The Amendment will be adopted retrospectively for annual reporting periods beginning on or after January 1, 2014.

  Regarding IFRS 7 (Revised), see paragraph S above.

  Management estimates that the effect of applying the Standard on the Group's financial statements is immaterial.

U. Standards, Amendments to Standards and Interpretations Issued that are not Applicable to the Group:

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

NOTE 3 - CONSIDERATIONS IN APPLYING ACCOUNTING POLICIES AND KEY FACTORS OF UNCERTAINTY IN ESTIMATE:

Key Factors of Uncertainty in Estimate:

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 significant, 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, that was not available to the Company when preparing the estimate, might lead to changes in the quantitative value of the estimate, and accordingly, also affect the Company's financial position and results of activities.

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.

The Following are Areas Whose Valuation in the Financial Statements Requires Estimation and Approximation, which the Group's Management Estimates may have a Significant Effect:

A. Employee Benefits:

The present value of the Group's severance pay obligation to its employees is based on a number of factors, which are 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 make retirement, termination and pension payments. The Group estimates the discount rate once a year, based on the return on government bonds. Other key assumptions are determined on the basis of past experience of the Group. For more information on the assumptions used by the Group, see note 12.

B. Provisions for Contingent Liabilities and Legal Proceedings:

To assess the legal validity of lawsuits and to determine the likelihood of adverse outcome, Company 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 any outcomes or has the ability to defer them, Company management estimates the amount that needs to be recorded in the financial statements, if any.

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

Under certain 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 3 - CONSIDERATIONS IN APPLYING ACCOUNTING POLICIES AND KEY FACTORS OF UNCERTAINTY IN ESTIMATE (CONT.):

C. Impairment Assessment of Property and Equipment:

Under IFRS, the Group must examine at the end of each reporting period if there are any signs indicating impairment losses in respect of its fixed and intangible assets. If any indication exists, it must estimate the recoverable amount of the asset to determine the amount of impairment loss, if any.

Recoverable amount is the highest of the asset's fair value less costs to sell, and value in use.

A key feature of possible impairment in connection with the construction of the TASE's new office building ("property") that was identified by the Group, involves excess cash outflows that were used for the construction of the property, which were significantly highest than that originally budgeted.

To determine the recoverable amount of the property, the Group examined the recoverable amount using two methods. The recoverable amount of the property was determined according to fair value less costs of disposal.

To determine the fair value of the property, Group management based primarily on an assessment prepared by an independent, external and knowledgeable real estate appraiser, who had the required experience and expertise. Group management determined the fair value according to accepted valuation methods for assessing buildings for employment and / or offices, such as discounted cash flows and comparison of selling prices and demand for similar properties in the immediate vicinity. For this purpose, an external real estate appraiser prepared a detailed price survey based on sales transactions and rental data for offices and stores in sought after and prestigious office towers in Tel Aviv. When use was made of the discounted cash flows method, the discount rate used to discount the net cash flows expected from the property and the amount of rental fees appropriate for the property, a significant impact on fair value was noted.

The fair value of the property group was tested using a combination of these two valuation techniques and led to similar evaluation results:

- The discounted cash flow method, with the annual discount rate in a situation when the property was available, used in determining the fair value of the property, as determined by the external real estate appraisers was 8%.
- The method of comparison of prices for similar properties while making the necessary adjustments to the property group.

In determining fair value, the location of the property and its physical condition, its characteristics, its planning situation, additional building rights, the possibilities for using the property, rental prices for similar properties, the degree of actual and projected occupancy of the property and operating costs, were considered. Changes in any of these elements, or all, can significantly affect the fair value of the property as estimated by the Group management.

The Group seeks to determine fair value objectively as possible, yet the process of estimating the fair value of an office property also includes subjective elements. Accordingly, and in light of the above in the previous paragraph, the determination of the fair value of the Group's new building requires careful consideration. Changes in the assumptions used to determine fair value could materially affect the financial condition and results of activities of the Group. The fair value of the property, when finished and ready for occupancy totals NIS 260 million. Costs of disposal (such as selling expenses, estimated land betterment levies, removal costs, etc.) as of December 31, 2013 totaled NIS 4.9 million.

NOTE 3 - CONSIDERATIONS IN APPLYING ACCOUNTING POLICIES AND KEY FACTORS OF UNCERTAINTY IN ESTIMATE (CONT.):

C. Impairment Assessment of Property and Equipment (Cont.):

To determine the fair value of the property, the Group used observable market data, to the fullest extent. The financial information used in determining the fair value of the property belonged to Level 3 of the rating of fair value, that is, observable market data, either directly or indirectly, which are quoted prices in active markets for similar properties with the necessary adjustments to the property group, and financial information that is not based on observable market data, but rather on the cash flow method.

The following sensitivity analysis has been determined based on reasonably possible changes in key assumptions that were used in determining the fair value of the property at the end of the reporting period. The sensitivity analysis does not consider any existing interdependence between assumptions:

(1) If the discount rate were reduced by 0.5%, the fair value of the property would increase by NIS 17 million. If the discount rate were increased by 0.5%, the fair value of the property would decrease by NIS 15 million.
(2) If the appropriate property rental fees were increased by 10%, the fair value of the property would increase by NIS 24 million. If the appropriate property rental fees were reduced by 10%, the fair value of the property would decrease by NIS 24 million.

For more information on the amount of impairment loss recognized in Group profit or loss, see Note 9 (5).

D. Deferred Tax Assets:

The Group recognizes deferred tax assets and deferred tax liabilities based on differences between the carrying amounts of the assets and liabilities and the amounts used for tax purposes. The Group regularly reviews the recoverability of the deferred tax assets in its accounts based on historical taxable income, projected future taxable income and anticipated timing of the reversal of the temporary differences. If the Group will be unable to generate sufficient taxable income in the future, or in the case of a material change in effective tax rates in the period when the underlying temporary differences become taxable or deductible, the Group may be required to cancel some of its deferred tax assets or increase some of its deferred tax liabilities, and thus its effective tax rate may increase and adversely affect operating results.

NOTE 4 - CASH AND CASH EQUIVALENTS:

A. Composition:

	Interest Rate, December 31,	December 31,	
	2013	2013	2012
	%	NIS in thousands	
Cash in banks		5,177	536
Short-term bank deposits	0.05-0.74	9,321	10,869
		14,498	11,405

B. See note 6 D (2) (c) - liquidity risk management.

NOTE 5 - RECEIVABLES AND PAYABLES RELATING TO DERIVATIVE OPEN POSITIONS:

The following is additional information with respect to derivative open position balances and respective collateral:

A. As a Central Counterparty ("CCP"), the MAOF-CH has assets and liabilities for each futures and options cleared 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 amount 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 amounts 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 offsets relating to open positions of that member with different expiration dates.

Regarding 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 6 D (2) (a) below.

B. The last expiry date of derivatives issued by the MAOF-CH, up to reporting date is December 2014 (mostly up to the end of February 2014).

C. Regarding the MAOF-CH Risk Fund, and related collateral, and collateral for derivative transactions of MAOF-CH members or under their responsibility, see note 6 D (2) (a) below.

NOTE 6 - PURPOSES AND POLICIES OF 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 Instruments Balances, by Category:

	December 31, 2013	December 31, 2012
	NIS in thousands	NIS in thousands
Financial assets (*):		
Cash and cash equivalents	14,498	11,405
Financial assets at fair value through profit or loss:		
Assets from clearing operations - receivables with respect to derivative open positions	2,068,253	1,744,627
Financial assets at fair value through profit or loss - held for trading	176,872	200,548
Loans and receivables	12,188	12,181
	2,271,811	1,968,761
Financial liabilities:		
Financial liabilities at fair value through profit or loss:		
Liabilities from clearing operations - payables with respect to derivative open positions	2,068,253	1,744,627
Financial liabilities at amortized cost	26,361	36,185
	2,094,614	1,780,812

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

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

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, and assets and liabilities with respect to derivative open positions.

The balances of the Group's financial instruments in the Statements of Financial Position as of December 31, 2013 and 2012 closely reflect their fair values.

(2) Financial Instruments Measured at Fair Value 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 financial assets or liabilities;

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

Level 3 - fair value is based on inputs (assumptions) that are not based on observable market data (assumptions).

This classification is determined on the basis of the lowest level input (assumption) 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 with respect to Derivative Open Positions	Financial Assets at Fair Value Through Profit or Loss - Held For Trading
	NIS in thousands	
December 31, 2013:		
Level 1	1,381,887	176,872
Level 2	778,414	-
	2,160,301	176,872
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)	(92,048)	-
Total balance reported in the Statement of Financial Position	2,068,253	176,872
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

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

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

(2) Financial Instruments Measured at Fair Value in the Statement of Financial Position (Cont.):

Assumptions Used to Measure the Fair Value of Receivables and Payables with respect to 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 return 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. Purposes and Policies of Financial Risk Management:

(1) The Group's Financial Risk Factors:

The TASE Group's (hereinafter - "Group") activities involve exposure to various financial risks, mainly - counterparty credit risk, liquidity risk, credit risk (with respect to investments of cash balances in securities) and market risks (interest rate risk, linkage risks price risk and replacement cost risk).

The Group's financial risk management policy is designed to establish an effective organization-wide risk management set-up to ensure the stability of the Group, while strengthening its ability to identify, monitor and manage the risks in order to realize its strategic and business goals.

