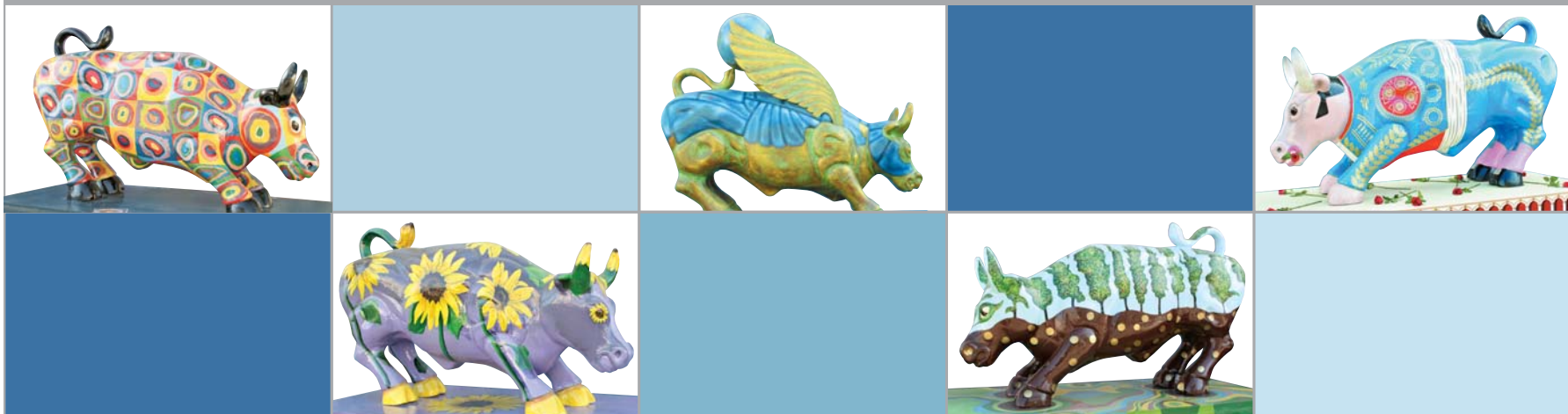


# Annual Review

2015



TEL-AVIV STOCK EXCHANGE

T E L - A V I V S T O C K E X C H A N G E

# Annual Review

2025



# The TASE in Numbers

In 2005, the TASE celebrated **70** years of securities trading in Israel • **90** statues of bulls were displayed in the Tel Aviv "City" area to mark the **70<sup>th</sup>** year anniversary • The Tel Aviv Stock Exchange was founded on December **1, 1953** • In **1960**, the TASE moved to independent premises in the Passage Building at **113** Allenby Street in Tel Aviv • In **1983**, the TASE moved to its permanent quarters at **54** Ahad Ha'am Street, Tel Aviv • The TASE operates **5** days a week, Sunday to Thursday, with trading from 8:30 AM to 5:30 PM • The first boom on the TASE - in **1959-1960** stock prices leaped **140%** • In **1968** the Securities Law was enacted and the Israel Securities Authority was established • **1982** was a peak year for stock exchange activity: stock prices rose by **85%** and the tide reached its peak • **1983** ended in a severe crisis; for the first time in its history, the TASE closed for two weeks and stock prices plummeted **70%** • On January **17, 1991**, the TASE closed for **3** days due to the Scud missile attack on Tel Aviv • In **1993**, a record year for issues, there were **285** share offerings, **186** by new companies • The TACT system was launched in **1997**, allowing continuous computerized securities trading for the first time in TASE history • In its first years, some **25** securities were traded at the Securities Exchange Bureau; **1,185** securities trade on the TASE today • **584** public companies trade on the TASE; **55** companies trade simultaneously on the TASE and on foreign exchanges • There are **26** TASE members, including **3** major international banks • On January **5, 2006**, a record turnover of **\$947** million was registered on the stock market, and a record trading volume of **790** thousand units was recorded in TA-25 index options • A record inflow of **\$2.1** billion from foreign investors entered the stock market in 2005 • **\$123** billion - the aggregate market value of all shares on the TASE • The largest company, Teva, has a market value of **\$28** billion • Teva began trading at the establishment of the TASE in **1953** • **\$580** million - the largest public offering in TASE history - the sale offer of Bank Hapoalim shares by the State in **2000** • **\$500** million - the largest rights issue in TASE history, by Discount Investments in **2005** • **\$80** billion - the value of all bonds on the TASE • Partner raised **\$460** million in the largest bonds issue on the TASE • **43** exchange-traded funds tracking stock and bond indices trade on the TASE • The TASE has **131** employees, of whom **87** are women; the average age is **40** • The youngest employee is **23** years old • The oldest is **63** • Saul Bronfeld, CEO of the TASE, joined the TASE in **1986** and became CEO in **1991**.



# The Heart of the Israeli Economy

## Professor Stanley Fischer, Governor of the Bank of Israel



**Seventy years of stock exchange activity in Israel are an anniversary worth celebrating, in view of the Israeli capital market's achievements over the years and its surprising resilience, time after time, in facing both domestic and external challenges. The Israeli capital market is an integral part of**

**the success story of Israel's economy – an open economy with an average annual growth rate of 6%, which has maintained relatively high growth even while coping with severe national security threats, and has successfully absorbed high level of immigration while maintaining a high standard of living and low inflation. The Israeli capital market is the core of the Israeli economy; at its center is the TASE, independent, high-quality, modern, and stable.**

Israel's securities market has tremendous growth potential. I am often proud to mention that of all the countries whose companies trade on Nasdaq, Israel is the second in terms of the number of companies listed, after the USA. It is impressive from the Israeli companies point of view; however, it also means that there is still plenty of room for growth on the TASE, so that companies will want to trade on the exchange instead of or in addition to listing in New York. There is no doubt that both the TASE's management and the regulators are interested in progress, and will achieve it.

The TASE operates in a dynamic intensive market that encourages foreign investments. It is no surprise that the rate of foreign investment in the capital market reached an all-time high last year. TASE indices' impressive yields over the last three years, with gains at a considerably higher rate compared to the Nasdaq index and to leading European indices, made their mark, as did the resilience demonstrated by the capital market relative to other

world markets. Global investors realized that an investment in the Israeli capital market is attractive, relatively safe, and most important from their point of view, provides a strong robust return.

The Israeli capital market cannot operate without an outstanding, dynamic private sector. While working at Citibank I had the opportunity to meet with leading Israeli businessmen. The Israeli business world is advancing onto the global stage. There are quite a few Israeli businessmen managing international businesses with great success, investing abroad, and taking advantage of the unlimited global economy. Israel's private sector began to thrive in the early 1990s. The private sector is the infrastructure underlying the Israeli economy's strength, but economic policy also served as an essential factor in its long-term growth. Our basic policy approach is integration into the global economy. Israel realized a long time ago that a small economy cannot grow without taking part in the world economy.

In it awareness of the global economic developments in Israel and in the global arena, the TASE has carried out quite a few reforms to facilitate both Israeli and international investors' entrance into the market. Over the last decade, the TASE has started to encourage Israeli companies that are leaders in pharmaceuticals and technology to list in Tel Aviv, in addition to their listing on stock exchanges abroad. I see dual-listing as an important tool for upgrading the Israeli capital market's global standing and making it a significant and integral part of the world's leading capital markets.

These macro-economic accomplishments are impressive, and have been achieved through a series of reforms, including comprehensive reforms in the capital markets, taxation, and the pension system. Privatization also has a vital role in the development of the economy and the capital market, as evidenced by the privatizations carried out via the TASE, in which the public can participate and enjoy equal opportunity to buy State assets.

To conclude, I would like to congratulate the TASE on its anniversary and I hope it will continue to flourish and thrive. The TASE's success is the success of the entire Israeli economy.



## 2005 on the TASE

**2005 was a good year for the Israeli economy, for public companies and for investors. It was also an encouraging finale to the seventh decade of securities trading in Israel.**

A third year of an upturn that coincided with the slowdown of the Intifada and the renewal of economic growth. Stock indices rose by more than 20%, completing an increase of some 130% over the last three years. Concurrently, share offerings and private placements increased, as did the number of public companies. These developments in the stock market were supported by the increasing stability of the geopolitical environment and the rapid growth of the Israeli economy, as well as bringing about a sharp decrease in the government deficit and in issues of government bonds in the local market, which facilitated an unprecedented growth in bond issues by the corporate sector.

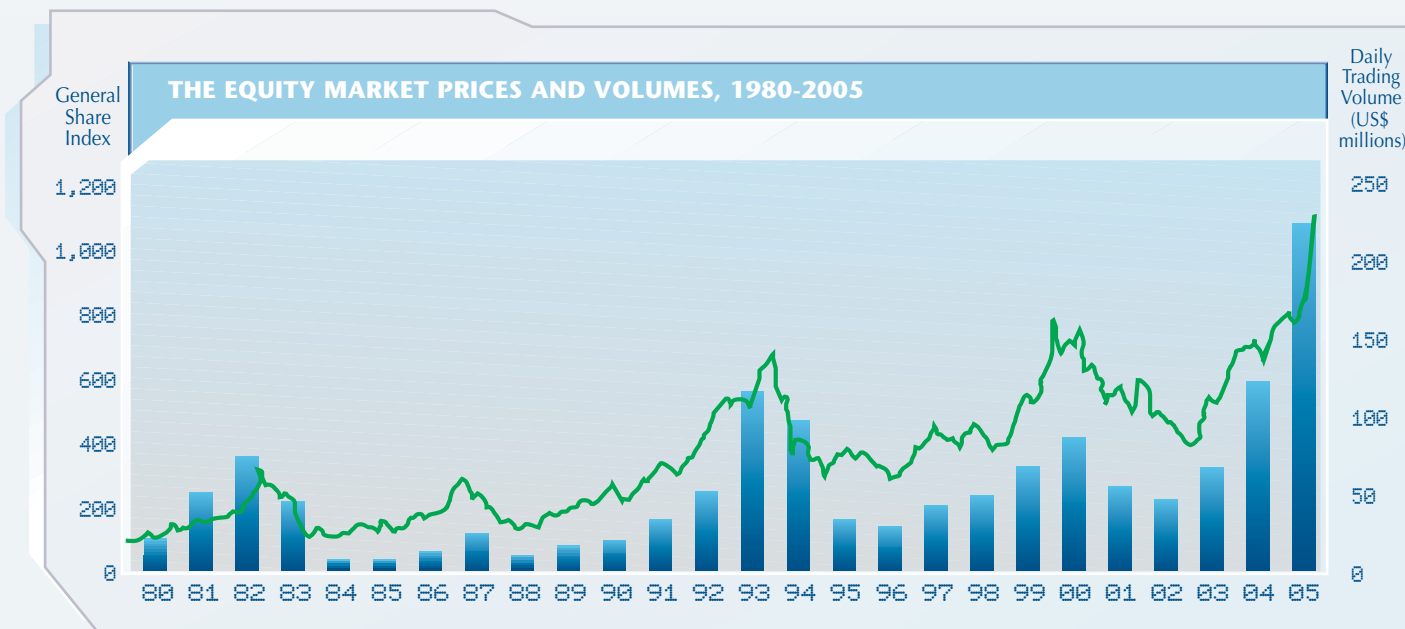
The positive market potential was not overlooked by overseas investors, and during 2005 there was a substantial increase in the flow of capital into the Israeli market, coinciding with the renewed interest in developing markets. This inflow and the increased activity of local institutional investors more than offset the outflow

of funds caused by the equalization of tax rates on capital gains in Israel and abroad.

In 2005 the TASE has celebrated 70 years of stock trading in Israel. Celebrations marking the event provided an opportunity to examine this year from a long-term perspective. Over the years the Israeli economy has become a hi-tech power with an advanced financial market at its core.

It is unnecessary to extend the comparison to 1935, when securities trading began. It is sufficient to revert 25 years back, to 1980, which represents the start of the modern era of the Israeli stock market.

The expansion of the stock market since 1980 took place alongside the development of an economy, which at first was plagued by high inflation and strong government intervention and became a stable, modern economy which integrates with international







markets. While the cyclical fluctuations in the Israeli stock market were quite large, as can be seen in the diagram above, the trend is clear and positive.

The growth of turnover in 2005 was facilitated by hard work and large investments that were made to upgrade the trading and clearing systems and increase their capacity. These measures enabled flawless operations on days when the volume of activity set all-time records.

Although ongoing matters in a boom year demanded a substantial amount of time and energy, progress was made in advancing a major strategic project: the reform in government bond trading. The TASE is a key partner in the creation of a computerized trading environment for primary dealers, together with the Finance Ministry and MTS. Its role in the project will include clearing trades performed on the MTS platform, operating a bond lending facility, supervision of market makers in Tel Aviv, dissemination of MTS trading data and providing various computer services. Furthermore, the TASE will launch Government bond futures in the second quarter of 2006 and shift the clearance and settlement to day T+1.

The primary dealers reform has other ramifications, notably the increased interest of international investment banks in the Israeli capital market. HSBC has become a member of the TASE and is the first foreign bank to become a Clearing House member as well. Discussions are currently underway with two additional major banks that expressed interest in becoming Exchange members. It is expected that the international banks joining the exchange will not limit their activity to Government bond trading but will expand the involvement of foreign investors in the Israeli market as a whole.

Another major development at the TASE was the unprecedented rise in issues of non-government bonds, brought about by an increased demand for fixed income investments and the reduction in government bond issues. Our long-awaited aspiration of reducing

the concentration in the long-term credit market started to materialize. The evolution of a meaningful corporate bond market, which started in 2004 and continued this year, demands a significant redeployment in the market, in order to serve the wide range of needs of both the issuers and the investors. First and foremost, ways must be found to improve the liquidity of the new bonds. The emerging willingness of TASE members to serve as market makers for shares and government bonds, raises the hope that market making will expand to corporate bonds.

The upheaval generated in 2005 following the rapid implementation of the Bachar Committee recommendations that forced the Israeli banks to sell their mutual funds and provident funds, will only be felt in the forthcoming years. At this stage, it is difficult to evaluate the ramifications of the changes in ownership and management of the provident and mutual funds, but it is obvious that competition will increase which is clearly beneficial to the capital market. The completion of the privatization of Israel Discount Bank and of Bank Leumi is likely to have a similar effect. As of 2006, the TASE will be obligated to serve and support the major changes in the financial system that took place in 2005.