The following table presents financial risk factors identified by the Group. An expansion in relation to each of the risk factors and the lines of defense taken by the Group are presented in paragraph 2 below:

Financial Risk	Risk Definition and Description	Location of the Risk Within the Group	Existing Lines of Defense
Counterparty Credit Risk	Counterparty credit risk is an existing or future risk that a counterparty to a transaction will not be able to meet its obligations, in full, at the time it is committed to do so, or at any time in the future. The risk results from clearing operations by the TASE-CH and the MAOF-CH and when the clearinghouses serve as the Central Counterparty ("CCP")	TASE-CH and MAOF-CH	TASE-CH: TASE-CH members qualifications, legislation to promote the stability of the clearinghouses, settlement of transactions using the DVP (Delivery Versus Payment) approach, Risk Fund, collateral for suspended transactions, liquidity balances within shareholders' equity, default procedure. MAOF-CH: MAOF-CH members qualifications, legislation to promote the stability of the clearinghouses, current margin, real-time margin controls, Risk Fund, a right of offset in the event of a member default, liquidity balances within shareholders' equity, lines of defense in the event of a member default.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(1) The Group's Financial Risk Factors (Cont.):

Financial Risk	Risk Definition and Description	Location of the Risk Within the Group	Existing Lines of Defense
Credit Risk in Respect of the Investment of the Group's Monetary Reserves	Credit risk is the existing or future risk to income and to equity arising from the investment of the Group's monetary reserves in securities.	The Group	The investment policy established by the Board of Directors, restrictions on the portfolio managers and a spread of investments management between them, external control over investments management, supervision by a sub-committee of the Board of Directors.
Liquidity Risk	Liquidity risk is an existing or future risk that the Group will not provide its liquidity needs. The Group's exposure to liquidity risk also stems from the need to quickly realize the assets that serve as collateral for transactions, upon occurrence of an event wherein a member will not be able to meet its obligations to the clearinghouses.	The Group	Liquidity cushion, liquidity of collateral at the clearinghouses Risk Funds, liquidity agreement with a financial institution, line of credit from a commercial bank, inter-group credit lines.
Market Risks (Interest Rate Risk, Linkage Risks and Price risk and Replacement cost risk)	Market risks are existing or future risks that changes in market prices, such as exchange rates, the Consumer Price Index, interest rates and margins in the markets, will affect the Group's income and equity or the value of its holdings of financial instruments.	The Group	• Interest rate risk: an investment policy that limits the average lives to maturity of the investments. • Linkage risks: The Group's activities do not involve material exposure to linkage risks. • Price risk (replacement cost risk): The clearinghouses deal with a replacement cost risk, to which they are exposed in the case of default of a member, by using current margin (MAOF-CH) and Risk Funds (both clearinghouses).

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management:

(a) Counterparty Credit Risk:

General:

- Counterparty credit risk is an existing or future risk that a counterparty to a transaction will not be able to meet its obligations, in full, at the time when it is committed to do so, or at any time in the future. This risk results from clearing operations by the clearinghouses and for which the clearinghouses serve as a Central Counterparty ("CCP") who is responsible for fulfillment of the obligations of the CH member that did not carry out its part of the transaction, towards another CH member who did carry out its part of the transaction.

- An exposure to any counterparty credit risk in the Group, also includes exposure to liquidity risk stemming from the need to quickly realize the assets used as collateral, upon the default of a member, and market risk that may arise from impairment in the value of assets used as collateral, and an increase in the value of a position, which the clearinghouses will need to close upon the default of a member. With respect to any exposure to these liquidity risks and market risks, and the lines of defense taken by the Group, see paragraphs 2 (c) - 2 (d) below.

TASE-CH:

Risk Profile:

The TASE-CH is a central Counterparty for securities transactions (other than derivatives) executed on the TASE, transfers to a custody (custodial activities), carried out in continuation to a transaction executed on the TASE, and repo transactions and spot transactions in government bonds executed through a European system for trading in government bonds ("MTS System")

As a central Counterparty, the TASE-CH is responsible for fulfillment of the obligations of a member of the TASE-CH, which is a party to a transaction on the Stock Exchange, which did not carry out its part of the transaction, towards another TASE-CH member, which is the counterparty to the transaction, which did carry out its part of transaction.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the TASE-CH:

The various lines of defense and other mediums taken by the TASE-CH to manage exposure to counterparty credit risk are as follows:

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
TASE-CH Members Qualifications	• As of December 31, 2013, the TASE-CH had 19 members. 12 of which are banks (including the Bank of Israel), and the others are non-banking corporation members ("NBCM"). • Only a TASE member can be a TASE-CH member that complies with the requirements of the TASE's rules and the requirements of the TASE-CH's by-laws. • Members that are banks must carry out requirements of the Banking Supervision Department at the Bank of Israel - including requirements for capital adequacy and liquidity. In addition, members that are banks are subject to other provisions, in their capacity as members of the TASE and the TASE-CH. • With respect to NBCM, the TASE rules provide requirements governing all their activities, including requirements relating to financial stability, requirements in respect of risk management and the control of said risks, and requirements relating to corporate governance. • The TASE regularly monitors the compliance of TASE-CH's members, with requirements relating thereto, as set forth by the TASE's rules and TASE-CH's by-laws. • The TASE may take disciplinary proceedings against a TASE member, according to TASE rules, regulations thereunder and clearinghouses' by-laws.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the TASE-CH (Cont.):

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Legislation to promote the stability of the clearinghouses	In order to protect the TASE-CH if a member is unable to meet its obligations to it, the Securities Law, has provided, inter alia, that: • A lien of securities by a member in favor of the TASE-CH, will be valid against other creditors of the member, and it shall be regarded as senior fixed lien, if the TASE-CH has control over such securities, in one of the manners prescribed by the Law. • Exercise of the lien on securities in favor of the clearinghouses may be carried out by the TASE-CH itself, without a Court Order or an Order of the Chief Judgment Enforcement Office, subject to terms prescribed by said Law. • A TASE member that bought, on the TASE, securities that are cleared by the TASE-CH is not entitled to the securities that it bought, unless the CH received the entire consideration for said. If the TASE-CH did not receive the entire consideration, the ownership of the securities will be assigned to the TASE-CH, all as stipulated by Securities Law. • A TASE member that sold, on the TASE, securities that are cleared by the TASE-CH is not entitled to the consideration from sale, unless the TASE-CH received the securities that were sold, all as stipulated by Securities Law.
Settlement of Transactions using the DVP Approach	• Cash settlements of transactions are effected through the Bank of Israel's Real Time Gross Settlement system for bank transfers ("RTGS System"). • The settlement of securities is affected using the DVP approach, so that the clearing is made in full synchronization with the Cash settlement on RTGS System, a method that reduces the risks to the TASE-CH from any member default.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the TASE-CH (Cont.):

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Risk Fund	• To protect the TASE-CH if a member is unable to meet its obligations, the TASE-CH established a Risk Fund, to deposit assets of members, which have been liened in favor of the TASE-CH. • Assets that members may provide as security to the Risk Fund include government bonds, treasury bills and cash. Each member is required to a cash deposit of at least 25 percent of its share in the Risk Fund. • If a member cannot meet its obligations to the TASE-CH, TASE-CH is entitled to use the assets deposited at the Risk Fund to cover the defaulting member's obligations - both assets deposited by the defaulting member, and assets deposited by other members. • The size of the Risk Fund is determined according to the highest daily amount of monetary liabilities (net of extreme liabilities), of any member, for a period of six months ending at the end of a calendar quarter, resulting from transactions and activities carried out by the member, on that specific day, and for which the TASE-CH serves as the central counterparty. A monetary obligation, for this purpose, is the difference between the monetary value of purchases and the monetary value of sales made by the member on that specific day. Each member's share is determined by the size of the Risk Fund multiplied by the ratio of the member's average monetary liabilities during measurement period, and the total average monetary liabilities of all members, except the Bank of Israel, during that period. The Risk Fund is calculated four times a year and is updated at the end of January, April, July and October. • Government bonds and treasury bills provided as collateral by the members are deposited with the TASE-CH. A separate account is opened in the name of the TASE-CH for each member. Cash provided as collateral is deposited with commercial banks - a separate account is opened in the name of the TASE-CH, for each member. TASE-CH members have liened on the assets and rights to these accounts, in favor of the TASE-CH. • The collateral required by the Risk Fund was deposited during the reporting period as required by the TASE-CH members.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the TASE-CH (Cont.):

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Collateral for Suspended Transactions	The TASE-CH is exposed to a credit risk on securities transactions if an insufficient inventory of securities is transferred in their respect ("suspended transactions"). To secure the obligations by the TASE-CH members for suspended transactions, the TASE-CH holds cash collateral.
Liquidity Balances Within Shareholders' Equity	As of December 31, 2013 liquid balances (cash and cash equivalents, and financial assets at fair value through profit or loss held for trading) as part of shareholders' equity of the TASE-CH totaled NIS 44 million.
Default Procedure	The TASE-CH has a default procedure that sets out the policy on the conduct and response of the TASE-CH in the event of a member default, including the risks that must be protected against, and the manner of how to use the lines of defense available to it.

TASE- CH Exposure in Respect of Transactions in Securities as the Central Counterparty

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 on any trading day, provided that the net balance is positive.

	December 31, 2013	December 31, 2012
	NIS, in Millions	
Exposure with respect to securities transactions, as the central counterparty *	344	481
Total collateral required to be deposited at the Risk Fund (of which at least 25 percent is in cash) **	578	536

* No assets or 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).

** As of April 30, 2014, the collateral required to be deposited at the Risk Fund totaled NIS 524 million.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Exposure In Respect Of Suspended Transactions:

In addition, as stated, the TASE-CH is exposed to credit risk in respect of suspended transactions. This credit exposure represents the difference between the monetary value of the transaction as of reporting date, and the monetary value of the transactions on the transaction date - if the monetary value of transactions increased. The exposure of the TASE-CH in respect of suspended transactions as of December 31, 2013 and December 31, 2012 was immaterial.

MAOF-CH:

Risk Profile:

The MAOF-CH is a Central Counterparty for options and futures cleared by the MAOF-CH.
As a Central Counterparty, the MAOF-CH is responsible for fulfillment of the obligations of a member of the MAOF-CH, which is a party to an option or futures, and that did not carry out its part of transaction, according to terms of the option or futures, towards another MAOF-CH member, which did carry out its part of transaction.