Generally, the major reforms in the capital market over the past three years regarding pension funds, taxation, and ownership of provident and mutual funds already had a great influence on the market, which will increase in forthcoming years. The transition from earmarked and illiquid bonds and savings plans to tradable financial assets will undoubtedly continue. Simultaneously, new financial instruments such as index certificates, covered warrants and ETFs will increase the liquidity of the underlying assets.

The continued growth in prices and turnover in 2005 of all financial instruments and the evolution of a meaningful corporate bond market are based on long-range fundamental developments. Hence, we believe that we are looking forward to another year of an active and flourishing market.

**Saul Bronfeld**  
Managing Director

**Prof. Yair E. Orgler**  
Chairman of the  
Board of Directors



## The Markets in 2005

2005 was the third consecutive boom year in the Israeli capital market, characterized by rising share prices, record turnovers in equities and stock options, and record turnovers and an unprecedented volume of capital raised in the bonds market.

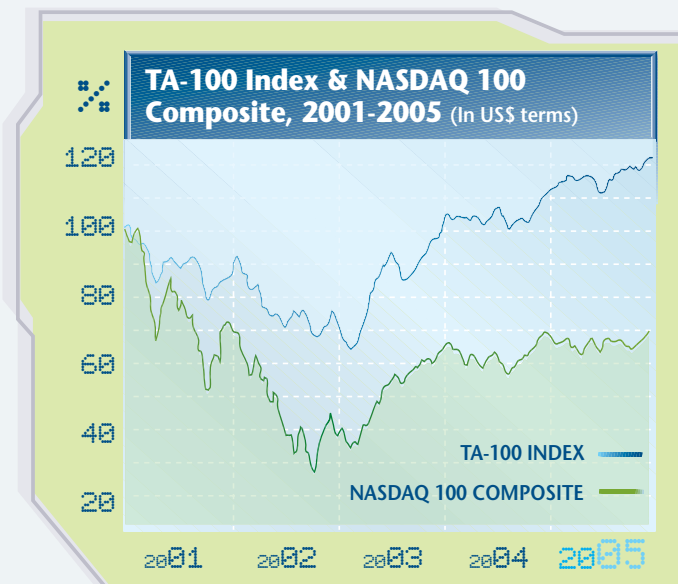
The peaks in the stock market were fueled by low interest rates, favorable macro-economic data, and completion of the disengagement process, all of which outweighed the negative effect of the global increase in the price of oil, fluctuations in the international stock markets, and the turmoil in the Israeli political arena. Foreign financial investors invested a record sum of \$2.1 billion in equities and privatization has accelerated.

An unprecedented volume of capital raising in the bonds market greatly contributed to the reduction of the domination of the banks and the Government in the long-term credit market. The corporate sector raised almost \$10 billion, more than twice as much as the previous year, following the decrease in issues by the Government.

## The Equity Market

The rise in share prices which started in October 2004 continued throughout 2005, and the general stock index rose by an annual total of 24%, thus completing an increase of 175% since the low of February 2003.

The equity market boom in 2005 was marked by selectivity, expressed by the returns attained by the various leading indices. The TA-25 index rose by 25% this year after **ICL, Israel Corp.**, and **Teva** shares rose by 50%-70%, together contributing 7% to the rise of the index. Small-cap shares included in the Yeter index also attracted investors and rose by 20%, and the medium-cap shares on the TA-75 index registered a measured increase of 11%, whereas the Yeter-30 index fell by 10%. The Tel-Tech index, influenced by the fluctuations on Nasdaq, dropped by 11% this year, after a steady increase of 180% in the previous two years.







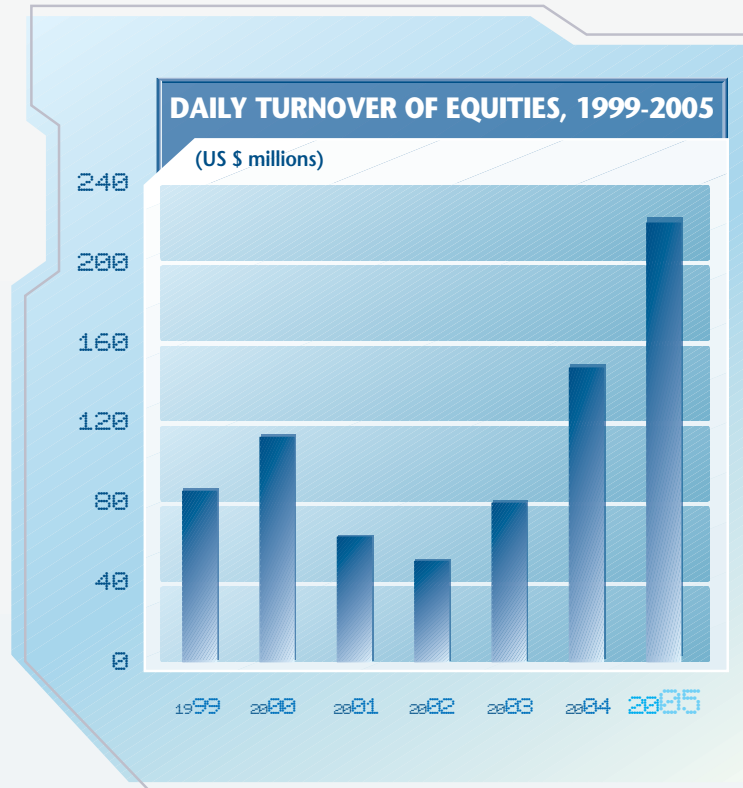
All sector indices registered an increase this year. Commercial banks were prominent with a rise of 45%, while insurance, commerce, and oil companies rose less than 10%.

As in the previous two years, the TA-25 index achieved substantially higher yields compared to most of the major western stock exchanges, which rose up to 10% in 2005.

The average daily turnover in equities reached an all-time record level of \$223 million - a 50% increase compared to the previous year, and 2.8 times higher than in 2003. The turnover of the large-cap TA-25 index shares comprised 63% of total equity trading, similar to last year.

Share offerings on the TASE increased, while capital raising by dual-listed companies on foreign stock exchanges declined. Funding in the equity market totaled \$3.2 billion, versus \$3.6 billion in the previous year.

A sharp increase was noted in share offerings to the Israeli public. A total amount of \$1.7 billion was raised - twice the



**TABLE 1** MAIN INDICATORS OF THE EQUITIES MARKET, 1996-2005

Year	Daily Turnover (US \$ millions)	Capital Raised <sup>(1)</sup> (US \$ billions)	Number of Listed companies	TA-100 Index % Change (US \$ terms)
1996	33	0.8	655	(2.4)
1997	59	2.2	659	26.8
1998	62	2.1	662	(12.4)
1999	86	1.5	654	62.7
2000	115	3.3	665	3.2
2001	64	1.3	649	(16.4)
2002	51	1.2	624	(30.6)
2003	80	0.7	577	73.9
2004	147	3.6	578	21.0
<b>2005</b>	<b>223</b>	<b>3.2</b>	<b>584</b>	<b>21.1</b>

<sup>(1)</sup>Including issues abroad of the dual-listed companies, private placements and exercise of warrants.