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the MAOF-CH:

The various lines of defense and other mediums taken by the MAOF-CH to manage exposure to counterparty credit risk are as follows:

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
MAOF-CH Members Qualifications	• As of December 31, 2013, the MAOF-CH had 9 members. All members, as of said date, are banks. • Only a TASE member that complies with the requirements of the TASE rules can be a MAOF-CH member. If the MAOF-CH member is also TASE-CH member, said must also comply with the TASE-CH by-laws. • MAOF-CH by-laws provide the eligibility conditions for MAOF-CH membership. One of the qualifying conditions is shareholders' equity of at least NIS 148 million. A MAOF-CH member that wishes to clear trades of a TASE member that is not a MAOF-CH member ("NMCM") is required to meet more substantial shareholders' equity requirements. • According to TASE rules, a MAOF-CH member will not be given the possibility to execute trades for its own account, and for its clients, in a volume that causes the amount of collateral required in respect of transactions in derivatives listed for trading on the TASE, for its own account, and for its clients, to exceed an amount equal to 150% of its shareholders' equity. • The Group monitors the compliance of the MAOF-CH members with requirements specified in the TASE rules and the by-laws of the MAOF-CH.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

(2) Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the MAOF-CH (Cont.):

The Lines of Defense	**Description of the Lines of Defense and Risk Management Mediums**
Legislation to promote the stability of the clearinghouses	In order to protect the MAOF-CH if a member is unable to meet its obligations to it, the Securities Law, has provided, a number of lines of defense to the clearinghouses, as noted above.
Current Margin	• With respect to their activity in derivatives, MAOF-CH members, deposit current margin. The margin requirement is calculated for various scenarios, as specified in the MAOF-CH by-laws. • Assets that members are entitled to deposit, as margin, include government bonds, treasury bills and cash. • Government bonds and treasury bills deposited as margin with the MAOF-CH, are deposited with the TASE-CH, where a separate account opened on behalf of the MAOF-CH, for each member. Cash provided as margin, is deposited with banks, where for each member, a separate bank account is opened on behalf of the MAOF-CH. MAOF-CH members have liened, in favor of the MAOF-CH, the assets and rights in said accounts. • The margin requirement from members is calculated by the real-time computer system ("MABAT"). The system issues an alert, in real time, when a member is required to provide additional margin, and in such case, the member is required to deposit its margin within 20 minutes to 30 minutes after the alert. • The current margin amount was deposited by the MAOF-CH members during the reporting period as required.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the MAOF-CH (Cont.):

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Risk Fund	• To protect the MAOF-CH if a member is unable to meet its obligations, the MAOF-CH established a Risk Fund, to deposit assets of members, which have been liened in favor of the MAOF-CH. • If a member cannot meet its obligations to the MAOF-CH, the MAOF-CH is entitled to use the assets deposited at the Risk Fund to cover the defaulting member's obligations - both assets deposited by the defaulting member, and assets deposited by other members (that have not defaulted), and have liened assets in its favor. • Assets that members may provide as security to the Risk Fund include government bonds, treasury bills and cash. Each member is required to a cash deposit of at least 25 percent of its share in the Risk Fund. • The size of the Risk Fund is determined according to the highest of: - The average daily amount of collateral required at the beginning of the trading days, during the previous quarter, from MAOF-CH members, that are not among the five member banks, which have the highest amount of shareholders' equity among MAOF-CH members, - One third of the average daily amount of collateral required at the beginning of the trading days, during the previous quarter, from all MAOF-CH members. - NIS 200 million. • Each member's share of the Risk Fund is determined according to the highest of: - The amount of the Risk Fund, multiplied by the ratio of the average daily amounts of collateral required, at the beginning of the trading period, from the member, and the average daily amount of collateral required at the beginning of the trading days, from all MAOF-CH members, in the previous quarter. - NIS 5 million. • The Risk Fund size is updated once every calendar quarter, on the 15th of the first month of each quarter. • See the paragraph above on current margin, in respect of the manner of depositing margin, and the lien on the rights in the accounts in favor of the MAOF-CH. • The collateral required by the Risk Fund was deposited by the MAOF-CH members during the reporting period as required.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Management of the Exposure to Counterparty Credit Risk and the Lines of Defense Available to the MAOF-CH (Cont.):

The Lines of Defense	**Description of the Lines of Defense and Risk Management Mediums**
Right of Offset in the Event of a Member Default	In accordance with the by-laws of the MAOF-CH, in the event that a member fails to meet its obligations to the MAOF-CH, and in other cases, as specified by the by-laws, the MAOF-CH has the right to offset any obligation of a member towards it, of any kind whatsoever, including in respect of positions with different expiration dates, against any obligation of the MAOF-CH towards that member. See below the details on the offset of financial assets and liabilities as of December 31, 2013 and 2012 for the MAOF-CH, by types of instruments and members.
Liquidity Balances Within Shareholders' Equity	As of December 31, 2013 liquid balances (cash and cash equivalents, and financial assets at fair value through profit or loss held for trading) as part of shareholders' equity of the MAOF-CH totaled NIS 79 million.
Lines of Defense, in the Event of a Member Default	The by-laws of the MAOF-CH set out for the MAOF-CH, a list of lines of defense, if a member is unable to meet its obligations towards it.

MAOF-CH Exposure in Respect of Open Positions:

The Credit Exposure of the MAOF-CH Reflects Total Open Positions in Derivative Instruments in Respect of each of its Members:

	December 31,	
	2 0 1 3	**2 0 1 2**
	NIS in millions	
Exposure in respect of derivative open positions as the central counterparty (fair value after accounting offsets) *	2,068	1,745
Right of offset in the event of member default, as prescribed in the by-laws	(18)	(15)
Total current margin required for deposit	4,155	3,044
Total collateral required to be deposited in the Risk Fund (of which at least 25 percent in cash) **	1,102	757

* Offset of the open positions of a specific member on the same expiration date.

** As of April 15, 2014, the collateral required to be deposited at the Risk Fund totaled NIS 1,297 million.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Offsets of Financial Assets and Financial Liabilities:

Financial assets and liabilities are reported in the Statement of Financial Position, in a net amount, only when there is a legally enforceable right of offset and there is an intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously.

Assets and liabilities in respect of derivative open positions reported in the Statement of Financial Position were calculated, after an offset of the fair value of the liabilities of the MAOF-CH member to the MAOF-CH, against the fair value of all liabilities of the MAOF-CH to said member, resulting from open positions of said member, on the same expiration date.

These amounts do not include offsets arising from open positions of said member on various expiration dates.

Following is Information on Financial Assets and Liabilities, Available for Offset, by Instruments:

Instrument	Gross Amounts (Before Offset) of Assets / Liabilities, in Respect of Derivative Open Positions	Amounts Offset in the Statement of Financial Position	Assets / Liabilities in Respect of Derivative Open Positions, net, in the Statement of Financial Position
	NIS in thousands		
December 31, 2013:			
Options	2,155,391	(85,803)	2,069,588
Futures	1,335	-	1,335
	2,156,726	(85,803)	2,070,923
Offset between options and futures, in respect of said member on the same expiration date			(2,670)
Total balance in the Statement of Financial Position			2,068,253
December 31, 2012:			
Options	1,778,924	(34,135)	1,744,789
Futures	183	-	183
	1,779,107	(34,135)	1,744,972
Offset between options and futures, in respect of the same member on the same expiration date			(345)
Total balance in the Statement of Financial Position			1,744,627

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Following is Information on Financial Assets and Liabilities, Available for Offset, by Counterparty to a Transaction:

Financial Assets, Available for Offset, by Counterparty to a Transaction:

Counterparty	Assets in Respect of Derivative Open Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Margin (*)	Net Total
	NIS in thousands			
December 31, 2013:				
Member A'	251,123	1,923	249,200	-
Member C'	1,773,050	486	1,772,564	-
Other members	44,080	15,587	28,493	-
	2,068,253	17,996	2,050,257	-
December 31, 2012:				
Member D'	656,836	3,314	653,522	-
Member F'	1,054,311	349	1,053,962	-
Other members	33,480	11,374	22,106	-
	1,744,627	15,037	1,729,590	-

(*) Margin amounts are reported in an amount that does not exceed the balance of assets in respect of derivative open positions, after all offsets in the event of default. The current margin requirement is highest than that shown in the table, and totals, as of December 31, 2013, NIS 4,155 million (December 31, 2012 – NIS 3,044 million).

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(a) Counterparty Credit Risk (Cont.):

Financial Liabilities, Available for Offset, by Counterparty to a Transaction:

Counterparty	Liabilities in Respect of Derivative Open Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Net Total
	NIS in thousands		
December 31, 2013:			
Member D'	582,690	7,229	575,461
Member F'	1,378,391	789	1,377,602
Other members	107,172	9,978	97,194
	2,068,253	17,996	2,050,257
December 31, 2012:			
Member A'	413,362	3,668	409,694
Member C'	1,317,852	4	1,317,848
Other members	13,413	11,365	2,048
	1,744,627	15,037	1,729,590

(b) Credit Risk in Respect of the Investment of the Group's Monetary Reserves:

General:

The Group's monetary reserves are invested in Government of Israel bonds, and Exchange Traded Notes on the TA-100 Index, and are consequently, exposed to credit risks to changes in their value. Thus, the Group is exposed to credit risk in respect of income and equity in respect of said investments. Group risk management policies are based on portfolio diversification and the management of risks, as detailed below.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(b) Credit Risk in Respect of the Investment of the Group's Monetary Reserves (Cont.):

Management of the Exposure to Credit Risk in Respect of the Investment of Monetary Reserves and the Lines of Defense Available to the Group:

The various lines of defense and other mediums taken by the TASE to manage credit risk exposure in respect of the investment of monetary reserves are as follows:

The Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Investment Policy established by the Board of Directors	• The investment policy is approved annually by the Board of Directors of the each company in the Group. A sub-committee of the TASE's Board of Directors assesses from time to time, the investment policy and the limits on risk, and recommends changes if necessary . • The TASE reduces its exposure to credit risk in respect of said investments through an investment policy having certain limitations, such as: having a solid investment portfolio (80% invested in Government of Israel bonds, and the remaining 20% in Exchange Traded Notes on the TA-100 Index, distributed among various fund issuers), reducing exposure to interest rate risk by limiting the "average lives to maturity" of the investment, setting a maximum limit for management by any particular portfolio manager, etc.
Restrictions on the Portfolio Managers and a spread of Investments Management between them	Monetary reserves of the Group are managed through a blind trust, by 5 portfolio managers, each a licensed portfolio manager, as this term is defined by Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995 and provided that said 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 the "parent company" of a TASE member.
External Control over Investments Management	Ongoing control is offered by an external service provider (a Certified Public Accountant), to assess compliance by the portfolio managers with the policy. The audit findings are reported to the Audit Committee of the TASE and to the Board of Directors' of the Group, once a year.
Supervision by a Sub-Committee of the Board of Directors	The Financial Reserves Committee of the Board of Directors oversees the management of the monetary reserves.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(b) Credit Risk in Respect of the Investment of the Group's Monetary Reserves (Cont.):

Exposure as of December 31, 2013 and 2012:

Investment Portfolio Breakdown, by Types of Securities and Cash:

	December 31,	
	2013	2012
	NIS in thousands	
Shares	35,122	36,962
Government treasuries and bonds	141,750	163,172
Other	-	414
Total securities	176,872	200,548
Cash	14,498	11,405
Total	191,370	211,953

(c) Liquidity Risk:

General:

Liquidity risk is an existing or future risk that the Group will not provide its liquidity needs. Exposure to liquidity risk at the Group also stems from the need to quickly realize the assets that serve as collateral for transactions, upon member default.

The Group considers liquidity management in a broad perspective which is not only maintaining the ability to meet all Group obligations, but also the ability to do said, without harming the ongoing conduct and without having to sustain unacceptable losses or damage to reputation.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(c) Liquidity Risk (Cont.):

Management of the Exposure to Liquidity Risk and the Lines of Defense Available to the Group:

The various lines of defense and other mediums taken by the Group to manage liquidity risk are as follows:

<table>
<tr><th>The Lines of Defense</th><th>Description of the Lines of Defense and Risk Management Mediums</th></tr>
<tr><td>Liquidity Cushion</td><td>The Board of Directors of the TASE, at a meeting held on November 18, 2010, prescribed that if until it decided otherwise, the monetary reserves (shareholders' equity less property and equipment, intangible assets and investment in an associate, as part of non-current assets), of the Group would be less than NIS 150 million, the Board of Directors would discuss the need to obtain external financing. As of December 31, 2013, the monetary reserves of the Group amounted to NIS 151.6 million (December 31, 2012 – NIS 178.6 million) as follows:
<table>
<tr><th></th><th>December 31, 2013</th><th>December 31, 2012</th></tr>
<tr><td></td><td>NIS in thousands</td><td></td></tr>
<tr><td>Total shareholders' equity</td><td>476,828</td><td>521,076</td></tr>
<tr><td>Property and equipment, net</td><td>(241,427)</td><td>(285,933)</td></tr>
<tr><td>Intangible assets, net</td><td>(73,870)</td><td>(69,888)</td></tr>
<tr><td>Investment in an associate</td><td>-</td><td>(4,785)</td></tr>
<tr><td>Subtotal, using the old formula</td><td>161,531</td><td>160,470</td></tr>
<tr><td>Deferred tax assets</td><td>(27,371)</td><td>(2,631)</td></tr>
<tr><td>Non-current liabilities for employee benefits</td><td>17,451</td><td>20,746</td></tr>
<tr><td>Total</td><td>151,611</td><td>178,585</td></tr>
</table>
* Retrospective application of IAS 19 Revised.

On June 12, 2014, the Board of Directors of the TASE approved an update of the formula for calculating the monetary reserves to include the non-current liabilities for employee benefits, and deferred tax assets, to reflect adequately the balance of the Group's liquidity reserves.

Further to a request by the Chairman of the Israel Securities Authority to formulate a policy and methodology for determining, the minimum capital requirements and the minimum level of liquidity required by the each of the companies of the Group, Group management formulated proposed principles for managing shareholders' equity and liquidity in accordance with accepted international standards. The proposal and implications of said were discussed during the 2013 meeting of Financial Reserves Committee of the Board of Directors of the TASE. As of financial statement approval date, management is reviewing the proposal and its implications and it will be submitted for discussion and approval by the relevant Group organs, by December 31, 2014. As the balance of the monetary reserves of the Group is expected to decline in 2014, from NIS 150 million, the Board of Directors, in accordance with its decision of November 18, 2010, will hold a discussion on the issue of monetary reserves.</td></tr>
</table>

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(c) Liquidity Risk (Cont.):

Management of the Exposure to Liquidity Risk and the Lines of Defense Available to the Group (Cont.):

Lines of Defense	Description of the Lines of Defense and Risk Management Mediums
Liquidity of Collateral at the Clearinghouses Risk Funds	• Clearinghouses members have recorded liens, as noted above, in favor of their CHs, to secure their share of the clearinghouses Risk Funds. • Each member is required to deposit cash of at least 25 percent of its share in each of the Risk Funds, and the rest in government bonds and treasury bills, thus ensuring a fluid mix of collateral that can be realized fairly quickly in the case of member default.
Liquidity Agreement with a Financial Institution	To provide the clearinghouses liquidity in the case of member default, in order to maintain their obligations as a CCP, in April 2012, each clearinghouses signed an agreement with a financial institution whereby, in the event of member default, each clearinghouses will have the right to demand that the financial institution buy from it government bonds and treasury bills that it received as collateral, and the financial institution is obligated to buy said, subject to terms and conditions as detailed in the agreement. On July 11, 2013, the agreement was extended up to June 30, 2015, or up to 90 days from the Amendment taking effect that would allow each of clearinghouses to realize the collateral that it held, by way of a transfer of ownership therein to the clearinghouses, whichever is earlier.
Line of Credit from a Commercial Bank	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 on the occurrence of a member default. During the reporting year, the TASE-CH was not required to use said line of credit.
Inter- Group Credit Lines	See note 18D (1) for information on a resolution by the TASE on providing a credit line to the TASE-CH and to the MAOF-CH.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(c) Liquidity Risk (Cont.):

Exposure as of December 31, 2013 and 2012:

TASE-CH:

The anticipated repayment dates of most of the financial liabilities that arise from clearing operations of the TASE-CH are one day from the date of the Statement of Financial Position.

MAOF-CH:

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

	December 31,	
	2013	2012
	NIS in thousands	
Up to one month after reporting period	1,474,452	1,483,396
1-2 months	559,000	253,975
2-3 months	33,822	5,275
Up to one year	979	1,981
	2,068,253	1,744,627

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.

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(d) Market Risk:

General:
The following table details the Group's exposure mix to market risks and lines of defenses and other mediums to manage risks facing the Group:

Market Risk		**Description of the Lines of Defense and Risk Management Mediums**
Price Risk and Replacement Cost Risk	• In clearing transactions, the clearinghouses do not bear any replacement cost risk, except in case of a member default. • The Group has holding in shares. 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 clearinghouses manage with price risks relating to activities, using the methodology applied in calculating the current margin (MAOF-CH) and the Risk Funds (both clearinghouses). • The investment policy establishes the investment mix whereby 80% of surplus will be invested in Government of Israel bonds, and the remaining 20% in ETNs on the TA-100 Index with appropriate dispersion and thus reduces the Group's exposure to credit risk and any erosion in the value of investments in respect of the extreme changes in their market value.
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 rates. • In addition, the Group has investments in financial instruments with fixed interest rates, measured at fair value through profit or loss, and accordingly is exposed to changes in fair value as the result of changes in interest rates.	• The investment policy restricting the duration of the bonds' portfolio reduces the exposure to changes in interest rates.
Linkage Risks	The Group's activities do not involve any material exposure to linkage risks. Most financial assets and financial liabilities of the Group are measured at their fair values, based primarily on market prices (closing price).	

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(d) Market Risk (Cont.):

Exposure as of December 31, 2013 and 2012:

Price Risk and Replacement Cost Risk:

The Group has investments in ETNs on the TA-100 Index and accordingly has exposure to changes in fair value, as a result of changes in their market prices.

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, 2013			December 31, 2012		
Total Equity Instruments	Change of +/-8%	Change of +/-15%	Total Equity Instruments	Change of +/-8%	Change of +/-15%
NIS in millions					
35	2.8	5.3	37	3.0	5.6

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 rates.

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

December 31, 2013			December 31, 2012		
Total Variable Interest Bearing Instruments	Change of +/-1%	Change of +/-2%	Total Variable Interest Bearing Instruments	Change of +/-1%	Change of +/-2%
NIS in millions					
9.3	0.1	0.2	10.9	0.1	0.2

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

NOTE 6 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (CONT.):

D. Purposes and Policies of Financial Risk Management (Cont.):

2. Financial Risks Exposure and Management (Cont.):

(d) Market Risk (Cont.):

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, 2013			December 31, 2012		
Total Fixed Interest bearing Instruments	Change of +/- 1%	Change of +/- 2%	Total Fixed Interest bearing Instruments	Change of +/- 1%	Change of +/- 2%
NIS in millions					
141.7	4.1	8.3	163.6	5.4	10.7

NOTE 7 - 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, 2013 and 2012	Amount of Investment December 31, 2013	2012
			NIS in thousands	
MAOF Clearing House Ltd.	Israel	(*)100%	78,008	73,403
TASE Clearing House Ltd.	Israel	100%	43,534	41,551

(*) The TASE-CH holds 1 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.
Regarding the TASE's decision to provide a credit line to the TASE-CH and to the MAOF-CH, see note 18 D (1).

NOTE 7 - INVESTMENTS IN INVESTEES (CONT.):

B. Associate under Voluntary Liquidation:

(1) The Company’s Stock Exchange Offices Ltd. ("SOL") shareholdings grant it 55.88% of SOL's 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, and up to November 26, 2013 was the owner an office building located at 54 Ahad Ha'am Street in Tel - Aviv, which was leased to the TASE.
At the General Meeting of SOL on July 30, 2013, a resolution was approved for the planned sale of the TASE building, the sale of the land, liquidation of the Company and a distribution of its remaining assets to its shareholders, in accordance with law ("the plan").