## Records and Highlights in 2005

- 21%-25% yearly increases in the leading indices - the TA-25, TA-100, and the general stock index - to record levels.
- \$223 million - average daily turnover in equities.
- On January 5, 2006, the day that Prime Minister **Mr. Ariel Sharon** was operated on, a record turnover of nearly one billion dollars was recorded.
- \$3.2 billion - total capital raised in the equity market in 2005.
- \$500 million - the largest rights issue in the history of TASE, executed by **Discount Investment**.
- \$720 million - balance of short positions in equity in July.
- \$2.1 billion - total investment by foreign financial investors in the Tel Aviv equity market in 2005.

amount raised in 2004. About a third of this figure, \$530 million, was raised by 24 new companies, versus \$370 million raised by a similar number of new companies in 2004.

Private placements of shares in the domestic market amounted to about **one** billion dollars in 2005, compared to \$705 million in the preceding year. Most notable was the \$425 million allocation by the U.S. company **Perrigo**, in exchange for **Agis** shares. Perrigo is the first company incorporated in the United States to dual-list on the TASE.

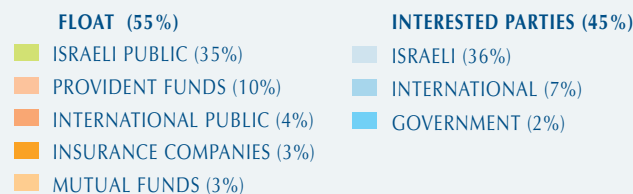
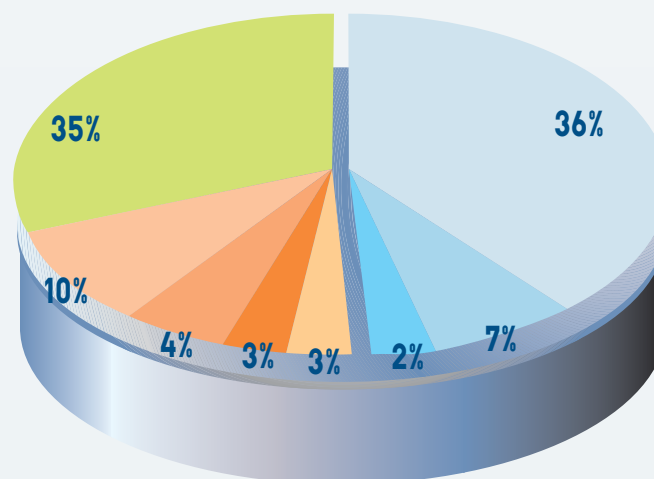
Another **\$0.5** billion were raised abroad by dual listed companies.

This year, interested parties continued to sell shares, at a value of \$1.1 billion, versus \$1.3 billion in the previous year, thereby contributing to increase float in the market, to 55% at year end - 3% higher than at the end of 2004.

The privatization of commercial banks and publicly traded government corporations was almost completed this year, with the sale of the controlling interest in **Bank Leumi**, **Israel Discount Bank**, and **Bezeq**. The State raised some \$2 billion through privatization in 2005, versus only \$140 million dollars in the previous year.

About one billion dollars were raised in the sale of 30% of the shares of **Bezeq** to the Apax fund, Haim Saban, and Mori Arkin; about \$0.5 billion by the sale of 10% of the shares of **Bank Leumi** to the U.S. investors group Cerberus-Gabriel; and \$0.5 billion by the sale of 10% of the shares of Bank Leumi to institutional investors. In addition, it is expected that \$0.3 billion will be received from the completion of the deal to sell the controlling interest in the **Israel Discount Bank** to the Bronfman-Schron group. The completion of this transaction will bring the total proceeds from privatizations executed this year to more than \$2 billion - an amount approaching the one raised from privatization in 1997, the year in which the control of Bank Hapoalim was sold.

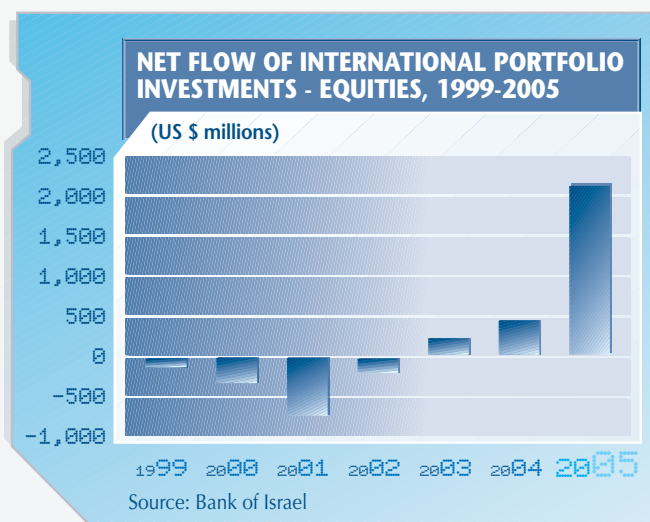
## BREAKDOWN OF SHARES OWNERSHIP ON TASE, 2005





The optimistic atmosphere in the economy can also be felt in the sharp increase in the demand for shares by foreign investors who are not interested parties. The inflow from this source was \$2.1 billion in 2005 - four times as much as in 2004, in which the majority of investments by foreign investors were made in the last quarter. At the end of 2005, foreign investors held 11% of the equity market, a 1% increase over last year.

Eight new companies dual-listed this year: **Internet Zahav**, **Perrigo** (an American company that merged with Agis), **Shamir Optical Industry**, **XTL**, **Tefron**, **TAT Technologies**, **Camtek**, and **Silicom**. This brings the total number of companies traded simultaneously in Israel and overseas to more than 50, of which 33 are newly dual-listed.



## Index Products

The index product market continued to develop, with 11 new certificates tracking stock indices issued this year. Seven certificates were issued on new local indices that were initiated by the TASE this year: the Real Estate-15, Finance-15, Yeter-30, and Maala index. Four ETFs were issued tracking additional international indices in India, East Europe, and South America. These joined the 10 certificates tracking most of the leading international indices which were issued last year. Altogether 39 certificates tracking stock indices are currently traded on the TASE.

The key role of certificates at the TASE was expressed by doubling the daily turnover of certificates tracking local indices this year. Overall, the turnover of index certificates reached 9% of the total in the equity market.

The value of public holdings in all certificates increased to \$1.3 billion in September 2005, compared to \$1.1 billion in December 2004, which constituted 15% of all certificates issued. About 85% of all certificates were held by subsidiary companies in order to sell them to the public in the future.

Concurrently with the development of the stock index certificates market, two additional certificates were issued this year: a series of commodities certificates, the first of its kind on the TASE, convertible to the value of the price of gold on the London Stock Exchange; and the first series of ETFs tracking the index of medium-term CPI-linked government bonds. It should be noted that at this stage the volume of activity for these certificates is low.