On November 27, 2013, an agreement was signed for the sale of all leasing rights of the TASE office building on 54 Ahad Ha'am in Tel Aviv, for NIS 58,350 thousand, plus Value Added Tax, as per law.

In light of the sale of the building and the plan that was approved, the Company began, in late December 2013, the process of voluntary liquidation. The directors signed affidavits of solvency of the Company that were delivered to the offices of the Registrar of Companies on December 30, 2013. The General Meeting on March 19, 2014, approved a resolution regarding the liquidation of the Company by way of voluntary liquidation and appointment of a liquidator to act to realize the Company's assets and discharge all its obligations (see paragraph 4 below). After realizing the Company's assets and discharging its liabilities, the liquidator will convene a final meeting of shareholders, will present the Company's shareholders with the liquidation report, and will declare a liquidation dividend distribution. Upon closing the final shareholders meeting, the liquidator will send the liquidation report for registration with the Registrar of Companies. Three months after registering said report, the Company will be considered liquidated.

(2) Composition:

	December 31,	
	2013	2012
	NIS in thousands	
Cost of shares	7,285	7,285
Share of income accumulated since acquisition, net	6,765	5,388
Dividends received	(8,166)	(7,888)
	5,884	4,785

(3) Dividends Received from an Associate under Voluntary Liquidation:

In 2013, a dividend was received from an associate, of NIS 278 thousand (2012: NIS 258 thousand).

NOTE 7 - INVESTMENTS IN INVESTEES (CONT.):

B. Associate under Voluntary Liquidation (Cont.):

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

	December 31, 2013	December 31, 2012
	NIS in thousands	
Cash and cash equivalents	41,115	23
Deposit in trust (*)	7,752	-
Financial assets at fair value through profit or loss - held for trading	10,774	9,891
Other current assets	82	299
Real estate for investment purposes (**)	-	44,130
Current liabilities	(2,548)	(36)
Non-current liabilities	-	(7,811)
Net assets less liabilities	57,175	46,496
Group's share of equity of an associate - based on its share of income	5,884	4,785

(*) As of December 31, 2013, NIS 7,752 thousand of the proceeds from the sale of the land was deposited in a trust account in the name of the associate, and there is no contractual impediment to its transfer to the associate.

(**) Regarding the sale of the real estate for investment purposes in November 2013, see paragraph B (1) above.

	Year Ended December 31, 2013	2012	2011
	NIS in thousands		
Rental income	3,298	3,424	3,359
Fair value adjustment of the real estate for investment purposes and capital gain from disposal	13,822	2,450	3,760
Other income	46	-	-
Total Income	17,166	5,874	7,119
Income before financing income	16,927	5,530	6,866
Net income	13,379	5,132	4,668
Group's share of an associate's income	1,377	529	480

NOTE 8 - 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 second half of 2014.

B. Composition:

	December 31,	
	2013	**2012**
	NIS in thousands	
Land title	20,172	20,172
Land under capital lease (lease rights for various periods ending 2107-3003)	40,442	40,442
	60,614	60,614

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 9 - PROPERTY AND EQUIPMENT:

Composition and Changes:

	Land and Buildings Under Construction (1),(2),(5)	Computer Systems and Related Equipment	Equipment and Systems	Leasehold Improvements (Mainly Visitor Center)	Total
	NIS in thousands				
Cost:					
Balance, January 1, 2013	256,598	72,421	8,166	7,321	344,506
Additions during the year (3)	53,038	5,911	99	-	59,048
Disposals during the year	-	(25,397)	(566)	(150)	(26,113)
Provision for impairment (5)	(92,500)	-	-	-	(92,500)
Balance, December 31, 2013	217,136	52,935	7,699	7,171	284,941
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
Accumulated Depreciation:					
Balance, January 1, 2013	-	44,010	7,255	7,308	58,573
Depreciation for the year	-	10,239	317	5	10,561
Disposals during the year	-	(24,906)	(564)	(150)	(25,620)
Balance, December 31, 2013	-	29,343	7,008	7,163	43,514
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
Depreciated Cost:					
December 31, 2013	217,136	23,592	691	8	241,427
December 31, 2012	256,598	28,411	911	13	285,933

(1) See note 8 for information on rights to land. The balance is before a provision for impairment, and includes building construction costs of NIS 249,022 thousand.

(2) Costs to complete the construction of the building:
For the purpose of completing the construction of the building, additional investment costs of NIS 43.7 million are expected, as of December 31, 2013.

(3) Includes NIS 1,402 thousand (2012: NIS 1,068 thousand) of capitalized salary expenses.

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

(5) During the year, the Group recognized an impairment loss of NIS 92.5 million for building construction. The loss is mainly the result of special adjustments and the special design of the building under construction, which resulted in increased building costs. The impairment loss was recognized in profit or loss under "impairment loss for a building under construction. For further details regarding valuation techniques in estimating the fair value of the asset, see note 3 C.

NOTE 10 - INTANGIBLE ASSETS:

Composition and Changes:

	Software and Licenses	Goodwill	Total
	NIS in thousands		
Cost:			
Balance, January 1, 2013	143,011	492	143,503
Acquisitions	8,098	-	8,098
Capitalization of expenses - software development (for self-use)	10,564	-	10,564
Disposals during the year	(21,747)	-	(21,747)
Balance, December 31, 2013	139,926	492	140,418
Cost:			
Balance, January 1, 2012	129,892	492	130,384
Acquisitions	7,345	-	7,345
Capitalization of expenses - software development (for self-use)	8,722	-	8,722
Disposals during the year	(2,948)	-	(2,948)
Balance, December 31, 2012	143,011	492	143,503
Accumulated Amortization:			
Balance, January 1, 2013	73,615	-	73,615
Amortization	13,633	-	13,633
Disposals during the year	(20,700)	-	(20,700)
Balance, December 31, 2013	66,548	-	66,548
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
Amortized Cost:			
December 31, 2013	73,378	492	73,870
December 31, 2012	69,396	492	69,888

NOTE 11 - TRADE PAYABLES:

Composition:

	December 31, 2013	December 31, 2012
	NIS in thousands	
Institutions	-	5
Accrued expenses - premium to the MAOF-CH Risk Fund	-	946
Other payables and accrued expenses	2,252	1,146
Clearing House members - payables in respect of interest	5	17
Income received in advance	92	94
Associate under voluntary liquidation	67	-
	2,416	2,208

NOTE 12 - EMPLOYEE BENEFITS:

A. Composition:

	December 31, 2013	December 31, 2012
	NIS in thousands	
Post-employment benefits under defined benefit plans (see paragraph B(1)(f) below):		
Retirement and termination obligations	18,052	* 17,622
Pension obligation	1,638	1,733
	19,690	19,355
Other long-term employee benefits (see paragraph C below):		
Vacation benefits not utilized	13,074	* 13,010
Seniority benefits	1,521	1,391
	14,595	14,401
Short-term employee benefits (see paragraph E below)	18,963	* 10,313
	53,248	44,069
Presentation in the Statement of Financial Position:		
Employee benefits obligation:		
Current	35,797	* 23,323
Non-current	17,451	* 20,746
	53,248	44,069

* Retrospective application of IAS 19 Revised - see note 2S.

B. Post-employment Benefits:

(1) Defined Benefits Plans:

(a) General:

Retirement and Termination Benefits 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, who resigned, and the Chief Executive Officer, who also resigned, see paragraphs g and h 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 return of government bonds for the period calculated (as of December 31, 2012 – 0.94%).

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

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

	December 31	
	2 0 1 3	2 0 1 2
	%	%
Discount rate (*) (**)	4.65	4.42
Forecasted rates of salary increases (in real terms):		
Employees	3.00	3.00
Executives	Mainly 2.00	Mainly 2.00
Forecasted inflation rates	2.65	2.68
Rates of turnover:		
Employees (***)	1	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 returns 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 returns 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 approximately NIS 10 million. As of approval date of these financial statements, the issue is in the final stages of consideration by the Israel Securities Authority and the Israel Accounting Standards Board.

(**) The rate of return on plan assets is based on government bond returns for the term of obligation.

(***) This rate of turnover represents the Company's estimate of the turnover of employees who have at least 10 years of seniority. Employee turnover in the first ten years of employment is 3% (December 31, 2012 - 3.5%).

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(c) Sensitivity Analysis of the Main Actuarial Assumptions as of December 31, 2013:

The following sensitivity analysis has been prepared based on reasonably possible changes in actuarial assumptions at the end of the reporting period. The sensitivity analysis does not consider any existing interdependence between assumptions:

(1) If the discount rate was increased by 1 %, the defined benefit obligation would decrease by NIS 10,696 thousand. If the discount rate was reduced by 1 %, the defined benefit obligation would increase by NIS 12,781 thousand.

(2) If the rate of forecasted salary increases was increased by 1%, the defined benefit obligation would increase by NIS 12,047 thousand. If the rate of forecasted salary increases was decreased by 1 %, the defined benefit obligation would decrease by NIS 10,112 thousand.

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

	Year Ended December 31,		
	2 0 1 3	**(*) 2 0 1 2**	**(*) 2 0 1 1**
	NIS in thousands		
Opening balance	100,374	84,243	83,903
Current service cost	4,609	4,753	4,538
Interest cost	4,180	4,156	4,398
Actuarial losses (gains) in respect of re measurements:			
Arising from changes in financial assumptions	(1,484)	7,446	(6,581)
Arising from past experience	(253)	220	349
Arising from changes in demographic assumptions	879	-	-
Benefits paid in respect of severance compensation	(5,031)	(212)	(2,086)
Benefits paid in respect of pensions	(236)	(232)	(278)
Closing balance	103,038	100,374	84,243

* Retrospective application of IAS 19 Revised - see note 2S.