## Reverse Certificates and Short Selling

- During 2005, nine reverse certificates tracking Israeli and international stock indices were issued for the first time on the TASE, providing an alternative to short selling of shares comprising the index. Six of these are reverse certificates on the TA-25, TA-100, and TA-75, and three more track the U.S. stock indices Nasdaq 100 and S&P 500.
- The value of the public's holdings in reverse certificates reached \$110 million in September 2005.
- A further expression of the development and sophistication of the stock market is the sharp rise in the balance of short selling in equities, to an unprecedented sum of \$720 million in July, almost all of it in TA-25 shares.



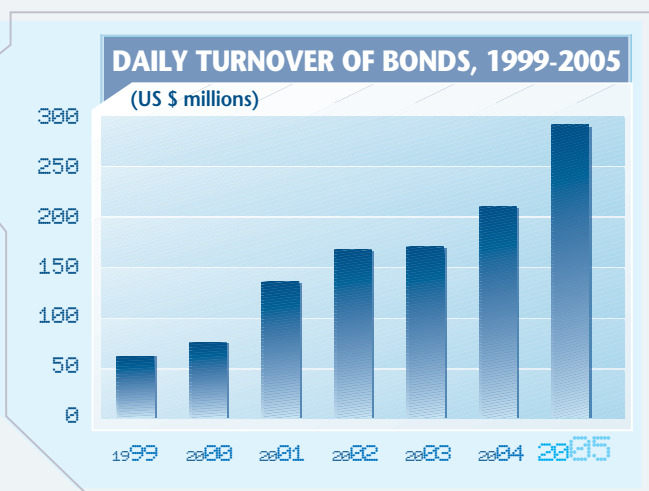
## The Fixed-Income Market

In 2005 the non-government bond market was characterized by numerous large issues, which were the conjunction between companies wanting to raise funds other than bank credit at reasonable interest rates, and the large demand for bonds on the part of institutional investors. The sharp reduction in government funding and the low interest rates enable companies to raise an unprecedented amount of \$10 billion via bonds, most of which are linked to the CPI.

Overall bond prices dropped by approximately one percent this year, after an increase of 7% in the previous year. Unlinked bonds dropped 1.4%. Foreign currency-linked bonds and CPI-linked bonds dropped by 0.7% and 0.2%, respectively.

The daily turnover in all bonds rose by 40% and reached a record sum of \$300 million. The daily turnover of non-government bonds this year jumped to three times last year's volume and reached \$50 million.

The decrease in bond issues by the Government in the domestic market continued in 2005, as a result of the reduction in the budget deficit and the issue of bonds in Europe. Government issues in the local market amounted to a gross of \$7.2 billion in 2005, versus \$8 billion and \$9.7 billion, respectively, in 2004 and 2003. Net capital raised by the Government in Tel Aviv this year, deducting redemptions, amounted to only \$1.2 billion - about a quarter of the capital raised in each of the preceding two years.



## Records and Highlights in 2005

- \$300 million - average daily turnover of all bonds in 2005.
- \$480 million - record turnover of all bonds on June 20, 2005.
- \$50 million - average daily turnover of non-government bonds.
- \$10 billion - funds raised by the corporate sector through bonds.
- \$460 million - largest issue of bonds on the TASE - carried out by **Partner**.
- \$1.2 billion - net government funding (a 70% decrease compared to 2004).

Capital raising through non-government bonds, not including issues and allocation to subsidiary companies, shot up to \$10 billion in 2005, compared with \$4.5 billion and \$2.6 billion in the two preceding years. As stated, the main increase was in corporate bonds linked to the CPI.

- \$5.2 billion were raised by issues and allocations of listed corporate bonds, most of them CPI-linked, more than three times the amount of the previous year. About one third of this amount was raised by the banking sector.
- Bonds totaling \$4 billion were issued and listed on the TASE within a special framework for issues and allocations designated exclusively for institutional investors.
- \$0.8 billion were raised by issues to the public of structured bonds and foreign currency-linked deposit certificates, versus \$0.5 billion in the previous year.



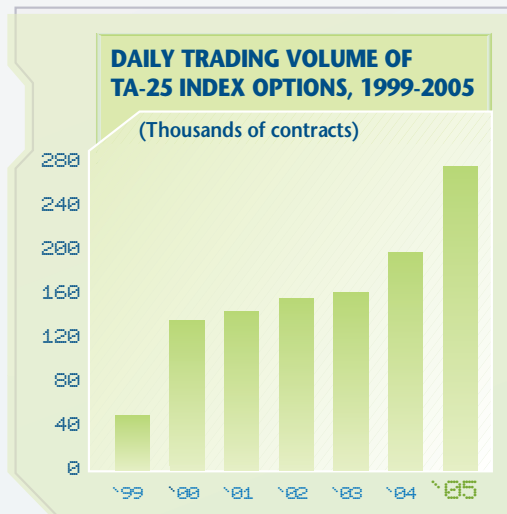




## Derivatives Market

Trading in TA-25 index options registered a sharp increase, in parallel to the brisk turnovers in the equity market. The average turnover reached a record of 250,000 contracts per day, higher by almost 65% than the turnover in the previous year. On January 5, 2006, the day Prime Minister **Mr. Ariel Sharon** fell ill, the highest turnover ever was reached, at 790,000 contracts.

Trading trade in dollar options was characterized by a high volatility this year. The annual daily average was 27,000 options - similar to the previous year's turnover.



**TABLE 2** TA-25 OPTIONS TRADING VOLUME, 1999-2005

Year	Daily Trading Volume (thousands of contracts)	Derivatives liquidity ratio <sup>(1)</sup>	Maximum no. of open interest contracts (thousands)
1999	45	417%	505
2000	109	855%	659
2001	110	1,000%	570
2002	118	1,059%	605
2003	120	806%	619
2004	153	859%	826
2005	258	1,140%	1,055

<sup>(1)</sup> The ratio between the trading volume of the TA-25 options, in the underlying asset terms, (delta-weighted, taking into account the probability that the options will be exercised) and the total turnover of the TA-25 shares.



# 70 YEARS of securities trading in Israel

The Tel Aviv Stock Exchange marked its 70<sup>th</sup> anniversary in a series of events, led by the Bulls Parade display on Rothschild Boulevard

## The Bulls Parade



Marking the TASE's 70th anniversary, CEO Mr. Saul Bronfeld grants a certificate of appreciation to Vice Prime Minister and Minister of Finance Mr. Ehud Olmert



Mr. Saul Bronfeld, Tel Aviv- Jaffa Mayor Mr. Ron Huldai, Prof. Yair Orgler, and Mrs. Ronit Harel Ben-Ze'ev

More than a million people in two months... (Friday morning at the Bulls Parade)







## Events at the TASE Visitors' Center



XTlBio dual-lists on the TASE (Prof. Yair Orgler, Mr. Ronen Kantor, Mr. Michael Weiss, Mr. Jonathan Burgin, and Mr. Saul Bronfeld)



NICE Systems enters the TA-25 index (Prof. Yair Orgler, Mr. Haim Shani, NICE Systems Chairman, and Mr. Saul Bronfeld)



Supersol celebrates 25 years on the TASE (Mr. Avraham Bigger, Supersol Chairman, Mr. Saul Bronfeld, and Mr. Effie Rosenhouse, Supersol CEO)



Mr. Moshe tery, ISA Chairman, receives a certificate of appreciation from Mr. Saul Bronfeld and Prof. Yair Orgler