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

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

	Year Ended December 31,		
	2 0 1 3	(*) 2 0 1 2	(*) 2 0 1 1
	NIS in thousands		
Opening balance	81,019	73,037	69,217
Interest income from plan assets (**)	2,701	2,652	2,637
Actuarial gains (losses) in respect of the re-measurement of the return on plan assets	524	1,077	(2,196)
Deposits by the employer	4,071	4,462	5,065
Benefits paid	(4,967)	(209)	(1,686)
Closing balance	83,348	81,019	73,037

(*) Retrospective application of IAS 19 Revised - see note 2S.

(**) After a transfer of benefits totaling NIS 793 thousand in 2013, NIS 1,074 thousand in 2012 and NIS 1,144 thousand in 2011.

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

	Year Ended December 31,		
	2 0 1 3	2 0 1 2	2 0 1 1
	NIS in thousands		
Present value of funded obligations	101,400	98,641	82,454
Fair value of plan assets	(83,348)	(81,019)	(73,037)
	18,052	17,622	9,417
Present value of unfunded obligations	1,638	1,733	1,789
Net liability derived from obligation for defined benefits	19,690	19,355	11,206

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

B. Post-employment Benefits (Cont.):

(1) Defined Benefits Plan (Cont.):

(**g**) In July 2013, the Chairman of the Board (former) announced his resignation as Chairman of the Board of Directors of the Stock Exchange.

Under his employment agreement, the Chairman of the Board, is entitled upon completion of the term of his employment, to an additional retirement grant equal to his last monthly salary as Chief Executive Officer, for each year of employment at the Stock Exchange as Chief Executive Officer, in addition to current payments at rates accepted and deposited for him with executive insurance plans ("special retirement grant"). Similarly, the Chairman of the Board is entitled, under the employment agreement, to a special retirement leave of three months.

In January 2014, an agreement on the termination of employment was signed between the Stock Exchange and the outgoing Chairman of the Board, pursuant to which, the parties agreed on the terms of the termination of employment of the Chairman of the Board in accordance with his employment agreement. According to the termination of employment agreement, the employer-employee relationship will cease on November 30, 2013, and a final accounting will be made, pursuant to which, funds accrued on his behalf with the executive insurance plans, and the advanced fund, will be paid, along with a special retirement allowance, and a retirement vacation grant of three months' salary, early notice redemption, and a redemption of accrued vacation time.

The obligation for severance and retirement pay in the financial statements includes the full obligation for the employment termination agreement, as stated, and is classified under the liability for short-term employee benefits.

(h) In July 2013, the Chief Executive Officer announced that she would resign at the end of the year.

Under her employment agreement, the Chief Executive Officer, is entitled upon completion of the term of her employment, to an additional retirement grant equal to one salary for each year of employment at the Stock Exchange as Chief Executive Officer, in addition to current payments at rates accepted and deposited for her with executive insurance plans. Similarly, the Chief Executive Officer is entitled, under the employment agreement, to a special grant of three months' salary.

The obligation for severance and retirement pay in the financial statements includes the full obligation for the employment termination agreement, as stated, and is classified under the liability for short-term employee benefits.

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

B. Post-employment Benefits (Cont.):

(2) Defined Contribution Plans:

Plans in Respect of Retirement and Termination:

Company employees working under the terms of the special collective agreements, are covered by executive insurance plans, by a pension fund or by another provident fund. For some of these workers, the collective bargaining agreement between the Company and the employees' representatives of 2005 provides that pension provisions be in lieu of severance pay under Article 14 of Severance Pay Law, 1963. In addition, agreements with some of the holders of personal contracts, including an agreement with the incumbent Chief Executive Officer from January 1, 2014, states that the Company will operate under the general authorization regarding 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, Company severance payments for such employees, are in lieu of all severance payments for these employees, and no further accounting, upon employment termination, is made between the Company and the employee with respect to severance pay, and the Company is exempt from the payment of severance pay to these employees or to their survivors, all in accordance with Article 14 of Severance Pay Law, 1963. The total amount of expenses recognized in the profit or loss in respect of the defined contribution plans in the year ended December 31, 2013 amounted to NIS 1,463 thousand (2012 – NIS 1,472 thousand and 2011 – NIS 1,193 thousand).

C. Other Long Term Employee Benefits:

(1) Vacation:

In accordance with Annual Leave Law, 1951, Company employees are entitled to a number of paid vacation days for each year of employment. In accordance with said Law and a Schedule attached to the special collective agreement between the Company and representatives of the employees, the number of vacation days per year each employee is entitled to is determined according to the seniority of the employee.

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

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

The Company expects that unused vacation days at the end of the year when the service is rendered will not be fully utilized before 12 months from that date, and therefore the obligation for said, is measured as other non-current liabilities.

Regarding the presentation of liabilities in the Statement of Financial Position, and although this obligation is measured as a long term benefit, the liability for vacation pay is classified under current liabilities, under employee benefits, due to the fact that the Group does not have an unconditional right to defer settlement of the liability after 12 months from the end of the reporting period.

The main actuarial assumptions for vacation pay at the end of the reporting period are described in note 12 B (1) (b) above.

NOTE 12 - EMPLOYEE BENEFITS (CONT.):

C. Other Long Term Employee Benefits (Cont.):

(2) Seniority Grant:

Company employees customarily receive, seniority grants totaling between NIS 1 thousand and NIS 6 thousand, net as follows – NIS 1 thousand upon reaching seniority of 15 years, NIS 2 thousand upon reaching seniority of 20 years, NIS 3 thousand upon reaching seniority of 25 years and so on, and every five years thereafter up to a maximum grant NIS 6 thousand.

D. Termination Benefits:

Personal employment contracts of a group of senior employees entitle them, in certain circumstances of termination of employment, before the end of the employment agreement, to a grant in an amount equal to three months' salary. Regarding the accounting policies - see note 2Q above.

E. Short-term Employee Benefits:

Short-term employee benefits include, mainly, liabilities to employees in respect of salary and benefits in respect of grant payments.

(1) Compensation Model:

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 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 a Board resolution of June 12, 2014, the first review of the model was deferred until September 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 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.

(2) Related Parties:

For information regarding current liabilities for employee benefits granted to related parties, see note 18.

NOTE 13 - INCOME TAXES:

A. Deferred Tax Balances:

(1) Composition and Changes:

	Timing Differences			
	Financial Assets at Fair Value Through Profit or Loss	Property and Equipment (Including a Provision for Impairment)	Provisions (Mostly for Employee Benefits)	Total
	NIS in thousands			
Balance, January 1, 2012	(171)	(4,841)	* 6,320	1,308
Changes during the reporting period:				
Changes during the reporting period in profit or loss	(1,474)	(497)	* 643	(1,328)
Changes during the reporting period in other comprehensive income	-	-	* 1,652	1,652
Balance, December 31, 2012	(1,645)	(5,338)	* 8,615	1,632
Changes during the reporting period:				
Changes during the reporting period in profit or loss	189	23,898	799	24,886
Changes during the reporting period in other comprehensive income	-	-	(151)	(151)
Balance, December 31, 2013	(1,456)	18,560	9,263	26,367

* Retrospective application of IAS 19 Revised - see note 2S.

(2) Deferred Taxes are Reported in the Statements of Financial Position, as Follows:

	December 31	
	2 0 1 3	(*) 2 0 1 2
	NIS in thousands	
Deferred tax assets	27,371	2,631
Deferred tax liabilities	(1,004)	(999)
Total deferred taxes, net	26,367	1,632

* Retrospective application of IAS 19 Revised - see note 2S.

B. Timing Differences on Investments in Investees, Without Recognition of any Deferred Tax Liability:

	December 31,	
	2 0 1 3	2 0 1 2
	NIS in thousands	
Consolidated subsidiaries	87,919	81,330
Associate under voluntary liquidation	1,878	777
	89,797	82,107

NOTE 13 - INCOME TAXES (CONT.):

C. Income Tax Expenses Recognized in Profit or Loss:

	Year Ended December 31,		
	2013	2012	2011
	NIS in thousands		
Current taxes:			
Current taxes	6,381	* 6,660	* 14,762
Tax expenses (benefit) - prior years	(411)	58	(556)
Total current taxes	5,970	6,718	14,206
Deferred taxes:			
Deferred tax expenses (benefit) - recognition and reversal of temporary differences	(24,946)	1,328	(2,069)
Deferred tax adjustments further to changes in tax rates, to profit or loss	60	-	(626)
Deferred tax benefits - prior years	-	-	(344)
	(24,886)	1,328	(3,039)
Total tax expenses (benefit)	(18,916)	8,046	11,167

***** Retrospective application of IAS 19 Revised - see note 2S.

D. Taxes Relating to Components of Other Comprehensive Income:

	Amounts Before Tax	Effect of tax	Amounts After tax
	NIS in thousands		
Year Ended December 31, 2013:			
Actuarial gain (loss) with respect to the defined benefit plans	12,898	(3,418)	9,480
Year Ended December 31, 2012:			
Actuarial loss with respect to the defined benefit plans	14,280	(3,569)	10,711

NOTE 13 - INCOME TAXES (CONT.):

E. 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,		
	2013	**2012**	**2011**
	NIS in thousands		
Pre-tax income (loss)	(64,395)	* 33,908	* 57,437
Statutory tax rate	25%	25%	24%
Tax expenses, at statutory tax rate	(16,099)	8,477	13,784
Tax increase (savings) in respect of:			
Income liable to special tax rates	(66)	(265)	(605)
Changes arising from differences between tax laws and accounting principles	(2,617)	(442)	(818)
Non-deductible expenses	217	218	332
Taxes further to changes in tax rates	60	-	(626)
Taxes - prior years	(411)	58	(900)
Taxes, as reported in profit or loss	(18,916)	8,046	11,167

* Retrospective application of IAS 19 Revised - see note 2S.

F. Additional Information:

(1) Tax Assessments:

The Company has received tax assessments that are considered final up to and including the 2008 tax year.

The consolidated subsidiaries - the MAOF Clearing House Ltd. and the TASE Clearing House Ltd. have received tax assessments that are considered final up to and including the 2009 tax year.