Bulls at the TASE annual press conference



# SUMMARY OF SPECIAL ACTIVITIES

# 2005

## The TASE Celebrates 70 Years of securities trading

The TASE celebrated seventy years of stock exchange activity in Israel this year. The opening event was the “The Bulls Parade” display, in which life-size statues of bulls designed by young Israeli artists were placed all along Rothschild Boulevard in Tel Aviv. The project was carried out in cooperation with leading Israeli companies and TASE members, with each company designing a bull according to its values and vision. The project was launched in an event held on Rothschild Boulevard on November 29, attended by Tel-Aviv-Jaffa mayor, **Mr. Ron Huldai**, Israel Securities Authority Chairman, **Mr. Moshe tery**, and CEOs of the major companies. **Mrs. Ofra Strauss**, Chairman of the Strauss-Elite group, spoke on behalf of the TASE-listed companies and congratulated the TASE on its anniversary. “The Bulls Parade” display has generated a great deal of interest in Tel Aviv, and thousands of people throng the boulevard each weekend to enjoy the exhibit.

furthermore, the “TASE Journey Through Time” exhibition was launched at the TASE Visitors’ Center. The exhibition presents stock exchange activity in Israel from its early days in 1935, over the course of seventy years. Exhibits include original stock certificates, various items used in the trading arenas and pictures that tell the story of the TASE development.

The celebration of seventy years of stock exchange activity commemorates the establishment of the Securities Exchange Bureau at the Anglo-Palestine Bank (today Bank Leumi Le Israel) in 1935. The Exchange Bureau functioned as a small stock exchange, with some 25 securities traded for one hour each day, at a daily volume of several thousand lira (the currency of the period). Today, some 1,200 securities issued by 600 companies and by the Israeli government trade on the TASE, and the total daily turnover is over NIS 3 Billion.



The Tel Aviv Stock Exchange Bull



Getting Married at the “Bulls Parade”







## HSBC joins the TASE



Prof. Yair Orgler, Mr. Yehuda Levi, HSBC Israel CEO and Mr. Saul Bronfeld marking the membership of HSBC Bank at the TASE

HSBC Bank has joined the TASE and the TASE Clearing House as a member. HSBC is the first foreign bank operating on a full commercial basis to become a TASE member. The bank's membership is part of the expansion of its activity in Israel, aimed at enabling Israeli and international financial entities to operate through it. HSBC is operating a branch in Israel since

2001, offering a broad range of services: commercial banking, private banking, and investment banking.

HSBC is one of the world's largest international for banking and financial services groups. Based in London, the group operates more than 9,500 branches and representative offices in 79 countries.

## Reverse Certificates Start Trading on the TASE

An important step to expand the range of index-based investment products traded on the TASE was completed in 2005: for the first time, reverse certificates were issued on the leading TASE indices, the TA-25, TA-100, and TA-75, and the U.S. stock indices Nasdaq 100 and S&P 500.

Reverse certificates are financial instruments whose performance is opposite to the index of the underlying assets. They are used as an alternative to short selling or writing put options deep in the money (non-leveraged).



## Dual-Listing Expanded to London and the Nasdaq Small-Cap List

The Israel Securities Authority expanded the Dual-Listing Law in 2005 to companies traded on the London Stock Exchange Main Market as well as the Nasdaq Small Cap list (which recently changed its name to the Nasdaq Capital Market). At the inception of the change, the biotechnology company XTLbio, traded on the London Stock Exchange, listed on the TASE, as did several other companies, listed at the Nasdaq Capital Market.

The dual-listing Law allows a very simple process for listing on the TASE, based entirely on documents and reports that the companies submit in the USA or the UK.

The dual-listing law was enacted in October 2000, and over fifty companies now trade both on the TASE and on USA or UK stock markets, including 33 Israeli companies that were dual listed in Tel Aviv in accordance with the new law. The Dual-Listing Law widened the range of companies available to Israeli investors, and played a major role in bringing the market discipline of Wall Street to Tel Aviv.



XTLbio bull on Rothschild Boulevard

## The New Maala SRI Index



Prof. Yair Orgler, Mr. Moshe tery, ISA Chairman, Mrs. Galia Maor, Bank Leumi CEO, Mrs. Talia Aharoni, Maala CEO and Mr. Saul Bronfeld launching the new Maala SRI Index

In early 2005, the TASE launched the Tel-Aviv-Maala Index for Social Responsibility. The index includes the twenty highest-rated companies in the Maala social responsibility list which also fulfill the threshold conditions for the TA-100 index. The Maala (NGO), is a non-profit association of business firms leading social change in Israel.

Maala's rating criteria reflects the view that social responsibility in corporate management should take four key subjects into consideration: preserving the environment, work conditions and human rights, ethics, and community involvement.

The initiative to launch the index was originated by Maala and the TASE. The criteria for measuring social responsibility are examined and updated by a public committee of experts. Starting in 2006, the criteria will be implemented in collaboration with McKinsey consulting company, Ernst & Young accounting firm and the rating agency Maalot.







## London Investors' Convention

The TASE held two international investors conventions in London in 2005. After the Israel Opportunity 2005 convention on July 7 was cut short by the series of terrorist attacks in London, the TASE held another convention on September 13, attended by more than 200 UK institutional investors and heads of major companies.

Israel Ambassador to London, **Mr. Zvi Heifetz**, greeted convention

guests. Presentations were made by the Governor of the Bank of Israel, **Prof. Stanley Fischer**, Finance Ministry Director-General, **Dr. Yossi Bachar**, and CEOs of leading TASE companies. The convention is an important annual event aimed to strengthen the relationships between Israeli companies and global investors, who have become a highly significant element in the Israeli capital market.



Prof. Stanley Fischer, Governor of the Bank of Israel, September 2005



July 2005 - the convention was cut short due to the terrorist attacks in London

## IT Upgrading

The considerable increase in trading and clearing volumes in 2005 necessitated preparations for unprecedented workloads. As part of this deployment, the back office computers and the communication network computers were upgraded. Improvement of the various backup systems is in progress, both at the TASE premises and at the backup site.

In addition, a thorough examination of next-generation trading systems has begun in 2005.

The success of the upgrade is reflected in the absence of malfunctions in trading, clearing and dissemination of stock market data, even on days with record-breaking activity volumes.



## Enhancement of trading systems at the TASE

The TASE has decided to enhance its trading methods, following the recommendations of a joint committee appointed by the Chairman of the Israel Securities Authority (ISA). The following decisions were made:

### Upgrading TASE Indices

The TASE will continue to raise the threshold of public float required for inclusion in the indices.

The required public float rate for the TA-25 index will be raised from 20% to 22.5%, and the float value will be raised from NIS 400 million to NIS 500 million as of January 1, 2007. In addition, the cap of 9.5%, which represents the maximum weight of a single share in the TA-25 index, will be raised to 15%.

(Implementation of this decision is subject to an amendment of the regulations of the Joint Investment Trust Law, which currently prevent mutual funds from investing in a single share more than 10%).

### Extended Trading Hours

Trading hours will be extended to 5:30 PM, in order to increase the overlap in trading dual-listed shares on U.S. exchanges and the TASE. This decision will be implemented on February 1st, 2006.

### Update of Maintenance Rules

The threshold to the maintenance list will be raised in terms of the public float rate and public holdings. Further, companies will be delisted once two years have elapsed from the date of transfer to the maintenance list or from the date of suspension from trading (versus three years previously).

### Closing Auction

At the end of each trading day, a "closing auction" will be held for all shares in the same format as the opening phase. The end of the closing auction will be followed by an at-closing-price trading phase. This important change will improve the quality of closing prices.

### Special List for Low-Liquidity Shares

In 2006, a separate list will be established for low-liquidity shares, that will be traded twice daily via the auction system, at the start and at the end of each day and will no longer participate in the continuous trading phase throughout the day. Low-liquidity shares for which a market maker has been appointed will not be included in this list and will trade in all trading phases.



Mr. Moshe tery, ISA Chairman

## Market Makers – Now on the TASE

The TASE is joining the world's leading stock exchanges given the recent ISA decision to allow market making in equities, bonds and derivatives. The TASE encourages market making and has integrated tools into the Tel Aviv

Continuous Trading System (TACT) that monitor market makers. In the four months since the process began, market makers were appointed for ten shares and many more are in the pipeline.





## The Reform in the Government Bond Market

The Ministry of Finance has decided to establish an inter-dealer system for trading Government bonds and has chosen the MTS platform for this purpose. The TASE will collaborate in the implementation of the platform in several key areas:

### Clearing MTS transactions

Transactions executed on the MTS system will be cleared by the TASE Clearing House, that will also operate a repo facility, through which the Ministry will lend bonds to the primary market makers. The TASE will also disseminate trading data from the system, and will provide additional services to MTS and to the primary dealers.

### Bond Futures

New futures on unlinked Government bonds will allow investors to hedge risks stemming from fluctuations in the medium and long-term interest rates. The futures will serve as an efficient tool for institutional investors and primary dealers who are interested in obtaining quick, low-cost exposure to the bond market by buying (or writing) futures instead of direct purchase (or sale) of the bonds themselves.

### Clearing on day T+1

The TASE is preparing for the transition to clearing Government bonds on day T+1. Clearing on day T+1 is prevalent on global bond markets and is more convenient for international entities trading these bonds and it will also reduce risk for the Clearing House.

## New Rules to Facilitate Listing by R&D Companies

In order to attract new Hi-Tech firms to list their shares on the Tel Aviv Stock Exchange at a relatively early stage, new rules to facilitate listing by R&D companies were adopted in four key areas:

- The definition of R&D companies has been broadened.
- The minimal number of shareholders at the IPO has been reduced to 35.
- The minimum float requirement at the IPO has been reduced to 10%.
- The minimum requirement of shares bought by an institutional investor at the IPO has been reduced to 400,000 NIS.

Since the rules were adopted 7 new R&D companies listed at the TASE.



## THE BOARD OF DIRECTORS

### CHAIRMAN

- Prof. Yair E. Orgler

### NOMINATED DIRECTORS

• Shuky Abramovitz		Clal Finance Batucha
• Zeev Gutman	• Yoram Sirkis	The First International Bank
• Dov Gilboa	• Eli Avraham	Bank Leumi Le-Israel
• Eli Bihari	• Zeev Milbauer	The Central Co./ IBI
• Yossi Nitzani	• Rami Tarom	Mizrahi Tefahot Bank
• Yacov Rozen	• Dror Nagel	Bank Hapoalim
• Dr. Akiva Sternberg	• Efraim Avraham	Union Bank of Israel

### OUTSIDE DIRECTORS

- Yoram Alster
  - Gil Bianco
  - Gittit Guberman
  - Prof. Simon Benninga
  - Yossi Shachak
- |                         |                |                     |
|-------------------------|----------------|---------------------|
| • Nissim Cohen          |                | Ministry of Finance |
| • Dr. Akiva Offenbacher | • Eddy Azoulay | Bank of Israel      |

- Saul Bronfeld

## TASE MANAGEMENT

- **Saul Bronfeld** - Managing Director
- **Ester Levanon** - Executive Vice President, IT & Operations Department
- **Ronit Harel Ben-Ze'ev** - Senior Vice President, Listing & Economic Department
- **Yosi Levi** - Senior Vice President, Membership & Surveillance Department; Human Resources Department
- **Hagit Neeman** - Senior Vice President, General Counsel and Corporate Secretary
- **Dror Shalit** - Senior Vice President, Trading and Clearing Department
- **Yoni Shemesh** - Senior Vice President, IT & Operations Department
- **Yossi Treister** - Senior Vice President, Administration Department

## TASE MEMBERS

### BANKS

- Bank Hapoalim
- Bank Leumi Le-Israel
- Bank of Israel
- Bank of Jerusalem
- Bank Otsar Ha-Hayal
- HSBC Bank
- Israel Discount Bank
- Mercantile Discount Bank
- Mizrahi Tefahot Bank
- The First International Bank of Israel
- UBank
- Union Bank of Israel

### BROKERAGE FIRMS

- Analyst Exchange & Trading Services
- Clal Finance Batucha Investment Management
- Deutsche Securities Israel
- Direct Investments House (Portfolio Management)
- DS Securities & Investment
- Gaon Investment House
- Harel Investment House
- Israel Brokerage and Investments I.B.I
- Excellence Nessuah Brokerage Services
- Poalim Sahar
- Psagot Ofek Investment House
- Solomon Capital Markets
- The Central Co. Stock Exchange Services (N.E.)
- UBS Securities Israel

**TABLE 3****TA-25 INDEX COMPANIES -  
JANUARY 1, 2006**

Security name	Market capitalization (US \$ millions)	Weighting*
1. Teva	28,037	9.50%
2. Bank Hapoalim	5,843	9.50%
3. Bank Leumi	5,423	9.50%
4. Israel Chemicals	4,996	9.50%
5. Bezeq	3,342	6.74%
6. Israel Corporation	2,829	5.72%
7. Makhteshim-Agan	2,552	5.16%
8. Bank Discount	1,832	3.71%
9. IDB Development	1,676	3.39%
10. Africa	1,644	3.32%
11. Delek Group	1,564	3.16%
12. Migdal Insurance	1,479	2.99%
13. Perrigo	1,406	2.84%
14. Discount Investment	1,309	2.65%
15. Partner	1,282	2.59%
16. Mizrahi Tefahot	1,259	2.55%
17. Nice	1,130	2.29%
18. Clal Insurance	1,076	2.18%
19. Elbit Systems	1,012	2.05%
20. Harel Insurance	954	1.93%
21. Strauss-Elite	933	1.89%
22. Koor	888	1.80%
23. IDB Holdings	850	1.72%
24. Clal Industries	824	1.67%
25. Osem	818	1.65%
<b>TOTAL</b>	<b>74,958</b>	<b>100.00%</b>

\*Weighting is adjusted according to the 9.5% cap.