(2) In August 2013, the "Arrangements Law", was published in the Government's "Reshumot" Official Gazette, raising, inter alia, the corporate tax rate, as of 2014 by 1.5% to 26.5%.

As a result of said legislation, there was an increase in the Group's deferred tax liabilities as of December 31, 2013 of NIS 60 thousand, which was charged to 2013 tax expense.
As a result of said legislation, there was an increase in the Company's deferred tax assets as of December 31, 2013 of NIS 214 thousand, which was charged to 2013 other comprehensive income.

NOTE 14 - CONTINGENT LIABILITIES:

A. Indemnification of Office Holders:

The TASE is under an obligation to indemnify office holders of the TASE, and the TASE-CH. The MAOF-CH is under an obligation to indemnify its office holders.

The total indemnity for all TASE office holders, an on the aggregate basis, based on all letters indemnities now or in future issued, in accordance with said obligation, in respect of one or more of the events detailed in said letters, shall not exceed USD 20 million, in total.

The total indemnity for all TASE-CH office holders, an on the aggregate basis, based on all letters of indemnities now or in future issued, in accordance with said obligation, in respect of one or more of the events detailed in said letters, shall not exceed NIS 50 million, in total.

The total indemnity for all MAOF-CH office holders, an on the aggregate basis, based on all letters of indemnities now or in future issued, in accordance with said obligation, in respect of one or more of the events detailed in said letters, shall not exceed NIS 75 million, in total.

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

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

B. Exemption from Liability Granted to Office Holders:

The TASE’s General Meeting resolved, subject to provisions of Companies Law, to relieve the TASE's directors and other office holders of liability for any damage caused or to be caused due to a breach of their duty of care to the TASE.

The TASE-CH's General Meeting resolved, subject to the provisions of Companies Law, to relieve the TASE-CH's directors and other office holders of liability for any damage caused or to be caused due to a breach of their duty of care to the TASE-CH.

The MAOF-CH's General Meeting resolved, subject to the provisions of Companies Law, to relieve the MAOF-CH's directors and other office holders of liability for any damage caused or to be caused due to a breach of their duty of care to 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 ("Nominee Company") claiming NIS 19 million, as of the date of filing the claim.

The claimant claimed, 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.

NOTE 14 - CONTINGENT LIABILITIES (CONT.):

C. (Cont.):

On June 6, 2014, a ruling in claim was rendered, and stated in essence, as follows:

(1) The defendants (the TASE, the TASE-CH and the Nominee Company) were negligent in connection with the events, the subject of the claim, for the reasons set forth by the Court.

(2) The Court rejected all damage calculations claimed by the claimant. Calculating the damage will be done in the manner specified in the judgment. Based on the initial calculation, it appears that the amount of compensation is approximately 42 "agorot" for each share.

(3) The claimant demanded compensation for approximately 12.39 million shares that were included in the schedule attached to the complaint ("List of Shareholders"). The Court accepted the position of defendants that the List of Shareholders presented by the claimant was not accurate and stated that the List of Shareholders entitled to claim, should be reduced. As stipulated, the claimant must convey for response by the defendants within 14 days, an updated List of Shareholders entitled to compensation.

(4) The defendants are responsible for the damage that can be compensated for, as stipulated by the judgment, jointly and severally.

(5) The defendants jointly and severally will bear the costs of the plaintiff in respect of the claim, totaling NIS 100 thousand.

The Group has full insurance coverage for this claim, and therefore the judgment has no effect on the profit or loss of the Group and its impact on the financial position of the Group is immaterial.

D. On September 3, 2012, A. Yeda Finansim Ltd. (“Applicant” or “Yeda Finansim”), filed a motion to approve a class action suit against the TASE with the District Court of Tel Aviv (Financial Department) ("Motion for Approval").

Within the Motion for Approval, it was alleged, in essence, 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 at NIS 129 million, in real terms.

The TASE filed its Response (Objection) to the Motion for Approval (“Response of the TASE”). In essence and inter alia, the Response of the TASE alleged that the TASE collects commissions from TASE members, but the Applicant is not a stock exchange, but rather a client of a TASE member, and it does not pay the minimum commission to the TASE- and therefore there is no rivalry between them. It is also claimed 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.

NOTE 14 - CONTINGENT LIABILITIES (CONT.):

D. (Cont.):

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. 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.

On March 10, 2014, the District Court rendered judgment, and rejected the application for approval of a class action, while ordering the plaintiff (Yeda Finansim) to pay costs. The judgment stated, inter alia, that for the payment of commissions, there are no agency relationship between Yeda Finansim and the Stock Exchange member, and therefore no contractual rivalry between Yeda Finansim and the Stock Exchange exists; that there are two separate relationships - one between the Stock Exchange and the Stock Exchange members, and the second between the Stock Exchange members and their customers; that if Yeda Finansim believed that commissions were collected from it, not in accordance with that agreed with it, it had to contact the Stock Exchange member and not the Stock Exchange itself; that there is no rivalry between the Stock Exchange and Yeda Finansim, even under the grounds of unjust enrichment and not under law; and it has not been proven, even at the level required by the Application for approval of a class action, that the Stock Exchange collects an unfair fee.

On May 14, 2014, legal counsel of the Stock Exchange received a notice of appeal filed by Yeda Finansim with the Supreme Court, which asked the Supreme Court to cancel the judgment of the District Court and to accept the request for approval, or, alternatively - to state that there is rivalry between the parties and to return the case to the District Court, all on the basis of reasons set out in an appeal.

In the TASE estimates, 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 of the appeal, and accordingly, no provision has been made in this regard in the financial statements as of December 31, 2013.

NOTE 14 - 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 (Financial Department).

The applicant claims, in essence, the clear illegality of the TASE's guidelines and tariffs attached thereto, with respect to commissions and other fees 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 commissions and fees 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 October 28, 2013, the Stock Exchange filed its response (objection) to the request, and argued, inter alia, and in essence, that the request for approval should be rejected outright on grounds of limitation and delay; a lack of personal cause and personal rivalry; a lack of cause under Class Action Law; and a lack of subject-matter jurisdiction. In addition, it was argued that the request for approval was without fundamental merit, inter alia, due to the fact that the TASE rules, which the applicant attacks, were approved by the Knesset Finance Committee (and by the Minister of Finance and the Securities Authority) - and according to the case law, in these circumstances, only in rare cases will the Court intervene; because the TASE rules regarding commissions are not a "copy" of the Securities Law, as alleged by the applicant; not just because the applicant's claims that the TASE Regulations include "preliminary arrangements" that should be included in the rules; because the division of labor between the TASE rules and regulations in relation to commissions, is proper, reasonable and warranted, in light of the dynamic nature of the capital market, and given the considerations of efficiency and expertise of the TASE and Securities Authority. In addition, it is argued, alternatively only - that even if there was any resistance (and there was not) to the cause of the request for approval - in any case there is no room to grant the requested relief, both because the TASE acted in reliance on the provision of law, within the protections relevant to this matter; because of "relatively void"; or alternatively - in any case the request is limited in time, to only two years. It was also argued that the claim is not appropriate for a class action.

On November 26, 2013, the TASE filed a notice, which included the position of the Securities Authority. In essence, it was noted that the Securities Authority noted in its position, inter alia, that, like the TASE, the Authority also believes that the cause of action underlying the request for approval is not correct. Also noted in the position of the Authority, inter alia, that the Authority believes that there was not any defect in the rules and regulations and the document entitled "Various Stock Exchange Fees" in connection with the commissions and fees that the TASE collects, and that the accreditation given in the rules to the TASE's Board of Directors does not deviate from the provisions of the law on which it relies.

On December 18, 2013, the Court decided to accept part of the request for disclosure and a review of the documents submitted by the applicant.
On January 29, 2014, the applicant filed its response to the TASE's response to the request for approval.
On March 10, 2014, an evidentiary hearing was held within the framework of the request for approval, and witnesses for the parties were questioned.
On May 8, 2014, the applicant submitted written summaries.

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, 2013.

NOTE 14 - CONTINGENT LIABILITIES (CONT.):

F. On July 17, 2013, the TASE received an application for approval of a class action, filed by an applicant (Eran Peter), with the Tel Aviv District Court (Financial Department).

In the application, the above claims, in essence, a prohibited collection of Value Added Tax by the TASE, which is derived from illegal registration (allegedly), as a "trader" as defined by Value Added Tax Law. According to the applicant, the real classification of the TASE should be as a financial institution or alternatively as a non-profit organization, in any case, not as a trader. According to the applicant, the artificial and unjustified classification (as alleged) of the TASE as a trader, entitles it to significant tax advantages. Within the framework of the claim attached to the application, which the Applicant wishes to have confirmed as a class action, the recovery of VAT, which was allegedly unlawfully, collected, amounts to NIS 360 million.

On January 2, 2014, the TASE filed a response (objection) to the request for approval; which argued, in essence, inter alia, that the request should be rejected outright on grounds of the lack of personal rivalry and lack of personal cause; for reasons of lack of rivalry towards the TASE which is just a "pipeline" to transfer the VAT to the tax authorities; reasons of lack of appropriate grounds under Class Action Law; reasons of obsolescence and delay, and in light of Article 6 of the Torts Ordinance (protection under "act by statute"). Furthermore, it was argued that the request for approval has no merit, inter alia, due to the classification of the TASE as a "trader" for VAT purposes is consistent with the provisions of the law, and there is nothing in the applicant's claim that the TASE should be classified as a financial institution or as a non-profit organization; even under the grounds of unjust enrichment and not under law; it is also argued, alternatively only - that even if there was resistance (and there is no resistance) to the cause of the request for approval - in any case there is no room to grant the requested relief - both because the TASE has acted in reliance on the provisions of law; and due to the cancellation of the decision of the Authority that an indirect attack (if any) should apply prospectively only; alternatively - in any case, the request is limited in time , to only two years. It was also argued that the claim is not appropriate for a class action.