**TABLE 4****MOST ACTIVELY  
TRADED SHARES, 2005**

Security name	Daily turnover (US \$ thousands)
1. Bank Hapoalim	18,231
2. Teva	16,459
3. Bank Leumi	16,121
4. Israel Chemicals	11,066
5. Makhteshim-Agan	9,155
6. Bezeq	7,011
7. IDB Development	4,693
8. Israel Corporation	4,422
9. Mizrahi Tefahot	4,208
10. Bank Discount	4,181
11. Africa	3,194
12. Discount Investment	3,164
13. Koor	2,946
14. Partner	2,659
15. Ormat	2,598
16. Elbit Systems	2,565
17. Lipman	2,478
18. Migdal Insurance	2,316
19. Delek Group	2,308
20. IDB Holdings	2,259
21. Clal Insurance	2,208
22. Nice	2,054
23. Clal Industries	1,897
24. Perrigo	1,823
25. Harel Insurance	1,637
<b>TOTAL</b>	<b>131,653</b>

**66% OF TOTAL TURNOVER**





**TABLE 5 CAPITAL RAISED BY SECURITY TYPES, 1996-2005 (US \$ millions)**

Year	Shares & convertibles <sup>(1)</sup>		Government Bonds - Net	Non Government Bonds <sup>(2)</sup>
	Israel	Abroad		
1996	400	360	576	15
1997	1,924	234	-1,605	356
1998	2,011	105	-618	592
1999	1,287	217	-456	383
2000	3,295	25	-2,062	67
2001	1,327	0	3,112	713
2002	1,206	0	4,932	1,358
2003	746	0	4,196	2,557
2004	1,582	2,054	4,150	4,496
2005	2,748	465	1,208	10,060
<b>Change in 2005</b>	<b>74%</b>	<b>(77%)</b>	<b>(71%)</b>	<b>124%</b>

<sup>(1)</sup> Including direct offers, private placements, exercise of warrants and issues of dual-listed companies floated in the U.S and Europe.  
<sup>(2)</sup> Including issues to institutionals.

**TABLE 6 DAILY TURNOVER<sup>(1)</sup>, 1996-2005 (US \$ millions)**

Year	Shares & convertibles	Bonds	Treasury Bills	Total
1996	33	56	35	124
1997	59	55	27	141
1998	62	78	37	177
1999	86	63	39	188
2000	115	74	48	237
2001	64	131	50	245
2002	51	159	78	288
2003	80	160	107	347
2004	147	214	140	501
2005	223	298	151	672
<b>Change in 2005</b>	<b>52%</b>	<b>39%</b>	<b>8%</b>	<b>34%</b>

<sup>(1)</sup> Including off-the-floor transactions.

**TABLE 7 MARKET CAPITALIZATION OF LISTED SECURITIES, 1996-2005 (US \$ billions)**

Year	Shares & convertibles	Bonds	Treasury Bills	Total
1996	35.9	40.7	5.4	82.0
1997	46.4	40.9	5.9	93.2
1998	40.9	37.4	5.8	84.1
1999	65.4	39.7	5.6	110.7
2000	66.8	41.4	7.2	115.4
2001	57.6	44.0	7.1	108.7
2002	42.6	45.0	8.9	96.5
2003	70.4	57.6	12.7	140.7
2004	92.1	69.5	17.5	179.1
<b>2005</b>	<b>122.6</b>	<b>79.7</b>	<b>18.9</b>	<b>221.2</b>





**TABLE 8** ANNUAL YIELDS OF THE EQUITY INDEXES 1996-2005 (in US \$ terms)

Year	General Share Index	TA-25	TA-100	Other Shares	Tel-tech
1996	(4.5)	(2.1)	(2.4)	(8.9)	-
1997	24.3	27.5	26.8	17.9	-
1998	(12.4)	(13.8)	(12.4)	(12.1)	-
1999	64.7	57.5	62.7	73.4	150.5
2000	3.1	7.3	3.2	(4.1)	(31.3)
2001	(14.6)	(17.0)	(16.4)	(6.6)	(33.9)
2002	(25.3)	(32.2)	(30.6)	(25.3)	(42.9)
2003	68.1	63.3	73.9	60.7	138.1
2004	19.5	24.6	21.0	33.8	17.9
<b>2005</b>	<b>24.3</b>	<b>24.7</b>	<b>21.1</b>	<b>19.5</b>	<b>(10.9)</b>

**TABLE 9** ANNUAL YIELDS OF THE BOND INDEXES, 1996-2005 (in US \$ terms)

Year	General Bond Index	CPI Linked Bonds	Non Linked Bonds	Dollar Linked Bonds
1996	9.1	9.5	12.8	6.2
1997	3.3	2.4	7.0	4.3
1998	(7.2)	(8.8)	(5.2)	3.4
1999	6.5	4.9	14.0	4.2
2000	7.4	5.0	15.1	5.9
2001	3.6	5.3	0.7	3.0
2002	(6.7)	(6.0)	(9.0)	0.8
2003	22.9	19.5	29.5	3.0
2004	7.1	7.3	7.3	2.3
<b>2005</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>(1.4)</b>	<b>(0.7)</b>



## MAIN INDICATORS 2003-2005

THE TEL-AVIV STOCK EXCHANGE			
	2003	2004	2005
<b>ANNUAL DOLLAR YIELD</b>			
TA-25 Index	63.3%	24.6%	24.7%
TA-100 Index	73.9%	21.0%	21.1%
Tel-tech Index	138.1%	17.9%	(10.9%)
General Share Index	68.1%	19.5%	24.3%
General Bond Index	22.9%	7.1%	(0.9%)
<b>DAILY TURNOVER (US \$ millions)</b>			
Shares and Convertibles	80	147	223
Bonds	160	214	298
Treasury Bills	107	140	151
TA-25 Index Options (thousands of contracts)	120	153	258
Dollar Option (thousands of contracts)	34	24	27
<b>CAPITAL RAISED (US \$ billions)</b>			
Shares and Convertibles	0.7	3.6	3.2
Government Bonds - Net	4.2	4.1	1.2
Non Government Bonds	2.6	4.5	10.1
Thereof: Issues to Institutionals	1.5	2.3	4.0
<b>MARKET CAPITALIZATION (US \$ billions)</b>			
Shares and Convertibles	70.4	92.1	122.6
Government Bonds	52.5	58.7	56.8
Non Government Bonds	5.1	10.8	22.9
Treasury Bills	12.7	17.5	18.9
<b>NUMBER OF LISTED COMPANIES</b>	<b>577</b>	<b>578</b>	<b>584</b>
<b>MAJOR WORLD STOCK EXCHANGES' INDEXES</b>			
	2003	2004	2005
DOW-JONES Index	25.3%	3.1%	(0.6%)
NASDAQ 100 Index	50.5%	8.6%	1.5%
FTSE 100 Index	26.4%	15.7%	4.4%
DAX Index	64.8%	16.1%	10.2%
NIKKEI 225 Index	38.1%	12.2%	22.5%
MSCI EM index	57.1%	26.7%	28.5%
<b>TA-25 index</b>	<b>63.3%</b>	<b>24.6%</b>	<b>24.7%</b>





## TASE MEMBERS - CONTACTS FOR INTERNATIONAL INVESTORS

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Bank of Israel	Roy Stein	3-5640604	3-5640628	roy_s@boi.gov.il	www.bankisrael.gov.il
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UBank	Joseph Zelnik	3-5645222	3- 5645234	jzelnik@u-bank.net	www.u-bank.net
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DS Securities & Investment	Daniel Dilevsky	3-6843355	3-6843330	danny@ds-invest.co.il	www.ds-invest.co.il
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