The response (objection) by the TASE was supported by an expert opinion prepared by Mr. Moti Ayalon, former Head of Customs and VAT. Concurrent with the submission of the response (objection), the TASE filed a request to add the Income Tax Authority as a respondent.
On January 21, 2014, the District Court decided to add the Income Tax Authority as a respondent in the case.

On April 27, 2014, the State of Israel - Customs and VAT Division, filed its response to the request, arguing to reject the request for approval, inter alia, for reasons of lack of rivalry and lack of "locus standi" of the applicant, and on its merits, inter alia, as the classification of the TASE under VAT law and its registration with the Head of VAT as a trader "is the right and proper registration under law.

On April 29, 2014, a pretrial hearing in the case was held. At the end of the hearing, a decision was made, that up to May 11, 2014 the applicant's counsel has to inform the Court whether he wishes to continue with the request for approval or retract it. Further provided that if the applicant will request approval, a date for filing the response to the replies will be set, and afterwards a hearing on the merits of the application will be held, and if the applicant asks to rescind its request, it will be rejected, and the respondents will be able to express their opinion regarding costs.

On May 11, 2014, the applicant filed a notice and request, in which he declared that he is not withdrawing the class action motion. It was also noted that since the applicant has not ignored the comments made during the hearing (as well as those in the case of "Yeda Finansim", although the applicant disagrees with them), the applicant intends to submit an application to amend the statement of claim and request for approval. The main amendment relates to the request to convert the financial claim remedy to a declaratory judgment.

On May 12, 2014, the Court decided, that, at this point, and since a request to amend the application for approval has not been filed, the applicant must file a reply to the response within 40 days, and if the amendment request shall be filed - it is will be heard after it is submitted.

NOTE 14 - CONTINGENT LIABILITIES (CONT.):

F. (Cont.)

On June 11, 2014 a notice was filed along with an additional request by the applicant, wherein the applicant noted that in light of the comments of the Court at a hearing on April 29, 2014, and the Court's ruling regarding "Yeda Finansim" and in accordance with the recommendation of the Court, the applicant again seriously considered continuation of the proceeding; and asks to inform the Court that he intends to file within 7 days from the date of notice, a request to withdraw the request for approval and the class action request under Section 16 of the Class Action Law. The applicant stated that he believes that his claims included in the application and the class action are correct, but in light of the Court's comments, he decided to withdraw the application and claim. The applicant requested that the Court change its decision of May 11, 2014, so that the applicant will not submit his response to the response of the Income Tax Authority, and at this stage, the Court not render any decision on continuing with the case.

In the TASE estimates, 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 of the proceeding (as noted, the applicant stated that he is to make a request for leave) and accordingly, no provision has been made in this regard in the financial statements as of December 31, 2013.

G. In February 2013, The TASE received a request from the employees' committee for arbitration concerning a dispute regarding 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 arguments by representatives of the employees and details of their claims and collective agreement interpretation have not yet been filed.

NOTE 15 - ADDITIONAL INFORMATION - SERVICE REVENUE:

A. Major Customers:

Customer "A" accounted for 16% of total revenue in 2013, while customer "B" accounted for 12% (2012: customer "A" - 17% and customer "B" - 12%).

B. Composition of Revenue from Trading and Clearing Commissions:

	Year Ended December 31,		
	2013	2012	2011
	NIS in thousands		
Commissions for trading and clearing securities, excluding derivatives	105,693	97,062	110,639
Commissions for trading and clearing derivatives	28,833	32,378	48,291
	134,526	129,440	158,930

NOTE 16 - ADDITIONAL DETAILS - COST OF REVENUE:

A. Employee Benefit Expense:

	Year Ended December 31,		
	2013	2012	2011
	NIS in thousands		
Salary (including grants and severance payments)	124,590	111,249	109,726
Other non-current employee benefits	217	334	75
Defined contribution plan expenses	1,463	1,472	1,193
Defined benefit plan expenses	6,088	* 6,383	* 6,355
	132,358	119,438	117,349
Less - amounts capitalized - tangible and intangible assets - (see notes 9, 10)	(11,966)	(9,790)	(12,260)
	120,392	109,648	105,089

* Retrospective application of IAS 19 Revised - see note 2S.

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,		
	2013	2012	2011
	NIS in thousands		
Depreciation of property and equipment (see note 9)	10,561	10,936	9,728
Amortization of intangible assets and goodwill (see note 10)	13,633	12,051	9,878
Impairment of intangible assets	-	-	1,000
	24,194	22,987	20,606

NOTE 17 - FINANCING INCOME, NET:

Composition:

	Year Ended December 31,		
	2013	2012	2011
	NIS in thousands		
Financing expenses:			
Bank fees and commissions	(164)	(201)	(211)
Interest and CPI linkage expense - income tax	-	-	(142)
Other financing expenses	(311)	(24)	(71)
	(475)	(225)	(424)
Financing income:			
Net gain (loss) - financial assets held for trading	10,336	14,138	(1,489)
Interest income - short-term deposits	88	135	241
Interest and linkage income - income tax	257	474	-
Interest income - employee loans	47	75	62
	10,728	14,822	(1,186)
	10,253	14,597	(1,610)

NOTE 18 - INTERESTED PARTIES AND RELATED PARTIES:

A. Benefits to Interested Parties (*):

	Year Ended December 31,		
	2013	2012	2011
	NIS in thousands		
Short-term benefits	3,379	3,128	2,545
Post-employment benefits	277	441	817
Salary and related expenses - Chairman of the Board of Directors and CEO (**)	3,656	3,569	3,362
Number of beneficiaries	2	2	2
Benefits to the Interim Chairman of the Board of Directors	239	-	-
Remuneration to non-executive directors	1,349	944	939
Number of beneficiaries	5	6	6

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

(**) For information on the termination of the employment of the Chairman of the Board of Directors and of the Chief Executive Officer who served in their positions during 2013, see notes 12B (1)(g) and 12B (1)(h).

NOTE 18 - INTERESTED PARTIES AND RELATED PARTIES (CONT.):

B. Balances with Interested and Related Parties:

(1) Balances with Interested Parties:

	December 31, 2013	December 31, 2012
	NIS in thousands	
Under current assets (1)		
Cash and cash equivalents	11,402	10,907
Trade receivables (2)	4,302	4,672
Other receivables - associate	-	10
Other receivables - subsidiary (3)	1,413	237
Under current liabilities (1), (2)		
Other payables - MAOF-CH members	2	950
Other payables - TASE-CH members	5	17
Other payables - associate under voluntary liquidation	68	-
Other payables - subsidiary (3)	1	1

(1) See note 5, on receivables and payables for derivative open positions.

(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, 2013	December 31, 2012
NIS in thousands	
(*) 5,224	5,266

(*) Reported under short term employee benefits given the retirement of the Chairman of the Board of Directors and of the Chief Executive Officer - see notes 12 B(1)(g) and 12B (1)(h).

C. Transactions with Interested and Related Parties:

(1) Transactions with Interested Parties:

	Year Ended December 31, 2013	2012	2011
	NIS in thousands		
Service revenue	166,989	158,156	185,918
Cost of revenue - premium for providing collateral to the MAOF Risk Fund (*)	(349)	(4,212)	(11,535)
Financing income, net (**)	(134)	(327)	(263)

NOTE 18 - INTERESTED PARTIES AND RELATED PARTIES (CONT.)

C. Transactions with Interested and Related Parties (Cont.):

(1) Transactions with Interested Parties (Cont.):

(*) According to a March 2012 decision by the MAOF-CH, the premium paid to MAOF-CH members for the collateral deposited in the MAOF Risk Fund was reduced by 50% from 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,		
		2013	2012	2011
		NIS in thousands		
(a)	**Transactions with an associate:**			
	Rent to SOL - associate	3,298	3,424	3,359
(b)	**Transactions with subsidiaries** (*):			
	Participation in expenses by the MAOF-CH	26,517	25,794	28,203

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

TASE-CH revenue from clearing commissions is recorded in the TASE financial statements, while MAOF-CH revenue from derivatives trading and clearing commissions 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.

As agreed between the MAOF-CH and the TASE on June 12, 2014, the MAOF-CH does not share in the impairment loss in respect of the building under construction at the TASE, that recorded in the financial statements of the TASE, as noted in notes 3C and 9 (5).

NOTE 18 - INTERESTED PARTIES AND RELATED PARTIES (CONT.):

D. Additional Information on Transactions with Related Parties and Interested Parties: :

(1) TASE Resolutions on Providing a Credit Line 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 granted 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, and subject to that the total loan to the MAOF-CH and to the TASE-CH together, as above, will not exceed NIS 50 million, if the MAOF-CH will need said in order to meet its liabilities. It was also resolved to authorize Committee of the Board of Directors of TASE to determine when the loan will be granted 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 grant these loans. If needed, said loans will be granted if approved by the authorized committee's decision, as above.

(2) For information on indemnification of office holders and granting office holders an exemption from liability, see note 14.

(3) See note 6 D (2) (c) regarding an agreement with a financial institution.

NOTE 19 - 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 lien was registered on the securities now deposited or that will be deposited in the account, or on the proceeds from their sale and/or gains 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.

NOTE 20 - EVENTS AFTER REPORTING DATE:

On March 20, 2014, the TASE's Board of Directors approved the appointment of Mr. Amnon Neubach as Chairman of the Board of Directors of the TASE. Mr. Neubach took office in April 2014 and replaced Dr. Ron Malka (who had served as Acting Chairman of the Board of Directors of the TASE) and Mr. Saul Bronfeld, who resigned.

On October 31, 2013, the TASE's Board of Directors approved the appointment of Mr. Yossef Beinart as Chief Executive Officer of the TASE. Mr. Beinart took office in January 2014 and replaced Mrs. Ester Levanon, who resigned.

On February 6, 2014, the TASE's Board of Directors approved the appointment of Mr. David Deri as Senior Vice President, Administration and Finance of the TASE. Mr. Deri took office in May 2014 and replaced Mr. Yossef Treister, who resigned.